

INVESTING IN OUR FUTURE BUSINESS

Danske Bank Markets Danish Banking Seminar – March 2015



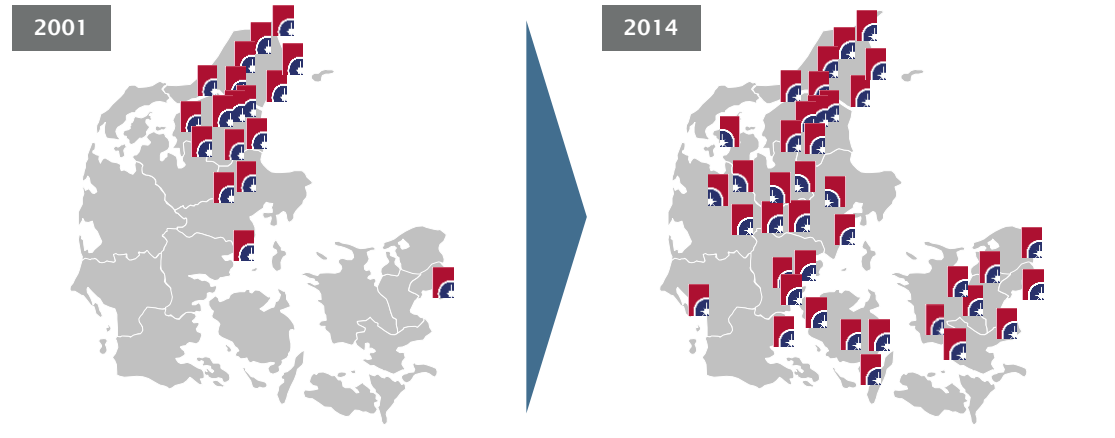
SPAR NORD – KEY ATTRACTIONS

- 1 An understandable low-risk business with solid performance through the cycle
- 2 Approach to banking with strong customer appeal – proven by 13 years of growth
- 3 Current macro puts NII under pressure – but activity based income continues to grow
- 4 Generally strong and diversified loan book – but difficult times for agriculture
- 5 Recent strategic initiatives will impact earnings potential positively in years to come
- 6 Capital position makes way for acquisitions and/or distribution to shareholders

13 YEARS OF GROWTH – BUT NO GROWING PAINS

- Since 2001, our vision has been to create a nationwide chain of local banks – present in all larger cities
 - Expansion of business potential outside of our traditional home region North Jutland
 - Diversification of risk and dependencies
 - Business model with potential to spread (“franchise”)
- Organic transformation of branch network
 - 18 new branches established from green field since 2002
 - 43 branches closed or merged since 2007
- M&A activity
 - Acquisition of branches from Roskilde Bank (2008)
 - Merger with SPARBANK (2012)
 - Acquisition of portfolio from FIH Erhvervsbank (2014)
 - Two smaller acquisitions in 2014

Creation of nationwide branch network

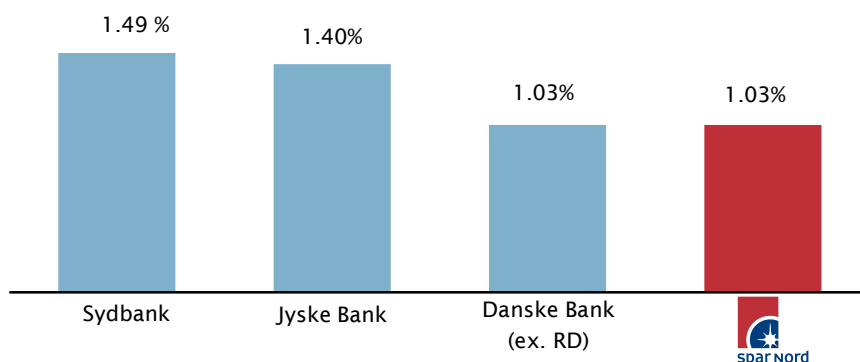


	2001	2009	2014
Number of branches	66	77	71
Northern Jutland	64	48	34
Outside northern Jutland	2	29	37
Loans, banking activities	14.8	30.8	34.0
Northern Jutland	11.9	20.4	15.9
Outside northern Jutland	2.2	10.4	18.1
Customers	198,000	265,000	378,000
Northern Jutland	190,000	191,000	192,000
Outside northern Jutland	8,000	74,000	186,000
Employees	1,110	1,423	1,507
Northern Jutland	668	642	521
Outside northern Jutland	56	353	555

OUR STRATEGY HAS LED US THROUGH THE TURMOIL OF RECENT YEARS IN GOOD SHAPE

- The crisis has impeded growth and affected financial performance – but our numbers have remained black
- Thanks to firm focus throughout the organisation, we have kept organic cost growth at zero for five years
- Relatively strong credit quality attributable to
 - focus on household customers and local SMEs
 - Cap on commitment size
 - Firm centralized monitoring and control
- We have contributed close to DKK 1 billion to sector bail-outs over the last 6 years

Impairment ratio compared to peers, average 2008-2014 (%)



