

## CREDIT OPINION

18 July 2025

### Update



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### RATINGS

#### Spar Nord Bank A/S

Domicile	Aalborg, Denmark
Long Term CRR	Aa3
Type	LT Counterparty Risk Rating - Fgn Curr
Outlook	Not Assigned
Long Term Debt	A1
Type	Senior Unsecured - Fgn Curr
Outlook	Positive
Long Term Deposit	A1
Type	LT Bank Deposits - Fgn Curr
Outlook	Positive

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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## Spar Nord Bank A/S

Update following rating action

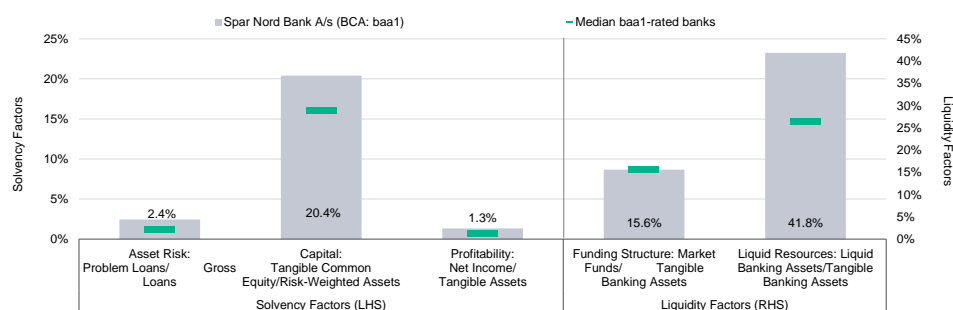
### Summary

[Spar Nord Bank A/S](#) (Spar Nord) A1 (positive) long-term deposit and senior unsecured ratings are aligned with the issuer rating of its parent institution, Nykredit Realkredit A/S (Nykredit, A1 positive, a2<sup>1</sup>). The ratings also reflect the bank's baa1 standalone Baseline Credit Assessment (BCA); our assumption of a very high probability of affiliate support from its parent, reflecting its high interconnectedness with and importance to the group, resulting in an a2 Adjusted BCA; the application of our Advanced Loss Given Failure (LGF) analysis to Nykredit Realkredit Group's consolidated accounts, and our assumption of a moderate likelihood of support from the Government of Denmark (Aaa stable) for the entire Nykredit group. This results in a long-term issuer and deposit ratings of A1, one notch above the Adjusted BCA. On 10 June 2025, we confirmed Spar Nord's long-term deposit ratings, long-term Counterparty Risk Ratings (CRR), and long-term Counterparty Risk (CR) Assessment. The outlook on the long-term issuer rating is now positive.

Spar Nord's baa1 standalone BCA balances the bank's robust capitalisation, strong recurring profitability, and strong liquidity buffer against the higher levels of nonperforming loans to gross loans compared to peers.

Exhibit 1

### Rating Scorecard - Key financial ratios



These ratios are calculated based on our [Banks Methodology](#) scorecard. The bank's problem loan and profitability ratios are the weaker of the average of the latest three year-end ratios and the latest reported ratio. The bank's capital ratio is the latest reported figure. The bank's funding structure and liquid resources ratios are the latest year-end figures.

Source: Moody's Ratings

## Credit strengths

- » Robust capitalisation
- » Solid profitability
- » Low dependence on market funding
- » Strong liquidity buffer

## Credit challenges

- » Relatively higher problem loans ratio compared to peers

## Outlook

The positive outlook on Spar Nord's long-term ratings reflects the potential for one notch of rating uplift from the a2 Adjusted BCA from our Advanced Loss Given Failure (LGF) analysis, should the level of subordination provided by outstanding volumes of senior non-preferred or subordinated instruments issued by group entities be maintained.

## Factors that could lead to an upgrade

- » An upgrade of Spar Nord's ratings is dependent on Nykredit's ratings being upgraded. An upgrade of Spar Nord's BCA could result from improvement in the bank's asset risk metrics, reflecting lower risk lending, alongside higher sustained profitability.
- » Spar Nord's long-term deposit ratings could also be upgraded if the group maintains the current level of loss-absorbing buffers on a sustainable forward looking basis.

