

MOODY'S

INVESTORS SERVICE

CREDIT OPINION

16 July 2021

Update

 Rate this Research

RATINGS

Spar Nord Bank A/S

Domicile	Aalborg, Denmark
Long Term CRR	A1
Type	LT Counterparty Risk Rating - Fgn Curr
Outlook	Not Assigned
Long Term Debt	(P)A1
Type	Senior Unsecured MTN - Fgn Curr
Outlook	Not Assigned
Long Term Deposit	A1
Type	LT Bank Deposits - Fgn Curr
Outlook	Stable

Please see the [ratings section](#) at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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CLIENT SERVICES

Americas 1-212-553-1653

Spar Nord Bank A/S

Update following publication of new Banks Methodology

Summary

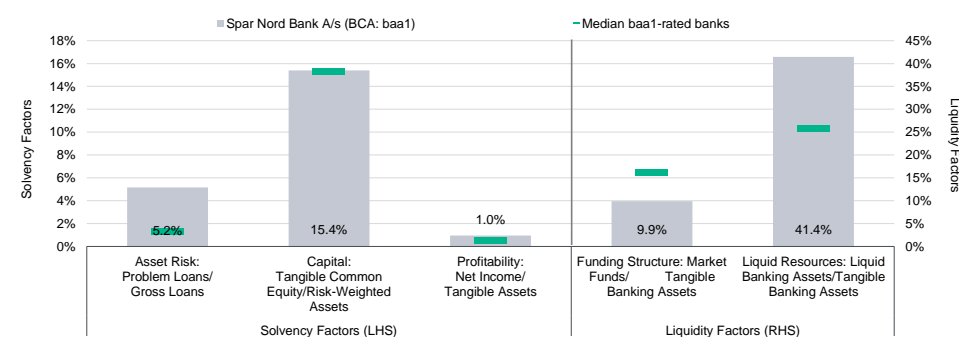
[Spar Nord Bank A/S](#) (Spar Nord or the bank) A1 long-term deposit and (P)A1 senior unsecured ratings reflect (1) the bank's baa1 standalone Baseline Credit Assessment (BCA); and (2) three notches of rating uplift from our Advanced Loss Given Failure (LGF) analysis, which takes into account the risks faced by different liability classes should the bank enter into resolution. The bank's long-term deposit ratings carry a stable outlook.

On July 13, 2021, Moody's affirmed Spar Nord's subordinated programme ratings at (P)Baa2, following the publication of new Banks Methodology, reflecting one negative notch from the BCA due to LGF.

Spar Nord's baa1 standalone BCA reflects the bank's robust capitalization as well as its low dependence on market funding and strong liquidity buffer. At the same time, it takes into account the bank's nonperforming loan ratio, which, despite improvements, remains higher than the system average, along with moderately higher loan growth than the system average. The bank's deposit pricing initiatives are mitigating pressures on profitability due to the prolonged low interest rate environment.

Exhibit 1

Rating Scorecard - Key financial ratios



Asset risk and profitability ratios reflect the weaker of either the last reported or the average of the latest three annual periods and the year-to-date figure. The capital ratio is the latest reported figure. Funding structure and liquidity ratios reflect the latest year-end figures.

Source: Moody's Investors Service

Credit strengths

- » Robust capitalization and a strong leverage ratio
- » Low dependence on market funding
- » Strong liquidity buffer

Credit challenges

- » Relatively high problem loans, albeit improving
- » Net interest margins under pressure due to low interest environment, but negative rates on household deposits will help to partly alleviate it

Outlook

The stable outlook on the bank's long-term deposit ratings reflects our view that the bank will be relatively resilient in the aftermath of last year's economic slowdown, and that its asset quality, capital and profitability metrics will remain broadly stable.

Factors that could lead to an upgrade

- » Factors that could lead on an upgrade include an upgrade of Spar Nord's BCA, which could occur if we observe (1) a sustained improvement in the bank's asset-risk metrics, including lower problem loans, potentially along with reduced concentrations; and (2) a sustained improvement in the bank's profitability without a deterioration in its risk profile.
- » Spar Nord's long-term deposit and debt ratings, CRA and CRR, already have the maximum uplift due to LGF, so no further uplift is possible.

