

Net profit of DKK 1,059 million and ROE 11.7 %

Presentation of Spar Nord's financial results for 2019

Net profit of DKK 1,059 million and ROE of 11.7 %

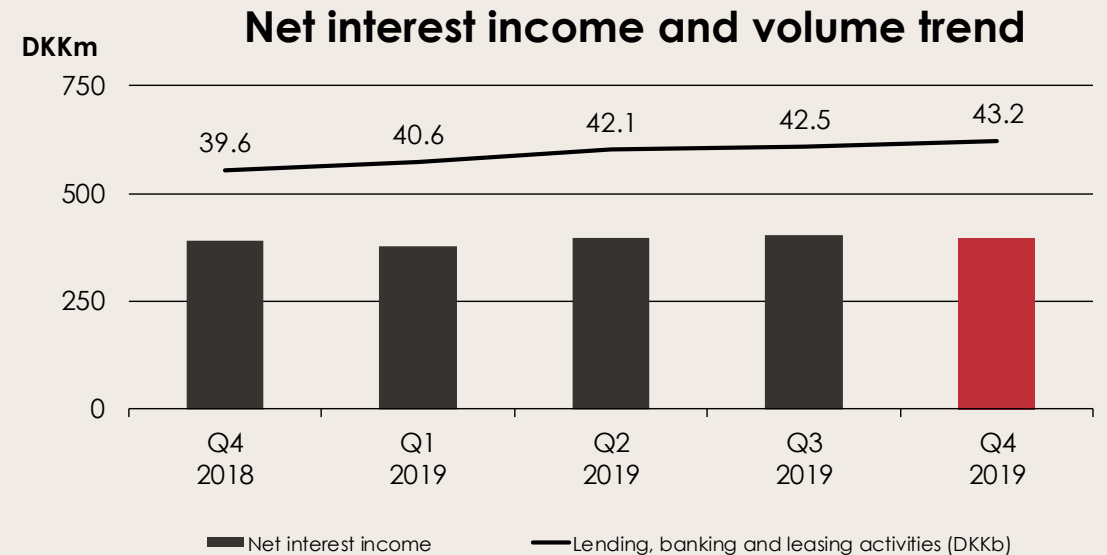
Headlines from the income statement

- Despite satisfactory loan growth, net Interest Income is only slightly higher than last year
- Growth in business volume and high refinancing activity lead to very strong net fee income
- Sizeable improvement in market value adjustments on bonds and equities
- Payroll costs slightly higher and operating expenses slightly lower than expected
- Very low impairment charges thanks to low interest rates and strong credit quality

DKKm	2019	2018	Index	Q4 2019	Q3 2019	Index
Net interest income	1,573	1,548	102	396	402	99
Net fees, charges and commissions	1,225	1,127	109	290	315	92
Market-value adjustments and dividends	379	268	141	67	86	78
Other income	160	247	65	25	70	36
Core income	3,338	3,190	105	779	873	89
Staff costs	1,218	1,152	106	324	281	115
Operating expenses	796	771	103	215	185	116
Costs and expenses	2,014	1,924	105	539	466	116
Core earnings before impairment	1,324	1,267	105	239	407	59
Impairments of loans and advances, etc.	22	173	13	12	9	134
Profit before tax	1,302	1,094	119	227	397	57
Tax	243	174	140	44	67	67
Profit	1,059	920	115	182	331	55

