

# Introduction, update on financial performance, credit and capital

Debt investor roadshow, Copenhagen February 2021

# Executive summary

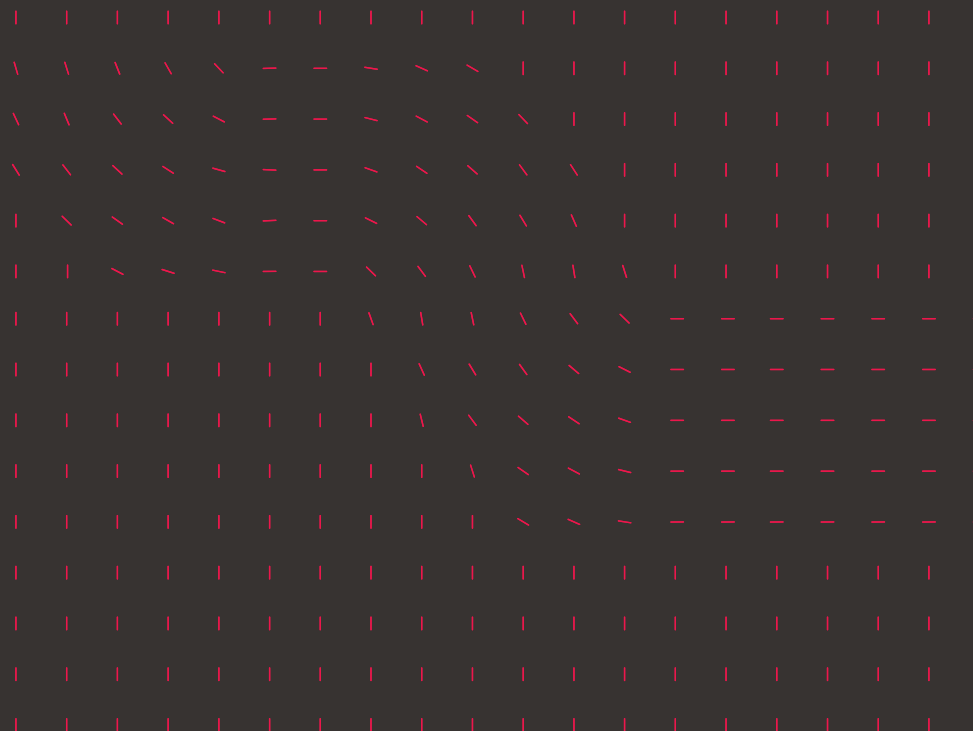
- **We are here today in connection with possible issue of Hybrid Capital from Spar Nord Bank**
  - This issue shall be seen in connection with the purchase of BankNordik's Danish business
  - Early refinancing of our possible call of existing issue with call in December 2021
  - The expected issue will be DKK-denominated – a rare investment possibility in DKK in a Danish SIFI Bank
- **We believe that Spar Nord is an attractive AT1 investment case**
  - Our asset quality is sound – well diversified low-risk loan book
  - We have a strong financial performance track record – profitable through the cycle also in a world with Covid-19
  - Our business strategy is clear and understandable – we want to be The Personal Bank in a Digital World
  - A pure Danish play: Danish economy is healthy, and our market outlook is comfortable

# Agenda

1. Introduction to Spar Nord
2. Update on financial performance
3. BankNordik acquisition
4. Credit update
5. Capital and liquidity update
6. The offering



# 1. Introduction



# 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, we have decided to migrate to IRB models to improve capital efficiency
- Our credit quality is strong – for the last decade agriculture has been our only real headache

## Strategy and business model

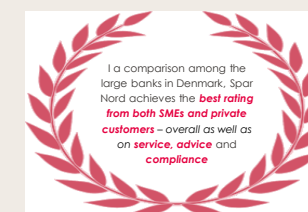
### 1 Focus on households and local SMEs

#### StarPLUS loyalty program



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

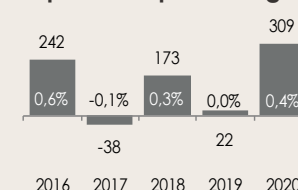
### 2 Strong reputation and customer satisfaction



- For the fourth 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



- Through the cycle, our performance has been strong
- Key challenge has been agriculture solutions

### 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

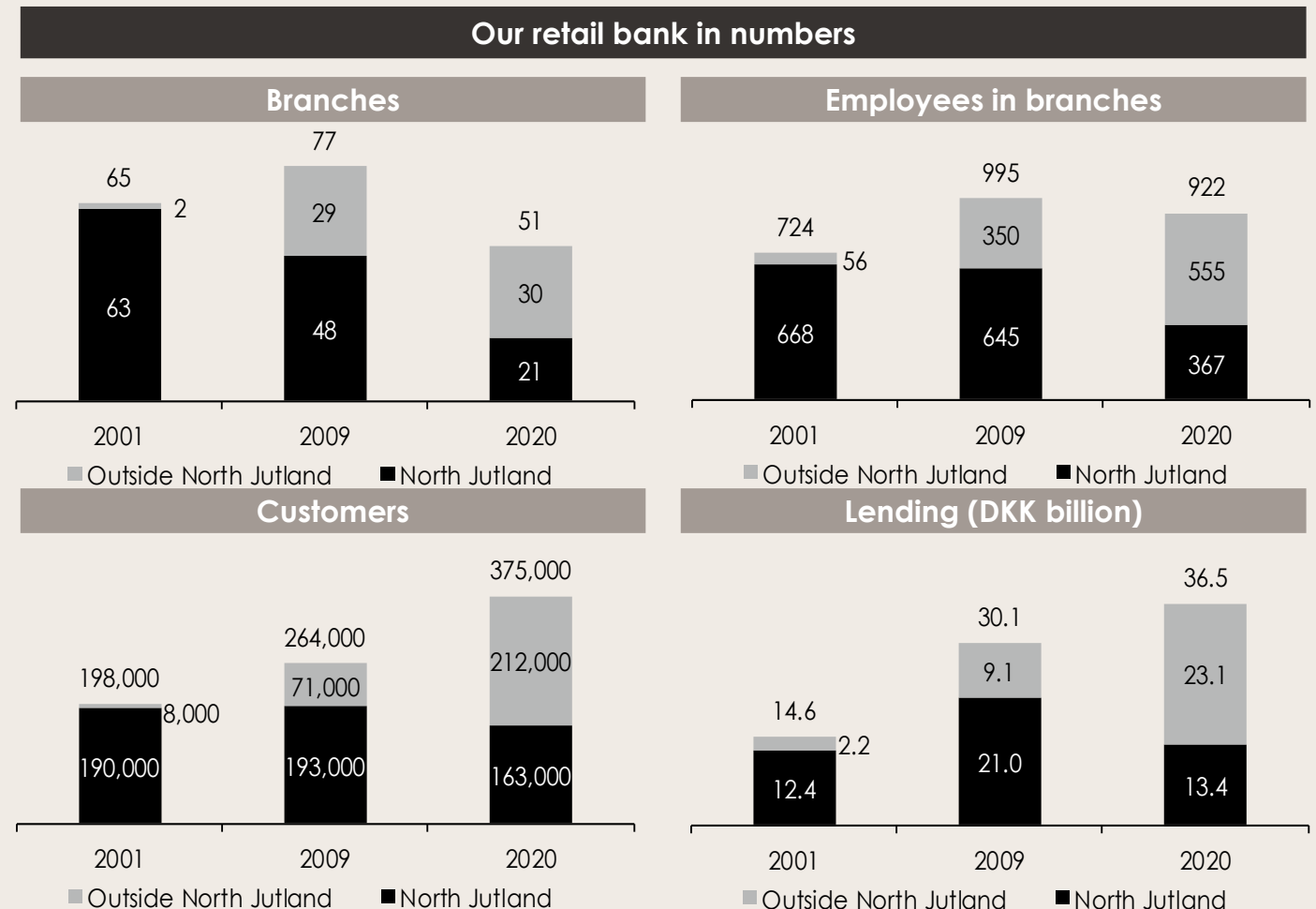
## Shareholders



- Spar Nord Foundation is the largest shareholder with **19%**
- Nykredit Realkredit A/S holds **14%**

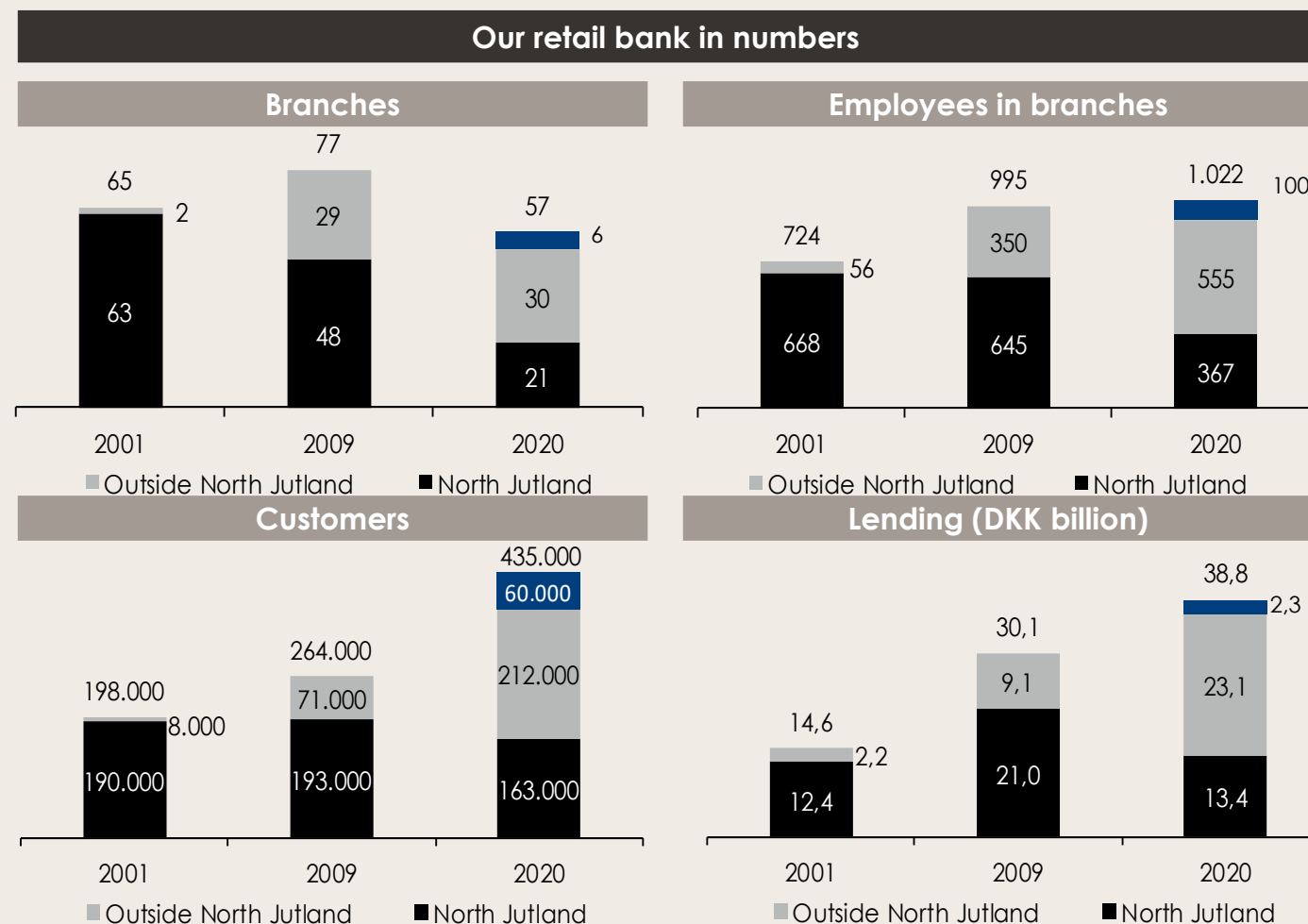
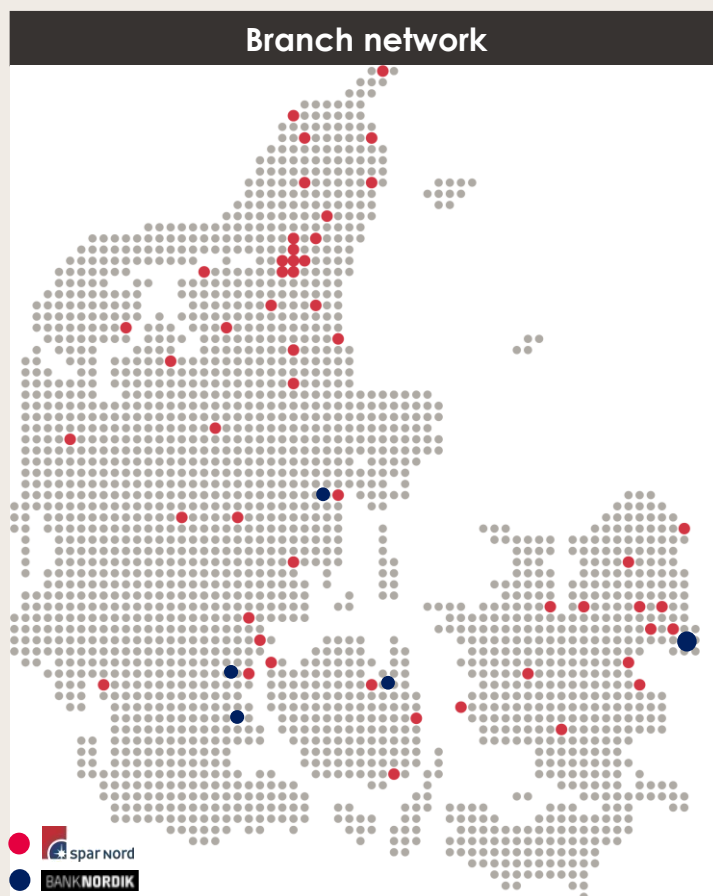
- Several non-domestic investors hold a total of **26 %**
- Professional and institutional investors (incl. Spar Nord Foundation) hold a total of **67 %**

