

**PRE-TAX PROFIT OF DKK 761 MILLION, PRE-TAX ROE OF 14.9 % AND  
DKK 100 MILLION UPWARD REVISION OF FULL-YEAR GUIDANCE**

*Presentation of Spar Nord's financial results for Q1-Q3 2014*



## KEY MESSAGES FROM THE Q3-REPORT

- 1 *Decision to resume leasing activities results in re-segmentation of accounting data*
- 2 *Core income up 11 % (y/y) driven by sale of Nets and strong commission income*
- 3 *Net interest income down 5 % (y/y) – but very strong trend since Q1*
- 4 *Impairment percentage drops to 0.83 in spite of large portfolio writedown on agricultural exposure*
- 5 *M&A leads to growth in bank lending – satisfactory underlying trend (zero-growth since YE 2013)*
- 6 *Switch to BEC makes way for annual savings of DKK 55m from 2017 – Q4-writedown of DKK 195m*
- 7 *Full-year guidance raised by DKK 195 million compared with the forecast at the beginning of the year*

# HEADLINES FROM THE INCOME STATEMENT

## Income statement for Q1-Q3 2014

SPAR NORD BANK DKKm	Realized YTD 2014	Realized YTD 2013	Change in pct.
Net interest income	1,322	1,392	-5
Net fees, charges and commissions	625	532	18
Market-value adjustments	353	143	147
Other income	119	110	8
<b>Core income</b>	<b>2,420</b>	<b>2,177</b>	<b>11</b>
Staff costs	773	742	4
Operating expenses etc.	540	548	-2
<b>Costs</b>	<b>1,313</b>	<b>1,290</b>	<b>2</b>
<b>Core earnings before impairment</b>	<b>1,107</b>	<b>887</b>	<b>25</b>
Impairments of loans and advances, etc.	288	311	-7
<b>Core earnings</b>	<b>819</b>	<b>576</b>	<b>42</b>
Investment income	19	41	-54
<b>Profit/loss on ordinary activities</b>	<b>838</b>	<b>617</b>	<b>36</b>
Sector Fund	-77	-83	-8
Cost related to merger	0	-43	-
<b>Profit before tax</b>	<b>761</b>	<b>491</b>	<b>55</b>

## Key messages

- **Improvement of ROE**
  - Q1-Q3 13: 10.6 % p.a.
  - Q1-Q3 14: 14.9 % p.a.
- **Core income 11 % up**
  - Gain from sale of Nets
  - Strong trend in commissions
- **Loan losses down 7 %**
- **Core earnings up 42 %**

