

Net profit of DKK 920 million and ROE of 10.8 %

Presentation of Spar Nord's financial results for 2018

Headlines from the income statement

Comments

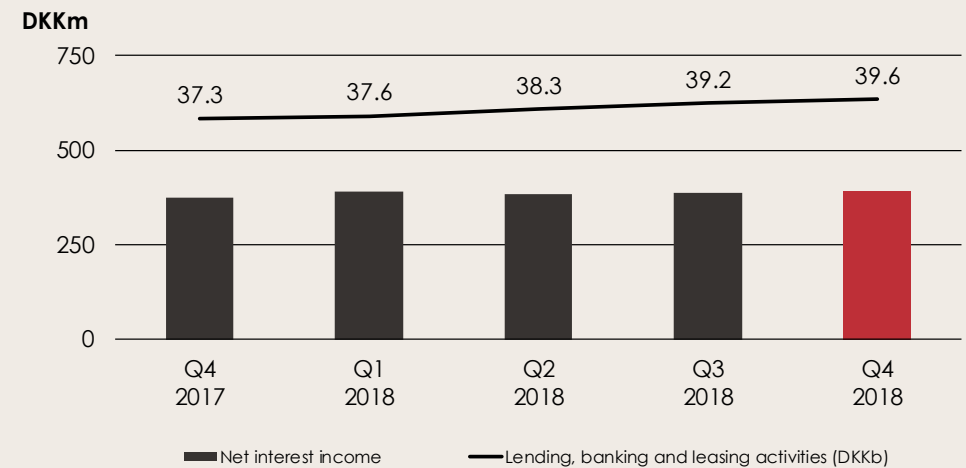
- Net interest income stabilized amidst 6 % loan growth
- Net fee income reaches new record level
- Large positive one-offs on strategic shareholdings
- Negative value adjustments on bond and share portfolio
- Costs down 1 % despite pressure on payroll cost and IT
- Challenges in agriculture and two large single losses visible in impairments

DKKm	2018	2017	Index	Q4 2018	Q3 2018	Index
Net interest income	1,548	1,546	100	390	386	101
Net fees, charges and commissions	1,127	1,116	101	271	293	92
Market-value adjustments	268	404	66	8	77	11
Other income	247	83	297	27	16	173
Core income	3,190	3,150	101	695	771	90
Staff costs	1,152	1,165	99	311	252	123
Operating expenses etc.	771	771	100	195	181	108
Costs	1,924	1,936	99	506	433	117
Core earnings before impairment	1,267	1,213	104	189	338	56
Impairments of loans and advances, etc.	173	-38	-	106	50	212
Profit before tax	1,094	1,251	87	83	288	29
Tax	174	262	66	12	69	18
Profit	920	989	93	71	219	32

Net interest income stabilized amidst 6 % loan growth

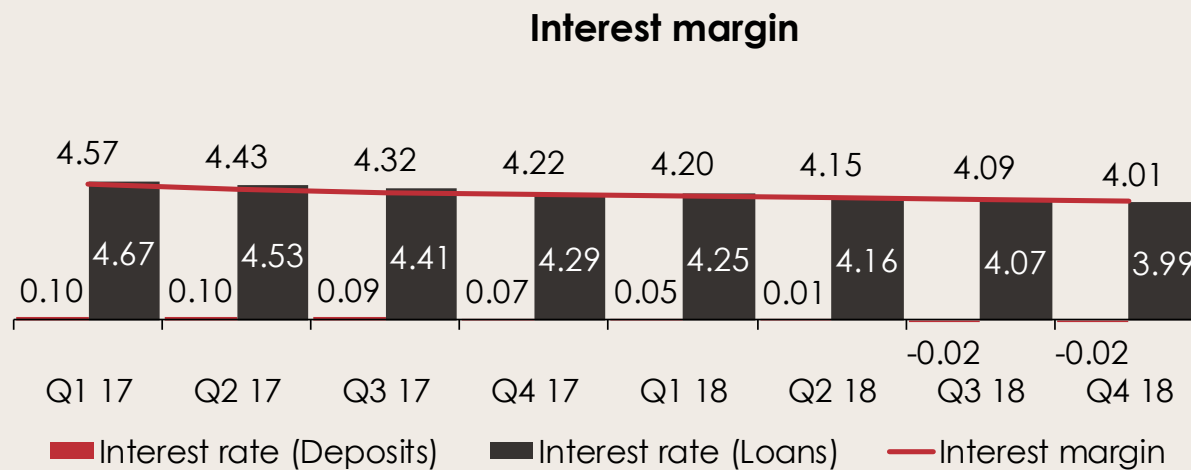
- Net interest income came to DKK 1,548 million versus DKK 1,546 million last year
- Bank and leasing lending grew by DKK 2.3 billion (6 %)
 - Lending to household customers was up DKK 0.7 billion (5 %)
 - Lending to corporates, excluding leasing, was up DKK 0.5 billion (3 %)
 - Leasing business grew by DKK 1.1 billion (37 %)
- Q4 net interest income came to DKK 390 million versus DKK 386 million in Q3
- Continued efforts to improve both deposit and lending margins

