

Net profit of DKK 989 million and ROE of 12.0 %

Presentation of Spar Nord's financial results for 2017



Net profit of DKK 989 million and ROE of 12.0 %

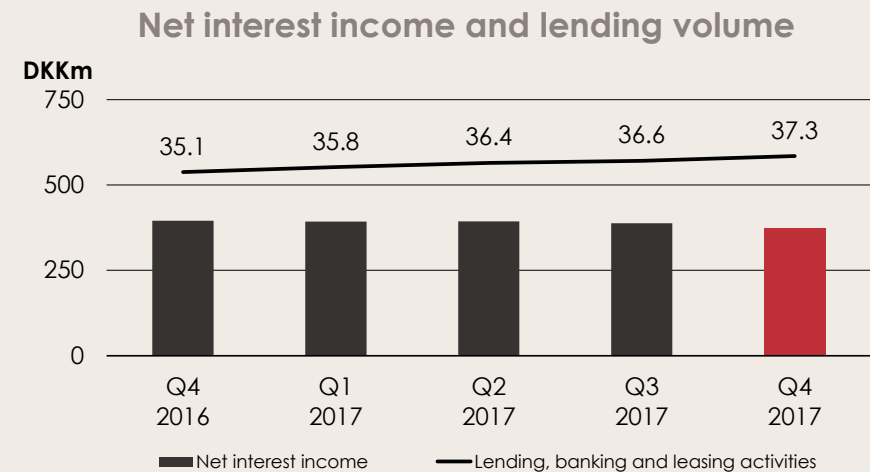
- Low interest rate environment and tough competition put pressure on Net interest income
- Net fee income at record-level driven by mortgage distribution and transaction banking
- Highly satisfactory market value adjustments following strong performance on (sector) shares and bonds
- Cost growth driven by strategic IT-projects and high marketing activity
- Core earnings before impairment of DKK 1,213 million – in line with guidance
- DKK 38 million net reversal of loan impairments – compared to DKK 242 million expense last year
- Pre-tax profit at record-level, DKK 1,251 million
- Proposed dividend of DKK 3.5 per share equivalent to dividend yield of 4.9 %

Key points from the income statement

DKKm	2017	2016	Index	Q4 2017	Q3 2017	Index
Net interest income	1,546	1,621	95	373	388	96
Net fees, charges and commissions	1,116	1,053	106	279	264	106
Market-value adjustments	404	434	93	102	18	577
Other income	83	59	140	20	19	103
Core income	3,150	3,167	99	773	688	112
Staff costs	1,165	1,142	102	316	247	128
Operating expenses etc.	771	755	102	210	186	113
Costs	1,936	1,896	102	525	434	121
Core earnings before impairment	1,213	1,271	96	248	255	97
Impairments of loans and advances, etc.	-38	242	-16	13	-42	-31
Profit before tax	1,251	1,028	122	235	297	79
Tax	262	190	138	44	73	61
Profit	989	838	118	190	224	85

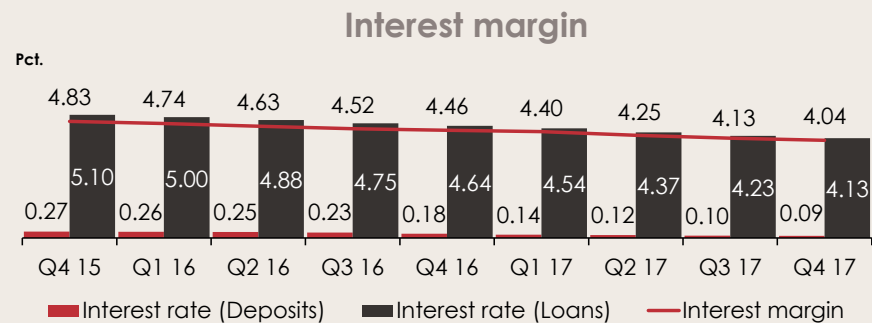
Low-interest rate environment and tough competition put pressure on NII