Historical financial performance

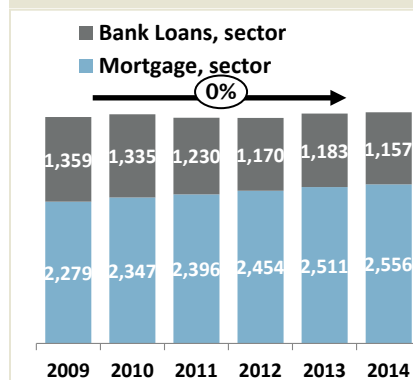
SPAR NORD BANK DKKkm	2009	2010	2011	2012	2013	2014
Net interest income	1,768	1,608	1,676	1,677	1,849	1,800
Net fees, charges and commissions	417	506	483	562	723	863
Market-value adjustments	304	268	130	244	201	380
Other income	136	194	259	229	166	160
Core income	2,624	2,575	2,548	2,711	2,938	3,202
Staff costs	915	948	960	930	1,026	1,053
Operating expenses etc.	595	569	562	591	618	798
Depreciation	112	125	215	154	98	72
Costs	1,621	1,642	1,737	1,675	1,741	1,922
Core earnings before impairment	1,003	933	811	1,036	1,197	1,280
Impairments of loans and advances, etc.	584	454	475	662	405	493
Core earnings	419	479	336	374	792	786
Investment income	17	-22	3	41	44	21
Profit/loss on ordinary activities	436	457	339	415	836	807
Sector Fund	-291	-324	6	-58	-120	-102
Cost related to merger	0	0	0	-67	-46	0
Profit before tax	145	133	345	290	670	705
Tax	27	28	70	66	133	91
Profit	118	105	275	224	536	614

Key ratios %	2009	2010	2011	2012	2013	2014
ROE, after tax	2.9	2.5	6.1	4.2	8.6	9.0
Solvency ratio	14.2	13.4	14.0	15.5	19.4	15.0
Core Tire 1 ratio	9.3	9.5	10.4	12.1	14.1	13.0

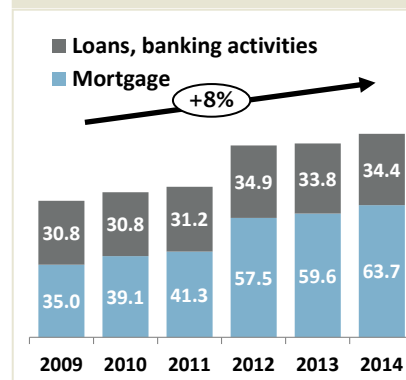
THROUGH A PERIOD WITH GENERAL PRESSURE ON BANK LENDING, WE HAVE BEEN GAINING MARKET SHARE

- Since the peak in 2008 Danish banks' total lending to households and corporates is down DKK 389 billion
- In 2014, Danish bank lending was down 2 %
 - Lending to corporates declined by 4.3 %
 - Lending to households grew by 0.4 %
- Spar Nord's growth in market share has been driven by M&A and new business units established in recent years

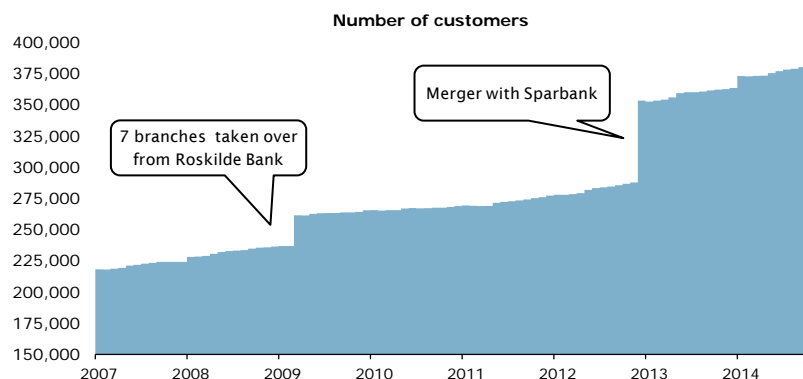
Sector lending has been flat



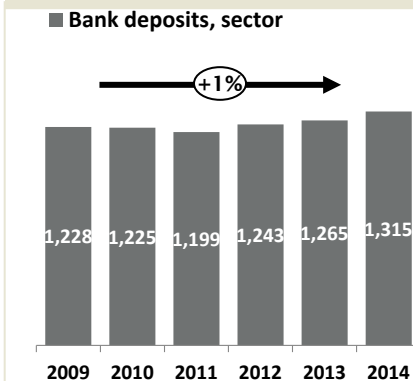
...we have grown by 8 % p.a.



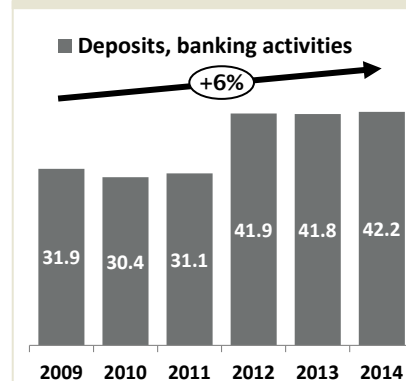
Strong customer influx



Sector deposits have been flat



...we have grown by 6 % p.a.



