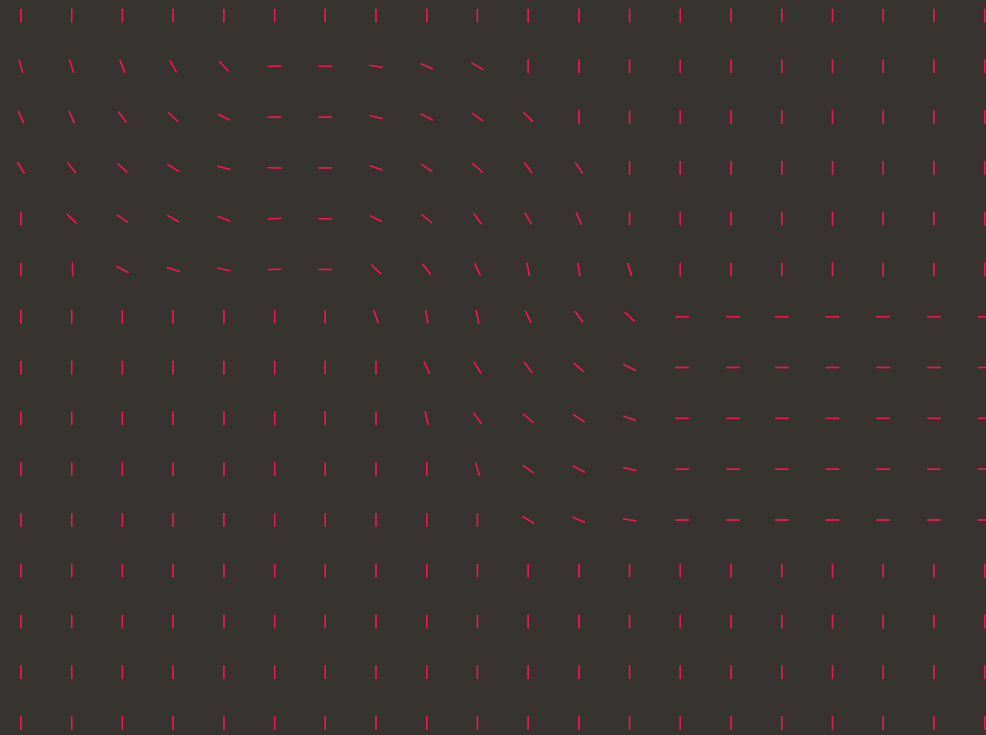


# Presentation of Spar Nord's financial results for Q1 2021

Lasse Nyby, CEO

5 May 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

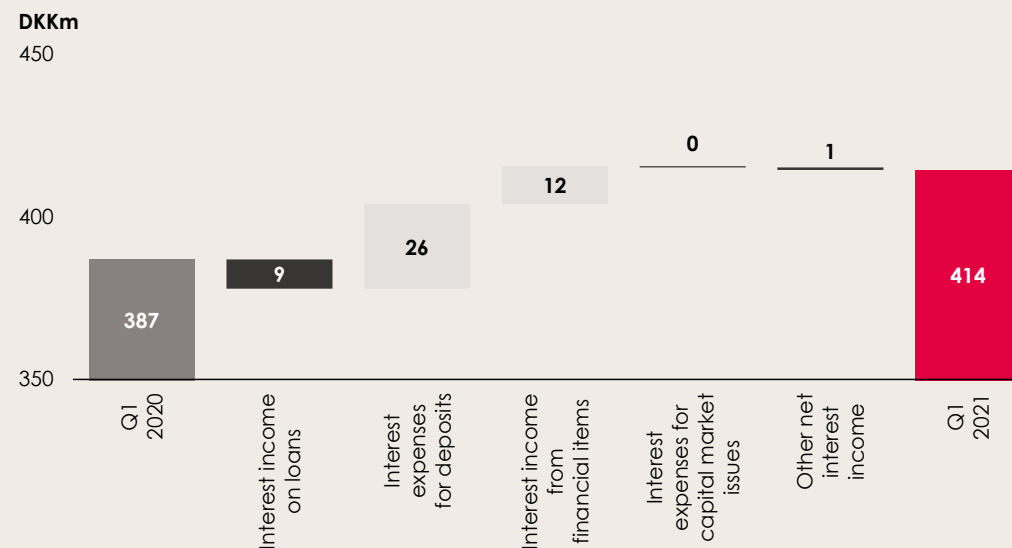
- **Total lending of DKK 46.1 billion – increase of DKK 3.6 billion (8%) year-to-date**