## Factors that could lead to a downgrade

- » A downgrade of Spar Nord's ratings could be triggered by a downgrade of the banks' standalone BCA or a change in our affiliate support assumptions. Spar Nord's BCA could be downgraded in the event of a significant deterioration in asset quality or a persistent weakening in the bank's recurring earnings power and operating efficiency.
- » The bank's deposit ratings could also be downgraded if the Nykredit group issues senior non-preferred debt volumes below our current expectations or its liability structure changes in a way that increases loss given failure for senior creditors.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody.com> for the most updated credit rating action information and rating history.

## Key indicators

Exhibit 2

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

	03-25 <sup>2</sup>	12-24 <sup>2</sup>	12-23 <sup>2</sup>	12-22 <sup>2</sup>	12-21 <sup>2</sup>	CAGR/Avg. <sup>3</sup>
Total Assets (DKK Million)	143,778.0	143,714.0	134,834.0	123,883.0	116,497.0	6.7 <sup>4</sup>
Total Assets (USD Million)	20,817.2	19,955.8	19,980.3	17,779.2	17,751.1	5.0 <sup>4</sup>
Tangible Common Equity (DKK Million)	13,492.0	12,926.0	12,300.0	10,790.0	10,224.0	8.9 <sup>4</sup>
Tangible Common Equity (USD Million)	1,953.5	1,794.9	1,822.7	1,548.5	1,557.9	7.2 <sup>4</sup>
Problem Loans / Gross Loans (%)	2.1	2.3	2.5	2.9	3.6	2.7 <sup>5</sup>
Tangible Common Equity / Risk Weighted Assets (%)	20.4	19.4	20.4	17.8	16.9	19.0 <sup>6</sup>
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	9.2	10.1	10.4	13.1	15.5	11.6 <sup>5</sup>
Net Interest Margin (%)	2.2	2.5	2.8	1.7	1.5	2.1 <sup>5</sup>
PPI / Average RWA (%)	3.8	4.2	4.9	2.8	2.5	3.6 <sup>6</sup>
Net Income / Tangible Assets (%)	1.3	1.5	1.8	1.1	1.2	1.4 <sup>5</sup>
Cost / Income Ratio (%)	53.9	50.9	46.3	58.0	59.7	53.8 <sup>5</sup>
Market Funds / Tangible Banking Assets (%)	15.8	15.6	15.4	11.8	11.7	14.0 <sup>5</sup>
Liquid Banking Assets / Tangible Banking Assets (%)	41.4	41.8	42.7	40.2	40.1	41.3 <sup>5</sup>
Gross Loans / Due to Customers (%)	83.0	82.0	79.6	78.8	79.4	80.6 <sup>5</sup>

[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 Ratings and company filings

## 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 sixth-largest banking group in Denmark, with total reported assets of DKK 144 billion (around €19.3 billion) as of March 2025. It has a strong presence in the northern Jutland region of Denmark, where it has a significant market share. Its national market share as of 2024 was 1.1% in loans (excluding loans transferred to mortgage credit institutions) and 3.6% in deposits.

## Recent developments

On 28 May 2025 Nykredit announced that it had completed the voluntary public tender offer for Spar Nord Bank A/S. As a result, Nykredit owns 96.54% of Spar Nord, excluding treasury shares, and intends to complete a compulsory acquisition of the remaining shares and delist Spar Nord. Nykredit aims to complete the merger of its two banks, Nykredit Bank and Spar Nord, in the first half of 2026. Spar Nord is one of the 41 partner banks distributing mortgage loans from Totalkredit. As such, mortgages originated by Spar Nord are already consolidated by Nykredit.

We view the transaction as supportive to the combined entity's credit profile because of improved scale, business and geographic diversification across Denmark in the banking business. Nykredit Bank will become the third largest bank in Denmark, with combined domestic market shares of 13% and 11% in bank lending and deposits, respectively.

