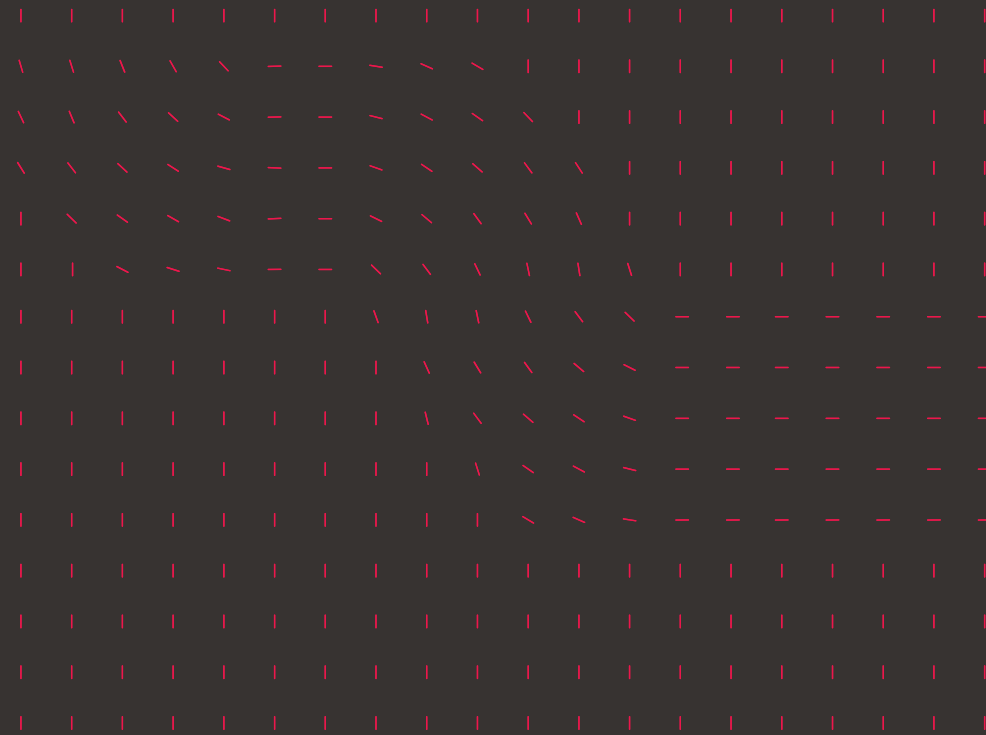


# Presentation of Spar Nord's financial results for H1 2021

Lasse Nyby, CEO

19 August 2021



# Net profit of DKK 686 million and ROE of 13.4%

## Headlines from the income statement

- Net interest income grows by 7% (y/y), while net fee income increases by 24% (y/y) and ends at a record high level
- Market-value adjustments positively affected by highly satisfactory earnings on both sector shares equity portfolio
- Costs increase 10% as a result of the acquisition of BankNordik's Danish business. Non-recurring costs of DKK 42 million corresponding to 4%
- Loan impairments was an income of DKK 101 million
- Record high total business volume of DKK 336 billion, of which the acquisition of BankNordik's Danish business contributes DKK 27 billion
- Strategic liquidity at historically high level and unchanged solid capital position
  - The Bank's equity exceeds DKK 10 billion for the first time in Spar Nord's history

SPAR NORD BANK DKKm	Realized YTD 2021	Realized YTD 2020	Index	Realized Q2 2021	Realized Q1 2021	Index
Net interest income	846	795	107	432	414	104
Net fees, charges and commissions	768	618	124	372	396	94
Market-value adjustments and dividends	216	164	132	126	90	140
Other income	79	27	288	42	37	114
<b>Core income</b>	<b>1,910</b>	<b>1,604</b>	<b>119</b>	<b>972</b>	<b>938</b>	<b>104</b>
Staff costs	705	660	107	352	353	100
Operating expenses	449	392	114	235	214	110
<b>Costs and expenses</b>	<b>1,154</b>	<b>1,052</b>	<b>110</b>	<b>587</b>	<b>567</b>	<b>104</b>
<b>Core earnings before impairment</b>	<b>755</b>	<b>552</b>	<b>137</b>	<b>385</b>	<b>371</b>	<b>104</b>
Impairments of loans and advances, etc.	-101	234	-	-103	2	-
<b>Profit before tax</b>	<b>856</b>	<b>318</b>	<b>269</b>	<b>488</b>	<b>368</b>	<b>133</b>
Tax	170	63	271	97	73	132
<b>Profit</b>	<b>686</b>	<b>255</b>	<b>269</b>	<b>391</b>	<b>295</b>	<b>133</b>