HEADLINES FROM THE 2014 INCOME STATEMENT

Income statement

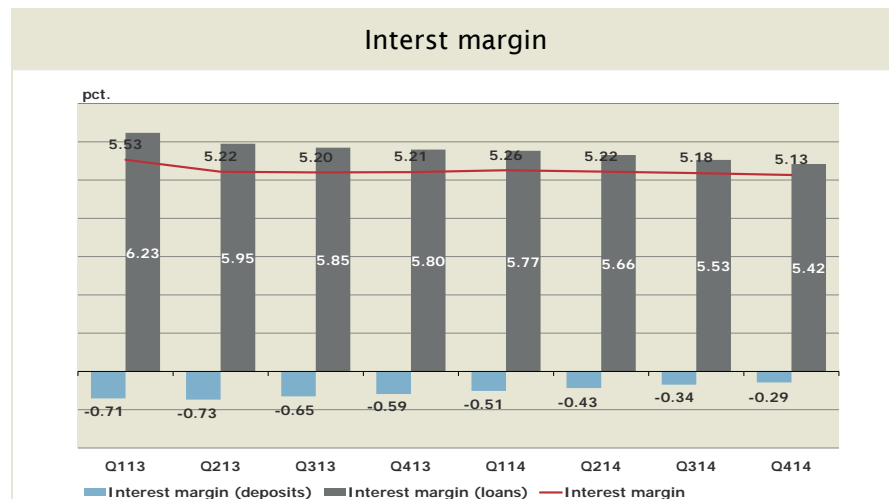
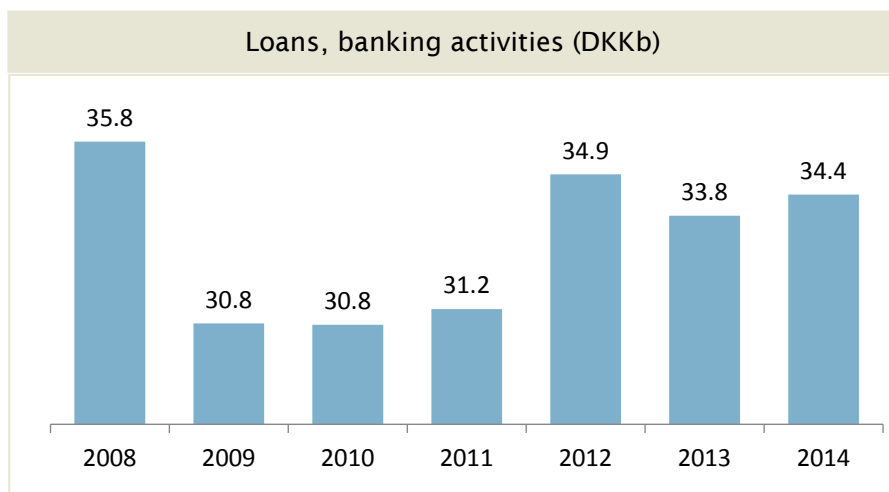
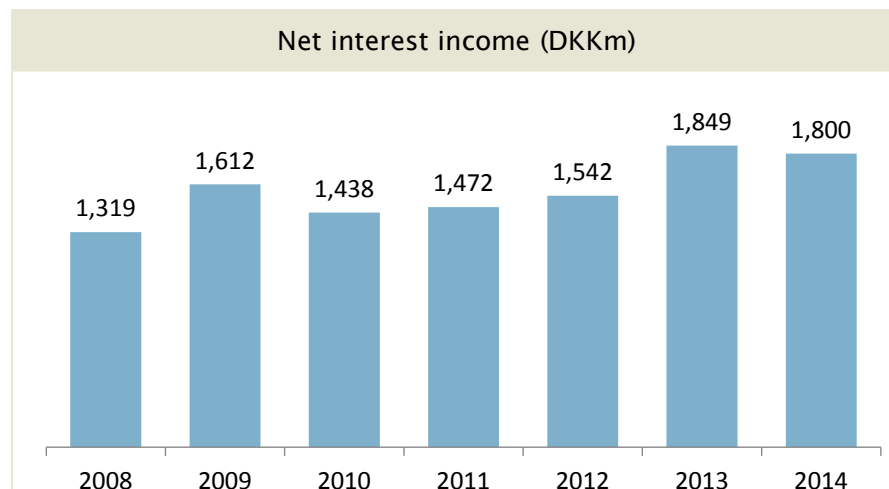
SPAR NORD BANK DKKm	Realized 2014	Realized 2013	Change in pct.
Net interest income	1,800	1,849	-3
Net fees, charges and commissions	863	723	19
Market-value adjustments	380	201	89
Other income	160	166	-4
Core income	3,202	2,938	9
Staff costs	1,053	1,026	3
Operating expenses etc.	870	716	21
Costs	1,922	1,741	10
Core earnings before impairment	1,280	1,197	7
Impairments of loans and advances, etc.	493	405	22
Core earnings	786	792	-1
Investment income	21	44	-52
Profit/loss on ordinary activities	807	836	-3
Sector Fund	-102	-120	-15
Cost related to merger	0	-46	-100
Profit before tax	705	670	5
Tax	91	133	-31
Profit	614	536	14

Key messages

- Improvement in ROE
 - 2013: 8.6 % after tax
 - 2014: 9.0 % after tax
- Growth in core income
 - Gain from the sale of Nets
 - Strong trend in fee income
- Large one-off costs
 - Change of IT-platform
 - M&A
- Loan losses up 22 %
 - Challenges in agriculture

