

# Spar Nord - Business development, update on financial performance, credit and capital and funding

Debt investor presentation, June 2023

# Executive summary

- **The presentation today is in connection with issuance of MREL capital – Senior Non-Preferred**
  - A step in our efforts to comply with fully phased in MREL requirement by 1 January 2024
  - Expected total need for MREL capital in the DKK 8 billion range
    - Outstanding amount by Q1 2023 of DKK 6.2 billion
- **We believe that Spar Nord is an attractive SNP investment case**
  - Our asset quality is sound – well diversified low-risk loan book
  - Solid capital position and strong liquidity
  - We have a strong financial performance track record – profitable through the cycle also in a world with COVID-19
  - Our business model is clear and understandable – focused on Danish private customers and SMEs
  - Bond portfolio booked at Fair Value – and history of low interest rate risk exposure
  - A pure Danish play: Danish economy is healthy - although increased uncertainty concerning market outlook
  - Spar Nord is A1 (stable) rated by Moody's with Senior Non-Preferred rated A3

# Rating from Moody's

Since October 2019 Spar Nord has been assigned the following ratings by Moody's Investors Service ("Moody's"):

- Baseline credit assessment: Baa1
- Bank deposit rating: A1 / P-1
- Outlook: Stable
- **Senior Non-Preferred: A3**
- Tier 2 capital: (P)Baa1

**Key strength and challenges from the latest Credit Opinion (20 January 2023):**

Credit strengths:

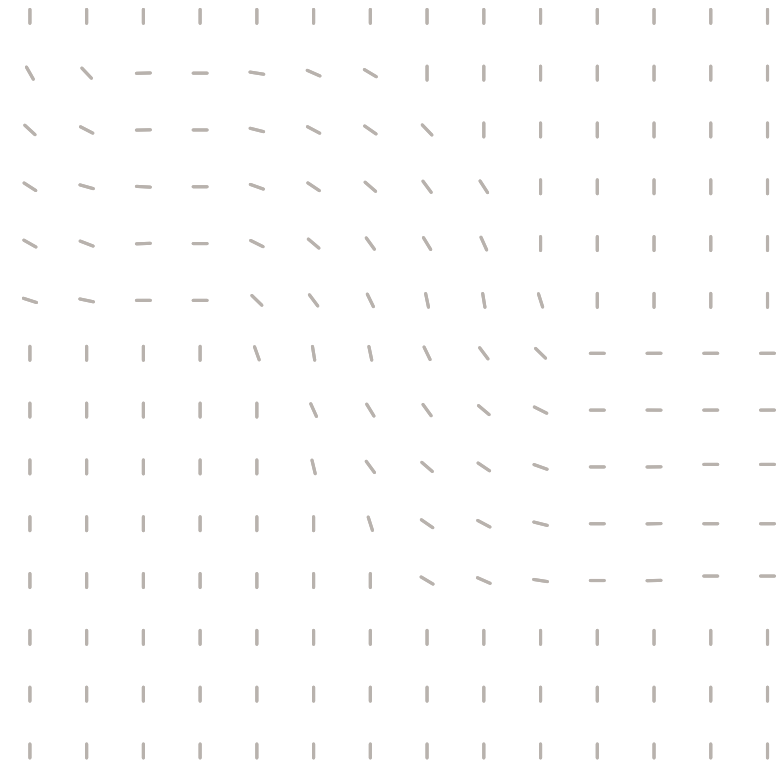
- Robust capitalisation and a strong leverage ratio
- Low dependence on market funding
- Strong liquidity buffer

Credit challenges:

- Relatively higher problem loans ratio compared to peers
- High cost to income ratio compared to peers

# Agenda

- 1 Business model and business development
- 2 Sustainability at Spar Nord
- 3 Financial update
- 4 Capital update
- 5 Credit update
- 6 Funding and Liquidity update



# Business model and business development

# A robust Danish retail bank focusing on private customers and local businesses

## Brief history

- Founded in 1824 as a savings bank – listed in 1990
- Since 2001, we have focused exclusively on household customers and local SMEs
- At the same time, we started our transformation from regional bank to nationwide presence
- We offer a full range of products and services (both own and distributed) to our core segments.
- We enjoy high customer satisfaction and loyalty - potential for further growth in market-share
- Until now, our standardized approach to risk weighting has made for lower leverage and risk
- In the light of SIFI appointment and MREL demands in 2019, we decided to migrate to IRB models to improve capital efficiency (expected from YE2024)
- Our credit quality is strong – strongly positioned to face the prospects of more challenging years

## Strategy and business model

### 1 Focus on households and local SMEs

#### StarPLUS loyalty program



- Focus on attracting and retaining attractive private and SME customers
- Focus on loyalty benefits for customers who buy the whole package

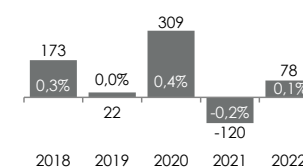
### 2 Strong reputation and customer satisfaction



- For the six consecutive year, Spar Nord is named as the bank among the six largest banks in Denmark with the most satisfied business customers

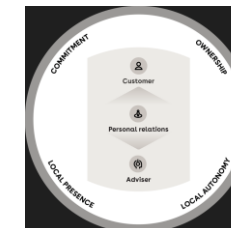
### 3 Robust credit quality

#### Impairment percentage



- A persistently strong credit quality throughout the business cycle
- Strong centralised credit management

### 4 Decentralized business model



- Business model inspired by franchise philosophy
- Local decision making on customer and staff matters
- One brand and same products and concepts

## Shareholders

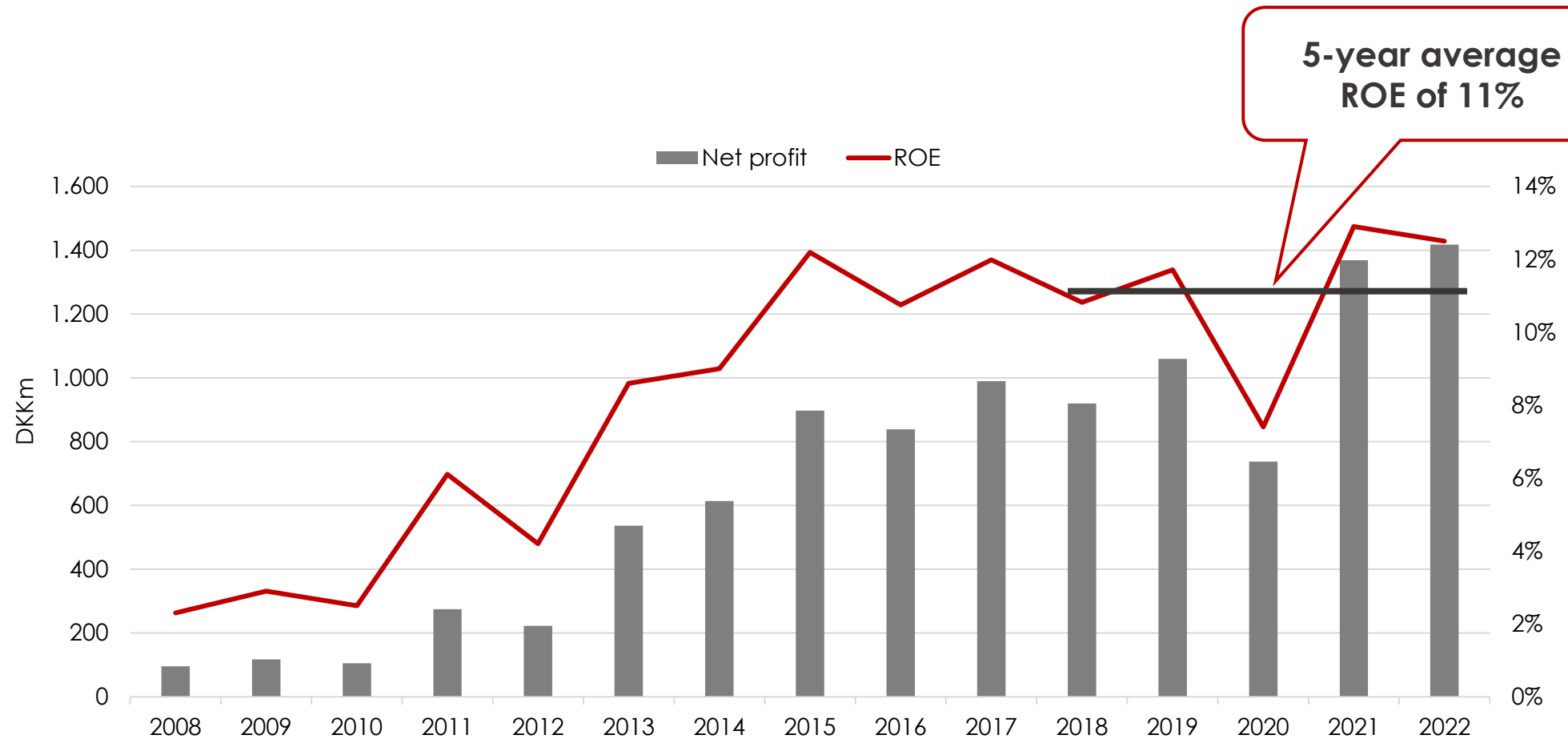


- Spar Nord Foundation is the largest shareholder with **19.4%**
- Nykredit Realkredit A/S holds **18.7%**

