

Net profit of DKK 317 million, equal to a 15.5% return on equity

Presentation of Spar Nord's financial results for Q1 2017



Net profit of DKK 317 million, equal to a 15.5% return on equity

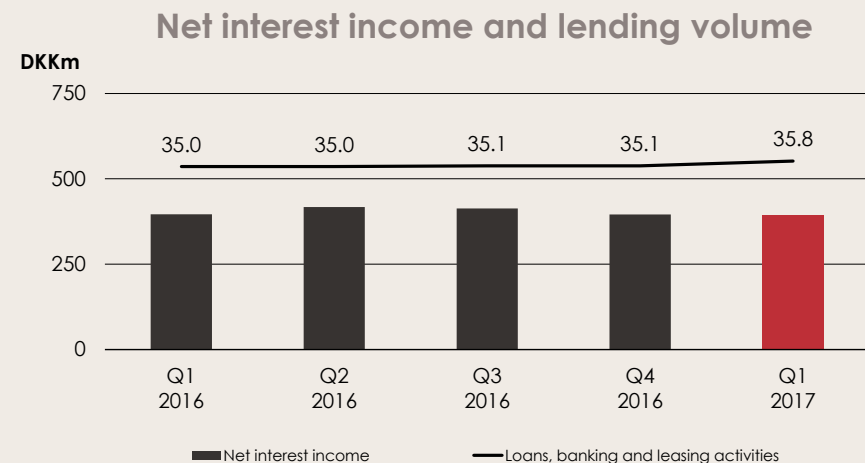
- Net interest income remains under pressure but sustained largely in line with last year due to positive one-off
- Very satisfactory net fee income driven by mortgage-distribution, asset management and insurance
- Market-value adjustments more than double (y/y) following very strong performance on bonds
- Costs and expenses at unchanged level compared to last year
- Core earnings before impairment rose by 54 % year-on-year
- Loan losses were reduced to DKK 2 million – net profit impact comprises DKK 94 million increase in group impairments
- Loan growth of 2 % (YTD) and growth in total business volume of 1 % (YTD)
- Capital and liquidity remains very comfortable

Headlines from the income statement

SPAR NORD BANK DKKm	Realized YTD 2017	Realized YTD 2016	Index	Realized Q1 2017	Realized Q4 2016	Index
Net interest income	393	396	99	393	395	99
Net fees, charges and commissions	294	250	118	294	275	107
Market-value adjustments	164	72	227	164	104	157
Other income	24	15	156	24	9	279
Core income	874	734	119	874	783	112
Staff costs	285	279	102	285	307	93
Operating expenses etc.	190	195	97	190	236	81
Costs	475	475	100	475	543	87
Core earnings before impairment	399	259	154	399	240	167
Impairments of loans and advances, etc.	2	55	3	2	55	3
Core earnings	398	204	195	398	185	215
Sector Fund	0	0	-	0	0	-
Profit before tax	398	204	195	398	185	215
Tax	81	40	205	81	37	217
Profit	317	165	192	317	148	214

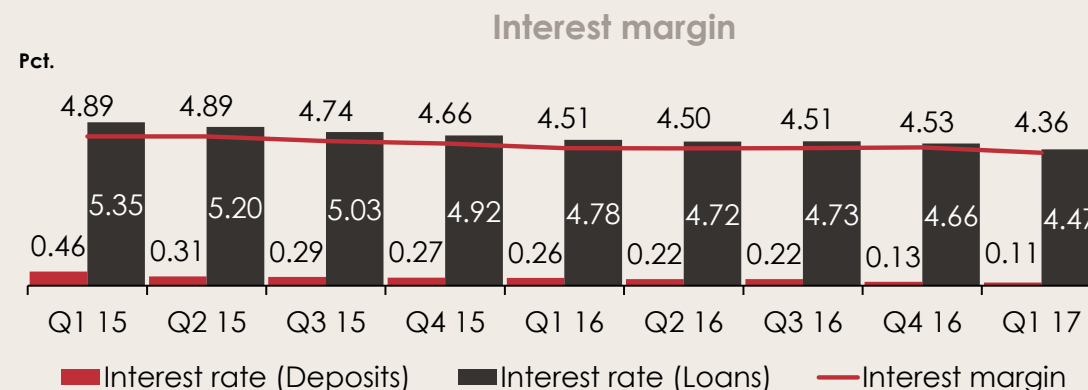
Net interest income in line with last year after positive one-off effect

