

# MOODY'S

## INVESTORS SERVICE

### CREDIT OPINION

29 May 2020

#### 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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## Spar Nord Bank A/S

### Update to credit analysis

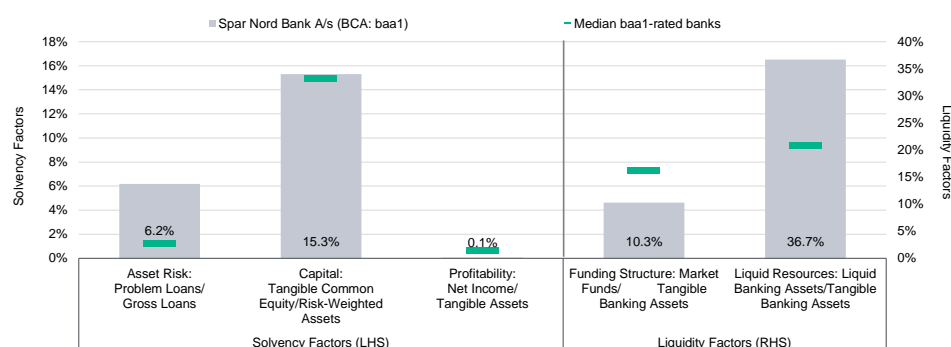
#### Summary

[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.

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 improving remains higher than the system average, along with moderately higher loan growth than the system average. The BCA also takes into account the fact that profitability, already under pressure because of ultralow interest rates and relatively weak efficiency compared with that of its Nordic peers, will face additional pressure from the economic and financial fallout of the coronavirus pandemic.

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
- » Profitability under pressure, exacerbated by the coronavirus disruption

## Outlook

The stable outlook on the bank's long-term deposit ratings reflects our view that the bank will be relatively resilient in the midst of the current uncertainty and slowdown in economic growth, despite challenges on asset quality and profitability due to the coronavirus induced economic disruption.

## Factors that could lead to an upgrade

- » Upward pressure on Spar Nord's BCA could emerge 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.
- » An upward movement in the BCA and adjusted BCA would have an impact on Spar Nord's long-term deposit and debt ratings, CRA and CRR, as well as any significant change in the liability structure if it were to impact Moody's LGF assessment.

## Factors that could lead to a downgrade

- » Downward pressure on Spar Nord's BCA could emerge 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](http://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]

	03-20 <sup>2</sup>	12-19 <sup>2</sup>	12-18 <sup>2</sup>	12-17 <sup>2</sup>	12-16 <sup>2</sup>	CAGR/Avg. <sup>3</sup>
Total Assets (DKK Million)	93,907.0	92,534.0	82,252.0	79,673.0	77,743.0	6.0 <sup>4</sup>
Total Assets (USD Million)	13,808.2	13,900.3	12,600.0	12,849.7	11,028.1	7.2 <sup>4</sup>
Tangible Common Equity (DKK Million)	8,650.0	8,663.0	8,128.0	7,865.0	7,507.0	4.5 <sup>4</sup>
Tangible Common Equity (USD Million)	1,271.9	1,301.3	1,245.1	1,268.5	1,064.9	5.6 <sup>4</sup>
Problem Loans / Gross Loans (%)	4.3	4.5	7.8	8.1	10.9	7.1 <sup>5</sup>
Tangible Common Equity / Risk Weighted Assets (%)	15.3	15.5	15.1	15.9	15.8	15.5 <sup>6</sup>
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	18.9	19.8	32.7	33.2	43.0	29.5 <sup>5</sup>
Net Interest Margin (%)	1.6	1.7	1.9	1.9	2.2	1.9 <sup>5</sup>
PPI / Average RWA (%)	1.3	2.1	2.0	2.4	2.9	2.1 <sup>6</sup>
Net Income / Tangible Assets (%)	0.1	1.1	0.9	1.2	1.1	0.9 <sup>5</sup>
Cost / Income Ratio (%)	74.6	63.3	65.3	61.8	57.6	64.5 <sup>5</sup>
Market Funds / Tangible Banking Assets (%)	15.7	10.3	5.3	4.9	7.3	8.7 <sup>5</sup>
Liquid Banking Assets / Tangible Banking Assets (%)	38.5	36.7	34.9	36.2	38.3	36.9 <sup>5</sup>
Gross Loans / Due to Customers (%)	86.5	83.7	81.4	79.8	79.4	82.2 <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 Investors Service 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 49 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 bank in Denmark, with DKK93.9 billion (around €12.6 billion) assets as of March 2020. It has a strong presence in the northern Jutland region of Denmark, where it has a market share of 32%. Its national market share is 1% in loans (excluding loans transferred to mortgage credit institutions (MCIs)) and 4% in deposits.

