

# MANAGEMENT'S STATEMENT AND AUDITORS' REPORTS

## MANAGEMENT'S STATEMENT ON THE ANNUAL REPORT

The Supervisory and Executive Boards have today reviewed and adopted the 2010 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 2010 and of the results of the Group's and the Parent Company's operations and cash flows for the 2010 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, 9 February 2011

## EXECUTIVE BOARD



Lasse Nyby

Chief Executive Officer



John Lundsgaard  
Managing Director



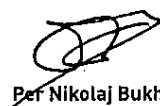
Lars Møller  
Managing Director

## SUPERVISORY BOARD



Torben Fristrup

Chairman of the Supervisory Board



Per Nikolaj Bukh  
Deputy Chairman  
of the Supervisory Board



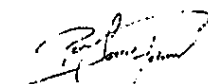
Jan Høholt Jensen  
Elected by the employees



Niels Kristian Kirketerp



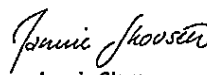
Carsten Normann



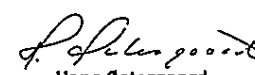
Per Søndergaard Pedersen



Ole Skov  
Elected by the employees



Jannie Skovsen  
Elected by the employees



Hans Østergaard

## REPORT BY THE INTERNAL AUDIT DEPARTMENT

We have audited the Consolidated Financial Statements and the Financial Statements of Spar Nord Bank A/S for the financial year 2010, pp. 52-124. The Consolidated Financial Statements and the Parent Company's Financial Statements comprise the income statement, balance sheet, statement of changes in equity, cash flow statement and notes for the Group and the Parent Company, as well as the statement of comprehensive income for the Group.

The Consolidated Financial Statements have been presented according to the International Financial Reporting Standards as adopted by the EU, and the Financial Statements of the Parent Company have been presented according to the Danish Financial Business Act. Moreover, the Consolidated Financial Statements and the Parent Company's Financial Statements are presented in accordance with additional Danish disclosure requirements for listed financial institutions.

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 and financial groups and in accordance with Danish Auditing Standards. Pursuant to these standards we must plan and perform our audit to obtain reasonable assurance that the Consolidated Financial Statements and the Annual Report 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, based on an evaluation of materiality and risk. Our examination included a test of data supporting the amounts and disclosures in the Financial Statements. Our audit has also included making an evaluation of the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating 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 2010 and of the results of the Group's and the Parent Company's operations and cash flows for the 2010 financial year in accordance with the International Financial Reporting Standards, as adopted by the EU, in respect of the Consolidated Financial Statements, in accordance with the Danish Financial Business Act in respect of the Parent Company's Financial Statements and moreover in accordance with additional Danish disclosure requirements for listed financial institutions.

### Statement on the Management's review

In addition, Management is responsible for preparing a Management's review, which contains a fair presentation in compliance with the Danish Financial Business Act.

Our audit did not include the Management's review, but as required by 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, 9 February 2011

Spar Nord Bank A/S  
Internal Audit Department

*Margit Nicolajsen*

Margit Nicolajsen  
Head of Internal Audit Department

## INDEPENDENT AUDITORS' REPORT

To the shareholders of Spar Nord Bank A/S

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 2010, pp. 52–124. The Consolidated Financial Statements and the Parent Company's Financial Statements comprise the income statement, balance sheet, statement of changes in equity, cash flow statement and notes for the Group and the Parent Company, as well as the statement of comprehensive income for the Group. 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 and the Parent Company's Financial Statements have been prepared in accordance with additional Danish disclosure requirements for listed financial institutions.

In addition to our audit, we have read the Management's review prepared in accordance with Danish disclosure requirements for listed financial institutions and issued a statement in this regard.

### Management's Responsibility

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 additional Danish disclosure requirements for listed financial institutions. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Consolidated Financial Statements and Parent Company Financial Statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. Further, it is the responsibility of Management to prepare a Management's review that gives a fair review in accordance with Danish disclosure requirements for listed financial institutions.

### 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 conducted our audit in accordance with Danish Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the 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 procedures to obtain audit evidence about the amounts and disclosures in the Consolidated Financial Statements and the Parent Company's Financial Statements.

The 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 in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating 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 2010 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January – 31 December 2010 in accordance with International Financial Reporting Standards, as adopted by the EU, 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 and moreover in accordance with additional Danish disclosure requirements for listed financial institutions.

### 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.

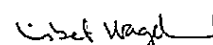
Aalborg, 9 February 2011

KPMG

Statsautoriseret Revisionspartnerselskab



Torben Bender  
State-authorized  
Public Accountant



Lisbet Kragelund  
State-authorized  
Public Accountant



# FINANCIAL STATEMENTS

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

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NOTE **INCOME STATEMENT**

	Spar Nord Bank A/S The Group 2010 DKK m	Spar Nord Bank A/S The Group 2009 DKK m	Spar Nord Bank A/S Parent Company 2010 DKK m	Spar Nord Bank A/S Parent Company 2009 DKK m
4 Interest income	2,395.9	2,900.3	2,226.3	2,739.6
5 Interest expenses	788.1	1,134.3	787.5	1,129.5
<b>Net Interest Income</b>	<b>1,607.8</b>	<b>1,766.0</b>	<b>1,438.8</b>	<b>1,610.1</b>
6 Dividends on shares, etc.	13.0	19.7	13.0	19.7
7+9 Fees, charges and commissions received	574.2	490.4	567.1	483.7
8+9 Fees, charges and commissions paid	68.6	73.6	68.6	73.6
<b>Net Income from interest, fees, charges and commissions</b>	<b>2,126.4</b>	<b>2,202.5</b>	<b>1,950.3</b>	<b>2,039.9</b>
10 Market-value adjustments	235.1	305.2	237.7	318.3
12 Other operating income	132.4	99.8	48.1	42.1
13+14+15 Staff costs and administrative expenses	1,504.1	1,500.5	1,410.7	1,408.6
16 Depreciation, amortization and impairment of intangible assets and property, plant and equipment	125.2	111.6	62.8	63.9
17 Other operating expenses	221.9	176.0	216.0	172.6
18+36+52 Impairment of loans, advances and receivables, etc.	550.2	691.8	449.9	575.1
19 Profit/loss on equity investments in associates and group enterprises	40.5	17.1	37.8	-24.5
<b>Profit/loss before tax</b>	<b>133.0</b>	<b>144.7</b>	<b>134.5</b>	<b>155.6</b>
20 Tax	28.0	27.2	28.5	38.1
<b>Profit/loss for the year</b>	<b>105.0</b>	<b>117.5</b>	<b>106.0</b>	<b>117.5</b>

**PROPOSAL FOR DISTRIBUTION OF NET PROFIT**

Profit/loss for the year	106.0	117.5
<b>Total available for distribution</b>	<b>106.0</b>	<b>117.5</b>
Dividend distribution - DKK 0 per share (2009: DKK 0 per share)	0.0	0.0
Reserve for net revaluation according to the equity method	37.8	-24.5
Retained earnings	68.2	142.0
<b>Total distribution</b>	<b>106.0</b>	<b>117.5</b>

**46 EARNINGS PER SHARE**

Earnings per share	1.9	2.1
Diluted earnings per share	1.9	2.1

**STATEMENT OF COMPREHENSIVE INCOME**

Profit/loss for the year	105.0	117.5
<i>Other comprehensive income</i>		
Exchange adjustment upon translation of foreign entity	10.2	3.8
Net revaluation of properties	-1.2	20.1
Tax on other comprehensive income	0.9	-4.5
<b>Other comprehensive income after tax</b>	<b>9.9</b>	<b>19.4</b>
<b>Total comprehensive income</b>	<b>114.9</b>	<b>136.9</b>
<i>Which breaks down as follows:</i>		
The shareholders of Spar Nord Bank A/S	114.9	136.9

NOTE **BALANCE SHEET**

	Spar Nord Bank A/S The Group 31.12.10 DKK m	Spar Nord Bank A/S The Group 31.12.09 DKK m	Spar Nord Bank A/S Parent Company 31.12.10 DKK m	Spar Nord Bank A/S Parent Company 31.12.09 DKK m
<b>ASSETS</b>				
Cash balances and demand deposits with central banks	578.1	841.5	578.1	841.5
21 Receivables from credit institutions and central banks	2,227.8	4,013.7	2,224.9	3,996.6
22 Loans, advances and other receivables at amortized cost	39,952.1	38,315.4	39,051.1	37,272.3
23 Bonds at fair value	13,637.3	12,578.8	13,637.3	12,578.8
24 Shares, etc.	1,121.7	869.8	1,108.9	856.2
25 Equity investments in associates	745.8	718.8	745.3	715.1
26 Equity investments in group enterprises	0.0	0.0	465.2	457.7
Assets linked to pooled schemes	5,678.5	4,066.5	5,678.5	4,066.5
27 Intangible assets	157.5	165.9	132.0	140.4
Investment properties	61.4	60.4	61.4	60.4
Corporate properties	452.8	462.8	418.8	433.8
28 Land and buildings, total	514.2	523.2	480.2	494.2
Operating lease assets	437.4	199.2	-	-
Other property, plant and equipment	166.4	152.9	157.9	145.2
29 Other property, plant and equipment, total	603.8	352.1	157.9	145.2
Current tax assets	1.4	3.5	1.7	1.4
37 Temporary assets	79.8	96.7	0.2	0.1
30 Other assets	2,064.5	1,907.4	2,080.0	1,929.4
31 Prepayments	73.2	75.9	72.6	75.3
<b>Total assets</b>	<b>67,435.7</b>	<b>64,529.2</b>	<b>66,413.9</b>	<b>63,570.7</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>				
<b>LIABILITIES OTHER THAN PROVISIONS</b>				
32 Payables to credit institutions and central banks	7,314.0	9,327.3	7,224.2	9,073.7
33 Deposits and other payables	31,203.7	31,930.7	31,221.1	32,073.8
Deposits in pooled schemes	5,678.5	4,066.5	5,678.5	4,066.5
34 Issued bonds at amortized cost	7,806.2	6,445.2	7,806.2	6,445.2
Other non-derivative financial liabilities at fair value	1,211.4	86.0	1,211.4	86.0
Current tax liabilities	2.4	0.1	0.0	0.0
35 Other liabilities	6,708.6	5,210.8	6,260.1	4,793.5
Deferred income	190.1	158.7	16.4	18.5
<b>Total liabilities other than provisions</b>	<b>60,114.9</b>	<b>57,225.3</b>	<b>59,417.9</b>	<b>56,557.2</b>
<b>PROVISIONS FOR LIABILITIES</b>				
37 Provisions for deferred tax	333.7	311.1	9.4	22.1
Provisions for losses on guarantees	4.5	133.8	3.3	132.6
Other provisions	131.2	35.2	130.9	35.0
<b>Total provisions</b>	<b>469.4</b>	<b>480.1</b>	<b>143.6</b>	<b>189.7</b>
<b>SUBORDINATED DEBT</b>				
38 Subordinated debt	2,477.0	2,681.1	2,477.0	2,681.1
<b>Total liabilities</b>	<b>63,061.3</b>	<b>60,386.5</b>	<b>62,038.5</b>	<b>59,428.0</b>
<b>SHAREHOLDERS' EQUITY</b>				
Share capital	570.7	570.7	570.7	570.7
Revaluation reserves	64.6	54.7	64.6	54.7
Accumulated changes in value, total	64.6	54.7	64.6	54.7
Statutory reserves	440.1	411.9	729.5	704.0
Statutory reserves, total	440.1	411.9	729.5	704.0
Retained earnings	3,299.0	3,105.4	3,010.6	2,813.3
<b>Total shareholders' equity</b>	<b>4,374.4</b>	<b>4,142.7</b>	<b>4,375.4</b>	<b>4,142.7</b>
<b>Total shareholders' equity and liabilities</b>	<b>67,435.7</b>	<b>64,529.2</b>	<b>66,413.9</b>	<b>63,570.7</b>
<b>OFF-BALANCE-SHEET ITEMS</b>				
43 Contingent liabilities	5,137.5	6,235.3	5,788.8	6,942.2
44 Other obligating agreements	581.7	575.5	602.6	594.3
<b>Total off-balance-sheet items</b>	<b>5,719.2</b>	<b>6,810.8</b>	<b>6,391.4</b>	<b>7,536.5</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>THE GROUP</b>							
Shareholders' equity 01.01.2010	570.7	61.5	-6.8	411.9	0.0	3,105.4	4,142.7
<i>Changes in shareholders' equity in 2010:</i>							
Dividends received from associates recognized at net asset value	-	-	-	-12.3	-	12.3	0.0
Disposal upon acquisition of treasury shares	-	-	-	-	-	-366.9	-366.9
Addition upon sale of treasury shares	-	-	-	-	-	483.7	483.7
Profit/loss for the year	-	-	-	40.5	-	64.5	105.0
<i>Other comprehensive income</i>							
Exchange adjustment upon translation of foreign entity	-	-	10.2	-	-	-	10.2
Net revaluation of properties	-	-1.2	-	-	-	-	-1.2
Tax on other comprehensive income	-	0.9	-	-	-	-	0.9
Total comprehensive income for the period	-	-0.3	10.2	40.5	0.0	64.5	114.9
Shareholders' equity 31.12.2010	570.7	61.2	3.4	440.1	0.0	3,299.0	4,374.4
 Shareholders' equity 01.01.2009	 570.7	 46.3	 -10.6	 433.6	 0.0	 2,984.5	 4,024.5
<i>Changes in shareholders' equity in 2009:</i>							
Dividends received from associates recognized at net asset value	-	-	-	-3.5	-	3.5	0.0
Disposal upon acquisition of treasury shares	-	-	-	-	-	-248.7	-248.7
Addition upon sale of treasury shares	-	-	-	-	-	256.2	256.2
Tax, treasury shares	-	-	-	-	-	-33.1	-33.1
Dissolution of revaluation reserves, associates	-	-	-	-42.2	-	42.2	0.0
Dissolution of revaluation reserves, sold properties	-	-0.4	-	-	-	0.4	0.0
Other capital movements in associates and group enterprises	-	0.0	-	6.9	-	-	6.9
Profit/loss for the year	-	-	-	17.1	-	100.4	117.5
<i>Other comprehensive income</i>							
Exchange adjustment upon translation of foreign entity	-	-	3.8	-	-	-	3.8
Net revaluation of properties	-	20.1	-	-	-	-	20.1
Tax on other comprehensive income	-	-4.5	-	-	-	-	-4.5
Total comprehensive income for the period	-	15.6	3.8	17.1	0.0	100.4	136.9
Shareholders' equity 31.12.2009	570.7	61.5	-6.8	411.9	0.0	3,105.4	4,142.7

## 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>PARENT COMPANY</b>							
Shareholders' equity 01.01.2010	570.7	61.5	-6.8	704.0	0.0	2,813.3	4,142.7
<i>Changes in shareholders' equity in 2010:</i>							
Exchange adjustment upon translation of foreign entity	-	-	10.2	-	-	-	10.2
Deferred tax, revaluation of properties	-	0.9	-	-	-	-	0.9
Dividends received from associates recognized at net asset value	-	-	-	-12.3	-	12.3	0.0
Disposal upon acquisition of treasury shares	-	-	-	-	-	-366.9	-366.9
Addition upon sale of treasury shares	-	-	-	-	-	483.7	483.7
Dissolution of revaluation reserves, revalued properties	-	-1.2	-	-	-	-	-1.2
Profit/loss for the period	-	-	-	37.8	-	68.2	106.0
Shareholders' equity 31.12.2010	570.7	61.2	3.4	729.5	0.0	3,010.6	4,375.4

Shareholders' equity 01.01.2009	570.7	46.3	-10.6	767.3	0.0	2,650.8	4,024.5
<i>Changes in shareholders' equity in 2009:</i>							
Exchange adjustment upon translation of foreign entity	-	-	3.8	-	-	-	3.8
Deferred tax, revaluation of properties	-	-4.5	-	-	-	-	-4.5
Other capital movements in associates and group enterprises	-	-	-	6.9	-	-	6.9
Dividends received from associates recognized at net asset value	-	-	-	-3.5	-	3.5	0.0
Disposal upon acquisition of treasury shares	-	-	-	-	-	-248.7	-248.7
Addition upon sale of treasury shares	-	-	-	-	-	256.2	256.2
Tax, treasury shares	-	-	-	-	-	-33.1	-33.1
Dissolution of revaluation reserves, associates	-	-	-	-42.2	-	42.2	0.0
Dissolution of revaluation reserves, sold properties	-	-0.4	-	-	-	0.4	0.0
Dissolution of revaluation reserves, revalued properties	-	20.1	-	-	-	-	20.1
Profit/loss for the period	-	-	-	-24.5	-	142.0	117.5
Shareholders' equity 31.12.2009	570.7	61.5	-6.8	704.0	0.0	2,813.3	4,142.7

The share capital consists of 57,068,810 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.

Spar Nord Bank participated in the government-backed guarantee scheme (the Private Contingency Association) adopted by the Danish Parliament on 10 October 2008. Participation in the scheme meant that the participating financial institutions were not allowed to pay dividend or repurchase treasury shares during the period until 1 October 2010, when the agreement expired. As from 1 October 2010 and for as long as the Danish state contributes hybrid core capital, the payment of dividend may not exceed the profit for the year; nor may treasury shares be repurchased. No dividend was paid in 2009 and 2010.

#### 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 depreciation on such properties; see below.

	PROFIT/LOSS		SHAREHOLDERS EQUITY	
	2010	2009	2010	2009
The Spar Nord Bank Group	105.0	117.5	4,374.4	4,142.7
Depreciation, the Group's corporate properties	1.0	0.0	1.0	0.0
Spar Nord Bank, the Parent Company	106.0	117.5	4,375.4	4,142.7



## STATEMENT OF CHANGES IN EQUITY

	Spar Nord Bank A/S The Group 2010 DKK m	Spar Nord Bank A/S The Group 2009 DKK m	Spar Nord Bank A/S Parent Company 2010 DKK m	Spar Nord Bank A/S Parent Company 2009 DKK m
<b>NUMBER OF SHARES IN CIRCULATION</b>				
Beginning of year	54,994,374	54,945,563	54,994,374	54,945,563
Acquisition/sale of treasury shares	1,982,126	48,811	1,982,126	48,811
End of year	56,976,500	54,994,374	56,976,500	54,994,374
Shares issued	57,068,810	57,068,810	57,068,810	57,068,810
The Group's treasury share portfolio	92,310	2,074,436	92,310	2,074,436
Outstanding shares in circulation	56,976,500	54,994,374	56,976,500	54,994,374

### TREASURY SHARE PORTFOLIO

Number of shares	92,310	2,074,436	92,310	2,074,436
Nominal value, DKK m	0.9	20.7	0.9	20.7
Fair value, DKK m	5.6	115.1	5.6	115.1
Percentage of share capital	0.2	3.6	0.2	3.6

### TREASURY SHARE PORTFOLIO, FAIR VALUE, DKK M

Portfolio, beginning of year	115.1	90.2	115.1	90.2
Acquisition of treasury shares	366.9	248.7	366.9	248.7
Sale of treasury shares	483.7	256.2	483.7	256.2
Market-value adjustment	7.3	32.4	7.3	32.4
Portfolio, end of year	5.6	115.1	5.6	115.1

### TREASURY SHARES DEPOSITED AS COLLATERAL

Number of shares	1,283,217	1,721,733	1,283,217	1,721,733
Nominal value, DKK m	12.8	17.2	12.8	17.2
Fair value, DKK m	78.3	96.4	78.3	96.4
Percentage of share capital	2.2	3.0	2.2	3.0

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 and shareholders. Until the next Annual General Meeting, the Supervisory Board 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%.

In addition, the Supervisory Board is authorized to increase the share capital by up to DKK 285,344,050 in the period until 28 April 2014.

	Spar Nord Bank A/S The Group 2010 DKK m	Spar Nord Bank A/S The Group 2009 DKK m	Spar Nord Bank A/S Parent Company 2010 DKK m	Spar Nord Bank A/S Parent Company 2009 DKK m
<b>CAPITAL BASE AND SOLVENCY RATIO</b>				
Shareholders' equity	4,374.4	4,142.7	4,375.4	4,142.7
Proposed dividend	0.0	0.0	0.0	0.0
Intangible assets, incl. share recognized in equity investments in associates	194.6	203.0	169.1	177.5
Miscellaneous	131.8	75.9	130.4	75.9
Core capital after deductions	4,048.0	3,863.8	4,075.9	3,889.3
Hybrid core capital	1,669.5	1,638.2	1,669.5	1,638.2
Core capital (incl. hybrid core capital) after deductions	5,717.5	5,502.0	5,745.4	5,527.5
Subordinated debt (excl. hybrid core capital)*	807.5	1,042.9	807.5	1,042.9
Revaluation reserves, etc.	64.6	54.7	64.6	54.7
Other deductions	769.2	693.4	767.8	735.7
Capital base after deductions	5,820.4	5,906.2	5,849.7	5,889.4
Risk-weighted items	43,405.5	41,692.3	44,154.7	42,155.7
Core capital ratio (excl. hybrid core capital) (%)	9.3	9.3	9.2	9.2
Core capital ratio (incl. hybrid core capital) (%)	13.2	13.2	13.0	13.1
Solvency ratio (%)	13.4	14.2	13.2	14.0

\*) Including portfolio of own bonds.

For a specification of the unaudited ICAAP result, please see the section on capital in the group annual review.

## NOTE CASH FLOW STATEMENT

Spar Nord Bank A/S koncernen	Spar Nord Bank A/S koncernen	Spar Nord Bank A/S moderselskab	Spar Nord Bank A/S moderselskab
31.12.10	31.12.09	31.12.10	31.12.09
Mio. kr.	Mio. kr.	Mio. kr.	Mio. kr.

## OPERATIONS

26	Profit/loss before tax	133.0	144.7	134.5	155.6
16	Foreign-currency translation, subsidiaries	10.2	3.8	0.0	0.0
28	Depreciation, amortization and impairment of intangible assets and property, plant and equipment	125.2	111.6	62.8	63.9
	Fair-value changes, investment properties	2.3	2.5	2.3	2.5
36+52	Gains and losses on the sale of intangible assets and property, plant and equipment	0.4	-3.8	0.4	-3.8
36	Adjustment of impairment of loans and advances, etc.	-72.7	493.6	-77.1	424.4
19	Provisions for liabilities	-33.3	127.8	-33.3	126.6
	Profit/loss on equity investments in associates and group enterprises	-60.5	-17.1	-37.8	24.5
	Corporate income tax paid	-2.5	1.5	-2.1	1.6
	Operations, total	122.1	864.6	49.7	795.3

## WORKING CAPITAL

21+32	Movement in credit institutions and central banks, net	-4,909.3	-8,485.7	-4,745.7	-8,525.6
22	Movement in loans, advances and other receivables at amortized cost	-1,564.0	6,566.9	-1,701.7	6,456.5
23	Movement in bonds at fair value	-1,058.5	-3,825.1	-1,058.5	-3,825.1
24	Movement in equity portfolio	-251.9	-288.1	-252.7	-287.5
34	Movement in issued bonds at amortized cost	1,361.0	3,024.5	1,361.0	3,024.5
	Movement in other assets and other liabilities, net	5,455.6	2,432.3	5,356.3	2,383.0
33	Movement in deposits and other payables	-727.0	-1,902.4	-852.7	-1,790.1
	Total working capital	-1,694.1	-2,457.6	-1,894.0	-2,564.3
	Cash generated from operations, total	-1,572.0	-1,593.0	-1,844.3	-1,769.0

## INVESTMENTS

25-26	Net investment in associates and group enterprises	0.6	163.3	-2.0	155.0
27	Net investment in intangible assets	0.0	-1.6	0.0	-1.6
28+29+30	Net investment in other property, plant and equipment	-346.6	-196.4	-57.1	-47.0
	Net investment in treasury shares	116.8	7.5	116.8	7.5
25+26	Dividends from associates and group enterprises	12.9	3.5	12.3	3.5
	Investments, total	-216.3	-23.7	70.0	117.4

## FINANCING

38	Subordinated debt	-204.1	1,028.8	-204.1	1,028.8
	Dividend to shareholders, excluding dividend on treasury shares	0.0	0.0	0.0	0.0
	Total financing	-204.1	1,028.8	-204.1	1,028.8
	Movement in cash and cash equivalents for the year	-1,992.4	-587.9	-1,978.4	-622.8
	Cash and cash equivalents, beginning of year	4,365.1	4,953.0	4,349.3	4,972.1
	Movement in cash and cash equivalents for the year	-1,992.4	-587.9	-1,978.4	-622.8
	Cash and cash equivalents, end of year	2,372.7	4,365.1	2,370.9	4,349.3
	Cash and cash equivalents, end of year				
	Cash, cash equivalents and demand deposits with central banks	578.1	1,519.0	578.1	1,503.2
21	Receivables from credit institutions and central banks with less than 3 mths to maturity	1,794.6	2,846.1	1,792.8	2,846.1
	Total	2,372.7	4,365.1	2,370.9	4,349.3

# NOTES

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## NOTE 1 ACCOUNTING POLICIES

### 1.1 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 2010 comprises the Consolidated Financial Statements of Spar Nord Bank A/S 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 approved 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, cf. OMX Nordic Exchange Copenhagen A/S' disclosure requirements for annual reports prepared by listed companies, 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 9 February 2011, the Supervisory and Executive Boards reviewed and adopted the 2010 Annual Report of Spar Nord Bank A/S. The Annual Report will be submitted for adoption by the shareholders at the Annual General Meeting on 27 April 2011.

#### Recognition and measurement generally

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

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 and shareholders' equity in the Parent Company and the Group, which is due to properties being classified as investment properties in subsidiaries and as corporate properties in the Group. The difference consists of depreciation 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 – with the exception of the reclassification mentioned below.

Clearing amounts payable have been reclassified from Payables to credit institutions to Other liabilities, such reclassification amounting to DKK 3,5 billion at 31 December 2010 (2009: DKK 3,0 billion).

#### Implementation of new financial reporting standards

In the Consolidated Financial Statements for 2010, Spar Nord Bank A/S has implemented the changes to IFRS and IAS standards and new IFRIC interpretations adopted by IASB that became effective on 1 January 2010. This did not materially affect recognition and measurement in 2010

## DESCRIPTION OF ACCOUNTING POLICIES

### Consolidated Financial Statements

The Consolidated Financial Statements cover the Parent Company, Spar Nord Bank A/S, and group enterprises in which Spar Nord Bank A/S controls financial and operational decisions. Spar Nord Bank A/S is considered to exercise control when it holds more than half the voting rights in a company, whether directly or indirectly, or otherwise controls managerial and operational decisions.

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% of the voting rights, but less than 50%.

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:

- Erhvervsinvest Nord A/S
- Spar Nord Ejendomselskab A/S
- Finans Nord A/S
- SN Finans Nord AB
- Finans Nord Cross Border A/S
- Finans Nord Easyfleet A/S

#### Non-consolidated companies:

- Beluni Inc. (The company is in liquidation)

The Consolidated Financial Statements are prepared by adding together items of a uniform nature. Intercompany income and expenses, gains and losses as well as intercompany balances are eliminated in consolidation. The financial statements used in preparing the Consolidated Financial Statements are drawn up in accordance with the Group's accounting policies.

#### Business combinations

Acquired companies are recognized in the Consolidated Financial Statements as from the time of acquisition, defined as the time when the Bank obtains control of the acquired company. Companies sold or wound up are recognized in the consolidated income statement until the time of divestment.

Comparative figures are not adjusted for newly acquired, sold or wound-up companies. However, discontinued activities are presented separately.

The purchase method is used for company acquisitions, with identified assets and liabilities of the acquired companies being measured at their fair value as of the date of acquisition. Allowance is made for the tax impact of the revaluations.

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 systematically amortized. Instead periodic impairment tests are carried out.

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 at the time of sale plus the defrayed and expected costs of divestment or winding-up.

#### Foreign-currency translation

The Consolidated 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 directly in shareholders' equity under a special reserve for translation adjustments.

#### Offsetting

The Group sets off receivables and liabilities 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.

#### Finansielle Instrumenter generelt

Financial instruments are recognized on the trade date.

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.

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.

Spar Nord 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 market values are recognized under Other assets and negative market 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 fair values are recognized under Other assets. Negative market values are recognized under Other liabilities.

The fair value of derivative instruments for which there is no active market is fixed, for simple products such as interest and currency swaps, according to generally accepted valuation principles. The parameters of valuation are all market-based, such as yield curves with illiquidity and credit risk premiums. To the greatest extent possible, such premiums are identified on the basis of external sources.

For more complex financial instruments that contain an option element and which are unlisted, i.e. OTC products, internally developed models are used, typically based on valuation techniques and methods that are generally accepted within the sector. 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 currently at fair value 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 Group's trading portfolio are recognized on the settlement day at their fair value. Shares 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' provided for in IAS 39.