EXCESS LIQUIDITY AND CAPITAL IN THE MARKET AND LOW INTEREST RATES HAVE PUT MARGINS AND NII UNDER PRESSURE

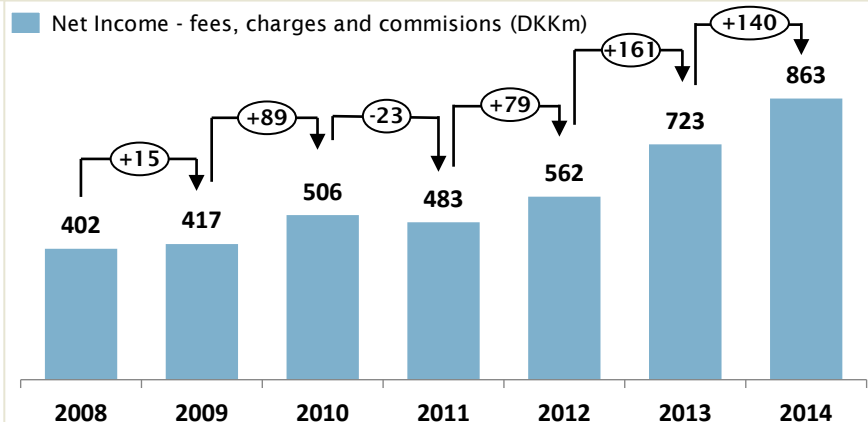
- Challenges in the market
 - Demand has been subdued for at long period
 - Fierce competition due to excess liquidity and capital
 - Extremely low market interest rates
- Positive trends for Spar Nord
 - Growth through M&A
 - Lower funding costs
 - Repayment of expensive hybrid core capital
 - Ability to adjust customer margins
- Further opportunities
 - Further work on customer margins
 - Selective hikes for customers on credit quality watch list
 - Negative deposit rates?



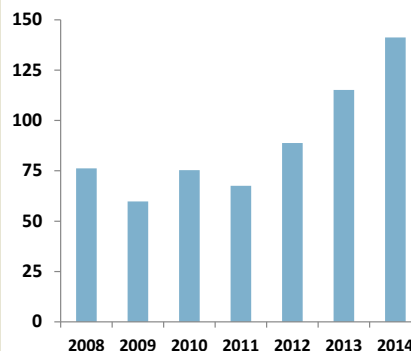
PRESSURE ON NET INTEREST INCOME HAS BEEN OFFSET BY STRONG GROWTH IN FEES AND COMMISSIONS

- Net fees and commissions have grown substantially in recent years
- In general, fee and commission income has been raised to a higher level after the merger with Sparbank in 2012
- But organic growth has also been high
 - Growth in asset management driven by customers' demand for investment schemes as alternative to deposits
 - Continued growth in fee income from mortgage distribution due to volume growth, price hikes from Nykredit and frequent re-mortgaging rallies
- In 2013 and 2014 alone, DKK 9.2 billion has shifted from deposits to actively managed schemes
- In Q3 2014 to Q1 2015, re-mortgaging activity has been at an all-time high

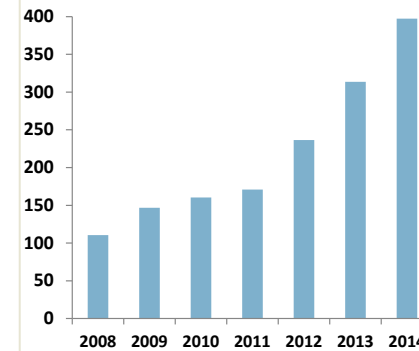
Strong improvement in fees, charges and commissions



Securities trading



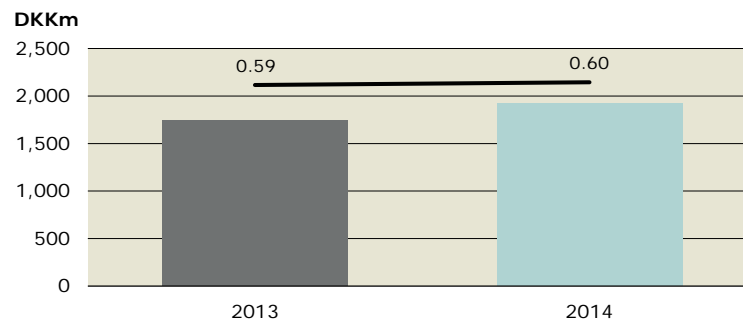
Loan transaction fees



A YEAR MARKED BY LARGE ONE-OFF EXPENSES – UNDERLYING TREND AS EXPECTED

- Total costs and expenses of DKK 1,922 million – 10 % up on 2013
- Large one-off expenses
 - Change of IT-platform: DKK 139 million
 - M&A-activities: DKK 24 million
- Underlying growth of 1 % as expected
- Staff costs were up by 3 %
 - Hike in payroll tax and effect of collective agreement
 - 29 new FTEs from FIH Erhvervsbank in Q3
- Depreciation down DKK 27 million due to decline in operational leasing
- In 2014, a total of 5 branches has been closed
 - Spar Nord now has 71 local branches
 - 43 branches have been closed or merged since 2007