# Net interest income up by 7%

- **Net interest income amounted to DKK 846 million versus DKK 795 million in H1 last year**

- Interest expenses on deposits reduced by DKK 53 million via active measures
- Interest income from lending up by DKK 4 million as a net effect of a continued margin pressure and the acquisition of BankNordik's Danish business
- Slightly lower income from placing of surplus liquidity of DKK 2 million
- Increase in interest expenses for capital market issues due to an additional issue of MREL capital
- The acquisition of BankNordik's Danish business contributed net interest income of DKK 44 million

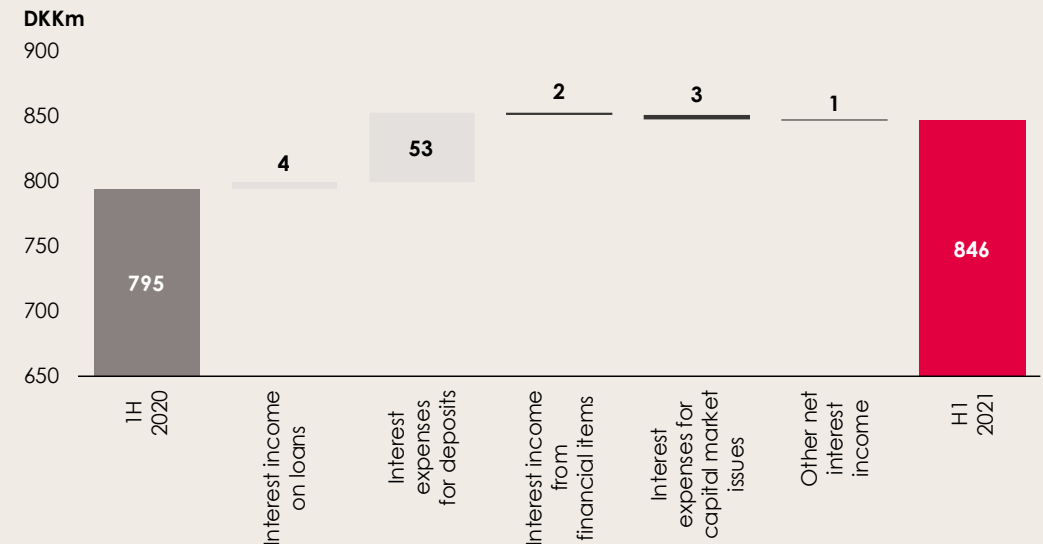
- **Total lending of DKK 46.6 billion – increase of DKK 4.1 billion (10%) year-to-date**

- Lending to private customers up by DKK 2.6 billion  
- Mainly following acquisition of BankNordik's Danish business
- Lending to corporates and SMEs has grown by DKK 1.1 billion
- Leasing business has grown by DKK 0.6 billion
- Lending to public-sector customers down by DKK 0.2 billion

- **From Q1 2021 to Q2 2021 NII has grown from DKK 414 million to DKK 432 million**

- Higher net interest income from deposits via active measures
- Higher interest income from lending where an increased volume has more than offset the margin pressure