## Q3: STRONG TREND IN CORE INCOME

### Q3 income statement

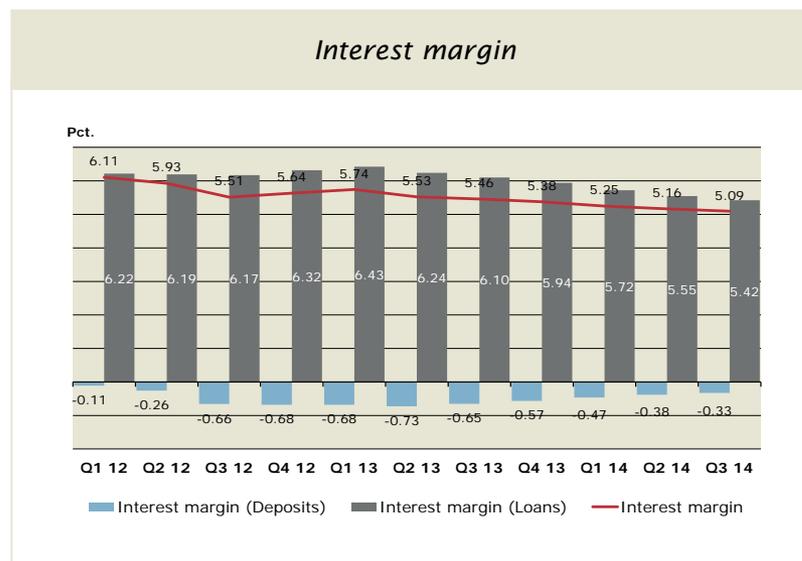
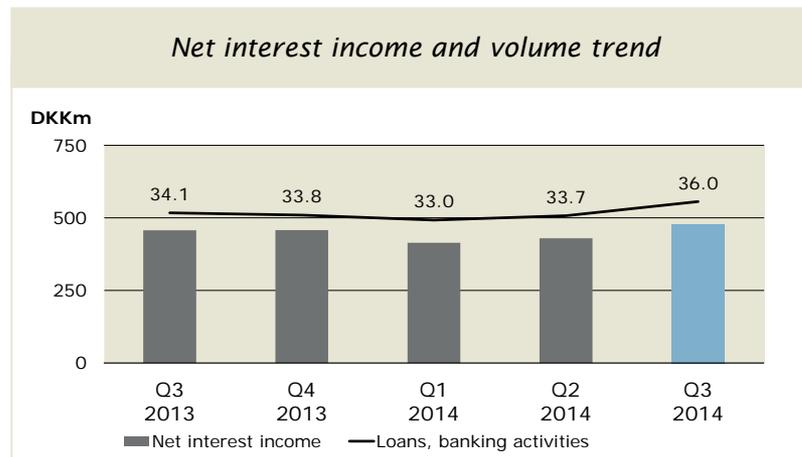
SPAR NORD BANK DKKm	Realized Q3 2014	Realized Q2 2014	Change in pct.	Realized Q3 2013	Change in pct.
Net interest income	479	430	11	457	5
Net fees, charges and commissions	225	195	15	159	42
Market-value adjustments	42	61	-31	23	88
Other income	37	44	-17	26	44
<b>Core income</b>	<b>782</b>	<b>730</b>	<b>7</b>	<b>664</b>	<b>18</b>
Staff costs	227	278	-18	214	6
Operating expenses etc.	161	191	-16	166	-3
<b>Costs</b>	<b>388</b>	<b>469</b>	<b>-17</b>	<b>381</b>	<b>2</b>
<b>Core earnings before impairment</b>	<b>394</b>	<b>261</b>	<b>51</b>	<b>284</b>	<b>39</b>
Impairments of loans and advances, etc.	128	71	80	107	20
<b>Core earnings</b>	<b>266</b>	<b>190</b>	<b>40</b>	<b>177</b>	<b>50</b>
Investment income	8	0	-	11	-26
<b>Profit/loss on ordinary activities</b>	<b>275</b>	<b>190</b>	<b>45</b>	<b>188</b>	<b>46</b>
Sector Fund	-25	-27	-5	-25	1
Cost related to merger	0	0	-	-4	-
<b>Profit before tax</b>	<b>249</b>	<b>163</b>	<b>53</b>	<b>159</b>	<b>56</b>

### Key messages

- *NII up 11 %*
  - Volume growth attributable to M&A
  - Repayment of hybrid core capital
- *Net fees and commissions up 15 %*
  - Continued growth in asset management
  - High activity in mortgage-area
- *Portfolio writedown of DKK 60 million on agriculture*