# Since 2001, we have created a nationwide retail network focused on bigger cities

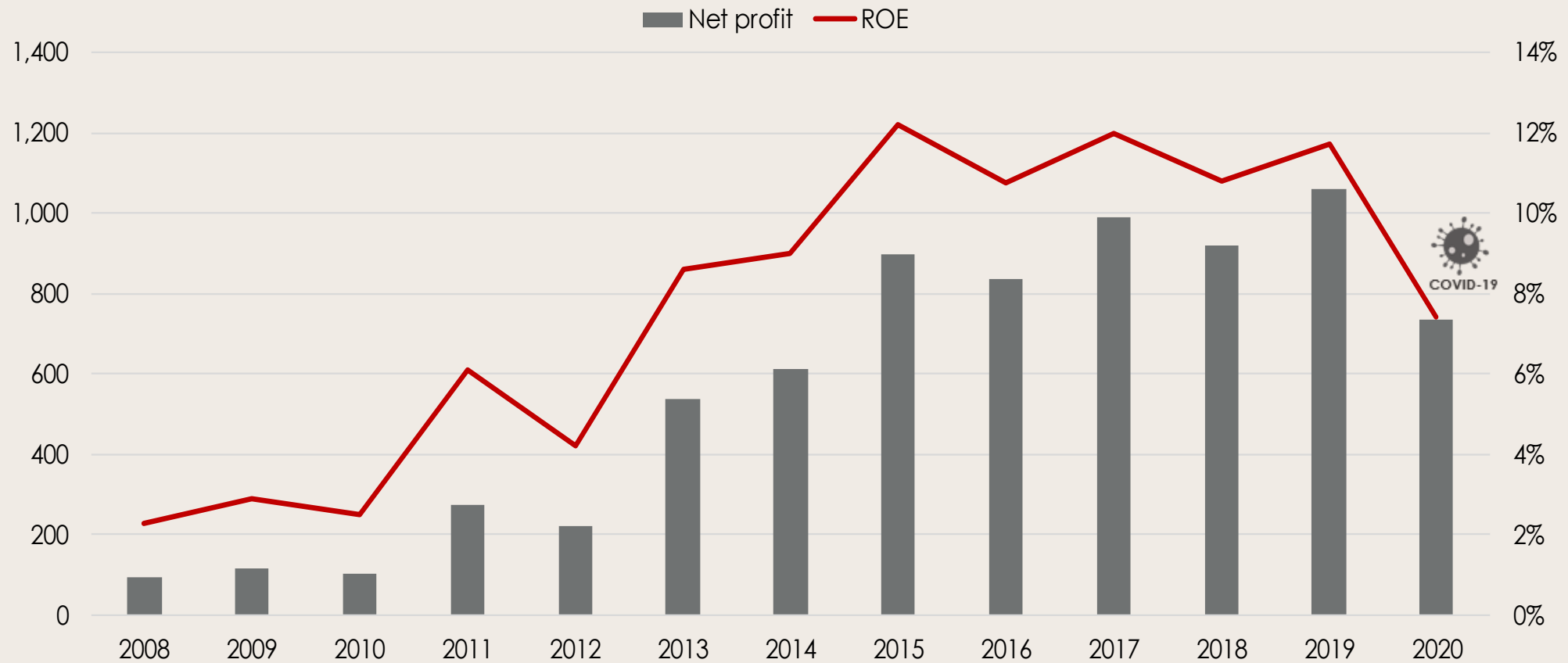




# Acquisition of 11 Danish retail branches from BankNordik



# Stable and strong financial performance through the cycle





# Thanks to our Local Strategy, we have grown profitably and kept credit quality sound

## Comments

- Since we adopted our growth strategy, we have adhered to a principle of not taking on large single credit exposures
- While decentralising much of decision making, we have kept the underwriting policy and credit processes firmly centralised
- Through the cycle, our cost of risk has been satisfactory compared to peers – only challenge has been agriculture
- Taken together, our growth in market share and our strong credit performance have meant that we have made it through tough times with black numbers and the last four years with double-digit ROE

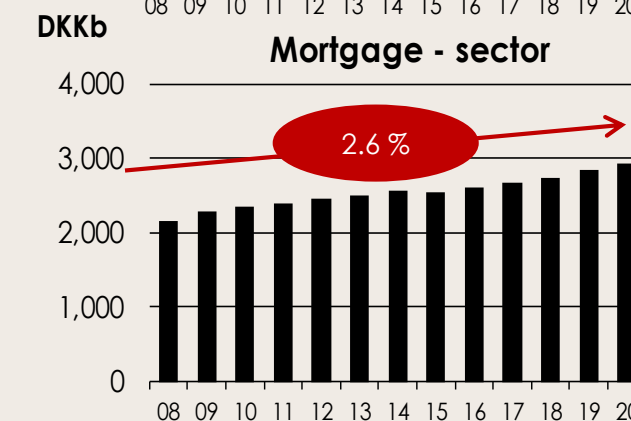
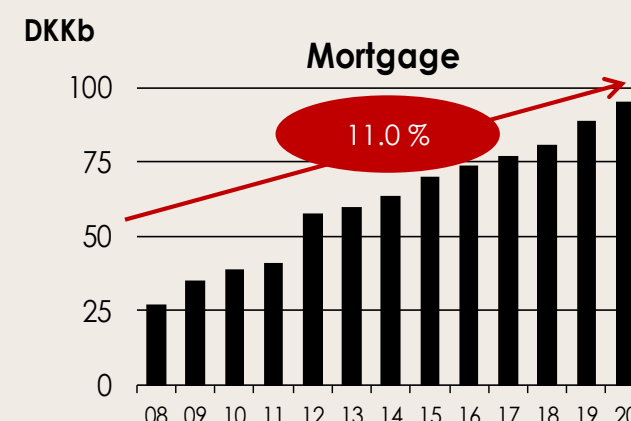
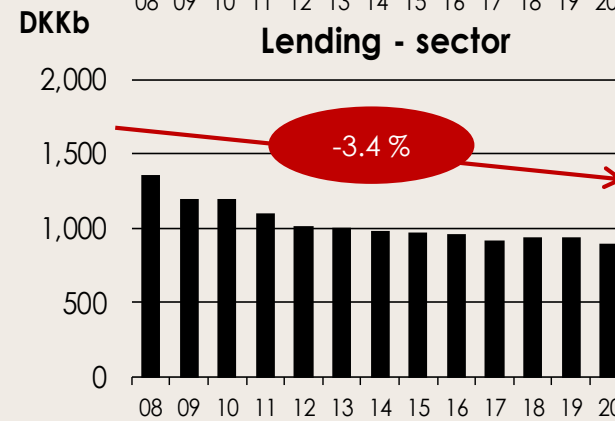
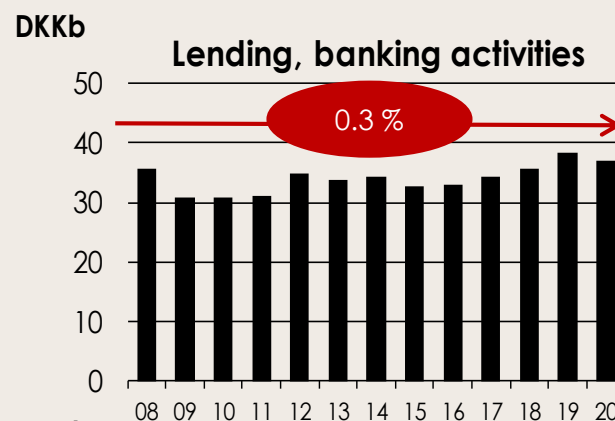
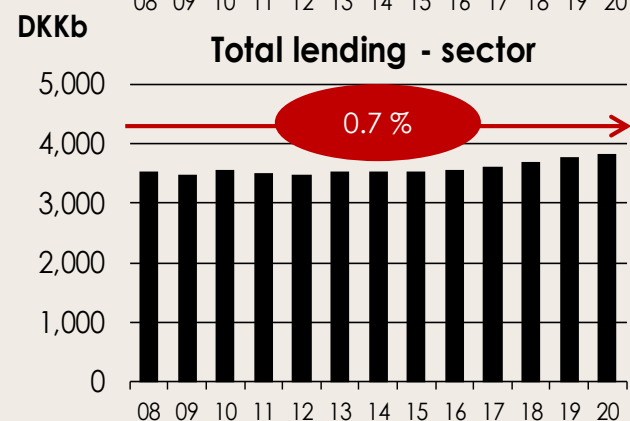
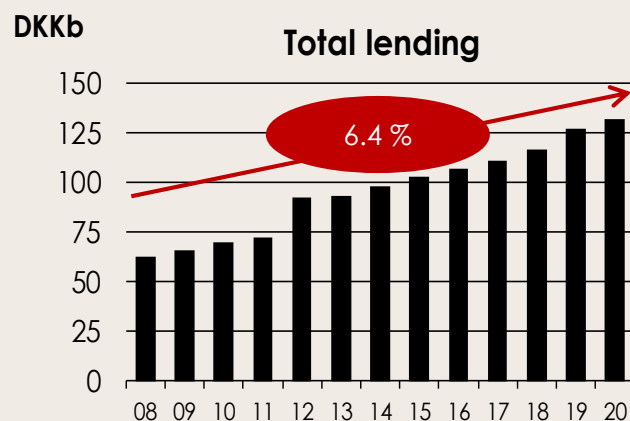
## Financial performance last 5 years

SPAR NORD BANK DKKm	2016	2017	2018	2019	2020
Net interest income	1.621	1.546	1.548	1.573	1.584
Net fees, charges and commissions	1.053	1.116	1.127	1.225	1.238
Market-value adjustments and dividends	434	404	268	379	433
Other income	59	83	247	160	71
<b>Core income</b>	<b>3.167</b>	<b>3.150</b>	<b>3.190</b>	<b>3.338</b>	<b>3.326</b>
<b>Costs and expenses</b>	<b>1.896</b>	<b>1.936</b>	<b>1.924</b>	<b>2.014</b>	<b>2.099</b>
<b>Core earnings before impairment</b>	<b>1.271</b>	<b>1.213</b>	<b>1.267</b>	<b>1.324</b>	<b>1.227</b>
Impairments of loans and advances, etc.	242	-38	173	22	309
<b>Profit before tax</b>	<b>1.028</b>	<b>1.251</b>	<b>1.094</b>	<b>1.302</b>	<b>918</b>
Tax	190	262	174	243	181
<b>Profit</b>	<b>838</b>	<b>989</b>	<b>920</b>	<b>1.059</b>	<b>737</b>

SPAR NORD BANK DKKb/pct.	2016	2017	2018	2019	2020
Lending, banking and leasing activities	35,1	37,3	39,6	43,2	42,5
Deposits, banking activities	46,5	48,7	50,8	53,3	58,4
Shareholder's equity	7,8	8,1	8,4	8,9	9,6
ROE	10,7	12,0	10,8	11,7	7,4
Loans, advances and other resiev ables / Shareholder's equity	4,5	4,6	4,7	4,8	4,4

# In a period with declining lending in the sector, we have steadily been gaining market share

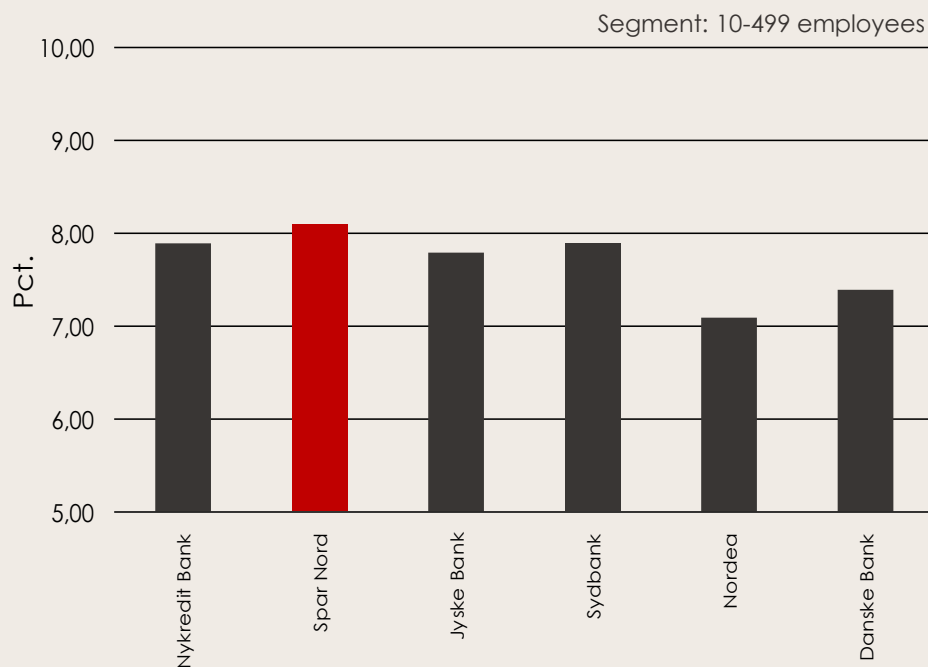
## Spar Nord's bank lending and mortgage-distribution compared to sector lending



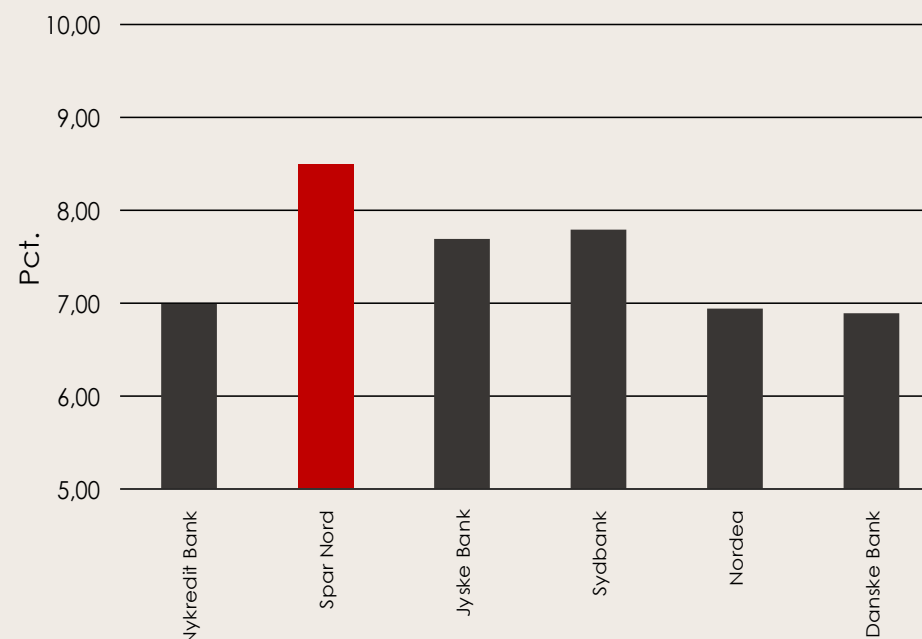
# Positive image – positioned for further growth