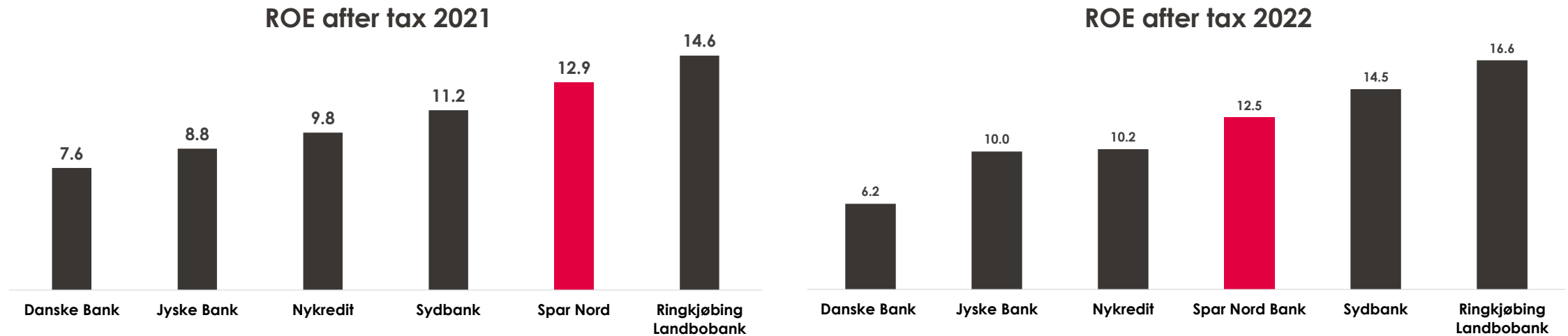


- Several non-domestic investors hold a total of **23 %**
- Professional and institutional investors (incl. Spar Nord Foundation) hold a total of **70 %**

# Stable and strong financial performance through the cycle



# ROE among the best in Denmark

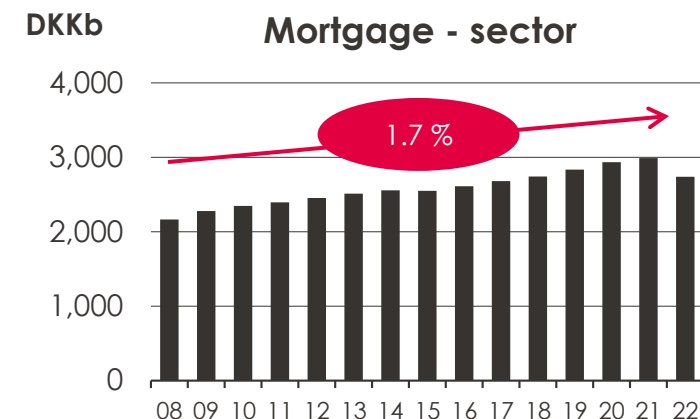
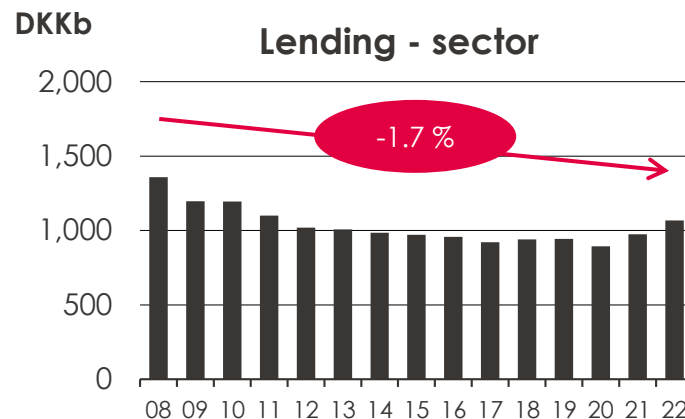
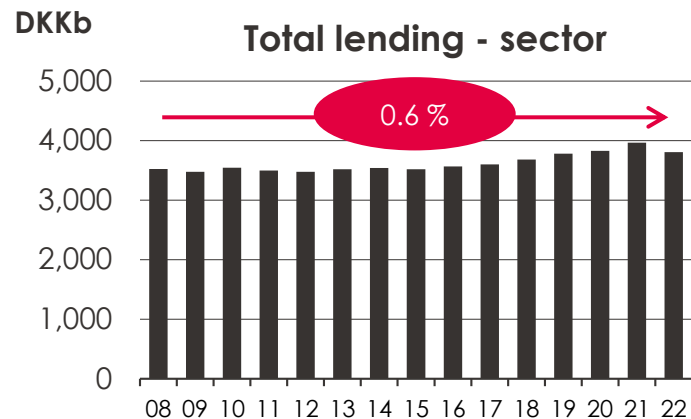
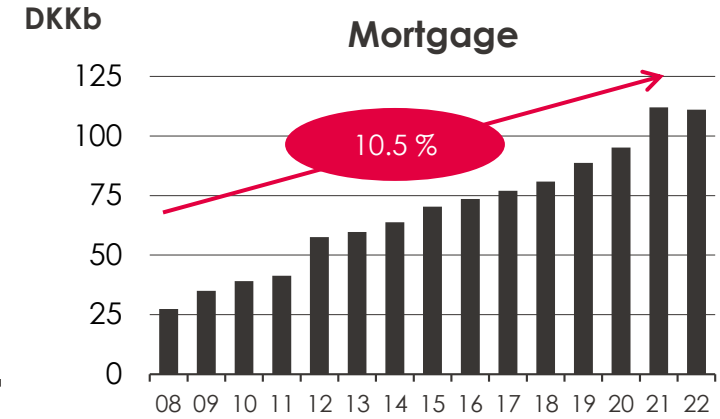
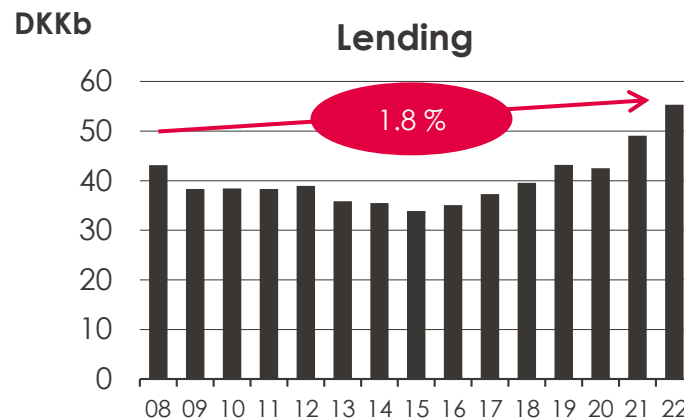
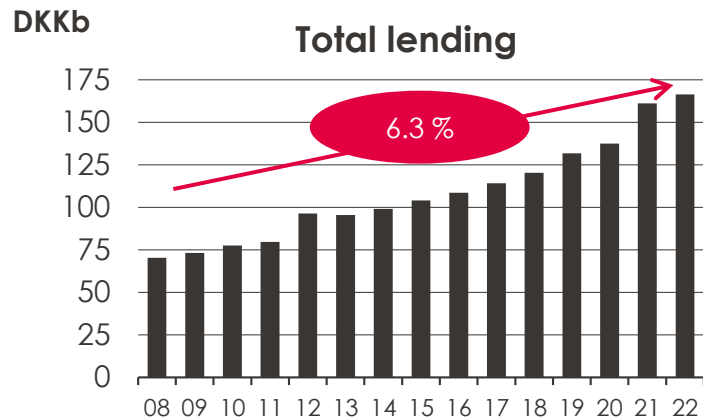


ROE (% after tax)	2018	2019	2020	2021	2022	Avg. ROE (5 year)
Arbejdernes Landsbank	4.0	8.0	4.4	14.4	6.7	7.5
Jyske Bank	7.5	7.1	4.4	8.8	10.0	7.6
<b>Spar Nord Bank</b>	<b>10.8</b>	<b>11.7</b>	<b>7.4</b>	<b>12.9</b>	<b>12.5</b>	<b>11.1</b>
Sydbank	10.0	7.4	6.7	11.3	14.5	10.0
Ringkjøbing Landbobank	11.2	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>



# 14 years with growth and steadily gaining market share

## Spar Nord's bank lending and mortgage-distribution compared to sector lending



# National foothold by YE 2022

## North Denmark Region

Business volume DKK 117 billion (2013: 77)  
FTE 328 (2013: 497)  
Branches 21 (2013: 38)

## Central Denmark Region

Business volume DKK 78 billion (2013: 39)  
FTE 226 (2013: 241)  
Branches 9 (2013: 16)

## Region of Southern Denmark

Business volume DKK 42 billion (2013: 16)  
FTE 132 (2013: 98)  
Branches 9 (2013: 8)

## New Local Banks established in recent years

- **2020**
  - Branch in Herlev
- **2021**
  - Branch in Korsør
  - Branch in Solrød Strand
- **2022**
  - Branch in Hørsholm
  - Banking area on Nykøbing Falster
  - Banking area in Allerød
- **2023 (announced)**
  - Branch in Helsingø
  - Banking area in Frederikssund