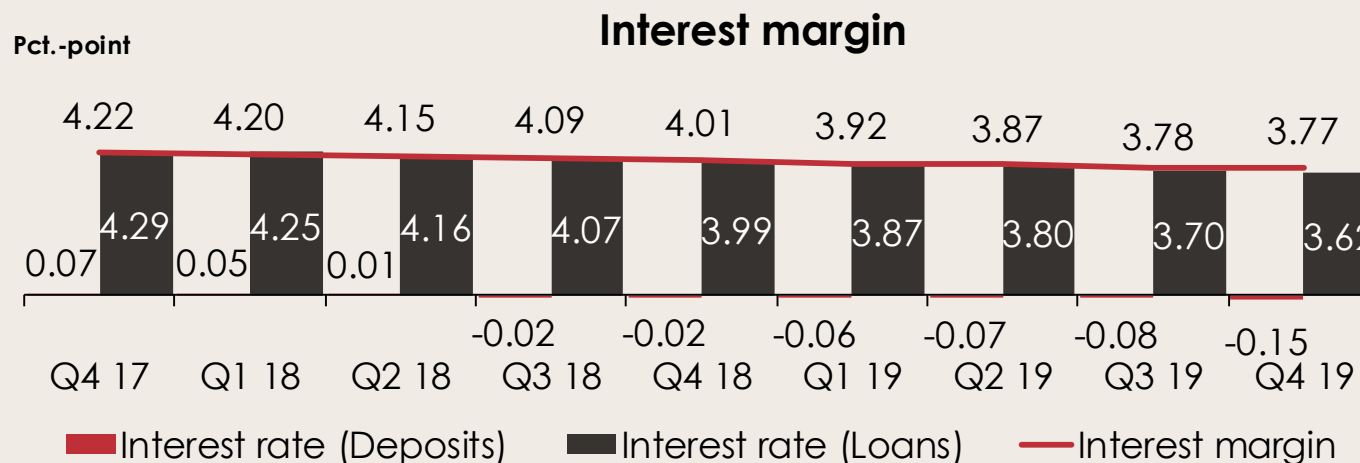
9 % loan growth but pressure on lending margin

- **Net interest income amounted to DKK 1,573 million versus DKK 1,548 million last year**
 - Change in accounting for fee amortisation contributes with DKK 21 million
- **Bank and leasing lending has grown by DKK 3.6 billion (9 %)**
 - Lending to household customers is up DKK 0.2 billion YTD
 - Lending to corporates, excluding leasing, is up DKK 2.5 billion – hereof DKK 1.2 billion related to public sector
 - Leasing business has grown by DKK 0.9 billion
- **From Q3 to Q4 NII has grown from DKK 402 million to DKK 396 million**
 - Interest income from lending down DKK 8 million
 - Interest income from deposits up DKK 5 million



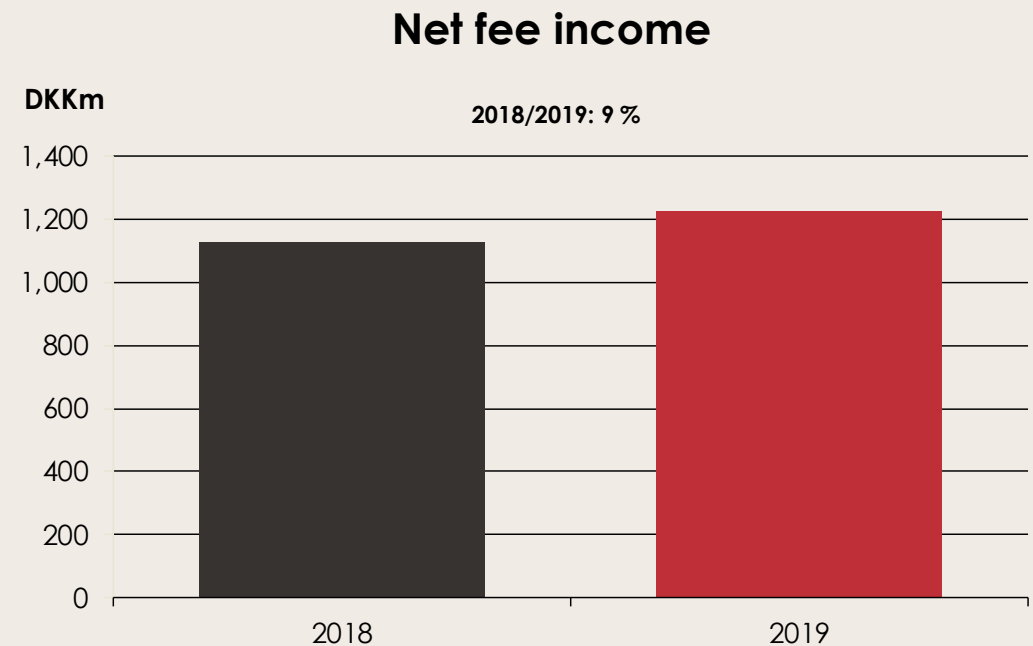
9 % loan growth but pressure on lending margin

- **Total interest margin has declined by 24 basis points since year-end 2018**
 - Lending margin in down 37 basis points
 - Active measures on pricing lead to 13 basis points improvement of deposit margin
- **Lending growth predominantly driven by areas (larger corporates, public sector, leasing etc.) characterized by relatively low margins**