Factors that could lead to a downgrade

- » Factors that could lead to a downgrade of Spar Nord's ratings include a lower BCA or reduced uplift in the LGF. A downgrade of the BCA could occur if we observe (1) a material deterioration in asset quality or if concentrations and exposures to more volatile segments increase; (2) a persistent weakening in the bank's recurring earnings power and operating efficiency; (3) a substantial increase in market funding reliance beyond our current expectations; or (4) weaker capital ratios that are below the bank's current capital targets.
- » A downward movement in the BCA and adjusted BCA would have an impact on Spar Nord's long-term deposit and debt ratings, CRA and CRR.
- » Negative pressure on the bank's long-term deposit and debt ratings would also arise if there is a shift in the bank's funding mix, such as lower loss-absorbing instrument volume or a material reduction in junior deposit amounts, which would result in lower rating uplift than currently assumed under our Advanced LGF framework.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moody's.com for the most updated credit rating action information and rating history.

Key indicators

Exhibit 2

Spar Nord Bank A/S (Consolidated Financials) [1]

	03-21 ²	12-20 ²	12-19 ²	12-18 ²	12-17 ²	CAGR/Avg. ³
Total Assets (DKK Million)	107,617.3	101,264.0	92,534.0	82,252.0	79,673.0	9.7 ⁴
Total Assets (USD Million)	17,006.7	16,645.7	13,900.3	12,600.0	12,849.7	9.0 ⁴
Tangible Common Equity (DKK Million)	9,334.0	9,355.0	8,663.0	8,128.0	7,865.0	5.4 ⁴
Tangible Common Equity (USD Million)	1,475.0	1,537.8	1,301.3	1,245.1	1,268.5	4.8 ⁴
Problem Loans / Gross Loans (%)	4.1	4.2	4.5	7.8	8.1	5.8 ⁵
Tangible Common Equity / Risk Weighted Assets (%)	15.4	17.1	15.5	15.1	15.9	15.8 ⁶
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	18.0	17.0	19.8	32.7	33.2	24.1 ⁵
Net Interest Margin (%)	1.6	1.6	1.7	1.9	1.9	1.7 ⁵
PPI / Average RWA (%)	2.3	2.1	2.1	2.0	2.4	2.2 ⁶
Net Income / Tangible Assets (%)	1.1	0.7	1.1	0.9	1.2	1.0 ⁵
Cost / Income Ratio (%)	62.8	63.6	63.3	65.3	61.8	63.4 ⁵
Market Funds / Tangible Banking Assets (%)	8.9	9.9	10.3	5.3	4.9	7.8 ⁵
Liquid Banking Assets / Tangible Banking Assets (%)	39.8	41.4	36.7	34.9	36.2	37.8 ⁵
Gross Loans / Due to Customers (%)	75.9	76.0	83.7	81.4	79.8	79.4 ⁵

[1] All figures and ratios are adjusted using Moody's standard adjustments. [2] Basel III - fully loaded or transitional phase-in; IFRS. [3] May include rounding differences because of the scale of reported amounts. [4] Compound annual growth rate (%) based on the periods for the latest accounting regime. [5] Simple average of periods for the latest accounting regime. [6] Simple average of Basel III periods.

Sources: Moody's Investors Service and company filings

Further to the publication of our revised methodology in July 2021, for issuers that have "high trigger" additional Tier 1 instruments outstanding, not all ratios included in this report reflect the change in treatment of these instruments

Profile

Spar Nord Bank A/S (Spar Nord) is a full-service commercial bank in Denmark that provides retail, corporate and private banking services, with a focus on private individuals and small and medium-sized enterprises. It operates through a network of 57 branches in Denmark. Spar Nord was founded in 1824 and merged with Sparbank A/S, a smaller Danish regional bank, in 2012.

Spar Nord is the seventh-largest bank in Denmark, with DKK108 billion (around €14.5 billion) total reported assets as of March 2021. It has a strong presence in the northern Jutland region of Denmark, where it has a market share of around 32%. Its national market share in 2020 was 1.2% in loans (excluding loans transferred to mortgage credit institutions (MCIs)) and 4.1% in deposits.

Recent developments

Macroeconomic developments

Disparities in controlling the COVID-19 pandemic and in levels of policy support are resulting in an asynchronous global economic recovery. Although we [expect](#) significantly stronger global economic activity this year than last year, the recovery is multispeed and diverging across and within advanced and emerging market countries.

