

Spar Nord Bank A/S company announcement no. 22

Sparbank A/S company announcement no. 8

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Spar Nord Bank A/S and Sparbank A/S contemplate merger

The boards of directors of Spar Nord Bank A/S ("Spar Nord") and Sparbank A/S ("Sparbank") have agreed to seek a merger of the two banks with Spar Nord as the continuing bank. The objective of the merger is to create a bank with nation-wide coverage and a strong market position in the North, Central and West Jutland regions as well as in a number of major cities in other parts of Denmark.

The boards of directors of Spar Nord and Sparbank have agreed to seek a merger of the two banks with Spar Nord as the continuing bank. The merged bank will retain the name of Spar Nord.

The merger will be effected at the ratio of 2:1, meaning that shareholders of Sparbank will receive two new shares in Spar Nord for each share currently held in Sparbank. On completion of the merger, the current shareholders of Sparbank will hold approximately 9% of the share capital of Spar Nord.

Reasons for the Merger

The objective of the merger is to create a bank with nation-wide coverage and a strong market position in the North, Central and West Jutland regions as well as in a number of major cities in other parts of Denmark. A bank firmly positioned in terms of capital strength and funding and which will therefore be in a good position to be competitive in both the retail and commercial customer segments.

Moreover, the Merger is intended to exploit the potential for efficiency enhancement and improved earning power which is expected to arise from the ability to serve a greater number of customers on the same production and support platform. Finally, a key element in the process has been the fact that this is a merger of two banks which, in terms of customer focus, products, IT platform, corporate culture and values, have many features in common.

In the merger, 21 of Sparbank's 23 branches will be integrated into Spar Nord's existing banking areas Skive, Randers, Herning, Aarhus and Copenhagen, while the branches in Viborg and Holstebro will become new banking areas. Including Spar Nord's 67 branches the merged bank will have 90 branches at the date of the merger. The existing customer-adviser relations will

generally continue, and the customers of the individual branches will generally not experience any significant changes in their day-to-day business with Spar Nord.

The merger is expected to produce annual synergies of around DKK 130 million when they have been fully implemented in the merged bank. The synergies will be achieved particularly in the staff and support units, as the increase in the number of branch customers is not expected to result in a corresponding increase in the centralised units. In addition, synergies will be achieved in connection with merged branches.

Completion and advance undertakings

Final completion of the merger is subject to the boards of directors of Spar Nord and Sparbank concluding a final merger plan, to the merger receiving approval from the Danish Financial Supervisory Authority in accordance with section 204 of the Danish Financial Business Act and approval from the Danish Competition and Consumer Authority and to the merger being approved at extraordinary general meetings of Spar Nord and Sparbank.

The Spar Nord Foundation, which owns 20.4% of the shares in Spar Nord, Nykredit Realkredit, which owns 9.3% of the shares in Spar Nord and 0.2% of the shares in Sparbank, as well as the Spar Vest Foundation, which owns 58.5% of the shares in Sparbank, have made advance commitments to vote in favour of the Merger at the respective general meetings of the companies, provided that the boards of directors do not, due to subsequent events, recommend the shareholders not to vote in favour of the merger.

Management

Fritz Dahl Pedersen, deputy chairman of Sparbank's board of directors, will be nominated as a member of Spar Nord's board of directors on completion of the merger.

Bent Jensen, CEO of Sparbank, will become a member of Spar Nord executive board on completion of the merger.

Financial guidance for the merged bank

In its 2011 annual report, Spar Nord forecast core earnings before impairment in 2012 of approximately DKK 800 million. Based on performance during the first half of 2012, this forecast was upgraded to approximately DKK 900 million on 6 July 2012.

More recently, Spar Nord announced expectations that, having recognised extraordinary impairment losses in the second quarter of 2012, as from the third quarter Spar Nord expects to realise impairment losses equal to the first-quarter level for the remainder of 2012.

Since the merger is expected to be completed late in the 2012 financial year with Spar Nord as the continuing bank, Spar Nord's core earnings forecast before non-recurring costs will only deviate marginally from the forecasts for 2012 previously announced by Spar Nord.

Non-recurring costs in connection with the merger are expected to amount to DKK 110-120 million, of which approximately DKK 100 million are expected to be incurred in 2012.

In terms of capital, Spar Nord is expected to have a core equity (core Tier 1) ratio of 11.4 at the end of 2012.

In the fourth quarter, Spar Nord plans to apply with the DFSA for permission to repay Sparbank's State Hybrid Capital of approximately DKK 480 million and in the same quarter raise new subordinated debt in the amount of approximately DKK 400 million.

Spar Nord's solvency ratio is expected to be 14.7 at the end of 2012, as compared to a total weighted pro forma solvency need (ICAAP) at 30 June 2012 of 8.4%.

For 2013, Spar Nord expects to realise core earnings before impairment and non-recurring costs relating to the merger at the level of DKK 1,100 million, of which synergies relating to the merger are expected to contribute DKK 90-100 million.

In 2013, the impairment ratio is expected to be about 1% of total loans and guarantees. The expectations for Spar Nord's impairment losses are subject to greater uncertainty than has applied to similar previous announcements by Spar Nord. The impairment ratio guidance is based on a market value adjustment of Sparbank's assets and liabilities being effected in accordance with IFRS.

Spar Nord is expected to be required to make a contribution to the Guarantee Fund in the order of DKK 83 million in 2013.

Spar Nord's core equity (core Tier 1) ratio is expected to be at the level of 12.7 at the end of 2013.

Other matters relating to the contemplated merger

- Spar Nord will be the continuing bank following completion of the contemplated merger. This implies that all of Sparbank's activities, including staff, exposures and branches will be taken over by Spar Nord
- The exchange ratio has been determined through negotiations between Spar Nord's board of directors and Sparbank's board of directors on the basis of the parties' most recent annual reports, half-year interim reports, profit forecasts, expectations for synergies in connection with the combination of the two banks, the due diligence process completed and other expectations generally involved in such negotiations. The exchange ratio is final, and therefore no adjustment of the consideration can take place
- Subject to completion of the merger, Spar Nord has agreed with the Spar Vest Foundation to acquire 16 properties, most of which are leased to Sparbank
- The merger will be carried out as a tax-free merger
- Spar Nord and Sparbank expect to publicise a merger plan with related appendices in the week of 8 October. At the same time, the banks will convene extraordinary general meetings, expectedly to be held in the week of 12 November.

Press conference and analyst briefing

Later today, Sparbank and Spar Nord will host a joint press conference at 11.00 and a joint analyst briefing at 12.30, both at Tivoli Hotel, Arni Magnussons Gade 2, DK-1577 Copenhagen V. The parties will not be available for comment prior to the press conference.

Enquiries regarding this announcement

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Carnegie Bank A/S has been exclusive financial adviser to Spar Nord, while Toft Advice ApS has been exclusive financial adviser to Sparbank in connection with the merger.

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