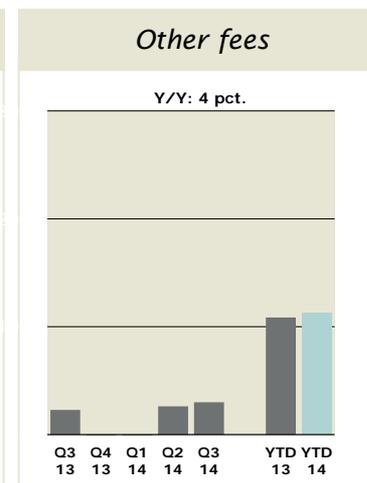
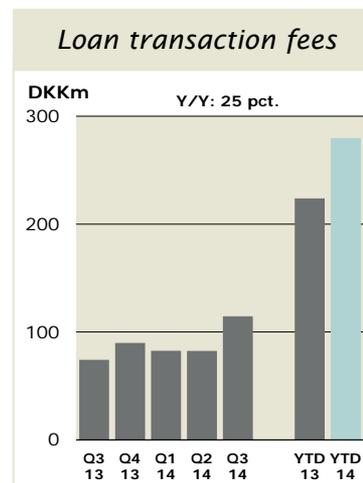
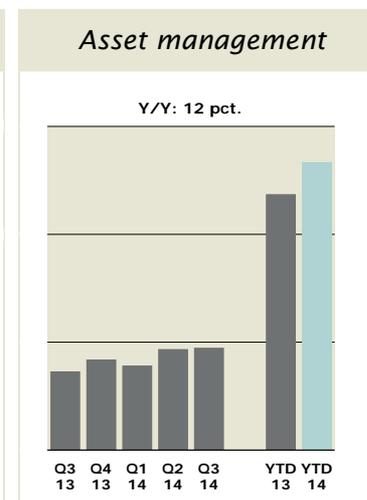
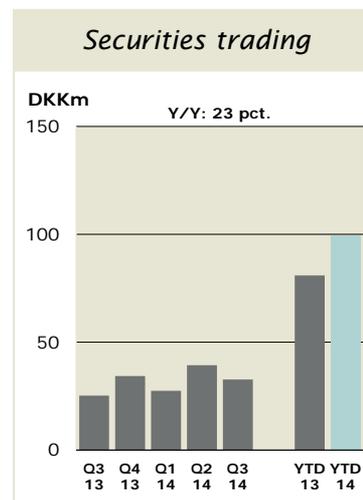
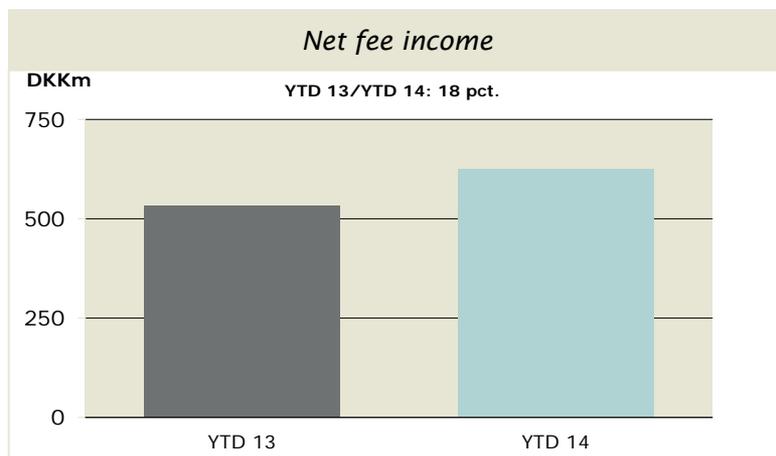
# POSITIVE TREND IN VOLUME AND NET INTEREST INCOME

- Net interest income of DKK 1,322 million – 5 % down on Q1-Q3 2013
  - But 4 % growth from Q1 to Q2 and 11 % growth from Q2 to Q3
- Positive trends
  - Lending volume is up (q/q) due to M&A combined with stable underlying trend
  - Reduction in interest expenses following repayment of DKK 1,265 million in hybrid core capital in May
  - Pressure on lending margin offset by improvement of deposit margin
- Negative trends
  - Underlying growth in volume remains weak
  - Competition puts lending margin under pressure
  - Large customer (Danish Region) expected to move lending of DKK 1.8 billion away from Spar Nord in Q4 (no tangible effect on earnings)



# VERY STRONG TREND IN NET FEE INCOME

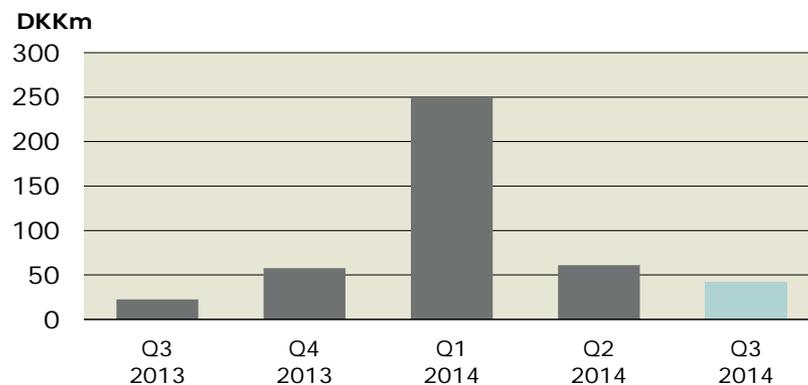
- Net fees and commissions of DKK 625 million – 18 % up on Q1-Q3 2013
- High growth in securities trading and asset management
  - AUM in pooled pension schemes up DKK 1.3 billion (15 %) (15 %) YTD
  - AUM in on-pension funds under mandate up DKK 2.2 billion (73 %) YTD
- Strong activity and earnings trend in mortgage arranging continues
  - High demand for new products launched in Q2
  - Re-mortgaging activity at all-time high in Q3



