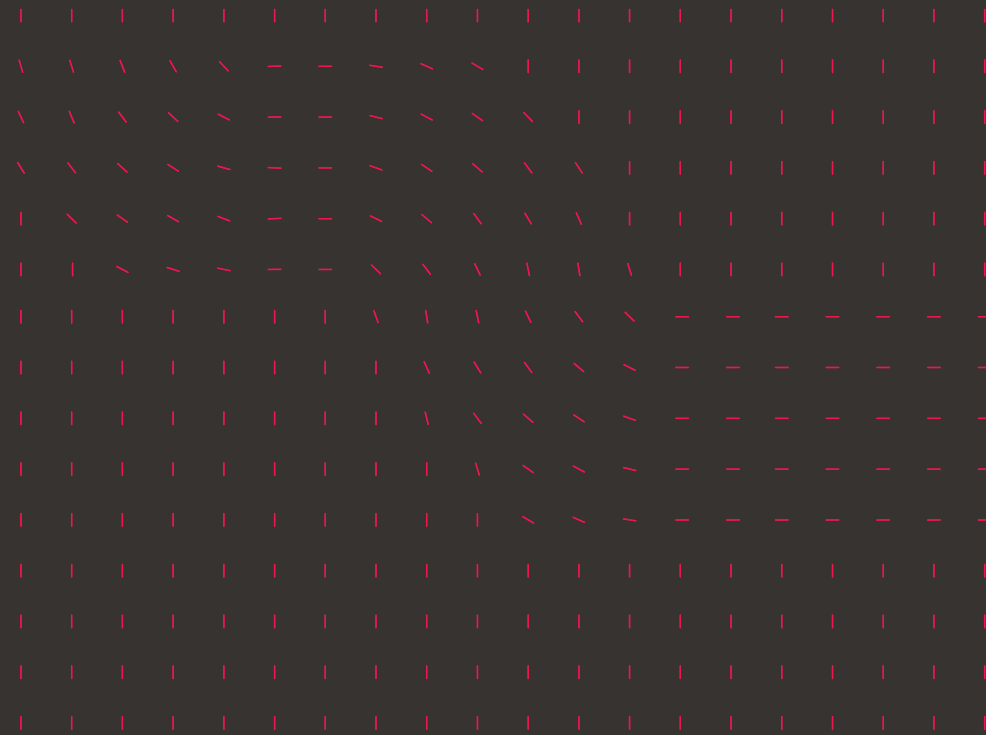


# Presentation of Spar Nord's financial results for Q1-Q3 2021

Lasse Nyby, CEO  
4 November 2021



# Net profit of DKK 1,034 million and ROE of 13.2%

## Headlines from the income statement

- Net interest income grows by 9% (y/y) due to growth in business volume and active measures on the deposit side
- Net fee income increases by 24% (y/y) and now accounts for 47% of total net interest and fee income
- Market-value adjustments positively affected by highly satisfactory earnings on sector shares equity portfolio
- Costs increase 9% - primarily as a result of the acquisition of BankNordik's Danish business
- Loan impairments was an income of DKK 116 million
- Compared to end-2020, business volume increases DKK 47 billion to DKK 339 billion, of which the acquisition of BankNordik's Danish business contributes DKK 27 billion
- Strong strategic liquidity and unchanged solid capital position

SPAR NORD BANK DKKm	Realized YTD 2021	Realized YTD 2020	Index	Realized Q3 2021	Realized Q2 2021	Index
Net interest income	1,288	1,186	109	442	432	102
Net fees, charges and commissions	1,140	918	124	372	372	100
Market-value adjustments and dividends	297	301	99	81	126	64
Other income	115	48	237	36	42	86
<b>Core income</b>	<b>2,841</b>	<b>2,454</b>	<b>116</b>	<b>931</b>	<b>972</b>	<b>96</b>
Staff costs	1,010	949	106	305	352	87
Operating expenses	657	582	113	208	235	89
<b>Costs and expenses</b>	<b>1,667</b>	<b>1,530</b>	<b>109</b>	<b>513</b>	<b>587</b>	<b>87</b>
<b>Core earnings before impairment</b>	<b>1,174</b>	<b>923</b>	<b>127</b>	<b>418</b>	<b>385</b>	<b>109</b>
Impairments of loans and advances, etc.	-116	287	-	-15	-103	-
<b>Profit before tax</b>	<b>1,289</b>	<b>636</b>	<b>203</b>	<b>433</b>	<b>488</b>	<b>89</b>
Tax	256	129	198	85	97	88
<b>Profit</b>	<b>1,034</b>	<b>507</b>	<b>204</b>	<b>348</b>	<b>391</b>	<b>89</b>