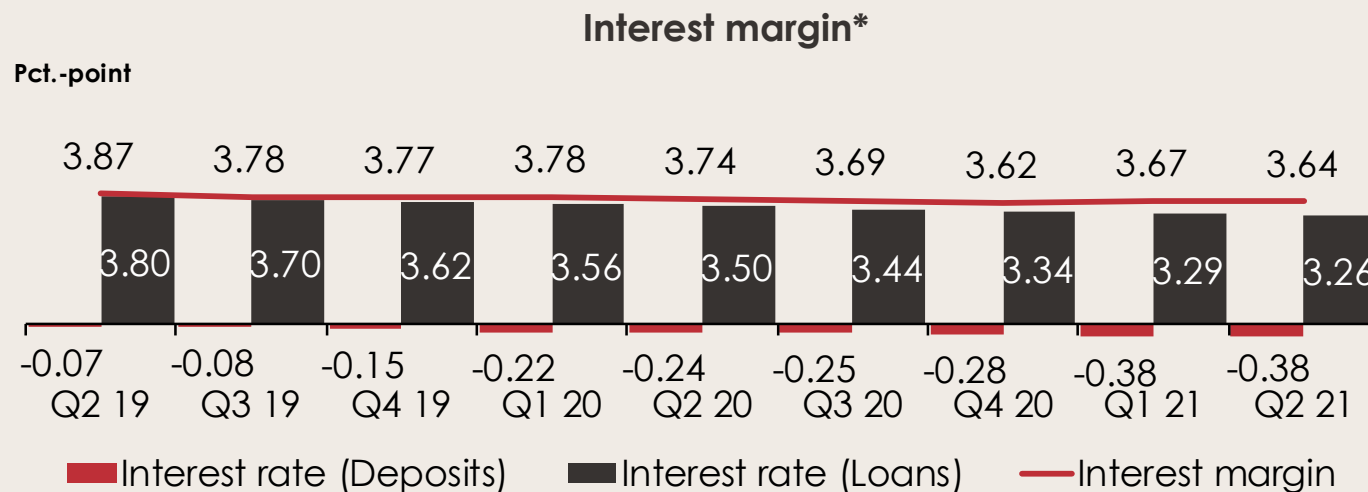
Net interest income



DKKm	Q2 '21	Q1 '21	Q4 '20	Q3 '20	Q2 '20
Interest income on loans	375	361	357	357	362
Interest expenses for deposits	-60	-52	-40	-36	-32
<b>Net interest income, deposits and loans</b>	<b>435</b>	<b>413</b>	<b>397</b>	<b>393</b>	<b>394</b>
Interest income from financial deposits	25	26	25	24	37
Interest expenses for capital market issuance	18	15	15	16	15
Other net interest income	-11	-10	-9	-9	-8
<b>Total net interest income</b>	<b>432</b>	<b>414</b>	<b>398</b>	<b>391</b>	<b>408</b>

# Active measures on deposits partly offset margin pressure

- **Total interest margin has decreased by 3 basis points since Q1 2021**
  - Lending margin is down 3 basis points
  - Deposit margin is unchanged
- **Compared to 12 months ago, total interest margin is down by 10 basis points**
  - Lending margin is down 24 basis points
  - Active measures on pricing lead to 14 basis points improvement of deposit margin



\*Acquisition of BankNordik's Danish business not included

# Net fee income at record level

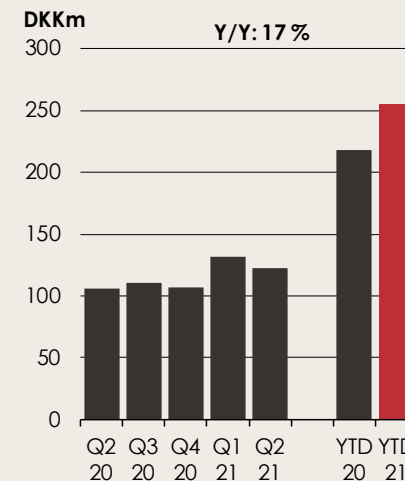
- **Net fee income amounted to DKK 768 million versus DKK 618 million in H1 2020**
  - Income from mortgage distribution grew 17% due to high activity within the housing market and continued volume growth
  - Other loan transactions fees up 50% due to high level of activity in the housing area
  - Securities trading and asset management grew by 7% follow solid growth in AUM and a continued strong trading activity in positive financial markets
  - Fee income from payments, insurance sales etc. up by 52% 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 48 million

- **From Q1 2021 to Q2 2021 net fee income decreased from DKK 396 million to DKK 372 million**

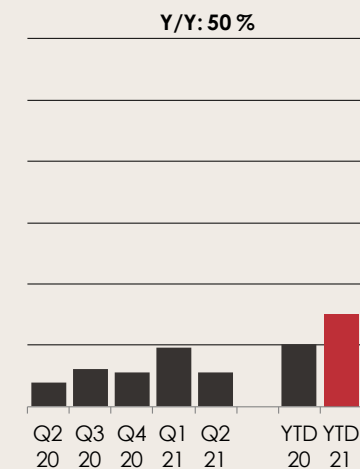
- Primarily driven by lower fee income from the housing market and securities trading and asset management

DKKm	Q2 '21	Q1 '21	Q4 '20	Q3 '20	Q2 '20
Mortgage fee	123	132	106	110	106
Other transaction fees	27	48	27	30	19
Securities and asset management	109	115	104	88	107
Other fees	113	101	81	72	65
<b>Total net fees</b>	<b>372</b>	<b>396</b>	<b>319</b>	<b>300</b>	<b>296</b>