# MARKET-VALUE ADJUSTMENTS AT EXTRAORDINARILY HIGH LEVEL FOLLOWING SALE OF NETS

- *Market-value adjustments and dividends of DKK 353 million including gain from sale of Nets*
- *Satisfactory market-value adjustments on bond and share portfolio*
- *Higher income from customers' hedging of interest and FX risk*

Market-value adjustments

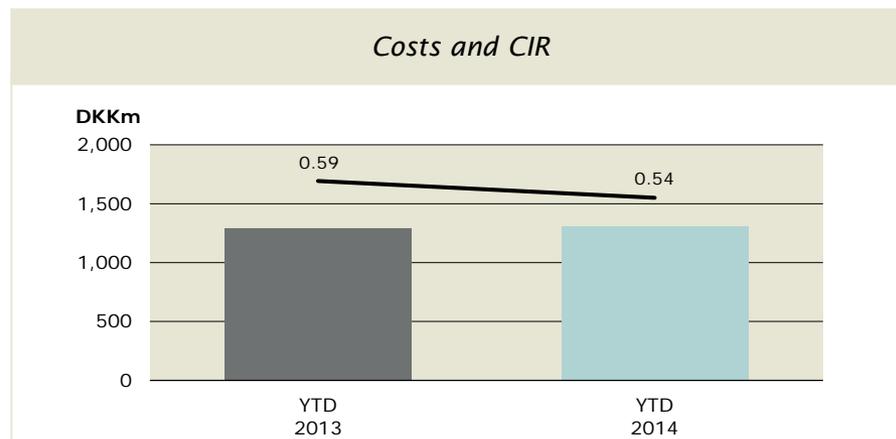


Breakdown on types

DKKm	YTD 2014	YTD 2013	Change
Market-valued adjustments in Trading, Financial Markets & The International Division	66	54	12
Tangible assets	203	29	174
Currency trade and -agio	46	39	7
Dividends on shares, etc.	38	21	17
<b>Total</b>	<b>353</b>	<b>143</b>	<b>210</b>

## COSTS AND EXPENSES DEVELOP AS FORECAST

- Total costs and expenses of DKK 1,313 – 2 % up on Q1-Q3 2013
- Wages and salaries were up 4 %
  - Rising payroll taxes
  - 29 new employees from FIH
- Other operating expenses were up 2 %
  - DKK 20 million in M&A-related one-offs
- Depreciation drops DKK million following reduction i operationel leases
- I 2014 another 5 branches have been closed
  - Following this, Spar Nord has 71 branches
  - 43 branches have been merged or closed since 2008
- Other cost-reducing efforts in pipeline
  - Process optimization
  - Change of IT-provider