- 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

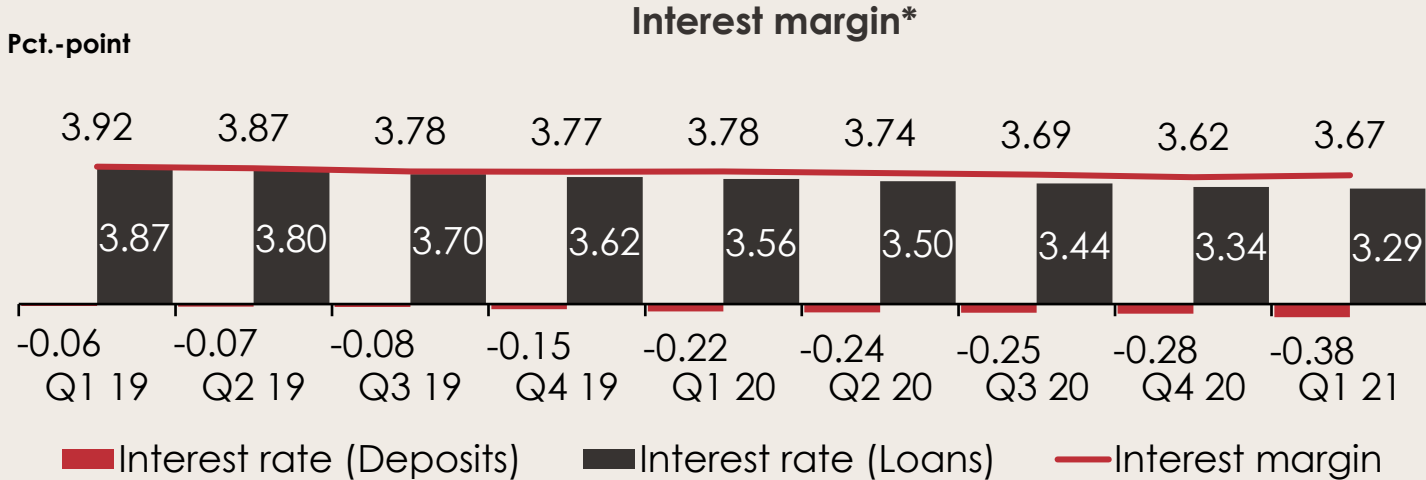
Net interest income



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

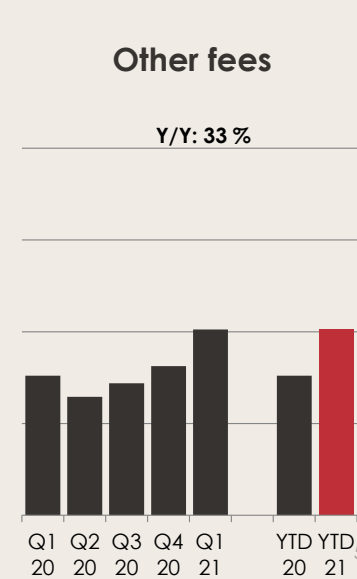
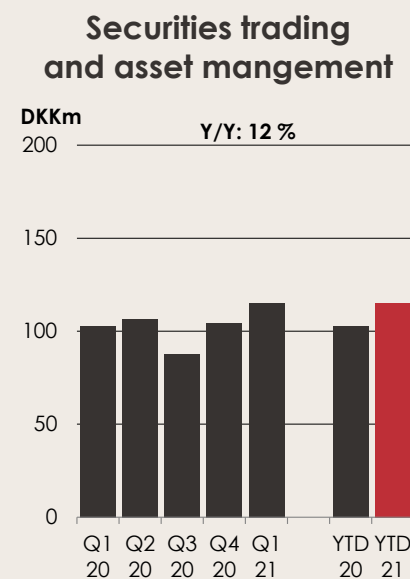
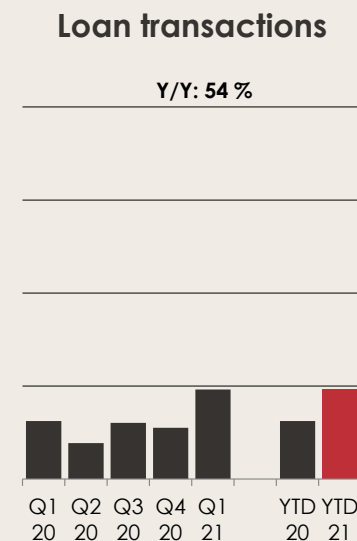
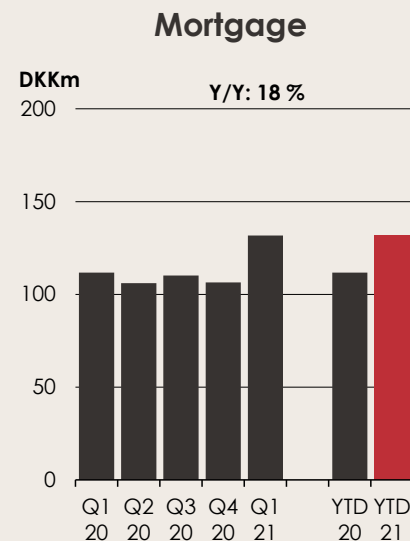