Following a contraction of 2.7% in GDP in 2020 in Denmark, a much milder decline than most European peers, we expect the economy to gradually recover in 2021, with a 2.5% growth in GDP, supported by base effects and continued expansionary fiscal policy. Problem loans will increase modestly for Danish banks once government support measures are gradually lifted. However, Danish banks have conservatively taken IFRS 9 provisions in 2020 to cover potential credit losses ahead of the expected deterioration. Although the government re-opened the economy sooner than planned following the restrictions in the first quarter of 2021, uncertainty remains high with the government support measures delaying the identification of unviable customers. Generally, however, low interest rates, combined with macroprudential measures, a preceding period of modest credit growth and a decline in overall indebtedness have made Danish businesses and households potentially more resilient to the current downturn compared to previous macroeconomic shocks.

Bank Nordic

In February 2021, Spar Nord completed the acquisition of the Danish retail business from Bank Nordic that was [announced](#) in December 2020.

Detailed credit considerations

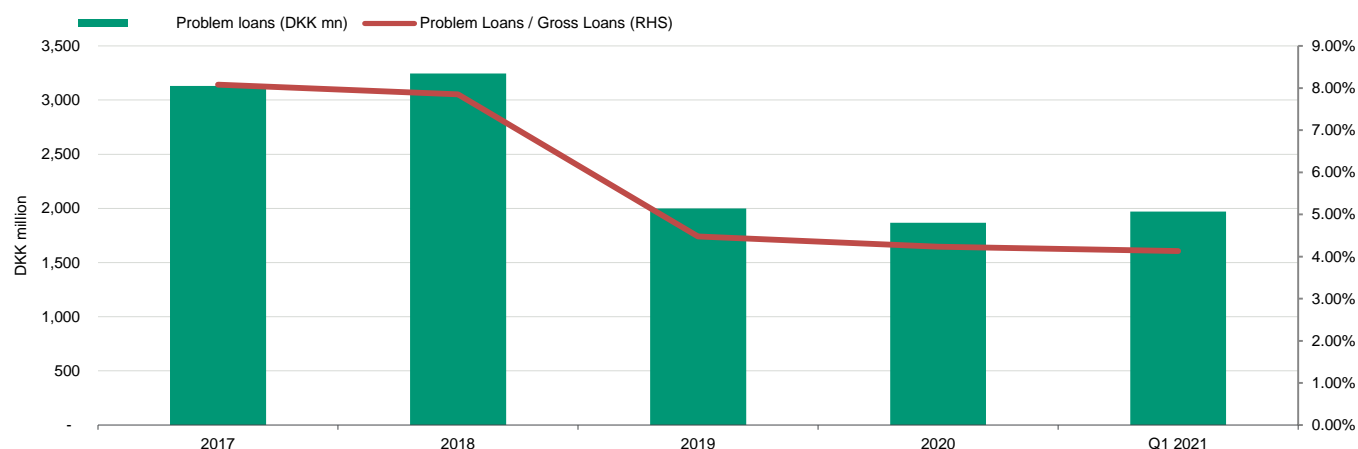
Recent asset quality improvements, but will deteriorate moderately

Our assessment of Spar Nord's asset risk, reflected in our assigned Asset Risk score of baa3, considers the bank's problem loan ratio, which has declined in recent years, along with our expectation that last year's coronavirus induced economic downturn, along with the lifting of government support measures to businesses and households, will partly reverse this trend. Our assigned score also takes into consideration the bank's loan growth, which was slightly higher than the system average over the last five years, as well as limited concentrations to a couple of higher-risk or cyclical sectors.

As of March 2021, Spar Nord's problem loans (defined as IFRS 9 stage 3 loans) stood at 4.1% of gross loans and these were adequately covered by loan loss reserves at 82%. The bank's stock of problem loans has declined gradually since 2016, and the reassessment of the bank's own definition of problem loans to align with the IFRS guideline in 2019 facilitated an important decline that year. Nevertheless, the bank's problem loan ratio remains higher than the system average of 1.8%¹, which partly reflects the higher-quality off-balance-sheet mortgages it transfers to its mortgage distributors, but where it still holds part of the risk and is contractually committed to cover part of the losses.

