

# Net profit of DKK 311 million and ROE of 15.0 %

Presentation of Spar Nord's financial results for Q1 2018

# Net profit of DKK 311 million and ROE of 15.0 %

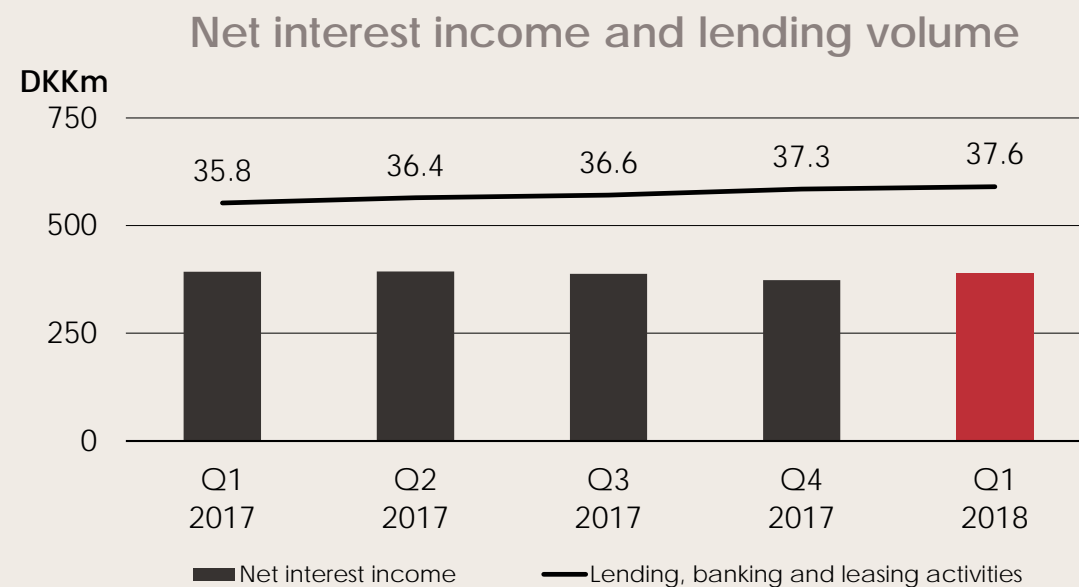
- Continued (though moderate) volume growth and stabilizing margins make for satisfactory NII
- Net fee income remains high despite negative one-off related to new accruals principle
- Market value adjustments boosted by positive one-offs – but tormented by difficult conditions in the bond market
- Costs kept at zero-growth level (y/y) – in spite of large pressure on IT expenses
- DKK 23 million net reversal of loan impairments – evidence of strong credit quality
- Full-year guidance lifted twice during Q1 – based on the quarterly numbers, latest guidance is re-iterated

# Headlines from the income statement

DKKm	YTD 2018	YTD 2017	Index	Q1 2018	Q4 2017	Index
Net interest income	389	393	99	389	373	104
Net fees, charges and commissions	290	294	99	290	279	104
Market-value adjustments	119	164	73	119	102	117
Other income	20	24	84	20	20	102
<b>Core income</b>	<b>819</b>	<b>874</b>	<b>94</b>	<b>819</b>	<b>773</b>	<b>106</b>
Staff costs	277	285	97	277	316	88
Operating expenses etc.	198	190	104	198	210	94
<b>Costs</b>	<b>474</b>	<b>475</b>	<b>100</b>	<b>474</b>	<b>525</b>	<b>90</b>
<b>Core earnings before impairment</b>	<b>344</b>	<b>399</b>	<b>86</b>	<b>344</b>	<b>248</b>	<b>139</b>
Impairments of loans and advances, etc.	-23	1		-23	13	
<b>Profit before tax</b>	<b>367</b>	<b>398</b>	<b>92</b>	<b>367</b>	<b>235</b>	<b>156</b>
Tax	56	81	69	56	44	126
<b>Profit</b>	<b>311</b>	<b>317</b>	<b>98</b>	<b>311</b>	<b>190</b>	<b>163</b>