- Net interest income declined by 5 % and came to DKK 1,546 million
 - Interest income from lending declined by DKK 91 million
 - Interest income from bonds etc. declined by DKK 25 million
 - Interest expenses on deposits were reduced by DKK 42 million
- Bank and leasing lending grew by DKK 2.2 billion (6 %)
 - Lending to household customers grew by DKK 0.7 billion
 - Lending to corporates, excluding leasing, grew by DKK 0.7 billion
 - Leasing business grew by DKK 0.8 billion
- One-offs impacting NII
 - 2017: DKK 36 million income related to run-off portfolio
 - 2016: DKK 24 million income related to court ruling on payroll tax



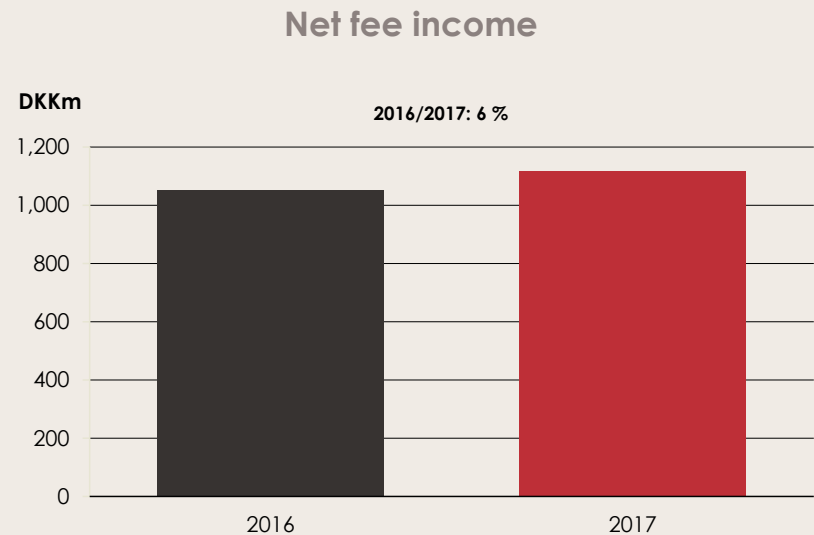
Considerable pressure on interest margin continues

- Total interest margin is down 42 bps from end of 2016 to end of 2017
- Price competition on customer lending has pushed lending rates down by 51 bps
- Deposit rates reduced by 9 bps
- In Q1 2018, we have taken two initiatives
 - Re-pricing of corporate loans to weak customers
 - Lowering of floor on negative rates on corporate deposits