## Recent developments

We have [lowered](#) our 2020-21 real GDP growth forecasts as the economic costs of the coronavirus crisis are accumulating rapidly. Even with a gradual recovery, we expect 2021 real GDP in most advanced economies to be below pre-coronavirus levels. Our forecasts assume that policy measures across advanced economies will continue to grow and be fine-tuned.

We have also [changed](#) our outlook for the Danish banking system to negative from stable. We expect the coronavirus outbreak to weigh on Denmark's economy, leading to an uptick in problem loans from a low base, and to exacerbate pressure on banking sector profitability.

## Detailed credit considerations

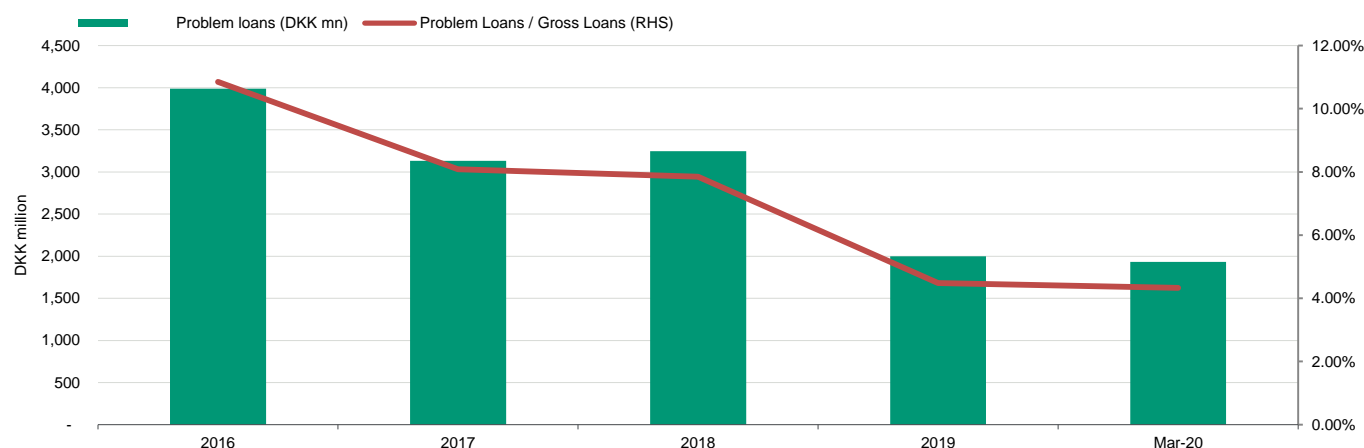
### Recent asset quality improvements, but asset risk will deteriorate

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 declined in 2019, along with our expectation that the coronavirus induced slowdown 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 2020, Spar Nord's problem loans (defined as IFRS 9 stage 3 loans) were 4.3% 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 in 2019 the ratio declined further following the reassessment of the bank's own definition of problem loans to align with the IFRS guidelines. Despite the decline, the bank's problem loan ratio remains higher than the system average of 1.7% as of December 2019<sup>1</sup>, 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 are declining**

Source: Moody's Investors Service, Company Reports

The coronavirus induced disruption will, however, put pressure on Spar Nord's asset quality. For the three months to March 2020, provisions set aside to cover future losses amounted to DKK175 million, or 0.3% of loans, which compare with minimal provisions for the full year 2019 of just DKK22 million. 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 end- March 2020, Spar Nord had on-balance-sheet loans and advances of DKK44.6 billion, and had transferred mortgages and mortgage-like loans of DKK90.8 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 end- March 2020, property loans made up 11.5% of total loans, construction and engineering 4.1%, while loans to the agriculture sector, which we consider a vulnerable segment, were 5.0% 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. Whilst internal capital generation will weaken, we expect lower capital consumption due to slower lending growth and capital retention to be supportive of the bank's capital levels. Furthermore, Spar Nord 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.