- For the fourth consecutive year, Spar Nord is named as the bank among the six largest banks in Denmark with the most satisfied business customers, and whose customers are most satisfied with the Bank's COVID-19 support

Performance - total satisfaction



COVID-19 efforts  
Satisfaction with the bank's support



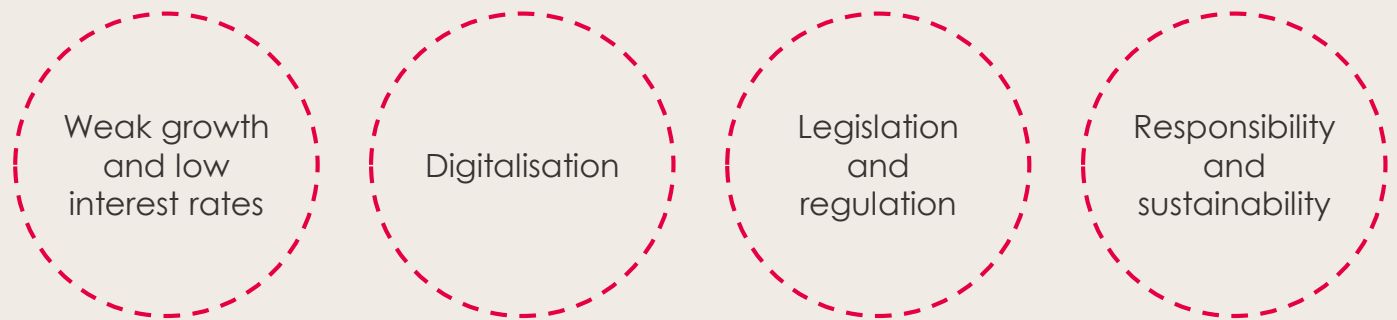
Source: Bank Barometer Business, Aalund 2020

# Our strategy: The Personal Bank in a Digital World 2.0

## Comments

- After 15 years with "The Local Strategy", we are now pursuing our strategy "The Personal Bank in a Digital World 2.0"
- Our vision is to combine the best of digitization with the best of traditional banking – and to become Denmark's most personal bank
- To succeed with that, we must make progress on three concrete "must win battles"
- Financial targets (2020-22):
  - ROE: 7-9 % after tax
    - 2020: 7.4 %
  - Cost/Income Ratio: 0.65
    - 2020: 0.63

## Key challenges facing our industry as we view it



## Our answer is our strategy The Personal Bank in a Digital World 2.0

### Vision



Denmark's most personal bank

### Strategic bearing



The personal bank in a digital world

"Must win battles"

### Personal advisory services and new products

- Making customer meetings even better
- New products and services
- Expanding business bank



### An effective and dynamic organisation

- Automation and improved processes
- Constantly focusing on improvements
- Enhanced focus on employee development and leadership



### A proper bank

- A responsible business
- Responsible investments
- Sustainable finance



# We work with ESG and sustainability in five workstreams

## 1. RESPONSIBLE INVESTMENTS

- Policies in place
- Screening setup established
- Thoughts on new products

## 2. SUSTAINABLE FINANCE

- First product launched
- Engagement in sector fora
- Much more to come

## 3. GOVERNANCE & COMPLIANCE

- Strong focus on AML
- Cybersecurity program
- Improved disclosure

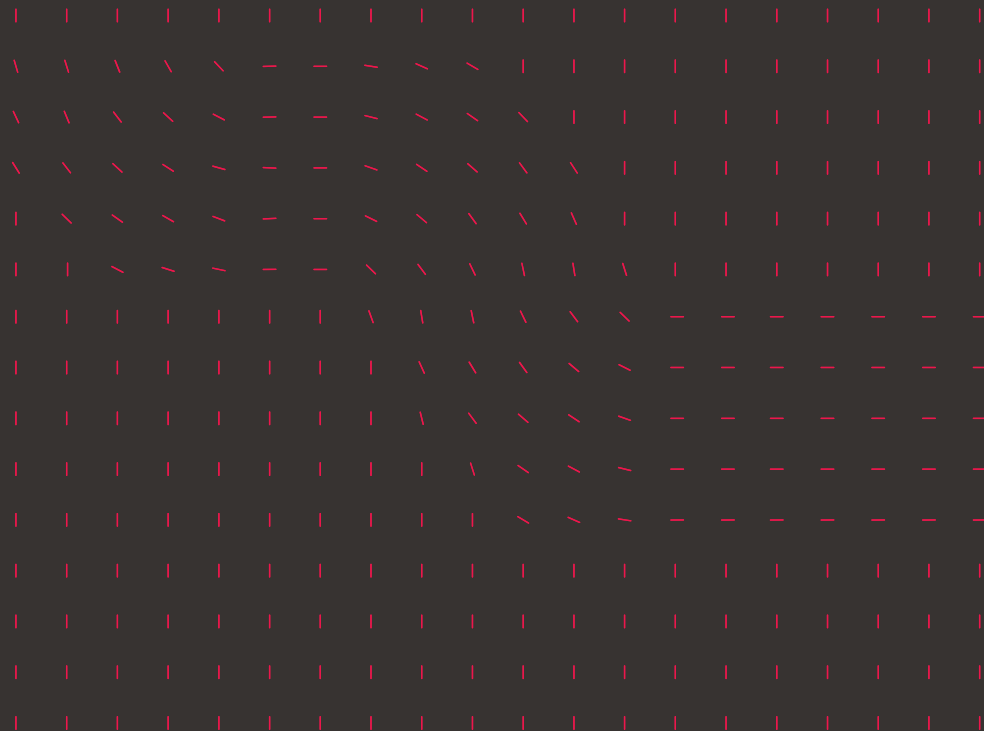
## 4. LOCAL INVOLVEMENT

- True Value Assessment
- (crowd)funding
- Volunteering

## 5. OWN FOOTPRINT

- Policies in place
- Much better data collection
- Many initiatives in pipeline

## 2. Update on recent financial performance



# 2020: Net profit of DKK 737 million and ROE of 7.4%

## Headlines from the income statement

- Net interest income sustained at 2019-level, while net fee income ends record high. Both items increase by 1% (y/y)
- Positive developments in the financial markets contribute to very satisfactory earnings from bonds and equities
- Costs up by 4% (y/y): One-off severance pay, increase in IT costs (BEC) – savings identified on other costs types
- Loan impairments driven by uncertainty from COVID-19
- Total business volume record high driven by continued growth in mortgage, deposits and AUM – drop in lending to corporate customers
- Strategic liquidity at record level and very solid capital position

SPAR NORD BANK DKKm	Realized 2020	Realized 2019	Index	Realized Q4 2020	Realized Q3 2020	Index
Net interest income	1,584	1,573	101	398	391	102
Net fees, charges and commissions	1,238	1,225	101	319	300	106
Market-value adjustments and dividends	433	379	114	133	137	97
Other income	71	160	44	22	21	106
<b>Core income</b>	<b>3,326</b>	<b>3,338</b>	<b>100</b>	<b>872</b>	<b>850</b>	<b>103</b>
Staff costs	1,293	1,218	106	344	289	119
Operating expenses	806	796	101	224	190	118
<b>Costs and expenses</b>	<b>2,099</b>	<b>2,014</b>	<b>104</b>	<b>568</b>	<b>479</b>	<b>119</b>
<b>Core earnings before impairment</b>	<b>1,227</b>	<b>1,324</b>	<b>93</b>	<b>304</b>	<b>371</b>	<b>82</b>
Impairments of loans and advances, etc.	309	22	-	22	53	42
<b>Profit before tax</b>	<b>918</b>	<b>1,302</b>	<b>71</b>	<b>282</b>	<b>318</b>	<b>89</b>
Tax	181	243	74	52	66	78
<b>Profit</b>	<b>737</b>	<b>1,059</b>	<b>70</b>	<b>230</b>	<b>252</b>	<b>91</b>



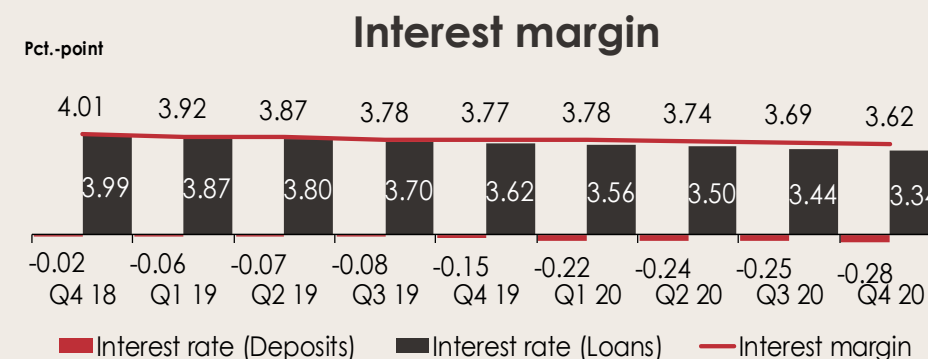
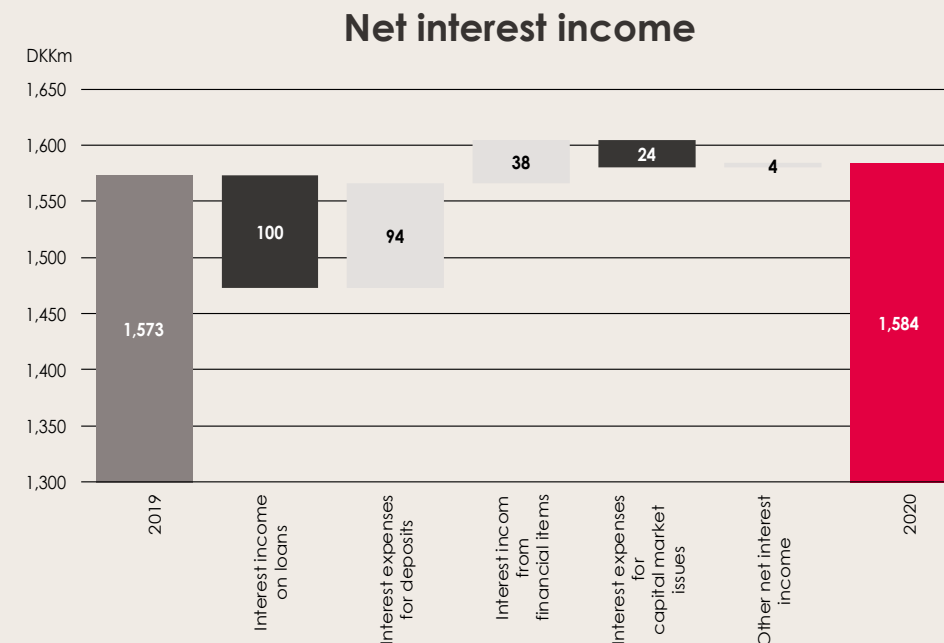
# Net interest income up by 1% despite drop in lending

- **Total lending of DKK 42.5 billion – decrease of DKK 0.7 billion (2%) since year-end 2019**

- Lending to household customers has grown by DKK 0.7 billion
- Leasing business has grown by DKK 0.7 billion
- Lending to corporates and SMEs down by DKK 1.9 billion (due to relief packages)
- Lending to public-sector customers down by DKK 0.2 billion

- **Pressure on the lending rate is partially offset by active measures on the deposit side**

- Total interest margin has declined by 15 basis points since year-end 2019
  - Lending margin in down 28 basis points
  - Active measures on pricing lead to 13 basis points improvement of deposit margin
- Decrease in lending to corporate customers partially offset by growth in lending to private customers (priority loans) and leasing loans - but to lower margins

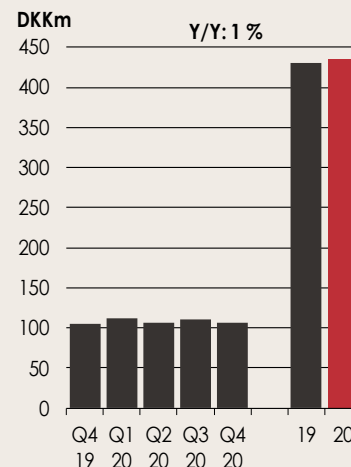


# Net fee income sustained at record level

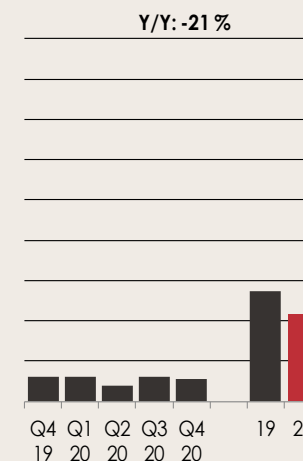
- **Net fee income amounted to DKK 1,238 million versus DKK 1,225 million in 2019**
  - Income from mortgage distribution grew 1% despite lower refinancing activity - driven by continued volume growth
  - Other loan transactions fees down 21% due to lower refinancing activity
  - Securities trading and asset management grew by 5% follow solid growth in AUM and strong trading activity in volatile markets
  - Fee income from payments, insurance sales etc. up by 6%
- **From Q3 to Q4 net fee income grow from DKK 300 million to DKK 319 million**
  - Primarily driven by higher fee income from securities trading and asset management

DKKm	2019	Q1 '20	Q2 '20	Q3 '20	Q4 '20	2020
Mortgage fee	430	112	106	110	106	434
Other transaction fees	137	31	19	30	27	108
Securities and asset management	382	103	107	88	104	401
Other fees	276	76	65	72	81	294
<b>Total net fees</b>	<b>1,225</b>	<b>322</b>	<b>296</b>	<b>300</b>	<b>319</b>	<b>1,238</b>

