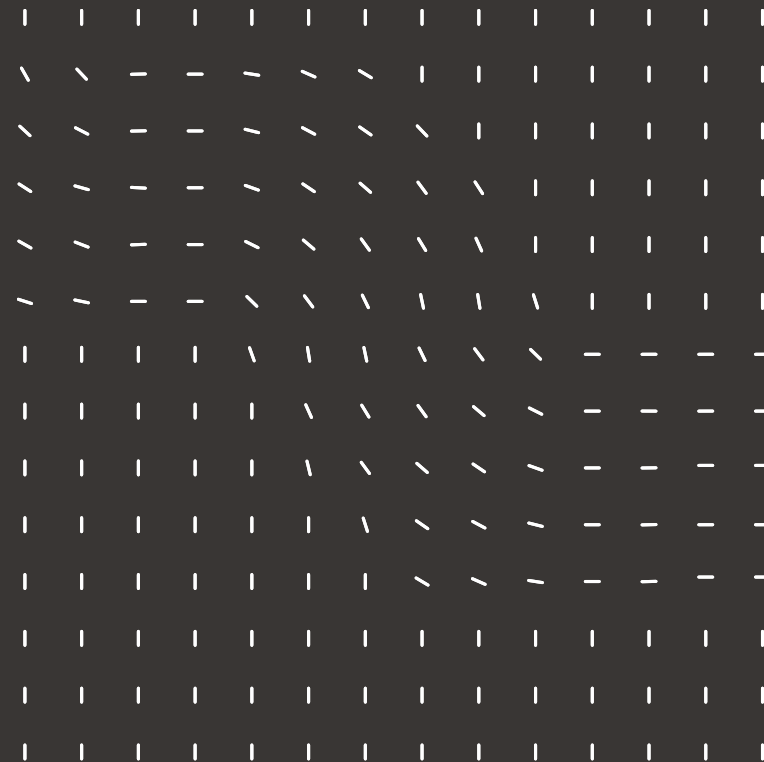


Spar Nord update

Martin Kudsk Rasmussen, Managing Director
14 December 2022



Financial guidance for 2022

- Updated expectations from 13 December 2022

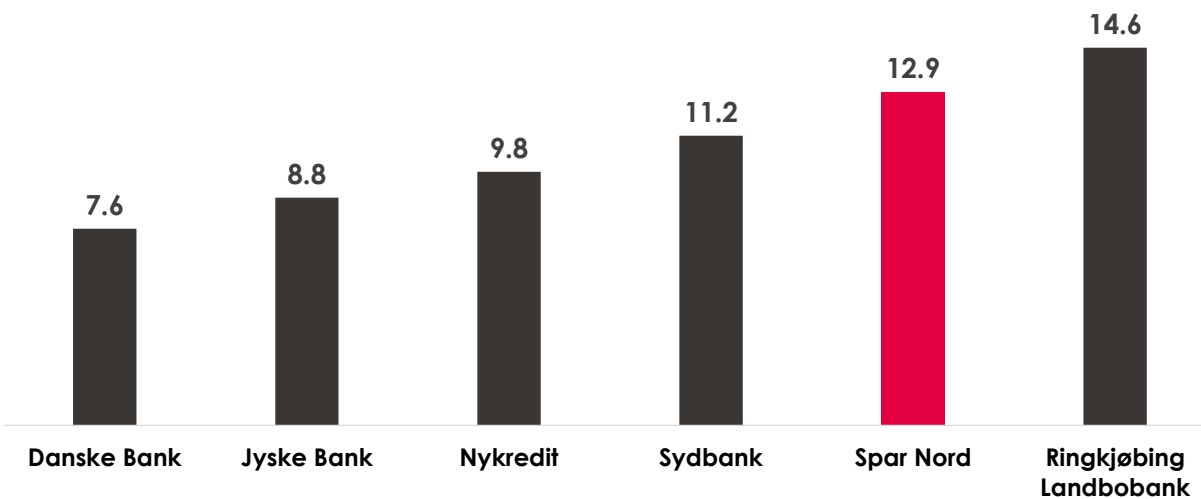
- **Core earnings before impairments**
 - At the beginning of 2022, core earnings before impairments were expected of around DKK 1,300-1,600 million
 - In November 2022 guidance was hiked to DKK 1,600 -1,750 million
 - Core earnings before impairments are now expected of around DKK 1,725-1,825 million
- **Impairments of loans**
 - At the beginning of 2022, only moderate impairment charges were expected
 - Guidance has been retained throughout 2022
- **Net profits**
 - At the beginning of 2022, net profits were expected of around DKK 1,000-1,250 million
 - In November 2022 guidance was hiked to DKK 1,250-1,350 million
 - Net profits are now expected of around DKK 1,350-1,450 million