Net interest income and lending volume



Continued downward pressure on interest margin in competitive market

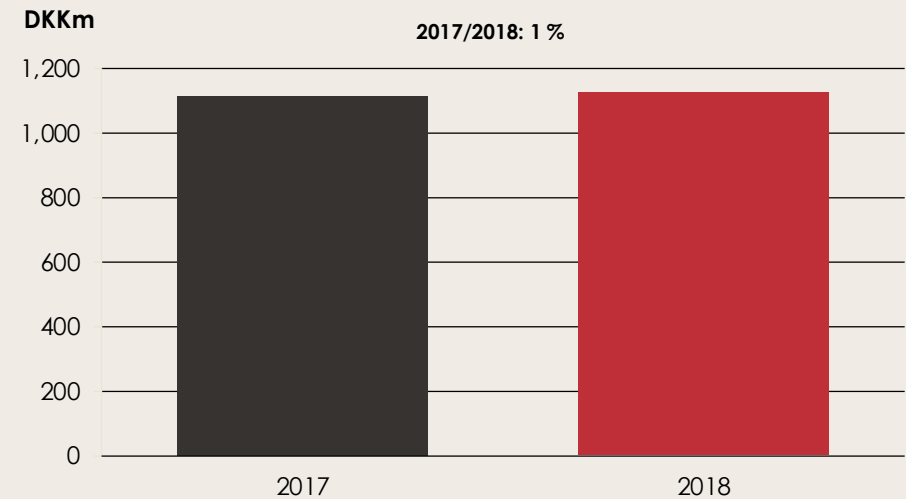
- Total interest margin declined by 21 bps from Q4 2017 to Q4 2018
- Continued price competition on customer lending led to 30 bps decline in lending margin
- Active measures on the deposit side resulted in 9 bps reduction of deposit margin



Net fee income reaches new record level

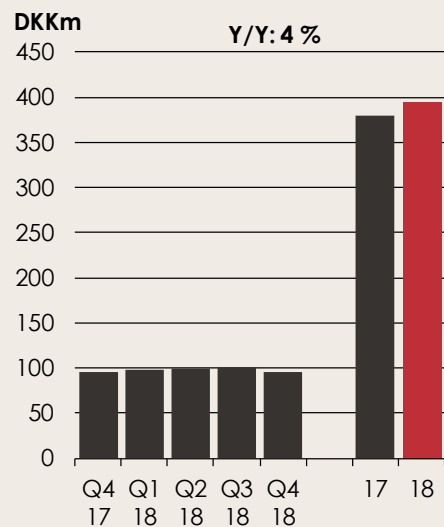
- Net income from fees, charges and commissions came to DKK 1.127 million – DKK 11 million up from last year's record level
- Income from mortgage distribution grew by 4 % driven by continued volume growth
- Fees related to on-balance sheet loans grew by 4 %
- MiFID II effect and lower activity put pressure on income from securities trading and asset management
- Continued growth in fee income from “daily banking” (insurance, payments etc.)

