

Spar Nord update

SEB - Danish Bank Seminar

Rune Brandt Børglum, IR
11 May 2023

Q1 was a great start of 2023 for Spar Nord

Profitability at very satisfactory level

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

Strong core business growth

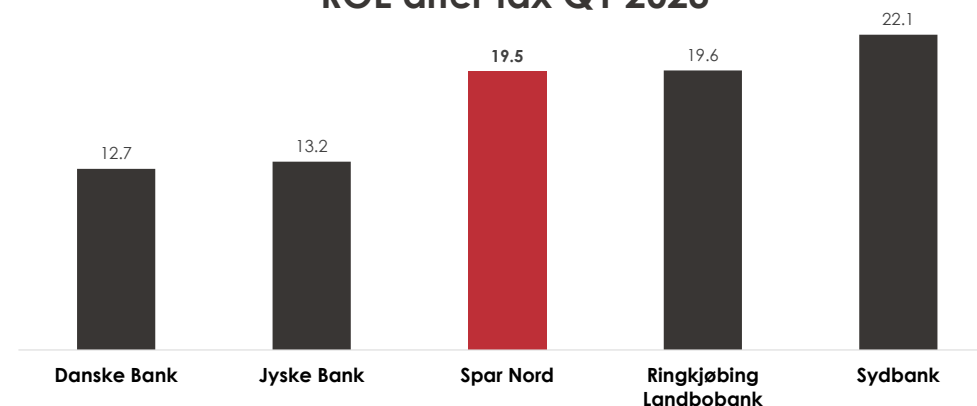
- Lending growth of 13% (y/y)
- Deposit growth of 11% (y/y)

ROE performance among the best in Denmark

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

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

ROE after tax Q1 2023



Strong trend in NII/NCI less costs

Net interest income

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

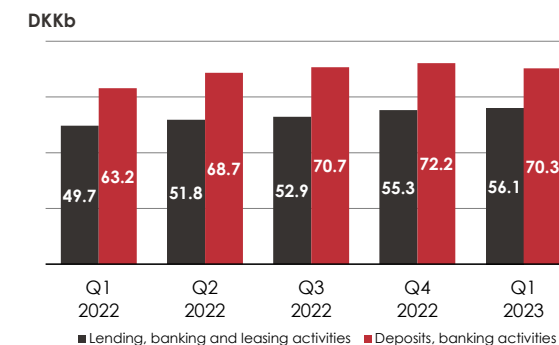
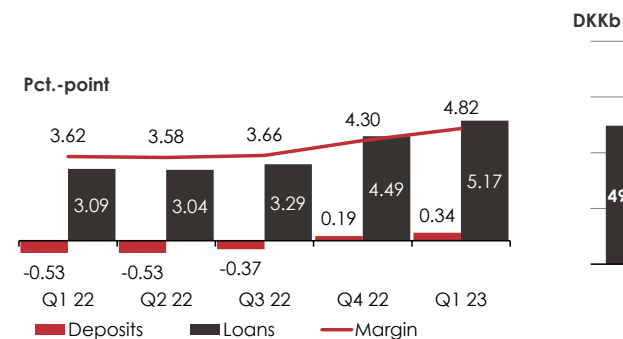
Net fee income

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

Costs

- Staff costs increases 4% due to collective wage increase and higher number of employees
- Operating expenses increases 9% primarily related to higher IT costs

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



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

Very modest impairment charges

- Unchanged strong credit quality among customers

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

- Macroeconomic variables and confidence indicators were relatively neutral compared with the end of 2022, which resulted in limited movements in model-calculated impairment charges and management estimates
- Impact on profits breaks down into DKK 13 million attributable to corporate customers and DKK -12 million to private customers

- **At the end of Q1 2023, management estimates and model-calculated impairments totaled DKK 1.1 billion**

- Management estimate of DKK 588 million breaks down into DKK 313 million related to private customers and DKK 275 million related to corporate customers
- Majority of management estimate related to high inflation, low growth and fall in housing prices