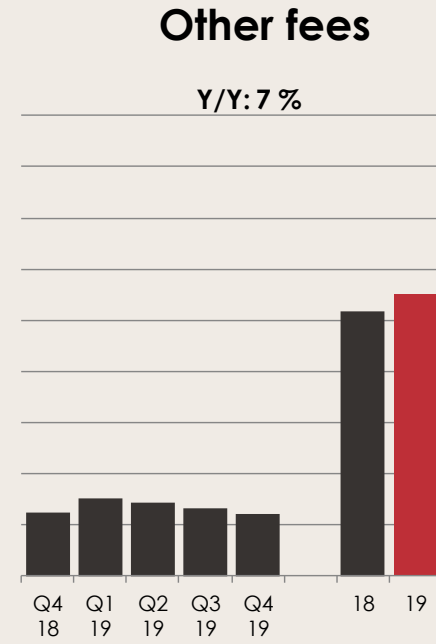
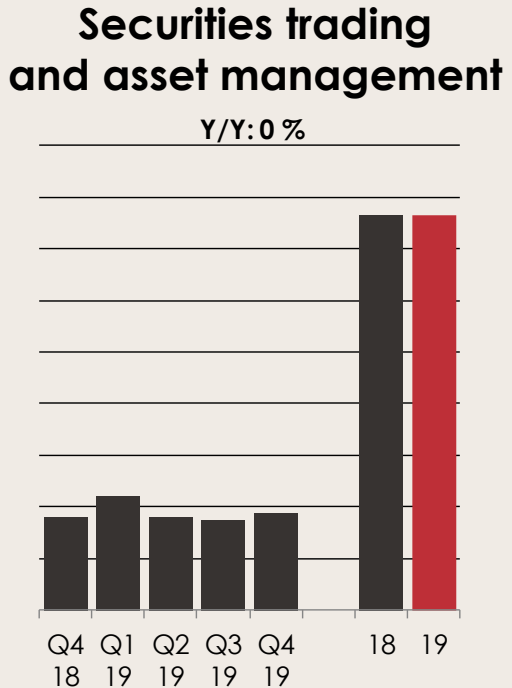
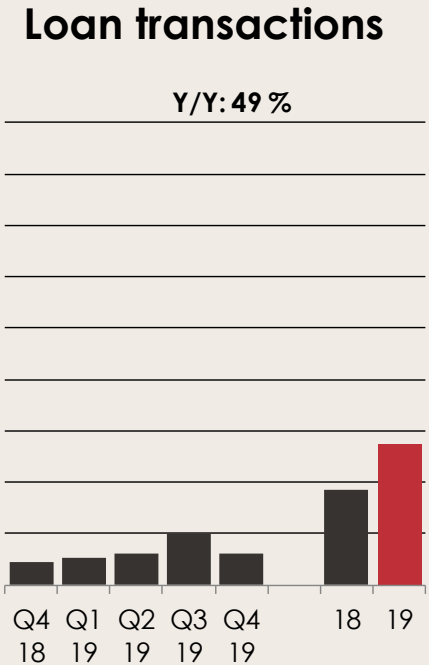
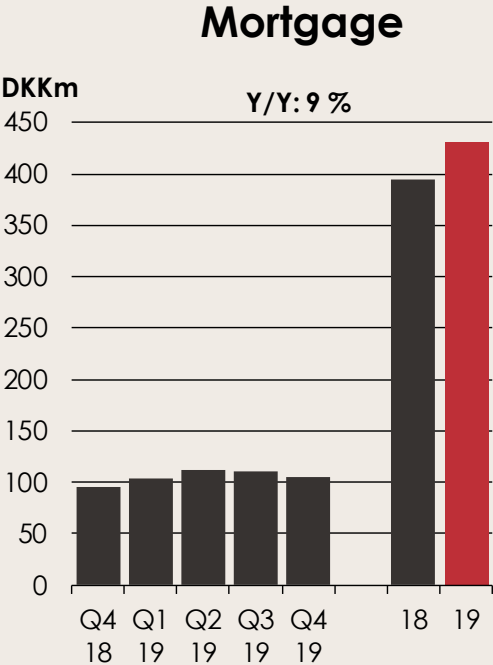