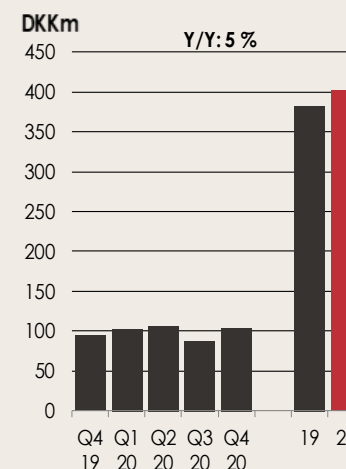
Mortgage



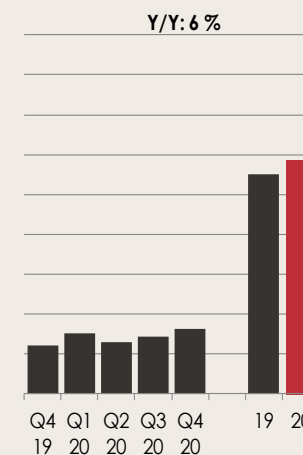
Loan transactions



Securities trading and asset management



Other fees

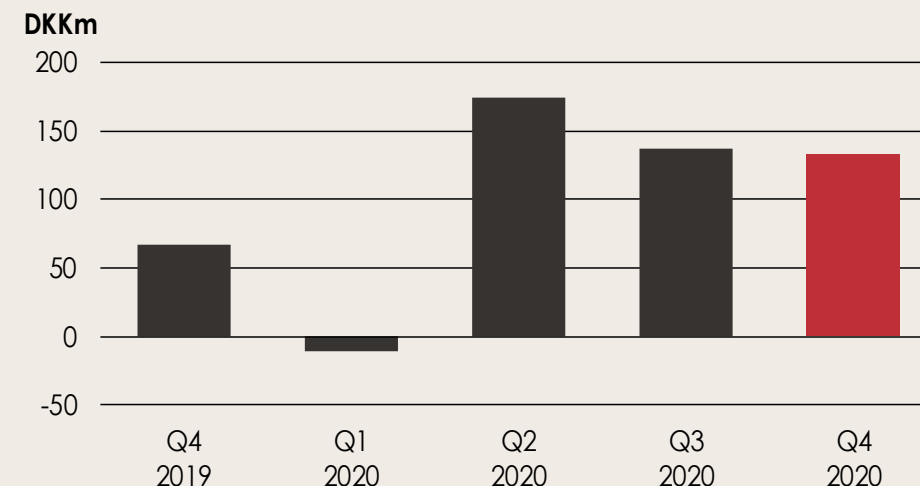


# Positive developments in the financial markets lead to an increase in value adjustments

- **Market value adjustments and dividends amounted to DKK 433 million versus DKK 379 million in 2019**

- Market value adjustments on bonds and equities up DKK 44 million despite turbulent Q1 with falling prices and expanded credit spreads
  - Market value adjustments on equities in the Trading Division amounted to DKK 61 million in 2020, while bonds contributed DKK 158 million
- Market value adjustments and dividends on the portfolio of strategic shares were DKK 7 million higher than in 2019
  - The holding of shares in BI Holding and PRAS and sale of shares in VP Securities A/S added to performance
  - A lower ownership interest in DLR and sale of shares in Sparinvest Holding in 2019 detracted from performance

Market value adjustments and dividends



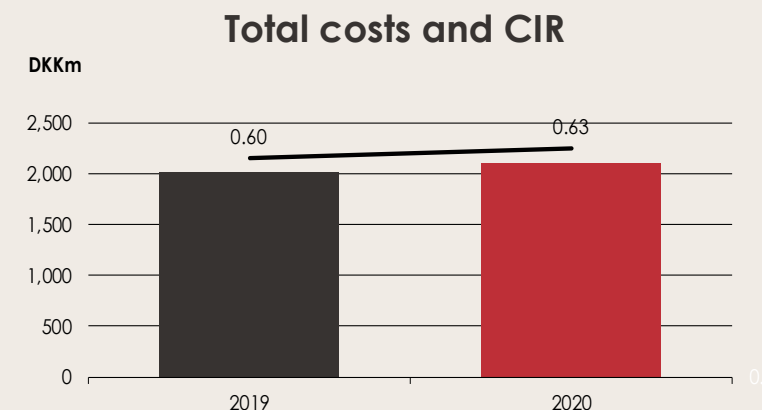
- **Continued positive development in financial markets in Q4**

- Continued narrowing of credit spreads
- Increasing share prices

DKKm	2019	Q1 '20	Q2 '20	Q3 '20	Q4 '20	2020
Market val. adj. in Trading Division etc.	177	-68	134	80	74	221
Equity investments, incl.	144	39	28	43	41	151
Currency trade and -agio	58	18	12	13	18	62
<b>Total market value adjustments and dividends</b>	<b>379</b>	<b>-11</b>	<b>174</b>	<b>137</b>	<b>133</b>	<b>433</b>

# Continued pressure on costs - increases by 4%

- **Total costs higher than expected at DKK 2,099 million versus DKK 2,014 million in 2019**
- **Payroll costs were DKK 75 million (6%) higher than last year**
  - Pay rises under collective agreements and a higher number of employees: DKK 38 million
  - One-off costs from severance pay and redundancies in HQ: DKK 34 million
    - 1,545 employees by year-end 2020, of whom 47 retired at 1 January 2021
- **Operating expenses and depreciation increased by DKK 9 million**
  - Rise in operation expenses for data processing centre (BEC) partly offset by cost reductions on most other cost items
- **Cost/Income Ratio of 0.63 – slightly better than strategic target of 0.65**



## Breakdown on cost types

Costs (DKKm)	2020	2019	Change
Staff costs	1,293	1,218	75
Operating expenses	806	796	9
<b>Costs and expenses</b>	<b>2,099</b>	<b>2,014</b>	<b>85</b>

Operating expenses (DKKm)	2020	2019	Change
Staff-related expenses	35	43	-8
Travel expenses	10	21	-11
Marketing costs	62	79	-17
IT expenses	439	388	51
Cost of premises	55	58	-3
Other administrative expenses	124	121	3
Depreciation	80	86	-5
<b>Operating expenses</b>	<b>806</b>	<b>796</b>	<b>9</b>

# Loan impairments influenced by COVID-19

- **Loan impairments amounted to an expense of DKK 309 million against DKK 22 million last year**

- Loan impairment charges of DKK 22 million in Q4
- Management estimate related to COVID-19 remained unchanged in Q4

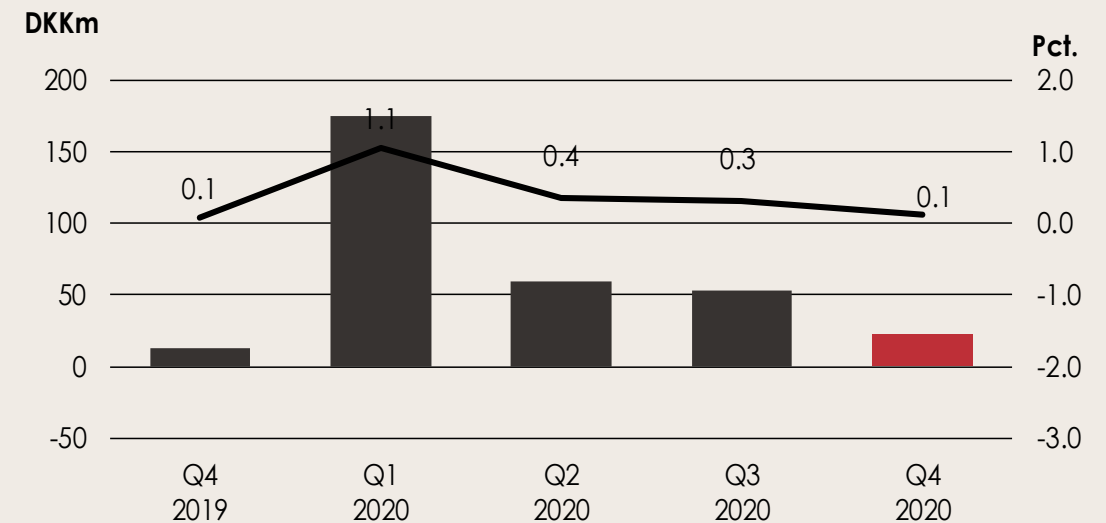
- **Breakdown on segments**

- Private: DKK 124 million (2019: DKK -5 million)
- Consumer finance: DKK 9 million (2019: DKK 56 million)
- Corporate ex. agriculture: DKK 250 million (2019: DKK 30 million)
- Agriculture: DKK -74 million (Q1: DKK -59 million)

- **Total management estimate of DKK 570 million (year-end 2019: DKK 303 million)**

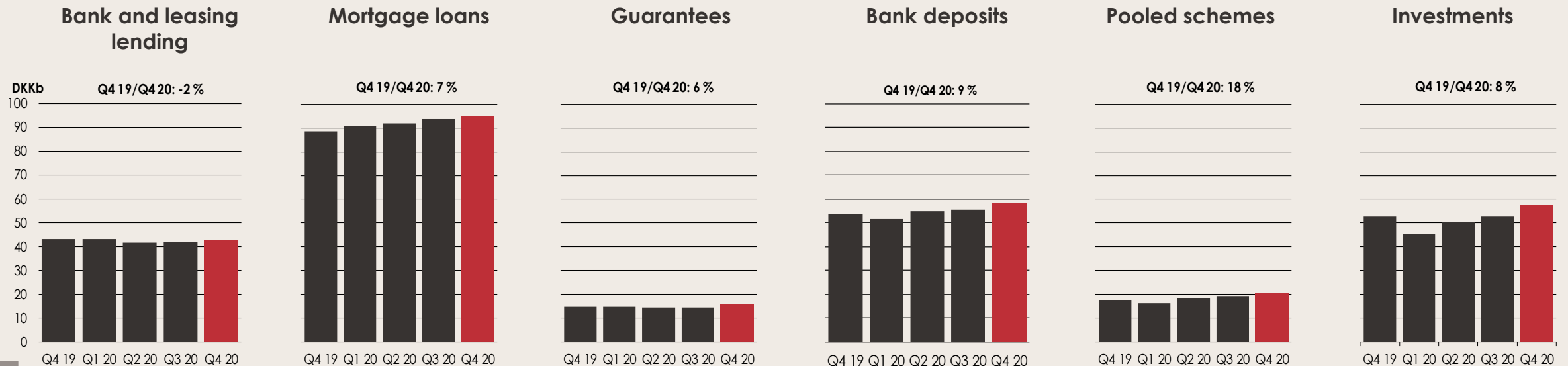
- COVID-19: DKK 320 million
  - Hereof private: DKK 130 million
  - Hereof corporate ex. agriculture: DKK 190 million
- Agriculture (land prices): DKK 147 million
- Model uncertainty: DKK 103 million

**Impairments and impairment percentage**



# Total business volume at record level

- **At year-end, total business volume amounts to DKK 291.3 billion – DKK 18.9 billion (7%) higher than end-2019**
- **Positive trend in total credit distribution**
  - Bank and leasing lending down 0.7 billion (2%) after declined lending to corporate customers - distribution of mortgage loans has grown by DKK 5.9 billion (7%)
- **Continued growth in deposits and pooled pension savings**
  - Bank deposits are up DKK 4.8 billion (9%) and deposits in pooled schemes are up DKK 3.1 billion (18%)
- **Customers' invested assets grew DKK 4.5 billion (8%)**



# Guidance for 2021

- **Core income expectations**

- Recovering volume growth – including growth in corporate lending as a result of partial phasing out of relief packages
- Continued but reduced pressure on lending margin offset by effects from initiatives taken on deposit repricing
- Continued activity within re-mortgaging and trading of houses – together with growing volume within asset management products
- Effects of initiatives taken on fee-structure

(The additional impact from the acquisition of BankNordik's Danish business is expected to be around DKK 210 million)

- **Cost expectations**

- Decline in staff costs from reduced headcount and one-offs in 2020
- Continued structural pressure on IT expenses – mostly attributable to operation expenses for data processing centre
- Costs from start-up of three new branches - Herlev, Solrød Strand and Korsør
- General cost containment in other areas e.g., marketing and travel

(On the cost side, the impact of the acquisition of Bank Nordik's Danish business is expected around DKK 130 million, on top of which come one-off expenses to the tune of DKK 60 million)

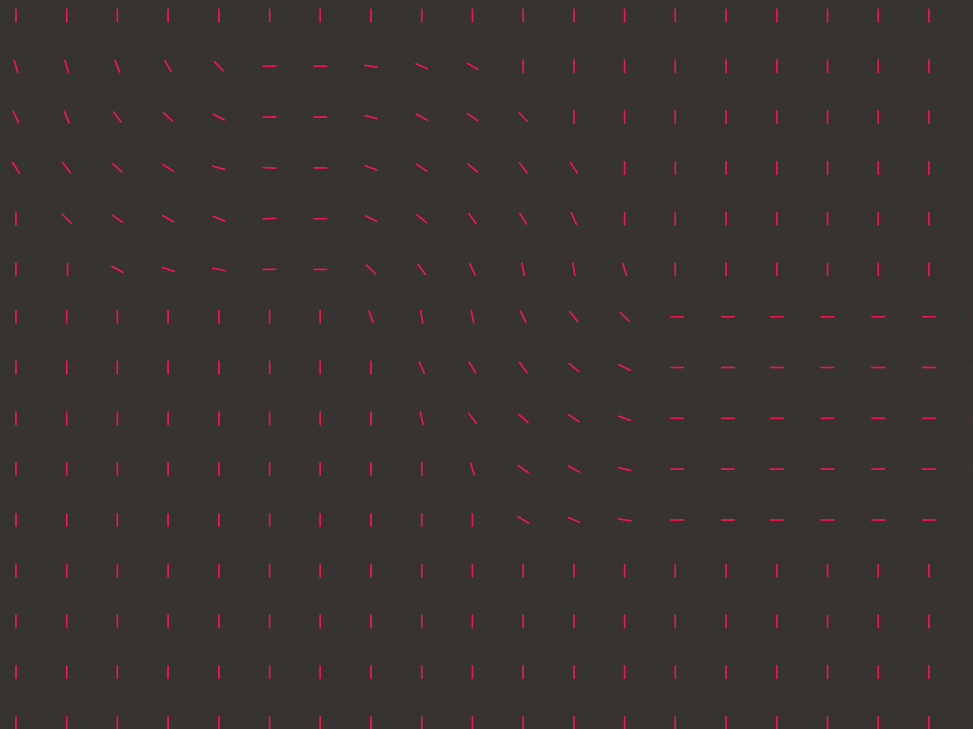
- **Core earnings before impairments expected to be in the range of DKK 1,100-1,300 million**