DKK / pct.	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023
- Impairments, private	10	-23	86	20	-12
- Impairments, corporate	-17	28	-63	37	13
Impairments of loans and advances	-7	5	22	57	1
Impairment ratio	0.0	0.0	0.0	0.1	0.0

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

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

Well diversified loan book

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

Loans and guarantees broken down by industry*

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

* Excl. reverse repo transactions

Total credit distribution by industry*

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

*Gross credit distribution excl. reverse repo transactions

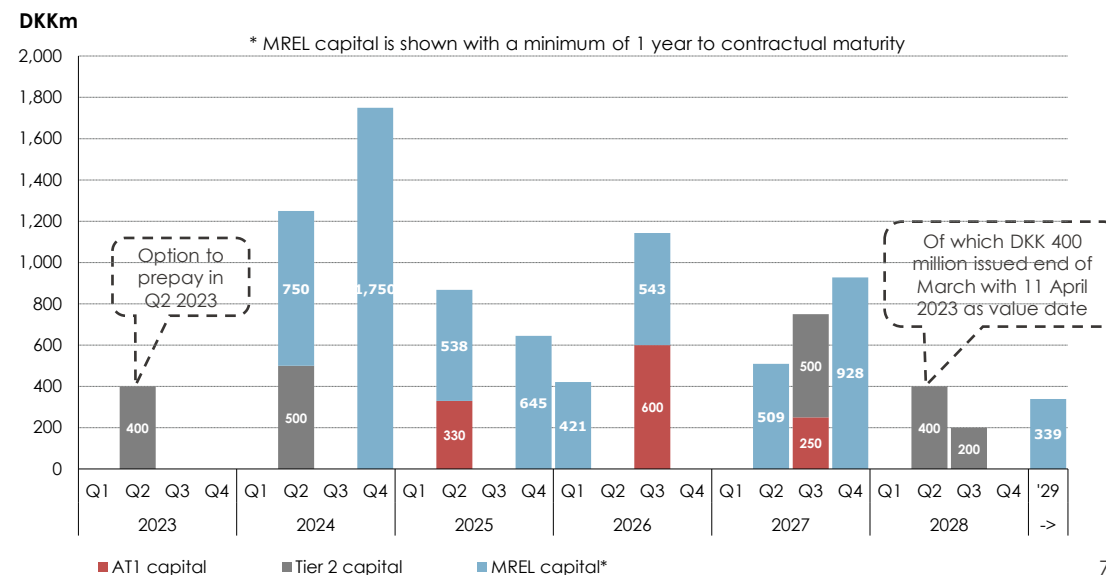
Funding and liquidity

- **Overall, a conservative funding profile which gives rise to strong liquidity and funding metrics**
 - Liquidity metrics by end of Q1 2023: LCR = 230% and NSFR = 125%
- **Majority of funding based on a strong customer deposit base**
 - A natural consequence of the Bank's business model with focus on private customers and SMEs
 - Focus on full customer relationships contributes to large deposit base
 - By year-end 2022, average deposits were in the range of:
 - DKK 140,000 per retail customer
 - DKK 5.4 million per corporate/non-retail customer
- **From end-2023, outstanding amount expected around DKK 8 billion due to fully phased in MREL-requirement**
 - In the remaining part of 2023, Spar Nord expects to issue MREL capital for up to DKK 2 billion
- **Stable credit rating from Moody's**
 - Baseline credit assessment: Baa1
 - Bank deposit rating: A1 and Senior Non-Preferred rating: A3

DKKb	Q1 2023	2022	2021	2020
Money market funding	5.5	2.1	2.5	4.2
Deposits excluding pooled schemes	70.6	72.2	63.8	58.4
Issued bonds	6.2	6.2	4.8	2.7
Tier 2 capital and AT1 capital	2.8	2.8	2.7	2.1
Shareholders' equity	11.2	11.3	10.7	9.6
Total funding	96.3	94.5	84.5	77.0