- The net interest income for Q1 amounted to DKK 393 million versus DKK 396 million during the same period last year, and DKK 395 million in Q4 2016.
- Further decline in interest income from the Bank's bond portfolio had a negative impact of DKK 12 million (y/y)
- Positive one-off effect amounting to DKK 12 million in Q1 relating to interest income on a substantial facility subject to impairment
- Bank and leasing lending is up by DKK 0.7 billion (2 %) year-to-date
 - Households: + DKK 0.4 billion
 - Corporates: + DKK 0.1 billion
 - Leasing: + DKK 0.2 billion



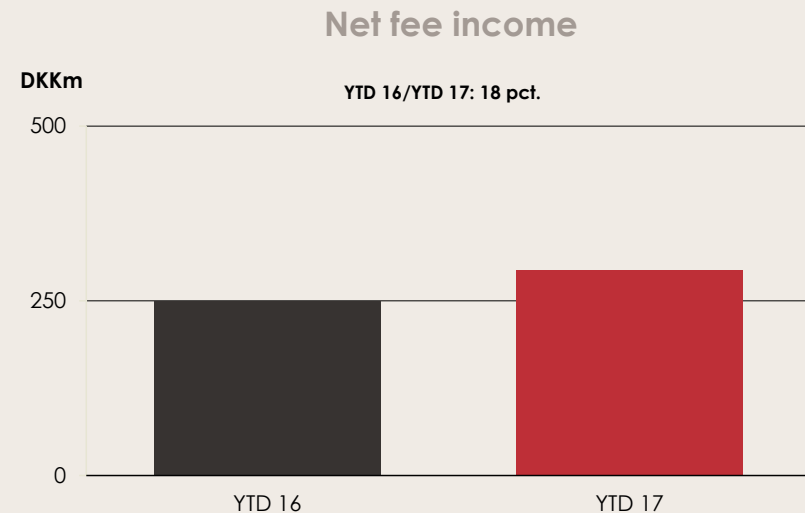
Continued pressure on lending margin – not much more help from deposits

- Total interest margin has declined by 17 basis points from YE-2016 to end of Q1 2017 and by 15 basis points from since the end of Q1 last year
- Price competition on customer lending has squeezed lending margin with 19 basis points since YE-2016, while deposit margin has been cut with 2 basis points

