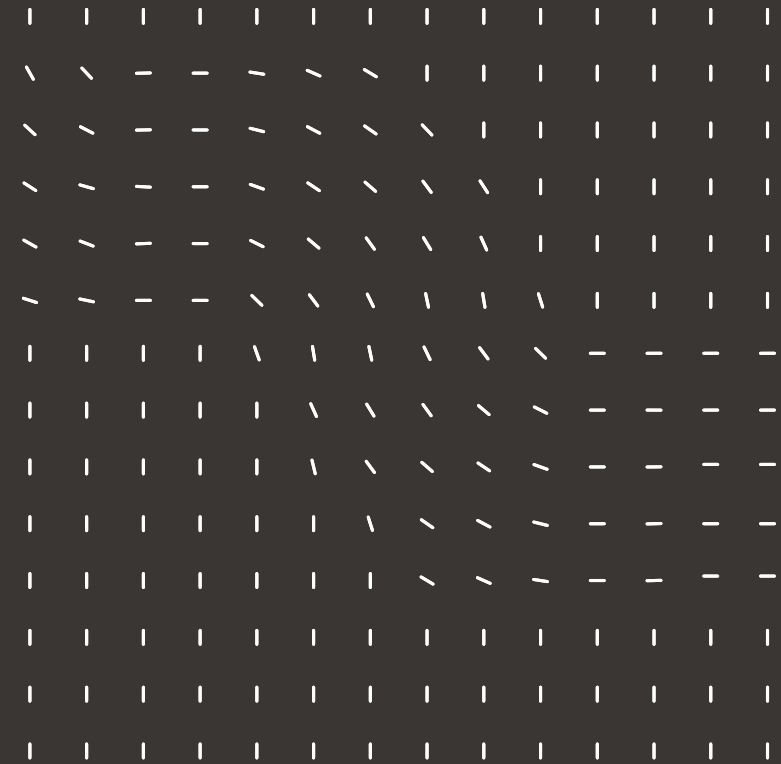


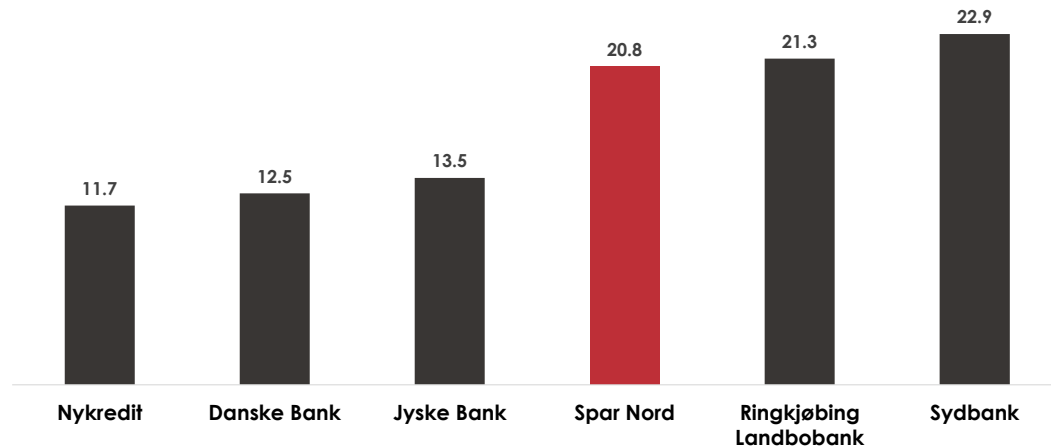
# Spar Nord update

Martin Kudsk Rasmussen, Managing Director  
5 January 2024



# ROE among the best in Denmark

ROE after tax Q1-Q3 2023



ROE (% after tax)	2018	2019	2020	2021	2022	Avg. ROE (5 year)
Arbejdernes Landsbank	4.0	8.0	4.4	14.4	6.7	7.5
Jyske Bank	7.5	7.1	4.4	8.8	10.0	7.6
Spar Nord Bank	10.8	11.7	7.4	12.9	12.5	11.1
Sydbank	10.0	7.4	6.7	11.3	14.5	10.0
Ringkjøbing Landbobank	11.2	13.2	11.7	14.6	16.6	13.5
Sparekassen Danmark	9.7	13.0	7.7	11.2	7.3	9.8
<b>Average (Peer group)</b>	<b>8.9</b>	<b>10.1</b>	<b>7.1</b>	<b>12.2</b>	<b>11.3</b>	<b>9.9</b>

# Financial highlights Q1-Q3 2023

## Net profit

Net profit of DKK 1,871m and **ROE of 20.8% p.a. after tax**

## Core income

Core income of DKK 4,257m – **~52% growth since Q1-Q3 2022**

## Costs and expenses

Costs and expenses of DKK 1,859m, **~44% of core income** – significant improvement from ~62% in Q1-Q3 2022

