



S P A R B A N K

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Spar Nord Bank A/S and Sparbank A/S conclude merger plan

In continuation of company announcement no. 22 from Spar Nord Bank A/S (Spar Nord) and company announcement no. 8 from Sparbank A/S (Sparbank), the boards of directors have agreed on a joint merger plan according to which the boards of directors propose a merger of the two banks with Spar Nord as the continuing bank.

In connection with the merger, shareholders of Sparbank will receive shares in Spar Nord at the ratio of 2:1 to the effect that shareholders of Sparbank will receive two new shares in Spar Nord with a nominal value of DKK 10 each for each share held in Sparbank with a nominal value of DKK 20.

The objective of the merger is to create a bank with nation-wide coverage and a strong market position in the regions of North, Central and West Jutland as well as in a number of major cities in other parts of Denmark. 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.

This company announcement contains a description of the proposed merger, the merger consideration and the continuing company, Spar Nord. The following documents are attached to this announcement and are also available on the respective websites of Spar Nord and Sparbank, www.sparnord.dk and www.sparbank.dk:

- Merger plan pursuant to part 15 of the Companies Act
- Merger memorandum prepared by the board of directors of Spar Nord
- Merger memorandum prepared by the board of directors of Sparbank
- Statement by the valuation experts on the merger plan pursuant to section 241 of the Companies Act
- Statement by the valuation experts on the position of the creditors pursuant to section 242 of the Companies Act

Moreover, the following documents relevant to the merger are available on the respective websites of Spar Nord and Sparbank, www.sparnord.dk and www.sparbank.dk:

- Interim balance sheet as at 31 July 2012 of Spar Nord
- Interim balance sheet as at 31 July 2012 of Sparbank
- Draft new articles of association of Spar Nord
- Risk reports of Spar Nord and Sparbank, respectively
- Annual reports for the 2009, 2010 and 2011 financial years of Spar Nord and Sparbank
- Interim reports for the six months ended 30 June 2012 and 30 June 2011 of Spar Nord and Sparbank

The completion of the merger in accordance with the joint merger plan concluded by the boards of directors of Spar Nord and Sparbank requires the approval of the shareholders of Spar Nord and Sparbank. On the Date of Announcement, conditional advance commitments have been obtained from the Spar Vest Foundation and Nykredit Realkredit A/S to vote in favour of completing the merger at the extraordinary general meeting of Sparbank and from the Spar Nord Foundation and Nykredit Realkredit A/S to vote in favour of completing the merger at the extraordinary general meeting of Spar Nord. As a result, the boards of directors of Spar Nord and Sparbank will convene extraordinary general meetings of the respective companies. See Spar Nord's company announcement no. 22 and Sparbank's company announcement no. 8.

The expected timetable of the merger is set forth in 7 "Expected timetable of the Merger" of this company announcement.

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General information

References in this Merger Announcement to Spar Nord are to Spar Nord Bank A/S, and references to the Spar Nord Group are to Spar Nord Bank A/S together with its consolidated subsidiaries, unless the context requires otherwise. References in this Merger Announcement to Sparbank are to Sparbank A/S, and references to the Sparbank Group are to Sparbank A/S together with its consolidated subsidiaries, unless the context requires otherwise. References in this Merger Announcement to the Continuing Bank are to the Spar Nord Group after the Merger. See 9 "Definitions and glossary" for a list of terms and definitions frequently used in this Merger Announcement.

No prospectus will be prepared in connection with the Merger, as this company announcement and the related appendices constitute the document referred to in section 14(iii) and section 15(1)(iv) of the Prospectus Order (Executive Order no. 643 of 19 June 2012 on prospectuses for securities admitted to trading on a regulated market and offers to the public of securities of more than EUR 5,000,000).

The Merger Announcement is intended solely for the shareholders of Spar Nord and Sparbank, and the Merger Announcement may be used only in connection with their considerations as to whether or not they want to vote in favour of completion of the Merger at the general meetings of the respective companies. None of Spar Nord, Sparbank or any of their respective representatives or advisers is making any representation to any recipient of New Shares regarding the lawfulness of a receipt of such New Shares under the laws applicable to such recipient or purchaser.

As part of the completion of the Merger, New Shares will be issued to the shareholders of Sparbank. Sparbank's shareholders must comply with all applicable laws and regulations in force in any country or region in which they purchase or sell the New Shares and must obtain any such consent, approval or permission required for purchasing the New Shares.

Presentation of financial and certain other information

The financial information set forth in a number of tables in this Merger Announcement has been rounded. Accordingly, in certain instances, the sum of the figures in a column or row may not conform exactly to the total figure given for that column or row. In addition, certain percentages presented in the tables in this Merger Announcement reflect calculations based upon the underlying information prior to rounding and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.

The Spar Nord Group's and the Sparbank Group's financial years end on 31 December, and references in this Merger Announcement to any specific financial year are to the twelve-month period ended or ending on 31 December of such year.

In this Merger Announcement, all references to "DKK" are to the currency of the Kingdom of Denmark, and all references to "EUR" are to the common European currency.

This Merger Announcement presents historical financial information, including selected consolidated income statement, balance sheet and cash flow data for the Spar Nord Group and the Sparbank Group derived from the consolidated financial statements of the Spar Nord Group for the 2009, 2010 and 2011 financial years, which have been prepared in accordance with IFRS as adopted by the EU, and the consolidated financial statements of the Sparbank Group for the 2011 financial year with comparative figures for 2010, which have been prepared in accordance with IFRS as adopted by the EU, and the consolidated financial statements of the Sparbank Group for the 2009 financial year, which have been prepared in accordance with the Financial Business Act, and from the unaudited interim reports for the six months ended 30 June 2012 of Spar Nord and Sparbank, which have been prepared in accordance with IAS 34 as adopted by the EU. Spar Nord's consolidated financial statements for the 2009, 2010 and 2011 financial years have been audited by Spar Nord's independent auditors, KPMG Statsautoriseret Revisionspartnerselskab, and Sparbank's consolidated financial statements for the 2009, 2010 and 2011 financial years have been audited by Sparbank's independent auditors, PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab. Financial information previously published for any financial years may differ from subsequently published financial information due to the retroactive implementation of subsequent changes in accounting policies and other retroactive adjustments made in accordance with IFRS as adopted by the EU.

Non-IFRS financial measures

The following financial measures included in this Merger Announcement are not measures of financial performance or liquidity under IFRS as adopted by the EU:

- **Cost share of core income:** Operating expenses and depreciation and amortisation/core income
- **Impairment ratio:** Impairment in per cent of loans and advances + guarantees + impairment
- **Solvency ratio:** Capital Base in per cent of risk-weighted assets (calculated in accordance with the CRD)
- **Core Tier 1 Capital ratio:** Core Tier 1 Capital after deductions in per cent of risk-weighted assets
- **Employees (full-time, end of year):** Number of full-time employees at end of year

The non-IFRS financial measures presented are not measures of financial performance under IFRS as adopted by the EU but measures used by Spar Nord's Management and Sparbank's Management to monitor the underlying performance of the Spar Nord Group's and the Sparbank Group's business and operations. Furthermore, they may not be indicative of the Spar Nord Group's and the Sparbank Group's historical operating results, nor are such measures meant to be predictive of the Continuing Bank's future results. Spar Nord and Sparbank present these non-IFRS measures in this Merger Announcement because Spar Nord and Sparbank consider them an important supplemental measure of the Spar Nord Group's and the Sparbank Group's performance and believe that they are widely used by investors in comparing performance among companies.

However, not all companies calculate the non-IFRS financial measures in the same manner or on a consistent basis, and, as a result, Spar Nord's and Sparbank's presentation thereof may not be comparable to measures used by other companies under the same or similar names. Accordingly, undue reliance should not be placed on the non-IFRS financial measures contained in this Merger Announcement, and they should not be considered as a substitute for profit/loss, cash flows or other financial measures computed in accordance with IFRS as adopted by the EU.

Market and industry information

This Merger Announcement contains information about the market share, market position and industry data for the operating areas of the Spar Nord Group and its reporting segments. Unless otherwise indicated, the statistical and other market information relating to such information is based on data reported to Danmarks Nationalbank. Such information has been accurately reproduced and, as far as it can be ascertained from such information, no facts have been omitted which, in Spar Nord's Management's view, would render the information provided herein inaccurate or misleading.

This Merger Announcement contains information about the market share, market position and industry data for the operating areas of the Sparbank Group and its reporting segments. Unless otherwise indicated, the statistical and other market information relating to such information is based on data reported to Danmarks Nationalbank. Such information has been accurately reproduced and, as far as it can be ascertained from such information, no facts have been omitted which, in Sparbank's Management's view, would render the information provided herein inaccurate or misleading.

The business review contains a number of observations, judgments and estimates, especially in relation to market sizes, market shares and market trends, which are based on Spar Nord's Management's and Sparbank's Management's estimates and publicly available information. Spar Nord's Management's and Sparbank's Management's estimates are generally based on the Spar Nord Group's and the Sparbank Group's knowledge of the market and various external research and industry reports. External sources were used only to a limited extent in the preparation of the business review. However, there can be no assurance that other sources may not express a different opinion of the market etc. than the one on which Spar Nord's Management and Sparbank's Management have based their views. The information regarding market conditions is based on Spar Nord's Management's and Sparbank's Management's estimates. The forward-looking estimates are subject to substantial uncertainty.

Industry publications generally state that the information they contain has been obtained from sources believed to be reliable, but the accuracy and completeness of such information is not guaranteed. Neither Spar Nord's Management nor Sparbank's Management has independently verified and cannot give any assurance as to the accuracy of such market data and industry forecasts contained in this Merger Announcement that were taken or derived from such industry publications.

Forward-looking statements

Certain statements in this Merger Announcement, including certain statements in other documents published or referred to in connection with the Merger, are based on the views of Spar Nord's Management and/or Sparbank's Management, as well as on assumptions made by and information currently available to Spar Nord's Management and/or Sparbank's Management, and such statements may constitute forward-looking statements. Such forward-looking statements (other

than statements of historical fact) regarding the Continuing Bank's future results of operations, financial position, cash flows, business strategy, plans and objectives of Spar Nord's Management for future operations are generally identified by terminology such as "targets", "believes", "estimates", "expects", "aims", "intends", "plans", "seeks", "will", "may", "anticipates", "would", "could", "continues" or similar expressions or the negatives thereof.

Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of the Continuing Bank, or industry results, to differ materially from any future results, performance or achievements, whether expressed or implied, by such forward-looking statements. Such risks, uncertainties and other important factors include:

- changes in the general economic and business conditions in the markets in which the Continuing Bank operates;
- changes in industry trends;
- changes in competition in the markets in which the Continuing Bank operates;
- changes in interest rates, credit spreads, foreign exchange rates, equity and commodity prices;
- changes in real property values or asset quality;
- the loss of any significant customers;
- changes in the quality of the Continuing Bank's loan portfolio and the Continuing Bank's counterparty risk, including credit developments in the small and medium-sized enterprise segment;
- changes in business strategy or development plans;
- availability, terms and deployment of capital;
- changes in the Continuing Bank's funding and liquidity position;
- changes in the Continuing Bank's credit ratings;
- changes in the availability of qualified personnel;
- changes in, or the failure or inability to comply with, government regulation or other factors referenced in this Merger Announcement;
- political, governmental and regulatory changes or changes in political or social conditions;
- limitations in the effectiveness of the Continuing Bank's internal risk management processes, of its risk measurement, control and modelling systems, and of financial models generally;
- management changes and changes to the structure of the Continuing Bank's business groups;
- the occurrence of operational failures, such as fraud, unauthorised trading and systems failures; and
- technological developments.

Should one or more of these factors or uncertainties materialise, or should any underlying assumptions prove to be incorrect, the Continuing Bank's actual results of operations or financial position could differ materially from that described herein as anticipated, believed, estimated or expected. The shareholders are urged to read the sections of this Merger Announcement entitled "Risk factors", "Business and market" and other relevant sections in this Merger Announcement for a more complete discussion of the factors that could affect the Continuing Bank's future performance and the industry in which the Continuing Bank operates.

The Continuing Bank will not update the forward-looking statements contained herein, except as may be required by law. Any subsequent written and verbal forward-looking statements attributable to Spar Nord, Sparbank or to persons acting on their behalf are expressly qualified by the cautionary statements referred to above and contained elsewhere in this Merger Announcement. The forward-looking statements included in this Merger Announcement speak only as at the Date of Announcement.

This Merger Announcement has been translated from Danish into English. In the event of any discrepancy between the Danish language version and the English language version, the Danish language version shall prevail.

1 Background to and reasons for the Merger

1.1 Background to the Merger

Spar Nord was founded in 1824 as Aalborg Bys og Omegns Sparekasse. In 1967, the savings bank merged with Landbosparekassen, and the name was changed to Sparekassen Nordjylland. In the following decades, Sparekassen Nordjylland merged with a large number of local savings banks in the North Jutland region with Sparekassen Nordjylland as the continuing company. In 1989, the savings bank was converted into a public limited company and the accumulated reserves were separated off into a foundation.

In the 1990s, Sparekassen Nordjylland took over Himmerlandsbanken and Aars Bank, among other acquisitions, and in 2000 its name was changed to Spar Nord Bank A/S.

Over the past ten years, Spar Nord has worked to strengthen its position in the Danish market for financial products and services by establishing and acquiring branches in major cities outside its traditional core area, North Jutland. A total of 27 branches have thus been established or acquired, while 24 branches were closed during the same period primarily in the North Jutland region to improve profitability.

At 30 June 2012, Spar Nord had a presence in most Danish cities with more than 25,000 inhabitants. Accordingly, the Spar Nord Group's branch network comprises 67 branches, 42 of which are located in North Jutland and 25 in other locations across Denmark. At 30 June 2012, the Spar Nord Group had 1,351 employees.

Sparbank was founded in 1857 as Skive Sparekasse. Until 1989, the savings bank's market area comprised Skive, Salling and Fjends in Jutland. Over the years, a number of local savings banks were merged into the bank in this market area.

In 1989, the savings bank was converted into a public limited company and the accumulated reserves were separated off into a foundation. On the same occasion, the bank changed its name to Sparbank Vest A/S. The bank expanded in the period from 1989 to 2007, and in 2007 it had around 600 employees and some 40 branches located across most of Denmark as well as a representative office in Spain and three in Greenland.

In 2007, the bank changed its name to Sparbank A/S.

In order to improve profitability, the size of the branch network was taken up for reconsideration in 2008-2010, which resulted in the divestment of 13 branches in 2010.

Moreover, a decision was made to wind up the lease activities and the representative office in Spain. These steps served to increase the strategic focus on three strong areas in Central and West Jutland, Aarhus and Copenhagen as well as on the consumer finance concept SparXpres.

In order to strengthen its market coverage and leverage on opportunities arising in the wake of bank closures and combinations, Sparbank opened two new branches in 2011 and took over four branches and approximately 7,000 customers in the Salling area from Finansiel Stabilitet after the bankruptcy of Fjordbank Mors A/S.

At 30 June 2012, the Sparbank Group had 23 branches and 335 employees.

1.2 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 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 independent banking areas of the Continuing Bank. Including Spar Nord's 67 branches, the Continuing Bank will have 90 branches. 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 Continuing 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.

Overall, the Merger is expected to contribute favourably to the development in the cost share of core income and the return on equity.

2 Terms and conditions of the Merger

2.1 The Merger

The Merger is completed as a tax-free merger by absorption, by which all assets, liabilities, rights and obligations of Sparbank are transferred to Spar Nord. The Merger will, for accounting purposes, take effect from 1 January 2012 pursuant to section 237(3)(viii) of the Companies Act. However, for use in the preparation of consolidated financial statements for 2012 in accordance with IFRS as adopted by the EU and the presentation of parent company financial statements in accordance with section 145 of the Executive Order on the presentation of financial statements by financial businesses, Spar Nord will complete the Merger for accounting purposes with effect from the date on which all conditions set forth in 2.4 "Terms and conditions of the Merger" have been satisfied.

2.2 Consideration for the shares in Sparbank

The shareholders of Sparbank will receive shares in Spar Nord in connection with the completion of the Merger to the effect that shareholders of Sparbank will receive two new shares in Spar Nord with a nominal value of DKK 10 each for each share held in Sparbank with a nominal value of DKK 20. After the transfer of all assets and liabilities, rights and obligations from Sparbank to Spar Nord, Sparbank will be dissolved without liquidation.

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.

At the Date of Announcement, the share capital of Spar Nord amounts to DKK 1,141,376,200 nominal value divided into shares with a nominal value of DKK 10 each. At the Date of Announcement, the share capital of Sparbank amounts to DKK 120,533,300 nominal value divided into shares with a nominal value of DKK 20 each. At the Date of Announcement, Sparbank has a portfolio of treasury shares of DKK 6,610,320 divided into 330,516 shares with a nominal value of DKK 20 each. Accordingly, Sparbank's outstanding share capital at the Date of Announcement amounts to DKK 113,922,980 divided into 5,696,149 shares with a nominal value of DKK 20 each. On completion of the Merger, Spar Nord will thus issue DKK 113,922,980 divided into 11,392,298 New Shares with a nominal value of DKK 10 each, bringing the total nominal share capital of the Continuing Bank to DKK 1,255,299,180, corresponding to 125,529,918 Shares with a nominal value of DKK 10 each. No consideration is offered for the merged banks' shares in Sparbank, and Sparbank's and Sparbank's subsidiaries' holdings of shares in Sparbank are cancelled in connection with the Merger.

2.3 The New Shares

The New Shares will rank *pari passu* with the Existing Shares of Spar Nord and are eligible for dividends as of the time of issuance of the New Shares.

The issue of New Shares to the shareholders of Sparbank will take place by registration with VP Securities of the completion of the Merger with the Danish Business Authority. The shareholders of Sparbank will receive notification on final registration of the Merger with the Danish Business Authority.

An application will be made for the New Shares to be admitted to trading and official listing on NASDAQ OMX, and the first day of trading is expected to be as stated in the expected timetable in 7 "Expected timetable of the Merger". The New Shares will be admitted under the ISIN code of the Existing Shares of Spar Nord.

2.4 Terms and conditions of the Merger

The completion of the Merger is subject to:

- approval of the Merger at Spar Nord's and Sparbank's respective general meetings by at least two thirds of the votes cast as well as of the share capital represented at the general meeting, and
- approval of the Merger by the DFSA and the Danish Competition and Consumer Authority without such approvals requiring satisfaction of conditions which in the reasonable opinion of Spar Nord and/or Sparbank are not acceptable.

The Merger cannot be completed if it has not been adopted and registered with the Danish Business Authority within 12 months of the Date of Announcement.

2.5 Advance commitments

The Spar Nord Foundation, which owns 20.4% of the shares in Spar Nord, Nykredit, which owns 9.3% of the shares in Spar Nord and 0.2% of the shares in Sparbank, and the Spar Vest Foundation, which owns 58.5% of the shares in Sparbank, have all 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 events occurring after the Date of Announcement, recommend the shareholders not to vote in favour of the Merger.

2.6 Costs of the Merger

The expected costs relating to the Merger, including costs to valuation experts, financial and legal advisers, auditors and other advisers, and costs for printing, translation and distribution, are expected to total DKK 18 million.

3 Risk factors

An investment in Shares, including through participation in the Merger, involves risks. The following risk factors, which Spar Nord's Management and Sparbank's Management consider material, should be considered carefully in conjunction with other information contained in this Merger Announcement prior to any decision as to whether shareholders of Spar Nord and Sparbank wish to vote in favour of or against the completion of the Merger.

The risks described are not the only risks that are relevant to the Continuing Bank. They should be taken as an expression of the risk factors which Spar Nord's Management and Sparbank's Management believe are particularly important and relevant for the Continuing Bank at the Date of Announcement. Should any of the following risks occur, it could have a material adverse effect on the Continuing Bank's business, results of operations and financial position. However, additional risks and uncertainties not presently known to Spar Nord's Management or Sparbank's Management or that Spar Nord's Management and Sparbank's Management currently deem immaterial may also have a material adverse effect on the Continuing Bank's business, results of operations and financial position. The price of the Shares could decline, and shareholders may lose all or a part of their investment. In addition, this section includes a description of certain risks related to the Merger which could also have a material adverse effect on the value of the Shares. This Merger Announcement also contains forward-looking statements that are subject to future events, risks and uncertainties. The Continuing Bank's actual results could differ materially from those indicated in these forward-looking statements as a result of many factors, including, but not limited to, the risks the Continuing Bank faces as described below and elsewhere in this Merger Announcement.

Shareholders should be aware that, as the continuing company, Spar Nord will acquire all of Sparbank's assets and liabilities, rights and obligations, including any related risks, in the Merger.

In accordance with statutory requirements, both Spar Nord and Sparbank have published detailed information about risks, capital adequacy structure, capital adequacy, risk management, etc. in the form of risk reports. The most recent risk reports are available at Spar Nord's website, www.sparnord.dk (risk report) and Sparbank's website, www.sparbank.dk (risk report). Spar Nord's Management believes that the bank's actual risk situation has not changed significantly since the date of publication of Spar Nord's most recent risk report. Sparbank's Management believes that the bank's actual risk situation has not changed significantly since the date of publication of Sparbank's most recent risk report.

The risk factors set out below are not listed in any order of priority with regard to significance or likelihood of occurrence. It is not possible to quantify the significance to the Continuing Bank of each individual risk factor as each of the risk factors mentioned below may materialise to a greater or lesser extent, and have a material adverse effect on the Continuing Bank's business, results of operations and financial position.

3.1 Risks related to the Merger

Universal succession

As a result of the Merger, Spar Nord will acquire all of Sparbank's assets and liabilities, rights and obligations. Accordingly, all rights and obligations of Sparbank will fully vest in Spar Nord as the universal successor. In the Merger, Spar Nord will thus acquire all known and unknown, current or potential risks relating to Sparbank's assets, liabilities, rights and obligations and any related risks.

On completion of the Merger, Sparbank's shareholders will receive shares in Spar Nord and thus, through their ownership interest in Spar Nord, participate in all of the Spar Nord Group's known and unknown, current and potential risks.

Exchange ratio/market price

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 completed and other expectations generally involved in such negotiations, and the exchange ratio therefore does not reflect the relation between the market values of the merging companies on the Date of Announcement or the Date of Completion.

If the expected synergies fail to materialise in whole or in part as assumed after the Merger, or if circumstances arise or matters are ascertained which were not taken into consideration in the determination of the exchange ratio, shareholders of Spar Nord or Sparbank, respectively, will be exposed to the risk that the exchange ratio will have been more advantageous for the shareholders of the other bank. In such situation, the consideration cannot be adjusted because the exchange ratio is final.

Completion of the Merger with two-thirds majority

A resolution to complete the Merger must be made at the general meetings of Spar Nord and Sparbank, respectively, with a majority of two-thirds of the votes cast as well as of the share capital represented at each general meeting.

The resolutions made at the general meetings will be final, and shareholders should therefore be aware that their possibility of influencing the resolution to complete the Merger will cease when a resolution in favour of or against the Merger has been made at the respective general meetings.

If a resolution in favour of the Merger is made at both companies' general meetings, shareholders not wishing to participate in the Merger will only be able to object if the resolution made at the general meeting was not lawfully made or is contrary to the provisions of the Companies Act or the company's articles of association, see section 109 of the Companies Act, and shares held by shareholders of Sparbank will be exchanged for shares in Spar Nord regardless of whether or not the shareholders so wish.

Spar Nord's delegate model

For shareholders of Spar Nord holding less than 20,000 shares, the right to vote at Spar Nord's general meetings is exercised through delegates elected by the members of Spar Nord's 32 shareholder regions (see 4.1.16 "Articles of association" for a description of Spar Nord's Articles of Association).

The delegates represent the share capital registered as belonging to the relevant shareholder region. Each delegate represents equal fractions of the share capital, calculated on the basis of the number of delegates immediately prior to the general meeting.

Spar Nord's delegate model entails that a shareholder of Spar Nord holding less than 20,000 Shares will not be able to exercise his voting right directly at Spar Nord's general meetings, and the shareholder's possibility of influencing Spar Nord's resolutions is thus determined by the composition of the shareholder region to which the relevant shareholder belongs.

If the proposal for the Merger is withdrawn or is not approved, shareholders buying shares in Sparbank or Spar Nord for the purpose of becoming shareholders of the Continuing Bank may incur a loss

The Merger cannot be completed until it has been approved by Spar Nord's and Sparbank's respective shareholders in general meeting and the necessary approvals of the completion of the Merger have been obtained. If the Merger is not completed, investors who have acquired shares in Sparbank or Spar Nord for the purpose of becoming shareholders of the Continuing Bank may risk incurring a loss in the event that the cancellation of the Merger adversely affects the share price of Sparbank and/or Spar Nord.

3.2 Risks related to macro-economic conditions

The Continuing Bank's business, results of operations and financial position are impacted by macro-economic conditions and economic trends in Denmark

Both the Spar Nord Group's and the Sparbank Group's primary business activity is to offer financial products and services to retail customers and small and medium-sized businesses in Denmark. Historically, the Spar Nord Group is rooted in the North Jutland region, and a significant part of the Spar Nord Group's credit exposure relates to this region, whereas Sparbank is rooted in the Central and West Jutland regions. Accordingly, the Continuing Bank relies strongly on macro-economic trends in Denmark generally and in the North, Central and West Jutland regions, in particular.

Since 2008, Denmark has been affected by a number of adverse economic and market conditions, resulting in, among other things, falling demand for the products and services offered by the Spar Nord Group and the Sparbank Group, increased costs of funding, volatile fair values of many of the Spar Nord Group's and the Sparbank Group's financial instruments and increasing impairment of loans and advances, all of which have reduced profitability.

If economic conditions take longer to improve than currently anticipated by Spar Nord's Management, or circumstances deteriorate, this could have a material adverse effect on the Continuing Bank's business, results of operations and financial position.

3.3 Credit risks

For an overview of the Spar Nord Group's and the Sparbank Group's individual and overall exposure broken down by industry for the last three financial years, see table 4.6 – "Loans, advances and guarantees by industry 2009, 2010, 2011 and 30 June 2012".

The Continuing Bank will have significant customer and counterparty credit risk

The Spar Nord Group and the Sparbank Group both engage in traditional banking business, including loans and advances to retail and business customers. These activities expose both the Spar Nord Group and the Sparbank Group to risk of loss from customers failing to meet all or part of their obligations. Furthermore, both the Spar Nord Group and the Sparbank Group are exposed to credit risk with respect to trading partners in the financial sector who owe money, securities or other assets and who may not pay or may not perform their obligations. Such customers and counterparties include borrowers of loans provided to them by the Spar Nord Group and the Sparbank Group, issuers of securities whose securities the Spar Nord Group or the Sparbank Group holds, trading counterparties, counterparties in swap or currency arrangements and under other financial instruments, exchanges, clearing houses and other trading partners in the financial sector. These parties may default on their obligations to the Spar Nord Group and the Sparbank Group due to bankruptcy, liquidity shortage, economic downturns or declines in asset values, operational failures or for other reasons.

Generally, the Spar Nord Group is broadly diversified in terms of customer exposure, but it does have a number of large exposures each of which could have a significant effect on the Spar Nord Group. The Spar Nord Group has defined an in-house limit for its customer exposures of DKK 400 million, the unsecured portion of which is capped at DKK 150 million. Sparbank does not have any corresponding in-house rules, but aims to ensure that no exposure exceeds 10% of the bank's capital base at the date of approval. At the Date of Announcement, neither the Spar Nord Group nor the Sparbank Group, together or individually, has any customer exposures exceeding the Spar Nord Group's in-house limits. The DKK 400 million cap does not apply to exposures to trading partners in the financial sector. The granting and management of such exposures is subject to statutory requirements and the external credit rating of the individual trading partner.

In addition, both the Spar Nord Group's and the Sparbank Group's customers may have exposures with other banks or other creditors, including exposures of which the Spar Nord Group and/or the Sparbank Group are not aware. Such other banks and creditors may terminate their exposures or demand repayment of amounts owed to them, without the Spar Nord Group or the Sparbank Group having any influence thereon. This may affect the customer's ability to repay and may cause the Continuing Bank to incur a loss or cause an increase in the Continuing Bank's indication of impairment, a higher risk of actual losses on exposures already written down or an increase in capital adequacy needs.

If any of these events were to occur, they could have a material adverse effect on the Continuing Bank's business, results of operations and financial position.

Both the Spar Nord Group's and the Sparbank Group's impairment of loans and advances has increased significantly as a result of the difficult economic conditions

Since 1 January 2009, both the Spar Nord Group and the Sparbank Group have had a high level of impairment charges on loans and advances when compared with the historical levels prior to the financial crisis.

The Spar Nord Group's impairment of loans and advances (continuing activities) amounted to DKK 404 million, DKK 356 million and DKK 468 million in 2011, 2010 and 2009, respectively. In 2011, impairment charges on retail customer credit facilities amounted to DKK 65 million (DKK 57 million in 2010), and impairment charges on business customer credit facilities amounted to DKK 339 million (DKK 299 million in 2010). In recent years, impairment charges on credit facilities to business customers have primarily been attributable to the property and agricultural sectors.

The Sparbank Group's impairment of loans and advances amounted to DKK 311 million, DKK 396 million and DKK 483 million in 2011, 2010 and 2009, respectively. In 2011, impairment charges on retail customer credit facilities amounted to DKK 31 million (DKK 74 million in 2010), and impairment charges on business customer credit facilities amounted to DKK 280 million (DKK 322 million in 2010). In recent years, impairment charges on business customer credit facilities have

primarily been attributable to business customers in the property sector. Sparbank's high level of impairment during the period 2009-2011 was mainly attributable to the bank's relatively high exposure to the property sector.

For H1 2012, the Spar Nord Group's impairment of loans and advances amounted to DKK 327 million with DKK 96 million of extraordinary impairment charges incurred due to the DFSA's detailed guidelines. For H1 2012, the Sparbank Group's impairment on loans and advances amounted to DKK 262 million with about DKK 191 million of extraordinary impairment charges incurred due to the DFSA's detailed guidelines.

If economic conditions in Denmark remain difficult in the period after the Merger is completed, it could have a material adverse effect on the credit quality of the Continuing Bank's loan portfolio and may cause loan impairment charges and loan losses, etc. to remain at high or increasing levels, which could have a material adverse effect on the Continuing Bank's business, results of operations and financial position.

The Continuing Bank will have risk exposure to property-related loans and advances

Both the Spar Nord Group and the Sparbank Group have granted loans to business customers operating in the property sector, including in property development and rental activities, and to retail customers for home financing purposes. Moreover, both the Spar Nord Group and the Sparbank Group have arranged mortgage credit loans for retail customers through Totalkredit.

At 30 June 2012, the Spar Nord Group's credit exposure to the commercial property market amounted to DKK 4.4 billion, or 11.9% of total loans, advances and guarantees. At 31 December 2011, the exposure amounted to DKK 4.9 billion, corresponding to 11.3% of total loans, advances and guarantees, at 31 December 2010, the exposure amounted to DKK 4.9 billion, corresponding to 10.7% of total loans, advances and guarantees, and at 31 December 2009, it amounted to DKK 5 billion, corresponding to 11.0% of total loans, advances and guarantees.

At 30 June 2012, the Sparbank Group's credit exposure to the commercial property market amounted to DKK 2.1 billion, or 18.6% of total loans, advances and guarantees. At 31 December 2011, the exposure amounted to DKK 2.1 billion, corresponding to 18.6% of total loans, advances and guarantees, at 31 December 2010, the exposure amounted to DKK 1.7 billion, corresponding to 14.8% of total loans, advances and guarantees, and at 31 December 2009, it amounted to DKK 2.6 billion, corresponding to 15.1% of total loans, advances and guarantees.

At 30 June 2012, the merged banks' credit exposure to the commercial property market amounted to DKK 6.5 billion, or 12.4% of total loans, advances and guarantees.

The Spar Nord Group's impairment of loans and advances to the commercial property market amounted to DKK 46 million in H1 2012, DKK 82 million in 2011, DKK 79 million in 2010 and DKK 69 million in 2009. Impairment of loans and advances to the commercial property market thus represented 12-17% of the total impact on the income statement of impairment charges in 2009-2011.

The Sparbank Group's impairment of loans and advances to the commercial property market amounted to DKK 207 million in H1 2012, DKK 59 million in 2011, DKK 110 million in 2010 and DKK 146 million in 2009. Impairment of loans and advances to the commercial property market thus represented 19-30% of the total impact on the income statement of impairment charges in 2009-2011. Sparbank's high level of impairment in the first half of 2012 relating to the commercial property market was a result of the implementation of the DFSA's more detailed guidelines for calculating impairment charges on property.

At 30 June 2012, the Spar Nord Group's credit exposure to retail customers' loans secured against their homes amounted to DKK 5.6 billion, corresponding to 13.4% of total loans, advances and guarantees, at 31 December 2011, the credit exposure amounted to DKK 5.4 billion, corresponding to 12.4% of total loans, advances and guarantees, at 31 December 2010, it amounted to DKK 6.3 billion, corresponding to 13.6% of total loans, advances and guarantees, and at 31 December 2009, it amounted to DKK 6.4 billion, corresponding to 14.1% of total loans, advances and guarantees.

At 30 June 2012, the Sparbank Group's credit exposure to retail customers' loans secured against their homes amounted to DKK 0.7 billion, corresponding to 6.7% of total loans, advances and guarantees, at 31 December 2011, the credit exposure amounted to DKK 0.7 billion, corresponding to 6.8% of total loans, advances and guarantees, and at 31 December 2010, it amounted to DKK 0.6 billion, corresponding to 6.1% of total loans, advances and guarantees, and at 31 December 2009, it amounted to DKK 1.1 billion, corresponding to 6.9% of total loans, advances and guarantees.

At 30 June 2012, the merged banks' credit exposure to retail customers' loans secured against their homes amounted to DKK 6.3 billion, or 11.9% of total loans, advances and guarantees.

At the Date of Announcement, in line with the Spar Nord Group's policy that no single exposure may exceed DKK 400 million, neither the Spar Nord Group nor the Sparbank Group, together or individually, has any single exposures to the commercial property market exceeding DKK 400 million.

Mortgage credit loans through Totalkredit are arranged against payment of commission. Totalkredit is entitled to set off any losses against commission Totalkredit owes the Spar Nord Group or the Sparbank Group, respectively, and Spar Nord and Sparbank may in certain circumstances provide Totalkredit with a guarantee against loss. The Spar Nord Group's income from such fees after set-off amounted to DKK 78 million in H1 2012, DKK 97 million in 2011, DKK 87 million in 2010 and DKK 89 million in 2009. Spar Nord's set-off against fees from Totalkredit amounted to DKK 3 million in H1 2012, DKK 4 million in 2011, DKK 2 million in 2010 and DKK 1 million in 2009. The Sparbank Group's income from such fees after set-off amounted to DKK 10 million in H1 2012, DKK 20 million in 2011, DKK 19 million in 2010 and DKK 21 million in 2009. Sparbank's set-off against fees from Totalkredit amounted to DKK 3 million in H1 2012, DKK 2 million in 2011, DKK 4 million in 2010 and DKK 0 million in 2009.

General economic downturn, rising unemployment, falling house prices, increasing interest rates and/or a higher level of lending aversion among credit providers may result in a higher default rate on commitments with property exposure, reduced collateral values, increased illiquidity of collateral and increased set-off against fees from Totalkredit and may, therefore, have a material adverse effect on the Continuing Bank's business, results of operations and financial position.

The Continuing Bank will be exposed to risks related to the agricultural sector

Both the Spar Nord Group and the Sparbank Group are exposed to the agricultural sector because of their presence in areas with a high proportion of agricultural customers. In addition to providing loans and advances on their own books, both groups have contributed to providing financing for the agricultural sector by arranging mortgage credit loans through DLR.

At 30 June 2012, the Spar Nord Group's total exposure to the agricultural sector was DKK 4.7 billion, corresponding to 11.4% of its total loans, advances and guarantees including exposure to Spar Nord Leasing A/S of 3.4%. At 31 December 2011, the total exposure amounted to DKK 5.2 billion, corresponding to 12.0% of total loans, advances and guarantees, including exposure to Spar Nord Leasing A/S of 4.3%, at 31 December 2010, the exposure amounted to DKK 5.5 billion, corresponding to 11.9% of total loans, advances and guarantees, and at 31 December 2009, it amounted to DKK 5.7 billion, corresponding to 12.5% of total loans, advances and guarantees.

At 30 June 2012, the Sparbank Group's total exposure to the agricultural sector amounted to DKK 0.5 billion, corresponding to 4.3% of total loans and advances. At 31 December 2011, the total exposure amounted to DKK 0.4 billion, corresponding to 3.9% of total loans, advances and guarantees, at 31 December 2010, the exposure amounted to DKK 0.3 billion, corresponding to 2.2% of total loans, advances and guarantees, and at 31 December 2009, it amounted to DKK 0.5 billion, corresponding to 3.1% of total loans, advances and guarantees.

At 30 June 2012, the merged banks' credit exposure to the agricultural sector amounted to DKK 5.2 billion, or 9.8% of total loans, advances and guarantees.

The agricultural sector has been severely affected by the recent years' economic downturn. The Spar Nord Group's impairment of loans and advances to the agricultural sector thus amounted to DKK 165 million in H1 2012, DKK 137 million in 2011, DKK 107 million in 2010 and DKK 141 million in 2009. The Sparbank Group's impairment of loans and advances to the agricultural sector amounted to DKK 0.5 million in H1 2012, DKK 8 million in 2011, DKK 27 million in 2010 and DKK 28 million in 2009. The reason for Sparbank's low level of impairment on loans and advances to the agricultural sector is that Sparbank's loans and advances to the agricultural sector is below the average of banks' loans and advances to this sector, and that Sparbank's loans and advances to the agricultural sector is assessed to be of relatively good quality despite the economic downturn.

Mortgage credit loans through DLR are arranged against payment of commission. DLR is entitled to set off any losses against commission DLR owes the groups, and Spar Nord and Sparbank may in certain circumstances provide DLR with a guarantee against loss. The Spar Nord Group's income from such fees after set-off amounted to DKK 11 million in H1 2012, DKK 18 million in 2011, DKK 16 million in 2010 and DKK 12 million in 2009. Spar Nord's set-off against fees from DLR amounted to DKK 0.4 million in 2011, DKK 0 million in 2010 and DKK 0 million in 2009. The Sparbank Group's income from such fees after set-off amounted to DKK 4.6 million in H1 2012, DKK 9 million in 2011, DKK 6 million in 2010 and DKK 7 million in 2009. Sparbank's set-off against fees from DLR amounted to DKK 0 million in 2011, DKK 1.4 million in 2010 and DKK 0 million in 2009.

If the economic downturn in Denmark persists, if the prices of meat, milk or grain fall, or if the prices of animal feed increase, there is a risk of a higher default on agricultural exposures, increased set-off against the fees from DLR, reduced value of collateral and increased illiquidity of collateral, which could have a material adverse effect on the Continuing Bank's business, results of operations and financial position.

The Continuing Bank will be exposed to risks related to other sectors

Both the Spar Nord Group and the Sparbank Group have incurred impairment charges in sectors other than agriculture and property, including in the transport and the trade sectors.

The Spar Nord Group is exposed to business customers in the transport sector, primarily through the leasing company Spar Nord Leasing A/S. The Spar Nord Group's total exposure to the industry represents 6.4% before impairment of total loans, advances and guarantees. Impairment of loans and advances to the transport sector amounted to DKK 16 million in H1 2012, DKK 45 million in 2011, DKK 64 million in 2010 and DKK 28 million in 2009. Persistent economic downturn may cause financial difficulties for the Continuing Bank's customers and could therefore have a material adverse effect on the Continuing Bank's business, results of operations and financial position.

The Spar Nord Group grants loans to business customers in the trade sector, and at 30 June 2012, its total exposure to the sector was 8.6% before impairment of total loans, advances and guarantees. Impairment of loans and advances to the trade sector amounted to DKK 33 million in H1 2012, DKK 27 million in 2011, DKK 78 million in 2010 and DKK 75 million in 2009. In recent years, the Spar Nord Group's impairment charges have primarily related to a few major customers and to a lesser extent to the sector in general.

Rising raw material prices and economic downturn may lead to lower demand and settlement prices, especially for sub-suppliers, but also for retailers. Declining revenue and earnings among customers exposed to the trade sector may have a material adverse effect on the Continuing Bank's business, results of operations and financial position.

The Continuing Bank will be exposed to debtor risk related to the discontinuation of the Spar Nord Group's and the Sparbank Group's leasing activities

In 2011, Spar Nord made a strategic decision that leasing would no longer be a part of the Spar Nord Group's activities and thus to divest and/or phase out its leasing activities. As regards the Spar Nord Group's activities in the Danish commercial leasing market in Spar Nord Leasing A/S, the portfolio will gradually be phased out, because the continuing activities were taken over by the Jyske Bank Group effective 1 October 2011. With respect to the activities in the Swedish market, within the framework of the subsidiary SN Finans Nord AB, a portfolio of about DKK 700 million was sold to Wasa Kredit in June 2012, and the remaining part of the portfolio will also be gradually phased out as and when the contracts expire.

At the Date of Announcement, the Spar Nord Group's total assets related to the leasing activity, representing DKK 8.5 billion on commencement of the phase-out, was reduced to DKK 4.8 billion. The reduction exceeded expectations.

In August 2011, Sparbank made a strategic decision that leasing would no longer be a part of the Sparbank Group's leasing activities, commencing a process to gradually phase out. The bank's leasing activities are thus being phased out as and when the leases expire. The Sparbank Group's leasing concept targeted the commercial leasing market, and not leasing to retail customers. The major part of the portfolio consists of financial leases, but the portfolio also includes a portfolio of operational leases.

At the Date of Announcement, the Sparbank Group's leasing lending, representing DKK 0.5 billion on commencement of the phase-out, was reduced to DKK 0.4 billion.

Although, in connection with the phase-out of leasing activities, the losses and impairment charges recognised have not been higher than was the case in the years prior to the commencement of the phase-out, the Continuing Bank may, especially towards the end of the phase-out period, be exposed to losses and impairment on debtors with weak credit quality in excess of historical loss levels and which may therefore have a material adverse effect on the Continuing Bank's business, results of operations and financial position.

The Continuing Bank will be exposed to risks related to trading partners in the financial sector

As a consequence of their business collaboration with a large number of other financial businesses, including, with respect to Spar Nord, especially its role as a wholesale bank to small and medium-sized banks in Denmark, both the Spar Nord Group and the Sparbank Group are exposed to counterparty risk. Counterparty risk is the risk of loss caused by a trading partner in the financial sector defaulting on its obligations under a contract. In addition, the Spar Nord Group and the

Sparbank Group are exposed to risk when financial contracts are concluded or settled, as, for example, principals denominated in different currencies are not necessarily exchanged at the same time or securities are not received simultaneously with the appropriate payment.

Neither the Spar Nord Group nor the Sparbank Group has recognised impairment charges caused by a default of a trading partner in the financial sector in the period from 1 January 2009 to 30 June 2012.

Within the financial sector, default by any one institution could also lead to default by other institutions. Concerns about, or the default by, one institution could thus lead to significant liquidity problems, losses or default by other institutions, because the commercial and financial soundness of financial businesses may be closely related as a result of credit granting, trading, clearing and other mutual relationships. Even perceived lack of creditworthiness or doubts about a counterparty's solvency may lead to market-wide liquidity problems and losses for or default by the Spar Nord Group, the Sparbank Group or by other institutions. This type of risk may have a material adverse effect on financial intermediaries, such as clearing houses, banks, securities broker firms and exchanges to which the Spar Nord Group and the Sparbank Group are exposed.

All of the above factors may have a material adverse effect on the Continuing Bank's business, results of operations and financial position.

3.4 Market risks

Interest margin trends have a significant impact on the Continuing Bank's profitability

Both the Spar Nord Group and the Sparbank Group earn interest from loans and advances and other assets and pay interest to their depositors and other creditors. The results of operations are therefore strongly dependent on net interest income. Both the Spar Nord Group's and the Sparbank Group's net interest margin, which is the difference between the yield on interest-bearing assets and the costs of interest-bearing liabilities, depends to some extent on prevailing interest rate levels and is a significant factor in determining the profitability of both the Spar Nord Group and the Sparbank Group.

Interest rate fluctuations and the Continuing Bank's ability to price its credit services and credit products to its customers have a material effect on the Continuing Bank's business, results of operations and financial position, and reductions in the level of interest rates and narrowing interest rate spreads could have a material adverse effect thereon.

The Continuing Bank's interest income could come under pressure due to continued moderate demand and, hence, moderate or negative lending growth

In its strategy plan for the years 2011-2013, Spar Nord has defined a goal for the next few years of generating a net inflow of retail and business customers and growth in its average business volume (deposits, loans, advances and guarantees) per customer. Thus, Spar Nord aims to grow its Danish market share, and thereby achieve above-sector-average lending growth.

If due to market conditions or other factors the Continuing Bank is no longer able to achieve its target growth and exploit the potential of the newly opened or acquired branches, including expected synergies from the Merger, it will have a material adverse effect on the Continuing Bank's potential for achieving satisfactory profitability.

The Continuing Bank will have a substantial portfolio of shares, bonds and other securities, which will involve a risk for the Continuing Bank

The Spar Nord Group holds a large securities portfolio consisting of bonds (the bond portfolio), trading portfolio assets and assets outside the trading portfolio. At 30 June 2012, the securities portfolio amounted to DKK 18,686 million, and the Sparbank Group's corresponding securities portfolio, to be acquired in the Merger, amounted to DKK 4,170 million at 30 June 2012.

Bond portfolio

The merged banks' portfolio of bonds represented DKK 20,566 million at 30 June 2012. For both Spar Nord and Sparbank, the bond portfolio is used to ensure ongoing liquidity built up by investing excess liquidity in, primarily, Danish investment grade liquid government and mortgage bonds. Because of their high liquidity, short-term bonds are overweight in the liquidity portfolio. The Continuing Bank's portfolio of bonds will expose the Continuing Bank to market risk in the form of interest rate fluctuations and credit risk. If the Continuing Bank is unable to manage these risks, it could have a material adverse effect on the Continuing Bank's business, results of operations and financial position.

Assets in the trading portfolio

The merged banks' trading portfolio, consisting predominantly of listed shares and bonds, but which also contains other types of financial instruments, amounted to DKK 22,846 million at 30 June 2012. The assets of the trading portfolio were acquired with a view to trading and are primarily traded on behalf of customers. The fair value of the Continuing Bank's securities may decline going forward and may cause the Continuing Bank to realise material negative value adjustments. Moreover, market volatility and illiquidity may make it difficult to value certain of the Continuing Bank's holdings. Any of these factors could require the Continuing Bank to recognise impairment charges, which may have a material adverse effect on the Continuing Bank's business, results of operations and financial position.

Assets outside the trading portfolio

The merged banks' holding of assets outside the trading portfolio, mainly consisting of shares in associates and shares in strategic trading partners in the financial sector, amounted to DKK 2,111 million at 30 June 2012. Shares in strategic partners are held in support of the Continuing Bank's business within mortgage credit, payment services, investment funds, etc., whereas shares in associates mainly consist of a 50.2% stake in Nørresundby Bank A/S. In several of the sector companies, the shares are reallocated so as to have the ownership interest of the banks reflect the business volume of the relevant bank with the sector company. Typically, such reallocation is made annually based on the net asset value of the sector company in question. On this basis, the Continuing Bank will adjust the recognised value of these shares when new information supporting a change of valuation becomes available. There can be no assurance that the Merger will not result in a reallocation of the Continuing Bank's ownership interests in sector companies. If such reallocation is made at a price that is lower than the price recognised by the Continuing Bank, it will cause the Continuing Bank to incur a loss. The value of assets outside the trading portfolio is measured based on a recognised valuation method. The adjustments of the value of the assets are recognised in the income statement, and this could affect the Continuing Bank's business, results of operations and financial position.

Adverse capital and credit market conditions may affect the Continuing Bank's ability to raise adequate funding and may adversely affect the Continuing Bank's funding costs to a material degree

The international capital and credit markets have generally experienced volatility since the onset of the financial crisis in 2008. This volatility has had a material adverse effect on access to financing and in some circumstances led to extensive liquidity problems for financial businesses. Following a gradual recovery of the financial markets during 2009 and 2010, the financial markets in 2011 were affected by a number of European economies struggling with large budget deficits, adversely affecting the market for government bonds issued by these economies. This was one of the reasons for the weak activity on the international capital and credit markets throughout most of 2011.

In H1 2012, Europe saw a general trend towards improved access to capital market funding, reflected in an increase in the number of issuances and lower prices. In addition, both Denmark's Nationalbank and other central banks have made liquidity facilities available to banks on more favourable terms than those offered in the ordinary capital markets, both in terms of volume and price.

Both the Spar Nord Group's and the Sparbank Group's financing is primarily attributable to deposits from retail and business customers and public authorities and to issued bonds and senior loans. The future availability of financing will depend on a variety of factors such as market conditions, the general availability of credit, the volume of trading activities, the overall availability of credit to the financial services industry, credit demand, any credit ratings and credit capacity, as well as the risk that customers or lenders may develop a negative perception of the Spar Nord Group's long-term or short-term financial prospects.

At 30 June 2012, the Continuing Bank's total capital market funding amounted to DKK 14.5 billion (pro forma), repayable by DKK 4.0 billion in 2012, DKK 7.4 billion in 2013, DKK 2.2 billion in 2014 and DKK 0.7 billion in 2015.

