# PRE-TAX PROFIT OF DKK 193 MILLION AND ROE OF 12.7% – BEST PERFORMANCE FOR 6 YEARS

Spar Nord - Q1 2013


spar nord
tættere på

# KEY MESSAGES

1. Core income up 17% (y/y): NII up 17% and net fees and commissions up 29%
2. Costs a fraction lower than expected – Cost/Income Ratio improved to 0.57
3. Core earnings of DKK 321 million – 21% from Q1 2012
4. Loan impairments in line with Q1 2012 – and in line with guidance
5. Very solid capital and liquidity position: CET1 of 12.8 and liquidity surplus of DKK 16.8 billion
6. Merger progressing according to plans – credit quality, synergies and costs in line with the expected

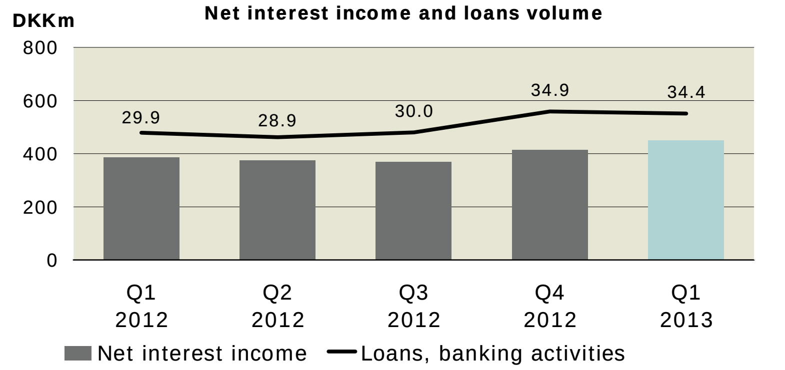
# HIGHLIGHTS FROM THE INCOME STATEMENT

| SPAR NORD BANK<br>DKKm | Realized<br>Q1 2013 | Realized<br>Q4 2012 | Change<br>in pct. | Realized<br>Q1 2012 | Change<br>in pct. |
|---|---|---|---|---|---|
| Net interest income | 451 | 414 | 9 | 386 | 17 |
| Net fees, charges and commissions | 196 | 138 | 42 | 152 | 29 |
| Market-value adjustments | 77 | 48 | 58 | 79 | -3 |
| Other income | 24 | 29 | -17 | 21 | 16 |
| **Core income** | **748** | **630** | **19** | **638** | **17** |
| Staff costs | 254 | 270 | -6 | 215 | 18 |
| Operating expenses etc. | 173 | 157 | 10 | 158 | 9 |
| **Costs** | **427** | **427** | **0** | **373** | **14** |
| **Core earnings before impairment** | **321** | **203** | **58** | **265** | **21** |
| Impairments of loans and advances, etc. | 109 | 156 | -30 | 106 | 3 |
| **Core earnings** | **213** | **48** | **-** | **159** | **34** |
| Investment income | 17 | 16 | 6 | 6 | - |
| **Profit / loss on ordinary activities** | **229** | **63** | **-** | **165** | **39** |
| Sector Fund | -31 | -14 | - | -19 | -64 |
| Cost related to merger | -16 | -58 | 72 | 0 | - |
| **Profit from continuing operations** | **182** | **-9** | **-** | **146** | **25** |
| Profit from discontinued operations | 10 | 14 | -26 | -2 | - |
| **Profit before tax** | **193** | **5** | **-** | **144** | **34** |