5-year history

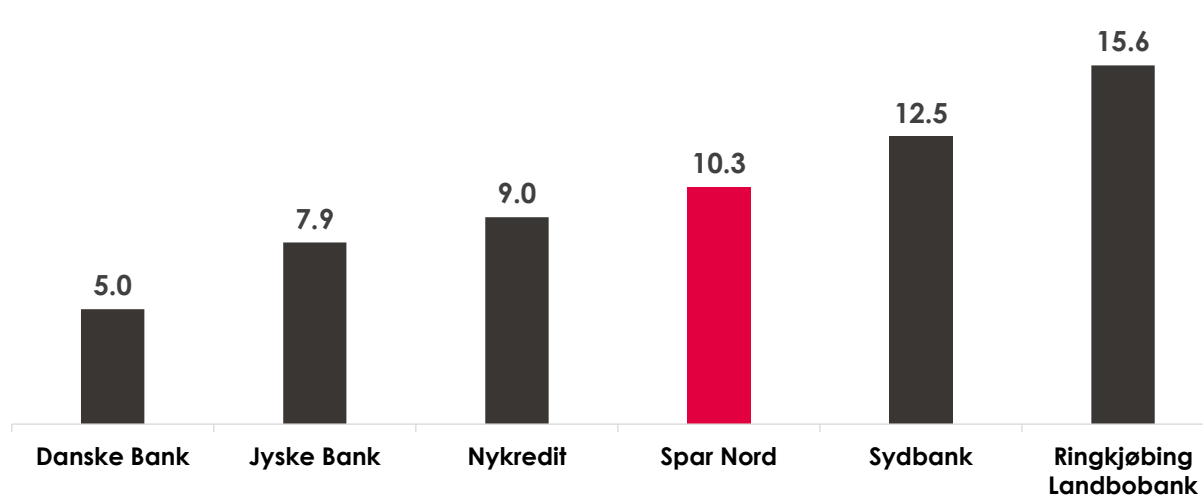
DKKm	2021	2020	2019	2018	2017
Core earnings before impairment	1,581	1,227	1,324	1,266	1,213
Loan impairment charges	-120	309	22	173	-38
Net profit	1,368	737	1,059	920	989
<hr/>					
ROE (pct.)	12.9	7.4	11.7	10.8	12.0

Satisfactory performance compared to peers

ROE after tax Q4 2021



ROE after tax Q3 2022



ROE after tax – 5-year average

ROE (% after tax)	2017	2018	2019	2020	2021	Avg. ROE (5 year)
Arbejdernes Landsbank	20,3	4,0	8,0	4,4	14,4	10,2
Jyske Bank	9,7	7,5	7,1	4,4	8,8	7,5
Spar Nord Bank	12,0	10,8	11,7	7,4	12,9	11,0
Sydbank	12,9	10,0	7,4	6,7	11,3	9,7
Ringkjøbing Landbobank	13,1	11,2	13,2	11,7	14,6	12,8
Sparekassen Kronjylland	9,0	6,3	10,7	5,1	8,6	7,9
Average (Peer group)	12,8	8,3	9,7	6,6	11,8	9,8