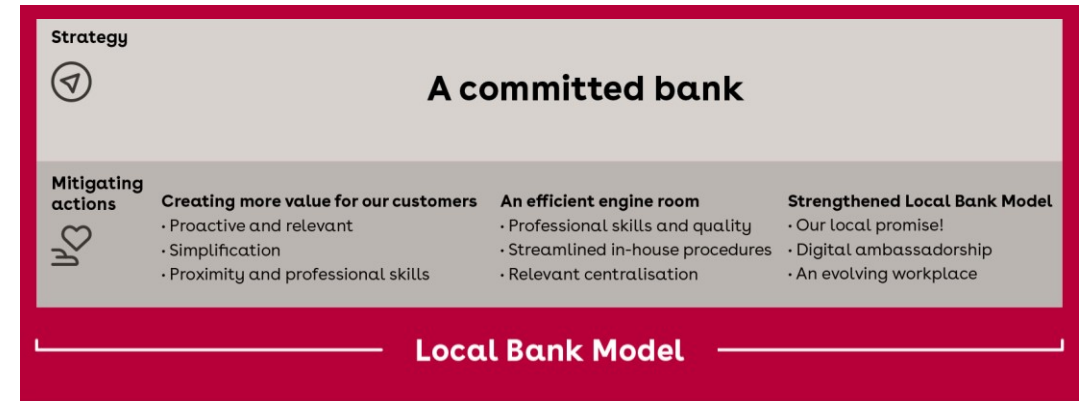
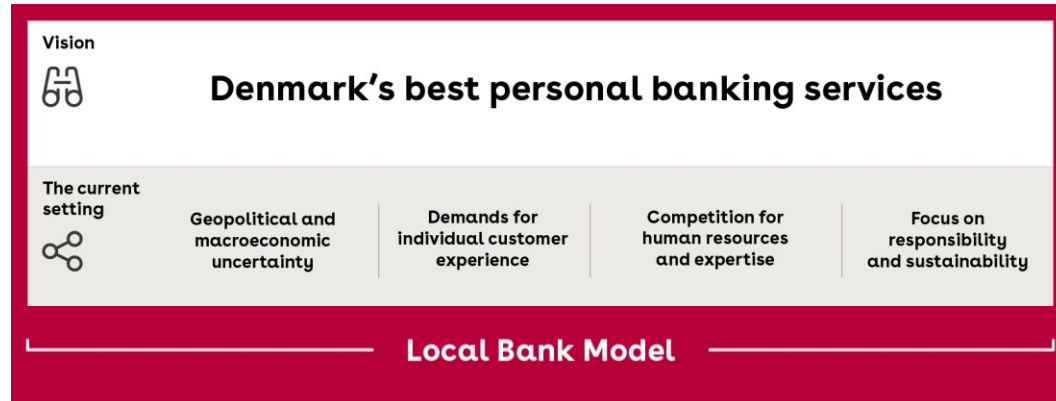
## Capital Region of Denmark

Business volume DKK 50 billion (2013: 11)  
FTE 168 (2013: 76)  
Branches 13 (2013: 5)

## Region Zealand

Business volume DKK 50 billion (2013: 18)  
FTE 146 (2013: 115)  
Branches 8 (2013: 7)

# Strategy and strategic actions 2023-25



- **Creating more value for our customers**

- Improved services to large business customers by establishing Large Corporate departments in Aarhus and Roskilde to complement the Aalborg location
- Improved personalised service by becoming even more proactive and relevant in our advisory services and other communications

- **An efficient engine room**

- Centralisation of administrative tasks – such as production and verification of business documents and financial analysis

- **Strengthened local bank model**

- Consolidation of Spar Nord's market position by giving employees an increased mandate to make decisions that concern customercentric areas and relations. This way, our employees should have an even greater opportunity to make a difference in the areas where they live – and where the Bank operates

# Financial targets 2023-25

## Strategic targets 2023-25

Return on equity

**> 11 %**  
after tax

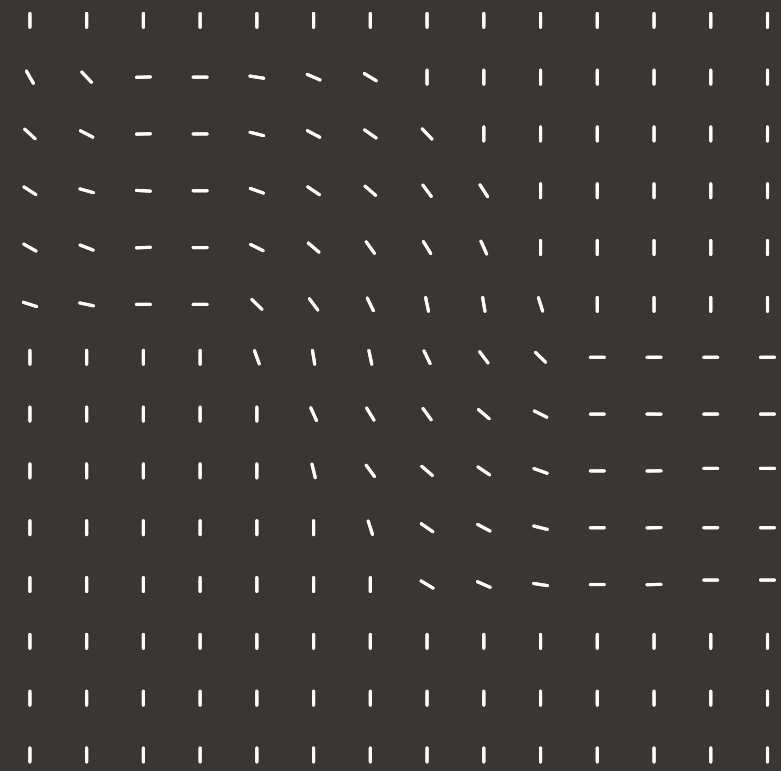
Cost/Income Ratio

**< 55**

Dividend

**40-60 %**  
of profit for the year

Based on an impairment ratio, which in the 2023-2025 strategy period is not expected to exceed 0.50



# Sustainability at Spar Nord

# ESG and sustainability in five workstreams

**1.**  
**RESPONSIBLE  
INVESTMENTS**

**2.**  
**SUSTAINABLE  
FINANCE**

**3.**  
**GOVERNANCE  
&  
COMPLIANCE**

**4.**  
**LOCAL  
INVOLVEMENT**

**5.**  
**OWN  
FOOTPRINT**

**UN INITIATIVES PROVIDE THE FRAMEWORK FOR ESG WORK**

**WE SUPPORT**



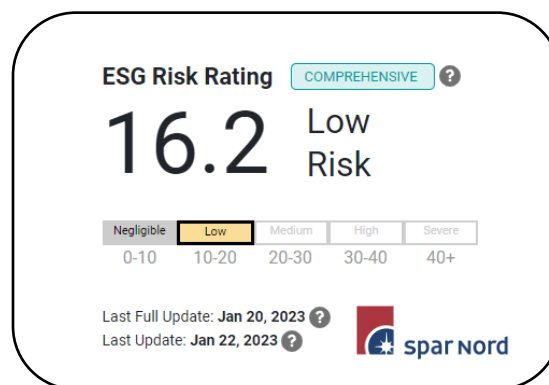
# Corporate social responsibility and ESG



- **Selected milestones from the work with Spar Nord's five prioritised ESG efforts**

- Energy-friendly loan products and Digital Investment Guide
  - By the end of 2025, 80% of all new car loans must be for electric or plug-in hybrid vehicles (Realized at 57% by end of 2022)
  - Launch of extended Digital Investment Guide (DIG) to identify customers' sustainability preferences prior to making an investment
- Improved ESG capabilities
  - Ensures that all employees gain an insight into ESG, the UN SDGs and sustainability generally in relation to the financial sector
- CO2e action plans
  - Spar Nord has set specific targets for reducing its CO2e footprint for lending and investment activities in 2025 and 2030
  - Spar Nord's action plans and targets are consistent with the recommendations from Finance Denmark's Forum for Sustainable Finance
- Solar farm in operation in 2023
  - Spar Nord is 100% powered by green electricity from solar energy

- **Spar Nord has an ESG rating of “Low Risk” by Sustainalytics (improved ESG-score from 18.6 year-end 2021)**



# Update on financial performance and guidance



# Q1 was a great start of 2023 for Spar Nord

## Profitability at very satisfactory level

- Net profit at DKK 557 million
- 19.5 % ROE after tax

## Strong core business growth

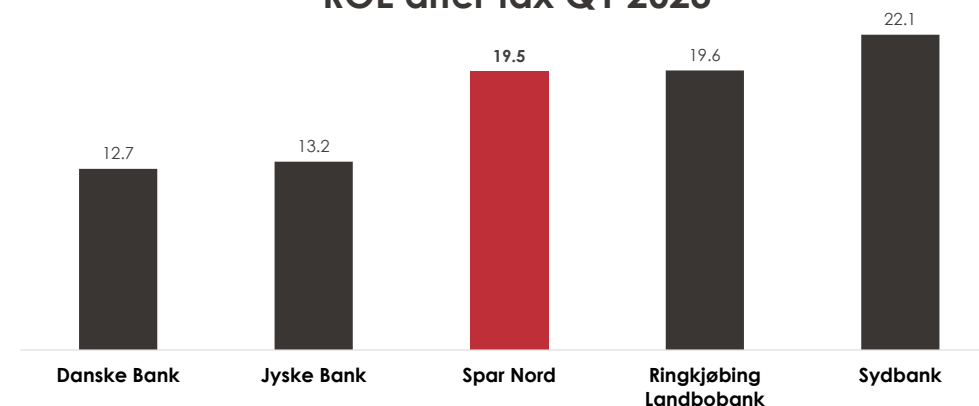
- Lending growth of 13% (y/y)
- Deposit growth of 11% (y/y)