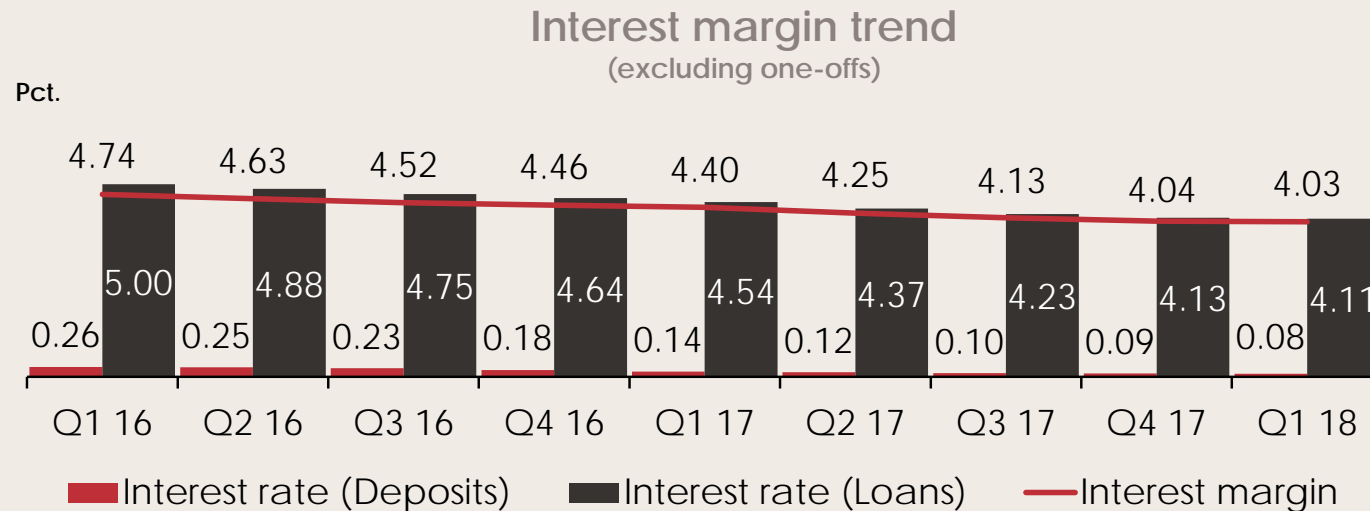
# Moderate volume growth and declining pressure on lending margin make for stable NII

- Net interest income came to DKK 389 million – same level as Q1 last year and 4 % up on Q4
- Bank and leasing lending has grown by 1 % (q/q) and by 5 % (y/y)
  - Lending to household customers is up 1 % (q/q) and 8 % (y/y)
  - Lending to corporates, excluding leasing, up 1 % (q/q) and 0 % (y/y)
  - Leasing business has grown by 9 % (q/q) and 45 % (y/y)
- Q1 net interest income positively impacted by DKK 15 million one-off related to run-off portfolio (Q1 2017: DKK 12 million)
- In Q1, Spar Nord has taken initiatives that are expected to boost net interest income by DKK 35-40 million p.a.