Breakdown on types

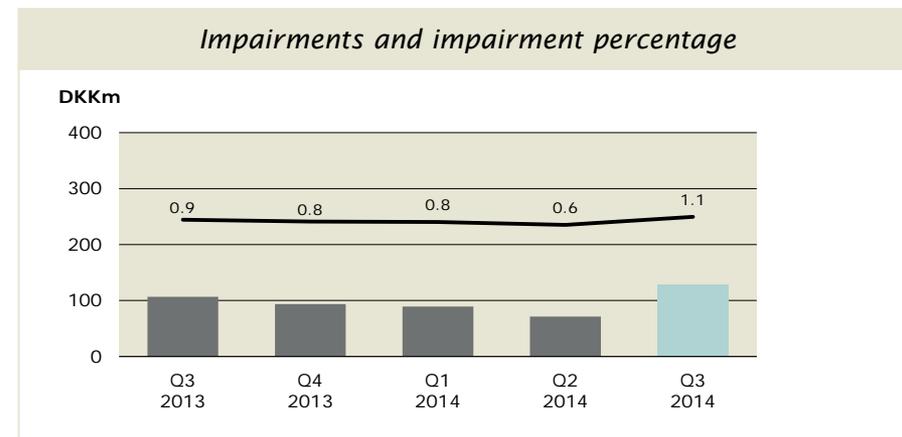
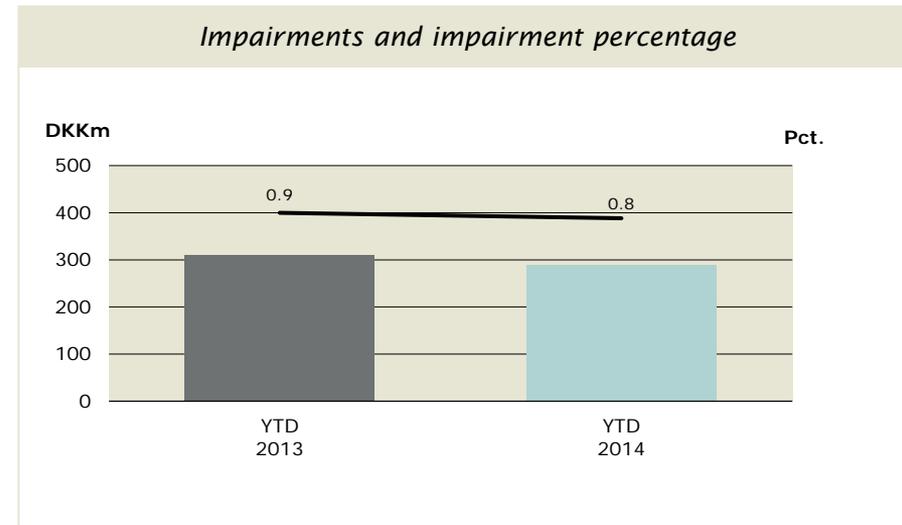
Costs (DKKm)	YTD 2014	YTD 2013	Change
Staff costs	773	742	31
Operating expenses	486	476	11
Depreciation	54	73	-19
<b>Costs</b>	<b>1,313</b>	<b>1,290</b>	<b>22</b>

Operating expenses (DKKm)	YTD 2014	YTD 2013	Change
Staff-related expenses	27	31	-4
Travel expenses	9	11	-1
Marketing costs	68	68	0
IT expenses	230	226	4
Cost of premises	66	70	-4
Other administrative expenses	86	70	16
<b>Operating expenses</b>	<b>486</b>	<b>476</b>	<b>11</b>

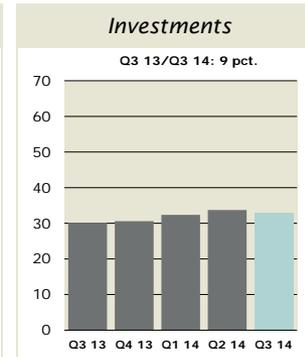
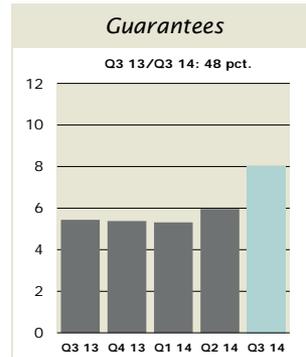
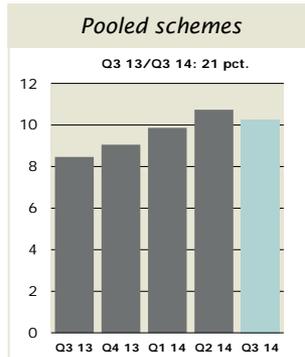
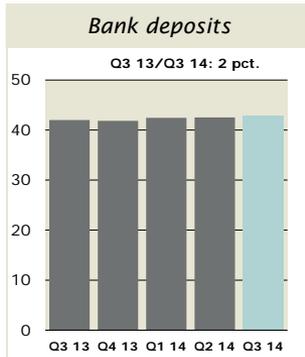
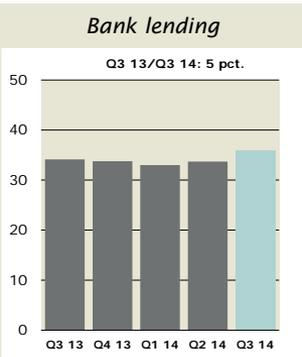
# IMPAIRMENT DOWN DESPITE EXTRAORDINARY WRITEDOWN OF AGRICULTURAL EXPOSURE

