

Credit update

Copenhagen Roadshow – November 2016

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We urge you to read our annual report available on www.sparnord.dk for a discussion of some of the factors that could affect our future performance and the industry in which we operate.

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1. BRIEF INTRODUCTION TO SPAR NORD

Key attractions

1



Profitable focus on ordinary household customers and local SMEs

2



High customer satisfaction and potential for further growth in market share

3



Strategic investments in creating a future-proof digital offering – with a personal touch

4



Sound credit quality – although challenges for agriculture aren't over

5





Standardized approach to riskweighting makes for lower leverage and lower risk

6

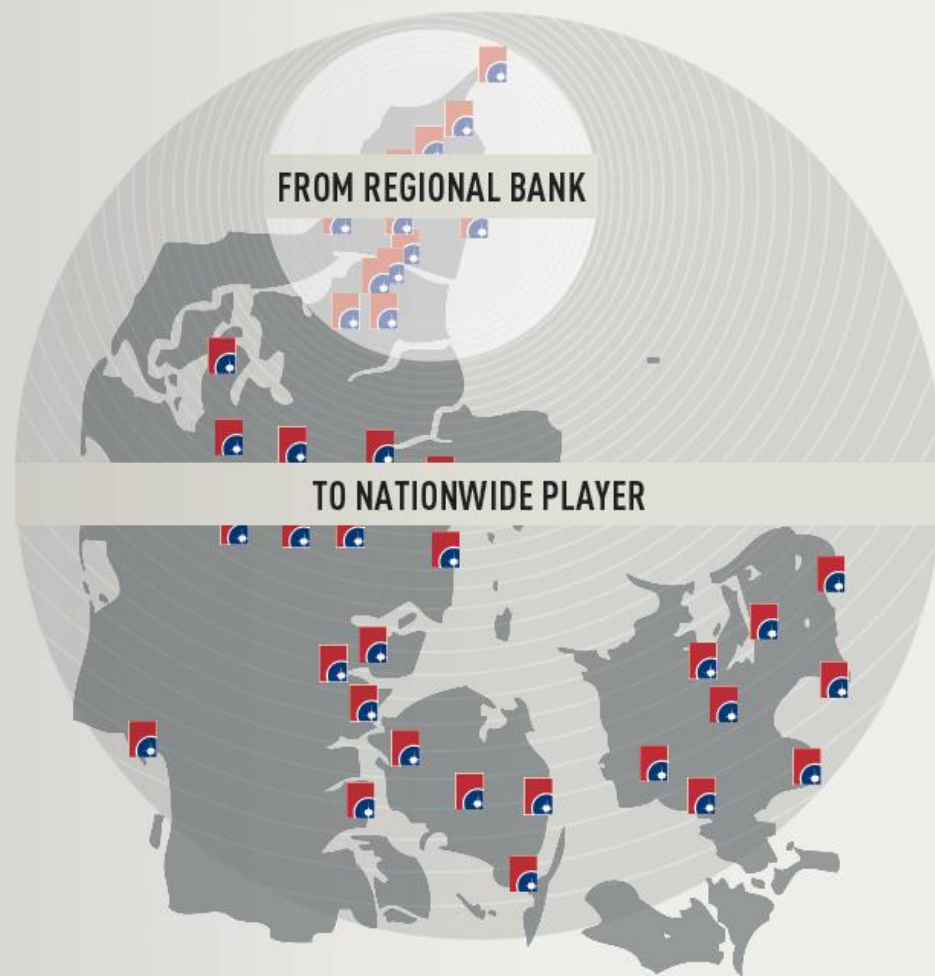


Strong capital position - room for substantial capital distribution as well as firepower for acquisitions

From regional bank to nationwide player

| TRANSFORMATION FROM REGIONAL TO NATIONWIDE | | 2001 | 2009 | 2015 |
|---|-------------------------------------|----------------|----------------|----------------|
|  | Number of branches | 66 | 77 | 70 |
| | Northern Jutland | 64 | 48 | 33 |
| | Outside northern Jutland | 2 | 29 | 37 |
|  | Loans, banking activities | 14.6 | 30.1 | 32.6 |
| | Northern Jutland | 12.4 | 21 | 14.5 |
| | Outside northern Jutland | 2.2 | 9.1 | 18.1 |
|  | Deposits, banking activities | 14.0 | 29.5 | 42.4 |
| | Northern Jutland | 13.2 | 22.3 | 21.4 |
| | Outside northern Jutland | 0.8 | 7.2 | 21.0 |
|  | Customers | 198,000 | 265,000 | 391,000 |
| | Northern Jutland | 190,000 | 191,000 | 196,000 |
| | Outside northern Jutland | 8,000 | 74,000 | 195,000 |
|  | Employees | 724 | 995 | 1,076 |
| | Northern Jutland | 668 | 642 | 504 |
| | Outside northern Jutland | 56 | 353 | 572 |

EXPANSION OF DISTRIBUTION NETWORK FROM 2002 TO 2015



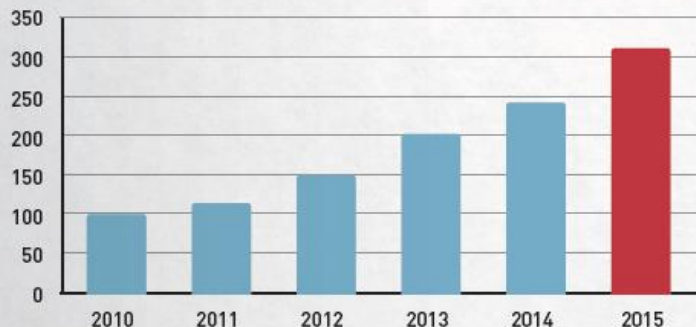
■ Focus on households drives strong trend in fee income

ANALYST A

"We consider Spar Nord a commission machine."

MORTGAGE-DISTRIBUTION

DKK MIO

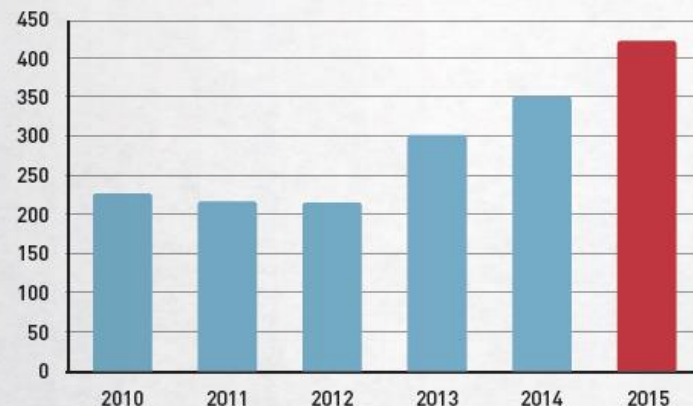


ANALYST B

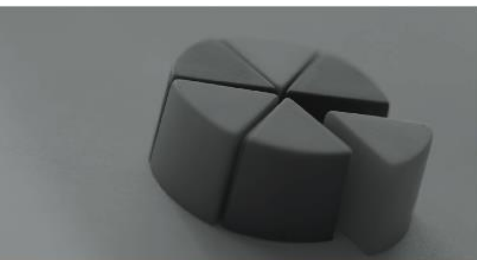
"We view Spar Nord as an uncomplicated bank with high margins and one of the highest earnings shields among the nordic banks"

SECURITIES TRADING AND ASSET MANAGEMENT

DKK MIO



Strong credit quality and diversified loan book



Very well-diversified portfolio
– only two business sectors
exceeding 10 % of total
lending



Low exposure to single large
customers (Top 20 equals
63 % of CET1)

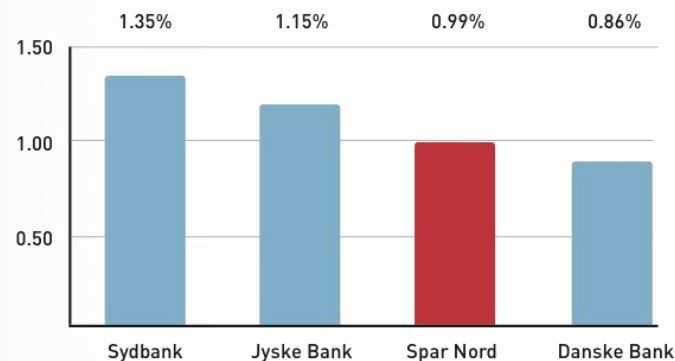


High share of household
lending of 40 %

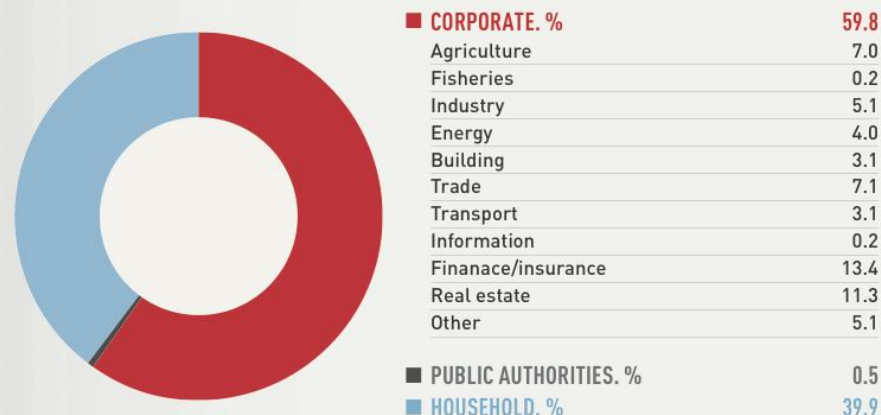


Agriculture remains our big-
gest challenge – 7 % of expo-
sure, but 98 % of impairments