# Net interest income up by 9%

- **Net interest income amounted to DKK 1,288 million versus DKK 1,186 million in Q1-Q3 last year**

- Interest expenses on deposits improved by DKK 88 million via active measures
- Interest income from lending up by DKK 30 million as a net effect of a continued margin pressure and growth in business volume
- Increase in interest expenses for capital market issues of DKK 12 million due to additional issue of MREL capital

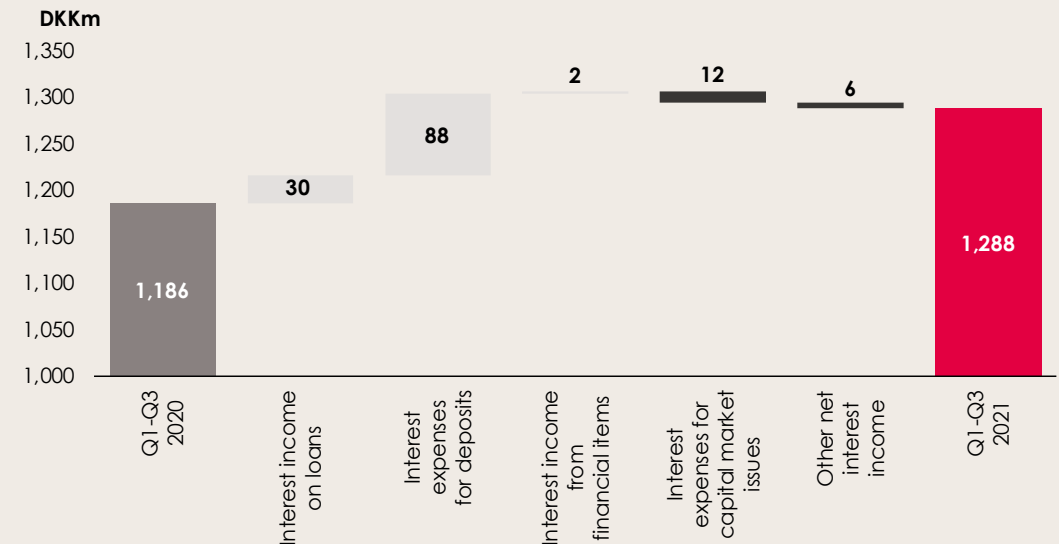
- **Total lending of DKK 47.5 billion – increase of DKK 5.0 billion (12%) year-to-date**

- Lending to private customers up by DKK 2.5 billion  
- Mainly following acquisition of BankNordik's Danish business
- Lending to corporates and SMEs has grown by DKK 1.8 billion
- Leasing business has grown by DKK 0.8 billion
- Lending to public-sector customers down by DKK 0.1 billion

- **From Q2 2021 to Q3 2021 NII has grown from DKK 432 million to DKK 442 million**

- Higher net interest income from deposits via change in negative interest rate for corporate deposit
- Higher interest income from lending where an increased volume has more than offset the margin pressure