## ROE performance among the best in Denmark

SPAR NORD BANK DKKm	Realized Q1 2023	Realized Q1 2022	Index	Realized Q1 2023	Realized Q4 2022
Net interest income	770	436	177	770	627
Net fees, charges and commissions	397	438	91	397	410
Market-value adjustments and dividends	157	7	-	157	265
Other income	34	35	98	34	41
<b>Core income</b>	<b>1,357</b>	<b>915</b>	<b>148</b>	<b>1,357</b>	<b>1,342</b>
Staff costs	372	357	104	372	360
Operating expenses	257	236	109	257	249
<b>Costs and expenses</b>	<b>629</b>	<b>592</b>	<b>106</b>	<b>629</b>	<b>610</b>
<b>Core earnings before impairment</b>	<b>729</b>	<b>322</b>	<b>226</b>	<b>729</b>	<b>732</b>
Impairments of loans and advances	1	-7	-	1	57
<b>Profit before tax</b>	<b>727</b>	<b>329</b>	<b>221</b>	<b>727</b>	<b>675</b>
Tax	170	53	320	170	127
<b>Profit</b>	<b>557</b>	<b>276</b>	<b>202</b>	<b>557</b>	<b>548</b>

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
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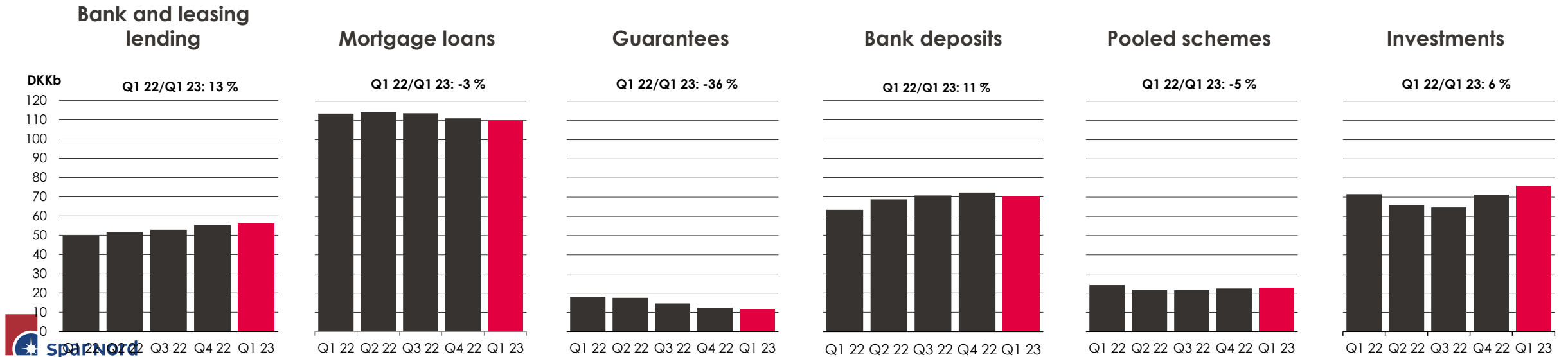
## ROE after tax Q1 2023



# Growth in total business volume (y/y)

## - Continued growth in bank and leasing lending

- End of Q1 2023, total business volume amounts to DKK 351 billion – DKK 6.7 billion (2%) higher than end of Q1 2022
- **Growth in both bank and leasing lending and bank deposits**
  - Bank and leasing lending were up by DKK 6.3 billion (Private: DKK 2.4 billion / Corporate: DKK 3.9 billion)
  - Bank deposits grew DKK 7.1 billion (Private: DKK 3.0 billion / Corporate: DKK 4.1 billion)
- **Customers' invested assets were up DKK 4.4 billion**
- **Smaller decline in mortgage loans and pooled pension schemes while guarantees were down DKK 6.6 billion (-36%)**
  - Mortgage loans declined DKK 3.7 billion (-3%)
  - Deposits in pooled schemes were down DKK 1.2 billion (-5%)



# Strong trend in NII/NCI less costs

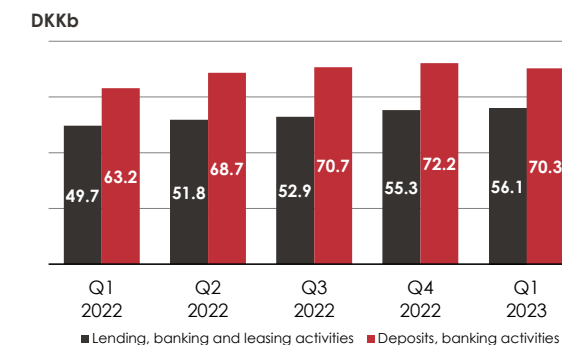
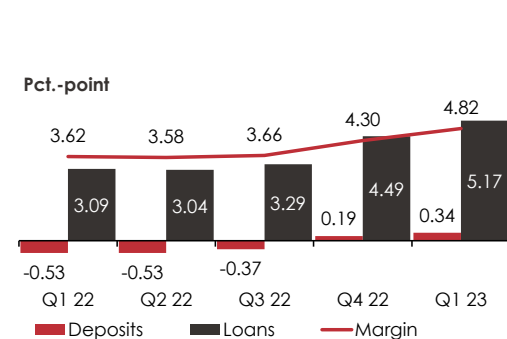
## Net interest income

- Positive deposit margin well-established for both private and corporate customers
  - Still relatively modest traffic from transactional account to saving accounts
- Strong increase in lending rates – all interest rate hikes from Central Bank has been implemented
  - Interest margin of 4.82% in Q1 2023 (+120 bp. compared to Q1 2022)

## Net fee income

- Overall lower level of activity in areas such as house sales, loan remortgaging, securities trading and assets under management
- Adjustment of fee structure in later years has made “unprofitable customers profitable”
- Volume based fees account for approximately 2/3 of total net fee income, while activity-based fees account for 1/3

DKKm	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023
Net interest income	436	450	499	627	770
Net fees, charges and commissions	438	414	428	410	397
<b>NII and NCI</b>	<b>873</b>	<b>864</b>	<b>927</b>	<b>1,036</b>	<b>1,166</b>
<b>Costs</b>	<b>592</b>	<b>584</b>	<b>552</b>	<b>610</b>	<b>629</b>
<b>NII and NCI less costs</b>	<b>281</b>	<b>280</b>	<b>375</b>	<b>427</b>	<b>538</b>

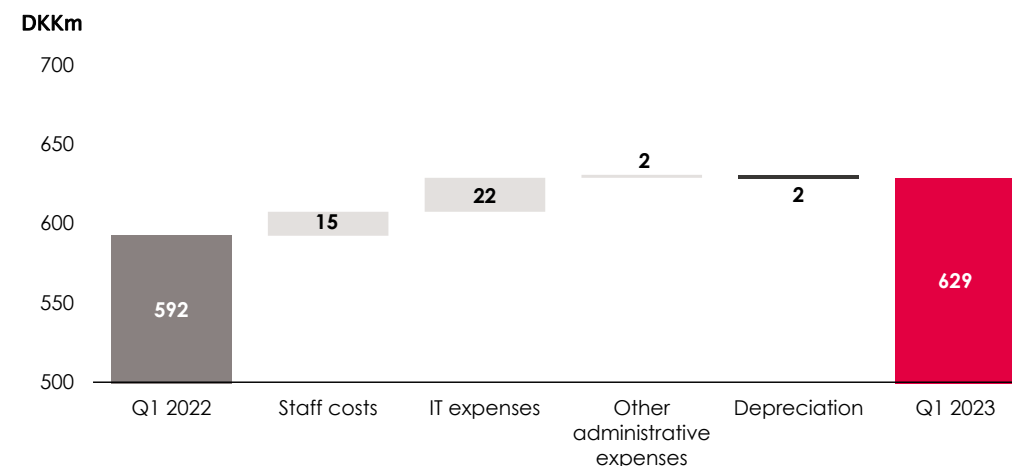


DKKm	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023
Mortgage fee	137	140	138	133	122
Loan transaction fees	35	39	38	35	24
Securities and asset management	139	118	123	125	107
Other fees	127	117	129	118	144
<b>Total net fees</b>	<b>438</b>	<b>414</b>	<b>428</b>	<b>410</b>	<b>397</b>

# Continued pressure on costs – up 6% (y/y)

- **Total costs amounted to DKK 629 million versus DKK 592 million in Q1 2022**
  - **Payroll costs increases by DKK 15 million (4%)**
    - 1,648 employees by end of Q1 2023, which was 26 more than at end of Q1 2022 - about half was attributed to the opening of new local banks during the past year
  - **Operating expenses up by DKK 21 million (9%)**
    - The increase in operating expenses was mainly due to higher IT costs relating to the Bank's data processing centre, BEC and other IT costs
    - Increase in cost items regarding travel, staff and marketing, while costs of fees were lower, among other things due to lower costs relating to the Bank's IRB project
  - **Cost/Income Ratio of 0.46 – well below the strategic goal of a Cost/Income Ratio below 55**
- **Cost expectations for 2023**
  - Increase in payroll costs driven by a higher average headcount and pay increases in accordance with collective agreements
  - Increase in IT costs – primarily linked to the Bank's data processing centre
  - Increase in other operating expense items due to the higher level of inflation

Trend in costs



Breakdown on cost types

Operating expenses (DKKm)	Q1 2023	Q1 2022	Change
Staff-related expenses	12	10	2
Travel expenses	4	2	1
Marketing costs	18	15	3
IT expenses	155	133	22
Cost of premises	14	14	-1
Other administrative expenses	33	37	-4
Depreciation	22	25	-2
<b>Operating expenses</b>	<b>257</b>	<b>236</b>	<b>21</b>

# Very modest impairment charges

## - Unchanged strong credit quality among customers

- **Loan impairments amounted to DKK 1 million against DKK -7 million in Q1 2022**