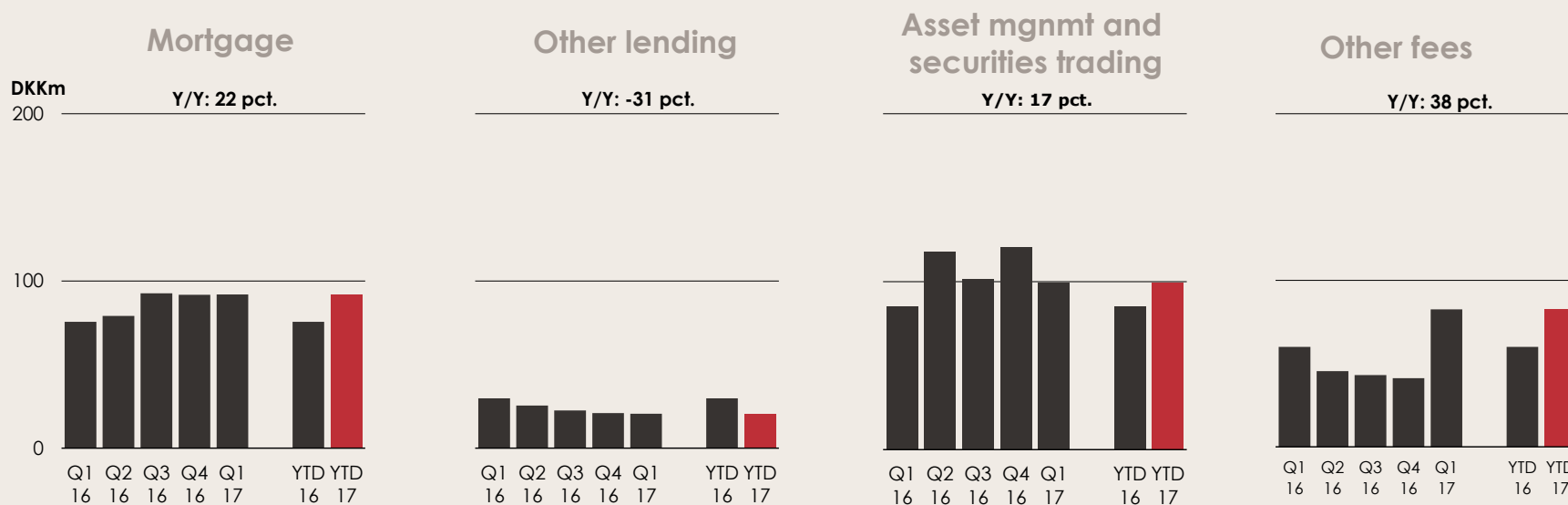


Very strong trend in net fee income

- Net fee income amounted to DKK 294 million versus DKK 250 million during the same period last year, and DKK 275 million in Q4
- Income from mortgage-distribution grew by 22 % driven by continued volume growth as well as price increases
- Income from securities trading and asset management grew by 17 % driven by investment funds and pension products
- Strong growth in other fees, e.g. driven by insurance

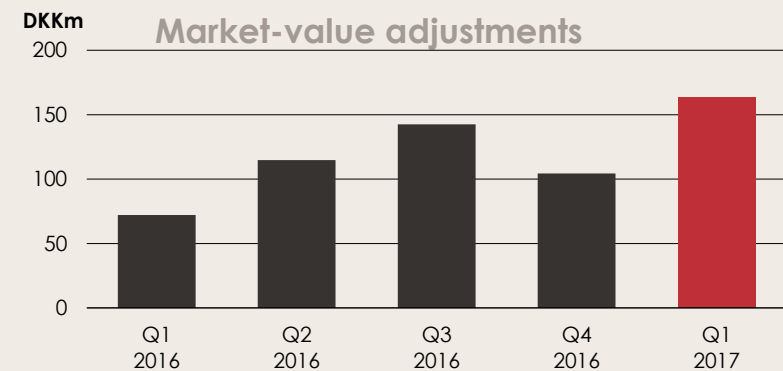


Strong fee income driven by mortgage-distribution, asset management and insurance



Market-value adjustments more than doubled following very strong performance on bonds

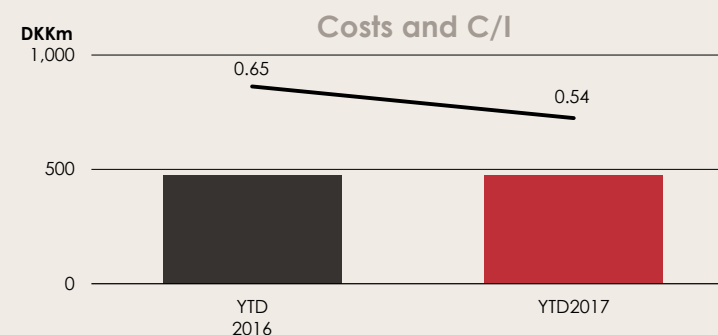
- Market-value adjustments and dividends ended at DKK 164 million, which is DKK 92 million, or 127%, up on the same period last year
- Market-value adjustments in Trading & Markets grew from DKK 31 million to DKK 110 million (y/y)
 - Strong performance on bonds driven by narrowing of the spread between Danish mortgage-credit bonds and government bonds
- Market-value adjustments and dividends on shares in sector companies grew from DKK 31 million to DKK 39 million (y/y)