At the Date of Announcement, Sparbank has not been rated by any international credit rating agency, and Spar Nord terminated its collaboration with Moody's at 16 May 2012. There can be no assurance that a lack of credit ratings may not have a material adverse effect on the Continuing Bank's liquidity and competitive strength, increase its borrowing costs or limit its access to the capital markets.

If the Continuing Bank's funding sources become restricted or are unavailable, or if the Continuing Bank's funding costs increase substantially, it could have a material adverse effect on the Continuing Bank's business, results of operations and financial position.

The Continuing Bank's financial results and basis of existence may be affected if its solvency ratio is reduced or is deemed inadequate

Pursuant to the Financial Business Act, Danish banks must comply with a solvency requirement which is 8% of Risk-weighted Items or any higher solvency requirement fixed by the DFSA. Danish banks must also comply with an ICAAP ratio calculated individually by the banks. The ICAAP ratio is calculated on the basis of an assessment of a number of risks to which banks are or may be subject, including credit risks, market risks, operational risks, etc. An increase in any of these risks could affect the ICAAP ratio.

The DFSA has not fixed a higher solvency requirement for Sparbank or Spar Nord.

The Spar Nord Group's solvency ratio was calculated at 15.7% at 30 June 2012, and the Sparbank Group's solvency ratio was calculated at 12.6% at 30 June 2012. The Continuing Bank's solvency ratio was 14.5% at 30 June 2012 (pro forma), thus exceeding by 6.1 percentage points the Continuing Bank's ICAAP ratio of 8.4%

Despite the solvency buffer, authorities, lenders, equity investors, analysts and other relevant market participants may believe that the Continuing Bank's solvency ratio is too low relative to the prevailing uncertainty in the financial sector. This may cause the Continuing Bank to incur increased funding costs and limit its access to the capital markets.

If the Continuing Bank's solvency ratio is reduced, and the Continuing Bank is unable to raise additional capital, the Continuing Bank may need to reduce its lending or divest other assets in order to comply with any individual solvency requirement as may be fixed by the DFSA or the ICAAP ratio fixed by the Continuing Bank. Ultimately, this may lead to a transfer of the Continuing Bank to Finansiel Stabilitet A/S and/or cause the banking activities to be discontinued.

An increase of risk-weighted assets may result in a reduction of the Continuing Bank's solvency ratio

Risk-weighted Items consist of balance sheet items, off-balance sheet items and other market and operational risk positions, measured and risk-weighted according to standard methods, see executive order no. 1399/2011 on capital adequacy as amended.

Any default on an exposure or reduction of the value of collateral provided could cause an increase in the Continuing Bank's Risk-weighted Items. Moreover, increased funding costs and other factors could affect the Continuing Bank's Capital Base, and significant market volatility or legislative changes, for example, could result in an increase in risk-weighted assets and thus potentially reduce the Continuing Bank's solvency ratio.

In the event that the Continuing Bank's operations lead to losses of a magnitude that reduces the Continuing Bank's solvency ratio, and the Continuing Bank is unable to raise additional capital, the Continuing Bank may need to reduce its lending or divest other assets in order to comply with any individual solvency requirement as may be fixed by the DFSA or the ICAAP ratio fixed by the Continuing Bank. Ultimately, this may lead to a transfer of the Continuing Bank to Finansiel Stabilitet A/S and/or cause the banking activities to be discontinued.

If the Continuing Bank is unable to comply with the limit values identified in the Supervisory Diamond, the publication of such non-compliance could have a material adverse effect on the Continuing Bank's business

In 2010, the DFSA launched a new test model, the "Supervisory Diamond", which assesses the strength and risk exposure of banks according to five parameters, each with its own limit value with which the banks must generally comply from the end of 2012. Combined, the five parameters will illustrate whether Danish banks are operated at a reasonable risk level and whether individual banks have adequate financial strength. The five parameters (limit values) are:

- Sum of large exposures (less than 125% of the Capital Base)
- Lending growth (less than 20% per year)
- Property exposure (less than 25% of total loans)
- Stable funding (lending/working capital less bonds with remaining maturity of less than 1 year) Limit value: less than 1
- Excess liquidity coverage (above 50%). See section 152(1)(ii) of the Financial Business Act.

Going forward, the Continuing Bank will, as is currently the practice of the Spar Nord Group and the Sparbank Group, issue statements on its compliance with the limit values defined in the Supervisory Diamond. A situation in which one or more limit values are exceeded may be adversely perceived by the markets and hence have a material adverse effect on the Continuing Bank's business, results of operations and financial position.

See 4.2.1 "Business" for information about the Spar Nord Group's and the Sparbank Group's values in the Supervisory Diamond at 30 June 2012.

3.5 Operational risks

Operational risks, including outsourcing partners and suppliers, could result in financial loss and could harm the Continuing Bank's reputation

Both the Spar Nord Group and the Sparbank Group are exposed to operational risks in the form of possible losses resulting from inappropriate or inadequate internal procedures, human or system errors, or external events, including events relating to the Spar Nord Group's or the Sparbank Group's respective outsourcing partners, including in the IT area.

Operational risks are often associated with one-off events, such as failure to observe business or working procedures, defects or breakdowns of technical infrastructure, criminal acts, fire or storm damage, and litigation. These events could potentially result in financial loss and could harm the Continuing Bank's reputation generally.

The Continuing Bank's business inherently involves operational risk, as the Continuing Bank relies on being able to process a large number of complex transactions across numerous and diverse products, and it is subject to a number of different legal and regulatory regimes. The recording and processing of these transactions is potentially exposed to the risk of human or technical error or a breakdown of internal controls relating to the due authorisation of transactions. Given the high volume of transaction which the Continuing Bank will have, errors may be repeated or compounded before they are discovered and rectified, and there can be no assurance that risk assessments made previously will adequately predict the occurrence, or estimate the costs, of such errors.

If the Continuing Bank is unable to manage these risks, it could have a material adverse effect on the Continuing Bank's reputation, business, results of operations and financial position.

The risk management methods used by the Continuing Bank may prove insufficient to cover unidentified, unanticipated or incorrectly quantified risks, which could lead to material losses or a material increase in liabilities

The Spar Nord Group and the Sparbank Group devote significant resources to developing risk management policies, procedures and assessment methods for its banking and other business. Nevertheless, the risk management techniques and strategies applied by the Spar Nord Group and the Sparbank Group may not be fully effective in hedging risk exposure in all economic market environments or against any type of risk, including unidentified or unanticipated risks. Some of the tools and metrics used by the Spar Nord Group and the Sparbank Group for managing risk are based upon the use of observed historical market behaviour as well as predictions of future developments. The Spar Nord Group and the Sparbank Group apply statistical and other tools for these observations and predictions in order to arrive at quantifications of risk exposures. These tools and metrics may fail to predict future risk exposures, or may incorrectly predict future risk exposures, and the Continuing Bank's losses could therefore be significantly greater than such measures would otherwise indicate. In addition, the risk management methods applied by the Spar Nord Group and the Sparbank Group do not take all risks into account and could thus prove inadequate. If prices move in a way that the Spar Nord Group's and the Sparbank Group's risk models had not anticipated, the Continuing Bank may experience significant losses. Assets that are not traded in a public market, such as derivative contracts between banks, may be assigned values that are calculated by the Continuing Bank using mathematical models. Monitoring the deterioration of such assets may be difficult and may lead to losses that the Continuing Bank had not anticipated. Unanticipated or incorrectly quantified risk exposures could result in material losses to the banking and asset management business of the Continuing Bank.

Other risk management methods depend upon the evaluation of information regarding markets, customers or other matters that are publicly available or otherwise accessible. Such information may not in all cases be accurate, up-to-date or properly evaluated. Management of operational, legal and regulatory risk requires, among other things, policies and procedures to properly record and verify a large number of transactions and events, and the Spar Nord Group's and the Sparbank Group's policies and procedures may not be fully effective.

The inability of the Continuing Bank to successfully implement and adhere to effective risk management methods, including the inability to accurately assess the credit risk of its customers, could have a material adverse effect on the Continuing Bank's business, results of operations and financial position.

The Continuing Bank relies on its senior management and employees and it may have difficulty attracting and retaining qualified employees in future

The future operating results of the Continuing Bank depend strongly on the continued contributions of senior management. Hence, the Continuing Bank could be adversely affected to a material degree if any of its senior managers ceases to actively take part in the management of its business. In addition, the Continuing Bank will in large part depend on its ability to attract, train, retain and motivate highly skilled managers and employees. Due to significant competition for employees with the level of banking experience and qualifications on which the Continuing Bank relies, it may prove difficult for the Continuing Bank to hire and retain qualified employees in future.

The Continuing Bank may also lose some of its most talented personnel to the competition, which could have a material adverse effect on the business of the Continuing Bank and prevent it from retaining and attracting customers, managing existing and new legal and regulatory requirements, implementing and monitoring internal financial reporting policies and procedures and maintaining or improving operational performance.

In order to recruit qualified and experienced employees and to minimise the possibility of their departure to other companies, the Spar Nord Group and the Sparbank Group offer salary and employment conditions expected to be consistent with the standards of the labour markets in which the Spar Nord Group and the Sparbank Group operate, and accordingly the Continuing Bank may encounter higher operational costs. If the Continuing Bank cannot attract, train, retain and motivate qualified personnel, it may be unable to compete effectively in the banking industry, which may limit the Continuing Bank's growth strategies, which in each case could have a material adverse effect on the Continuing Bank's business, results of operations and financial position.

Catastrophe events, terrorist attacks, acts of war, hostilities, pandemic diseases or other unpredictable events could have an adverse effect on the Continuing Bank's business, results of operations and financial position

Catastrophe events, terrorist attacks, acts of war or hostilities, pandemic diseases or other similar unpredictable events, as well as responses to such events or acts, may create economic or political uncertainty and, more specifically, could disrupt the Continuing Bank's business and cause substantial losses. Such events or acts and resulting losses are difficult to predict and may affect property, financial assets, trading positions or key employees. If the Continuing Bank's business continuity plans do not fully address such events or cannot be implemented under the circumstances, such losses may accelerate. Unforeseen events could also lead to additional operating costs, such as higher insurance premiums and the implementation of redundant back-up systems. Insurance coverage for certain unforeseeable risks may also be unavailable, and may thus increase the risk facing the Continuing Bank. These factors may have a material adverse effect on the Continuing Bank's business, results of operations and financial position.

3.6 Sector-related risks

As part of the financial services industry, the Continuing Bank faces substantial competitive pressures

In Denmark, where most of the Continuing Bank's activities will be based, there is a vast number of large and small players and hence substantial competition for the products and services that the Continuing Bank will provide. The Continuing Bank's competitors include small local and regional banks as well as large national and international groups. The individual banks compete on a wide range of parameters, including marketing, prices, products, personalised advisory services and financial strength.

If the Continuing Bank is unable to compete on these or possibly other significant competitive parameters, it may lose market share or incur losses on some or all of its activities. The Continuing Bank's failure to compete effectively could have a material adverse effect on its business, results of operations and financial position.

The Continuing Bank is exposed to business and image related risks

Media coverage and publicity in general could significantly impact customer behaviour and investors' appetite for investing in bank shares. The trend witnessed in the financial markets in recent years, including the bankruptcies of a large number of financial businesses in Denmark and in the rest of the world, has influenced public debate and created a negative focus on the financial sector in general. Both the Spar Nord Group and the Sparbank Group make continuous efforts to differentiate themselves from and strengthen their profiles relative to competitors and to adapt to customers' and other important stakeholders' demands and requirements as and when they change. However, the Continuing Bank, like other banks, may risk negative media coverage or publicity in analytical reports or newspaper articles, for example. Any

negative publicity concerning the Continuing Bank or the industry as a whole may weaken the Continuing Bank's competitive strength and hence reduce its customer base and the Continuing Bank's ability to attract investors. If the Continuing Bank is exposed to negative publicity or is unable to differentiate itself from the competition, it may have a material adverse effect on the Continuing Bank's business, results of operations and financial position.

As a result of the Spar Nord Group's and the Sparbank Group's participation in the bank packages, they continue to be subject to a number of limitations that may have a material adverse effect on the Continuing Bank's business

During 2008 and 2009, governments around the world, including the Danish government, took unprecedented steps to provide assistance to financial businesses, in certain cases requiring (indirect) influence on or requiring changes to a financial institution's governance and remuneration practices. The bank packages adopted in Denmark included the guarantee scheme adopted by the Danish State in October 2008, pursuant to which the Danish State guaranteed unsecured creditors' claims against losses in Danish banks to the extent such claims were not otherwise covered ("Bank Package I"), a transition scheme introduced in February 2009, whereby a Danish bank could apply individually for a state guarantee of its existing and new, unsubordinated, unsecured debt with a maturity of up to three years (the "Transition Scheme") and a scheme introduced in February 2009, whereby the Danish State offered to inject Hybrid Capital into Danish banks and mortgage credit institutions and to act as underwriter in connection with the issuance of Hybrid Capital ("Bank Package II") by such banks and mortgage credit institutions. Bank Package I expired on 30 September 2010 and was in part funded by Danish banks participating in Bank Package I, including Spar Nord and Sparbank.

Participation in the Danish bank packages by the Spar Nord Group and the Sparbank Group resulted in the imposition of certain limitations on the Spar Nord Group's and the Sparbank Group's operations, some of which continue to apply. As a result of having received State Hybrid Capital, both Spar Nord and Sparbank are subject, among other things, to restrictions on the payment of dividends, and Spar Nord and Sparbank are also subject to cross-default provisions as a result of having issued bonds under the Transition Scheme. Spar Nord and Sparbank may only distribute dividends to the extent that the dividends can be financed by their net profit after tax. The restrictions resulting from the receipt of State Hybrid Capital and the issuance of bonds under the Transition scheme will apply to the Continuing Bank (i) for the duration of the State Guarantee under the Transition Scheme and (ii) until all amounts payable under the State Hybrid Capital, including interest and costs, have been repaid in full, cancelled or converted into equity, or the Danish State has transferred all State Hybrid Capital notes and thus has ceased to be a creditor of all or part of the State Hybrid Capital.

The above limitations may make it less attractive to invest in banks. If, due to increased regulation, it becomes more difficult for the Continuing Bank to attract investors, it could have a material adverse effect on the Continuing Bank's business, results of operations and financial position.

Both the Spar Nord Group and the Sparbank Group have incurred major costs relating to their participation in the bank packages, and the Continuing Bank will have to pay additional amounts for reasons including its participation in the current state deposit guarantee schemes

From the beginning of the fourth quarter of 2008 to the end of the third quarter of 2010, the costs to the Spar Nord Group of participating in Bank Package I totalled DKK 608 million. Of this amount, DKK 354 million represented the Spar Nord Group's guarantee commission, whereas the remaining DKK 254 million was paid to cover negative balances of failed banks.

From the beginning of the fourth quarter of 2008 to the end of the third quarter of 2010, the costs to the Sparbank Group of participating in Bank Package I totalled DKK 233 million. Of this amount, DKK 136 million represented the Sparbank Group's guarantee commission, whereas the remaining DKK 97 million was paid to cover negative balances of failed banks.

Bank Package III and Bank Package IV may, in the event of future bank failures, be used to secure depositors' claims and financial stability. At 30 June 2012, the costs of these schemes to the Spar Nord Group amounted to DKK 104 million, and the costs to the Sparbank Group amounted to DKK 26 million.

As a consequence of Bank Package III, there is no longer an unlimited guarantee for deposits made with Danish banks; the Guarantee Fund will provide coverage in future for depositors for their full deposits into certain types of account (including certain types of pension account) and coverage of up to EUR 100,000 of each customer's total net deposit. Bank Package IV will, among other things, allow the Danish State to grant, through Finansiel Stabilitet, a so-called dowry to a bank wishing to take over a distressed bank. The Guarantee Fund may also grant a dowry under the Danish Act on a guarantee scheme for depositors and investors.

The Guarantee Fund is financed by the banks to the effect that banks participating in the scheme contribute an amount corresponding to their share of the total covered deposits with Danish banks. The financial risks to Danish banks consist first and foremost of the Guarantee Fund's protection of depositors and investors within the framework of the Guarantee Fund. In addition, there are costs involved in connection with guarantees for the funding of, liquidity lines for and any losses incurred by banks transferred for winding up in the government-owned company Finansiel Stabilitet.

Thus, from an overall perspective, the Spar Nord Group and the Sparbank Group have incurred substantial costs in this regard, and will continue to incur such costs, which may have a continued material adverse effect on the Continuing Bank's business, results of operations and financial position.

Legislation, regulation and actions of supervisory authorities may have a material effect on the Continuing Bank's business, results of operations and financial position

The Continuing Bank is subject to a large number of laws and regulations both at national and at EU level. Such laws and regulations govern, *inter alia*, the Continuing Bank's business, organisation, management, accounting policies, capital adequacy and liquidity. Many of the Continuing Bank's activities are contingent upon licences issued by financial authorities, and the Continuing Bank's compliance with applicable laws and regulations is supervised by the DFSA and others.

Any amendments of the regulations to which the Continuing Bank is subject, including, for example, the introduction of stricter rules for solvency and capital assessments, measurement of loans, new liquidity requirements and a higher level of supervision of banks in general, may have the effect of causing the Continuing Bank's costs to increase or the Continuing Bank's earnings to otherwise fall.

Any future regulatory scrutiny and future changes in regulatory practice, in relation to, for example, the principles for impairment of loans and advances, calculation of ICAAP ratio, etc., may result in an increase in the Continuing Bank's impairment or capital requirements.

Finally, any intentional or unintentional non-compliance with the rules to which the Continuing Bank is subject may result in the Continuing Bank's licences being revoked.

If one or more of the above risks materialise, it could have a material adverse effect on the Continuing Bank's reputation, business, results of operations and financial position.

Neither Spar Nord's Management nor Sparbank's Management is able to predict what other regulatory changes may in future be imposed on the Continuing Bank or to estimate the impact that any regulatory changes may have on its business, the products and services it offers or the value of its assets.

A change in assumptions and methods of valuation may have a material effect on the Continuing Bank's business, results of operations and financial position

A large number of assets have been provided as collateral for the Spar Nord Group's and the Sparbank Group's loans and advances to customers. Such assets include real property, including residential property and agricultural land, as well as securities and vehicles. In addition, the Spar Nord Group and the Sparbank Group own a number of shares, most of which are in the form of unlisted shares, as well as properties which are not directly related to the Spar Nord Group's or the Sparbank Group's loans to customers. A common denominator of the valuation of the Spar Nord Group's and the Sparbank Group's assets and collateral is that they are subject to a number of laws, regulations and recommendations laid down by the DFSA and others and in accordance with IFRS, and they are based on a number of assumptions and estimates.

In the valuation of individual assets and collateral, legislation allows for a certain degree of flexibility with respect to choice of method, and the Spar Nord Group and the Sparbank Group apply a number of different valuation methods across asset classes.

The DFSA or other authorities may from time to time amend the laws, regulations or recommendations relating to the valuation of individual assets. Furthermore, the assumptions and estimates that form the basis of the individual valuations may be subject to change or may no longer apply. Both factors may have a material adverse effect on the value of the Continuing Bank's assets or collateral and hence result in a need for additional impairment.

If the laws, regulations or recommendations relating to valuation are subject to change by the DFSA or other authorities, or the assumptions and estimates forming the basis of the individual valuations have to be changed or no longer apply, resulting in an increase of the Continuing Bank's impairment charges, it could have a material adverse effect on the Continuing Bank's business, results of operations and financial position.

3.7 Risks related to the Shares

The market price of Shares and other securities may be highly volatile

The market price of the Shares and other securities may be highly volatile and subject to significant fluctuations caused by various factors, some or many of which may be beyond the Continuing Bank's control and not necessarily related to the Continuing Bank's business, operations or prospects. These factors include changes in market conditions of companies in the financial services industry; variations in the Continuing Bank's quarterly results of operations; fluctuations in stock market and bond market prices and turnover; perceived systemic risk in Denmark; changes in the shareholder structure; changes in financial estimates or recommendations by securities analysts regarding the Continuing Bank or its Shares and other securities; future issuances of shares or other securities; announcements by the Continuing Bank or its competitors of new products, services or technology, acquisitions, or joint ventures; and activity by short sellers and changing government restrictions on such activity. In addition, the equity market has generally been exposed to significant fluctuations in prices which may be unrelated to or disproportionately high in relation to the results of operations of the companies in question. Such general market factors may have a material adverse effect on the market price of the Shares and other securities, irrespective of the Continuing Bank's results of operations.

If a further offering of Shares, preemptive rights, bonds or other securities convertible or exchangeable into Shares is made by the Continuing Bank or the Continuing Bank's major shareholders, or if the public assumes that an offering or sale might be made, this may have a material adverse effect on the price of the Shares.

The Continuing Bank will be a public limited company registered under Danish law, which may make it difficult for shareholders resident outside Denmark to exercise or enforce certain rights

The Continuing Bank will be a public limited company registered under the laws of Denmark, which may make it difficult for the Continuing Bank's shareholders resident outside Denmark to exercise or enforce certain rights. The rights of holders of Shares are governed by Danish law and by the Articles of Association. These rights may differ from the typical rights of shareholders in other jurisdictions. As a result, it may not be possible for investors to effect service of process upon the Continuing Bank outside Denmark or, before courts outside Denmark, to enforce against the Continuing Bank judgments based upon applicable laws in jurisdictions outside Denmark. Furthermore, shareholders outside Denmark may not be entitled to exercise their voting rights.

If the Danish State converts debt into Shares, the Danish State will become a new major shareholder and other shareholdings will be diluted

In connection with the bank packages, Spar Nord and Sparbank have raised loans with the Danish State, which may be converted into share capital in the Continuing Bank given certain circumstances; this could dilute the holdings of the other shareholders and mean that the Danish State may have significant possibility of influencing the decision-making process at the Continuing Bank's general meetings.

Shareholders with small shareholdings may have limited influence

At the Date of Announcement, Spar Nord had approximately 111,000 shareholders. Of these shareholders, the 10 largest investors hold approximately 39.5% of the share capital of Spar Nord. The Continuing Bank will have approximately 125,000 shareholders. Of these shareholders, the 10 largest investors will hold approximately 40.9% of the share capital of the Continuing Bank. The composition of shareholders determines the risk and control allocation, thus involving a risk that shareholders may not be able to exert significant control and influence the Continuing Bank's management to perform certain acts if major shareholders do not exercise their influence to the same effect.

Shareholders outside Denmark are exposed to currency risk

The Shares are priced in Danish kroner. Accordingly, the value of the Shares is likely to fluctuate in line with any fluctuation of the exchange rate between the local currency of the country where a shareholder outside Denmark is based and Danish kroner. If the value of Danish kroner depreciates against the local currency of the country where a shareholder outside Denmark is based, the value of the Shares will decrease.

4 The Continuing Bank

Spar Nord will be the continuing bank following completion of the Merger.

In connection with the Merger, Sparbank's assets and liabilities as a whole will be transferred to Spar Nord against consideration of new shares in the Continuing Bank to Sparbank's shareholders. Sparbank will be dissolved without liquidation.

4.1 Company information for the Continuing Bank

4.1.1 Name and registered office etc.

Spar Nord Bank A/S
Company reg. (CVR) no. 13737584
Skelagervej 15
P.O. Box 162
9100 Aalborg
Denmark
Tel: +45 96 34 40 00
Website: www.sparnord.dk

According to Article 1(1) of the Articles of Association, Spar Nord has the following registered secondary names:

SBN Bank A/S (Spar Nord Bank A/S), Sparbank Nord A/S (Spar Nord Bank A/S), Telefonbanken A/S (Spar Nord Bank A/S), Spar Nordjylland Bank A/S (Spar Nord Bank A/S), Spar Nordjylland Bankaktieselskab (Spar Nord Bank A/S), Sparekassen Nordjylland A/S (Spar Nord Bank A/S), Spar Nord Bankaktieselskab (Spar Nord Bank A/S), Aars Bank A/S (Spar Nord Bank A/S), Lokalbank Aabybro A/S (Spar Nord Bank A/S), Lokalbank Aalborg A/S (Spar Nord Bank A/S), Lokalbank Aars A/S (Spar Nord Bank A/S), Lokalbank Brønderslev A/S (Spar Nord Bank A/S), Lokalbank Danmark A/S (Spar Nord Bank A/S), Lokalbank Esbjerg A/S (Spar Nord Bank A/S), Lokalbank Fredericia A/S (Spar Nord Bank A/S), Lokalbank Frederikshavn A/S (Spar Nord Bank A/S), Lokalbank Fåborg A/S (Spar Nord Bank A/S), Lokalbank Grenaa A/S (Spar Nord Bank A/S), Lokalbank Haderslev A/S (Spar Nord Bank A/S), Lokalbank Hadsund A/S (Spar Nord Bank A/S), Lokalbank Hasseri A/S (Spar Nord Bank A/S), Lokalbank Herning A/S (Spar Nord Bank A/S), Lokalbank Hirtshals A/S (Spar Nord Bank A/S), Lokalbank Hjallerup A/S (Spar Nord Bank A/S), Lokalbank Hjørring A/S (Spar Nord Bank A/S), Lokalbank Hobro A/S (Spar Nord Bank A/S), Lokalbank Holbæk A/S (Spar Nord Bank A/S), Lokalbank Holstebro A/S (Spar Nord Bank A/S), Lokalbank Horsens A/S (Spar Nord Bank A/S), Lokalbank Kolding A/S (Spar Nord Bank A/S), Lokalbank København A/S (Spar Nord Bank A/S), Lokalbank Køge A/S (Spar Nord Bank A/S), Lokalbank Løgstør A/S (Spar Nord Bank A/S), Lokalbank Nakskov A/S (Spar Nord Bank A/S), Lokalbank Nyborg A/S (Spar Nord Bank A/S), Lokalbank Nykøbing Falster A/S (Spar Nord Bank A/S), Lokalbank Næstved A/S (Spar Nord Bank A/S), Lokalbank Nørresundby A/S (Spar Nord Bank A/S), Lokalbank Odense A/S (Spar Nord Bank A/S), Lokalbank Randers A/S (Spar Nord Bank A/S), Lokalbank Ringsted A/S (Spar Nord Bank A/S), Lokalbank Silkeborg A/S (Spar Nord Bank A/S), Lokalbank Skagen A/S (Spar Nord Bank A/S), Lokalbank Skanderborg A/S (Spar Nord Bank A/S), Lokalbank Skive A/S (Spar Nord Bank A/S), Lokalbank Skjern A/S (Spar Nord Bank A/S), Lokalbank Slagelse A/S (Spar Nord Bank A/S), Lokalbank Støvring A/S (Spar Nord Bank A/S), Lokalbank Svendborg A/S (Spar Nord Bank A/S), Lokalbank Sæby A/S (Spar Nord Bank A/S), Lokalbank Sønderborg A/S (Spar Nord Bank A/S), Lokalbank Terndrup A/S (Spar Nord Bank A/S), Lokalbank Thisted A/S (Spar Nord Bank A/S), Lokalbank Vejgaard A/S (Spar Nord Bank A/S), Lokalbank Vejle A/S (Spar Nord Bank A/S), Lokalbank Viborg A/S (Spar Nord Bank A/S), Lokalbank Østeraa A/S (Spar Nord Bank A/S), Lokalbank Århus A/S (Spar Nord Bank A/S).

On completion of the Merger, the Sparbank name (Sparbank A/S) and the following of Sparbank's registered secondary names will pass to the Continuing Bank:

Sparbank Vest A/S, Skive Sparekasse A/S, Egnssparekassen i Skive A/S, Nordvestjysk Sparekasse A/S, Breum Sparekasse A/S, Ejning Sparekasse A/S, Haderup Sparekasse A/S, Hald Sparekasse A/S, Harre og Omegns Sparekasse A/S, Hem Sparekasse A/S, Hjerl Sparekasse A/S, Højslev Sparekasse A/S, Junget-Thorum Sparekasse A/S, Oddense Sparekasse A/S, Rødding Sparekasse A/S, Rønbjerg Sparekasse A/S, Sallingsund Sparekasse A/S, Selde-Åsted Sparekasse A/S, Sjørup Sparekasse A/S, Stoholm Sparekasse A/S.

Spar Nord's registered office is situated in the Municipality of Aalborg, Denmark.

Spar Nord is subject to Danish law.

4.1.2 ISIN code

Spar Nord's Existing Shares are listed on NASDAQ OMX under ISIN code DK0060036564.

Sparbank's existing shares are listed on NASDAQ OMX under ISIN code DK0010305820.

4.1.3 Date of incorporation and governing law

Spar Nord was officially incorporated as a public limited company under Danish law on 20 December 1989. In the period from 1824 until incorporation of the public limited company, Spar Nord (Sparekassen Nordjylland) carried on business as a guarantee savings bank.

Sparbank was officially incorporated as a public limited company under Danish law on 1 October 1988. During the period from the date of incorporation until 2007, Sparbank carried on business under the name of Sparbank Vest A/S. From 1857 until the date of incorporation in 1988, Sparbank carried on business as a guarantee savings bank under the names of Privatsparekassen i Skive, Sparekassen for Skive By og Omegn, Skive By og Omegns Sparekasse and Skive Sparekasse.

4.1.4 Objects

Pursuant to Article 1(3) of the Articles of Association, the objects of Spar Nord are to carry on banking pursuant to section 7(1) and (2) of the Financial Business Act.

4.1.5 Financial calendar

Table 4.1. Financial calendar

Announcement	Date
Q1-Q3 interim report	24 October 2012
Extraordinary general meeting	13 November 2012

4.1.6 Financial year and financial reporting

Spar Nord's financial year runs from 1 January to 31 December.

Spar Nord publishes an annual report and interim reports for the Spar Nord Group for the first, second and third quarters of the financial year. The annual report and the interim reports are published in Danish and English.

The most recent annual general meeting was held on 18 April 2012. The most recent extraordinary general meeting was held on 1 March 2012.

4.1.7 Auditors

Independent auditors of Spar Nord Bank A/S:

KPMG Statsautoriseret Revisionspartnerselskab
 Company reg. (CVR) no. 30700228
 Oswald Helmuths Vej 4
 2000 Frederiksberg, Denmark

KPMG Statsautoriseret Revisionspartnerselskab is represented by Per Gunslev and Lisbet Kragelund.

Torben Bender and Lisbet Kragelund audited and provided an opinion on the consolidated and parent company financial statements for the financial years ended 31 December 2009 and 2010.

Per Gunslev and Lisbet Kragelund audited and provided an opinion on the consolidated and parent company financial statements for the financial year ended 31 December 2011 and the interim balance sheet at 31 July 2012.

As part of an in-house rotation, KPMG Statsautoriseret Revisionspartnerselskab assigned new signing auditors in 2011.

The state-authorised public accountants providing an opinion on the consolidated and parent company financial statements are members of FSR – Danske Revisorer (the institute of Danish auditors).

Independent auditors of Sparbank A/S:

PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab
Company reg. (CVR) no. 33771231

PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab is represented by Peter Hededam Christensen, state-authorised public accountant.

Peter Hededam Christensen and Michael Laursen audited and provided an opinion on the consolidated and parent company financial statements for the financial years ended 31 December 2009 and 2010.

Peter Hededam Christensen audited and provided an opinion on the consolidated and parent company financial statements for the financial year ended 31 December 2011 and the interim balance sheet at 31 July 2012.

Due to the rotation requirements provided by the Danish Act on State Authorised and Registered Public Accountants, Michael Laursen resigned as auditor of the bank in 2011.

The state-authorised public accountants providing an opinion on the consolidated and parent company financial statements are members of FSR – Danske Revisorer (the institute of Danish auditors).

4.1.8 Issuing agent

Spar Nord's issuing agent is:
Spar Nord Bank A/S
Company reg. (CVR) no. 13737584
Skelagervej 15
P.O. Box 162
9100 Aalborg, Denmark

4.1.9 Registrar

Spar Nord's registrar is:
VP Securities
Company reg. (CVR) no. 21599336
Weidekampsgade 14
2300 Copenhagen S, Denmark

4.1.10 Share capital before and after the Merger

As at the Date of Announcement, Spar Nord's share capital has a nominal value of DKK 1,141,376,200 divided into 114,137,620 Existing Shares with a nominal value of DKK 10 each. All Existing Shares have been issued and are fully paid up.

As at the Date of the Announcement, Sparbank's share capital has a nominal value of DKK 120,533,300 divided into 6,026,665 shares with a nominal value of DKK 20 each. At the Date of the Announcement, Sparbank has a portfolio of treasury shares of DKK 6,610,320 divided into 330,516 shares with a nominal value of DKK 20 each. Accordingly, Sparbank's outstanding share capital at the Date of Announcement amounts to DKK 113,922,980 divided into 5,696,149 shares with a nominal value of DKK 20 each.

In the Merger, the shareholders of Sparbank will receive two New Shares each with a nominal value of DKK 10 in Spar Nord for each share held in Sparbank with a nominal value of DKK 20.

Assuming that the Merger is completed and based on Sparbank's outstanding share capital at the Date of Completion amounting to DKK 113,922,980, Spar Nord will issue new share capital of DKK 113,922,980 divided into 11,392,298 New Shares with a nominal value of DKK 10 each, bringing the total nominal share capital to DKK 1,255,299,180 equivalent to 125,529,918 shares with a nominal value of DKK 10 each. Sparbank's portfolio of treasury shares will be cancelled upon completion of the Merger.

4.1.11 Dilution

At the Date of Completion, the aggregate ownership interest of Spar Nord's existing shareholders will be diluted by 9.08%. At 30 June 2012, Spar Nord's equity amounted to DKK 5,584 million, equal to DKK 48.9 per Existing Share. The Equity per Existing Share ratio is calculated by dividing equity by the total number of Existing Shares. After completion of the Merger, the Continuing Bank will have pro forma equity at 30 June 2012 of approximately DKK 5,857 million, equal to DKK 46.7

per Share. This corresponds to a direct reduction of equity per Existing Share of DKK 2.3, equal to a dilution of equity per share of 4.6% for the Existing Shares.

4.1.12 Historical changes in Spar Nord's share capital

Table 4.2 - Changes in Spar Nord's share capital from 2000 until the Date of Announcement

	Transaction	Share capital prior to change (DKK)	Nominal change (DKK)	Share capital after change (DKK)	Price (DKK)	Number of shares of DKK 10 nominal value each after change
24 November 2005	Cash capital increase	518,848,000	51,840,100	570,688,100	725	57,068,810
27 March 2012	Cash capital increase	570,688,100	570,688,100	1,141,376,200	16	114,137,620

4.1.13 Treasury shares

As at the Date of Announcement, the Spar Nord Group holds 750,000 Existing Shares in Spar Nord in treasury corresponding to a total nominal value of DKK 7,500,000 or 0.7% of Spar Nord's share capital. The purchase and sale sums of Spar Nord's treasury shares and dividends received on treasury shares are taken directly to retained earnings under equity. The carrying amount of the Spar Nord Group's portfolio of treasury shares is thus DKK 0. Proceeds from the sale of treasury shares in connection with the exercise of share options or employee shares are taken directly to equity.

4.1.14 Warrants and share options

In connection with its participation in Bank Package I, Spar Nord suspended all additional grants under its ongoing incentive schemes. According to Spar Nord's current remuneration policy, no incentive schemes can be set up, and any introduction of new incentive schemes and the principles thereof must be approved at a general meeting.

However, at the present time, there are a total of 201,234 share options, granted to the management team (members of Spar Nord's Executive Board, business segment managers, other managers and heads of staff) in 2008. These share options must be exercised on or before 7 March 2013.

Spar Nord has not issued any warrants.

There are currently a total of 25,000 outstanding share options in Sparbank, granted to other senior managers in 2008. These options must be exercised on or before 1 April 2015.

Sparbank has not issued any warrants.

See 4.11 "Remuneration and benefits" for a description of the issued share options and how they will be treated in connection with the Merger.

4.1.15 Convertible bonds

Spar Nord

As described in Article 3b(1) of the Articles of Association, Spar Nord raised a loan on 30 June 2009 in the amount of DKK 1,265,000.00 by way of Hybrid Capital, see Bank Package II, without preemptive rights to Spar Nord's shareholders in return for a bond offering at a price of DKK 0.01 per bond pursuant to an authorisation adopted at the annual general meeting held on 29 April 2009. The loan was raised at par, and the terms of the loan were specified in a separate agreement. See annex to the Articles of Association.

At Spar Nord's extraordinary general meeting held on 12 August 2009, the shareholders passed a resolution according to which the bonds may be converted into shares in Spar Nord at the market price prevailing at the time of conversion, calculated in accordance with the terms of the loan. See Article 3b(2) of the Articles of Association.

The bond loan is a subordinated bullet loan with no maturity according to more specific rules laid down in the Financial Business Act (Hybrid Capital). The interest payable per annum on the loan will be fixed as the sum of (i) a reference rate by way of the Danish State's five-year zero-coupon rate on the last trading day before the conclusion of the loan agreement; (ii) with the addition of 6.375 percentage points; (iii) with the addition of 0.1 percentage point; (iv) with the further addition of 0.4 percentage point, the latter addition, however, only during the period ending on 12 August 2014. In

addition, the interest rate may be raised in proportion to future dividend payments according to conditions specified in the terms of the loan. The convertible bonds may be redeemed by Spar Nord five years after the loan was raised pursuant to more specific conditions laid down in the terms of the loan. The convertible bonds fall due for redemption in the event of Spar Nord's bankruptcy.

The convertible bonds have been issued as bearer securities and as dematerialised securities in VP Securities. No restrictions apply to the transferability of the convertible bonds.

Pursuant to Article 3b(4) of the Articles of Association, the loan or parts thereof may be converted into shares until 12 August 2014 as stated in the terms of the loan if Spar Nord's Hybrid Capital amounts to more than 35% of the Tier 1 Capital, including Hybrid Capital, see the Financial Business Act. If the Hybrid Capital amounts to more than 50% of the Tier 1 Capital, including the Hybrid Capital, the loan will be converted into share capital up to the same date, until the Hybrid Capital amounts to less than 35% of the Tier 1 Capital, including Hybrid Capital.

In the event of a capital increase, a capital reduction, the issuing of warrants, the issuing of new convertible instruments of debt or dissolution, including merger and demerger, before conversion has taken place, the procedure stated in the terms of the loan will be followed. See Article 3b(5) of the Articles of Association. The highest amount by which the share capital can be increased in connection with a conversion is DKK 1,265,000,000, and the minimum amount is DKK 50,000,000. The board of directors is authorised to make such amendments to the articles of association as are necessary in connection with the conversion.

To the extent that dividends are paid on Spar Nord's shares, see Act no. 1003 of 10 October 2008 on financial stability and Act no. 67 of 3 February 2009 on state-funded capital injections into credit institutions, the new shares will rank *pari passu* with Spar Nord's other shares as from the registration of the capital increase. All other rights will become effective as from the same time. The shares will be subject to the same rules regarding preemptive rights as the existing shares and will rank *pari passu* with Spar Nord's other shares with respect to rights, redeemability and transferability.

Sparbank

As described in article 3b(4) of Sparbank's articles of association, Sparbank raised a loan on 24 September 2009 in the amount of DKK 480,295,950 by way of Hybrid Capital, see Bank Package II, without preemptive rights to Sparbank's shareholders in return for a bond offering at a price of DKK 0.01 per bond pursuant to an authorisation adopted at the annual general meeting held on 17 March 2009. The loan was raised at par, and the terms of the loan were specified in a separate agreement. See annex to Sparbank's articles of association.

At that same general meeting, the shareholders resolved that the bonds may be converted into shares in Sparbank at the market price prevailing at the time of conversion, calculated in accordance with the terms of the loan. See article 3(4)(b) of Sparbank's articles of association.

The bond loan is a subordinated bullet loan with no maturity date according to more specific rules laid down in the Financial Business Act (Hybrid Capital). The rate of interest payable on the loan is 10.770017% per annum during the period ending 24 September 2014, after which date the rate will be 10.390114%. In addition, the interest rate may be raised in proportion to future dividend payments according to conditions specified in the terms of the loan. The convertible bonds may be redeemed by Sparbank three years after the loan was raised pursuant to more specific conditions laid down in the terms of the loan. The convertible bonds fall due for redemption in the event of Sparbank's bankruptcy.

The convertible bonds have been issued as bearer securities and as dematerialised securities in VP Securities. No restrictions apply to the transferability of the convertible bonds.

Pursuant to article 3(4)(e) of Sparbank's articles of association, the loan or parts thereof may be converted into shares until 11 September 2014 as stated in the terms of the loan if Sparbank's Hybrid Capital amounts to more than 35% of the Tier 1 Capital, including Hybrid Capital. See the Financial Business Act.

In the event of a capital increase, a capital reduction, the issuing of share options or the like, the issuing of new convertible instruments of debt, payment of dividends, redemption of subordinated debt, issuance of bonus shares. liquidation or dissolution, including merger and demerger, before conversion has taken place, the procedure stated in the terms of the loan will be followed. See article 3(4)(f) of Sparbank's articles of association. The maximum amount by which the share capital can be increased in connection with a conversion is DKK 480,295,950, and the minimum amount is DKK 20. Sparbank's board of directors is authorised to make such amendments to the articles of association as are necessary in connection with a conversion.

To the extent that dividends are paid on Sparbank's shares, see Act no. 1003 of 10 October 2008 on Financial Stability and Act no. 67 of 3 February 2009 on State-Funded Capital Injections in Credit Institutions, the new shares will rank *pari passu* with Sparbank's other shares as from the registration of the capital increase. All other rights will become effective as from the same date. The shares will be subject to the same rules regarding preemptive rights as the existing shares and will rank *pari passu* with Sparbank's other shares with respect to rights, redeemability and transferability.

Pursuant to the terms of the loan, Sparbank cannot enter into a merger plan and the shareholders of Sparbank cannot approve such merger, if the valuation experts declare pursuant to section 241 of the Companies Act that the consideration paid for Sparbank shares is not fair.

On completion of the Merger, the Continuing Bank will assume the obligations pertaining to the issued bonds, and the terms of the bonds will be incorporated in Spar Nord's articles of association.

Other than as set out above, no takeover rights and/or obligations in respect of authorised but not issued capital or obligations to increase the capital exist in Spar Nord or in Sparbank.

4.1.16 Articles of association

4.1.16.1 Spar Nord

The following is a brief description of certain provisions of Spar Nord's Articles of Association.

Objects

Pursuant to Article 1(3) of the Articles of Association, the objects of Spar Nord are to carry on banking pursuant to section 7(1) and (2) of the Financial Business Act.

Summary of provisions regarding Spar Nord's board of directors and executive board

The board of directors shall be composed of not less than four nor more than six members elected by the shareholders in general meeting and members elected by the employees pursuant to the Companies Act. In connection with the Merger, Spar Nord's Board of Directors proposes to the shareholders that the articles of association be amended to the effect that shareholder-elected board members may make up from four to seven members.

The members of the board of directors shall be elected for terms of two years, and if a member resigns during his term, a new member is elected at the next general meeting for the remaining part of the resigning member's term.

Members of the board of directors shall retire not later than four months after the end of the year in which they attain the age of 70. A member of the board of directors who is no longer permitted to manage his estate or who no longer complies with the requirements of the DFSA regarding aptitude and integrity shall retire from the board of directors.

The board of directors shall elect a chairman and a deputy chairman from among its number and shall lay down rules of procedure governing the performance of its duties.

The members of the board of directors shall receive a fee approved by the shareholders in general meeting.

Members of the board of directors and the executive board represent Spar Nord in all external affairs. Spar Nord is bound in legal transactions by the joint signatures of the chairman or the deputy chairman of the board of directors and any one member of the board of directors, or by the joint signatures of any one member of the executive board and any one member of the board of directors.

Authorisations to Spar Nord's board of directors

Pursuant to Article 4 of the Articles of Association, the board of directors shall be authorised to permit Spar Nord to receive capital contributions, which may be included when calculating Spar Nord's Capital Base, subject to observance of the relevant conditions provided by law from time to time.

Pursuant to Article 3 of the Articles of Association, the board of directors shall be authorised to increase Spar Nord's share capital until 30 April 2013 by a maximum nominal value of DKK 285,344,050 in shares issued to named holders by way of one or more issues. Such shares shall rank *pari passu* with existing shares. The increase of Spar Nord's share capital may be effected either with preemptive rights to Spar Nord's shareholders (Article 3(1)) or without preemptive rights to Spar Nord's shareholders (Article 3(3)). If the increase is effected with preemptive rights to Spar Nord's shareholders, the new shares may be subscribed for at a discount to the market price and must be effected by cash contribution. If the increase is effected without preemptive rights to Spar Nord's shareholders, the new shares shall be subscribed for at market price

by cash contribution or otherwise. The new shares shall be negotiable instruments issued to named holders and shall rank *pari passu* for dividends and any other rights in Spar Nord as from such time as may be determined by the board of directors in its decision regarding the capital increase.

Pursuant to Article 3a of the Articles of Association, the board of directors shall be authorised to increase Spar Nord's share capital until 11 August 2014 by a maximum of DKK 1,265,000,000 in shares issued to named holders by way of one or more issues. Such shares shall rank *pari passu* with existing shares. The increase of Spar Nord's share capital shall take place without preemptive rights to Spar Nord's shareholders, meaning that any new shares will be offered at the prevailing market price, however, not at less than DKK 10.50 per share of DKK 10. The increase can take place by conversion of debt in the form of Hybrid Capital. To the extent that conversion is effected pursuant to Article 3b of the Articles of Association (see Convertible Bonds above), the authorised maximum shall be reduced by a corresponding amount. The new shares shall be negotiable instruments issued to named holders and shall rank *pari passu* for dividends and any other rights in Spar Nord as from such time as may be determined by the board of directors in its decision regarding the capital increase.

Denomination

Spar Nord's Shares have a nominal value of DKK 10 each.

Registration by name

Pursuant to Article 1(2) of the Articles of Association, the Shares are issued to named holders and may, upon a shareholder's request, be registered by name in VP Securities and Spar Nord's register of shareholders.

Negotiability and transferability of the Shares

The Shares are negotiable instruments. The acquirer of a Share may not exercise rights belonging to a shareholder unless such acquirer has been registered in the register of shareholders or has notified and provided proof of his acquisition to Spar Nord. However, this shall not apply to the right to dividend or other disbursements nor to the right to new shares in the event of capital increases.

The Shares cannot be assigned to bearer.

Pursuant to Article 1(3) of the Articles of Association, no restrictions shall apply to the transferability of the Shares.

Redemption and exchange

No shareholder shall be obligated to let his Shares be redeemed in whole or in part. See Article 1(3) of the Articles of Association.

Shareholder regions and bank committees

Spar Nord's operational area is divided into 32 shareholder regions. In connection with the Merger, Spar Nord's Board of Directors will propose to the shareholders at Spar Nord's general meeting that two more shareholder regions be set up, one in Holstebro and one in Viborg.

In connection with the acquisition of shares, a shareholder may choose to be registered in any shareholder region. If the shareholder does not specify any region, such shareholder will be registered according to post code. However, all shareholders resident abroad will be included in the Copenhagen shareholder region.

Each shareholder region shall elect a bank committee consisting of eight members from among the shareholders of the region. The members of the bank committee shall be elected for terms of two years to the effect that half of them shall stand for election each year.

A member of a bank committee shall resign from the committee if such member ceases to hold shares registered in Spar Nord, or if he is no longer permitted to manage his estate. Members of the bank committee are elected at a shareholders' meeting to be held before 1 April each year and not later than three weeks before the annual general meeting of Spar Nord. Bank committees are set up and shareholders' meetings held pursuant to Articles 6 to 8 of the Articles of Association.

Rights to attend and vote

Against presentation of an admission card, any shareholder who is registered in the register of shareholders as of the date of registration one week before a general meeting, or who has, as of that date, requested that his Shares be registered in the register of shareholders, shall be entitled to attend a general meeting - either in person or represented by proxy - and

to address the general meeting. Instruments of proxy shall be in writing and dated and shall be presented upon obtaining an admission card. Instruments of proxy issued to the management of Spar Nord shall be in writing and dated not more than 12 months prior to the relevant general meeting and may only be issued for one specific general meeting.

Pursuant to Article 10(4) of the Articles of Association, shareholders' right to vote at general meetings shall be exercised through delegates who are members of Spar Nord's bank committees. However, shareholders holding at least 20,000 Shares on the record date one week before the relevant general meeting (major shareholders) shall be entitled to exercise their voting rights at general meetings. See Article 9(1) of the Articles of Association.

Delegates who are also members of Spar Nord's bank committees represent the share capital that has been registered as belonging to the relevant shareholder region as of the record date one week before the relevant general meeting. Each delegate represents equal fractions of the share capital, calculated on the basis of the number of delegates immediately prior to the general meeting. A major shareholder, see Article 9(1) of the Articles of Association, represents the share capital which has been registered on the date of registration one week before the relevant general meeting, or which such shareholder has requested be registered as belonging to the relevant major shareholder.

To gain access to general meetings and be entitled to vote, a delegate or major shareholder, respectively, shall request an admission card at least three days before the relevant general meeting. Voting may be made by proxy, and delegates may only issue a proxy to another bank committee member from the same region. The instrument of proxy shall be in writing and dated and may only be valid for one general meeting. No bank committee member can represent more than two delegates by proxy.

The articles of association contain no provisions regarding ownership or voting restrictions.

General meetings

Spar Nord's annual general meeting shall be held each year before the end of April. Pursuant to Article 10 of the Articles of Association, general meetings shall be convened by the board of directors giving not less than three and not more than five weeks' notice.