Exhibit 3

Spar Nord's problem loans declined in the last years



Source: Moody's Investors Service, Company Reports

Last year's pandemic-induced economic downturn will, however, put moderate pressure on Spar Nord's asset quality. In 2020, the bank set aside DKK309 million of provisions, or 0.7% of gross loans², to cover future losses. This includes a management estimate of DKK 320 million due to covid-19. Following the build-up of provisions in 2020, the bank expects impairment charges to be normalised in 2021 at a slightly lower level than in 2020. Provisions set aside were minimal in the first three months of 2021, at DKK2 million, as the management estimate related to covid-19 remained unchanged. We note that Spar Nord's through-the-cycle asset quality performance was a little better compared with that of its domestic peers, with credit costs averaging 0.9% of net loans during 2008-18, a period which included a collapse of a previous housing bubble and seven years of anemic economic growth. Credit costs reached a high of 1.5% in 2012.

Like other medium-sized Danish banks, Spar Nord does not own or consolidate a Mortgage Credit Institution (MCI). The bank originates the loans, and under two cooperation agreements, it transfers mortgage loans to Totalkredit and DLR Kredit, and provides a guarantee for a portion or all of the loan. Spar Nord carries no credit risk for the transferred loan to Totalkredit in the loan-to-value bracket of 0%-60%, but covers the losses for transferred mortgages in the loan-to-value bracket of 60-80%. The bank covers all losses for mortgages transferred to DLR Kredit. Therefore, its problem loan metrics against on-balance-sheet loans appear weaker than what they would have been if these lower-risk mortgages had been kept on the balance sheet. As of March 2021, Spar Nord had on-balance-sheet loans and advances of DKK46.1 billion, and had transferred mortgages and mortgage-like loans of DKK107.6 billion to MCIs (on

which it earns a fee). Conversely, its profitability and market funding ratios are stronger for the same reason compared with Danish banks that consolidate an MCI.

Our assessment of Spar Nord's Asset Risk score also takes into consideration the bank's loan growth, which over the last five years has been higher than the sector average. The bank grew its loan book by 3% between 2013 and 2019, a period of anemic growth for the sector. Furthermore, the bank exhibits some moderate sector concentrations. As of March 2021, property loans made up 10.3% of total loans, construction and engineering 4.0%, while loans to the agriculture sector, which we consider a vulnerable segment, were 4.5% of the total, down from 10.2% in 2012.

Robust capitalization and strong leverage ratio

Our assigned a1 Capital score reflects Spar Nord's solid capital position, a relative strength in our assessment of the bank's standalone profile. We expect capital ratios to decrease moderately due to growth and dividends, but remain strong and well above regulatory requirements. Furthermore, Spar Nord currently uses the standardized approach for calculating risk weights, and this renders them less susceptible to a rise in risk exposure amounts from the macroeconomic downturn. If the bank successfully implements internal risk based models, it is likely that risk weighted capital ratios will improve.

Spar Nord's reported Common Equity Tier 1 (CET1) capital ratio stood at 15.0% as of March 2021 (December 2020: 17.2%) and its total capital ratio at 19.5% (December 2020: 21.0%). The decline compared to year-end 2020 was mainly driven by an increase in risk weighted assets, as a result of the acquisition of BankNordic's Danish business and increase in lending. Despite the decrease, these metrics are well above the bank's regulatory requirements of 9.7% solvency need as of March 2021 and 13.2% for the total capital ratio, which include both the Danish financial supervisory authority (FSA)'s Pillar 1 and Pillar 2 components, a 2.5% capital conservation buffer and a 1.0% systemically important financial institution (SIFI) requirement³, and a 0% countercyclical buffer⁴.

Spar Nord resumed capital distributions in 2020, paying out 25% of 2020 profits, slightly below its dividend policy of 30%-50%. This follows suspended dividends in 2019, in order to comply with D-FSA recommendations.

Our assessment also takes into consideration Spar Nord's capital targets, which the bank increased because of its SIFI designation, with the bank's CET1 ratio target currently at 13.5%. Considering the bank's current capitalization and targets, we expect Spar Nord to maintain strong capital ratios in the next 12-18 months.

Spar Nord's risk density, measured as risk-weighted assets (RWA) compared with total assets, was 56% as of March 2021, a reflection of the bank's current use of the standardized approach for calculating risk weights. With its designation as a SIFI, the bank has launched a project to move to the internal ratings-based (IRB) approach to optimize its RWA. The effect on the bank's RWA is likely to be significant, and the project is likely to be completed by year-end 2022.