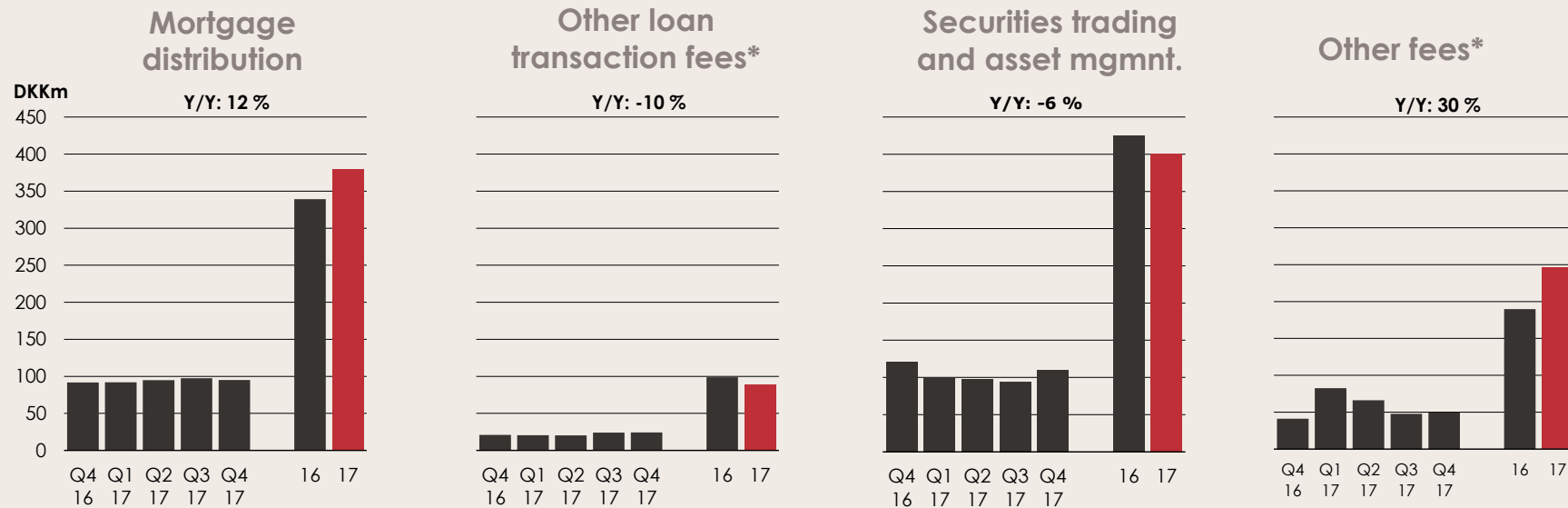


Net fee income on highly satisfactory level

- Net income from fees, charges and commissions was up 6 % to DKK 1,116 million
 - Net fee income now accounts for 42 % of total net interest and fee income (2016: 39 %)
- Income from mortgage distribution continues to grow
 - Continued volume growth (+5% in 2017)
 - Price hike from Totalkredit July 2016
- Strong growth in other fees driven by transaction banking, insurance distribution etc.
- Small decline in fee income related to securities trading and asset management

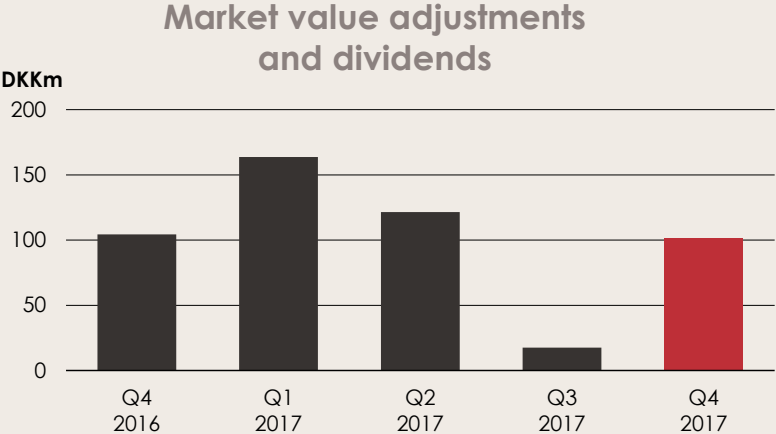


Net fee income on highly satisfactory level



Market value adjustments and dividends sustained at high level

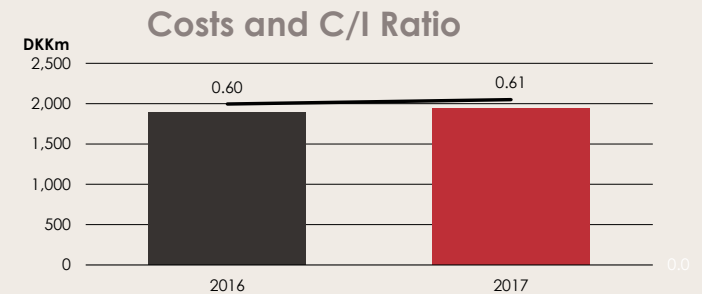
- Market value adjustments and dividends amounted to DKK 404 million – down 7 % on last year but still very satisfactory
- Market value adjustments in the Markets division were strong considering the market conditions
- Strong performance on sector shares (DLR, Bankinvest, PRAS and Erhvervsinvest II K/S) make up for DKK 54 million write-down on BEC



DKKm	2017	2016	Change
Market-valued adjustments in Trading, Financial Markets & The International Division	217	229	-12
Tangible assets incl. dividends	151	153	-2
Currency trade and -agio	37	52	-15
Total	404	434	-29