The convening notice shall be announced in writing to the members of Spar Nord's bank committees, to the shareholders recorded in the register of shareholders who have so requested and on Spar Nord's website (www.sparnord.dk).

The convening notice shall contain the agenda. If any proposals are to be considered, the adoption of which is subject to a qualified majority, the essentials of such proposal shall moreover be stated in the convening notice. In the event that statutory provisions so require, the convening notice will contain the complete proposal and be sent to each registered shareholder.

Not later than three weeks before a general meeting, the following shall be available on Spar Nord's website (www.sparnord.dk): (i) the convening notice; (ii) the total number of shares and voting rights as of the date of the notice; (iii) the documents to be presented at the general meeting, including the audited annual report; (iv) the agenda and the complete proposals; and (v) the forms to be used for voting by proxy and by correspondence.

Extraordinary general meetings shall be convened as directed by the shareholders in general meeting, the board of directors or any one of Spar Nord's auditors. An extraordinary general meeting shall also be held for the purpose of transacting specified business when requested by shareholders representing a total of not less than 5% of the share capital. An extraordinary general meeting shall be convened not later than two weeks after the receipt of the appropriate request.

All business transacted at general meetings shall be decided by a simple, relative majority of votes, unless legislation or the Articles of Association provide otherwise. See "Rights to attend and vote" in 4.1.16.1 "Spar Nord" for a description of voting rights at Spar Nord's general meetings.

Amendment of the Articles of Association and changes to the rights attaching to the Shares

A resolution to amend the Articles of Association or to dissolve Spar Nord is subject to the proposal being adopted by two thirds of the votes cast as well as of the voting share capital represented at the general meeting. See article 14(2) of the Articles of Association. In calculating the voting share capital, Shares not registered in the name of the holder or Shares regarding which a request for registration in the name of the holder has not been made shall not be included.

The requirements for adopting amendments to the articles of association and changes to shareholder rights are no more stringent than the minimum statutory requirements.

Pursuant to Article 5(1) of the Articles of Association, a decision to combine shareholder regions shall be made by Spar Nord's shareholders in general meeting in accordance with the rules on amendment of the articles of association. However, a decision to combine shareholder regions may be made by the board of directors if the bank committees in question agree.

Provisions of the articles of association which may delay, postpone or prevent a change of control in Spar Nord

The board of directors of Spar Nord is authorised to increase Spar Nord's share capital, and convertible bonds that can be converted into share capital in Spar Nord have been issued as described in 4.1.15 Convertible bonds.

Other than as set out above, the articles of association contain no provisions that could delay, postpone or prevent control.

Section 61 of the Financial Business Act entails that any acquisition of a qualified share – i.e. a share of at least 10% of the share capital or voting rights or a share allowing the holder to exert a significant influence on management – in a financial business or a financial holding company, including Spar Nord, requires prior approval from the DFSA.

4.1.16.2 Sparbank

The following is a brief description of certain provisions of Sparbank's articles of association.

Objects

Pursuant to Article 1(2) of the articles of association, the objects of Sparbank are to carry on banking business, including to perform functions related to the movement of funds, credit instruments and securities and related services, as well as any other business permitted under the Financial Business Act.

Summary of provisions regarding Sparbank's board of directors and executive board

The board of directors must be composed in compliance with the legislation applicable from time to time, and consist of six members elected by the shareholders.

Members of the board of directors serve for terms of three years.

Members retire from the board of directors at the next following annual general meeting after they attain the age of 70.

The board of directors elects a chairman and a deputy chairman from among its number and lays down rules of procedure governing the performance of its duties.

The board of directors appoints an executive board to be in charge of the day-to-day management of Sparbank. The remuneration and employment terms of the executive board are determined by agreement between the executive board and the board of directors.

Members of the board of directors and the executive board represent Sparbank. Sparbank is bound in legal transactions by the joint signatures of the chairman or the deputy chairman of the board of directors and any one member of the board of directors or any one member of the executive board.

Authorisations to Sparbank's board of directors

Pursuant to article 3 of the articles of association, the board of directors is authorised, until 11 September 2014, to increase Sparbank's share capital by up to DKK 600 million. The share capital may be increased in one or more issues either against cash or debt conversion. In a resolution adopted on 11 September 2009, Sparbank's shareholders in general meeting waived the rights of the shareholders under the provisions of the Companies Act on pro rata subscription in capital increases made pursuant to article 3 of the articles of association, provided the new shares are offered at the market price. Under the provision, the board of directors is authorised to resolve that a capital increase made pursuant to article 3 of the articles of association may be made with or without preemptive rights to the existing shareholders.

Pursuant to article 3(4) of the articles of association, the shareholders in general meeting have approved that Sparbank has raised a loan of from DKK 400 million to DKK 500 million as Hybrid Capital, cf. the Act on state-funded capital injections into credit institutions, on the loan terms set out in annex 2 to the articles of association and as described in greater detail in 4.1.16 "Articles of association" and 4.8.13 "Sparbank's State Hybrid Capital" herein.

Denomination

Sparbank's shares have a nominal value of DKK 20 each.

Registration by name

Pursuant to article 2(2) of the articles of association, the shares are issued to named holders and registered by name in VP Securities and Sparbank's register of shareholders.

Negotiability and transferability of the shares

The shares are negotiable instruments. The acquirer of a share may not exercise rights conferred on a shareholder unless such acquirer has been registered in the register of shareholders or has notified and provided proof of his acquisition. However, this does not apply to the right to dividend or other disbursements nor to the right to new shares in the event of capital increases.

Pursuant to article 2(3) of the articles of association, no restrictions shall apply to the transferability of the shares.

Redemption and exchange

No shareholder shall be obligated to let his shares be redeemed in whole or in part. See article 2(3) of the articles of association.

Rights to attend and vote

Pursuant to article 10 of the articles of association, shareholders or proxy-holders who have obtained an admission card and a ballot paper not later than three days before a general meeting and have given notice of their attendance are entitled to attend the general meeting.

Pursuant to article 10 of the articles of association, a shareholder may attend and vote at a general meeting and vote in proportion to the number of shares he holds at the record date. The record date is one week before the date of the general meeting. The shares held by each shareholder are calculated on the record date on the basis of registration of such shareholder's ownership in the register of shareholders and notifications about ownership received by Sparbank for entry into the register of shareholders, but which have not yet been recorded in the register of shareholders.

Each share of DKK 20 carries one vote.

The articles of association contain no provisions regarding ownership or voting restrictions

General meetings

Annual general meetings of Sparbank are held in Skive as directed by the board of directors. Pursuant to article 6 of the articles of association, general meetings shall be convened at not less than three and not more than five weeks' notice.

The board of directors shall convene general meetings by announcement in the computer information system of the Danish Business Authority, on Sparbank's website and in one or more daily newspapers. The notice will also be forwarded in writing to all registered shareholders who have so requested.

The convening notice shall contain the agenda. If any proposals are to be considered, the adoption of which is subject to a qualified majority, the essentials of such proposal shall moreover be stated in the convening notice.

Not later than three weeks prior to the general meeting, the agenda of the meeting, the complete proposals, as well as any other information required under the legislation in force from time to time, shall be available for inspection by the shareholders on Sparbank's website (www.sparbank.dk) and sent to each registered shareholder who has so requested.

Extraordinary general meetings shall be convened as directed by the board of directors or by Sparbank's auditors. An extraordinary general meeting shall also be held for the purpose of transacting specific business when requested by shareholders representing not less than 5% of the share capital. An extraordinary general meeting must be convened not later than 14 days after a request to this effect has been made.

All business transacted at general meetings shall be decided by a simple, relative majority of votes, unless legislation or the articles of association provide otherwise.

Amendments to the articles of association

A resolution to amend the articles of association or to dissolve Sparbank is subject to the proposal being adopted by two thirds of the votes cast as well as of the voting share capital represented at the general meeting. See article 11(2) of the articles of association. In calculating the voting share capital, shares not registered in the name of the holder are not included.

Provisions of the articles of association which may delay, postpone or prevent a change of control in Sparbank

Sparbank's board of directors is authorised to increase Sparbank's share capital, and convertible bonds that can be converted into share capital in Sparbank have been issued as described in 4.1.15 "Convertible bonds".

Other than as set out above, the articles of association contain no provisions that could delay, postpone or prevent a change of control.

Section 61 of the Financial Business Act entails that any acquisition of a qualified interest – i.e. an interest of at least 10% of the share capital or voting rights or an interest allowing the holder to exert a significant influence on management – in a financial business or a financial holding company, including Sparbank, is subject to prior approval from the DFSA.

4.2 Business and market

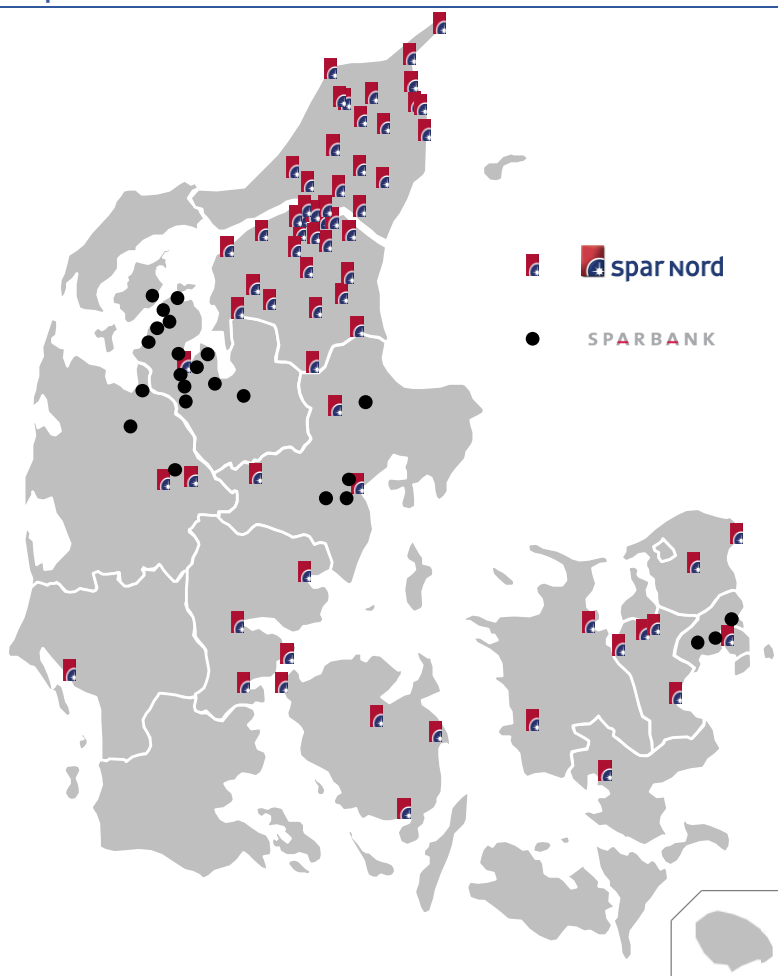
4.2.1 Business

Introduction

Prior to the Merger, the Spar Nord Group's branch network comprised 67 branches, 42 of which were located in the North Jutland region, 6 were in central and western Jutland, 5 were in southern Jutland, 4 on Funen and 10 were on Zealand.

Through the Merger with Sparbank, the Continuing Bank will have a network of 90 branches, 43 of which will be located in the North Jutland region, 25 in central and western Jutland, 5 in southern Jutland, 4 on Funen and 13 on Zealand.

Table 4.3 – Spar Nord's and Sparbank's branch networks



The Continuing Bank will provide a wide range of financial services, advisory services and products, either in-house or through business partners. The Continuing Bank's main business focus will be on retail customers as well as small and medium-sized businesses in local areas where the Continuing Bank has a presence.

The Continuing Bank will comprise the business segments Spar Nord's Local Banks; Trading, Financial Markets & the International Division; and Spar Nord Leasing A/S, of which the latter has been classified as Discontinued Activities since 1 October 2011. In addition, it has a number of staff and support departments.

Spar Nord's Local Banks consists of the banking activities of the group's branches, through which the Continuing Bank serves retail and business customers and provides banking services such as loans and credit facilities, credit and debit cards as well as a broad range of savings, non-life insurance, life insurance and pension savings products.

Trading, Financial Markets & the International Division consists of Markets, Bonds, Shares, the Interest and Forex Division, Asset Management and the International Division. This business area will serve the Continuing Bank's own retail and business customers and institutional clients and will provide wholesale services (forex and security-related transactions, trade finance services and clearing services) to small and medium-sized banks.

Spar Nord Leasing A/S is a finance company offering leasing services in Denmark and Sweden (through the subsidiary SN Finans Nord AB). The company mainly provides financing for vehicles and is focused on the core business areas of transport, agriculture and contracting. In 2011, Spar Nord made a strategic decision to no longer include leasing in the Spar Nord Group's activities. This decision will also apply to the Continuing Bank.

Certain information about the Spar Nord Group's and the Sparbank Group's business segments for 2011 and the six months to 30 June 2012 can be found in the table below:

Table 4.4 – Selected information about Spar Nord's business segments

DKKm	H1 2012		2011		2010		2009	
	Total Profit/loss assets before tax		Total Profit/loss assets before tax		Total Profit/loss assets before tax		Total Profit/loss assets before tax	
Local Banks / branches	35,887.5	61.0	38,291.7	231.1	36,681.5	129.9	34,822.6	97.2
Trading, Financial Markets & the International Division	21,981.6	148.8	20,284.2	188.2	25,056.7	281.8	24,166.4	380.0
Other Areas	4,025.5	-77.0	3,721.4	-116.6	-2,538.6	-280.9	-2,474.4	-304.2
Leading (Discontinued operations)	5,530.7	16.8	7,784.1	42.2	8,236.1	2.2	8,014.6	-28.3
Total	67,425.3	149.6	70,081.4	344.9	67,435.7	133.0	64,529.2	144.7

Table 4.5 – Selected information about Sparbank's business segments

DKKm	H1 2012		2011		2010		2009	
	Total Profit/loss assets before tax		Total Profit/loss assets before tax		Total Profit/loss assets before tax		Total Profit/loss assets before tax	
Local Banks / branches	11,023.2	-133.1	10,495.2	-77.5	10,535.1	-80.1	14,301.6	-50.3
Other Areas	246.3	7.0	258.7	13.2	242.2	17.1	249.8	0.7
Leading (Discontinued operations)	515.4	21.7	581.7	-5.9	710.6	-16.3	846.7	-14.9
Not allocated	1,590.1	-85.3	2,325.9	-242.6	3,592.7	107.3	2,460.4	-57.3
Total	13,374.9	-189.8	13,661.5	-312.8	15,080.6	28.1	17,858.6	-121.7

Note: Sparbank and Spar Nord apply different segmentations, limiting the possibility of making a direct comparison

See 4.16 "Historical financial information" for information about the financial years ended 31 December 2010 and 2009.

Vision, mission and values

The Continuing Bank will retain Spar Nord's vision, mission and values as well as its strategy plan as set out below.

Corporate vision

Spar Nord's corporate vision is as follows: "By giving our local banks a significant amount of local autonomy, we intend to create Denmark's most attractive banking chain. For the benefit of our customers, employees and shareholders."

In the vision, "local autonomy" refers to Spar Nord Group's decentralised organisation and the extensive degree of local self-determination. Spar Nord's Local Banks operate as a chain of individual businesses each with extensive decision-making powers in areas such as customer service, market canvassing, physical locations and employee relations. In addition, Spar Nord's Local Banks work with the other earnings-generating units to define requirements for development initiatives in the support functions. Local decision-making powers are limited only in respect of credit-granting.

"Denmark's..." indicates that Spar Nord's geographical focal area covers all of Denmark. Since 2002, Spar Nord has pursued a strategic goal of building nationwide coverage by opening new local banks in major cities outside the North Jutland region. During the period 2002 to 2010, Spar Nord opened or acquired 27 local branches. Since 2010, Spar Nord has been focused on organic growth and on opportunities for acquiring minor banking activities, including in particular activities in those areas outside the North Jutland region in which Spar Nord has set up business during the past ten years, and in which it still has unutilised capacity.

"Banking chain" signals that Spar Nord is precisely a chain of individual businesses operating under a shared general structure and with banking expertise concentrated in centralised functions. In addition, the chain concept suggests an association with the retail trade, which is a field Spar Nord is very willing to look to for inspiration in respect of customer service and in-branch experiences.

Finally, the wording "...the most attractive banking chain. For the benefit of our customers, employees and shareholders" refers to Spar Nord's objective of ranking among the best of its peers in terms of customer satisfaction and customer inflow, employee satisfaction and performance as well as return on equity and share price performance.

Customer mission

Spar Nord's customer mission statement is as follows: "Together we create financial freedom".

In an explanatory addition to the customer mission statement, Spar Nord explains that financial freedom is created through "individual solutions based on competent advisory services and local involvement".

The wording indicates that the most important goal for the Spar Nord Group and its employees is to provide competent and timely advice in order to contribute to creating financial headroom and security in the day-to-day settings of its retail and business customers.

In other words, Spar Nord emphasises personal and attentive advisory services, and the Spar Nord Group's goal in any customer relationship is to compose an advisory and product offering tailored specifically to the needs of each individual customer.

Combined, the corporate vision and the customer mission statement represent Spar Nord's ambition of combining proximity and commitment from a small local bank with the strength, level of professional skill and support organisation of a large, nation-wide bank.

Corporate values

Spar Nord's three core values are to be down-to-earth, ambitious and actively involved.

The first value, being down-to-earth, has formed part of the Spar Nord Group's corporate values for many years. In other words, an informal tone has always been a characteristic of Spar Nord in a setting where the employees engage on an even level with the customers and with each other. The Spar Nord Group will strive to preserve this informal atmosphere.

The "ambitious" value is well in line with the vision of becoming Denmark's most attractive banking chain for the customers, the employees and the shareholders. Specifically, it implies that Spar Nord will work continuously to develop business concepts, products and the skills and qualifications of its employees.

Spar Nord wants to be actively involved and close to the customers in a dual sense. Physically present, meaning the nearest local bank is never far away because the Spar Nord Group is involved in the local community and engages with customers individually. Mentally present, meaning engaging with customers and always being able to provide an individually tailored solution.

Strategy plan: TIME FOR CUSTOMERS

The strategy plan TIME FOR CUSTOMERS indicates Spar Nord's strategic direction for 2011–2013. The strategy plan continues where Spar Nord left off in its geographical expansion during the period from 2002 to 2010, spotlighting growth in number of customers, business volume and earnings.

The intention behind TIME FOR CUSTOMERS is to consolidate Spar Nord's approach to banking operations of combining a local presence, local commitment and local decision-making powers with centralised units offering strong, specialist skills.

In terms of its markets, Spar Nord aims to retain the Spar Nord Group's strong market position and large market share in the core North Jutland region and to exploit the growth potential created through recent years' investments to expand its distribution power. Finally, the Spar Nord Group's goal is to maintain a high level of credit quality.

In addition, the intention is for the work and efforts involved in TIME FOR CUSTOMERS to result in enhancements in areas where Spar Nord may previously have had less satisfactory results, including cost efficiency and average business volume per customer.

For the period 2011–2013, three specific strategic focal areas have been defined, each setting out three strategic goals.

Under the heading "More customers – more business", Spar Nord aims to increase the number of retail customers by 10,000 and the number of business customers by 1,000 each year, increase average business volumes (deposits as well as loans, advances and guarantees) per customer by 5% per year and bring Spar Nord's specialist skills, including particularly in the remit of Trading, Financial Markets & the International Division, even more into play.

Under the heading "Stronger focus – stronger chain", Spar Nord has defined a goal for customer advisers to devote at least 55% of their time to customers and for 10,000 hours of development time to be spent each year to enhance customer service. Finally, a goal has been defined that employee satisfaction should be further enhanced over the coming years.

Under the heading "Better bottom line – better bank", Spar Nord maintains a long-term goal of improving its cost/income ratio to 55 and to keep the impairment ratio in the top third of a defined group of Danish peer banks. Finally, a goal has been defined for Spar Nord to create the basis for repaying Hybrid Capital to the Danish State over the coming years. See 4.8.1 "Spar Nord's State Hybrid Capital" for information about repayment of Hybrid Capital.

Customer focus and exposure

For its retail customers, the Continuing Bank gives priority to full-service customers in the sense that for financially sound customers Spar Nord aims to be a banker to the entire family and cater to the full range of a family's banking needs. In day-to-day operations, Spar Nord is focused on retaining existing full-service customers, turn existing part-service customers into full-service customers and attract new customers with a good, strong banking potential.

For its business customers, the Continuing Bank is focused on small and medium-sized businesses in those local areas where the Continuing Bank has a presence. In other words, it is very much a question of the structure of a local business community and the local focus that determines the distribution of branches in the individual banking areas.

The following table sets forth the Spar Nord Group's and the Sparbank Group's geographical loans, advances and guarantees by industry.

Table 4.6 - Loans, advances and guarantees by industry for 2009, 2010, 2011 and for the six months to 30 June 2012

DKKm	Spar Nord				Sparbank				Aggregate number for the Spar Nord Group and the Sparbank Group
	30 June		31 December		30 June		31 December		30 June
	2012	2011	2010	2009	2012	2011	2010	2009	2012
Public authorities	1,391.1	1,744.9	1,044.9	650.9	0.9	1.2	101.8	111.1	1,392.0
Agriculture, hunting, forestry and fisheries	4,902.9	5,414.6	5,645.1	5,922.4	484.3	429.1	252.7	525.7	5,387.2
Industry and raw materials extraction	1,504.3	1,634.2	1,739.7	1,895.9	705.7	723.6	847.2	1,005.5	2,210.0
Energy supply	1,587.4	1,716.7	1,398.8	1,204.2	95.2	69.4	64.6	21.9	1,682.6
Building and construction	1,723.5	2,185.6	2,279.9	2,009.3	505.3	549.8	519.5	619.9	2,228.8
Trade	3,430.4	3,745.6	3,864.3	3,506.0	626.9	627.2	597.6	1,044.3	4,057.3
Transport, hotels and restaurants	2,201.6	2,814.1	3,032.8	3,199.2	262.0	251.2	290.5	295.9	2,463.6
Information and communication	146.2	182.8	83.8	105.2	115.6	100.4	61.5	60.0	261.8
Financing and insurance	1,779.8	2,380.2	3,651.1	2,072.0	317.8	379.7	468.2	422.4	2,097.6
Real property	4,419.8	4,923.7	4,925.3	5,021.4	2,078.9	2,074.5	1,699.4	2,577.3	6,498.7
Other industries	3,034.8	2,868.5	3,080.8	3,351.0	1,002.7	972.8	2,306.9	3,302.2	4,037.5
Total business customers	26,121.8	29,610.9	30,746.5	28,937.5	6,195.5	6,178.9	7,209.8	9,986.1	32,317.3
Total retail customers	15,527.7	14,071.7	15,370.0	16,712.8	4,953.7	4,957.9	4,243.2	7,060.5	20,481.4
Total	41,649.5	43,682.6	46,116.5	45,650.3	11,149.2	11,136.7	11,453.1	17,046.6	52,798.7

Distribution

The 90 bank branches throughout Denmark will constitute the backbone of the Continuing Bank's distribution network. The Continuing Bank will give very high priority to providing personalised advisory services in the physical branches and will supplement these services with self-service solutions such as online banking and mobile platforms.

Trading, Financial Markets & the International Division serves customers from the Continuing Bank's local branch network as well as large retail customers and institutional clients in the fields of shares, bonds, fixed income/forex, asset management and international transactions. In addition, a substantial proportion of the activities in Trading, Financial Markets & the International Division derives from the Continuing Bank's position as a wholesale bank to small and medium-sized banks throughout Denmark. For example, the Continuing Bank will perform investment and forex transactions as well as international transactions for 55 banks.

At 30 June 2012, the Continuing Bank had approximately 318,000 customers, distributed on approximately 291,000 retail customers and approximately 27,000 business customers.

Business partners

The Continuing Bank will aim to offer its customers financial solutions, products and advisory services in all relevant areas, and in many of these areas the business has been outsourced to external providers and business partners.

In terms of IT, the Continuing Bank, along with a large number of other Scandinavian banks, is a co-owner of the SDC data-processing centre. Under the SDC collaboration, the Continuing Bank will participate in and contribute to shared operations and development and, in some areas, the Continuing Bank will share solutions, in full or in part, with other banks. The collaboration, and the fact that the Continuing Bank will be among its largest players, also means that the Continuing Bank will be well positioned to act as a wholesale bank to other banks working on the same IT platform.

Some of the most important business partners in the various product and advisory service areas include:

Totalkredit/Nykredit (mortgage-credit institution)

Totalkredit is a member of the Nykredit group. The Continuing Bank's business cooperation with the Nykredit group, established in 2003, will chiefly involve the provision of mortgage loans to retail and business customers through Totalkredit. At 31 December 2011, Totalkredit had total mortgage lending of DKK 480 billion, of which the Spar Nord Group had facilitated DKK 35.7 billion and the Sparbank Group had facilitated DKK 9.7 billion.

DLR (mortgage-credit institution)

DLR provides mortgage lending to agricultural and other business customers. DLR is owned by a large number of regional banks and LOPI. At 31 December 2011, DLR had total mortgage lending of DKK 133 billion, of which the Spar Nord Group had facilitated DKK 5.6 billion and the Sparbank Group had facilitated DKK 2.5 billion.

BankInvest (investment associations)

BankInvest manages investment funds and had DKK 83 billion under management at 31 December 2011. At 31 December 2011, the Spar Nord Group's customers had DKK 6.1 billion and Sparbank's customers had DKK 0.2 billion placed in investment funds managed by the BankInvest group.

ValueInvest (investment associations)

ValueInvest is a member-owned investment association specialising in so-called value equity investments. In this context, value equities are taken to mean equities whose current market value is lower than the company's true value, as assessed by ValueInvest. At 31 December 2011, the Spar Nord Group and Sparbank had acted as intermediaries in the sale of units from ValueInvest amounting to DKK 1.1 billion and DKK 3 million respectively.

Privatsikring (non-life insurance)

Privatsikring is a subsidiary of the Codan group distributing a full range of non-life insurance products in Denmark through local and regional banks.

letpension (life insurance and pension product provider)

letpension is owned by a large number of local and regional Danish banks. letpension is a provider of life insurance and pension products.

Nets (payment services)

Nets is owned by Danmarks Nationalbank and a number of Danish and Norwegian banks and provides debit card, payment solution and information exchange services, including Betalingservice (automated payment services) and eBoks.

Credit ratings

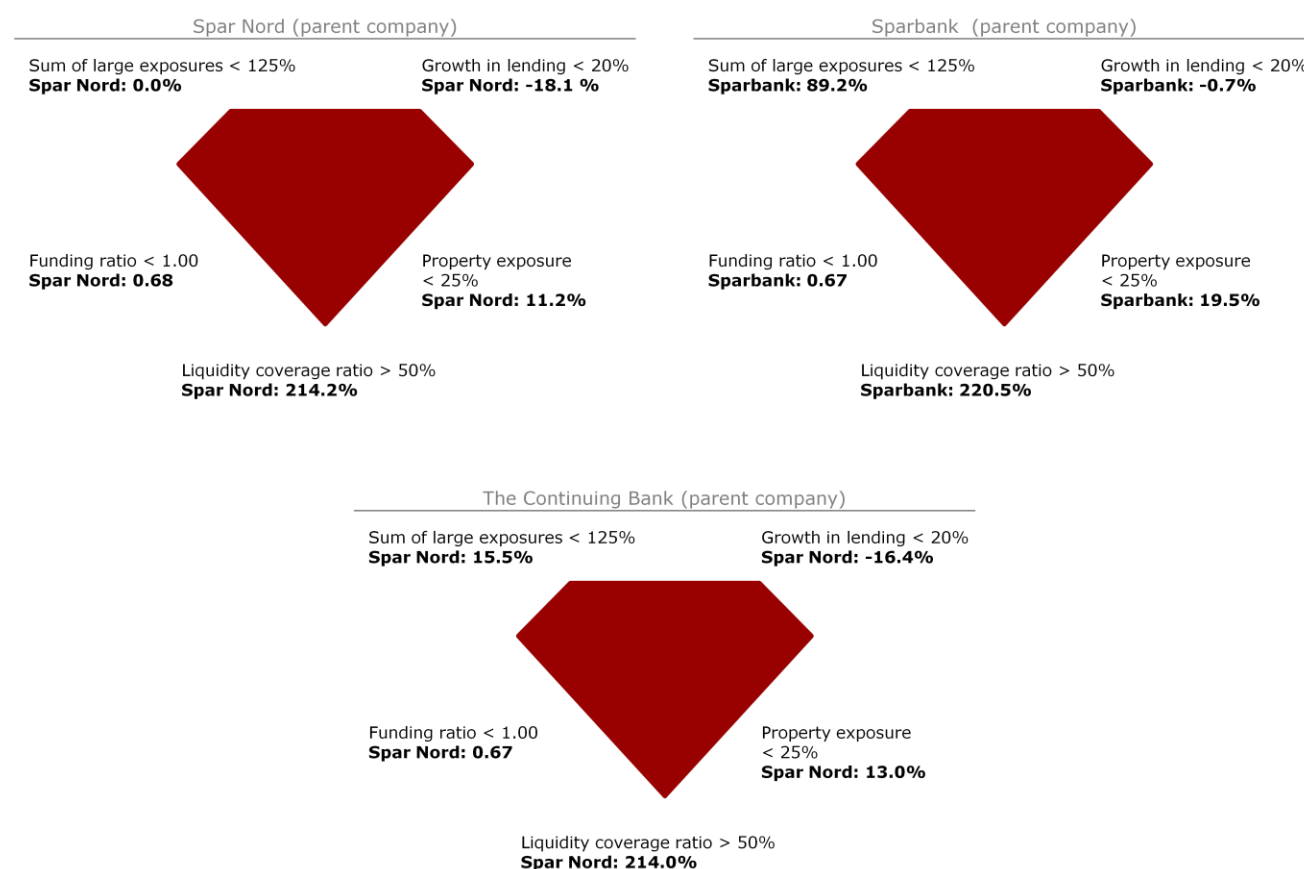
At the Date of Announcement, Spar Nord's long-term debt had been assigned a Baa3 rating by Moody's. Spar Nord terminated its collaboration with Moody's effective 16 May 2012.

At the Date of Announcement, Sparbank had not been rated by any international credit rating agency.

Supervisory diamond

In 2010, the DFSA launched a new test model, the "Supervisory Diamond", which assesses, from the end of 2012, the strength and risk exposure of banks according to five parameters, each with its own limit value. Combined, the five parameters illustrate whether Danish banks are operated at a reasonable risk exposure and whether an individual bank has adequate financial strength.

Table 4.7 – Supervisory diamond for banks at 30 June 2012



4.2.2 Market

The Danish banking market is dominated by the two international financial groups, Danske Bank and Nordea. In addition, a number of banks provide more or less full market coverage. These are Jyske Bank, Sydbank, Spar Nord, Nykredit Bank, Vestjysk Bank and Arbejdernes Landsbank. The rest of the Danish banking market consists of a large number of small local banks and savings banks.

Accordingly, the Continuing Bank competes with large nation-wide and international financial groups as well as small local and regional banks.

As for the latter group, competition mainly involves building as many local ties and as strong a commitment to the local community as possible, while for the former group, attractive products and pricing are the most important factors. For both of these competitor groups, it is extremely important to provide a high level of quality in personalised advisory

services, which requires, among other things, employees with strong professional skills and strong personal relations with retail and business customers.

Since 2009, the Danish banking sector has experienced negative growth in its overall lending and business volume. Accordingly, increasing interest margins and winning market share in order to maintain or increase earnings has been essential.

4.2.3 The Danish banking system and regulation

Overview of the current regulation framework regarding capital

Danish banks are subject to the rules set forth in the Financial Business Act, the Companies Act, Executive Orders issued by the Ministry of Business and Growth and the DFSA, as well as guidelines issued by the DFSA. The DFSA is the public agency responsible for the supervision of credit institutions (including banks and mortgage credit institutions), insurance companies, pension funds, insurance brokers, the Danish Labour Market Supplementary Pension (ATP), the Danish Employees' Capital Fund (LD), the Danish Labour Market Occupational Diseases Fund (AES), investment companies, investment management companies and investment associations (UCITS and non-UCITS).

The Financial Business Act and the regulations issued pursuant thereto set up requirements for the protection of depositors including by establishing total capital ratios that require banks to have sufficient capital to cover the risk in relation to assets etc. (see below). In addition, liquidity rules require banks to maintain adequate liquid assets to meet depositor claims on demand or otherwise. To further safeguard the assets of banks, the Financial Business Act establishes rules limiting the possibility of a bank to concentrate its assets in lending or other exposures to single customers or customer groups. The rules apply to Danish banks individually as well as on a consolidated basis.

The Financial Business Act prescribes a minimum solvency ratio of 8%. The solvency ratio is calculated by dividing the Capital Base (Tier 1 Capital and Tier 2 Capital after deductions) by the Risk-weighted Items.

Pursuant to the Financial Business Act, the board of directors and the executive board of a bank must ensure that the bank's Capital Base is adequate and that the bank has internal procedures for risk measurement and risk management for regular assessments and maintenance of a Capital Base of a size, type and composition adequate to cover the risks of the institution.

The board of directors and the executive board must, on the basis of the above-mentioned assessment and in pursuance of the Financial Business Act, calculate the individual solvency need of the bank (ICAAP). The solvency need shall be expressed as the adequate Capital Base as a percentage of the Risk-weighted Items. The ICAAP result may not be less than the solvency requirement and the minimum capital requirement.

The DFSA may lay down a higher individual solvency requirement than 8% if it finds that the calculated solvency need does not reflect the risk of the bank's activities.

Expected legislative amendments etc. regarding capital and liquidity

On 16 December 2010, the Basel Committee announced the Basel III proposals (Basel III) containing, among other things, new requirements for capital and liquidity.

On 20 July 2011, the EU Commission presented a proposal for a revision of the capital requirements directive, also referred to as CRD IV. The rules of CRD IV are expected to be implemented for Danish banks.

CRD IV consists of a regulation, which will have direct legal effect, and a directive, which is to be implemented in each individual member state.

On 21 May 2012, the Council of the European Union presented its "Proposal for a regulation of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms - Council general approach" (the Regulation) and "Proposal for a directive of the European Parliament and of the Council on the access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms and amending Directive 2002/87/EC of the European Parliament and of the Council on the supplementary supervision of credit institutions, insurance undertakings and investment firms in a financial conglomerate - Council general approach" (the Directive).

The Regulation will enter into force on 1 January 2013, and it appears from the Directive that the member states must adopt the necessary rules in order to implement the Directive on or before 31 December 2012 and that the rules will enter into force on or before 1 January 2012.

As neither the Regulation nor the Directive has yet been finally adopted, it is uncertain whether these deadlines can be met. It is therefore possible that the date of entry into force will be postponed.

Capital (CRD IV)

In summary, CRD IV includes the following changes:

- An increase of the requirement for Core Tier 1 Capital from 2% to 4.5%. This requirement will be phased in until 1 January 2015.
- An increase of the requirement for Tier 1 Capital from 4% to 6%. This requirement will be phased in until 1 January 2015.
- A general capital conservation buffer of 2.5% will be introduced, which will have to be maintained by all banks in order to withstand future periods of crisis. This change will be phased in from 1 January 2016 and will be fully applicable from 1 January 2019.
- If there is excess credit growth in any given country resulting in a system-wide build up of risk, a countercyclical buffer in the form of Core Tier 1 Capital determined by the authorities of the individual countries generally within a range of 0% to 2.5% of the Risk-weighted Items is to be applied as an extension of the conservation buffer.
- The aggregate solvency requirement of 8% will be maintained.
- On terms detailed in the Directive, the member states will have the option of implementing a "Systemic Risk Buffer" of up to 3% of risk-weighted items, potentially fixing a higher buffer in special cases to prevent and cushion long-term, non-cyclical systemic or macro-economic risks which are not comprised by the Regulation.
- A gearing ratio of presumably 3% of unweighted assets and off-balance sheet items may be introduced from 2018.

One of the key objectives of CRD IV is to strengthen the quality of the instruments (other than share capital) that can be included in the Capital Base. CRD IV therefore contains stricter criteria for the inclusion of instruments in the Tier 1 Capital and the Tier 2 Capital. In relation to the definitions of Tier 1 Capital and Tier 2 Capital, the only instruments that can be included are those where there is no incentive for the issuer to redeem them, in the form of step-up interest rate clauses, for example. (Most of the Continuing Bank's Hybrid Capital and Subordinated Loan Capital has moderate incentives for redemption). The transitional rules should therefore apply to these instruments. According to CRD IV, instruments that no longer qualify as Tier 1 Capital or Tier 2 Capital will be phased out over the period 1 January 2013 – 31 December 2021. In addition, instruments that carry an incentive for redemption will be phased out as they mature. Existing public sector capital, including State Hybrid Capital, can be included in the Capital Base until 31 December 2017. However, capital elements issued on or after 31 December 2011 must comply with the requirements of CRD IV, if a bank wishes to include the capital in the Capital Base from 1 January 2013 onwards.

Liquidity (Basel III/CRD IV)

Basel III contains proposals for global minimum requirements for liquidity, which can be described as follows:

- A short-term Liquidity Coverage Ratio defining requirements on the volume of highly liquid assets a bank must hold. Such assets are highly marketable (including cash, government bonds, etc.), and the test will require banks to hold a sufficient volume of highly liquid assets to allow them to honour all net payments they would have to make under a stress test scenario for a 30-day time horizon.
- A Net Stable Funding Ratio, being a minimum requirement to the bank's stable funding (i.e. funding expected to be stable over a 12-month time horizon) (Available Stable Funding). Such funding will be measured relative to the bank's balance sheet and off-balance sheet items (such as drawings under credit facilities) that may result in a cash requirement during the same 12-month period (Required Stable Funding). The ratio of Available Stable Funding to Required Stable Funding must be at least 1:1 (100%). The Net Stable Funding Ratio is intended to limit the reliance on short-term wholesale funding and has been developed to provide a sustainable maturity structure of assets and liabilities.

No actual minimum requirements for liquidity have yet been defined under CRD IV, but the EU Commission is authorised to adopt a Liquidity Coverage Ratio, which will come into force on 1 January 2015. The Liquidity Coverage Ratio must be based on the reporting system to be implemented as from 1 January 2013. On or before 31 December 2016, the EU Commission, on the basis of the reporting system to be implemented as from 1 January 2013, will present a report and, if necessary, a legislative proposal to the European Parliament and the Council on a Net Stable Funding Ratio.

With respect to the Liquidity Coverage Ratio, Basel III's treatment of the Danish mortgage credit system may make compliance difficult based on the Continuing Bank's expected financing structure. As mentioned above, the EU has not yet determined the final form of liquidity requirements.

If the liquidity requirements to be adopted in Denmark are based on the current Basel III guidelines, the Continuing Bank will need to make significant changes to its funding structure and the composition of its liquidity buffer because of the proposed restriction on inclusion of covered bonds in the liquidity buffer. Basel III proposes that covered bonds, including mortgage bonds and other so-called level 2 assets, can only represent up to 40% of the liquidity buffer in a bank's Liquidity Coverage Ratio, whereas government bonds and other highly liquid assets must account for at least 60% of the liquidity buffer. The proposed requirement is fundamentally different from the current structure of the Danish fixed income market, where mortgage bonds represent approximately 80% of the Danish krone bond market. Another reason is the exclusion of funding with a remaining maturity of less than one year from the Net Stable Funding Ratio irrespective of the fact that the refinancing risk is borne by the borrowers as in the case of mortgage loans granted by mortgage credit institutions.

According to CRD IV, it will be possible to recognise covered bonds as level 1 assets if the bonds pass the liquidity test. The EBA will present the draft technical standards on or before 1 January 2013. As a result of the current uncertainty with respect to which assets qualify as level 1 assets and level 2 assets, respectively, under CRD IV, it is assessed that the Continuing Bank, subject to certain adjustments, will be able to meet the Liquidity Coverage Ratio.

Changed rules and practice regarding loan impairment charges and requirements for calculation of sensitivity matrix on loans and advances

Act no. 155 of 28 February 2012 amending, among other things, the Financial Business Act has made it mandatory for financial businesses to apply the Danish accounting rules in their financial statements. It appears from the explanatory notes to the bill that the objective of making it mandatory to apply the Danish accounting rules in the preparation of annual reports is to ensure that the adjustments which are deemed appropriate to implement in the Danish accounting rules regarding loan impairment charges apply to all banks. Listed financial businesses will still be required to apply the international accounting standards as adopted by the EU in their consolidated financial statements.

Based on the above-mentioned act, the DFSA has amended Executive Order on the presentation of financial reports by credit institutions and investment companies etc., which came into force for the interim reports of banks for the six months ended 30 June 2012. Central to the amendments is that in connection with impairment calculations for distressed customers, properties are to be measured at fair value, being the price at which it is estimated that the property can be sold in an agreement between an interested seller and an independent, willing buyer within six months. This value deviates from both the value realisable in a compulsory sale and the "long-term value", which may not be obtainable for a number of years and perhaps only under certain assumptions. This applies to all types of property, including land and properties under construction.

In a letter from the DFSA dated 22 December 2011, it is stated, among other things, that due to the substantial risks faced by the agricultural sector, the DFSA will base future reviews of agricultural exposures on a valuation of cultivable land in the lower range of the land price interval assessed by the DFSA.

The DFSA has furthermore revised part 10 of the DFSA's guidelines on adequate capital base and solvency need for credit institutions. This change entails, among other things, that large banks (group 1 banks) are required to calculate expected loan impairment charges under different combinations of interest rate increases and collateral value declines, a so-called sensitivity matrix. In addition, the DFSA has announced that it contemplates introducing a semi-annual reporting scheme for the sensitivity matrix.

The Deposit Guarantee Scheme

In 1987, Denmark established a Deposit Guarantee Scheme. The current scheme is based on an EU directive. The Guarantee Fund was established to cover payments under the scheme. The scheme covers in full deposits made in certain accounts established according to law, including certain pension accounts, and up to EUR 100,000 of a customer's aggregate net deposits with a bank. Investors who keep securities in custody with institutions that are not able to redeliver

the securities to the investors as a result of reconstruction or bankruptcy are covered up to the equivalent of EUR 20,000 per investor.

Bank Package I

As a result of the turmoil in the financial markets, the Danish parliament adopted the Financial Stability Act in 2008. The Financial Stability Act introduced, among other things, a general guarantee scheme, under which the Danish State provided an unconditional guarantee for the claims of unsecured creditors against banks to the extent such claims were not otherwise covered. Spar Nord and Sparbank participated in Bank Package I, which pursuant to the Financial Stability Act took effect from 5 October 2008 and expired on 30 September 2010. When Bank Package I expired, Spar Nord's payment of an annual guarantee commission of DKK 177 million ceased, as did Sparbank's payment of an average annual guarantee commission of DKK 68 million (DKK 19 million in 2008, DKK 66 million in 2009 and DKK 51 million in 2010) and the guarantee against losses on distressed banks.

The Transition Scheme

Part 4a of the Financial Stability Act established a transition scheme whereby applications could be made for an individual state guarantee for existing and new unsubordinated and unsecured debt and for supplementary collateral for covered bonds issued by credit institutions or mortgage credit institutions (junior covered bonds), in each case issued with a maturity of up to three years. Spar Nord completed three bond issues under the Transition Scheme in 2010 for a total amount of DKK 7.2 billion, of which DKK 2.5 billion will expire in July 2013, whereas Sparbank completed one bond issue expiring on 28 May 2013 for an amount of SEK 1.3 billion and raised a senior loan of USD 337 million expiring on 16 July 2013 under the Transition Scheme. The Transition Scheme has now expired.

The state guarantees falling under the Transition Scheme are subject to the payment of a guarantee commission which is fixed individually for each bank.

During the period when the guarantees are valid, Spar Nord and Sparbank are subject to certain limitations in various areas, including that dividends may only be distributed to the extent that they can be financed by Spar Nord's and Sparbank's respective profits after tax, which may be added to the distributable reserves, as generated in the period after 1 October 2010. Spar Nord and Sparbank may not embark on capital reduction programmes or similar programmes and Spar Nord and Sparbank may not initiate new share option programmes or other similar plans for the executive board or prolong or renew existing programmes.

State Hybrid Capital

Pursuant to Act no. 67 of 3 February 2009 on state-funded capital injections into credit institutions (Bank Package II), as amended, a scheme was set up, whereby the Danish State offered to inject state-funded Hybrid Capital and to underwrite issues of Hybrid Capital for Danish banks and mortgage credit institutions. The capital injection was in the form of Hybrid Capital without a set maturity and with a possibility for redemption after three years. Redemption is subject to approval by the DFSA. Banks and mortgage credit institutions that were in compliance with the solvency requirements of the Financial Business Act were eligible to apply for a capital injection from the Danish State.

The act generally required that any State Hybrid Capital injection should be of a size ensuring that the credit institution would achieve a minimum Tier 1 Capital of 12%. Credit institutions with a Tier 1 Capital of 9% or higher before any State Hybrid Capital injection were entitled to apply for an injection of Hybrid Capital of 3 percentage points, but could choose a lower amount if the minimum requirement of 12% was met after the injection. However, credit institutions with a Tier 1 Capital of less than 9% had to apply for a State Hybrid Capital injection equivalent to the difference between 12% Tier 1 Capital and their existing Tier 1 Capital, and credit institutions with a Tier 1 Capital of less than 6% could apply for an individual solution.

The credit institutions were required to pay interest on State Hybrid Capital injections at individual rates ranging from approximately 9% to approximately 11.25% p.a. After a period of three years, the rate of interest will be fixed as one of the following: (i) The interest rate fixed in connection with the issue, or (ii) an interest rate calculated by multiplying (a) 125% of the credit institution's dividend payments to its shareholders by (b) an amount equivalent to the value of the State Hybrid Capital divided by the credit institution's market value at the time of the State Hybrid Capital if such amount is higher than the amount in (i).

See sections 4.8.1 and 4.8.13 on State Hybrid Capital.

Bank Package III

In connection with the expiry of Bank Package I on 30 September 2010, Act no. 721 of 25 June 2010, as amended, established a framework model under the auspices of Finansiel Stabilitet for the controlled winding up of a distressed bank as a going concern (Bank Package III).

If a bank fails to meet the capital requirements of the Financial Business Act, and the bank fails to provide the capital required within a time limit fixed by the DFSA, the bank's board of directors must decide whether the bank should be wound up by Finansiel Stabilitet under the provisions of the Financial Stability Act or be wound up under the general rules of the Financial Business Act.

If a bank's board of directors decides to wind up the bank through Finansiel Stabilitet, Finansiel Stabilitet will establish a new subsidiary bank. This subsidiary bank will take over all assets of the distressed bank and will, moreover, take over a proportionate share of the unsubordinated debt, including deposits and other debt to unsecured creditors to the extent that the value of the assets covers such claims. Deposits under the Guarantee Fund are fully covered.

The financial risks to Danish banks consist first and foremost of the Guarantee Fund's protection of depositors and investors within the framework of the Guarantee Fund. The Guarantee Fund (banking division) is financed by the Danish banks.

A new separate division, the winding-up division, has been established by the Guarantee Fund. The winding-up division must provide an unlimited guarantee to Finansiel Stabilitet for the newly established subsidiary bank's repayment to Finansiel Stabilitet of the funding of the bank and the liquidity line. The winding-up division must also provide an unlimited guarantee for any losses Finansiel Stabilitet may incur in connection with the winding-up of the subsidiary bank. The winding-up division will receive a risk premium for the guarantee.

The winding-up division's capital amounts to DKK 3.2 billion and is financed through guarantees from Danish banks. If the winding-up division's capital is used up because the guarantees have been invoked, the division may raise loans against state guarantee. These loans will be settled through claims on the banks. The banks' total contribution to the winding-up division during a financial year cannot exceed an amount equal to 0.2% of the banks' deposits. The individual bank's contribution will equal its current share of the total covered net deposits and its share of assets in custody accounts.

Pursuant to Act no. 619 of 14 June 2011, as amended (supplement to Bank Package III) amending the Act on a guarantee fund for depositors and investors, the Financial Stability Act and the Tax Assessment Act, a scheme has furthermore been introduced under which the Guarantee Fund may resolve to participate in the winding up of a bank by contributing funds or providing a guarantee for the coverage of all of the bank's unsubordinated creditors, see section 16k of the Financial Stability Act (dowry). The Guarantee Fund will resolve to do so when it is deemed that such winding up will entail fewer costs to the Guarantee Fund than winding up according to sections 16e–16i of the Financial Stability Act, and the solution is deemed viable from a business point of view.

Bank Package IV

Pursuant to Document no. 181 prepared by the Danish Ministry of Economic and Business Affairs on 29 August 2011, adopted by a majority of the members of the Finance Committee on 7 September 2011, the Minister for Business and Growth was authorised to cause the implementation of an expansion of the possibilities for rescuing distressed banks. Bank Package IV provides Finansiel Stabilitet with an option to offer a dowry to a bank which takes over a distressed bank (excluding share capital and other subordinated capital) and to pay the expenses related thereto. Furthermore, it is a prerequisite that the state dowry does not make up a greater proportion of the individual state guarantees in the distressed bank than the proportion which the Guarantee Fund's dowry makes up of the covered deposits with the distressed bank.