- Macroeconomic variables and confidence indicators were relatively neutral compared with the end of 2022, which resulted in limited movements in model-calculated impairment charges and management estimates
  - Continued decline in the number of exposures flagged for OEI and improved credit quality resulted in lower impairment charges of DKK 15 million
  - Increase in model-calculated impairment charges and management estimates of DKK 17 million primarily due to updated input variable
- Impact on profits breaks down into DKK 13 million attributable to corporate customers and DKK -12 million to private customers

- **At the end of Q1 2023, total management estimate was DKK 588 million**

- Broken down into DKK 313 million on private customers and DKK 275 million on corporate customers
- "Inflation, low growth and housing prices" of DKK 448 million related to:
  - Stress of private customers with natural gas or electricity as a heating source
  - Stress of both private and corporate customers in the lowest rating groups
  - Stress of all customers' PD level with the expectation that this will increase in the coming months
  - Stress of housing prices and leasing assets

DKKm / pct.	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023
- Impairments, private	10	-23	86	20	-12
- Impairments, corporate	-17	28	-63	37	13
<b>Impairments of loans and advances</b>	<b>-7</b>	<b>5</b>	<b>22</b>	<b>57</b>	<b>1</b>
<b>Impairment ratio</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,1</b>	<b>0,0</b>

Impairments by type (DKKm)	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023
Management estimates	540	526	576	574	588
Model-calculated impairments	329	411	436	469	472
<b>Estimates and model-calc. impairments</b>	<b>869</b>	<b>937</b>	<b>1,012</b>	<b>1,043</b>	<b>1,060</b>
Individual impairments	740	662	614	623	608
<b>Total impairments</b>	<b>1,609</b>	<b>1,598</b>	<b>1,626</b>	<b>1,666</b>	<b>1,667</b>

DKKm	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023
Inflation, low growth and housing prices	243	279	317	434	448
COVID-19	150	85	84	0	0
Agriculture, land prices	101	98	86	41	38
Model uncertainty etc.	46	64	89	98	102
<b>Total management estimates</b>	<b>540</b>	<b>526</b>	<b>576</b>	<b>574</b>	<b>588</b>

# Financial guidance for 2023

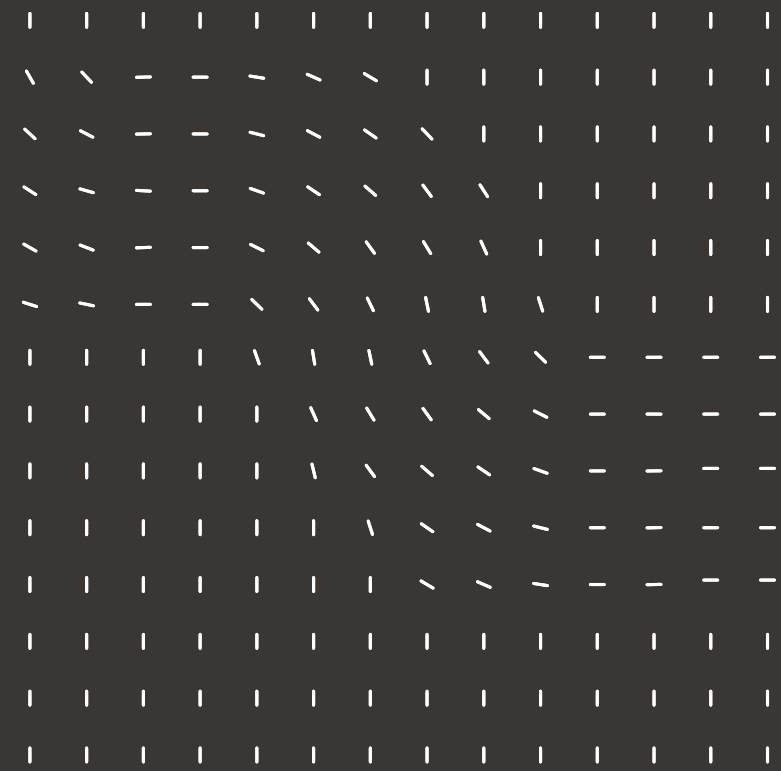
## - Updated on 14 April 2023

### 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

- **Core earnings before impairments**
  - At the beginning of 2023, core earnings before impairments were expected of around DKK 2.3 - 2.7 billion
    - Core earnings before impairments of DKK 729 million in Q1 2023
  - **Core earnings before impairments are now expected of around DKK 2.5 - 2.9 billion**
  
- **Impairments of loans**
  - At the beginning of 2023, impairments charges were expected higher in 2023 than in 2022
    - Loan impairments of DKK 1 million in Q1 2023
  - **Loan impairment charges are still expected to be higher than in 2022, but lower than forecast at the beginning of the year**
  
- **Profit after tax**
  - At the beginning of 2023, profit after tax were expected of around DKK 1.5 – 1.8 billion
    - Profit after tax of DKK 557 million in Q1 2023
  - **Profit after tax are now expected of around DKK 1.8 – 2.1 billion**

# Capital update



# Solid capital position despite decline in excess coverage

- **Capital ratios**

- CET1: 15.4 (strategic target: 13.5)
- Own funds ratio: 19.9 (strategic target: 17.5)

- **Individual solvency requirement of 9.7% and combined buffer requirement of 6.0%**

- Excess coverage of 4.0 percentage points or DKK 2.5 billion

- **CET1 and own funds ratio decreased by 1.0 percentage points compared to year-end 2022**

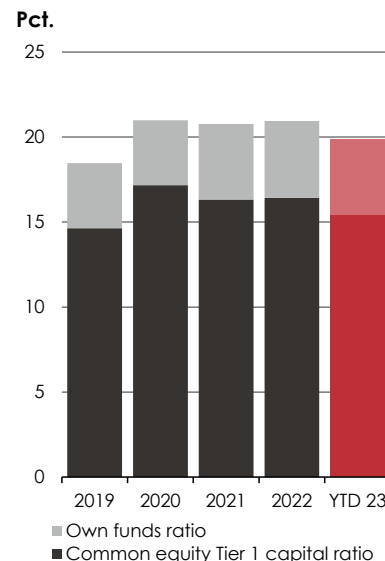
- Own funds were reduced by DKK 0.5 billion in Q1 2023
  - ÷ Deduction for the share buyback programme of DKK 300 million
  - ÷ Deduction relating to Spar Nord's increased holding of shares in DAB due to participation in DAB's capital increase
- Total risk exposure increased DKK 0.8 billion in Q1 2023
  - Risk exposure for credit risk was reduced by DKK 0.2 billion
  - Risk exposure for market risk was increased by DKK 0.7 billion
  - Risk exposure for operational risk was increased by DKK 0.3 billion

- **Capital ratios with recognition of Q1 result (Opted by Q1 2023)**

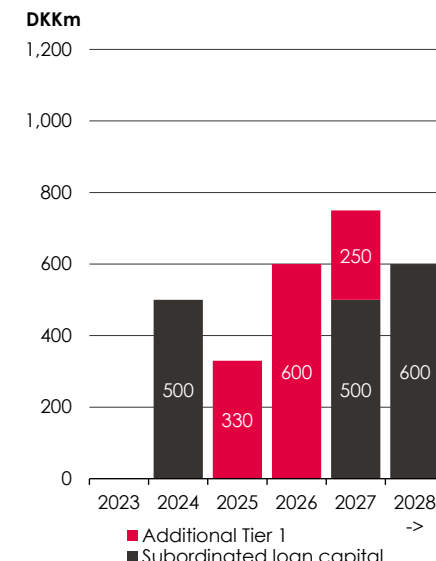
- CET1: 15.8 / Own funds ratio: 20.2



Capital ratios



Maturity profile for subordinated debt



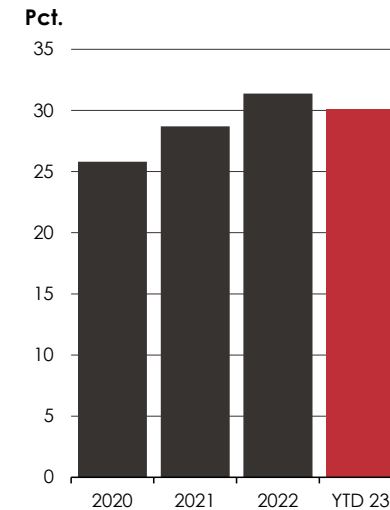
Pct. / DKKm	Q1 2023	2022	2021	2020
<b>Common equity Tier 1 capital ratio</b>	<b>15.4</b>	<b>16.4</b>	<b>16.3</b>	<b>17.2</b>
Additional Tier 1	1.9	1.9	1.9	1.4
<b>Tier 1 capital ratio</b>	<b>17.3</b>	<b>18.4</b>	<b>18.3</b>	<b>18.6</b>
Tier 2 capital	2.6	2.6	2.5	2.4
<b>Own funds ratio</b>	<b>19.9</b>	<b>20.9</b>	<b>20.8</b>	<b>21.0</b>
<b>Total Risk Exposure</b>	<b>61,308</b>	<b>60,463</b>	<b>60,479</b>	<b>54,865</b>
Of which Credit Risk	49,865	50,063	50,165	45,277
Of which Market Risk	4,595	3,901	4,140	3,994
Of which Operational Risk	6,848	6,499	6,174	5,594