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.

Likewise, the sale of securities is recognized on the settlement day. Unlisted unit trust certificates are measured at the price calculated by the unit trust.

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

For illiquid and unlisted bonds with no 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.

#### Repo/reverse transactions

Securities sold are recognized in the balance sheet on the settlement day as if the securities were still part of the Group's portfolio, if the sale is made subject to a repurchase agreement. 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 in IAS 39 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.

In hedging transactions where the criteria for applying fair-value hedge accounting have not been met, the value of the hedged item is not adjusted, for which reason the impact of hedging is not reflected for accounting purposes in the income statement.

## INCOME STATEMENT

### Interest income and expenses

Interest income and expenses relating to interest-bearing financial instruments 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, which is 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 are 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 operating and finance leases are accrued over the remaining term of the leases 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 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 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 our rendering such services and thus earning an entitlement to the consideration. Totalkredit can only offset losses ascertained during the first eight-year term of the mortgage-credit loan against future current commission income. Setoffs are recognized at the date of the loss-making event.

### 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 and losses on the sale of acquired investment and corporate properties, the sale of leased assets, etc.

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

Gains and losses on sales are calculated at the selling price after deducting the 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. A setoff is recognized directly in equity. 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 the ongoing guarantee commissions regarding the government-backed guarantee scheme and contributions to sector-targeted solutions.

### 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 Bank A/S is taxed jointly with its Danish 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 companies are included in the Danish tax prepayment scheme.

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 directly in equity with the portion attributable to amounts 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 directly in equity.

## 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

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, and bonds for which no price was quoted in an active market at the time of acquisition.

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.

### 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 and by classifying other loans, advances and receivables into categories with uniform characteristics with respect to credit risk and then assessing them 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, including the realization value of any collateral. 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 debt 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.

In the retail customer area, portfolio assessment is based on a behaviour score for seven categories. In the business customer area, the portfolio assessment is based on nine rating categories, which are categorized according to financial performance indicators, etc.

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 scoring, without taking into account that other borrowers improved their score during the period.

The groups of impairment losses in Spar Nord Bank A/S are calculated as the difference between the carrying amount of the loans and advances and the present value of expected future payments. Expected future payments are calculated by setting up series of expected future payments and discounting them. The discount rate used is the weighted average of the agreed-upon effective interest rates on the individual loans and advances.

In Finans Nord, 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 offset against 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;
- Spar Nord Bank cancels debts either following a compulsory or private arrangement with creditors;
- Spar Nord Bank considers collection of the debt completely unlikely for other reasons.

Interest on the written-down portion of the individual loans and advances is not carried to income.

#### *Lease contracts*

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 agreed effective interest rate in the lease, and is booked in the income statement under Interest income. Gains and losses on the sale of leased assets are booked as Other operating income.

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 the section dealing with the Consolidated Financial Statements.

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 net sales 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 are presented together under market-value adjustments and are 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. The accounting treatment of business combinations before 1 January 2004 has not been revised in connection with the transition to IFRS.

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.

### **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.

### **Impairment test**

The carrying amount of goodwill and customer relations is tested for impairment together with the other property, plant and equipment and intangible assets in the cash-generating unit to which goodwill and customer relations have been allocated. If the carrying amount exceeds the recoverable amount, it is written down to the recoverable amount via the income statement. The recoverable amount is calculated as the present value of expected future net cash flows from the unit to which goodwill and customer relations relate.

### **Software**

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

Self-developed software is recognized if the cost can be reliably calculated and if analyses show that the Group's future earnings from implementing such software are equal to the associated development costs.

### **Development**

Development costs recognized as an asset are measured at cost and amortized on a straight-line basis over the expected useful life of a maximum of five years. Expenses during the planning stage are not included but expensed as and when delayed.

The carrying amount of intangible assets is periodically remeasured and written down against the income statement if the carrying amount exceeds the expected future net income from the business or the asset.

### **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. 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 on 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 letting 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 scrap value when calculating depreciation. Revaluation of corporate properties is 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.

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. Depreciation is made on a straight-line basis over the expected useful life of a maximum of five years. The basis of depreciation for property, plant and equipment is the difference between cost and scrap value at the end of its useful life, and the scrap value is assessed regularly. Leasehold improvements are depreciated over the term of the lease, however maximum ten years.

### **Temporary assets**

Temporary assets comprise assets taken over as a result of the liquidation of customer exposures, the intention being to sell off 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 payable and current tax receivable 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 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 applicable tax rate.



Deferred tax assets, including the tax base of losses qualifying for carryforward trade loss relief, are recognized within Other long-term 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 set off if the company has a legal right to set off 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 interest and commissions receivable as well as the positive market value of derivative instruments.

#### **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 market value of financial instruments and employee benefits payable.

#### **Provisions for liabilities**

Provisions for liabilities include mainly guarantee commitments, provisions for losses on irrevocable credit commitments, legal proceedings and contributions to sector-targeted solutions, etc.

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, discounting to net present value is made where deemed 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 winding-up or liquidation, 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 proceeds received 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.

#### **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 posted directly to Shareholders' equity.

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

#### **Contingent assets and contingent liabilities**

Contingent assets and contingent liabilities comprise potential assets and liabilities deriving 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.

#### **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 non-current assets, companies and securities. Cash generated from financing comprises dividends paid, 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 Bank 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 and Erhvervsinvest K/S limited partnerships, etc. Other income and expenses are charged to Unallocated.

#### 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 is shown in note 59.

#### Disclosures regarding standards 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 Bank A/S is not required to observe in preparing the 2010 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, if allowed, as of the effective dates stated in the standards or interpretations issued by the IASB for financial years commencing 1 January 2011 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 Bank Group:

- As part of the IASB Annual Improvement Project 2010, amendments have been made to IAS 34, Interim Financial Reporting. This standard merely affects the Group's disclosures in interim reports. The information required according to the standard will be referred to as the "minimum content" and not as previously "selected explanatory notes", which means that the disclosure requirements have been expanded. The standard lists additional examples of significant events and transactions that require disclosure. Moreover, relevant updates must be made to information about significant events and transactions that were disclosed in the most recent Consolidated Financial Statements and Parent Company Financial Statements. The amendments apply to financial years commencing on 1 January 2011 and beyond.
- IFRS 9 (1st part) changes the classification and measurement requirements for financial assets (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. Spar Nord Bank A/S expects the standard to have minor significance for the Group, but has not yet determined the impact. The standard applies to financial years commencing on 1 January 2013 and beyond.

## NOTE 2 SIGNIFICANT ACCOUNTING ESTIMATES AND ASSESSMENTS

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

Management's estimates and assessments 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 assessments 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 assessments have the most substantial impact on the financial statements in the following areas:

- impairment of loans and advances and provisions for guarantees;
- fair value of investment and corporate properties;
- fair value of financial instruments;
- classification of equity investments;
- impairment test for goodwill and other intangible assets;
- contributions to sector-targeted solutions, the Depositors' Guarantee Fund.

### Impairment of loans and advances and provisions for guarantees

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.

Loans for which there is no objective indication of impairment are included in a group that is subjected to an impairment test at portfolio level.

In connection with testing the impairment of a group of loans and advances, 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 and advances are assigned to groups having uniform credit risk exposure using the Bank's score model. Customers are subjected to ongoing scoring, and if calculations show that customers have changed credit risk properties, they will be transferred to new score classes 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 expected future cash flows, 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.

As has also been the case in recent years, there is no doubt that the current development in the economy is a factor that is not reflected in the Bank's historical experience base. Consequently, there may be effects for individual groups that the models do not make sufficient provision for.

Spar Nord Bank operates with a credit system incorporating statistically based scoring models for both retail customers and business customers

In addition to its scoring systems, the Bank uses an additional assessment method in its impairment model, where customers showing danger signals are credit-quality flagged. Credit-quality flagging may be performed both decentrally and centrally. Credit-quality flagging corresponds to a downgrading to the weakest rating/score class.

Credit-quality flagging is based on important Management estimates. In light of the situation of the financial sector and developments in the national economy in particular, these estimates have entailed an increase in the number of credit-quality flagged customers during the period from 2008 to 2010.

The matters particularly affecting Management's estimates throughout 2010 are falling property prices, increasing unemployment and declining demand for numerous products and services. At the same time, the aggravated situation for many customers regarding the procurement of funds also impacts their ability to observe agreements with the Bank. However, the situation improved for a great many businesses during 2010. It may be difficult to determine whether this improvement will be long-lasting or short-term.

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.

Reference is made to note 22, Loans, advances and other receivables at amortized cost, and to note 52, Credit risk, for further details.

### Fair value of investment and corporate properties

The asset return model is used to measure real property at fair value.

The future cash flows are based on the Spar Nord Bank Group's best estimate of the future profit/loss on ordinary operations and the required rate of return for each individual property when taking into account such factors as location and maintenance. External valuations are obtained to support such estimates. A number of these assumptions and estimates have a major impact on the calculations and include such parameters as inflation, developments in rent, costs and required rate of return. Any changes to these parameters as a result of changed market conditions will affect the expected return, and thus the fair value of the investment and corporate properties.

Reference is made to note 27, Investment properties and Corporate properties.

### Fair value of financial instruments

Spar Nord Bank 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 and valuation policies. All such decisions are approved by the relevant group functions.

As part of its day-to-day operations, Spar Nord Bank has acquired strategic equity investments. 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.

### 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.

**NOTE Impairment test for goodwill and other Intangible assets**

In connection with the annual impairment test of goodwill etc., or when there are indications that impairment is necessary, Management estimates how the sections of the company to which goodwill and customer relations, etc. relate will be able to generate sufficient positive net cash flows in future to support the value of goodwill, customer relations and other net assets in the enterprise.

Estimates of future cash flows must be made many years ahead, which naturally involves some uncertainty. The uncertainty is reflected by the discount rate chosen. Many of the elements included in the discount rate have developed adversely during the past year.

Reference is also made to note 27, Intangible assets.

**Contributions to sector-targeted solutions, the Depositors' Guarantee Fund**  
Like all other Danish financial institutions, Spar Nord Bank is comprised by the Depositors' Guarantee Fund and is thus obliged, jointly with other banks, to cover the deposits, etc. made by depositors up to EUR 100,000 in banks being wound up or in insolvent liquidation.

Spar Nord Bank recognizes a liability to cover its share of the obligation towards the Depositors' Guarantee Fund from the time when the Bank becomes aware that a bank is being wound up or is in insolvent liquidation, and when sufficient information is available to recognize the expected liability reliably.

The uncertainty attaching to the calculation of the dividend rate and the amount covered in a bank being wound up or in insolvent liquidation means that the recognized liability is subject to uncertainty.

### 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 divided into 34 bank regions throughout the country, including Corporate Banking.

Finans Nord is a financing company in the Spar Nord Bank Group. Finans Nord specializes in corporate financing via leasing of equipment for transport, agriculture, construction and industry, and in loan and asset purchase financing. In addition, Finans Nord is active in the market for operational leasing of cars and other vehicles for both retail and business customers. Apart from the parent company, the Finans Nord Group consists of the subsidiaries SN Finans Nord AB, Finans Nord Cross Border A/S and Finans Nord Easyfleet A/S.

Trading, Financial Markets & the International Division consists of six divisions: Markets, Bonds, Shares, Interest & Forex, Asset Management and the International Division. The trading departments centre on forex and securities, including hedging and managing the transactions made by the local banks' customers. Moreover, the trading departments cooperate 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.

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

**Areas eliminated in the calculation of core earnings in the Group's annual review:**

*Contributions to sector-targeted solutions* comprise payment of guarantee commission to the Private Contingency Association, losses on sector-targeted solutions (impairment of loans and advances, etc.) and contributions to the Depositors' Guarantee Fund, which covers the deposits, etc. made by depositors up to EUR 100,000 in banks being wound up or in insolvent liquidation.

*Earnings from investment portfolios, etc.*

consist of earnings from the Bank's trading portfolio, Erhvervsinvest Nord A/S 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.

In 2010, adjustments were made to the calculation of the internal interest rate charged between business areas.

The effect of the change to the liquidity premium and the distribution of long-term funding is an additional internal interest expense of DKK 107 million for the Local Banks as of 31 December 2010. The contrary effect primarily impacts the item, Unallocated. In addition, the business areas are impacted to a small extent by adjustments to the internal interest rate.

Centrally incurred costs and a few income items are basically allocated 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 which 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 has allocated capital equal to 8% of the average risk-weighted items of the business area (2008: 8%). In the business segment, the item Unallocated represents the difference between allocated capital and shareholders' equity.

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

Transactions between business segments are settled on an arm's length basis.

## SEGMENT INFORMATION

### BUSINESS SEGMENTS 2010

DKK m

	Spar Nord's Local Banks	Finans Nord	Trading, Financial Markets & the Inter- national Division	Corporate Coordination & Support	Staff Functions	Unallocated	Eliminations	Core Earnings*)	Earnings from investment portfolios, etc.	Contribu- tions to sector- targeted solutions	The Group, total
<b>INCOME STATEMENT</b>											
Net interest income	1,244.4	189.8	203.6	-1.4	-11.0	-17.5	0.0	1,607.9	-0.1	0.0	1,607.8
Net income from fees, charges and commissions	482.5	7.1	8.6	4.9	-0.4	2.9	0.0	505.6	0.0	0.0	505.6
Market-value adjustments and dividends	93.9	-1.8	138.5	5.0	-3.1	33.4	2.4	268.3	-20.2	0.0	248.1
Other operating income	27.0	98.3	7.8	-1.8	24.9	-8.0	-15.7	132.5	-0.1	0.0	132.4
Profit/loss on equity investments in associates	0.0	0.0	0.0	0.0	0.0	61.0	0.0	61.0	1.5	-22.0	40.5
Core income/revenue, total	1,847.8	293.4	358.5	6.7	10.4	71.8	-13.3	2,576.3	-18.9	-22.0	2,534.4
Operating expenses, depreciation and amortization	1,277.4	173.7	64.1	5.1	10.0	124.4	-12.4	1,642.3	0.3	208.6	1,851.2
Core earnings before impairment	570.4	119.7	294.4	1.6	0.4	-52.6	-0.9	933.0	-19.2	-230.6	683.2
Impairment of loans, advances and receivables, etc.	355.7	97.3	0.0	0.2	0.4	0.0	0.0	453.6	3.0	93.6	550.2
Core earnings / profit/loss on ordinary operations	214.7	22.4	294.4	1.4	0.0	-52.6	-0.9	479.4	-22.2	-324.2	133.0
Contributions for sector-targeted solutions	-84.8	-18.8	-12.6	-0.4	-1.5	-206.1	0.0		0.0	324.2	0.0
Profit/loss before tax	129.9	3.6	281.8	1.0	-1.5	-258.7	-0.9		-22.2	0.0	133.0

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

The relation to the Group is specified in the columns Earnings from investment portfolios, etc. and Contributions to sector-targeted solutions.

### BALANCE SHEET

Loans, advances and other receivables at

amortized cost	30,330.5	7,681.5	8,720.0	0.7	0.0	0.0	-6,780.6	0.0	39,952.1
Equity investments in associates and group enterprises	0.0	0.0	0.0	0.0	0.0	709.5	0.0	36.3	745.8
Intangible assets and property, plant and equipment *)	204.7	471.3	0.9	73.4	487.1	39.0	-0.9	0.0	1,275.5
Miscellaneous assets ****)	6,146.3	83.3	16,335.8	181.6	39.2	2,412.5	-42.5	306.1	25,462.3
Total assets	36,681.5	8,236.1	25,056.7	255.7	526.3	3,161.0	-6,824.0	342.4	67,435.7
Deposits and other payables	27,601.2	0.0	3,386.5	233.4	0.0	0.0	-17.4	0.0	31,203.7
Shareholders' equity (allocated capital)	2,326.1	525.2	376.8	11.7	39.4	1,063.5	-0.9	32.6	4,374.4
Miscellaneous liabilities	5,205.3	7,816.8	5,582.4	232.1	11,906.0	7,919.4	-6,805.7	1.3	31,857.6
Total shareholders' equity and liabilities	35,132.6	8,342.0	9,345.7	477.2	11,945.4	8,982.9	-6,824.0	33.9	67,435.7

### DISCLOSURES - TOTAL INCOME/REVENUE

Internal income/revenue	9.4	1.4	-76.8	412.1	302.4	-10.3	-5.3	-7.4	625.5
Internal income and eliminations offset against costs	0.0	0.0	-19.8	-439.3	-166.4	0.0	0.0	0.0	-625.5
Income/revenue, external customers	1,838.4	292.0	455.1	33.9	-125.6	60.1	-8.0	-11.5	2,534.4
Income/revenue, total	1,847.8	293.4	358.5	6.7	10.4	49.8	-13.3	-18.9	2,534.4

Income/revenue - external customers, total:

Denmark	1,838.4	254.1	455.1	33.9	-125.6	60.1	-8.0	-11.5	2,496.5
Other EU countries	0.0	37.9	0.0	0.0	0.0	0.0	0.0	0.0	37.9
Revenue, external customers, total	1,838.4	292.0	455.1	33.9	-125.6	60.1	-8.0	-11.5	2,534.4

### DISCLOSURES, CASH FLOW STATEMENT

Depreciation, amortization and impairment **)	19.9	61.5	0.4	25.0	17.9	0.5	0.0	0.0	125.2
Additions, capital expenditure *)	-18.3	-283.5	-0.1	-34.1	-4.2	-6.0	0.0	0.0	-346.2
Non-cash operating items excl. depreciation and impairment of non-current assets	0.0	9.9	0.0	0.0	0.0	-71.0	-2.7	0.0	-63.8
Impairment and reversal of impairment losses on loans and advances, etc.	-77.1	1.4	0.0	0.0	0.0	0.0	0.0	3.0	-72.7

### FINANCIAL RATIOS

Return on equity, % **)	5.6	0.7	110.8	-	-	-	-	-	-
Cost share of core income	0.69	0.59	0.18	-	-	-	-	-	-
Risk-weighted items, end of year	29,076	6,564	4,711	147	493	2,008	-	407	43,406
Number of employees (full-time, end of year)	931	111	73	252	104	-	-	-	1,471

\*) Non-current assets located in countries other than Denmark amounted to DKK 16.2 million at 31 December 2010.

\*\*) The rate of return on equity per annum has been calculated on allocated capital, which amounts to 8% of the average risk-weighted items.

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

\*\*\*\*) Temporary assets amount to DKK 79.8 million, of which DKK 79.6 million relates to Finans Nord, and DKK 0.2 million relates to Staff Functions.

## SEGMENT INFORMATION

### BUSINESS SEGMENTS 2009

DKK m	Spar Nord's Local Banks	Finans Nord	Trading, Financial Markets & the Inter- national Division	Corporate Coordination & Support	Staff Functions	Unallocated	Eliminations	Core Earnings*)	Earnings from investment portfolios, etc.	Contribu- tions to sector- targeted solutions	The Group, total
<b>INCOME STATEMENT</b>											
Net interest income	1,476.5	182.9	305.1	2.4	-105.3	-93.9	0.0	1,767.7	-1.7	0.0	1,766.0
Net income from fees, charges and commissions	404.9	6.7	1.9	2.2	-0.2	1.3	0.0	416.8	0.0	0.0	416.8
Market-value adjustments and dividends	92.6	3.9	136.1	5.1	23.2	40.7	2.4	304.0	20.9	0.0	324.9
Other operating income	-12.0	68.9	3.3	-9.2	68.4	-11.7	-7.9	99.8	0.0	0.0	99.8
Profit/loss on equity investments in associates	2.2	0.0	0.0	0.0	0.0	33.7	0.0	35.9	-0.9	-17.9	17.1
Core income/revenue, total	1,964.2	262.4	446.4	0.5	-13.9	-29.9	-5.5	2,624.2	18.3	-17.9	2,624.6
Operating expenses, depreciation and amortization	1,282.7	147.6	53.6	-1.6	-6.0	150.6	-5.5	1,621.4	0.7	166.0	1,788.1
Core earnings before impairment	681.5	114.8	392.8	2.1	-7.9	-180.5	0.0	1,002.8	17.6	-183.9	836.5
Impairment of loans, advances and receivables, etc.	467.6	116.4	0.0	0.2	-0.2	0.0	0.0	584.0	0.5	107.3	691.8
Core earnings / profit/loss on ordinary operations	213.9	-1.6	392.8	1.9	-7.7	-180.5	0.0	418.8	17.1	-291.2	144.7
Contributions to sector-targeted solutions	-116.7	-24.6	-12.8	-0.4	-2.8	-133.9	0.0		0.0	291.2	0.0
Profit/loss before tax	97.2	-26.2	380.0	1.5	-10.5	-314.4	0.0		17.1	0.0	144.7

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

The relation to the Group is specified in the columns Earnings from investment portfolios, etc. and Contributions to sector-targeted solutions.

### BALANCE SHEET

	Spar Nord's Local Banks	Finans Nord	Trading, Financial Markets & the Inter- national Division	Corporate Coordination & Support	Staff Functions	Unallocated	Eliminations	Core Earnings*)	The Group, total
<b>Loans, advances and other receivables at</b>									
amortized cost	30,091.6	7,523.6	7,179.7	0.8	0.2	0.0	-6,480.5	0.0	38,315.4
Equity investments in associates and group enterprises	0.0	0.0	0.0	0.0	0.0	675.1	0.0	43.7	718.8
Intangible assets and property, plant and equipment *)	206.4	232.4	1.2	35.4	511.3	54.5	0.0	0.0	1,041.2
Miscellaneous assets ****)	4,524.6	258.6	16,985.5	253.5	39.1	2,155.7	-190.8	427.6	24,453.8
<b>Total assets</b>	<b>34,822.6</b>	<b>8,014.6</b>	<b>24,166.4</b>	<b>289.7</b>	<b>550.6</b>	<b>2,885.3</b>	<b>-6,671.3</b>	<b>471.3</b>	<b>64,529.2</b>
<b>Deposits and other payables</b>									
	29,458.3	0.0	2,410.7	204.8	0.0	0.0	-143.1	0.0	31,930.7
Shareholders' equity (allocated capital)	2,317.7	508.4	321.6	9.1	41.1	926.5	0.0	18.3	4,142.7
Miscellaneous liabilities	3,744.0	7,606.7	5,124.3	238.9	13,003.8	5,264.9	-6,528.2	1.4	28,455.8
<b>Total shareholders' equity and liabilities</b>	<b>35,520.0</b>	<b>8,115.1</b>	<b>7,856.6</b>	<b>452.8</b>	<b>13,044.9</b>	<b>6,191.4</b>	<b>-6,671.3</b>	<b>19.7</b>	<b>64,529.2</b>

### DISCLOSURES - TOTAL INCOME/REVENUE

Internal income/revenue	227.9	2.1	-226.9	411.8	354.1	-98.0	0.0	-12.6	658.4
Internal income and eliminations offset against costs	0.0	0.0	-23.5	-434.3	-200.6	0.0	0.0	0.0	-658.4
Income/revenue, external customers	1,736.3	260.3	696.8	23.0	-167.4	50.2	-5.5	30.9	2,624.6
<b>Income/revenue, total</b>	<b>1,964.2</b>	<b>262.4</b>	<b>446.4</b>	<b>0.5</b>	<b>-13.9</b>	<b>-47.8</b>	<b>-5.5</b>	<b>18.3</b>	<b>2,624.6</b>

### Income/revenue - external customers, total:

Denmark	1,736.3	237.8	696.8	23.0	-167.4	50.2	-5.5	30.9	2,602.1
Other EU countries	0.0	22.5	0.0	0.0	0.0	0.0	0.0	0.0	22.5
<b>Revenue, external customers, total</b>	<b>1,736.3</b>	<b>260.3</b>	<b>696.8</b>	<b>23.0</b>	<b>-167.4</b>	<b>50.2</b>	<b>-5.5</b>	<b>30.9</b>	<b>2,624.6</b>

### DISCLOSURES, CASH FLOW STATEMENT

Depreciation, amortization and impairment **)	22.5	42.6	0.6	18.4	21.5	6.0	0.0	0.0	111.6
Additions, capital expenditure *)	-20.0	-145.0	-0.5	-22.2	-9.7	-4.4	0.0	0.0	-201.8
Non-cash operating items excl. depreciation and impairment of non-current assets	0.0	3.6	0.0	0.0	0.0	155.2	-41.6	1.3	118.5
Impairment and reversal of impairment losses on loans and advances, etc.	424.4	68.7	0.0	0.0	0.0	0.0	0.0	0.5	493.6

### FINANCIAL RATIOS

Return on equity, % **)	4.3	-5.0	152.0	-	-	-	-	-	-
Cost share of core income	0.65	0.55	0.12	-	-	-	-	-	-
Risk-weighted items, end of year	28,971	6,355	4,020	114	514	1,489	-	229	41,692
Number of employees (full-time, end of year)	995	107	67	264	97	-	-	-	1,530

\*) Non-current assets located in countries other than Denmark amounted to DKK 3.9 million at 31 December 2009.

\*\*) The rate of return on equity per annum has been calculated on allocated capital, which amounts to 8% of the average risk-weighted items.

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

\*\*\*\*] Temporary assets amount to DKK 96.7 million, of which DKK 96.6 million relates to Finans Nord, and DKK 0.1 million relates to Staff Functions.