Spar Nord's tangible common equity/tangible assets was 8.7% as of March 2021. This compares well with other Nordic and euro area banks, where the average would hover around 5.0%-5.5%. While Spar Nord's move to the IRB model for calculating risk weights will likely reduce this ratio, we expect the bank's leverage ratio to remain higher than that of most of its regional peers.

Profitability rebounded due to mitigating actions and lower loan loss provisions

Our assigned baa2 profitability score reflects Spar Nord's relatively resilient profitability over the last few years, and our expectation that profitability will recover in 2021 supported by Denmark's gradual reopening of the economy. We also expect the bank's efforts to impose negative deposit rates will help mitigate the pressure on lending margins due to prolonged period of extremely low interest rates. On the other hand, the bank will have to issue more expensive (compared with cheap deposits) senior non-preferred (which we classify as junior senior) debt. Spar Nord's profitability is stronger than that of its Danish peers we rate that consolidate MCIs as profitability for low-risk mortgages is typically lower than for corporate lending.

The bank's net income-to-tangible assets ratio increased to 1.1% in the three months ended in March 2021 (Q1 2020: 0.1%, full year 2020: 0.7%). The increase in net income compared to the year earlier period was primarily due to a dramatic decline in loan loss provisions, which amounted to a minimal DKK2 million, compared to DKK175 million for the year earlier period. Pre-provision income also supported net income, as a 7% increase in net interest income and a 23% increase in net fee and commission income helped offset a 9% increase in costs, as a result of the BankNordic Danish business acquisition. The Moody's-adjusted cost-to-income ratio stood at 63%, slightly higher than other Nordic peers.

Spar Nord's profitability has been relatively resilient over the last few years, despite the low interest rate environment. However, the ultralow interest rate environment puts pressure on the profitability of Danish banks. To partly alleviate this pressure, Spar Nord, similar to other Danish banks, announced in 2019 negative interest rates for private customers deposits. Currently, the threshold for charging a negative interest on private customers' deposits is DKK100,000 (€13,400). Private customers exceeding this limit are charged -0.60% on their deposits. As of the start of Q3 2021, most of the bank's corporate customers pay negative rates of -1.00% on the whole deposit balance.

The bank expects net income for 2021 to be in the range of DKK1,100-1,300 million, compared to DKK737 million profit in 2020.

Low dependence on market funding and strong liquidity buffer

Our a3 score for Funding Structure reflects Spar Nord's relatively solid funding profile. Spar Nord's customer deposits (excluding deposits from pooled plans and repo transactions) accounted for the bulk of total assets (58%) as of March 2021. Furthermore, the bank's reliance on confidence-sensitive market funding remained low at 9% of tangible banking assets as of the same date, increasing from 5% as of end-2018 following the bank's senior non-preferred debt issuances in 2019.

We expect the bank's market funding to increase moderately as the bank issues eligible debt to meet its minimum own funds and eligible liabilities (MREL) requirements. The bank indicated that the total need for MREL eligible debt is around DKK6 billion, with the outstanding amount as of March 2021 at DKK 2.7billion, with further amounts issued in Q2 2021 (including around DKK1.8 billion in May, and DKK0.4 billion in June).

Similar to other medium-size Danish banks, Spar Nord funds a portion of its mortgage loans off balance sheet through Totalkredit and, to a lesser extent, through DLR Kredit.

As of the end of March 2021, Spar Nord's liquid banking assets (including reverse repos) accounted for around 40% of tangible banking assets. Our assigned a2 Liquidity score takes into consideration some asset encumbrance, which results from the bank's market-making activities in covered bonds. The bank also reported a strong liquidity coverage ratio of 234% in March 2021 (221% as of year-end 2020). Spar Nord's liquidity coverage ratio is well above the 100% minimum requirement, set by the Danish FSA.

Environmental, social and governance considerations

In line with our general view for the banking sector, Spar Nord has a low exposure to environmental risks. See our [Environmental risks heat map](#) for further information.

Spar Nord's exposure to social risks is moderate, in line with our general assessment for the global banking industry. The most relevant social risks for banks arise from the way they interact with their customers. Social risks are particularly high in data security and customer privacy, which are partly mitigated by sizable technology investments and banks' long track record of handling sensitive client data. Fines and reputational damage because of product mis-selling or other types of misconduct is a further social risk. Social trends are also relevant in a few areas, such as shifting customer preferences toward digital banking services, increasing information technology cost, aging population concerns in Denmark affect the demand for financial services or socially driven policy agendas that may translate into regulations that affects banks' revenue base. See our [Social risk heat maps](#) for further information.