Costs and expenses influenced by strategic initiatives

- Total costs and expenses amounted to DKK 1,936 million which is DKK 40 million (2 %) higher than last year
- Wages and salaries grew by DKK 2 %
 - Collective agreements
 - Lack of last year's positive one-offs
 - DKK 17 million in severance pay booked in Q4
- Other operating expenses grew by 8 %
 - Strategic IT-projects both in Spar Nord and on BEC
 - Roll-out of new branch concept in 22 branches
 - Increased marketing efforts
- Staff and branches
 - At the end of 2017, Spar Nord employed 1,538 FTE (~1,500 after reduction in January 2018)
 - Spar Nord now consists of 50 branches – 8 fewer than 12 months ago



Costs broken down on types

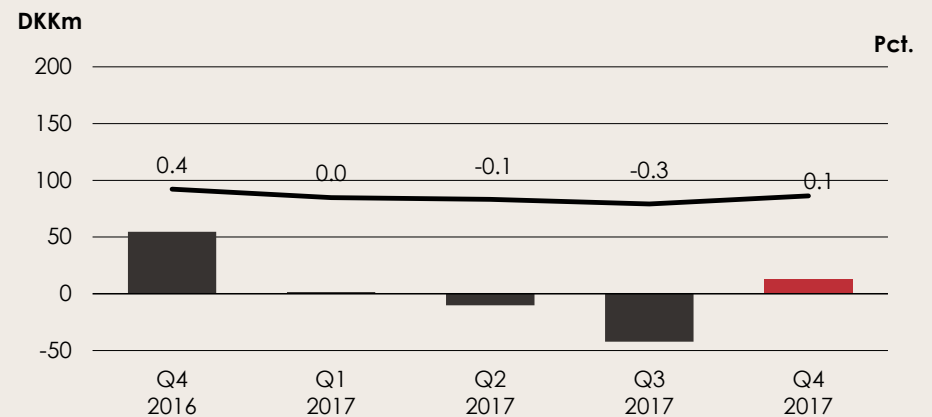
Costs (DKKm)	2017	2016	Change
Staff costs	1,165	1,142	24
Operating expenses	710	660	50
Depreciation	61	94	-34
Costs	1,936	1,896	40

Operating expenses (DKKm)	2017	2016	Change
Staff-related expenses	38	40	-2
Travel expenses	18	15	2
Marketing costs	111	91	20
IT expenses	354	333	21
Cost of premises	99	86	13
Other administrative expenses	91	96	-5
Operating expenses	710	660	50

Net reversal of loan losses

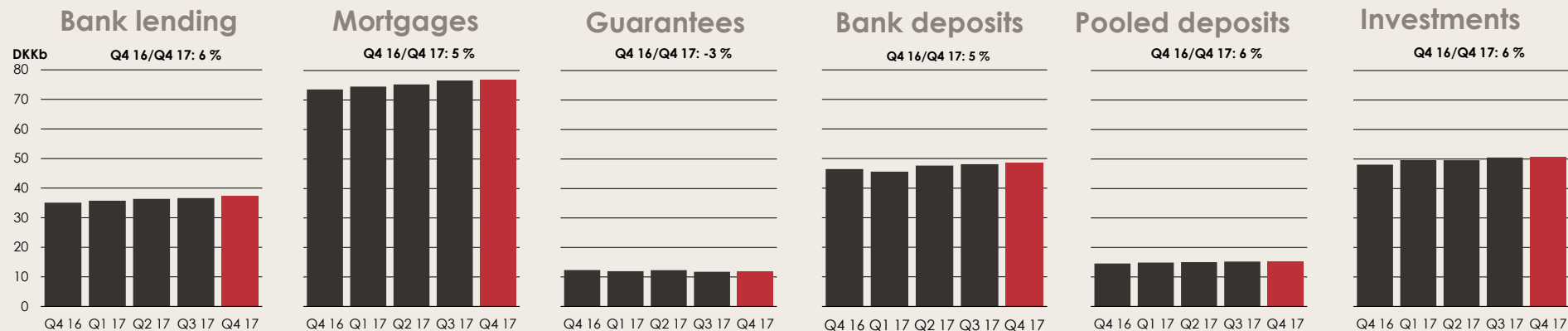
- Loan impairment charges was an income of DKK 38 million, which compares to an expense of DKK 242 million last year
- Breakdown on individual and collective impairments
 - Net expense on individual impairments of DKK 2 million
 - Collective impairments increased by DKK 127 million
 - DKK 167 million recovered on previously impaired receivables
- Breakdown on business segments
 - Household: DKK 75 million (incl. SparXpres DKK 32 million)
 - Corporate excl. agriculture: DKK -75 million
 - Agriculture: DKK -38 million
- Credit quality historically strong
- Expected impact from IFRS9
 - DKK 250 million +/- DKK 25 million (before tax)