NOTE

	Spar Nord Bank A/S The Group 2010 DKK m	Spar Nord Bank A/S The Group 2009 DKK m	Spar Nord Bank A/S Parent Company 2010 DKK m	Spar Nord Bank A/S Parent Company 2009 DKK m
<b>4 INTEREST INCOME</b>				
Receivables from credit institutions and central banks	46.5	96.2	46.4	95.8
Loans, advances and other receivables	1,968.7	2,302.8	1,799.8	2,142.7
Bonds	372.5	431.7	372.5	431.7
Foreign-exchange contracts	28.9	103.9	28.9	103.9
Interest-rate contracts	-21.4	-34.6	-21.4	-34.6
Derivative instruments, total	7.5	69.3	7.5	69.3
Other interest income	0.7	0.3	0.1	0.1
<b>Total interest income</b>	<b>2,395.9</b>	<b>2,900.3</b>	<b>2,226.3</b>	<b>2,739.6</b>
<i>Of which, income from genuine purchase and resale transactions booked under</i>				
<i>Receivables from credit institutions and central banks</i>	<i>21.0</i>	<i>34.4</i>	<i>21.0</i>	<i>34.4</i>
<i>Loans, advances and other receivables</i>	<i>7.9</i>	<i>28.9</i>	<i>7.9</i>	<i>28.9</i>
<b>5 INTEREST EXPENSES</b>				
Credit institutions and central banks	68.3	200.3	68.7	199.6
Deposits and other payables	368.8	661.0	367.8	657.0
Issued bonds	185.2	141.4	185.2	141.4
Subordinated debt	165.6	131.4	165.6	131.4
Other interest expenses	0.2	0.2	0.2	0.1
<b>Total interest expenses</b>	<b>788.1</b>	<b>1,134.3</b>	<b>787.5</b>	<b>1,129.5</b>
<i>Of which, interest expenses from genuine sale and repo transactions booked under</i>				
<i>Payables to credit institutions and central banks</i>	<i>5.8</i>	<i>11.7</i>	<i>5.8</i>	<i>11.7</i>
<i>Deposits and other payables</i>	<i>0.1</i>	<i>0.2</i>	<i>0.1</i>	<i>0.2</i>
<b>6 DIVIDENDS ON SHARES, ETC.</b>				
Shares, etc. in the Bank's trading portfolio	1.2	2.6	1.2	2.6
Shares at fair value (the fair-value option)	11.8	17.1	11.8	17.1
Dividends on shares, etc., total	13.0	19.7	13.0	19.7
<b>7 FEES, CHARGES AND COMMISSIONS RECEIVED</b>				
Securities trading and custody accounts	126.3	111.8	126.3	111.8
Asset management	100.2	82.4	100.2	82.4
Payment services	60.7	51.7	60.7	51.7
Loan transaction fees	160.5	146.9	160.5	146.9
- of which, mortgage-credit institutions	103.5	101.4	103.5	101.4
Guarantee commissions	65.3	44.6	65.3	44.6
Other fees, charges and commissions	61.2	53.0	54.1	46.3
<b>Total fees, charges and commissions received</b>	<b>574.2</b>	<b>490.4</b>	<b>567.1</b>	<b>483.7</b>
<b>8 FEES, CHARGES AND COMMISSIONS PAID</b>				
Securities trading and custody accounts	50.9	52.0	50.9	52.0
Asset management	5.8	10.7	5.8	10.7
Other fees, charges and commissions	11.9	10.9	11.9	10.9
<b>Total fees, charges and commissions paid</b>	<b>68.6</b>	<b>73.6</b>	<b>68.6</b>	<b>73.6</b>
<b>9 NET FEES, CHARGES AND COMMISSIONS RECEIVED</b>				
Securities trading and custody accounts	75.4	59.8	75.4	59.8
Asset management	94.4	71.7	94.4	71.7
Payment services	60.7	51.7	60.7	51.7
Loan transaction fees	160.5	146.9	160.5	146.9
- of which, mortgage-credit institutions	103.5	101.4	103.5	101.4
Guarantee commissions	65.3	44.6	65.3	44.6
Other fees, charges and commissions	49.3	42.1	42.2	35.4
<b>Total fees (net), charges and commissions received</b>	<b>505.6</b>	<b>416.8</b>	<b>498.5</b>	<b>410.1</b>

NOTE

	Spar Nord Bank A/S The Group 2010 DKK m	Spar Nord Bank A/S The Group 2009 DKK m	Spar Nord Bank A/S Parent Company 2010 DKK m	Spar Nord Bank A/S Parent Company 2009 DKK m
<b>10 MARKET-VALUE ADJUSTMENTS</b>				
Other loans, advances and receivables	-26.9	10.8	-26.9	10.1
Bonds	125.0	172.0	125.0	172.0
Shares, etc.	63.0	33.2	66.2	53.2
Investment properties	0.0	0.0	-2.3	-2.5
Currency	301.9	-182.8	303.6	-186.5
Foreign-exchange, interest, share, commodity and other contracts and derivative instruments	-173.4	298.2	-173.4	298.2
Assets linked to pooled schemes	494.9	437.0	494.9	437.0
Deposits in pooled schemes	-494.9	-437.0	-494.9	-437.0
Miscellaneous commitments	-54.5	-26.2	-54.5	-26.2
<b>Total market-value adjustments</b>	<b>235.1</b>	<b>305.2</b>	<b>237.7</b>	<b>318.3</b>
Trading portfolio	191.5	257.4	194.1	270.5
Other shares at fair value (the fair-value option)	43.6	47.8	43.6	47.8
<b>Total market-value adjustments</b>	<b>235.1</b>	<b>305.2</b>	<b>237.7</b>	<b>318.3</b>

**11 NET FINANCIALS, THE SPAR NORD GROUP**

2010	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	25.6	62.5	-36.9	0.0	0.0	-36.9
Bank lending and deposits	1,960.7	368.8	1,591.9	0.0	0.0	1,591.9
Repo and reverse transactions	28.9	5.8	23.1	0.0	0.0	23.1
Other issued bonds	0.0	185.2	-185.2	0.0	0.0	-185.2
Subordinated debt	0.0	165.6	-165.6	-54.5	0.0	-220.1
Other financial instruments	0.7	0.2	0.5	0.0	0.0	0.5
<b>Total</b>	<b>2,015.9</b>	<b>788.1</b>	<b>1,227.8</b>	<b>-54.5</b>	<b>0.0</b>	<b>1,173.3</b>
<i>Net financials at fair value</i>						
Trading portfolio	380.0	0.0	380.0	246.0	1.2	627.2
Other financial investment assets	0.0	0.0	0.0	43.6	11.8	55.4
<b>Total</b>	<b>380.0</b>	<b>0.0</b>	<b>380.0</b>	<b>289.6</b>	<b>13.0</b>	<b>682.6</b>
<b>Total net income from financials</b>	<b>2,395.9</b>	<b>788.1</b>	<b>1,607.8</b>	<b>235.1</b>	<b>13.0</b>	<b>1,855.9</b>

2009	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	61.8	188.6	-126.8	0.0	0.0	-126.8
Bank lending and deposits	2,273.8	660.8	1,613.0	0.0	0.0	1,613.0
Repo and reverse transactions	63.4	11.9	51.5	0.0	0.0	51.5
Other issued bonds	0.0	141.4	-141.4	0.0	0.0	-141.4
Subordinated debt	0.0	131.4	-131.4	-26.2	0.0	-157.6
Other financial instruments	0.3	0.2	0.1	0.0	0.0	0.1
<b>Total</b>	<b>2,399.3</b>	<b>1,134.3</b>	<b>1,265.0</b>	<b>-26.2</b>	<b>0.0</b>	<b>1,238.8</b>
<i>Net financials at fair value</i>						
Trading portfolio	501.0	0.0	501.0	283.6	2.6	787.2
Other financial investment assets	0.0	0.0	0.0	47.8	17.1	64.9
<b>Total</b>	<b>501.0</b>	<b>0.0</b>	<b>501.0</b>	<b>331.4</b>	<b>19.7</b>	<b>852.1</b>
<b>Total net income from financials</b>	<b>2,900.3</b>	<b>1,134.3</b>	<b>1,766.0</b>	<b>305.2</b>	<b>19.7</b>	<b>2,090.9</b>

Spar Nord Bank does not have held-to-maturity investments.



NOTE

	Spar Nord Bank A/S The Group 2010 DKK m	Spar Nord Bank A/S The Group 2009 DKK m	Spar Nord Bank A/S Parent Company 2010 DKK m	Spar Nord Bank A/S Parent Company 2009 DKK m
<b>12 OTHER OPERATING INCOME</b>				
Gain on sale of investment and corporate properties and properties temporarily held	1.0	3.5	1.0	3.5
Gain on sale of operating equipment	0.0	0.2	0.0	0.2
Payments under operating leases and other rental income	93.3	64.3	-	-
Other income	33.8	26.0	40.4	30.8
Operation of investment properties				
Rental income	9.9	10.8	9.9	10.1
Operating expenses	2.1	1.5	2.1	1.5
Maintenance	0.8	0.5	0.8	0.5
Changes in value, investment properties	-2.3	-2.5	-	-
Net interest expenses	0.4	0.5	0.3	0.5
Other operating income, total	132.4	99.8	48.1	42.1

**13 STAFF COSTS AND ADMINISTRATIVE EXPENSES**

Staff costs	948.2	915.5	875.5	845.1
Administrative expenses	555.9	585.0	535.2	563.5
Total staff costs and administrative expenses	1,504.1	1,500.5	1,410.7	1,408.6
Staff costs				
Salaries	794.6	770.7	735.3	712.2
Share-based payment	-	-	-	-
Pensions	94.1	88.7	87.4	82.4
Social security costs	59.5	56.1	52.8	50.5
Total staff costs	948.2	915.5	875.5	845.1
Of which, salaries and remuneration of the Executive and Supervisory Boards account for				
Wages and salaries				
Executive Board *) / **)	7.0	6.7	7.0	6.7
Supervisory Board ***)	2.5	2.3	2.5	2.3
Pensions	1.0	1.0	1.0	1.0
Total salaries and remuneration of Executive and Supervisory Boards	10.5	10.0	10.5	10.0

\*) Termination rules:

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

\*\*) Pension obligation:

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

\*\*\*) Fees for Supervisory Board members

The members of the Supervisory Board receive a fixed fee. In addition, a fixed fee is paid to members of the Supervisory Board's committees.

Remuneration of the Executive Board	2010 DKK m	2009 DKK m
Lasse Nyby *)		
Base salary	3.0	2.9
- fees received from directorships	0.5	0.3
The Bank's expense, base salary	2.5	2.6
Pension	0.4	0.4
Bonus payments	0.0	0.0
Share-option scheme	0.0	0.0
Total	2.9	3.0
John Lundsgaard		
Base salary	2.7	2.6
- fees received from directorships	0.3	0.5
The Bank's expense, base salary	2.4	2.1
Pension	0.3	0.3
Bonus payments	0.0	0.0
Share-option scheme	0.0	0.0
Total	2.7	2.4
Lars Møller *)		
Base salary	2.6	2.5
- fees received from directorships	0.5	0.5
The Bank's expense, base salary	2.1	2.0
Pension	0.3	0.3
Bonus payments	0.0	0.0
Share-option scheme	0.0	0.0
Total	2.4	2.3

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

Remuneration of the Supervisory Board:	2010 DKK '000	2009 DKK '000
Chairman	500.0	500.0
Deputy Chairman	300.0	300.0
Basic fee for Supervisory Board members	200.0	200.0
Supplement for chairman of audit committee (2009: ½ year)	100.0	50.0
Supplement for members of audit committee (2009: ½ year)	75.0	37.5

## NOTE

	Spar Nord Bank A/S The Group 2010 DKK m	Spar Nord Bank A/S The Group 2009 DKK m	Spar Nord Bank A/S Parent Company 2010 DKK m	Spar Nord Bank A/S Parent Company 2009 DKK m
<b>Administrative expenses</b>				
IT expenses	241.9	238.9	237.8	234.2
Marketing costs	69.4	82.3	65.7	79.5
Cost of premises	84.4	81.6	84.1	79.9
Staff and travelling expenses	52.4	66.1	45.8	59.7
Office expenses	33.7	36.8	30.6	33.8
Other administrative expenses	74.1	79.3	71.2	76.4
<b>Total</b>	<b>555.9</b>	<b>585.0</b>	<b>535.2</b>	<b>563.5</b>

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 2010	Interest rates 2009		
Executive Board	1.46-2.46	1.20-2.80	1.5	1.5
Supervisory Board	1.46-8.98	1.20-9.10**)	47.6	94.1
Of which unutilized loan commitments and guarantees, Executive Board			1.4	1.5
Of which unutilized loan commitments and guarantees, Supervisory Board			25.8	53.3

\*] The interest rates pertain to loans in different currencies.

\*\*] The Danish Court Administration's problems with electronic registration of property have made it necessary to issue a zero-interest guarantee to a credit institution for a customer facility.

Mastercard debit balances are interest free for the Bank's customers, as well as for the Executive and Supervisory Boards.

<b>Collateral deposited</b>				
Executive Board	0.0	0.0	0.0	0.0
Supervisory Board	17.8	32.7	17.8	32.7

A tax deduction amounting to DKK 4.0 million was made in 2010 (2009: DKK 3.9 million) in respect of the pay to individual members of the Executive Board.

<b>Number of employees</b>				
The average number of employees during the financial year in terms of full-time employees	1,508.0	1,534.7	1,400.6	1,430.9

## 14 SHARE-BASED PAYMENT

**Share-option scheme**

No share-option schemes were established in 2010. Nor were any share-option schemes established in the 2008 and 2009 financial years, as a consequence of the agreement on a two-year government-backed guarantee scheme entered into between the Danish state and the Danish financial institutions.

In the period 2005-2007, Spar Nord Bank had a share-option scheme for the Executive Board (three persons) and executive staff members (49 persons). The share-option scheme comprised a total of 2,082,171 share options at 31 December 2010 (2009: 2,082,171). Each share option entitles the option holder to buy one issued share of nom. DKK 10 in Spar Nord Bank A/S. The outstanding options correspond to 3.6% (2009: 3.6%) of the share capital if all share options are exercised.

The share option scheme ran until 2007 with an annual allocation of max. 930,000 options. The Supervisory Board made an annual decision on the number of share options to be allocated to each of the above-mentioned persons.

The options were issued at an exercise price that corresponds to a simple average of "price (all trades)" five days before and five days after the publishing of the annual report for the relevant allocation period. Options granted will not be affected by the employee's resignation. As a main rule, the options granted are not transferable. Special provisions apply in case of the option holder's death.

The options may be exercised after at least three years and a max. of five years as from the respective dates of allocation. The options may only be exercised during a period of six weeks after the publishing of annual reports or interim financial reports.

The options can only be settled by way of shares.

**Specification of outstanding share options:**

Share options	Number of shares Executive Board, the Group	Number of shares Other executive staff members	Number of shares Total	Average exercise price	Fair value per option *) DKK	Total fair value *) DKK m
<b>Allocated 2005-2007</b>						
Beginning of 2009	319,371	1,762,800	2,082,171	92.5 - 139.1	11.6 - 27.2	8.3 - 18.1
Lapsed	0	0	0			
Exercised	0	0	0			
Expired	0	0	0			
End-2009	319,371	1,762,800	2,082,171			
Lapsed	0	0	0			
Exercised	0	0	0			
Expired	0	0	0			
End-2010	319,371	1,762,800	2,082,171			
<b>Number of options that may be exercised at the end of 2009</b>	<b>118,140</b>	<b>581,730</b>	<b>699,870</b>			
<b>Number of options that may be exercised at the end of 2010</b>	<b>226,977</b>	<b>1,190,823</b>	<b>1,417,800</b>			

\*) At the time of allocation

The average share price for exercised options at the time of exercise is of no relevance, as no options were exercised in 2010 and 2009.

For outstanding options at 31 December 2010, the average remaining term was 0.8 year (2009: 1.0 year), and the exercise price for each option is in the DKK 92.5-139.1 range (2009: DKK 92.5-139.1 per option).

**Employee shares**

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

NOTE

	Spar Nord Bank A/S The Group 2010 DKK m	Spar Nord Bank A/S The Group 2009 DKK m	Spar Nord Bank A/S Parent Company 2010 DKK m	Spar Nord Bank A/S Parent Company 2009 DKK m		
<b>15 AUDIT FEES</b>						
Fees to the audit firm elected at the general meeting	3.1	3.3	2.4	3.5		
Fees to other audit firms for services other than audit	0.4	0.5	0.3	0.4		
<b>Total audit fees</b>	<b>3.5</b>	<b>3.8</b>	<b>2.7</b>	<b>3.9</b>		
<i>Total fees to the audit firm elected at the general meeting break down as follows:</i>						
Statutory audit	1.4	1.1	0.9	0.9		
Other assurance engagements	0.5	1.3	0.5	1.3		
Tax and VAT advice	0.5	0.4	0.4	0.3		
Other services	0.7	0.5	0.6	1.0		
<b>Total fees to the auditor elected at the general meeting</b>	<b>3.1</b>	<b>3.3</b>	<b>2.4</b>	<b>3.5</b>		
<b>16 DEPRECIATION, AMORTIZATION AND IMPAIRMENT OF INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT</b>						
<i>Intangible assets</i>						
Customer relations, amortization	2.9	2.8	2.9	2.8		
Other intangible assets, amortization	5.5	5.9	5.5	5.9		
<i>Property, plant and equipment</i>						
Corporate properties, depreciation	11.8	11.6	10.8	11.6		
Corporate properties, impairment	4.1	17.0	4.1	11.9		
Corporate properties, reversal of impairment	0.4	6.4	0.4	6.4		
Other tangible assets, depreciation	101.3	80.7	39.9	38.1		
<b>Total depreciation, amortization and impairment of intangible assets and property, plant and equipment</b>	<b>125.2</b>	<b>111.6</b>	<b>62.8</b>	<b>63.7</b>		
<b>17 OTHER OPERATING EXPENSES</b>						
Contributions to sector-targeted solutions	208.6	166.0	208.6	166.0		
Other operating expenses	13.3	10.0	7.4	6.6		
<b>Other operating expenses, total</b>	<b>221.9</b>	<b>176.0</b>	<b>216.0</b>	<b>172.6</b>		
<i>Contributions to sector-targeted solutions comprise guarantee commission to the Winding-Up Company (Afviklingselskabet Finansielt Stabilitet), calculated on the basis of the risk-weighted items of the individual member of the Private Contingency Association, as well as contributions of DKK 82.5 million (2009: DKK 0 million) to the Depositors' Guarantee Fund, which covers the deposits, etc. made by depositors up to EUR 100,000 in banks being wound up or in insolvent liquidation.</i>						
<b>18 IMPAIRMENT OF LOANS, ADVANCES AND RECEIVABLES, ETC.</b>						
Loans and advances	455.4	583.1	355.1	467.6		
The Private Contingency Association, etc.	93.6	107.3	93.6	107.3		
Guarantees	1.2	1.4	1.2	0.2		
<b>Total impairment of loans, advances and receivables, etc.</b>	<b>550.2</b>	<b>691.8</b>	<b>449.9</b>	<b>575.1</b>		
<i>The impairment accounts for loans and guarantees are shown in notes 52 and 36.</i>						
<b>19 PROFIT/LOSS ON EQUITY INVESTMENTS IN ASSOCIATES AND GROUP ENTERPRISES</b>						
Profit/loss on equity investments in associates	40.5	17.1	40.5	17.1		
Profit/loss on equity investments in group enterprises	0.0	0.0	-2.7	-41.6		
<b>Total profit/loss on equity investments in associates and group enterprises</b>	<b>40.5</b>	<b>17.1</b>	<b>37.8</b>	<b>-24.5</b>		
<b>20 TAX</b>						
<i>Tax for the year can be broken down as follows:</i>						
Tax on the net profit/loss for the year	28.0	27.2	28.5	38.1		
Tax on changes in shareholders' equity	-	-	-0.9	37.6		
Tax on other comprehensive income	-0.9	37.6	-	-		
<b>Total tax</b>	<b>27.1</b>	<b>64.8</b>	<b>27.6</b>	<b>75.7</b>		
Current tax	4.5	0.3	40.3	0.0		
Deferred tax	23.5	26.7	-11.8	38.3		
Post-adjustment of tax calculated for prior years	0.0	0.2	0.0	-0.2		
<b>Tax on the net profit/loss for the year</b>	<b>28.0</b>	<b>27.2</b>	<b>28.5</b>	<b>38.1</b>		
Current Danish tax rate	25.0%	25.0%	25.0%	25.0%		
Profit/loss on equity investments and market-value adjustment of shares	-8.2%	-11.1%	-7.8%	-3.7%		
Non-deductible costs and non-taxable income	4.3%	4.7%	4.0%	3.2%		
Adjustment of taxes relating to prior years	0.0%	0.2%	0.0%	0.0%		
<b>Total effective tax rate</b>	<b>21.1%</b>	<b>18.8%</b>	<b>21.2%</b>	<b>24.5%</b>		
<b>Tax on other comprehensive income</b>						
	2010			2009		
	Before tax	Tax income/ expense	After tax	Before tax	Tax income/ expense	After tax
Exchange adjustments upon translation of foreign entity	10.2	0.0	10.2	3.8	0.0	3.8
Net revaluation of properties	-1.2	0.9	-0.3	20.1	-4.5	15.6
<b>Tax on other comprehensive income, total</b>	<b>9.0</b>	<b>0.9</b>	<b>9.9</b>	<b>23.9</b>	<b>-4.5</b>	<b>19.4</b>

NOTE

	Spar Nord Bank A/S The Group 31.12.2010 DKK m	Spar Nord Bank A/S The Group 31.12.2009 DKK m	Spar Nord Bank A/S Parent Company 31.12.2010 DKK m	Spar Nord Bank A/S Parent Company 31.12.2009 DKK m
<b>21 RECEIVABLES FROM CREDIT INSTITUTIONS AND CENTRAL BANKS</b>				
Receivables from central banks, subject to notice	20.5	799.8	20.5	799.8
Receivables from credit institutions	2,207.3	3,213.9	2,204.4	3,196.8
<b>Total receivables from credit institutions and central banks</b>	<b>2,227.8</b>	<b>4,013.7</b>	<b>2,224.9</b>	<b>3,996.6</b>
Of which, subordinated receivables	10.0	10.0	10.0	10.0
<i>Shown by term to maturity</i>				
Demand deposits	888.5	877.5	886.7	661.7
Up to 3 months	906.1	2,846.1	906.1	2,846.1
Over 3 months and up to 1 year	61.9	262.1	61.7	261.8
Over 1 year and up to 5 years	362.9	151.8	362.0	151.0
Over 5 years	8.4	76.2	8.4	76.0
<b>Total</b>	<b>2,227.8</b>	<b>4,013.7</b>	<b>2,224.9</b>	<b>3,996.6</b>
<i>Of which, genuine purchase and resale transactions</i>				
Reverse transactions	811.8	1,750.3	811.8	1,750.3
<b>22 LOANS, ADVANCES AND OTHER RECEIVABLES AT AMORTIZED COST</b>				
Overdraft facilities	19,304.6	19,797.7	24,465.9	23,476.8
Lease contracts	6,762.5	6,873.8	-	-
Mortgage deeds	23.9	32.1	23.9	32.1
Other loans and advances	13,861.1	11,611.8	14,561.3	13,763.4
<b>Total</b>	<b>39,952.1</b>	<b>38,315.4</b>	<b>39,051.1</b>	<b>37,272.3</b>
Of which, subordinated receivables	28.9	13.5	28.9	13.5
<i>Shown by term to maturity</i>				
Demand deposits	4,506.6	10,047.5	4,506.8	10,062.3
Up to 3 months	2,085.0	2,863.5	6,109.7	6,459.0
Over 3 months and up to 1 year	12,950.9	6,152.6	14,042.4	6,192.8
Over 1 year and up to 5 years	12,651.1	11,150.4	7,771.1	7,799.3
Over 5 years	7,758.5	8,101.4	6,621.1	6,758.9
<b>Total</b>	<b>39,952.1</b>	<b>38,315.4</b>	<b>39,051.1</b>	<b>37,272.3</b>
<i>Of which, genuine purchase and resale transactions</i>				
Reverse transactions	1,516.6	0.0	1,516.6	0.0

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

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

The lease contracts can be terminated or renewed during the lease term.  
The lease contracts are in foreign and Danish currency.

## NOTE

	Spar Nord Bank A/S The Group 31.12.2010 DKK m	Spar Nord Bank A/S The Group 31.12.2009 DKK m	Spar Nord Bank A/S Parent Company 31.12.2010 DKK m	Spar Nord Bank A/S Parent Company 31.12.2009 DKK m
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## Lease payments broken down according to term to maturity \*)

## Gross investments in finance leases

Up to 1 year	694.3	618.6	-	-
1 - 5 years	5,733.2	5,663.9	-	-
Over 5 years	998.8	1,324.1	-	-
Total	7,426.3	7,606.6	-	-
Of which, unearned, future financial income	663.8	732.8	-	-
Net investments in finance leases	6,762.5	6,873.8	-	-

## Net investments in finance leases

Up to 1 year	632.2	559.1	-	-
1 - 5 years	5,220.8	5,118.2	-	-
Over 5 years	909.5	1,196.5	-	-
Total	6,762.5	6,873.8	-	-

\*) The Group's lease contracts consist of finance leases and are recognized in the balance sheet under loans and advances.

Accumulated impairment of uncollectible minimum lease payments receivable	47.1	57.4	-	-
Lease payments recognized in the income statement under the item Interest income.	293.7	342.6	-	-
Average remaining term of the lease contracts	2.5 years	2.6 years	-	-

## Gross loans, advances and guarantees broken down by sectors and industries (%)

Public authorities	2.3	1.4	2.3	1.4
Business customers				
Agriculture, hunting, forestry and fisheries	12.2	13.0	8.4	9.4
Industry and raw materials extraction	3.8	4.2	2.1	2.4
Energy supply	3.0	2.6	2.7	2.4
Building and construction	4.9	4.4	2.5	2.2
Trade	8.4	7.7	7.1	6.4
Transport, hotels and restaurants	6.6	7.0	2.1	2.2
Information and communication	0.2	0.2	0.1	0.2
Financing and insurance	7.9	4.5	23.9	20.4
Real estate	10.7	11.0	10.5	10.8
Other business areas	6.7	7.3	4.7	5.3
Business customers, total	64.4	61.9	64.1	61.7
Retail customers	33.3	36.7	33.6	36.9
Total credit risks	100.0	100.0	100.0	100.0

NOTE

	Spar Nord Bank A/S The Group 31.12.2010 DKK m	Spar Nord Bank A/S The Group 31.12.2009 DKK m	Spar Nord Bank A/S Parent Company 31.12.2010 DKK m	Spar Nord Bank A/S Parent Company 31.12.2009 DKK m
<b>23 BONDS AT FAIR VALUE</b>				
Mortgage-credit bonds	11,773.5	11,374.0	11,773.5	11,374.0
Government bonds	119.6	43.4	119.6	43.4
Other bonds	1,744.2	1,161.4	1,744.2	1,161.4
<b>Bonds at fair value, total</b>	<b>13,637.3</b>	<b>12,578.8</b>	<b>13,637.3</b>	<b>12,578.8</b>

Of which, subordinated receivables	12.0	22.8	12.0	22.8
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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	152.4	63.7	152.4	63.7
Shares/unit trust certificates listed on other stock exchanges	17.4	11.5	17.4	11.5
Unlisted shares at fair value	951.9	794.6	939.1	781.0
<b>Total shares, etc.</b>	<b>1,121.7</b>	<b>869.8</b>	<b>1,108.9</b>	<b>856.2</b>

Other shares at fair value using the fair-value option

Total purchase price, beginning of year	484.4	273.7	484.4	273.7
Reclassified from equity investments in associates	0.0	118.0	0.0	118.0
Additions	97.7	110.5	97.7	110.5
Disposals	3.3	17.8	3.3	17.8
<b>Total purchase price, end of year</b>	<b>578.8</b>	<b>484.4</b>	<b>578.8</b>	<b>484.4</b>
Revaluations and impairment, beginning of year	267.2	195.1	267.2	195.1
Reclassified from equity investments in associates	0.0	29.1	0.0	29.1
Revaluations and impairment for the year	43.6	47.8	43.6	47.8
Reversal of revaluations and impairment losses	-0.4	4.8	-0.4	4.8
<b>Revaluations and impairment, end of year</b>	<b>311.2</b>	<b>267.2</b>	<b>311.2</b>	<b>267.2</b>
<b>Book portfolio, end of year</b>	<b>890.0</b>	<b>751.6</b>	<b>890.0</b>	<b>751.6</b>
- of which, credit institutions	329.4	273.8	329.4	273.8

Trading portfolio	231.7	118.2	218.9	104.6
Other shares at fair value using the fair-value option	890.0	751.6	890.0	751.6
<b>Total shares</b>	<b>1,121.7</b>	<b>869.8</b>	<b>1,108.9</b>	<b>856.2</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 provided for in IAS 39.

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	330.4	457.0	299.6	412.5
Reclassified to shares, etc.	0.0	-118.0	0.0	-118.0
Additions	2.2	20.9	2.2	9.9
Disposals	0.2	29.5	0.2	4.8
<b>Total purchase price, end of year</b>	<b>332.4</b>	<b>330.4</b>	<b>301.6</b>	<b>299.6</b>
Revaluations and impairment, beginning of year	388.4	404.7	415.5	437.2
Reclassified to shares, etc.	0.0	-29.1	0.0	-29.1
Profit/loss	40.5	17.1	40.5	17.1
Other adjustments to the income statement (market-value adjustments)	-2.6	-19.3	0.0	0.0
Dividend	12.9	3.5	12.3	3.5
Other capital movements recognized in shareholders' equity	0.0	6.9	0.0	6.9
Reversal of revaluations and impairment losses	0.0	-11.6	0.0	13.1
<b>Revaluations and impairment, end of year</b>	<b>413.4</b>	<b>388.4</b>	<b>443.7</b>	<b>415.5</b>
<b>Book portfolio, end of year</b>	<b>745.8</b>	<b>718.8</b>	<b>745.3</b>	<b>715.1</b>
- of which, credit institutions	644.7	618.5	644.7	618.5
<b>Value of the portfolio of listed shares at the official year-end prices</b>	<b>420.6</b>	<b>422.9</b>	<b>420.6</b>	<b>422.9</b>

Equity investments in associates, etc. are recognized at the proportionate share of the net asset value (NAV) on the reporting date, adjusted for goodwill on acquisition.

## NOTE

ASSOCIATES  
2010

	Registered office	Revenue DKK m	Profit/loss for the year DKK m	Assets DKK m	Liabilities DKK m	Ownership interest					
						Spar Nord Bank A/S The Group Ownership Interest %	Spar Nord Bank A/S Parent Company Ownership Interest %	Spar Nord Bank A/S The Group Shareholders' equity DKK m	Spar Nord Bank A/S The Group Profit/loss for the year DKK m	Spar Nord Bank A/S Parent Company Shareholders' equity DKK m	Spar Nord Bank A/S Parent Company Profit/loss for the year DKK m
AAT Investment A/S (1)	Copenhagen	-	-10.3	16.5	15.4	49.0	0.0	0.5	-5.0	0.0	0.0
Brynje A/S (1)	Sæby	-	-2.9	37.9	19.8	29.0	0.0	5.3	-0.8	0.0	0.0
Core Property Management A/S	Copenhagen	-	7.3	34.9	6.7	20.0	20.0	5.6	1.5	5.6	1.5
Erhvervsinvest Management A/S	Aalborg	12.7	2.5	24.1	9.0	25.0	25.0	3.8	0.6	3.8	0.6
Fjerritslev Gruppen ApS (1)	Fjerritslev	-	0.0	3.2	0.0	33.3	0.0	1.1	0.0	0.0	0.0
JSNFA Holding A/S	Aalborg	-	0.2	5.0	0.8	28.6	28.6	1.2	0.0	1.2	0.0
Norresundby Bank A/S (2)	Norresundby	419.0	30.5	10,051.3	8,842.8	50.2	50.2	607.1	15.3	607.1	15.3
ValueInvest Asset Management S.A.	Luxembourg	-	14.2	57.6	20.5	28.8	28.8	10.7	4.1	10.7	4.1

## Øvrige betydende kapitalandele

Erhvervsinvest K/S	Aalborg	-	-4.5	189.4	1.1	22.0	22.0	41.4	-1.0	41.4	-1.0
Nørager Industrihuse I/S	Nørager	0.9	0.1	1.1	0.0	33.3	33.3	0.4	0.0	0.4	0.0

- 1 Owned by Erhvervsinvest Nord A/S, Aalborg.  
 2 The voting rights in Norresundby Bank A/S are restricted.  
 Significant influence is considered to exist due to other factors.