- Impairment of loans expected to be slightly lower than in 2020

- **Profit after tax expected to be in the range of DKK 650-850 million**



# 3. Spar Nord acquires Danish retail business from BankNordik



# An attractive acquisition

## - Strategically as well as financially

### Strategic rationale

- Strengthen position on the market for serving retail customers in the Greater Copenhagen area and larger cities as Århus, Odense and Kolding
- Boost business volume on several parameters
  - Largest distributor of Totalkredit mortgage loans
  - Largest distributor of investment solutions from Bankinvest
- Improved efficiency and earning power derived from serving a larger number of customers on the same production and support platform

### Financial rationale

- An attractive alternative to organic growth in the current low-growth market
- Strengthen Spar Nord's cost efficiency (C/I) as marginal costs for servicing the new customers are limited
- Attractive risk/reward for Spar Nord's shareholders secured through due diligence
- Potential for increased business with the acquired customers by offering Spar Nord's full product range

# Acquisition of 11 Danish retail branches from BankNordik

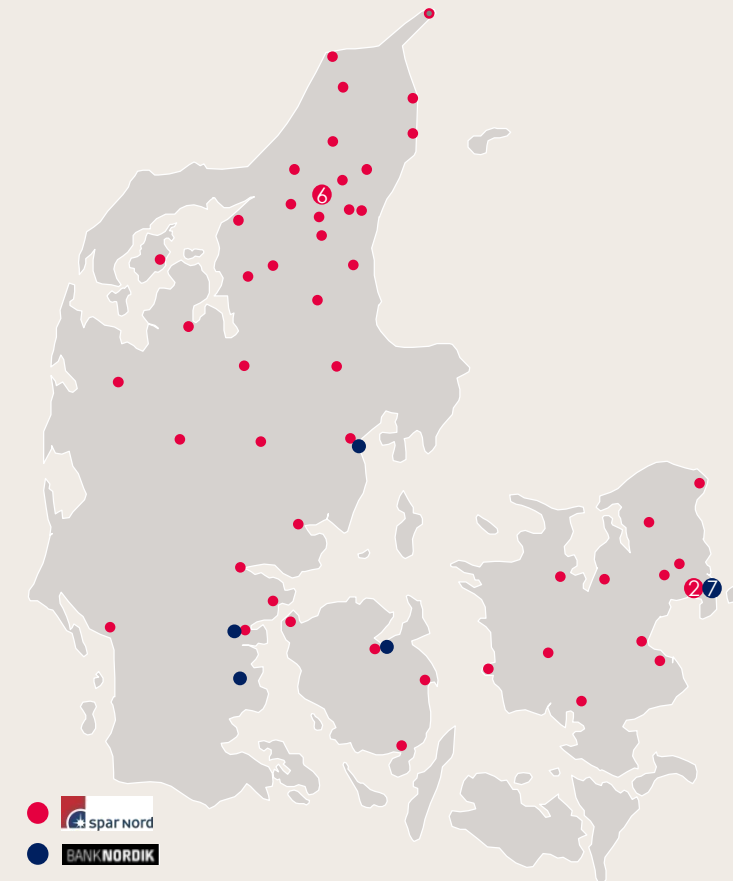
## BankNordik branches in Denmark

- Branches in Greater Copenhagen area:
  - Amager, Dragør, Frederiksberg, Hvidovre, Kastrup, Østerbro, Ungdomsbanken
- Branches in Århus, Odense, Kolding and Haderslev

DKKb	Bank loans	Mortgage	Total credit distribution	In pct.
Greater Copenhagen	1,4	6,7	8,2	61%
Other branches	0,8	4,4	5,2	39%
Sum	2,3	11,1	13,3	100%

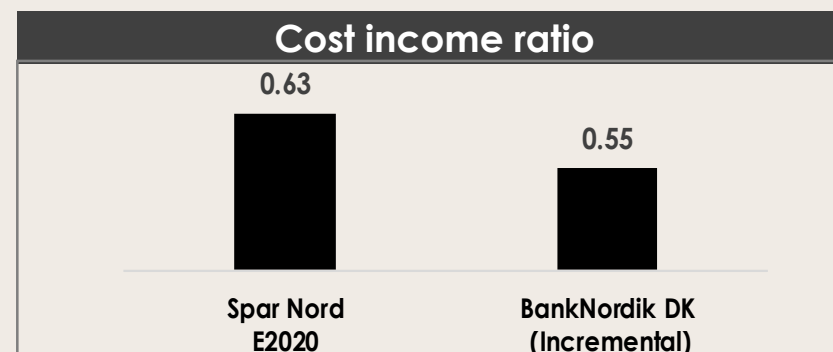
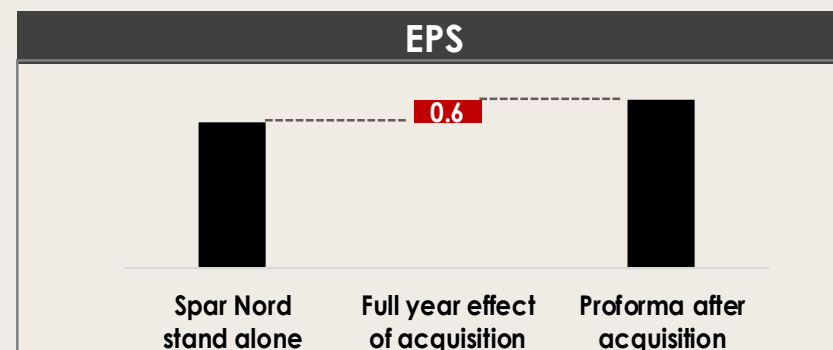
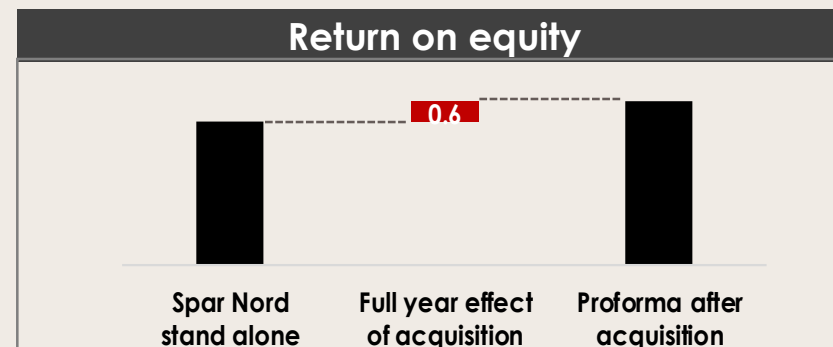
DKKb	Deposits	In pct.
Greater Copenhagen	2,6	44%
Other branches	3,2	56%
Sum	5,8	100%

## Total branches after acquisition



# Positive impact on key financials

- Spar Nord expects only a modest contribution from the acquired business to the Bank's core earnings before impairment in 2021 because of expected one-off costs to the tune of DKK 60-70 million associated with the transaction
- From 2022, the acquired portfolio is expected to contribute core earnings before impairment of around DKK 110 million
- The full year effect on return on equity from the acquisition is expected to be 0.6 percentage point
- The full year effect on EPS from the acquisition is expected to be 0.6
- Incremental cost income ratio from the acquisition is 0.55

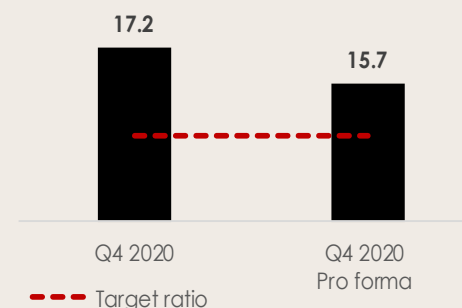


# Strong capital position

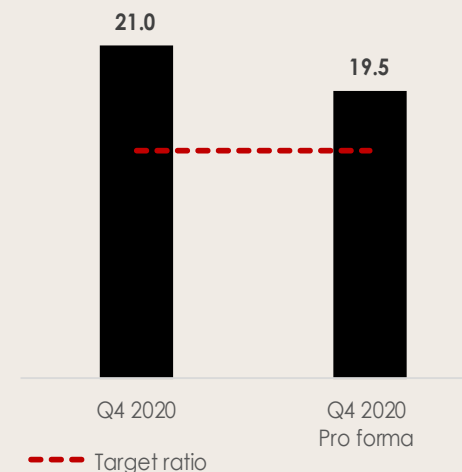
## – also after the acquisition

- As part of the acquisition Spar Nord pays goodwill totaling DKK 255 million
- The total use of capital at the transaction amounts to some DKK 700 million
  - Goodwill of DKK 255 million and allocated capital from REA of DKK 375 are the largest items
  - The remaining items can essentially be attributed to acquired sector shares and one-off costs
- Overall, the acquisition is expected to reduce the Bank's capital ratios by around 1.5 percentage point
- After the transaction, both the common equity tier 1 capital ratio and the own funds ratio will still be well above the Bank's target ratios of 13.5% and 17.5%, respectively

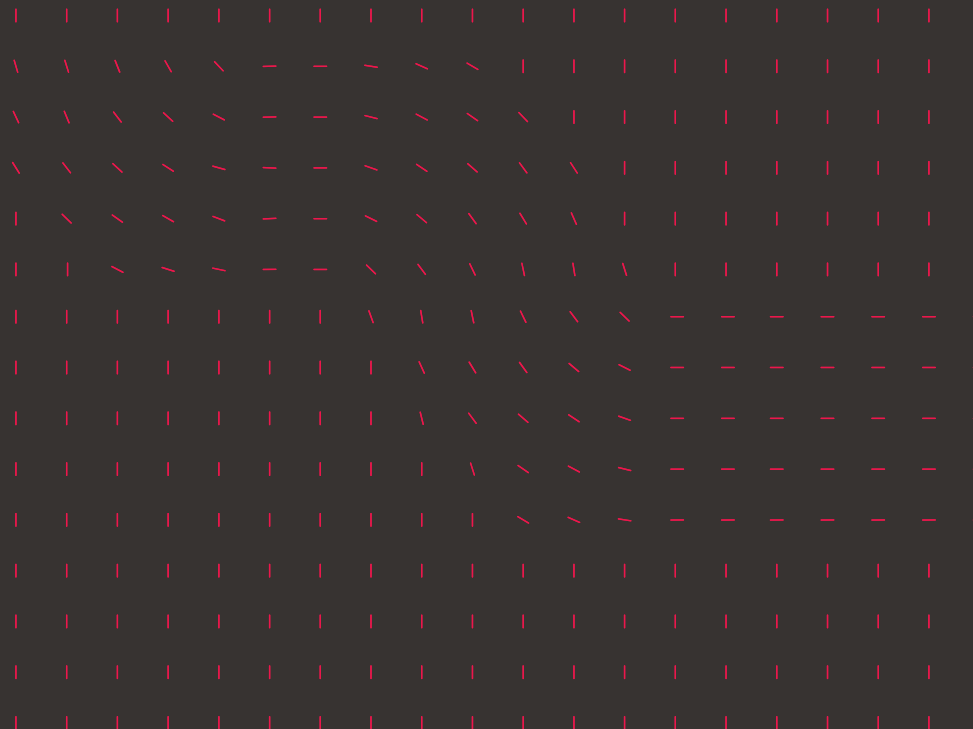
### Common equity tier 1 ratio



### Own funds ratio



# 4. Credit update



# Maintaining strong credit quality is a very important ambition

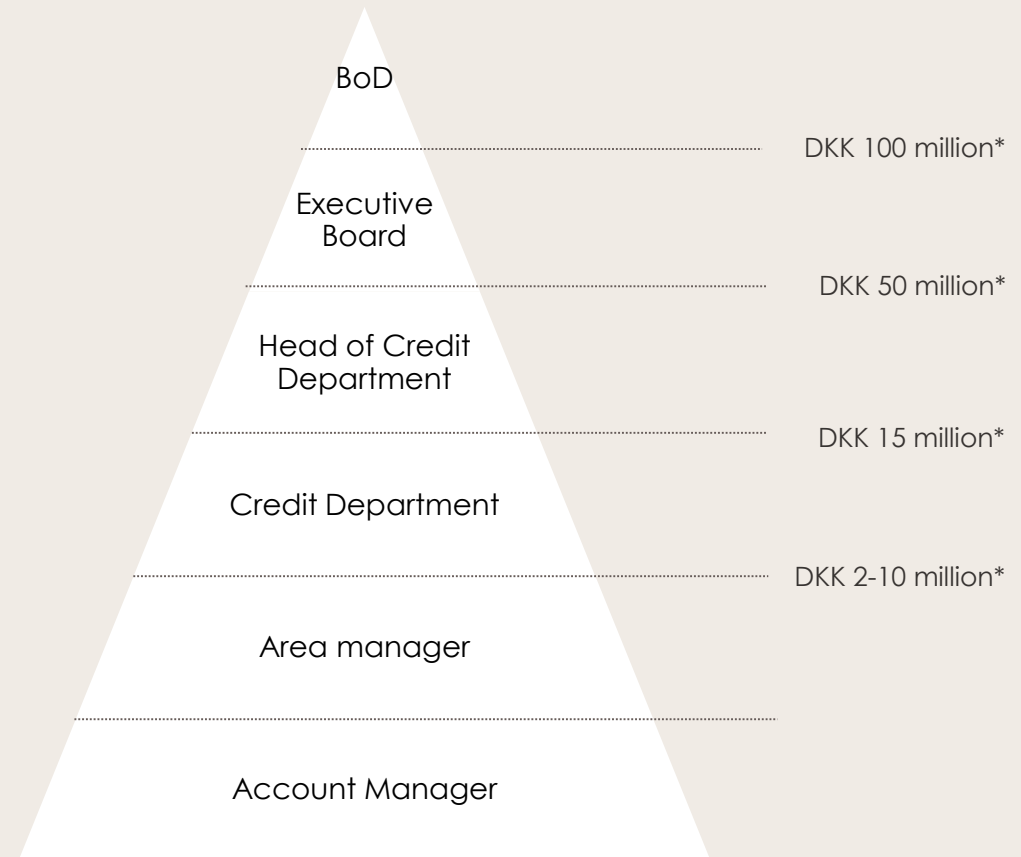
## Comments

- Firm focus on household segment and local SMEs
  - Loan book is 48 % private customers and 52 % 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%)
Financing	max. 10%
Industry	max. 10%
Trading	max. 15%
  - Exposure is capped at DKK 750 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