Impairments and impairment percentage



Business volume grows 5 % to DKK 241 billion

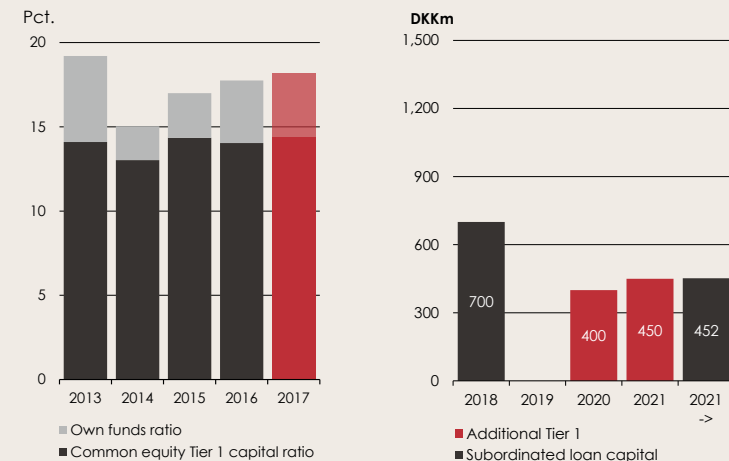
- Positive trend in credit distribution to both households and corporates
 - Bank and leasing lending is up by DKK 2.2 billion (6 %) and volume of distributed mortgage loans is up by DKK 3.4 billion (5 %)
- Deposits also continue to grow
 - Bank deposits grew by DKK 2.2 billion (5 %) and pooled schemes by DKK 0.9 billion (6 %)
- Customers' AuM is up by DKK 2.1 billion (8 %) to DKK 27.7 billion



Solid capital position

- CET1 ratio of 14.4 and total capital percentage of 18.2
 - Growth in REA of DKK 2.1 from year-end 2016 to year-end 2017
 - Capital base has increased by DKK 0.6 billion to DKK 9.0 billion
- Proposed dividend of DKK 3.50 per share
 - Pay-out ratio: 43 %
 - Dividend yield: 4.9 %
- Capital and dividend should be viewed in the light of upcoming assignment of SIFI status and plans to transition to IRB
- IRB project is underway
 - Preparations expected to last 3-4 years – plus processing time with the FSA
 - Effects on REA are expected to be substantial
- When we obtain official SIFI status, we will revise our capital targets
 - CET1 ratio: from 13.0 to 13.5
 - Total capital ratio: from 16.5 to 17.5