IMPAIRMENT RATIO COMPARED TO PEERS, AVERAGE 2008-2015 (%)

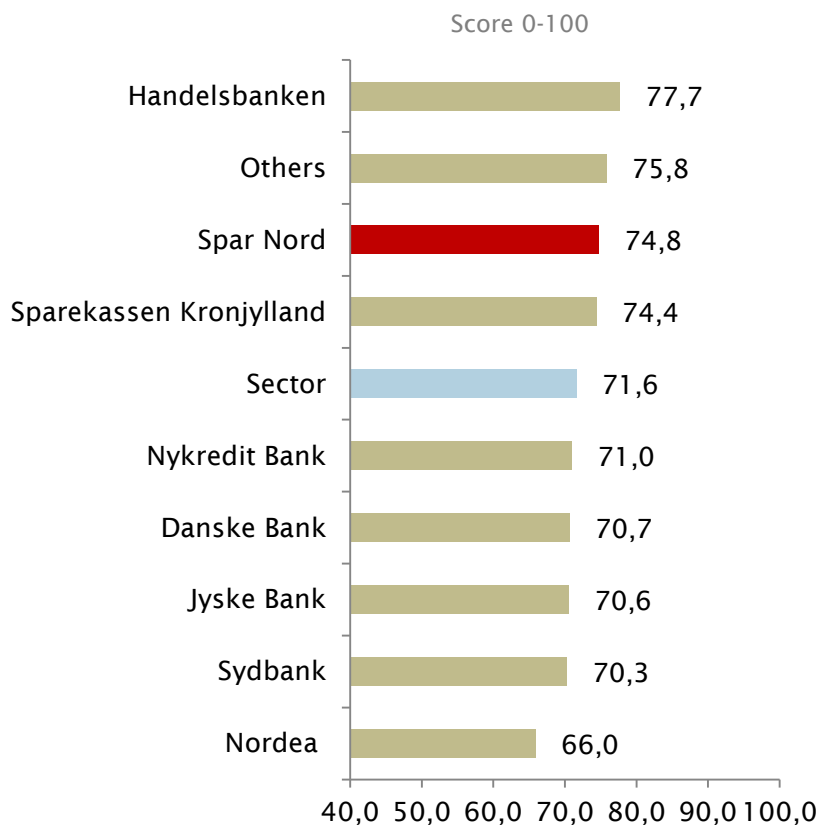


LENDING BROKEN DOWN ON BUSINESS SECTORS



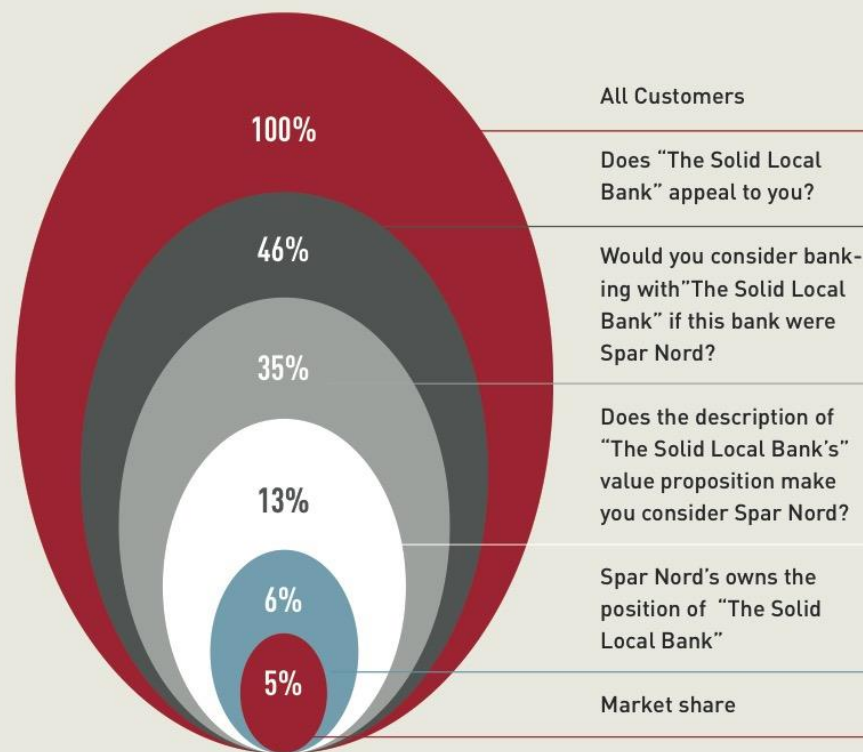
Strong customer satisfaction and potential for further growth in market share

CUSTOMER SATISFACTION – HOUSEHOLD SEGMENT




Kilde: EPI, Q3 2016

ANALYSIS OF MARKET POTENTIAL



2. HIGHLIGHTS FROM Q3 2016 REPORT

 **Solid net profit of DKK 690 million yields an annualized 11.9 % return on equity – full-year guidance raised**

Presentation of Spar Nord's financial results for Q1-Q3 2016



Key messages

Core income sustained at the level of 2015 when adjusted for last year's one-off gain related to Nørresundby Bank

- NII dropped 7 % (y/y) due to lower income from bond portfolio and due to margin pressure
- Net fee income dropped by 2 % (y/y) but remains at highly satisfactory level
- Market-value adjustments were very strong – 38 % up on last year when adjusted for the sale of shares in Nørresundby Bank

Cost reduction and declining loan losses

- Total costs were reduced by 1 % (y/y) – effects of IT-migration are beginning to materialize
- Loan impairments were reduced by 22 % – profit impact almost entirely attributable to agriculture

Full-year guidance is raised

- Forecast for full-year core earnings is adjusted upwards from around DKK 1.1 billion to about DKK 1.2 billion after approx DKK 50 million one-off costs related to a new strategy plan
- Loan losses are now expected to be somewhat down on last year (previously "slightly down")

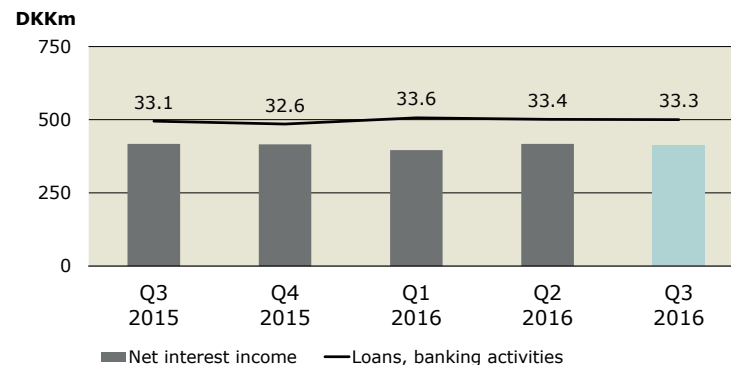
New strategy plan for 2017-19

- Growth initiatives and efficiency-enhancing initiatives are expected to contribute DKK 200 million and DKK 100 million, respectively
- Target for a return on equity is 9-11% after tax, and the Cost/Income Ratio is expected to be 0.60.

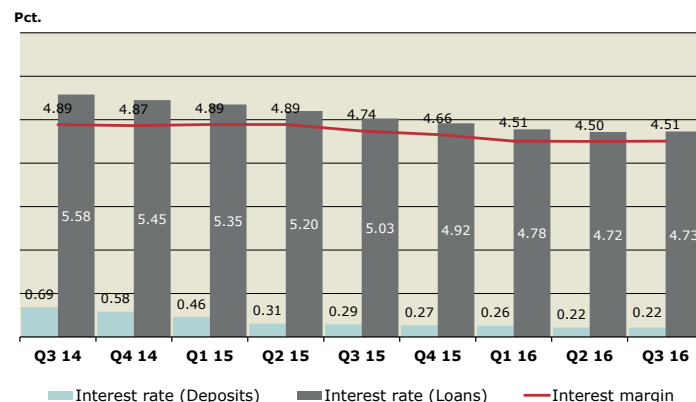
■ Lending volume and net interest income have stabilized

- Net interest income dropped by 7 % (y/y) and ended at DKK 1,226 million
 - out of the DKK 85 million decline, DKK 66 million is attributable to bond portfolio
- Bank and leasing lending is up 4 % year-to-date
 - Loan portfolio of DKK 0.5 billion acquired from FIH
 - Strong growth in leasing business (DKK 0.5 billion)
- Interest margin has stabilized in recent months
 - Total interest margin has declined by 23 bps since the end of Q3 last year, but has been stable for 6 months
 - Lending margin has been stable for 3 quarters
 - Reported lending margin is impacted by migration to new IT-system (reported somewhat too high)
- One-off in Q3
 - DKK 13 million carried to income following changed tax assessments for 2011-13