ASSOCIATES  
2009

	Registered office	Revenue DKK m	Profit/loss for the year DKK m	Assets DKK m	Liabilities DKK m	Ownership interest					
						Spar Nord Bank A/S The Group Ownership interest %	Spar Nord Bank A/S Parent Company Ownership Interest %	Spar Nord Bank A/S The Group Shareholders' equity DKK m	Spar Nord Bank A/S The Group Profit/loss for the year DKK m	Spar Nord Bank A/S Parent Company Shareholders' equity DKK m	Spar Nord Bank A/S Parent Company Profit/loss for the year DKK m
AAT Investment A/S (1)	Copenhagen	-	-35.5	34.7	43.1	49.0	0.0	-4.1	-17.4	0.0	0.0
Brynje A/S (1)	Sæby	-	0.4	46.7	25.7	29.0	0.0	6.1	0.1	0.0	0.0
Core Property Management A/S	Copenhagen	-	5.9	29.2	5.4	20.0	20.0	4.8	1.2	4.8	1.2
Erhvervsinvest Management A/S	Aalborg	12.1	3.2	21.3	8.7	25.0	25.0	3.1	0.8	3.1	0.8
Fjerritslev Gruppen ApS (1)	Fjerritslev	-	0.1	3.2	0.0	33.3	0.0	1.1	0.0	0.0	0.0
Inwido-akademi A/S	Farsø	-	0.0	1.3	0.8	33.2	33.2	0.2	0.0	0.2	0.0
JSNFA Holding A/S	Aalborg	-	0.1	5.4	1.3	25.0	25.0	1.0	0.0	1.0	0.0
Norresundby Bank A/S (2)	Norresundby	387.0	24.2	9,823.4	8,646.0	50.2	50.2	591.5	12.1	591.5	12.1
ValueInvest Asset Management S.A.	Luxembourg	-	12.5	56.4	21.0	28.8	28.8	10.2	3.6	10.2	3.6

## Other significant equity investments

Erhvervsinvest K/S	Aalborg	-	-4.0	254.8	1.4	22.0	22.0	55.7	-0.9	55.7	-0.9
Nørager Industrihuse I/S	Nørager	0.1	0.1	1.0	0.1	33.3	33.3	0.3	0.0	0.3	0.0

- 1 Owned by Erhvervsinvest Nord A/S, Aalborg.  
 2 The voting rights in Norresundby Bank A/S are restricted.  
 Significant influence is considered to exist due to other factors.



NOTE

Spar Nord Bank A/S The Group 31.12.2010 DKK m	Spar Nord Bank A/S The Group 31.12.2009 DKK m	Spar Nord Bank A/S Parent Company 31.12.2010 DKK m	Spar Nord Bank A/S Parent Company 31.12.2009 DKK m
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## 26 EQUITY INVESTMENTS IN GROUP ENTERPRISES

Total purchase price, beginning of year	3.7	3.7	175.9	175.9
Additions	0.0	0.0	0.0	0.0
Disposals	0.0	0.0	0.0	0.0
Total purchase price, end of year	3.7	3.7	175.9	175.9
Revaluations and impairment, beginning of year	-3.7	-3.7	281.8	319.5
Profit/loss	0.0	0.0	-2.7	-41.5
Dividend	0.0	0.0	0.0	0.0
Other capital movements	0.0	0.0	10.2	3.8
Reversal of revaluations and impairment losses	0.0	0.0	0.0	0.0
Revaluations and impairment, end of year	-3.7	-3.7	289.3	281.8
Book portfolio, end of year	0.0	0.0	465.2	457.7

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 Bank A/S The Group 2010 %	Spar Nord Bank A/S The Group 2009 %	Spar Nord Bank A/S Parent Company 2010 %	Spar Nord Bank A/S Parent Company 2009 %
<i>Consolidated companies</i>							
Erhvervsinvest Nord A/S, Aalborg	30.0	37.5	-4.8	100.0	100.0	100.0	100.0
Spar Nord Ejendomsselskab A/S, Aalborg	12.0	8.3	0.8	100.0	100.0	100.0	100.0
Finans Nord A/S, Aalborg	10.0	419.4	1.3	100.0	100.0	100.0	100.0
SN Finans Nord AB, Sverige	74.6	84.1	5.7	100.0	100.0	-	-
Finans Nord Cross Border A/S, Aalborg	0.5	1.6	0.2	100.0	100.0	-	-
Finans Nord Easyteet A/S, Aalborg	0.5	0.5	0.0	100.0	-	-	-
<i>Non-consolidated companies</i>							
Beluni Inc., USA (1)	0.0	0.0	0.0	100.0	100.0	100.0	100.0

1) The company is in liquidation.

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

NOTE

Spar Nord Bank A/S The Group 31.12.2010 DKK m	Spar Nord Bank A/S The Group 31.12.2009 DKK m	Spar Nord Bank A/S Parent Company 31.12.2010 DKK m	Spar Nord Bank A/S Parent Company 31.12.2009 DKK m
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## 27 INTANGIBLE ASSETS

## Goodwill

Total purchase price, beginning of year	135.4	137.0	106.4	108.0
Additions	0.0	-1.6	0.0	-1.6
Disposals	0.0	0.0	0.0	0.0
Total purchase price, end of year	135.4	135.4	106.4	106.4
Amortization and impairment, beginning of year	5.2	5.2	1.7	1.7
Impairment for the year	0.0	0.0	0.0	0.0
Reversal of impairment on disposals	0.0	0.0	0.0	0.0
Amortization and impairment, end of year	5.2	5.2	1.7	1.7
Book portfolio, end of year	130.2	130.2	104.7	104.7

## Customer relations

Total purchase price, beginning of year	29.3	28.1	29.3	28.1
Additions	0.0	1.2	0.0	1.2
Disposals	0.0	0.0	0.0	0.0
Total purchase price, end of year	29.3	29.3	29.3	29.3
Amortization and impairment, beginning of year	3.3	0.5	3.3	0.5
Amortization for the year	2.9	2.8	2.9	2.8
Reversal of amortization on disposals	0.0	0.0	0.0	0.0
Amortization and impairment, end of year	6.2	3.3	6.2	3.3
Book portfolio, end of year	23.1	26.0	23.1	26.0

## Other intangible assets

Total purchase price, beginning of year	26.8	26.4	26.8	26.4
Additions	0.0	2.0	0.0	2.0
Disposals	0.0	1.6	0.0	1.6
Total purchase price, end of year	26.8	26.8	26.8	26.8
Amortization and impairment, beginning of year	17.1	12.8	17.1	12.8
Amortization for the year	5.5	5.9	5.5	5.9
Reversal of amortization on disposals	0.0	1.6	0.0	1.6
Amortization and impairment, end of year	22.6	17.1	22.6	17.1
Book portfolio, end of year	4.2	9.7	4.2	9.7

The remaining amortization periods are eight years (2009: nine years) for customer relations, one to five years for other intangible assets (2009: one to five years), and goodwill had an indefinite useful life in both 2010 and 2009.

Spar Nord Bank did not acquire goodwill or customer relations in 2010. In 2009, minor adjustments were made to goodwill and customer relations as a result of the final cost allocation, see note 47. In 2008, Spar Nord acquired seven branches from Roskilde Bank and established three new bank regions. The acquisition is in accordance with the Bank's strategy to strengthen its position outside North Jutland. The customer relations identified have been allocated to Holbæk Bank Region, and goodwill has been allocated to Spar Nord's Local Banks and is attributable to synergies.

## IMPAIRMENT TEST

In recent years, the Group's markets have developed negatively, with increasing unemployment, falling property prices and low growth rates.

Impairment tests in 2009 and 2010 did not give rise to any writedowns for impairment of goodwill, customer relations or other intangible assets.

The impairment test compares the carrying amount with the estimated present value of the anticipated future cash flows. 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.

## Customer relations and goodwill

The Spar Nord Group's goodwill with an indefinite useful life and customer relations with an expected useful life of ten years are tested annually for impairment. The activities are tested on the identified cash-generating unit to which the assets have been allocated. Goodwill is allocated to the cash-generating business areas – Spar Nord's Local Banks and Finans Nord. Customer relations are allocated to Holbæk Bank Region.

The carrying amount of goodwill recognized in Local Banks accounts for DKK 104.7 million (31 December 2009: DKK 104.7 million), and goodwill recognized in Finans Nord accounts for DKK 25.5 million (31 December 2009: DKK 25.5 million). The carrying amount of customer relations recognized in Holbæk Bank Region is DKK 23.1 million (31 December 2009: DKK 26.0 million).

Combined with low money-market rates and high lending losses, the low economic growth expected in the near future will result in limited earnings. Earnings are expected to normalize gradually in the current budget period.

The most significant parameter for projection of future cash flows is growth in balance-sheet items. For the terminal period (>5 years), the model is based on a growth estimate of 2%. This level does not exceed the forecast for the general economic growth in the markets in question.

%	Estimated average annual growth 1-5 years	2010 Estimated average annual growth > 5 years	Pre-tax required rate of return	Estimated average annual growth 1-5 years	2009 Estimated average annual growth > 5 years	Pre-tax required rate of return
Spar Nord's Local Banks	4.0%	2.0%	13.3%	4.0%	2.0%	13.3%
Finans Nord	4.0%	2.0%	13.3%	4.0%	2.0%	13.3%
Holbæk Bank Region	4.0%	2.0%	13.3%	4.0%	2.0%	13.3%

The estimated cash flows are discounted by a pre-tax required rate of return.

NOTE 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.

Sensitivity analyses show that both the goodwill relating to Spar Nord's Local Banks and Finans Nord and the goodwill relating to customer relations are very robust to changes in assumptions.

	Spar Nord Bank A/S The Group 31.12.2010 DKK m	Spar Nord Bank A/S The Group 31.12.2009 DKK m	Spar Nord Bank A/S Parent Company 31.12.2010 DKK m	Spar Nord Bank A/S Parent Company 31.12.2009 DKK m
<b>28 LAND AND BUILDINGS</b>				
<i>Investment properties</i>				
Total purchase price, beginning of year	73.9	36.0	73.9	36.0
Reclassified from corporate properties	6.9	15.3	6.9	15.3
Reclassified from temporary assets	0.0	10.3	0.0	10.3
Additions	0.7	12.9	0.7	12.9
Disposals	2.4	0.6	2.4	0.6
Total purchase price, end of year	79.1	73.9	79.1	73.9
Adjustments, beginning of year	13.5	1.8	13.5	1.8
Reclassified from corporate properties	2.7	7.0	2.7	7.0
Reclassified from temporary assets	0.0	2.4	0.0	2.4
Positive changes in value recognized in the income statement				
Revaluations for the year	0.0	0.4	0.0	0.4
Reversal of depreciation on disposals during the year	0.5	0.2	0.5	0.2
Reversal of impairment on disposals during the year	0.3	0.0	0.3	0.0
Negative changes in value recognized in the income statement				
Impairment for the year	2.3	2.9	2.3	2.9
Adjustments, end of year	17.7	13.5	17.7	13.5
Fair value, end of year	61.4	60.4	61.4	60.4
Most recent official property valuation	53.0	56.9	53.0	56.9
Required rate of return used in calculating the fair value (%)	6.0-8.0	5.0-9.0	6.0-8.0	5.0-9.0

The fair-value method has been chosen for measuring investment properties.

Investment properties consist mainly of business rental units.

The periods of non-terminability for Spar Nord Bank 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:

0.2	0.2	0.2	0.2
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#### Corporate properties

Total purchase price, beginning of year	522.0	536.7	488.0	507.1
Reclassified to investment properties	-6.9	-15.3	-6.9	-15.3
Additions	12.0	7.8	6.0	3.4
Disposals	1.6	7.2	1.7	7.2
Total purchase price, end of year	525.5	522.0	485.4	488.0
Depreciation and impairment, beginning of year	59.2	65.8	54.2	65.8
Reclassified to investment properties	-2.7	-7.0	-2.7	-7.0
Depreciation for the year	11.8	11.6	10.8	11.6
Positive changes in value recognized directly in shareholders' equity				
Revaluations for the year	4.0	20.1	4.0	20.1
Negative changes in value recognized directly in shareholders' equity				
Reversal of revaluations on disposals during the year	0.0	0.3	0.0	0.4
Reversal of revaluations on new valuations during the year	5.2	0.0	5.2	0.0
Positive changes in value recognized in the income statement				
Reversal of depreciation on disposals during the year	0.2	1.1	0.2	1.1
Reversal of impairment on disposals during the year	0.5	0.9	0.6	0.9
Revaluations for the year (reversal of previous impairment)	0.4	6.4	0.4	6.4
Negative changes in value recognized in the income statement				
Impairment for the year, depreciation and impairment	4.1	17.0	4.1	11.9
Impairment for the year, market-value adjustments	0.2	0.0	0.2	0.0
Depreciation and impairment, end of year	72.7	59.2	66.6	54.2
Fair value, end of year	452.8	462.8	418.8	433.8
Most recent official property valuation	448.2	448.9	448.2	448.9
Required rate of return used in calculating the fair value (%)	6.0-8.0	6.0-8.0	6.0-8.0	6.0-8.0
Carrying amount if the corporate properties were measured according to the cost method	377.8	389.2	343.8	360.2

NOTE In the Spar Nord Group, the item Additions, Corporate properties, included no properties under construction in the subsidiary Spar Nord Ejendomsselskab A/S in 2010. In 2009, the item Additions, Corporate properties, included DKK 3.2 million in respect of a property under construction in Spar Nord Ejendomsselskab A/S. Occupancy of the property commenced at end-2010.

Recognized borrowing costs amount to DKK 0.2 million (2009: DKK 0.0 million), calculated on the basis of a borrowing rate of 4.0% (2009: 4.3%).

The valuation of corporate properties has been determined based on observable prices and other valuation methods.

In October 2010, an external valuation was obtained from a real estate agent to support the calculation of fair value, including the rental rates and rates of return used. Management is of the opinion that no changes in value occurred during the period ending on 31 December 2010.

Due to developments in the real property market, the required rates of return used for most of the properties were slightly higher in 2010 than in 2009, but overall they remained within the 6 - 8% range (2009: 6 - 8 %) for corporate properties and the 6 - 8% range (2009: 5 - 9%) for investment properties.

	Spar Nord Bank A/S The Group 31.12.2010 DKK m	Spar Nord Bank A/S The Group 31.12.2009 DKK m	Spar Nord Bank A/S Parent Company 31.12.2010 DKK m	Spar Nord Bank A/S Parent Company 31.12.2009 DKK m
<b>29 OTHER PROPERTY, PLANT AND EQUIPMENT, TOTAL</b>				
Total purchase price, beginning of year	626.2	636.6	345.8	420.8
Additions	385.2	165.9	54.0	45.5
Disposals	128.7	176.3	71.8	120.5
Total purchase price, end of year	882.7	626.2	328.0	345.8
Depreciation and impairment, beginning of year	274.1	342.1	200.6	281.5
Depreciation and impairment for the year	101.3	80.7	39.9	38.1
Reversal of depreciation and impairment for the year	96.5	148.7	70.4	119.0
Depreciation and impairment, end of year	278.9	274.1	170.1	200.6
Carrying amount, end of year	603.8	352.1	157.9	145.2

At end-2010, various fully written-off assets were used for the Bank's and the Group's operations.

The initial cost of these assets was DKK 58.9 million (2009: DKK 63.9 million)

in the Parent Company and DKK 62.4 million (2009: DKK 67.1 million) in the Group.

#### Lease contracts

Operating lease assets are recognized at	437.4	199.2	-	-
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The lease contracts are entered into for a term of zero to eight years, with individually agreed lease payments.

The lease contracts can be terminated or renewed during the lease term.

#### Operating leases

Up to 1 year	39.2	28.0	-	-
1 - 5 years	397.1	168.3	-	-
Over 5 years	1.1	2.9	-	-
<b>Total</b>	<b>437.4</b>	<b>199.2</b>	<b>-</b>	<b>-</b>

Lease payments relating to operating lease assets are recognized in the income statement under Other operating income.

73.5	49.2	-	-
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Average remaining term of the lease contracts	2.5 years	2.3 years	-	-
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#### 30 TEMPORARY ASSETS

Total purchase price, beginning of year	166.0	72.4	12.6	26.4
Reclassified to investment properties	0.0	-10.3	0.0	-10.3
Additions	94.4	153.4	0.1	0.0
Disposals	121.0	49.5	0.0	3.5
Total purchase price, end of year	139.4	166.0	12.7	12.6
Depreciation and impairment, beginning of year	69.3	14.9	12.5	14.9
Reclassified to investment properties	0.0	-2.4	0.0	-2.4
Movement	-9.7	56.8	0.0	0.0
Depreciation and impairment, end of year	59.6	69.3	12.5	12.5
Carrying amount, end of year	79.8	96.7	0.2	0.1
Most recent official property valuation	-	-	7.5	6.0

NOTE Temporary assets comprise properties taken over in connection with the Bank's non-performing loans. In the Group, this item also includes assets repossessed under non-performing leases in the form of passenger cars and vans, 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, dealers or via own sales outlet.

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.

	Spar Nord Bank A/S The Group 31.12.2010 DKK m	Spar Nord Bank A/S The Group 31.12.2009 DKK m	Spar Nord Bank A/S Parent Company 31.12.2010 DKK m	Spar Nord Bank A/S Parent Company 31.12.2009 DKK m
<b>31 OTHER ASSETS</b>				
Positive market value of derivative instruments, etc.	1,670.5	1,463.1	1,670.5	1,463.1
Miscellaneous receivables	8.2	51.6	25.2	66.7
Interest and commissions receivable	368.1	362.4	367.3	388.0
Miscellaneous assets	17.7	30.3	17.0	11.6
Other assets, total	2,064.5	1,907.4	2,080.0	1,929.4
<b>32 PAYABLES TO CREDIT INSTITUTIONS AND CENTRAL BANKS</b>				
Payables to central banks	527.0	229.5	527.0	229.5
Payables to credit institutions	6,787.0	9,097.8	6,697.2	8,844.2
Total payables to credit institutions and central banks	7,314.0	9,327.3	7,224.2	9,073.7
<i>Shown by term to maturity</i>				
On demand	2,366.0	2,277.5	2,360.0	2,276.7
Up to 3 months	3,451.9	3,440.6	3,368.1	3,332.3
Over 3 months and up to 1 year	0.7	2,043.5	0.7	1,971.3
Over 1 year and up to 5 years	1,491.6	1,561.7	1,491.6	1,489.4
Over 5 years	3.8	4.0	3.8	4.0
Total	7,314.0	9,327.3	7,224.2	9,073.7
<i>Of which, genuine sale and repo transactions</i>				
Repo transactions	813.3	1,697.0	813.3	1,697.0
Mortgage debt on real property	4.7	4.8	4.7	4.8
The carrying amount of the mortgaged properties amounts to	8.5	8.0	8.5	8.0
<b>33 DEPOSITS AND OTHER PAYABLES</b>				
On demand	21,439.9	21,122.8	21,456.0	21,141.9
Subject to notice	2,763.9	4,127.9	2,765.2	4,251.9
Time deposits	3,987.3	3,194.9	3,987.3	3,194.9
Special types of deposit	3,012.6	3,485.1	3,012.6	3,485.1
Deposits and other payables, total	31,203.7	31,930.7	31,221.1	32,073.8
<i>Shown by term to maturity</i>				
On demand	21,439.9	21,122.8	21,456.0	21,141.9
Up to 3 months	4,104.4	3,355.3	4,104.4	3,355.3
Over 3 months and up to 1 year	991.2	4,260.4	992.5	4,384.4
Over 1 year and up to 5 years	2,550.8	673.9	2,550.8	673.9
Over 5 years	2,117.4	2,518.3	2,117.4	2,518.3
Total	31,203.7	31,930.7	31,221.1	32,073.8
<i>Of which, genuine sale and repo transactions</i>				
Repo transactions	813.3	0.0	813.3	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	0.0	372.0	0.0	372.0
Over 3 months and up to 1 year	1,992.4	422.7	1,992.4	422.7
Over 1 year and up to 5 years	5,813.8	5,631.0	5,813.8	5,631.0
Over 5 years	0.0	19.5	0.0	19.5
Issued bonds at amortized cost, total	7,806.2	6,445.2	7,806.2	6,445.2

NOTE

	Spar Nord Bank A/S The Group 31.12.2010 DKK m	Spar Nord Bank A/S The Group 31.12.2009 DKK m	Spar Nord Bank A/S Parent Company 31.12.2010 DKK m	Spar Nord Bank A/S Parent Company 31.12.2009 DKK m
<b>35 OTHER LIABILITIES</b>				
Miscellaneous payables	4,217.1	3,208.9	4,121.8	3,111.0
Negative market value of derivative instruments, etc.	1,663.8	1,073.5	1,663.8	1,073.5
Interest and commissions payable	175.4	214.5	172.8	214.3
Miscellaneous liabilities	652.3	713.9	301.7	394.7
<b>Other liabilities, total</b>	<b>6,708.6</b>	<b>5,210.8</b>	<b>6,260.1</b>	<b>4,793.5</b>
<b>36 PROVISIONS FOR LIABILITIES</b>				
Provisions for deferred tax (see separate note 37)	333.7	311.1	9.4	22.1
Provisions for losses on guarantees	4.5	133.8	3.3	132.6
Provisions for losses in connection with legal proceedings	7.9	6.3	7.9	6.3
Other provisions for liabilities	119.2	15.8	118.9	15.6
Provisions for unutilized credit lines	4.1	13.1	4.1	13.1
<b>Total provisions for liabilities</b>	<b>469.4</b>	<b>480.1</b>	<b>143.6</b>	<b>189.7</b>
<i>Provisions for losses on guarantees</i>				
Beginning of year	133.8	26.5	132.6	26.5
New provisions	2.0	111.1	2.0	109.9
Reversal of provisions	0.8	2.4	0.8	2.4
Definitively lost	130.5	1.4	130.5	1.4
<b>Provisions for losses on guarantees, end of year</b>	<b>4.5</b>	<b>133.8</b>	<b>3.3</b>	<b>132.6</b>
<i>Losses on guarantees recognized in the income statement</i>				
New provisions	2.0	111.1	2.0	109.9
Reversal of provisions	0.8	2.4	0.8	2.4
Losses without prior provisions	93.6	0.0	93.6	0.0
<b>Recognized in the income statement</b>	<b>94.8</b>	<b>108.7</b>	<b>94.8</b>	<b>107.5</b>
<i>Provisions for losses in connection with legal proceedings</i>				
Beginning of year	6.3	0.8	6.3	0.8
New provisions	1.7	5.5	1.7	5.5
Applied to cover liabilities	0.1	0.0	0.1	0.0
<b>End of year</b>	<b>7.9</b>	<b>6.3</b>	<b>7.9</b>	<b>6.3</b>
<i>Other provisions for liabilities</i>				
Beginning of year	15.8	10.0	15.6	9.9
Change in provisions	103.8	6.9	103.7	6.8
Applied to cover liabilities	0.4	1.1	0.4	1.1
<b>End of year</b>	<b>119.2</b>	<b>15.8</b>	<b>118.9</b>	<b>15.6</b>
<i>Provisions for unutilized credit lines</i>				
Beginning of year	13.1	3.9	13.1	3.9
New provisions	4.1	13.1	4.1	13.1
Reversal of provisions	13.1	3.9	13.1	3.9
<b>End of year</b>	<b>4.1</b>	<b>13.1</b>	<b>4.1</b>	<b>13.1</b>
<i>Provisions for unutilized credit lines recognized in the income statement</i>				
New provisions	4.1	13.1	4.1	13.1
Reversal of provisions	13.1	3.9	13.1	3.9
<b>Recognized in the income statement</b>	<b>-9.0</b>	<b>9.2</b>	<b>-9.0</b>	<b>9.2</b>
<i>Shown by term to maturity</i>				
Up to 3 months	8.9	147.2	7.6	145.9
Over 3 months and up to 1 year	110.9	6.7	110.9	6.7
Over 1 year and up to 5 years	11.1	10.6	11.0	10.5
Over 5 years	338.5	315.6	14.1	26.6
<b>Total</b>	<b>469.4</b>	<b>480.1</b>	<b>143.6</b>	<b>189.7</b>

NOTE	Broken down by term to maturity, shown by category for the Spar Nord Bank 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
2010						
	Provisions for deferred tax	0.0	0.0	0.0	333.7	333.7
	Provisions for losses on guarantees	4.5	0.0	0.0	0.0	4.5
	Provisions for losses in connection with legal proceedings	0.0	7.5	0.0	0.4	7.9
	Other provisions for liabilities	0.3	103.4	11.1	4.4	119.2
	Provisions for unutilized credit lines	4.1	0.0	0.0	0.0	4.1
	<b>Total provisions for liabilities</b>	<b>8.9</b>	<b>110.9</b>	<b>11.1</b>	<b>338.5</b>	<b>469.4</b>
2009						
	Provisions for deferred tax	0.0	0.0	0.0	311.1	311.1
	Provisions for losses on guarantees	133.8	0.0	0.0	0.0	133.8
	Provisions for losses in connection with legal proceedings	0.0	5.9	0.0	0.4	6.3
	Other provisions for liabilities	0.3	0.8	10.6	4.1	15.8
	Provisions for unutilized credit lines	13.1	0.0	0.0	0.0	13.1
	<b>Total provisions for liabilities</b>	<b>147.2</b>	<b>6.7</b>	<b>10.6</b>	<b>315.6</b>	<b>480.1</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 consist primarily of provisions for covering losses in connection with the government-backed deposit guarantee scheme, with the Private Contingency Association guaranteeing payments towards the government-backed Winding-Up Company. After the government-backed guarantee scheme expired on 30 September 2010, the total provision of DKK 224 million has been recognized as a loss, thus being written off against the provision account. For a more detailed description, including an indication of the total guarantee for which provisions have been made, please see note 43, Contingent liabilities.

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

Other provisions for liabilities include contributions to the Depositors' Guarantee Fund. The Depositors' Guarantee Fund covers the deposits, etc. made by depositors up to EUR 100,000 in banks being wound up or in insolvent liquidation.

In addition, other provisions for liabilities relate to employees and issues not involving customers. 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.

