

# Introduction, update on financial performance, credit and capital

Debt investor roadshow, May 2021

# Executive summary

- **The presentation today is in connection with our second issue of MREL capital (Senior Non-Preferred)**
- A step in our efforts to comply with future requirements applied to us as a SIFI bank
  - MREL requirement fully phased in by 1 July 2022
- Expected total need for MREL capital in the DKK 6 billion range
  - Existing issue from Dec 2019 of DKK 2.6 billion – dual tranche in SEK and DKK
- This issue expected to be denominated in SEK and/or NOK
- **We believe that Spar Nord is an attractive SNP 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 Danish play: Danish economy is healthy, and we have a positive view on market outlook
  - Spar Nord is A1 (stable) rated by Moody's with Senior Non-Preferred expected to be rated A3

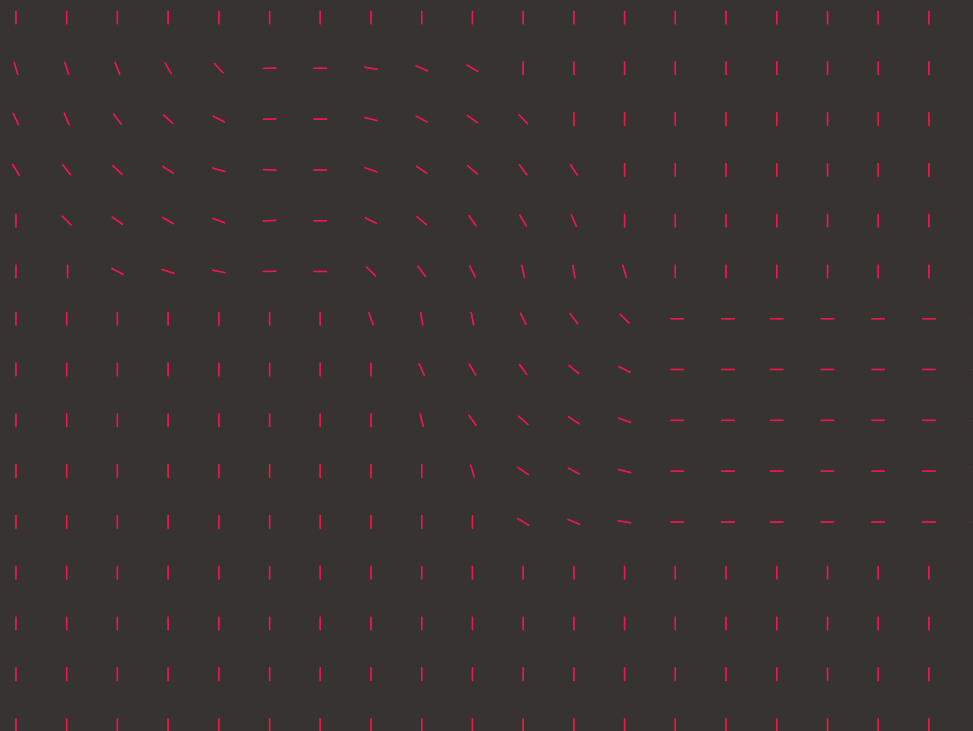
# Agenda

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

**Appendix – Presentation of financial  
results Q1 2021**



# 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
- Expansion through both organic growth and M&A – latest acquisition of BankNordiks Danish business
  - We rank as the 6<sup>th</sup> largest Danish retail bank
- 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

## 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

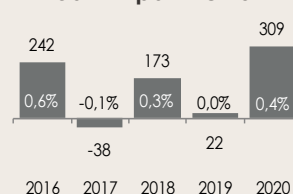
### 2 Strong reputation and customer satisfaction



- 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

#### Loan impairments



- 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

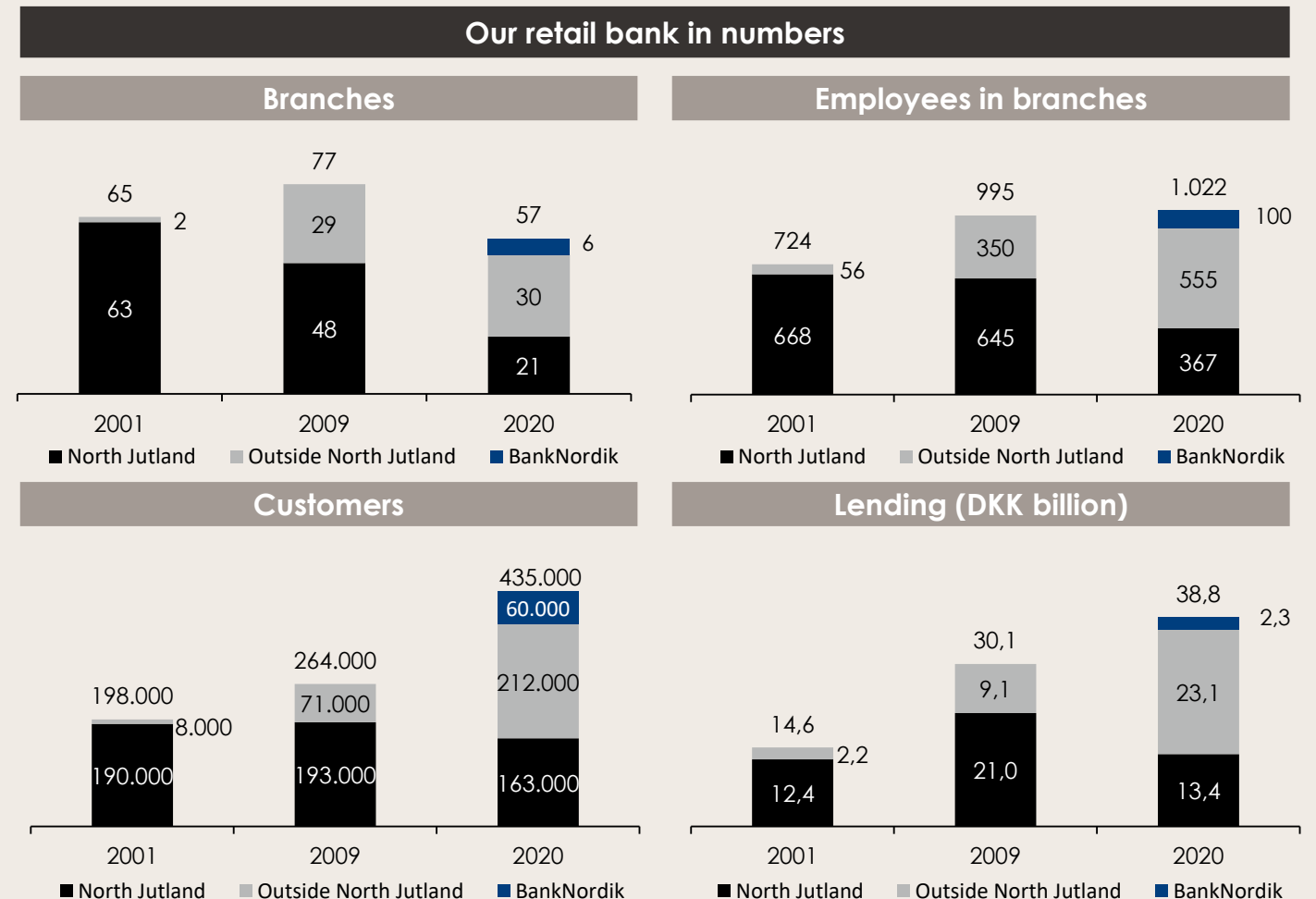
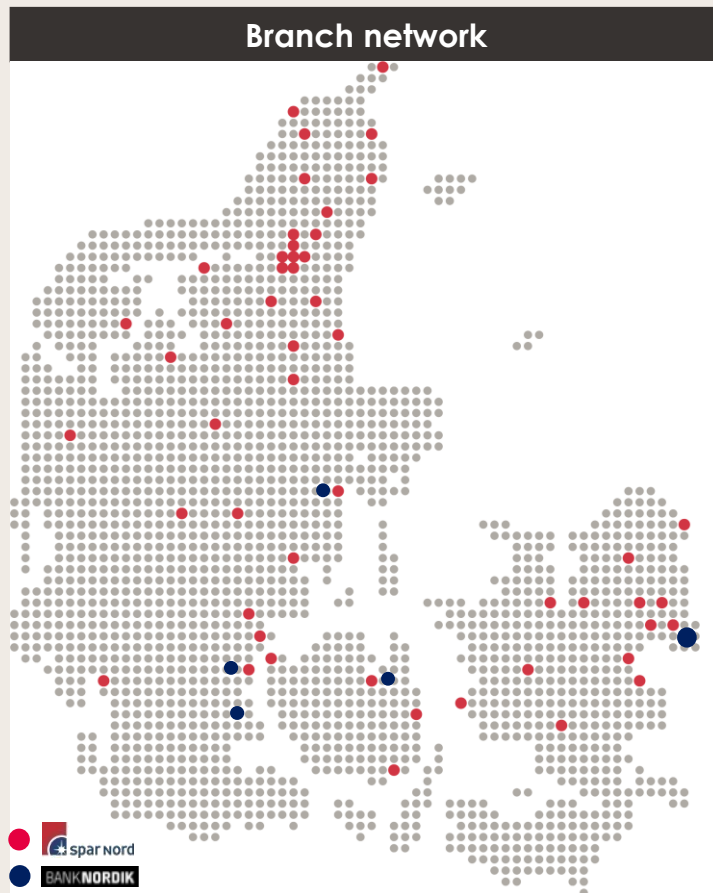
## Shareholders



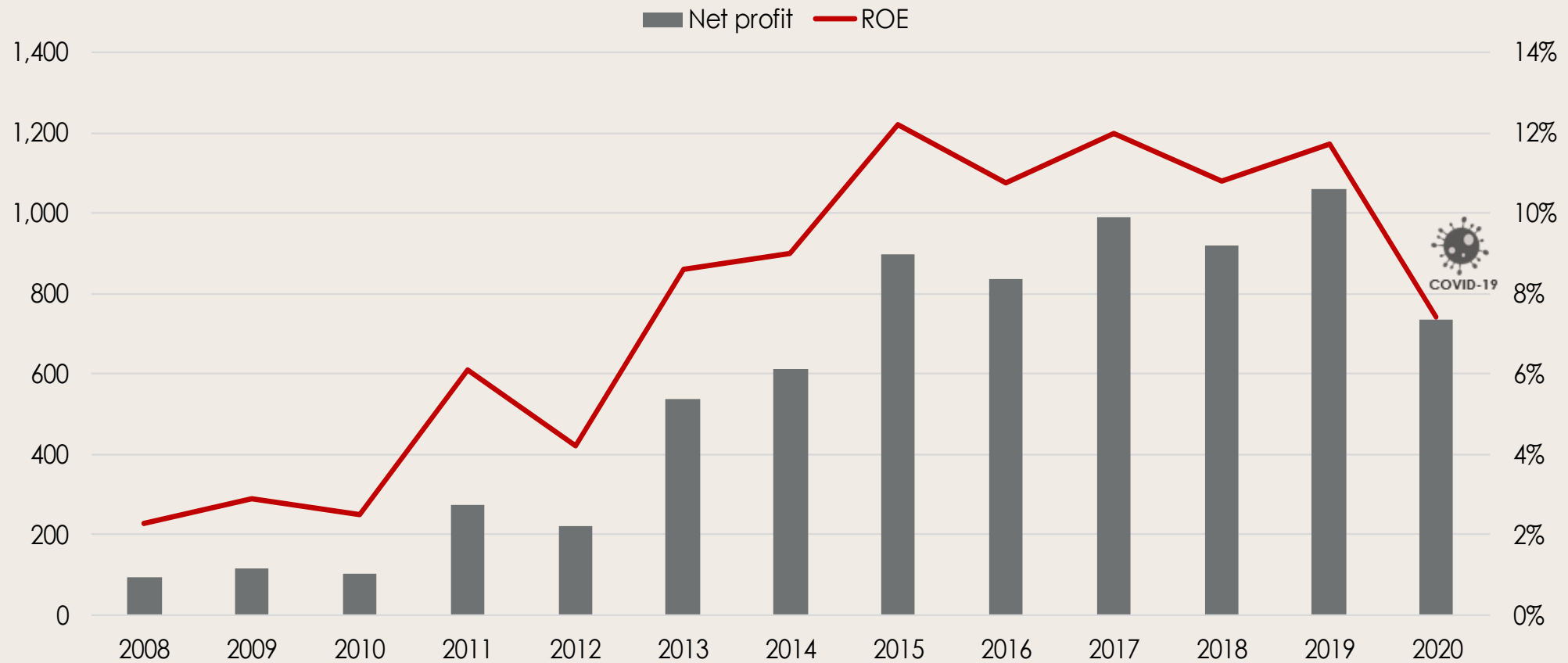
- Spar Nord Foundation is the largest shareholder with **19%**
- Nykredit Realkredit A/S holds **14%**