DKKm	Q1 2017	Q1 2016	Change
Market-valued adjustments in Trading, Financial Markets & The International Division	110	31	80
Tangible assets	39	31	8
Dividends on shares, etc.	3	1	2
Currency trade and -agio	11	10	1
Total	164	72	92

Costs and expenses at unchanged level

- The Group's total costs and expenses amounted to DKK 475 million, which is in line with the same period of 2016
- Wages and salaries increased by DKK 5 million (2 %) due mainly to pay rises under collective agreements and rising payroll taxes.
 - At end-Q1 2017, the Group had 1,528 employees – 23 fewer than at the same time in 2016.
- Other operating expenses were down by DKK 2 million (1 %)
 - Absence of last year's non-recurring expenses connected with IT migration
 - Decline in ongoing IT expenses
 - New expenses items related to the implementation of a new strategy.



Breakdown on types

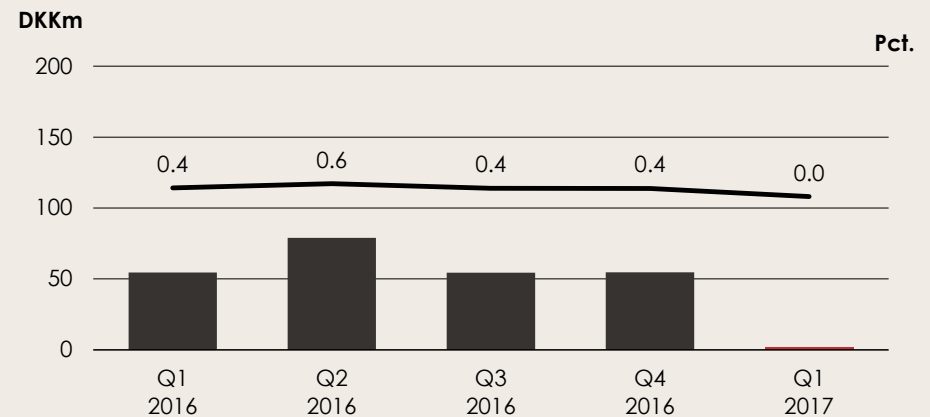
Costs (DKKm)	YTD2017	YTD 2016	Change
Staff costs	285	279	5
Operating expenses	176	178	-2
Depreciation	14	17	-3
Costs	475	475	0

Operating expenses (DKKm)	YTD2017	YTD 2016	Change
Staff-related expenses	12	11	1
Travel expenses	3	4	-1
Marketing costs	31	25	6
IT expenses	79	92	-13
Cost of premises	26	20	5
Other administrative expenses	26	26	0
Operating expenses	176	178	-2