\*Acquisition of BankNordik's Danish business not included

# 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

DKKm	Q1 2021	Q4 2020	Q1 2020
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>



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

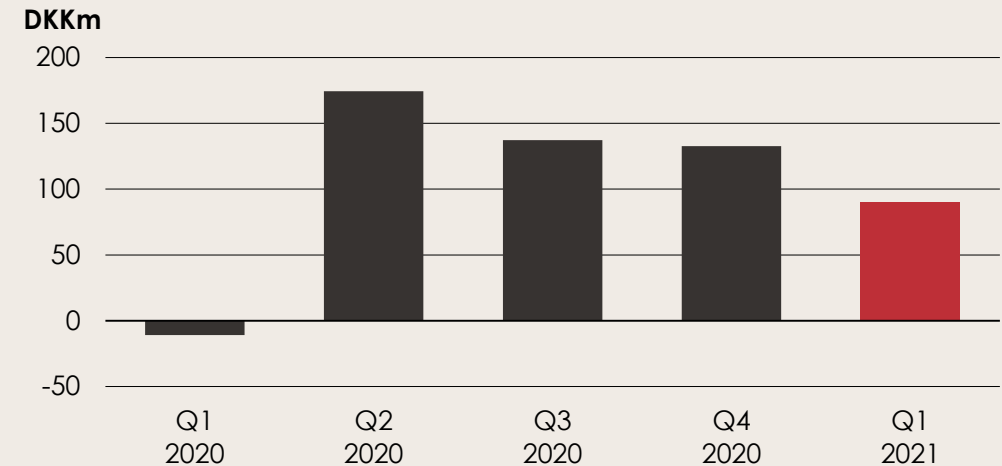
- **Market-value adjustments and dividends amounted to DKK 90 million versus DKK -11 million in Q1 2020**

- 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

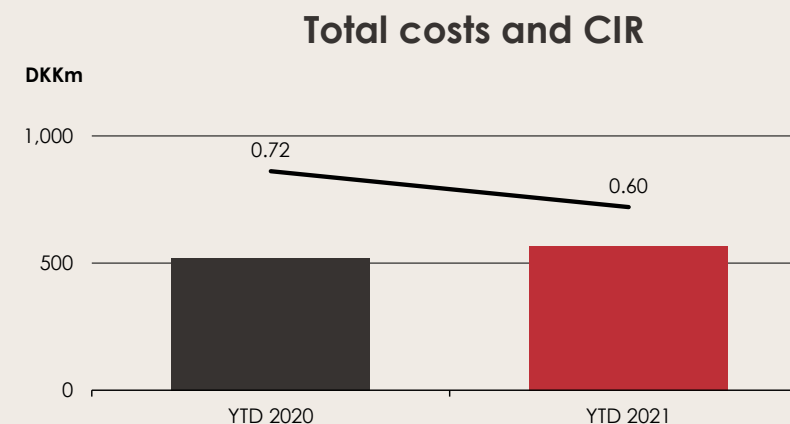
**Market-value adjustments and dividends**