- 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



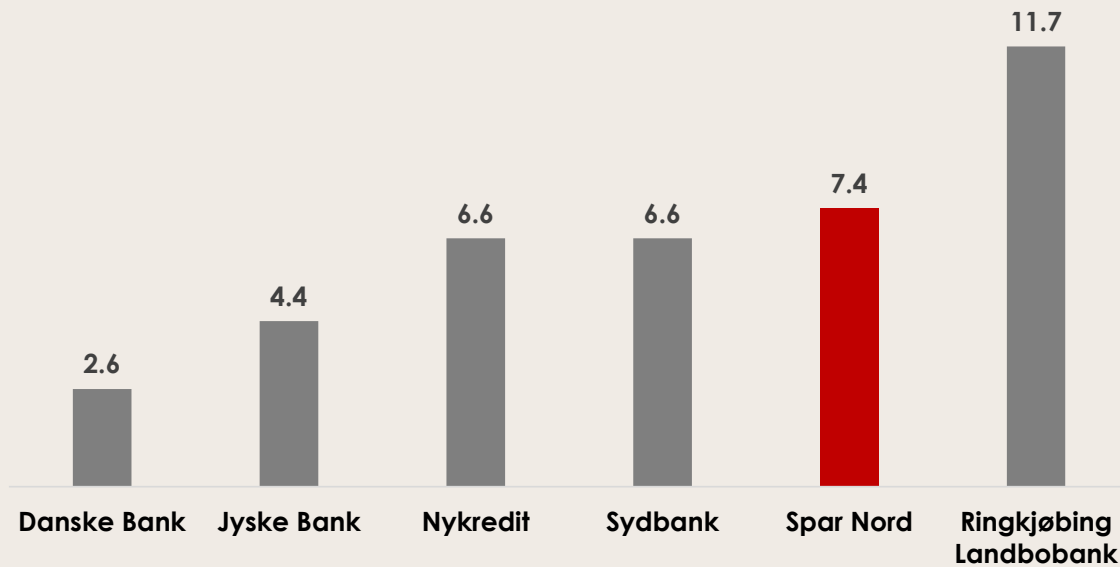
# Stable and strong financial performance through the cycle



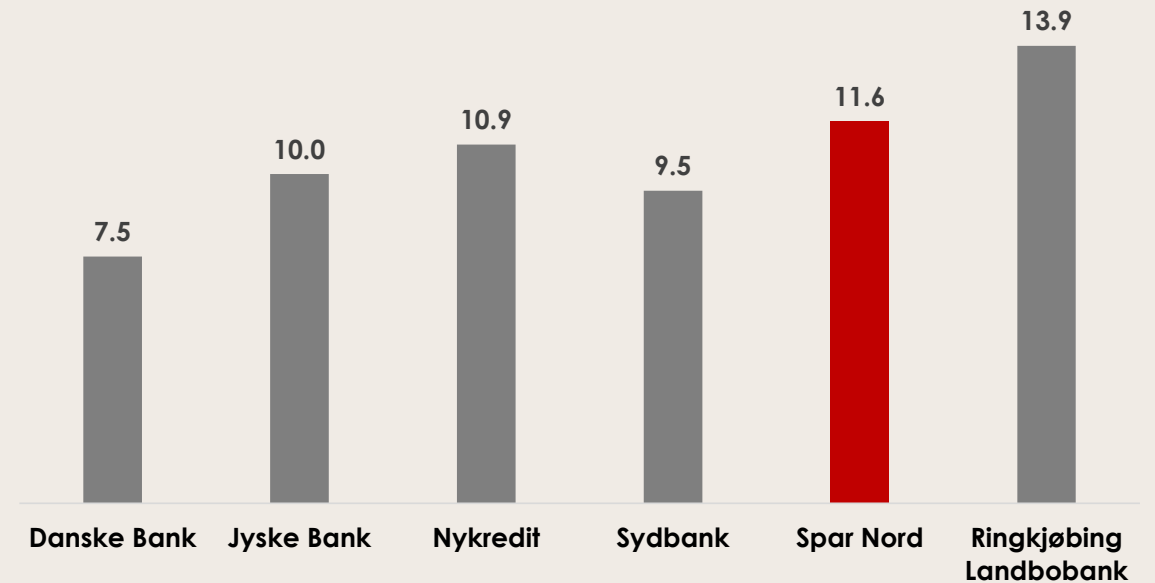


# Satisfactory performance compared to peers

ROE after tax Q4 2020



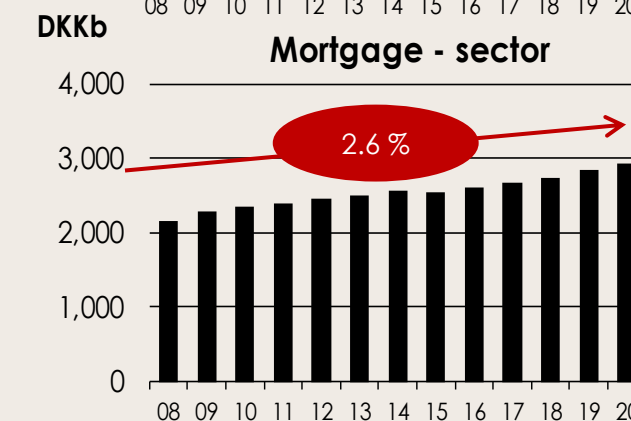
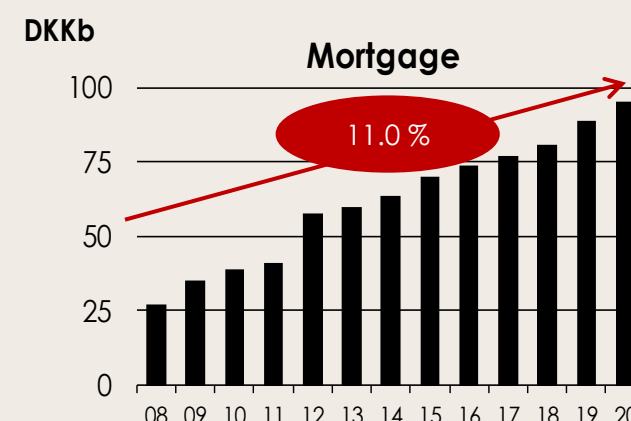
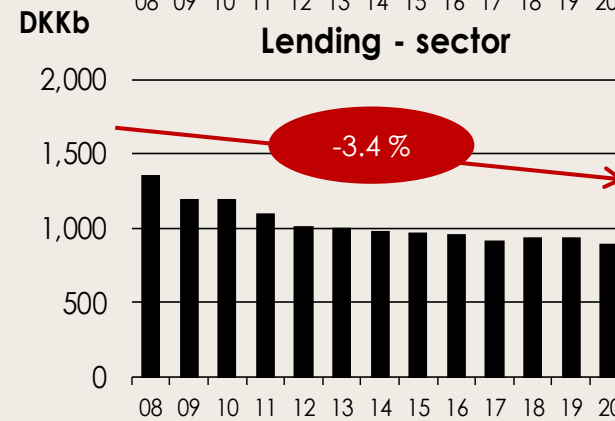
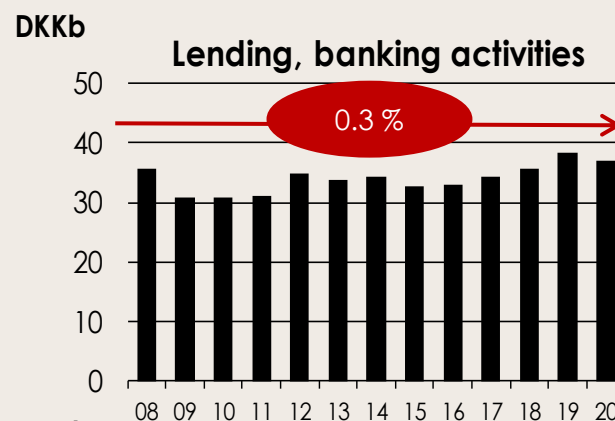
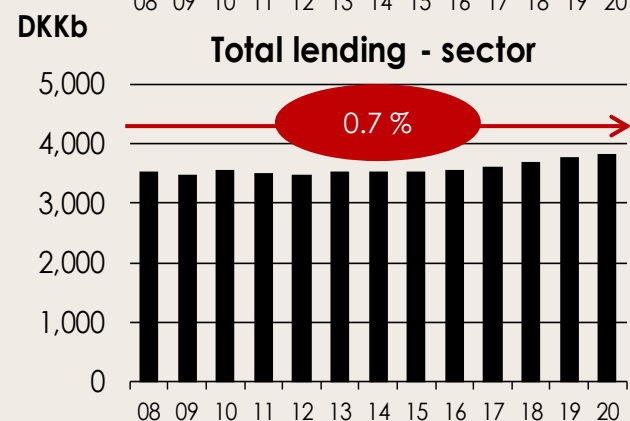
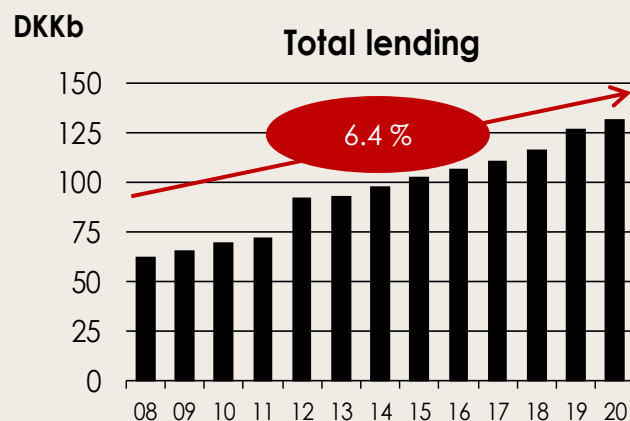
ROE after tax Q1 2021





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

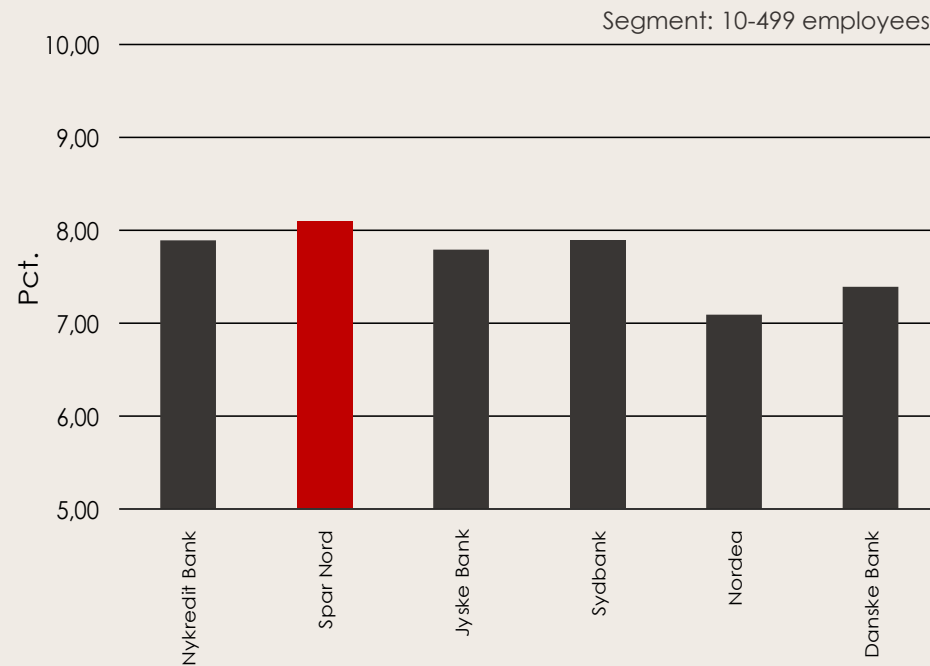
## Spar Nord's bank lending and mortgage-distribution compared to sector lending



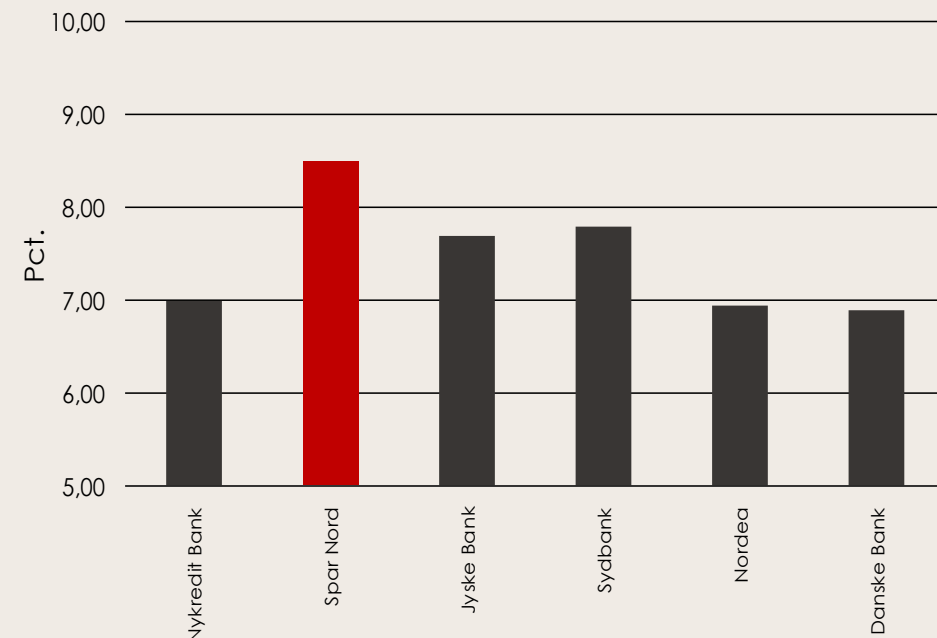
# Positive image – positioned for further growth