Net fee income

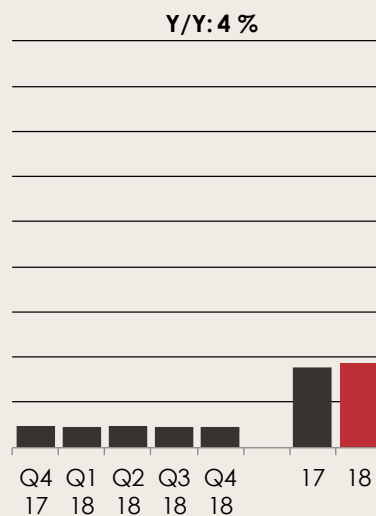


Net fee income reaches new record level

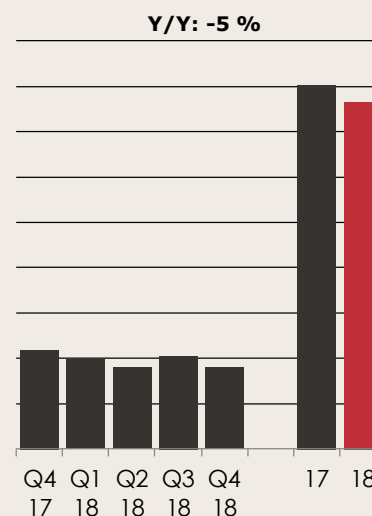
Mortgage



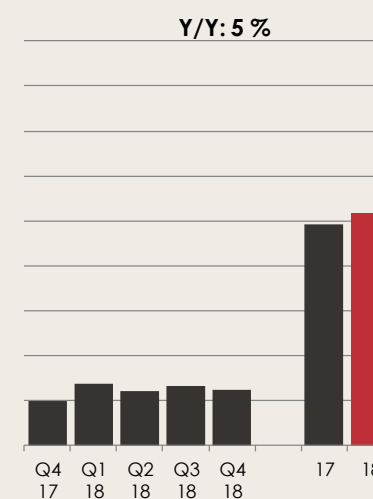
Other loans



Securities trading and asset management



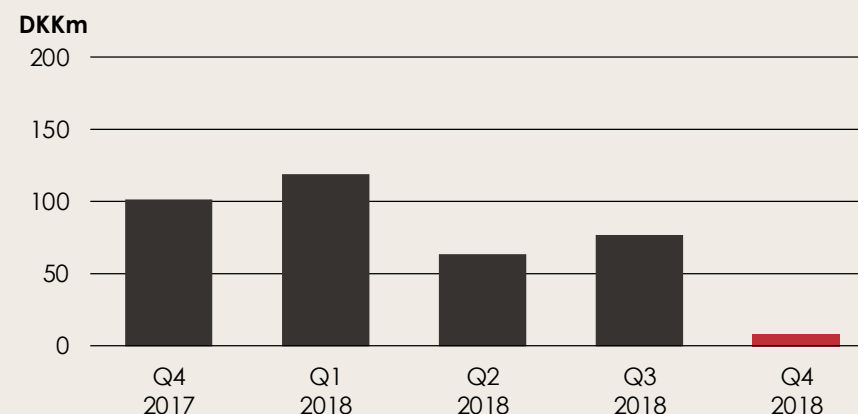
Other fees



Large gains from strategic shares secure market value adjustments at acceptable level

- Market value adjustments and dividends amounted to DKK 268 million versus DKK 404 million in 2017
- Market value adjustments and dividends on share holdings in sector companies grew by DKK 86 million (y/y) – especially driven by BankInvest
- Sharp drop in market value adjustments on bonds and listed shares due to less favourable market conditions – especially Q4 was difficult with negative market value adjustments of DKK 39 million