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



## 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

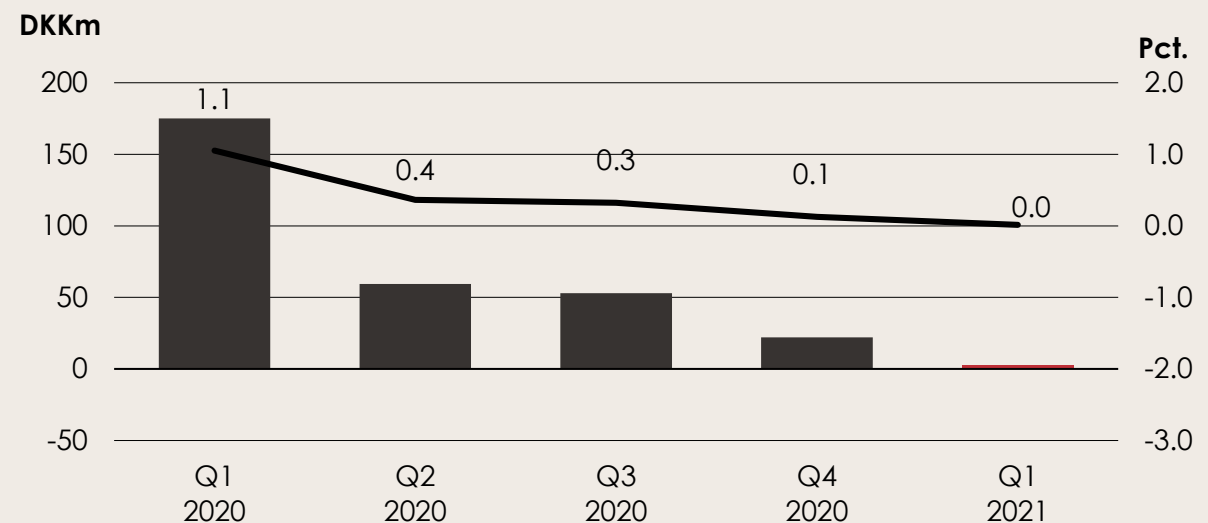
- **Breakdown on segments**

- 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





# 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



# 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%

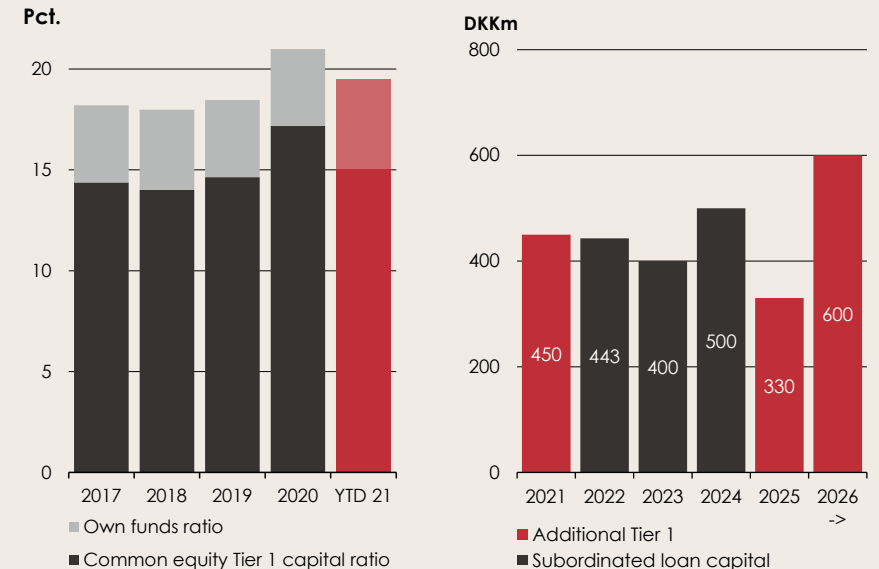
### • Own funds ratio decline 1.5 percentage points in Q1 2021

- 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>

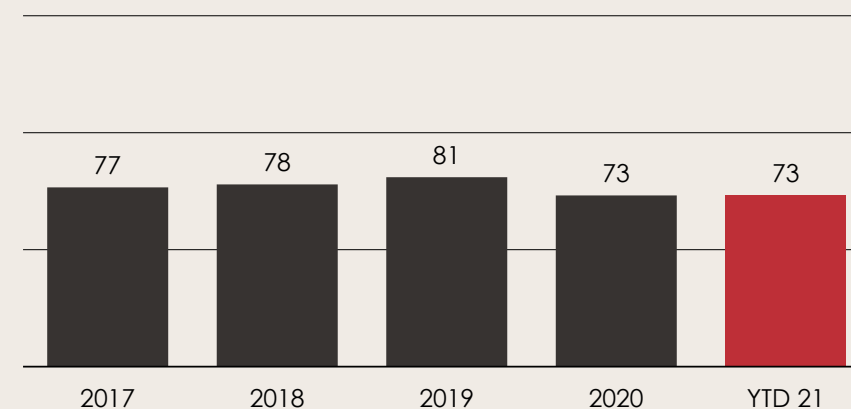
# Strategic liquidity further strengthened by acquisition of BankNordik's Danish business

- **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

# 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**