NOTE

Spar Nord Bank A/S The Group 31.12.2010 DKK m	Spar Nord Bank A/S The Group 31.12.2009 DKK m	Spar Nord Bank A/S Parent Company 31.12.2010 DKK m	Spar Nord Bank A/S Parent Company 31.12.2009 DKK m
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## 37 PROVISIONS FOR DEFERRED TAX

Beginning of year	311.1	246.8	22.1	-53.8
Deferred tax for the year recognized in the profit/loss for the year	23.5	26.7	-11.8	38.3
Deferred tax for the year recognized in shareholders' equity	-0.9	37.6	-0.9	37.6
End of year	333.7	311.1	9.4	22.1

## The Spar Nord Bank Group

Changes in deferred tax in 2010	Beginning of year	Recognized in the profit/loss for the year	Recognized in shareholders' equity	End of year
Intangible assets	13.5	2.3	0.0	15.8
Property, plant and equipment	59.4	60.8	-0.9	119.3
Loans, advances and other receivables at amortized cost	379.7	-24.4	0.0	355.3
Shares	0.0	6.5	0.0	6.5
Receivables from credit institutions and central banks	25.7	2.1	0.0	27.8
Provisions for liabilities	-5.5	-5.6	0.0	-11.1
Tax loss	-164.4	-2.8	0.0	-167.2
Miscellaneous	2.7	-15.4	0.0	-12.7
Total	311.1	23.5	-0.9	333.7

Changes in deferred tax in 2009	Beginning of year	Recognized in the profit/loss for the year	Recognized in shareholders' equity	End of year
Intangible assets	10.7	2.8	0.0	13.5
Property, plant and equipment	48.6	6.3	4.5	59.4
Loans, advances and other receivables at amortized cost	310.5	69.2	0.0	379.7
Shares	0.0	0.0	0.0	0.0
Receivables from credit institutions and central banks	23.4	2.3	0.0	25.7
Provisions for liabilities	-2.7	-2.8	0.0	-5.5
Tax loss	-127.3	-47.6	10.5	-164.4
Miscellaneous	-16.4	-3.5	22.6	2.7
Total	244.8	26.7	37.6	311.1

## Spar Nord Bank, the Parent Company

Changes in deferred tax in 2010	Beginning of year	Recognized in the profit/loss for the year	Recognized in shareholders' equity	End of year
Intangible assets	13.5	2.3	0.0	15.8
Property, plant and equipment	9.9	2.1	-0.9	11.1
Loans, advances and other receivables at amortized cost	-6.8	-2.6	0.0	-9.4
Shares	0.0	6.5	0.0	6.5
Receivables from credit institutions and central banks	25.5	2.1	0.0	27.6
Provisions for liabilities	-5.5	-5.6	0.0	-11.1
Tax loss	-17.2	-1.2	0.0	-18.4
Miscellaneous	2.7	-15.4	0.0	-12.7
Total	22.1	-11.8	-0.9	9.4

Changes in deferred tax in 2009	Beginning of year	Recognized in the profit/loss for the year	Recognized in shareholders' equity	End of year
Intangible assets	10.7	2.8	0.0	13.5
Property, plant and equipment	11.2	-5.8	4.5	9.9
Loans, advances and other receivables at amortized cost	-8.0	1.2	0.0	-6.8
Shares	0.0	0.0	0.0	0.0
Receivables from credit institutions and central banks	23.3	2.2	0.0	25.5
Provisions for liabilities	-2.7	-2.8	0.0	-5.5
Tax loss	-71.7	44.0	10.5	-17.2
Miscellaneous	-16.6	-3.3	22.6	2.7
Total	-53.8	38.3	37.6	22.1



## NOTE

Spar Nord  
Bank A/S  
The Group  
31.12.2010  
DKK mSpar Nord  
Bank A/S  
The Group  
31.12.2009  
DKK mSpar Nord  
Bank A/S  
Parent Company  
31.12.2010  
DKK mSpar Nord  
Bank A/S  
Parent Company  
31.12.2009  
DKK m

## Deferred tax assets not recognized in the balance sheet

## Deferred tax assets not recognized concern:

Ring fence losses on properties and shares	3.9	3.5	3.9	3.5
Deferred tax assets not recognized, total	3.9	3.5	3.9	3.5

All deferred tax liabilities are recognized in the balance sheet.

The temporary differences have arisen on the realization of shares and properties.  
The value of the above has not been recognized as it is not considered to be likely  
that the deferred tax assets will be realized.

## 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 the capital base, etc. pursuant to the Danish Financial Business Act. Spar Nord Bank A/S is the borrower with respect to all loans.

Principal		M	Interest rate	Received	Maturity				
Currency	Note								
DKK	a	200.0	2.448%	2006	16.11.2014	200.0	200.0	200.0	200.0
NOK	b	220.0	3.130%	2006	20.02.2015	209.7	196.7	209.7	196.7
EUR	c	40.0	1.956%	2007	28.03.2015	298.0	297.4	298.0	297.4
EUR	d	33.5	1.864%	2005	29.10.2015	0.0	249.3	0.0	249.3
DKK	e	100.0	2.390%	2007	03.12.2015	100.0	100.0	100.0	100.0
Supplementary capital contributions, total						807.7	1,043.4	807.7	1,043.4
Hybrid core capital									
Principal		M	Interest rate	Received	Maturity				
Currency	Note								
DKK	f	350.0	5.250%	2005	Perpetual	367.6	360.5	367.6	360.5
DKK	g	1,265.0	9.690%	2009	Perpetual	1,302.0	1,277.7	1,302.0	1,277.7
Portfolio of own bonds						-0.3	-0.5	-0.3	-0.5
Subordinated debt, total						2,477.0	2,681.1	2,477.0	2,681.1
Interest on subordinated debt						164.4	130.6	164.4	130.6
Costs of raising subordinated debt						1.2	0.8	1.2	0.8
Subordinated debt that can be included for the purpose of calculating the capital base.						2,477.0	2,681.1	2,477.0	2,681.1

- a Redeemable as from 16.11.2011, after which date interest is fixed at DKKC6M + a 2.4% margin.
- b Redeemable as from 20.02.2012, after which date interest is fixed at NOKL3M + a 2.1% margin.
- c Redeemable as from 28.03.2012, after which date interest is fixed at EURI6M + a 1.81% margin.
- d Redeemed on 29.10.2010.
- e Redeemable as from 03.12.2012, after which date interest is fixed at DKKC6M + a 2.35% margin.
- f Redeemable as from 16.03.2015, after which date interest is fixed at DKKC3M + a 2.33% margin.
- g Redeemable as from 30.05.2014-30.06.2014 at par; from 01.07.2014-30.06.2015 at a price of DKK 105 and subsequently at a price of DKK 110.

## NOTE

## 39 REPO AND REVERSE TRANSACTIONS

In repo transactions, which involve selling securities to be repurchased at a later date, the securities 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. The fair value of such securities appears from note 40, Assets deposited as collateral.

In reverse transactions, which involve buying securities to be resold at a later date, Spar Nord Bank is entitled to sell the securities or deposit them as collateral for other loans. The securities are not recognized on the balance sheet, and the amount paid is recognized as receivables from credit institutions and central banks or loans and advances. The fair value of such securities appears from note 41, Collateral accepted.

Spar Nord Bank A/S The Group 31.12.2010 DKK m	Spar Nord Bank A/S The Group 31.12.2009 DKK m	Spar Nord Bank A/S Parent Company 31.12.2010 DKK m	Spar Nord Bank A/S Parent Company 31.12.2009 DKK m
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## 40 ASSETS DEPOSITED AS COLLATERAL

At the end of the year, the following securities were deposited as collateral with Danmarks Nationalbank (the central bank), the Royal Bank of Scotland and foreign clearing centres

Bonds included in the trading portfolio	5,962.7	6,647.1	5,962.7	6,647.1
Shares not included in the trading portfolio	0.0	168.6	0.0	168.6
Deposits, futures clearing	13.4	0.0	13.4	0.0
<i>In credit institutions</i>				
Deposits via CSA agreements, etc. for derivatives trades	570.4	178.2	570.4	178.2
Bonds sold as an element in genuine sale and repo transactions	1,592.1	1,672.7	1,592.1	1,672.7

Assets deposited as collateral for own liabilities towards Danmarks Nationalbank (the central bank), RBS, Nordea, 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 RBS and Nordea is exclusively related to margining. Collateral provided to Danish and foreign clearing centres is also related to margining. Collateral deposited under CSA agreements relating to ISDA agreements has in all cases been provided in accordance with the standard terms and conditions of the CSA agreements, which are governed by English law.

## NOTE

## 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.

	Spar Nord Bank A/S The Group 31.12.2010 DKK m	Spar Nord Bank A/S The Group 31.12.2009 DKK m	Spar Nord Bank A/S Parent Company 31.12.2010 DKK m	Spar Nord Bank A/S Parent Company 31.12.2009 DKK m
<b>Reverse transactions</b>				
Collateral accepted that can be repledged or sold	2,312.6	1,719.2	2,312.6	1,719.2
Of which repledged or sold	1,289.7	0.0	1,289.7	0.0
<b>Agreements regarding securities-based loans</b>				
Collateral accepted that can be repledged or sold	53.9	7.3	53.9	7.3
Of which repledged or sold	46.7	0.0	46.7	0.0

## 42 HEDGE ACCOUNTING

2010	Carrying amount DKK m	Purchase price DKK m	Fair value DKK m	Nominal value DKK m
<b>Assets</b>				
Loans and advances	81.9	75.0	81.9	75.0
Interest-risk-hedged financial instruments				
Derivatives (swap contracts)	-6.9	-	-6.9	75.0
<b>Liabilities</b>				
Issued bonds at amortized cost	3,754.6	3,727.2	3,754.6	3,727.2
Interest-risk-hedged financial instruments				
Derivatives (swap contracts)	26.1	-	26.1	3,727.2
Subordinated debt	1,673.0	1,615.0	1,673.0	1,615.0
Interest-risk-hedged financial instruments				
Derivatives (swap contracts)	57.3	-	57.3	1,615.0
<b>2009</b>				
<b>Assets</b>				
Loans and advances	80.0	75.0	80.0	75.0
Interest-risk-hedged financial instruments				
Derivatives (swap contracts)	-5.0	-	-5.0	75.0
<b>Liabilities</b>				
Issued bonds at amortized cost	3,724.0	3,720.8	3,724.0	3,720.8
Interest-risk-hedged financial instruments				
Derivatives (swap contracts)	3.1	-	3.1	3,720.8
Subordinated debt	1,642.7	1,615.0	1,642.7	1,615.0
Interest-risk-hedged financial instruments				
Derivatives (swap contracts)	26.4	-	26.4	1,615.0

Spar Nord Bank hedges the interest-rate risk attaching to selected fixed-interest assets and liabilities. The effectiveness of such hedging is measured on a continuing basis.

	Spar Nord Bank A/S The Group 31.12.2010 DKK m	Spar Nord Bank A/S The Group 31.12.2009 DKK m	Spar Nord Bank A/S Parent Company 31.12.2010 DKK m	Spar Nord Bank A/S Parent Company 31.12.2009 DKK m
<b>The table below shows the value adjustment of hedged assets and liabilities as well as hedging derivatives recognized under market-value adjustments.</b>				
<b>Hedging of fixed-interest assets</b>				
Hedged loans and advances	1.9	0.9	1.9	0.9
Hedging derivatives	-1.9	-0.9	-1.9	-0.9
Impact on profit/loss	0.0	0.0	0.0	0.0
<b>Hedging of fixed-interest liabilities</b>				
Hedged deposits	-54.5	-27.3	-54.5	-27.3
Hedging derivatives	53.9	26.9	53.9	26.9
Impact on profit/loss	-0.6	-0.4	-0.6	-0.4

NOTE

**43 CONTINGENT LIABILITIES**

	Spar Nord Bank A/S The Group 31.12.2010 DKK m	Spar Nord Bank A/S The Group 31.12.2009 DKK m	Spar Nord Bank A/S Parent Company 31.12.2010 DKK m	Spar Nord Bank A/S Parent Company 31.12.2009 DKK m
Financial guarantees	2,064.2	1,848.9	2,715.5	2,555.8
Loss guarantees for mortgage-credit loans	667.5	598.2	667.5	598.2
Registration and refinancing guarantees	1,983.4	3,063.9	1,983.4	3,063.9
Other contingent liabilities	422.4	724.3	422.4	724.3
<b>Total contingent liabilities</b>	<b>5,137.5</b>	<b>6,236.3</b>	<b>5,788.8</b>	<b>6,942.2</b>

Financial guarantees largely consist of payment guarantees.

Loss guarantees for mortgage-credit loans have generally 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.

Reference is made to note 13 regarding the Executive Board's notice of termination and the associated compensation.

In addition, the Spar Nord Bank 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 Bank Group's contingent liabilities.

Together with the majority of other Danish financial institutions, Spar Nord Bank has participated in the government-backed guarantee scheme (the Private Contingency Association), which was adopted by the Danish Parliament on 10 October 2008. The scheme covered the period from 5 October 2008 to 30 September 2010 and involved an unconditional state guarantee for Danish banks' liabilities, with the exception of subordinated debt and covered bonds. The individual bank's share of guarantee commission and loss guarantee (own risk) was calculated based on the bank's risk-weighted items attributable to the activities covered by the guarantee.

Spar Nord Bank's share of the total, maximum guarantee during the period covered by the agreement until 30 September 2010 was calculated at DKK 448 million, of which DKK 224 million will only become payable if the total support required for the Danish financial sector exceeds DKK 25 billion. After the government-backed guarantee scheme expired on 30 September 2010, only the loss guarantee for the first DKK 224 million became effective, for which reason the latter half was cancelled at end-2010. As the first half of the loss guarantee of DKK 224 million provided for was lost, the amount has been written off against the provision account; see also note 36. The decline in other contingent liabilities is primarily attributable to the cessation of these guarantees.

Like all other Danish financial institutions, Spar Nord Bank is comprised by the Depositors' Guarantee Fund and is thus obliged, jointly with other banks, to cover the deposits, etc. made by depositors up to EUR 100,000 in banks being wound up or in insolvent liquidation.

Uncertainty attaches to the amount of the contingent liabilities and the possible due dates.

**44 OTHER OBLIGATING AGREEMENTS**

	Spar Nord Bank A/S The Group 31.12.2010 DKK m	Spar Nord Bank A/S The Group 31.12.2009 DKK m	Spar Nord Bank A/S Parent Company 31.12.2010 DKK m	Spar Nord Bank A/S Parent Company 31.12.2009 DKK m
Irrevocable credit commitments	0.0	0.0	0.0	0.0
Miscellaneous	581.7	575.5	602.6	594.3
<b>Other obligating agreements, total</b>	<b>581.7</b>	<b>575.5</b>	<b>602.6</b>	<b>594.3</b>

Other is composed of:

*Lease obligations, with the Group as lessee*

Spar Nord Bank is the lessee under a number of operating leases. Operating leases are lease agreements under which Spar Nord Bank 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. The lease agreements are not recognized in the balance sheet. The minimum lease payments are broken down by lease term below:

Operating lease obligations

	24.7	23.3	25.9	24.5
Up to 1 year	24.7	23.3	25.9	24.5
1 - 5 years	67.0	70.6	77.5	79.3
Over 5 years	30.0	31.6	39.2	40.5
<b>Total</b>	<b>121.7</b>	<b>125.5</b>	<b>142.6</b>	<b>144.3</b>

Lease payments of DKK 29.4 million (2009: DKK 26.4 million) are recognized under staff costs and administrative expenses.

The Group has not entered into finance leases in the capacity as lessee.

*Data-processing centre*

The Bank has concluded an agreement with the data-processing centre Skandinavisk Data Center A/S regarding provision of services in the IT area. Early cancellation of this agreement within the agreed notice period would result in the Bank incurring a maximum cost of DKK 460 million (2009: DKK 450 million), corresponding to the average monthly payments over a period of 36 months.

The Spar Nord Bank Group has no other obligating agreements.

## NOTE

## 45 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.

## 46 EARNINGS PER SHARE

	Spar Nord Bank A/S The Group 31.12.2010 DKK m	Spar Nord Bank A/S The Group 31.12.2009 DKK m	Spar Nord Bank A/S Parent Company 31.12.2010 DKK m	Spar Nord Bank A/S Parent Company 31.12.2009 DKK m
Profit/loss for the year	105.0	117.5		
Average number of shares	57,068,810	57,068,810		
Average number of treasury shares	1,083,373	2,098,842		
Average number of shares in circulation	55,985,437	54,969,968		
Number of diluted shares regarding share-based payment	0	0		
Average number of outstanding shares (diluted)	55,985,437	54,969,968		
Earnings per share	1.9	2.1		
Diluted earnings per share	1.9	2.1		

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, 2,082,171 share options have not been taken into account (2009: 2,082,171). These share options are out-of-the-money, but potentially they may dilute earnings per share in future.

## 47 GROUP ENTERPRISES/BRANCHES ACQUIRED

In 2010, no group enterprises were acquired. A final calculation regarding the 2008 acquisition of branches from Roskilde Bank was made in 2009.

	Fair value at the acquisition date *) 31.12.09 DKK m	Carrying amount prior to acquisition *) 31.12.09 DKK m
Net assets acquired		
Cash balances and demand deposits with central banks	14.1	14.1
Loans, advances and other receivables at amortized cost	1,558.9	1,558.9
Intangible assets (customer relations)	29.3	0.0
Other property, plant and equipment	8.3	0.0
Total assets	1,610.6	1,573.0
Deposits and other payables	1,475.9	1,475.9
Miscellaneous liabilities	2.9	1.3
Total commitments	1,478.8	1,477.2
Net assets acquired	131.8	95.8
Goodwill	86.8	
Purchase price	218.6	

Management assessed that the fair value of the loans taken over corresponded to the value calculated based on the amortized cost as recorded by Bankaktieselskabet af 24. august 2008 immediately prior to the acquisition, because the Bank had returned loans having a lower value.

\*) The fair value and carrying amount of loans, advances and other receivables at amortized cost, as well as deposits and other payables have been calculated after returning customers to Bankaktieselskabet af 24. august 2008 in 2008 and 2009. The reduction made as a consequence of returning customers to source corresponds to the customers' balances at the time of return.

In January 2009, the goodwill was renegotiated based on the transfer agreement, and was reduced by DKK 60.4 million as a consequence of returning customers in 2008 and 2009. This reduction was recognized at 31 December 2008.

NOTE

## 48 RELATED PARTIES

The Group	Parties with significant influence		Associates		Group enterprises *)		Supervisory Board **)		Executive Board **)	
	2010 DKK m	2009 DKK m	2010 DKK m	2009 DKK m	2010 DKK m	2009 DKK m	2010 DKK m	2009 DKK m	2010 DKK m	2009 DKK m
<b>Assets</b>										
Loans, advances and loan commitments	-	-	16.3	12.9	-	-	47.6	94.1	1.5	1.5
<b>Total</b>	-	-	16.3	12.9	-	-	47.6	94.1	1.5	1.5
<b>Liabilities</b>										
Deposits	91.7	52.9	52.7	65.4	0.3	0.3	4.3	5.6	2.7	2.5
<b>Total</b>	91.7	52.9	52.7	65.4	0.3	0.3	4.3	5.6	2.7	2.5
<b>Off-balance-sheet items</b>										
Guarantees issued	-	-	0.3	0.3	-	-	0.0	12.9	-	-
Collateral accepted	-	-	-	-	-	-	17.8	32.7	-	-
<b>Total</b>	-	-	0.3	0.3	-	-	17.8	45.6	0.0	0.0
<b>Income statement</b>										
Interest income	-	-	0.7	1.4	-	-	0.9	1.2	-	-
Interest expenses	0.9	1.4	0.6	1.1	-	-	0.2	0.9	0.0	0.1
Fees, charges and commissions received	-	-	-	-	-	-	0.1	0.1	-	-
Dividends received	-	-	12.9	3.6	-	-	-	-	-	-
Impairment	-	-	13.4	0.0	-	-	-	-	-	-
Other income	-	-	-	-	-	-	-	-	-	-
Other expenses	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	-0.9	-1.4	-0.4	3.9	-	-	0.8	0.4	0.0	-0.1
<b>Parent Company</b>										
	2010 DKK m	2009 DKK m	2010 DKK m	2009 DKK m	2010 DKK m	2009 DKK m	2010 DKK m	2009 DKK m	2010 DKK m	2009 DKK m
<b>Assets</b>										
Loans, advances and loan commitments	-	-	0.2	0.8	6,780.6	6,480.5	47.6	94.1	1.5	1.5
<b>Total</b>	-	-	0.2	0.8	6,780.6	6,480.5	47.6	94.1	1.5	1.5
<b>Liabilities</b>										
Deposits	91.7	52.9	52.7	65.4	17.7	143.4	4.3	5.6	2.7	2.5
<b>Total</b>	91.7	52.9	52.7	65.4	17.7	143.4	4.3	5.6	2.7	2.5
<b>Off-balance-sheet items</b>										
Guarantees issued	-	-	0.3	0.3	651.3	706.8	0.0	12.9	-	-
Collateral accepted	-	-	-	-	-	-	17.8	32.7	-	-
<b>Total</b>	-	-	0.3	0.3	651.3	706.8	17.8	45.6	0.0	0.0
<b>Income statement</b>										
Interest income	-	-	0.0	1.4	163.0	213.9	0.9	1.2	-	-
Interest expenses	0.9	1.4	0.6	1.1	0.1	0.4	0.2	0.9	0.0	0.1
Fees, charges and commissions received	-	-	-	-	1.1	0.5	0.1	0.1	-	-
Dividends received	-	-	12.3	3.6	-	-	-	-	-	-
Impairment	-	-	0.0	0.0	-	-	-	-	-	-
Other income	-	-	-	-	8.4	5.4	-	-	-	-
Other expenses	-	-	-	-	4.9	4.6	-	-	-	-
<b>Total</b>	-0.9	-1.4	11.7	3.9	167.5	214.8	0.8	0.4	0.0	-0.1

\*) Non-consolidated group enterprises (Beluni Inc.)

Related parties with significant influence are shareholders with holdings exceeding 20% of Spar Nord Bank A/S. Notes 25 and 26 contain a list of group enterprises and associates. The interest rate for loans and advances to associates ranged from 4.46 - 5.41% in 2010 (2009: 4.69 - 5.39%) and from 0.71 - 3.71% (2009: 0.94 - 4.19%) for loans and advances to group enterprises. Moreover, interest rates have been agreed with Finans Nord for the cost of funds plus a supplement. Thus, the interest ranged from 0.74 to 5.57% in 2010 (2009: 0.67 - 5.57%).

Commitments and transactions with members of the Supervisory and Executive Boards comprise personal commitments of such parties and of their related parties. The interest rate for loans and advances to Supervisory Board members ranged from 1.46 - 8.98% in 2010 (2009: 1.20 - 9.10%) and from 1.46 - 2.46% (2009: 1.20 - 2.80%) for loans and advances to Executive Board members.

\*\*) Breakdown of loans, advances and loan commitments on the Supervisory Board and Executive Board

The Group and the Parent Company	Executive Board		Supervisory Board	
	2010	2009	2010	2009
Loans and advances	0.1	0.0	21.8	40.8
Unutilized loan and guarantee commitments	1.4	1.5	25.8	53.3
<b>Total loans, advances and loan commitments</b>	<b>1.5</b>	<b>1.5</b>	<b>47.6</b>	<b>94.1</b>

No transactions were concluded during the year with members of the Supervisory Board, the Executive Board or executive staff members, other than transactions involving salary, emoluments, etc., securities trading and loans and provision of collateral. More details regarding the remuneration of the Supervisory Board, the Executive Board and executive staff members appear from notes 13 and 14.

The respective shareholdings of the Executive Board and the Supervisory Board are shown on pages 35-38. Transactions between related parties, including credit facilities, are concluded on an arm's length basis. Related parties that hold at least 5% of the Bank's share capital comprise the Spar Nord Foundation, Aalborg, with a holding of 29.0% (2009: 30.8%) and Nykredit Realkredit A/S, Copenhagen, with a holding of 7.7% (2009: 7.5%). These figures are based on the most recent reporting of holdings to the Bank.

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 Bank does not know the identity of the holders. Spar Nord Bank shares may be registered in the name of the holder.

## NOTE

## 49 POST-BALANCE-SHEET EVENTS

No significant events have occurred after 31 December 2010.

## 50 FAIR-VALUE INFORMATION

## 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.

	2010 Fair value DKK m	2010 Amortized cost DKK m	2009 Fair value DKK m	2009 Amortized cost DKK m
<b>Financial assets</b>				
Cash balances and demand deposits with central banks	0.0	578.1	0.0	841.5
Receivables from credit institutions and central banks	0.0	2,227.8	0.0	4,013.7
Loans, advances and other receivables at amortized cost	0.0	39,952.1	0.0	38,315.4
Bonds at fair value	13,637.3	0.0	12,578.8	0.0
Shares, etc.	1,121.7	0.0	869.8	0.0
Assets linked to pooled schemes	5,678.5	0.0	4,066.5	0.0
Positive market value of derivative instruments	1,670.5	0.0	1,463.1	0.0
<b>Total</b>	<b>22,108.0</b>	<b>42,758.0</b>	<b>18,978.2</b>	<b>43,170.6</b>
<b>Financial liabilities</b>				
Payables to credit institutions and central banks	0.0	7,314.0	0.0	9,327.3
Deposits and other payables	0.0	31,203.7	0.0	31,930.7
Deposits in pooled schemes	0.0	5,678.5	0.0	4,066.5
Issued bonds at amortized cost	0.0	7,806.2	0.0	6,445.2
Subordinated debt	0.0	2,447.0	0.0	2,681.1
Negative market value of derivative instruments	1,663.8	0.0	1,073.5	0.0
<b>Total</b>	<b>1,663.8</b>	<b>54,449.4</b>	<b>1,073.5</b>	<b>54,450.8</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.

Bonds are valued at the closing market price or by means of own models based on a yield curve plus a credit spread.

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.

Valuation techniques are generally used for OTC derivatives, unlisted assets and liabilities in the trading portfolio and unlisted shares recognized at fair value. 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.

Unlisted shares recorded at fair value, see note 24, comprise unlisted shares that are not included in the Group's trading portfolio. Unlisted shares are recognized at fair value, using the fair-value option provided for in IAS 39, and are measured in accordance with provisions in shareholders' agreements and generally accepted valuation methods, etc.

When valuing derivative instruments, the initial customer margin is amortized over the remaining term to maturity. At the end of 2010, the customer margin not yet amortized amounted to DKK 46.1 million (2009: DKK 49.9 million).

The development in financial markets did not result in any reclassification between the three categories in 2010, apart from a minor portfolio of shares in which a transaction made during the year was used as the valuation basis.

NOTE

	Listed prices Level 1 DKK m	Observable inputs Level 2 DKK m	Unobservable inputs Level 3 DKK m	Total DKK m
<b>2010</b>				
<i>Financial assets</i>				
Bonds at fair value	5,777.6	7,724.4	135.3	13,637.3
Shares, etc.	375.8	687.6	58.3	1,121.7
Assets linked to pooled schemes	4,222.2	1,456.3	0.0	5,678.5
Positive market value of derivative instruments	0.0	1,670.5	0.0	1,670.5
<b>Total</b>	<b>10,375.6</b>	<b>11,538.8</b>	<b>193.6</b>	<b>22,108.0</b>
<i>Financial liabilities</i>				
Negative market value of derivative instruments	0.0	1,663.8	0.0	1,100.8
<b>Total</b>	<b>0.0</b>	<b>1,663.8</b>	<b>0.0</b>	<b>1,100.8</b>
<b>2009</b>				
<i>Financial assets</i>				
Bonds at fair value	3,516.1	8,910.5	152.2	12,578.8
Shares, etc.	253.4	565.2	51.2	869.8
Assets linked to pooled schemes	3,278.2	788.3	0.0	4,066.5
Positive market value of derivative instruments	0.0	1,463.1	0.0	1,463.1
<b>Total</b>	<b>7,047.7</b>	<b>11,727.1</b>	<b>203.4</b>	<b>18,978.2</b>
<i>Financial liabilities</i>				
Negative market value of derivative instruments	0.0	1,073.5	0.0	1,073.5
<b>Total</b>	<b>0.0</b>	<b>1,073.5</b>	<b>0.0</b>	<b>1,073.5</b>

Bonds, assets in pooled schemes and derivative instruments 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 an 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 external prices, the fair value is fixed at the price quoted by an 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.
- The fair value has been determined reliably for all shares, and accordingly no shares have been recognized at cost.

#### Financial instruments measured at fair value based on non-observable prices (level 3)

In 2010, the Bank recognized unrealized market-value adjustments of unlisted shares and bonds valued on the basis of non-observable inputs in the amount of DKK 45.5 million (2009: DKK 36.5 million).

	2010 DKK m	2009 DKK m
Carrying amount at 1 January	203.4	248.0
Market-value adjustments in the income statement	45.5	36.5
Market-value adjustments in shareholders' equity	0.0	0.0
Purchases	1.5	11.2
Sales	38.2	32.0
Transferred to/from level 3	-18.6	-60.3
Carrying amount at 31 December	193.6	203.4
Market-value adjustments in the income statement of assets held at the reporting date	45.5	36.5

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.

The estimated fair value of illiquid bonds has been substantially impacted by the assumption regarding the current credit spread. If the credit spread is assumed to widen by 50 basis points, this will reduce the fair value by DKK 2.4 million. If the credit spread narrows by 50 basis points, this will increase the fair value by DKK 2.4 million.



## NOTE

Financial Instruments recognized at amortized cost – fair value information	2010 Carrying amount DKK m	2010 Fair value DKK m	2009 Carrying amount DKK m	2009 Fair value DKK m
<i>Financial assets</i>				
Cash balances and demand deposits with central banks	578.1	578.1	841.5	841.5
Receivables from credit institutions and central banks	2,227.8	2,227.8	4,013.7	4,013.7
Loans, advances and other receivables at amortized cost	39,952.1	40,079.0	38,315.4	38,517.6
<b>Total</b>	<b>42,758.0</b>	<b>42,884.9</b>	<b>43,170.6</b>	<b>43,372.8</b>
<i>Financial liabilities</i>				
Payables to credit institutions and central banks	7,314.0	7,314.0	9,327.3	9,327.3
Deposits and other payables	31,203.7	31,238.6	31,930.7	31,982.6
Deposits in pooled schemes	5,678.5	5,678.5	4,066.5	4,066.5
Issued bonds at amortized cost	7,806.2	7,864.4	6,445.2	6,480.7
Subordinated debt	2,447.0	2,430.8	2,681.1	2,598.6
<b>Total</b>	<b>54,449.4</b>	<b>54,526.3</b>	<b>54,450.8</b>	<b>54,455.7</b>

The vast majority of amounts due to the Group, loans and advances, and deposits may not be assigned without the 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 arrive at different estimated values.