Volume growth and high refinancing activity drive net fee income to record level

- **Net fee income amounted to DKK 1,225 million versus DKK 1,227 million last year**
 - Income from mortgage distribution up 9 % and loan transaction fees up 49 % driven by volume growth and high refinancing activity
 - Income from insurance distribution, pension products etc. grew by 7 %
 - Fees from securities trading and asset management on par with 2018
- **High refinancing activity contribute with approx. DKK 130 million**
- **From Q3 to Q4 net fee income fell from DKK 315 million to DKK 290 million**
 - Lower refinancing activity than in Q3
 - Positive trend in asset management income



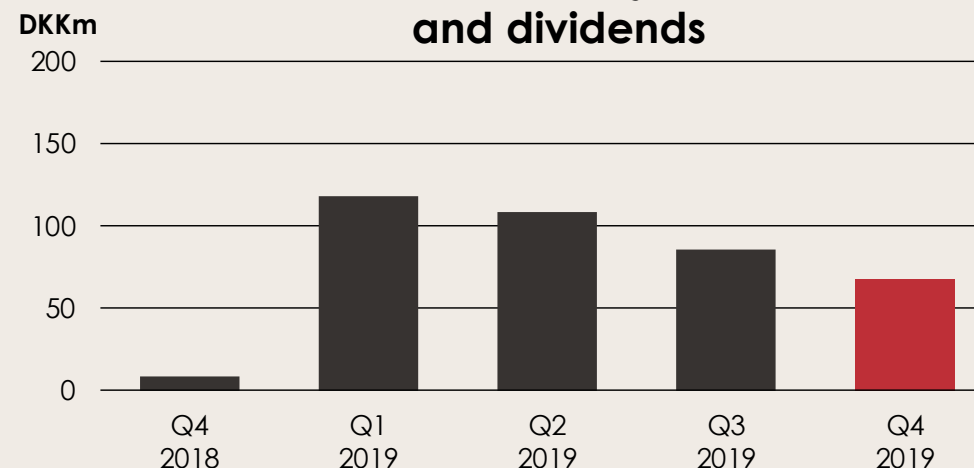
Volume growth and high refinancing activity drive net fee income to record level



Highly satisfactory development in market value adjustments

- Market value adjustments and dividends amounted to DKK 379 million 2019 versus DKK 268 million last year
 - Highly satisfactory in the light of last year's DKK 82 million one-off related to Spar Nord's stake in BankInvest
- Strong development in market value adjustments on bonds (liquidity portfolio) owing not least to declining interest rates
- Strong income from equity portfolio in positive market
- No divestments or other one-off impacting income from portfolio of shares in financial sector companies

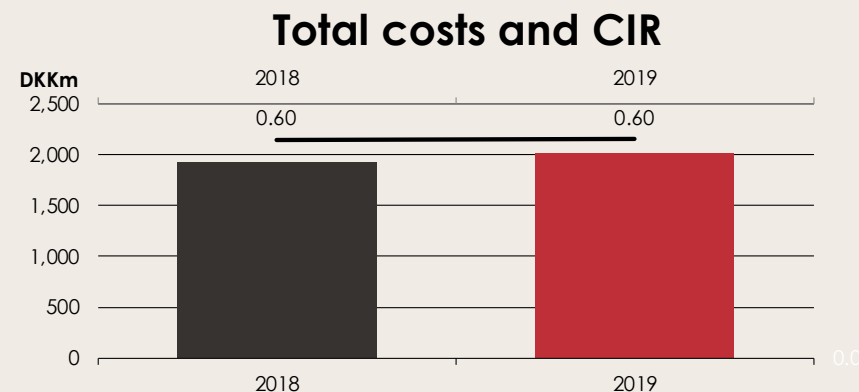
Market value adjustments and dividends



DKKm	2019	2018	Change
Market-valued adjustments in Trading and International Division ect.	177	-25	202
Tangible assets incl. dividends	144	237	-92
Currency trade and -agio	58	57	1
Total	379	268	111

Costs under structural pressure

- Total costs amounted to DKK 2,014 million versus DKK 1,924 million in 2018
- Payroll costs were DKK 65 million (6 %) higher than last year
 - Collective wage increases (~2 %)
 - High customer activity leads to increase in overtime pay etc. (DKK 17 million)
 - 31 FTEs more than 12 months ago
- Operating expenses and depreciation on par with H1 last year
 - IT expenses lower than expected
 - Growth in "other administrative cost" driven by offer for DAB, initiation of rating and strategy process
 - Re-segmentation from cost of premises and depreciation due to IFRS 16
- Cost/Income Ratio of 0.60 – in line with strategic target