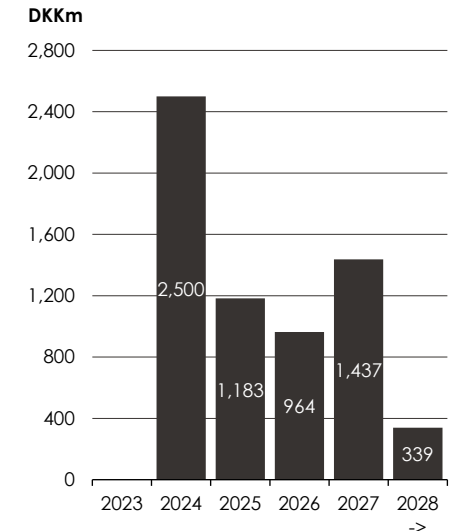
# Comfortable coverage for MREL requirement

- **MREL and combined buffer percentage was 30.1% which is 1.3 percentage points lower than end year-end 2022**
  - Additional MREL capital (Senior Non-Preferred) for DKK 0.2 billion was issued in Q1 2023:
    - EUR 25 million with term of 4NC3 and floating coupon of 3m EURIBOR + 140 bps.
- **Excess coverage, MREL requirement of 2.6 percentage points by end of Q1 2023**
  - The remaining 10% of the MREL requirement are phased in on 1 January 2024
  - MREL and combined buffer requirement expected at about 29% when fully phased in
    - Assuming a countercyclical buffer of 2.5%
  - With due consideration to ensuring an even maturity structure and the current opportunities and prices of issues, Spar Nord regularly considers the need for and timing of issuing additional MREL capital
  - In the remaining part of 2023, Spar Nord expects to issue MREL capital for up to DKK 2 billion to prepare for a fully phased-in MREL requirement on 1 January 2024

**MREL and combined buffer percentage**



**Maturity profile for MREL capital\***



\* MREL capital is shown with a minimum of 1 year to contractual maturity

**MREL requirement and -coverage**

DKKb	Q1 2023	2022	2021	2020
Own funds	12.2	12.7	12.6	11.5
MREL capital	6.2	6.2	4.8	2.7
Deduction – separate combined buffer requirement	-3.7	-3.3	-2.1	-1.9
<b>Total MREL-eligible liabilities</b>	<b>14.8</b>	<b>15.7</b>	<b>15.3</b>	<b>12.2</b>

Pct.	Q1 2023	2022	2021	2020
MREL and combined buffer percentage	30.1	31.4	28.7	25.8
MREL and combined buffer requirement	27.5	27.2	23.6	19.6
<b>Excess coverage, MREL requirement</b>	<b>2.6</b>	<b>4.2</b>	<b>5.1</b>	<b>6.2</b>

# Credit update

# Maintaining strong credit quality is a very important ambition

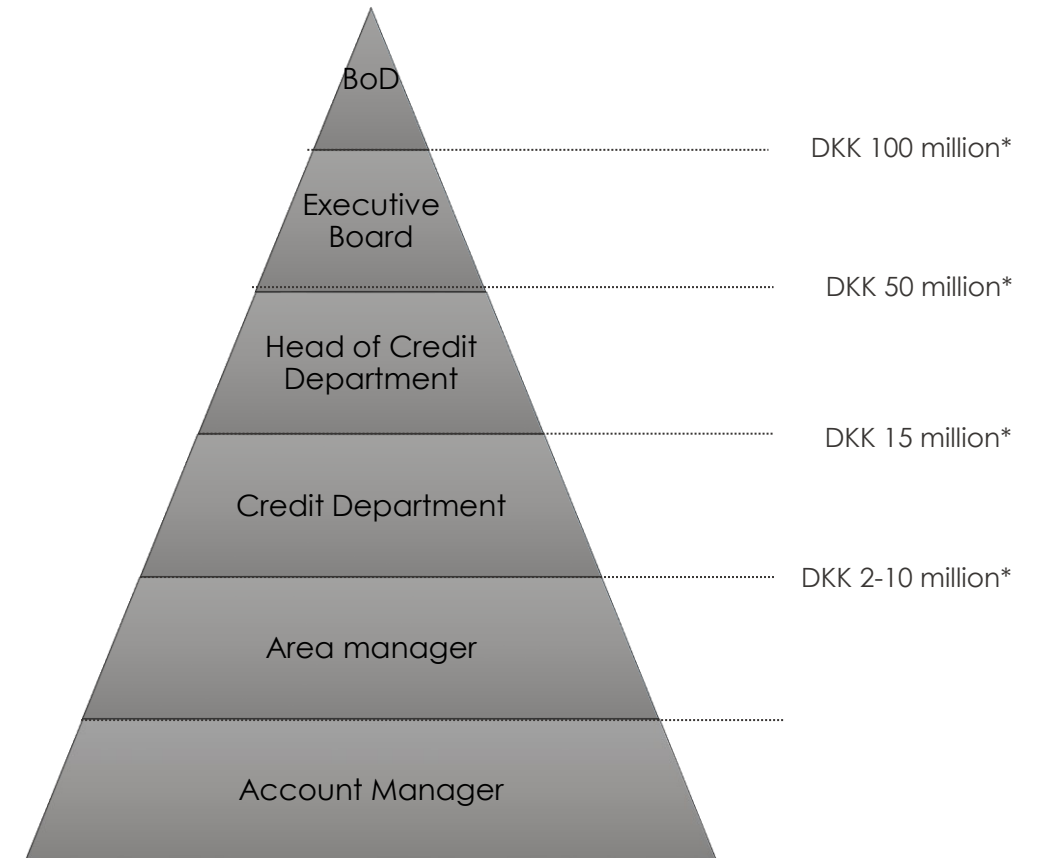
## Comments

- Firm focus on household segment and local SMEs
  - Loan book is 43 % private customers and 57 % corporate customers\*
  - Corporate portfolio is very diversified in terms of business sectors
  - Formal targets for industry diversification
 

Energy	max. 8%
Agriculture	max. 10%
Property	max. 15% (5% for speculative property financing)
Financing	max. 10%
Industry	max. 10%
Trading	max. 15%
  - Exposure is capped at DKK 1,000 million for exposure groups within the same legal entity with more stringent requirements for collateral to secure exposure amounts exceeding DKK 500 million
  - The unsecured share in the exposure group must not exceed DKK 250 million
- Centralized monitoring of credit risk exposures by the Risk Management Department
  - Systematic screening of new retail exposures over DKK 100,000 and business exposures over DKK 300,000 form the basis for selection for a manual credit quality assessment.

\*Excluding reverse repo transactions

## Underwriting hierarchy



\*half amount on new customer

# Well diversified loan book

- Loan book is generally very well diversified on industries
  - No abnormal exposure to any business sectors
  - Largest sector exposure is property which accounts for 12%
- Exposure to private customers accounts for 43% of loans and guarantees – against a sector average of approx. 1/3

Loans and guarantees broken down by industry\*

Industry	DKKm			Pct.		
	Q1 '23	2022	2021	Q1 '23	2022	2021
Public authorities	578	1,358	1,259	0.8	2.0	1.8
Agriculture	2,874	2,802	2,743	4.1	4.0	4.0
Fisheries	84	93	114	0.1	0.1	0.2
Industry	3,595	3,666	3,055	5.2	5.3	4.5
Utilities	2,183	2,159	1,842	3.1	3.1	2.7
Building and construction	3,254	3,106	2,993	4.7	4.5	4.4
Trade	4,953	4,977	4,191	7.1	7.2	6.1
Transport, Hotels and Restaurants	3,204	3,165	2,897	4.6	4.6	4.2
Information	325	330	389	0.5	0.5	0.6
Financing and insurance	4,473	4,469	4,139	6.5	6.4	6.1
Property	8,146	8,200	7,343	11.8	11.8	10.8
Other industries	5,969	5,580	5,008	8.6	8.1	7.3
Total Business customers	39,637	39,905	35,973	57.2	57.6	52.7
Private customers	29,686	29,385	32,260	42.8	42.4	47.3
<b>Total</b>	<b>69,323</b>	<b>69,290</b>	<b>68,234</b>	<b>100</b>	<b>100</b>	<b>100</b>

\* Excl. reverse repo transactions

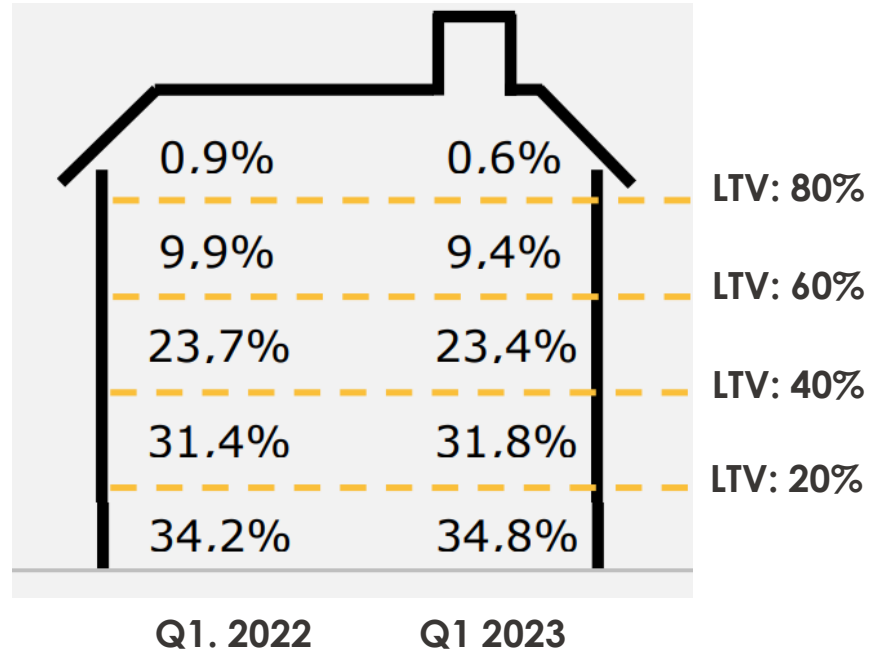
# Total credit distribution by industry\*