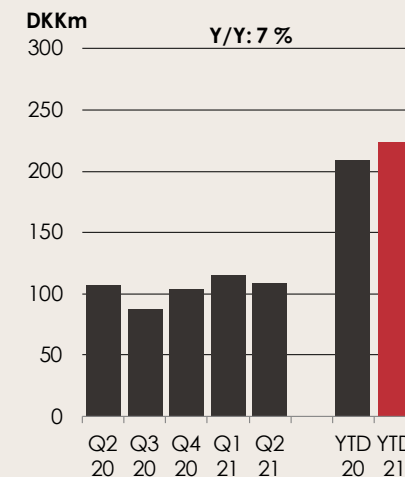
## Mortgage



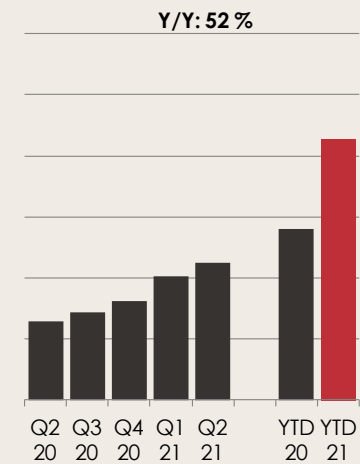
## Loan transactions



## Securities trading and asset management



## Other fees



# Highly satisfactory earnings from both sector shares and equity portfolio

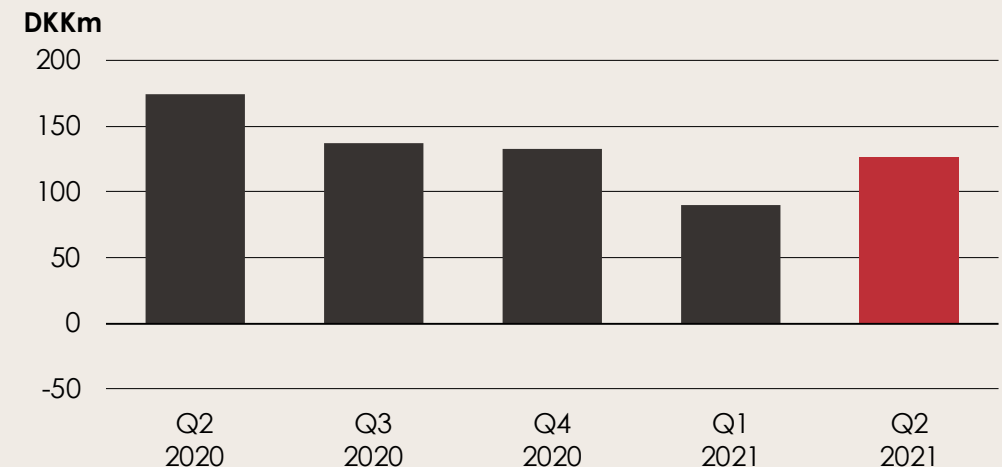
- **Market-value adjustments and dividends amounted to DKK 216 million versus DKK 164 million in H1 2020**

- Market value adjustments on equities and bonds approximately at the level of H1 2020
  - Market value adjustments on equities in the Trading Division amounted to DKK 49 million in H1 2021, while bonds contributed DKK 11 million
- Market value adjustments and dividends on the portfolio of strategic shares were DKK 46 million higher than in the year-earlier period
  - Earnings were attributable both to Spar Nord's holding of shares in BI Holding (BankInvest) and PRAS as well as some extraordinary gains e.g. related to the Erhvervsinvest companies

- **From Q1 2021 to Q2 2021 market value adjustments grow from DKK 90 million to DKK 126 million**

- Increased market value adjustments and dividends on the portfolio of strategic shares, including extraordinary gains e.g. related to the Erhvervsinvest companies
- Higher market value adjustments on equities in the Trading Division

**Market-value adjustments and dividends**



DKKm	Q2 '21	Q1 '21	Q4 '20	Q3 '20	Q2 '20
Market-valued adjustments in Trading Division	35	28	74	80	134
Tangible assets incl. dividends	71	42	41	43	28
Currency trade and -agio	21	20	18	13	12
<b>Total</b>	<b>126</b>	<b>90</b>	<b>133</b>	<b>137</b>	<b>174</b>