The rapid and widening spread of the coronavirus outbreak, deteriorating global economic outlook, falling oil prices, and asset price declines are creating a severe and extensive credit shock across many sectors, regions and markets. The securities sector has been one of the sectors affected by the shock given the profound economic and financial market upheavals it has caused. We regard the coronavirus outbreak as a social risk under our ESG framework, given the substantial implications for public health and safety.

Governance is highly relevant for Spar Nord, as it is to all banks in the industry. Corporate governance weaknesses can lead to a deterioration in a bank's credit quality, while governance strengths can benefit its credit profile. Governance risks are largely internal rather than externally driven, and for Spar Nord we do not have any particular governance concern. Nonetheless, corporate governance remains a key credit consideration and requires ongoing monitoring.

Support and structural considerations

Loss Given Failure (LGF) analysis

Spar Nord operates in Denmark and is subject to the European Union Bank Recovery and Resolution Directive, which we consider an operational resolution regime. In accordance with our methodology, we therefore apply our Advanced LGF analysis to Spar Nord's liabilities, considering the risks faced by different debt and deposit classes across the liability structure should the bank enter resolution.

In our Advanced LGF analysis, we take a forward looking view on how the bank's balance sheet will evolve over the next 12-18 months.

For the analysis, in line with our standard assumptions, we assume residual tangible common equity of 3%, losses post failure of 8% of tangible banking assets, a 25% runoff in junior wholesale deposits, a 5% runoff in preferred deposits and we assign a 25% probability to deposits being preferred to senior unsecured debt. We assume, however, that just 10% of deposits will be treated as junior. This reflects the bank's more retail-based deposit structure. Our forward looking LGF takes into account our assessment of MREL and the needed issuances of senior non-preferred debt. Our assessments include that with an average growth in the balance sheet of more than 4% annually, Spar Nord will need to have more than DKK 6 billion in eligible liabilities outstanding at the end of 2022. We expect that Spar Nord will fulfill the requirement by issuing senior non-preferred debt.

Spar Nord's A1 deposit and P(A1) senior unsecured ratings incorporate three notches of rating uplift from the bank's baa1 adjusted BCA, reflecting an extremely low loss given failure.

The bank's A3 junior senior unsecured ratings are positioned one notch above the bank's Adjusted BCA, indicating a low loss-given-failure. Our LGF analysis indicates a high loss-given-failure for subordinated debt, leading us to position the rating at (P)Baa2, one notch below the bank's Adjusted BCA.

The bank's subordinated programme rating is assigned a (P)Baa2 rating, one notch below the BCA, while the LGF indicates a zero notching. The negative adjustment incorporates our forecasts of lower levels of subordination as the balance sheet grows.

Government support considerations

We do not incorporate any government support uplift on Spar Nord's ratings because we consider the probability of government support, in case of need, to be low.

Counterparty Risk Ratings (CRRs)

Spar Nord's CRRs are A1/P-1

The CRRs are positioned three notches above the Adjusted BCA of baa1, reflecting the extremely low loss given failure from the high volume of instruments that are subordinated to CRR liabilities.

Counterparty Risk (CR) Assessment

Spar Nord's CR Assessment is A1(cr)/P-1(cr)

For Spar Nord, our Advanced LGF analysis indicates an extremely low loss given failure for the CR Assessment, leading to three notches of rating uplift from the bank's baa1 Adjusted BCA.