Bank loans and guarantees + Originated mortgage loans - Q1 2023 (DKKm)								
Industry	Spar Nord On balance sheet			Spar Nord Off balance sheet	Originated mortgage loans		Total	Total in pct.
	Bank loans	SparXpres	Leasing loans	Guarantees	Totalkredit	DLR Kredit		
Public authorities	573	0	2	2	0	1	578	0.3
Agriculture and Fisheries	1,647	0	972	10	3	3,285	5,917	3.5
Industry	2,228	0	938	371	70	182	3,788	2.2
Utilities	1,383	0	705	87	0	20	2,196	1.3
Construction and engineering	1,516	0	1,285	316	102	347	3,566	2.1
Trade	4,074	0	531	225	130	340	5,300	3.1
Transport, hotels and restaurants	1,353	0	1,696	104	90	142	3,385	2.0
Informations	260	0	26	14	9	13	321	0.2
Financing and insurance	3,735	0	248	407	115	380	4,886	2.9
Property	7,359	0	155	69	1,870	4,151	13,604	8.0
Other industries	3,766	0	1,764	144	160	354	6,187	3.6
<b>Total business customers</b>	<b>27,895</b>	<b>0</b>	<b>8,321</b>	<b>1,750</b>	<b>2,549</b>	<b>9,214</b>	<b>49,728</b>	<b>29.3</b>
Private customers	20,921	528	8	673	96,413	1,727	120,270	70.7
<b>Total</b>	<b>48,816</b>	<b>528</b>	<b>8,329</b>	<b>2,424</b>	<b>98,962</b>	<b>10,941</b>	<b>169,999</b>	<b>100.0</b>

\*Gross credit distribution excl. reverse repo transactions

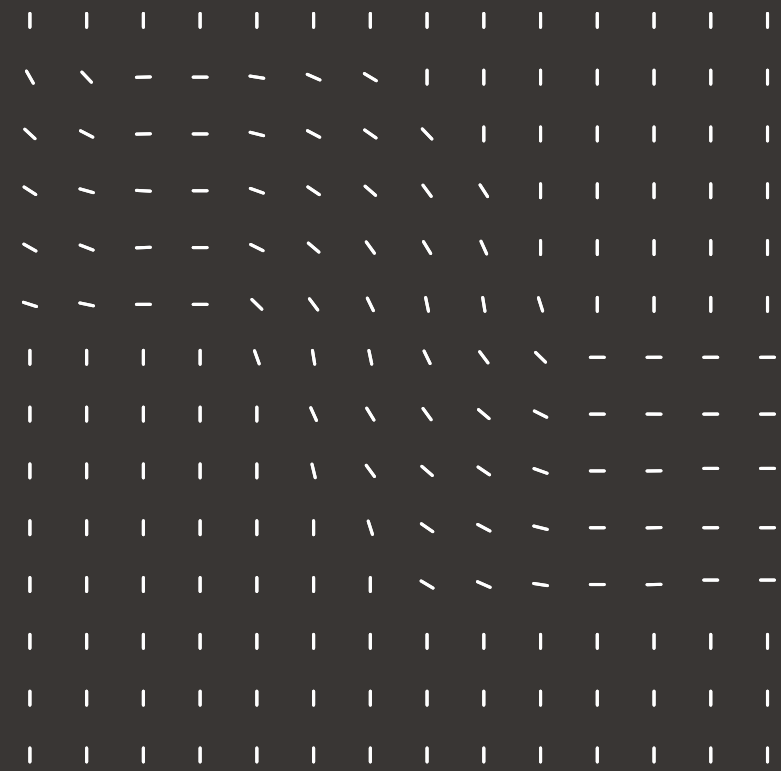
# Facilitation of mortgage loans from Totalkredit

## Totalkredit Private - Spar Nord LTV



## Historical loss rates for mortgages Totalkredit – Private customers

Totalkredit loans					
Private (DKKm)	2022	2021	2020	2019	2018
Loss	11.2	11.0	11.9	11.8	17.0
Loans	100,047	97,870	80,599	75,079	68,286
Percentage	0.011%	0.011%	0.015%	0.016%	0.025%

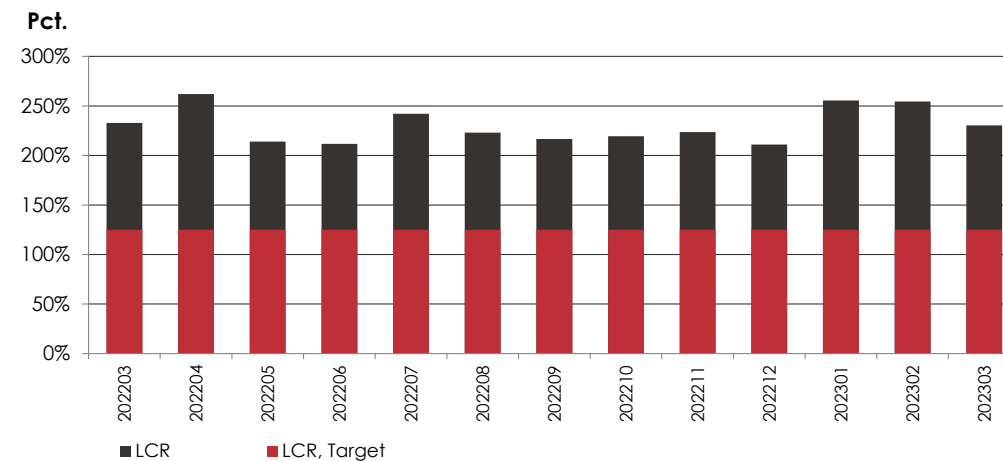


# Funding and liquidity update

# Unchanged strong liquidity and funding

- **End of Q1 2023, LCR stood at 230%**
  - Statutory requirement at 100% / Bank's own target at 125%
- **End of Q1 2023, NSFR stood at 126%**
  - Statutory requirement at 100% / Bank's own target at 105%
- **End of Q1 2023, deposits excluding pooled schemes amounted to DKK 71 billion or 73 % of the Bank's total funding**

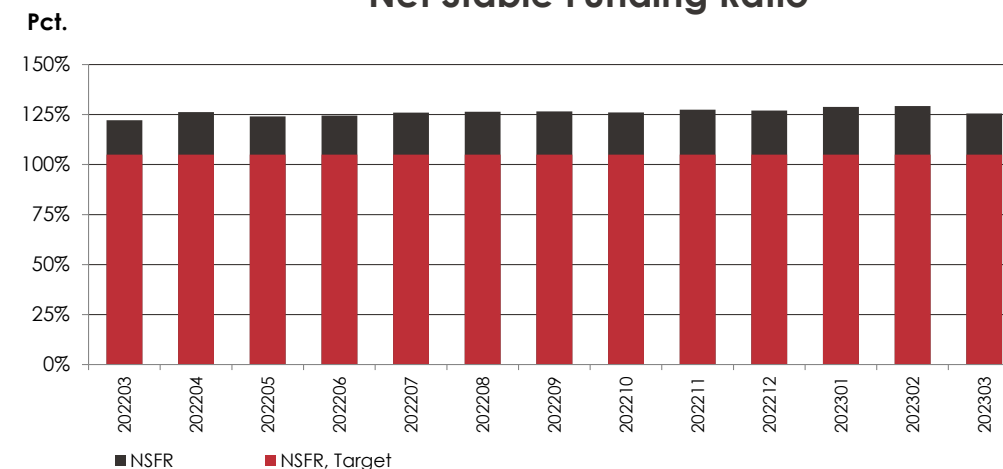
## Liquidity Coverage Ratio



## Funding profile

DKKb	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023
Money market funding	2.9	2.4	2.5	2.1	5.5
Deposits excluding pooled schemes	63.7	68.7	70.7	72.2	70.6
Issued bonds	4.8	4.6	5.4	6.2	6.2
Tier 2 capital and AT1 capital	2.7	2.7	3.2	2.8	2.8
Shareholders' equity	10.7	10.6	10.8	11.3	11.2
<b>Total funding</b>	<b>84.8</b>	<b>89.0</b>	<b>92.5</b>	<b>94.5</b>	<b>96.3</b>