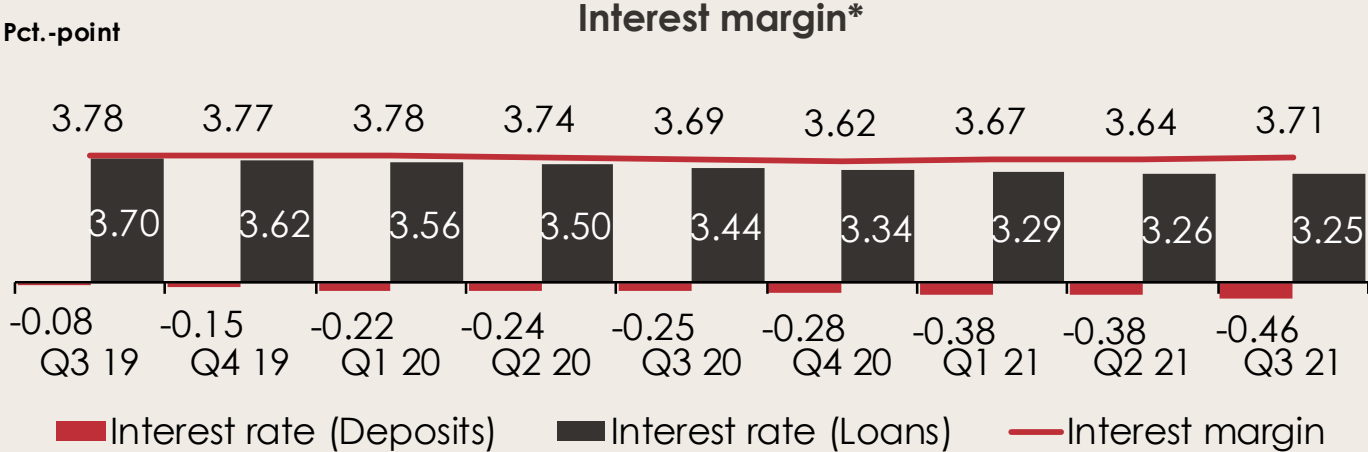
Net interest income



DKKm	Q3 '21	Q2 '21	Q1 '21	Q4 '20	Q3 '20
Interest income on loans	383	375	361	357	357
Interest expenses for deposits	-70	-60	-52	-40	-36
<b>Net interest income, deposits and loans</b>	<b>453</b>	<b>435</b>	<b>413</b>	<b>397</b>	<b>393</b>
Interest income from financial deposits	28	25	26	25	24
Interest expenses for capital market issuance	25	18	15	15	16
Other net interest income	-15	-11	-10	-9	-9
<b>Total net interest income</b>	<b>442</b>	<b>432</b>	<b>414</b>	<b>398</b>	<b>391</b>

# Active measures on deposits lead to improved interest margin

- **Total interest margin has increased by 7 basis points since Q2 2021**
  - The lending rate is down 1 basis points
  - The deposit rate is increased by 8 basis points since last quarter
    - Primarily driven by a changed negative interest rate for corporate deposits, which with effect from 1 July 2021 was adjusted from -75 bp. to -100 bp.
- **Compared to 12 months ago, total interest margin is increased by 2 basis points**
  - The lending rate is down 19 basis points
  - Active measures on pricing lead to 21 basis points improvement of the deposit rate



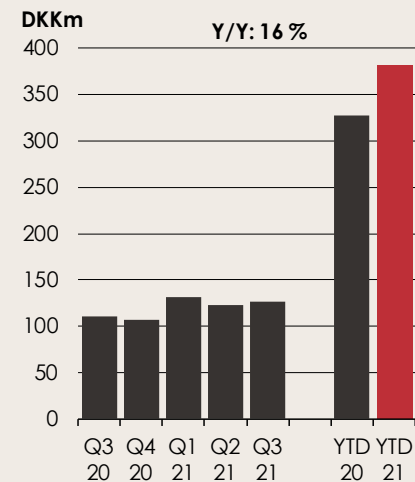
\*Acquisition of BankNordik's Danish business is not included in the figures up to and including Q2 2021

# Net fee income increases by 24% and is realized at a record level

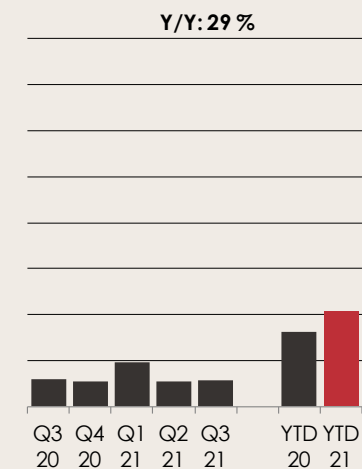
- **Net fee income amounted to DKK 1,140 million versus DKK 918 million in Q1-Q3 2020**
  - Income from mortgage distribution grew 16% due to high activity within the housing market and continued volume growth
  - Other loan transactions fees up 29% due to high level of activity in the housing area
  - Securities trading and asset management grew by 14% follow solid growth in AUM and a continued strong trading activity in positive financial markets
  - Fee income from payments, insurance sales etc. up by 49% due to higher net fees from payment services and cards, insurance and pension and an ongoing adjustment of the Bank's fee structure
  
- **Net fee income in Q3 2021 of DKK 372 million – unchanged compared to Q2 2021**
  - Increase in fee income from mortgages and loan transactions as well as securities trading and asset management offsets decreases in other fees

DKKm	Q3 '21	Q2 '21	Q1 '21	Q4 '20	Q3 '20
Mortgage fee	126	123	132	106	110
Other transaction fees	29	27	48	27	30
Securities and asset management	115	109	115	104	88
Other fees	102	113	101	81	72
<b>Total net fees</b>	<b>372</b>	<b>372</b>	<b>396</b>	<b>319</b>	<b>300</b>