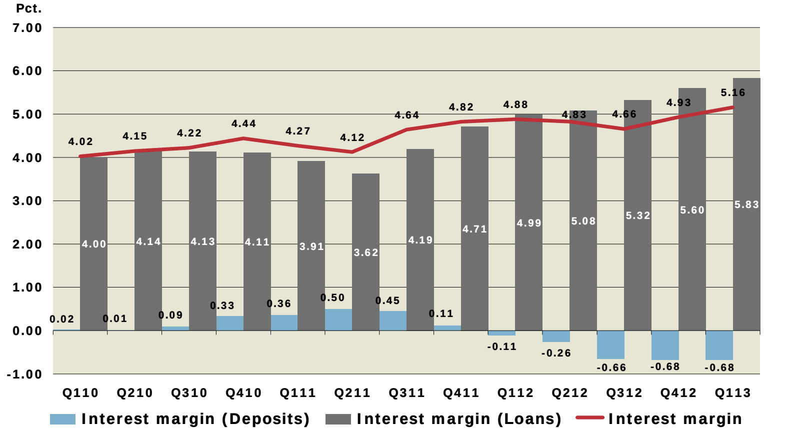
# HIGHER VOLUMES DRIVE GROWTH IN NII

- Net interest income of DKK 451 million – up 17 % on Q1 2012
- Positive trends
  - Full quarter contribution from volume taken over in connection with merger
  - Lower funding costs due to solid liquidity position
  - Continued expansion of lending margin
- Negative trends
  - Demand remains modest – bank lending down DKK 0.5 billion YTD
  - Low market interest level – deposit margin remains negative
- Outlook
  - Lending margin could come under pressure from increasing competition
  - Deposit margins expected to improve slightly as long-term fixed-rate deposits are re-priced

Net interest income and volume trend



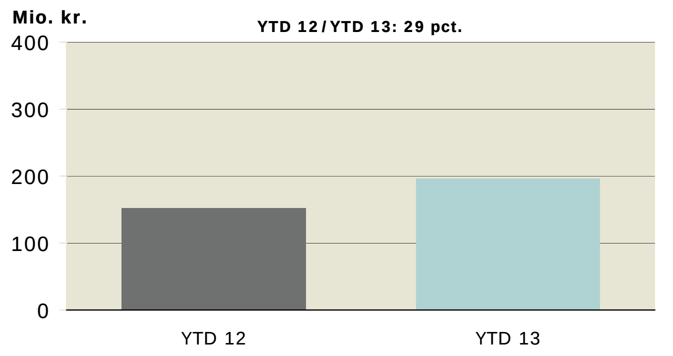

Interest margin



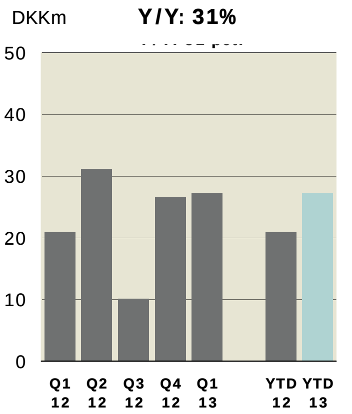
# STRONG GROWTH IN ACTIVITY-DRIVEN INCOME

- Net fee and commission income of DKK 196 million – 29 % up on Q1 2012
- Significant portion of the growth is attributable to increase in business volume post-merger
- But organic growth is also strong
  - Strong trend in asset management driven by customers' move from bank deposits to investment products
  - Activity level in the mortgage-credit area remains high

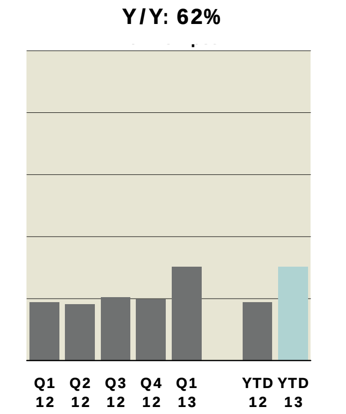
Net fee and commission income



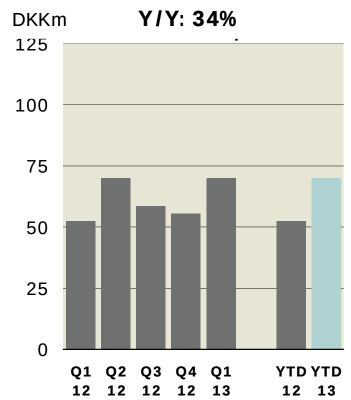

Securities trading etc.