Costs and Cost/Income Ratio



Costs – breakdown on types

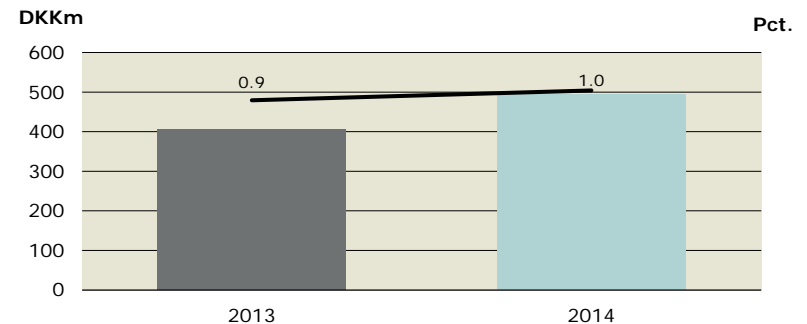
Costs (DKKm)	2014	2013	Change
Staff costs	1,053	1,026	27
Operating expenses	798	618	181
Depreciation	72	98	-27
Costs	1,922	1,741	181

Operating expenses (DKKm)	2014	2013	Change
Staff-related expenses	34	41	-6
Travel expenses	14	15	0
Marketing costs	94	90	3
IT expenses	448	300	148
Cost of premises	90	93	-3
Other administrative expenses	117	78	39
Operating expenses	798	618	180

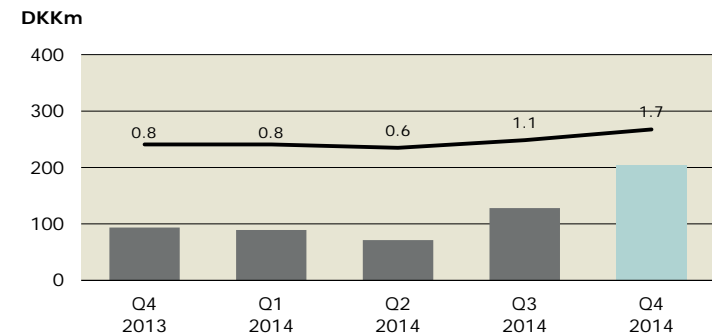
LOAN LOSSES WERE DECLINING – BUT THEN THE UKRAINE CRISIS HIT DANISH AGRICULTURE

- Impairment of loans etc. came to DKK 493 million in 2014 corresponding to impairment percentage of 1.0
 - At the beginning of the year, we were expecting a decline
- Breakdown on business segments
 - Household: DKK 110 million => 0.5 %
 - Corporate excl. agriculture: DKK 145 million => 0.6 %
 - Agriculture: DKK 238 million => 6.2 %
- Impairment percentage incl. mortgage loans: 0.46
- Danish farmers are hit hard by the crisis between EU and Russia and the decline in China's import

Impairments and impairment percentage



Impairments and impairment percentage



OUR LOAN BOOK IS GENERALLY WELL-DIVERSIFIED

– BUT 8 % EXPOSURE TO AGRICULTURE IS BAD ENOUGH

- Generally satisfactory diversification on business sectors and sizes
 - No large exposures – Top 20 only add up to 60 % of core capital
- Exposure to household segment account for 42 % of loans and guarantees – sector average is 32 %
 - Recent growth partly attributable to on-going re-mortgaging rally
- Agricultural sector is facing serious challenges due to the crisis between EU and Russia and due to decline in export to China
 - 39 % of agricultural exposure shows OII – impairments now add up to 17 % of exposure

Loan book – breakdown on business sectors

Breakdown by sector The group	Loans, advances and guarantees	Loans, advances and guarantees	Loans, advances and guarantees Sector
Line of business	DKKm	Pct.	Pct.
DKKb/Pct.	2014	2014	2013
Public authorities	0.9	1.9	2.7
Agriculture, hunting and forestry	3.9	8.0	4.4
Fisheries	0.1	0.3	0.0
Industry and raw materials extraction	2.7	5.7	5.5
Energy supply	1.9	3.8	1.9
Building and construction	1.6	3.3	1.8
Trade	3.9	8.0	4.8
Transport, hotels and restaurants	1.7	3.6	2.9
Information and communication	0.1	0.2	0.7
Financing and insurance	2.8	5.8	28.2
Real estate	5.5	11.4	9.4
Other business areas	2.9	6.1	5.7
Corporate customers, total	28.1	58.1	68.0
Retail customers, total	20.3	41.9	32.0
Total	48.3	100.0	100.0

Agriculture (banking activities)

2014	Loans, advances and guarantees	Of which impaired	Share impaired
DKKm/Pct.	DKKm	DKKm	Pct.
Pig producers	1,090.4	639.6	58.7
Cattle producers	1,357.9	589.9	43.4
Plant cultivation	508.0	82.0	16.1
Mink farmers	107.8	0.4	0.4
Other production lines	506.2	62.1	12.3
Total	3,570.3	1,374.0	38.5

2014	Impairment balance	Impairment for the year	Impairment ratio on exposure	Percentage impaired
DKKm/Pct.	DKKm	DKKm	Pct.	Pct.
Pig producers	211.0	124.1	19.4	33.0
Cattle producers	243.7	25.2	17.9	41.3
Plant cultivation	20.7	-15.8	4.1	25.2
Mink farmers	0.4	0.3	0.4	100.0
Other production lines	29.7	8.1	5.9	47.8
Overall impaired	100.0	100.0	0.0	0.0
Total	605.5	241.9	17.0	44.1