Net interest income and volume trend



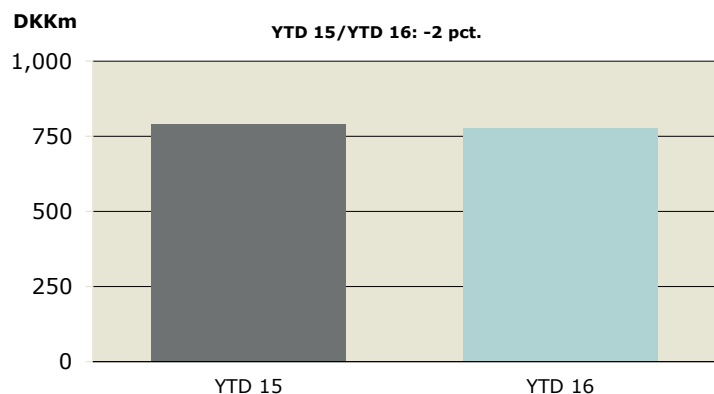
Interest margin



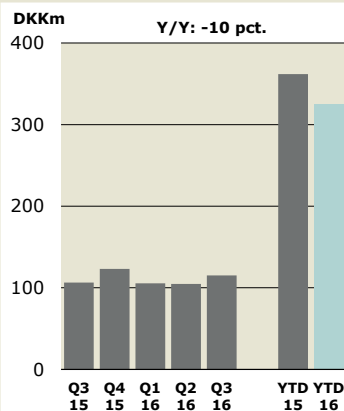
■ Highly satisfactory net fee income

- Net fee income was down 2 % (y/y) but was sustained at very high level (DKK 778 million)
- Income from loan transaction fees was down 10 % on last year's extremely high level
 - Income related to mortgage-distribution grew by 10 % (y/y)
- Income from securities trading was down 5 % (y/y) but has developed positively since Q1
- Other fees are impacted positively by price adjustments on transaction banking
- Migration to new IT-system has led to a more precise allocation of net fees

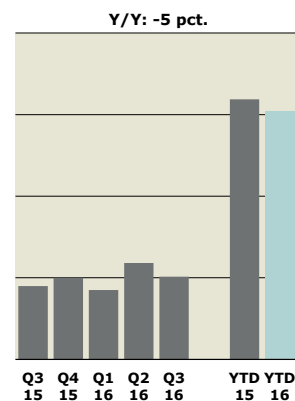
Net fee income



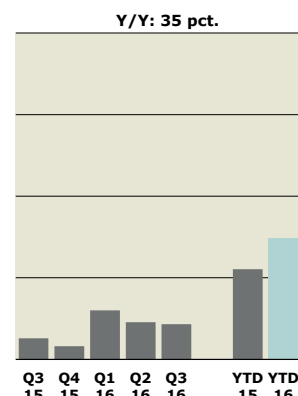
Loan transaction fees



Securities/asset mgmt.

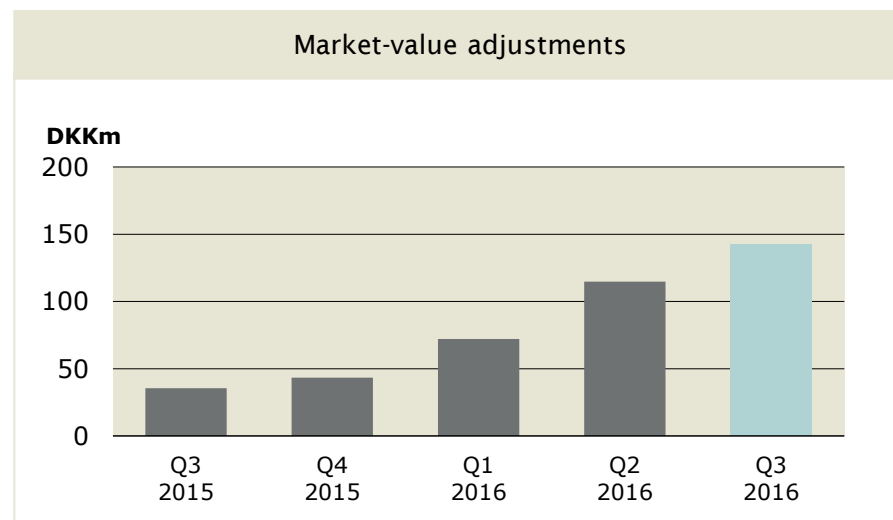


Other fees



Positive trend in market-value adjustments and dividends

- Market-value adjustments and dividends dropped by DKK 134 million (y/y) but have grown for 4 consecutive quarters
- Adjusted for one-off gain in 2015 related to Nørresundby Bank, market-value adjustments have grown by DKK 92 million or 38 % (y/y)
- Strong performance on bonds attributable to narrowing of spreads on Danish mortgage-bonds
- Positive market-value adjustments on shares in sector companies, e.g. DLR Kredit, Danmarks Skibskredit, Vækstinvest Nordjylland A/S and Erhvervsinvest K/S
- DKK 23 million positive adjustment on sales price in the divestment of Nets



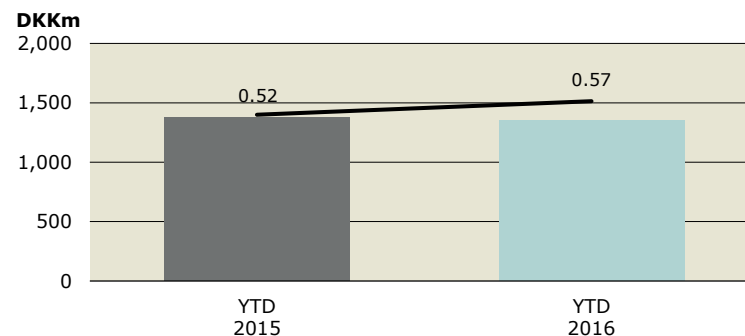
Market-value adjustments broken down on types

| DKKm | YTD 2016 | YTD 2015 | Change |
|--|------------|------------|-------------|
| Market-valued adjustments in Trading, Financial Markets & The International Division | 156 | 73 | 84 |
| Tangible assets | 91 | 292 | -200 |
| Dividends on shares, etc. | 49 | 55 | -5 |
| Currency trade and -agio | 33 | 45 | -12 |
| Total | 329 | 464 | -134 |

■ Total costs reduced by 1 %

- Total costs and expenses came to DKK 1,354 million - 1 % lower than last year
- Payroll costs were up 3 %
 - 11 FTEs more than last year (leasing, SparXpres and IT)
 - Extra work related to IT-project
 - Positive one-off related to successful legal action regarding the principles governing the calculation of payroll taxes
- Operating expenses reduced by 9 %
 - General reduction across cost types
 - Absence of one-off costs
- Positive effects on IT-migration are beginning to show
 - IT-expenses reduced by 5 %

Costs and Cost/Income Ratio



Breakdown on cost types

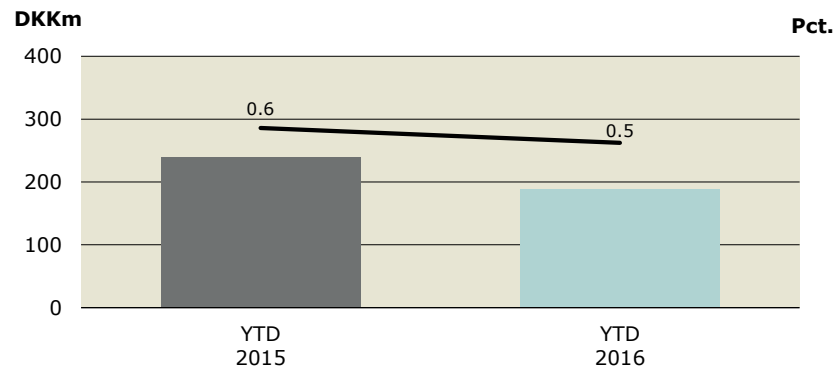
| Costs (DKKm) | YTD 2016 | YTD 2015 | Change |
|--------------------|--------------|--------------|------------|
| Staff costs | 835 | 807 | 27 |
| Operating expenses | 468 | 514 | -46 |
| Depreciation | 51 | 52 | -1 |
| Costs | 1,354 | 1,374 | -20 |

| Operating expenses (DKKm) | YTD 2016 | YTD 2015 | Change |
|-------------------------------|------------|------------|------------|
| Staff-related expenses | 27 | 29 | -3 |
| Travel expenses | 11 | 11 | 0 |
| Marketing costs | 65 | 72 | -7 |
| IT expenses | 239 | 252 | -13 |
| Cost of premises | 61 | 65 | -3 |
| Other administrative expenses | 66 | 86 | -20 |
| Operating expenses | 468 | 514 | -46 |