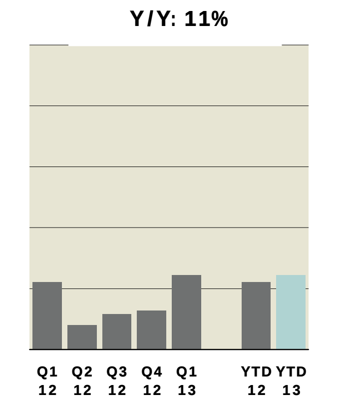

Asset management




Loan transaction fees



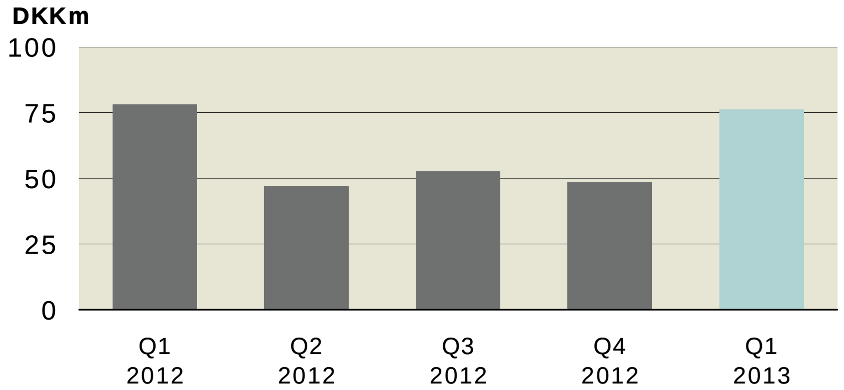

Other fees



# MARKET-VALUE ADJUSTMENTS AT HIGHLY SATISFACOTRY LEVEL

- Markets-value adjustments of DKK 76 million – on par with Q1 2012 and up 58% on Q4 2012
- Bond portfolio continues to perform – spread between Danish mortgage-bonds and interest swaps remains favourable
- Customers' interest and FX related activity is reappearing
- Market-value adjustments and dividends on portfolio of shares in financial-sector companies at a level equivalent to Q1 2012

Market-value adjustments



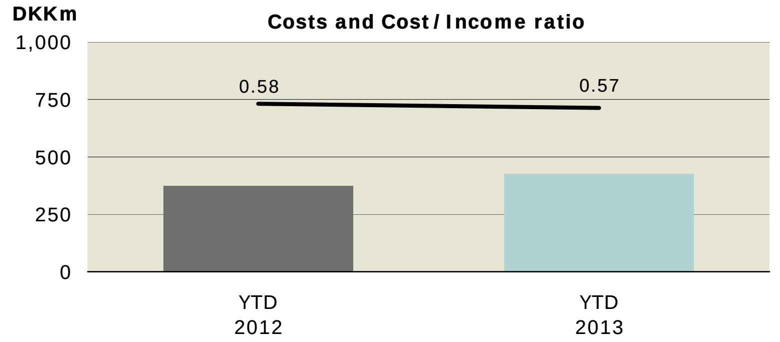

Breakdown on types

| DKKm | YTD 2013 | YTD 2012 | Change |
|---|---|---|---|
| Market-valued adjustments in Trading, Financial Markets & The International Division | 51 | 60 | -10 |
| Tangible assets | 10 | 9 | 1 |
| Currency trade and -agio | 15 | 8 | 7 |
| **Total** | **76** | **78** | **-2** |