- Loan losses amounted to DKK 288 million corresponding to impairment percentage of 0.82 p.a.
- Impairment percentage including mortgage-arrangement: 0.37
- Breakdown on segments
  - Corporate: 1,1 % p.a.
  - Household: 0.4 % p.a.
- DKK 60 million portfolio writedown on agricultural exposure triggered by declining settlement prices
- Full-year loan losses still expected to be lower than in 2013



# BUSINESS VOLUME – GROWTH IN ALLE AREAS

- Total business volume has grown by DKK 10 billion since YE 2013 and is now at DKK 193 billion
- Total bank lending of DKK 36,0 billion – 6 % up on YE 2013
- Mortgage arrangement continues to grow
  - Total volume of DKK 61.2 billion, hereof DKK 52.1 billion in Totalkredit and DKK 9.1 billion in DLR Kredit
- Total bank deposits of DKK 42.9 billion – 3 % up on YE 2013
- Great demand for asset management and savings products
  - AUM in pooled pension schemes and non-pension funds under mandate has grown by DKK 3.5 billion since YE 2013



# LEASING RESUMED AS STRATEGIC ACTIVITY

## Strategic rationale

- *Non-competition clause with Jyske Finans has now expired*
- *Customers still demand leasing products*
- *We still have competencies and IT*
- *Our liquidity position allows us to make the decision*
- *Consequence: Line-by-line re-segmentation of leasing from "discontinuing activities" to core earnings*
- *See [sparnord.com](http://sparnord.com) for further details*

## Impact on Q3 income statement

SPAR NORD BANK - Q3 2014 DKKm	Spar Nord ex. Leasing	Spar Nord Leasing	Spar Nord incl. Leasing
Net interest income	469	10	479
Net fees, charges and commissions	225	0	225
Market-value adjustments	42	0	42
Other income	35	2	37
<b>Core income</b>	<b>770</b>	<b>12</b>	<b>782</b>
Staff costs	225	1	227
Operating expenses etc.	158	3	161
<b>Costs</b>	<b>383</b>	<b>4</b>	<b>388</b>
<b>Core earnings before impairment</b>	<b>387</b>	<b>7</b>	<b>394</b>
Impairments of loans and advances, etc.	139	-11	128
<b>Core earnings</b>	<b>248</b>	<b>19</b>	<b>266</b>
Investment income	8	0	8
<b>Profit/loss on ordinary activities</b>	<b>256</b>	<b>19</b>	<b>275</b>
Sector Fund	-25		-25
Cost related to merger	0		0
<b>Profit from continuing operations</b>	<b>231</b>		<b>249</b>
Profit from discontinued operations	19		0
<b>Profit before tax</b>	<b>249</b>		<b>249</b>

# WE HAVE CHOSEN BEC AS OUR NEW IT-PLATFORM

## Business perspectives

- Conversion to BEC makes way for huge 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

- Negative market-value adjustment on shareholding in SDC of DKK 195 million (Q4 2014)
- Conversion costs of DKK 40 million (2016)
- 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 0.02R

## The new data processing centre landscape

### BEC



### SDC



### Bankdata



### Danske Bank



### Nordea

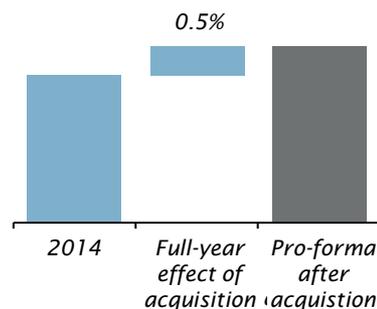


# STATUS OF THE INTEGRATION OF CUSTOMER PORTFOLIO ACQUIRED FROM FIH ERHVERVSBANK

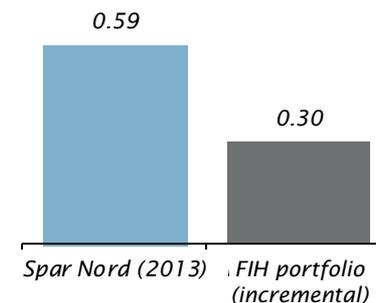
## Portfolio

- Total business volume of DKK 4.0 billion (RWA: DKK 2.7 billion)
  - Lending: DKK 2.4 billion
  - Guarantees: DKK 1.25 billion (net: DKK 256 million)
  - Market-value of derivatives: DKK 0.3 billion
- First round of dialogue with the 900 new customers has confirmed our expectation of further business potential
- Expected core earnings in 2014: DKK 15 million after transaction costs of DKK 20 million
- Expected core earnings before impairment of DKK 70 million (from 2015)