Net interest income up by 7%

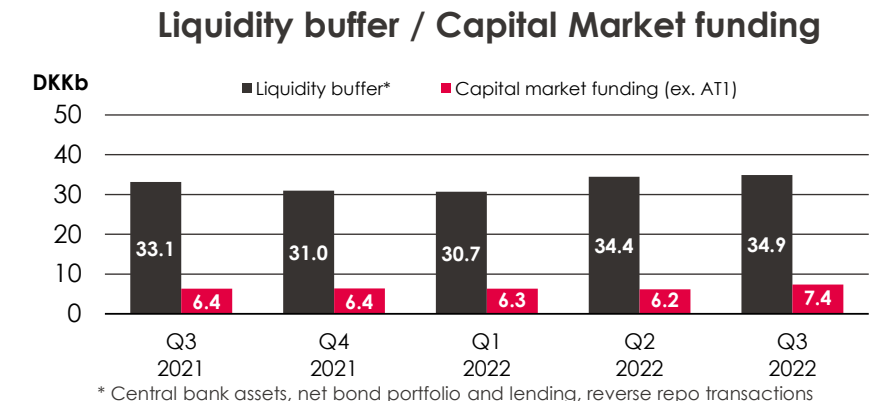
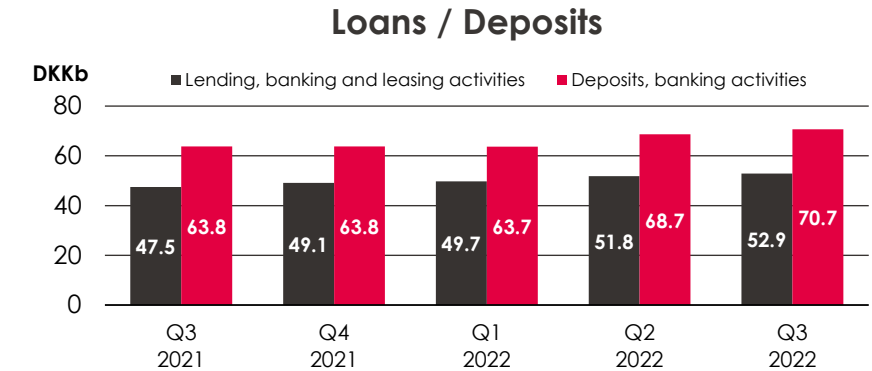
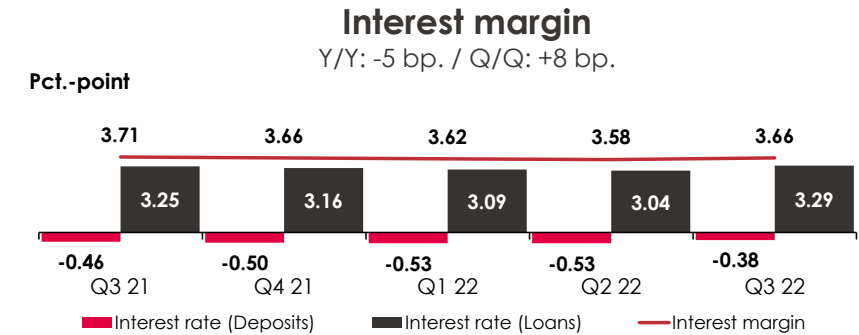
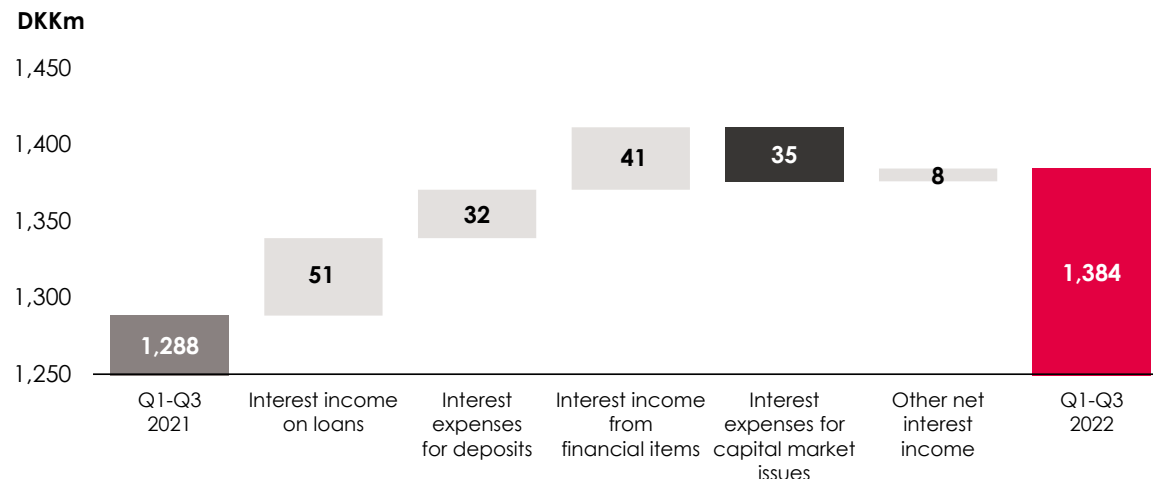
- **Net interest income amounted to DKK 1,384 million versus DKK 1,288 million last year**