# LOWER COST GROWTH THAN EXPECTED

- Total costs of DKK 427 million – 14% up on Q1 2012
  - Growth is entirely attributable to merger
  - Growth is slightly lower than expected
- Payroll costs 18% up on Q1 last year
  - Total headcount (FTE) 241 higher than 12 months ago
- Operating expenses 9% up
  - Driven by merger, especially higher IT-costs
- Improvement of Cost/Income Ratio to 0.57
- Improved efficiency: Since 2009, the number of customers per staff member in the retail banking division has grown by 22%

Total costs and Cost/Income Ratio




| Costs (DKKm) | YTD 2013 | YTD 2012 | Change in pct. |
|---|---|---|---|
| Staff costs | 254 | 215 | 18 |
| Operating expenses | 156 | 143 | 9 |
| Depreciation | 17 | 15 | 12 |
| **Costs** | **427** | **373** | **14** |

| Operating expenses (DKKm) | YTD 2013 | YTD 2012 | Change |
|---|---|---|---|
| Staff-related expenses | 12 | 13 | -1 |
| Travel expenses | 4 | 3 | 1 |
| Marketing costs | 24 | 24 | -1 |
| IT expenses | 78 | 67 | 11 |
| Cost of premises | 24 | 18 | 6 |
| Other administrative expenses | 14 | 18 | -4 |
| **Operating expenses** | **156** | **143** | **13** |

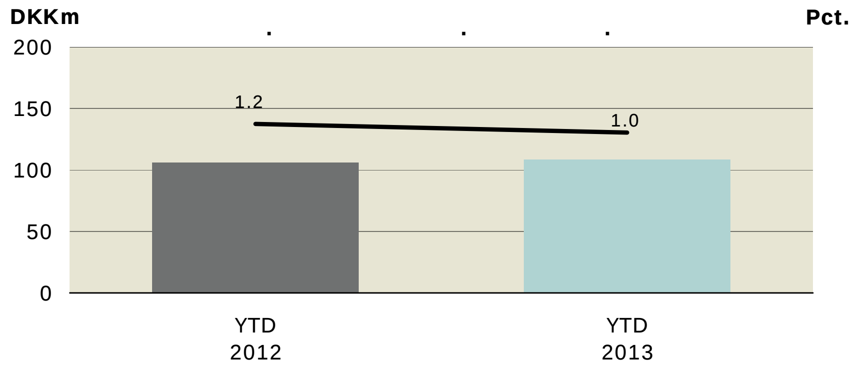
# LOAN IMPAIRMENTS REDUCED – BUT STILL ON A RELATIVELY HIGH LEVEL

- Total impairments of DKK 109 million – DKK 47 million lower than Q4 2012
  - DKK 86 million attributable to corporate customers (impairment percentage of 1.3)
  - DKK 23 million attributable to household customers (impairment percentage: 0.5)

- Sparbank-portfolio performs satisfactorily
  - New impairments of DKK 84 million (booked as impairments in official P/L)
  - Reversal of value adjustments of DKK 79 million (booked as NII in official P/L)

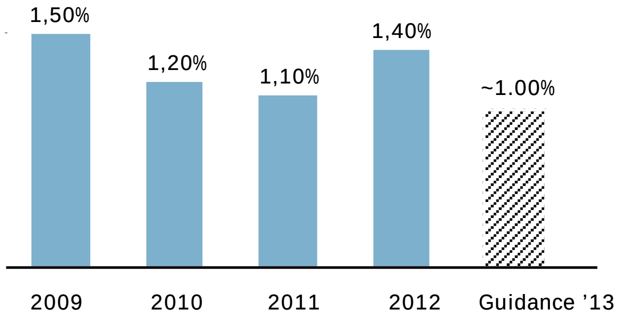
- Outlook for 2013
  - Impairments still expected in the 1% range
  - Improved outlook for agriculture – especially pork producers
  - Impairments on household customers could increase slightly – but nothing alarming
  - Due to merger, uncertainty is somewhat higher than usual