2014 – A YEAR WITH A LOT ON THE STRATEGIC AGENDA

2014: DECISION TO CHANGE IT PLATFORMS

SDC

BEC

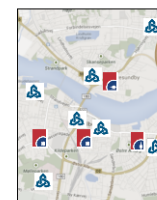
2014: THREE M&A TRANSACTIONS

Strengthened position
in attractive market segments

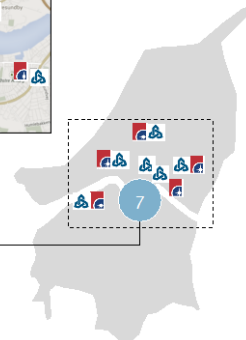


FIH|ERHVERVSBANK

2014: OFFER FOR NØRRESUNDBY BANK



Nørresundby Bank branch
Spar Nord branch¹

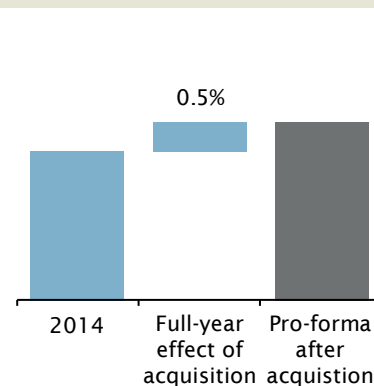


ACQUISITION OF PORTFOLIO FROM FIH ERHVERVSBANK (2014)

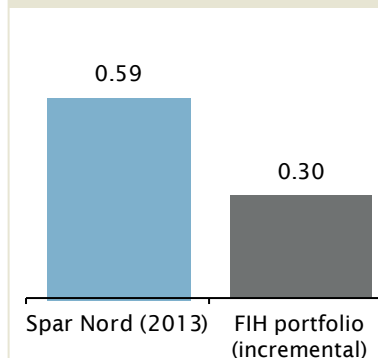
The acquisition

- 1 July 2014, we took over a total business volume of DKK 4.0 billion (RWA of DKK 2.7 billion)
 - Lending: DKK 2.4 billion
 - Guarantees: DKK 1.25 billion (net: DKK 0.25 billion)
 - Market-value of derivatives: DKK 0.3 billion
- We took over two FIH branches and welcomed 29 new colleagues in three locations
 - 23 of the new people are still with us
 - The branches have now been merged with Spar Nord branches
- We were expecting core earnings of DKK 15 million after expected one-offs of DKK 20 million
 - Core earnings came to DKK 16 million
 - One-offs were DKK 19 million
- Business volume with "FIH customers" is maintained at year-end 2014
- In 2015, we expect the FIH portfolio to contribute with core earnings before impairment of DKK 70 million

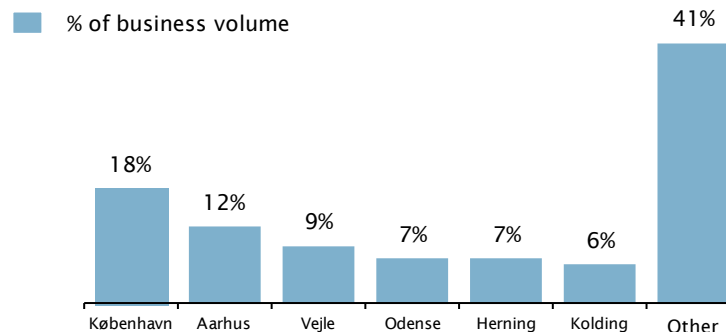
Return on equity



Cost/Income Ratio



Geography: Diversified exposure outside North Jutland



CHANGE OF IT-PLATFORM AND DATA PROCESSING CENTRE

Business perspectives

- Conversion from SDC to BEC makes way for substantial cost savings and synergies
- Well-functioning digital solutions will be a key competitive parameter in the future
- At BEC, we will team up with partners with great focus on IT and strong development power
 - Nykredit, Handelsbanken, Arbejdernes Landsbank, Danish Central Bank etc.
- BEC's concept is a great match for our strategy "AN UNCOMPLICATED BANK"
 - High degree of integration between business data and reporting data

Attractive business case

1

Spar Nord's investment

- Spar Nord will pay exit fee of DKK 139 million to SDC (Q4 2014)
- Conversion costs of DKK 40 million (DKK 25 million in 2015)
- BEC will grant Spar Nord a discount that will largely eliminate Spar Nord's obligations to SDC at the time of conversion

2

BEC's pricing model is very attractive

- Larger discounts to high volume customers
- Spar Nord's annual IT-expenses will be reduced by DKK 35 million in 2016 and DKK 55 million from 2017 and onwards
- Expected to lower Spar Nord's Cost/Income Ratio with 0.02