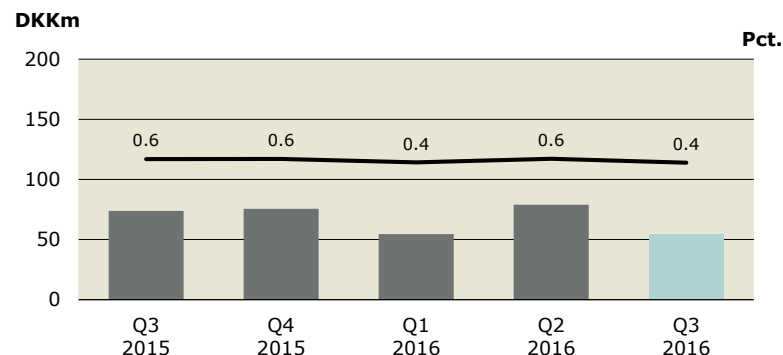
■ Loan losses down 22 %

- Loan losses came to DKK 188 million corresponding to an impairment percentage of 0.47
 - 94 % of profit impact is attributable to agriculture
- Impairment percentage on business segments
 - Household: DKK -72 million (-0.4 % p.a.)
 - Corporate ex. agriculture: DKK 84 million (0.4 % p.a.)
 - Agriculture: DKK 176 million (6.6 % p.a.)
- Breakdown on business segment can be somewhat affected by migration to new IT-system
- Status on agriculture
 - **Milk:** Loans and advances of DKK 1.2 billion – hereof 58 % impaired and 40 % written down
 - **Pigs:** Loans and advances of DKK 0.9 billion – hereof 51 % impaired and 33 % written down

Impairments and impairment percentage



Impairments and impairment percentage



Guidance and share price

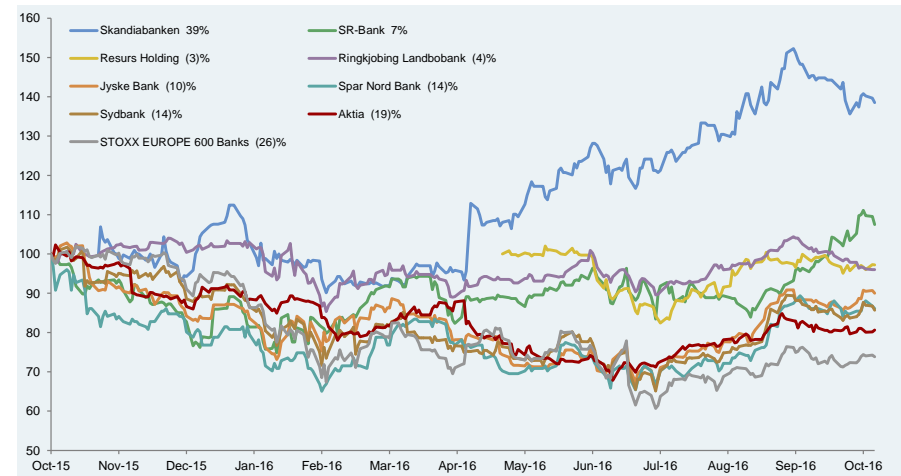
Guidance for 2016

- Core earnings before impairments now expected in the DKK 1.2 billion range after one-off costs of DKK 50 million related to new strategy plan
- Loan impairments now expected to be somewhat lower than in 2015

Preliminary guidance for 2017

- Core earnings before impairments in the DKK 1.1-1.2 billion range – primarily sensitive to interest margin and market-value adjustments
- Loan losses lower than in 2016

Share price

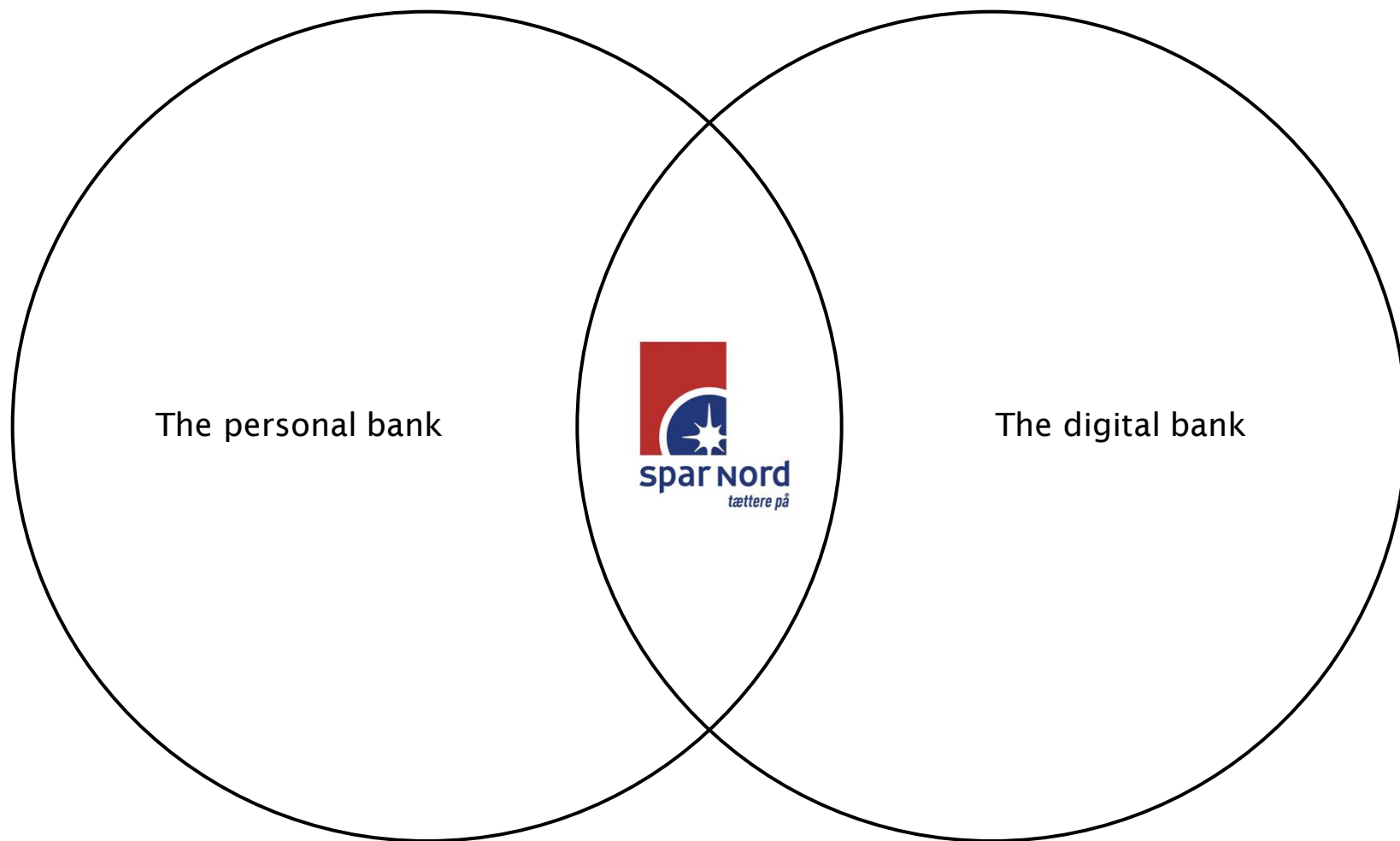


3. NEW STRATEGY PLAN

Point of departure

- **We have a strong position in the field**
 - Growth in market share and respectable profits throughout the crisis
 - High customer satisfaction and unutilized market potential outside North Jutland
 - Migration to a new IT platform completed successfully
- **The framework conditions are shifting**
 - Low growth and low interest rates have become a permanent feature
 - The wave of new rules and regulations continues to swamp us
 - Customer behaviour is changing, and new technological possibilities are emerging
- **More of the same will not suffice to generate sustained good results in the years ahead**
 - New technology and new regulations create a need for substantial investment
 - Customer offerings must be adapted to an environment with low growth and low interest rates
 - The service platform must be adapted to the customers' changed behaviour