# Our loan book is well-diversified in terms of industries

## Comments

- Our loan book is generally very well diversified on industries
  - No abnormal exposure to any business sectors
  - No exposure to oil or shipping
- Exposure to household segment accounts for 48 % of loan book – against a sector average of approx. 1/3
- Agriculture has been a major challenge in recent years – but operating conditions have improved

## Loans and guarantees broken down by industry\*

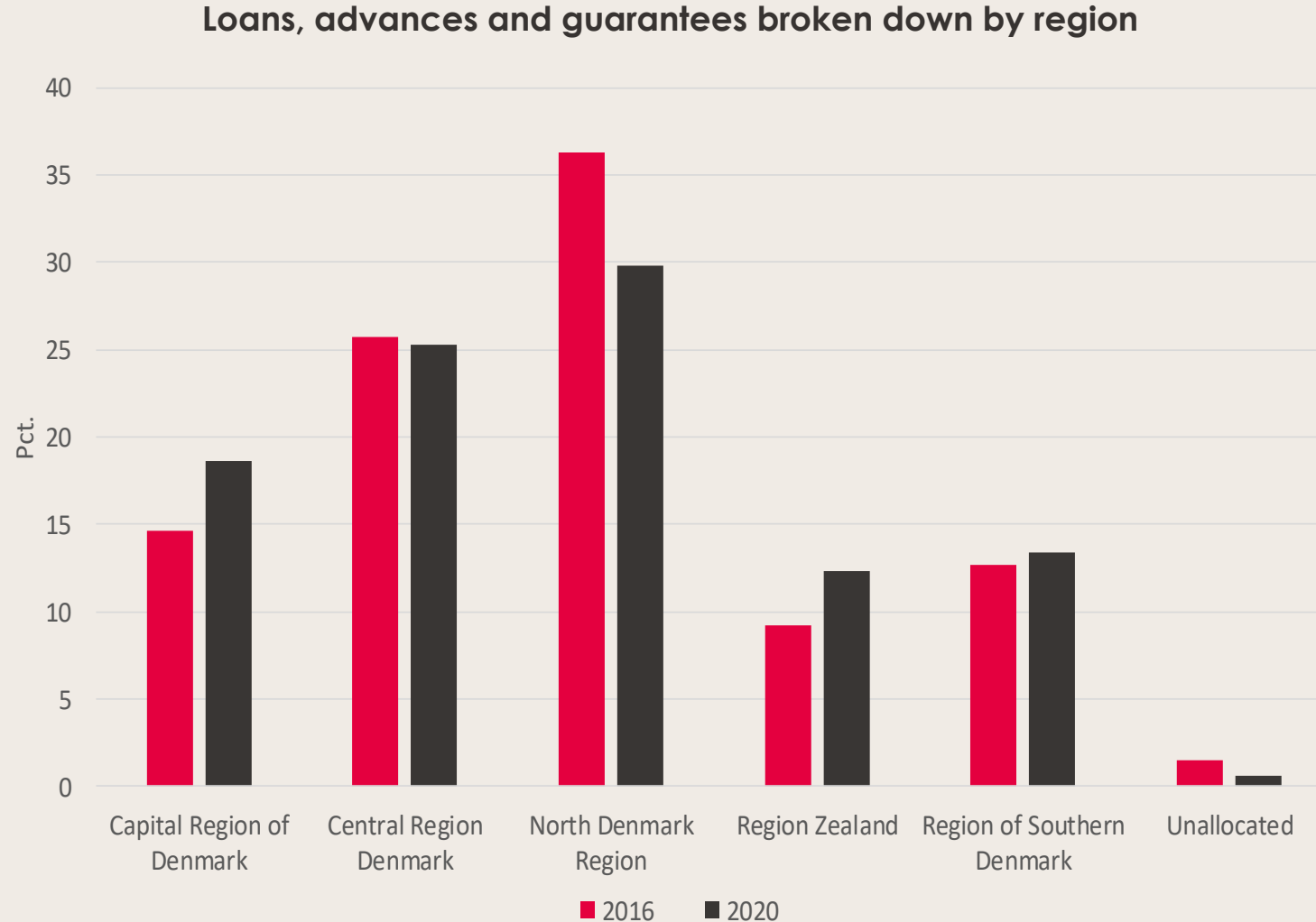
Industry	2020	2020	2016
	DKKm	Pct.	
Public authorities	978	1,6	0,1
Agriculture	2.987	5,0	6,9
Fisheries	123	0,2	0,2
Industry	2.562	4,3	5,4
Utilities	1.786	3,0	3,3
Construction and engineering	2.591	4,3	3,9
Trade	3.449	5,8	7,8
Transport, hotels and restaurants	2.487	4,2	3,4
Informations	254	0,4	0,4
Financing and insurance	3.287	5,5	5,8
Property	6.802	11,4	12,2
Other industries	3.979	6,7	5,4
Total business customers	31.284	52,3	54,8
Private customers	28.500	47,7	45,2
<b>Total</b>	<b>59.784</b>	<b>100,0</b>	<b>100,0</b>

\*Excluding reverse repo transactions

# Total credit distribution by industry

Bank loans and guarantees + Originated mortgage loans - 2020								
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	976	-	-	2	-	1	979	0,7
Agriculture and Fisheries	2.031	-	789	8	262	2.471	5.562	3,9
Industry	1.657	-	680	134	241	198	2.910	2,1
Utilities	1.212	-	500	52	14	136	1.913	1,4
Construction and engineering	1.236	-	814	393	414	272	3.130	2,2
Trade	2.572	-	471	284	547	303	4.178	3,0
Transport, hotels and restaurants	1.049	-	1.259	119	260	117	2.804	2,0
Informations	150	-	34	21	267	18	490	0,3
Financing and insurance	2.832	-	74	263	240	334	3.743	2,7
Property	5.505	0	106	217	1.834	3.952	11.614	8,2
Other industries	2.764	0	763	108	1.632	366	5.633	4,0
<b>Total businesss customers</b>	<b>21.985</b>	<b>0</b>	<b>5.490</b>	<b>1.601</b>	<b>5.712</b>	<b>8.168</b>	<b>42.955</b>	<b>30,5</b>
Private customers	15.998	612	51	780	77.328	3.342	98.111	69,5
<b>Total</b>	<b>37.983</b>	<b>612</b>	<b>5.541</b>	<b>2.381</b>	<b>83.040</b>	<b>11.510</b>	<b>141.066</b>	<b>100,0</b>

# A Danish pure play – with good diversification



# Our loan book is well-diversified in terms of sizes

## Comments

- As at end-2020, the 20 largest exposures represent 78 % of the bank's capital base
  - The Danish FSA's Supervisory Authority Diamond Test Model allows for up to 175 %
- Only 44 exposures above DKK 100 million
  - Loans and guarantees above DKK 100 million account for 12 % of total exposure – considerably below sector average

## Loan book broken down by sizes

Loans, advances and guarantees by exposure size *					
Exposure size	2020	2016	2020	2016	2020
	Number		Pct.		Acc. share
0 - 0,1	49.974	50.124	0,9	1,3	0,9
0,1 - 0,5	36.530	34.992	10,3	11,2	11,2
0,5 - 1,0	14.763	12.445	12,3	11,9	23,5
1,0 - 5,0	10.106	8.017	27,3	26,4	50,8
5,0 - 10,0	1.110	891	9,7	9,5	60,5
10,0 - 20,0	458	388	8,0	8,7	68,5
20,0 - 50,0	275	248	10,9	12,1	79,4
50,0 - 100,0	94	66	8,3	7,2	87,7
100,0 -	44	47	12,3	11,7	100,0
<b>Total</b>	<b>113.354</b>	<b>107.218</b>	<b>100</b>	<b>100</b>	

\*) Excl. reverse repo transactions and SparXpres

# COVID-19 effects

- Management estimate related to COVID-19 of DKK 320 million
  - Hereof private: DKK 130 million
  - Hereof corporate ex. agriculture: DKK 190 million
- Individual impairments on business customers related to COVID-19 of around DKK 100 million
- COVID-19 with limited impact on average credit quality
  - Private customers' average risk category stood at 2.2 by end-2020 (+0.2 compared to 2019)
  - Business customers' average risk category stood at 3.8 by end-2020 (-0.1 compared to 2019)
- By end-2020, NPL-ratio stood at 3.4
  - Improved by 0.3 compared to end-2019
- Bank loans to business customers down by DKK 2.1 billion, hereof DKK 0.2 billion related to public customers
  - From Q3 to Q4 2020 bank loans to business customers grew DKK 0.5 billion
- To some extent in 2021, the management estimate is expected replaced by individual impairments as the government relief packages expire and the final effects of COVID-19 materialize in the business customers' operations
  - No expected impairments or write-offs from mink farmers

NPL ratio	2020	2019
NPL (DKK millions)	1.872	2.004
Exposure (DKK millions)	54.884	54.079
<b>NPL ratio</b>	<b>3,4</b>	<b>3,7</b>

PRIVATE	2020	2019	2018
Average risk category	2,2	2,4	2,6

\*) Exposure after impairment

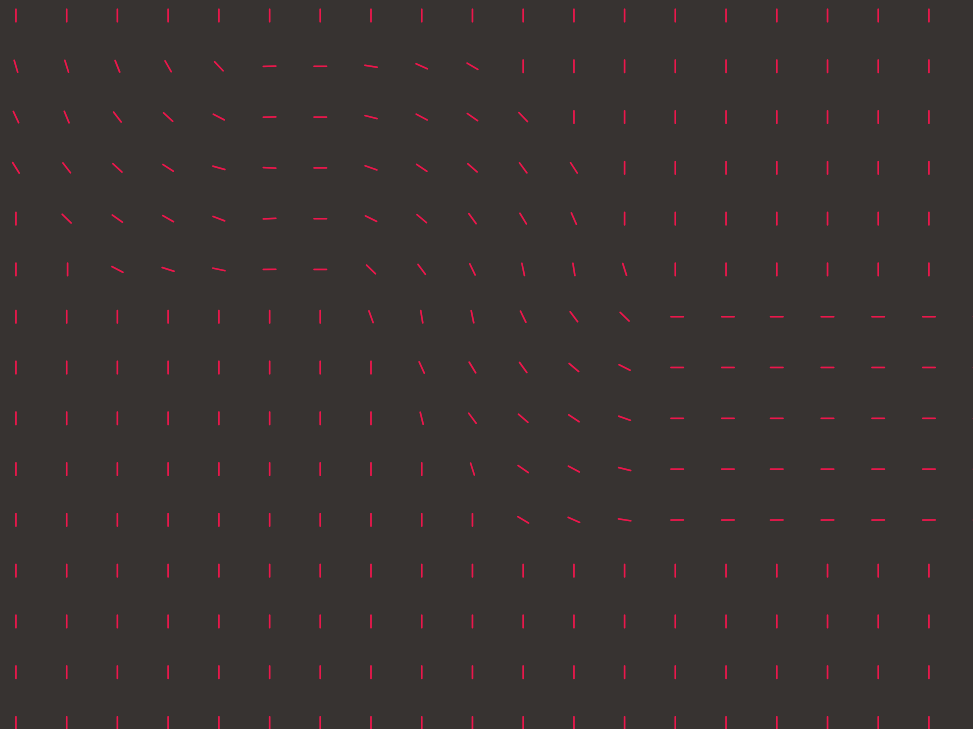
BUSINESS	2020	2019	2018
Average risk category	3,8	3,7	3,9

\*) Exposure after impairment excl. public-sector customers

Bank loans DKKm	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020
Private	15.606	15.581	15.640	16.223	16.352
Business	22.792	22.453	20.819	20.149	20.642
Leasing	4.759	4.983	5.184	5.376	5.499
<b>Total</b>	<b>43.157</b>	<b>43.017</b>	<b>41.644</b>	<b>41.748</b>	<b>42.494</b>

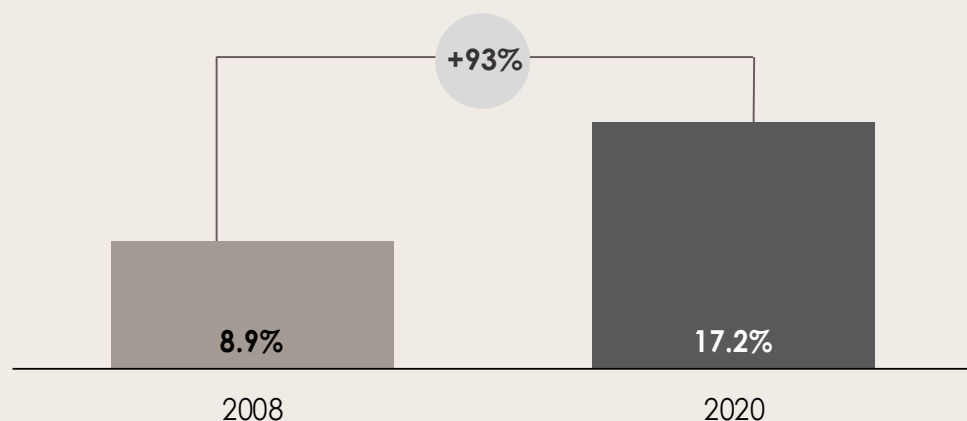
Bank loans Change (Q/Q)	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020
Private		0%	0%	4%	1%
Business		-1%	-7%	-3%	2%
Leasing		5%	4%	4%	2%
<b>Total</b>		<b>0%</b>	<b>-3%</b>	<b>0%</b>	<b>2%</b>