- 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



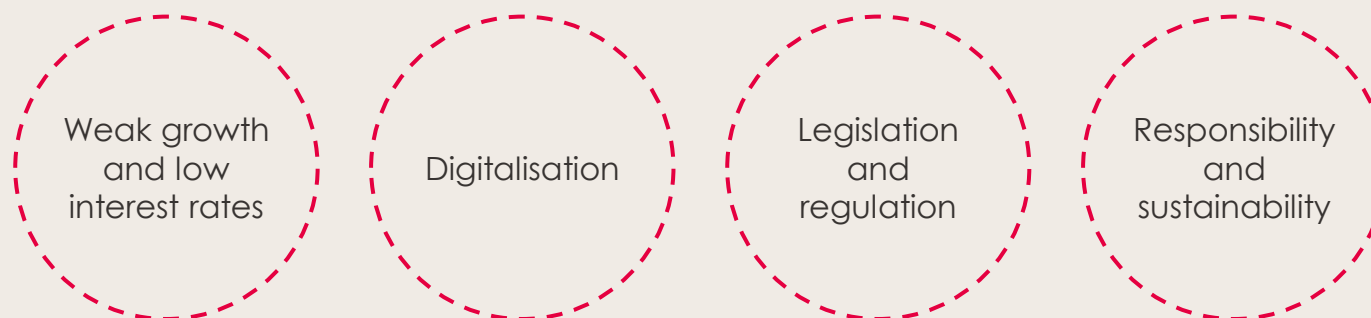
Source: Bank Barometer Business, Aalund 2020

# 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
    - Full-year 2020: 7.4%
    - Q1 2021: 11.6%
  - Cost/Income Ratio: 0.65
    - Full-year 2020: 0.63
    - Q1 2021: 0.60

## 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

### 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

"Must win battles"



# In 2020, we have improved our disclosure and signed up for three important UN initiatives

## • Selected policies

- Responsible investments and active ownership
- Sound business culture and Responsible working environment
- Sustainable supply chain management
- Money laundering policy

## • Governance

- No ownership limitations or voting right restrictions
- All members of the BoD elected by the shareholders are independent
- Spar Nord's Management backs the efforts to promote corporate governance

## • Global initiatives

- UN Global Compact
- UN Principles of Responsible Investment
- UN Principles of Responsible Banking
- UN Sustainable Development Goals

## • A proper and reputable bank (core value)

- Spar Nord has historically had a good image and reputation
  - No bad press, larger customer complaints or lawsuits etc.
- Relatively low risk of AML-issues
  - Danish play – lower exposure to risk areas
  - Less complicated business model – better oversight



### CSR and organisation Our responsibilities



# 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

- Actively involved
- Locally rooted business model
- Spar Nord Foundation

## 5. OWN FOOTPRINT

- Policies in place
- Better data collection
- Carbon neutral banking operations by 2021

- **Corporate Social Responsibility (CSR) report available at [www.sparnord.dk](http://www.sparnord.dk):**

[https://media.sparnord.dk/com/organisation/corporate\\_governance](https://media.sparnord.dk/com/organisation/corporate_governance)

# 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**

## Key strength and challenges from the latest Credit Opinion (3 December 2020):

### Credit strengths:

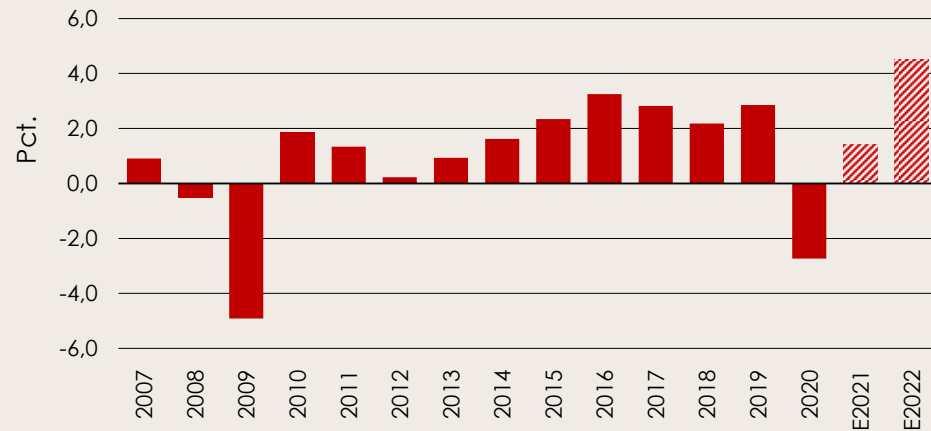
- Robust capitalization and a strong leverage ratio
- Low dependence on market funding
- Strong liquidity buffer

### Credit challenges:

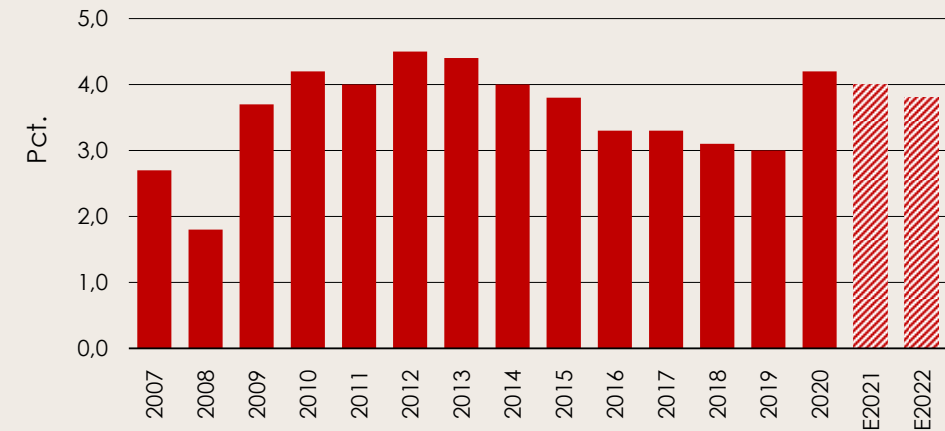
- Relatively high problem loans, albeit improving
- Profitability under pressure, exacerbated by the coronavirus disruption

# Danish macro – a fast recovery post COVID-19

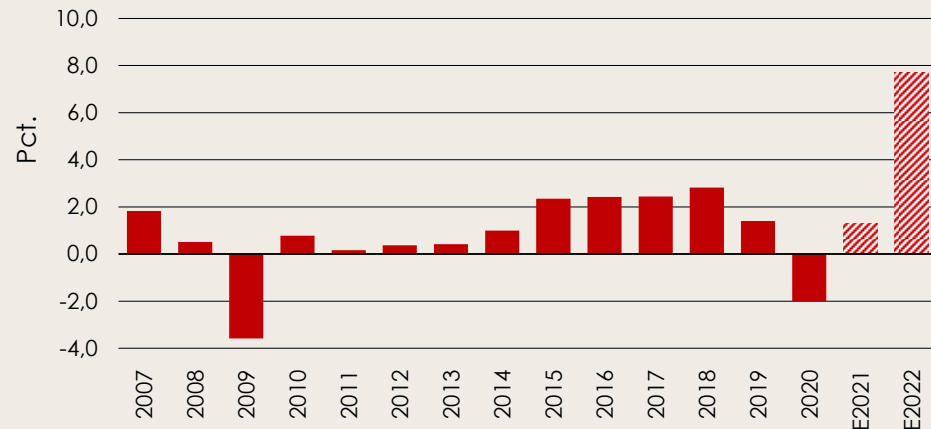
## GDP (y/y)



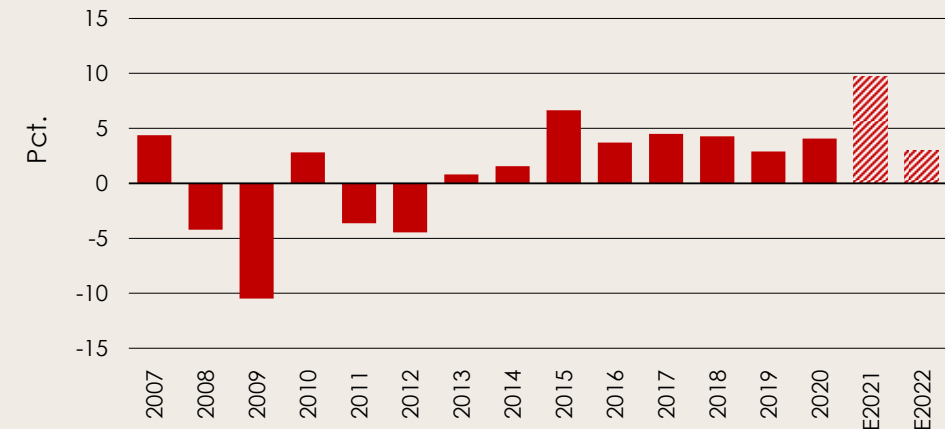
## Unemployment



## Private consumption (y/y)

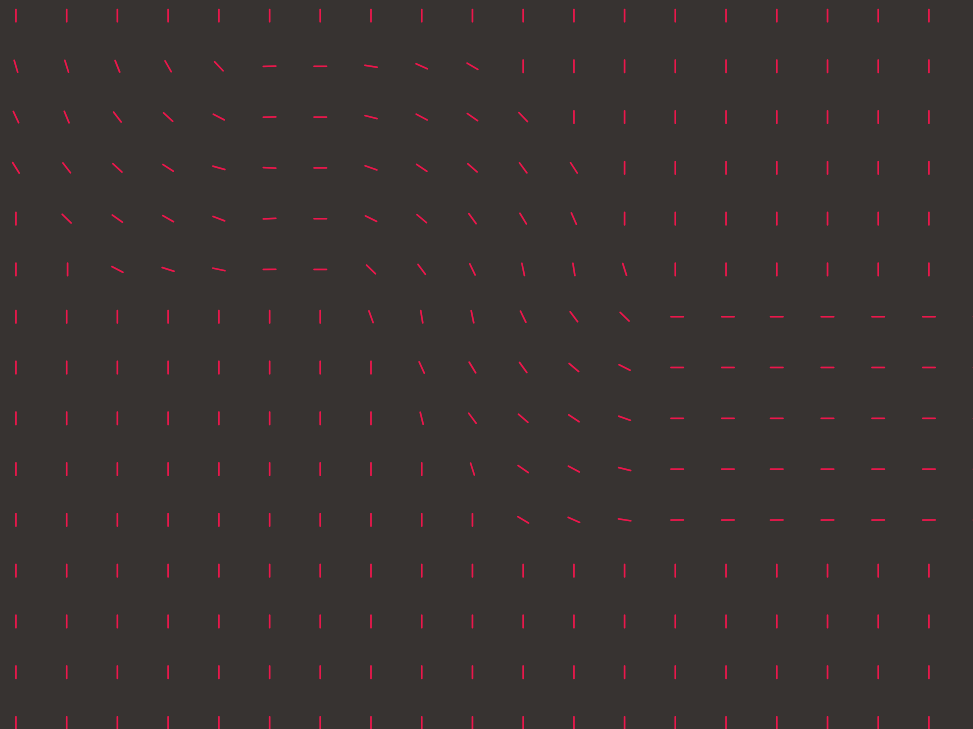


## House prices (y/y)





## 2. Update on recent financial performance



# Net profit of DKK 295 million and ROE of 11.6%

## Headlines from the income statement

- Net interest income grows by 7% (y/y), while net fee income increases by 23% (y/y) and ends at a record high level
- Market-value adjustments positively affected by continued satisfactory earnings on sector shares as well as decent earnings from the equity portfolio
- Costs increase 9% as a result of the acquisition of BankNordik's Danish business. Non-recurring costs of DKK 21 million corresponding to 4%
- Loan impairments close to zero in Q1
- Record high total business volume of DKK 326.6 billion, of which the acquisition of BankNordik's Danish business contributes DKK 26 billion
- Strategic liquidity further strengthened and continued solid capital position

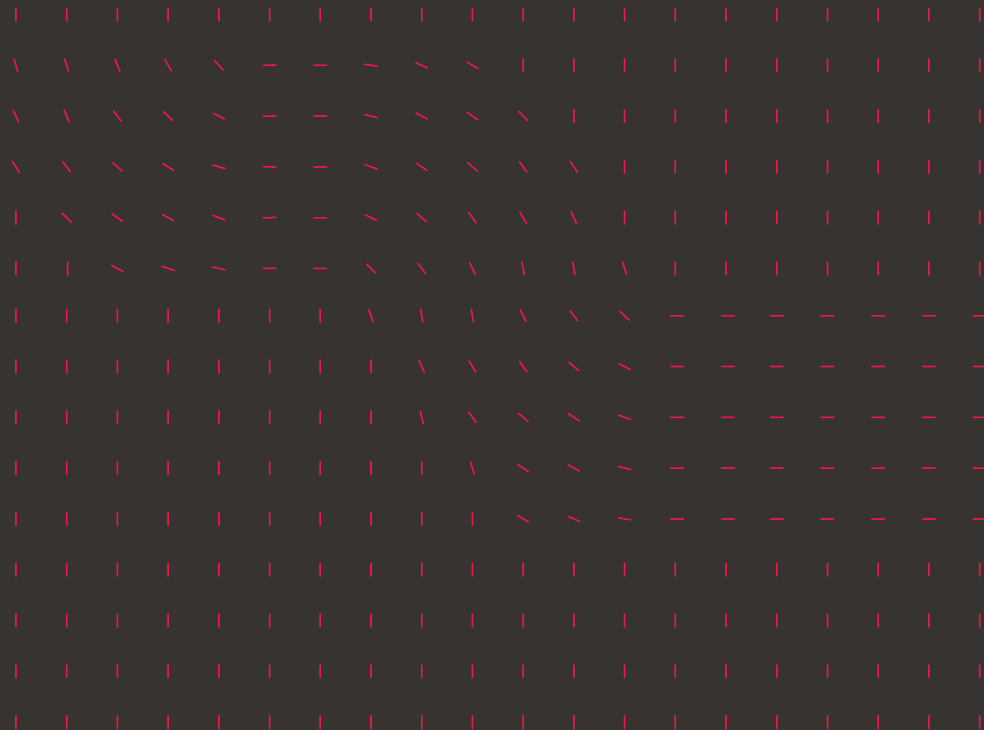
SPAR NORD BANK DKKm	Realized YTD 2021	Realized YTD 2020	Index	Realized Q1 2021	Realized Q4 2020	Index
Net interest income	414	387	107	414	398	104
Net fees, charges and commissions	396	322	123	396	319	124
Market-value adjustments and dividends	90	-11	-	90	133	68
Other income	37	21	177	37	22	166
<b>Core income</b>	<b>938</b>	<b>719</b>	<b>130</b>	<b>938</b>	<b>872</b>	<b>108</b>
Staff costs	353	315	112	353	344	103
Operating expenses	214	204	105	214	224	95
<b>Costs and expenses</b>	<b>567</b>	<b>520</b>	<b>109</b>	<b>567</b>	<b>568</b>	<b>100</b>
<b>Core earnings before impairment</b>	<b>371</b>	<b>199</b>	<b>186</b>	<b>371</b>	<b>304</b>	<b>122</b>
Impairments of loans and advances, etc.	2	175	1	2	22	11
<b>Profit before tax</b>	<b>368</b>	<b>24</b>	-	<b>368</b>	<b>282</b>	<b>131</b>
Tax	73	0	-	73	52	142
<b>Profit</b>	<b>295</b>	<b>24</b>	-	<b>295</b>	<b>230</b>	<b>128</b>