Breakdown on cost types

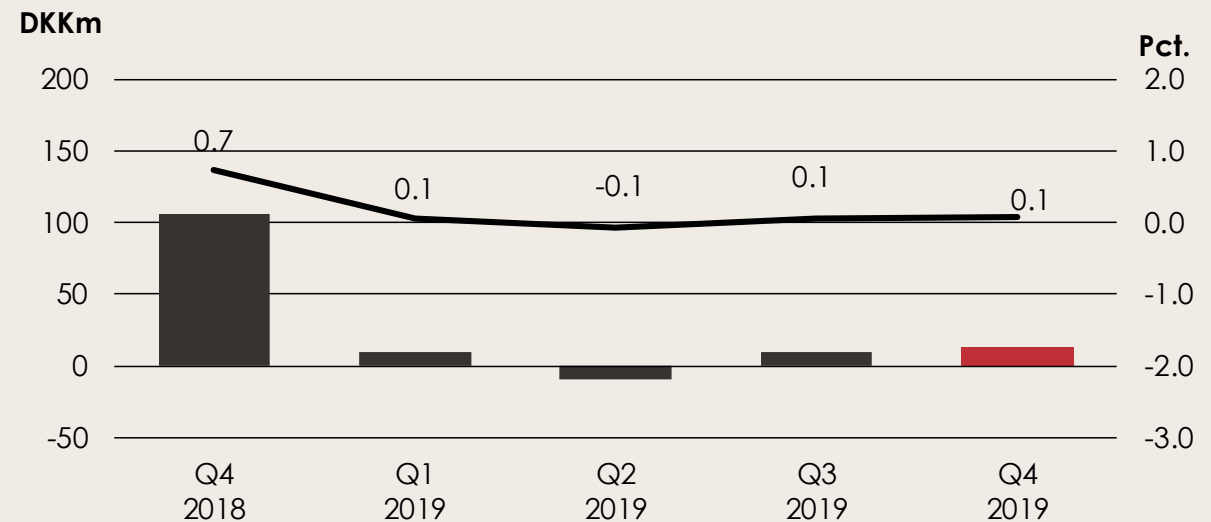
Costs (DKKm)	2019	2018	Change
Staff costs	1,218	1,152	65
Operating expenses	796	771	25
Costs and expenses	2,014	1,924	91

Operating expenses (DKKm)	2019	2018	Change
Staff-related expenses	43	42	1
Travel expenses	21	18	3
Marketing costs	79	91	-12
IT expenses	388	405	-16
Cost of premises	58	86	-27
Other administrative expenses	121	74	47
Depreciation	86	55	31
Operating expenses	796	771	25

Loan impairments at a very low level

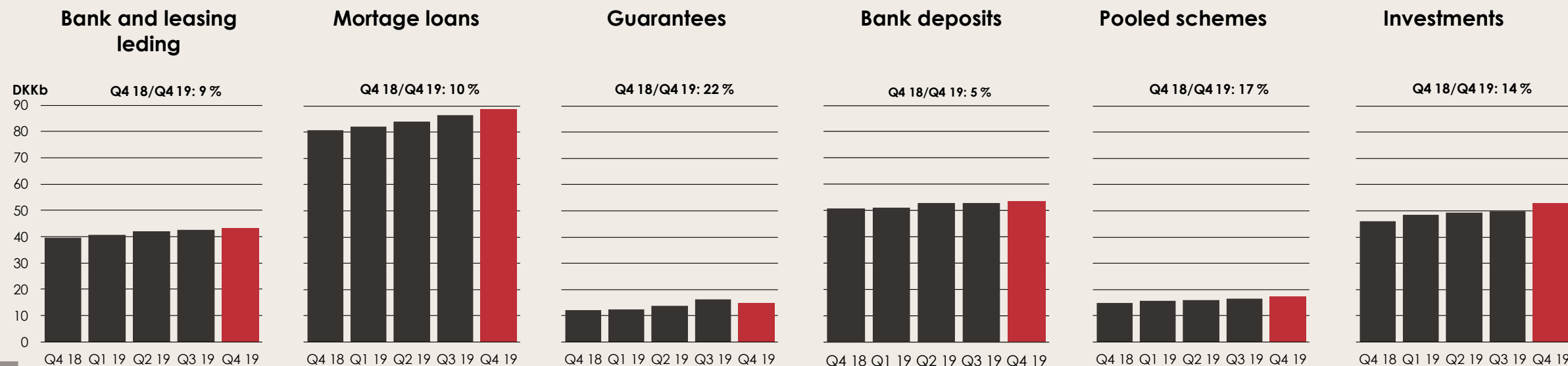
- Loan impairments amounted to an expense of DKK 22 million against DKK 173 million last year
- **Breakdown on segments**
 - Private : DKK -5 million
 - Consumer finance: DKK 56 million (hereof DKK 27 million write-off)
 - Corporate ex. agriculture: DKK 30 million
 - Agriculture: DKK -59 million
- **All significant impairment exposures reviewed**
 - Total exposure of DKK 948 million reclassified from stage 3 (NPL) to stages 1 and 2
 - Non-Performing Loans reduced by DKK 1,001 million
- **Impairments broken down on stages (IFRS 9)**
 - Individual impairments (stage 3): DKK 1,083 million (DKK 1,531 million at YE18) Stage 1 and 2: DKK 420 million (DKK 414 million)