# Other income

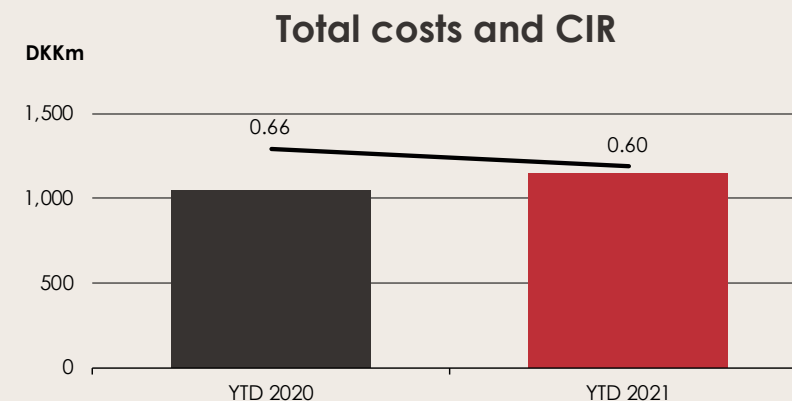
- **Other income amounted to DKK 79 million versus DKK 27 million in H1 2020**
  - Other income were DKK 52 million higher in H1 2021, which can mainly be attributed to income from investments in associates
  - Income from investments in associates were positively affected by the bank's shareholdings in Danske Andelskassers Bank, which contributed about half of the total increase
  - The bank's shareholding in Vækst-Invest Nordjylland also made a positive contribution to the increase

## Other income

DKKm	YTD 2021	YTD 2020	Change
Other operating income	23	23	0
Income from investments in associates	56	4	51
<b>Other income, total</b>	<b>79</b>	<b>27</b>	<b>52</b>
Hereof, Danske Andelskassers Bank	33	4	29

# Costs increases by 10%

- **Total costs amounted to DKK 1,154 million versus DKK 1,052 million in H1 2020**
  - The acquisition of BankNordik's Danish business contributed costs of DKK 115 million, of which DKK 42 million were one-off costs
  - Underlying costs were reduced by DKK 13 million (-1%)
- **Payroll costs were DKK 46 million (7%) higher than last year**
  - 1,635 employees by end of H1 2021, which was 137 more than on 1 January 2021
  - The acquisition of BankNordik's Danish business contributed costs of DKK 52 million, of which DKK 16 million were one-off costs
- **Operating expenses and depreciation up by DKK 57 million**
  - Increase in IT costs, while travel and marketing costs were lower than last year
  - The acquisition of BankNordik's Danish business contributed DKK 63 million, of which DKK 26 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	705	660	46
Operating expenses	449	392	57
<b>Costs and expenses</b>	<b>1,154</b>	<b>1,052</b>	<b>103</b>

Operating expenses (DKKm)	YTD 2021	YTD 2020	Change
Staff-related expenses	18	16	2
Travel expenses	3	5	-2
Marketing costs	26	34	-8
IT expenses	266	214	53
Cost of premises	26	26	0
Other administrative expenses	63	57	7
Depreciation	45	40	5
<b>Operating expenses</b>	<b>449</b>	<b>392</b>	<b>57</b>



# Net reversals on loan impairments

## - despite continued uncertainty related to COVID-19

- **Loan impairments amounted to DKK -101 million against DKK 234 million in H1 last year**

- Continued improvement of macroeconomic trends
- Positive development in existing impairment exposures
- General credit quality improvement among the Bank's retail and business customers, including in the agricultural sector
- Management estimate related to COVID-19 remained unchanged in Q2