■ Our position in the market

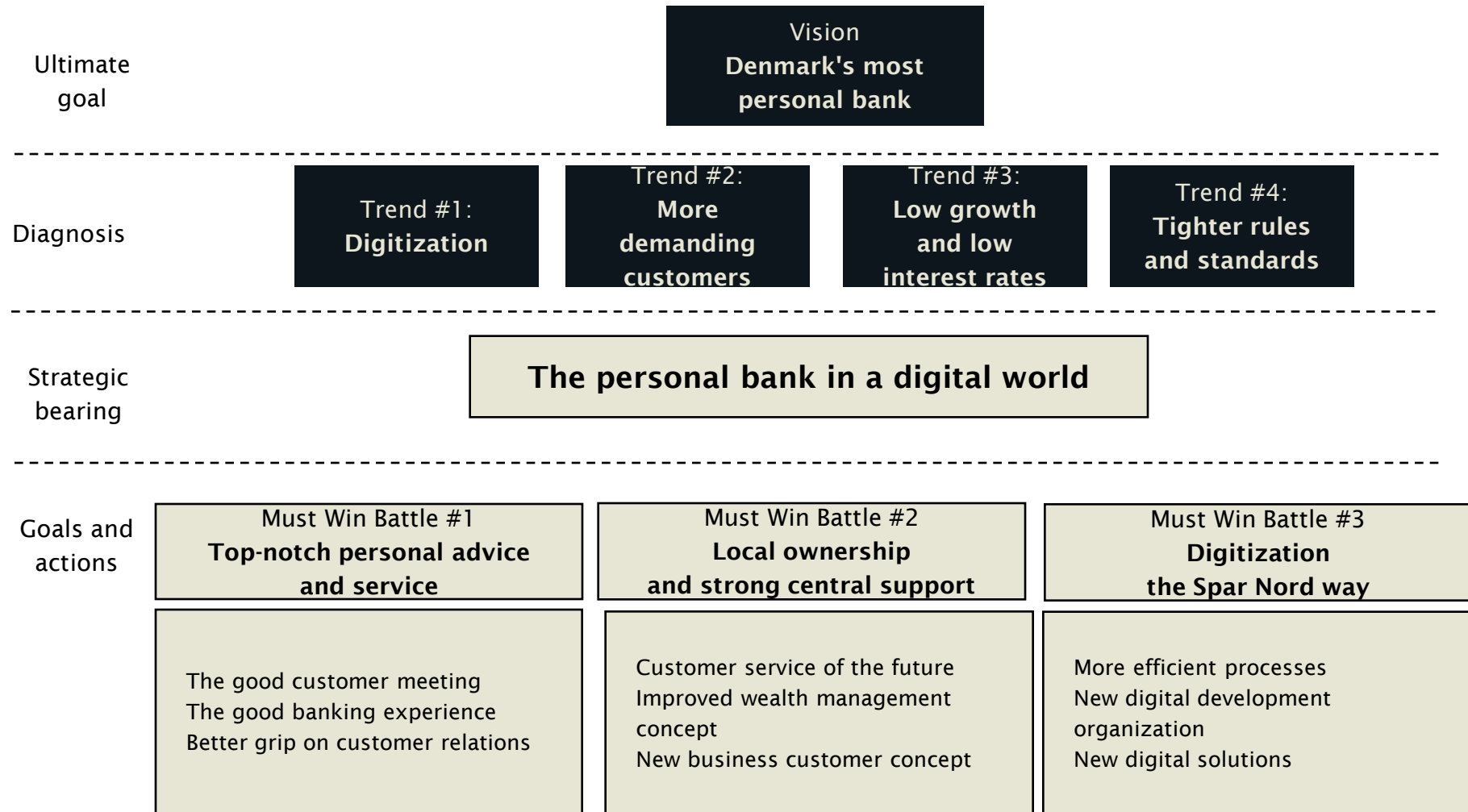


Our burning ambition

THE PERSONAL BANK IN A DIGITAL WORLD



From vision to action



Growth initiatives

- **Overall goal**

- Combined, the initiatives are to boost core earnings by DKK 200m

- **Supporting KPIs**

- Addition of Star PLUS customers
- Addition of high net-worth customers
- Addition of major business customers

- **Most important action areas**

- Investment to strengthen the image and thus the market share: Generally outside North Jutland, and more specifically in the three largest cities
- New business customer concept: Improved offerings for major customers, new segmentation (comprehensive advisory services – Small Corporates)
- Improved wealth management concept: Developing and marketing targeted Private Banking offerings
- Strengthened cross-selling: Deploying benefit programme and customer meeting design
- Growth strategies in SparXpres and Leasing
- Digital innovation strategy: Launching new offers (to new target groups)

Efficiency enhancement initiatives

- **Overall goal**
 - Combined, the initiatives are to improve core earnings by DKK 100m
- **Supporting KPIs**
 - Number of service tasks solved by the Customer Service Centre (as opposed to local branches)
 - Degree of automation (benefits from process improvements)
- **Most important action areas**
 - Continued work on branch structure (12 branches will be closed in 2016)
 - Changed distribution of tasks between local banks and the Customer Service Centre
 - Implementation of CRM
 - Investments in process improvements and automation
 - New segmentation of business customers (comprehensive advisory services – Small Corporates)

■ Outline of KPIs

General KPIs **FINANCIAL TARGETS**

- Return on equity after tax of 9-11% (unchanged interest level and risk profile)
- Growth initiatives of DKK 200m and efficiency enhancement initiatives of DKK 100m
- Cost ratio of 0.60

Must Win Battle #1 **Top-notch personal advice and service**

- Growth in number of Star PLUS customers
- Customer assessment of skills and qualifications
- Customer assessment of service level

Must Win Battle #2 **Local ownership and strong central support**

- New business customers (+ DKK 10m)
- New high net-worth customers (+ DKK 2.5m)
- Number of tasks performed by the Customer Service Centre

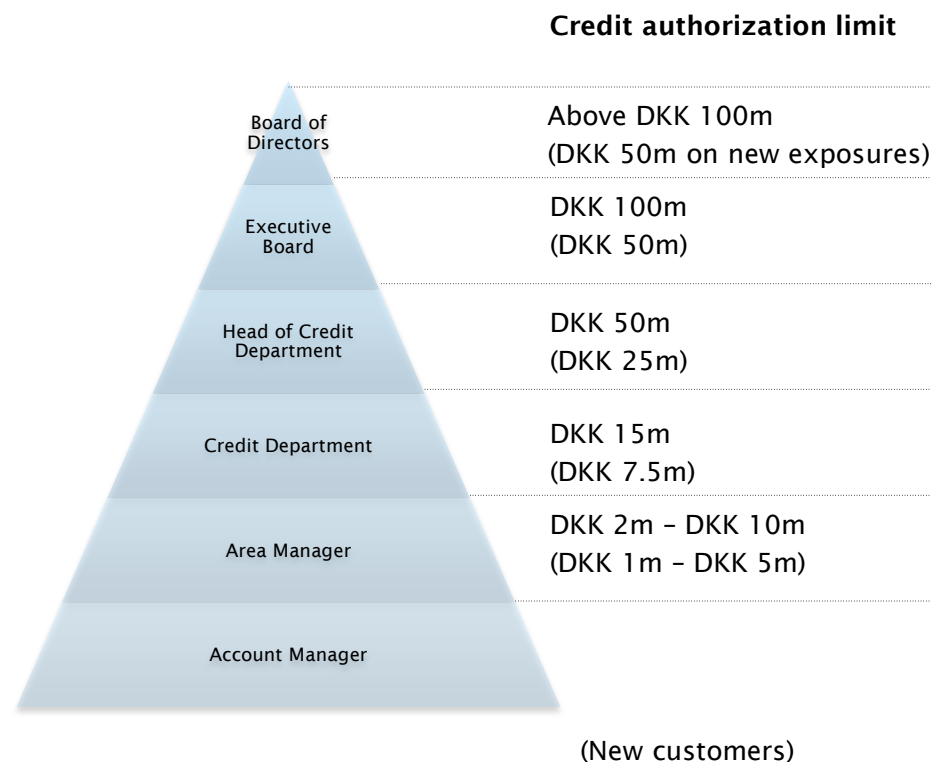
Must Win Battle #3 **Digitization the Spar Nord way**

- Number of users of digital solutions
- Customer assessment of digital solutions
- Level of automation/process improvements

4. LOAN BOOK

Strong credit quality is our single most important target

- **Firm focus on retail customers and local SMEs**
 - Retail accounting for 42 % of loan book
- **No customer commitments exceeding DKK 500m**
 - Unsecured portion normally not exceeds DKK 175m
- **Centralised monitoring of all new commitments exceeding DKK 100,000 (household) and DKK 300,000 (corporate)**
- **Generally well-diversified loan portfolio**
- **Cautious approach to commercial real-estate**
 - No club deals
 - Cautious about second mortgages
- **Exposure to agriculture above sector average**
 - Approach to valuation of loan security has been in line with recent guidelines from Danish FSA for many years



Well-diversified loan book – but agriculture triggers large profit-impact

- Our loan book is generally well-diversified
 - Satisfactory diversification on business sectors – Top 20 only add up to 78,5 % of core capital
- Exposure to household segment account for 42 % of loans and guarantees – sector average is 33 %
 - Recent growth partly attributable to on-going re-mortgaging rally
- Agricultural sector is still facing challenges
 - 36 % of agricultural exposure shows OII

Loan book – breakdown on business sectors

| Breakdown by sector The group | Loans and guarantees DKKm | Loans and guarantees Pct. | Loans and guarantees Sector Pct. |
|--|---------------------------------|---------------------------------|---|
| DKKm/Pct. | 2015 | 2015 | 2015 |
| Public sector | 260.5 | 0.5 | 2.8 |
| Agriculture, forestry etc. | 3,451.4 | 7.0 | 4.3 |
| Fishing | 101.7 | 0.2 | |
| Industry and raw materials extractive | 2,512.5 | 5.1 | 6.3 |
| Energy supply | 1,999.7 | 4.0 | 1.8 |
| Construction and civil engineering | 1,529.7 | 3.1 | 1.8 |
| Trade | 3,540.5 | 7.1 | 4.9 |
| Transportation, hotels and restaurants | 1,525.2 | 3.1 | 3.3 |
| Information and communication | 123.2 | 0.2 | 0.7 |
| Financing and insurance activities | 6,632.4 | 13.4 | 24.9 |
| Real estate | 5,588.5 | 11.3 | 10.6 |
| Other business | 2,540.8 | 5.1 | 5.7 |
| Corporate customers, total | 29,806.1 | 60.1 | 67.3 |
| Personal customers, total | 19,805.9 | 39.9 | 32.7 |
| Total | 49,612.0 | 100.0 | 100.0 |