Impairments and impairment percentage



Very satisfactory volume growth

- At year-end, total business volume amounts to DKK 269.9 billion – DKK 25.8 billion (11 %) higher than end-2018
- Positive trend in credit distribution to both private customers and corporates
 - Bank and leasing lending has grown by 3.6 billion (9 %) and distribution of mortgage loans has grown by DKK 7.8 billion (10 %) YTD
- Deposits and pooled pension savings are still growing
 - Bank deposits are up DKK 2.5 billion (5 %) and deposits in pooled schemes are up DKK 2.6 billion (17 %)
- Customers invested assets have increased by DKK 6.7 billion (14 %) year-to-date



Update on capital position

- **Capital ratios**

- CET1: 14.6 (strategic target: 13.5)
- Own funds ratio: 18.5 (strategic target: 17.5)

- **Capital position strengthened in 2019**

- Lower market risk and lower deductions for share holdings in financial sector
- Strong profits
- Lending growth in segments with relatively low capital weight

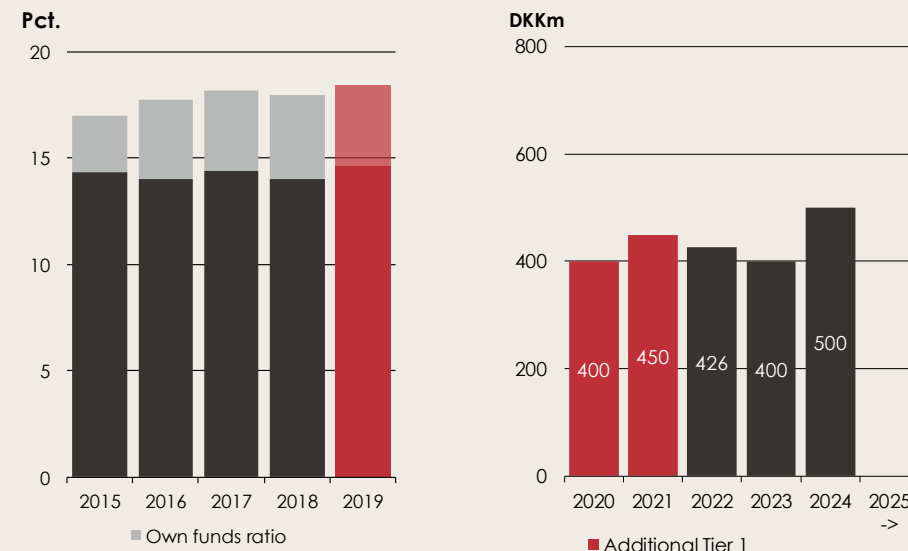
- **Individual solvency requirement of 9.5 % and combined buffer requirement of 4.0 %**