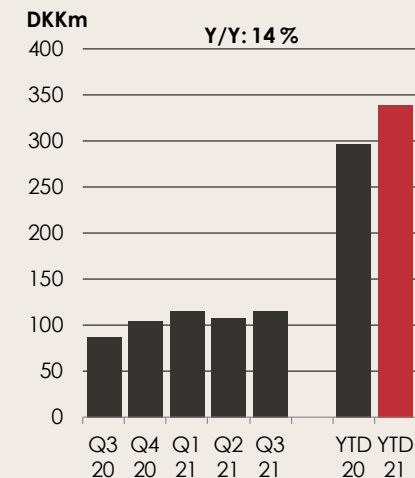
### Mortgage



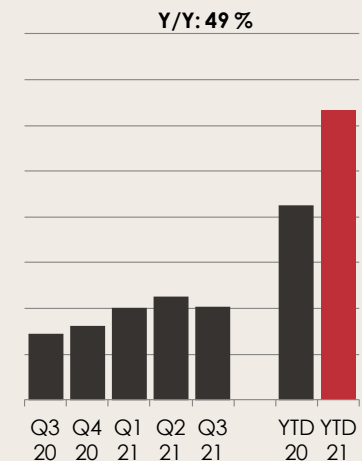
### Loan transactions



### Securities trading and asset management



### Other fees



# Highly satisfactory market-value adjustment

## - Large contribute from portfolio of strategic shareholdings in the financial sector

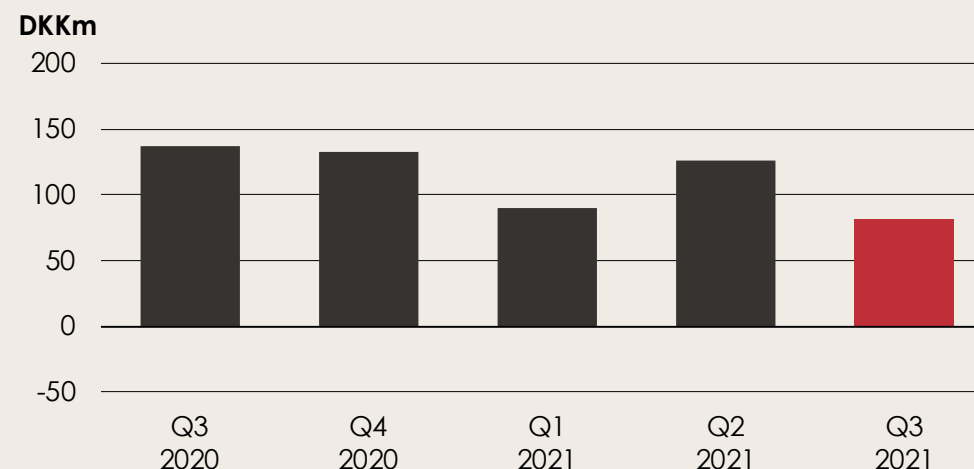
- **Market-value adjustments and dividends amounted to DKK 297 million versus DKK 301 million in Q1-Q3 2020**

- Market value adjustments on equities and bonds approximately at the level of Q1-Q3 2020
  - Market value adjustments on equities in the Trading Division amounted to DKK 53 million, while bonds contributed DKK 7 million
- Market value adjustments and dividends on the portfolio of strategic shares were highly satisfactory DKK 61 million higher than in the same period of last year
  - 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 Q2 2021 to Q3 2021 market value adjustments decreased from DKK 126 million to DKK 81 million**

- Lower market value adjustments in the Trading Division
- Extraordinary gains e.g. related to the Erhvervsinvest companies realized in Q2 2021

Market-value adjustments and dividends



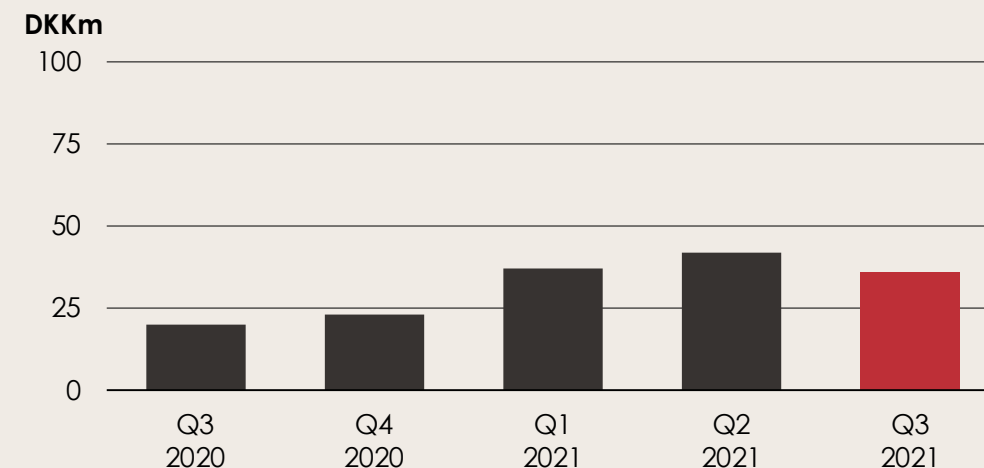
DKKm	Q3 '21	Q2 '21	Q1 '21	Q4 '20	Q3 '20
Market-valued adjustments in Trading Division	0	35	29	74	80
Tangible assets incl. dividends	58	71	42	41	43
Currency trade and -agio	23	21	20	18	13
<b>Total</b>	<b>81</b>	<b>126</b>	<b>90</b>	<b>133</b>	<b>137</b>