Bank Package IV also provides Finansiel Stabilitet with an option to offer a dowry in case a subsidiary (bank) of Finansiel Stabilitet takes over a distressed bank (excluding share capital and other subordinated capital) and immediately divests a part to another bank and to pay the expenses related thereto. The dowry paid will be used to cover the loss in connection with the winding up of the remaining part of the acquired bank which the subsidiary would otherwise be expected to incur. As with Bank Package III, the winding-up division of the Guarantee Fund provides a loss guarantee which will cover any loss incurred by Finansiel Stabilitet's subsidiary (after recognition of the dowry provided by the Guarantee Fund on the takeover of the distressed bank, the state dowry and the proceeds from the sale of the green part) when the winding up of the red part of the distressed bank has been completed.

The expenses to Finansiel Stabilitet and hence to the Danish State in connection with the dowry scheme cannot exceed the losses which could be expected on individual state guarantees provided, if the institutions had been wound up pursuant to the rules of Bank Package III.

Bank Package IV also contains possibilities for extending the individual state guarantees provided in connection with Part 4a of the Financial Stability Act or for providing new guarantees.

Against payment of guarantee commission, Finansiel Stabilitet may provide individual state guarantees to replace existing individual state guarantees in specific instances where two banks wish to merge and at least one of the merging banks has an individual state guarantee.

In accordance with Bank Package IV, Finansiel Stabilitet may, against payment of guarantee commission, issue an individual state guarantee to a bank which has merged, and where the merger has caused senior debt to fall due for repayment. An upper limit of DKK 10 billion has been determined for the overall guarantees issued under this scheme.

The conclusion by Finansiel Stabilitet of agreements on individual state guarantees assumes:

- that the agreement concerns a merger as defined in the Danish Competition Act;
- that a business plan for the merged bank has been prepared and approved by the DFSA in accordance with section 204 of the Financial Business Act. The business plan must describe how the institution intends to handle the situation when the individual state guarantee expires;
- that Finansiel Stabilitet assesses that the merger of the two banks reduces the Danish State's overall risk with respect to the continuing institution's liabilities relative to the risk to which the Danish State would have been exposed if the institutions had continued on their own; and
- that at least one of the merging institutions is not subject to increased supervision by the DFSA and that the DFSA assesses that the merged bank is not directly required to be subject to increased supervision.

Applications may be submitted by Danish banks complying with the solvency requirement of 8%, the requirement for the institution's individual solvency need and any higher individual solvency requirement determined by the DFSA in accordance with section 124 of the Financial Business Act.

Modification of Bank Package IV

On 22 March 2012, the Finance Committee adopted Document no. 51, which is a modification of Document no. 181 (Bank Package IV) and which serves to align the individual state guarantee scheme described in Document no. 181 of 7 September 2011 with notices from the Commission on state subsidy for banks in connection with the financial crisis. Among other things, the scheme is amended to the effect that it can be applied by all Danish banks in connection with a merger, regardless of whether the banks in question have previously been granted an individual state guarantee, provided, however, that at least one of the banks involved is distressed or is expected to become distressed. A distressed bank is defined as a bank which does not comply with the statutory capital requirements. A bank expected to become distressed is defined as a bank which, according to the DFSA's assessment, is at substantial risk of conflicting with central statutory capital or liquidity requirements within the next 12-18 months if it continues as an independent bank.

The upper limit of the overall guarantees issued under the scheme is maintained at DKK 40 billion.

The Development Package (Bank Package V)

On 2 March 2012, an agreement was concluded between the Danish government and the Liberal Party, the Danish Peoples' Party, Liberal Alliance and the Conservative Party on initiatives intended to promote the financing of small and medium-sized enterprises in particular (the Development Package).

The package has three objectives:

1. Division of FIH to separate off the property section. The purpose was to improve FIH's opportunities for granting loans to small and medium-sized enterprises in particular. Using a case-by-case approach, it will be possible for other banks which are in a situation similar to FIH and which are able to comply with the requirements for loss guarantee etc. to conclude similar agreements.

2. Attempts are currently made to establish a financing institute for agriculture which can contribute to providing capital investment funding for efficiently operated farms and new, young farmers with a view to continuing the process of structural adjustment, with funding for operations still being provided by the banks and the role of mortgage credit institutions remaining unchanged.

3. Various initiatives are taken to strengthen growth and export financing.

Danmarks Nationalbank's three-year lending facility

With a view to temporarily increasing the access of banks and mortgage credit institutions to longer-term financing, Danmarks Nationalbank has introduced an opportunity to raise loans with a three-year maturity. The loans are secured against the collateral basis of Danmarks Nationalbank, implying, among other things, that banks can provide collateral in high-quality loans. The interest on the three-year loan facility will be variable and will track Danmarks Nationalbank's seven-day monetary-policy lending rate. The new loans are offered in addition to Danmarks Nationalbank's existing loans with maturities of seven days and six months.

Supervisory Diamond

In June 2010, the DFSA introduced the Supervisory Diamond (in Danish: "Tilsynsdiamanten") which identifies a series of special risk areas with associated limits which the banks as the starting point should be within from the end of 2012. The limits will be included in the DFSA's organisation of supervisory activities and will also imply that, going forward, the DFSA will initiate a dialogue with the banks on their risk profiles at an earlier stage. The DFSA will from late 2012 make an individual and specific assessments of whether a so-called "risk warning" should be issued in situations where the institution exceeds the Supervisory Diamond limits. This risk warning must be published.

4.3 Organisation

Spar Nord Bank A/S is the parent company of the Spar Nord Group, which consists of Spar Nord and its subsidiaries.

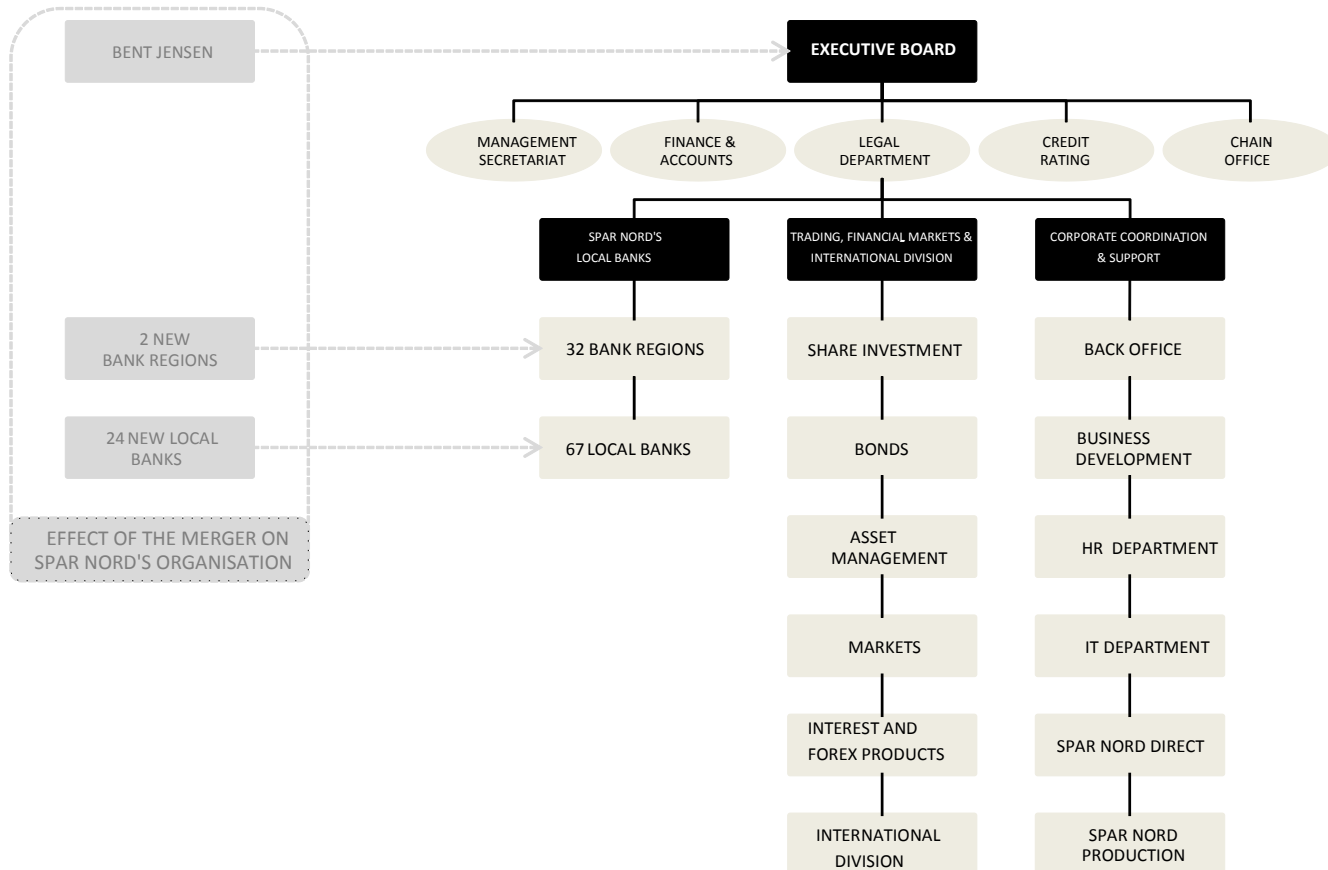
Sparbank A/S is the parent company of the Sparbank Group, which consists of Sparbank and its subsidiary.

The Continuing Bank will be the parent company of a group consisting of Spar Nord's subsidiaries and Sparbank's subsidiaries at the Date of Completion.

4.3.1 The Continuing Bank's organisational structure

The Continuing Bank's organisational structure is shown below:

Table 4.8 – The Continuing Bank's organisational structure



In connection with the Merger, 23 Sparbank branches will be integrated with Spar Nord. In connection with the Merger, Spar Nord's overall organisational structure is expected to be maintained, and the new branches from Sparbank will thus be integrated with the business area Spar Nord's Local Banks.

Together with Sparbank's Management, Spar Nord's Management has defined a general plan for the integration of Sparbank with Spar Nord. Sparbank's chief executive officer, Bent Jensen, will have the primary responsibility for the integration in the Continuing Bank.

With the aim of supporting and expanding the key market position in the Skive area, the Continuing Bank aims to remain a key player in the Skive area, including through active involvement in local sports, arts and cultural activities, etc., while at the same time bearing in mind that it may be appropriate for the Continuing Bank to retain some business units and support functions in Sparbank's present head office in Skive.

4.3.2 Principal subsidiaries

The following table shows a list of all of the Spar Nord Group's subsidiaries owned by the Spar Nord Group at the Date of Announcement as well as a specification of ownership interests. The Spar Nord Group's share of the capital corresponds to its voting shares in all companies listed below.

Table 4.9 – Spar Nord's subsidiaries at 30 June 2012

Name	Registered office	Country of incorporation	Ownership interest
Consolidated subsidiaries			
Erhvervsinvest Nord A/S	Aalborg	Denmark	100%
Spar Nord Ejendomsselskab A/S	Aalborg	Denmark	100%
Spar Nord Leasing A/S	Aalborg	Denmark	100%
SN Finans Nord AB	Malmö	Sweden	100%
Finans Nord Cross Border A/S	Aalborg	Denmark	100%

Spar Nord has published a merger plan for the merger with its wholly-owned subsidiary, Erhvervsinvest Nord A/S, with Spar Nord as the continuing company. The merger with Erhvervsinvest Nord A/S is expected to be finalised after the Date of Completion, but before the end of 2012. In connection with the merger, all assets and liabilities, rights and obligations of Erhvervsinvest Nord A/S will be transferred to Spar Nord, Erhvervsinvest Nord A/S will be dissolved without liquidation, and the shares will be cancelled. On completion of the merger, Spar Nord will register the name and secondary names of Erhvervsinvest Nord A/S as new secondary names.

Sparbank holds all shares in Skive Erhvervsinvest A/S, whose activities consist of property investment and letting of real property. The company's registered office is situated in Skive, Denmark.

After completion of the Merger, Skive Erhvervsinvest A/S will be a wholly owned subsidiary of the Continuing Bank.

4.3.3 Associates

Spar Nord has equity investments in a number of associates, of which Nørresundby Bank A/S is the most important.

Spar Nord owns 50.2% of Nørresundby Bank A/S, which reported a profit of DKK 40.8 million for the financial year ended 31 December 2011 and distributed total dividends of DKK 9.2 million. Due to restrictions on voting rights included in the articles of association of Nørresundby Bank A/S, Spar Nord does not have a controlling interest in Nørresundby Bank A/S' business, but recognises Nørresundby Bank A/S as an associate in the financial statements.

Other associates in which Spar Nord has equity investments: JSNA Holding A/S, Core Property Management A/S, Erhvervsinvest K/S, ValueInvest Asset Management S.A., Fjerritslev Gruppen ApS, Høgsberg Assurance Service A/S and Nørager Industrihuse I/S.

4.4 Property, plant and equipment

4.4.1 Facilities

Properties owned by Spar Nord

The Spar Nord Group's portfolio of owned properties generally includes corporate properties with prime locations in major cities in Denmark, including the Spar Nord Group's head office located at Skelagervej 15, 9000 Aalborg, Denmark. The portfolio also includes a number of other commercial and residential properties. The Spar Nord Group's portfolio of owned properties includes properties built by the group itself. Properties built by the group located in Odense and Nyborg have been divested to the subsidiary Spar Nord Ejendomsselskab A/S. The Spar Nord Group owns a total site area of 154,891

sqm. The site area owned by the Spar Nord Group comprises buildings with a floor area of 66,371 sqm distributed on 56 business locations. At the Date of Announcement, the total carrying amount of Spar Nord Group's land and properties is DKK 492 million, equivalent to 1% of the Spar Nord Group's total assets.

No significant burdens rest on the Spar Nord Group's properties.

In connection with the preparation of the Merger, Spar Nord has signed a conditional purchase agreement regarding Spar Nord's purchase of 16 properties owned by the Spar Vest Foundation. At the Date of Announcement, most of the properties are let to Sparbank and include Sparbank's head office in Skive (see description of Sparbank's leased land and buildings below). The purchase agreement is subject to the completion of the Merger. At the Date of Completion, the Continuing Bank will thus acquire a total site area of 16,920 sqm and buildings with a floor area of 14,906 sqm, distributed on 16 locations from the Spar Vest Foundation, at a total purchase price of DKK 177 million (see 4.8.6 for additional information about the purchase agreement). The purchase price of the properties has been agreed between the parties on the basis of an assessment of the market rent for the relevant locations and a market-based rate of return.

Properties owned by Sparbank

The Sparbank Group's portfolio of owned properties only comprises investment properties. At the Date of Announcement, the carrying amount of the Sparbank Group's investment properties is DKK 164 million, equivalent to 1.2% of the Sparbank Group's total assets. Of this amount, properties owned by Sparbank represent DKK 25 million, while the remaining investment properties are owned by Skive Erhvervsinvest A/S.

No significant burdens rest on the Sparbank Group's properties.

The Sparbank Group is not planning any substantial investments in property, plant and equipment.

Spar Nord's leased land and buildings

In addition to the portfolio of owned corporate properties, the Spar Nord Group has a significant number of leases at its disposal in the cities where the Spar Nord Group operates. Thus, the Spar Nord Group has leased premises at a total of 33 leased locations with a total floor area of 18,788 sqm and 16 ATM leases. Leases are usually long-term leases subject to a non-terminability period, after which the leases may usually be terminated at up to 12 months' notice.

In 2011, the total rent for the Spar Nord Group's leases amounted to DKK 24 million exclusive of VAT.

Sparbank's leased land and buildings

Sparbank has a significant number of leases at its disposal in the cities where Sparbank operates. Thus, Sparbank has leased premises at a total of 28 leased locations with a total floor area of 18,542 sqm and ATM leases. Leases are usually long-term leases subject to a non-terminability period, after which the leases may usually be terminated at up to 12 months' notice.

In 2011, the total rent for Sparbank's leases amounted to DKK 23.0 million exclusive of VAT.

The Spar Nord Group's property, plant and equipment

Table 4.10 – Carrying amount of property, plant and equipment for the Spar Nord Group at 30 June 2012

Spar Nord Group	DKK m
Land and buildings, total	494.6
Investment properties	49.0
Corporate properties	445.6
Other property, plant and equipment	460.1
Operating lease assets	325.2
Other property, plant and equipment	134.9
Total	954.7

The Sparbank Group's property, plant and equipment

Table 4.11 – Carrying amount of property, plant and equipment for the Sparbank Group at 30 June 2012

Sparbank Group	DKK m
Land and buildings, total	163.5
Investment properties	163.5

Corporate properties	0.0
Other property, plant and equipment	67.4
Operating lease assets	41.3
Other property, plant and equipment	26.0
Total	230.9

4.4.2 Insurance

Spar Nord's Management believes that the companies of the Spar Nord Group as well as the companies to be acquired in the Merger, have taken out insurance that is customary for the line of business where they operate and at an adequate level.

Sparbank's Management believes that the companies of the Sparbank Group have taken out insurance that is customary for the line of business in which they operate and at an adequate level.

4.4.3 Environmental issues

Spar Nord's Management believes that there are no significant environmental issues that could affect the use of the Spar Nord Group's current properties, or the properties to be acquired in the Merger, or other property, plant and equipment after completion of the Merger.

Sparbank's Management believes that there are no significant environmental issues that could affect the use of the Sparbank Group's current properties or other property, plant and equipment.

4.5 Major shareholders

Pursuant to section 29 of the Securities Trading Act and section 55 of the Companies Act, Spar Nord and Sparbank have received notifications of holdings of 5% or more of the share capital or voting rights in the respective companies from the shareholders listed below.

Table 4.12 – Major shareholders of Spar Nord

	Before the Merger			After the Merger		
	No. of shares	Ownership interest (%)	Voting rights (%)	No. of shares	Ownership interest (%)	Voting rights (%)
Spar Nord Foundation	23,273,723	20.4%	20.5%	23,273,723	18.5%	18.7%
Nykredit Realkredit A/S	10,667,000	9.3%	9.4%	10,692,350	8.6%	8.6%
Spar Vest Foundation	-	-	-	7,045,928	5.6%	5.6%

Note: Ownership interests are determined on the basis of the aggregate share capital, exclusive of Spar Nord's holding of treasury shares to which no voting rights are attached.

Voting rights are determined on the basis of the aggregate share capital less any treasury shares held.

The calculation was made on the basis that Sparbank's outstanding share capital amounts to DKK 113,922,980 at the Date of Completion, divided into 5,696,149 shares of DKK 20 each.

Table 4.13 – Major shareholders of Sparbank

	Before the Merger			After the Merger		
	No. of shares	Ownership interest (%)	Voting rights (%)	No. of shares	Ownership interest (%)	Voting rights (%)
Spar Vest Foundation	3,522,964	58.5%	61.8%	-	-	-

Note: Ownership interests are determined on the basis of the aggregate share capital, exclusive of Sparbank's holding of treasury shares to which no voting rights are attached.

Voting rights are determined on the basis of the aggregate share capital less any treasury shares held.

Spar Nord and Sparbank are not authorised to issue company announcements regarding major shareholdings unless they have received prior notice to that effect from a shareholder. Thus, changes may have occurred to the stated share capital or voting rights of major shareholders relative to the specification above.

Spar Nord is not aware of being owned or controlled, directly or indirectly, by others, and Spar Nord is not aware of any agreements that could later result in others taking over the control of Spar Nord.

4.6 Dividend policy

The Continuing Bank will aim to generate a competitive return to its shareholders by way of price performance and dividends. Thus, its policy will be to pay dividends to the shareholders in years when results allow it.

Spar Nord has defined a strategic goal of creating a basis for repaying Hybrid Capital to the Danish State. In conjunction with Spar Nord's internal solvency objectives, this assumes that a significant portion of future years' profits will be used for consolidation, because the objectives will continue to apply in the Continuing Bank.

No dividends were paid in respect of the financial years ended 31 December 2009, 2010 and 2011.

4.7 Litigation

Both the Spar Nord Group and the Sparbank Group regularly become involved in litigation in connection with their business. Although the outcome of claims, legal proceedings or other litigation against Spar Nord, the Spar Nord Group, Sparbank or the Sparbank Group cannot be predicted with certainty, neither Spar Nord, Sparbank nor any of their respective subsidiaries are involved in governmental, legal or arbitration proceedings (including any such proceedings as are pending or threatened) which may have a significant effect on the financial position or profitability of the continuing company or have had such an effect during the 12 months preceding the Date of Announcement.

4.8 Material contracts

4.8.1 Spar Nord's State Hybrid Capital

Spar Nord has entered into an agreement with the Danish State on the Danish State's subscription for bonds ("Spar Nord's Hybrid Agreement") in a total amount of DKK 1,265 million ("Spar Nord's State Hybrid Capital"). According to Spar Nord's Terms and Conditions of the Notes, the bonds are in the nature of Hybrid Capital.

In addition to usual disclosure requirements and default provisions, the agreement with the Danish State contains the following material obligations for Spar Nord:

- (i) Spar Nord may not (1) effect any capital reductions except to cover losses or to write down share capital in accordance with the loan notes agreement or (2) purchase own shares, including initiate buyback programmes, if such purchase would constitute a violation of Bank Package II. Spar Nord may not sell own shares on terms and conditions that are more burdensome for Spar Nord than market terms unless it is necessary to do so in order to honour Spar Nord's employee share option programmes.
- (ii) After 1 October 2010, Spar Nord may only distribute dividends to the extent that such dividends can be financed by Spar Nord's net profit after tax, which may be added to the distributable reserves, as generated in the period following 1 October 2010.
- (iii) Spar Nord may not use funds to capitalise businesses in violation of Bank Package II. Spar Nord may not acquire shares if such acquisition constitutes a violation of Bank Package II. All intra-Group agreements and transactions shall be concluded on arm's length terms.
- (iv) Spar Nord may not introduce restrictions on ownership, voting rights or negotiability in the articles of association, nor may Spar Nord introduce share classes.
- (v) Spar Nord may not (1) initiate new share option programmes or other similar plans for the Executive Board or prolong or renew existing programmes; (2) remunerate members of the Executive Board by variable pay elements to an extent exceeding 20% of the total basic salary including pension; (3) issue bonus shares at a discount or use similar advantageous schemes for the Executive Board; or (4) make tax deductions of more than one-half of the Executive Board's salaries, to the extent that such deductions would constitute a violation of Bank Package II. Spar Nord shall in a note to the annual report disclose the amount for which tax deductions have been made.
- (vi) No later than on 31 March and 30 September of each year, Spar Nord shall present a statement of its lending activities in the immediately preceding period from 1 July to 31 December and from 1 January to 30 June,

respectively, to the Danish State in accordance with Bank Package II. The statement on lending activities shall be published as provided by Bank Package II.

The agreement with the Danish State is effective until the earlier of the date when (i) all amounts payable under the loan granted under Spar Nord's Hybrid Agreement with the Danish State, including interest and costs, have been repaid in full, cancelled or converted into equity under Spar Nord's Hybrid Agreement with the Danish State and the loan notes agreement, or (ii) the Danish State has transferred all bonds and has thus ceased to be a creditor of all or part of the loan.

In addition to the special terms agreed between Spar Nord and the Danish State, Spar Nord shall comply with the obligations contained in Spar Nord's Terms and Conditions of the Notes during the term of the loan. In addition to usual disclosure requirements and default provisions, Spar Nord's Terms and Conditions of the Notes contain the following material obligations for Spar Nord:

- (i) Spar Nord may not (1) effect any capital reductions except to cover losses or to write down share capital in accordance with the loan notes agreement or (2) purchase own shares, including initiate buyback programmes, if such purchase would constitute a violation of Bank Package II. Spar Nord may not sell own shares on terms and conditions that are more burdensome for Spar Nord than market terms unless it is necessary to do so in order to honour Spar Nord's employee share option programmes.
- (ii) Spar Nord may not issue share options, warrants, convertible debt instruments or similar instruments on terms that are less favourable to Spar Nord than market terms, unless such issue is part of a general employee scheme.
- (iii) Spar Nord may not at any time pay dividend, repay or buy back any debt that is subordinated to the bonds or ranks *pari passu* with the bonds or other Hybrid Capital if (1) any coupon that is past due remains unpaid, or (2) if coupon has not been paid in full on two consecutive fixed coupon payment dates following an Alternative Coupon Payment Event (as defined below) or the date on which a cancellation of coupon has occurred. Notwithstanding the aforementioned, Spar Nord may for its trading portfolio purchase debt that is subordinated to the bonds or ranks *pari passu* with the bonds or other Hybrid Capital in order to meet purchase orders from Spar Nord's customers in respect of Spar Nord operating as a market maker.
- (iv) The shareholders of Spar Nord may not approve any resolution to liquidate Spar Nord unless where such liquidation is required by law.
- (v) Spar Nord may not enter into (1) a merger agreement, and the shareholders of Spar Nord may not approve such merger agreement, if the valuation experts declare pursuant to section 241(4) of the Companies Act that the consideration paid for the shares is not reasonable, or (2) a demerger agreement, if such agreement may have a material adverse effect on the Danish State's interests.
- (vi) Spar Nord may not apply for delisting of the shares from NASDAQ OMX or another regulated market within the EU or EEA.
- (vii) Spar Nord may not complete any transaction or take any other action which would imply that, in the event of a conversion of coupon or bonds pursuant to provisions regarding alternative coupon payment or Spar Nord's conversion option and obligation, the economic value of Spar Nord's ACPE Shares (as defined below) or the new shares to be received following the determination of Spar Nord's ACPE reference price or the reference price is less than the value of Spar Nord's ACPE Shares or new shares, respectively, had such transaction or action not been completed or taken.

The agreement with the Danish State contains provisions to the effect that Spar Nord may distribute dividends after 1 October 2010 to the extent such dividends can be financed by Spar Nord's net profit after tax. If Spar Nord makes dividend payments, interest pursuant to Spar Nord's Terms and Conditions of the Notes may increase as a variable dividend supplement for each note will be payable in addition to a fixed coupon.

If, following any coupon payment in full or in part, Spar Nord's solvency would be less than 110% of the solvency requirement (the "Alternative Coupon Payment Event") on any fixed coupon payment date, the payment of the relevant coupon or part thereof shall be settled by way of issue of new shares or delivery of existing own shares ("Spar Nord's ACPE Shares") to the bondholder(s) pro rata to their holding of bonds on the relevant fixed coupon payment date or such later date as may be required when Spar Nord is in possession of price sensitive information ("Spar Nord's ACPE Conversion Date"). The coupon shall be converted into Spar Nord's ACPE Shares on Spar Nord's ACPE Conversion Date by registration of the resulting capital increase with the Danish Business Authority.

Pursuant to Spar Nord's Terms and Conditions of the Notes, the bonds are perpetual and will not fall due, in full or in part, at any fixed date. However, subject to the written consent of the DFSA, Spar Nord may redeem all or part of the bonds with the addition of accrued and due but unpaid coupon, on or after 30 May 2014. However, if the bonds are redeemed before the first day of the sixth year from the issue date, redemption will be subject to the following conditions being met on the redemption date:

- (i) Spar Nord's Tier 1 Capital ratio must be at least 12% after such redemption; or
- (ii) The total nominal value of the bonds to be redeemed has been replaced by other Tier 1 Capital of at least the same quality as the bonds.

For a period up to but not including the first day of the sixth year from the issue date, Spar Nord may at its discretion and at any time require that the bonds be converted at their nominal value with the addition of any accrued and due but unpaid coupon on the nominal value, in separate tranches of 20% of the original number of bonds into new shares of Spar Nord, if Spar Nord's Hybrid Capital ratio exceeds 35% ("Spar Nord's Conversion Option").

If Spar Nord's original Tier 1 Capital ratio exceeds 50%, Spar Nord has an obligation to exercise Spar Nord's Conversion Option in individual tranches of 20% of the original number of bonds to the extent (and only to the extent) necessary to bring Spar Nord's original Hybrid Capital ratio (including the effect of the conversion) to 35% or less.

4.8.2 Finansielt Stabilitet – agreement on the terms for providing a state guarantee

Pursuant to the Financial Stability Act, Spar Nord has entered into an agreement with Finansielt Stabilitet on behalf of the Danish State as guarantor, on the terms for the provision of individual state guarantees for new, unsubordinated, unsecured debt up to a total limit of DKK 7.5 billion with a maturity of up to three years for loans issued on or before 31 December 2010 against payment of guarantee commission.

Under this agreement, Spar Nord has issued a two-year bond expiring on 17 November 2011 for DKK 991 million, three-year bonds expiring on 10 July 2012 for DKK 3,717 million, and expiring on 15 July 2013 for DKK 2,500 million.

The agreement furthermore contains a provision to the effect that under certain circumstances the agreement will be deemed to be breached if Spar Nord defaults under agreements with other parties on a number of financial obligations of more than EUR 5 million. The agreement is governed by Danish law, and any disputes shall be decided by the City Court of Copenhagen. However, the Danish State may request that the dispute be referred to the Danish Eastern High Court.

4.8.3 Euro Medium Term Note Programme

Spar Nord has established a possibility for issuing bonds of up to EUR 3 billion. The framework for such issue is described in the most recent offering circular for the Euro Medium Term Note Programme ("EMTN Programme"), dated 31 March 2011. Bonds may be issued in one or more tranches. The terms for each issue will be determined in connection with the relevant issue and may differ from one issue to the next.

At the Date of Announcement, Spar Nord has three non-expired issues under the EMTN Programme for a total amount of DKK 4,237 million, of which DKK 1,487 million expires on 23 May 2013, DKK 2,500 million expires on 15 July 2013 and DKK 250 million expires on 30 June 2014.

In addition to usual default provisions, the general terms for issues under the EMTN Programme contain a provision to the effect that the agreement will be deemed to be breached if Spar Nord and certain affiliated companies default under other agreements on loans or guarantees in a total amount of more than EUR 10 million. The terms also contain a negative pledge provision with respect to the mortgaging or pledging of and establishment of other security interests on Spar Nord's assets to secure payment obligations of Spar Nord or Spar Nord's subsidiaries for or under negotiable securities with the exception of covered bonds, securitisation in conformity with normal market standards and collateral under statutory authority.

The terms are primarily governed by English law, although certain provisions are governed by Danish law. Any disputes shall be determined by the English courts.

4.8.4 Spar Nord Leasing A/S – business transfer agreement

Spar Nord's subsidiary, Spar Nord Leasing A/S (formerly Finans Nord A/S) on 22 September 2011 entered into an agreement to transfer certain assets and liabilities to the Jyske Bank Group. The agreement took effect on 1 October 2011. By becoming a party to certain parts of the agreement, Spar Nord has assumed the obligations described below.

The assets and liabilities transferred comprised Spar Nord Leasing A/S' future activities of buying, leasing, managing and selling assets for leasing to the business sector and assets for the leasing of passenger cars to retail customers, shares in Finans Nord Easyfleet A/S, employees of Spar Nord Leasing A/S and the management of existing commitments in Spar Nord Leasing A/S. Existing leases and ownership in assets leased under existing leases were not transferred, nor were Spar Nord Leasing A/S' shares in the subsidiaries SN Finans Nord AB (Sweden) and Finans Nord Crossborder A/S transferred. The parties have entered into a cooperation and management agreement with respect to the assets that have not been transferred, subject to which the Jyske Bank Group will handle management and phase-out of the leases that were not transferred.

Spar Nord bears the risk associated with leases set up by Spar Nord Leasing A/S prior to the date of transfer.

In connection with the transfer, Spar Nord Leasing A/S has given usual warranties, and Spar Nord has undertaken to ensure that SN Finans Nord AB does not sell financing products under the Finans Nord name. This undertaking applies for as long as Spar Nord owns Spar Nord Leasing A/S, and as long as Spar Nord Leasing A/S owns SN Finans Nord AB.

Furthermore, Spar Nord Leasing A/S and Spar Nord have undertaken not to commence any business that competes with the transferred business in Denmark for a period of three years from the date of transfer.

The agreement is governed by Danish law, and any disputes shall be decided by arbitration (Danish Arbitration).

4.8.5 Loan agreement between Spar Nord Leasing A/S and Jyske Bank A/S

On 14 October 2011, Spar Nord Leasing A/S and Jyske Bank A/S entered into an agreement providing for Jyske Bank A/S to grant a loan of DKK 450 million to Spar Nord Leasing A/S. The loan was granted to reduce Spar Nord Leasing A/S' debt to Spar Nord.

The loan must be finally repaid on 1 October 2014. Spar Nord Leasing A/S may at any time prepay all or parts of the loan giving 14 days' notice to the expiry of an interest period.

In addition to usual obligations and default provisions, the loan agreement contains provisions to the effect that, subject to certain exemptions, Spar Nord Leasing A/S may not sell, mortgage or pledge its assets or participate in any merger, demerger or reconstruction.

Spar Nord Leasing A/S' credit with Spar Nord may not be reduced to below DKK 3 billion before 1 October 2012, to below DKK 1.5 billion before 1 October 2013, and to below DKK 500 million before 1 October 2014. If the debt to Spar Nord is brought below the levels indicated before such dates, the entire outstanding amount of the loan will fall due for ordinary repayment at the next interest date.

Spar Nord Leasing A/S must prepay the loan from Jyske Bank A/S if it becomes illegal for Jyske Bank A/S or Spar Nord Leasing A/S to maintain the loan, or if a natural or legal person or a group of persons acting in concert gains control of Spar Nord Leasing A/S (change of control).

Spar Nord has issued a separate, irrevocable statement to Jyske Bank A/S declaring that it will be subordinated to Jyske Bank A/S' claim under the loan agreement in the event that Spar Nord Leasing A/S comes under reconstruction, composition with creditors, moratorium or bankruptcy.

Spar Nord Leasing A/S may not transfer its rights and/or obligations under the loan agreement. Jyske Bank A/S may transfer its rights and/or obligations under the loan agreement without the consent of Spar Nord Leasing A/S.

The agreement is governed by Danish law, and any disputes shall be decided by the Danish courts.

4.8.6 Conditional purchase agreement regarding properties owned by the Spar Vest Foundation

On 17 September 2012, Spar Nord entered into a conditional purchase agreement regarding Spar Nord's acquisition of certain properties owned by the Spar Vest Foundation, the majority shareholder of Sparbank. The purchase agreement comprises 16 properties owned by the Spar Vest Foundation which at the Date of Announcement were mainly let to Sparbank, including Sparbank's head office in Skive.

The purchase agreement is subject to completion of the Merger on the terms and conditions set forth in this Merger Announcement by 31 December 2012. On the Date of Completion, the Continuing Bank will deposit the purchase price of the properties of DKK 177 million in aggregate for the benefit of the Spar Vest Foundation, and the purchase price deposited will be released proportionately to the Spar Vest Foundation for its free disposal when final and conclusive

conveyance has been registered on each individual property transferred without any endorsements barring registration as requested. The purchase price of the properties has been agreed between the parties on the basis of an assessment of the market rent for the relevant locations and a market-based rate of return.

The Continuing Bank bears the risk in relation to all matters concerning the transferred properties as from the Date of Completion.

On conclusion of the agreement, the Spar Vest Foundation has provided usual guarantees and information, and the Spar Vest Foundation has also assumed obligations regarding the operation of the properties from conclusion of the agreement until the Date of Completion.

The agreement is governed by Danish law, and any disputes shall be decided by arbitration by the Danish Institute of Arbitration.

4.8.7 Skandinavisk Data Center A/S – data processing agreement

On 14 March 2005, Spar Nord entered into a data processing agreement with SDC under which SDC provides IT services, including development, maintenance and joint procurement of IT systems. Like most of SDC's other customers, Spar Nord is a shareholder of SDC's parent company.

Spar Nord may withdraw from the agreement or be terminated at a notice of three years to the end of any SDC financial year. However, Spar Nord is entitled to terminate the agreement at a shorter notice against payment of compensation to SDC. Such compensation will equal the average monthly payment from Spar Nord to SDC until the date of termination, multiplied by the number of months the notice is shorter than three years, less amounts saved by SDC by not having to provide the service. The maximum compensation for withdrawing from the agreement would have been DKK 431 million in 2011, DKK 460 million in 2010 and DKK 450 million in 2009.

The agreement is governed by Danish law, and any disputes shall be decided by the Copenhagen Maritime and Commercial Court.

On 18 March 2005, Sparbank entered into a similar agreement with SDC. Sparbank is also a shareholder of SDC's parent company, and the cooperation with SDC will thus be continued in the Continuing Bank.

4.8.8 Totalkredit – cooperation agreement

Together with a number of regional banks and LOPI, Spar Nord has entered into a cooperation agreement with Totalkredit for arranging Totalkredit loans for residential property and holiday homes within the framework of mortgage credit legislation applicable from time to time. Spar Nord receives a fixed percentage of the management fee relating to the portfolio written as commission from Totalkredit. Totalkredit is a subsidiary of Nykredit, which is owned by Nykredit Holding A/S. In connection with the agreement, Nykredit Holding A/S and Nykredit signed declarations confirming that the cooperation agreement will also be observed by Nykredit Holding A/S, Nykredit and other companies in the Nykredit group.

The cooperation agreement allows Totalkredit a right of setoff of any losses against commission receivable by Spar Nord from Totalkredit, and Spar Nord provides a loss guarantee to Totalkredit (i) in cases with special types of risk, (ii) where Spar Nord has chosen not to provide the loan case with a special credit risk classification, (iii) until Totalkredit has approved the loan case and (iv) in the event that the construction of the mortgaged property is not completed.

Spar Nord may at any time terminate the cooperation with Totalkredit by notice to Totalkredit. Any termination will be effective from the date when all ongoing cases have been finalised. Totalkredit cannot terminate the agreement unless in the event of default.

Any disputes shall be decided by an arbitration tribunal appointed by the president of the Danish Supreme Court according to procedural rules determined by the arbitration tribunal.

Sparbank is a party to the same cooperation agreement with Totalkredit, which will thus be continued by the Continuing Bank.

4.8.9 DLR – cooperation agreement

DLR is owned by a large number of banks, including Spar Nord. Spar Nord has become a party to a cooperation agreement with DLR regarding intermediary services with respect to mortgage credit loans, primarily for agricultural properties on

competitive terms. Spar Nord receives a customer service commission for these services together with guarantee commission for Spar Nord's share of the limited revolving guarantee described below.

DLR may offset identified losses on mortgage credit loans arranged by Spar Nord in the relevant year against Spar Nord's accrued customer service commission and guarantee commission. If the identified loss exceeds the commission for the relevant year, the identified loss may be offset against commissions for up to five years. In case identified losses on mortgage credit loans arranged by Spar Nord exceed the commission for the relevant year, DLR may request that Spar Nord provides a guarantee for repayment of the year's identified loss amounting to a maximum of 0.25% of the portfolio. If the identified loss has not been covered by setoff against commission over the next five years, DLR may exercise Spar Nord's guarantee. If such amount also proves insufficient, the loss shall be covered by the common limited revolving guarantee described below.

When making the agreement, the banks comprised by a cooperation agreement with DLR take on a share of a limited revolving guarantee set up to partly cover losses in DLR in excess of what is described above. The limited guarantee covers identified losses in DLR exceeding DLR's prior liability. The total limited guarantee cannot exceed DLR's prior liability multiplied by five. Spar Nord's share of the limited guarantee is calculated based on the residual bond debt on loans which Spar Nord is recorded at the beginning of the year as having arranged, relative to the total residual bond debt involved in the cooperation agreement.

The cooperation agreement cannot be terminated by Spar Nord as long as Spar Nord is a shareholder of DLR, and it will automatically terminate if Spar Nord sells its shares in DLR, effective from the end of the calendar year in which the sale is effected. By a resolution adopted by the board of directors, DLR may terminate the cooperation agreement giving three months' notice to expire at the end of a calendar year.

The agreement is governed by Danish law, and any disputes shall be decided by arbitration according to the rules of the Danish Institute of Arbitration.

Sparbank is a party to the same cooperation agreement. Sparbank is also a shareholder of DLR, and the cooperation with DLR will thus be continued by the Continuing Bank.

4.8.10 BankInvest Fondsmæglerselskab – marketing and investment advisory services agreement

On 25 September 2009, Spar Nord entered into an agreement with BankInvest Fondsmæglerselskab relating to Spar Nord's sale of and advice relating to financial products marketed by BankInvest Fondsmæglerselskab against payment of a commission from BankInvest Fondsmæglerselskab to Spar Nord. BankInvest Fondsmæglerselskab is a subsidiary of BankInvest, which is owned by a number of Danish banks, including Spar Nord.

The products comprise units in investment funds, special-purpose funds and hedge funds traded on NASDAQ OMX and investments in a number of structured products.

The agreement may be terminated by either party giving three months' notice to expire at the end of a calendar year. However, the agreement may be terminated by BankInvest Fondsmæglerselskab giving one month's notice to expire at the end of a month in case of any merger, demerger or other transfer or conversion of all or part of Spar Nord's activities. The agreement does not prevent cooperation with other providers of similar products. It may not be assigned by Spar Nord without the written consent of BankInvest Fondsmæglerselskab.

The agreement is governed by Danish law, and any disputes shall be decided by an arbitration tribunal set up by the Danish Institute of Arbitration.

On 26 July 2006, Sparbank entered into a similar agreement with BankInvest Fondsmæglerselskab. The agreements with BankInvest Fondsmæglerselskab will continue after completion of the Merger, unless BankInvest Fondsmæglerselskab opts to terminate the agreements at one month's notice in connection with the Merger.

4.8.11 Ietpension – intermediary services relating to individual life and pension insurance products

On 25 June 2009, Spar Nord entered into an agreement regarding the provision of intermediary services with respect to individual life and pension insurance products with Ietpension livs- og pensionsforsikringsselskab A/S (now "Bankpension livs- og pensionsforsikringsselskab A/S").

The services currently comprise development and management of advisory and distribution solutions in the pension and insurance area, but not provision of pension and insurance products as such products are provided by PFA Pension according to an agreement of 1 October 2010. See 4.8.12 "PFA Pension – agreement on provision of pension and insurance products" below. After the agreement with PFA Pension was made, the remaining obligations under the agreement of 25 June 2009 continued with letpension (formerly letpension Holding A/S).

letpension is owned jointly by a number of banks which are either members or associated members of the Danish Regional Bankers' Association or LOPI, including by Spar Nord. letpension was created for the purpose of offering attractive and up-to-date life and pension insurance products to the owners' customers on competitive terms.

The cooperation with letpension will terminate immediately if Spar Nord sells its shares in letpension in accordance with the shareholder agreement, or by resolution by the board of directors if Spar Nord (i) defaults on its obligations under the agreement; (ii) fails to arrange insurance or pension schemes through letpension for a period of six months; or (iii) ceases to be a member of any of the Danish Regional Bankers' Association or LOPI.

Any disputes shall be decided by arbitration according to the rules of the Danish Institute of Arbitration.

Sparbank is a party to a similar agreement with letpension. Sparbank is also one of the owners of letpension, and the cooperation with letpension will thus be continued by the Continuing Bank.

4.8.12 PFA Pension – agreement on provision of pension and insurance products

On 1 October 2010, PFA Pension and letpension (formerly letpension Holding A/S) entered into an agreement for the sale and provision of intermediary services with respect to pension and insurance products to letpension shareholders and their customers. Spar Nord has become a party to this agreement. The agreement runs for a preliminary trial period until 1 January 2014. After this date, the parties will decide whether to continue the cooperation.

Under the agreement, PFA Pension will provide pension and insurance products, letpension will handle general marketing, operation, management and further development of the pension and insurance products offered, and Spar Nord together with a number of other banks which are parties to the agreement will be responsible for the sale and provision of advisory services relating to pension and insurance products offered, against receipt of a fee from PFA.

It is a condition for Spar Nord's participation in the cooperation with PFA Pension that Spar Nord is a shareholder of letpension. If Spar Nord ceases to be a shareholder of letpension, Spar Nord must withdraw from the cooperation on the sale and provision of intermediary services with respect to the products referred to.

PFA Pension and letpension may terminate the agreement in case of default by another party and terminate the agreement with a bank in case of default by such bank.

Except in the event of default, the agreement cannot be terminated during the trial period until 1 January 2014. The parties will decide before 31 July 2013 whether to continue the agreement after 31 December 2013. Failing a decision to prolong the agreement, it will automatically lapse on 31 December 2013. If the agreement is maintained, it may subsequently be terminated by Spar Nord giving three months' notice to expire at the end of a quarter.

After expiry of the period of non-terminability, PFA Pension and letpension may terminate the agreement giving either a 10-year or a 5-year notice, depending on product type.

The agreement contains a provision to the effect that, as long as Spar Nord is a party to the agreement, it may not, without the consent of PFA Pension, (i) offer pension or insurance products; (ii) enter into new agreements with providers other than PFA Pension regarding pension and insurance products; or (iii) take part in the establishment of any pension insurance and/or personal insurance business competing with PFA Pension. These conditions apply until 1 October 2015 after which date they will lapse in the absence of a prior agreement by the parties to extend such period.

The agreement is governed by Danish law, and any disputes shall be decided by arbitration pursuant to the rules of the Danish Institute of Arbitration.

Sparbank is also a party to this agreement, which will thus be continued by the Continuing Bank.

4.8.13 Sparbank's State Hybrid Capital

Sparbank has entered into an agreement with the Danish State on the Danish State's subscription for bonds ("Sparbank's Hybrid Agreement") in a total amount of DKK 480 million ("Sparbank's State Hybrid Capital"). According to the terms and

conditions of the notes relating to Sparbank's Hybrid Agreement ("Sparbank's Terms and Conditions of the Notes"), the bonds are in the nature of Hybrid Capital.

In addition to usual disclosure requirements and default provisions, the agreement with the Danish State contains the following material obligations for Sparbank:

- (i) Sparbank may not (1) effect any capital reductions except to cover losses or to write down share capital in accordance with the loan notes agreement or (2) purchase own shares, including initiate buyback programmes, if such purchase would constitute a violation of Bank Package II. Sparbank may only dispose of own shares on market terms.
- (ii) After 1 October 2010, Sparbank may only distribute dividends to the extent that such dividends can be financed by Sparbank's net profit after tax, which may be added to the distributable reserves, as generated in the period following 1 October 2010.
- (iii) Sparbank may not use funds to capitalise businesses in violation of Bank Package II. Sparbank may not acquire shares if such acquisition constitutes a violation of Bank Package II. All intra-Group agreements and transactions shall be concluded on arm's length terms.
- (iv) Sparbank may not introduce restrictions on ownership, voting rights or negotiability in the articles of association, nor may Sparbank introduce share classes.
- (v) Sparbank may not (1) initiate new share option programmes or other similar plans for the Executive Board or prolong or renew existing programmes; (2) remunerate members of the Executive Board by variable pay elements to an extent exceeding 20% of the total basic salary including pension; (3) issue bonus shares at a discount or use similar advantageous schemes for the Executive Board; or (4) make tax deductions of more than one-half of the Executive Board's salaries, to the extent that such deductions would constitute a violation of Bank Package II. Sparbank shall in a note to the annual report disclose the amount for which tax deductions have been made.
- (vi) No later than on 31 March and 30 September of each year, Sparbank shall present a statement of its lending activities in the immediately preceding period from 1 July to 31 December and from 1 January to 30 June, respectively, to the Danish State in accordance with Bank Package II. The statement on lending activities shall be published as provided by Bank Package II.

The agreement with the Danish State is effective until the earlier of the date when (i) all amounts payable under the loan granted under Sparbank's Hybrid Agreement with the Danish State, including interest and costs, have been repaid in full, cancelled or converted into equity under Sparbank's Hybrid Agreement with the Danish State and the loan notes agreement, or (ii) the Danish State has transferred all bonds and has thus ceased to be a creditor of all or part of the loan.

In addition to the special terms agreed between Sparbank and the Danish State, Sparbank shall comply with the obligations contained in Sparbank's Terms and Conditions of the Notes during the term of the loan. In addition to usual disclosure requirements and default provisions, Sparbank's Terms and Conditions of the Notes contain the following material obligations for Sparbank:

- (i) Sparbank may not (1) effect any capital reductions except to cover losses or to write down share capital in accordance with the loan notes agreement or (2) purchase own shares, including initiate buyback programmes, if such purchase would constitute a violation of Bank Package II. Sparbank may only dispose of own shares on market terms.
- (ii) Sparbank may only issue share options, warrants, convertible debt instruments or similar instruments on market terms, if such issue is part of a general employee scheme.
- (iii) Sparbank may not at any time pay dividend, repay or buy back any debt that is subordinated to the bonds or ranks *pari passu* with the bonds or other Hybrid Capital if (1) any coupon that is past due remains unpaid, or (2) if coupon has not been paid in full on two consecutive fixed coupon payment dates following an Alternative Coupon Payment Event (as defined below) or the date on which a cancellation of coupon has occurred. Notwithstanding the aforementioned, Sparbank may for its trading portfolio purchase debt that is subordinated to the bonds or ranks *pari passu* with the bonds or other Hybrid Capital in order to meet purchase orders from Sparbank's customers in respect of Sparbank operating as a market maker.

(iv) The shareholders of Sparbank may not approve any resolution to liquidate Sparbank unless where such liquidation is required by law.

(v) Sparbank may not enter into (1) a merger agreement, and the shareholders of Sparbank may not approve such merger agreement, if the valuation experts declare pursuant to section 241(4) of the Companies Act that the consideration paid for the shares is not reasonable, or (2) a demerger agreement, if such agreement may have a material adverse effect on the capital certificate holders' interests.

(vi) Sparbank may not apply for delisting of the shares from NASDAQ OMX.

(vii) Sparbank may not complete any transaction or take any other action which would imply that, in the event of a conversion of coupon or bonds pursuant to provisions regarding alternative coupon payment or Sparbank's Conversion Option and obligation, the economic value of Sparbank's ACPE Shares (as defined below) or the new shares to be received following the determination of Sparbank's ACPE reference price or the reference price is less than the value of Sparbank's ACPE Shares or new shares, respectively, had such transaction or action not been completed or taken.