The Group discloses information about the fair value of financial instruments at amortized cost on the basis of the following assumptions:

- For a significant 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 market rate at the reporting date.
- The fair value of subordinated debt is adjusted for listed debt at the most recent transaction price, while unlisted debt is recorded at amortized cost as no effective market exists for loans issued by Spar Nord Bank.

**Day-1 gains or losses**

Gains or losses upon inception ("day 1-profit/loss") are not recognized for unlisted derivative instruments, but are recognized over the term of the relevant instrument.

<i>Total difference recognized in the balance sheet</i>	2010 DKK m	2009 DKK m
Carrying amount at 1 January	49.9	38.6
Recognized in the income statement	-3.8	11.3
Carrying amount at 31 December	46.1	49.9

**51 RISK MANAGEMENT**

The Spar Nord Bank Group is exposed to a number of risks in various categories.

The most important types of risk to which the Group is exposed are:

- **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 as a result of errors in internal processes, human error, system error 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.dk/ir/risk\\_report](http://www.sparnord.dk/ir/risk_report).

## 52 CREDIT RISK

Credit risk is defined as the risk of losses because counterparties fail to meet all or part of their contractual obligations to the Group. Spar Nord's overall credit risks are managed pursuant to the Bank's credit policy, which is laid down by the Supervisory Board together with all other general credit risk policies and frameworks for the Group.

The main objective of the credit policy is ensure that earnings and risks are balanced, and that the risk assumption is always quantified.

In 2010, Spar Nord made no major changes in assumptions, objectives, policies, exposures and calculation methods, etc. as compared to the year before.

It is Spar Nord'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. The customer must both have the will and ability to repay loans without the Bank having to realize the collateral provided.

In its endeavours to ensure sound risk diversification of its credit exposure, Spar Nord has introduced some internal objectives. The Group does not want to be exposed to individual customers or industries that might solely and separately engender solvency issues. Consequently, Spar Nord has introduced a cap on credit facilities, which may not exceed DKK 400 million. In determining the amount of exposure, due provision is made for the so-called 'particularly secure claims', which are stated in the Danish Financial Supervisory Authority's Executive Order on Large Exposures. The unsecured share of credit exposure may not exceed DKK 150 million in respect of any facility. This limit has been kept at all times. The DKK 400 million cap does not apply to trading partners in the financial sector.

Loan-financed investments must be established on a hedged basis. This means that customers must contribute with their own funds in order to provide the desired margin, and the commitments will be included in the daily stop-loss monitoring. The loan values are determined conservatively, and a margin will also have to be provided to collateralize the loan.

#### Credit management and monitoring

Credit authorization is governed by two factors - the expertise of the individual local bank managers and the desire that the Credit Rating Department approve a certain share of the authorizations from the individual areas. The decentralized credit authorization limits range between DKK 2 and 10 million.

All credit facilities above DKK 60 million must be authorized by the Supervisory Board, as must all new facilities exceeding DKK 30 million.

Customer advisers, in consultation with the individual managers, handle day-to-day management of the Bank's credit risks. Decentralized powers are allocated based on an assessment of need and expertise. If a credit facility exceeds the local loan approval limits, it will be passed on and dealt with by the Credit Rating Department, the Credit Committee or the Supervisory Board.

The Credit Committee is composed of the General Manager of the Credit Rating Department and an Executive Board member and deals with credit facilities that exceed the Credit Rating Department's authorization limits or if a credit facility involves a matter of principle. The Credit Committee meets three times a week to consider complex and major customer exposures. The Credit Committee will frequently prepare the matters considered by it for further discussion by the entire Supervisory Board.

Overall monitoring of the Group's credit risk exposure is managed by the Credit Quality Department. This Department monitors developments in the credit quality of all credit facilities and undertakes an ongoing, systematic credit quality control of the Bank's entire exposure portfolio.

All new retail customer facilities above DKK 100,000 and business customer facilities above DKK 300,000 are reviewed by the Credit Quality Department. New customers with low credit quality ratings are monitored on an ongoing basis.

As an element in the procedure, business customers and retail customers are credit scored based on risk analyses. Rating and credit scoring 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 risk categories accorded the lowest risk exposure are likelier to be given higher credit limits or extensions than those with the highest risk exposure. In addition, the systems are used for managing overdrafts and for pricing purposes.

The risk level is monitored centrally, but the risk attaching to portfolios may also be monitored at local level. This monitoring takes place by means of locally accessible IT systems that classify the customers into risk groups and also show the migration of customers to new risk groups.

No scoring models for Finans Nord's customers have been developed yet.

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 will 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. Spar Nord continuously monitors the value of the collateral provided.

#### Impairment

All significant loans and advances and those slated for credit quality review are re-evaluated individually, and other loans are reviewed on a group basis. All loans and advances not impaired on an individual basis are assigned to groups having uniform credit risk exposure. If the review discloses objective indications of impairment, 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 future 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 then automatically 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.

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. Credit scoring constitutes the primary source of customer categorization, but customers slated for credit review without individual impairment provisions also make up a group.

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 for 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.dk/ir/risk\\_report](http://www.sparnord.dk/ir/risk_report).

NOTE

Spar Nord  
Bank A/S  
The Group  
31.12.2010  
DKK m

Spar Nord  
Bank A/S  
The Group  
31.12.2009  
DKK m

**Credit exposure**

The Group's credit exposure is composed of the following balance-sheet items and off-balance-sheet items

**Balance-sheet items**

Loans, advances and other receivables at amortized cost	39,952.1	38,315.4
Impairment account for loans, advances and other receivables	1,022.4	965.7
<b>Off-balance-sheet items</b>		
Contingent liabilities	5,137.5	6,235.3
Impairment account for guarantees	4.5	133.8
<b>Credit exposure, loans, advances and guarantees, total</b>	<b>46,116.5</b>	<b>45,650.2</b>

**Financial credit risk**

Bonds at fair value	12,441.5	11,342.0
Receivables from credit institutions and central banks	2,920.7	4,626.0
<b>Credit exposure, financial credit risk, total</b>	<b>15,362.2</b>	<b>15,968.0</b>

**Breakdown of the Group's exposures by business area**

In the ongoing risk monitoring process, the customer portfolio is divided into four groups - retail customers at the Local Banks, business customers at the Local Banks, financial customers and customers at Finans Nord. As appears from figure 1, in 2009 and 2010 the total credit volume declined for retail and business customers, while it grew slightly for Finans Nord. Moreover, the credit volume for financial customers recovered slightly in 2010 after a drop in 2009. To this should be added separate monitoring at industry level, for instance agriculture; see details about industry level below.

The Group's total loans, advances and guarantees before offsetting impairment amounted to DKK 46.1 billion. (2009: DKK 45.7 billion), including the Private Contingency Association. Developments appear from the column, "Loans, advances and guarantees" in figure 1.

**THE GROUP'S EXPOSURE BY CATEGORY**

DKK bn

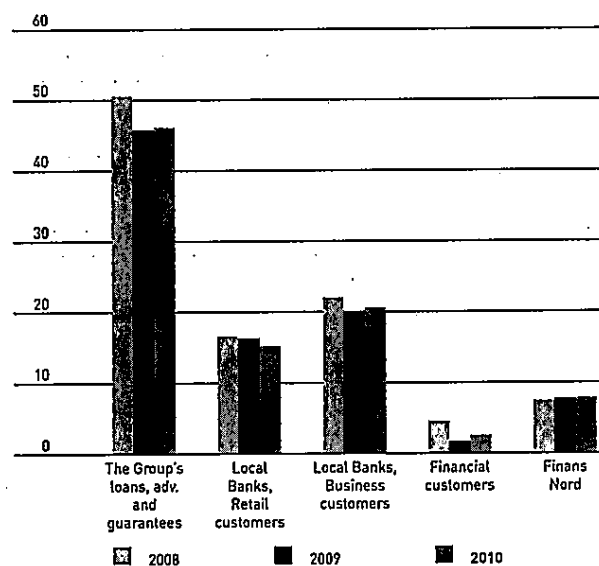


Figure 1

#### NOTE Classification of customers

Spar Nord Bank 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.

The credit scoring system has been introduced in all the Bank's departments and is also used for credit granting at the local level, in the sense that customers in the groups accorded the lowest risk exposure can be given higher credit limits than those accorded the highest risk exposure. In addition, the systems are used for managing overdrafts and serve as a guide for pricing purposes.

Retail customers are categorized into seven risk groups using behavioural data (with 1 being the best), and a separate credit-watchlisted group has also been established. The model used for scoring retail customers, which is based on historical data for the customers' behaviour, calculates the probability of a customer's default on his payment obligations within the year ahead (Probability of Default, PD). This model is based on 10-20 variables that are selected among 150 as the ones that best describe previously defaulted loans.

Business customers are categorized based on financial ratios into nine rating groups and a separate default group as well as a group of unscored customers. Risk group 0 consists of public-sector customers. The model for business customers is based primarily on accounting data, earnings, solvency, hedging, etc.

Impaired credit facilities are categorized in the default group, for which reason the other risk groups comprise non-impaired facilities.

A few business customers are still not rated using the Bank's business model, including newly established companies and other business customers who have no available financial statements that reflect the credit risk attaching to the customer.

Likewise, there are still some retail customers who are not scored, including associations and customers who have not yet been scored for the first time.

#### RETAIL CUSTOMERS' FACILITIES BY RISK CATEGORY

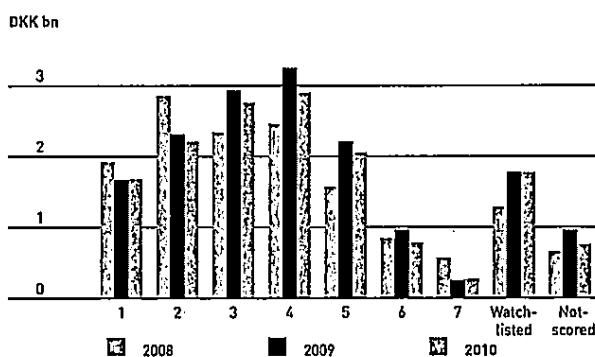


Figure 2

#### BUSINESS CUSTOMERS BROKEN DOWN BY RISK GROUP

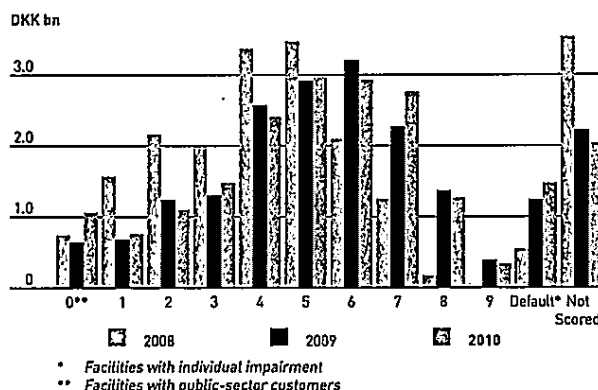


Figure 3

As appears from figure 2 above, there was a shift in 2010 in retail customers' facilities. Thus, in relative terms there was an overall increase in the share of the Group's total exposure attributable to the best categories and a decrease in the weakest categories. For business customers, the exposure increased in 2010 in several of the better risk categories and declined in several of the weak risk categories. The only exception is the group of default customers. The overall conclusion is that the credit quality of the business customer portfolio improved slightly from the beginning to the end of 2010.

#### Properties

The real-property sector has proved to be highly risk-prone in recent years on account of the adverse price developments on the market. For a number of years, Spar Nord has been reluctant to assume exposures to property-sector customers, and the exposure in this regard extensively consists of customers with long-term relations with the Bank and wide experience in the sector.

During 2010, the Group cut its combined exposures to customers in the real-property sector by about DKK 0.1 billion to about DKK 4.9 billion, equal to 10.7% of total loans, advances and guarantees. At end-2010, the impairment ratio for the sector as a whole stood at 1.8% against a beginning-of-year comprehensive impairment balance of 1.4%. For 2010, total losses on customers in the sector amounted to about DKK 53 million.

#### Agriculture

The Group's exposure to Agriculture, etc. represents 11.9% (2009: 12.5%). The reduction on last year's figure is a good step towards achieving the goal of reducing the Group's overall exposure to agriculture to 10% over the next few years. The breakdown of agricultural credit facilities by scoring categories for the Bank appears from figure 4.

Finans Nord is not included in the breakdown, as it has not yet developed scoring models.

Spar Nord Bank's exposure to Agriculture, etc., which represents 8.0% (2009: 8.9%), breaks down on rating groups as follows:

NOTE **AGRICULTURAL EXPOSURE BY RISK GROUP**

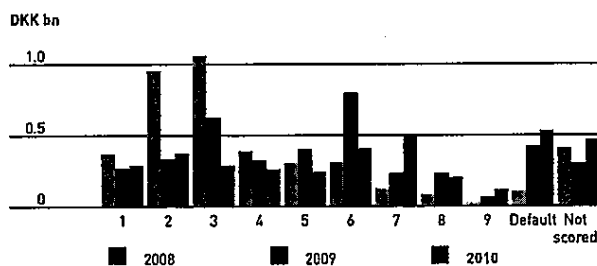


Figure 4

As appears from developments in the scoring of agricultural customers at the Bank, there was a distinct trend towards the highly risk-prone groups in 2010.

Agriculture is the sector in the Bank's business portfolio that shows the largest decline in credit quality in the period from 2008 to 2010. However, the best performing agricultural customers account for an almost unchanged percentage during the period. It also applies to the agricultural sector that the decline in credit quality in 2010 was lower than in 2009. During the period from 2008 to 2010, the percentage of defaulting agricultural customers increased sharply, and the Bank's impairment on agricultural customers rose from about DKK 37 million to DKK 219 million over the period.

Overall, the portfolio of agricultural commitments is considered to be sound and characterized by satisfactory diversification in terms of production lines. Nonetheless, Spar Nord is aware that the sector is facing massive problems, a profitable business being very difficult to run given the prices that can currently be fetched on agricultural produce. Thus, it has been necessary, and will remain so in future, to finance operating losses for farmers who report satisfactory breakeven turnover and whose budgets are considered realistic and sound.

Agriculture is definitely the business sector that has accounted for most impairment losses at the Bank in recent years. The prices that can currently be fetched on agricultural produce have dropped to a level where many farmers have difficulty in making their farms profitable. Spar Nord operates on the principle that when farmers cannot live up to the predetermined breakeven prices per produced unit (milk, pork, etc.) this will be defined as an objective indication of impairment. The calculation of breakeven prices is moreover based on a financing rate of 5% interest for each farmer, regardless of whether the actual average interest on the farmer's interest-bearing debt is lower. If a particular farming property that meets these requirements cannot present a realistic budget, impairment calculation procedures will be implemented. The anticipated value of the land is a crucial factor in determining the amount of impairment, and the current calculation basis is a maximum of DKK 150,000 per hectare after discounting it back one year at an average discount rate.

Finans Nord accounts for 16,7% (2009: 16,7%) of the Group's total credit exposure and breaks down as follows by industry:

#### FINANS NORD'S LENDING BY INDUSTRY

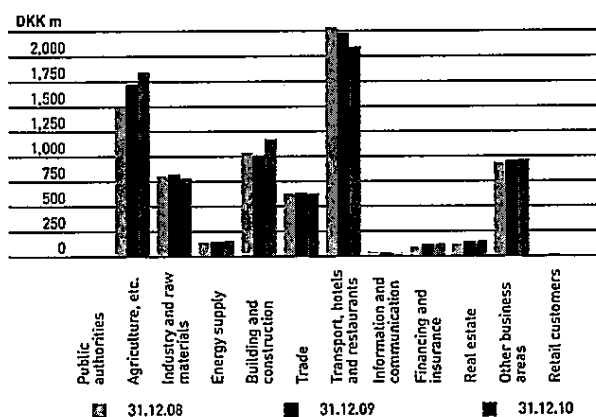


Figure 5

In line with Spar Nord Bank's policy, Finans Nord's credit application processing is based on an assessment of the customers' ability and will to meet their current and future obligations.

Compared with the Bank, the situation is different for Finans Nord, in that the leasing company always has security in the assets, either through ownership or charges. The credit portfolio held by Finans Nord is composed of 88% lease contracts and 12% asset purchase financing. The agricultural and transport industries constitute the two largest business areas for Finans Nord. While the leasing performance was fairly good for the agricultural industry in 2010 without any appreciable impact on Finans Nord's income statement, the transport area presented major challenges again in 2010, with customers encountering financial difficulties that forced Finans Nord to repossess equipment and recognize impairment losses. Repossessed transport equipment and industrial equipment were the prime factors impacting Finans Nord's 2010 income statement. However, the second half of 2010 saw general improvement in the transport sector.

The total impact of impairment and losses on Finans Nord's income statement amounted to DKK 97,3 million in 2010 (2009: DKK 116,4 million), corresponding to an impact ratio of 1.3% (2009: 1.6%) of average lending.

#### Concentration risk

The Spar Nord Bank Group's identification of risk concentrations in the credit portfolio is a parameter used in credit risk management.

Under section 145 of the Danish Financial Business Act, exposure to a single customer or a group of related customers, after deduction of particularly secure claims, may not exceed 25% of the capital base. Moreover, after deduction of particularly secure claims, the sum of all exposures that constitute 10% or more of the capital base may not exceed 800% of the capital base. According to the Danish Financial Supervisory Authority's "Guidelines on the reporting of financial statements", the financial ratio "Large exposures as % of capital base" will be corrected as from end-2010 in respect of exposures to credit institutions, etc. below DKK 1 billion. The Group submits quarterly reports to the Danish Financial Supervisory Authority on its compliance with these rules.

The Bank has internally introduced a more conservative cap on facilities of DKK 400 million, which corresponds to just under 10% of the capital base. Exposures to trading partners in the financial sector are not included for the purpose of calculating the Group's cap of DKK 400 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 the Group's capital base.

Credit exposure	2010 Number	2010 DKK m	2010 %	2009 Number	2009 DKK m	2009 %
The Group						
DKK m	Number of groups	Exposure	Exposure excluding particularly secure claims	Number of groups	Exposure	Exposure excluding particularly secure claims
Exposure > 10% of the capital base, total	9	20,293.7	-	8	22,520.0	-
Exposure > 10% of the capital base calculated pursuant to section 145	3	2,087.7	35.9	1	641.8	10.9
Exposure > 10% of the capital base calculated pursuant to section 145, after correcting for exposures to credit institutions, etc. below DKK 1 billion in accordance with the Danish Financial Supervisory Authority's "Guidelines on the reporting of financial statements" (applicable as from end-2010).	0	0	0	-	-	-

Exposure > 10% of the capital base calculated pursuant to section 145 comprises credit exposures to trading partners in the financial sector exclusively.

As appears from the table above, the actual credit risk only amounts to DKK 2,087.7 million (2009: DKK 641.8 million) out of the total exposure of DKK 20,293.7 million (2009: DKK 22,520.0 m).

NOTE

**THE GROUP'S LOANS, ADVANCES AND GUARANTEES  
BROKEN DOWN BY SIZE OF FACILITY\*)**

DKK m	Number 2010	Number 2009	Share in % 2010	Share in % 2009
0 - 0.1	40,677	38,965	1.3	1.5
0.1 - 0.5	28,694	27,670	11.2	11.1
0.5 - 1.0	8,584	8,200	9.2	9.7
1.0 - 5.0	7,298	7,790	27.2	30.2
5.0 - 10.0	925	912	11.6	11.3
10.0 - 20.0	394	376	10.1	9.7
20.0 - 50.0	213	202	11.8	11.0
50.0 - 100.0	60	50	6.8	6.0
100.0 -	35	33	10.8	9.5
<b>Total</b>	<b>86,880</b>	<b>84,198</b>	<b>100.0</b>	<b>100.0</b>

\*) Excl. reverse transactions

Figure 6

The Group's credit exposures are evenly distributed with about half above and half below DKK 5 million. The share of total loans, advances and guarantees attributable to large exposures has dropped from 47.5% to 51.1%, while the share attributable to exposures below DKK 5 million has declined from a combined percentage of 52.5% to 48.9% of total credit exposure.

**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 and charges on real property, securities and vehicles constitute the most common type of collateral. Mortgages on real property make up by far the most important collateral type provided to the Bank. Even though the properties have a wide geographical spread throughout Denmark, only a minor number of them are located in the Capital Region, where the 2009 price drop was most pronounced. Mortgages on real property consist mainly of mortgages on private housing.

**MORTGAGES WITH POSITIVE EQUITY - END 2010**

	DKK bn 2010	Share in % 2010	DKK bn 2009	Share in % 2009
Private housing	6.8	61.3	7.0	59.8
Summer cottages	0.7	6.3	0.7	6.0
Agriculture	1.0	9.0	1.9	16.2
Offices and businesses	2.0	18.0	1.3	11.1
Miscellaneous	0.6	5.4	0.8	6.9
<b>Total</b>	<b>11.1</b>	<b>100.0</b>	<b>11.7</b>	<b>100.0</b>

Figure 7

**GEOGRAPHICAL BREAKDOWN OF MORTGAGES - END 2010**

	% 2010	% 2009
The Capital Region	6.9	7.1
Mid-Jutland Region	13.2	13.6
North Jutland Region	60.2	58.9
Region Zealand	9.4	9.9
Region South Denmark	10.3	10.5
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

Figure 8

The Group monitors the value of the collateral 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 valuation of collateral, etc. for the agricultural sector has been described above under the classification of customers.

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 6 - 10% range.

**The Group's credit exposure broken down by unsecured share of credit exposure**

	Spar Nord Bank A/S The Group 2010	Spar Nord Bank A/S The Group 2009
Unsecured share of credit exposure - %		
< 10%	37.1	33.2
10 - 50%	19.3	24.7
50 - 75%	12.1	10.6
> 75%	31.5	31.5
<b>Total</b>	<b>100.0</b>	<b>100.0</b>
Average unsecured share of credit exposure	43.3	44.2

The unsecured share of the Group's credit exposure in 2010 declined from 44.2% to 43.3%. This decline is attributable to a general increase in collateral, both as concerns new and existing credit facilities, and to the decline in the unsecured share for customers repaying their loans. In addition, the collateral provided by many customers is unchanged, while the exposures have declined in volume.

NOTE THE GROUP'S UNSECURED SHARE OF CREDIT EXPOSURE IN DKK M AND %

Industry	2010		2009	
	DKK m	%	DKK m	%
Public authorities	1,035.4	99.1	650.9	100.0
Agri., hunting, forestry and fisheries	1,964.4	34.8	2,199.6	37.2
Industry and raw materials extraction	876.3	50.4	1,032.9	54.6
Energy supply	477.8	34.2	402.2	33.4
Building and construction	757.4	33.2	728.8	36.4
Trade	2,554.2	66.1	2,532.6	72.3
Transport, hotels and restaurants	710.9	23.4	968.6	30.4
Information and communication	41.9	50.0	47.1	44.9
Financing and insurance	1,425.8	39.1	947.1	44.3
Real estate	2,528.9	51.3	2,278.2	45.4
Other business areas	1,578.7	51.2	1,513.1	45.4
Business customers, total	13,951.7	45.4	13,301.1	46.0
Retail customers, total	6,014.8	39.1	6,882.7	41.2
Total	19,966.5	43.3	20,183.8	44.2

Figure 9

The largest drop in the unsecured share of credit exposure is seen among retail customers, which is attributable primarily to an increase in business volume connected with the arrangement of mortgage-credit loans.

The low unsecured share for the industry Transport, etc. is due to the hefty share of Finans Nord's exposures to this industry.

In the event that Spar Nord Bank calls up collateral that cannot easily be converted to cash, the Bank pursues the policy of disposing of such assets as soon as possible. As concerns properties, their sale will be entrusted to a real estate agent. Repossessed leasing equipment will be re-leased or, alternatively, sold as soon as possible.

In 2010, the Group repossessed equipment worth DKK 79.8 million (2009: DKK 96.7 million), which is primarily attributable to Finans Nord as a result of non-performing leases for passenger cars and vans, trucks, agricultural machinery and heavy construction machinery.

The leased assets are valued and depreciated on an ongoing basis. Thus, in periods of declining prices for leased assets, the collateral calculated by Finans Nord is reduced.

SPAR NORD BANK, THE GROUP  
COLLATERAL ACCEPTED AND TYPE OF COLLATERAL

Collateral accepted	2010	2009
	DKK m	DKK m
Credit exposure	46,116.5	45,650.2
Value of collateral	26,150.0	25,466.4
Unsecured, total	19,966.5	20,183.8

Type of collateral		
Properties	8,338.2	8,768.3
Custody accounts / securities	3,828.6	2,230.7
Guarantees / suretyships	799.2	973.8
Vehicles	723.2	912.8
Cash	739.4	792.5
Other collateral	1,093.8	1,093.8
Collateral used, total	15,522.4	14,771.9
Partic. sec. transactions (mortgage-credit guarantees)	3,734.8	4,329.1
Total collateral accepted, excl. Finans Nord	19,257.2	19,101.0
Collateral accepted, Finans Nord	6,892.8	6,365.4
Total	26,150.0	25,466.4

Figure 10

The reason that the property value under mortgages broken down by property type is calculated at DKK 11.1 billion and that only DKK 8.3 billion is recorded as collateral on the properties in the table above is that the DKK 11.1 billion is the amount mortgaged to the Bank and recorded as collateral, while the DKK 8.3 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.

Finans Nord

Finans Nord, which accounts for 17.0% (2009: 16.8%) of total credit exposure, has its core competence in the financing of transport equipment, contractor's equipment, agricultural machinery, industrial machinery and vehicles.

Finans Nord's collateral consists mainly of ownership of or retention of title to this type of assets. Typically, such collateral is supplemented by a down payment or security deposit, and it is also common for the company's owner(s) to provide suretyship.

Finally, through cooperation agreements with a number of banks, Finans Nord has provided financing against partial or full guarantees from the relevant banks. Such bank guarantees amount to DKK 820 million (2009: DKK 922 million).



NOTE	Finans Nord	Agriculture, etc.	Manufacturing, etc.	Building and construction	Transport	Other business areas	Total
	DKK m						
	Credit exposure	1,821.5	768.3	1,155.2	2,064.1	2,034.2	7,843.3
	Value of collateral	1,637.7	602.2	1,049.9	1,844.8	1,758.2	6,892.8
	Unsecured, total	183.8	166.1	105.3	219.3	276.0	950.5
	Unsecured share of credit exposure	0.1	0.2	0.1	0.1	0.1	0.1
	Type of collateral						
	Custody accounts / securities	99.0	31.4	33.9	55.2	61.0	280.5
	Guarantees / suretyships	95.5	84.4	36.8	76.4	102.8	395.5
	Assets	1,443.2	486.4	979.2	1,713.2	1,594.4	6,216.4
	Total	1,637.7	602.2	1,049.9	1,844.8	1,758.2	6,892.8

2009

	DKK m						
	Credit exposure	1,695.1	854.7	992.1	2,193.4	1,964.9	7,700.2
	Value of collateral	1,441.8	739.6	771.4	1,761.6	1,651.0	6,365.4
	Unsecured, total	253.3	115.1	220.7	431.8	313.9	1,334.8
	Unsecured share of credit exposure	0.1	0.1	0.2	0.2	0.2	0.2
	Type of collateral						
	Custody accounts / securities	69.6	35.7	37.2	85.0	79.7	307.2
	Guarantees / suretyships	691.3	354.7	370.0	844.9	792.0	3,052.9
	Assets	680.9	349.2	364.2	831.7	779.3	3,005.3
	Total	1,441.8	739.6	771.4	1,761.6	1,651.0	6,365.4

The collateral value of security deposits and guarantees has been deducted from the value of assets.

The collateral value relative to credit exposure is assessed by Finans Nord on a case-by-case basis and compared with the creditworthiness of the individual customer and the estimated industry and market risks. Thus, the combined unsecured share for the industry and the total for Finans Nord represent an average based on individual credit assessments of each customer's credit facilities.