Impairments and impairment ratio




*Note: Based on average lending volume*

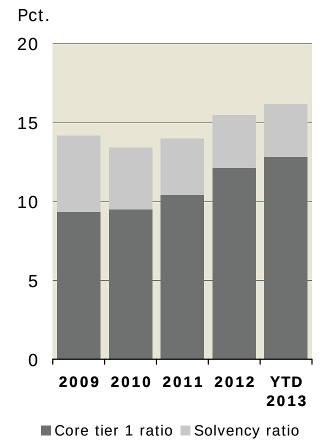
Impairment percentage – recent years' trend

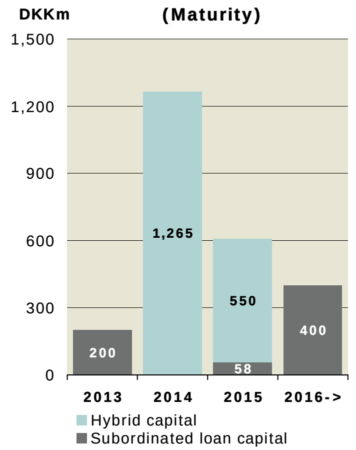


# CAPITAL POSITION FURTHER STRENGTHENED

- Strategic targets
  - Core equity tier 1 ratio (CET1): 12 %
  - Solvency ratio:15 % (at least 3 pp above ICAAP ratio)
- End of Q1 2013 CET1 stands at 12.8 % - up from 12.1 % at YE 2012
- Solvency ratio stands at 16.2 % – up from 15.5 % at YE 2012
- Individual solvency need (ICAAP ratio) of 10.1 %
  - Capital surplus of DKK 2.7 billion (6.1 pp)

## Solvency and subordinated debt




## Capital base

| Pct. | Q1 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|
| Core tier 1 ratio | 12.8 | 12.1 | 10.4 | 9.5 |
| Hybrid capital | 4.0 | 3.9 | 3.8 | 3.8 |
| Deductions in hybrid capital | -1.0 | -1.0 | -0.9 | -0.2 |
| **Tier 1 ratio** | **15.9** | **15.1** | **13.3** | **13.2** |
| Subordinated debt | 1.2 | 1.4 | 1.6 | 2.0 |
| Deductions in capitalbase | -1.0 | -1.0 | -0.9 | -1.8 |
| **Solvency ratio** | **16.2** | **15.5** | **14.0** | **13.4** |

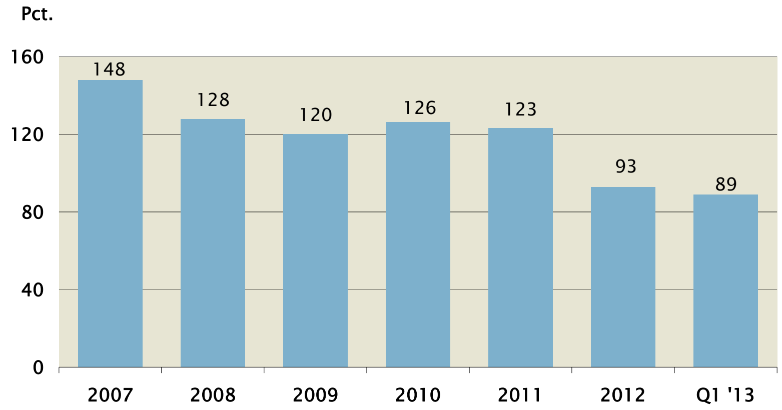
# EXCESS COVERAGE RELATIVE TO STRATEGIC LIQUIDITY TARGET OF DKK 16.7 BILLION

- Excess coverage of DKK 16.7 billion – up DKK 1.9 billion YTD
- Deposit base continues to grow
- Reduction in leasing and bank lending
- Premature redemption of DKK 1.3 billion bonds issue in Q1 2013
- Current liquidity buffer is sufficient to comfortably repay all senior funding maturing in 2013