The agreement with the Danish State contains provisions to the effect that Sparbank may distribute dividends after 1 October 2010 to the extent such dividends can be financed by Sparbank's net profit after tax. If Sparbank makes dividend payments, interest pursuant to Sparbank's Terms and Conditions of the Notes may increase as a variable dividend supplement for each note will be payable in addition to a fixed coupon.

If, following any coupon payment in full or in part, Sparbank's solvency would be less than 110% of the solvency requirement (the "Alternative Coupon Payment Event") on any fixed coupon payment date, the payment of the relevant coupon or part thereof shall be settled by way of issue of new shares or delivery of existing own shares ("Sparbank's ACPE Shares") to the bondholder(s) pro rata to their holding of bonds on the relevant fixed coupon payment date or such later date as may be required when Sparbank is in possession of price sensitive information ("Sparbank's ACPE Conversion Date"). The coupon shall be converted into Sparbank's ACPE Shares on Sparbank's ACPE Conversion Date by registration of the resulting capital increase with the Danish Business Authority.

Pursuant to Sparbank's Terms and Conditions of the Notes, the bonds are perpetual and will not fall due, in full or in part, at any fixed date. However, subject to the written consent of the DFSA, Sparbank may redeem all or part of the bonds with the addition of accrued and due but unpaid coupon, on or after 25 September 2012. However, if the bonds are redeemed before 25 September 2014, redemption will be subject to the following conditions being met on the redemption date:

- (i) Sparbank's Tier 1 Capital ratio must be at least 12% after such redemption; or
- (ii) The total nominal value of the bonds to be redeemed has been replaced by other Tier 1 Capital of at least the same quality as the bonds.

For the period from the issue date up to and including 24 September 2014, Sparbank may at its discretion and at any time require that the bonds be converted at their nominal value with the addition of any accrued and due but unpaid coupon on the nominal value, in separate tranches of 20% of the original number of bonds into new shares of Sparbank, if Sparbank's Hybrid Capital ratio exceeds 35%.

As a consequence of the Merger, the Continuing Bank will become a party to Sparbank's Hybrid Agreement.

4.8.14 Finansielt Stabilitet – agreement on the terms for providing a state guarantee to Sparbank

Pursuant to the Financial Stability Act, Sparbank has entered into an agreement with Finansielt Stabilitet on behalf of the Danish State as guarantor, on the terms for the provision of individual state guarantees for new, unsubordinated, unsecured debt up to a total limit of DKK 5 billion with a maturity of up to three years for loans issued on or before 31 December 2010 against payment of guarantee commission.

Under this agreement, Sparbank has issued a three-year bond expiring on 28 May 2013 for SEK 1,300 million and a three-year senior loan of USD 337 million expiring on 16 July 2013.

The agreement furthermore contains a provision to the effect that under certain circumstances the agreement will be deemed to be breached if Sparbank defaults under agreements with other parties on a number of financial obligations of more than DKK 20 million.

The agreement is governed by Danish law, and any disputes shall be decided by the City Court of Copenhagen. However, the Danish State may request that the dispute be referred to the Danish Eastern High Court.

As a consequence of the Merger, the Continuing Bank will become a party to the agreement with Finansiel Stabilitet.

4.8.15 Other contracts

ValueInvest Danmark – intermediary services agreement

On 27 March 2003, Spar Nord entered into an intermediary services agreement with Investeringsforeningen ValueInvest relating to the sale of units in ValueInvest. Under the agreement, Spar Nord will arrange the sale of units against an agency commission.

The agreement may be terminated by either party giving six months' notice.

The agreement is governed by Danish law, and any disputes shall be decided by the Danish courts.

Codan – cooperation agreement

In 2000, Codan and LOPI entered into an agreement enabling LOPI's members to arrange insurances through the Codan group. Spar Nord (which is not a member of LOPI) became a party to the agreement on 11 November 2005 against payment of a fee to LOPI. Sparbank became a party to this agreement on 2 May 2000.

All parties, including Spar Nord and Sparbank, may terminate the agreement giving 12 months' notice to expire at the end of a calendar year. In addition, Spar Nord and Sparbank may terminate the agreement giving six months' notice to expire at the end of a calendar month if material changes are introduced to the agreement.

Spar Nord and Sparbank receive a regular fee from Codan for arranging insurances under the agreement.

The agreement is governed by Danish law, and any disputes shall be decided by arbitration according to the rules of the Danish Institute of Arbitration.

SparInvest – intermediary services agreement relating to unit trust units

On 28 March 2008, Spar Nord entered into a cooperation agreement with ID-SparInvest A/S and SparInvest Fondsmæglerselskab A/S for Spar Nord to provide intermediary services with respect to units in investment funds and sub-funds managed by ID-SparInvest A/S.

Spar Nord receives a fee for providing intermediary and advisory services based on Spar Nord's customers' holdings of units in investment funds and sub-funds managed by ID-SparInvest A/S.

The agreement may be terminated by ID-SparInvest A/S and SparInvest Fondsmæglerselskab A/S giving three months' notice. However, ID-SparInvest A/S may terminate the agreement with immediate effect if it is in the interests of a fund. See the Financial Business Act. Spar Nord may terminate the agreement without notice and without cause.

The agreement is governed by Danish law, and any disputes shall be decided by arbitration according to the rules of the Danish Institute of Arbitration.

Sparbank is a party to a similar agreement, which will thus be continued by the Continuing Bank.

4.9 Material investments

In the period from 1 January 2012 to 30 June 2012, the Spar Nord Group's investments amounted to DKK 83 million, of which DKK 20 million was attributable to property, plant and equipment, DKK 17 million to shares and equity investments, and DKK 46 million to equipment temporarily taken over relating to leasing in Spar Nord Leasing.

The Spar Nord Group's total investments for the financial year ended 31 December 2011 amounted to DKK 408 million, of which DKK 322 million was attributable to investments in equipment used for leasing in Spar Nord Leasing A/S, DKK 59 million was attributable to investments in other property, plant and equipment, including corporate properties and equipment, and DKK 4 million was attributable to investments in intangible assets, including software, and DKK 23 million to shares and equity investments in associates.

In the financial year ended 31 December 2010, the Spar Nord Group's investments amounted to DKK 592 million, of which DKK 415 million was attributable to equipment used for leasing, DKK 77 million was attributable to other plant and equipment, and DKK 100 million to shares and equity investments in associates.

In the financial year ended 31 December 2009, the Spar Nord Group's investments amounted to DKK 473 million, of which DKK 279 million was attributable to equipment used for leasing, DKK 61 million was attributable to other plant and equipment, DKK 2 million to intangible assets and DKK 131 million to shares and equity investments in associates.

Due to the sale of Finans Nord Easyfleet A/S and the transfer of the forward-looking activities of Spar Nord Leasing A/S to the Jyske Bank Group, the Spar Nord Group's investments in property, plant and equipment in the years ahead are expected to be significantly lower than in the years 2009-2011.

In connection with the preparation of the Merger, the Spar Nord Group has signed a conditional purchase agreement regarding Spar Nord's purchase of 16 properties owned by the Spar Vest Foundation. At the Date of Announcement, the properties are mainly let to Sparbank, including Sparbank's head office in Skive. The purchase agreement is subject to the completion of the Merger. As at the Date of Completion, the Continuing Bank will thus acquire a total of 16 properties from the Spar Vest Foundation at a total purchase price of DKK 177 million (see 4.8.6 "Conditional purchase agreement regarding properties owned by the Spar Vest Foundation" for additional information about the purchase agreement). The purchase price of the properties has been agreed between the parties on the basis of an assessment of the market rent for the relevant locations and a market-based rate of return. The investment in properties from the Spar Vest Foundation is made using funds from Spar Nord's capital resources as described in 4.18 "Capital resources".

The Spar Nord Group has no other substantial ongoing investments and currently has not planned any other substantial future investments apart from investments in ordinary operations and maintenance.

In the period from 1 January 2012 to 30 June 2012, the Sparbank Group's investments amounted to DKK 6 million, of which DKK 3 million was attributable to equipment used for leasing and DKK 3 million to other property, plant and equipment.

In the financial year ended 31 December 2011, the Sparbank Group's investments amounted to DKK 250 million. Of this amount, DKK 140 million was attributable to investments in investment properties in the subsidiary Skive Erhvervsinvest A/S, DKK 38 million was attributable to goodwill and customer relationships relating to the acquisition of branches from the former Fjordbank Mors, DKK 61 million was attributable to investments in equipment used for leasing, DKK 9 million was attributable to investments in other property, plant and equipment, including restoration obligations, and DKK 2 million was attributable to investments in intangible assets, including software.

In the financial year ended 31 December 2010, the Sparbank Group's investments amounted to DKK 29 million, of which DKK 10 million was attributable to equipment used for leasing, DKK 17 million to other property, plant and equipment, and DKK 2 million to intangible assets.

In the financial year ended 31 December 2009, the Sparbank Group's investments amounted to DKK 23 million, of which DKK 3 million was attributable to equipment used for leasing, DKK 18 million to other property, plant and equipment, and DKK 2 million to intangible assets.

Due to a major restructuring in 2011 which, among other things involved that the leasing department was closed and future activities would only comprise the phase-out and servicing of existing leasing customer, the Group's future investments in property, plant and equipment are expected to be significantly lower than in 2011 and somewhat lower than in 2010 and 2011.

The Sparbank Group has no substantial ongoing investments and currently has not planned any substantial future investments apart from investments in ordinary operations and maintenance.

4.10 The board of directors and executive board of the Continuing Bank

The Continuing Bank will retain Spar Nord's two-tier management system encompassing a board of directors and an executive board as described below.

4.10.1 Spar Nord's board of directors

Spar Nord's board of directors has overall responsibility for the management of Spar Nord and supervises the executive board. Under the current management structure, the board of directors defines the overall principles governing the affairs

of the Spar Nord Group. The executive board is the supreme decision-making body as concerns the day-to-day management, observing the guidelines and instructions issued by the board of directors. The board of directors must give specific authorisation for transactions which are unusual or significant to Spar Nord. The board of directors shall also consider from time to time whether the capital resources of Spar Nord are adequate in the context of Spar Nord's operations and shall ensure that Spar Nord's book-keeping and asset management functions are subject to the appropriate control.

The board of directors, which consists of non-executive directors, is elected by the shareholders of Spar Nord at the general meeting of shareholders with the exception of those board members who are elected pursuant to applicable law concerning employee representation on the board of directors (currently three members). Employees of companies that have more than 35 employees are entitled to elect board members corresponding to half of the board members elected by the shareholders. Board members elected by the employees are elected for terms of four years, and they hold the same rights and obligations as any member of the board of directors elected by the shareholders. Board members elected by the shareholders are elected for terms of two years, and the number of such board members may range from four to seven (currently six members). In connection with the Merger, Spar Nord's Board of Directors will propose to the shareholders at Spar Nord's general meeting that the Articles of Association be amended to the effect that board members elected by the shareholders may make up four to seven members.

Members of the board of directors must retire not later than four months after the end of the year in which they reach the age of 70. According to Danish law, members of the executive board may not also be members of the board of directors of Spar Nord.

Table 4.14 – Current board members of Spar Nord as at the Date of Announcement

Name	Year of birth	Position	Member of the board of directors since	Expiry of current terms
Torben Frstrup	1951	Chairman	2003	2014
Per Nikolaj Bukh	1965	Deputy Chairman	2007	2013
Carsten Normann	1962	Board member	2004	2014
Hans Østergaard	1946	Board member	2009	2013
Ole Skov	1959	Board member	2000	2016
Jannie Skovsen	1965	Board member	2008	2016
Gitte Holmgaard Sørensen	1965	Board member	2012	2016
Kaj Christiansen	1955	Board member	2012	2013
Laila Mortensen	1965	Board member	2012	2014

The business address of the current board members is Skelagervej 15, 9100 Aalborg, Denmark.

In connection with the Merger, Spar Nord's board of directors recommends that the shareholders resolve to elect Fritz Dahl Pedersen as a new member of the board of directors of the Continuing Bank.

Torben Frstrup

Torben Frstrup was born in 1951 and has been Chairman of Spar Nord's board of directors since 2004. Torben Frstrup holds a degree in engineering and has completed an executive management programme at IMD Business School in Switzerland. Torben Frstrup is Chief Executive Officer of CUBIC-Modulsystem A/S and has management experience from several companies.

Table 4.15 – Torben Frstrup's current and resigned directorships

Current directorships	Directorships resigned within the past five years
Chairman	Chairman
Brønderslev Industrilakering A/S	Cabinet System A/S
CUBIC Norge AS	A/S Peder Nielsens Beslagfabrik
CUBIC Svenska AB	
Sjørring Maskinfabrik A/S	Board member
CUBIC – Modular System Ltd.	Nordjysk Lånefond
Board member	A/S Dybvad Stålintustri
CUBIC-Modulsystem A/S	Aalborg Træindustri af 1992 A/S (dissolved by merger)
Direktør Erik Kauffeldts Fond	The Spar Nord Foundation
Managing director	Keflico A/S
CUBIC-Modulsystem A/S	CUBIC-Holding, Brønderslev A/S (dissolved by merger)
	AAT Investment A/S

Fristrup Holding Aalborg ApS
Regulus ApS

Newline A/S
Rigmor Nielsens Fond
Managing director
CUBIC-Holding, Brønderslev A/S (dissolved by merger)

Per Nikolaj Bukh

Per Nikolaj Bukh was born in 1965 and has been Deputy Chairman of Spar Nord's board of directors since 2009. Per Nikolaj Bukh holds an MSc and a PhD in economics. Per Nikolaj Bukh works as a professor at Aalborg University and also has management experience from several directorships.

Table 4.16 – Per Nikolaj Bukh's current and resigned directorships

Current directorships	Directorships resigned within the past five years
Chairman None	Chairman MBL A/S
Board member Jurist- og Økonomforbundets Forlag A/S Jurist- og Økonomforbundets Forlagsfond Value Spread 1 ApS Jurist- og Økonomforbundets Forlag Holding A/S Padborg Ejendomme ApS P. N. Bukh ApS	Board member Akva Waterbeds A/S Berty A/S Kapitalpleje A/S (dissolved by merger) The Spar Nord Foundation
Managing director P. N. Bukh ApS Danmarksgade 28, Frederikshavn ApS Value Spread 1 ApS	Managing director Berty A/S

Carsten Normann

Carsten Normann was born in 1962 and has been a member of Spar Nord's board of directors since 2004. Carsten Normann holds an MSc in international business economics, has also completed a directorship training course targeted at financial businesses and has achieved board certification from Board Governance. Carsten Normann is a professional board member and Chief Executive Officer and partner of Mayday Invest A/S, and he has previously been Chief Executive Officer of Dagrofa and Biva.

Table 4.17 – Carsten Normann's current and resigned directorships

Current directorships	Directorships resigned within the past five years
Chairman Whitebrown A/S	Chairman Dreisler Storkøb A/S Jacodan A/S (dissolved by merger) Foodservice Danmark A/S Supergros Danmark A/S Catering Engros A/S Pisiffik A/S Norddata A/S KIWI Danmark A/S ISO Supermarked A/S (dissolved by merger) Ove Juel Catering A/S Dagrofa Detail A/S
Board member Go'on gruppen A/S Zap-In Kontorsupermarked A/S K/S Laboris I, Horsens The Spar Nord Foundation	Board member Sügro Danmark A/S Dansk Handelsblad A/S Dagrofa Finansiering A/S (deputy chairman) The Spar Nord Foundation Spar Danmark A/S (deputy chairman) Inco Food A/S The Danish Chamber of Commerce (Dansk Erhverv) EG Retail & Medie A/S
Managing director Cano Holding ApS Mayday Invest A/S	Managing director SOVI-1109 ApS Dagrofa A/S CaPa Holding I ApS (dissolved by demerger) Selskabet af 31. august 2010 A/S (in bankruptcy) 12. januar 2009 Holding A/S BIVA A/S

Hans Østergaard

Hans Østergaard was born in 1946 and has been a member of Spar Nord's board of directors since 2009. Hans Østergaard is a state-authorised public accountant and has also completed a directorship training course targeted at financial businesses and has achieved board certification from Board Governance. Hans Østergaard is a professional board member.

Table 4.18 – Hans Østergaard's current and resigned directorships

Current directorships	Directorships resigned within the past five years
Chairman C.S. Electric ApS C.S. Electric Nord ApS HNC Group A/S C.S.E. Holding A/S Board member Dyrlægerne Himmerland Kvæg A/S Managing director None	Chairman Ejendomsselskabet Reskavej 1 A/S Flexodan A/S (dissolved by merger) Nordjysk Entreprenør - Materiel A/S Nordjysk Reservedelslager A/S Board member Nordjysk Reservedelslager Aalborg A/S (deputy chairman) Managing director None

Ole Skov

Ole Skov was born in 1959 and has been an employee-elected member of Spar Nord's board of directors since 2000. Ole Skov has a background in banking and holds a business diploma in accounting and finance and has also completed a directorship training course targeted at financial businesses. Ole Skov is a senior shop steward at Spar Nord.

Table 4.19 – Ole Skov's current and resigned directorships

Current directorships	Directorships resigned within the past five years
Chairman The Financial Services Union "Spar Nord Kreds" Board member The Personnel Foundation at Spar Nord (Personalefonden i Spar Nord) (deputy chairman) The Financial Services Union executive committee Managing director None	Chairman None Board member The Spar Nord Foundation Managing Director None

Jannie Skovsen

Jannie Skovsen was born in 1965 and has been an employee-elected member of Spar Nord's board of directors since 2008. Jannie Skovsen has a background in banking and holds a business diploma in marketing. Jannie Skovsen is a shop steward at Spar Nord.

Table 4.20 – Jannie Skovsen's current and resigned directorships

Current directorships	Directorships resigned within the past five years
Chairman None Board member The Spar Nord Foundation The Financial Services Union "Spar Nord Kreds" (deputy chairman) Managing director None	Chairman None Board member None Managing director None

Gitte Holmgaard Sørensen

Gitte Holmgaard Sørensen was born in 1965 and has been an employee-elected member of Spar Nord's board of directors since 2012.

Table 4.21 – Gitte Holmgaard Sørensen's current and resigned directorships

Current directorships	Directorships resigned within the past five years
Chairman None Board member The Financial Services Union "Spar Nord Kreds" The Spar Nord Foundation Managing director None	Chairman None Board member None Managing director None

Laila Mortensen

Laila Mortensen was born in 1965 and has been a member of the board of directors since 2012. Laila Mortensen holds an MSc in Insurance Science from the University of Copenhagen and has furthermore completed an executive management programme at IMD Business in Switzerland. Laila Mortensen is Chief Executive Officer of Industriens Pension and has experience from several other directorships in the financial sector.

Table 4.22 – Laila Mortensen's current and resigned directorships

Current directorships	Directorships resigned within the past five years
Chairman Industriens Pension IT A/S	Chairman None
Board member DSEB (formerly FUHU) Foreningen PensionsInfo The Danish Insurance Association	Board member Industriens Pensions Service A/S
Managing director Industriens Pensionsforsikring A/S Industriens Pension Service A/S Industripension Holding A/S	Managing director Industriens Pension IT A/S

Kaj Christiansen

Kaj Christiansen was born in 1955 and has been a member of the board of directors since 2012. Kaj Christiansen is a state-authorised public accountant and Chief Executive Officer of FME, Frederikshavn Maritime Erhvervspark A/S. Prior to that, Kaj Christiansen held a position as Chief Financial Officer with Danyard A/S.

Table 4.23 – Kaj Christiansen's current and resigned directorships

Current directorships	Directorships resigned within the past five years
Chairman Fonden Arena Nord	Chairman Aktieselskabet af den 28. september 2011
Board member Northern Offshore Services Domus Aqua ApS Frederikshavn Maritime Erhvervspark A/S The Spar Nord Foundation Ringvejens Erhvervsinvest A/S	Board member Fonden Tordenskjold i Frederikshavn Danyard Holding A/S Domus Aqua A/S Danyard Aalborg A/S
Managing director Frederikshavn Maritime Erhvervspark A/S Komplementaranpartsselskabet Værftsvej Kommanditaktieselskabet Østre Havn Bangsbo Invest ApS K/S Værftsvej 23, Aalborg Østre Havn Aalborg ApS Fonden Kattegat Silo	Managing director Danyard A/S

Fritz Dahl Pedersen

Fritz Dahl Pedersen was born in 1955 and has been Deputy Chairman of Sparbank's board of directors since 2007. Fritz Dahl Pedersen has a background in finance and sales. Fritz Dahl Pedersen works as a car dealer and also has management experience from several directorships.

Table 4.24 – Fritz Dahl Pedersen's current and resigned directorships

Current directorships	Directorships resigned within the past five years
Chairman None	Chairman None
Board member Sparbank Fritz Dahl Pedersen Holding ApS Bolette og Fritz Dahl Pedersen Ejendomsselskab ApS Spar Vest Finans A/S Dahl Pedersen Holding ApS The Spar Vest Foundation SVF Ejendomsservice A/S	Board member Kulturcenter Limfjord Ejendomme A/S
	Managing director None

Spar vest Tyskland A/S

Spar Vest Grønland A/S

Managing director

Fritz Dahl Pedersen Holding ApS

Bolette og Fritz Dahl Pedersen Ejendomsselskab ApS

Fritz Dahl Pedersen Biler ApS

4.10.2 Spar Nord's executive board

Spar Nord's executive board is in charge of the day-to-day management of the Spar Nord Group as laid down in the Rules of Procedure for Spar Nord's executive board.

Table 4.25 – Current members of Spar Nord's executive board as at the Date of Announcement

Name	Year of birth	Position	Has held the position since
Lasse Nyby	1960	Chief Executive Officer	2000
John Lundsgaard	1964	Managing Director	2000
Lars Møller	1957	Managing Director	2000

In connection with the Merger, Chief Executive Officer of Sparbank, Bent Jensen, will join the executive board of the Continuing Bank as Managing Director, and the other executive of Sparbank will also be offered a position with the Continuing Bank.

The business address of the members of Spar Nord's Executive Board is Skelagervej 15, 9100 Aalborg, Denmark.

Lasse Nyby

Lasse Nyby was born in 1960 and was appointed Chief Executive Officer of Spar Nord in 2000. Lasse Nyby has a background in banking and holds a BCom in management and accounting and has completed an executive management programme at INSEAD in France. Lasse Nyby also has management experience from several directorships.

Table 4.26 – Lasse Nyby's current and resigned directorships

Current directorships	Directorships resigned within the past five years
Chairman	Chairman
The Danish Regional Bankers' Association	None
Erhvervsinvest Nord A/S	Board member
SN Finans Nord AB	Totalkredit A/S
Finanssektorens Pensionskasse	Easyfleet A/S
Spar Nord Ejendomsselskab A/S	Erhvervsinvest Management A/S
Spar Nord Leasing A/S	Managing director
JSNA Holding A/S	Spar Nord's Pensionskasse
Komplementarselskabet Advizer ApS	
Board member	
Finans Nord Cross Border A/S	
Nykredit Holding A/S	
The Danish Bankers Association	
Pras A/S	
Vækst-Invest Nordjylland A/S	
AP Pension	
Managing director	
None	

John Lundsgaard

John Lundsgaard was born in 1964 and was appointed Managing Director of Spar Nord in 2000. John Lundsgaard has a background in banking and holds a Master in Business Administration (MBA). John Lundsgaard also has management experience from several directorships.

Table 4.27 – John Lundsgaard's current and resigned directorships

Current directorships	Directorships resigned within the past five years
Chairman	Chairman
Høgsberg Assurance Service A/S	Komplementarselskabet NFIT A/S
Skandinavisk Data Center A/S	Nordisk Finans IT P/S

Factor Insurance Brokers A/S	Board member
Board member	Finanssektorens Pensionskasse
letpension A/S	Bankpension Livs- og Pensionsforsikringsselskab A/S
Spar Nord Ejendomsselskab A/S	Maestro Business Group A/S
Datakomm A/S	letpension IT A/S (dissolved by merger)
The Danish Employers' Association for the Financial Sector	Managing director
Managing director	Spar Nords Pensionskasse
None	

Lars Møller

Lars Møller was born in 1957 and was appointed Managing Director of Spar Nord in 2000. Lars Møller has a background in banking and has completed an executive management programme at INSEAD in France. Lars Møller also has management experience from several directorships.

Table 4.28 – Lars Møller's current and resigned directorships

Current directorships	Directorships resigned within the past five years
Chairman	Chairman
BI Holding A/S	None
BI Asset Management Fondsmæglerselskab A/S	Board member
BI Management A/S	None
Board member	Managing director
DLR Kredit A/S	None
BankInvest Private Equity A/S (deputy chairman)	
Spar Nord Ejendomsselskab A/S	
Erhvervsinvest Nord A/S	
Managing director	
None	

In connection with the Merger, Spar Nord's Board of Directors will appoint Bent Jensen, Chief Executive Officer of Sparbank, as a new member of the executive board of the Continuing Bank.

Bent Jensen

Bent Jensen was born in 1960 and was appointed Chief Executive Officer of Sparbank in 2011. Bent Jensen has a diploma from the Danish Insurance Academy and holds a BCom in Sales and Marketing and a Master in Business Administration (MBA) from Henley Management College, London. Bent Jensen previously held positions as Marketing Manager, Manager, Private Banking, Area Manager and Managing Director at Sparbank. Bent Jensen also has management experience from several directorships.

Table 4.29 – Bent Jensen's current and resigned directorships

Current directorships	Directorships resigned within the past five years
Chairman	Chairman
None	None
Board member	Board member
Skive Erhvervsinvest A/S	Skive Smede & Maskinteknik A/S
EgnsINVEST Holding A/S	Managing director
Factor Insurance Brokers A/S	None
Garanti Invest A/S	
EgnsINVEST Management A/S	
EgnsINVEST Ejendomme A/S	
Høgsberg Assurance Service A/S	
Managing director	
None	

4.10.3 Statement of kinship

To the best of Spar Nord's knowledge, no kinship exists between any members of Spar Nord's Board of Directors, any members of Spar Nord's Executive Board, Fritz Dahl Pedersen or Bent Jensen.

4.10.4 Statement of convictions, indictments and conflicts of interest

During the past five years, none of the members of Spar Nord's Board of Directors nor any of the members of Spar Nord's Executive Board nor Fritz Dahl Pedersen nor Bent Jensen have (i) been convicted of fraudulent offences or (ii) been the object of public prosecution and/or public sanctions by authorities or supervisory bodies (including appointed professional bodies) or (iii) been disqualified from acting as a member of an issuer's board of directors, executive board or supervisory body or from being in charge of an issuer's management or other affairs.

During the past five years, none of the members of Spar Nord's Board of Directors nor any of the members of Spar Nord's Executive Board nor Fritz Dahl Pedersen nor Bent Jensen have been a member of the board of directors, executive board or supervisory bodies or a senior manager of any company that has commenced insolvency proceedings or other receivership, or entered into solvent liquidation, except for Carsten Normann, who is registered as managing director of Selskabet af 31. august 2010 A/S in bankruptcy.

No current or potential conflicts of interest exist between any of the duties of the members of Spar Nord's Board of Directors, the members of Spar Nord's Executive Board, Fritz Dahl Pedersen or Bent Jensen and their private interests or other duties.

The Continuing Bank is not aware of any members of Spar Nord's Board of Directors, any members of Spar Nord's Executive Board, Fritz Dahl Pedersen or Bent Jensen having been appointed pursuant to an agreement or understanding with the Continuing Bank's major shareholders, customers, suppliers or other parties.

4.10.5 Restrictions on securities trading

No restrictions have been imposed on the trading in Spar Nord's shares by the members of Spar Nord's board of directors or executive board except as provided by law and the guidelines set out in the Spar Nord Group's internal rules. The Spar Nord Group's internal rules contain no unusual restrictions.

4.11 Remuneration and benefits

4.11.1 Remuneration in financial businesses

In connection with the adoption of the Danish bank packages, certain restrictions on incentive remuneration to members of management in financial businesses were introduced.

In December 2010 and August 2011, the Financial Business Act was amended, among other things, to implement the provisions of Directive 2010/76/EU regarding remuneration policies. These provisions were most recently revised in Executive Order no. 122 of 7 February 2012 on remuneration policy and disclosure requirements on remuneration in financial businesses and financial holding companies issued by the DFSA.

The provisions introduced restrictions on incentive remuneration in financial businesses, including in Spar Nord. The restrictions provide, among other things, that no financial business or financial holding company may remunerate members of its board of directors or executive board by way of variable remuneration components, including share options and warrants, exceeding 50% of the fixed basic remuneration, including pension; however, only 20% if the company receives government subsidies, and the board of directors and executive board may not receive share options or similar instruments exceeding 12.5% of the basic remuneration, including pension.

There is an additional requirement that at least 50% of the variable pay must consist of shares or share-based instruments of the financial business or its parent company. Variable pay below DKK 100,000 is, however, generally excepted from this. Furthermore, a substantial portion of the variable remuneration components must be deferred for a period of four years and may only be paid if the financial businesses fulfil the statutory requirements with regard to solvency and capital at the time of the payment. In the event that variable remuneration components have been paid on the basis of information on financial performance, and the information later proves to be erroneous, the financial business is entitled to reclaim the variable remuneration, provided, however, that the person to whom it was paid received it in bad faith with regard to the correctness of the information.

Similar rules apply to employees whose activities have a material effect on the financial business's risk profile (so-called risk takers).

Further restrictions on incentive remuneration apply to financial businesses that have received State Hybrid Capital pursuant to Bank Package II or have issued bonds under the Transition Scheme. For such financial businesses, variable remuneration paid to members of the executive board, including share options and warrants, may not exceed 20% of the fixed basic remuneration, including pension, and financial businesses may not introduce new or renew existing programmes for remuneration with share options and similar instruments. These additional restrictions on incentive remuneration apply until all amounts payable under the State Hybrid Capital, including interest and costs, have been repaid in full, cancelled or converted into equity, or the Danish State has transferred all bonds subscribed for in connection with the payment of the State Hybrid Capital and has thus ceased to be creditor of all or part of the loan. Spar Nord has issued bonds under the Transition Scheme and has received State Hybrid Capital in the form of Spar Nord's State Hybrid Capital.

The Spar Nord Group complies with the restrictions described above.

4.11.2 Remuneration of Spar Nord's board of directors

The members of Spar Nord's board of directors receive a fixed fee and are not covered by any type of incentive schemes or performance-based remuneration. The basic fee for each member is set at a level that reflects market standards considering the competencies and resource requirements of board members.

The Chairman receives a fee corresponding to two and a half times the basic fee, and the Deputy Chairman receives one and a half times the basic fee. In addition to the basic fee, members receive compensation if they serve as members of the board's audit committee.

No agreements have been made with members of Spar Nord's board of directors, and the board members are not entitled to severance pay.

No members of Spar Nord's board of directors have entered into service contracts with Spar Nord's subsidiaries.

The following table sets forth the shareholder-approved remuneration of the board members for the financial year ended 31 December 2011, which is also the expected remuneration for the financial year ending 31 December 2012. The table includes remuneration paid during the period from 1 January 2012 to 18 April 2012 to Niels Kristian Kirketerp and Jan Høholt Jensen, who both resigned from Spar Nord's board of directors at the annual general meeting held on 18 April 2012.

Table 4.30 – Remuneration of board members for the financial year ended 31 December 2011

Name	DKKm	
Torben Frstrup	0.5	
Per Nikolaj Bukh	0.4	
Carsten Normann	0.2	
Hans Østergaard	0.3	
Jannie Skovsen	0.2	
Ole Skov	0.2	
Laila Mortensen		Appointed in 2012
Kaj Christiansen		Appointed in 2012
Gitte Holmgaard Sørensen		Appointed in 2012
Per Søndergaard (resigned on 20 December 2011)	0.2	Resigned in 2011
Niels Kristian Kirketerp	0.2	Resigned in 2012
Jan Høholt Jensen	0.3	Resigned in 2012

4.11.3 Remuneration of Spar Nord's executive board

Members of Spar Nord's executive board are employed on a contractual basis and their contract terms including remuneration are subject to annual assessment. Spar Nord's board of directors aims at combining the remuneration packages for the members of the executive board on the basis of market practice and at a level that makes it possible for Spar Nord to attract and retain competent executive board members.

The remuneration of the members of Spar Nord's executive board consists of a fixed salary and pension, as well as a company car and telephone. Executive board members do not receive variable remuneration components. If the Spar Nord Group terminates the employment, the current members of the executive board have a notice period of 12 months and will be entitled to severance pay equal to two years' salary unless the relevant member of the executive board is in breach of the executive service contract. If members of the executive board terminate their employment, they have a notice period

of six months and no right to severance pay. Members of Spar Nord's executive board are entitled to pension from the first month following their 60th birthday at six months' notice, and they are entitled to pension payments until their 64th birthday.

In addition, Spar Nord is obligated to pay remuneration for a period of 36 months to an executive in the event of a merger or takeover in which the executive does not form part of the executive board of the continuing company, and such executive cannot be offered a relevant position with a salary corresponding to his/her previous salary, and such executive does not terminate his/her contract with or without notice.

Fees to the members of the executive board for external directorships are set off against the salary from Spar Nord.

See 4.1.14 "Warrants and share options" for a description of share options granted to members of Spar Nord's Executive Board.

No members of Spar Nord's Executive Board have entered into service contracts with Spar Nord's subsidiaries.

Table 4.31 – Remuneration of executive board members of Spar Nord for the financial year ended 31 December 2011

DKKm	Lasse Nyby	John Lundsgaard	Lars Møller
Basic salary	3.3	3.0	2.9
– fees received from directorships	0.5	0.6	0.5
Spar Nord's expense, basic salary	2.8	2.4	2.4
Pension	0.4	0.3	0.3
Total	3.2	2.7	2.7

Provisions have been made in the event that Spar Nord's Executive Board invokes special terms applicable on termination in relation to the transition to pension. These provisions amounted to DKK 0.7 million at 31 December 2011.

In connection with the Merger, Bent Jensen will join the executive board of the Continuing Bank as at the Date of Completion on terms corresponding to the terms applicable to Spar Nord's executive board and at a pay level similar to that of the other managing directors of Spar Nord. In his current executive service contract with Sparbank, Bent Jensen is entitled to consider his employment terminated in the event of a change of control of Sparbank unless he continues in a position as Chief Executive Officer and in such case he is entitled to a lump sum of 12 months' salary. Likewise, he is entitled to 12 months' salary in the event of termination of his employment which is not justified by his circumstances. In connection with Bent Jensen's appointment as Managing Director with Spar Nord, these terms have been continued to the effect that, during the period from 1 November 2012 to 31 October 2014, Bent Jensen has been offered the same terms irrespective of whether his employment is terminated by himself or by Spar Nord.

4.12 Board practices

4.12.1 Practices of Spar Nord's board of directors

It is the task and responsibility of the board of directors to be in charge of the overall management of the Spar Nord Group, including exercising control of the work performed by the executive board and establishing appropriate strategies.

Pursuant to the Articles of Association, the board of directors must consist of not less than four and not more than six members elected by the shareholders. In addition to the members elected by the shareholders, the employees of the Spar Nord Group are entitled to elect a number of employee representatives corresponding to half of the number of members elected by the shareholders.

Members of the board of directors elected by the shareholders are elected for terms of two years and employee representatives are elected for terms of four years. Board members are eligible for re-election.

Members of the board of directors must retire not later than four months after the end of the year in which they attain the age of 70.

Pursuant to the Financial Business Act, a member of the board of directors may not serve on the executive board. The current members of the board of directors have served as board members as set out below:

Table 4.32 – Year of election of members to the board of directors and expiry of the term for the current members of the board of directors:

	Elected to the board of directors	Expiry of current term
--	--	-------------------------------

Torben Frstrup	2003	2014
Per Nikolaj Bukh	2007	2013
Carsten Normann	2004	2014
Hans Østergaard	2009	2013
Ole Skov	2000	2016
Jannie Skovsen	2008	2016
Gitte Holmgaard Sørensen	2012	2016
Kaj Christiansen	2012	2013
Laila Mortensen	2012	2014

After the annual general meeting, the members of the board of directors elect a chairman and a deputy chairman from among its number.

The board of directors shall form a quorum when more than half of its members are represented. All resolutions are adopted by a simple majority of votes. In case of an equality of votes, the Chairman, or in his absence the Deputy Chairman, shall have the casting vote pursuant to the Rules of Procedure of the board of directors. However, when appointing and dismissing members of the executive board, the head of the Internal Audit Department, general managers in charge of finance and credit rating and the general manager of Trading, Financial Markets & the International Division, it is required that at least half of all members of the board of directors vote in favour thereof.

Generally, the members of the executive board take part in the meetings of the board of directors. In 2012, the board of directors held ten ordinary board meetings, eight extraordinary board meetings, a first meeting and a strategy seminar. In 2011, the board of directors held 11 ordinary board meetings, five extraordinary board meetings, a first meeting, a strategy seminar and three meetings with the chairmen of the regional bank committees.

Members of the board of directors and the executive board cannot be present during discussions of their own accounts and facilities or discussions of accounts and facilities available to a company in which they are members of the board of directors or the executive board, or during any discussions regarding lawsuits against them. This also applies to discussions regarding other matters if a member of the board of directors or of the executive board has a significant interest that may conflict with the Spar Nord Group's interests. Finally, the executive board cannot be present in case the board wishes to discuss the business of Spar Nord without their presence.

The external auditors and the head of the Internal Audit Department are always entitled to attend meetings of the board of directors during the transaction of business of importance to the audit or to the preparation of financial statements. The external auditors and the head of the Internal Audit Department are obliged to attend meetings of the board of directors at which these matters are considered if so requested by a member of the board of directors. Other attendance is subject to agreement with the Chairman of the board of directors.

The board of directors is continuously kept informed of the auditors' work by way of long-form audit reports submitted to the board, and the board evaluates this work in connection with the signing of these reports.

According to the Financial Business Act, the board of directors must (i) determine and continuously consider what business activities Spar Nord is to perform, (ii) identify and quantify Spar Nord's risk profile, including assessing the risks that Spar Nord may assume and (iii) establish internal policies for the management of Spar Nord's business activities and risk profile. Based on Spar Nord's risk profile and its internal policies, the board of directors must prepare written guidelines for the executive board. These guidelines must, as a minimum, contain the following:

- the framework for the risks that the executive board may expose Spar Nord to, the principles upon which different types of risk are determined;
- the transactions that the executive board may execute without the approval of the board of directors;
- the procedure for the executive board's reporting to the board of directors with regard to the risks associated with Spar Nord's activities.

The Rules of Procedure contain the information required by the Financial Business Act.

4.12.2 Practices of Spar Nord's executive board

According to the Articles of Association, the executive board shall manage the day-to-day business and affairs of Spar Nord and shall consist of not less than one and not more than five members. The Rules of Procedure of the executive board is defined by Spar Nord's board of directors and according to these, the board of directors has resolved that the executive board shall consist of three to five members.

The current members of the executive board have held their current positions as set out below.

Table 4.33 – Executive board members' title and year of appointment in current position

	Title	Current position held since
Lasse Nyby	Chief Executive Officer	2000
John Lundsgaard	Managing Director	2000
Lars Møller	Managing Director	2000

In connection with the Merger, the Chief Executive Officer of Sparbank, Bent Jensen, will join the executive board of the Continuing Bank as Managing Director.

The duties of the executive board include the following:

- performing competent day-to-day management of the Spar Nord Group;
- managing the Spar Nord Group's credit risk, including credit grants up to DKK 60 million for existing customers and DKK 30 million for new customers;
- defining policies for and management of the Spar Nord Group's market risks and liquidity reserves;
- managing the Spar Nord Group's liquidity risk;
- granting lines to Danish banks with respect to investment and settlement risk in trading with interest-, equity-, commodity- and currency-related products;
- reporting to the board of directors;
- ensuring sound and adequate bookkeeping and asset management;
- preparing drafts of annual, half-year and quarterly financial statements; and
- submitting cases to the board of directors and performing specific directives of the board of directors.

4.12.3 Committees, including audit and remuneration committees

Spar Nord's board of directors has established an audit committee which is responsible for monitoring and controlling accounting and auditing matters and for drafting material for the board of directors' consideration of matters relating to accounting and auditing.

The audit committee has three members, including a member who has special qualifications within auditing and accounting as defined by legislation and who is also independent.

As at the Date of Announcement, the audit committee consists of Hans Østergaard (chairman), Per Nikolaj Bukh and Ole Skov.

In addition, Spar Nord's board of directors has set up a remuneration committee with two members. The remuneration committee is responsible for the preparatory work for the board of directors' consideration of matters relating to remuneration, including the Spar Nord Group's remuneration policy.

As at the Date of Announcement, the remuneration committee consists of Torben Fristrup and Per Nikolaj Bukh.

4.12.4 Management reporting and internal control systems

A written agreement has been concluded (the so-called Section 70 instruction) between Spar Nord's board of directors and executive board, specifying the powers and authority of the latter. Spar Nord's board of directors lays down overall policies while Spar Nord's executive board is in charge of the Spar Nord Group's day-to-day management.

Various risk management issues are recurrent items on the agenda of meetings of Spar Nord's board of directors, and the Spar Nord Group has implemented a number of procedures and systems intended to ensure that risks are identified and managed appropriately and in compliance with applicable legislation.

Spar Nord's board of directors makes an annual review of the organisation, its focus areas and resource allocation and also annually assesses the risk of fraud in all business areas.

Risk management and control systems in connection with financial reporting

Spar Nord's board of directors and executive board share the overall responsibility for the Spar Nord Group's risk management and controls in connection with its financial reporting. Spar Nord's board of directors and executive board are composed so as to ensure that the appropriate internal control and risk management expertise is present to ensure appropriate financial reporting.

Spar Nord's board of directors approves general policies, procedures and controls, and also prepares a detailed annual plan for the internal audit and compliance functions. Policies, manuals and procedures within important areas in connection with financial reporting are available, including a business procedure for financial reporting, a business procedure for the finance function and other key functions, and an IT security policy.

4.12.5 Declaration on corporate governance

Spar Nord supports initiatives to promote good corporate governance and has therefore chosen to comply with the vast majority of the most recent recommendations issued by the Committee on Corporate Governance (the "Recommendations") and the supplementary recommendations from the Danish Bankers Association. On an annual basis, Spar Nord's board of directors considers all recommendations applying the "comply or explain" principle. The areas where Spar Nord does not comply with the Recommendations are explained below.

Term

The Committee on Corporate Governance recommends that the members of the supreme governing body elected by the shareholders be up for re-election every year at the annual general meeting (clause 5.9.1 of the Recommendations). Spar Nord does not comply with this recommendation as the members of Spar Nord's board of directors are elected for terms of two years. The members of the board of directors serve staggered terms, meaning that three members are up for election every year. With terms of two years and staggered terms, the board of directors aims at ensuring the necessary continuity in the work of the board of directors.

Composition and organisation of the supreme governing body

The Committee on Corporate Governance recommends that the supreme governing body sets up a nomination committee responsible for (i) describing the qualifications required to have a position in management, how much the expected time commitment for a position in management is and the skills, knowledge and experience available in management, (ii) annually evaluating the structure, size, composition and performance of the governing bodies and making recommendations to management, (iii) annually evaluating the skills, knowledge and experience of the individual members of the governing bodies and reporting such details to the board of directors, and (iv) identifying and recommending to the supreme governing body candidates for the governing bodies (clause 5.10.7 of the Recommendations). Spar Nord does not comply with this recommendation as the relevant tasks are undertaken by Spar Nord's board of directors. Selection and nomination is carried out in a transparent and formal process and in collaboration with the chairmen of the regional bank committees.

Remuneration of Management

Spar Nord complies with the Recommendations, and in this connection it should be emphasised that share-based remuneration of Spar Nord's Management was suspended in connection with Spar Nord's participation in Bank Package I. According to Spar Nord's current remuneration policy, no incentive schemes can be set up.

Audit

The Committee on Corporate Governance recommends that the board of directors and the audit committee meet with the auditor at least once every year without the executive board being present. This also applies to the internal auditor, if any (clause 9.1.3 of the Recommendations). Spar Nord partly complies with this recommendation as Spar Nord's board of directors assesses each year whether it is necessary to have a meeting with the auditor without the presence of Spar Nord's executive board.

4.12.6 Guidelines for incentive remuneration

As a result of its participation in Bank Package I, Spar Nord suspended all additional grants under the ongoing incentive schemes.

According to Spar Nord's current remuneration policy, no incentive schemes can be set up, and any introduction of new incentive schemes and the principles thereof must be approved at a general meeting.

For additional information, see 4.11 "Remuneration and benefits".

4.13 Employees

4.13.1 Overview of employees

As at the Date of Announcement, the Spar Nord Group had a total of 1,351 employees and the Sparbank Group had 324 employees.

Table 4.34 – Number of full-time employees of each of the business segments of the Spar Nord Group and the Sparbank Group

	As at 30 June	As at 31 December				As at 30 June	As at 31 December			
Spar Nord Group	2012	2011	2010	2009	Sparbank Group	2012	2011	2010	2009	
Spar Nord's Local Banks	931	959	931	995	Branches	230	237	234	242	
Trading, Financial Markets & the International Division	73	73	73	67	Other business areas	56	59	61	95	
Other Areas	324	323	356	361	Other staff functions	49	54	60	63	
Continuing operations	1,328	1,355	1,360	1,423	Continuing operations	335	350	355	400	
Spar Nord Leasing A/S					Areas closed down	0	0	0	115	
(Discontinued operations)	23	42	111	107						
Total	1,351	1,397	1,471	1,530	Total	335	350	355	515	

Collective agreements are made with the Danish Financial Services Union both in respect of the Spar Nord Group and the Sparbank Group.

4.13.2 Employee remuneration programmes

During the period from 2005 to 2007, the Spar Nord Group's management team (Spar Nord's executive board, business segment managers, other managers and heads of staff), a total of 52 persons of which 3 formed part of Spar Nord's executive board, were covered by an incentive scheme based on share options. The share options were granted on the basis of results achieved in 2005, 2006 and 2007, and the granted share options could not be exercised until after three years and had to be exercised within five years of the date of grant during a period of six weeks after the publication of annual or interim reports. The maximum annual grant of share options was 930,000. The exercise price of the share options was fixed as a simple average of "price (all trades)" five trading days before and five trading days after the publication of the annual report for the relevant period of grant.

The last share options can be exercised on or before 7 March 2013. The exercise price of share options not yet exercised is DKK 102 for share options granted in 2008 on the basis of the 2007 financial results. Share options granted will not be affected by a participant's resignation. As a general rule, the granted share options may not be transferred. Special provisions apply in case of death.

There are currently no plans to establish new share option schemes.

During the same period, from 2005 to 2007, the Spar Nord Group's other employees have been eligible for free employee shares for up to DKK 8,000 through a centralised bonus scheme. The grant took place in accordance with common and known objective criteria related to the Spar Nord Group's and each individual business unit's fulfilment of financial and non-financial goals. The shares are tied up for seven years from the year of grant.

For a number of years, most recently in 2011, the Spar Nord Group's employees have also had the opportunity to receive compensation packages in which part of the gross salary is converted into shares in Spar Nord. The grant of shares in Spar Nord has taken place each quarter.

In 2007, 2008 and 2009, the Spar Nord Group's employees, with the exception of employees of SN Finans Nord AB, had the opportunity to convert part of their salary to employee bonds in Spar Nord. The employee bonds were issued on 10 December 2007, 2008 and 2009, maturing on 10 January 2013, 2014 and 2015, respectively.

The bonds carry interest corresponding to the minimum interest rate, but bonds issued in 2009 carry the minimum interest rate plus 0.5 of a percentage point, and may be called at par at the maturity date. The bonds are held in restricted accounts and can therefore not be sold, pledged or otherwise be at the employee's disposal until maturity. As at 31 December 2011, the bonds had a total nominal value of DKK 65 million.

There are a total of 25,000 outstanding share options in Sparbank, granted to other senior managers in 2008. These options must be exercised on or before 1 April 2015. The exercise price of the share options is DKK 282.19 per share.

Granted share options will lapse on a participant's resignation. As a general rule, the granted share options may not be transferred. Special provisions apply in case of death.

In connection with the Merger, outstanding share options will be converted to share options in Spar Nord to the effect that each option confers a right on the holder to subscribe for two new shares in Spar Nord with a nominal value of DKK 10 each corresponding to a total of 50,000 new shares in Spar Nord with a nominal value of DKK 10 each at an exercise price of DKK 141.10 per share in Spar Nord with a nominal value of DKK 10.

In 2008 and 2009, Sparbank's employees had the opportunity to convert part of their salary to employee bonds.

The employee bonds were issued on 19 December 2008 and on 23 December 2009, maturing on 2 January 2014 and 2015, respectively.

The bonds carry interest at the mortgage rate on the date of issue (5.2% and 3.65% respectively) and are callable at par at the maturity date. The bonds are held in restricted accounts and can therefore not be sold, pledged or otherwise be at the employee's disposal until maturity.

In connection with the takeover of the branches and employees of Fjordbank Mors, Sparbank assumed the obligation relating to employee bonds issued in 2007, 2008 and 2009 maturing on 2 January 2013, 2014 and 2015, respectively.

Bonds issued in 2007 and 2008 carry interest at a rate of 6%, and bonds issued in 2009 carry interest at a rate of 4%. The bonds are callable at par at the maturity date. The bonds are held in restricted accounts and can therefore not be sold, pledged or otherwise be at the employee's disposal until maturity.