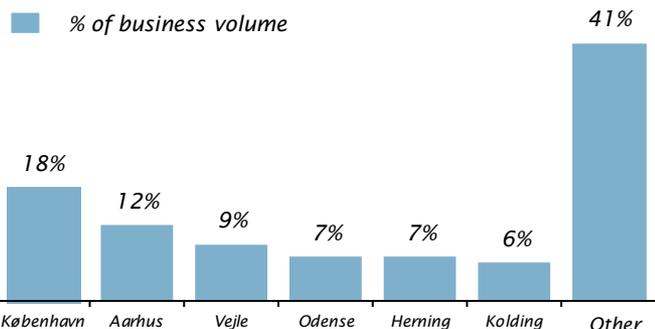
## Return on equity



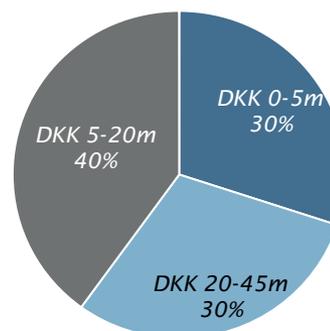
## Cost/Income Ratio



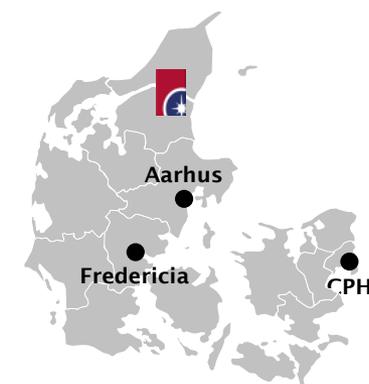
## Geography



## Size of commitment



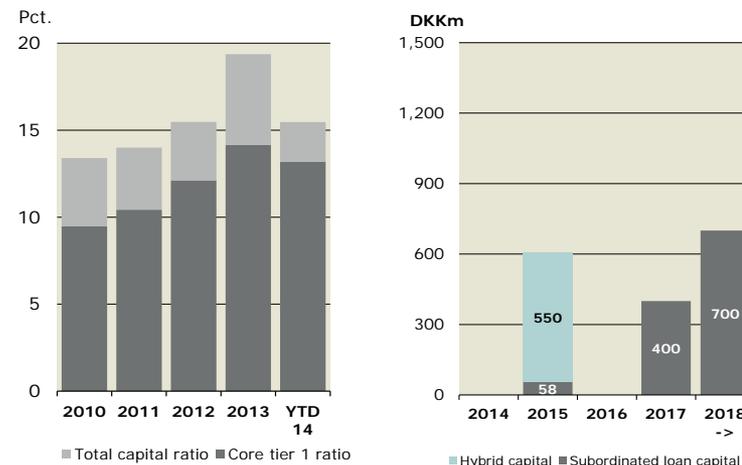
## Branches taken over



# SOLID CAPITAL POSITION – ALSO AFTER CONSOLIDATION OF FIH-PORTFOLIO

- *At end-Q3, CET1 stood at 13.2 and total capital ratio stood at 15.5*
  - *The 0.9 pp reduction in CET1 is attributable to the acquisition of assets from FIH Erhvervsbank etc.*
- *Individual solvency requirement (ICAAP result) of 9.7 %*
  - *Excess coverage of DKK 2.8 billion (5.8 pp)*
- *Based on fully loaded CRD IV, Spar Nord's CET1 ratio would have been 12.2 at end-Q3*
- *Dividend policy*
  - *Target: Pay-out ratio of 33 %*
  - *Subject to compliance to strategic capital targets*
  - *Extraordinary dividends and/or buy-backs in case no value-creating investment opportunities can be found*