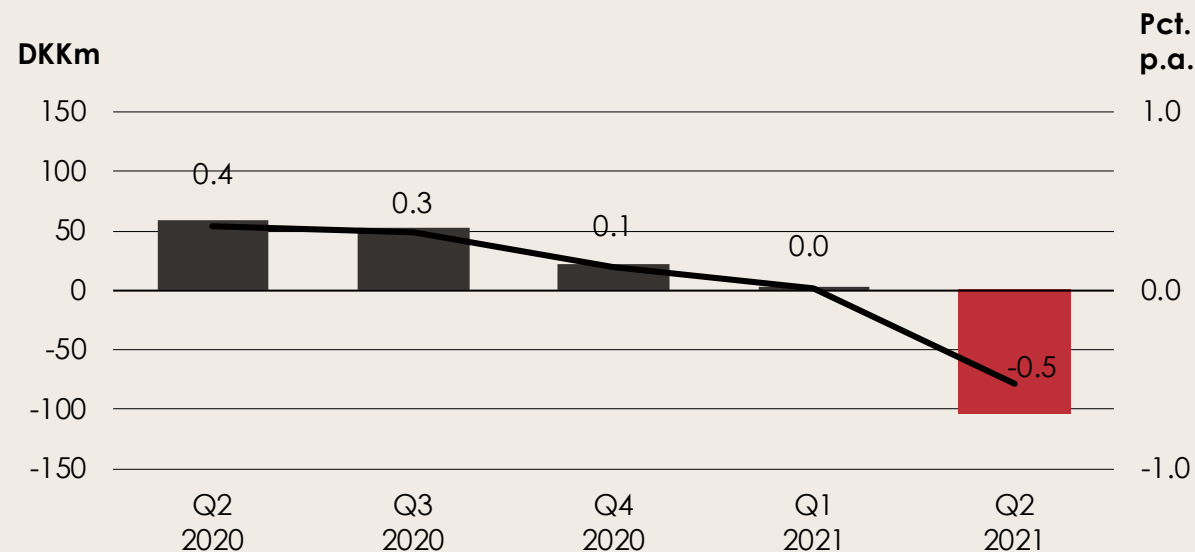
- **Breakdown on segments**

- Private : DKK -16 million (H1 2020: DKK 97 million)
- Consumer finance: DKK -4 million (H1 2020: DKK 4 million)
- Corporate ex. agriculture: DKK -54 million (H1 2020: DKK 161 million)
- Agriculture: DKK -27 million (H1 2020: DKK -28 million)

- **Total management estimate of DKK 556 million (Q1 2021: DKK 566 million)**

- COVID-19: DKK 320 million
  - Hereof private: DKK 130 million
  - Hereof corporate ex. agriculture: DKK 190 million
- Agriculture (land prices): DKK 139 million
- Model uncertainty: DKK 97 million

**Impairments and impairment percentage**



# Record high total business volume

- End of H1, total business volume amounts to DKK 336.4 billion – DKK 45.1 billion (15%) higher than end-2020
  - Acquisition of BankNordik's Danish business contributed DKK 26.9 billion, of which mortgage loans of DKK 11.0 billion
- Positive trend in total credit distribution – Mortgage loans now exceeding DKK 100 billion
  - Bank and leasing lending were up by 4.1 billion (Private: DKK 2.6 billion / Corporate: DKK 1.5 billion) and distribution of mortgage loans grew by DKK 15.0 billion
- Deposits and pooled pension savings still growing
  - Bank deposits were up DKK 6.2 billion (Private: DKK 5.2 billion / Corporate: DKK 1.0 billion) and deposits in pooled schemes were up DKK 3.3 billion
- Customers' invested assets are up by DKK 12.6 billion



# Unchanged solid capital position

- **Capital ratios**

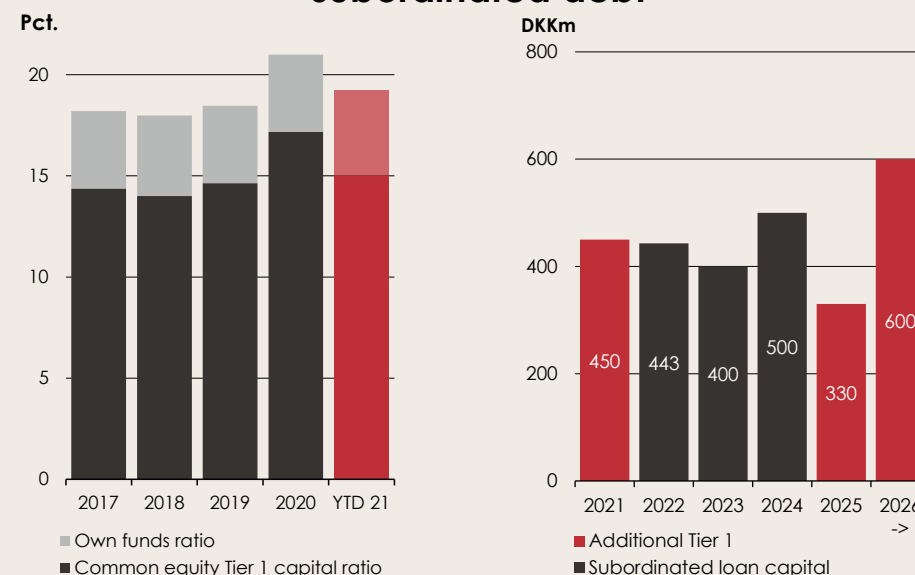
- CET1: 15.0 (strategic target: 13.5)
- Own funds ratio: 19.3 (strategic target: 17.5)