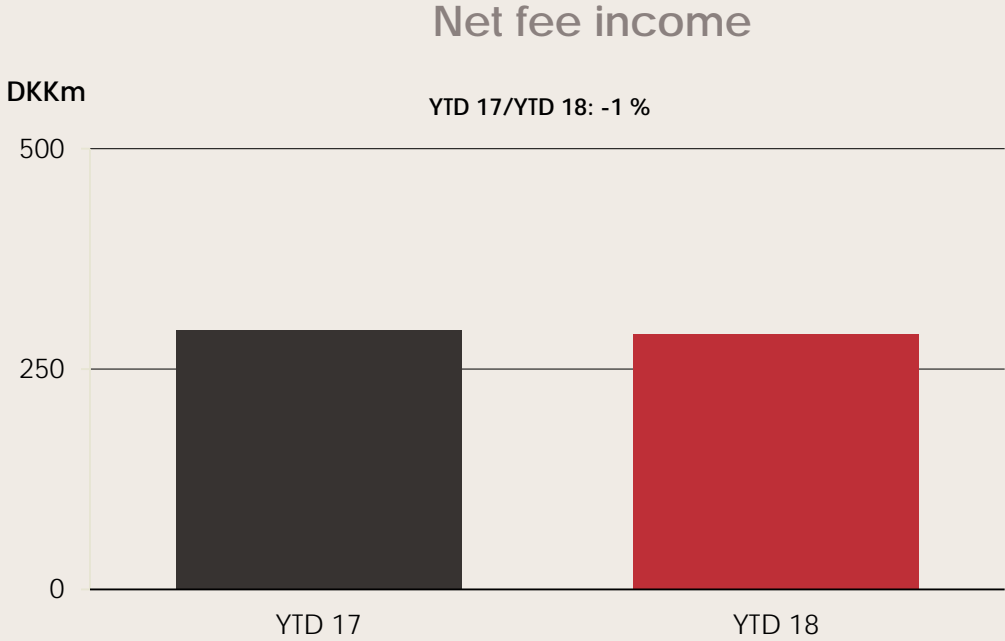
# Moderate volume growth and declining pressure on lending margin make for stable NII

- Total interest margin is down 37 bps from Q1 2017 to Q1 2018
- Year-to-date, interest margin has been stable
  - Lending rates are down 2 basis points
  - Deposit rates are down 1 basis point