# Record high total business volume

- End of Q1, total business volume amounts to DKK 326.6 billion – DKK 35.3 billion (12%) higher than end-2020
  - Acquisition of BankNordik's Danish business contributed DKK 26.0 billion, of which mortgage loans of DKK 11.0 billion
- Positive trend in total credit distribution – now exceeding DKK 100 billion
  - Bank and leasing lending were up by 3.6 billion (Private: DKK 2.1 billion / Corporate: DKK 1.5 billion) and distribution of mortgage loans grew by DKK 13.1 billion
- Deposits and pooled pension savings were still growing
  - Bank deposits were up DKK 4.7 billion (Private: DKK 5.2 billion / Corporate: DKK -0.5 billion) and deposits in pooled schemes were up DKK 1.6 billion
- Customers' invested assets are up by DKK 9.3 billion



# 3. Spar Nord acquired 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 Danish retail business from BankNordik

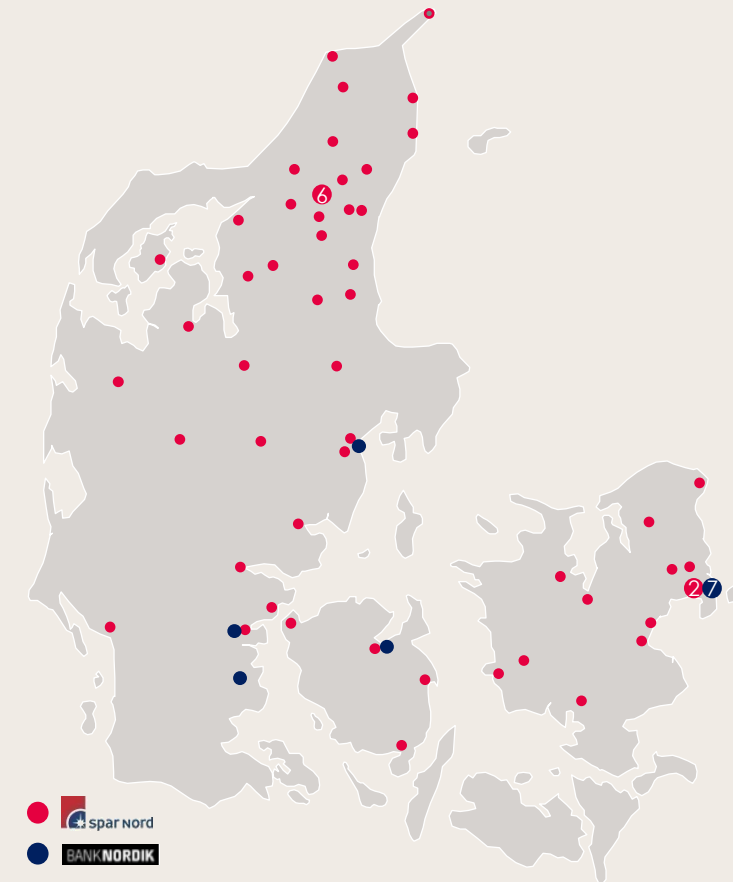
## Financial data

- Spar Nord expects only a modest contribution from the acquired business to the Bank's core earnings before impairment in 2021
- From 2022, the acquired portfolio is expected to contribute core earnings before impairment of around DKK 110 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 million are the largest items
- Overall, the acquisition is expected to reduce the Bank's capital ratios by around 1.5 percentage point
- ROE on the acquired business is expected at around 11%
- Credit distribution and deposits by geography:

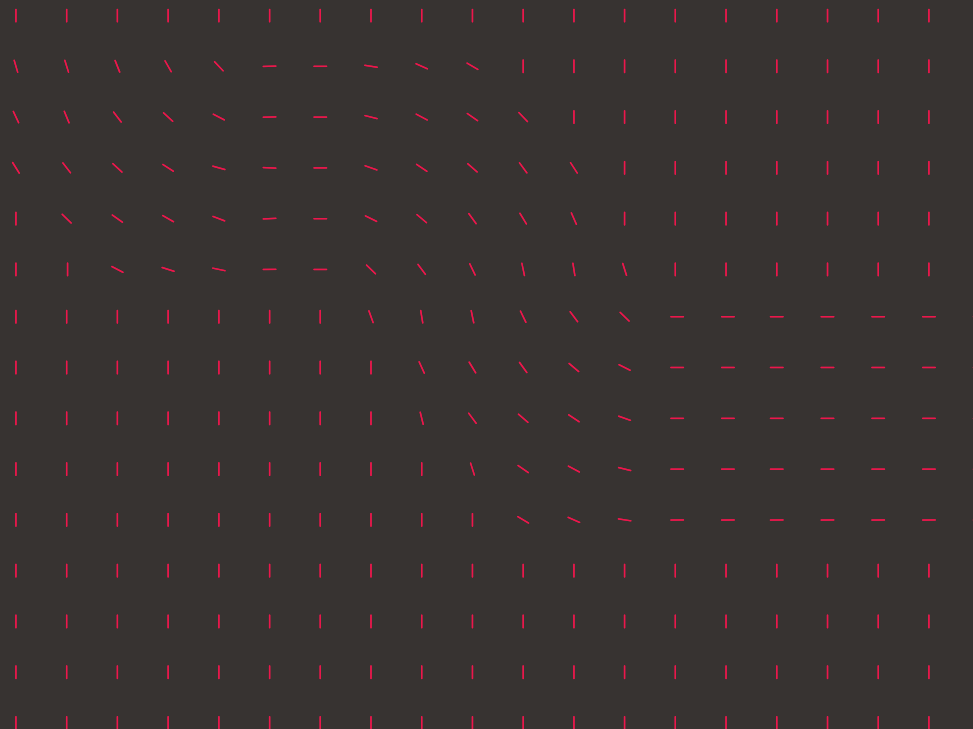
DKKb	Bank loans	Mortgage	Total credit distribution	In pct.
Greater Copenhagen	1.4	6.7	8.2	61%
Other branches	0.8	4.4	5.2	39%
Sum	2.3	11.1	13.3	100%

DKKb	Deposits	In pct.
Greater Copenhagen	2.6	44%
Other branches	3.2	56%
Sum	5.8	100%

## Total branches after acquisition



# 4. Credit update





# 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 50% 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\*

Loans and guarantees <u>without</u> reverse repo					
Industry	Q1 2021	2020	Q1 2021	2020	2016
	DKKm		Pct.		
Public authorities	753	978	1,1	1,6	0,1
Agriculture	3.002	2.987	4,5	5,0	6,9
Fisheries	125	123	0,2	0,2	0,2
Industry	2.717	2.562	4,1	4,3	5,4
Utilities	1.805	1.786	2,7	3,0	3,3
Construction and engineering	2.622	2.591	4,0	4,3	3,9
Trade	4.006	3.449	6,1	5,8	7,8
Transport, hotels and restaurants	2.711	2.487	4,1	4,2	3,4
Informations	337	254	0,5	0,4	0,4
Financing and insurance	3.680	3.287	5,6	5,5	5,8
Property	6.794	6.802	10,3	11,4	12,2
Other industries	4.482	3.979	6,8	6,7	5,4
Total business customers	33.034	31.284	49,9	52,3	54,8
Private customers	33.107	28.500	50,1	47,7	45,2
<b>Total</b>	<b>66.140</b>	<b>59.784</b>	<b>100,0</b>	<b>100,0</b>	<b>100,0</b>

\*Excluding reverse repo transactions

# And equally well-diversified in terms of sizes

## Comments

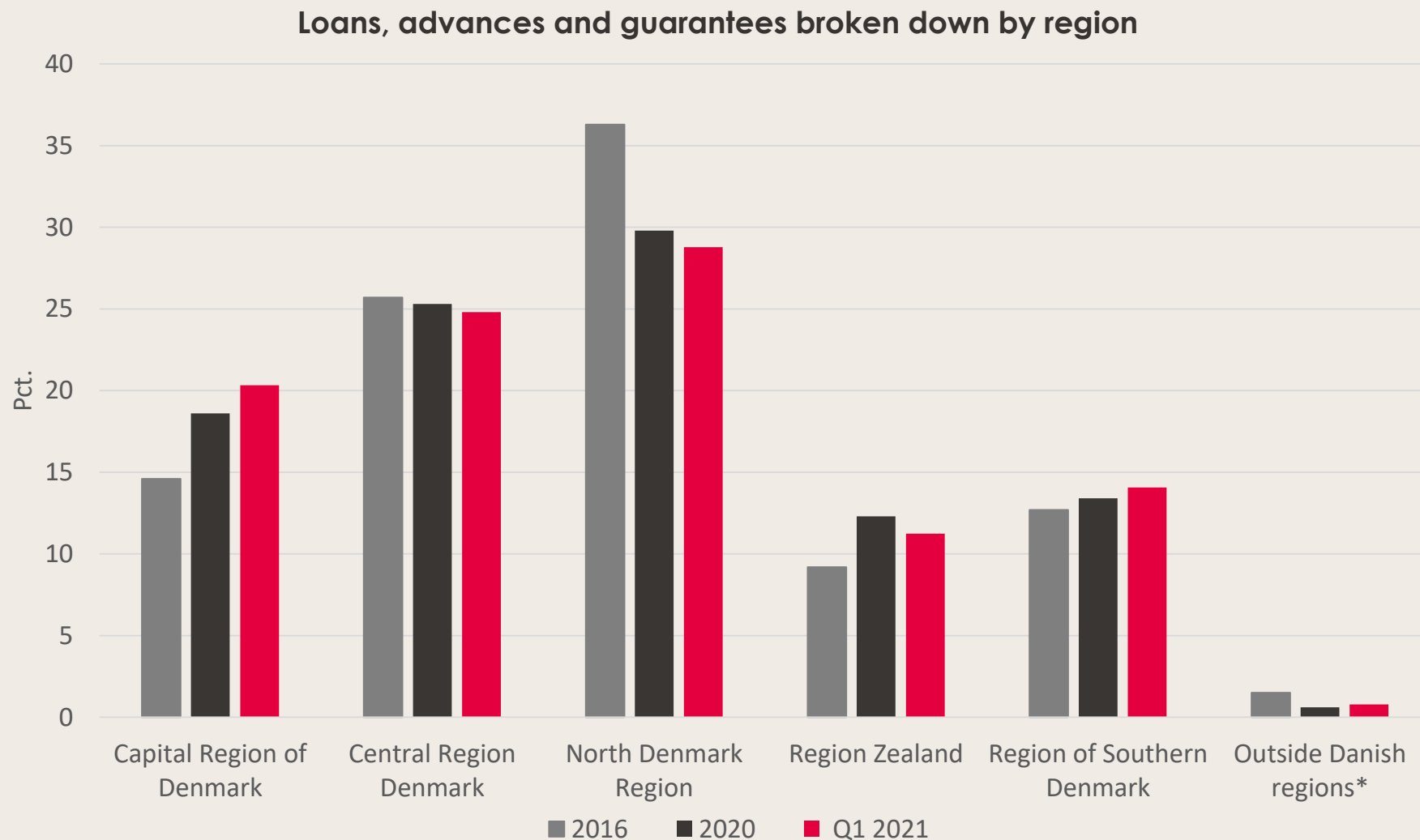
- As at Q1 2021, the 20 largest exposures represent 82 % of the bank's capital base
  - The Danish FSA's Supervisory Authority Diamond Test Model allows for up to 175 %
- Only 47 exposures above DKK 100 million
  - Loans and guarantees above DKK 100 million account for 11 % of total exposure – considerably below sector average

## Loan book broken down by sizes

Loans, advances and guarantees by exposure size *							
Exposure size	Q1 2021	2020	2016	Q1 2021	2020	2016	Q1 2021 Acc. share
	Number			Pct.			Pct.
0 - 0,1	59.523	49.974	50.124	0,9	0,9	1,3	0,9
0,1 - 0,5	39.696	36.530	34.992	10,7	10,3	11,2	11,6
0,5 - 1,0	16.275	14.763	12.445	12,7	12,3	11,9	24,2
1,0 - 5,0	11.396	10.106	8.017	28,9	27,3	26,4	53,1
5,0 - 10,0	1.263	1.110	891	10,3	9,7	9,5	63,4
10,0 - 20,0	473	458	388	7,6	8,0	8,7	71,0
20,0 - 50,0	273	275	248	9,8	10,9	12,1	80,8
50,0 - 100,0	99	94	66	8,0	8,3	7,2	88,8
100,0 -	47	44	47	11,2	12,3	11,7	100,0
<b>Total</b>	<b>129.045</b>	<b>113.354</b>	<b>107.218</b>	<b>100</b>	<b>100</b>	<b>100</b>	

