RECORD-HIGH PRE-TAX PROFIT OF DKK 929 MILLION
SLUGGISH INTEREST RATES AND SUBDUED ACTIVITY LEVEL PUT TOP-LINE UNDER PRESSURE IN Q3

Presentation of Spar Nord's financial results for Q1-Q3 2015



### **KEY MESSAGES FROM THE Q3-REPORT**

- Net profits of DKK 779 million and satisfactory ROE of 14.3 %
- Core income up 8% (y/y) 6% adjusted for extraordinary items
- Costs grew by 5 % (y/y) primarily due to acquisitions and other strategic decisions
- 4 Loan losses declined by 17 % to DKK 240 m DKK 236 m of which were agriculture
- 5 Low interest level and decline in customer activity puts top-line under pressure in Q3
- 6 Solid capital position and modest growth makes way for considerable pay-out



# STRONG GROWTH YEAR-OVER-YEAR BUT PRESSURE ON INCOME IN Q3

#### Income statement

SPAR NORD BANK	Realized	Realized		Realized	Realized	
DKKm	YTD 2015	YTD 2014	Index	Q3 2015	Q2 2015	Index
Net interest income	1,311	1,322	99	417	442	94
Net fees, charges and commissions	791	625	127	222	257	86
Market-value adjustments	464	353	131	36	69	51
Other income	51	119	42	21	13	164
Core income	2,617	2,420	108	696	781	89
Staff costs	807	773	104	232	298	78
Operating expenses etc.	566	540	105	177	182	97
Costs	1,374	1,313	105	409	480	85
Core earnings before impairment	1,243	1,107	112	286	301	95
Impairments of loans and advances, etc.	240	288	83	74	69	107
Core earnings	1,003	819	122	213	232	91
Investment income	_	19	-	-	-	
Profit/loss on ordinary activities	1,003	838	120	213	232	91
Sector Fund	-74	-77	96	-25	-25	100
Profit before tax	929	761	122	188	208	90

#### Key messages (y/y)

- Improvement of ROE
  - 2014: 14.9 % p.a. (11.3 % excl. Nets)
  - 2015: 17.1 % p.a. (12.9 % excl. Nrs.by.)
- Strong growth in core income driven by high customer activity and sale of shares in Nørresundby Bank
- Adjusted for sale of Nørresundby Bank ('15) and Nets ('14) growth came to:
  - Core income: 7 %%
  - Core earnings before impairments: 10 %

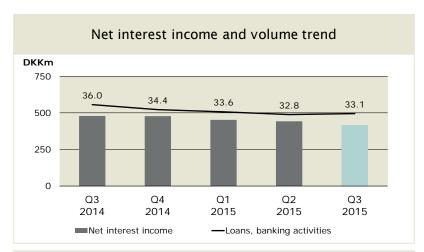
#### Key messages (q/q)

- NII was down 6 % due to margin-pressure and lower income from bonds portfolio
- Net fee income was down 14 % due to lower activity in mortgage refinancing and securities trading
- Costs were down 15 % due to lower payroll costs in the summer months
- Loan losses of DKK 74 million
  - DKK 97 million on agriculture
  - Reversal of DKK 23 million on other segments



# LOWER INTEREST INCOME FROM BONDS PORTFOLIO AND DECLINING INTEREST MARGIN PUT NII UNDER PRESSURE

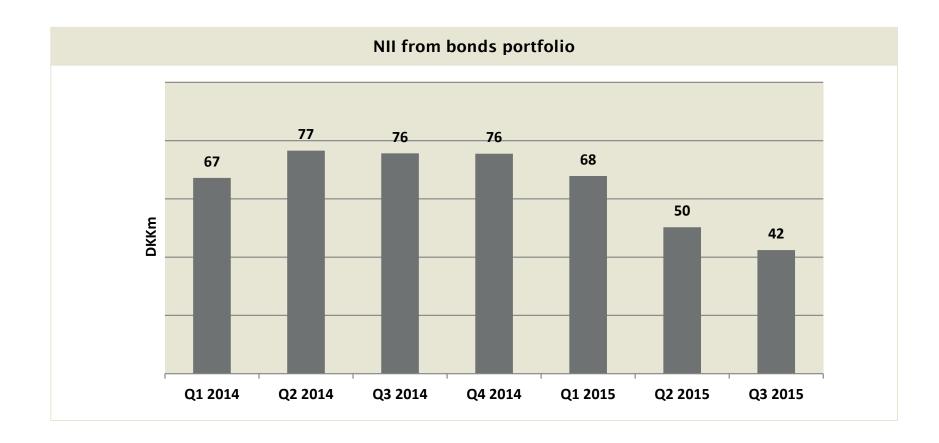
- Net interest income was down by 1 % (y/y) and came to DKK 1,311 million
- Bank lending has declined by 4 % YTD but has grown by 1 % quarter-over-quarter
- For a long period, pressure on lending margin has been mitigated with improvement of deposit margin - but not in Q3
- Substantial decline in interest income from bonds portfolio
- An interest hike of 50 bps is estimated to lead to an increase in NII of DKK 125 million p.a.