Market value adjustments and dividends

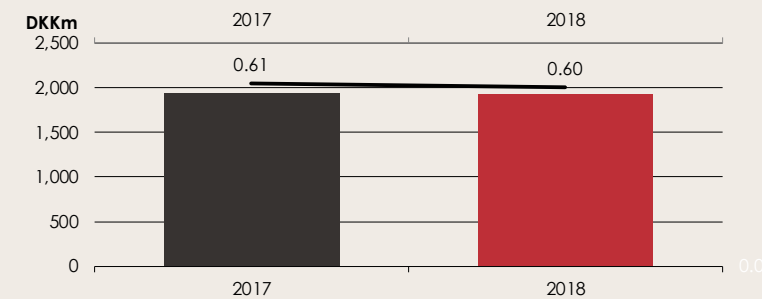


DKKm	2018	2017	Change
Market-valued adjustments in Trading, Financial Markets & The International Division	-25	217	-242
Tangible assets incl. dividends	237	151	86
Currency trade and -agio	57	37	20
Total	268	404	-136

Costs down 1 % despite structural pressure on payroll cost and IT

- The Group's total costs and expenses amounted to DKK 1,924 million in 2018, against DKK 1,936 million in 2017
- Payroll costs were 1% lower than in 2017
 - Collective wage increases partly offset by small reduction in headcount
 - Other items with positive impact (overtime pay, holiday pay)
- Other operating expenses kept a zero-growth level
 - Higher costs associated with strategic and compliance related IT projects ...
 - ...offset by lower costs on most other lines
- At the end of 2018, Spar Nord employed 20 people (FTE) fewer than 12 months earlier
- Cost/Income Ratio came to 0.60 – in line with strategic target

Costs and Cost/Income Ratio



Breakdown on cost types

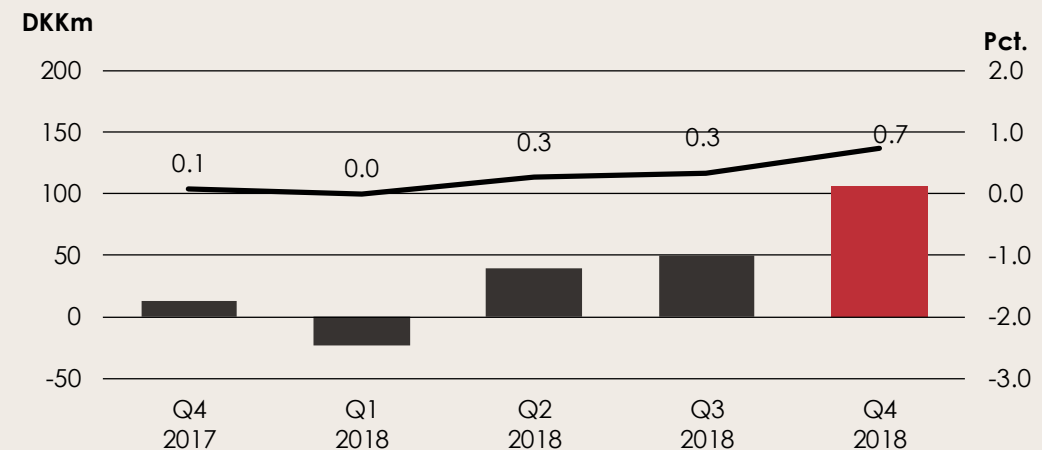
Costs (DKKm)	2018	2017	Change
Staff costs	1,152	1,165	-13
Operating expenses	716	710	6
Depreciation	55	61	-6
Costs	1,924	1,936	-13

Operating expenses (DKKm)	2018	2017	Change
Staff-related expenses	42	38	4
Travel expenses	18	18	0
Marketing costs	91	111	-19
IT expenses	405	354	50
Cost of premises	86	99	-13
Other administrative expenses	74	91	-16
Operating expenses	716	710	6

Loan impairments of DKK 173 million corresponding to impairment percentage of 0.30