- Surging policy and market rates and implementation of interest rate changes
 - CoD +50 bp. per 21/7-2022: Impact on deposits and loans by 1/9-2022 (private and corporate)
 - CoD +75 bp. per 9/9-2022: Impact on deposits and loans by 16/9-2022 (private)
Impact on deposits by 16/9-2022 and loans by 17/10-2022 (corporate)
- Growth in deposits and loans, but pressure on average interest margin

- **Total lending of DKK 52.9 billion – y/y increase of DKK 5.4 billion (11%)**

- Lending to corporates and SMEs has grown DKK 3.2 billion (YTD: DKK 2.1 billion)
- Leasing business has grown DKK 1.3 billion (YTD: DKK 1.1 billion)
- Lending to private customers up by DKK 0.7 billion (YTD: DKK 0.8 billion)
- Lending to public-sector customers up by DKK 0.2 billion (YTD: DKK -0.2 billion)

- **Interest bearing assets of DKK 88 billion versus interest bearing liabilities of DKK 78 billion**



Outlook for net interest income

In the coming quarters, Spar Nord expects:

- Volume growth from new branches, leasing activities and mortgage loans on own balance sheet (prioritetslån)
- Increasing margins from loans and especially deposits
- Modest “traffic” from transactional accounts to fixed rate deposits
 - Total volume around DKK 250 million by November 2022 (established 9 November)
- Increasing interest expenses for MREL capital from rising rates and additional issues
- A 50 bp. rate hike will contribute NII of around DKK 50 million (*all else equal*)
 - Interest bearing assets exceeds interest bearing liabilities of around DKK 10 billion
 - Latest Certificate of Deposit rate hike of +60 bp. came 28 October 2022
 - Next Certificate of Deposit rate hike likely to be +50 bp. per 15 December 2022