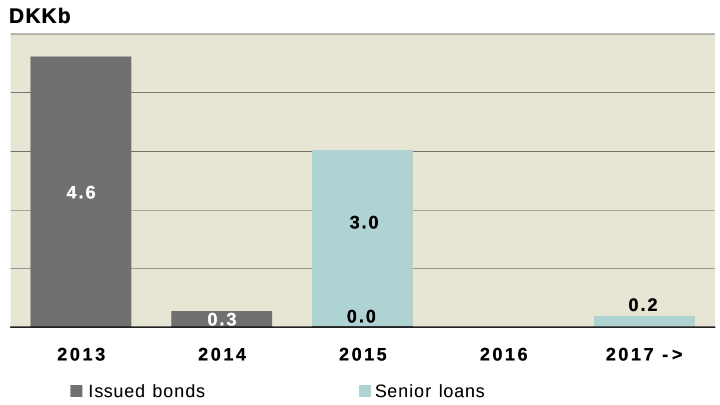
## Strategic liquidity

| DKKb | YTD 2013 | 2012 | 2011 |
|---|---|---|---|
| Deposits, banking activities | 42.7 | 41.9 | 31.1 |
| Seniorfunding | 8.0 | 9.6 | 10.2 |
| Core capital and sub. capital | 8.7 | 8.5 | 6.9 |
| **Stable long term funding** | **59.4** | **60.0** | **48.2** |
| Loans, banking activities | 34.4 | 34.9 | 31.2 |
| Loans, leasing activities | 3.5 | 4.0 | 7.1 |
| Maturity < 1 year | -4.8 | -6.3 | -6.0 |
| **Strategic target (>0)** | **16.7** | **14.8** | **3.9** |