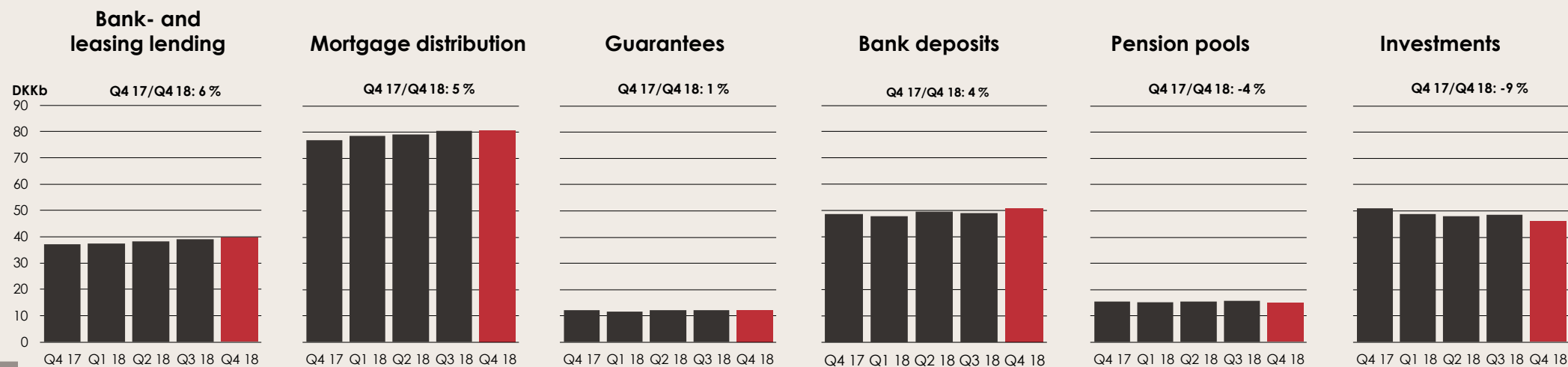
- Loan impairment charges etc. were an expense of DKK 173 million, which compares to an income of DKK 38 million last year
- Broken down by segment impairment charges came to:
 - Retail: DKK 54 million (hereof SparXpres: DKK 46 million)
 - Business excl. agriculture: DKK 13 million
 - Agriculture: DKK 106 million
- Implementation of IFRS9
 - Additional impairments of DKK 250 million
 - Individual impairments (stage 3): DKK 1,531 m (DKK 1,494 m at beginning of year)
 - Stage 1 and Stage 2 impairments: DKK 414 m (DKK 387 m at beginning of year)

Loan impairments and impairment percentage



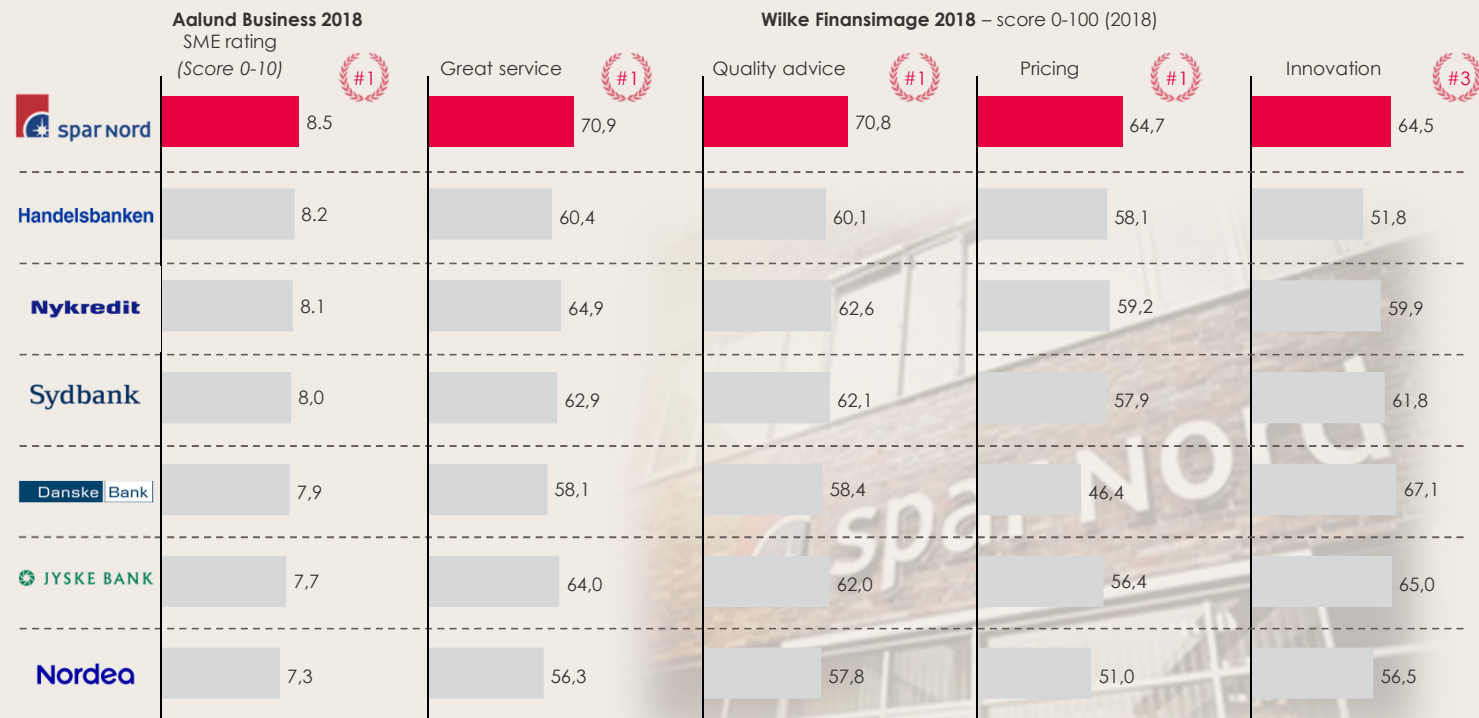
Business volume grows to DKK 244 billion