- **Individual solvency requirement of 9.6% and combined buffer requirement of 3.5%**

- **Own funds ratio decline 0.2 percentage points in Q2 2021**

- Own funds increased by DKK 264 million in Q2, primarily owing to the recognition of the profits for H1 2021 less expected dividends for the period and IFRS 9 effects
- Risk exposure rose DKK 2.0 billion following growth in total business volume and new rules on counterparty risks (SA-CCR)
  - Increase in retail loans and guarantees from high activity in the housing market increased REA by approx. DKK 0.7 billion
  - New rules on counterparty risks increased REA by approx. DKK 0.6 billion
  - Finally, a larger bond portfolio meant an increase in market risk of approx. DKK 0.8 billion

## Capital ratios and maturity structure regarding subordinated debt



## Capital base

Pct.	Q2 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	2.2	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>17.2</b>	<b>18.6</b>	<b>16.1</b>	<b>15.6</b>
Tier 2 capital	2.1	2.4	2.3	2.4
Deductions in own funds	0.0	0.0	0.0	0.0
<b>Own funds ratio</b>	<b>19.3</b>	<b>21.0</b>	<b>18.5</b>	<b>18.0</b>

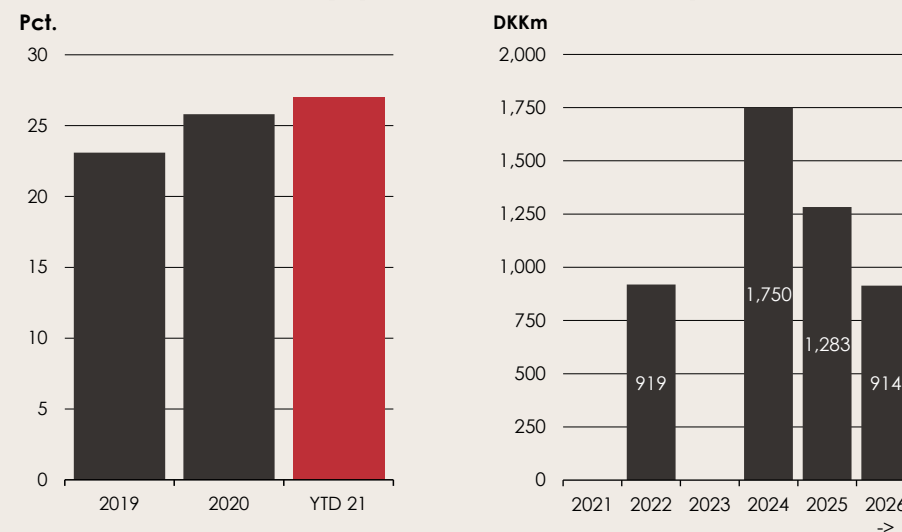
# Comfortable coverage for MREL requirement

- **MREL and combined buffer percentage was 27% which is an increase of 3.2 percentage points compared to Q1 2021**
  - As preparation for further phase-in of MREL requirement on 1 July 2021, additional MREL capital for DKK 2.2 billion was issued in Q2 2021
  - MREL capital totaling DKK 1.8 billion issued in May 2021 on the following terms:
    - NOK 950 million with term of 5.5NC4.5 and fixed coupon of mid-swap + 80 bps.
    - NOK 750 million with term of 7NC6 and floating coupon of 3m NIBOR + 105 bps.
    - SEK 800 million with term of 5NC4 and floating coupon of 3m STIBOR + 80 bps.
  - MREL capital totaling DKK 366 million issued in June 2021 on the following terms:
    - NOK 500 million with term of 11NC10 and fixed coupon of mid-swap + 110 bps.