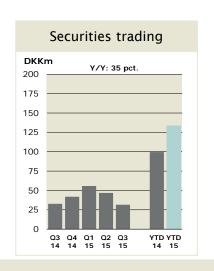
# LOW-RATE ENVIRONMENT PUTS INCOME FROM BOND PORTFOLIO UNDER PRESSURE

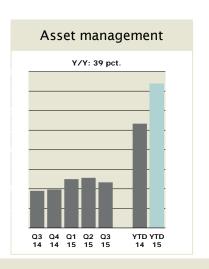


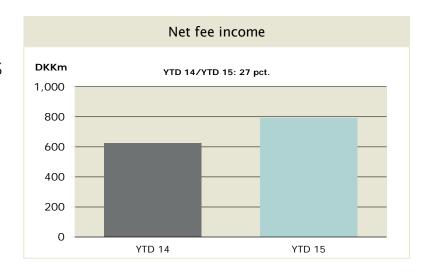


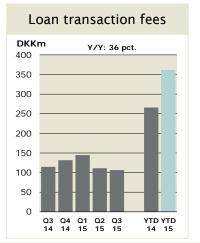
## NET FEE INCOME AT ALL-TIME HIGH AFTER STRONG START TO THE YEAR

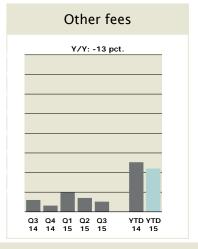
- Net fee and commission income grew by 27 % (y/y) and came to DKK 791 million
- High activity in mortgage-distribution makes for 25 % growth in income (y/y)
- Continued growth in asset management
  - AUM has grown from DKK 17.9 billion at YE 2014 to DKK 21.9 billion at the end of Q3
- Declining activity on securities trading
- Net fee income accounts for 40 % of net interest and fee income YTD (2014: 32 %)







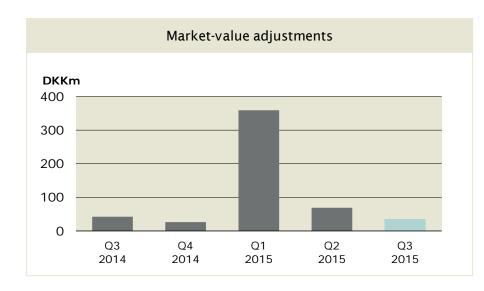






# MARKET-VALUE ADJUSTMENTS AT EXTRAORDINARY LEVEL FOLLOWING THE DIVESTMENT OF SHARES IN NØRRESUNDBY BANK

- Market-value adjustments was up by DKK 111 million (y/y) – where the divestment of Nets already made for very strong income
- Gain from the sale of Nørresundby Bank was DKK 226 million
- Market-value adjustments on share portfolio and bonds portfolio were satisfactory – although Q3 was negative by DKK 7 million
- Growth in dividends on shares etc.