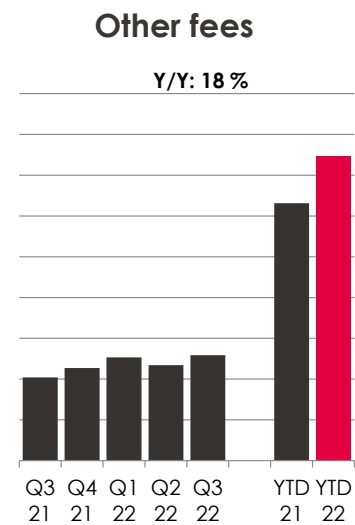
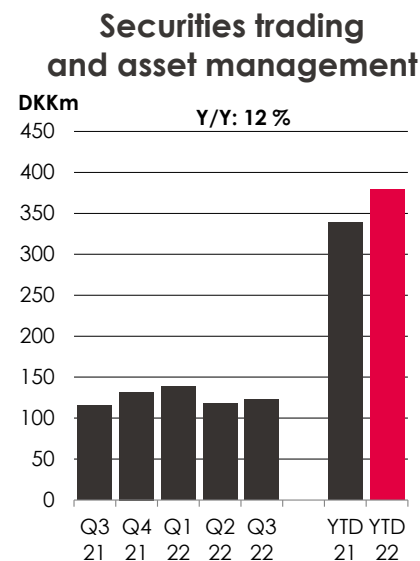
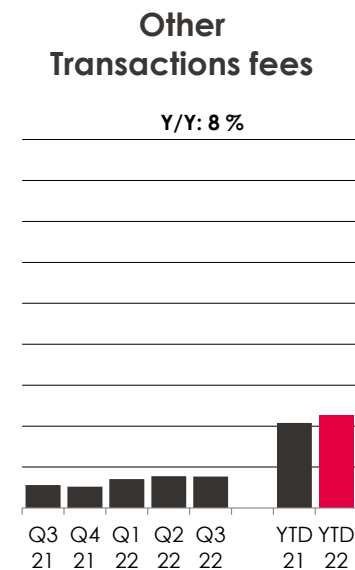
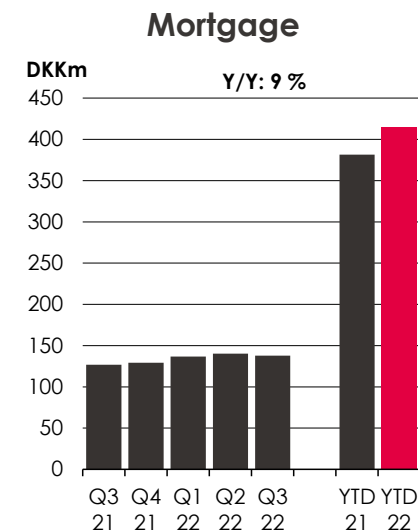
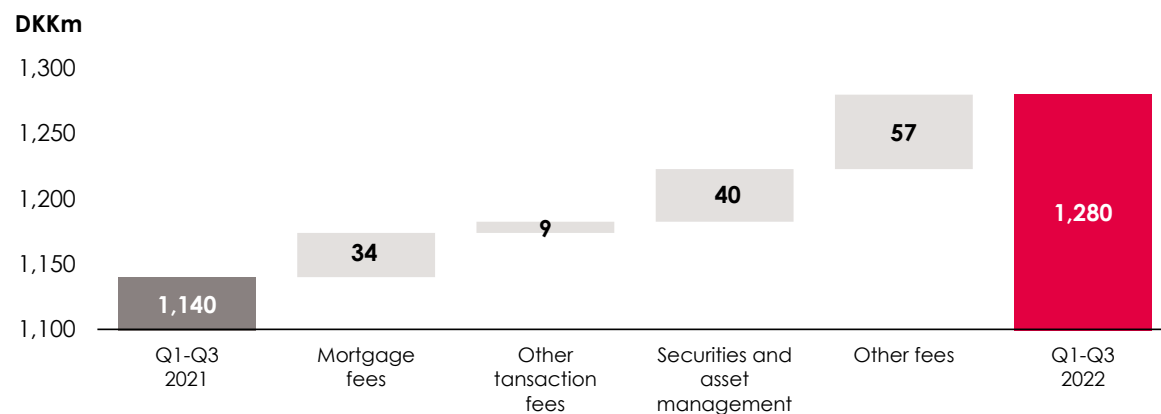
Lending and deposits by type of rate Q3 2022 (DKKb)	Floating rate*	Money market rate	Fixed rate	Total
Lending, banking and leasing activities	30,4	19,0	3,5	52,9
Deposits, banking activities	67,0	3,6	0,1	70,7