Capital percentage and subordinated capital



Capital base

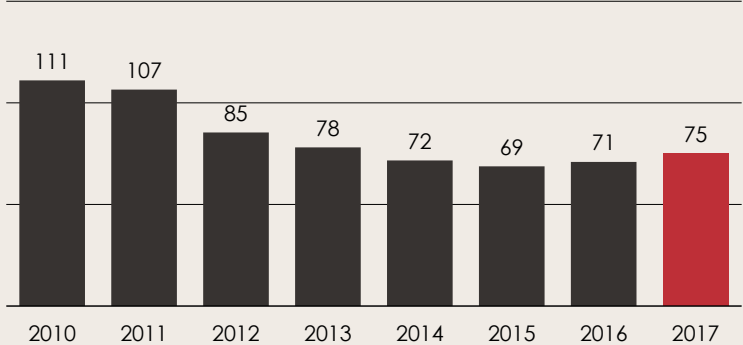
Pct.	2017	2016	2015	2014
Common equity Tier 1 capital ratio	14.4	14.0	14.4	13.0
Additional Tier 1	1.7	1.8	0.8	0.9
Deductions in additional Tier 1	-0.1	-0.2	-0.3	-0.6
Tier 1 capital ratio	16.0	15.6	14.9	13.3
Tier 2 capital	2.3	2.3	2.3	2.3
Deductions in own funds	-0.1	-0.2	-0.3	-0.6
Own funds ratio	18.2	17.7	17.0	15.0

Strategic liquidity remains very comfortable

Strategic liquidity

DKKb	2017	2016	2015
Deposits, banking activities	48.7	46.5	44.4
Seniorfunding	0.0	0.0	0.0
Core capital and sub. capital	10.1	9.7	9.0
Stable long term funding	58.8	56.2	53.4
Loans, banking and leasing activities	37.3	35.1	33.9
Maturity < 1 year	0.7	0.4	0.0
Liquidity target	20.8	20.7	19.5

Pct. Loan to deposit ratio



Update on strategy implementation

- Good progress on customer oriented initiatives
 - **The Good Customer Meeting** implemented in Q4 2017 – very satisfactory results on NPS etc.
 - **The Good Banking Experience:** 22 branches have been refurbished and all staff members in the whole group have been through service training
 - **Customer service of the future:** New workflows have contributed to higher efficiency and strong customer satisfaction
 - **Improved wealth management concept:** New offerings targeted at customers with +DKK 2.5 million and +DKK 15 million in AuM – strong customer inflow in Private Banking segment
 - **New business customer concept:** New segmentation (corporates / local businesses) implemented, stronger collaboration between central functions and local branches, satisfactory volume growth
- Large IT projects are presenting challenges
 - **NRP:** Collaborative effort among Totalcredit partner banks – significant delays, but confidence in overall business case sustained
 - **CEM:** Collaborative effort on BEC – small delay but business case remains robust
 - **New regulation and sector initiatives:** Many large projects – even more resource intensive than expected

 VISION	<h2>DENMARK'S MOST PERSONAL BANK</h2>			
 TRENDS	#1 DIGITIZATION	#2 MORE DEMANDING CUSTOMERS	#3 LOW GROWTH AND LOW INTEREST RATES	#4 TIGHTER RULES AND STANDARDS
 STRATEGIC BEARING	<h2>THE PERSONAL BANK IN A DIGITAL WORLD</h2>			
 MUST WIN BATTLES	#1 TOP-NOTCH PERSONAL ADVICE AND SERVICE <ul style="list-style-type: none"> • The good customer meeting • The good banking experience • Better grip on customer relations 	#2 LOCAL OWNERSHIP AND STRONG CENTRAL SUPPORT <ul style="list-style-type: none"> • Customer service of the future • Improved wealth management concept • New business customer concept 	#3 DIGITIZATION THE SPAR NORD WAY <ul style="list-style-type: none"> • More efficient processes • New digital solutions • New digital development organization 	

Guidance for 2018

- Modest but positive growth in the economy and in Danish banks' lending
 - Spar Nord expects lending growth to be on the same level as in 2017 – continued growth in market share
- Pressure on core income
 - Low interest rates put pressure on interest income from both customer lending and bonds
 - Fee income expected to be sustained at high level – strong underlying trend attributable to growth in market share
 - Difficult to match 2017 performance on market value adjustments
- Costs and expenses influenced by strategic projects
 - IT expenses expected to grow due to large projects
 - Marketing expenses should be reduced compared to 2017
 - Staff costs should come out slightly lower than in 2017 – reduced headcount but pressure from collective agreements and payroll tax
- Core earnings before impairments expected in the DKK 1,100 million range
- **Loan impairments expected to be higher than in 2017 – but still on low level**
- **Net profit expected in the DKK 800 million range**