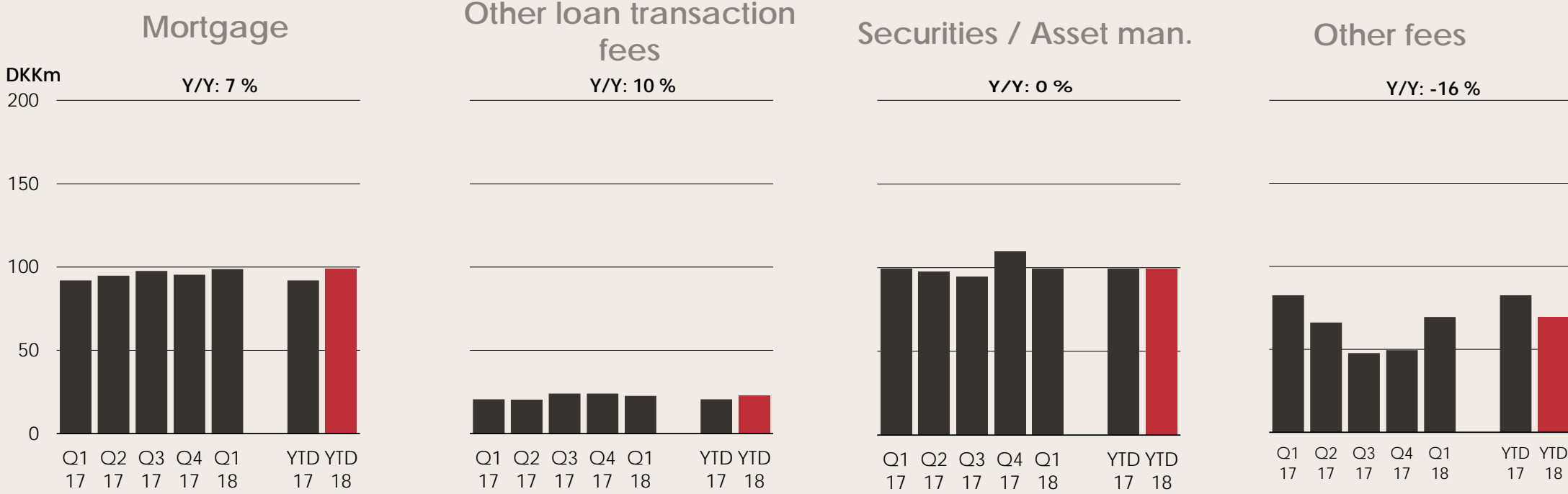


# Net fee income remains high despite negative one-off related to new accruals principle

- Net income from fees, charges and commissions came to DKK 290 million – same level as Q1 last year and 4 % up on Q4
- Fee income adversely affected in the amount of DKK 18 million concerning a changed accruals principle
- Continued growth in income from mortgage-distribution and insurance distribution
- Stable income from securities trading and asset management (y/y)



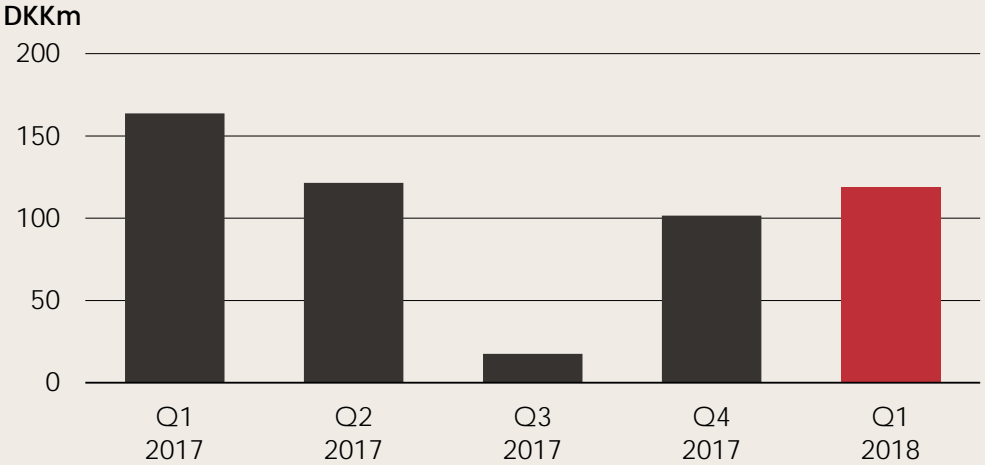
# Net fee income remains high in spite of negative one-off related to new accruals principle



# Lower market value adjustments despite positive one-off items

- Market value adjustments and dividends amounted to DKK 119 million, which is DKK 45 million, or 27 %, lower than in the same period of 2017.
- Extraordinary value adjustment of DKK 74 million with respect to BI Holding A/S
- Sharp drop in market value adjustments on share and bond portfolio due to less favourable market conditions

Market value adjustments



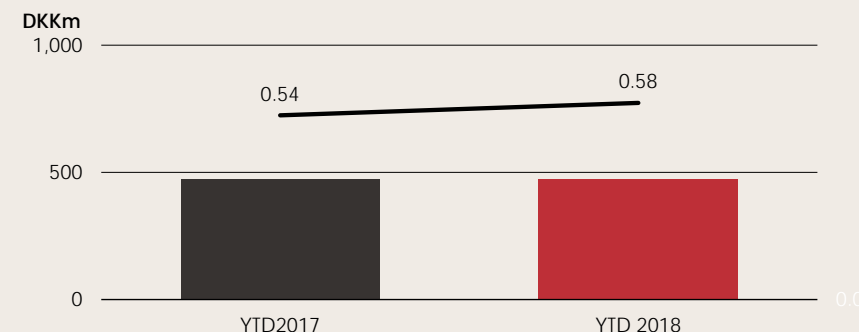
DKKm	YTD 2018	YTD2017	Change
Market-valued adjustments in Trading, Financial Markets & The International Division	-19	114	-133
Tangible assets incl. dividends	129	39	90
Currency trade and -agio	9	11	-2
<b>Total</b>	<b>119</b>	<b>164</b>	<b>-45</b>



# Costs in line with Q1 last year

- The Group's total costs and expenses amounted to DKK 474 million in Q1 2018, against DKK 475 million in the same period of 2017
- Payroll costs were 3% lower than in Q1 2017
  - Collective wage increases offset by small reduction in headcount
  - Other items with positive impact (overtime pay, holiday pay)
- Other operating expenses were 4% higher than in Q1 2017
  - Higher costs associated with strategic IT projects
  - Partly offset by lower costs on most other lines
- At 31 March 2018, Spar Nord employed 1,520 people (FTE), against 1,538 at year-end 2017 and 1,528 at the same time last year.