* Interest rate set by the bank



Net fee income increases by 12%

- **Net fee income amounted to DKK 1,280 million versus DKK 1,140 million in Q1-Q3 2021**
 - Income from mortgage distribution grew by 9% due to volume growth in recent years
 - Other loan transactions fees up by 8%. In Q1-Q3 2022, remortgaging activity above the level from Q1-Q3 2021, but a decrease in housing transactions
 - Securities trading and asset management grew by 12% follow solid growth in AUM in recent years
 - Fee income from payments, insurance sales etc. up by 18% due to higher net fees from payment services and cards, insurance and pension and adjustments of the Bank's fee structure during 2021



Outlook for net fee income

In the coming quarters, Spar Nord expects:

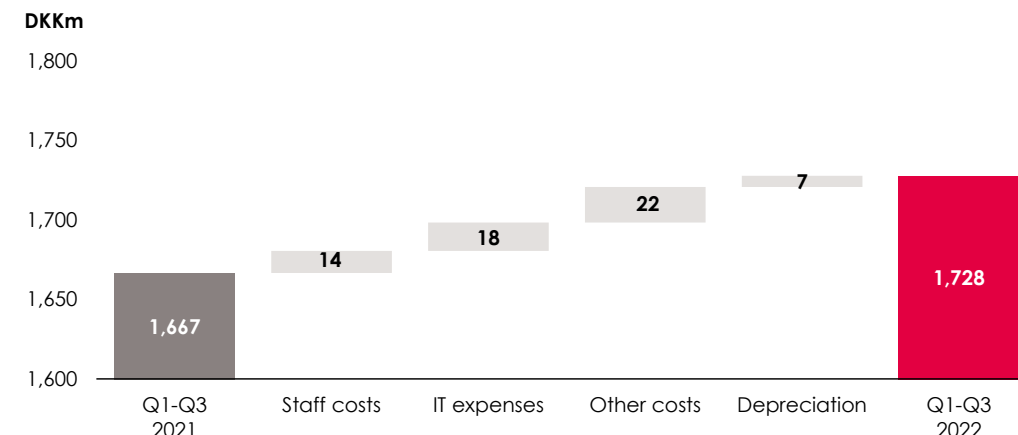
- Overall, around 1/3 of net fee income are activity-dependent fees and around 2/3 are volume-dependent fee income
- Continued, but more modest growth within mortgage loans from new branches and customers
- Decreasing income from asset management due to lower AUM levels
- Risk for decline in earnings from both securities trading and re-mortgaging from lower activity
- Increasing earnings from payment services and cards, insurance and pension



Costs increases by 4%

- **Total costs amounted to DKK 1,728 million versus DKK 1,667 million in Q1-Q3 2021**
 - Q1-Q3 2021 was affected by one-off costs of DKK 40 million related to the integration of BankNordik's Danish business
- **Payroll costs increases by DKK 14 million (1%)**
 - 1,636 employees by end of Q3 2022, which was 12 more than at end of Q3 2021
 - The increase was mainly driven by the new branch in Hørsholm and the new banking areas on Lolland-Falster and in Allerød
- **Operating expenses up by DKK 47 million (7%)**
 - Rise in IT costs owing to the expiry of a fixed-price agreement with BEC and a greater business volume relating, among other things, to the acquisition of BankNordik's Danish business
 - Several other cost items (travel-, marketing- and other costs) were also higher than in the year-earlier period, which was affected by COVID-19
- **Cost/Income Ratio of 0.62 – better than strategic target of 0.65 (YTD 2021: 0.59)**

Trend in costs



Breakdown on cost types

Operating expenses (DKKm)	YTD 2022	YTD 2021	Change
Staff-related expenses	29	28	1
Travel expenses	11	6	5
Marketing costs	48	40	8
IT expenses	405	388	18
Cost of premises	41	40	2
Other administrative expenses	95	87	8
Depreciation	75	68	7
Operating expenses	704	657	47

Outlook for costs

In the coming quarters, Spar Nord expects:

- Rise in staff costs primarily driven by pay rises under collective agreements
- Modest increase in FTEs (customer related)
- Pressure on IT expenses
 - Full effect from acquisition of BankNordik
 - Finalizing IRB-project (application to FSA expected in H1 2023)
 - IT Governance programme continues in 2023
- Operating cost in general affected by inflation



Modest loan impairment charges

- A persistently strong customer credit quality

- Loan impairments amounted to DKK 21 million against DKK -116 million in Q1-Q3 2021**

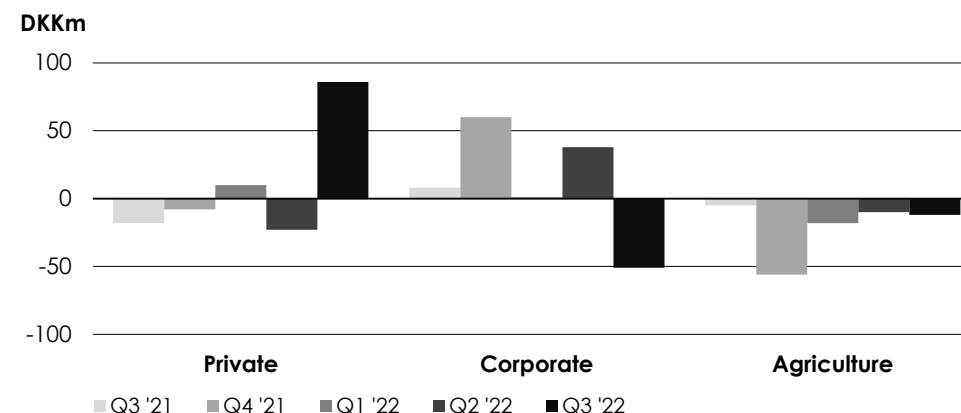
- Continued decline in the number of exposures flagged for OEI and improved credit quality resulted in lower impairment charges and stage 3 management estimates of DKK 217 million
- Increase in model-calculated impairment charges and management estimates in stages 1 and 2 of DKK 252 million due to more negative macroeconomic variables related primarily to retail customers and updated assumptions and expectations for the impacts of rising inflation and interest rates, declining economic growth and falling housing prices
- Impact on profits breaks down into DKK 73 million to private customers, DKK -12 million to corporate customers (ex. agriculture) and DKK -40 million attributable to agricultural customers

- At the end of Q3 2022, total management estimate was DKK 576 million**

- Broken down into DKK 298 million on private customers and DKK 278 million on corporate customers
- "Inflation and housing prices" of DKK 317 million related to:
 - Stress of private customers with natural gas or electricity as a heating source
 - Stress of private 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

DKKm	2021 Q3	2021 Q4	2022 Q1	2022 Q2	2022 Q3
Loan impairment charges	-15	-4	-7	5	22
impairment percentage (p.a.)	0.0	0.0	0.0	0.0	0.0

Breakdown on segments



DKKm	2021 Q3	2021 Q4	2022 Q1	2022 Q2	2022 Q3
Inflation and housing prices	62	65	243	279	317
COVID-19	347	295	150	85	84
Agriculture, land prices	125	105	101	98	86
Model uncertainty etc.	76	71	46	64	89
Total management estimates	610	536	540	526	576

Outlook for impairments

In the coming quarters, Spar Nord expects:

- No actual signs of increased arrears and overdrafts
- Expected deteriorating credit quality – but not as drastically as during the financial crisis
 - Private savings historical high combined with lower leverage and LTVs
 - Despite 30Y fixed mortgage rates close to zero, credit granting has in recent years been based on a mortgage rate of 4 pct.
- Profit impact from impairments will be countered in existing impairment charges
 - At Q3 2022, impairment and provisions total DKK 1,626 million
 - Across all stages, model-calculated impairment charges (IFRS9) and model-calculated management estimates account for DKK 1,012 million
 - Individual impairment charges in stage 3 amount to DKK 614 million