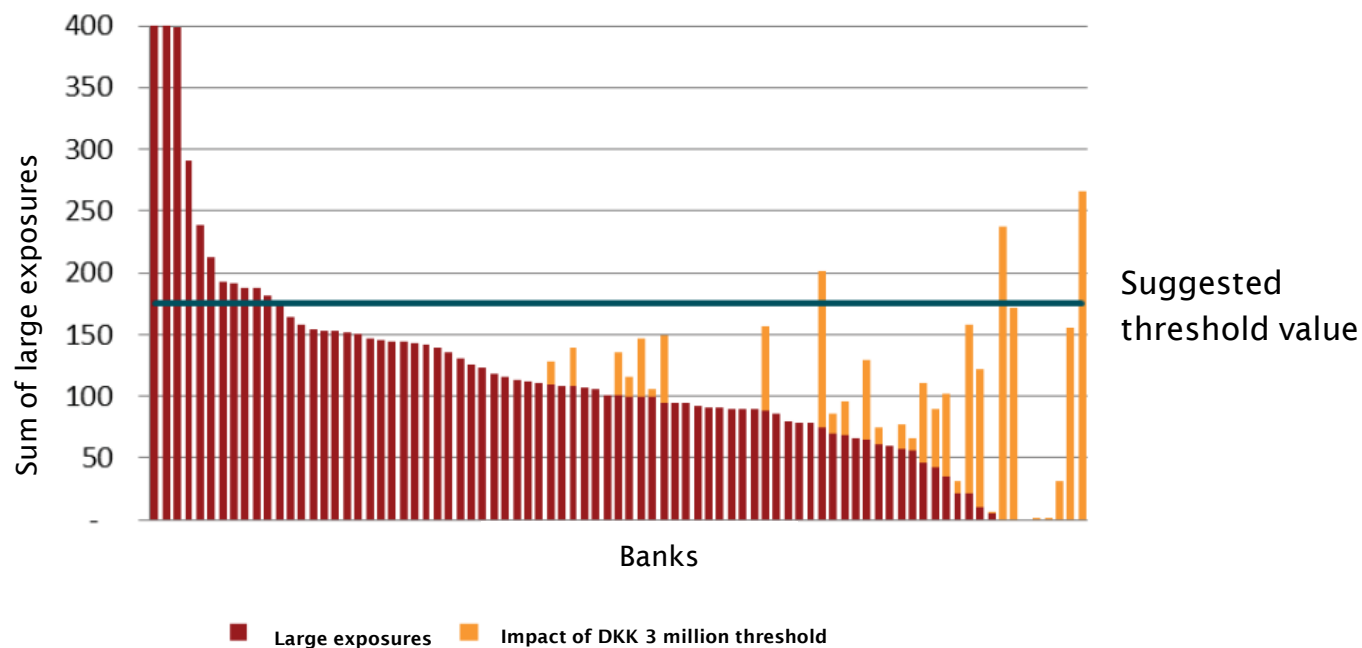
Agriculture (banking activities)

| 2015 DKKm/Pct. | Loans and guarantees DKKm | Of which impaired DKKm | Share impaired Pct. |
|------------------------|---------------------------------|------------------------------|---------------------------|
| Cattle producers | 1,136.9 | 685.9 | 60.3 |
| Pig producers | 900.9 | 601.5 | 66.8 |
| Plant cultivation | 531.0 | 119.3 | 22.5 |
| Mink farmers | 92.2 | 24.9 | 27.0 |
| Leasing | 278.3 | 11.1 | 4.0 |
| Other production lines | 512.0 | 39.3 | 7.7 |
| Total | 3,451.3 | 1,482.0 | 42.9 |

| 2015 DKKm/Pct. | Impairment balance DKKm | Impairment for the year DKKm | Impairment ratio on exposure Pct. | Percentage impaired Pct. |
|------------------------|-------------------------------|------------------------------------|--|--------------------------------|
| Cattle producers | 379.0 | 139.9 | 33.3 | 55.3 |
| Pig producers | 358.9 | 131.5 | 39.8 | 59.7 |
| Plant cultivation | 58.2 | 38.9 | 11.0 | 48.8 |
| Mink farmers | 8.5 | 5.0 | 9.2 | 34.1 |
| Leasing | 5.3 | -4.1 | 1.9 | 47.7 |
| Other production lines | 22.7 | -0.8 | 4.4 | 57.8 |
| Total | 832.6 | 310.4 | 24.1 | 56.2 |

...and sizes

- Loans and guarantees below DKK 100 million account for 87 % of all loans and guarantees – considerably above sector average
- Sum of large exposures according to FSA principles: 14,5 %
- Sum of large exposures according to suggested new principles in the Supervisory Diamond: 78,5 % (suggested threshold value: 175 %)
- Focus on retail and SME – low concentration risk



Source: Danish FSA

5. LIQUIDITY

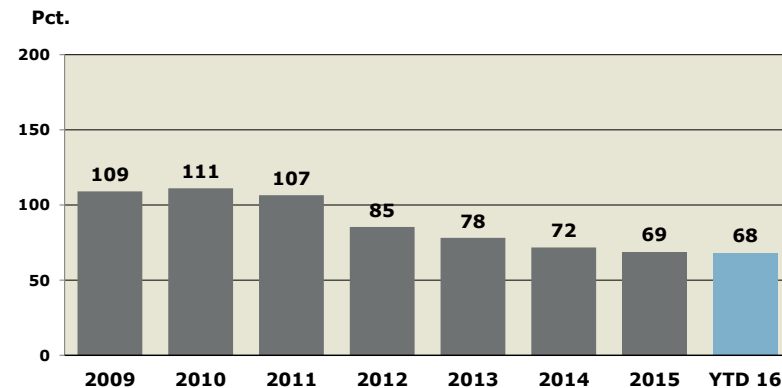
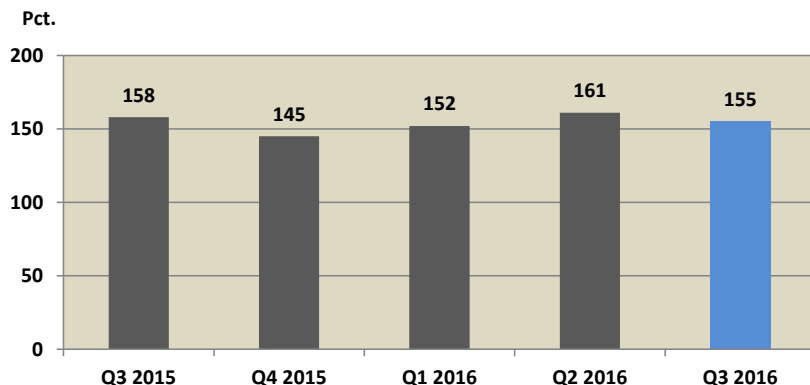
Strategic liquidity of DKK 21.1 billion

- Strategic liquidity of DKK 21.1 billion
- Further strengthened in Q3 due to growth in deposits combined with flat loan growth
- Independence of funding from the capital markets
- Loan to deposit ratio of 68
- LCR of 155

Strategic liquidity

| DKKb | YTD 2016 | 2015 | 2014 |
|---------------------------------|-------------|-------------|-------------|
| Deposits, banking activities | 47.0 | 44.4 | 42.2 |
| Seniorfunding | 0.0 | 0.0 | 0.1 |
| Core capital and sub. capital | 9.2 | 9.0 | 8.8 |
| Stable long term funding | 56.2 | 53.4 | 51.1 |
| Loans, banking activities | 33.3 | 32.6 | 34.4 |
| Loans, leasing activities | 1.8 | 1.3 | 1.1 |
| Maturity < 1 year | 0.0 | 0.0 | -0.6 |
| Liquidity target | 21.1 | 19.5 | 15.0 |

Loan to deposit ratio

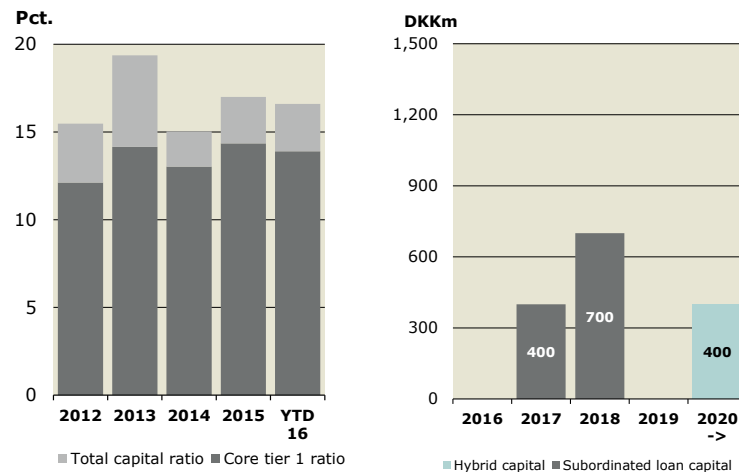


6. CAPITAL POSITION

Solid capital position

- Strategic targets
 - CET1: 12 % minimum
 - Total capital ratio: 15.5 % minimum
- At the end of Q3, Core Equity Tier 1 ratio is at 13.9 and total capital ratio at 16.6
- Capital ratio should be viewed in connection with individual solvency need of 9.4 % and combined buffer requirement of 0.6 %
 - Excess coverage of DKK 3.1 billion (6.6 pp)
- Based on fully phased-in CRD IV regulations, CET1 ratio is 13.5
- Spar Nord's absolute leverage of equity is low compared to other large Danish banks
- Status on share buyback programme
 - Total programme: DKK 150 million
 - End of Q3: DKK 108 million