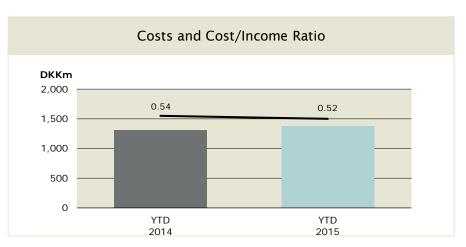


#### Market-value adjustments broken down on types YTD **YTD** 2014 2015 Change Market-valued adjustments in Trading, Financial Markets & The International Division 73 292 203 89 Tangible assets 45 46 -1 Currency trade and -agio 38 17 Dividends on shares, etc. 353 111



# COST/INCOME RATIO DOWN TO 0.52 IN SPITE OF COST GROWTH

- Total costs came to DKK 1,374 million 5 % up (y/y)
- Staff costs were up by 4 %
  - 13 FTEs more than one year ago due to re-launch of leasing business
  - DKK 11 million severance pay to executive board member
- One-offs lead to growth in operating expenses:
  - Divestment of Nørresundby Bank (transaction costs): DKK
     8.5 million
  - One-offs related to IT migration: DKK 13.0
- As from Q3, contribution to new Resolution Fund is included in core costs
- Cost/Income Ratio improved to 0.52 (excl. Nørresundby Bank: 0.57)
- Outlook
  - Currently all resources are needed in the preparation for change of the IT-platform
  - Workflows expected to be more efficient after the IT-migration
  - Still some potential for adjustments of branch network



#### Breakdown on types

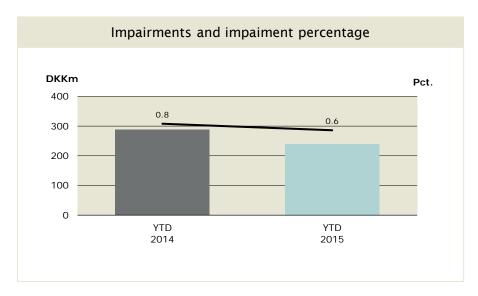
Costs (DKKm)	YTD 2015	YTD 2014	
Staff costs	807	773	35
Operating expenses	514	486	28
Depreciation	52	54	-1
Costs	1,374	1,313	61

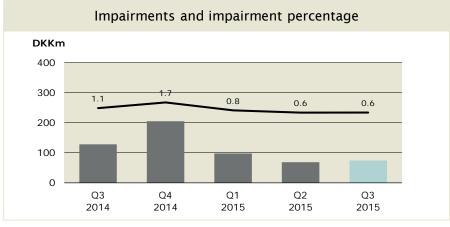
Operating expenses (DKKm)	YTD 2015	YTD 2014	
Staff-related expenses	29	27	2
Travel expenses	11	9	1
Marketing costs	72	68	4
IT expenses	252	230	22
Cost of premises	65	66	-2
Other administrative expenses	86	86	0
Operating expenses	514	486	28



### LOAN LOSSES DOWN 17 % TO DKK 240 MILLION - PROFIT IMPACT ENTIRELY ATTRIBUTABLE TO AGRICULTURE

- Impairment charges came to DKK 240 million corresponding to impairment percentage of 0.64
  - Lower than expected at the beginning of the year
- · Breakdown on business segments
  - Household: DKK 25 million (0.2 % p.a.)
  - Corporate excl. agriculture: DKK -21 million
  - Agriculture: DKK 236 million (8.4 % p.a.)
- Q3 profit impact came to DKK 74 million
  - DKK 97 million attributable to agriculture
  - Reversal of DKK 23 on other segments
- Key figures about agriculture loan book
  - Milk: Loans and guarantees of DKK 1.3 billion of which
     56 % impaired (total impairment = 30 % of exposure)
  - Pigs: Loans and guarantees of DKK 1.0 billion of which
     63 % impaired (total impairment = 35 % of exposure)
  - Plant cultivation: Loans and guarantees of DKK 0.6
     billion billion of which 16 % impaired (total impairment
     = 7 % of exposure)
- Low output prices on milk and pork meat expected to lead to substantial challenges also in 2016

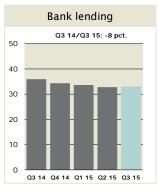


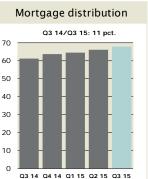




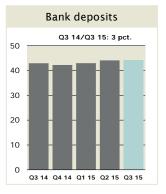
### SATISFACTORY GROWTH IN BUSINESS VOLUME