## Costs and Cost/Income Ratio



## Costs – breakdown on types

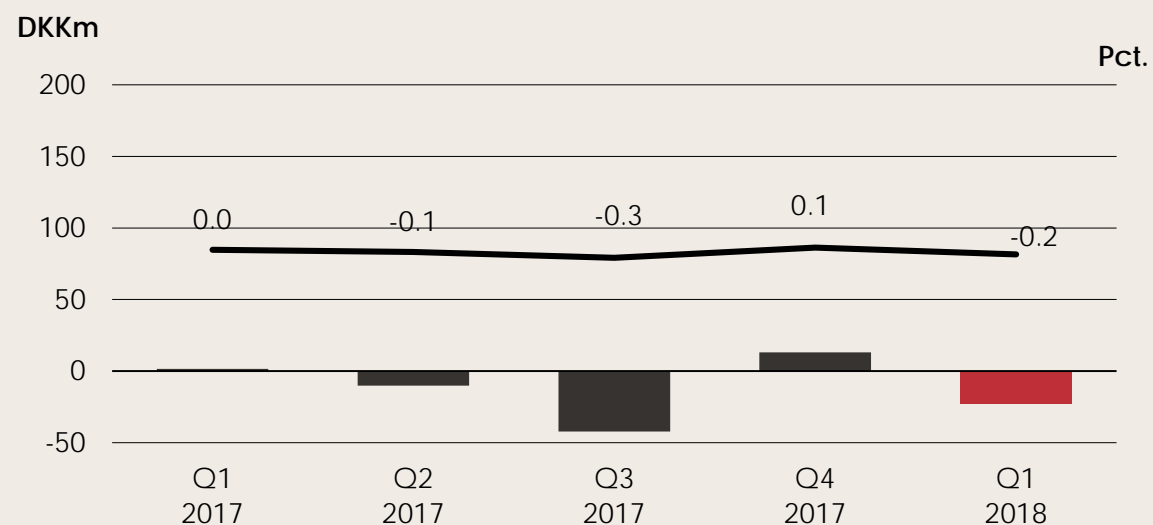
Costs (DKKm)	YTD 2018	YTD 2017	Change
Staff costs	277	285	-8
Operating expenses	183	176	7
Depreciation	15	14	0
<b>Costs</b>	<b>474</b>	<b>475</b>	<b>-1</b>

Operating expenses (DKKm)	YTD 2018	YTD 2017	Change
Staff-related expenses	10	12	-2
Travel expenses	4	3	0
Marketing costs	27	31	-3
IT expenses	103	79	25
Cost of premises	19	26	-7
Other administrative expenses	21	26	-5
<b>Operating expenses</b>	<b>183</b>	<b>176</b>	<b>7</b>