Impairments by type (DKKm)	2019	2020	2021	Q3 2022
Management estimates	303	570	536	576
Model-calculated impairments	441	417	295	436
Estimates and model-calc. impairments	744	987	831	1.012
Individual impairments	759	730	760	614
Total impairments	1.503	1.717	1.591	1.626



Solid capital position

- **Capital ratios**

- CET1: 15.7 (strategic target: 13.5)
- Own funds ratio: 20.2 (strategic target: 17.5)

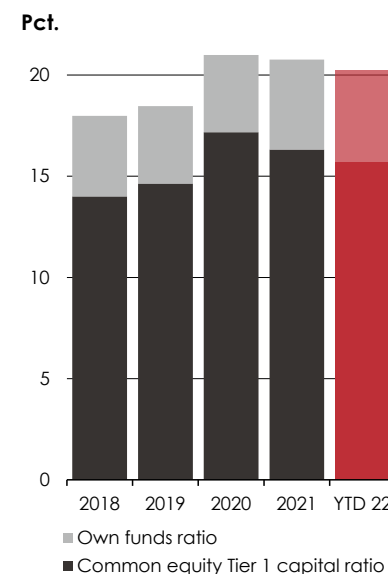
- **Individual solvency requirement of 9.6% and combined buffer requirement of 4.5%**

- Excess coverage of 5.8 percentage points or DKK 3.5 billion

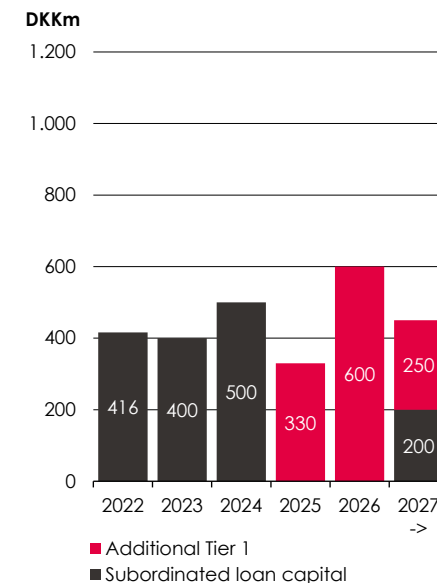
- **CET1 increased by 0.1 percentage points and own funds ratio strengthened by 0.3 percentage points compared to Q2 2022**

- Own funds strengthened by DKK 87 million in Q3 2022
- Total risk exposure amount was DKK 0.4 billion lower than in Q2 2022
 - Risk exposure for credit risk was increased by DKK 0.3 billion
 - Risk exposure for market risk was reduced by DKK 0.7 billion

Capital ratios



Maturity profile for subordinated debt



Capital base

Pct. / DKKm	Q3 2022	Q2 2022	2021	2020
Common equity Tier 1 capital ratio	15.7	15.6	16.3	17.2
Additional Tier 1	1.9	1.9	1.9	1.4
Tier 1 capital ratio	17.6	17.5	18.3	18.6
Tier 2 capital	2.6	2.4	2.5	2.4
Own funds ratio	20.2	19.9	20.8	21.0
Total risk exposure	60,885	61,319	60,479	54,865
Of which credit risk	50,626	50,359	50,165	45,277
Of which market risk	3,759	4,461	4,140	3,994
Of which operational risk	6,499	6,499	6,174	5,594

Capital distribution

Existing dividend policy:

Spar Nord pursues the goal of generating a competitive return for its shareholders – by way of share price performance and dividends. Spar Nord aims to distribute 30-50% of the net profit for the year as ordinary dividends with due consideration to meeting the Bank's capital targets

In case the Bank has extensive excess capital after the distribution of ordinary dividends, the Board of Directors will assess whether such capital can be returned to the shareholders in the form of extraordinary dividends or share buybacks



	2017	2018	2019	2020	2021
Dividend per share (DKK)	3,5	3,5	0,0	1,5	5,0
Share buyback (DKKm)					225
Payout ratio	43	47	0	25	61