Loan losses down to DKK 2 million

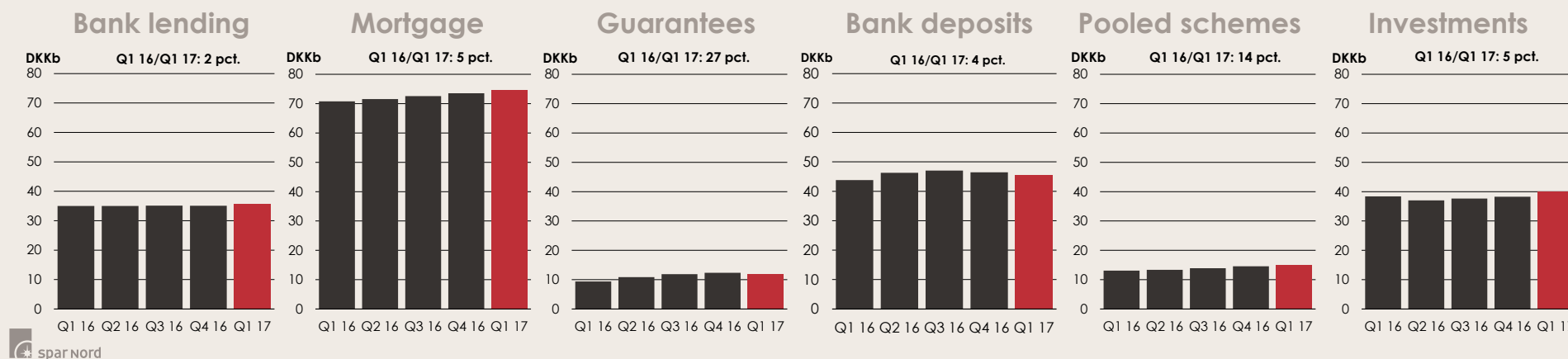
- Impairment of loans and advances, etc. ended at DKK 2 million in Q1 2017 – down from DKK 55 million in Q4 and DKK 55 million in Q1 last year
- Net reversal of individual impairments (DKK 39 million)
- Groups of impairment rose by DKK 94 million
 - DKK 16 million decline in the rating-based and calculated impairment losses
 - Management estimates resulting in groups of impairment losses on retail customers, DKK 85 million, and agricultural customers, DKK 25 million
- Generally positive trend in credit quality
 - Households and corporates are robust
 - Improved outlook for agriculture, especially pork producers

Impairments and impairment percentage



Total business volume up by 1 %

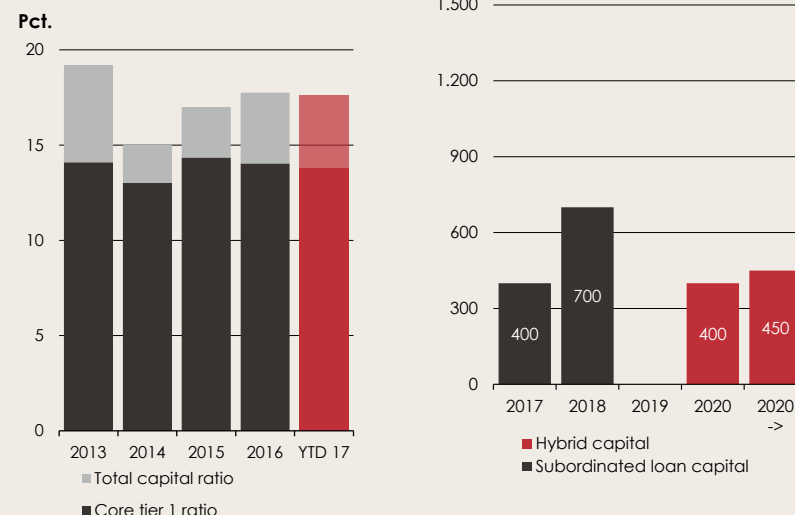
- Positive trend in credit distribution to both households and corporates
 - Bank and leasing lending is up DKK 0.7 billion (2 %) and mortgage lending is up by DKK 0.9 billion (1 %) YTD
- Bank deposits are down by DKK 0.9 billion (2 %) YTD
 - Primarily attributable to corporates and time deposits



Solid capital position

- At end-Q1 2017, the Common Equity Tier 1 (CET1) ratio was 13.8%, while the total capital ratio came to 17.6%.
- This should be viewed relative to a total capital requirement amount (individual solvency need plus combined buffer requirement) of 10.7%.
 - Excess capital coverage of 6.9 percentage points, equal to DKK 3.3 billion.
- CET1 ratio based on fully phased-in CRD IV: 13.6
- As from 2017, the ongoing consolidation is no longer recognized in own funds on a quarterly basis (less administration)
 - With "old" practice, CET1 ratio would have stood at 14.0

Capital percentage and subordinated capital



Capital base

Pct.	Q1 2017	2016	2015	2014
Core tier 1 ratio	13.8	14.0	14.4	13.0
Hybrid capital	1.8	1.8	0.8	0.9
Deductions in hybrid capital	-0.1	-0.2	-0.3	-0.6
Tier 1 ratio	15.4	15.6	14.9	13.3
Subordinated debt	2.3	2.3	2.3	2.3
Deductions in own funds	-0.1	-0.2	-0.3	-0.6
Total capital ratio	17.6	17.7	17.0	15.0