- **Excess coverage, MREL requirement of 7.7% per 30 June 2021 and 4.2% after further phasing in on 1 July 2021**

- Total MREL and combined buffer requirement expected about 26% at final phasing in on 1 July 2022
  - Further increased to about 27% after expected implementation of counter cyclical buffer of 1% on 1 September 2022
- Expected issuance of additional MREL capital of around DKK 2.0 billion before the final phasing in on 1 July 2022

MREL and combined buffer percentage og maturity profile for MREL capital



MREL requirement and -coverage

DKKb	Q2 2021	Q1 2021	2020	2019*
Own funds	12.1	11.8	11.5	10.3
Senior Non-Preferred	4.8	2.6	2.7	2.6
Deduction – separate combined buffer requirement	-2.2	-2.1	-1.9	-2.2
<b>Total MREL-eligible liabilities</b>	<b>14.7</b>	<b>12.3</b>	<b>12.2</b>	<b>10.7</b>

Pct.	Q2 2021	Q1 2021	2020	2019*
MREL and combined buffer percentage	27.0	23.8	25.8	23.1
MREL and combined buffer requirement	19.2	19.3	19.6	19.6
<b>Excess coverage, MREL requirement</b>	<b>7.7</b>	<b>4.5</b>	<b>6.2</b>	<b>3.5</b>

\* Adapted to BRRD2 rule set

# Record high strategic liquidity

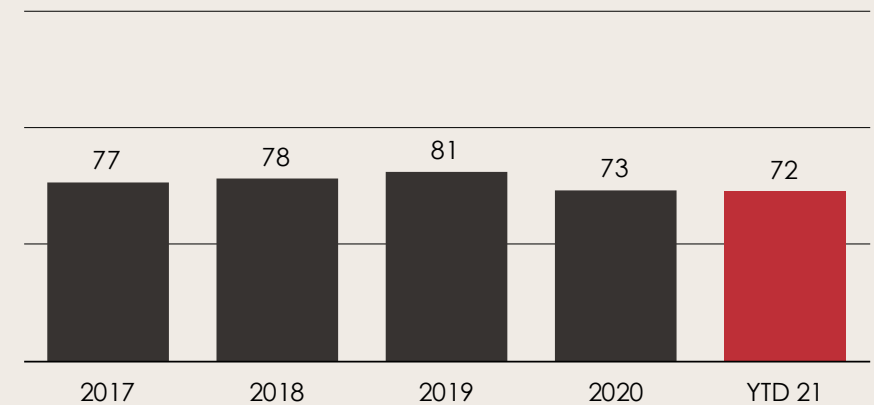
- **Strategic liquidity strengthened by DKK 5.4 billion in 2021**
  - Acquisition of deposit surplus from BankNordik's Danish business contributed DKK 3.5 billion
  - Issue of MREL capital in Q2 2021 contributed DKK 2.2 billion
  - Increases in corporate lending and leasing detracted strategic liquidity
- **End of June 2021, LCR stood at 257%**
- **End of June 2021, NSFR stood at 129%**

## Strategic liquidity

DKKb	Q2 2021	Q1 2021	Q4 2020
Deposits, banking activities	64.3	62.8	58.1
Seniorfunding	4.8	2.7	2.7
Core capital and sub. capital	12.8	12.6	11.7
<b>Stable long term funding</b>	<b>82.0</b>	<b>77.9</b>	<b>72.5</b>
Loans, banking and leasing activities	46.6	46.1	42.5
Maturity < 1 year	0.0	0.0	0.0
<b>Strategic liquidity</b>	<b>35.4</b>	<b>31.9</b>	<b>30.0</b>

## Loan to deposit ratio\*

Pct.



\* Banking and leasing lending relative to bank deposits

# Guidance for 2021

## - Updated in company announcement on 7 July 2021

- **Core earnings before impairments**

- At the beginning of 2021, core earnings before impairments were expected of around DKK 1,100-1,300 million
- In April guidance was hiked to DKK 1,200-1,400 million
  - Core earnings before impairments of DKK 755 million in H1 2021
- **Core earnings before impairments are now expected of around DKK 1,350-1,500 million**

- **Impairments of loans**

- At the beginning of 2021, impairments charges were expected lower in 2021 than in 2020
- In April expectations were revised, so that impairments for 2021 were expected to be significantly lower than in 2020
  - Loan impairments of DKK -101 million in H1 2021
- **A smaller income from impairments is now expected for the full year**

- **Net profits**

- At the beginning of 2021, net profits were expected of around DKK 650-850 million
- In April guidance was hiked to DKK 850-1,050 million
  - Net profits of DKK 686 million in H1 2021
- **Net profits are now expected of around DKK 1,100-1,300 million**