Rating methodology and scorecard factors

Exhibit 4

Spar Nord Bank A/S

Macro Factors							
Weighted Macro Profile		Strong +	100%				
Factor		Historic Ratio	Initial Score	Expected Trend	Assigned Score	Key driver #1	Key driver #2
Solvency							
Asset Risk							
Problem Loans / Gross Loans		5.2%	baa2	↔	baa3	Sector concentration	
Capital							
Tangible Common Equity / Risk Weighted Assets (Basel III - transitional phase-in)		15.4%	aa3	↔	a1	Expected trend	
Profitability							
Net Income / Tangible Assets		0.9%	baa1	↔	baa2	Earnings quality	
Combined Solvency Score			a3		baa1		
Liquidity							
Funding Structure							
Market Funds / Tangible Banking Assets		9.9%	a1	↔	a3	Expected trend	
Liquid Resources							
Liquid Banking Assets / Tangible Banking Assets		41.4%	aa3	↔	a2	Expected trend	
Combined Liquidity Score			a1		a3		
Financial Profile					baa1		
Qualitative Adjustments					Adjustment		
Business Diversification					0		
Opacity and Complexity					0		
Corporate Behavior					0		
Total Qualitative Adjustments					0		
Sovereign or Affiliate constraint					Aaa		
BCA Scorecard-indicated Outcome - Range					a3 - baa2		
Assigned BCA					baa1		
Affiliate Support notching					0		
Adjusted BCA					baa1		
Balance Sheet			in-scope (DKK Million)	% in-scope	at-failure (DKK Million)	% at-failure	
Other liabilities			14,383	16.9%	18,778	22.1%	
Deposits			62,787	73.8%	58,392	68.6%	
Preferred deposits			56,508	66.4%	53,683	63.1%	
Junior deposits			6,279	7.4%	4,709	5.5%	
Junior senior unsecured bank debt			2,657	3.1%	2,657	3.1%	
Dated subordinated bank debt			1,336	1.6%	1,336	1.6%	
Preference shares (bank)			1,380	1.6%	1,380	1.6%	
Equity			2,553	3.0%	2,553	3.0%	
Total Tangible Banking Assets			85,096	100.0%	85,096	100.0%	

Debt Class	De Jure waterfall		De Facto waterfall		Notching		LGF	Assigned	Additional Preliminary	
	Instrument	Sub-	Instrument	Sub-	De Jure	De Facto	Notching	LGF	Notching	Rating
	volume +	ordination	volume +	ordination			Guidance	notching		Assessment
	subordination		subordination				vs.			
							Adjusted			
							BCA			
Counterparty Risk Rating	14.8%	14.8%	14.8%	14.8%	3	3	3	3	0	a1
Counterparty Risk Assessment	14.8%	14.8%	14.8%	14.8%	3	3	3	3	0	a1 (cr)
Deposits	14.8%	9.3%	14.8%	9.3%	2	2	2	3	0	a1
Senior unsecured bank debt	14.8%	9.3%	9.3%	9.3%	2	1	2	3	0	a1
Junior senior unsecured bank debt	9.3%	6.2%	9.3%	6.2%	0	0	0	1	0	a3
Dated subordinated bank debt	6.2%	4.6%	6.2%	4.6%	0	0	0	-1	0	baa2

Instrument Class	Loss Given	Additional	Preliminary Rating	Government	Local Currency	Foreign
	Failure notching	notching	Assessment	Support notching	Rating	Currency Rating
Counterparty Risk Rating	3	0	a1	0	A1	A1
Counterparty Risk Assessment	3	0	a1 (cr)	0	A1(cr)	
Deposits	3	0	a1	0	A1	A1
Senior unsecured bank debt	3	0	a1	0	(P)A1	(P)A1
Junior senior unsecured bank debt	1	0	a3	0	A3	A3
Dated subordinated bank debt	-1	0	baa2	0	(P)Baa2	(P)Baa2

[1] Where dashes are shown for a particular factor (or sub-factor), the score is based on non-public information.

Source: Moody's Investors Service

Ratings

Exhibit 5

Category	Moody's Rating
SPAR NORD BANK A/S	
Outlook	Stable
Counterparty Risk Rating	A1/P-1
Bank Deposits	A1/P-1
Baseline Credit Assessment	baa1
Adjusted Baseline Credit Assessment	baa1
Counterparty Risk Assessment	A1(cr)/P-1(cr)
Senior Unsecured MTN	(P)A1
Junior Senior Unsecured	A3
Junior Senior Unsecured MTN	(P)A3
Subordinate MTN	(P)Baa2

Source: Moody's Investors Service

Endnotes

- 1 December 2020. According to data from the central bank
- 2 Gross loans excluding reverse repos.
- 3 Spar Nord was designated as a SIFI in January 2019
- 4 On the 23 June 2021, Danish government decided to reactivate the buffer, at a rate of 1% from 30 September 2022, as recommended by the Systemic Risk Council. The countercyclical buffer was reduced from 1% to 0% in March 2020, in response to covid-19.

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