# Net reversal of loan losses

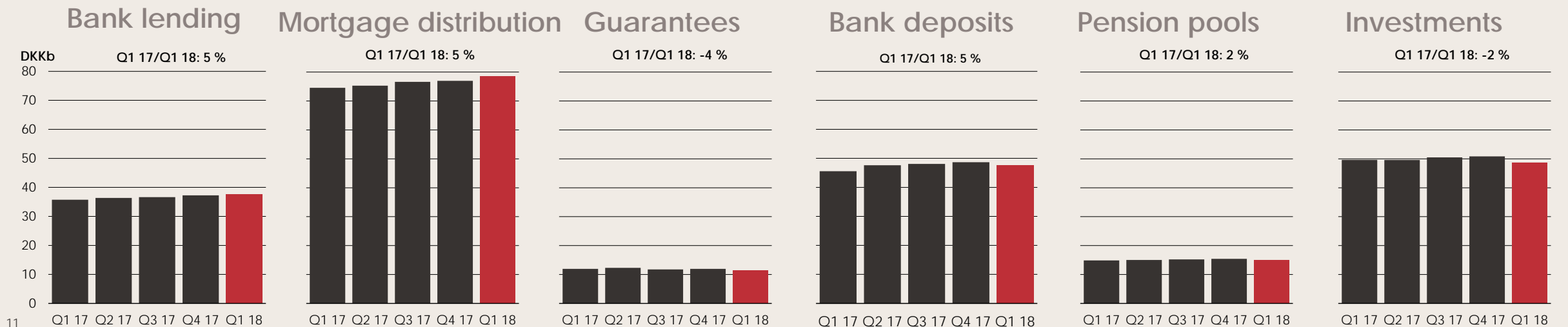
- Loan impairment charges etc. were an income of DKK 23 million, which compares to an income of DKK 1 million in Q1 last year and an expense of DKK 13 in Q4
- Broken down by customer segment impairment charges came to:
  - Retail: DKK -10 million (-0.2 % p.a.)
  - Business: DKK -13 million (-0.1 % p.a.)
- IFRS9 implemented
  - Additional impairments of DKK 250 million
  - Individual impairment charges (stage 3): DKK 1,542 million
  - Stage 1 and Stage 2 impairments: DKK 332 million

Impairments and impairment percentage



# Total business volume of DKK 239 billion

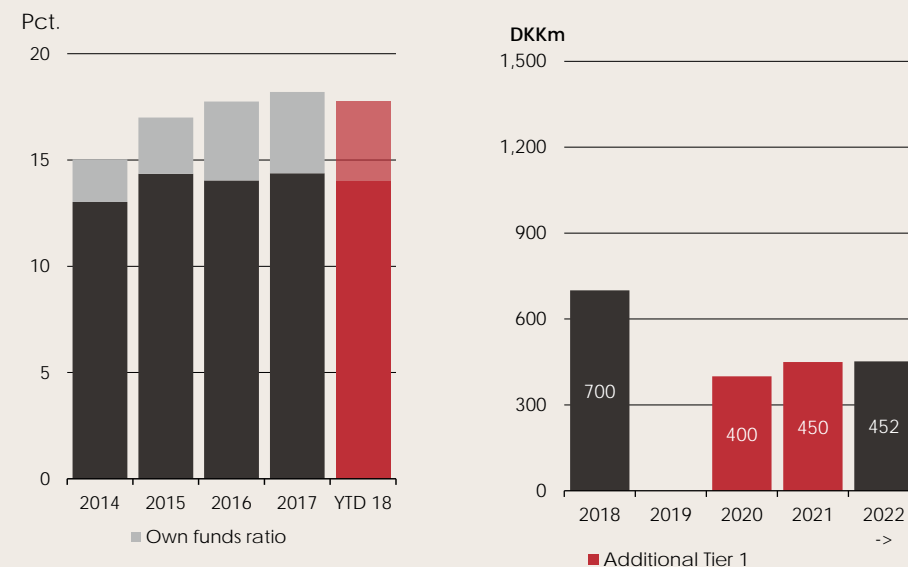
- Positive trend in lending to both retail and business customers
  - Bank lending has grown by 0.5 billion (1 %) and distribution of mortgage loans has grown by DKK 1.1 billion (1 %) year-to-date
- Deposits have declined following a long period of growth
  - Bank deposits are down DKK 0.9 billion. (2 %) and deposits in pooled schemes are down DKK 0.3 billion (2 %) year-to-date
- Custodianship accounts have declined by DKK 2.0 billion (4%) year-to-date