- Positive trend in lending to both retail and business customers
 - Bank lending has grown by 2.3 billion (6 %) and distribution of mortgage loans has grown by DKK 3.7 billion (5 %)
- Continued growth in deposits
 - Bank deposits are up by DKK 2.1 billion (4 %)
 - Deposits in pooled schemes reduced by 0.6 billion (4 %)
- Custodianship accounts declined by DKK 4.8 billion (9%)



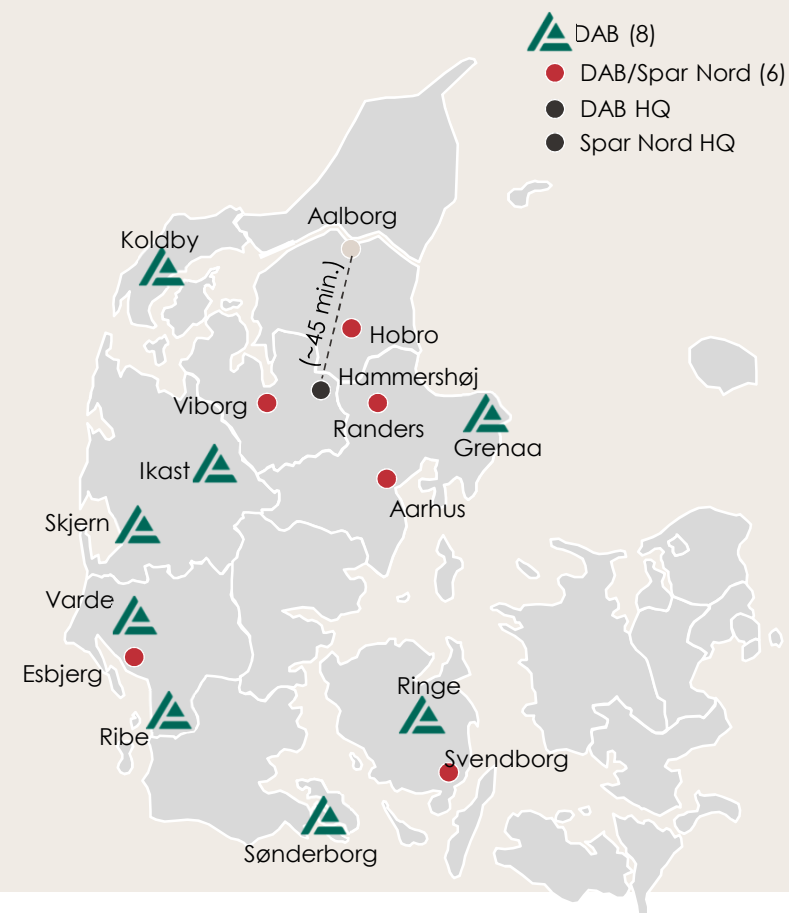
Positive image – positioned for further growth