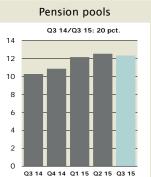
- Total business volume has grown to DKK 205.7 billion 5 % higher than YE-2014
- Bank lending is down DKK 1.3 billion (4 %) ytd
  - Corporate lending is down 0.5 billion
  - Reduction in business with one single public authority (0.7bn)
  - Household lending at unchanged level
  - Lending is up 1 % (q/q)
- Mortgage-distribution is up by DKK 4.1 billion (6%)
  - Total distribution of DKK 67.8 billion, hereof DKK 57.2 billion to Totalkredit and DKK 10.6 billion to DLR Kredit
- New leasing lending now exceeds repayments on old portfolio - loan growth of 7 % YTD
- Bank deposits are up DKK 2.0 billion (5 %) YTD
- Strong demand for asset management and savings products leads to growth in pension pools (13%) and other investments (14%)

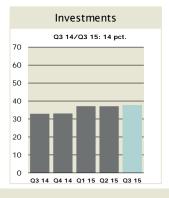








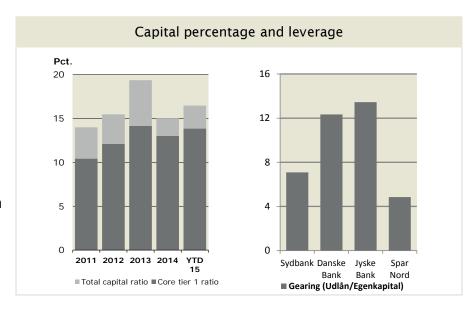






## STRONG CAPITAL POSITION (AND ABSENCE OF GROWTH) PAVES THE WAY FOR SUBSTANTIAL PAY-OUT TO SHAREHOLDERS

- · Strategic capital targets
  - CET1 ratio: 12 %
  - Capital percentage: 15.5
- At the end of Q3, CET1 ratio stands at 13.9 and total capital percentage at 16.5
  - Further boosted by divestment of Nørresundby Bank and net profits
- Total capital percentage must be viewed in connection with the solvency requirement of 9.5 %
  - Excess coverage of DKK 3.3 billion (7.0 percentage points)
- Based on fully implemented CRD IV standards, CET1 ratio stands at 13.4
- Spar Nord's absolute leverage (lending to equity) is still low compared to Danish peers
- New dividend policy promises pay-out of at least two thirds of net profits



#### Capital base

	Q3			
Pct.	2015	2014	2013	2012
Core tier 1 ratio	13.9	13.0	14.1	12.1
Hybrid capital	0.8	0.9	4.2	3.9
Deductions in hybrid capital	-0.2	-0.6	-1.0	-1.0
Tier 1 ratio	14.5	13.3	17.4	15.1
Subordinated debt	2.2	2.3	2.9	1.4
Deductions in own funds	-0.2	-0.6	-1.0	-1.0
Total capital ratio	16.5	15.0	19.4	15.5

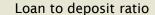


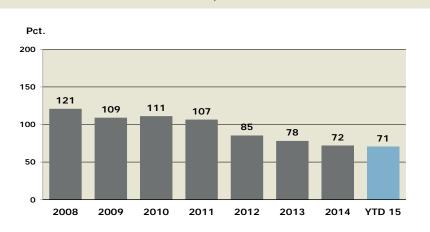
## LIQUIDITY DEMAND FULLY COVERED BY CUSTOMER DEPOSITS AND CAPITAL BASE

- Strategic liquidity of DKK 18.8 billion
- Increase of DKK 3.8 billion since YE-2014 is attributable to growth in deposits as well as pressure on lending volume
- · No current need for wholesale funding
- Since 2008, loan to deposit ratio has been reduced from 121 to 71

#### Strategic liquidity

	YTD		
DKKb	2015	2014	2013
Deposits, banking activities	44.2	42.2	41.8
Seniorfunding	0.1	0.1	3.4
Core capital and sub. capital	8.9	8.8	9.5
Stable long term funding	53.2	51.1	54.7
Loans, banking activities	33.1	34.4	33.8
Loans, leasing activities	1.2	1.1	2.1
Maturity < 1 year	-0.1	-0.6	-1.5
Liquidity target	18.8	15.0	17.3







### **GUIDANCE**

#### **Guidance for 2015**

- In connection with the divestment of shares in Nørresundby Bank, guidance for core earnings before impairments for the full year was revised to "in the DKK 1.4 billion range"
- Based on the Q1 results, guidance was hiked to "in the DKK 1,5 billion range"
- This guidance is re-iterated on the basis of the Q3 results
- Loan losses are still expected to amount to DKK 300-350 million
- Contribution to sector-targeted solutions is still expected to be around DKK 100 million