- Excess coverage of 5.0 percentage points or 2.8 billion

- **Expected need for MREL capital of around DKK 7 billion**

- First issue of DKK 2.6 executed satisfactorily in H2 2019

Own funds ratio and subordinated capital



Capital base

Pct.	2019	2018	2017	2016
Common equity Tier 1 capital ratio	14.6	14.0	14.4	14.0
Additional Tier 1	1.5	1.6	1.7	1.8
Deductions in additional Tier 1	0.0	0.0	-0.1	-0.2
Tier 1 capital ratio	16.1	15.6	16.0	15.6
Tier 2 capital	2.3	2.4	2.3	2.3
Deductions in own funds	0.0	0.0	-0.1	-0.2
Own funds ratio	18.5	18.0	18.2	17.7

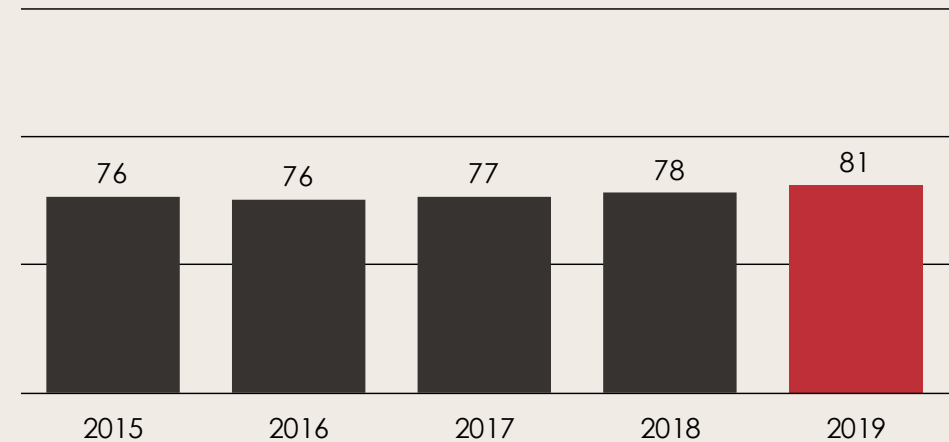
Comfortable strategic liquidity

Strategic liquidity

DKKb	2019	2018	2017
Deposits, banking activities	53.3	50.8	48.7
Seniorfunding	2.6	0.0	0.0
Core capital and sub. capital	11.1	10.6	10.1
Stable long term funding	67.0	61.3	58.8
Loans, banking and leasing activities	43.2	39.6	37.3
Maturity < 1 year	0.4	0.0	0.7
Liquidity target	23.4	21.8	20.8

Loan to deposit ratio

Pct.



Guidance for 2020 – challenges ahead

- **Modest but positive growth in Danish economy**

- Growth in bank and leasing lending as well as mortgage distribution driven by growth in market share – but lower than in 2019

- **Pressure on core income**

- Pressure on lending margin hopefully offset by active measures on deposits
- Markedly lower fee income from refinancing partially compensated by other activity types
- No known one-offs

- **Continued pressure on costs**

- Underlying growth in payroll costs due to collective agreements and rising payroll tax – 2,5 % i total
- Markedly higher IT expenses

- **Core earnings before impairments in the DKK 900-1,100 million range**

- Loan impairments higher than in 2019 but still at low level

- **Net profit in the DKK 625-825 million range**

Strategy plan 2020-22

- **Main elements of the "diagnosis" are unchanged**

- Low interest rates, compliance demands and digitalisation still set the scene
- More explicit focus on responsibility and sustainability

- **Key focus areas and actions**





- Continued focus on top-notch advice and service
- Growth in corporate and business banking
- New products (payments, customer program etc.)
- Responsible investment and sustainable finance

- **Focus on completing large projects to improve customer experience, efficiency and compliance**

- Salesforce – implemented in H1 2020
- New mortgage platform
- From standard to IRB

- **Financial targets**

- ROE: 7-9 % after tax
- C/I Ratio: 0.65

 Vision	Denmark's most personal bank			
 Tendencies	Low interest rates	Compliance	Digitalisation	Responsibility and sustainability
 Strategic bearing	The personal bank in a digital world 2.0			
 Actions	Must Win Battles #1 Personal advice and new products <ul style="list-style-type: none"> • The even better customer meeting • New products and services • Growth in corporate banking 	Must Win Battles #2 Effectiveness and empowerment <ul style="list-style-type: none"> • Automation and better process design • Continual improvement • People development and top-notch leadership 	Must Win Battles #3 A proper bank <ul style="list-style-type: none"> • A responsible company • Responsible investment • Sustainable finance 	