# Solid capital position

- CET1 ratio of 14.0 and total capital ratio of 17.8
  - Reduction of 0.4 pp year-to-date is attributable to growth in REA on market risk
- Capital ratio of 17.8 should be viewed in connection with an individual solvency need of 9.2 % and combined buffers of 1.9 %
  - Excess coverage of 6.6 pp or DKK 3.4 billion
- IRB-project underway
  - Preparations expected to take 2-3 years - plus processing time with the FSA
  - Effect on REA expected to be substantial
- In connection with upcoming SIFI-appointment, capital targets will be adjusted:
  - 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.	Q1 2018	2017	2016	2015
<b>Common equity Tier 1 capital ratio</b>	<b>14.0</b>	<b>14.4</b>	<b>14.0</b>	<b>14.4</b>
Additional Tier 1	1.6	1.7	1.8	0.8
Deductions in additional Tier 1	0.0	-0.1	-0.2	-0.3
<b>Tier 1 capital ratio</b>	<b>15.6</b>	<b>16.0</b>	<b>15.6</b>	<b>14.9</b>
Tier 2 capital	2.2	2.3	2.3	2.3
Deductions in own funds	0.0	-0.1	-0.2	-0.3
<b>Own funds ratio</b>	<b>17.8</b>	<b>18.2</b>	<b>17.7</b>	<b>17.0</b>

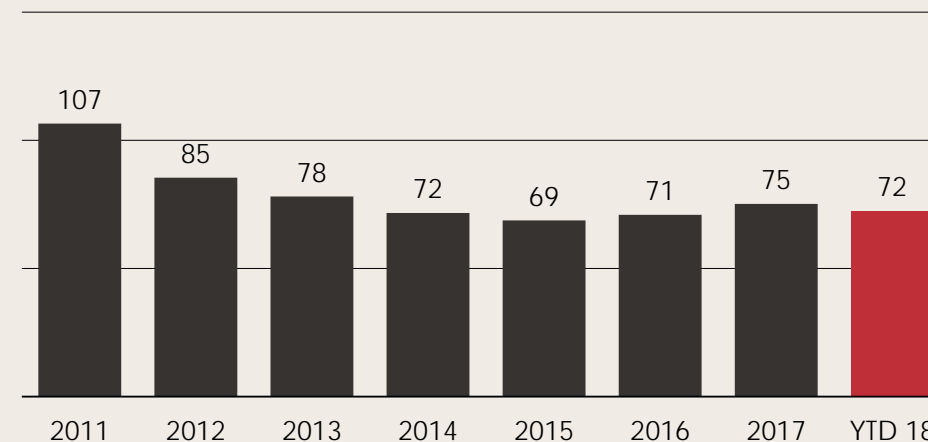
# Strategic liquidity of DKK 19.8 billion

## Strategic liquidity

DKKb	YTD 2018	2017	2016
Deposits, banking activities	47.8	48.7	46.5
Seniorfunding	0.0	0.0	0.0
Core capital and sub. capital	10.2	10.1	9.7
<b>Stable long term funding</b>	<b>58.0</b>	<b>58.8</b>	<b>56.2</b>
Loans, banking and leasing activities	37.6	37.3	35.1
Maturity < 1 year	0.7	0.7	0.4
<b>Liquidity target</b>	<b>19.8</b>	<b>20.8</b>	<b>20.7</b>

Pct.

## Loan to deposit ratio



# Guidance for 2018

- Core earnings before impairments
  - Original guidance: Around DKK 1.1 billion – upgraded twice in Q1 to around DKK 1.3 billion
  - On the basis of the overall financial performance for Q1, guidance is retained
- Impairments of loans etc.
  - Original guidance: "Higher than 2017 but still on low level"
  - On the basis of Q1, guidance is retained
- Net profit
  - Original guidance: Around DKK 0.8 billion – upgraded twice in Q1 to around DKK 1.0 billion
  - On the basis of the overall financial performance for Q1, guidance is retained