On 25 June Nasdaq Copenhagen A/S has agreed to Spar Nord Bank A/S' request to delist its shares (ISIN DK0060036564) from trading and official listing. The last trading day for the shares will be July 23, 2025, which coincides with the final weekday of the four-week compulsory acquisition period.

## Detailed credit considerations

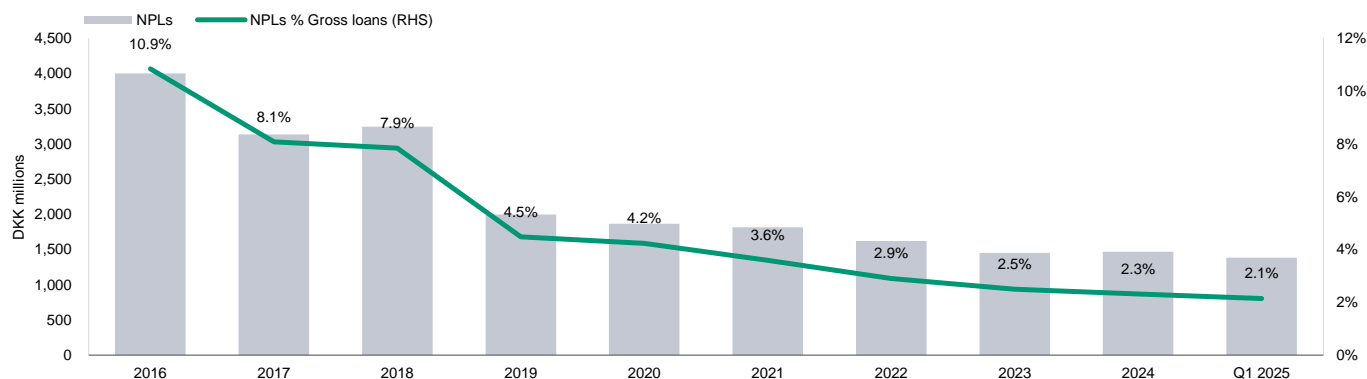
### Problem loans ratio higher than peers but gradually improving

Our assessment of Spar Nord's asset risk, reflected in our assigned Asset Risk score of baa3, takes into account the bank's problem loan ratio, which has declined in recent years, and the bank's loan portfolio mix. 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, and limited concentration in a couple of higher-risk or cyclical sectors.

As of March 2025, Spar Nord's problem loans (IFRS 9 Stage 3 loans) stood at 2.1% of gross loans and were adequately covered by loan loss reserves at 118%. The bank's problem loan ratio remains higher than the system average of 1.6% as of December 2024, which partly reflects the higher quality off-balance sheet mortgages it transfers to mortgage credit institutions (MCIs), but where Spar Nord still holds part of the risk and is contractually committed to cover part of the losses.

Exhibit 3

### Spar Nord's problem loans have declined over recent years



Gross loans exclude reverse repos.

Sources: Company and Moody's Ratings

Like other medium-sized Danish banks, Spar Nord does not own or consolidate an MCI but partners with Totalkredit (subsidiary of [Nykredit Realkredit A/S](#) [A1 POS, a2]) and DLR Kredit (not rated) to originate mortgages. The bank covers all losses for mortgages transferred to DLR Kredit, while for mortgages transferred to Totalkredit, no guarantees are needed since 2022. However, the bank carries the first loss on loans issued prior to that date. As of March 2025, Spar Nord had on-balance sheet loans and advances of DKK 63.0 billion, and had transferred mortgages of DKK 107.3 billion to MCIs (for which it earns a fee).

Our assessment of Spar Nord's Asset Risk score also considers the bank's loan growth, which has been higher than the sector average over the last five years. Furthermore, the bank has moderate sector concentration. As of March 2025, real estate loans made up 13.3% of total loans; building and construction 3.4%; and loans to the agriculture sector, which is a historically volatile segment, accounted for 3.7% of the total, albeit down from 10.2% in 2012.