\*) Excl. reverse repo transactions and SparXpres

# A Danish play – with good diversification



\* Includes Faroes Islands, Greenland and other countries

# Total credit distribution by industry

Bank loans and guarantees + Originated mortgage loans - 2021 Q1  
(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	751		0	2	0	1	754	0,5
Agriculture and Fisheries	2.027		846	9	0	2.556	5.438	3,4
Industry	1.716		698	191	93	188	2.887	1,8
Utilities	1.240		497	50	0	134	1.921	1,2
Construction and engineering	1.219		852	393	41	270	2.775	1,8
Trade	3.057		496	279	49	294	4.175	2,6
Transport, hotels and restaurants	1.187		1.310	134	78	118	2.826	1,8
Informations	216		32	23	10	19	301	0,2
Financing and insurance	3.161		77	305	154	364	4.061	2,6
Property	5.632		102	123	1.555	3.943	11.353	7,2
Other industries	3.064		892	123	132	390	4.601	2,9
<b>Total businesss customers</b>	<b>23.270</b>		<b>5.801</b>	<b>1.633</b>	<b>2.112</b>	<b>8.277</b>	<b>41.092</b>	<b>26,0</b>
Private customers	18.015	589	2	972	94.095	3.118	116.792	74,0
<b>Total</b>	<b>41.285</b>	<b>589</b>	<b>5.803</b>	<b>2.605</b>	<b>96.207</b>	<b>11.395</b>	<b>157.883</b>	<b>100,0</b>

# COVID-19 effects

- By Q1 2021, management estimate related to COVID-19 unchanged at 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 booked in 2020
- COVID-19 with limited impact on average credit quality
  - Private customers' average risk category stood at 2.3 by Q1 21 (-0.1 compared to 2020)
  - Business customers' average risk category stood at 3.8 by Q1 21 (+0.1 compared to 2020)
- By Q1 2021, NPL-ratio stood at 3.2
  - Improved by 0.2 compared to end-2020
- Compared to end-2019, bank loans to business customers down by DKK 0.9 billion, hereof DKK 0.4 billion related to public customers
- To some extend 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
  - Loan impariments of around DKK 25 million expected reversed in 2021

NPL ratio	Q1 2021	2020	2019
NPL (DKK millions)	1.898	1.873	2.004
Exposure (DKK millions)	59.447	54.884	54.079
<b>NPL ratio</b>	<b>3,2</b>	<b>3,4</b>	<b>3,7</b>

PRIVATE	Q1 2021	2020	2019	2018
Average risk category	2,3	2,2	2,4	2,6

\*) Exposure after impairment

BUSINESS	Q1 2021	2020	2019	2018
Average risk category	3,8	3,9	3,6	3,9

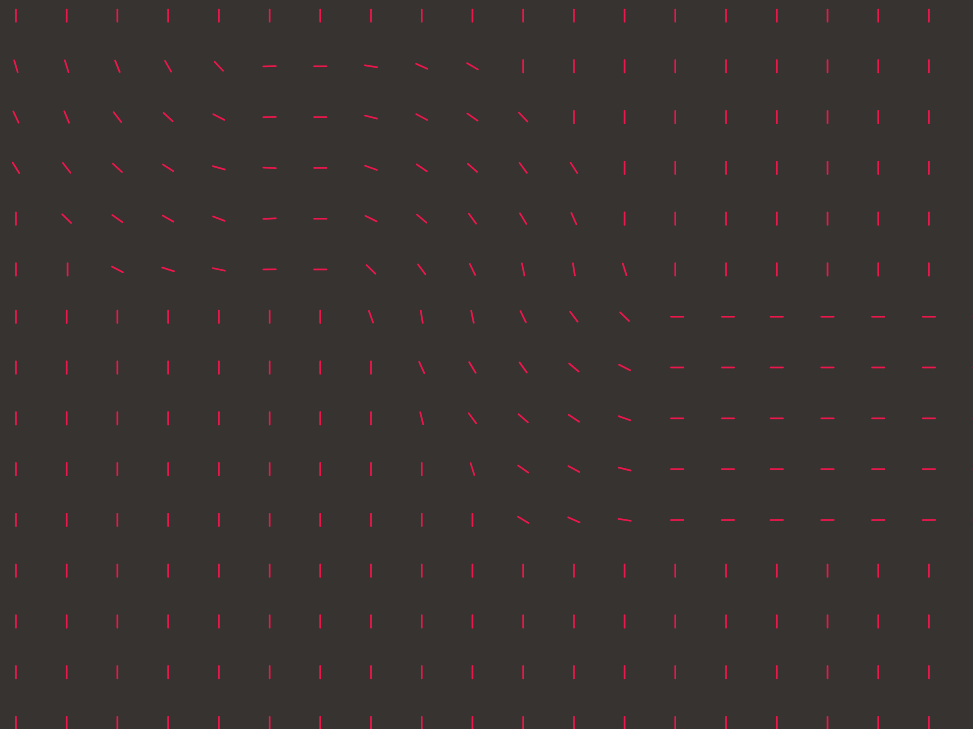
\*) Exposure after impairment excl. public-sector customers

Bank loans DKKm	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019
Private	18.383	16.352	16.223	15.640	15.581	15.606
Business*	21.914	20.642	20.149	20.819	22.453	22.792
Leasing	5.761	5.499	5.376	5.184	4.983	4.759
<b>Total</b>	<b>46.058</b>	<b>42.494</b>	<b>41.748</b>	<b>41.644</b>	<b>43.017</b>	<b>43.157</b>

Bank loans Change (Q/Q)	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019
Private	12%	1%	4%	0%	0%
Business*	6%	2%	-3%	-7%	-1%
Leasing	5%	2%	4%	4%	5%
<b>Total</b>	<b>8%</b>	<b>2%</b>	<b>0%</b>	<b>-3%</b>	<b>0%</b>

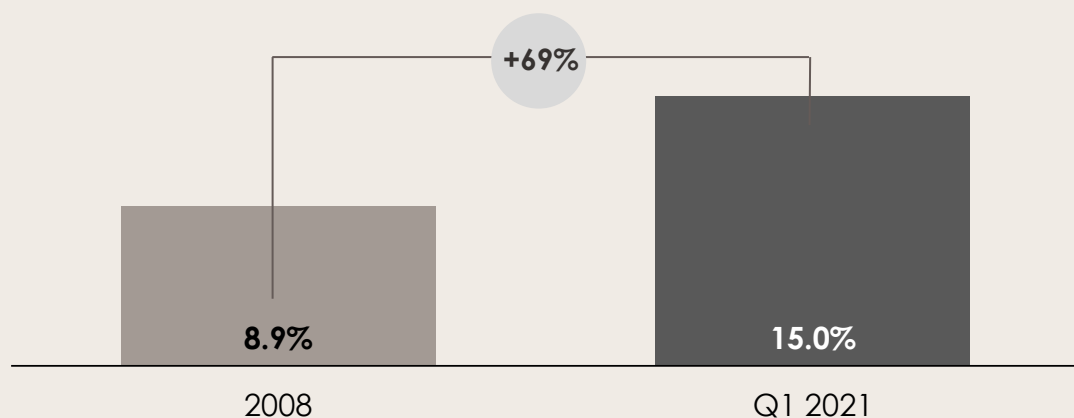
\* Business including public customers

# 5. Capital and liquidity

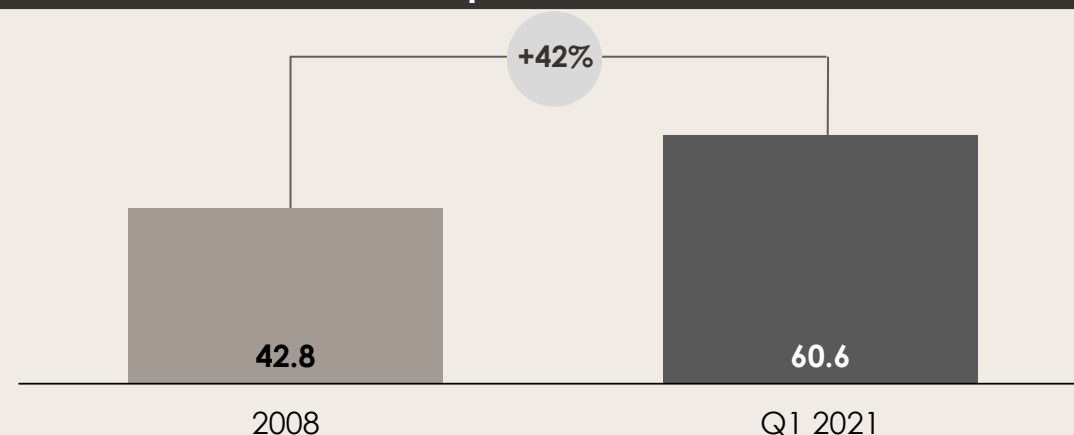


# In recent years, we have significantly strengthened our capital position

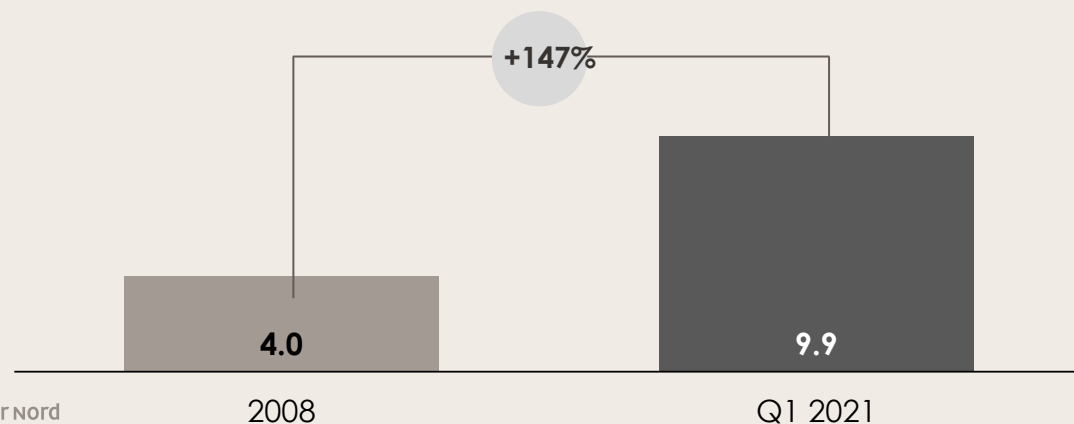
CET1 ratio



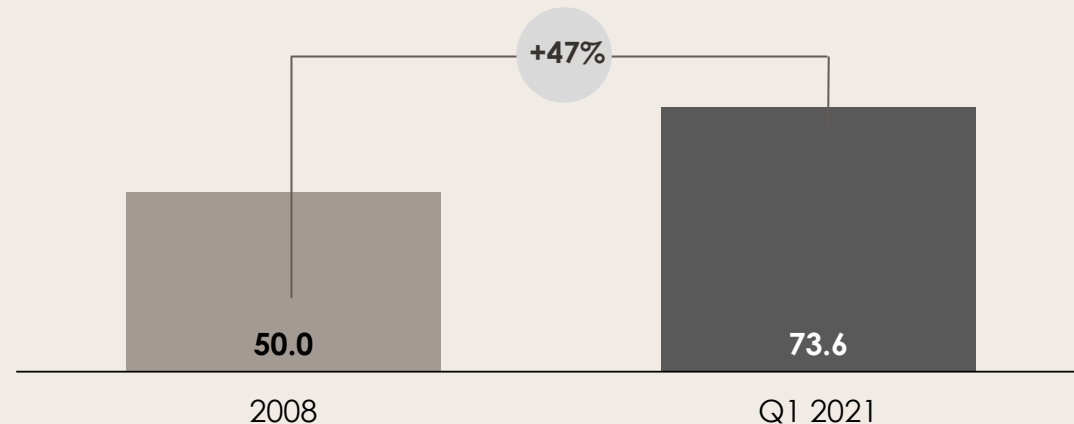
Risk exposure amount



Equity (DKK billion)



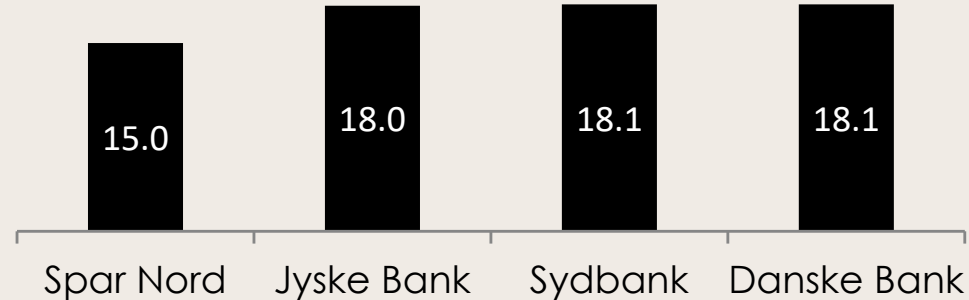
Loans and guarantees (DKK billion)