The new data processing centre landscape

BEC



SDC



Bankdata



Danske Bank



Nordea

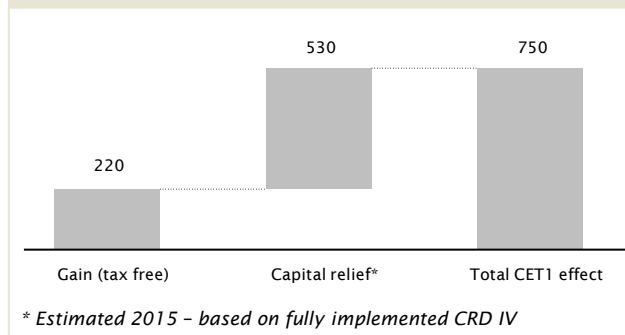


DIVESTMENT OF NØRRESUNDBY BANK RESULTS IN P/L GAIN AND FREES UP LARGE CAPITAL RESSOURCES

A long and turbulent process

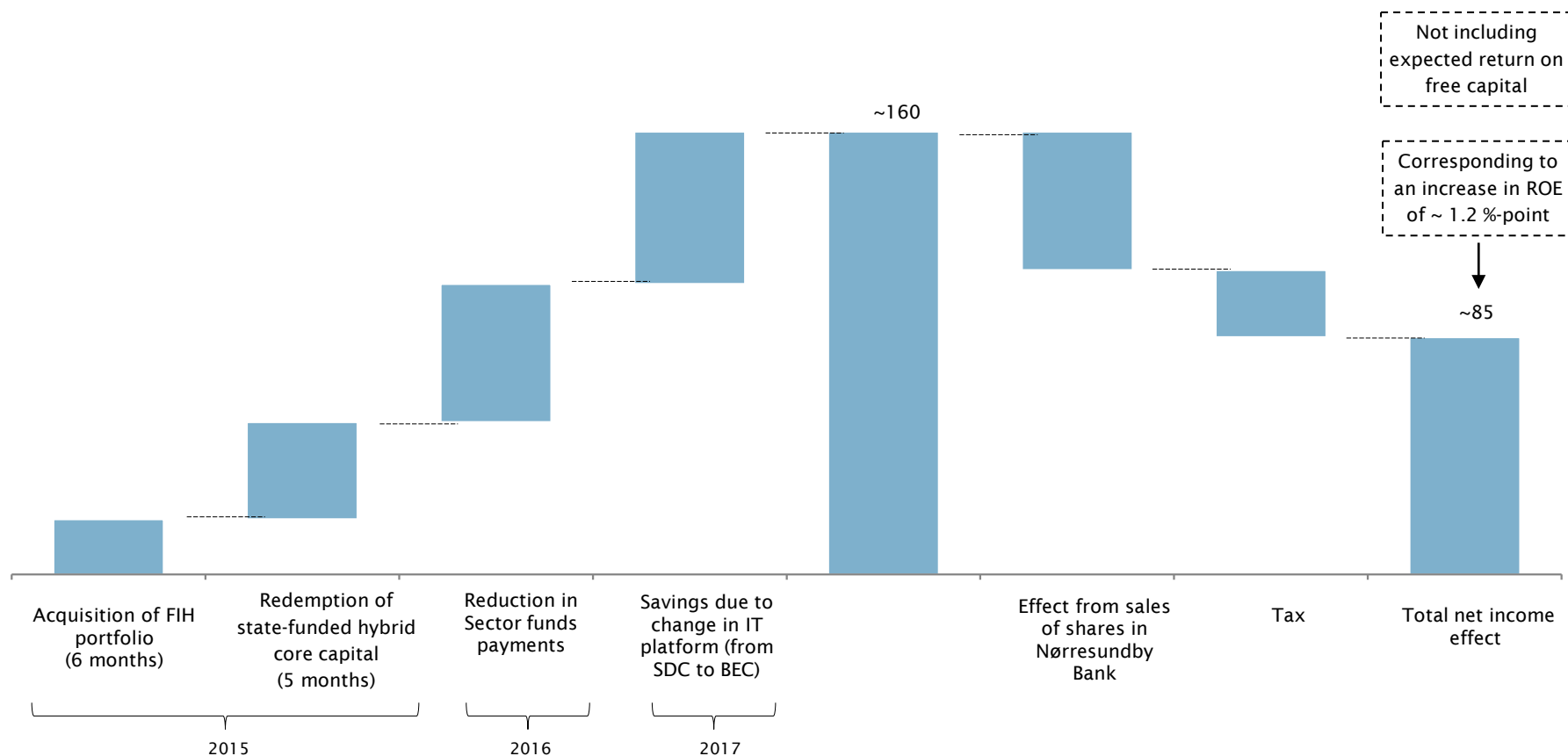
- 10 October 2014, Nørresundby Bank and Nordjyske Bank announced plans to merge the two banks – presumably based on book value
- As 54.9 % shareholder in Nørresundby Bank, we could not live with this solution
- 8 December 2014, we made a conditional voluntary tender offer for the 45.1 % of Nørresundby Bank, we didn't already own
 - DKK 309 and 2 Spar Nord shares per share in Nørresundby Bank => premium of 63 % compared to 9 October
 - The BoD of Nørresundby Bank could not recommend our offer
- 14 January 2015, Nordjyske Bank made a conditional voluntary tender offer to all shareholders in Nørresundby Bank
 - DKK 335 and 1 Nordjyske Bank share per share in Nørresundby Bank => roughly the same price as we had offered
 - The BoD of Nørresundby Bank recommended the offer, which expired 26 February
- Outcome
 - In February 2015, we announced that we had found investors for the shares in Nordjyske Bank we were to receive – and that therefore, we were willing to accept the offer
 - As a result, we book a tax-free PL gain of DKK 220 million and free up another DKK 530 million in capital