### Robust capitalisation and a strong leverage ratio

Our assigned aa3 Capital score reflects Spar Nord's solid capital position with tangible common equity to risk weighted assets (TCE/RWA) remaining at 20.4% at the end of March 2025, a relative strength in our assessment of the bank's standalone profile. We expect capital ratios to remain strong and well above regulatory requirements.

Spar Nord's reported CET1 ratio was 19.1% as of March 2025 (December 2024: 16.9%) and its total capital ratio was 22.7% (December 2024: 21.4%). As of Q1 2025, no dividends were distributed for 2024 because of the conditions of Nykredit's takeover offer. The bank's capital metrics remain well above its regulatory requirements of 16.1% for the total capital ratio as of March 2025, which include the Danish Financial Supervisory Authority's (FSA) Pillar 1 and Pillar 2 components, a 2.5% capital conservation buffer, a 1.0% countercyclical capital buffer (CCyB) and a 1.0% systemically important financial institution (SIFI) requirement<sup>2</sup>

### Strengthened profitability on the back of higher interest rates

Our assigned a3 Profitability score reflects our expectation that Spar Nord's profitability will remain strong but decline moderately over the coming 12 to 18 months. The bank's net income/tangible assets declined to 1.3% in the first three months of 2025 from 1.5% in the full year 2024. The decline in net income was primarily driven by a decline in net interest margins, as a result of the lowering interest rates.

We generally expect that Danish banks' profitability will decline moderately from current high levels as lower rates reduce net interest income, partly offset by increased lending and higher fee income. Consistent with this, Spar Nord reduced its guidance for profit after

tax for 2025 to DKK 1.6 - 1.9 billion, compared with an actual profit after tax of DKK 2.2 billion in 2024. The bank's guidance for 2025 indicates a net income to tangible assets ratio of 1.2% - 1.4%

Spar Nord's profitability is stronger than Danish peers that consolidate MCIs because profitability for low risk mortgages is typically lower than that for bank lending. However, we adjust our profitability score down by one notch to reflect Spar Nord's loss agreements on transferred mortgages.

### Low dependence on market funding and a strong liquidity buffer

Our a3 score for Funding Structure reflects Spar Nord's relatively solid funding profile. Spar Nord's customer deposits represented 60.5% of non-equity funding, and deposits in pooled schemes accounted for a further 20.6% as of March 2025. The bank's reliance on confidence sensitive market funding remained low at 15.8% of tangible banking assets as of March 2025. Due to fully phased-in MREL requirements, there is limited need to increase the share of MREL-eligible debt. As of March 2025, Spar Nord had DKK 1.9 billion of senior debt and DKK 7.5 billion of senior non-preferred debt outstanding. In October 2024, Spar Nord completed its first euro issuance of MREL capital, under the bank's Green Bond Framework. The bank issued senior non-preferred bonds of DKK 1.9 billion (€250 million).

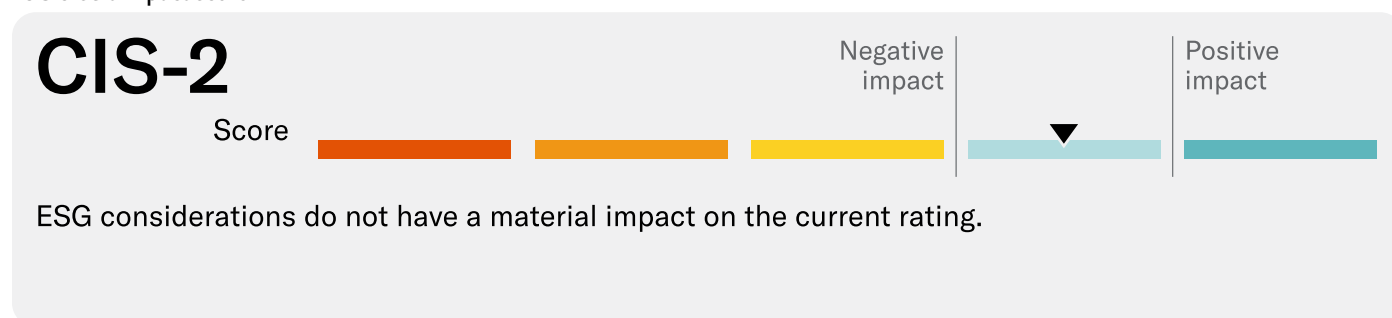
As of March 2025, Spar Nord's liquid banking assets (including reverse repos) accounted for 41% of its tangible banking assets. Our assigned a3 Liquidity score takes into consideration asset encumbrance and the bank's ratio of high quality liquid assets to tangible banking assets of 31.5%. The bank also reported a strong liquidity coverage ratio of 296% in March 2025 (289% as of year-end 2024), well above the 100% minimum requirement set by the Danish FSA.