Spar Nord's Common Equity Tier 1 (CET1) capital ratio was 15.3% as of March 2020 and its total capital ratio reached 19.0%. These metrics are well above the bank's regulatory requirements as of March 2020 of 9.5% for the CET1 ratio and 12.5% 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 0.5% systemically important financial institution (SIFI) requirement. The bank was designated as a SIFI in January 2019 and by December 2020 will be subject to a fully loaded SIFI buffer of 1%.

In light of the prospect of a significant weakening in economic activity, the Danish government decided to release the countercyclical capital buffer and cancel the planned future increases in order to support the provision of credit to the real economy. At the same time, authorities recommended that financial institutions suspend dividend payouts and share buybacks. Spar Nord complied with this recommendation and canceled its 2019 dividend, which led to 0.8% improvement in capital ratios. Combined with lower capital consumption because of a slowdown in new lending, capital retention will help support the bank's capital levels.

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 60% as of March 2020, 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 9.2% as of March 2020. 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 will come under added pressure**

Our assigned ba2 Profitability score reflects Spar Nord's relatively resilient profitability over the last few years, which will come under pressure due to the economic fallout of the coronavirus-induced disruption, at a time when competition and extremely low interest rates compress margins. In addition, 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 fell to 0.1% in the first three months of 2020 (full year 2019: 1.1%). The decline in net income was driven by higher impairments and lower market value adjustments on financial instruments, a result of volatile market conditions. Net interest margin was 1.6% for the first 3 months of 2020, compared to 1.7% in 2019 and 1.9% in 2018. For the same period, net fee and commission income increased by 2% year-on-year. Overall, total non-interest income made up 46% of total revenue. Operating expenses were broadly in line with the same period last year. In 2019, the Moody's-adjusted cost-to-income stood at 63%, a level higher than most of its Nordic peers. The decline in revenue in the first three month of 2020 led to an increase in the ratio to 75%.

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. Effective 9 May 2020, the threshold for charging a negative interest on private customers' deposits was lowered to DKK250,000 (€33,500), from DKK750,000 (€100,000). Private customers exceeding this limit are charged -0.60% on their deposits.

For the next 12 to 18 months, we expect profitability to come under additional pressure from a further rise in loan loss provisions, reduced trading and investment income as a result of increased financial market volatility, lower fee income due to a stalled business cycle, and further margin erosion partly driven by some substitution of ordinary loans into lending supported by government guarantees.

#### **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 (55%) as of end - March 2020. Furthermore,

the bank's reliance on confidence-sensitive market funding was low at 16% 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 continues issuing eligible debt to meet its minimum own funds and eligible liabilities (MREL) requirements ahead of the deadline in mid-2022.

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 December 2019, Spar Nord's liquid banking assets (including reverse repos) accounted for around 37% 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 an adequate liquidity coverage ratio of 185% in March 2020 (177% as of year-end 2019). 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, 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.

The deposit ratings reflect our view on how the bank's current balance sheet structure will evolve over the coming years. Our analysis reflects our expectation that Spar Nord will issue senior non-preferred debt to comply with Danish MREL requirements, under which both the loss absorption and recapitalisation amounts need to be subordinated to senior liabilities. Previously, the full subordination requirement would have had to be met by 1 January 2022. Following the [announcement](#) by the Danish FSA in May 2020, the subordination limit will be lowered<sup>2</sup> to the banks' 2x their solvency capital requirement plus 1x their combined buffer requirement, or

8% of their total liabilities and own funds. Once the largest of two criteria is met, the remainder of their MREL requirement can be met with senior unsecured 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 (P)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.

### 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. Our government support assumptions are driven by the implementation of the European Union Bank Recovery and Resolution Directive in Denmark.