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

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



Capital position

- **Capital ratios**

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

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

- Excess coverage of 4.0 percentage points or DKK 2.5 billion

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

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

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

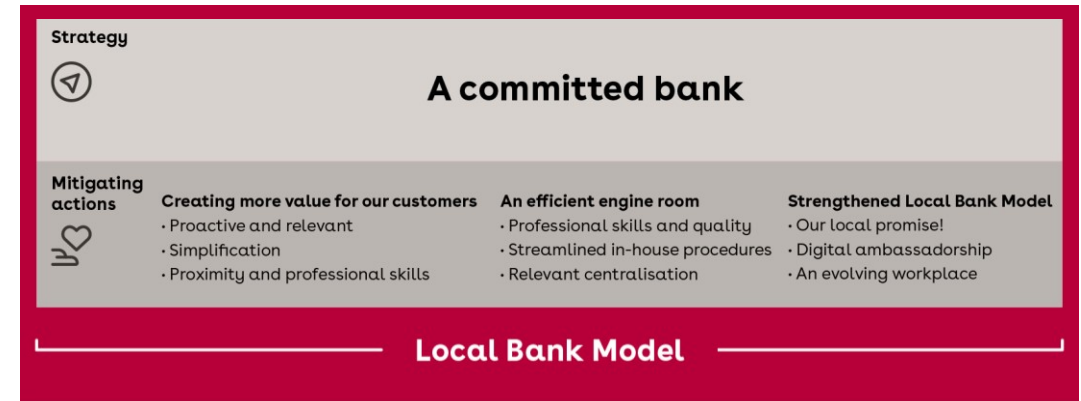
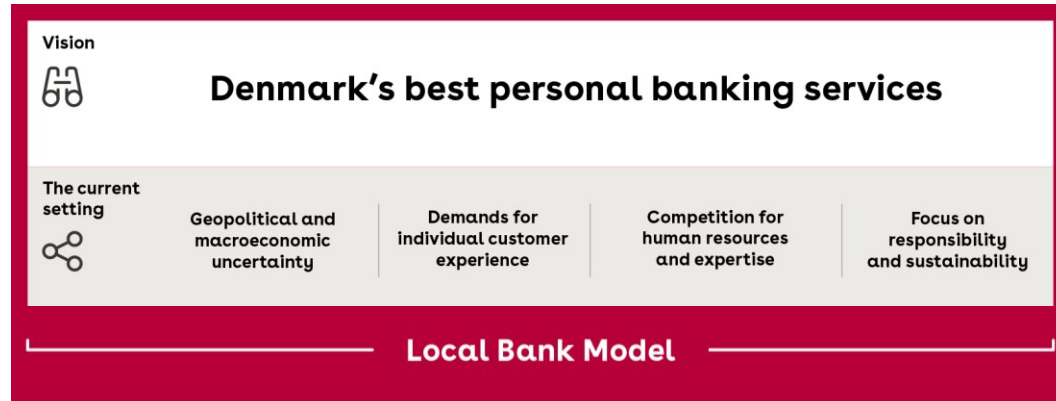
- CET1: 15.8
- Own funds ratio: 20.2

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

On the way to IRB

- IRB project launched in 2019
- More than 3 years of work completed – entering final phase of the project
- Application to Danish FSA expected in summer 2023
- Danish FSA approval expected late 2024
- From the end of 2024, the models are expected to provide basis for a more optimum capital application
- Effects will be phased in – full effects expected from 2028/2029

Strategy and strategic actions 2023-25



- **Creating more value for our customers**

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

- **An efficient engine room**

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

- **Strengthened local bank model**

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

Financial guidance and financial targets 2023-25

- **Financial guidance for 2023 (updated 14 April 2023)**

- Core earnings before impairments expected to be in the DKK 2.5-2.9 billion range
- Loan impairment charges are still expected to be higher than in 2022, but lower than forecast at the beginning of the year
- Profit after tax expected to be in the DKK 1.8-2.1 billion range

Strategic targets 2023-25

Return on equity

> 11 %

after tax

Q1/23:
19.5%

Cost/Income Ratio

< 55

Q1/23:
46

Dividend

40-60 %

of profit for the year

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

Corporate social responsibility and ESG



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

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

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