## ESG considerations

### Spar Nord Bank A/S' ESG credit impact score is CIS-2

Exhibit 4

#### ESG credit impact score



Source: Moody's Ratings

Spar Nord's **CIS-2** reflects the limited credit impact of ESG considerations on the ratings.

Exhibit 5

#### ESG issuer profile scores



Source: Moody's Ratings

### Environmental

Spar Nord faces moderate environmental risks primarily because of its portfolio exposure to carbon transition risk as a diversified bank. In line with its peers, the bank is facing mounting business risks and stakeholder pressure to meet broader carbon transition goals. In response, Spar Nord is developing its climate risk and portfolio management capabilities.

### Social

Spar Nord faces moderate social risks related to regulatory and litigation risks, requiring high compliance standards. These risks are mitigated by the bank's developed policies and procedures. Spar Nord has exposure to customer relations risks, considering high cyber and personal data risks. These risks are mitigated by the bank's strong IT framework.

### Governance

Spar Nord faces low governance risks, and its risk management, policies and procedures are in line with industry best practices. Spar Nord is a regional bank with a stable track record of good risk management and financial strategy. While Spar Nord has experienced heightened management turnover in the period following the merger announcement, the acquirer Nykredit has a similarly stable track record of good risk management and financial strategy, along with a clear and simple organisational structure with no identified concerns regarding ownership and control.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click [here](#) to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

## Support and structural considerations

### Affiliate support

We assign a very high probability of affiliate support for Spar Nord, reflecting our view of the willingness of Nykredit, the bank's parent institution, to support its solvency. Our assessment is based on the ownership which is currently at 96.5% (excluding treasury shares) and Nykredit's intention to merge Nykredit Bank A/S and Spar Nord Bank A/S, which is expected to take effect in spring 2026. Following the merger of the two banks, Spar Nord will cease to exist and will be known as Nykredit Bank. The new merged entity will create the third largest bank in Denmark, with combined domestic market shares of 13% and 11% in bank lending and deposits, respectively.

Spar Nord's a2 Adjusted BCA, therefore, benefits from two notches of affiliate support uplift from its baa1 standalone BCA.

### Loss Given Failure (LGF) analysis

Nykredit Bank and Spar Nord, together with their parent institution Nykredit, are subject to the EU Bank Recovery and Resolution Directive (BRRD), which we consider an operational resolution regime. In accordance with our methodology, and in line with the Danish Financial Supervisory Authority (FSA)'s single-point-of-entry resolution strategy, we apply our Advanced LGF analysis to Nykredit's and Spar Nord's liabilities (that is, performed at the consolidated group level for both entities), considering the risks faced by the different debt and deposit classes across the liability structure should the group enter resolution.

In our Advanced LGF analysis, we use our standard assumptions and assume residual TCE of 3% and losses post-failure of 8% of tangible banking assets. We also assume a 25% runoff in "junior" wholesale deposits and a 5% runoff in preferred deposits, and assign a 25% probability to deposits being preferred to senior unsecured debt.

Spar Nord's A1 long-term deposit and senior unsecured ratings reflect our forward looking view of an expected single-point-of-entry resolution strategy for the whole Nykredit group, and incorporate the a2 Adjusted BCA and no current uplift by our Advanced LGF analysis, indicating a moderate loss severity.