## Net Stable Funding Ratio





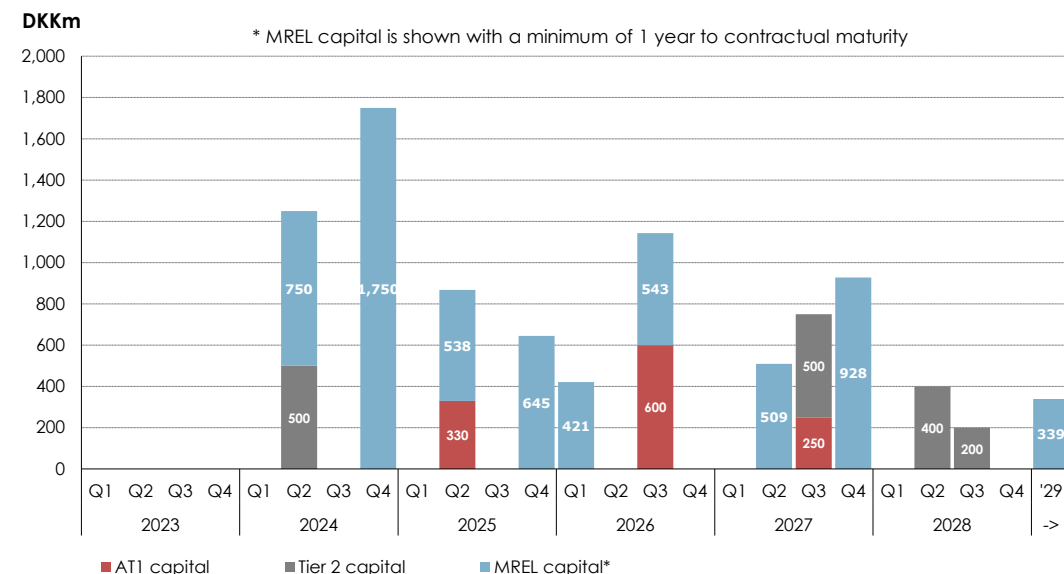
# Strong and low risk customer deposit base

- Overall, a conservative funding profile which gives rise to strong liquidity and funding metrics
  - Liquidity metrics by end of Q1 2023: LCR = 230% and NSFR = 126%
- Majority of funding based on a strong customer deposit base
  - A natural consequence of the Bank's business model with focus on private customers and SMEs
  - Focus on full customer relationships contributes to large deposit base
    - By year-end 2022, average deposits were in the range of:
      - DKK 140,000 per retail customer
      - DKK 5.4 million per corporate/non-retail customer
- From end-2023, outstanding amount expected around DKK 8 billion due to fully phased in MREL-requirement
  - In the remaining part of 2023, Spar Nord expects to issue MREL capital for up to DKK 2 billion

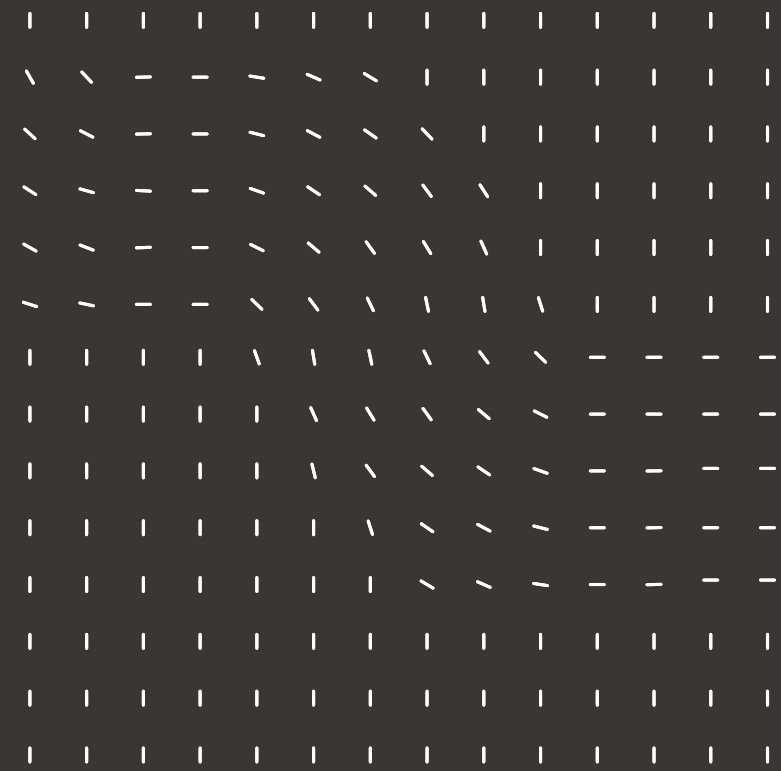
Deposits excluding pooled schemes (DKKb)	Q1 2023	2022	2021	2020
Deposits, Retail customers	56.8	56.2	53.6	46.7
Deposits, Non-retail customers	12.2	13.5	9.2	10.6
Deposits, Financial customers	1.3	2.4	1.0	0.8
Deposits, Repo transactions	0.3	0.0	0.0	0.3
<b>Deposits excluding pooled schemes</b>	<b>70.6</b>	<b>72.2</b>	<b>63.8</b>	<b>58.4</b>

Customer deposits Supplementary metrics	Q1 2023	2022	2021	2020
Share of customer deposits covered by the Danish deposit protection schemes	66%	69%	67%	68%
Top 20 customer deposits / Total customer deposits	5%	7%	3%	3%



# Market risk

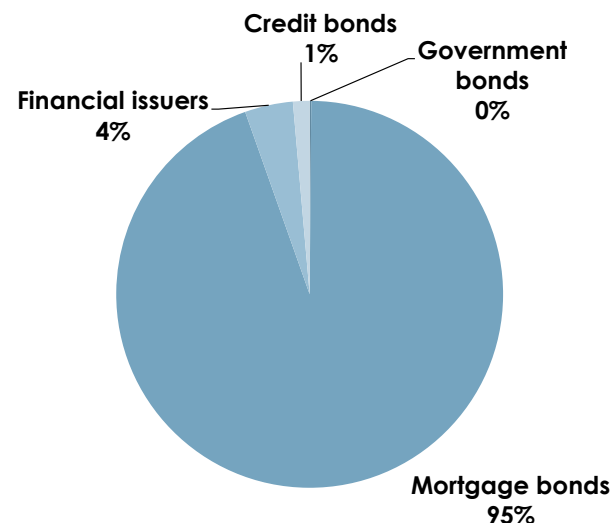


# Low risk in bond portfolio

## Comments

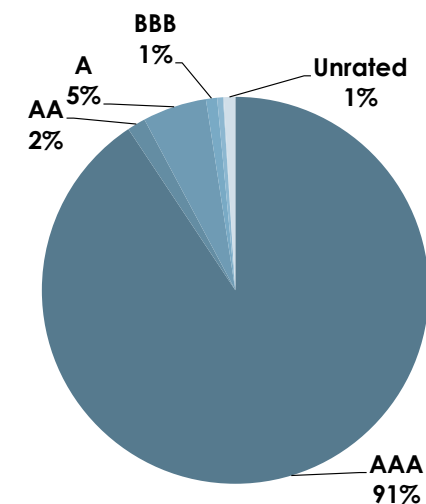
- Bond portfolio consists of 95% mortgage bonds
  - Of which 99% are from Danish mortgage issuers
- 91% of the bond portfolio are rated AAA
  - And only 1% are Non-investment grade
- Investment focus is on issuers from Denmark, Other Nordic Countries and to a lesser extend Euroland
- Entire bond portfolio booked at fair value

## Bond portfolio by issuer type and rating



Bond portfolio by issuer type* (DKKm)	Q1 2023	2022
Government bonds	-34	-176
Mortgage bonds	24,084	21,783
Financial issuers	1,026	712
Credit bonds	354	339
<b>Total bonds</b>	<b>25,430</b>	<b>22,657</b>

\*Bond portfolio plus spot and forward purchases and sales



Bond portfolio by rating* (DKKm)	Q1 2023	2022
AAA	23,059	20,712
AA	391	67
A	1,360	1,189
BBB	237	207
BB	124	129
B	14	15
CCC	3	2
Unrated	242	336
<b>Total bonds</b>	<b>25,430</b>	<b>22,657</b>

\*Bond portfolio plus spot and forward purchases and sales

# Low interest rate risk

## -Both in the trading book and the banking book

### Comments

- All assets, liabilities and derivatives in the trading book are booked at fair value
- Very low interest rate risk in the banking book
- Spar Nord targets to match interest rate risk from assets and liabilities in the banking book

### Interest rate risk

#### Interest rate risk in the trading book

2022

DKKm	3					Total
	Less than 3 months	1-3 months	1-3 years	3-7 years	More than 7 years	
DKK	6	-6	33	6	13	52
EUR	7	17	-8	1	-13	5
Other	1	0	-1	0	0	1
<b>Total</b>	<b>15</b>	<b>11</b>	<b>25</b>	<b>8</b>	<b>0</b>	<b>58</b>

#### Interest rate risk in the banking book

2022

DKKm	3					Total
	Less than 3 months	1-3 months	1-3 years	3-7 years	More than 7 years	
DKK	-1	2	-5	-14	9	-9
EUR	0	1	2	7	1	10
Other	0	0	-1	0	0	-1
<b>Total</b>	<b>-1</b>	<b>3</b>	<b>-3</b>	<b>-7</b>	<b>9</b>	<b>0</b>

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# Legal disclaimer

Certain statements in today's presentation are based on the beliefs of our management as well as assumptions made by and information currently available to the management. Forward-looking statements (other than statements of historical fact) regarding our future results of operations, financial condition, business strategy and future objectives can generally be identified by terminology such as "targets", "beliefs", "expects", "intends", "plans", "assumes", "will", "may", "anticipates", "continues" or similar expressions.

A number of different factors may cause the actual performance to deviate significantly from the forward-looking statements in the presentations including but not limited to general economic developments, changes in the competitive environment, developments in the financial markets, extraordinary events such as natural disasters or terrorist attacks and changes in legislation.

We urge you to read our financial reports available on [sparnord.com](http://sparnord.com) for a discussion of some of the factors that could affect our future performance and the industry in which we operate.

Should one or more of these risks or uncertainties materialise or should any underlying assumptions prove to be incorrect, our actual financial condition or results could materially differ from that presented as anticipated, believed, estimated or expected.

Please note that we are not under any duty to update any of the forward-looking statements or to conform such statements to actual results, except as may be required by law.