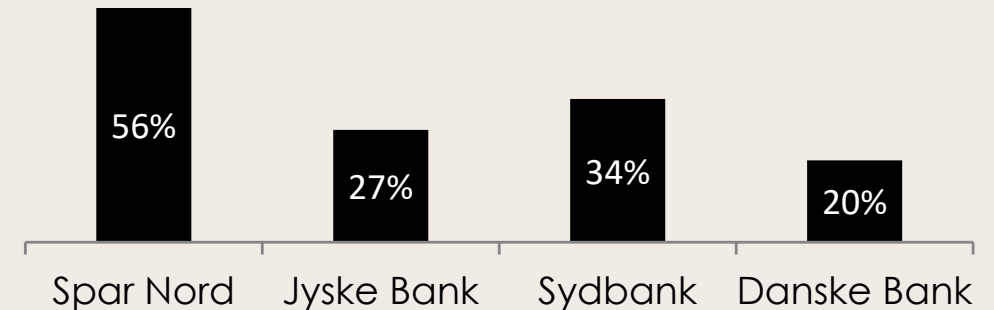


# In spite of standard risk weights and lower capital efficiency, we are more profitable than our larger peers

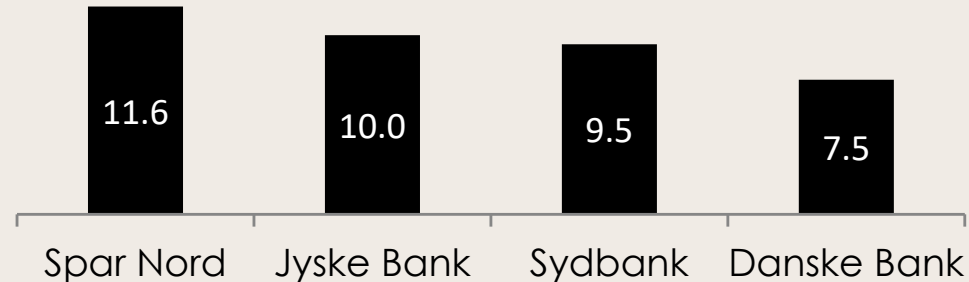
CET1 ratio Q1 2021



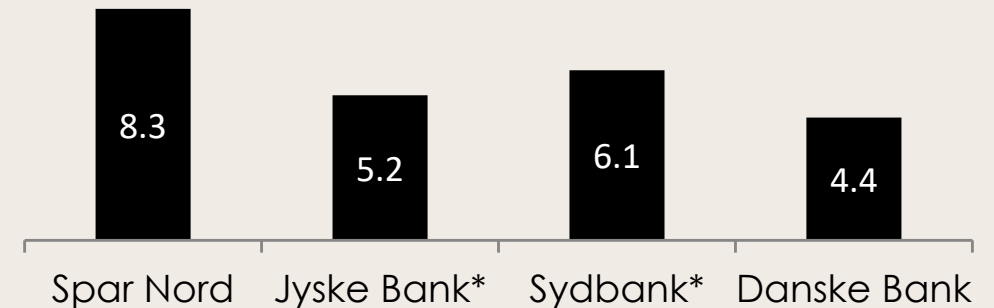
REA in percentage of total assets Q1 2021



ROE Q1 2021



Leverage ratio Q1 2021



Jyske Bank and Sydbank: 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	1.7
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>13.2</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>17.1</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

# MREL requirement as a SIFI bank

Spar Nord Bank	2019	2020	2021	2022
MREL	Jan	Jan	Jul	Jul
Solvency need ratio	9.5	9.5	9.7	9.7
<b>Requirement for loss-absorption</b>	<b>9.5</b>	<b>9.5</b>	<b>9.7</b>	<b>9.7</b>
Solvency need ratio	9.5	9.5	9.7	9.7
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>13.2</b>
<b>Total MREL</b>	<b>12.4</b>	<b>14.8</b>	<b>19.3</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>22.8</b>	<b>26.3</b>
<b>Total MREL and combined buffer requirement (Dkkb)</b>	<b>8.0</b>	<b>10.0</b>	<b>13.7</b>	<b>16.2</b>
Own funds (DKKb)	9.7	10.3	12.1	12.6
<b>MREL requirement excl. Management buffer (DKKb)</b>	<b>-1.6</b>	<b>-0.3</b>	<b>1.6</b>	<b>3.6</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>2.5</b>	<b>4.6</b>
Total risk exposure amount	53.9	56.0	60.2	61.7

# Capital position remains solid

## - following the acquisition of BankNordik's Danish business

- **Capital ratios**

- CET1: 15.0 (strategic target: 13.5)
- Own funds ratio: 19.5 (strategic target: 17.5)

- **Individual solvency requirement of 9.7% and combined buffer requirement of 3.5%**

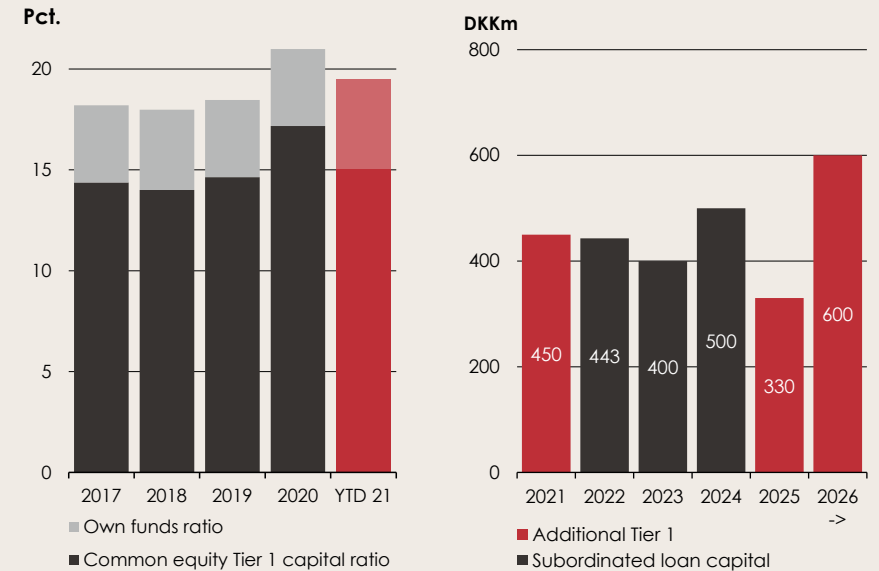
- **Own funds ratio decline 1.5 percentage points in Q1 2021**

- Own funds increased by DKK 282 million in Q1, with the issuance of AT1 capital of DKK 600 million in March 2021 contributed positively, while goodwill of DKK 207 million related to the acquisition of BankNordik had the opposite effect
- Risk exposure rose DKK 5.7 billion following growth in total business volume
  - Acquisition of BankNordik's Danish business contributed a total of REA of DKK 2.6 billion, of which approx. DKK 2 billion related to loans and guarantees
  - Increase in corporate lending, etc. and guarantees from high activity in the housing market increased REA by approx. DKK 2.5 billion
  - Finally, a larger bond portfolio meant an increase in market risk of approx. DKK 0.6 billion

- **Capital ratios with recognition of Q1 result (Opted by Q1 2021)**

- CET 1: 15.3
- Own funds ratio: 19.8

### Capital ratios and maturity structure regarding subordinated debt



### Capital base

Pct.	Q1 2021	2020	2019	2018
<b>Common equity Tier 1 capital ratio</b>	<b>15.0</b>	<b>17.2</b>	<b>14.6</b>	<b>14.0</b>
Additional Tier 1	2.3	1.4	1.5	1.6
Deductions in additional Tier 1	0.0	0.0	0.0	0.0
<b>Tier 1 capital ratio</b>	<b>17.3</b>	<b>18.6</b>	<b>16.1</b>	<b>15.6</b>
Tier 2 capital	2.2	2.4	2.3	2.4
Deductions in own funds	0.0	0.0	0.0	0.0
<b>Own funds ratio</b>	<b>19.5</b>	<b>21.0</b>	<b>18.5</b>	<b>18.0</b>

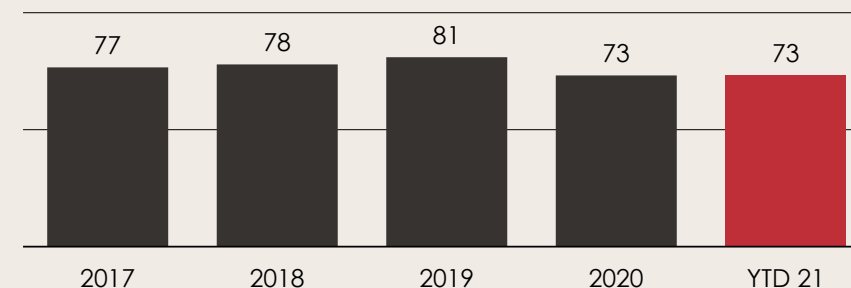
# Strategic liquidity further strengthened by acquisition of BankNordik's Danish business

- **Strategic liquidity strengthened by DKK 2.0 billion in 2021**
  - Acquisition of deposit surplus from BankNordik's Danish business contributed DKK 3.4 billion
  - Increases in corporate lending and leasing detracted strategic liquidity
- **Per 31 March 2021, LCR stands at 234%**
- **Expected issue of up to DKK 2 billion MREL capital in Q2 2021**
  - Excess capital coverage to MREL requirement of 4.5 percentage points end Q1 2021
  - Next phase in of MREL requirement on 1 July 2021

## Strategic liquidity

DKKb	YTD 2021	2020	2019
Deposits, banking activities	62.8	58.1	53.3
Seniorfunding	2.7	2.7	2.6
Core capital and sub. capital	12.6	11.7	11.1
<b>Stable long term funding</b>	<b>78.0</b>	<b>72.5</b>	<b>66.9</b>
Loans, banking and leasing activities	46.1	42.5	43.2
Maturity < 1 year	0.0	0.0	0.4
<b>Liquidity target</b>	<b>32.0</b>	<b>30.0</b>	<b>23.4</b>

## Pct. Loan to deposit ratio\*



\* Banking and leasing lending relative to bank deposits

# Funding profile

## Comments

- Funding profile based on a large and solid customer deposit base
  - Share of customer deposits stable at around 75-80 pct. over the latest years
- Share of capital market funding stood at 3 pct. by Q1 2021
  - 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	Q1 2021	2020	2019	2018	2017
Bank deposits	822	1.065	1.298	947	1.377
Repurchase agreements	996	3.102	2.764	1.519	555
Senior loans and Issued bonds	2.658	2.670	2.637	0	32
Of which maturity <1 year	0	0	0	0	2
Customer deposits	63.275	58.416	53.279	50.773	48.843
Equity and subordinated debt	12.604	11.723	11.083	10.573	10.119
<b>Total</b>	<b>80.356</b>	<b>76.976</b>	<b>71.061</b>	<b>63.812</b>	<b>60.926</b>

Funding profile Pct.	Q1 2021	2020	2019	2018	2017
Interbank funding	2	5	6	4	3
Capital market funding	3	3	4	0	0
Customer deposits	79	76	75	80	80
Equity and subordinated debt	16	15	16	17	17
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

<b>Loans to deposits ratio (pct.)</b>	<b>71</b>	<b>77</b>	<b>79</b>	<b>78</b>	<b>76</b>
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# Deposit profile

## Comments

- Total customer deposit increased by DKK 4.7 billion from 2020 to Q1 2021 – following acquisition of BankNordiks Danish business
- Strong stability in customer deposits
  - Share of retail customer deposits at 81 pct.
  - LCR “stable” deposits account for 77 pct. of total retail deposits and for 63 pct. of total customer deposits
  - At end-Q1 2021, 70 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 50.8 related to 410.000+ retail customers
- Low concentration risk in customer deposits
  - At end-Q1 2021 only 5 customer deposits larger than DKK 100 million
- Approx. 4 pct. market share of deposits in Denmark at year-end 2020

## Deposit profile

Customer deposits (DKKb)	Q1 2021	2020	2019	2018	2017
Deposits, Retail customers	50,8	46,7	44,2	41,9	39,3
Deposits, Non-retail customers	11,1	10,6	8,2	7,9	8,5
Deposits, Financial customers	0,9	0,8	0,9	1,0	0,9
<b>Customer deposits</b>	<b>62,8</b>	<b>58,1</b>	<b>53,3</b>	<b>50,8</b>	<b>48,7</b>

Customer deposits (pct.)	Q1 2021	2020	2019	2018	2017
Deposits, Retail customers	81	80	83	82	81
Deposits, Non-retail customers	18	18	15	16	17
Deposits, Financial customers	1	1	2	2	2
<b>Customer deposits</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Customer deposits Supplementary metrics	Q1 2021	2020	2019	2018	2017
Share of customer deposits covered by the Danish deposit protection schemes	70%	68%	71%	74%	70%
Top 20 customer deposits / Total customer deposits	3,4%	3,5%	4,5%	4,5%	5,8%
Customer deposits Breakdown on currency - DKK	97,7%	98,2%	98,2%	98,0%	97,9%
Customer deposits Breakdown on currency - Other	2,3%	2,3%	1,8%	2,0%	2,1%