### Government support considerations

In addition to applying the same assumptions around resolution in our Advanced LGF analysis for its parent institution, we apply the same government support assumptions for Nykredit Bank and Spar Nord. Our assessment reflects the high strategic, financial and operational interconnectedness of the bank with Nykredit and Spar Nord. Nykredit Bank and Spar Nord perform vital activities for the wider Nykredit group. In our view, this renders Nykredit Bank and Spar Nord important both from an affiliate perspective and, indirectly, to Denmark's financial system given the parent's own systemic importance. We therefore assign a moderate probability of

support from the Government of Denmark, resulting in one notch of rating uplift incorporated into the bank's A1 long-term deposit rating.

## Rating methodology and scorecard factors

Exhibit 6

### Rating Factors

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	2.4%	a2	↔	baa2	Quality of assets	Sector concentration	
Capital							
Tangible Common Equity / Risk Weighted Assets (Basel III - fully loaded)	19.4%	aa2	↔	aa3	Expected trend		
Profitability							
Net Income / Tangible Assets	1.3%	a2	↔	a3	Expected trend	Loan loss charge coverage	
Combined Solvency Score		a1		a3			
Liquidity							
Funding Structure							
Market Funds / Tangible Banking Assets	15.6%	a3	↔	a3	Expected trend		
Liquid Resources							
Liquid Banking Assets / Tangible Banking Assets	41.8%	aa3	↔	a3	Stock of liquid assets	Asset encumbrance	
Combined Liquidity Score		a2		a3			
Financial Profile		a1		a3			
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				a2 - baa1			
Assigned BCA				baa1			
Affiliate Support notching				2			
Adjusted BCA				a2			

Balance Sheet is not applicable.

Debt Class	De Jure waterfall		De Facto waterfall		Notching		LGF Notching Guidance vs. Adjusted BCA	Assigned LGF notching	Additional Notching	Preliminary Rating Assessment
	Instrument subordination	Sub- ordination volume +	Instrument subordination	Sub- ordination volume +	De Jure	De Facto				
Counterparty Risk Rating	-	-	-	-	-	-	-	1	0	a1
Counterparty Risk Assessment	-	-	-	-	-	-	-	2	0	aa3 (cr)
Deposits	-	-	-	-	-	-	-	0	0	a2
Senior unsecured bank debt	-	-	-	-	-	-	-	-	-	-
Junior senior unsecured bank debt	-	-	-	-	-	-	-	0	0	a2
Dated subordinated bank debt	-	-	-	-	-	-	-	-1	0	a3

Instrument Class	Loss Given Failure notching	Additional notching	Preliminary Rating Assessment	Government Support notching	Local Currency Rating	Foreign Currency Rating
Counterparty Risk Rating	1	0	a1	1	Aa3	Aa3
Counterparty Risk Assessment	2	0	aa3 (cr)	1	Aa2(cr)	
Deposits	0	0	a2	1	A1	A1
Senior unsecured bank debt	-	-	-	1	(P)A1	A1
Junior senior unsecured bank debt	0	0	a2	0	A2	A2
Dated subordinated bank debt	-1	0	a3	0	(P)A3	(P)A3

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

Source: Moody's Ratings

## Ratings

Exhibit 7

Category	Moody's Rating
<b>SPAR NORD BANK A/S</b>	
Outlook	Positive
Counterparty Risk Rating	Aa3/P-1
Bank Deposits	A1/P-1
Baseline Credit Assessment	baa1
Adjusted Baseline Credit Assessment	a2
Counterparty Risk Assessment	Aa2(cr)/P-1(cr)
Senior Unsecured	A1
Junior Senior Unsecured	A2
Junior Senior Unsecured MTN	(P)A2
Subordinate MTN	(P)A3

Source: Moody's Ratings

## Endnotes

<sup>1</sup> The bank ratings shown in this report are the banks' issuer and deposit ratings, and Baseline Credit Assessment.

<sup>2</sup> Spar Nord was designated as a SIFI in January 2019.



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