Spar Nord leads the pack among larger banks in Denmark



Strategic acquisition of 30 % stake in DAB

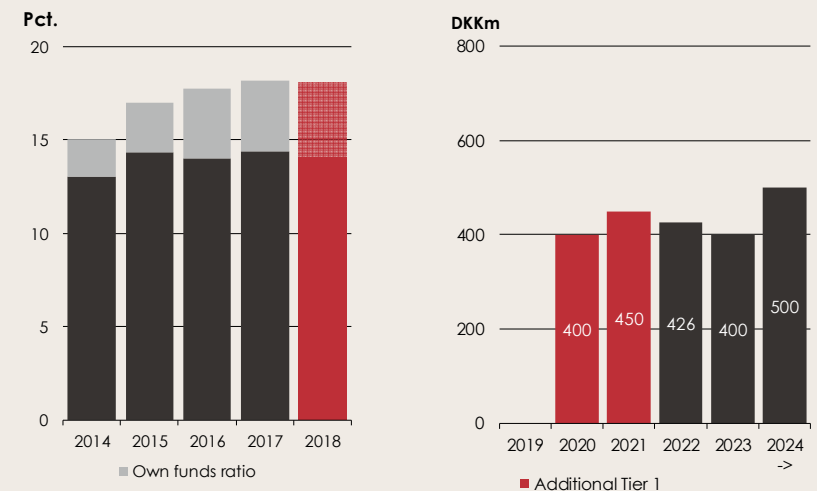
- In September 2018, we acquired 27 % of Danske Andelskassers Bank
 - At present, our stake amounts to 30.7 % of capital and voting rights
- An interesting strategic investment
 - Many similarities in strategy, customer focus, products and IT
 - Strong geographic match
 - We believe that a merger would be value enhancing for all stakeholders
- An attractive financial investment
 - Low capital consumption allocation after divestment of other large holdings
 - Even if DAB performs relatively modestly, return of invested capital will be satisfactory



Solid capital position

- Capital targets
 - CET1 Ratio: 13.5 (up from 13.0 when we become SIFI)
 - Total capital ratio: 17.5 (up from 16.5)
- CET1 ratio of 14.1 and own funds ratio of 18.1
 - Slight decline attributable to volume growth and acquisition of shares in Danske Andelskassers Bank
- Individual solvency requirement of 9.4 and combined buffer requirement of 1.9
 - Excess capital coverage of 6.7 percentage points or DKK 3.6 billion
- For 2018 dividend is proposed at DKK 3.50 per share
 - Pay-out ratio: 45 %
 - Dividend yield: 7 %