As at 31 December 2011, the bonds had a total nominal value of DKK 9.2 million.

4.13.3 Holdings of securities

Table 4.35 – Shares and share options in Spar Nord and Sparbank held by Spar Nord's Board of Directors and Executive Board as at the Date of Announcement

	Number of Spar Nord shares	Number of Spar Nord share options	Number of Sparbank shares
Board of directors			
Torben Fristrup	31,500	0	0
Per Nikolaj Bukh	16,200	0	0
Carsten Normann	2,760	0	0
Hans Østergaard	4,000	0	0
Ole Skov	7,054	0	0
Jannie Skovsen	4,938	0	0
Gitte Holmgaard Sørensen	2,708	0	0
Kaj Christiansen	7,801	0	0
Laila Mortensen	0	0	0
The board of directors' total holdings	76,961	0	0
	Number of Spar Nord shares	Number of Spar Nord share options	Number of Sparbank shares
Executive board			
Lasse Nyby	48,064	67,078	0
John Lundsgaard	61,600	67,078	0
Lars Møller	60,960	67,078	0
The executive board's total holdings	170,624	201,234	0
The board of directors and the executive board's total holdings	247,585	201,234	0

As can be seen from the table above, Spar Nord's Board of Directors and Executive Board hold a total of 247,585 Shares as at the Date of Announcement, corresponding to 0.22% of Spar Nord's share capital.

In addition, a total of 201,234 share options have been granted to Spar Nord's Executive Board as at the Date of Announcement, corresponding to 0.18% of Spar Nord's share capital.

The average term to maturity of outstanding share options granted to Spar Nord's Executive Board as at the Date of Announcement was 0.2 year (2010: 0.8 year), and the exercise prices range from DKK 92.5 to 139.1 per option (2010: DKK 92.5 to 139.1 per option).

No options were exercised in 2009, 2010 and 2011.

Table 4.36 – Shares and share options in Sparbank and Spar Nord held by Sparbank's Board of Directors and Executive Board as at the Date of Announcement

	Number of Sparbank shares	Number of Sparbank share options	Number of Spar Nord shares
Board of directors			
Alex Nielsen	6,005	0	0
Fritz Dahl Pedersen	900	0	0
Ove Kloch	650	0	0
John Szygenda	0	0	0
Lasse Buhl Jørgensen	1,285	0	1,000
Bent Sørensen	330	0	0
Anne Marie Dahl	347	0	0
Anders Kristian Pugdahl Pedersen	60	0	0
Rikke Henriksen	103	0	0
The board of directors' total holdings	9,680	0	1,000
Executive board			
Bent Jensen	674	0	0
Martin Kudsk Rasmussen	31	0	0
The executive board's total holdings	705	0	0
The board of directors and the executive board's total holdings	10,385	0	1,000

As can be seen from the table above, Sparbank's board of directors and executive board hold a total of 10,385 Shares as at the Date of Announcement, corresponding to 0.17% of Sparbank's share capital.

4.14 Related party transactions

Pursuant to IFRS, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party's financial or operational decisions, as defined by IAS 24 "Related Party Disclosures". In determining each possible related party relationship, the substance of the relationship, and not merely the legal form, must be considered.

Both Spar Nord and Sparbank enter into a significant number of transactions with related parties, substantially all of which occur in the normal course of business. Payment services, securities trading, investment and placement of excess liquidity and the provision of short-term and long-term financing are the primary services provided by the respective banks.

Transactions with related parties are settled on market terms. During the period from 1 January 2012 to the Date of Announcement, transactions were only effected in connection with what is mentioned below, and these transactions were not significant.

4.14.1 Transactions with associates

The following table sets forth the Spar Nord Group's transactions with associates for the financial years ended 31 December 2011, 2010 and 2009.

Table 4.37 – The Spar Nord Group's transactions with associates

DKKm	Financial year		
	2011	2010	2009
Loans, advances and loan commitments	0.0	16.3	12.9
Deposits	55.3	52.7	65.4
Guarantees issued	0.0	0.3	0.3
Interest income	0.3	0.7	1.4
Interest expenses	0.6	0.6	1.1
Dividends received	21.3	12.9	3.6
Impairment	0.0	13.4	0.0

Transactions with associates primarily cover transactions with the following companies: Nørresundby Bank A/S, AAT Investment A/S, JSNA Holding A/S, Core Property Management A/S, Erhvervsinvest K/S, Erhvervsinvest Management A/S, ValueInvest Asset Management S.A.

Sparbank has not made any transactions with associates.

4.14.2 Transactions with parties with controlling or significant influence

Related parties with significant influence are shareholders with holdings exceeding 20% of the share capital of either bank. In 2011, 2010 and 2009, the Spar Nord Foundation and the Spar Vest Foundation were such related parties in Spar Nord and Sparbank, respectively. During this three-year period, no other related parties had significant influence over either bank.

The following tables set forth the Spar Nord Group's and the Sparbank Group's transactions with parties with significant influence for the financial years ended 31 December 2011, 2010 and 2009:

Table 4.38 – The Spar Nord Group's transactions with parties with significant influence

DKKm	Financial year		
	2011	2010	2009
Deposits	72.1	91.7	52.9
Interest expenses	1.0	0.9	1.4
Other income*	2.8	3.0	6.9

*Other income includes the Spar Nord Foundation's consideration to Spar Nord for Spar Nord's management of administrative matters on behalf of the Spar Nord Foundation.

Table 4.39 – The Sparbank Group's transactions with parties with controlling and significant influence

DKKm	Financial year		
	2011	2010	2009
Deposits	0.7	26.6	8.2
Loans and advances	9.1	47.3	0.0
Interest expenses	0.1	0.2	0.0
Interest income	0.8	0.0	0.6
Rent and utility charges	17.8	18.2	20.2
Other income*	0.1	0.3	0.0

* Other income includes the Spar Vest Foundation's consideration to Sparbank for Sparbank's management of administrative matters on behalf of the Spar Vest Foundation.

In connection with the preparation of the Merger, the Spar Nord Group has signed a conditional purchase agreement regarding 16 properties owned by the Spar Vest Foundation. At the date of signing the conditional purchase agreement, Spar Nord and the Spar Vest Foundation were deemed to be independent parties. The Spar Vest Foundation has a controlling interest in Sparbank until the completion of the Merger. The conditional purchase agreement is described in section 4.8.6 "Conditional purchase agreement regarding properties owned by the Spar Vest Foundation".

4.14.3 Transactions with Spar Nord's and Sparbank's boards of directors and executive boards

The following tables set forth the Spar Nord Group's and the Sparbank Group's transactions with the members of Spar Nord's board of directors and executive board and Sparbank's board of directors and executive board, respectively, for the financial years ended 31 December 2011, 2010 and 2009.

Table 4.40 – The Spar Nord Group's transactions with the members of Spar Nord's board of directors

DKKm	Financial year		
	2011	2010	2009
Loans and advances	20.2	21.8	40.8
Unutilised loan and guarantee commitments	24.9	25.8	53.3
Deposits	7.5	4.3	5.6
Guarantees issued	0.0	0.0	12.9
Collateral accepted	14.3	17.8	32.7
Interest income	1.0	0.9	1.2

Interest expenses	0.0	0.2	0.9
Fees, charges and commissions received	0.0	0.1	0.1
Trades in Spar Nord's shares (no.):			
Acquisition of shares	708	5,828	300
Sale of shares	0	0	0

Table 4.41 – The Spar Nord Group's transactions with the members of Spar Nord's executive board

DKKm	Financial year		
	2011	2010	2009
Loans and advances	1.3	0.1	0.0
Unutilised loan and guarantee commitments	1.2	1.4	1.5
Deposits	3.6	2.7	2.5
Guarantees issued	1.1	0.0	0.0
Interest income	0.0	0.0	0.1
Trades in Spar Nord's shares (no.):			
Acquisition of shares	6,226	4,235	0
Sale of shares	0	0	0

Table 4.42 – The Sparbank Group's transactions with the members of Sparbank's board of directors

DKKm	Financial year		
	2011	2010	2009
Loans and advances	0.2	0.5	1.0
Unutilised loan and guarantee commitments	0.5	0.9	1.8
Deposits	1.5	2.2	2.1
Guarantees issued	0.0	1.0	0.0
Collateral accepted	0.2	1.0	0.5
Interest income	0.0	0.0	0.0
Interest expenses	0.0	0.0	0.0
Fees, charges and commissions received	0.0	0.0	0.0
Trades in Sparbank's shares (no.):			
Acquisition of shares	0	400	1,800
Sale of shares	0	0	0

Table 4.43 – The Sparbank Group's transactions with the members of Sparbank's executive board

DKKm	Financial year		
	2011	2010	2009
Loans and advances	0.5	0.2	0.0
Unutilised loan and guarantee commitments	1.0	1.3	0.1
Deposits	1.2	1.4	0.6
Guarantees issued	0.0	0.0	0.0
Collateral accepted	0.1	0.1	0.0
Interest income	0.0	0.1	0.0
Interest expenses	0.0	0.0	0.0
Fees, charges and commissions received	0.0	0.0	0.0
Trades in Sparbank's shares (no.):			
Acquisition of shares	0	568	0
Sale of shares	0	0	0

The following table sets forth the average interest rates on credit facilities granted to members of the board of directors and the executive board of Spar Nord and Sparbank, respectively, for the financial years ended 31 December 2011, 2010 and 2009:

Table 4.44 – The average interest rates on credit facilities granted to members of Spar Nord's board of directors and executive board

Financial year

Interest rate interval, %	2011	2010	2009
Board of directors	1.25 - 10.23	1.46 - 8.98	1.20 - 9.10
Executive board	1.25 - 3.25	1.46 - 2.46	1.20 - 2.80

Table 4.45 - The average interest rates on credit facilities granted to members of Sparbank's board of directors and executive board

Interest rate interval, %	Financial year		
	2011	2010	2009
Board of directors	5.37 - 12.60	4.58 - 9.60	3.50 - 9.60
Executive board	5.27 - 7.25	4.57 - 6.50	-

4.14.4 Transactions with group enterprises

Spar Nord previously had a wholly-owned company, Beluni Inc., which could not be consolidated, and which was liquidated at the beginning of February 2012 after having been in solvent liquidation for a number of years. The company had a deposit account of DKK 0.3 million with Spar Nord in 2011, 2010 as well as 2009.

Table 4.46 - Sparbank's transactions in relation to Skive Erhvervsinvest A/S

DKKm	Financial year		
	2011	2010	2009
Deposits	66.3	25.0	0.0
Interest expenses	1.0	0.0	0.0
Interest income	1.3	0.0	0.0
Taxes	1.9	0.0	0.0

4.15 Operating and financial review

4.15.1 Financial position and results of operations

The following review of financial factors for the Spar Nord Group and the Sparbank Group is intended to provide an introduction to the financial condition of the Continuing Bank. Reference is made to 4.16 "Historical financial information" and to the financial highlights presented in the published annual and interim reports, which are incorporated by reference as set out in the cross reference table in 4.16.4 "Cross reference table".

4.15.1.1 Primary factors affecting the Spar Nord Group's and the Sparbank Group's results of operations

Both the Spar Nord Group's and the Sparbank Group's business, results of operations and financial position have been affected, and will continue to be affected, by various factors, the most significant of which are described below. The impact of these and other potential factors may vary significantly in the future.

Macroeconomic environment

Both the Spar Nord Group and the Sparbank Group derive a substantial part of their income from operations in Denmark. Accordingly, the two Groups' business, results of operations and financial position primarily depend upon the economic conditions in Denmark, in particular economic growth and the general level of interest rates.

The past few years have been characterised by a difficult macroeconomic environment, with financial markets throughout the western world experiencing tremendous turbulence and volatility. This great degree of uncertainty resulted in increasingly difficult general business conditions, major drops in share prices, stagnating or declining property prices, significantly wider credit spreads, frozen interbank and money markets and stalling economic growth.

The financial market unrest and general economic slump had a negative impact on the Spar Nord Group's and the Sparbank Group's results of operations in the years ended 31 December 2009, 2010 and 2011 and the six months ended 30 June 2012. Both the Spar Nord Group's and the Sparbank Group's earnings and profitability were weakened by declining demand for their products and services, increased funding costs, contributions to sector-targeted solutions, fluctuating fair values of financial instruments and increased loan impairment charges.

Interest rates and interest margin

In reaction to the economic recession, the European Central Bank and Danmarks Nationalbank have since 2008 made a series of interest rate cuts. In 2010, 2011 and 2012, interest rates remained at a very low level.

As both the Spar Nord Group and the Sparbank Group earn interest on loans and advances and other assets and pay interest to their depositors and other creditors, both the Spar Nord Group's and the Spar Bank's results of operations are highly dependent on net interest income. The net interest margin, which is the difference between the yield on interest-bearing assets and the cost of interest-bearing liabilities, varies according to prevailing interest rates and is a significant factor in determining the profitability of the Continuing Bank. Interest rate drops and the narrowing interest rate spread could cause a decline in net interest income and the net interest margin.

The net interest income is driven by a combination of lending and deposit volumes and margins. The deposit margin is generally more sensitive to interest rate developments than the lending margin, among other things because the interest rate payable on customer deposits in a period of low interest rates approaches the minimum level of zero, limiting the possibility of controlling deposit margins.

Impairment of loans and advances

Both the Spar Nord Group's and the Sparbank Group's core earnings are materially affected by the credit quality of retail and business customers and, thus, the level of impairment on loans and advances. A more detailed description of developments in impairment charges in the Spar Nord Group and the Sparbank Group is provided in 3 "Risk factors".

Contributions to sector-targeted solutions

As a result of the financial market unrest, in 2008 the Danish parliament passed the Financial Stability Act (Bank Package I), among other things introducing a general guarantee scheme under which the State guaranteed unsubordinated creditors' claims against Danish banks if such claims were not otherwise covered.

Both the Spar Nord Group and the Sparbank Group participated in Bank Package I, and in that connection they incurred substantial costs for annual guarantee commission and guarantees against losses on distressed banks. On expiry of Bank Package I, two new bills called Bank Package III and Bank Package IV were introduced, which may be deployed to secure depositors and financial stability in the event of future bank failures.

Both the Spar Nord Group and the Sparbank Group have incurred significant expenses for sector-targeted solutions, which have impacted the respective groups' business, results of operations and financial position.

4.15.1.2 Financial condition and results of operations for the Spar Nord Group

Six months ended 30 June 2012 (first half of 2012) compared to six months ended 30 June 2011 (first half of 2011)

The core income for first half of 2012 was DKK 1,240 million, corresponding to an increase of 15% on the first half of 2011. Net interest income rose by 10% driven by a higher interest margin, net income from fees, charges and commissions was up by 19% following extensive mortgage lending activity, and market-value adjustments rose 44% due to favourable bond investments.

Costs amounted to DKK 758 million, which was 2% more than in the first half of 2011.

Core income before impairment was DKK 483 million, which was an increase of 42% relative to the first half of 2011.

Impairment of loans and advances, etc. amounted to DKK 327 million with DKK 96 million of extraordinary impairment charges incurred in the second quarter due to the DFSA' detailed guidelines. See 4.2.3 "The Danish banking system and regulation".

The Group's profit before tax amounted to DKK 150 million, down from DKK 191 million in the first half of 2011.

Consolidated financial statements for 2011 compared with 2010

Core income

The Spar Nord Group's core income for 2011 was DKK 2,158 million, corresponding to a 6% decrease relative to 2010, when core income amounted to DKK 2,302 million.

Net interest income amounted to DKK 1,472 million, a 2% increase from DKK 1,438 million in 2010. The main reason for the increase was a widening of lending margins combined with 1% growth in lending volumes.

Net income from fees, charges and commissions for 2011 amounted to DKK 477 million, 4% down on 2010, when the amount was DKK 499 million. The decline was due mainly to reduced guarantee commission due to a continued decrease in the number of pending land registration cases. Favourable factors were a 14% increase in loan processing fees and a 9% increase in asset management fees.

Market-value adjustments and dividends amounted to DKK 130 million, which was 52% below market-value adjustments and dividends of DKK 270 million for 2010. The decline was attributable to lower market-value adjustments on the Spar Nord Group's bond portfolio, lower earnings from customers' hedging of interest rate and currency (agio) risks and slightly lower market-value adjustments on the Spar Nord Group's shares in sector companies (primarily DLR, BankInvest, Danish Ship Finance, and others).

The profit on equity investments in associates in 2011 amounted to DKK 39 million, which was 36% lower than in 2010, when a profit of DKK 61 million was recorded. The decrease was attributable to the ownership interest in Nørresundby Bank A/S.

Costs

The Spar Nord Group's total costs in 2011 amounted to DKK 1,460 million, which was in line with 2010, when costs amounted to DKK 1,469 million.

Salaries amounted to DKK 883 million in 2011, which was 1% higher than in 2010, when salaries amounted to DKK 876 million. The higher costs were due in part to salary increases under collective agreements and in part to higher payroll tax.

Operating costs amounted to DKK 504 million, down 5% relative to 2010, when operating costs amounted to DKK 529 million. The reduction related to all cost types other than marketing costs.

Impairment of loans and advances

The Spar Nord Group's total impairment of loans and advances, etc. in 2011 amounted to DKK 404 million, corresponding to an increase of 13% relative to 2010, when impairment of loans and advances, etc. totalled DKK 356 million.

Impairment charges were thus at a high level compared with the pre-crisis years due to unfavourable economic conditions for a number of industries in which Spar Nord is active.

In 2011, DKK 339 million of the DKK 404 million was attributable to business customers, equalling an impairment ratio on this customer group of 1.5. Of this, DKK 133 million constituted impairment charges on agricultural customers, equalling an impairment ratio of 3.8. Finally, DKK 65 million was attributable to retail customers, equalling an impairment ratio of 0.4.

Contributions to sector-targeted solutions

The Spar Nord Group's net contribution to sector-targeted solutions in 2011 represented income of DKK 6 million against an expense of DKK 324 million in 2010. The notable difference was due partly to the expiry of Bank Package I, but also to the fact that Spar Nord expensed its expected contribution to the Guarantee Fund in connection with the bankruptcy of Amagerbanken already in 2010. As the dividend rate of Amagerbanken in 2011 was upgraded from the originally forecast 59% to 84%, Spar Nord recognised DKK 46 million as income.

Profit/loss before tax

The Spar Nord Group's profit before tax amounted to DKK 345 million in 2011, a DKK 212 million increase, corresponding to 159%, relative to DKK 133 million in 2010.

Consolidated financial statements for 2010 compared with 2009

Core income

The Spar Nord Group's core income for 2010 was DKK 2,302 million, corresponding to a 4% decrease relative to 2009, when core income amounted to DKK 2,389 million.

Net interest income amounted to DKK 1,438 million, equal to a decline of 11% relative to 2009, when net interest income amounted to DKK 1,612 million. The principal reasons for the decline were reduced interest income from the Spar Nord Group's bond portfolio, increasing interest expenses for Hybrid Capital, senior loans and issued bonds and the generally low level of interest rates.

Net income from fees, charges and commissions for 2010 amounted to DKK 499 million, 22% up on 2009, when the amount was DKK 410 million. The increase was broadly based as all fee types showed progress. In particular, the housing area (guarantees and loan transaction fees) and the capital market-related areas (securities trading and asset management) showed fair growth in activity, and thus in fee income.

Market-value adjustments and dividends amounted to DKK 270 million, which was 10% below market-value adjustments for 2009 of DKK 300 million. The decline was attributable to lower earnings from customers' hedging of interest rate and currency (agio) risks and slightly lower market-value adjustments on the Spar Nord Group's shares in sector companies (primarily DLR, BankInvest, Danish Ship Finance, and others), while market-value adjustments on the Spar Nord Group's bond portfolio showed improvement.

The profit on equity investments in associates for 2010 was DKK 61 million, up 69% from 2009, when the profit was DKK 36 million. The increase was attributable to the Spar Nord Group's stakes in Nørresundby Bank and ValueInvest Asset Management.

Costs

The Spar Nord Group's total costs in 2010 amounted to DKK 1,469 million, which was in line with 2009, when costs amounted to DKK 1,474 million.

Salaries amounted to DKK 876 million in 2010, which was 4% higher than in 2009, when salaries amounted to DKK 845 million. The increase was due to pay rises under collective agreements and extraordinary severance pay and disestablishment costs in 2010.

Operating costs amounted to DKK 529 million, down 5% relative to 2009, when operating costs amounted to DKK 560 million. The reduction was ascribed to a broad range of cost types.

Impairment of loans and advances

The Spar Nord Group's total impairment of loans and advances in 2010 amounted to DKK 356 million (excluding the Private Contingency Association), corresponding to a reduction of 24% relative to 2009, when impairment of loans and advances totalled DKK 468 million.

The decline relative to 2009 was due to improved market conditions in a number of the industries in which Spar Nord operates.

In 2010, DKK 299 million of the DKK 356 million was due to business customers, equalling an impairment ratio on this customer group of 1.4. Of this, DKK 98 million constituted impairment charges on agricultural customers, equalling an impairment ratio of 2.5. Finally, DKK 57 million was attributable to retail customers, equalling an impairment ratio of 0.4.

Contributions to sector-targeted solutions

The Spar Nord Group's net contribution to sector-targeted solutions in 2010 represented an expense of DKK 324 million against an expense of DKK 291 million in 2009.

Profit/loss before tax

The Spar Nord Group's profit before tax amounted to DKK 133 million in 2010, a DKK 12 million decrease, corresponding to 8%, relative to DKK 145 million in 2009.

Spar Nord's balance sheet

The Spar Nord Group's total assets at 31 December 2011 amounted to DKK 70,081 million, against DKK 67,436 million at 31 December 2010 and DKK 64,529 million at 31 December 2009. For the entire period, the assets were in all material respects related to lending relating to banking activities, lending relating to leasing activities, bonds at fair value and assets linked to pooled schemes.

The increase in total assets from 2009 to 2011 was mainly attributable to an increase in bonds at fair value and an increase in assets linked to pooled schemes as a result of general growth in this business area. The increases in the above-mentioned assets were partially offset by a drop in lending and other receivables at amortised cost, due in part to the phasing-out of the Spar Nord Group's leasing activities.

In the period from 31 December 2011 to 30 June 2012, the Spar Nord Group recorded a DKK 2,656 million decline in total assets to DKK 67,425 million. The decline was due to lending and other receivables at amortised cost due to the phasing-out of the Spar Nord Group's leasing activities combined with a decline in ordinary bank loans.

The Spar Nord Group's total shareholders' equity and liabilities at 31 December 2011 amounted to DKK 70,081 million, against DKK 67,436 million at 31 December 2010 and DKK 64,529 million at 31 December 2009. Shareholders' equity and liabilities primarily consist of payables to credit institutions and central banks, deposits and other payables, deposits in pooled schemes, issued bonds and other liabilities.

The increase in total shareholders' equity and liabilities was mainly due to an increase in payables to credit institutions and central banks, an increase in deposits in pooled schemes and an increase in issued bonds.

In the period from 31 December 2011 to 30 June 2012, the Spar Nord Group recorded a DKK 2,656 million decline in total shareholders' equity and liabilities to DKK 67,425 million. The decline was due to lower payables to credit institutions and central banks. Conversely, there was a DKK 957 million increase in shareholders' equity, owing primarily to Spar Nord's capital increase in March 2012, which resulted in net proceeds of DKK 838 million.

Cash flows – Spar Nord

Spar Nord's total cash generated from operations amounted to an inflow of DKK 623 million in 2011, an outflow of DKK 1,572 million in 2010 and an outflow of DKK 1,593 million in 2009. The improvement was due to the increased profit from operations and the increase in payables to credit institutions. An increase in the Group's bond portfolio and a reduction of clearing accounts had a negative effect.

Spar Nord's total cash generated from investments amounted to an outflow of DKK 120 million in 2011, an outflow of DKK 216 million in 2010 and an outflow of DKK 24 million in 2009. The changes were driven first by an increase and then a reduction in the volume of investments in property, plant and equipment, the latter mainly as a consequence of the initiated phasing-out of the Spar Nord Group's leasing activities.

Spar Nord's total cash generated from financing amounted to an outflow of DKK 160 million in 2011, an outflow of DKK 204 million in 2010 and an inflow of DKK 1,029 million in 2009. The change was mainly related to subordinated debt.

In the period from 1 January to 30 June 2012, total cash generated from operations amounted to an inflow of DKK 1,168 million, total cash generated from investments to an inflow of DKK 23 million and total cash generated from financing to an inflow of DKK 329 million.

4.15.1.3 Financial condition and results of operations for Sparbank

Six months ended 30 June 2012 (first half of 2012) compared to six months ended 30 June 2011 (first half of 2011)

The core income for first half of 2012 was DKK 320 million, corresponding to an increase of 6% on the first half of 2011. Net interest income rose by 8% driven by a higher interest margin, while net income from fees, charges and commissions was up 17% following extensive mortgage lending activity.

The Sparbank Group's costs amounted to DKK 202 million, which was 8% more than in the first half of 2011.

Core income before impairment was DKK 115 million, which was an increase of 3% relative to the first half of 2011.

Impairment of loans and advances, etc. amounted to DKK 262 million with DKK 191 million of extraordinary impairment charges incurred in the second quarter due to the DFSA's more detailed guidelines.

The Group reported a loss before tax of DKK 190 million, against a loss of DKK 82 million in the first half of 2011.

Consolidated financial statements for 2011 compared with 2010

Core income

The Sparbank Group's core income for 2011 was DKK 572 million, corresponding to an increase of 2% relative to 2010, when core income amounted to DKK 562 million.

Net interest income amounted to DKK 344 million, equal to a decline of 20% relative to 2010, when net interest income amounted to DKK 428 million. The decline was triggered by falling interest income on bonds combined with higher funding costs.

Net income from fees, charges and commissions for 2011 amounted to DKK 120 million, 9% up on 2010, when the amount was DKK 110 million. The increase was driven by higher activity in the securities area and growth in other fees and commissions, including the arrangement of mortgage loans.

Market-value adjustments represented an expense of DKK 80 million, against income of DKK 36 million in 2010. Developments in shares, bonds and foreign exchange were the reason for the net expense.

Other operating income fell from DKK 363 million to DKK 33 million in 2011. The decline was mainly due to the fact that the Group recorded a DKK 356 million profit in 2010 related to the sale of branches.

Costs

The Sparbank Group's total expenses for 2011 were DKK 421 million, corresponding to a 3% decrease relative to 2010, when costs amounted to DKK 433 million.

Salaries amounted to DKK 219 million in 2011, which was 8% lower than in 2010, when salaries amounted to DKK 239 million. The lower amount was due to a reduction in the number of employees.

Operating costs amounted to DKK 202 million, up 4% relative to 2010, when operating costs amounted to DKK 194 million.

Impairment of loans and advances

The Sparbank Group's total impairment of loans and advances, etc. in 2011 amounted to DKK 311 million, corresponding to a decrease of 21% relative to 2010, when impairment of loans and advances, etc. totalled DKK 396 million.

In 2011, DKK 280 million of the DKK 311 million was related to business customers, corresponding to an impairment ratio for this customer group of 4.5, while DKK 31 million was related to retail customers, corresponding to an impairment ratio of 0.6. Of total impairment of loans and advances, etc., DKK 59 million constituted impairment of exposures in the property sector, equalling an impairment ratio of 2.8.

Contributions to sector-targeted solutions

The Sparbank Group's net contribution to sector-targeted solutions in 2011 represented an income of DKK 1 million against an expense of DKK 109 million in 2010.

Profit/loss before tax

The Sparbank Group recorded a pre-tax loss of DKK 313 million in 2011, against a profit of DKK 28 million in 2010.

Consolidated financial statements for 2010 compared with 2009

Core income

The Sparbank Group's core income for 2010 was DKK 562 million, corresponding to a 29% decrease relative to 2009, when core income amounted to DKK 793 million.

Net interest income amounted to DKK 428 million, equal to a decline of 36% relative to 2009, when net interest income amounted to DKK 673 million. The decline was due to the divestment of branches, which resulted in a lower business volume.

Net income from fees, charges and commissions for 2010 amounted to DKK 110 million, 30% down on 2009, when the amount was DKK 158 million. As was the case for interest income, the decline was due to the divestment of branches and the resulting drop in business volume.

Market-value adjustments amounted to DKK 36 million, which was 70% below market-value adjustments for 2009 of DKK 121 million. The decline was due to lower earnings on financial instruments and lower market-value adjustments on the Sparbank Group's bond portfolio.

Other operating income amounted to DKK 363 million, which was a sharp increase relative to 2009, when other operating income amounted to DKK 5 million. The increase was due to income from the sale of branches.

Costs

The Sparbank Group's total expenses for 2010 were DKK 433 million, corresponding to a 18% decrease relative to 2009, when costs amounted to DKK 529 million.

Salaries amounted to DKK 239 million in 2010, which was 21% lower than in 2009, when salaries amounted to DKK 304 million. The decline was due to the divestment of branches and the resulting fall in the number of employees.

Operating costs amounted to DKK 194 million, down 14% relative to 2010, when operating costs amounted to DKK 225 million.

Impairment of loans and advances

The Sparbank Group's total impairment of loans and advances, etc. in 2010 amounted to DKK 396 million, corresponding to a decrease of 18% relative to 2009, when impairment of loans and advances, etc. totalled DKK 483 million.

In 2010, DKK 322 million of the DKK 396 million was related to business customers, corresponding to an impairment ratio for this customer group of 4.5, while DKK 74 million was related to retail customers, corresponding to an impairment ratio of 1.7. Of total impairment of loans and advances, etc., DKK 110 million constituted impairment of exposures in the property sector, equalling an impairment ratio of 6.5.

Contributions to sector-targeted solutions

The Sparbank Group's net contribution to sector-targeted solutions in 2010 represented an expense of DKK 109 million against an expense of DKK 108 million in 2009.

Profit/loss before tax

The Sparbank Group recorded a pre-tax profit of DKK 28 million in 2009 against a loss of DKK 122 million in 2009.

Sparbank's balance sheet

The Sparbank Group's total assets at 31 December 2011 amounted to DKK 13,662 million, against DKK 15,081 million at 31 December 2010 and DKK 17,859 million at 31 December 2009. For the entire period, the assets were in all material respects related to lending and other receivables at amortised cost as well as bonds at fair value.

The decline in total assets from 2009 to 2010 was due principally to a reduction in lending, among other things due to the divestment of branches.

At 30 June 2012, total assets amounted to DKK 13,375 million, which was on a level with 31 December 2011.

The Sparbank Group's total shareholders' equity and liabilities at 31 December 2011 amounted to DKK 13,662 million, against DKK 15,081 million at 31 December 2010 and DKK 17,859 million at 31 December 2009. During the period, shareholders' equity and liabilities primarily consisted of payables to credit institutions and central banks, deposits and other payables, deposits in pooled schemes and issued bonds.

The decline in total shareholders' equity and liabilities was mainly due to a fall in deposits and other payables, among other things due to the divestment of branches. In addition there was a reduction in payables to credit institutions and central banks.

At 30 June 2012, total shareholders' equity and liabilities amounted to DKK 13,375 million, which was on a level with 31 December 2011.

Cash flows – Sparbank

Sparbank's total cash generated from operations amounted to an inflow of DKK 330 million in 2011, an outflow of DKK 88 million in 2010 and an inflow of DKK 593 million in 2009. The change in 2011 was due to a reduction in the bank's bond portfolio. The change in 2009 was due to a decline in loans and advances and an increase in deposits. A reduction of payables to credit institutions had the opposite effect.

Sparbank's total cash generated from investments amounted to an outflow of DKK 250 million in 2011, an outflow of DKK 19 million in 2010 and an outflow of DKK 19 million in 2009. The change in 2011 was due to investment in investment properties and goodwill on acquisition of branches from the former Fjordbank Mors.

Sparbank's total cash generated from financing amounted to an inflow of DKK 10 million in 2011, an outflow of DKK 37 million in 2010 and an inflow of DKK 484 million in 2009. The change was mainly related to subordinated debt.

In the period from 1 January to 30 June 2012, total cash generated from operations amounted to an outflow of DKK 171 million, total cash generated from investments to an outflow of DKK 2 million and total cash generated from financing to an inflow of DKK 2 million.

4.16 Historical financial information

4.16.1 Selected financial information for the Spar Nord Group

The selected financial information below has been extracted from the unaudited consolidated financial statements for the six months ended 30 June 2012 and the six months ended 30 June 2011 and from the audited consolidated financial statements for the years ended 31 December 2011, 2010 and 2009. For 2010 and 2009, Spar Nord Leasing A/S has subsequently been reclassified in the income statement as discontinued operations. The consolidated financial statements for the years ended 31 December 2011, 2010 and 2009 have been prepared in accordance with IFRS as adopted by the EU and audited by KPMG Statsautoriseret Revisionspartnerselskab, Spar Nord's independent auditors. The unaudited consolidated financial statements for the six months ended 30 June 2012 and 2011 have been prepared in accordance with IAS 34 as adopted by the EU.

Table 4.47 – Spar Nord Group's income statement

DKKm	H1 2012	H1 2011	2011	2010	2009
Interest income	1,051.7	990.4	2,121.4	2,062.8	2,900.3
Interest expenses	291.7	300.7	649.9	624.7	1,134.3
Net interest income	760.0	689.7	1,471.5	1,438.1	1,766.0
Dividends on shares, etc.	16.0	10.1	10.3	13.0	19.7
Fees, charges and commissions received	319.4	278.1	532.8	566.1	490.4
Fees, charges and commissions paid	23.9	29.0	56.0	67.6	73.6
Net income from interest, fees, charges and commissions	1,071.5	948.9	1,958.6	1,949.6	2,202.5
Market-value adjustments	125.5	81.2	115.5	236.9	305.2
Other operating income	17.4	20.1	40.6	34.2	99.8
Staff costs and administrative expenses	720.9	704.9	1,380.7	1,402.6	1,500.5
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	36.3	34.1	73.3	63.7	111.6
Other operating expenses	26.7	34.7	0.0	211.2	176.0
Impairment of loans, advances and receivables, etc.	326.6	168.6	402.9	452.9	691.8
Profit/loss on equity investments in associates and group enterprises	28.9	30.3	44.9	40.5	17.1
Profit/loss on continuing activities before tax	132.8	138.2	302.7	130.8	144.7
Tax on continuing activities	26.8	9.3	52.9	27.1	27.2
Profit/loss on continuing activities	106.0	128.9	249.8	103.7	117.5
Profit/loss on discontinued operations after tax	11.3	42.2	25.0	1.3	0.0
Profit/loss for the period	117.3	171.1	274.8	105.0	117.5

Table 4.48 – Spar Nord Group's balance sheet

	30 June		31 December		
	2012	2011	2011	2010	2009
Assets Spar Nord (DKKm)					
Cash balances and demand deposits with central banks	761.9	523.3	641.0	578.1	841.5
Receivables from credit institutions and central banks	3,742.4	3,946.1	2,428.3	2,227.8	4,013.7
- Lending, banking activities	28,894.9	32,742.9	31,189.1	30,754.0	30,791.8
- Lending, reverse transactions	556.0	580.7	393.2	1,516.6	0.0
- Lending, leasing activities	4,944.1	7,699.0	7,119.8	7,681.5	7,523.6
Loans, advances and other receivables at amortised cost, total	34,395.0	41,022.6	38,702.1	39,952.1	38,315.4
Bonds at fair value	16,710.9	14,705.7	16,421.2	13,637.3	12,578.8
Shares, etc.	1,052.1	1,089.4	1,040.4	1,121.7	869.8
Equity investments in associates	781.7	753.8	765.1	745.8	718.8
Assets linked to pooled schemes	6,386.2	6,091.3	6,327.1	5,678.5	4,066.5
Intangible assets	129.3	155.0	131.4	157.5	165.9
- Investment properties	49.0	66.2	48.5	61.4	60.4
- Corporate properties	445.6	460.1	456.6	452.8	462.8
Land and buildings, total	494.6	526.3	505.1	514.2	523.2
- Operating lease assets	325.2	649.3	404.0	437.4	199.2
- Other property, plant and equipment	134.9	167.2	139.6	166.4	152.9
Other property, plant and equipment, total	460.1	816.5	543.6	603.8	352.1
Current tax assets	5.2	4.3	10.3	1.4	3.5
Temporary assets	74.1	79.1	87.5	79.8	96.7
Other assets	2,332.1	2,142.4	2,401.7	2,064.5	1,907.4
Prepayments	99.7	76.8	76.6	73.2	75.9
Total assets	67,425.3	71,932.6	70,081.4	67,435.7	64,529.2
Shareholders' equity and liabilities Spar Nord (DKKm)					
Payables to credit institutions and central banks	7,488.6	12,760.6	12,090.9	7,314.0	9,327.3
Deposits and other payables	31,613.0	30,184.1	31,087.6	31,203.7	31,930.7
Deposits in pooled schemes	6,386.2	6,091.3	6,327.1	5,678.5	4,066.5
Issued bonds at amortised cost	8,009.7	9,373.9	8,021.3	7,806.2	6,445.2
Other non-derivative financial liabilities at fair value	1,848.6	1,319.1	769.8	1,211.4	86.0
Current tax liabilities	4.9	2.1	7.3	2.4	0.1
Other liabilities	4,176.8	4,747.3	4,326.0	6,708.6	5,210.8
Deferred income	43.7	87.9	53.8	190.1	158.7
Total liabilities other than provisions	59,571.5	64,566.3	62,683.8	60,114.9	57,225.3
Provisions for deferred tax	404.2	315.5	394.9	333.7	311.1
Provisions for losses on guarantees	3.1	2.9	1.8	4.5	133.8
Other provisions	55.9	60.0	56.8	131.2	35.2
Total provisions	463.2	378.4	453.5	469.4	480.1
Subordinated debt	1,806.3	2,463.6	2,316.8	2,477.0	2,681.1
Total liabilities	61,841.0	67,408.3	65,454.1	63,061.3	60,386.5
SHAREHOLDERS' EQUITY					
Share capital	1,141.4	570.7	570.7	570.7	570.7
Revaluation reserves	74.2	59.3	58.2	64.6	54.7
Accumulated foreign-exchange adjustments of foreign entities	5.8	1.6	4.2		
Accumulated changes in value, total	80.0	60.9	62.4	64.6	54.7
Statutory reserves	471.3	439.8	450.7	440.1	411.9
Other reserves, total	471.3	439.8	450.7	440.1	411.9
Retained earnings	3,891.6	3,452.9	3,543.5	3,299.0	3,105.4
Total shareholders' equity	5,584.3	4,524.3	4,627.3	4,374.4	4,142.7
Total shareholders' equity and liabilities	67,425.3	71,932.6	70,081.4	67,435.7	64,529.2

Table 4.49 – Spar Nord Group's financial ratios

DKKm	H1 2012	H1 2011	2011	2010	2009
Solvency					
Solvency ratio	15.7%	13.8%	14.0%	13.4%	14.2%
Tier 1 Capital Ratio	15.7%	13.6%	13.3%	13.2%	13.2%
Earnings					
Return on equity before tax, %	2.9%	4.3%	7.7%	3.1%	3.5%
Return on equity after tax, %	2.3%	3.8%	6.1%	2.5%	2.9%
Income/cost ratio	1.12	1.15	1.16	1.06	1.08
Market risk					
Interest rate risk, %	-0.5%	-0.3%	-0.5%	0.1%	-0.3%
Foreign-exchange position, %	2.2%	4.0%	6.9%	2.9%	2.9%
Foreign-exchange risk, %	0.1%	0.1%	0.1%	0.1%	0.0%
Credit risk					
Loans and advances relative to deposits, %	90.5%	113.1%	103.4%	108.3%	106.4%
Loans and advances plus impairment relative to deposits, %	94.0%	115.9%	106.5%	111.1%	109.1%
Loans and advances relative to shareholders' equity, %	6.2	9.1	8.4	9.1	9.2
Increase in loans and advances for the period, %	-11.1%	2.7%	-3.1%	4.3%	-15.6%
Excess coverage relative to statutory cash ratio requirement, %	211.1%	77.0%	163.9%	109.1%	157.0%
Large exposures as % of capital base, %	0.0%	0.0%	0.0%	0.0%	10.9%
Impairment ratio for the period	0.9%	0.4%	1.1%	1.2%	1.5%
Impairment ratio for the period, continuing activities	0.9%	0.4%	1.1%	1.2%	1.5%
DKK per share of DKK 10*					
Profit/loss for the period	1.4	2.1	3.4	1.3	1.5
Net asset value	49	57	58	54	53
Dividend	0	0	0	0	0
Market price/profit/loss for the period	15.0	14.3	6.8	33.1	26.7
Market price/net asset value	0.4	0.5	0.4	0.8	0.8

* Note: Share-based ratios for earlier periods have been multiplied by an adjustment factor of 0.7073 to reflect the capital increase in March 2012.

4.16.2 Selected financial information for the Sparbank Group

The selected financial information below has been extracted from the unaudited consolidated financial statements for the six months ended 30 June 2012 and the six months ended 30 June 2011 and from the audited consolidated financial statements for the years ended 31 December 2011, 2010 and 2009. The consolidated financial statements with comparative figures for 2010 have been prepared in accordance with IFRS as adopted by the EU, and the consolidated financial statements for 2009 have been prepared in accordance with the Financial Business Act. The consolidated financial statements have been audited by PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab, Sparbank's independent auditors. The unaudited consolidated financial statements for the six months ended 30 June 2012 and 2011 have been prepared in accordance with IAS 34 as adopted by the EU.

Table 4.50 – Sparbank Group's income statement

DKKm	H1 2012	H1 2011	2011	2010	2009
Interest income	322.9	315.2	630.4	703.1	1,093.5
Interest expenses	-137.5	-142.9	-286.2	-275.2	-420.2
Net interest income	185.4	172.4	344.2	428.0	673.3
Dividends on shares, etc.	3.6	3.9	5.5	5.1	7.0
Fees, charges and commissions received	76.5	66.5	127.9	118.7	170.5
Fees, charges and commissions paid	-2.8	-3.7	-7.7	-8.7	-12.5
Net income from interest, fees, charges and commissions	262.8	239.2	469.9	543.1	838.3
Market-value adjustments	5.5	-26.3	-80.3	36.1	121.2
Other operating income	17.4	15.6	33.4	362.7	4.8
Staff costs and administrative expenses	-185.5	-174.0	-392.9	-415.1	-512.3
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	-17.0	-13.8	-28.4	-17.6	-16.7
Other operating expenses	-11.4	-8.4	-3.2	-85.4	-74.2
Impairment of loans, advances and receivables, etc.	-261.7	-114.1	-311.4	-395.7	-482.8
Profit/loss before tax	-189.8	-82.0	-312.8	28.1	-121.7
Taxes	-0.9	-22.0	-76.5	-13.5	-31.8
Profit/loss for the period	-190.7	-59.9	-236.3	14.6	-89.9

Table 4.51 – Sparbank Group's balance sheet

Assets Sparbank DKKm	30 June		31 December		
	2012	2011	2011	2010	2009
Cash balances and demand deposits with central banks	214.6	93.6	101.3	92.3	314.6
Receivables from credit institutions and central banks	345.1	911.7	742.3	1,083.6	756.3
Loans, advances and other receivables at fair value	0.0	8.5	0.0	11.9	7.3
Loans, advances and other receivables at amortised cost	7,866.2	7,914.4	8,057.3	8,080.7	11,487.4
Bonds at fair value	3,855.5	3,707.5	3,637.7	4,378.2	4,021.7
Shares, etc.	314.8	486.2	312.1	467.9	389.3
Assets linked to pooled schemes	0.0	242.6	0.0	396.0	368.5
Intangible assets	40.5	3.1	41.6	2.2	6.2
Land and buildings, total	163.5	166.0	163.5	25.0	25.0
Other property, plant and equipment, total	67.4	87.8	80.4	49.7	42.6
Current tax assets	1.5	1.1	0.6	0.7	1.1
Deferred tax assets*	221.8	168.1	222.6	115.8	120.2
Temporary assets	19.1	3.1	32.6	8.1	0.0
Other assets	255.2	287.5	261.6	360.4	301.3
Prepayments	9.7	10.2	7.8	8.0	17.1
Total assets	13,374.9	14,091.4	13,661.5	15,080.6	17,858.6
Shareholders' equity and liabilities Sparbank DKKm	30 June		31 December		
	2012	2011	2011	2010	2009
Payables to credit institutions and central banks	152.6	1,357.0	799.3	780.2	1,774.7
Deposits and other payables	7,925.0	6,860.9	7,420.0	7,386.4	11,630.2
Deposits in pooled schemes	0.0	242.6	0.0	396.0	368.5
Issued bonds at amortised cost	3,098.1	2,772.7	2,992.9	3,539.2	1,208.2
Current tax liabilities	0.0	30.4	0.0	0.0	0.0
Temporary liabilities	0.4	0.0	20.5	0.0	0.0
Other liabilities	384.3	651.8	424.5	731.9	575.0
Deferred income	11.4	11.1	10.4	10.6	6.3
Total liabilities other than provisions	11,571.8	11,926.4	11,667.6	12,844.3	15,562.9
Provisions for losses on guarantees	17.7	13.9	10.7	16.2	54.5
Other provisions	7.8	4.8	6.1	3.8	0.0
Total provisions	25.6	18.7	16.7	19.9	54.5
Subordinated debt	950.6	937.9	948.9	939.4	976.5
Total liabilities	12,548.0	12,883.1	12,633.2	13,803.6	16,593.9
SHAREHOLDERS' EQUITY					
Share capital	120.5	120.5	120.5	120.5	120.5
Cash flow hedging reserve	-11.2	0.0	0.0	0.0	0.0
Retained earnings	717.6	1,087.9	907.8	1,156.5	1,144.2
Total shareholders' equity	827.0	1,208.4	1,028.3	1,277.0	1,264.7
Total shareholders' equity and liabilities	13,374.9	14,091.4	13,661.5	15,080.6	17,858.6

Note: The DFSA has raised doubts about the recognised value of the tax asset in Sparbank's annual report for 2011 and the interim report for the six months ended 30 June 2012. In connection with the Merger, the tax asset relating to tax losses will no longer have any value.

Table 4.52 – Sparbank Group's financial ratios

DKKm	H1 2012	H1 2011	2011	2010	2009
Solvency					
Solvency ratio	12.6%	16.0%	14.6%	16.6%	13.1%
Tier 1 Capital Ratio	7.6%	12.9%	10.4%	14.2%	10.8%
Solvency need	9.3%	10.8%	11.4%	10.6%	10.2%
Earnings					
Income/cost ratio	0.6	0.7	0.6	1.0	0.9
Return on equity for the period before tax, %	-20.5%	-6.6%	-27.1%	2.2%	-9.3%
Return on equity for the period after tax, %	-20.6%	-4.8%	-20.5%	1.1%	-6.9%
Market risk					
Interest rate risk, %	0.5%	-1.7%	0.5%	0.4%	0.6%
Foreign-exchange position, %	5.8%	12.3%	3.2%	15.0%	12.3%
Foreign-exchange risk, %	0.8%	0.2%	0.1%	0.5%	0.3%
Credit risk					
Large exposures as % of capital base, %	89.3%	10.6%	58.7%	19.9%	67.2%
Accumulated impairment ratio	8.2%	10.1%	6.7%	9.1%	5.6%
Impairment ratio for the period	2.3%	1.2%	2.8%	3.2%	2.6%
Increase in loans and advances for the period, %	-2.4%	-2.1%	-0.4%	-29.6%	-12.2%
Loans and advances relative to shareholders' equity, %	9.5	6.6	7.8	6.3	9.1
Liquidity					
Loans and advances plus impairment relative to deposits, %	110.5%	127.2%	118.6%	117.1%	103.7%
Excess coverage relative to statutory cash ratio requirement, %	222.2%	158.1%	207.4%	271.8%	150.4%
DKK per share of DKK 10					
Profit/loss for the period per share	-33.5	-10.4	-41.2	2.5	-15.3
Net asset value per share	145	212	181	218	215
Dividend per share	0	0	0	0	0
Market price/profit or loss for the period per share	-1.0	-4.9	-1.0	31.8	-7.5
Market price/net asset value per share	0.2	0.2	0.2	0.4	0.5

4.16.3 Interim balance sheets for Spar Nord and Sparbank

In connection with the Merger, the Spar Nord Group and the Sparbank Group have prepared audited interim balance sheets at 31 July 2012 in accordance with section 239 of the Danish Companies Act. The interim balance sheets and the other merger documents are available on Spar Nord's website (www.sparnord.dk) and Sparbank's website (www.sparbank.dk).

4.16.4 Cross reference table

In this section, cross-references are used to refer to the income statement and balance sheet, statement of changes in equity and notes to the financial statements as well as the management's review, management's and auditors' reports for the financial years ended 31 December 2009, 2010 and 2011 for Spar Nord and Sparbank, and to the income statement and balance sheet, statement of changes in equity and notes to the financial statements as well as the management's review and management's ' report for the six months ended 30 June 2012. For a detailed review of the annual reports and interim reports, respectively, reference is made to the annual and interim reports which can be downloaded from the websites of the two banks www.sparnord.dk and www.sparbank.dk

Other than the banks' financial statements and the above-mentioned interim balance sheets, no other information in the Merger Announcement has been audited by the banks' auditors.