Capital percentage and subordinated capital

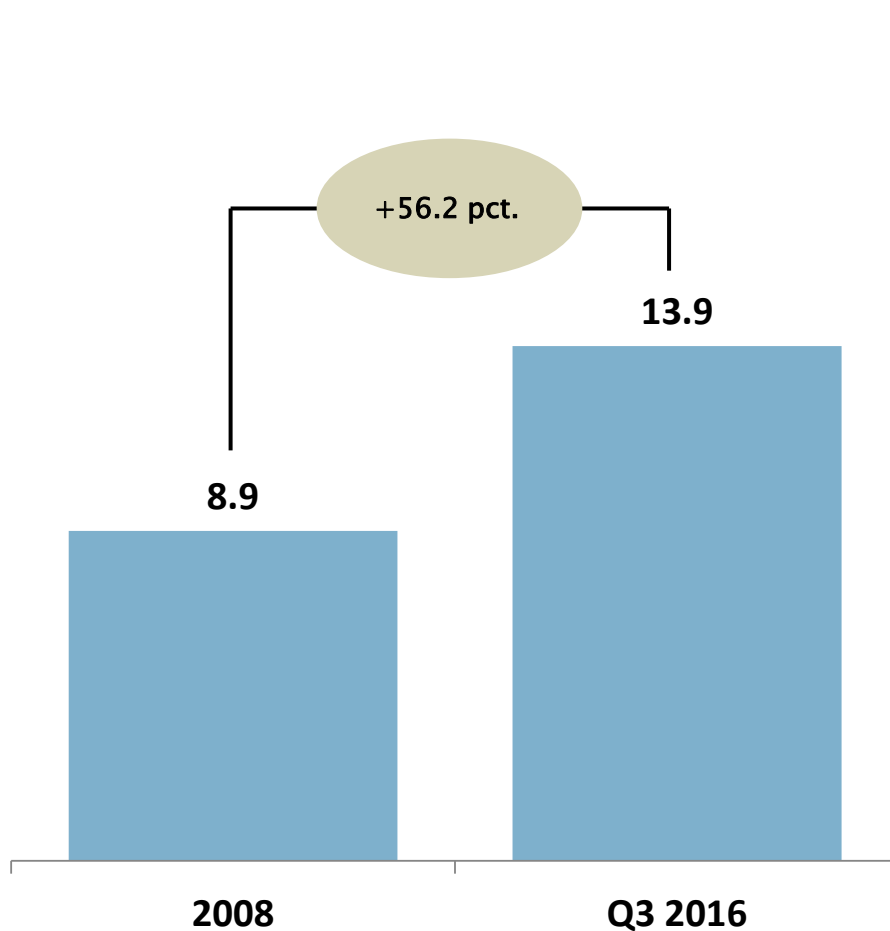


Capital base

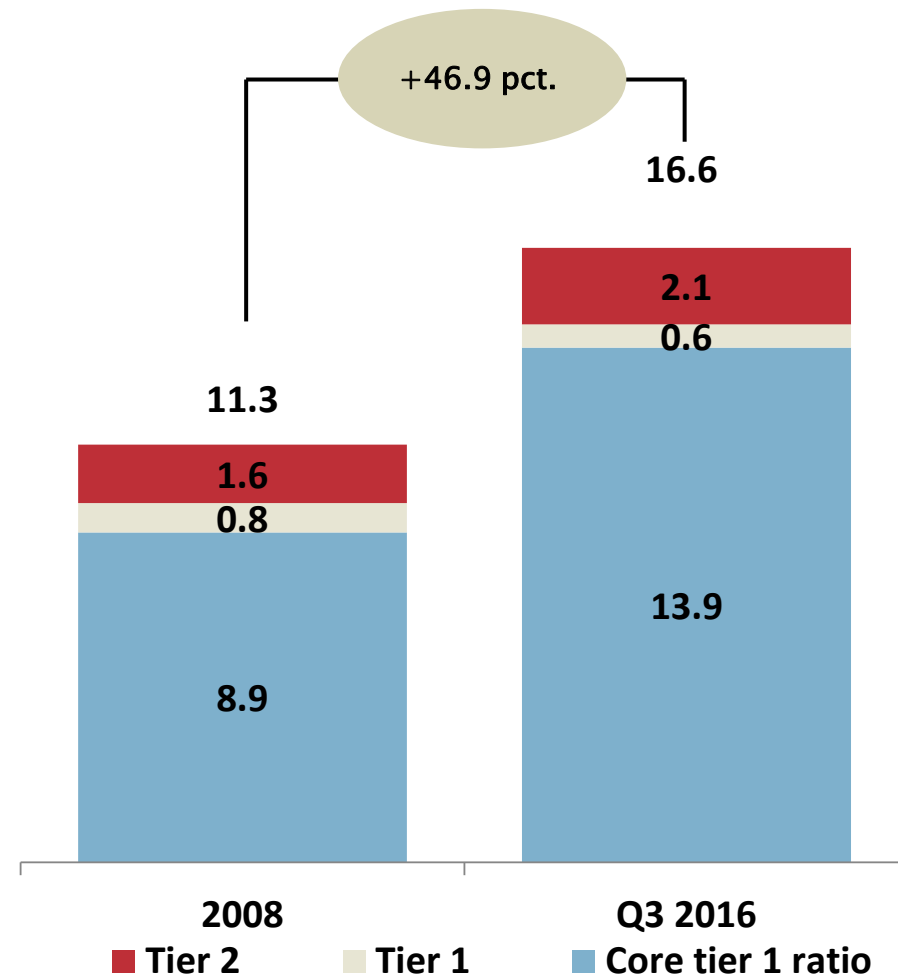
| Pct. | Q3 2016 | 2015 | 2014 | 2013 |
|------------------------------|-------------|-------------|-------------|-------------|
| Core tier 1 ratio | 13.9 | 14.4 | 13.0 | 14.1 |
| Hybrid capital | 0.8 | 0.8 | 0.9 | 4.2 |
| Deductions in hybrid capital | -0.2 | -0.3 | -0.6 | -1.0 |
| Tier 1 ratio | 14.5 | 14.9 | 13.3 | 17.4 |
| Subordinated debt | 2.3 | 2.3 | 2.3 | 2.9 |
| Deductions in own funds | -0.2 | -0.3 | -0.6 | -1.0 |
| Total capital ratio | 16.6 | 17.0 | 15.0 | 19.4 |