## Loan to deposit ratio



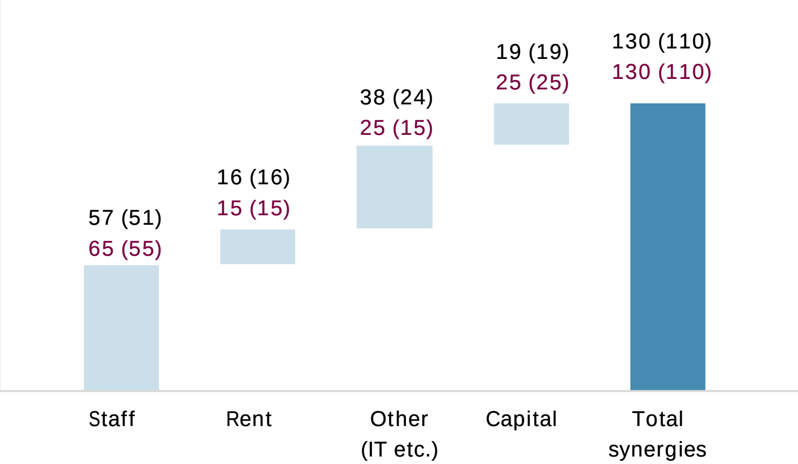

## Maturity profile

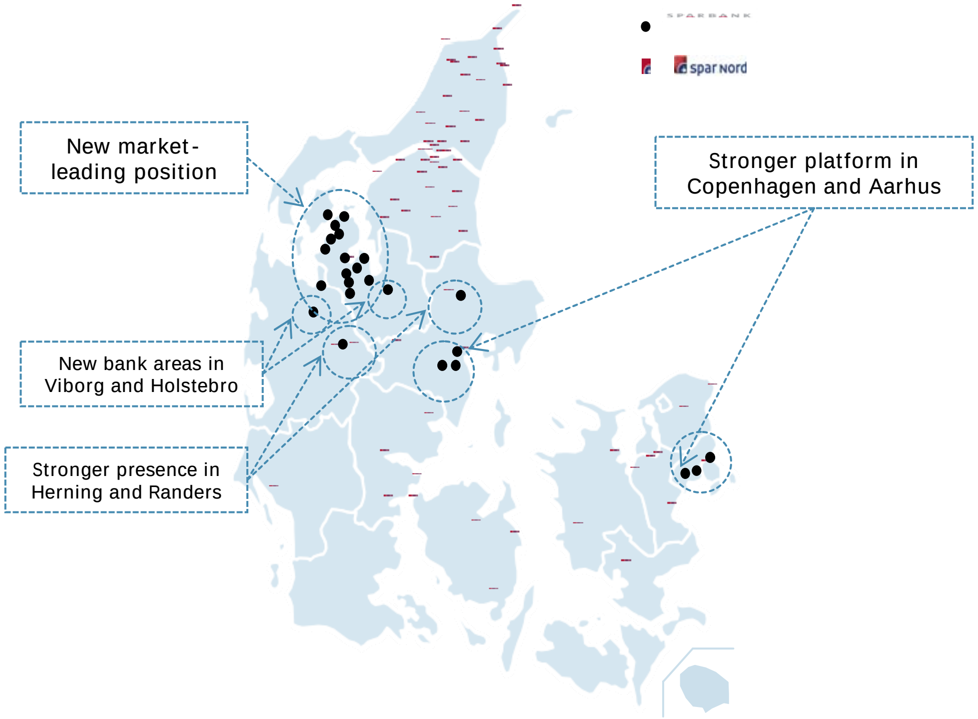


# INTEGRATION OF SPARBANK PROCEEDS ACCORDING TO PLANS

- IT conversion completed without any serious problems
- 4 of 5 branch mergers completed
- Synergies materialise on the expected level
- One-off costs in the low end of the indicated interval
- No serious negative surprises on the credit side

Synergies – original and revised guidance

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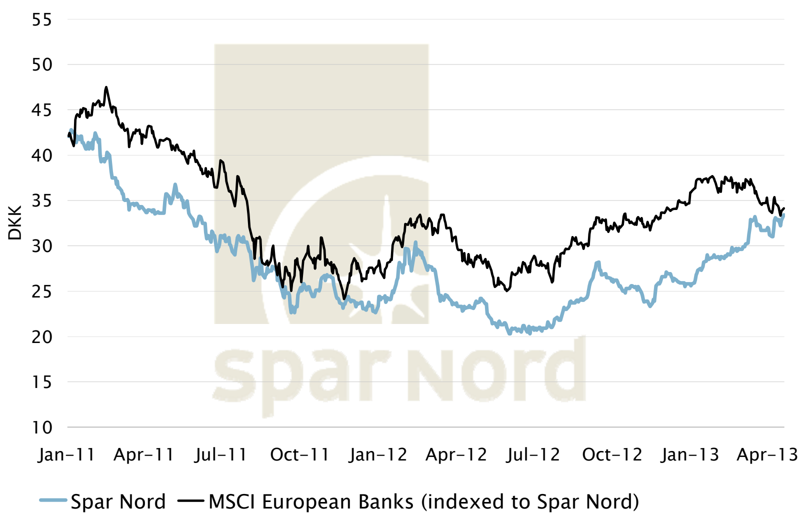
# OUTLOOK AND SHARE PRICE INFORMATION

## Outlook for 2013

- Core earnings before impairments and non-recurring costs related to merger still expected in the DKK 1.000-1.100 million range
  - Merger (added business plus synergies) still expected to contribute with approximately DKK 245 million
- Impairments still expected to hover around 1% of total loans and guarantees
- Non-recurring costs relating to merger: DKK 40-50 million
- Contribution to sector-targeted solutions in the DKK 100 million range
- Small positive contribution from discontinued business (leasing)

## Share price




| | | |
|---|---|---|
| Share price | 33,40 | DKK |
| Market cap | 4,184 | DKKm |
| EPS (2012) | 1.7 | DKK |
| EPS (2013) | 5.3 | DKK |
| P/B (2012) | 0.70 | |

[1] *Concensus estimate*
*Source: Factset*