Sale of shares



RECENT INITIATIVES WILL HAVE SIGNIFICANT EARNINGS IMPACT IN COMING YEARS

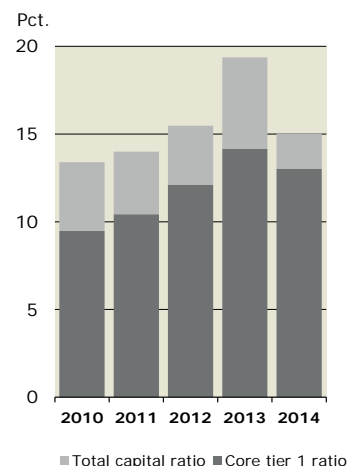
Additional net income effect in 2015-17 of strategic initiatives initiated in 2014 (DKKm)



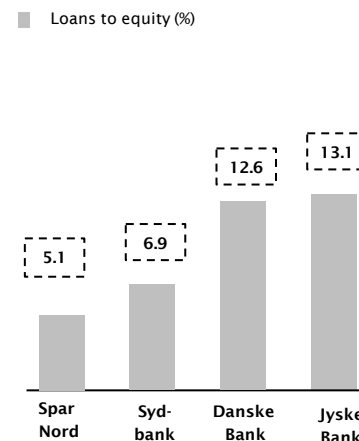
STRONG CAPITAL POSITION MAKES WAY FOR SOLID DISTRIBUTION TO SHAREHOLDERS (I)

- Strategic capital targets
 - CET1 Ratio: 12.0
 - Capital Ratio: 15.0
- Dividend policy
 - Pay-out Ratio of 33 % (if strategic capital targets are met)
 - Extraordinary dividends or buy-backs, if no value-creating investment opportunities can be found
- Recommended dividends for 2014
 - DKK 1.60 per share in ordinary dividend (33 %)
 - DKK 2.00 per share in extraordinary dividend following the divestment of Nørresundby Bank
- Total estimated dividend yield of 6.0 %

Capital percentage



Absolute leverage



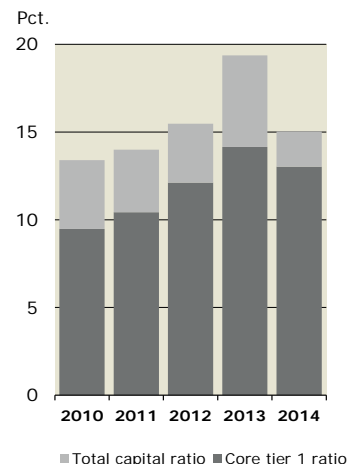
Capital base

Pct.	Q4 2014	2013	2012	2011
Core tier 1 ratio	13.0	14.1	12.1	10.4
Hybrid capital	0.9	4.2	3.9	3.8
Deductions in hybrid capital	-0.6	-1.0	-1.0	-0.9
Tier 1 ratio	13.3	17.4	15.1	13.3
Subordinated debt	2.3	2.9	1.4	1.6
Deductions in own funds	-0.6	-1.0	-1.0	-0.9
Total capital ratio	15.0	19.4	15.5	14.0

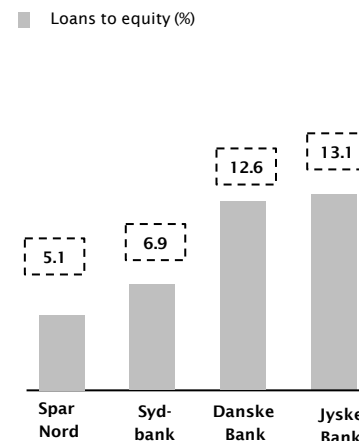
STRONG CAPITAL POSITION MAKES WAY FOR SOLID DISTRIBUTION TO SHAREHOLDERS (II)

- Capital position after divestment of Nørresundby and deduction of recommended dividends
 - CET1 Ratio: 13.3
 - Capital Ratio: 15.4
- Divestment of Nørresundby has positive impact on CET1 ratio (fully loaded CRD IV standards) of 1.6 pp
- Plan to issue DKK 250 million by way of hybrid core capital in Q2
- In general, our capital ratios should be viewed in connection with the fact that we are on the Basel II standard approach
 - Compared to peers, our absolute leverage is relatively low

Capital percentage



Absolute leverage



Capital base

Pct.	Q4 2014	2013	2012	2011
Core tier 1 ratio	13.0	14.1	12.1	10.4
Hybrid capital	0.9	4.2	3.9	3.8
Deductions in hybrid capital	-0.6	-1.0	-1.0	-0.9
Tier 1 ratio	13.3	17.4	15.1	13.3
Subordinated debt	2.3	2.9	1.4	1.6
Deductions in own funds	-0.6	-1.0	-1.0	-0.9
Total capital ratio	15.0	19.4	15.5	14.0

GUIDANCE AND SHARE PRICE

Guidance for 2015

- Core earnings before impairments
 - Before divestment: in line with 2014 adjusted for one-offs related to Nets and change of IT-platform
 - After divestment: In the DKK 1,400 million range
- Positive trends
 - Full-year impact of business taken over in 2014
 - Full-year impact of the re-payment of hybrid capital
 - Modest but positive lending growth
 - Continued strong fee income
- Negative impact from extremely low interest level
 - Pressure on lending and deposit margin
 - Challenging business environment for markets operation
- Loan losses expected to stay high
 - Improvement in household and SME segment
 - Continued challenges for agriculture
- Contribution to sector-wide solutions: DKK 100 million

Share price (index)