# 5. Capital and liquidity

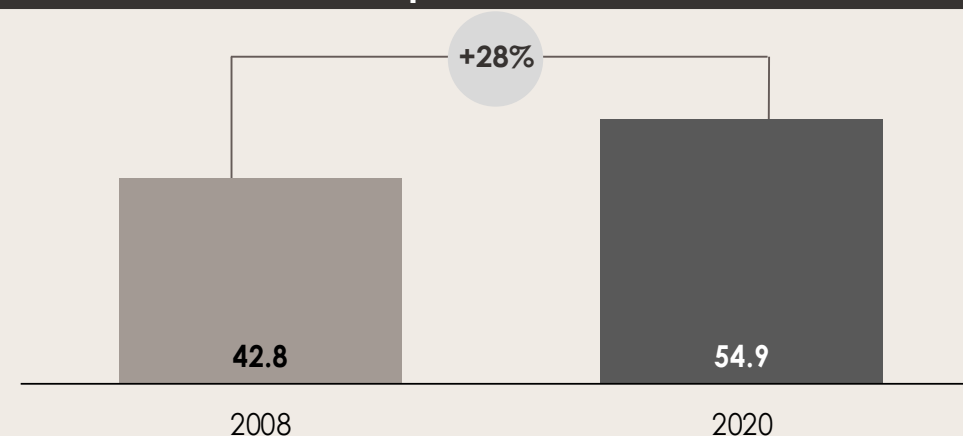


# In recent years, we have significantly strengthened our capital position

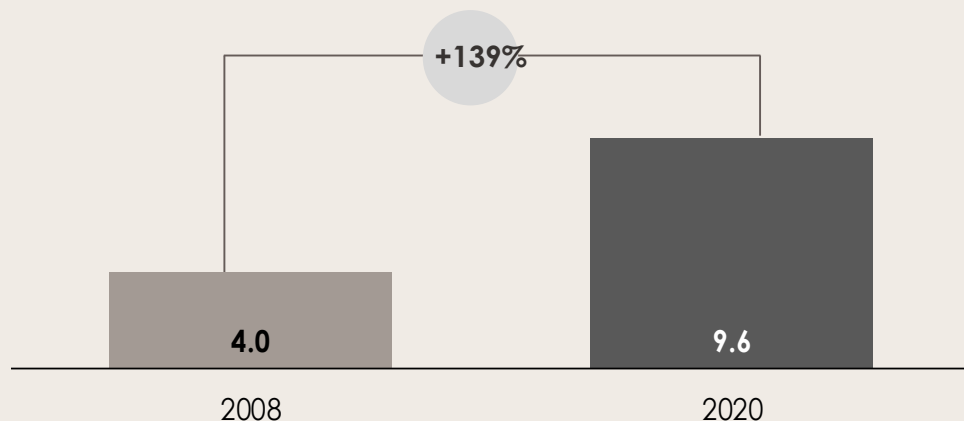
CET1 ratio



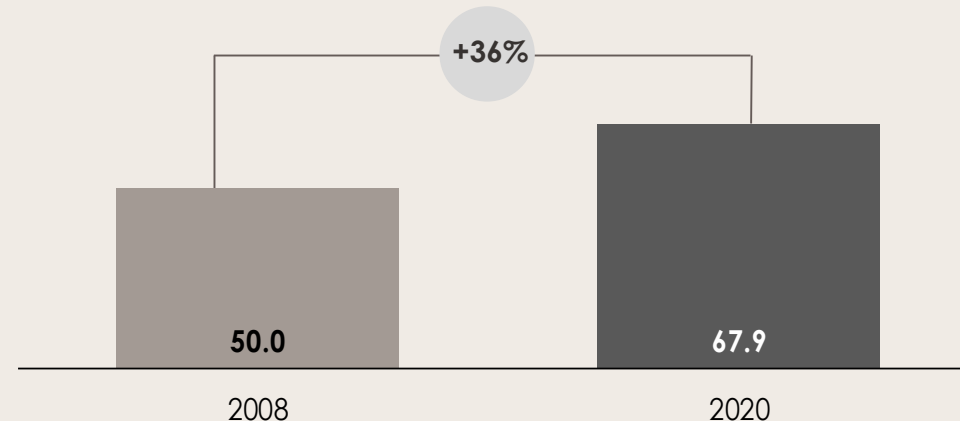
Risk exposure amount



Equity (DKKbn)



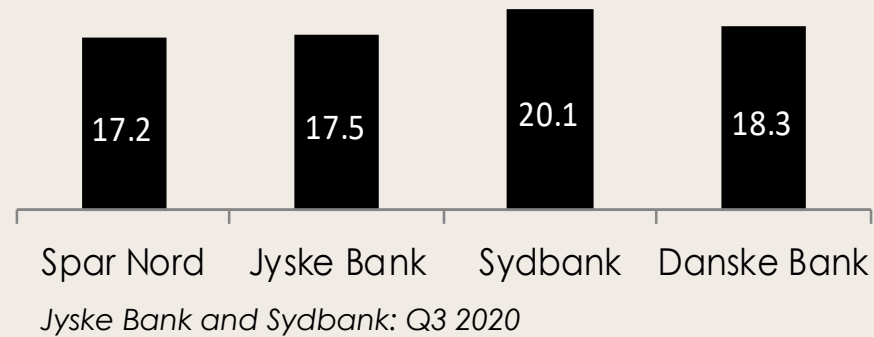
Loans and guarantees (DKKbn)



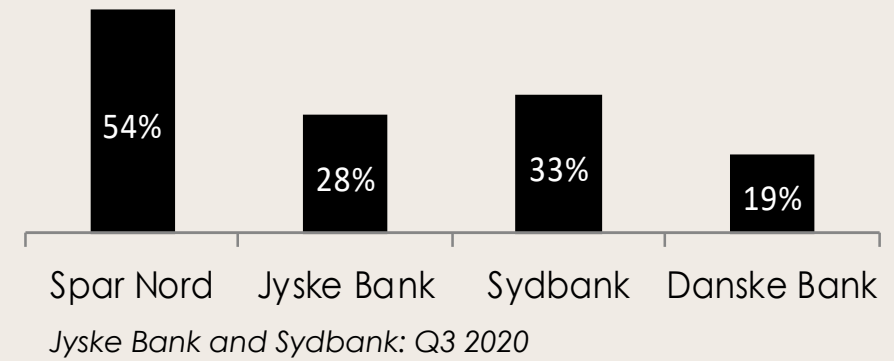


# In spite of standard risk weights and lower capital efficiency, we are more profitable than our larger peers

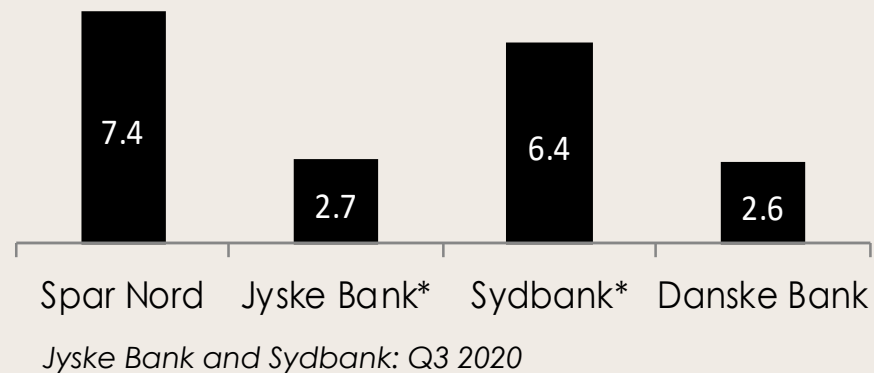
CET1 ratio Q4 2020



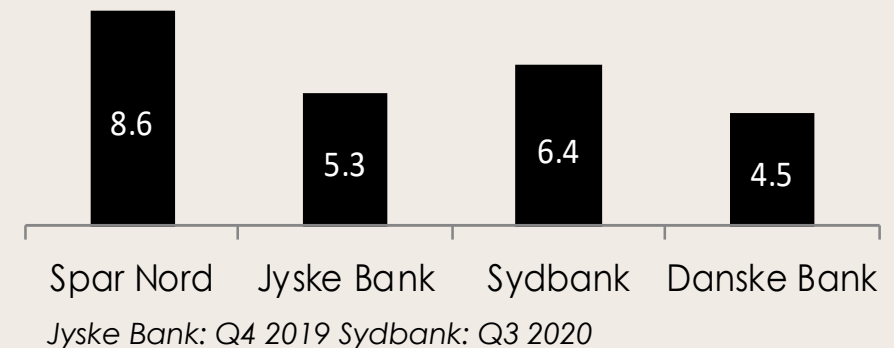
REA in percentage of total assets Q4 2020



ROE Q4 2020



Leverage ratio Q4 2020



# Regulatory requirements and capital targets

## Comments

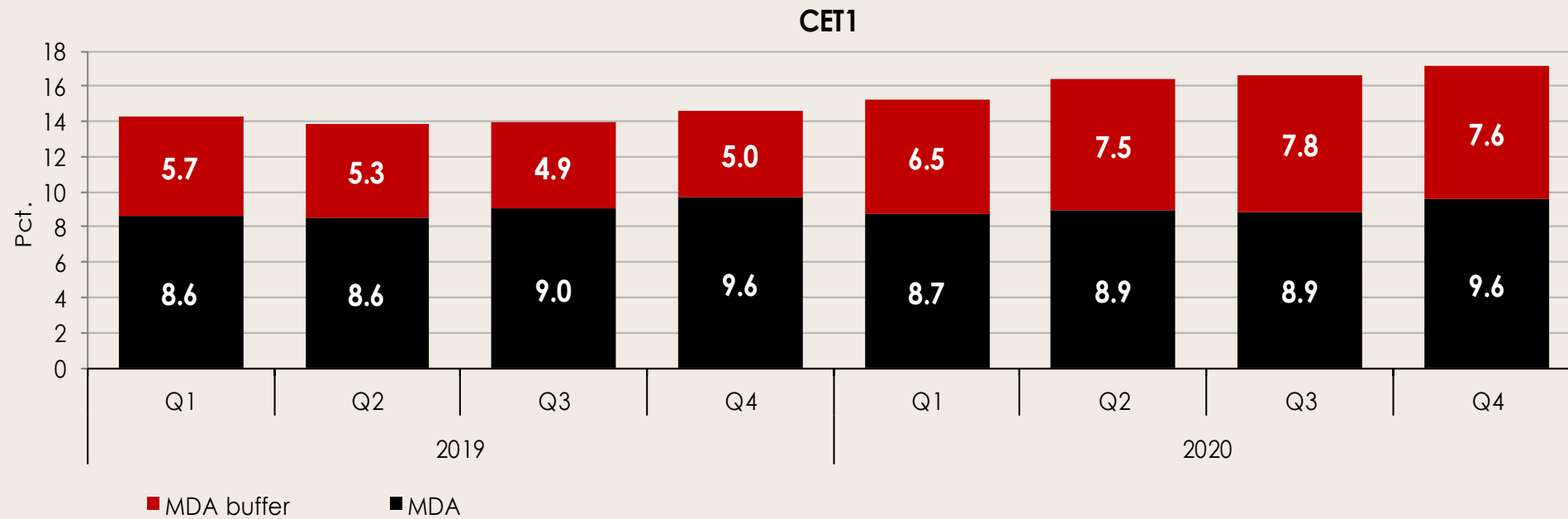
- Capital targets
  - CET1 Ratio: 13.5 (up from 13.0 when we became SIFI)
  - Total capital ratio: 17.5 (up from 16.5 when we became SIFI)
  - Leverage ratio: Min. 6.0
- The bank's own capital targets are based on the results of a macro stress scenario
- The macro stress scenario is estimated to reduce the banks capital ratios by 3.8 - 3.9 percentage points
- This stress margin is added to the regulatory requirement summing up to a minimum target for the banks capital ratios
- The countercyclical buffer is deducted from the macro stress scenario, which reduces the stress to 2.8 - 2.9 percentage points in 2019

## Capital requirement and targets as SIFI bank

Total capital ratio	2018	2019	2020	2021
Pillar I	8.0	8.0	8.0	8.0
Pillar II	1.5	1.5	1.9	1.6
Conservation buffer	1.9	2.5	2.5	2.5
Countercyclical buffer	0.0	1.0	0.0	0.0
SIFI buffer	0.0	0.5	1.0	1.0
<b>Regulatory requirement</b>	<b>11.3</b>	<b>13.5</b>	<b>13.4</b>	<b>13.1</b>
Stress buffer	3.9	2.9	3.9	3.9
<b>Minimum target</b>	<b>15.2</b>	<b>16.4</b>	<b>17.3</b>	<b>17.0</b>
Capital target	16.5	17.5	17.5	17.5

CET1	2018	2019	2020	2021
Pillar 1	4.5	4.5	4.5	4.5
Pillar II	0.8	0.8	1.0	0.9
Requirement from Additional Tier 1	0.2	0.3	0.4	0.3
Requirement from tier 2 capital	0.0	0.0	0.1	0.0
Conservation buffer	1.9	2.5	2.5	2.5
Countercyclical buffer	0.0	1.0	0.0	0.0
SIFI buffer	0.0	0.5	1.0	1.0
<b>Regulatory requirement</b>	<b>7.4</b>	<b>9.6</b>	<b>9.6</b>	<b>9.2</b>
Stress buffer	3.8	2.8	3.8	3.8
<b>Minimum target</b>	<b>11.2</b>	<b>12.4</b>	<b>13.4</b>	<b>13.0</b>
Capital target	13.0	13.5	13.5	13.5

# MDA buffer



# MREL requirement as a SIFI bank

<b>Spar Nord Bank</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
<b>MREL</b>	<b>Jan</b>	<b>Jan</b>	<b>Jul</b>	<b>Jul</b>
Solvency need ratio	9.5	9.5	9.6	9.6
<b>Requirement for loss-absorption</b>	<b>9.5</b>	<b>9.5</b>	<b>9.6</b>	<b>9.6</b>
Solvency need ratio	9.5	9.5	9.6	9.6
Conservation buffer	2.5	2.5	2.5	2.5
SIFI buffer	0.0	0.5	1.0	1.0
Phasing in	-9.0	-7.1	-3.5	0.0
<b>Requirement for recapitalisation</b>	<b>3.0</b>	<b>5.4</b>	<b>9.6</b>	<b>13.1</b>
<b>Total MREL</b>	<b>12.4</b>	<b>14.8</b>	<b>19.2</b>	<b>22.8</b>
Conservation buffer	2.5	2.5	2.5	2.5
SIFI buffer	0.0	0.5	1.0	1.0
Countercyclical buffer	0.0	0.0	0.0	0.0
<b>Total MREL and combined buffer requirement</b>	<b>14.9</b>	<b>17.8</b>	<b>22.7</b>	<b>26.3</b>
<b>Total MREL and combined buffer requirement (DKKb)</b>	<b>8.0</b>	<b>10.0</b>	<b>13.3</b>	<b>16.0</b>
Own funds (DKKb)	9.7	10.3	12.0	12.2
<b>MREL requirement excl. Management buffer (DKKb)</b>	<b>-1.6</b>	<b>-0.3</b>	<b>1.3</b>	<b>3.8</b>
Management buffer (DKKb) (1,5 pct. of REA)	0.8	0.8	0.9	0.9
<b>MREL requirement incl. Management buffer (DKKb)</b>	<b>-0.8</b>	<b>0.5</b>	<b>2.2</b>	<b>4.7</b>
Total risk exposure amount	53.9	56.0	58.5	60.9