Capital ratio and subordinated capital



Capital base

Pct.	Q3 2014	2013	2012	2011
Core tier 1 ratio	13.2	14.1	12.1	10.4
Hybrid capital	0.9	4.2	3.9	3.8
Deductions in hybrid capital	-0.5	-1.0	-1.0	-0.9
<b>Tier 1 ratio</b>	<b>13.6</b>	<b>17.4</b>	<b>15.1</b>	<b>13.3</b>
Subordinated debt	2.4	2.9	1.4	1.6
Deductions in own funds	-0.5	-1.0	-1.0	-0.9
<b>Total capital ratio</b>	<b>15.5</b>	<b>19.4</b>	<b>15.5</b>	<b>14.0</b>

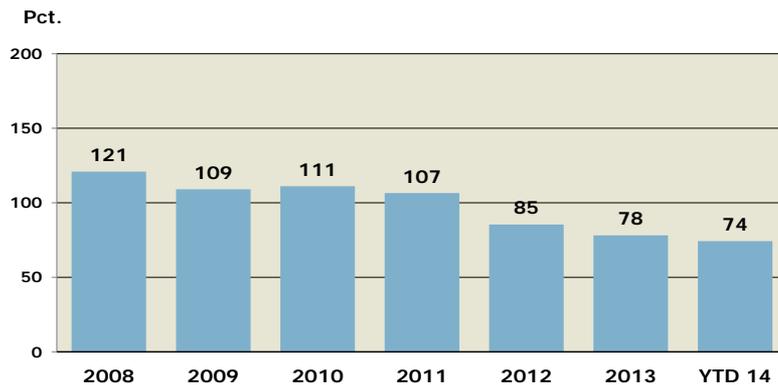
# STRATEGIC LIQUIDITY OF DKK 14.0 BILLION

- Strategic liquidity of 14.0 billion
- Reduction of DKK 3.3 billion since end-2013 attributable to lending growth and long-term funding reaching a term to maturity less than 12 months
- On the upside, deposits have grown
- LCR not projected to pose a challenge
- Contemplating bond issue to refinance LTRO

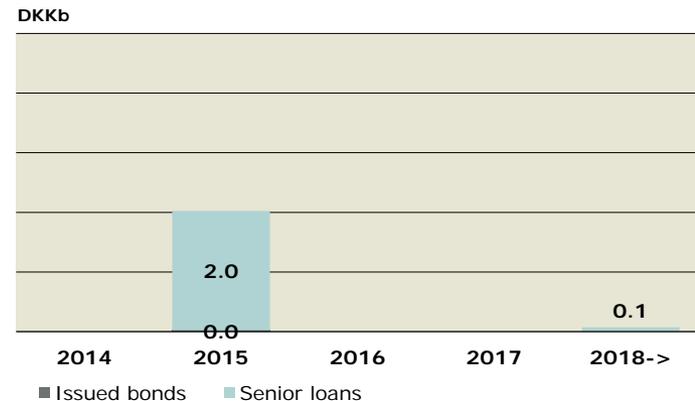
## Strategic liquidity

DKKb	YTD		
	2014	2013	2012
Deposits, banking activities	42.9	41.8	41.9
Seniorfunding	2.1	3.4	9.6
Core capital and sub. capital	8.8	9.5	8.5
<b>Stable long term funding</b>	<b>53.8</b>	<b>54.7</b>	<b>60.0</b>
Loans, banking activities	36.0	33.8	34.9
Loans, leasing activities	1.2	2.1	4.0
Maturity < 1 year	-2.6	-1.5	-6.3
<b>Liquidity target</b>	<b>14.0</b>	<b>17.3</b>	<b>14.8</b>

## Loan to deposit ratio



## Maturity structure



## GUIDANCE AND SHARE PRICE

### Guidance

- Core earnings before impairments now expected in the DKK 1,200 million range – corresponding to upward revision of DKK 100 million compared with the beginning of the year
- DKK 195 million negative market-value adjustment on shareholding in SDC (Q4) will more than eliminate gain from sale of Nets
- Loan losses still expected to be slightly lower than in 2013
- Contribution to sector-wide solutions expected to end slightly above DKK 100 million

### Share price