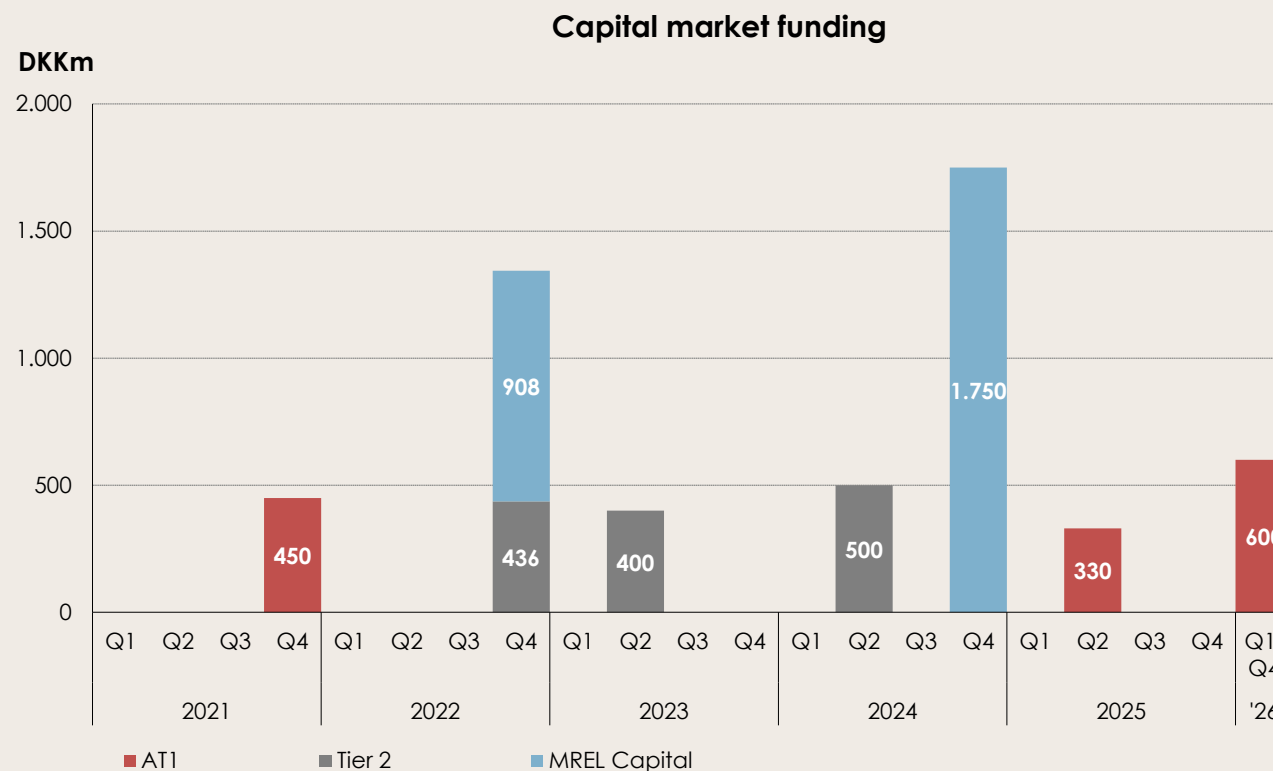
# Maturity profile

## Outstanding debt instruments

### Comments

- MREL Capital
  - DKK 2.6 billion issued as dual tranche in November 2019 – (DKK 0.9 billion as 4NC3 and DKK 1.7 billion as 6NC5)
  - DKK 0.9 billion has 1. call Dec. 2022 (Issued in SEK)
- Hybrid capital
  - AT1 with 1. call in Dec. 2021 was replaced in March 2021 with issue DKK 600 million
- Tier 2 Capital
  - Even maturity profile for the coming years
  - Around DKK 400-500 million a year reaches 1. call in 2022 - 2024

### Maturity profile

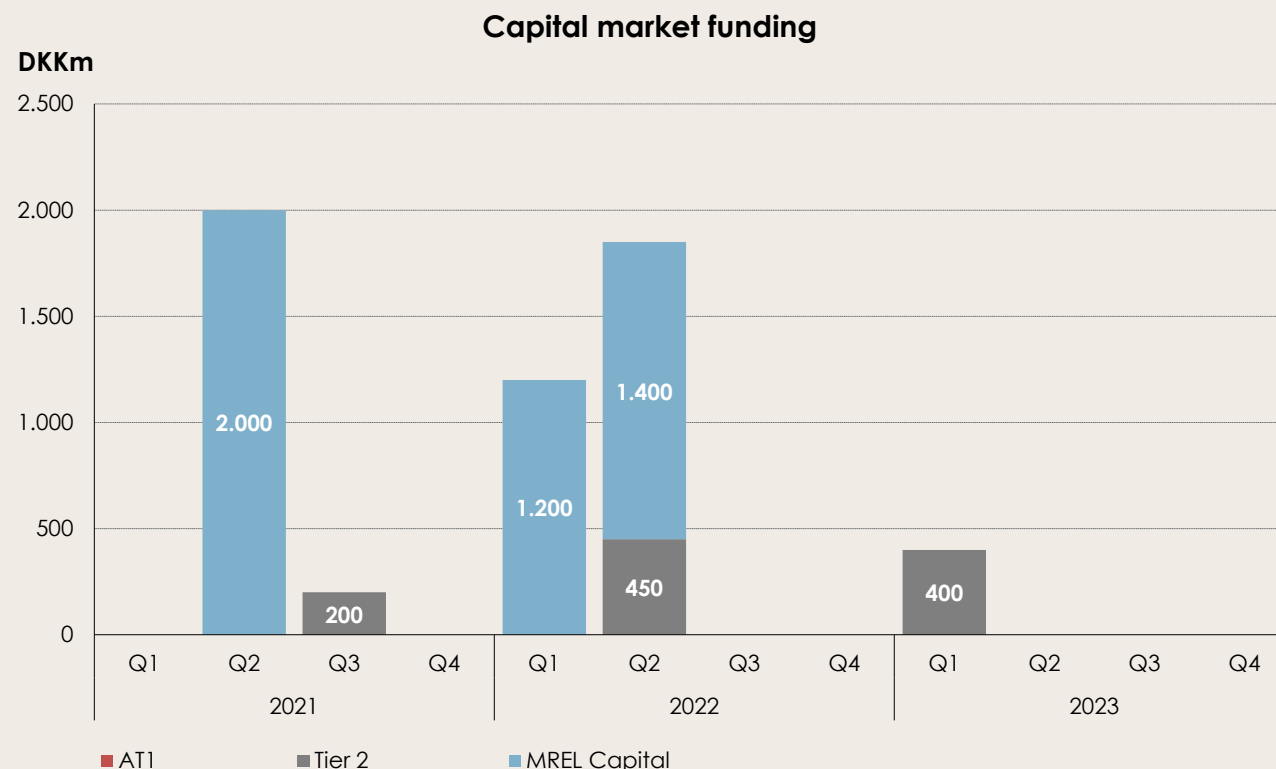


# Funding needs

## 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 DKK 4.6 billion are expected issued from 2021 to 2023
  - 2021: DKK 2.0 billion
  - 2022: DKK 2.6 billion
  - Maturity and market not yet decided
- Re-financing and optimizing of capital structure post acquisition of BankNordik's Danish business
  - Hybrid capital with 1. call in Dec. 2021 replaced in March 2021 by new issue of DKK 600 million
  - Additional Tier 2 issue expected in Q3 2021

## Funding needs





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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](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.

# Appendix - Presentation of Spar Nord's financial results for Q1 2021

# Net profit of DKK 295 million and ROE of 11.6%

## Headlines from the income statement

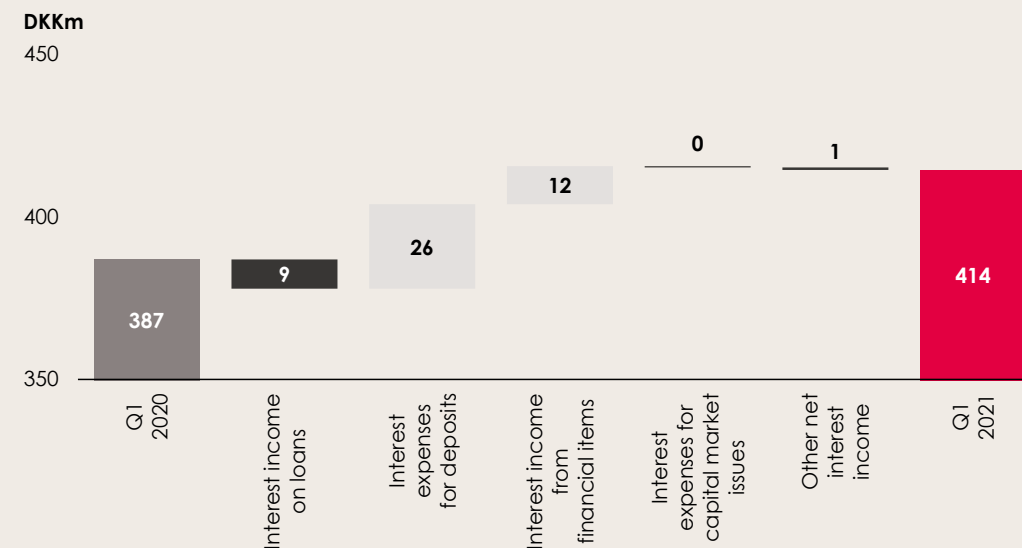
- Net interest income grows by 7% (y/y), while net fee income increases by 23% (y/y) and ends at a record high level
- Market-value adjustments positively affected by continued satisfactory earnings on sector shares as well as decent earnings from the equity portfolio
- Costs increase 9% as a result of the acquisition of BankNordik's Danish business. Non-recurring costs of DKK 21 million corresponding to 4%
- Loan impairments close to zero in Q1
- Record high total business volume of DKK 326.6 billion, of which the acquisition of BankNordik's Danish business contributes DKK 26 billion
- Strategic liquidity further strengthened and continued solid capital position

SPAR NORD BANK DKKm	Realized YTD 2021	Realized YTD 2020	Index	Realized Q1 2021	Realized Q4 2020	Index
Net interest income	414	387	107	414	398	104
Net fees, charges and commissions	396	322	123	396	319	124
Market-value adjustments and dividends	90	-11	-	90	133	68
Other income	37	21	177	37	22	166
<b>Core income</b>	<b>938</b>	<b>719</b>	<b>130</b>	<b>938</b>	<b>872</b>	<b>108</b>
Staff costs	353	315	112	353	344	103
Operating expenses	214	204	105	214	224	95
<b>Costs and expenses</b>	<b>567</b>	<b>520</b>	<b>109</b>	<b>567</b>	<b>568</b>	<b>100</b>
<b>Core earnings before impairment</b>	<b>371</b>	<b>199</b>	<b>186</b>	<b>371</b>	<b>304</b>	<b>122</b>
Impairments of loans and advances, etc.	2	175	1	2	22	11
<b>Profit before tax</b>	<b>368</b>	<b>24</b>	-	<b>368</b>	<b>282</b>	<b>131</b>
Tax	73	0	-	73	52	142
<b>Profit</b>	<b>295</b>	<b>24</b>	-	<b>295</b>	<b>230</b>	<b>128</b>

# Net interest income up by 7%

- **Net interest income amounted to DKK 414 million versus DKK 387 million in Q1 last year**
  - Interest expenses on deposits reduced by DKK 26 million via active measures
  - Higher interest income from placing of surplus liquidity of DKK 12 million
  - Interest income from lending down by DKK 9 million due to margin pressure
  - Unchanged interest expenses from capital market issues
  - The acquisition of BankNordik's Danish business contributed net interest income of DKK 17 million
- **Total lending of DKK 46.1 billion – increase of DKK 3.6 billion (8%) year-to-date**
  - Lending to private customers up by DKK 2.1 billion
    - Following acquisition of BankNordik's Danish business
  - Lending to corporates and SMEs has grown by DKK 1.5 billion
  - Leasing business has grown by DKK 0.2 billion
  - Lending to public-sector customers down by DKK 0.2 billion
- **From Q4 2020 to Q1 2021 NII has grown from DKK 398 million to DKK 414 million**
  - Higher net interest income from deposits via active measures
  - Higher interest income from lending due to increased volume

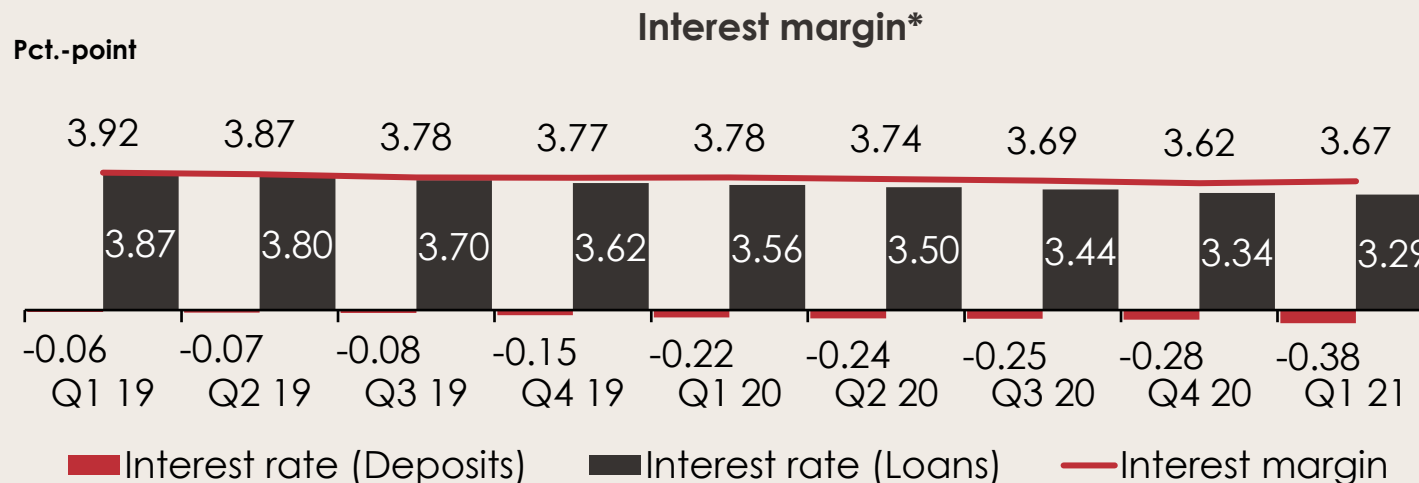
## Net interest income



DKKm	Q1 2021	Q4 2020	Q1 2020
Interest income on loans	361	357	370
Interest expenses for deposits	-52	-40	-25
<b>Net interest income, deposits and loans</b>	<b>413</b>	<b>397</b>	<b>395</b>
Interest income from financial deposits	26	25	14
Interest expenses for capital market issuance	15	15	14
Other net interest income	-10	-9	-8
<b>Total net interest income</b>	<b>414</b>	<b>398</b>	<b>387</b>