# Funding profile

## Comments

- Decision in 2011 to downsize the leasing activities contributed to a markedly changed funding profile with no dependency of capital market funding up until year-end 2018
- From mid-2022 an expected outstanding amount of DKKb 6 due to fully phased in MREL-requirement
  - Share of customer deposits increased from around 50 pct. at year-end 2011 to around 75 pct. at year-end 2020
  - Share of capital market funding reduced from 17 pct. to 5 pct. over the same period
  - Expected issues of Senior Non-preferred to increase share of capital market funding over the coming years
- Overall a conservative funding profile which gives rise to strong liquidity and funding metrics

## Funding profile

Funding profile DKKm	2011	2015	2016	2017	2018	2019	2020
Bank deposits	4.965	1.478	981	1.377	947	1.298	1.065
Repurchase agreements	5.011	2.198	1.400	555	1.519	2.764	3.102
Senior loans and Issued bonds	10.136	64	49	32	0	2.637	2.670
Of which maturity <1 year	5.368	0	0	2	0	0	0
Customer deposits	31.088	44.736	46.464	48.843	50.773	53.279	58.416
Equity and subordinated debt	6.944	8.976	9.720	10.119	10.573	11.083	11.723
<b>Total</b>	<b>58.144</b>	<b>57.452</b>	<b>58.614</b>	<b>60.926</b>	<b>63.812</b>	<b>71.061</b>	<b>76.976</b>

Funding profile Pct.	2011	2015	2016	2017	2018	2019	2020
Interbank funding	17	6	4	3	4	6	5
Capital market funding	17	0	0	0	0	4	3
Customer deposits	53	78	79	80	80	75	76
Equity and subordinated debt	12	16	17	17	17	16	15
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

<b>Loans to deposits ratio (pct.)</b>	<b>123</b>	<b>76</b>	<b>76</b>	<b>76</b>	<b>78</b>	<b>79</b>	<b>77</b>
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# Deposit profile

## Comments

- Total customer deposit increased by DKKb 4.8 from 2019 to 2020
- Strong stability in customer deposits
  - Share of retail customer deposits at 80 pct.
  - LCR "stable" deposits account for 75 pct. of total retail deposits and for 60 pct. of total customer deposits
  - At year-end 2020, 68 pct. of customer deposits covered by the Danish deposit protection schemes
  - Customer deposit base is well diversified consisting mainly of smaller deposits from retail customers
    - Retail deposits of DKKb 46.7 related to 350.000+ retail customers
- Low concentration risk in customer deposits
  - At year-end 2020 only 5 customer deposits larger than DKKm 100
- Approx.. 4 pct. market share of deposits in Denmark at year-end 2020
  - SIFI threshold value for the deposit indicator:  
The institution's deposits in Denmark represent more than 3% of total deposits in Danish banks in Denmark

## Deposit profile

Customer deposits (DKKb)	2017	2018	2019	2020
Deposits, Retail customers	39,3	41,9	44,2	46,7
Deposits, Non-retail customers	8,5	7,9	8,2	10,6
Deposits, Financial customers	0,9	1,0	0,9	0,8
<b>Customer deposits</b>	<b>48,7</b>	<b>50,8</b>	<b>53,3</b>	<b>58,1</b>

Customer deposits (pct.)	2017	2018	2019	2020
Deposits, Retail customers	81	82	83	80
Deposits, Non-retail customers	17	16	15	18
Deposits, Financial customers	2	2	2	1
<b>Customer deposits</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

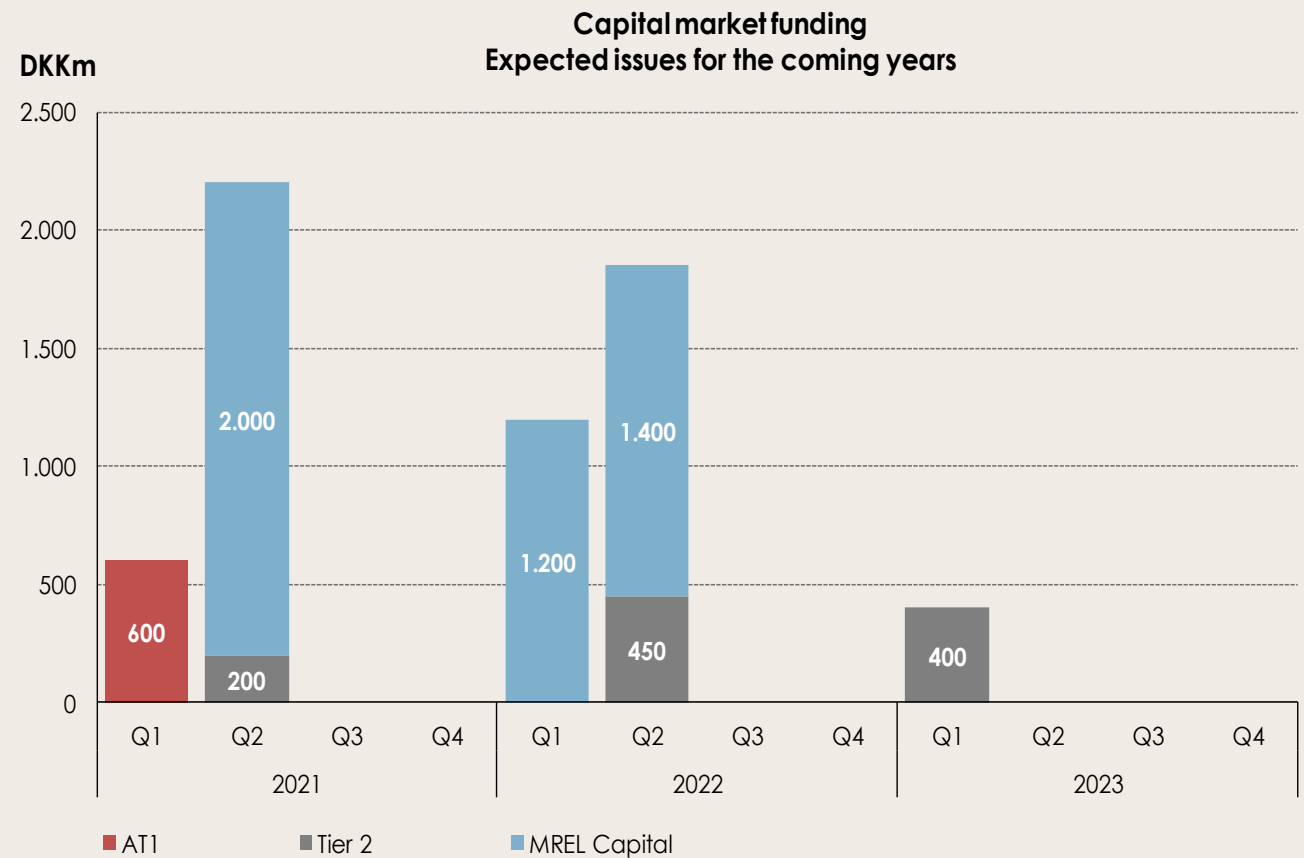
Customer deposits Supplementary metrics	2017	2018	2019	2020
Share of customer deposits covered by the Danish deposit protection schemes	70%	74%	71%	68%
Top 20 customer deposits / Total customer deposits	5,8%	4,5%	4,5%	3,5%
Customer deposits Breakdown on currency - DKK	97,9%	98,0%	98,2%	98,2%
Customer deposits Breakdown on currency - Other	2,1%	2,0%	1,8%	2,3%

# Funding needs

## Comments

- Phase in of MREL-requirement postponed 6 month
  - 1. July 2021 (75 %)
  - 1. July 2022 (100 %)
- To meet the requirement, MREL-Capital for around DKKb 4.6 are expected issued from 2021 to 2023
  - 2021: DKKb 2.0
  - 2022: DKKb 2.6
  - Maturity and market not yet finally decided
- Re-Financing and optimizing of capital structure post acquisition of Bank Nordik's Danish Business
  - Hybrid capital with 1. call in Dec. 2021 expected replaced in mid February 2021 by new issue of DKKm 600
  - Additional Tier 2 issue in Q1 2021

## Funding needs



# 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

## **Key strength and challenges from the Credit Opinion:**

### Credit strengths:

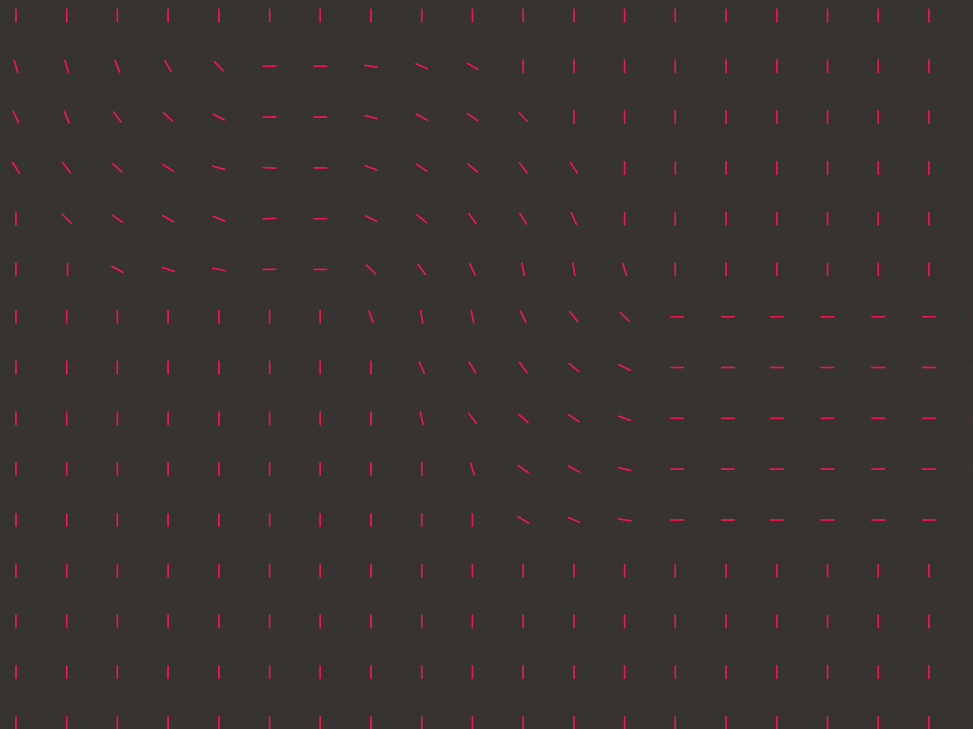
- Robust capitalization and a strong leverage ratio
- Low dependence on market funding
- Strong liquidity buffer

### Credit challenges:

- Relatively high, although improving, problem loan ratio, along with moderately high loan growth, which could present challenges in a downturn
- Continued pressure on profitability because of ultralow interest rates and a high cost-to-income ratio



# 6. The offering



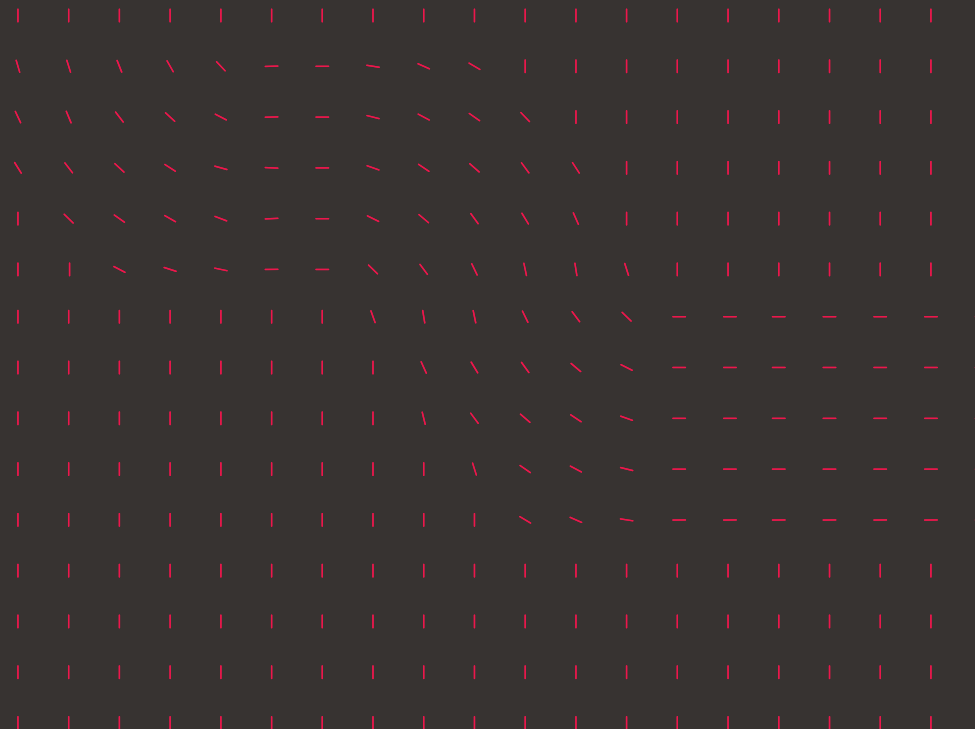
# The offering

<b>Transaction</b>	CRD-IV-Eligible DKK AT1 issued by Spar Nord Bank A/S
<b>Status</b>	Deeply Subordinated; senior only to share capital and other obligations of the Issuer ranking or expressed to rank junior to the Notes
<b>Maturity/Non-call</b>	Perpetual / NC 5.5 years
<b>Currency/Size</b>	DKK 600m (no grow)
<b>Interest</b>	Expected fixed until September 2026 Semiannual, then floating (Cibor 6 months)
<b>Loss absorption</b>	Temporary write down with 7% CET 1 trigger
<b>Governing law</b>	Danish
<b>Rating</b>	Spar Nord Bank has a long-term deposit rating A1 by Moody's The notes will not be rated separately
<b>Expected listing in 2021</b>	Nasdaq Copenhagen
<b>Joint Lead Bookrunners</b>	Nykredit, Danske Bank, Spar Nord Bank

# Target market

- The target market for the Notes is **eligible counterparties** and **professional clients** only
- **All channels for distribution** of the Notes to eligible counterparties and professional clients are appropriate
- No **PRIPs key information document (KID)** has been prepared as **not available to retail investors** in EEA or in the UK

# Closing remarks



# 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](https://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.

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