Table 4.53 – Cross-reference table

	Spar Nord				Sparbank			
	Reference to interim report for H1 2012 page(s)	Reference to annual report for 2011 page(s)	Reference to annual report for 2010 page(s)	Reference to annual report for 2009 page(s)	Reference to interim report for H1 2012 page(s)	Reference to annual report for 2011 page(s)	Reference to annual report for 2010 page(s)	Reference to annual report for 2009 page(s)
Key figures and ratios	5-7	12-15	16-19	6-10	3-4	4	5	5
Management's review	5-13	2-44	2-48	5-44	5-8	3-19	4-22	4-18
Statement by the Management	15	45	49	45	9	20	23	19
Auditors' report	-	46-47	50-51	45-47	-	21-22	24-25	20-21
Accounting policies	20	58-64	60-66	58-65	15	29-33	31-35	27-30
Income statement	34	50	53	50	10	23	26	22
Balance sheet	35	51	54	51	11-12	24-25	27	23
Statement of changes in equity	36-37	52-54	55-57	52-54	13	26	28	24
Notes to the financial statements	38-43	57-124	59-124	57-116	15-22	28-76	30-69	26-58

4.17 Pro forma financial information for the Continuing Bank

4.17.1 Statement by the Management

We have prepared the following unaudited combined consolidated pro forma financial information for the six months ended 30 June 2012.

The information has been prepared in accordance with section 4.17.3 "Purpose of the unaudited combined consolidated pro forma financial information" and section 4.17.4 "Restrictions on the use of unaudited combined consolidated pro forma financial information".

The unaudited combined consolidated pro forma financial information includes an unaudited combined consolidated pro forma income statement and pro forma statement of comprehensive income for the six months ended 30 June 2012, an unaudited combined consolidated pro forma balance sheet at 30 June 2012 and notes to the financial statements, including assumptions applied.

The unaudited combined consolidated pro forma financial information has been prepared on a basis which – following illustrative unaudited pro forma adjustments made – is consistent with Spar Nord's accounting policies applied for the consolidated financial statements for the six months ended 30 June 2012.

The unaudited combined consolidated pro forma financial information for the Continuing Bank has been prepared and included voluntarily in this Merger Announcement in accordance with Commission Regulation (EC) no. 809/2004 of 29 April 2004 and is based on a number of hypothetical assumptions. We believe that the principal assumptions applied are duly described and presented in the following.

The unaudited combined consolidated pro forma financial information has been prepared for illustrative purposes only to illustrate an impact on assets, liabilities, financial position and results of operations as if the Merger had been completed at 1 January 2012 with respect to the income statement and at 30 June 2012 with respect to the balance sheet. The unaudited combined consolidated pro forma financial information inherently describes a hypothetical situation that does not reflect the Continuing Bank's actual financial position and results of operations. The information does not reflect the Continuing Bank's assets, liabilities, financial position and results of operations for the six months ended 30 June 2012 or the amounts if the Merger had been completed at 1 January 2012 with respect to the income statement and at 30 June 2012 with respect to the balance sheet.

The use of unaudited combined consolidated pro forma financial information involves significant limitations. See 4.17.4 "Restrictions on the use of unaudited combined consolidated pro forma financial information".

We believe that the unaudited combined consolidated pro forma financial information for the six months ended 30 June 2012 is based on financial information which has been collected in a prudent manner on the basis described and prepared in accordance with the assumptions described. Furthermore, we believe that this basis, following pro forma adjustments made to align Spar Nord Bank A/S' accounting policies with respect to recognition and measurement, in all material respects is in accordance with the accounting policies applied by the Spar Nord Group in the consolidated financial statements for the six months ended 30 June 2012.

Aalborg, 11 October 2012

Spar Nord

Executive Board

Lasse Nyby

John Lundsgaard

Lars Møller

Board of Directors

Torben Fristrup

Per Nikolaj Bukh

Carsten Normann

Hans Østergaard

Ole Skov

Jannie Skovsen

Gitte Holmgaard Sørensen

Kaj Christiansen

Laila Mortensen

4.17.2 Independent auditors' report on unaudited combined consolidated pro forma financial informationer

To the readers of this merger announcement

We have examined the unaudited combined consolidated pro forma financial information prepared by the Management of Spar Nord Bank A/S, including statement by the Management, the purpose of the unaudited combined consolidated pro forma financial information, restrictions on the use of unaudited combined consolidated pro forma financial information, methodology used in preparing the unaudited combined consolidated pro forma financial information, pro forma income statement and statement of comprehensive income for the six months ended 30 June 2012, pro forma balance sheet at 30 June 2012 as well as notes, including the used assumptions included.

The unaudited combined consolidated pro forma financial information has been prepared by the Management of Spar Nord Bank A/S for illustrative purposes only to show the assets, liabilities, financial position and results of operations of the Spar Nord Group as if the merger with Sparbank A/S had been effective at 1 January 2012 for the income statement and at 30 June 2012 for the balance sheet. Since the unaudited combined consolidated pro forma financial information describes a hypothetical situation, it does not reflect the Spar Nord Group's actual financial position at 30 June 2012 or the results of operations for six months ended 30 June 2012 if the merger had been effective for accounting purposes at 30 June 2012 and 1 January 2012, respectively.

The unaudited combined consolidated pro forma financial information prepared for the Continuing Bank and the determination and application of both the basis of preparation and the underlying assumptions are the responsibility of the Management of Spar Nord Bank A/S. Our responsibility is exclusively, based on our examination, to express an opinion as required by item 7 of Annex II of the European Commission Regulation No. 809/2004 of 29 April 2004, as to the proper compilation by the Management of Spar Nord Bank A/S of the pro forma financial information on the described basis, and also that such basis, after adjustments made in order to adjust the accounting policies applied by Spar Nord Bank A/S in respect of recognition and measurement, is consistent with the accounting policies applied by the Spar Nord Group in respect of the consolidated financial statements for the six months ended 30 June 2012.

Basis of opinion

We conducted our examination of the unaudited combined consolidated pro forma financial information of the the Spar Nord Group in accordance with the International Standard on Auditing on "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" (ISAE 3000) and additional requirements under Danish audit regulation. In accordance with this standard, we planned and conducted our examination so as to obtain reasonable assurance that the unaudited combined consolidated pro forma financial information is based on financial information properly compiled on the basis described and prepared in accordance with the assumptions described and based on the information received. We also planned and conducted our examination so as to express an opinion that, after the pro forma adjustments made in order to adjust the accounting policies applied by Spar Nord Bank A/S in respect of recognition and measurement, the basis is consistent in all material respects with the accounting policies applied by Spar Nord Bank A/S in respect of the consolidated financial statements for the six months ended 30 June 2012. No conceptual framework or international accounting standard on the preparation of such combined pro forma financial information exist.

Our examination comprised:

- reading the unaudited combined consolidated pro forma financial information prepared by the Management of Spar Nord Bank A/S,
- discussing with the Management of Spar Nord Bank A/S the methodology used for collecting data and determining the assumptions used and pro forma adjustments made,
- verifying on a test basis that the unaudited combined consolidated pro forma financial information has been prepared in accordance with the basis described and that the pro forma adjustments made are based on the assumptions determined and described by the Management of Spar Nord Bank A/S,
- verifying the mathematical accuracy of the unaudited combined consolidated pro forma financial information.

We have not performed an audit or a review of the unaudited combined consolidated pro forma financial information prepared by the Management of Spar Nord Bank A/S.

In our opinion, the examination conducted provides an adequate basis for our opinion.

Opinion

Based on our examination, it is our opinion that the unaudited combined consolidated pro forma financial information for the six months ended 30 June 2012 prepared by the Management of Spar Nord Bank A/S is based on financial information that has been properly compiled on the basis described and in accordance with the assumptions described. Moreover, we believe that, after the pro forma adjustments made in order to adjust the accounting policies applied by Spar Nord Bank A/S in respect of recognition and measurement, this basis, based on information received, is consistent in all material respects with the accounting policies applied by Spar Nord Bank A/S in respect of the consolidated financial statements for the six months ended 30 June 2012.

Aalborg, 11 October 2012

KPMG

Statsautoriseret Revisionspartnerselskab

Per Gunslev

State Authorised
Public Accountant

Lisbet Kragelund

State Authorised
Public Accountant

4.17.3 Purpose of the unaudited combined consolidated pro forma financial information

Subject to approval by their respective shareholders in general meeting, Spar Nord and Sparbank have decided to merge, with Spar Nord as the continuing company. In connection with the Merger, Sparbank's rights and obligations will be transferred to Spar Nord with accounting effect from 1 January 2012 pursuant to section 237(3)(viii) of the Companies Act, as Spar Nord, for use in the preparation of consolidated financial statements for 2012 in accordance with IFRS as adopted by the EU and the presentation of parent company financial statements in accordance with section 145 of the Executive Order on the presentation of financial statements by financial businesses, will complete the Merger for accounting purposes with effect from the Date of Completion.

The unaudited combined consolidated pro forma financial information for the six months ended 30 June 2012 is based on a hypothetical and estimated situation that does not reflect the Continuing Bank's actual financial position and results of operations. The unaudited combined consolidated pro forma financial information has been prepared for illustrative purposes only to show an estimated impact on the Spar Nord Group's assets, liabilities, financial position at 30 June 2012 and results of operations for the six months then ended if Spar Nord had merged with Sparbank effective for accounting purposes at 30 June 2012 and 1 January 2012, respectively.

In the preparation of the unaudited combined consolidated pro forma financial information it was with respect to the balance sheet assumed that Spar Nord was acquired at 30 June 2012. With respect to the pro forma income statement for the six months ended 30 June 2012, it was assumed that the Merger was completed at 1 January 2012 to illustrate an effect on the results of operations for the six months ended 30 June 2012. The income statement thus contains movements that would normally arise based on balance sheet items at the beginning of 2012, including. The purpose here is to illustrate a pro forma income statement for the six months ended 30 June 2012 adjusted for the effect of recognising Sparbank, even though this entity is not recognised in the balance sheet until at 30 June 2012. Otherwise, the pro forma balance sheet and pro forma income statement have been prepared independently.

4.17.4 Restrictions on the use of unaudited combined consolidated pro forma financial information

The unaudited combined consolidated pro forma financial information should not be considered to express the Continuing Bank's future assets and liabilities, results of operations, cash flows or financial position and should thus not be used as a basis for expectations about the results of the Continuing Bank. Since the unaudited combined consolidated pro forma financial information describes a hypothetical situation, it does not reflect the Continuing Bank's actual financial position and results of operations because the unaudited combined consolidated pro forma financial information is based only on the assumptions described, which materially affect the unaudited combined consolidated pro forma financial information.

4.17.5 Methodology used in preparing the unaudited combined consolidated pro forma financial information

For the six months ended 30 June 2012, both Spar Nord and Sparbank presented their consolidated financial statements in accordance with IAS 34 as adopted by the EU. The consolidated financial statements in question have been incorporated in this merger announcement by reference. No material differences in the accounting policies applied by the groups have been identified.

The pro forma balance sheet at 30 June 2012 for the Continuing Bank was prepared by combining the consolidated balance sheets at 30 June 2012 of the Spar Nord Group and the Sparbank Group. The adjustments made are described in the notes to the pro forma financial information for the six months ended 30 June for the Continuing Bank.

The pro forma income statement for the six months ended 30 June 2012 was prepared by combining the consolidated income statements for the six months ended 30 June 2012 of the Spar Nord Group and the Sparbank Group. The adjustments made are described in the notes to the pro forma financial information for the six months ended 30 June for the Continuing Bank.

Purchase price allocation

In connection with the adoption of the Merger, a pre-acquisition balance sheet will be prepared for Sparbank as at the Date of Completion. Acquired identifiable assets and liabilities will be recognised at fair values in this balance sheet. The difference between the consideration and the calculated net assets will be recognised as goodwill.

In the income statement of the Continuing Bank for 2012, the Sparbank Group will be included as from the Date of Completion. Comparative figures for 2011 will not be restated to reflect the Merger.

In connection with the preparation of this pro forma financial information and based on information available, a preliminary indicative purchase price allocation has been made. This is provided in note 8 to the unaudited combined consolidated pro forma financial information. The subsequent actual purchase price allocation may deviate materially from this preliminary indicative allocation.

4.17.6 Pro forma financial information for the six months ended 30 June 2012

Table 4.54 – Pro forma income statement for the six months ended 30 June for the Continuing Bank

DKKm	Spar Nord	Sparbank	Note	Pro forma adjustment	Pro forma
Interest income	1.051,7	322,9	1)	-8,5	1.366,1
Interest expenses	291,7	137,5	1)	-4,5	424,7
Net interest income	760,0	185,4		-4,0	941,4
Dividends on shares, etc.	16,0	3,6			19,6
Fees, charges and commissions received	319,4	76,5			395,9
Fees, charges and commissions paid	23,9	2,8			26,7
Net income from interest, fees, charges and commissions	1.071,5	262,7		-4,0	1.330,2
Market-value adjustments	125,5	5,6			131,1
Other operating income	17,4	17,5	1)	-12,8	22,1
Staff costs and administrative expenses	720,9	185,5	1)	-11,7	894,7
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	36,3	17,0			53,3
Other operating expenses	26,7	11,4			38,1
Impairment of loans, advances and receivables, etc.	326,6	261,7	1)	16,5	604,8
Profit/loss on equity investments in associates and group enterprises	28,9	0,0			28,9
Profit/loss on continuing activities	132,8	-189,8		-21,6	-78,6
Skat af fortsættende aktiviteter	26,8	0,9	1)	-5,4	22,3
Profit/loss on continuing activities	106,0	-190,7		-16,2	-100,9
Profit/loss on discontinued operations after tax	11,3	0,0	1)	16,2	27,5
Profit/loss for the period	117,3	-190,7		0,0	-73,4

Note: Because of rounding off, the figures presented may deviate slightly from the official financial statements.

Table 4.55 – Pro forma statement of comprehensive income for the six months ended 30 June for the Continuing Bank

Statement of comprehensive income	Spar Nord	Sparbank	Note	Pro forma adjustment	Pro forma
Profit/loss for the period	117,3	-190,7			-73,4
Other comprehensive income					
Exchange adjustment upon translation of foreign entity	1,6				1,6
Hedge accounting		-11,1			-11,1
Other capital movements in associates	-0,3				-0,3
Tax on other comprehensive income	16,0	0,0			16,0
Other comprehensive income after tax	17,3	-11,1		0,0	6,2
Total comprehensive income	134,6	-201,8		0,0	-67,2

Note: Because of rounding off, the figures presented may deviate slightly from the official financial statements.

Table 4.56 – Pro forma balance sheet at 30 June 2012 for the Continuing Bank

Assets DKKm	Spar Nord	Sparbank	Note	Pro forma adjustment	Pro forma
Cash balances and demand deposits with central banks	761.9	214.6		0.0	976.5
Receivables from credit institutions and central banks	3,742.4	345.1	2)	-94.3	3,993.2
- Lending, banking activities	28,894.9	7,866.2	3)+4)	-899.0	35,862.1
- Lending, reverse transactions	556.0	0.0			556.0
- Lending, leasing activities	4,944.1	0.0	4)	443.2	5,387.3
Loans, advances and other receivables at amortised cost, total	34,395.0	7,866.2		-455.8	41,805.4
Bonds at fair value	16,710.9	3,855.5			20,566.4
Shares etc.	1,052.1	314.8	5)	-214.2	1,152.7
Equity investments in associates	781.7	0.0	6)	214.2	995.9
Assets linked to pooled schemes	6,386.2	0.0			6,386.2
Intangible assets	129.3	40.5	7)+8)	16.2	186.0
- Investment properties	49.0	163.5	9)	-27.0	185.5
- Corporate properties	445.6	0.0	10)	176.9	622.5
Land and buildings, total	494.6	163.5		149.9	808.0
- Operating lease assets	325.2	0.0			325.2
- Other property, plant and equipment	134.9	67.4	11)	-9.1	193.2
Other property, plant and equipment, total	460.1	67.4		-9.1	518.4
Current tax assets	5.2	1.5			6.7
Deferred tax assets*	0.0	221.8	12)	-221.8	0.0
Temporary assets	74.1	19.1	13)	-1.6	91.6
Other assets	2,332.1	255.2			2,587.3
Prepayments	99.7	9.7			109.4
Total assets	67,425.3	13,374.9		-616.5	80,183.7
Shareholders' equity and liabilities					
DKKm	Spar Nord	Sparbank	Note	Pro forma adjustment	Pro forma
Payables to credit institutions and central banks	7,488.6	152.6	14)	-94.3	7,546.9
Deposits and other payables	31,613.0	7,925.0	15)	50.5	39,588.5
Deposits in pooled schemes	6,386.2	0.0			6,386.2
Issued bonds at amortised cost	8,009.7	3,098.1			11,107.8
Other non-derivative financial liabilities at fair value	1,848.6	0.0			1,848.6
Current tax liabilities	4.9	0.0			4.9
Temporary liabilities	0.0	0.4			0.4
Other liabilities	4,176.8	384.3	16)	177.9	4,739.0
Deferred income	43.7	11.4			55.1
Total liabilities other than provisions	59,571.5	11,571.8		134.1	71,277.4
Provisions for deferred tax	404.2	0.0	17)	-200.5	203.7
Provisions for losses on guarantees	3.1	17.7			20.8
Other provisions	55.9	7.8	18)	4.5	68.2
Total provisions	463.2	25.5		-196.0	292.7
Subordinated debt	1,806.3	950.6			2,756.9
Total liabilities	61,841.0	12,547.9		-61.9	74,327.0
Shareholders' equity					
Share capital	1,141.4	120.5	19)	-6.4	1,255.5
Revaluation reserves	80.0	0.0			80.0
Cash flow hedging reserve	0.0	-11.1	20)	11.1	0.0
Accumulated changes in value, total	80.0	-11.1		11.1	80.0
Statutory reserves	471.3	0.0			471.3
Other reserves, total	471.3	0.0		0.0	471.3
Retained earnings	3,891.6	717.6	21)	-559.3	4,049.9
Total shareholders' equity	5,584.3	827.0		-554.6	5,856.7
Total shareholders' equity and liabilities	67,425.3	13,374.9		-616.5	80,183.7

Note: The DFSA has raised doubts about the recognised value of the tax asset in Sparbank's annual report for 2011 and the interim report for the six months ended 30 June 2012. In connection with the Merger, the tax asset relating to tax losses will no longer have any value. Because of rounding off, the figures presented may deviate slightly from the official financial statements.

Table 4.57 – Contingent liabilities at 30 June 2012 for the Continuing Bank

Contingent liabilities	Spar Nord	Sparbank	Note	Pro forma adjustment	Pro forma
Guarantees, etc.	5,938.3	2,364.0	22)	-4.8	8,297.5
Other obligating agreements	520.9	338.6	23)	-208.5	651.0
Total contingent liabilities	6,459.2	2,702.6		-213.3	8,948.5

Note: Because of rounding off, the figures presented may deviate slightly from the official financial statements.

Table 4.58 – Notes to the pro forma financial information for the six months ended 30 June for the Continuing Bank
1) Leasing activities presented as discontinued operations

Pursuant to the accounting rules on presentation of discontinued operations, the individual items of Sparbank's income statement at 30 June 2012 have been reclassified since the part of each item of Sparbank's income statement that relates to the leasing activities are reclassified to the line item "Profit/loss on discontinued operations".

2) Receivables from credit institutions and central banks

The DKK -94.3 million adjustment concerns intra-group balances between the two banks.

3) Loans, advances and other receivables

Of the DKK -899.0 million adjustment, DKK -445.4 million relates to impairment charges/fair value adjustments on loans and advances, while the remaining DKK -10.4 million concerns fair value adjustment of fixed-rate loans. The adjustment also includes DKK -443.2 million concerning a separation for presentation purposes of Loans and advances, leasing activities as a separate balance sheet item.

4) Loans, advances and other receivables – Leasing activities

The DKK 443.2 million adjustment is attributable to a separation for presentation purposes of Loans and advances, leasing activities in the balance sheet of the Continuing Bank.

5) Shares

The DKK -214.2 million adjustment concerns reclassification of the SDC sector share to associates, etc. in the Continuing Bank, with DKK -175.1 million relating to Spar Nord Bank and DKK -39.1 million relating to Sparbank.

6) Equity investments in associates and group enterprises

The DKK 214.2 million adjustment concerns reclassification of the SDC sector share to associates, etc. in the Continuing Bank, with DKK 175.1 million relating to Spar Nord and DKK 39.1 million relating to Sparbank.

7) Intangible assets

The DKK -11.0 million net adjustment is attributable to goodwill, customer relations and IT software in Sparbank.

8) Intangible assets

Goodwill is composed as follows:

Recognised shareholders' equity at 30 June 2012 of Sparbank 827.0

Purchase price adjustments:

Loans and advances	-455.8	
Deposits	-50.5	
Intangible assets	-11.0	
Other property, plant and equipment, ex. leasing	-9.1	
Provisions, litigation and complaints	-4.5	
Deferred tax asset	-120.1	
Rent obligation	0.0	
Investment properties	-27.0	
Temporary assets	-1.6	
Taxes	98.8	-580.8
		246.2
		273.4

Consideration for the Sparbank shares (at a market price of 24)

(The market price is determined on the basis of a weighted average of the market price at 30 June (20.7) and 12 September 2012 (27.4). The final determination of the consideration for the Sparbank shares and, by extension, goodwill is made at Spar Nord's market price at the date of the Merger).

Total goodwill 27.2

9) Investment properties

The DKK -27.0 million adjustment is attributable to a writedown of investment properties in Skive Erhvervsinvest A/S and Sparbank.

10) Corporate properties

The DKK 176.9 million adjustment relates to the acquisition price for Sparbank's corporate properties, which are owned by the Spar Vest Foundation and will be taken over by Spar Nord in connection with the completion of the Merger.

11) Other property, plant and equipment

The DKK -9.1 million adjustment concerns a writedown of other property, plant and equipment ex. operating lease assets at fair value.

12) Deferred tax assets

The DKK -221.8 million adjustment is due to temporary differences arisen in 2012 of DKK 35.9 million and a tax loss of DKK 156.0 million, which is forfeited in connection with the tax-free merger. The remaining DKK -101.7 million concerns a reclassification to provisions for deferred tax as a result of the Merger.

The table below is a specification of the deferred tax asset between the annual report for 2011 and the pro forma figures.

	31 December 2011	Reassessment of tax depreciation strategy	30 June 2012	2012 Temporary differences in deferred tax	Forfeited tax loss in connection with the Merger	Pro forma before set- off against deferred tax obligations	Set-off against deferred tax obligations	Pro forma
Property, plant and equipment/lease assets	1.6	57.2	58.8	30.0	0.0	88.8	-88.8	0.0
Tax loss	210.3	-50.1	160.2	-4.2	-156.0	0.0	0.0	0.0
Other items	10.7	-7.9	2.8	10.1	0.0	12.9	-12.9	0.0
	222.6	-0.8	221.8	35.9	-156.0	101.7	-101.7	0.0

In connection with the filing of the tax return for the 2011 income year in the period between the annual report for 2011 and the interim report for the six months ended 30 June 2012, Sparbank has reassessed the strategy for depreciation for tax purposes, as a result of which for 2011 Sparbank does not make depreciation for tax purposes of property, plant and equipment/lease assets. As a result of this change, the deferred tax on tax losses is reduced by a corresponding increase of deferred tax assets on property, plant and equipment/lease assets. Furthermore, discussions with the Danish Customs and Tax Administration concerning earlier income years have resulted in minor adjustments between other items and tax losses.

In 2012, the strategy for depreciation for tax purposes is expected to be retained, which means that for the period until the merger date, no depreciation for

tax purposes is expected to be made on property, plant and equipment/lease assets. As a result of the tax rules, lease payments will be recognised as income for tax purposes, which means that the deferred tax asset on property, plant and equipment/lease assets is increased and the deferred tax asset relating to tax losses is reduced by DKK 30 million.

In addition, a deferred tax obligation of DKK 10 million will be incurred during the period between the interim report for the six months ended 30 June 2012 and the merger date.

Going forward, tax losses cannot be utilised by Spar Nord Bank A/S, and the value is therefore not recognised in the pro forma balance sheet.

In the pro forma statement, which is prepared on a consolidated basis for the Continuing Bank, deferred tax assets and deferred tax liabilities must be recognised as net amounts, which means that Sparbank's deferred tax assets of DKK 101.7 million are offset against Spar Nord's deferred tax liabilities.

13) Temporary assets

The DKK -1.6 million adjustment is attributable to a writedown to fair value.

14) Payables to credit institutions and central banks

The DKK -94.3 million adjustment concerns intra-group balances between the two banks.

15) Deposits and other payables

The DKK 50.5 million adjustment is attributable to fair value adjustment of fixed-rate deposits.

16) Other liabilities

The DKK 177.9 million adjustment covers DKK 1.0 million in costs associated with the capital increase and DKK 176.9 million for the acquisition of corporate properties.

17) Provisions for deferred tax

Of the DKK -200.5 million adjustment, DKK -98.8 is attributable to tax on fair value adjustments, while DKK -101.7 million concerns a reclassification from deferred tax assets.

18) Other provisions

The DKK 4.5 million fair value adjustment concerns provisions for losses on litigation, appeals and complaints.

19) Share capital

The DKK -6.4 million adjustment concerns elimination of share capital in Sparbank in the amount of DKK -120.5 million and a capital increase in connection with the Merger totalling DKK 114.1 million.

20) Accumulated changes in value

The DKK 11.1 million adjustment concerns the realisation of a cash flow hedging reserve in Sparbank in connection with the Merger.

21) Retained earnings

The DKK -559.3 million adjustment concerns the elimination of retained earnings in Sparbank and costs and share premiums in connection with the capital increase.

22) Guarantees

The DKK -4.8 million adjustment concerns intra-group balances between the two banks.

23) Contingent liabilities

The DKK -208.5 million adjustment concerns the termination of rent obligations on acquisition of Sparbank's corporate properties from the Spar Vest Foundation.

4.18 Capital resources

The following review of the Spar Nord Group's capital and cash resources is based on figures at 30 June 2012.

4.18.1 Policies and goals

Spar Nord has adopted a number of policies and instructions to ensure that the Spar Nord Group consistently has adequate capital and cash resources to comply with statutory requirements and to support the Group's future activities and growth. These policies and instructions will continue to apply in the Continuing Bank.

The Spar Nord Group pursues a target of a Core Tier 1 Capital Ratio of 12%. The Spar Nord Group has defined a solvency ratio target of 15%. In addition, the Spar Nord Group aims to have a solvency ratio that as a minimum is three percentage points higher than the Spar Nord Group's ICAAP ratio.

With respect to cash resources, Spar Nord has defined the target that deposits excl. repo transactions, senior loans, issued bonds, subordinated debt and shareholders' equity should exceed lending excl. reverse transactions. Subordinated debt, senior loans and issued bonds falling due within 12 months are not included in this calculation. Furthermore, Spar Nord has defined a target of having a liquidity excess cover ratio relative to the statutory minimum requirement of 50% and a funding structure that complies with the stable funding threshold value in the DFSA's Supervisory Diamond.

4.18.2 Solvency and capital

Spar Nord is authorised to conduct banking business and is as such subject to a capital requirement pursuant to the Financial Business Act. The Danish rules on capital adequacy are based on the CRD and apply to the parent company Spar Nord as well as to the Spar Nord Group.

The capital adequacy rules stipulate a minimum capital of 8% of the calculated risks in the so-called Pillar I defined in Basel II plus any additional capital requirement to cover all relevant risks, including risks not adequately covered under Pillar I. Such risks include business risks and special credit risks.

Detailed risks have been defined for the calculation of capital base and risks (risk-weighted assets). The capital base consists of Tier 1 Capital and subordinated debt in the form of Hybrid Capital and Tier 2 Capital. Tier 1 Capital more or less equals shareholders' equity for accounting purposes, except that goodwill and other intangible assets and deferred tax assets etc. have been deducted. The difference between shareholders' equity for accounting purposes and Tier 1 Capital appears from table 4.59, showing the calculation of the Spar Nord Group's Capital Base. Under certain conditions and subject to certain limitations, subordinated debt can be included in the capital base.

Table 4.59 below shows the calculation of Capital Base at 30 June 2012 for the Spar Nord Group, the Sparbank Group and the Continuing Bank (pro forma). The primary reason for the adjustment of the Core Tier 1 Capital in connection with the Merger is that a fair value adjustment is made to the Sparbank Group's loans and advances totalling DKK 445 million.

As a result of the Merger and the combination of the two capital structures, all of the Sparbank Group's Hybrid Capital may be included in the Tier 1 Capital of the Continuing Bank unlike before the Merger when DKK 370 million of Sparbank's Hybrid Capital was included in the Capital Base.

Table 4.59 – Pro forma Capital Base at 30 June 2012 for the Continuing Bank

DKKm	Spar Nord Group	Sparbank Group	Adjustments	Continuing Bank (Pro forma)
Share capital	1,141.4	120.5	-6.4	1,255.5
Other reserves	471.3	0.0	0.0	471.3
Retained earnings	3,891.6	908.3	-750.0	4,049.9
- Profit for the year	0.0	-190.7	190.7	0.0
- Proposed dividend	0.0	0.0	0.0	0.0
- Intangible assets	-129.3	-40.5	-16.2	-186.0
- Goodwill in associates	-37.0	0.0	0.0	-37.0
- Deferred tax assets	0.0	-221.8	221.8	-0.0
- Treasury shares acquired by customers on the basis of loan financing	-4.9	0.0	0.0	-4.9
Core Tier 1 Capital after primary deductions	5,333.1	575.8	-360.1	5,548.8
- Deduction for accumulated value adjustment of hedging instruments	0.0	-11.2	11.2	0.0
- Deduction for equity investments in associates	-571.2	0.0	186.4	-384.8
- Deduction for equity investments > 10%	-45.5	0.0	14.8	-30.7
- Deduction for the sum of equity investments < 10%	0.0	-24.5	17.1	-7.4
- Hybrid Capital	1,613.0	680.2	0.0	2,293.2
- Hybrid Capital not included in Tier 1 Capital	0.0	-370.2	370.2	0.0
Tier 1 Capital (incl. Hybrid Capital) after deductions	6,329.4	850.1	239.6	7,419.1
- Tier 2 Capital	100.0	208.0	0.0	308.0
- Hybrid Capital not included in Tier 1 Capital	0.0	370.2	-370.2	0.0
- Revaluation reserves	80.0	0.0	0.0	80.0
- Deduction for equity investments in associates	-166.7	0.0	-186.4	-353.1
- Deduction for equity investments > 10%	-13.3	0.0	-14.8	-28.1
- Deduction for the sum of equity investments < 10%	0.0	-24.5	17.7	-6.8
Capital Base after deductions	6,329.4	1,403.8	-314.1	7,419.1

Risk-weighted Items are used for example to determine the minimum capital requirement and to calculate the most important risk indicators, such as Tier 1 Capital Ratio and solvency ratio. Moreover, Risk-weighted Items are used in connection with the calculation of the ICAAP ratio.

Risk-weighted Items are impacted by a number of factors such as the breakdown of credit exposure by customer types and products. Risk-weighted Items regarding credit risk and market risk are calculated on the basis of the Basel II standard method. Counterparty risk is calculated using the market value approach, while Risk-weighted Items regarding operational risk are based on the basic indicator approach. In addition, Spar Nord exercises the option to apply lower weighting to credit risk, including the use of the exposure categories retail customers and mortgages on real property as well as the extended method for financial collateral.

The table below shows the capital requirements and Risk-weighted Items at 30 June 2012 for the Spar Nord Group, the Sparbank Group and the Continuing Bank (pro forma).

Table 4.60 – Pro forma Risk-weighted Items and capital requirements at 30 June 2012 for the Continuing Bank

DKKm	Spar Nord Group		Sparbank Group		Adjustments		Continuing Bank (Pro forma)	
	Capital requirement *	Risk-weighted items	Capital requirement *	Risk-weighted items	Capital requirement *	Risk-weighted items	Capital requirement *	Risk-weighted items
Credit risk								
- Central governments or central banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
- Regional or local authorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
- Public entities	1.7	21.2	0.5	6.2	0.0	0.0	2.2	27.4
- Institutions	84.0	1,049.8	15.9	199.5	-2.1	-26.7	97.8	1,222.6
- Business customers etc.	1,032.1	12,900.9	327.5	4,093.8	-28.6	-357.0	1,331.0	16,637.7
- Retail customers	1,124.1	14,051.9	291.7	3,645.9	-5.3	-66.3	1,410.5	17,631.5
- Exposures secured by mortgages on real property	86.9	1,086.8	35.9	449.0	0.0	0.0	122.8	1,535.8
- Exposures in arrears or overdrawn	48.2	602.4	2.9	36.6	0.0	0.0	51.1	639.0
- Exposures with short-term rating	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
- Collective investment schemes	0.0	0.4	0.0	0.0	0.0	0.0	0.0	0.4
- Other exposures	83.9	1,048.2	18.7	233.9	11.1	138.8	113.7	1,420.9
- Counterparty risk	114.1	1,425.8	9.5	118.5	0.0	0.0	123.6	1,544.3
Total credit risk	2,575.0	32,187.4	702.6	8,783.4	-24.9	-311.2	3,252.7	40,659.6
Market risk								
- Debt instruments	247.0	3,087.6	84.7	1,059.3	0.0	0.0	331.7	4,146.9
- Shares etc.	25.1	313.7	2.5	31.5	0.0	0.0	27.6	345.2
- Foreign-exchange risk	11.4	142.3	4.0	49.4	0.0	0.0	15.4	191.7
- Commodity risk	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total market risk	283.5	3,543.6	91.2	1,140.2	0.0	0.0	374.7	4,683.8
Total operational risk	368.9	4,611.3	98.2	1,227.7	0.0	0.0	467.1	5,839.0
Total	3,227.4	40,342.3	892.0	11,151.3	-24.9	-311.2	4,094.5	51,182.4

The table below shows capital adequacy ratios at 30 June 2012 for the Spar Nord Group, the Sparbank Group and the Continuing Bank (pro forma).

Table 4.61 – Pro forma capital adequacy ratios at 30 June 2012 for the Continuing Bank

%	Spar Nord Group	Sparbank Group	Continuing Bank (Pro forma)
Core Tier 1 Capital Ratio	13.2	5.2	10.8
Tier 1 Capital Ratio, incl. Hybrid Capital	15.7	7.6	14.5
Solvency ratio	15.7	12.6	14.5

The calculation shows that at 30 June 2012 the Continuing Bank (pro forma) would have had a solvency ratio that was 1.2 percentage point lower than the Spar Nord Group.

In 2011, it was resolved to phase out Spar Nord's leasing business, which is grouped under the name of Spar Nord Leasing A/S. The leasing activities will be phased out as the leases expire. In connection with the Merger, Sparbank's leasing activities will also be phased out as the leases expire.

At 30 September 2011, when the phase-out commenced, Spar Nord Leasing A/S had total assets of DKK 8.5 billion, which at 30 June 2012 had been reduced to DKK 5.5 billion, with loans and advances representing DKK 4.9 billion. Sparbank's leasing activities had total assets of DKK 0.5 billion at 30 June 2012. Most of these assets are expected to be phased out by the end of 2015. More specifically, about 50% of the assets will be phased out by the end of 2012, about 75% by the end of 2013 and about 90% by the end of 2014.

The Continuing Bank's capital and cash resources will gradually improve as the leasing activities are phased out. Once fully completed, the phase-out is expected to improve the Continuing Bank's Tier 1 Capital Ratio by 1.4 percentage point and improve cash resources by DKK 5.5 billion.

ICAAP ratio

Under Danish law, financial institutions must publish their ICAAP ratio on a quarterly basis. The calculation builds on the DFSA's guidelines on adequate Capital Base and solvency need for credit institutions, employing the probability method.

The overall ICAAP ratio is divided into risk areas according to the following principles:

- **Credit risk:** Comprises the risk of loss from borrowers or other counterparties failing to meet their payment obligations, including the risks attaching to customers having financial difficulties, large exposures, concentration risk and risks attaching to granted, unutilised credit lines.
- **Market risk:** Comprises the risk of loss because the fair value of the bank's assets or liabilities varies due to price fluctuations in the financial markets.
- **Operational risk:** Comprises the risk of financial loss due to inappropriate or inadequate internal processes, human or system error and similar errors and losses as a result of external events.
- **Other risks:** Comprise the risk of loss due to the business profile, strategic risks, reputational risk, property risk, risk relating to capital procurement, liquidity risk and other risks (group risks, bank size, settlement risk, external risks and the like). The capital required to cover these risks is reduced by the recognised profit before loan impairment losses etc.
- **Statutory requirements:** Comprises situations in which the Financial Business Act stipulates a lower cap on the ICAAP ratio.

Table 4.62 below shows a calculation of ICAAP ratios at 30 June 2012 for the Spar Nord Group, the Sparbank Group and the Continuing Bank (pro forma).

Table 4.62 – Pro forma ICAAP ratios at 30 June 2012 for the Continuing Bank

DKKm	Spar Nord Group		Sparbank Group		Adjustments	Continuing Bank (Pro forma)	
	Adequate Capital Base DKKm	Group ICAAP ratio %	Adequate Capital Base DKKm	Group ICAAP ratio %		Adequate Capital Base DKKm	Group ICAAP ratio %
Credit risk	2,756.0	6.8	952.8	8.5	-300.5	3,408.3	6.7
Market risk	770.0	1.9	20.9	0.2		790.9	1.5
Operational Risk	369.0	0.9	89.8	0.8		458.8	0.9
Other risks	-345.0	-0.9	-25.7	-0.2		-370.7	-0.7
Surcharge due to statutory requirements	0.0	0.0	0.0	0.0		0.0	0.0
Adequate Capital Base	3,550.0	8.8	1,037.8	9.3	-300.5	4,287.3	8.4
Capital Base	6,329.4		1,403.8		-314.1	7,419.1	
Capital buffer	2,779.4		366.0			3,131.8	
Excess coverage ratio		78.3		35.3			73.0

For the Continuing Bank, the adequate Capital Base at 30 June 2012 was calculated at DKK 4,273.8 million. This corresponds to an ICAAP ratio of 8.4%. In connection with the Merger, bank loans totalling DKK 445 million will be subjected to a fair value adjustment, resulting in a reduction of the capital requirement relating to credit risk. At 30 June 2012, the Continuing Bank had an excess coverage ratio of 73.6.

Of the total capital requirement, DKK 3,394.8 million, or 79%, is ascribable to credit risk. In addition, DKK 790.9 million, corresponding to 19% of the total capital requirement, attaches to market risk. The remaining 2% is ascribable to operational risk and other risks.

Capital policy and future capital plan

Compliance with the defined capital targets is ensured primarily through the ongoing consolidation via the Spar Nord Group's ordinary operations and through consistent focus on optimising the capital structure. Immediately after the Merger, the Continuing Bank will have a considerable capital excess coverage relative to the statutory capital requirement, but the Core Tier 1 Capital Ratio will be slightly lower than the targets defined by Spar Nord's Management. However, Spar Nord's Management expects that the Continuing Bank will meet the internal targets by the third quarter of 2013.

The Continuing Bank intends, immediately after the Merger to repay Sparbank's State Hybrid Capital of DKK 480 million. Sparbank's subordinated debt of DKK 200 million, with an ordinary call in 2011, is scheduled to be repaid in the second quarter of 2013. It is also the intention to repay Spar Nord's subordinated debt of DKK 100 million, which has an ordinary call in December 2012. Furthermore, the Group expects to issue a subordinated loan for approximately DKK 400 million in the fourth quarter of 2012 in full compliance with the new requirements of the CRD IV package. In accordance with Spar Nord's strategy plan, "Time for Customers", the Continuing Bank will aim to repay Spar Nord's State Hybrid Capital of DKK 1,265 million in 2014. At this time after the repayment, the Continuing Bank aims to be in line with the defined capital targets.

4.18.3 Liquidity

The activities of the Spar Nord Group, the Sparbank Group and the Continuing Bank are funded through four funding sources:

- Customer deposits
- Loans from or repo transactions with other credit institutions and Danmarks Nationalbank
- Issued bonds
- Subordinated debt and shareholders' equity

There are no restrictions on the Continuing Bank's use of capital resources other than the restrictions that follow from Danish legislation or those described in 4.8 "Material contracts".

The Continuing Bank's primary source of funding will be customer deposits, which amounted to 59.2% of the Continuing Bank's total funding at 30 June 2012 (pro forma).

Table 4.63 below shows a calculation of the funding structure for the Spar Nord Group, the Sparbank Group and the Continuing Bank (pro forma) at 30 June 2012.

Table 4.63 – Pro forma funding structure at 30 June 2012 for the Continuing Bank							
DKKm	Spar Nord Group		Sparbank Group		Adjustments	Pro forma	
Central banks and credit institutions*	2,358.1	4.3%	147.4	1.1%	-94.3	2,411.2	3.6%
Repo transactions and repurchases	4,485.8	8.2%	5.2	0.0%	0.0	4,491.0	6.7%
Senior loans < 1 year	150.0	0.3%	0.0	0.0%	0.0	150.0	0.2%
Issued bonds < 1 year	5,217.4	9.6%	1,101.4	8.5%	0.0	6,318.8	9.5%
Deposits < 1 year	7,803.9	14.3%	1,134.7	8.8%	3.7	8,942.3	13.4%
Deposits > 1 year	23,809.1	43.7%	6,790.3	52.4%	46.8	30,646.2	45.8%
Senior loans > 1 year	494.7	0.9%	0.0	0.0%	0.0	494.7	0.7%
Issued bonds > 1 year	2,792.3	5.1%	1,996.7	15.4%	0.0	4,789.0	7.2%
Subordinated debt	1,806.3	3.3%	950.6	7.3%	0.0	2,756.9	4.1%
Shareholders' equity	5,584.3	10.2%	827.0	6.4%	-554.6	5,856.7	8.8%
Total	54,501.9	100.0%	12,953.3	100.0%	-598.4	66,856.8	100.0%

Note: Excluding repo transactions, repurchases and senior loans

As shown in table 4.63, the funding structure will be changed as a result of the Merger. The DKK 94.3 million adjustment concerning credit institutions relates to elimination of an interbank balance between Spar Nord and Sparbank, while the deposit adjustment concerns fair value adjustment in connection with the Merger. Shareholders' equity is adjusted by DKK -554.6 million, primarily due to fair value adjustment of loans and advances.

Short-term funding is funding with a term to maturity of less than 12 months. Short-term funding consists of unsecured debt to central banks and credit institutions, repo and repurchase business and senior loans, issued bonds and deposits with terms to maturity of less than 12 months. For the Continuing Bank, short-term funding accounts for 33% of total funding, corresponding to DKK 22,313 million.

Long-term funding is funding with a term to maturity of more than 12 months. Long-term funding consists of senior loans, issued bonds and deposits with terms to maturity of more than 12 months. Deposits on demand are included in deposits with terms to maturity of more than 12 months. Subordinated debt and shareholders' equity are also included in long-term funding. Subordinated debt is recognised as long-term funding because Spar Nord pursues a policy of repaying such debt on ordinary call. Accordingly, the contractual term to maturity will always be greater than 12 months. For the Continuing Bank, long-term funding accounts for 67% of total funding, corresponding to DKK 44,544 million.

Table 4.64 below shows a calculation of the funding structure for the Spar Nord Group, the Sparbank Group and the Continuing Bank at 31 July 2012.

Table 4.64 – Pro forma funding structure at 31 July 2012 for the Continuing Bank

DKKm	Spar Nord Group		Sparbank Group		Adjustments	Pro forma	
Central banks and credit institutions*	4,324.7	7.9%	143.9	1.1%	-22.3	4,446.3	6.6%
Repo transactions and repurchases	4,342.1	8.0%	0.0	0.0%	0.0	4,342.1	6.5%
Senior loans < 1 year	150.0	0.3%	0.0	0.0%	0.0	150.0	0.2%
Issued bonds < 1 year	4,000.5	7.4%	3,196.3	24.3%	0.0	7,196.8	10.7%
Deposits < 1 year	5,408.7	9.9%	1,157.9	8.8%	3.7	6,570.3	9.8%
Deposits > 1 year	27,956.9	51.4%	6,929.4	52.7%	46.8	34,933.1	52.1%
Senior loans > 1 year	493.4	0.9%	0.0	0.0%	0.0	493.4	0.7%
Issued bonds > 1 year	292.3	0.5%	9.0	0.1%	0.0	301.3	0.4%
Subordinated debt	1,811.5	3.3%	951.9	7.2%	0.0	2,763.4	4.1%
Shareholders' equity	5,642.8	10.4%	764.7	5.8%	-554.6	5,852.4	8.7%
Total	54,422.9	100.0%	13,152.9	100.0%	-526.4	67,049	100.0%

Note: Excluding repo transactions, repurchases and senior loans

The DKK 22.3 million adjustment concerning credit institutions, which relates to elimination of an interbank balance between Spar Nord and Sparbank, is different from the amount at 30 June 2012 primarily due to expiry of fixed-term deposits.

Of the issued bonds totalling approximately DKK 7.5 billion, DKK 5.7 billion is government-guaranteed. The remaining debt is unguaranteed.

Of total deposits at 31 July 2012 of DKK 41.5 billion, approximately DKK 30.6 billion is covered by the Guarantee Fund, which covers net deposits (deposits less debt) of up to EUR 100,000 (approximately DKK 745,000). The remaining deposits are not covered by a guarantee scheme.

Table 4.65 below shows information about deposits and payables to credit institutions and central banks for the Spar Nord Group, the Sparbank Group and the Continuing Bank (pro forma) at 30 June 2012.

Table 4.65 – Pro forma debt at 30 June 2012 for the Continuing Bank

Payables to credit institutions and central banks (DKKm)	Spar Nord Group	Sparbank Group	Adjustments	Continuing Bank (Pro forma)
Payables to central banks	281.3	0.0	0.0	281.3
Payables to credit institutions	7,207.3	152.6	-94.3	7,265.6
Total payables to credit institutions and central banks	7,488.6	152.6	-94.3	7,546.9
<i>Of which, genuine sale and repo transactions</i>				
Repo transactions	4,485.8	5.2	0.0	4,491.0
Mortgage debt on real property	0.0	0.0	0.0	0.0
The carrying amount of the mortgaged properties amounts to	0.0	0.0	0.0	0.0
Deposits and other payables (DKKm)	Spar Nord Group	Sparbank Group	Adjustments	Continuing Bank (Pro forma)
On demand	20,221.8	4,681.8	0.0	24,903.6
Subject to notice	4,736.6	47.2	0.0	4,783.8
Time deposits	3,241.6	1,954.8	50.5	5,246.9
Special types of deposits	3,413.0	1,241.2	0.0	4,654.2
Total deposits and other payables	31,613.0	7,925.0	50.5	39,588.5

Maturity structure of capital market funding

Table 4.66 below shows the pro forma maturity structure of the Continuing Bank's capital market funding at 30 June 2012. It is assumed that, in accordance with Spar Nord's practice in the area and subject to approval by the DFSA, the Subordinated Loan Capital will be repaid at the maturity dates.

Table 4.66 – Pro forma maturity structure of capital market funding at 30 June 2012 for the Continuing Bank

DKKm	2012	2013	2014	2015	2016->	Total
Senior loans	150.0	150.0	150.0	0.0	194.7	644.7
Issued bonds covered by state guarantee	3,710.9	5,588.9	0.0	0.0	0.0	9,299.8
Issued bonds not covered by state guarantee	0.0	1,506.7	278.6	22.7	0.0	1,808.0
Subordinated Loan Capital	100.0	200.0	0.0	57.6	0.0	357.6
Hybrid Capital	0.0	0.0	1,807.4	591.8	0.0	2,399.2
Total	3,960.9	7,445.6	2,236.0	672.1	194.7	14,509.3

As shown in the table above, DKK 11,406.5 million, corresponding to 78.6%, of the Continuing Bank's capital market funding at 30 June 2012 (pro forma) will mature in 2012 and 2013.

The long-term liquidity target is calculated relative to Spar Nord's internal target of positive strategic liquidity and the stable funding requirement of the Supervisory Diamond. The short-term liquidity target is calculated relative to the requirement of the Supervisory Diamond on excess liquidity coverage (above 50%), cf. section 152(1)(ii) of the Financial Business Act.

Based on cash flow projections for 2012 – 2013 and the maturity structure set out above, Spar Nord's Management believes that, for the period until the end of 2013, the Continuing Bank will not require additional funding as it meets both the short-term and the long-term liquidity target for the entire period. The projections do not take bond issuance into account since Spar Nord's Management believes that the Continuing Bank will not need additional issues to meet its long-term liquidity target.

This assessment is based on the very strong present liquidity situation combined with expectations to the phase-out of leasing activities, which are expected to contribute an additional DKK 1.3 billion in 2012 and DKK 2.2 billion in 2013. As the Continuing Bank's remaining leasing activities are expected to be phased out as the leases expire, however, these figures are based on assumptions about the repayment period for existing leases, which may have to be changed. The same applies to the uncertainty relating to other preconditions, including trends in deposits and loans and advances.

Even though Spar Nord's Management believes that the Continuing Bank has no immediate additional funding requirement, Spar Nord's Management will on a continuing basis consider the option of issuing longer-duration capital market funding to further consolidate the Continuing Bank's funding structure.

In terms of strategic liquidity, Spar Nord has defined the target that bank deposits, senior funding, subordinated debt and shareholders' equity should exceed lending. Subordinated Loan Capital and senior funding falling due within 12 months are not included in this calculation.

At 30 June 2012, the Continuing Bank (pro forma) had an excess liquidity coverage relative to this target of DKK 12.0 billion.