## Impairment charges

Loan impairments amounted to DKK -29m against DKK 21m in Q1-Q3 2022

## Lending

Bank and leasing lending **valued at DKK 56.2b**, up 6% from Q3 2022

## CET1 ratio

**CET 1 ratio of 16.5%** - up by 80bp from Q3 2022

## LCR ratio

**LCR ratio of 242%** - significant increase from 217% in Q3 2022

## Share buyback

DKK 300m share buyback program, of which **DKK 285m have been conducted by week 50 in 2023**

# Financial guidance for 2023

## - Updated on 9 October 2023

- **Core earnings before impairments expected in the DKK 3,050-3,250 million range**
  - Core earnings before impairments of DKK 2,398 million in Q1-Q3 2023
- **No profit impact from loan impairment charges etc.**
  - Loan impairments of DKK -29 million in Q1-Q3 2023
- **Profit after tax expected in the DKK 2,350-2,550 million range**
  - Profit after tax of DKK 1,871 million in Q1-Q3 2023

### 5 years trend

DKKm	2022	2021	2020	2019	2018
<b>Core earnings before impairment</b>	<b>1,808</b>	<b>1,581</b>	<b>1,227</b>	<b>1,324</b>	<b>1,266</b>
Impairments of loans and advance	78	-120	309	22	173
<b>Profit after tax</b>	<b>1,417</b>	<b>1,368</b>	<b>737</b>	<b>1,059</b>	<b>920</b>
ROE (pct.)	12.5	12.9	7.4	11.7	10.8

### Dividend policy

- Spar Nord pursues the goal of generating a competitive return for its shareholders – by way of share price performance and distributions. Spar Nord aims to distribute 40-60% of the net profit for the year with due consideration to meeting the Bank's capital targets
- The Bank intends to make distributions in the form of cash dividends and share buybacks, always provided that at least 30% of the net profit will be distributed as cash dividends. The distribution of between 40% and 60% is calculated on the net profit and thus before payment of interest on the Bank's additional tier 1 capital

### Payout ratio

	2018	2019	2020	2021	2022
Dividend per share (DKK)	3.5	0.0	1.5	5.0	4.5
Share buyback (DKKm)				225	300
<b>Payout ratio</b>	<b>47</b>	<b>0</b>	<b>25</b>	<b>61</b>	<b>60</b>

# Outlook for net interest income

## In the coming quarters, Spar Nord expects:

- Volume growth from establishment of new local banks, leasing activities and bank mortgage loans
- Pressure on deposit margin from increasing inflow into savings-, fixed rate- and term deposits
  - By end of Q3 2023, total volume in savings-, fixed rate- and term deposits was approx. DKK 10 billion
- Pressure on loan margin from continued competition and loan growth within bank mortgage loans and leasing activities where loan margins are lower than the bank's average loan margin
- Decline in interest income from return on surplus liquidity driven by expected fall in interest rates
- Increasing interest expenses for MREL capital from rising rates and increased volumes



# Outlook for net fee income

## In the coming quarters, Spar Nord expects:

- Overall, around 2/3 of the net fee income is volume-based, while the remaining 1/3 is activity-based
  - In 2023, AUM levels have increased, while originated mortgage loan levels have decreased
- Slightly increasing activity within the housing market (primarily housing trades) following a more stable interest environment – but conversely also limited remortgaging activity
- Increasing volumes in AUM support increase in net fee income from securities trading and assets management
- Continued increase in net fee income within payment services and cards, insurance and pension



# Outlook for costs

## In the coming quarters, Spar Nord expects:

- Rise in staff costs primarily from collective wage increase
  - Continued, but limited new employees in the newly established local banks
- Pressure on IT-costs
  - Continuance of IT Governance programme
  - Growth in business volume
- Operating costs will in general be affected by the level of inflation and the establishment of new local banks in recent years
- One-off costs related celebration and marketing of the bank's 200 years anniversary



# Outlook for impairments

## In the coming quarters, Spar Nord expects:

- No significant signs of increased arrears and overdrafts
- Only modest deterioration of credit quality expected
  - Slowing and limited economic growth and a potential increase in unemployment
  - More long-term effects of high inflation and rise in interest rates
  - Conversely, large private savings combined with relatively low leverage and LTVs
- New impairments could (partially) be offset in existing impairment reserves
  - By end of Q3 2023, total impairments and provisions were DKK 1,712 million
    - Impairments in stage 1 and 2 and sum of management estimates were in total DKK 1,169 million
    - Individual impairment charges in stage 3 amounted to DKK 543 million





# Status on implementing IRB approach

- The application material was completed and approved by top management during Spring 2023
- The application was handed over to the Danish FSA in July 2023
- The processing of the application by the Danish FSA has been initiated and is progressing as planned
  - Currently, the Danish FSA expects to reach a conclusion at the end of 2024
- Spar Nord therefore expects to be able to calculate capital requirements based on the IRB approach from Q1 2025
- The IRB models will be implemented in the credit processes and for the purpose of calculation of impairments in February 2024