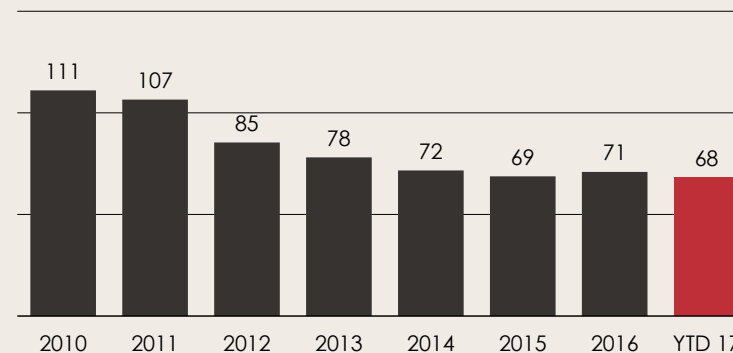
Strategic liquidity of DKK 19.5 billion

Strategic liquidity

DKKb	YTD2017	2016	2015
Deposits, banking activities	45.6	46.5	44.4
Seniorfunding	0.0	0.0	0.0
Core capital and sub. capital	10.0	9.7	9.0
Stable long term funding	55.6	56.2	53.4
Loans, banking and leasing activities	35.8	35.1	33.9
Maturity < 1 year	0.4	0.4	0.0
Liquidity target	19.5	20.7	19.5

Pct.

Loan to deposit ratio



Update on implementation of new strategy

- In the beginning of the strategy period, emphasis has been on important prerequisite activities in the IT and the process area
 - Focus on facilitating the daily work of our employees, where efficiency after the implemented IT migration is not yet the same as before
 - From Q2, implementation of customer oriented elements begin
- Highlights from Q1
 - Solutions within process automation and workflows
 - Initiated implementation of new task sharing between local banks and the central customer service function
 - Adaptation of the branch network, so that at the end of the first six months the Spar Nord chain will consist of 52 branches
 - Decision regarding the implementation of a CEM system – expected to be completed with the first deliveries in the second half of 2017
 - Implementation of a new business-centric concept and a new segmentation of business activities
 - Launching of Private Banking as an independent focus area

 VISION	DANMARKS MEST PERSONLIGE BANK			
 TENDENSER	#1 DIGITALISERING	#2 MERE KRÆVENDE KUNDER	#3 LAV VÆKST OG LAVE RENTER	#4 SKÆRPEDE REGLER OG STANDARDER
 STRATEGISK RETNING	DEN PERSONLIGE BANK I EN DIGITAL VERDEN			
 MUST WIN BATTLES	#1 PERSONLIG RÅDGIVNING OG SERVICE I SÆRKLASSE <ul style="list-style-type: none">• Det gode kundemøde• Den gode bankoplevelse• Bedre styr på kunde- relationen	#2 LOKALT EJERSKAB OG STÆRK CENTRAL SUPPORT <ul style="list-style-type: none">• Fremtidens kundeservice• Forbedret formuekoncept• Nyt erhvervs-koncept	#3 DIGITALISERING PÅ SPAR NORD-MÅDEN <ul style="list-style-type: none">• Mere effektive processer• Nye digitale løsninger• Ny digital udviklings- organisation	

Guidance for 2017

- In Q1 **core earnings before impairments** came to DKK 399 million – which should be seen in the light of a full-year guidance of DKK 1.1-1.2 billion
 - Strong income performance in Q1 was mainly driven by market-value adjustments
 - Pressure on net interest income expected to continue
- Guidance for full-year core earnings before impairments is re-iterated: DKK 1.1-1.2 billion
- In Q1, **impairments on loans etc.** came to DKK 2 million – which should be seen in the light of a full-year guidance of “lower impairments than in 2016”
 - Both households and corporates are robust
 - Outlook for agriculture has improved
- Guidance for full-year impairments is re-iterated



spar nord