Capital percentage and subordinated capital



Capital base

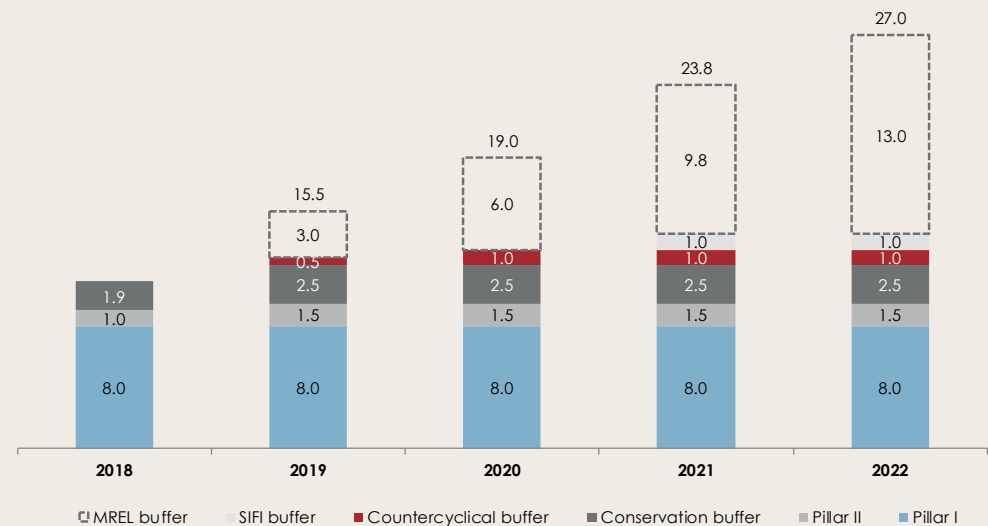
Pct.	2018	2017	2016	2015
Common equity Tier 1 capital ratio	14.1	14.4	14.0	14.4
Additional Tier 1	1.6	1.7	1.8	0.8
Deductions in additional Tier 1	0.0	-0.1	-0.2	-0.3
Tier 1 capital ratio	15.6	16.0	15.6	14.9
Tier 2 capital	2.4	2.3	2.3	2.3
Deductions in own funds	0.0	-0.1	-0.2	-0.3
Own funds ratio	18.1	18.2	17.7	17.0

SIFI appointment and roadmap to IRB

As of 2 January, Spar Nord is SIFI in Denmark

Capital requirement as SIFI bank*

- MREL demand to be phased in over 4 years
 - Two times solvency requirement plus two times combined buffer requirement excluding countercyclical buffer
- IRB-project underway
 - Preparations expected to take 3 years – plus FSA processing
 - Effect on REA expected to be substantial
- Expected need for MREL capital of around DKK 7 billion
 - First issue expected to take place in H2 2019



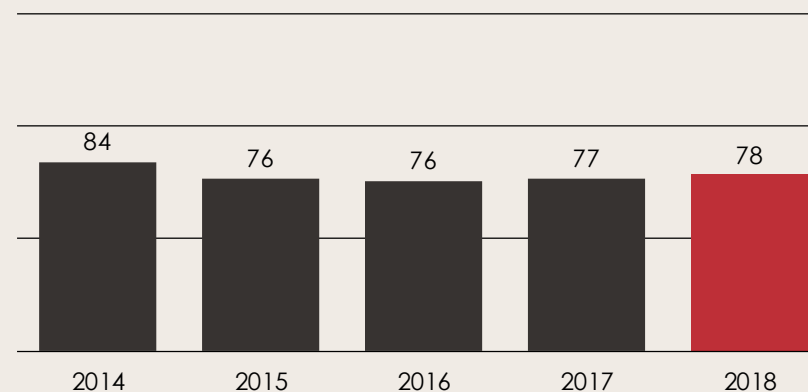
*All numbers express expectation beginning of year

Comfortable strategic liquidity of DKK 21.8 bn

Strategic liquidity

DKKb	2018	2017	2016
Deposits, banking activities	50.8	48.7	46.5
Seniorfunding	0.0	0.0	0.0
Core capital and sub. capital	10.6	10.1	9.7
Stable long term funding	61.3	58.8	56.2
Loans, banking and leasing activities	39.6	37.3	35.1
Maturity < 1 year	0.0	0.7	0.4
Liquidity target	21.8	20.8	20.7

Loan to deposit ratio



Guidance for 2019

- Modest but positive growth in Danish economy
 - Positive loan growth driven by continued growth in market share
- Pressure on core income
 - Intense competition expected to impact lending margin adversely
 - Fee and commission expected to remain high
 - No positive one-offs known at this time
- Pressure on the cost side
 - Underlying growth on payroll costs due to collective agreements and increasing payroll tax – 2.5 % total effect
 - Expenses related to strategic initiatives and compliance
- Core earnings before impairments expected in the DKK 1.0-1.1 billion range
 - Loan impairments expected to be slightly lower than in 2018
- Net profit expected in the DKK 700-800 million range