NOTE

	Spar Nord Bank A/S The Group 31.12.2010 DKK m	Spar Nord Bank A/S The Group 31.12.2009 DKK m	Spar Nord Bank A/S Parent Company 31.12.2010 DKK m	Spar Nord Bank A/S Parent Company 31.12.2009 DKK m
<b>Impairment account for loans, advances and provisions for guarantees</b>				
<i>Individual impairment of loans and advances</i>				
Individual impairment, beginning of year	856.8	496.2	740.0	440.8
New individual impairment	482.2	578.9	393.6	483.1
Reversal of individual impairment losses	186.3	105.1	150.1	74.5
Previously written down, now definitively lost	277.8	175.7	229.4	168.0
Interest on impaired loans and advances taken to income	56.1	62.5	52.8	58.6
Individual impairment, end of year	931.0	856.8	806.9	740.0
<i>Groups of impairment losses, loans and advances</i>				
Groups of impairment losses, beginning of year	108.9	83.2	95.4	76.3
New groups of impairment losses	0.0	25.7	0.0	19.1
Reversal of groups of impairment losses	17.5	0.0	14.8	0.0
Groups of impairment losses, end of year	91.4	108.9	80.6	95.4
<i>Total impairment of loans and advances</i>				
Impairment, beginning of year	965.7	579.4	835.4	517.1
New impairment	482.2	604.6	393.6	502.2
Reversal of impairment losses	203.8	105.1	164.9	74.5
Previously written down, now definitively lost	277.8	175.7	229.4	168.0
Interest on impaired loans and advances taken to income	56.1	62.5	52.8	58.6
Impairment, end of year	1,022.4	965.7	887.5	835.4
<i>Impairment recognized in the income statement</i>				
New impairment	482.2	604.6	393.6	502.2
Reversal of impairment losses	203.8	105.1	164.9	74.5
Losses without prior impairment	207.6	106.7	155.2	62.4
Carried to income, previously written off	30.6	23.1	28.8	22.5
Recognized in the income statement	455.4	583.1	355.1	467.6
Impairment, other credit risks	0.0	0.0	0.0	0.0
<i>Provisions for guarantees</i>				
Provisions, beginning of year	133.8	26.5	132.6	26.5
New provisions	2.0	111.1	2.0	109.9
Reversal of provisions	0.8	2.4	0.8	2.4
Provisions previously made, now definitively lost	130.5	1.4	130.5	1.4
Provisions for losses on guarantees, end of year	4.5	133.8	3.3	132.6
<i>Provisions for losses on guarantees recognized in the income statement</i>				
New provisions	2.0	111.1	2.0	109.9
Reversal of provisions	0.8	2.4	0.8	2.4
Losses without prior provisions	93.6	0.0	93.6	0.0
Recognized in the income statement	94.8	108.7	94.8	107.5
Impairment account for loans, advances and provisions for guarantees, total	1,026.9	1,099.5	890.8	968.0
<i>Impairment of loans, advances and receivables, etc.</i>				
<i>The total recognition in the income statement under impairment of loans, advances and receivables, etc. can be broken down as follows:</i>				
Impairment of loans, advances and receivables, etc.	455.4	583.1	355.1	467.6
Provisions for losses on guarantees	94.8	108.7	94.8	107.5
Total recognition in the income statement under impairment of loans, advances and receivables, etc. *)	550.2	691.8	449.9	575.1
*) Of which losses on sector-targeted solutions (the Private Contingency Association) amounted to DKK 93.6 million in 2010 (2009: DKK 107.3 million).				
Non-performing loans	105.4	103.4	54.4	55.9
<i>Interest on written-down receivables is calculated on the written-down balance only.</i>				
Interest on impaired loans and advances taken to income	56.1	62.5	52.8	58.6

NOTE	Credit facilities and impairment by industry	2010				2009			
		Exposures, the Group		Individual impairment		Exposures, the Group		Individual impairment	
	%	DKK m	%	DKK m	%	DKK m	%	DKK m	%
	<i>Business customers</i>								
	Public authorities	1,044.9	2.3	0.0	0.0	650.9	1.4	0.0	0.0
	Agriculture, hunting, forestry and fisheries	5,645.1	12.2	225.4	24.1	5,922.4	13.0	162.1	18.8
	Industry and raw materials extraction	1,739.7	3.8	48.3	5.2	1,895.9	4.2	93.3	10.8
	Energy supply	1,398.8	3.0	1.0	0.1	1,204.2	2.6	0.4	0.0
	Building and construction	2,279.9	4.9	50.2	5.5	2,009.3	4.4	43.5	5.1
	Trade	3,864.3	8.4	123.6	13.2	3,506.0	7.7	121.9	14.2
	Transport, hotels and restaurants	3,032.8	6.6	71.4	7.6	3,199.2	7.0	78.8	9.2
	Information and communication	83.8	0.2	3.9	0.4	105.2	0.2	1.0	0.1
	Financing and insurance	3,651.1	7.9	55.6	5.9	2,072.0	4.5	44.0	5.1
	Real estate	4,925.3	10.7	88.0	9.4	5,021.4	11.0	62.2	7.2
	Other business areas	3,080.8	6.7	72.0	7.7	3,351.0	7.3	68.6	8.1
	<b>Business customers, total</b>	<b>30,746.5</b>	<b>66.7</b>	<b>739.4</b>	<b>79.1</b>	<b>28,937.5</b>	<b>63.3</b>	<b>675.8</b>	<b>78.6</b>
	<b>Retail customers, total</b>	<b>15,370.0</b>	<b>33.3</b>	<b>196.1</b>	<b>20.9</b>	<b>16,712.8</b>	<b>36.7</b>	<b>184.4</b>	<b>21.4</b>
	<b>Loans, advances and guarantees, total</b>	<b>46,116.5</b>	<b>100.0</b>	<b>935.5</b>	<b>100.0</b>	<b>45,650.3</b>	<b>100.0</b>	<b>860.2</b>	<b>100.0</b>
	<i>Groups of impairment losses</i>								
	- Retail customers			40.6	44.5			49.4	45.4
	- Business customers			50.8	55.5			59.5	54.6
	<b>Groups of impairment losses</b>			<b>91.4</b>	<b>100.0</b>			<b>108.9</b>	<b>100.0</b>
	Impairment of sector-targeted solutions (the Private Contingency Association)			0.0				130.4	
	<b>Total</b>			<b>1,026.9</b>				<b>1,099.5</b>	

The percentage breakdown of individual impairment has been calculated excl. the Private Contingency Association.  
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 scoring models.

	Spar Nord Bank A/S The Group 31.12.2010 DKK m	Spar Nord Bank A/S The Group 31.12.2009 DKK m	Spar Nord Bank A/S Parent Company 31.12.2010 DKK m	Spar Nord Bank A/S Parent Company 31.12.2009 DKK m
Individually impaired loans, etc.				
Sum total of individually impaired loans, advances, receivables and guarantees	2,138.4	2,127.2	1,704.3	1,667.1
Impairment of loans, advances, receivables and guarantees	935.5	990.6	810.2	872.6
Carrying amount of loans, advances, receivables and guarantees	1,202.9	1,136.6	894.1	794.5

The Impairment account for individual impairment shown by cause of impairment	2010		2009	
The Group	Credit exposure before impairment DKK m	Impairment DKK m	Credit exposure before impairment DKK m	Impairment DKK m
Individual impairment of loans, advances, receivables and guarantees				
Insolvent liquidation	187.0	68.4	169.4	91.9
Collection or suspension of payments	59.6	26.7	34.9	11.6
Other financial difficulties	1,891.8	840.4	1,698.9	756.7
Individual impairment of loans, advances, receivables and guarantees, total, excl. sector-targeted solutions	2,138.4	935.5	1,903.2	860.2
Sector-targeted solutions (the Private Contingency Association)	0.0	0.0	224.0	130.4
Individual impairment of loans, advances, receivables and guarantees, total, incl. sector-targeted solutions	2,138.4	935.5	2,127.2	990.6

NOTE	The impairment account for individual impairment shown by cause of impairment Parent Company	2010		2009	
		Credit exposure before impairment DKK m	Impairment DKK m	Credit exposure before impairment DKK m	Impairment DKK m
	Individual impairment of loans, advances, receivables and guarantees				
	Insolvent liquidation	110.9	33.8	70.6	52.9
	Collection or suspension of payments	35.3	18.5	7.6	6.3
	Other financial difficulties	1,558.1	757.9	1,364.9	683.0
	Individual impairment of loans, advances, receivables and guarantees, total, excl. sector-targeted solutions	1,704.3	810.2	1,443.1	742.2
	Sector-targeted solutions (the Private Contingency Association)	0.0	0.0	224.0	130.4
	Individual impairment of loans, advances, receivables and guarantees, total, incl. sector-targeted solutions	1,704.3	810.2	1,667.1	872.6

Virtually all cases of insolvent liquidation, suspension of payments and collection proceedings are attributable to business customers. The customers are widely distributed on all sectors, with a slight overweight on trade and real estate exposures.

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	Spar Nord Bank A/S the Group 31.12.10	Spar Nord Bank A/S the Group 31.12.09
DKK m		
0 - 30 days	178.1	237.2
31 - 60 days	17.7	22.9
61 - 90 days	3.5	6.0
> 90 days	28.2	46.8
Total	227.5	312.9

#### Claims due, but not impaired

Parent Company	Total			
	Over-drawn 2010	Secured 2010	Over-drawn 2009	Secured 2009
DKK m				
0 - 30 days	158.3	91.2	200.2	107.8
31 - 60 days	10.4	4.4	15.3	8.5
61 - 90 days	3.5	1.1	5.2	3.6
> 90 days	7.1	2.6	20.9	9.9
Total	179.3	99.3	241.6	129.8

#### Claims due, but not impaired

Agriculture, etc. (Parent Company)	Total			
	Over-drawn 2010	Secured 2010	Over-drawn 2009	Secured 2009
DKK m				
0 - 30 days	13.7	12.3	21.2	18.0
31 - 60 days	0.2	0.2	1.5	0.5
61 - 90 days	0.0	0.0	1.6	1.5
> 90 days	0.4	0.4	0.2	0.1
Total	14.3	12.9	24.5	20.1

**NOTE** 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.

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 developments. Unauthorized overdrafts have been reduced on an ongoing basis, primarily as concerns retail customers, and unauthorized overdrafts with respect to business customers have been kept at a low level throughout the period.

The development can be seen from figures 11 and 12 below, which include a trendline for developments during the past two years, shown by month.

Business customers have remained at an almost constant level of just above 0.4%, while the figure for retail customers has dropped from 0.8% to 0.6%. As concerns both retail and business customers, the amount of the combined unauthorized overdrafts fluctuates on a monthly basis, with the last month in a quarter coming in as the month having the highest amount of unauthorized overdrafts.

During the same period there was a reduction in authorized overdrafts for both retail and business customers.

#### RETAIL CUSTOMERS - DEVELOPMENT IN UNAUTHORIZED OVERDRAFTS

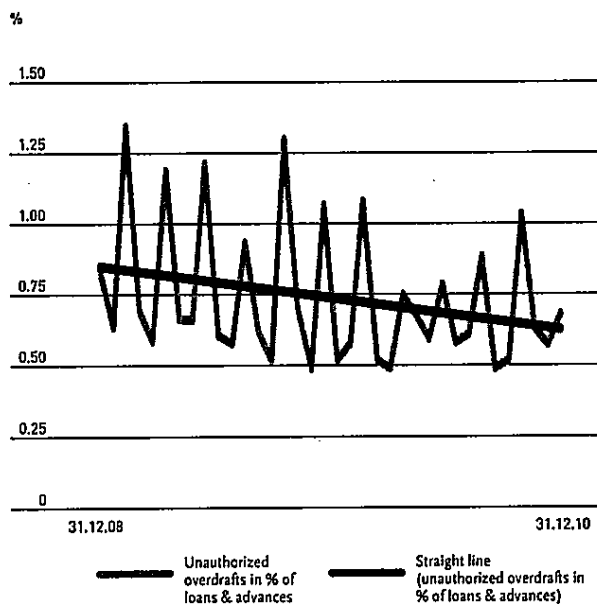


Figure 11

#### BUSINESS CUSTOMERS - DEVELOPMENT IN UNAUTHORIZED OVERDRAFTS

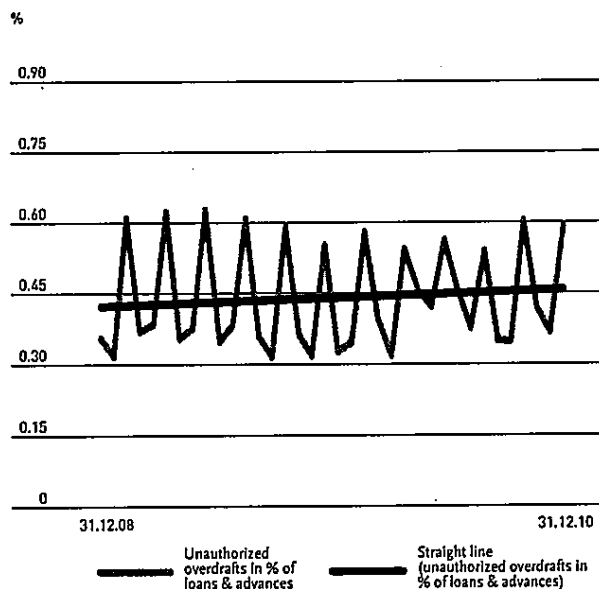


Figure 12

**NOTE 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.

	2010 Risk portfolio DKK m	2009 Risk portfolio DKK m
<b>Total financial credit risk</b>		
<b>The Group</b>		
AAA	9,085.7	10,854.7
AA	4,433.7	4,463.9
A	1,393.9	530.4
BBB	3.0	0.5
BB	123.5	0.1
CCC	0.2	10.6
CC	12.0	0.0
Unrated	292.8	16.4
Unallocated	17.4	91.4
<b>Total</b>	<b>15,362.2</b>	<b>15,968.0</b>

Overall, Management's assessment is that Spar Nord's credit exposure to financial counterparties remains at a moderate level, as 97% 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.

	2010 Risk portfolio DKK m	2009 Risk portfolio DKK m
<b>Bond portfolio by issuer type</b>		
<b>The Group</b>		
Government bonds	-133.8	-41.3
Mortgage-credit institutions	10,833.2	10,242.8
Financial issuers	1,504.0	977.4
CDOs	0.0	35.5
Corporate bonds	238.1	127.6
<b>Total</b>	<b>12,441.5</b>	<b>11,342.0</b>

	2010 Risk portfolio DKK m	2009 Risk portfolio DKK m
<b>Bond portfolio by rating</b>		
<b>The Group</b>		
AAA	8,097.2	7,189.8
AA	3,221.1	3,724.5
A	983.7	416.9
BBB	2.0	0.0
BB	123.2	0.0
CCC	0.0	10.6
CC	12.0	0.0
Unrated	2.3	0.2
<b>Total</b>	<b>12,441.5</b>	<b>11,342.0</b>

The portfolio of government bonds is negative, as, on a net basis, the amount sold exceeds that bought/in the portfolio (short position).

Spar Nord's bond portfolio is composed of 87% of mortgage-credit bonds (2009: 90%), 12% of bonds from financial issuers (2009: 9%) and 1% from other issuers (2009: 1%). The increase in bonds from financial issuers is primarily attributable to bond issues by Danish banks covered by individual government-backed guarantees.

Corporate bonds amount to DKK 238 million (2009: DKK 128 million), consisting mainly of Scandinotes. The Bank still expects that tranches of senior loans will be repaid.

92% of the bond portfolio is exposed to Danish counterparties. At the end of 2010, Spar Nord Bank had no bond exposure to the PIIGS countries (Portugal, Italy, Ireland, Greece and Spain).

**NOTE 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**

	2010 Risk portfolio DKK m	2009 Risk portfolio DKK m
<b>The Group</b>		
Certificates of deposit	0.0	799.8
Reverse transactions	811.8	1,374.9
Unlisted CDOs	56.3	33.0
Deposits and unlisted bonds	222.0	1,073.7
Subordinated loans	10.0	10.0
Current accounts	366.7	356.6
CSA accounts, etc.	570.4	178.2
Market value of derivatives	692.9	612.3
Undisclosed	190.6	187.5
<b>Total</b>	<b>2,920.7</b>	<b>4,626.0</b>

**Receivables from credit institutions by rating**

	2010 Risk portfolio DKK m	2009 Risk portfolio DKK m
<b>The Group</b>		
AAA	988.5	3,664.9
AA	1,212.6	739.4
A	410.2	113.5
BBB	1.0	0.5
BB	0.3	0.1
B	0.2	0.0
Unrated	290.5	16.2
Unallocated	17.4	91.4
<b>Total</b>	<b>2,920.7</b>	<b>4,626.0</b>

89% (2009: 98%) of Spar Nord's receivables from credit institutions concerns banks with an A rating or higher. Of the total receivables from credit institutions of DKK 2.9 billion (2009: DKK 4.6 billion), 34% (2009: 79%) is attributable to institutions with an AAA rating, 41% (2009: 16%) to institutions with an AA rating, and 14% (2009: 3%) 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 Bank.

## 53 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, foreign-exchange risk and liquidity risk. Market risks are managed and hedged by Spar Nord's Trading, Financial Markets & the International Division.

In 2010, Spar Nord made no major changes in assumptions, objectives, policies, exposures and calculation methods, etc. as compared to the year before.

Spar Nord's Supervisory Board 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 Supervisory Board receives continuous reporting on risk developments and the utilization of allocated risk limits.

The aim of the Bank's market risk policy is to ensure that Spar Nord Bank 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 put a three-tier instruction hierarchy in place. At the first tier, the Supervisory Board 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 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, checking and reporting market risks to the Supervisory Board 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 2010 allow the Bank to:

- have a net interest-rate risk of 1.9% measured in relation to the Bank's core capital incl. deductions in case of a 1% increase in the interest rate;
- acquire bonds, measured in terms of the risk portfolio, for DKK 16 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 Bank's interest-rate risks derive from activities involving ordinary banking transactions such as deposits and lending, 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.

Spar Nord's interest-rate risk is calculated on the basis of target duration and agreed cash flow. For managing the Group's portfolio of convertible 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**

Broken down by currency and duration [DKK m]

2010	Less than 3 mths	3 mths – 1 year	1 – 3 years	3 – 7 years	Over 7 years	Total
DKK	10.7	4.2	-43.9	35.5	17.7	24.2
EUR	4.1	-5.0	8.2	-27.4	-1.8	-21.9
USD	-1.3	-1.5	0.0	0.4	0.0	-2.4
GBP	0.0	0.0	0.0	0.0	0.0	0.0
NOK	0.0	-0.1	-0.1	0.1	0.0	-0.1
CHF	0.1	3.5	-0.4	-0.4	0.4	3.2
JPY	0.3	0.0	0.0	0.0	0.0	0.3
SEK	-0.5	0.0	0.1	0.4	0.0	0.0
Miscellaneous	0.1	0.1	0.2	0.1	0.0	0.5
Total	13.5	1.2	-35.9	8.7	16.3	3.8
2009	Less than 3 mths	3 mths – 1 year	1 – 3 years	3 – 7 years	Over 7 years	Total
DKK	9.0	-12.7	16.3	-2.1	7.2	17.7
EUR	-1.8	-14.7	-15.5	-12.8	5.6	-39.2
USD	0.0	0.0	0.0	0.0	0.0	0.0
GBP	0.1	0.0	0.0	0.0	0.0	0.1
NOK	-0.3	-0.2	-0.3	0.0	0.0	-0.8
CHF	2.4	0.2	-0.4	-0.4	0.8	2.6
JPY	0.3	0.1	0.1	0.0	0.0	0.5
SEK	-0.1	-0.1	-0.2	0.0	0.0	-0.4
Miscellaneous	-0.2	0.2	0.3	0.0	0.0	0.3
Total	9.4	-27.2	0.3	-15.3	13.6	-19.2

As appears from the table, the bulk of the interest-rate exposure is in DKK and hedged against EUR (2009: DKK and EUR). It also appears that since end-2009, the interest-rate risk has switched from being negative in the amount of DKK 19.2 million to being positive in the amount of DKK 3.8 million at end-2010.



#### NOTE Foreign-exchange risk

The foreign-exchange risk is the risk of loss on currency positions due to exchange-rate fluctuations. Spar Nord Bank calculates the foreign-exchange risk in two ways: (i) one calculation is based on all exchange rates developing unfavourably for the Bank by 2%; (ii) the other calculation is based on a foreign-exchange indicator, which is computed based on the sum of all currencies in which the Bank is in a net payable position (short position) and all the currencies in which the Bank is in a net receivable position (long position). The foreign-exchange indicator is calculated by correlating the higher of the two sums to the Bank's core capital after deductions.

	Spar Nord Bank A/S The Group 31.12.2010 DKK m	Spar Nord Bank A/S The Group 31.12.2009 DKK m	Spar Nord Bank A/S Parent Company 31.12.2010 DKK m	Spar Nord Bank A/S Parent Company 31.12.2009 DKK m
Foreign-exchange risk				
Assets denominated in foreign currencies, total	18,926.8	18,028.7	17,518.9	18,028.7
Liabilities denominated in foreign currencies, total	11,766.5	15,307.1	10,365.1	14,230.8
Foreign-exchange indicator 1	163.2	160.6	159.1	122.1
Foreign-exchange indicator 1 in % of core capital (incl. hybrid core capital) after deductions	2.9	2.9	2.8	2.2

#### Foreign-exchange risk broken down by currency:

EUR	-0.4	-1.5	-0.3	-1.1
SEK	0.0	-0.3	0.0	0.0
USD	-1.4	-0.1	-1.4	-0.1
GBP	0.0	0.0	0.0	0.0
CHF	-1.1	-1.0	-1.1	-0.7
NOK	0.0	0.0	0.0	0.0
JPY	-0.4	0.0	-0.4	0.0
Other currencies	-0.4	-0.3	-0.4	-0.3
Foreign-exchange risk regarding financial instruments, etc., total	-3.7	-3.2	-3.6	-2.2

The foreign-exchange risk denotes the loss that Spar Nord incurs if the exchange rate develops negatively by 2% relative to the Bank's exposure. As appears from the table, the overall foreign-exchange risk did not change significantly from 2009 to 2010, but the exposure towards EUR has decreased, while the foreign-exchange risk in USD has increased.

#### 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 Bank A/S The Group 31.12.2010 DKK m	Spar Nord Bank A/S The Group 31.12.2009 DKK m
Equity risk in the trading portfolio:		
Listed shares in the trading portfolio	169.8	75.2
Unlisted shares in the trading portfolio	61.9	43.0
Total shares in the trading portfolio	231.7	118.2

The shares in the trading portfolio are shares acquired with a view to trading. This includes shares acquired through the wholly-owned subsidiary Erhvervsinvest Nord A/S. In addition, the trading portfolio includes equity investments made by Vækstinvest Nordjylland A/S and Erhvervsinvest K/S limited partnerships, which the Bank owns jointly with Nykredit and Vækstfonden (the Danish Fund for Industrial Growth) and other partners.

#### Equity risk outside the trading portfolio:

Shares in credit and financing institutions	439.5	359.6
Shares in unit trust management companies	48.0	46.0
Shares in pension institutions	18.5	21.1
Shares in data supplier	171.9	126.8
Shares in payment services business	161.4	157.2
Other shares	50.7	40.9
Shares in strategic partners, total	890.0	751.6
Realized gains	0.0	0.0
Unrealized gains	43.6	47.8
Total associates	745.8	718.8

**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 Norresundby Bank A/S in which Spar Nord has a 50.2% interest, but due to voting right restrictions this interest is considered to give significant influence only, and not control.

Shares in associates include Norresundby Bank A/S, in which Spar Nord has a 50.2% interest.

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. Spar Nord has no plans to sell its shares in this portfolio, as 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 at all times. Typically, this reallocation is made based on the net asset value of the sector company in question. The recognized value of these shares is adjusted 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 Bank A/S The Group 31.12.2010 DKK m	Spar Nord Bank A/S The Group 31.12.2009 DKK m	Spar Nord Bank A/S Parent Company 31.12.2010 DKK m	Spar Nord Bank A/S Parent Company 31.12.2009 DKK m
<i>Shares included in the trading portfolio:</i>				
Long positions	231.7	123.2	218.9	106.0
Short positions	46.7	0.7	46.7	0.7
Gross portfolio	278.4	123.9	265.6	106.7

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 on interest rates, share prices and exchange rates.

	End-2010	End-2009	Impact on the Income statement	
	%	%	End-2010 DKK m	End-2009 DKK m
<i>Change in shareholders' equity at:</i>				
- Interest increase of 1 percentage point	-0.1	0.3	-2.8	14.4
- Interest decrease of 1 percentage point	0.1	-0.3	2.8	-14.4
- Share price decrease of 10% (trading portfolio)	-0.4	-0.2	-17.4	-8.9
- Exchange-rate fluctuation of 2% in an unfavourable direction	-0.1	-0.1	-2.8	-2.4

The impact on the income statement has been calculated after tax.

There is no direct impact on the shareholders' equity, as there are no held-to-maturity investments.

The percentage change 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 shares in the trading portfolio.

## 54 LIQUIDITY RISK

In 2010, Spar Nord made no major changes in assumptions, objectives, policies, exposures and calculation methods, etc. as compared to the year before.

Liquidity risk is the risk that the Group's financing costs rise disproportionately, that the Group is prevented from entering into new transactions because it lacks adequate cash funds, and - ultimately - that the Group cannot honour its payment obligations on account of insufficient cash resources.

The Group performs cash management by currently monitoring and controlling the Bank's short-term and long-term liquidity risks, based on four elements:

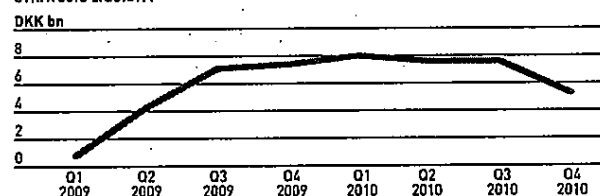
- Strategic liquidity
- Cash resources
- Emergency liquidity plan
- Stress test

The Finance & Accounts Department is responsible for determining, monitoring and controlling that the Bank's liquidity risk lies within the limits set.

#### Strategic liquidity

The long-term internal strategic liquidity target is for cash deposits, senior loans, issued bonds, subordinated loan capital and shareholders' equity to exceed loans and advances to customers. As concerns subordinated loans, senior loans and issued bond loans, only the portion having a term to maturity of more than 12 months is included.

#### STRATEGIC LIQUIDITY



The improvement in the internal strategic liquidity target since the beginning of 2009 is attributable primarily to the raising of senior loans and the issuing of bonds. The decline in Q4 2010 is due to a combination of increasing loans and advances and the repayment of senior loans.

NOTE Subsequently, the strategic liquidity target has been specified for the individual constituent parts for end-2010 and -2009, respectively.

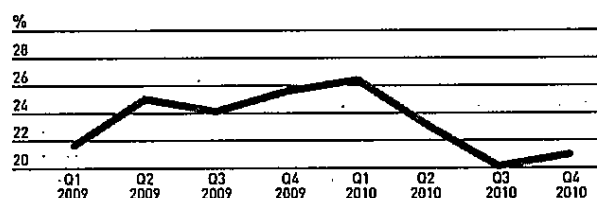
Strategic liquidity	The Group 31.12.10 DKK m	The Group 31.12.09 DKK m
Cash deposits	31,203.7	31,930.7
Senior loans	1,573.6	3,973.7
Issued bonds	7,806.2	6,445.2
Subordinated debt	2,477.0	2,681.1
Shareholders' equity	4,374.4	4,142.7
Generation of cash	47,434.9	49,173.4
Loans and advances	39,952.1	38,315.4
Senior loans, issued bonds and supplementary capital having a term to maturity of less than 12 months	2,291.6	3,457.2
Liquidity target (> 0)	5,191.2	7,400.8

#### Cash resources

The cash resource requirement is defined as the target that Spar Nord should have free liquidity by way of unencumbered exchange-listed securities, demand deposits held with credit institutions, certificates of deposit or cash balances that will ensure Spar Nord's compliance with the liquidity requirements in section 152 of the Danish Financial Business Act, and that the Group maintains an appropriate liquidity reserve.

Pursuant to section 152 of the Danish Financial Business Act, a financial institution's free liquidity must amount to at least 15% of its debt payable on demand and at least 10% of its reduced liabilities (other than provisions) and guarantee commitments. As concerns Spar Nord, the excess coverage relative to the requirement that the free liquidity must amount to at least 15% of the Bank's demand debt 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 20.9% at end-2010 (2009: 25.7%).

#### COMPLIANCE RATIO RELATIVE TO THE 10% REQUIREMENT (SECTION 152(2))



#### Emergency liquidity plan

Spar Nord has prepared an emergency liquidity plan pursuant to section 71 of the Danish Financial Business Act. This plan contains a catalogue of possible courses of action to strengthen the Group's liquidity position in a critical situation, including a more detailed description of the expected effect and time horizon of the individual courses of action.

The emergency liquidity plan will be put into effect if the Bank has difficulty observing the liquidity instructions laid down and thus incurs substantially increased funding costs.