Table 4.67 – Pro forma strategic liquidity at 30 June 2012 for the Continuing Bank

DKKbn	Spar Nord Group	Sparbank Group	Adjustments	Continuing Bank (Pro forma)
Bank deposits	31.6	7.9	0.1	39.6
Senior loans and bond issues	8.7	3.1	0.0	11.8
Equity and Tier 2 Capital	7.4	1.8	-0.6	8.6
Liquidity procurement	47.7	12.8	-0.5	60.0
Loans and advances, banking activities	28.9	7.4	-0.4	35.9
Loans and advances, leasing activities	4.9	0.4	0.0	5.3
Maturity, senior funding, issued bonds and tier 2 capital < 1 year	-5.5	-1.3	0.0	-6.8
Liquidity target (>0)	8.4	3.7	-0.1	12.0

Table 4.68 below sets forth the excess liquidity coverage at 30 June 2012 of the Spar Nord Group, the Sparbank Group and the Continuing Bank (pro forma) relative to the requirements of section 152 of the Financial Business Act.

Table 4.68 – Pro forma excess liquidity coverage relative to the minimum requirements of section 152 of the Financial Business Act at 30 June 2012 for the Continuing Bank

DKKbn	Spar Nord Group	Sparbank Group	Adjustments	Continuing Bank (Pro forma)
Liquidity requirement	6,600.5	1,396.1	4.0	8,000.6
Liquidity for compliance	20,534.1	4,497.7	-94.3	24,937.5
Excess coverage relative to section 152	211.0	222.2		211.7

As shown in the table, the Continuing Bank (pro forma) will have an excess liquidity coverage relative to section 152 of the Financial Business Act of 212%. The DFSA's Supervisory Diamond defines a minimum excess liquidity coverage of 50%.

Financial assets and liabilities in the trading portfolio and outside the trading portfolio

Assets and liabilities in the trading portfolio comprise securities and actively managed derivatives measured at fair value. The portfolio does not comprise derivatives used for hedging purposes.

The table below shows the composition of assets and liabilities in and outside the trading portfolio of the Spar Nord Group, the Sparbank Group and the Continuing Bank (pro forma) at 30 June 2012.

Table 4.69 – Pro forma financial assets and liabilities at 30 June 2012 for the Continuing Bank

DKKm	Spar Nord Group	Sparbank Group	Adjustments	Continuing Bank (Pro forma)
Financial assets in the trading portfolio				
Mortgage bonds	14,370.9	3,305.3	0.0	17,676.2
Government bonds	255.7	94.0	0.0	349.7
Other bonds	2,084.3	456.2	0.0	2,540.5
Bonds, unlisted	141.3	0.0	0.0	141.3
Shares, listed	76.4	12.4	0.0	88.8
Shares, unlisted	37.8	3.3	0.0	41.1
Positive market value of derivative financial instruments	1,829.0	179.4	0.0	2,008.4
Total assets	18,795.4	4,050.6	0.0	22,846.0
Financial liabilities in the trading portfolio				
Negative market value of derivative financial instruments	1,888.9	73.8	0.0	1,962.7
Other non-derivative instruments	1,848.6	0.0	0.0	1,848.6
Total liabilities	3,737.5	73.8	0.0	3,811.3
Financial assets outside the trading portfolio				
Mortgage bonds	0.0	0.0	0.0	0.0
Government bonds	0.0	0.0	0.0	0.0
Other bonds	0.0	0.0	0.0	0.0
Shares, listed	0.0	0.0	0.0	0.0
Shares, unlisted	937.9	299.2	0.0	1,237.1
Equity investments in associates	781.7	0.0	0.0	781.7
Positive market value of hedging instruments	92.6	0.0	0.0	92.6
Total assets	1,812.2	299.2	0.0	2,111.4
Financial liabilities outside the trading portfolio				
Negative market value of hedging instruments	13.7	0.0	0.0	13.7
Total liabilities	13.7	0.0	0.0	13.7

4.18.4 Effect of future rules on the Spar Nord Group's capital and cash resources

The Basel Committee on Banking Supervision has adopted proposals imposing, among other things, stricter capital and liquidity requirements upon banks (so-called "Basel III").

On 20 July 2011, the EU Commission presented its "Proposal for a regulation of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms" and "Proposal for a directive of the European Parliament and of the Council on the access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms and amending Directive 2002/87/EC of the European Parliament and of the Council on the supplementary supervision of credit institutions, insurance undertakings and investment firms in a financial conglomerate". These proposals are subsequently referred to as "CRD IV".

On 14 May 2012, the EU ministers of economic affairs and finance agreed on the new CRD IV rules. However, the rules must subsequently be finally negotiated with the European Parliament and the European supervisory authority, EBA.

As the rules of CRD IV will apply in Denmark, this section primarily deals with the Continuing Bank's compliance with CRD IV.

CRD IV

For purposes of complying with the Danish solvency requirements, the Capital Base is divided into two main categories, Tier 1 Capital and Tier 2 Capital. Tier 1 capital comprises Core Tier 1 Capital, which mainly consists of share capital and reserves (excluding revaluation reserves) and Hybrid Capital adjusted for statutory deductions.

CRD IV will lead to a considerably stricter minimum capital requirement for the banks, as the minimum requirement for Core Tier 1 Capital will be raised gradually from the current 2% of Risk-weighted Items to 7% in 2019. The 7% requirement will include a capital conservation buffer of 2.5%, and if a bank does not maintain the buffer, restrictions will be placed on its ability to pay dividends and make other distributions. The CRD IV guidelines redefine the capital to be included as Tier 1 Capital and also contain stricter rules on the calculation of Risk-weighted Items. On the basis of the proposals, Spar Nord's Management estimates that Core Tier 1 Capital as a percentage of Risk-weighted Items, which was 10.8% as per the pro forma statement for the Continuing Bank at 30 June 2012, will be reduced by about 1.4 percentage point when calculated on the basis of fully phased-in CRD IV rules in 2019.

The expected reduction will be attributable to factors such as a new capital charge on counterparty risk. Moreover, banks will no longer have to deduct investments equally from Tier 1 Capital and Capital Base, but from Tier 1 Capital only. Finally, it is of consequence that investments representing less than 10% of Tier 1 Capital no longer need to be deducted. They must now be included in the Risk-weighted Items.

CRD IV also comprises a countercyclical buffer of up to 2.5% of the Risk-weighted Items. This buffer will only be applied if a country's lending growth relative to GDP deviates from the long-term developments, and only if the national authorities believe that the lending growth may represent an economic risk to society. Under CRD IV, only Core Tier 1 Capital may be used to comply with the countercyclical buffer.

One of the key objectives of CRD IV is to strengthen the quality of the instruments (other than equity) that can be included in the Capital Base. CRD IV thus contains stricter criteria for the inclusion of instruments in the Tier 1 Capital and the Tier 2 Capital. In relation to the definitions of Tier 1 Capital and Tier 2 Capital, the only instruments that can be included are those which the banks have no incentive to redeem, for example instruments with step-up interest rate clauses. According to CRD IV, instruments that no longer qualify for inclusion in Tier 1 Capital or Tier 2 Capital will be phased out over a 10-year period beginning on 1 January 2013. In addition, instruments that carry an incentive for redemption must be phased out as they mature. Existing public sector capital contributions, including State Hybrid Capital, can be included in the Capital Base until 1 January 2018.

There are moderate incentives for redemption of Spar Nord's existing Hybrid Capital and subordinated debt in the form of interest rate step-up clauses, so the transitional rules are expected to apply to these instruments.

CRD IV introduces rules on the calculation of a so-called leverage ratio. In contrast to the current rules for calculating Risk-weighted Items, the leverage ratio does not take into account that different activities on banks' balance sheets are subject to different degrees of risk. Basel III contains a requirement that Tier 1 Capital must constitute at least 3% of the total exposure. However, the Basel Committee proposes that it will not be implemented as a specific requirement until 2018. Spar Nord's Management estimates that at 30 June 2012 (pro forma) the Continuing Bank's leverage ratio, adjusted for Basel III terms, was 7.1%.

Liquidity

The EU has not yet determined the final form of liquidity requirements for financial institutions. If the liquidity requirements adopted in Denmark are based on Basel III, the Continuing Bank will need to make significant changes to its funding structure and the composition of its liquidity buffer because of the proposed restriction on inclusion of covered bonds in the liquidity buffer.

Basel III proposes that covered bonds, including mortgage bonds and other so-called level 2 assets, can only represent up to 40% of the liquidity buffer in a bank's Liquidity Coverage Ratio, whereas government bonds and other so-called level 1 assets must account for at least 60%. The proposed requirement is fundamentally different from the structure of the Danish bond market, where mortgage bonds represent approximately 80%.

According to CRD IV, it will be possible to recognise covered bonds as level 1 assets if the bonds pass the liquidity test. The EBA will present the draft technical standards on or before 1 January 2013.

4.19 Significant changes to Spar Nord's and Sparbank's financial position

No significant changes have occurred to Spar Nord's financial or trading position since 30 June 2012.

No significant changes have occurred to Sparbank's financial or trading position since 30 June 2012.

4.20 Outlook

In its 2011 annual report, the Spar Nord Group 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, the Spar Nord Group announced expectations that, having recognised extraordinary impairment losses in the second quarter of 2012, as from the third quarter the Spar Nord Group 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, the Continuing Bank's core earnings forecast before non-recurring costs will only deviate marginally from the forecasts for 2012 previously announced by the Spar Nord Group.

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

In terms of capital, the Continuing Bank is expected to have a Core Tier 1 Capital Ratio of 11.4% at the end of 2012.

In the fourth quarter, the Continuing Bank is planning to apply to the DFSA for permission to repay Sparbank's State Hybrid Capital of approximately DKK 480 million and in the same quarter raise new Subordinated Loan Capital in the amount of approximately DKK 400 million.

The solvency ratio for the Continuing Bank is subsequently expected to be 14.7% at the end of 2012, which should be viewed relative to a total weighted pro forma solvency need at 30 June 2012 of 8.4%.

Outlook for 2013

For 2013, the Continuing Bank expects to realise core earnings before impairment and non-recurring costs relating to the Merger in the order 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 the Continuing Bank's impairment losses are subject to greater uncertainty than has applied to similar previous announcements by the Spar Nord Bank Group. The impairment ratio guidance is based on a market value adjustment of Sparbank's assets and liabilities in connection with the Merger being effected in accordance with IFRS.

The Continuing Bank is expected to be required to make a contribution to the Guarantee Fund in the order of DKK 83 million in 2013.

The Continuing Bank's Core Tier 1 Capital Ratio is expected to be at the level of 12.7% at the end of 2013.

5 Taxation

The following is a brief, general description of the tax consequences of the Merger.

Section 5.1 contains a description of the Danish tax consequences for the merging companies, and section 5.2 contains a description of the Danish tax consequences for the shareholders of the merging companies. Finally, section 5.3 contains a more detailed general description of the taxation of capital gains/losses and dividends in Denmark.

It should be noted that the description of the tax rules is for general, overall information only. Hence, shareholders should not use it as a basis for assessing the applicable tax consequences in their particular circumstances. Accordingly, the description does not replace tax advice, and shareholders who are uncertain as to the tax consequences applicable to them are advised to consult their tax advisers for a detailed analysis of their particular circumstances. Non-Danish shareholders are likewise recommended to consult their own tax advisers regarding the tax position in their respective countries.

The description is based solely upon the tax laws of Denmark in effect on the date of the Merger Announcement.

5.1 Tax consequences for the Continuing Bank

The Merger will be completed as a tax-free merger pursuant to the provisions of the Danish act on taxation of mergers, demergers and contributions of assets, etc. (the Danish merger tax act), and no tax gains/losses will therefore be determined in the discontinuing/contributing company.

As the Merger is a tax-free merger, Spar Nord will not be able to utilise any tax losses carried forward in Sparbank. This also applies to any losses from shares, real property, financial instruments, etc. in the merging companies that are deductible against income from like-kind sources.

For corporate and tax law purposes, 1 January 2012 will be regarded as the merger date for Spar Nord, whereas the date of the final approval of the merger will be the merger date for Sparbank for tax purposes. Due to the different tax merger dates, Sparbank as the discontinuing company must prepare a statement of taxable income for the period from 1 January 2012 until the date of the final approval of the merger. Income for the period from the final approval of the merger until 31 December 2012 will then be included in the statement of taxable income for Spar Nord as the Continuing Bank.

5.2 Tax consequences for the existing shareholders of the merging companies

Tax consequences for Danish shareholders

A tax-free merger does not per se give rise to any taxation of Danish shareholders.

Danish shareholders are understood as shareholders subject to full tax liability in Denmark and primarily comprises individuals who are residents of Denmark, individuals who spend at least six months in Denmark, companies etc. registered in Denmark, and companies the management of which is based in Denmark. Non-Danish shareholders with a permanent establishment in Denmark to which the shares can be attributed will be taxed according to the same rules as for shareholders subject to full tax liability in Denmark.

The Spar Nord shares which Danish Sparbank shareholders receive in connection with the Merger will for tax purposes be deemed to be acquired on the same date, at the same price and for the same purpose as the original shares in Sparbank.

The Merger will have no tax consequences for existing Danish shareholders and holders of preemptive rights in Spar Nord. The Merger will not affect their existing shares and preemptive rights.

Tax consequences for non-Danish shareholders

The Merger will not have any Danish tax consequences for non-Danish shareholders of Sparbank or Spar Nord.

However, the Merger may have tax consequences in the respective countries of which non-Danish shareholders are residents. Non-Danish shareholders are recommended to consult their own tax advisers regarding their tax position in their respective countries.

5.3 Taxation in Denmark on the acquisition, holding and sale of New Shares

The following is a description of certain Danish tax considerations relating to the New Shares.

The description is for general information only and does not purport to constitute exhaustive tax or legal advice. The description is based solely upon the tax laws of Denmark in effect on the date of the Merger Announcement. The Danish tax laws may be subject to change, possibly with retroactive effect. It should be noted that the description does not address all possible tax consequences of an investment in the New Shares.

The description does not cover investors to whom special tax rules apply, including professional investors, and therefore, may not be relevant for example to certain institutional investors, insurance companies, pension companies, banks, stockbrokers and investors subject to special rules on corporation tax on shares. The description does not cover taxation of individuals and companies who carry on business purchasing and selling shares (in Danish: "næring"). Sales are assumed to be sales to a third party. Shareholders are advised to consult their tax advisers regarding the applicable tax consequences of acquiring, holding, managing and disposing of the New Shares based on their particular circumstances. Investors who may be affected by the tax laws of other jurisdictions should consult their own tax advisers with respect to the tax consequences applicable to their particular circumstances, as such consequences may differ significantly from those described herein.

5.4 General rules on taxation of dividends and shares

Taxation of investors subject to full tax liability in Denmark

Individuals residing in Denmark, or having spent at least six months in Denmark, and companies etc. that are either registered in Denmark or the management of which is effectively based in Denmark are generally subject to full tax liability in Denmark. If individuals or companies are subject to full tax liability in other countries, special rules may apply which are not covered by this description, including Danish companies with foreign subsidiaries with income triggering Danish CFC taxation.

Taxation of dividends

Individuals

Dividends paid to individuals are taxed as share income. For the 2012 income year, share income is taxed at the rate of 27% for share income up to DKK 48,300 (DKK 96,600 for married couples cohabiting at the end of the income year) and 42% for share income exceeding that amount. The relevant thresholds apply to the 2012 income year and are adjusted annually. However, the thresholds for 2012 also apply to 2013. The said amounts include all share income for the individual or couple in question. Dividends paid are generally subject to withholding tax at the rate of 27%. The dividend-distributing bank is responsible for withholding tax when paying dividends.

Companies etc.

For corporate shareholders, a distinction is made between Subsidiary Shares/Group Shares and Portfolio Shares (as defined below) with respect to taxation of dividends and gains on shares:

Dividends paid to a company are tax-exempt, irrespective of ownership period, in respect of dividends on the following shares:

- A. "Subsidiary Shares": Shares of which the shareholder holds at least 10% of the share capital and the dividend-distributing company is residing in the EU/EEA or in a state that has signed a double taxation treaty with Denmark pursuant to which taxation of dividends is waived or reduced; and

- B. "Group Shares": Shares in a company with which the shareholder is jointly taxed or where the shareholder and the company meet the criteria for international joint taxation, usually implying that the shareholder controls, directly or indirectly, more than 50% of the votes or is otherwise deemed to have a controlling influence.

Dividends on shares that are neither Subsidiary Shares nor Group Shares, i.e. "Portfolio Shares", are included in the calculation of the company's taxable income. Taxable income is taxed at the rate of 25%.

Special anti-abuse rules apply to certain holding companies, the so-called intermediate holding companies, which own Subsidiary Shares or Group Shares. These rules are not described in detail in this section.

Individuals, investment of pension savings

Subject to certain limits, investors may invest pension savings in shares, and net returns will fall under the scope of the Danish Pension Investment Return Tax Act and be subject to tax at a rate of 15.3% on a mark-to-market basis.

The usual dividend tax of 27% will not be withheld if the account is registered as a pension account.

Capital gains tax

Individuals

The rules on taxation of individuals were changed effective 1 January 2010. The transitional rules regarding these changes and previous changes are not discussed in this section.

Gains realised are taxed as share income. For the 2012 income year, share income is taxed at the rate of 27% for share income up to DKK 48,300 (DKK 96,600 for married couples cohabiting at the end of the income year) and 42% for share income exceeding that amount. The relevant thresholds apply to the 2012 income year and are adjusted annually. However, the thresholds for 2012 also apply to 2013. The said amounts include all share income for the individual or couple in question.

Losses realised on the sale of shares admitted to trading in a regulated market may be offset against taxable gains and dividends on other shares admitted to trading in a regulated market ("Listed Shares"). If the individual is married and the total loss realised on Listed Shares exceeds the individual's annual income on Listed Shares, the residual loss may be offset against the income on Listed Shares realised by his or her spouse, provided that the couple are cohabiting at the end of the income year.

Any unutilised losses may be carried forward without time limit to be offset against taxable gains and dividends on other Listed Shares. However, the right of deduction is subject to the Danish Customs and Tax Administration having received notice of the acquisition of the shares, including the identity and number of the shares, the date of acquisition and the purchase price, before the final date for filing the tax return for the income year in which the acquisition took place.

Gains and losses are calculated as the sales price less the purchase price. Brokerage may be deducted from the sales price in the calculation of the gain.

If an investor sells only part of his shares in a company, gains/losses are determined according to the "average method" according to which the purchase price is determined as the average of the total purchase price of all the shares in the relevant company held by the investor. The FIFO method is applied in the determination of which shares are sold, implying that the share first acquired will be deemed to be the share first sold.

Individuals, investment of pension savings

Subject to certain limits, investors may invest pension savings in the New Shares, and net returns will fall under the scope of the Danish Pension Investment Return Tax Act. Net return is defined as the sum of dividends and interest received and the sum of gains less any losses in the relevant year. The net return is subject to tax at a rate of 15.3% on a mark-to-market basis.

According to the mark-to-market principle, each year's taxable gain or loss is calculated as the difference between the net value of the shares at the beginning and end of the tax year. Thus, taxation will take place on an accrual basis even though no shares have been disposed of and no gains or losses have been realised.

Companies etc.

Companies are not subject to taxation on gains and losses attributable to a sale of Subsidiary Shares and Group Shares.

Portfolio Shares are taxable according to the mark-to-market principle and are therefore included in the calculation of taxable income. Losses on Portfolio Shares are deductible, also in other taxable income. Taxable income is taxed at the rate of 25%.

Special anti-abuse rules apply to certain holding companies, the so-called intermediate holding companies, which own Subsidiary Shares or Group Shares. These rules are not described in this section.

A change of status from Subsidiary Shares/Group Shares to Portfolio Shares and vice versa will be treated as a disposal of the shares and reacquisition at the market price of the shares at the relevant time.

Transfer taxes/stamp duties

Shares are not subject to any Danish transfer taxes or stamp duties.

Taxation of investors not subject to full tax liability in Denmark

Taxation of dividends

Individuals

The distribution of dividends from a Danish company to a non-resident individual is generally subject to withholding tax at the rate of 27%. The dividend-distributing bank is responsible for withholding tax on behalf of the shareholder.

In the event that the dividend-receiving individual holds less than 10% of the shares in the company distributing the dividends and the shareholder is a resident of a state with which Denmark has signed a double taxation treaty or another arrangement for the exchange of information between the countries' tax authorities, the dividends may on request be subject to withholding tax at a reduced rate of 15%. If the shareholder is a non-EU resident, it is further a condition that the shareholder hold, together with consolidated parties, less than 10% of the company's share capital.

The rate of withholding tax is still 27%, but it is possible to seek a refund of the excess tax withheld. If the rate of withholding tax is to be reduced to less than 15% under the relevant double taxation treaty, the withholding tax may be reduced to the rate stipulated in the double taxation treaty. Individuals who are residents of the United States, the United Kingdom, Norway, Sweden, Switzerland, Canada, Germany, the Benelux countries, Ireland and Greece may choose only to pay withholding tax at the rate provided in the double taxation treaty between Denmark and the country in which the relevant individual is a resident. In order to qualify for this regime, an eligible holder of shares must deposit his shares with a Danish bank, and the shareholding must be registered with VP Securities. In addition, such shareholder must provide documentation from the relevant foreign tax authority as to the shareholder's tax residence and eligibility under the relevant treaty. Documentation must be given by filing a form available from the Danish Customs and Tax Administration. The shareholder may generally agree with his custodian bank that the bank procures such form.

Individuals, investment of pension savings

Non-resident individuals are not subject to full tax liability in Denmark and, therefore, not comprised by the Danish Pension Investment Return Tax Act. Accordingly, tax shall be withheld under the general rules thereon, see above.

Companies etc.

Non-resident companies are not subject to taxation in Denmark on dividends received in respect of Subsidiary or Group Shares, when taxation of the dividends must be waived or reduced under the provisions of the Parent/Subsidiary Directive (Directive 90/435/EEC) or under a double taxation treaty with the Faroe Islands, Greenland or the state in which the company is resident. With respect to Group Shares, it is also a condition that the dividend-receiving company is resident in the EU/EEA.

Dividends paid on Portfolio Shares are always subject to taxation, irrespective of ownership period. Tax on dividends at the rate of 27% is generally withheld by the dividend-distributing company.

In the event that the dividend-receiving company holds less than 10% of the shares in the company distributing the dividends and the shareholder is a resident of a state with which Denmark has signed a double taxation treaty or another arrangement for the exchange of information between the countries' tax authorities, the dividends may on request be subject to withholding tax at a reduced rate of 15%. If the shareholder is a non-EU resident, it is further a condition that the shareholder hold, together with consolidated parties, less than 10% of the company's share capital. The rate of withholding tax is still 27%, but it is possible to seek a refund of the excess tax withheld. However, if the rate of

withholding tax is to be reduced to less than 15% under the relevant double taxation treaty, the withholding tax may be reduced to the rate stipulated in the double taxation treaty.

Permanent establishment in Denmark

In addition, shareholders with a permanent establishment in Denmark to which the shares can be attributed will be taxed according to the same rules as for shareholders liable to full tax liability in Denmark.

Capital gains tax

Individuals

Generally, non-resident investors are not subject to taxation in Denmark on capital gains on the sale of shares. Non-Danish shareholders holding shares in the ordinary course of their business ("næringsaktier") through a permanent establishment in Denmark will be subject to limited tax liability in Denmark with respect to gains and losses on such shares.

Companies

Shareholders who are not subject to full tax liability in Denmark are generally not subject to Danish tax on the disposal of shares. However, gains and losses on Portfolio Shares are subject to Danish taxation according to the same rules as apply to investors resident in Denmark if the income can be attributed to a permanent establishment in Denmark, including gains, losses and dividends on shares recognised in the fixed capital of the permanent establishment.

Transfer taxes/stamp duties

Shares are not subject to any Danish transfer taxes or stamp duties.

6 The new shares

6.1 Issuance of New Shares

Upon completion of the Merger, New Shares in Spar Nord will be issued to the shareholders of Sparbank as consideration for their shares in Sparbank. The total number of New Shares issued upon completion of the Merger depends on the number of outstanding shares in Sparbank at the Date of Announcement.

At the Date of Announcement, Sparbank's total share capital amounts to DKK 120,533,300 nominal value, of which Sparbank holds shares with a nominal value of DKK 6,610,320 in treasury.

It has been agreed that the shareholders of Sparbank will receive two New Shares in Spar Nord for each share of DKK 20 held in Sparbank. Based on an outstanding share capital of Sparbank of DKK 113,922,980 nominal value, the exchange ratio means that, on completion of the Merger, shareholders of Sparbank will hold Shares corresponding to 9.08% of the share capital of the Continuing Bank.

6.2 Rights attaching to the shares

The New Shares rank *pari passu* with the Existing Shares of Spar Nord.

No shares of Spar Nord carry any special rights.

No shareholder shall be obligated to let his Shares be redeemed in whole or in part. See Article 1(3) of the Articles of Association.

See 4.1.16 "Articles of association" for a description of certain provisions of Spar Nord's Articles of Association, including provisions regarding the right to attend and vote at Spar Nord's general meetings. Reference is also made to the draft new articles of association of Spar Nord after the completion of the Merger.

6.3 Registered shares

Pursuant to Article 1(2) of the Articles of Association, all shares in Spar Nord are issued to named holders and may, upon a shareholder's request, be registered by name in VP Securities and Spar Nord's register of shareholders.

6.4 Dividend rights/Rights to share in profits

The New Shares are eligible for dividends as of the time of issuance of the New Shares.

Dividends are paid in DKK to the shareholder's account with his account-holding bank in accordance with the rules of VP Securities in force from time to time.

Dividends which have not been claimed by shareholders within three years from the time they are payable are forfeited and will accrue to Spar Nord.

The articles of association of Spar Nord do not contain any provisions on cumulative dividends.

See 4.6 "Dividend policy" for a description of the dividend restrictions applicable to Spar Nord.

See 5.4 "General rules on taxation of dividends and shares" for a description of tax considerations regarding the distribution of dividends from Spar Nord.

6.5 Dividends to non-resident shareholders

There are no governmental laws, decrees or regulations in Denmark which restrict the export or import of capital (except for certain investments in areas in accordance with applicable resolutions adopted by the United Nations and the European Union), including, but not limited to, foreign exchange, or which affect the remittance of dividends, interest or other payments to non-resident holders of Shares. As a measure to prevent money laundering and financing of terrorism, persons travelling into or out of Denmark carrying amounts of money (including, but not limited to, cash and travellers cheques) worth the equivalent of EUR 10,000 or more must declare such amounts to the Danish tax authorities when travelling into or out of Denmark.

6.6 Preemptive rights

If Spar Nord's shareholders resolve to increase Spar Nord's share capital by a cash contribution, section 162 of the Companies Act will apply. Under the said provision, the shareholders will have a preemptive right to subscribe for new shares *pro rata* to their shareholdings. However, a majority consisting of not less than two-thirds of the votes cast and not less than two-thirds of the share capital represented at the general meeting may resolve to deviate from such preemptive right, always provided that the capital increase is effected at market price.

Pursuant to Article 4 of the Articles of Association, Spar Nord's board of directors shall be authorised to permit Spar Nord to receive capital contributions, which may be included when calculating Spar Nord's Capital Base, subject to observance of the relevant conditions provided by law from time to time.

Pursuant to Article 3 of the Articles of Association, Spar Nord's board of directors is authorised to increase Spar Nord's share capital until 1 April 2013 by an amount of up to DKK 285,344,050 in shares issued to named holders by way of one or more issues. Such shares shall rank *pari passu* with the existing shares. The increase of Spar Nord's share capital may be effected either with preemptive rights for Spar Nord's shareholders (Article 3(1)) or without preemptive rights for Spar Nord's shareholders (Article 3(3)). If the increase is effected with preemptive rights for Spar Nord's shareholders, the new shares may be subscribed for at a discount to the market price and must be effected by cash contribution. If the increase is effected without preemptive rights for Spar Nord's shareholders, the new shares shall be subscribed for at market price by cash contribution or otherwise. The new shares shall be negotiable instruments issued to named holders and shall rank *pari passu* for dividends and any other rights in Spar Nord as from such time as may be determined by Spar Nord's board of directors in its decision regarding the capital increase.

Pursuant to Article 3a of the Articles of Association, Spar Nord's board of directors is authorised to increase Spar Nord's share capital until 11 August 2014 by an amount of up to DKK 1,265,000,000 in shares issued to named holders by way of one or more issues. Such shares shall rank *pari passu* with the existing shares. The increase of Spar Nord's share capital shall take place without preemptive rights for Spar Nord's shareholders, meaning that any new shares will be offered at the prevailing market price, however not less than DKK 10.50 per share of DKK 10. The increase can take place by conversion of debt in the form of Hybrid Capital. To the extent that conversion is effected pursuant to Article 3b of the Articles of Association (See Convertible Bonds below), the authorised maximum shall be reduced by a corresponding amount. The new shares shall be negotiable instruments issued to named holders and shall rank *pari passu* for dividends and any other rights in Spar Nord as from such time as may be determined by Spar Nord's board of directors in its decision regarding the capital increase.

6.7 Rights on solvent liquidation

In case of liquidation of Spar Nord, the shareholders of Spar Nord are entitled to participate in the distribution of the net assets in proportion to their nominal shareholdings after Spar Nord's creditors have been satisfied.

6.8 Negotiability and transferability of the shares

All shares in Spar Nord are negotiable instruments. The acquirer of a Share may not exercise rights belonging to a shareholder unless such acquirer has been registered in the register of shareholders or has notified and provided proof of his acquisition to Spar Nord. However, this shall not apply to the right to dividend or other disbursements nor to the right to new shares in the event of capital increases.

The Shares cannot be assigned to bearer.

Pursuant to Article 1(3) of the Articles of Association, no restrictions shall apply to the transferability of the Shares.

6.9 Danish regulations governing tender offers, redemption of shares and shareholder disclosure

Mandatory bids

Applicable provisions on mandatory takeover bids are set out in part 8 of the Securities Trading Act and the executive order issued pursuant thereto. Section 31 of the Securities Trading Act comprises rules concerning public offers to acquire shares in companies admitted to trading on a regulated market (including NASDAQ OMX) or an alternative market place.

If a shareholding is transferred, directly or indirectly, in a company with one or several share classes admitted to trading on a regulated market or an alternative market place, the acquirer shall enable all shareholders of the company to dispose of their shares on identical terms, if such transfer involves the acquirer obtaining a controlling influence.

An acquirer has a controlling influence when he directly or indirectly holds more than one-half of the voting rights in a company, unless it is possible in special cases to clearly demonstrate that such holding does not constitute a controlling interest. An acquirer who does not hold more than one-half of the voting rights in a company nevertheless has a controlling influence if the acquirer:

- has the right to appoint or dismiss the majority of the members of the company's board of directors or comparable governing body, and such board of directors or any such other body has a controlling influence in the company;
- has the right to control the financial and operational affairs of the company according to the articles of association or an agreement;
- has the right to control the majority of voting rights in the company in accordance with any agreement with other shareholders; or
- holds more than one-third of the voting rights in the company and the actual majority of the votes on the general meeting or any other governing body and thereby has an actual controlling influence in the company.

Warrants, call options and other potential voting rights that may currently be exercised or converted must be taken into account in the assessment of whether an acquirer has a controlling influence.

If special conditions apply, the DFSA may grant an exemption from the obligation to make a mandatory takeover bid.

Squeeze out

Pursuant to section 70 of the Companies Act, shares in a company may be redeemed in whole or in part by a shareholder holding more than nine-tenths of the shares and the corresponding voting rights in the company.

Furthermore, pursuant to section 73 of the Companies Act, a minority shareholder may require the majority shareholder holding more than nine-tenths of the shares and the corresponding voting rights to redeem the minority shareholder's shares.

Major shareholdings

Pursuant to section 29 of the Securities Trading Act, a shareholder of a listed company is required to notify the listed company and the DFSA as soon as possible if the shareholder's stake represents 5% or more of the voting rights in the company or the nominal value accounts for 5% or more of the share capital, and when a change to a holding already notified entails that the limits of 5%, 10%, 15%, 20%, 25%, 50% or 90% and the limits of one-third and two-thirds of the share capital's voting rights or nominal value are reached or are no longer reached.

The notification shall provide information about the full name, address or, in the case of business enterprises, registered office, the number of shares and their nominal value and share classes as well as information about the basis on which the calculation of the holdings has been made.

Failure to comply with the disclosure requirements is punishable by a fine.

When the company has received a notification, it must publish the content of such notification as soon as possible.

Furthermore, the general duty of notification under the Companies Act applies as well as special duties of notification in respect of a listed company's insider group under the Securities Trading Act.

6.10 Exchange of shares

As a result of the Merger, the shares of Sparbank will be exchanged for shares in Spar Nord. On completion of the Merger, VP Securities will register the exchange of shares in Sparbank for shares in Spar Nord immediately upon registration by the Danish Business Authority of the resolution on the Merger of the two banks and the capital increase of Spar Nord. The shareholders of Sparbank will receive notification when the Merger has been registered with the Danish Business Authority and are thus not required individually to take any action in this respect. See 7 "Expected timetable of the Merger".

6.11 Trading in and official listing of the New Shares

An application will be made for the New Shares to be admitted to trading and official listing on NASDAQ OMX, and the first day of trading is expected to be as stated in the expected timetable in 7 "Expected timetable of the Merger". The New Shares will be admitted under the ISIN code of the Existing Shares of Spar Nord (DK0060036564).

7 Expected timetable of the Merger

Table 7.1 – Expected timetable of principal events

Subject	Date
Publication of merger plan and related appendices	11 October 2012
Announcement of receipt of merger plan and creditors' statement through the Danish Business Authority's IT system	12 October 2012
Notice convening an extraordinary general meeting of Sparbank comprising a proposal to approve the Merger	12 October 2012
Notice convening an extraordinary general meeting of Spar Nord comprising a proposal to approve the Merger	12 October 2012
Extraordinary general meeting of Sparbank for the purpose of considering a proposal to approve the Merger	12 November 2012
Extraordinary general meeting of Spar Nord for the purpose of considering a proposal to approve the Merger	13 November 2012
Expected approval of the Merger from the DFSA in accordance with section 204 of the Financial Business Act	14 November 2012
Registration of the Merger with the Danish Business Authority, if the Merger has been approved at both extraordinary general meetings	14 November 2012
Last day of trading on NASDAQ OMX Copenhagen for Sparbank	15 November 2012
Admission of the New Shares issued by Spar Nord to trading on NASDAQ OMX Copenhagen	16 November 2012

8 Documents

This company announcement contains a description of the proposed merger, the merger consideration and the continuing company, Spar Nord. The following documents are attached to this announcement and are also available on the respective websites of Spar Nord and Sparbank, www.sparnord.dk and www.sparbank.dk:

- Merger plan pursuant to part 15 of the Companies Act
- Merger memorandum prepared by the board of directors of Spar Nord
- Merger memorandum prepared by the board of directors of Sparbank
- Statement by the valuation experts on the merger plan pursuant to section 241 of the Companies Act
- Statement by the valuation experts on the position of the creditors pursuant to section 242 of the Companies Act

Moreover, the following documents relevant to the Merger are available on the respective websites of Spar Nord and Sparbank, www.sparnord.dk and www.sparbank.dk:

- Interim balance sheet as at 31 July 2012 of Spar Nord
- Interim balance sheet as at 31 July 2012 of Sparbank
- Articles of Association of Spar Nord
- Articles of association of Sparbank
- Draft new articles of association of Spar Nord
- Risk reports of Spar Nord and Sparbank, respectively
- Annual reports for the 2009, 2010 and 2011 financial years of Spar Nord and Sparbank
- Interim reports for the six months ended 30 June 2012 and 30 June 2011 of Spar Nord and Sparbank

See the cross reference table in 4.16.4 "Cross reference table" for information on cross references to Spar Nord's and Sparbank's annual reports for the 2009, 2010 and 2011 financial years and interim reports for the six months ended 30 June 2012.

The table below contains references to the risk reports of Spar Nord and Sparbank for 2011. See the respective websites of the two banks, www.sparnord.dk and www.sparbank.dk, for a detailed review of the risk reports.

Table 8.1 – Reference to the risk reports of Spar Nord and Sparbank

Subject	Spar Nord	Sparbank
	Risk Report 2011, page	Risk Report 2011, page
Risk management policy	5	3
Credit risk	14-27	4
Market risk	28-31	5
Interest rate risk	28-29	5, 19
Foreign exchange risk	30	5-6
Equity risk	30	6
Liquidity risk	32-34	6
Operational Risk	35	7

9 Definitions and glossary

The following list sets forth definitions of terms used in this Merger Announcement.

Articles of Association	Spar Nord's articles of association of 27 March 2012
Bank Package I	Guarantee scheme adopted by the Danish parliament on 5 October 2008 pursuant to which the Danish State guaranteed unsecured creditors' claims against losses in Danish banks to the extent such claims were not otherwise covered. The scheme expired on 30 September 2010
Bank Package II	Act no. 67 of 3 February 2009 on state-funded capital injections into credit institutions, as amended (Consolidating Act no. 876 of 15 September 2009)
Bank Package III	Act no. 721 of 25 June 2010 on the establishment of a model under the auspices of Finansiel Stabilitet A/S by which distressed banks may be wound up in a controlled manner as a going concern
Bank Package IV	Document no. 181 adopted by the Finance Committee of the Danish parliament on 7 September 2011 and Act no. 1061 of 22 November 2011 amending the act on a guarantee scheme for depositors and investors (loss guarantee by application of an extended dowry scheme)
Bank Package V	Political agreement concluded on 2 March 2012 between the Danish government (the Social Democrats, the Socialist People's Party and the Social-Liberal Party) and the Liberal Party, the Danish People's Party, Liberal Alliance and the Conservative Party on attempting to establish a specialised financing institute for agriculture, among other things
BankInvest	BI Holding A/S, Sundkrogsgade 7, 2100 Copenhagen Ø, Denmark
BankInvest Fondsmæglerselskab	BI Asset Management Fondsmæglerselskab A/S, Sundkrogsgade 7, 2100 Copenhagen Ø, Denmark, a subsidiary of BI Holding A/S, which is owned by a number of Danish banks, including Spar Nord and Sparbank. BankInvest Fondsmæglerselskab is a fund manager and provider of investment funds
Basel III	Framework agreement of the Basel Committee amending rules on impairment, capital requirements for mortgage lenders, a maximum leverage ratio, countercyclical capital buffers and required liquidity levels, etc.
Capital Base	Consists of Tier 1 Capital and Tier 2 Capital less deductions as defined in section 3 of Executive Order no. 764 of 24 June 2011 on the calculation of capital base
Codan	Codan Forsikring A/S, c/o Codanhus, Gammel Kongevej 60, 1850 Frederiksberg C, Denmark
Companies Act	Act on public and private limited companies (the Companies Act) (see Consolidating Act no. 322 of 11 April 2011, as amended)
Continuing Bank	The Spar Nord Group after the Merger

Core Tier 1 Capital	Consists of share capital and reserves (excluding revaluation reserves) and Hybrid Capital adjusted for statutory deductions, see section 4 of Executive Order no. 764 of 24 June 2011 on calculation of capital base
CRD	European Capital Requirements Directives, 2006/48/EC and 2006/49/EC
CRD IV	The European Commission's overall package proposing a revision of the existing capital requirements directive (2006/48/EC and 2006/49/EC), consisting of a proposal for a directive and a proposal for a regulation (COM(2011) 453 and COM(2011) 452, respectively), which is designated CRD IV
Danish State	The Danish State
Date of Announcement	18 September 2012, the date of publication of the Merger Announcement
Date of Completion	The date on which the Merger is expected to be finalised, 14 November 2012
Deposit Guarantee Scheme	Deposit guarantee schemes and similar funds
DFSA	The Danish Financial Supervisory Authority
DKK	The official currency of the Kingdom of Denmark
DLR	DLR Kredit A/S, Nyropsgade 21, 1780 Copenhagen V, Denmark. DLR Kredit is owned by a large number of banks
EBA	European Banking Authority established under Regulation no. 1093/2010 of the European Parliament and of the Council of 24 November 2010
EEA	The European Economic Area
EMTN Programme	Spar Nord's Euro Medium Term Note programme, which allows Spar Nord to issue bonds in a total amount of up to EUR 3 billion through the London Stock Exchange on terms and conditions described in a prospectus dated 31 March 2011
EU	The European Union
Euro or EUR	The single European currency
Existing Shares	On the Date of Announcement, Spar Nord's share capital amounts to DKK 1,141,376,200 nominal value, consisting of 114,137,620 shares with a nominal value of DKK 10 each
FIH	FIH Erhvervsbank A/S, including its subsidiary FIH Kapitalbank A/S
Financial Business Act	Act on financial business, see Consolidating Act no. 705 of 25 June 2012, as amended
Financial Stability Act	Act no. 1003 of 10 October 2008 on financial stability, see Consolidating Act no. 875 of 15 September 2009, as amended
Finansiel Stabilitet	Finansiel Stabilitet A/S was established by Act no. 1003 of 10 October 2008 and is owned by the Danish State. The company's objective is to contribute to securing financial stability in Denmark, including by winding up distressed banks. Moreover, it is the company's objective on behalf of the Danish State to manage the agreements entered into concerning the provision of an individual state

Guarantee Fund	<p>guarantee for a specified portion of the institutions' debt</p> <p>The Guarantee Fund is a private, self-governing fund established by Act no. 794 of 20 August 2009, the object of which is to provide coverage for private individuals and companies (legal entities) with deposits and securities in Danish banks in connection with suspension of payments or bankruptcy. All Danish banks, mortgage credit institutions and investment and investment management companies licensed to carry on business under the Financial Business Act are required to join and to contribute to the Guarantee Fund. This also applies to Danish branches of foreign institutions which are domiciled outside the EU</p>
Hybrid Capital	<p>Capital which complies with the requirements of Part 4 of Executive Order no. 764 of 24 June 2011 on the calculation of capital base, but see sections 42 and 43 of Executive Order no. 764 of 24 June 2011 on the calculation of capital base</p>
ICAAP	<p>Internal capital adequacy assessment process (the individual solvency need)</p>
IFRS	<p>International Financial Reporting Standards as adopted by the EU</p>
letpension	<p>letpension A/S, Sundkrogsgade 4, 2100 Copenhagen Ø, Denmark, which is owned by a large number of local and regional banks in Denmark. letpension offers products within life insurance and pension</p>
Liquidity Coverage Ratio	<p>Quantitative liquidity standard introduced by the Basel Committee in a consultative document in December 2009</p>
LOPI	<p>Lokale Pengeinstitutter, c/o P.O. Box 9019, Toldbodgade 33, 1253 Copenhagen K, Denmark</p>
Merger	<p>The proposed merger of Spar Nord and Sparbank</p>
Merger Announcement	<p>The company announcement released by Spar Nord and Sparbank on the Date of Announcement</p>
Moody's	<p>Moody's Investors Service, Inc.</p>
NASDAQ OMX	<p>NASDAQ OMX Copenhagen A/S</p>
Net Stable Funding Ratio	<p>Minimum requirement for a bank's stable funding (i.e. funding expected to remain stable over a period of 12 months), as proposed in Basel III</p>
New Shares	<p>The 11,392,298 new shares with a nominal value of DKK 10 each in Spar Nord issued as consideration for Sparbank's shareholders on completion of the Merger</p>
Nykredit	<p>Nykredit Realkredit A/S, Kalvebod Brygge 1-3, 1780 Copenhagen V, Denmark</p>
PFA Pension	<p>PFA Pension, forsikringsaktieselskab, Sundkrogsgade 4, 2100 Copenhagen Ø, Denmark</p>
Privatsikring	<p>Forsikringsselskabet Privatsikring A/S, Gammel Kongevej 60, 1790 Copenhagen V, Denmark. Privatsikring is a subsidiary of the Codan group</p>
Recommendations	<p>Recommendations on corporate governance issued by the Danish Corporate Governance Committee in August 2011</p>
Risk-weighted Items	<p>See section 142(1) of the Financial Business Act</p>
SDC	<p>Skandinavisk Data Center A/S, company reg. (CVR) no.</p>

Securities Trading Act	16 98 81 38, Borupvang 1, 2750 Ballerup, Denmark Consolidating Act no. 855 of 17 August 2012 on securities trading etc., as amended
Shares	Existing Shares and the New Shares
Spar Nord	Spar Nord Bank A/S
Spar Nord Foundation	Spar Nord Fonden, Østeraa 12, 9000 Aalborg, Denmark
Spar Nord Group	Spar Nord and its consolidated subsidiaries
Spar Nord Leasing A/S	Spar Nord Leasing A/S (formerly Finans Nord A/S) is a finance company in the Spar Nord Group with activities in Denmark and Sweden
Spar Nord's ACPE Conversion Date	See clause 5.1 of Spar Nord's Terms and Conditions of the Notes, annex to the Articles of Association
Spar Nord's ACPE Reference Rate	See clause 5.4 of Spar Nord's Terms and Conditions of the Notes, annex to the Articles of Association
Spar Nord's ACPE Shares	See clause 5.1 of Spar Nord's Terms and Conditions of the Notes, annex to the Articles of Association
Spar Nord's Board of Directors	The board of directors of Spar Nord at the Date of Announcement
Spar Nord's Conversion Option	See clause 11.1 of Spar Nord's Terms and Conditions of the Notes, annex to the Articles of Association
Spar Nord's Executive Board	The executive board of Spar Nord at the Date of Announcement
Spar Nord's Hybrid Agreement	Spar Nord's agreement with the Danish State on the subscription of bonds by the Danish State. According to Spar Nord's Terms and Conditions of the Notes, the bonds are in the nature of Hybrid Capital
Spar Nord's Local Banks	Business segment of Spar Nord Bank A/S
Spar Nord's Management	The board of directors and executive board of Spar Nord at the Date of Announcement
Spar Nord's State Hybrid Capital	Agreement with the Danish State on the Danish State's subscription for bonds in a total amount of DKK 1,265 million. The bonds were issued on 30 June 2009 and are in the nature of Hybrid Capital
Spar Nord's Terms and Conditions of the Notes	The terms and conditions of the notes related to Spar Nord's Hybrid Agreement
Spar Vest Foundation	Spar Vest Fonden, Adelgade 2 2, 7800 Skive, Denmark, company reg. (CVR) no. 13 90 97 76
Sparbank	Sparbank A/S
Sparbank Group	Sparbank and its consolidated subsidiaries
Sparbank's ACPE Conversion Date	See clause 5.1 of Sparbank's Terms and Conditions of the Notes, annex to Sparbank's articles of association
Sparbank's ACPE Reference Rate	See clause 5.4 of Sparbank's Terms and Conditions of the Notes, annex to Sparbank's articles of association
Sparbank's ACPE Shares	See clause 5.1 of Sparbank's Terms and Conditions of the Notes, annex to Sparbank's articles of association
Sparbank's Board of Directors	The board of directors of Sparbank at the Date of Announcement
Sparbank's Conversion Option	See clause 11.1 of Sparbank's Terms and Conditions of

	the Notes, annex to Sparbank's articles of association
Sparbank's Executive Board	The Executive Board of Sparbank at the Date of Announcement
Sparbank's Hybrid Agreement	Sparbank's agreement with the Danish State on the subscription of bonds by the Danish State. According to Sparbank's Terms and Conditions of the Notes, the bonds are in the nature of Hybrid Capital
Sparbank's Management	The board of directors and executive board of Sparbank at the Date of Announcement
Sparbank's State Hybrid Capital	Agreement with the Danish State on the Danish State's subscription for bonds in a total amount of DKK 480 million. The bonds were issued on 30 June 2009 and are in the nature of Hybrid Capital
Sparbank's Terms and Conditions of the Notes	The terms and conditions of the notes related to Sparbank's Hybrid Agreement
State Hybrid Capital	Agreement with the Danish State on the subscription of bonds by the Danish State introduced by Act no. 67 of 3 February 2009 on state-funded capital injections into credit institutions (Bank Package II), as amended. The scheme implied that the Danish State could inject state-funded Hybrid Capital and underwrite issues of Hybrid Capital by Danish banks and mortgage credit institutions
Subordinated Loan Capital	Liabilities (possibly established by issuance of securities) providing that the creditor's claim is subordinated to all other creditor claims, see section 26 of Executive Order no. 764 of 24 June 2011 on the calculation of capital base
Supervisory Diamond	A model set up by the DFSA containing, among other things, five limit values which Danish banks have to comply with by 31 December 2012
Tier 1 Capital	Tier 1 Capital, also referred to as core capital, comprises Core Tier 1 Capital and Hybrid Capital adjusted for statutory deductions, see section 5(7)(iv) of the Financial Business Act
Tier 2 Capital	Tier 2 Capital, also referred to as supplementary capital, comprises revaluation reserves, Subordinated Loan Capital and contributed capital complying with certain requirements with respect to maturity, repayment, etc. and Hybrid Capital which is not included in the Tier 1 Capital, see section 24 of Executive Order no. 764 of 24 June 2011 on calculation of capital base
Totalkredit	Totalkredit A/S, Helgeshøj Allé 53, 2630 Taastrup, Denmark. Totalkredit A/S is a subsidiary of Nykredit Realkredit A/S, which is owned by Nykredit Holding A/S
Trading, Financial Markets & the International Division	Business segment of Spar Nord Bank A/S
Transition Scheme	A transition scheme introduced in February 2009 whereby a Danish bank could apply individually for a state guarantee for its existing and new, unsubordinated debt with a maturity of up to three years
ValueInvest	ValueInvest Danmark, Sundkrogsgade 7, 2100 Copenhagen Ø, Denmark. Member-owned investment association
VP Securities	VP Securities A/S, Weidekampsgade 14, 2300 Copenhagen S, Denmark