# Positive development in interest margin from active measures on deposits

- Total interest margin has increased by 5 basis points since year-end 2020
  - Lending margin in down 5 basis points
  - Active measures on pricing lead to 10 basis points improvement of deposit margin



\*Acquisition of BankNordik's Danish business not included



# Net fee income at record level

- **Net fee income amounted to DKK 396 million versus DKK 322 million in Q1 2020**

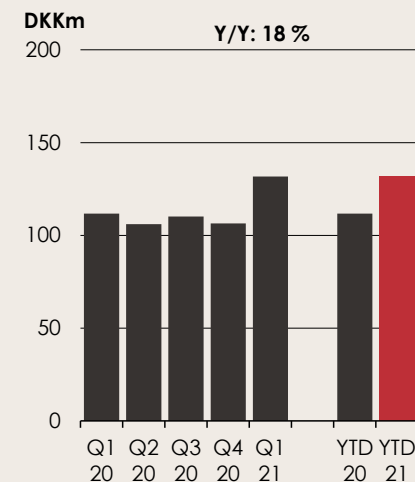
- Income from mortgage distribution grew 18% due to high activity within the housing market and continued volume growth
- Other loan transactions fees up 54% due to high level of activity in the housing area
- Securities trading and asset management grew by 12% follow solid growth in AUM and a continued strong trading activity in positive financial markets
- Fee income from payments, insurance sales etc. up by 33% where a general adjustment of the fee structure in 2020 also contributed
- The acquisition of BankNordik's Danish business contributed net fee income totalling DKK 20 million

- **From Q4 2020 to Q1 2021 net fee income grow from DKK 319 million to DKK 396 million**

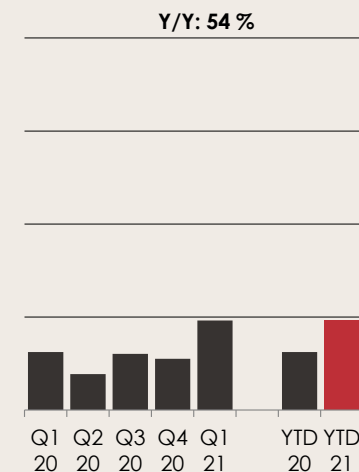
- Primarily driven by higher fee income from the housing market and securities trading and asset management

	Q1 2021	Q4 2020	Q1 2020
<b>DKKm</b>			
Mortgage fee	132	106	112
Other transaction fees	48	27	31
Securities and asset management	115	104	103
Other fees	101	81	76
<b>Total net fees</b>	<b>396</b>	<b>319</b>	<b>322</b>

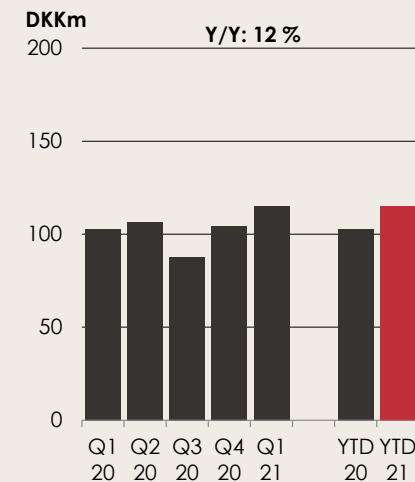
## Mortgage



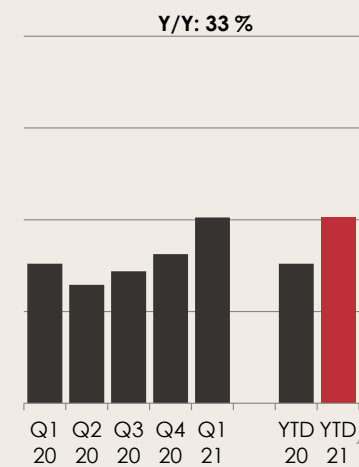
## Loan transactions



## Securities trading and asset management



## Other fees



# Unchanged earnings from sector shares and positive development in the stock markets

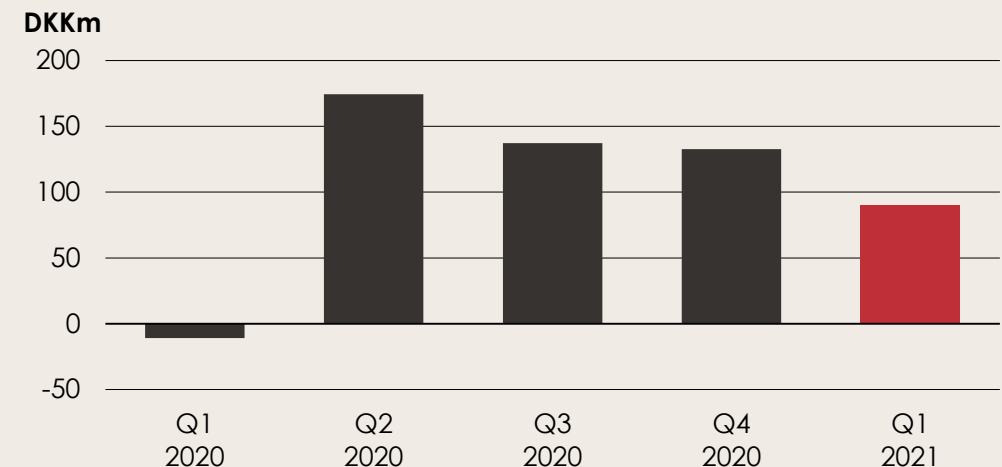
- **Market-value adjustments and dividends amounted to DKK 90 million versus DKK -11 million in Q1 2020**

- Market value adjustments on bonds and equities up DKK 95 million follow a turbulent Q1 2020 with falling prices and expanded credit spreads
  - Market value adjustments on equities in the Trading Division amounted to DKK 19 million in Q1 2021, while bonds contributed DKK 7 million
- Market value adjustments and dividends on the portfolio of strategic shares were DKK 3 million higher than in the year-earlier period
  - The holding of shares in BI Holding added to performance
  - A lower ownership interest in DLR detracted from performance

- **Continued positive development in financial markets in Q1 2021 - but market-value adjustments below level from Q4 2020**

- Rising share prices, but at the same time also rising long-term interest rates resulted in slightly lower market-value adjustments in Q1 2021 compared with Q4 2020

**Market-value adjustments and dividends**

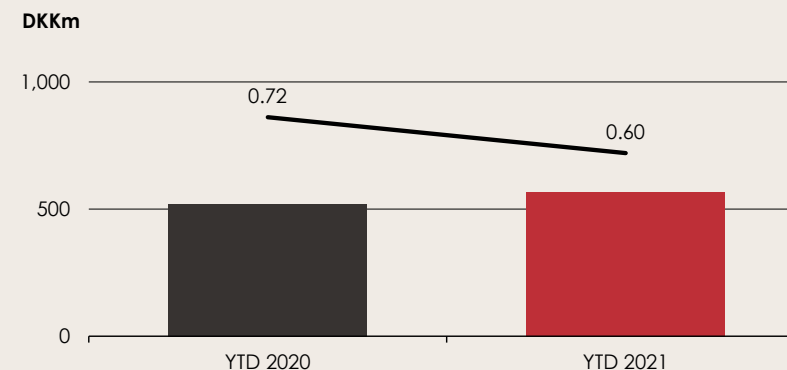


DKKm	Q1 2021	Q4 2020	Q1 2020
Market-value adjustments in Trading Division	28	74	-68
Tangible assets incl. dividends	42	41	39
Currency trade and -agio	20	18	18
<b>Total</b>	<b>90</b>	<b>133</b>	<b>-11</b>

# Costs increases by 9%

- **Total costs amounted to DKK 567 million versus DKK 520 million in Q1 2020**
- **Payroll costs were DKK 38 million (12%) higher than last year**
  - 1,640 employees by end of Q1 2021, which was 142 more than on 1 January 2021
  - The acquisition of BankNordik's Danish business contributed costs of DKK 32 million, of which DKK 16 million were one-off costs
- **Operating expenses and depreciation up by DKK 10 million**
  - Increase in IT costs, while other staff, travel and marketing costs were lower than last year
  - The acquisition of BankNordik's Danish business contributed DKK 20 million, of which DKK 5 million were one-off costs
- **Cost/Income Ratio of 0.60 – better than strategic target of 0.65**

## Total costs and CIR



## Breakdown on cost types

Costs (DKKm)	YTD 2021	YTD 2020	Change
Staff costs	353	315	38
Operating expenses	214	204	10
<b>Costs and expenses</b>	<b>567</b>	<b>520</b>	<b>47</b>

Operating expenses (DKKm)	YTD 2021	YTD 2020	Change
Staff-related expenses	7	10	-3
Travel expenses	1	4	-3
Marketing costs	13	22	-9
IT expenses	125	106	19
Cost of premises	12	12	0
Other administrative expenses	33	31	2
Depreciation	22	20	2
<b>Operating expenses</b>	<b>214</b>	<b>204</b>	<b>10</b>

# Close to zero loan impairments

## - despite uncertainty related to COVID-19

- **Loan impairments amounted to an expense of DKK 2 million against DKK 175 million in Q1 last year**

- Management estimate related to COVID-19 remained unchanged in Q4

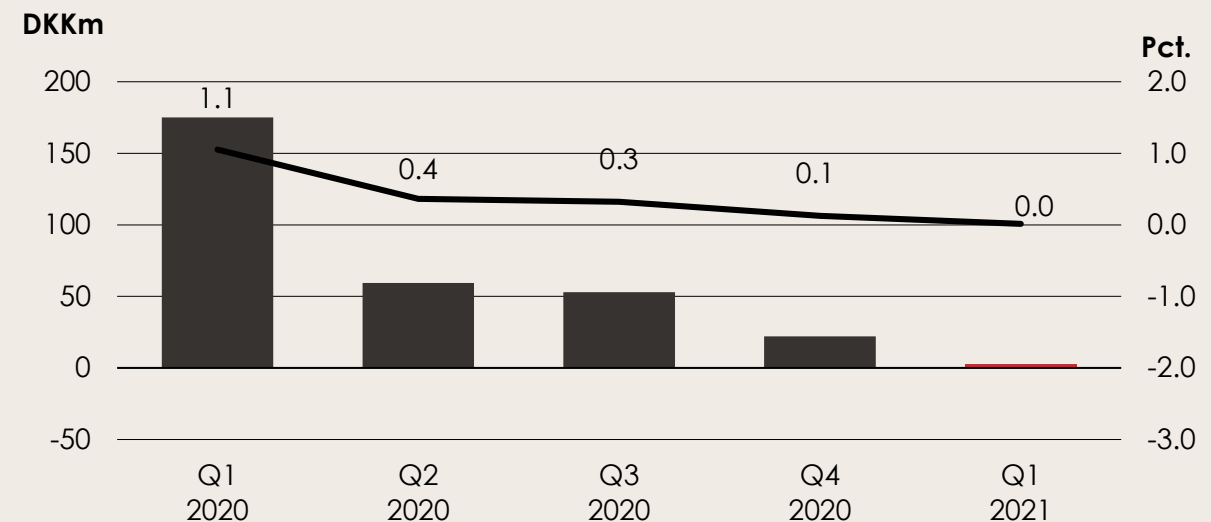
- **Breakdown on segments**

- Private : DKK -9 million (Q1 2020: DKK 69 million)
- Consumer finance: DKK -1 million (Q1 2020: DKK 3 million)
- Corporate ex. agriculture: DKK 28 million (Q1 2020: DKK 132 million)
- Agriculture: DKK -16 million (Q1 2020: DKK -29 million)

- **Total management estimate of DKK 566 million (Q1 2020: DKK 524 million)**

- COVID-19: DKK 320 million
  - Hereof private: DKK 130 million
  - Hereof corporate ex. agriculture: DKK 190 million
- Agriculture (land prices): DKK 144 million
- Model uncertainty: DKK 102 million

**Impairments and impairment percentage**



# Guidance for 2021

## - Updated on 20 April 2021

- **Core earnings before impairments**

- At the beginning of 2021, core earnings before impairments were expected of around DKK 1,100-1,300 million
  - Core earnings before impairments of DKK 371 million in Q1 2021
- **Core earnings before impairments are now expected of around DKK 1,200-1,400 million**

- **Impairments of loans**

- At the beginning of 2021, impairments charges were expected lower in 2021 than in 2020
  - Loan impairments of DKK 2 million in Q1 2021
- **Loan impairment charges are now expected much lower in 2021 than in 2020**

- **Net profits**

- At the beginning of 2021, net profits were expected of around DKK 650-850 million
  - Net profits of DKK 295 million in Q1 2021
- **Net profits are now expected of around DKK 850-1,050 million**