#### Stress test

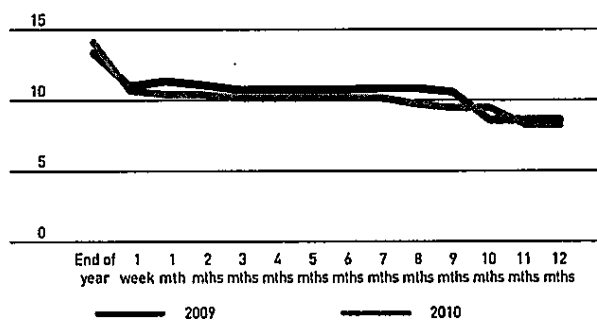
The Bank's cash management procedures include a stress test.

In connection with Spar Nord's rating, Moody's makes specific requirements as to the Bank's liquidity situation and management. One requirement is that the 12-month liquidity curve must generally be positive. Moody's "12-month scenario with no access to funding" defines a capital market crisis with a survival horizon of 12 months, with all money and capital market funding falling due according to the terms of the contract without any option of extension or new funding being raised.

In connection with Spar Nord's rating, Moody's makes specific requirements as to the Bank's liquidity situation and management. Moody's "12-month scenario with no access to funding" defines a capital market crisis with a survival horizon of 12 months, with all money and capital market funding falling due according to the terms of the contract without any option of extension or new funding being raised.

NOTE **MOODY'S 12-MTH SCENARIO WITH NO ACCESS TO FUNDING**

DKK bn



As appears, Spar Nord Bank had no problems meeting Moody's requirement for positive liquidity during the 12-month period.

In addition to its own stress tests and Moody's 12-month scenario with no access to funding, Spar Nord Bank performs monthly liquidity stress tests for the Danish Financial Supervisory Authority and Danmarks Nationalbank (the central bank). The Danish Financial Supervisory Authority's stress test is based on Moody's 12-month scenario with no access to funding and the Basel Committee's Liquidity Coverage Ratio.

**Funding structure**

The Bank's assets are funded through four funding sources:

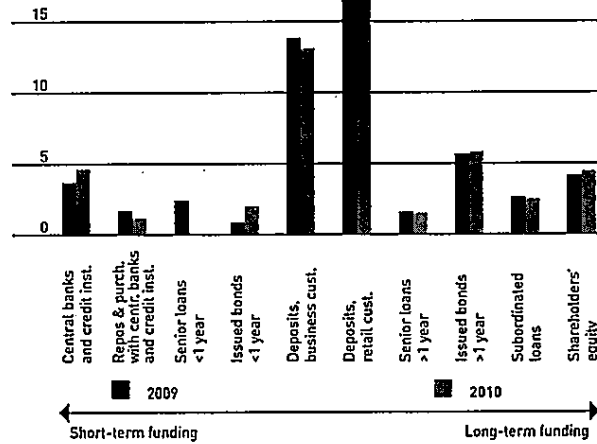
- customer deposits
- loans from or repo transactions with other credit institutions and Denmark's Nationalbank (the central bank)
- issued bonds
- capital base (subordinated loan capital and shareholders' equity).

Customer deposits constitute the largest funding source and amount to 58% (2009: 58%) of the Bank's total funding, of which time deposits account for 13%, an increase of 3 percentage points on 2009.

Senior funding with a term to maturity of more than one year accounted for 14% of total funding in 2010, the same level as 2009. During 2010, senior funding aggregating DKK 3.2 billion matured. In the same period, Spar Nord raised new bond loans of DKK 2.5 billion.

**FUNDING STRUCTURE**

DKK bn



**FUNDING**

DKK m / %	2009	2010	2009	2010
Central banks and credit institutions	3,656.6	4,577.1	7	9
Repos and repurchases with centr. banks and credit inst.	1,697.0	1,163.3	3	2
Senior loans <1 year	2,409.0	82.7	4	0
Issued bonds <1 year	794.7	1,992.4	2	4
Deposits, business customers	13,854.7	13,088.6	25	24
Deposits, retail customers	18,076.0	18,115.1	33	34
Senior loans >1 year	1,565.7	1,490.9	3	3
Issued bonds >1 year	5,650.5	5,813.8	10	11
Subordinated loans	2,681.1	2,477.0	5	5
Shareholders' equity	4,142.7	4,374.4	8	8
Total	54,527.0	53,236.4	100	100

Spar Nord Bank established an EMTN bond programme of EUR 3 billion in 2008, which contributes to diversifying the Bank's funding sources and ensuring standardization in connection with the issuing of bonds. In 2009, the programme was supplemented with the option of issuing guaranteed bonds under the Danish government-backed guarantee scheme, which ran until the end of 2010.

In 2010, Spar Nord Bank made one guaranteed issuance under the EMTN programme for a total amount of DKK 2.5 billion. In 2011, Spar Nord Bank will continue its efforts to develop an even maturity structure of senior funding for future, thereby reducing its refinancing risk and dependency on the interbank market.

NOTE Moody's

Spar Nord Bank was rated by Moody's in August 2007. The reason for undergoing the rating process at Moody's was Spar Nord Bank's wish to gain access to loans on the bond market and thus obtain a more diversified funding structure.

The Bank's first rating was A1 for long-term debt, P-1 for short-term debt and C for financial strength. In connection with the financial crisis in 2008 and 2009, Spar Nord Bank's ratings for long-term debt and financial strength were downgraded.

At end-2010, Spar Nord Bank was granted the following ratings:

- Long-term debt: A2
- Short-term debt: P-1
- Financial strength: C-

Spar Nord Bank ranks in the upper end of Moody's rating scale.

# MOODY'S FINANCIAL STRENGTH RATINGS

Official ratings	2008	2009	2010
Long-term	A1	A2	A2
Short-term	P1	P1	P1
Financial strength	C	C-	C-

	2010 <1 year DKK m	2010 >1 year DKK m	2009 <1 year DKK m	2009 >1 year DKK m
<b>Balance-sheet items broken down by expected time to maturity</b>				
<b>Assets</b>				
Cash balances and demand deposits with central banks	578.1	0.0	841.5	0.0
Receivables from credit institutions and central banks	1,856.5	371.3	3,785.7	228.0
Loans, advances and other receivables at amortized cost	19,542.5	20,409.6	19,063.6	19,251.8
Bonds at fair value	5,458.1	8,179.2	5,035.9	7,542.9
Shares, etc.	169.8	951.9	75.2	794.6
Equity investments in associates	0.0	745.6	0.0	718.8
Assets linked to pooled schemes	660.3	5,018.2	369.3	3,697.2
Intangible assets	5.1	152.4	8.4	157.5
- Investment properties	61.4	0.0	60.4	0.0
- Corporate properties	10.8	442.0	10.8	452.0
Land and buildings, total	72.2	442.0	71.2	452.0
- Operating lease assets	92.4	345.0	42.5	186.7
- Other property, plant and equipment	46.3	120.1	38.4	114.5
Other property, plant and equipment, total	138.7	465.1	80.9	301.2
Current tax assets	1.4	0.0	3.5	0.0
Temporary assets	79.8	0.0	96.7	0.0
Other assets	1,174.2	890.3	1,230.9	676.5
Prepayments	73.2	0.0	75.9	0.0
<b>Total</b>	<b>29,809.9</b>	<b>37,625.8</b>	<b>30,738.7</b>	<b>33,820.5</b>
<b>Liabilities</b>				
Payables to credit institutions and central banks	5,818.6	1,495.4	7,761.6	1,565.7
Deposits and other payables	5,095.5	26,108.2	7,615.7	24,315.0
Deposits in pooled schemes	660.3	5,018.2	369.3	3,697.2
Issued bonds at amortized cost	1,992.4	5,813.8	794.7	5,650.5
Other non-derivative financial liabilities at fair value	1,211.4	0.0	86.0	0.0
Current tax liabilities	2.4	0.0	0.1	0.0
Other liabilities	5,818.7	889.8	4,420.7	790.1
Deferred income	190.1	0.0	158.7	0.0
<b>Total liabilities other than provisions</b>	<b>20,789.4</b>	<b>39,325.5</b>	<b>21,206.8</b>	<b>36,018.5</b>
Provisions for deferred tax	0.0	333.7	0.0	311.1
Provisions for losses on guarantees	4.5	0.0	133.8	0.0
Other provisions	115.3	15.9	20.1	15.1
Subordinated debt	204.5	2,272.5	251.4	2,429.7
<b>Total</b>	<b>21,113.7</b>	<b>41,947.6</b>	<b>21,612.1</b>	<b>38,774.4</b>

Deposits comprise fixed-term deposits and demand deposits. 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.

NOTE Contractual term to maturity of financial liabilities

2010	Carrying amount DKK m	Contractual cash flows DKK m	Within 1 year DKK m	1 to 5 years DKK m	After 5 years DKK m
<i>Non-derivative instruments</i>					
Payables to credit institutions and central banks	7,314.0	7,341.7	5,838.0	1,497.7	6.0
Deposits and other payables	31,203.7	31,572.6	26,589.5	2,676.6	2,306.5
Deposits in pooled schemes	5,678.5	5,678.5	660.3	1,559.8	3,458.4
Issued bonds at amortized cost	7,806.2	8,028.8	2,144.8	5,884.0	0.0
Other liabilities, excl. derivative instruments	5,044.8	5,044.8	5,044.8	0.0	0.0
Subordinated debt	2,477.0	2,952.0	360.0	2,592.0	0.0
Irrevocable credit commitments and guarantees	5,137.5	5,137.5	3,774.6	851.0	511.9
<i>Derivative instruments</i>					
Forward contracts used as hedging instruments	1,663.8	1,617.6	752.5	522.8	342.3
31 December before liabilities destined for sale	66,325.5	67,373.5	45,164.5	15,583.9	6,625.1
Liabilities destined for sale	0.0	0.0	0.0	0.0	0.0
31 December adjusted for liabilities for sale	66,325.5	67,373.5	45,164.5	15,583.9	6,625.1
<i>2009</i>					
<i>Non-derivative instruments</i>					
Payables to credit institutions and central banks	9,327.3	9,386.4	7,799.4	1,580.5	6.5
Deposits and other payables	31,930.7	32,540.6	28,589.1	1,118.9	2,832.6
Deposits in pooled schemes	4,066.5	4,066.5	369.3	1,135.4	2,561.8
Issued bonds at amortized cost	6,445.2	6,744.0	927.0	5,797.0	20.0
Other liabilities, excl. derivative instruments	4,137.3	4,317.3	4,137.3	0.0	0.0
Subordinated debt	2,681.1	3,349.6	412.6	2,583.3	353.7
Irrevocable credit commitments and guarantees	6,235.3	6,235.3	5,005.5	776.7	453.1
<i>Derivative instruments</i>					
Forward contracts used as hedging instruments	1,073.5	1,023.7	277.0	475.6	271.1
31 December before liabilities destined for sale	65,896.9	67,663.4	47,517.2	13,447.4	6,498.8
Liabilities destined for sale	0.0	0.0	0.0	0.0	0.0
31 December adjusted for liabilities for sale	65,896.9	67,663.4	47,517.2	13,447.4	6,498.8

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, DKK160.6 million (2009: DKK 170.1 million) falls due for payment within one year, DKK 1,434.7 million (2009: DKK 934.1 million) within one to five years and DKK 1,615.0 million (2009: DKK 2,602.4 million) after five years. Combined, the Spar Nord Group has subordinated debt with a perpetual term totalling DKK 1,615.0 million (2009: DKK 1,615.0 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 141.0 million.

Payments regarding deposits in pension pools are the allocated deposits in pension pools, 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.

**55 OPERATIONAL RISK****Risk identification and assessment**

Using agreed policies and business procedures, Spar Nord strives to identify, measure, assess, monitor and check risks and the measures taken to limit and remedy the consequences of these risks.

Operational risk is the risk of direct or indirect losses caused by deficient or faulty internal procedures and processes, human errors, system errors or losses prompted by external events or incidents.

Operational risks include business risks and risks to reputation. As indicated by the definition, operational risk is frequently associated with certain, one-off events or incidents.

Operational risk also involves a compliance risk, which means the risk that the Bank is not run according to legal and statutory requirements, standards in the market and corporate ethics. This constitutes a threat to stakeholders' confidence and increases the risk of statutory sanctions, financial losses or damage to the reputation of and confidence in the bank. Operational risk also encompasses legal risks, i.e. the risk that an incomplete or incorrect legal assessment affects the Group adversely. All activities in the organization are subject to operational risk.

Operational risk is managed across the Group through a system of comprehensive business procedures and control measures developed to ensure an optimum process environment. The effort to minimize operational risks includes separating the execution of activities from the control of these activities.

**Internal Audit Department**

Internal Audit carries out checks to obtain reasonable assurance that principles and procedures are adhered to at all times. Internal Audit was established by Spar Nord's Supervisory Board as an independent staff function in conformity with the Financial Supervisory Authority's Executive Order on the Conduct of Auditing in Financial Institutions

Jointly with the elected external auditors, the Internal Audit Department is responsible for auditing the financial statements of Spar Nord and the companies forming part of the Group, in accordance with applicable statutes, executive orders and the Articles of Association.

**Compliance**

Spar Nord has an independent Compliance function charged with overseeing the Bank's compliance with financial legislation, banking sector standards and the Bank's internal guidelines in all areas. The objective of the function is to assist Management in its efforts to identify and minimize risks by developing and conducting risk analyses, advising Management and employees and checking and assessing the adequacy and prudence of the Bank's procedures. The Compliance function, managed by a Head of Compliance (a law graduate), reports to the Supervisory Board and is manned by representatives from a broad cross-section of the Bank's business areas. An annual programme for the function's activity has been approved by the Supervisory Board.

**Fraud**

In view of the regular reporting provided to the Bank's Supervisory and Executive Boards, Management believes that the Bank's measures to counter the risk of fraud are at a satisfactory level 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 essential to the Bank's credibility and continued existence. An IT security function has been established, and Spar Nord's Executive Board and Supervisory Board regularly check on IT security. Spar Nord's activity in the area of IT security is based on regulatory requirements as well as considerations for day-to-day operations. All IT installations running at Spar Nord and its service providers must operate according to documented running schedules and guidelines. The operation must be safe and stable, a requirement ensured through the highest possible degree of automation and ongoing capacity adjustments. IT services run by service providers must be based on 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 requirement**

The capital requirement needed to cover Spar Nord's operational risks is calculated using the basic indicator approach. In 2010, the operational risk amounted to 10% of total risk-weighted assets.

## NOTE

## 56 CAPITAL MANAGEMENT

In 2010, the Bank's objectives of capital management were:

- to comply with the capital requirements laid down in Part 10 of the Danish Financial Business Act;
- to ensure the Bank's ability to continue operations as an independent bank;
- to maintain a relatively high core capital ratio and thus keep the dependency on subordinated loan capital at a moderate level.

During the year under review, the Bank met all statutory capital adequacy ratios.

The solvency ratio, i.e. the Bank's capital base relative to risk-weighted items, must exceed the Bank's ICAAP result, but the minimum requirement is 8% according to the Danish Financial Business Act. The Bank's internal targets since the beginning of 2010 are:

- to have a minimum core capital ratio, excl. hybrid core capital, of 8.0%;
- to have a minimum core capital ratio, incl. hybrid core capital, of 12.0%.

The targets to have a core capital ratio excl. hybrid capital of at least 8.0% and a core capital ratio incl. hybrid capital of at least 12.0% - the Bank's internal targets for solvency - have been fixed to ensure that any cyclical recession, unexpectedly heavy credit losses or major interest-rate increases will not cause the solvency ratio to drop below the statutory minimum requirement. Moreover, the targets reflect the new market conditions emerging in the aftermath of the financial crisis, resulting in increased focus on core capital ratios.

During the year under review, the Bank's core capital ratio incl. hybrid capital ranged from 13.2% (2009: 10.1 - 13.2%) and thus exceeded the Bank's internal target of minimum 12%. Correspondingly, the internal target of a core capital ratio excl. hybrid capital of minimum 8% has been met, as the core capital ratio remained within the range of 9.3% during the year (2009: 9.2 - 9.6%).

Capital management is based on the methods of accounting and financial ratios developed by the Basel Committee, which have been incorporated into Part 10 of the Danish Financial Business Act and the Capital Adequacy Order. Management currently monitors the Bank's capital adequacy. The figures calculated at the end of each quarter for the Bank's core capital, capital base, risk-weighted items and solvency ratios, including the Bank's ICAAP result, are reported to the Danish Financial Supervisory Authority in accordance with existing rules.

In addition to the targets set out above, the Bank has calculated the ICAAP result in accordance with section 124(4) of the Danish Financial Business Act. The Bank's ICAAP result is an expression of the Bank's own assessment as to how high the solvency ratio should be to safeguard depositors against losses. The Bank's calculation of the ICAAP result is a three-stage process.

A number of stress tests are made in stage 1, focusing on the Bank's income statement in a situation where the Bank would suffer an extremely adverse development in its profit performance. In stage 2, the capital requirements are determined based on the anticipated growth in the risk-weighted assets. In stage 3, an assessment is made as to whether the Bank's business and risk areas warrant an additional supplement to the ICAAP result in stages 1 and 2.

The assessments of the business and risk areas comprise a large number of risks: The coverage of credit risks (large exposures, weak exposures, geographical concentration, business concentration and concentration of collateral), coverage of market risks, coverage of risks regarding real property, business profile, strategic risks, reputation risks, operational risks, potential for capital funding and liquidity risks.

The Bank's core capital 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 capital base. A number of deductions are made in connection with calculating the Bank's core capital, incl. and excl. hybrid core capital, and capital base. 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.

Risk-weighted items are the calculated risks associated with the Bank's business areas. Risk-weighted items are 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.

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.dk/ir/risk\\_report](http://www.sparnord.dk/ir/risk_report).

	Spar Nord Bank A/S The Group 31.12.10 DKK m	Spar Nord Bank A/S The Group 31.12.09 DKK m	Spar Nord Bank A/S Parent Comp. 31.12.10 DKK m	Spar Nord Bank A/S Parent Comp. 31.12.09 DKK m
<b>Solvency Information</b>				
Core capital (incl. hybrid capital) after deductions	5,717.5	5,502.0	5,745.2	5,527.5
Supplementary capital included	872.1	1,097.6	872.1	1,097.6
Deductions from capital base	769.2	693.4	767.8	735.7
Capital base after deductions	5,820.4	5,906.2	5,849.5	5,889.4
<b>Risk-weighted items</b>				
Risk-weighted items not included in the trading portfolio	35,927.8	34,956.2	37,135.1	35,898.1
Risk-weighted items subject to a market risk, etc.	3,176.2	2,812.5	3,153.1	2,748.1
Risk-weighted items subject to operational risk	4,301.5	3,923.6	3,866.5	3,509.5
Risk-weighted items, total	43,405.5	41,692.3	44,154.7	42,155.7
<b>Solvency ratio (%)</b>				
Core capital ratio (incl. hybrid core capital) after deduction in % of risk-weighted items, total	13.4	14.2	13.2	14.0
Core capital ratio (incl. hybrid core capital) after deduction in % of risk-weighted items, total	13.2	13.2	13.0	13.1
Core capital ratio (excl. hybrid core capital) (%)	9.3	9.3	9.2	9.2



NOTE

## 57 POOLED SCHEMES

	Pension pools DKK m	Other pools DKK m	Spar Nord Bank A/S Parent Company 2010 DKK m	Spar Nord Bank A/S Parent Company 2009 DKK m
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## INCOME STATEMENT DISCLOSURES

*Interest income/premium on forward transactions*

Cash deposits	1.2	0.0	1.2	2.2
Index-linked bonds	0.6	0.0	0.6	1.4
Other bonds	108.8	1.7	110.5	112.2
<b>Total interest income</b>	<b>110.6</b>	<b>1.7</b>	<b>112.3</b>	<b>115.8</b>

*Dividends on*

Shares, etc.	24.2	0.4	24.6	20.1
<b>Total dividends</b>	<b>24.2</b>	<b>0.4</b>	<b>24.6</b>	<b>20.1</b>

*Market-value adjustments of*

Index-linked bonds	0.5	0.0	0.5	-0.2
Other bonds, etc.	9.6	0.2	9.8	34.0
Shares, etc.	344.1	5.0	349.1	310.2
Unit trust certificates	0.0	0.0	0.0	-0.1
Currency	57.3	0.9	58.2	4.8
Derivative instruments	-0.3	0.0	-0.3	0.5
<b>Total market-value adjustments</b>	<b>411.2</b>	<b>6.1</b>	<b>417.3</b>	<b>349.2</b>

*Fees, charges and commissions paid*

	58.4	0.9	59.3	48.1
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*Profit/loss for the pools*

	487.6	7.3	494.9	437.0
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## BALANCE SHEET DISCLOSURES

**Assets**

Cash deposits	327.0	5.1	332.1	319.2
Index-linked bonds	0.0	0.0	0.0	26.5
Other bonds	3,194.4	46.9	3,241.3	2,419.5
Other shares, etc.	2,018.1	29.1	2,047.2	1,246.7
Other assets	57.0	0.9	57.9	54.6

<b>Total assets</b>	<b>5,596.5</b>	<b>82.0</b>	<b>5,678.5</b>	<b>4,066.5</b>
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**Liabilities**

Total deposits	5,092.5	74.5	5,167.0	3,626.0
Other liabilities	504.0	7.5	511.5	440.5

<b>Total liabilities</b>	<b>5,596.5</b>	<b>82.0</b>	<b>5,678.5</b>	<b>4,066.5</b>
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## NOTE

## 58 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

	2010	2009	2008	2007	2006
Net income from interest, fees, charges and commissions	2,126.4	2,202.5	1,916.7	1,647.3	1,514.4
Market-value adjustments	235.1	305.2	-225.3	164.7	331.2
Staff costs and administrative expenses	1,504.1	1,500.5	1,285.0	1,216.6	1,101.5
Impairment of loans, advances and receivables, etc.	550.2	691.8	274.7	-113.4	-169.1
Profit/loss on equity investments in associates and group enterprises	40.5	17.1	43.3	121.8	107.0
Profit/loss for the year	105.0	117.5	95.3	680.3	828.6

## BALANCE SHEET

Loans and advances	39,952	38,315	45,376	40,939	34,318
Shareholders' equity	4,374	4,143	4,024	4,138	3,649
Total assets	67,436	64,529	69,268	63,394	58,565

## FINANCIAL RATIOS

## Solvency

Solvency ratio (%)	13.4	14.2	11.3	11.1	10.8
Core capital ratio (%)	13.2	13.2	9.7	9.4	9.7

## Earnings

Return on equity before tax	%	3.1	3.5	3.0	21.4	30.9
Return on equity after tax	%	2.5	2.9	2.3	17.5	24.8
Income/cost ratio		1.06	1.06	1.07	1.71	2.03

## Market risk

Interest-rate risk	%	0.1	-0.3	0.3	1.3	0.4
Foreign-exchange position	%	2.9	2.9	9.1	5.7	6.7
Foreign-exchange risk	%	0.1	0.0	0.1	0.1	0.1

## Credit risk

Loans and advances relative to deposits	%	108.3	106.4	119.3	130.3	130.7
Loans and advances plus impairment relative to deposits	%	111.1	109.1	120.9	131.7	132.6
Loans and advances relative to shareholders' equity		9.1	9.2	11.3	9.9	9.4
Increase in loans and advances for the year	%	4.3	-15.6	10.8	19.3	26.5
Excess coverage relative to statutory cash ratio requirement	%	109.3	157.0	86.7	91.9	34.3
Large exposures as % of capital base *)	%	0.0	10.9	12.3	65.0	80.9
Impairment ratio (%)		1.2	1.5	0.5	-0.2	-0.4

## THE SPAR NORD BANK SHARE

DKK per share of DKK 10

Earnings per share for the year	DKK	1.8	2.1	1.7	11.9	14.5
NAV per share	DKK	77	75	73	75	65
Dividend per share	DKK	0	0	0	3	3
Share price/earnings per share for the year		33.9	26.7	25.5	9.7	9.4
Share price/NAV per share		0.8	0.7	0.6	1.6	2.1

\*) With reference to the Danish Financial Supervisory Authority's "Guidelines on the reporting of financial ratios", the financial ratio "Large exposures as % of capital base" was adjusted for exposures to credit institutions below DKK 1 billion in 2010 in accordance with section 145 of the Danish Financial Business Act, for which reason this financial ratio is not fully comparable with previous years.

Ratio definitions appear from note 59.

## NOTE

## 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

2010 2009 2008 2007 2006

## INCOME STATEMENT

Net income from interest, fees, charges and commissions	1,950.3	2,039.9	1,727.2	1,484.4	1,398.6
Market-value adjustments	237.7	318.3	-216.1	150.2	338.8
Staff costs and administrative expenses	1,410.7	1,408.6	1,205.3	1,148.1	1,044.6
Impairment of loans, advances and receivables, etc.	449.9	575.1	245.8	-112.4	-173.6
Profit/loss on equity investments in associates and group enterprises	37.8	-24.5	113.3	246.1	166.9
Profit/loss for the year	106.0	117.5	95.3	680.3	828.6

## BALANCE SHEET

Loans and advances	39,051	37,272	44,153	39,789	33,552
Shareholders' equity	4,375	4,143	4,024	4,138	3,649
Total assets	66,414	63,571	68,286	62,497	57,999

## FINANCIAL RATIOS

## Solvency

Solvency ratio (%)	13.2	14.0	11.0	11.1	10.8
Core capital ratio (%)	13.0	13.1	9.4	9.4	9.7

## Earnings

Return on equity before tax	%	3.2	3.8	2.5	21.2	30.2
Return on equity after tax	%	2.5	2.9	2.3	17.5	24.8
Income/cost ratio		1.06	1.07	1.06	1.76	2.10

## Market risk

Interest-rate risk	%	0.1	-0.4	0.3	1.1	0.3
Foreign-exchange position	%	2.8	2.2	8.4	5.8	6.7
Foreign-exchange risk	%	0.1	0.0	0.1	0.1	0.1

## Credit risk

Loans and advances relative to deposits	%	105.8	103.1	116.0	126.4	127.5
Loans and advances plus impairment relative to deposits	%	108.2	105.4	117.4	127.7	129.3
Loans and advances relative to shareholders' equity		8.9	9.0	11.0	9.6	9.2
Increase in loans and advances for the year	%	4.8	-15.6	11.0	18.6	26.6
Excess coverage relative to statutory cash ratio requirement	%	111.9	157.8	87.7	90.0	32.5
Large exposures as % of capital base *	%	0.0	10.9	12.3	65.5	81.5
Impairment ratio (%)		1.0	1.3	0.5	-0.3	-0.4

## THE SPAR NORD BANK SHARE

DKK per share of DKK 10

Earnings per share for the year	DKK	1.9	2.1	1.7	11.9	14.5
NAV per share	DKK	77	75	73	75	65
Dividend per share	DKK	0	0	0	3	3
Share price/earnings per share for the year		32.1	26.7	25.5	9.7	9.4
Share price/NAV per share		0.8	0.7	0.6	1.6	2.1

\*] With reference to the Danish Financial Supervisory Authority's "Guidelines on the reporting of financial ratios", the financial ratio "Large exposures as % of capital base" was adjusted for exposures to credit institutions below DKK 1 billion in 2010 in accordance with section 145 of the Danish Financial Business Act, for which reason this financial ratio is not fully comparable with previous years.

Ratio definitions appear from note 59.

## NOTE

## 59 RATIO DEFINITIONS

**Solvency ratio**

Capital base in % of risk-weighted assets.

**Core capital ratio**

Core capital after deduction in % of risk-weighted assets.

**Return on equity before tax**

Profit/loss before tax in % 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 % 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 % 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.

**Interest-rate risk**

Interest-rate risk in % of core capital after deductions.

**Foreign-exchange position**

Foreign-exchange indicator 1 in % of core capital after deductions.

**Foreign-exchange risk**

Foreign-exchange indicator 2 in % of core capital after deductions.

**Loans and advances + impairment relative to deposits**

Loans and advances + impairment in % of deposits.

**Loans and advances relative to deposits**

Loans and advances in % of deposits.

**Excess coverage relative 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 % of 10% of Reduced liabilities (other than provisions) and guarantee commitments.

**Large exposures as % of capital base**

Total large exposures in % of the capital base, adjusted for exposures to credit institutions, etc. below DKK 1 billion after deducting specially secured amounts and accepted collateral, guarantees, etc.

**Share of receivables with reduced interest rate**

Receivables at a reduced interest rate (before impairment) in % of loans and advances + guarantees + impairment.

**Impairment ratio for the year**

Impairment for the year in % 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, in %.

**Loans and advances relative 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 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 % of the year-end price the year before.

**Price/earnings**

Year-end price/Earnings per share.

**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.