### Counterparty Risk Ratings (CRRs)

CRRs are opinions of the ability of entities to honor the uncollateralized portion of non-debt counterparty financial liabilities (CRR liabilities) and also reflect the expected financial losses in the event such liabilities are not honored. CRRs are distinct from ratings assigned to senior unsecured debt instruments and from issuer ratings because they reflect that, in a resolution, CRR liabilities might benefit from preferential treatment compared with senior unsecured debt. Examples of CRR liabilities include the uncollateralized portion of payables arising from derivatives transactions and the uncollateralized portion of liabilities under sale and repurchase agreements.

#### Spar Nord's CRRs are positioned at 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

The CR Assessment is an opinion of how counterparty obligations are likely to be treated if a bank fails, and are distinct from debt and deposit ratings in that they (1) consider only the risk of default rather than both the likelihood of default and the expected financial loss, and (2) apply to counterparty obligations and contractual commitments rather than debt or deposit instruments. The CR Assessment is an opinion of the counterparty risk related to a bank's covered bonds, contractual performance obligations (servicing), derivatives (for example, swaps), letters of credit, guarantees and liquidity facilities.

#### Spar Nord's CR Assessment is positioned at 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	6.2%	ba1	↑↑	baa3	Expected trend	Quality of assets	
Capital							
Tangible Common Equity / Risk Weighted Assets (Basel III - transitional phase-in)	15.3%	aa3	←→	a1			
Profitability							
Net Income / Tangible Assets	0.1%	b3	←→	ba2	Expected trend		
Combined Solvency Score		baa2		baa2			
Liquidity							
Funding Structure							
Market Funds / Tangible Banking Assets	10.3%	a2	←→	a3	Expected trend		
Liquid Resources							
Liquid Banking Assets / Tangible Banking Assets	36.7%	a1	←→	a2	Asset encumbrance		
Combined Liquidity Score		a2		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			
<b>Balance Sheet</b>		<b>in-scope (DKK Million)</b>	<b>% in-scope</b>	<b>at-failure (DKK Million)</b>	<b>% at-failure</b>		
Other liabilities		19,005	24.5%	22,614	29.1%		
Deposits		51,552	66.4%	47,943	61.7%		
Preferred deposits		46,397	59.7%	44,077	56.8%		
Junior deposits		5,155	6.6%	3,866	5.0%		
Junior senior unsecured bank debt		2,608	3.4%	2,608	3.4%		
Dated subordinated bank debt		1,312	1.7%	1,312	1.7%		
Preference shares (bank)		850	1.1%	850	1.1%		
Equity		2,330	3.0%	2,330	3.0%		
Total Tangible Banking Assets		77,657	100.0%	77,657	100.0%		



Debt Class	De Jure waterfall		De Facto waterfall		Notching		LGF	Assigned	Additional	Preliminary
	Instrument	Sub-ordination	Instrument	Sub-ordination	De Jure	De Facto	Notching Guidance vs. Adjusted BCA	LGF notching	Notching	Rating Assessment
Counterparty Risk Rating	14.1%	14.1%	14.1%	14.1%	3	3	3	3	0	a1
Counterparty Risk Assessment	14.1%	14.1%	14.1%	14.1%	3	3	3	3	0	a1 (cr)
Deposits	14.1%	9.1%	14.1%	9.1%	2	2	2	3	0	a1
Senior unsecured bank debt	14.1%	9.1%	9.1%	9.1%	2	1	2	3	0	a1
Junior senior unsecured bank debt	9.1%	5.8%	9.1%	5.8%	0	0	0	1	0	a3
Dated subordinated bank debt	5.8%	4.1%	5.8%	4.1%	-1	-1	-1	-1	0	baa2

Instrument Class	Loss Given Failure notching	Additional notching	Preliminary Rating Assessment	Government Support notching	Local Currency Rating	Foreign 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
<b>SPAR NORD BANK A/S</b>	
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 According to data from the central bank
- 2 The FSA notes that it expects the new rules on a lower subordination requirement to be implemented in Danish legislation before the end of 2020. It will nevertheless already take into account the upcoming reduction in its reactions to noncompliance with the specific requirement

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