Strong trend in CET1 & solvency ratio – unaided by magic models

CORE TIER 1 RATIO

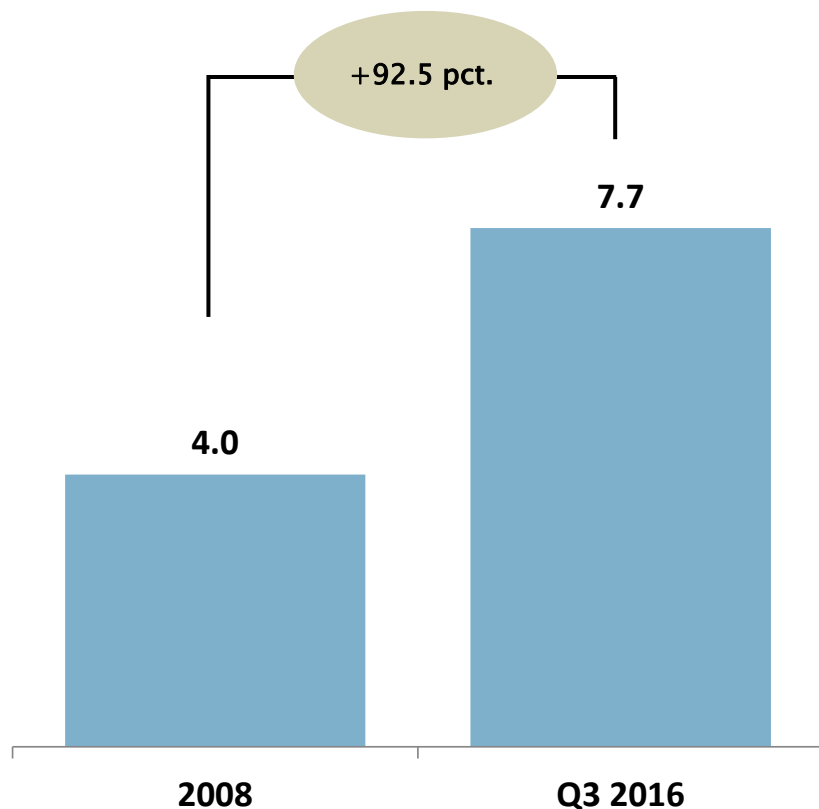


SOLVENCY RATIO

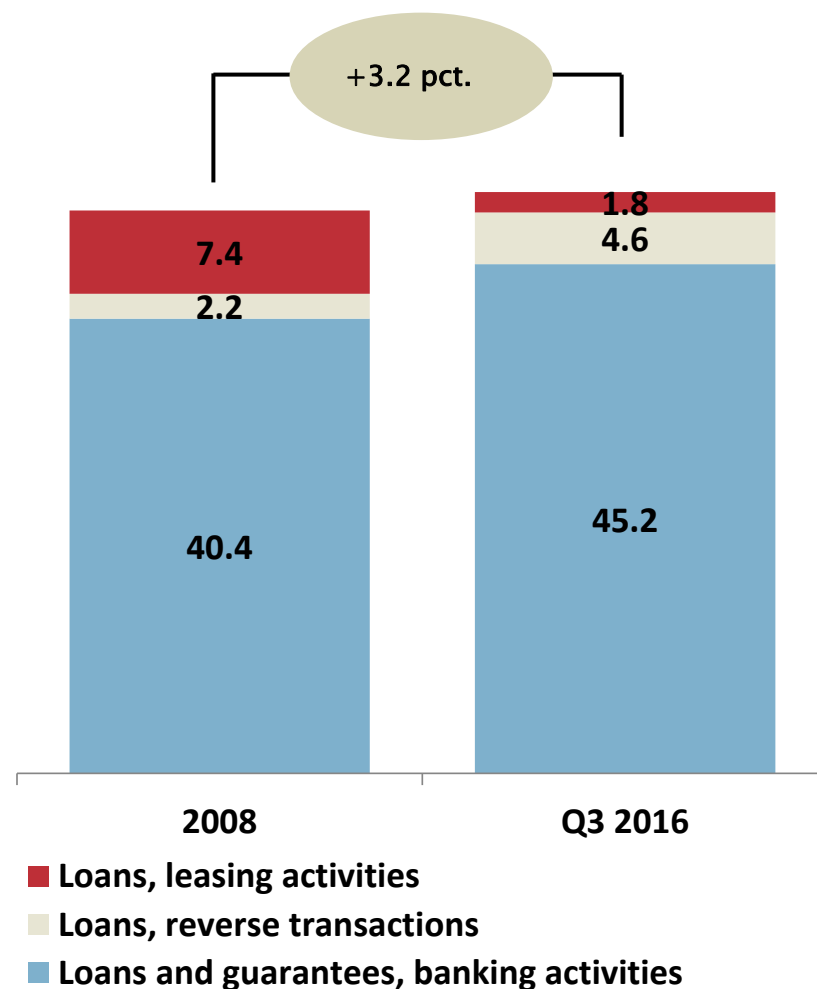


Strengthening of equity is the main driver for deleveraging

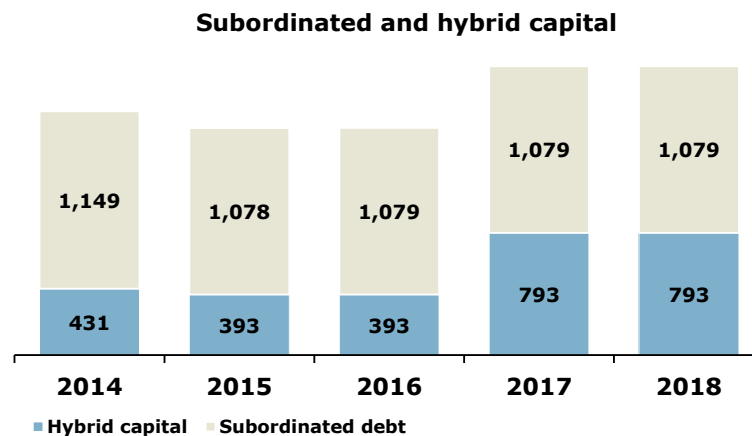
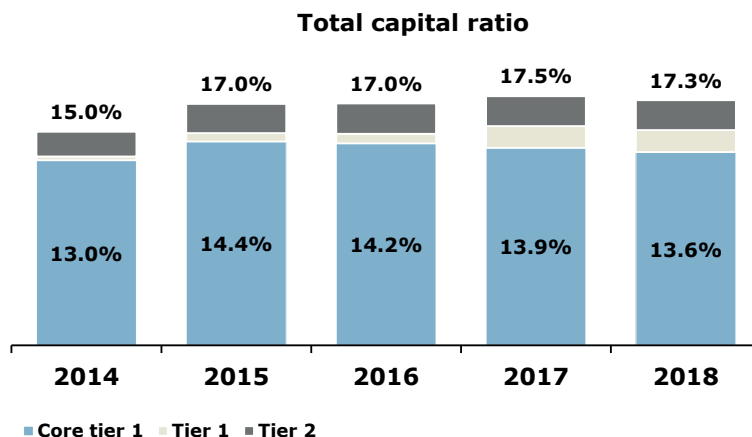
EQUITY (DKKb)



LENDING AND GUARANTEES (DKKb)



Long-term capital forecast



New capital:

2017:

DKK 400m tier 1 capital

End 2017:

DKK 400m tier 2 capital – roll-over

End 2018

DKK 700m tier 2 capital – roll-over

Dividend:

2016-2018: Pay out ratio of 67 pct.

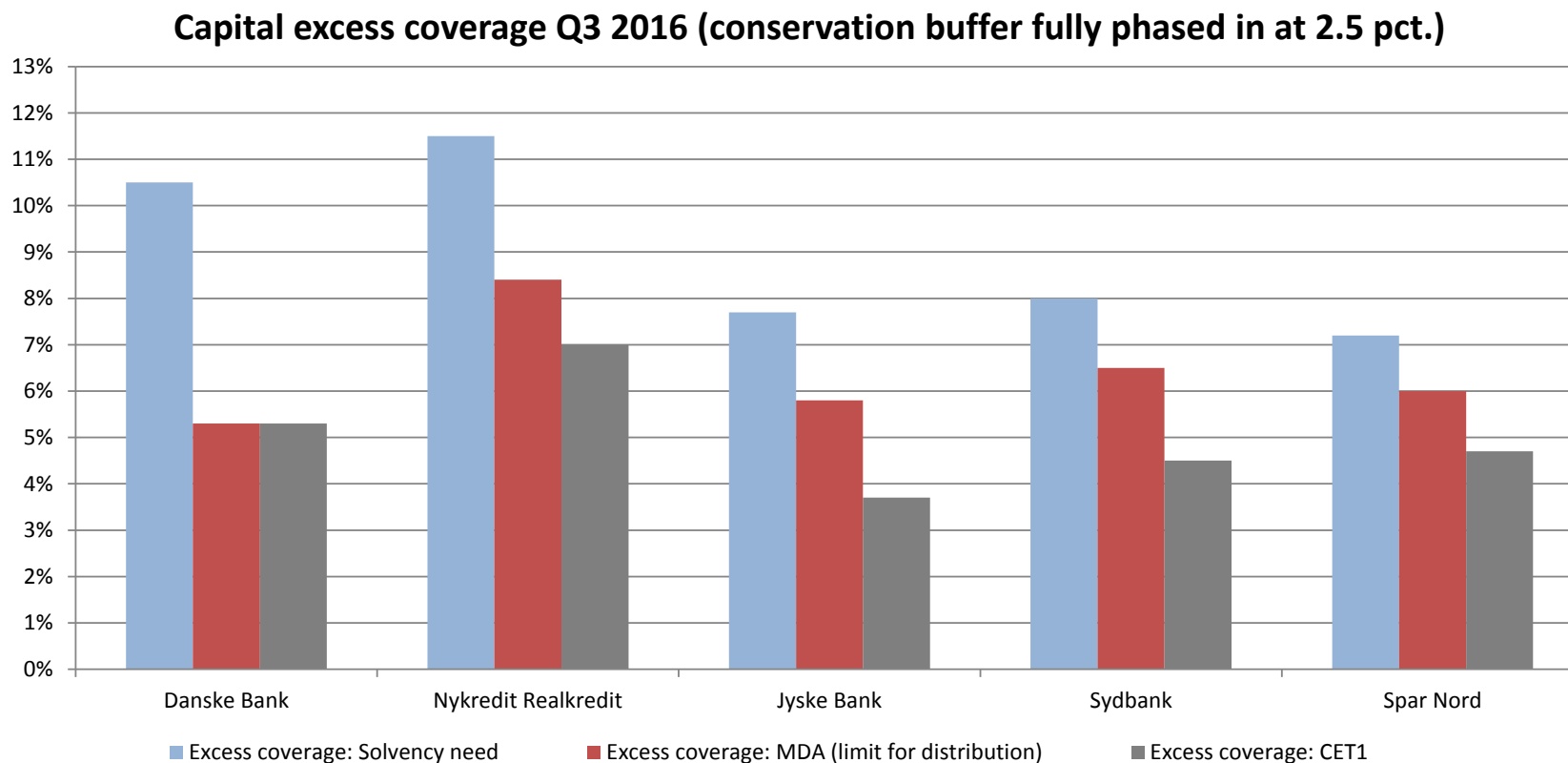
Total capital ratio above 17 % for all periods in 2016-2018

Targets:

Core tier 1: 12,0 %

Solvency: 15,5 %

Capital position – benchmark on excess coverage



7. THE OFFERING

The offering

| | |
|-------------------------|--|
| Issuer | Spar Nord Bank A/S |
| Offer structure | AT 1 Capital. Direct, unsecured and subordinated debt. |
| Nominal amount | DKK [XXX] million |
| Coupon & interest basis | Coupon Fixed or floating due to investor demand |
| Denomination | DKK 1,000,000 |
| Listing | The issue is not planned to be listed |
| Lead-manager | Joint lead managers Nykredit Markets and Spar Nord Markets |
| Trigger | 5.125 pct. Temporary writedown |