# Other income

- **Other income amounted to DKK 115 million versus DKK 48 million in Q1-Q3 2020**

- Other income were DKK 67 million higher in Q1-Q3 2021 – driven by higher income from investments in associates
- Income from investments in associates were positively affected by the bank's shareholdings in Danske Andelskassers Bank, which contributed more than half of the total increase
  - Following the acquisition of an additional 4.6% of the shares in DAB on 17 August 2021, Spar Nord's total shareholding in DAB currently amounts to 36.7%
- The bank's shareholding in Vækst-Invest Nordjylland also made a positive contribution to the increase

## Other income

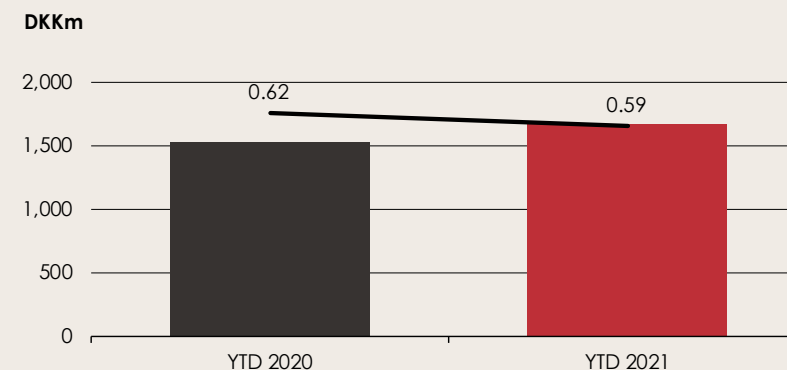


DKKm	Q3 '21	Q2 '21	Q1 '21	Q4 '20	Q3 '20
Other operating income	9	12	11	10	8
Income from investments in associates	27	30	26	13	12
<b>Other income, total</b>	<b>36</b>	<b>42</b>	<b>37</b>	<b>23</b>	<b>20</b>
Hereof, Danske Andelskassers Bank	18	17	16	10	8

# Costs increases by 9%

- Total costs amounted to DKK 1,667 million versus DKK 1,530 million in Q1-Q3 2020
- Payroll costs were DKK 61 million (6%) higher than last year
  - 1,624 employees by end of Q3 2021, which was 126 more than on 1 January 2021
  - The acquisition of BankNordik's Danish business contributed one-off costs of DKK 16 million in H1 2021
- Operating expenses and depreciation up by DKK 75 million
  - Increase in IT costs, while travel and marketing costs were lower than last year
  - One-off costs totalling DKK 26 million were incurred in H1 2021 related to the taking over and refurbishing of branches and IT migration. No significant additional one-off costs were incurred in Q3 2021
- Cost/Income Ratio of 0.59 – better than strategic target of 0.65

Total costs and CIR



Breakdown on cost types

Costs (DKKm)	YTD 2021	YTD 2020	Change
Staff costs	1,010	949	61
Operating expenses	657	582	75
<b>Costs and expenses</b>	<b>1,667</b>	<b>1,530</b>	<b>136</b>

Operating expenses (DKKm)	YTD 2021	YTD 2020	Change
Staff-related expenses	28	25	3
Travel expenses	6	7	-2
Marketing costs	40	50	-10
IT expenses	388	319	68
Cost of premises	40	40	0
Other administrative expenses	87	80	7
Depreciation	68	60	8
<b>Operating expenses</b>	<b>657</b>	<b>582</b>	<b>75</b>



# Net reversals on loan impairments

- **Loan impairments amounted to DKK -116 million against DKK 287 million in Q1-Q3 2020**

- Continued positive developments in the Danish economy and persistently strong credit quality among retail and corporate customers
- Management estimate adjusted with net DKK 54 million in Q3 2021
  - COVID-19 increased by DKK 27 million and new management estimate related to collateral values on private property of DKK 62 million
  - Management estimates related to agriculture and model uncertainty reduced by a total of DKK 35 million

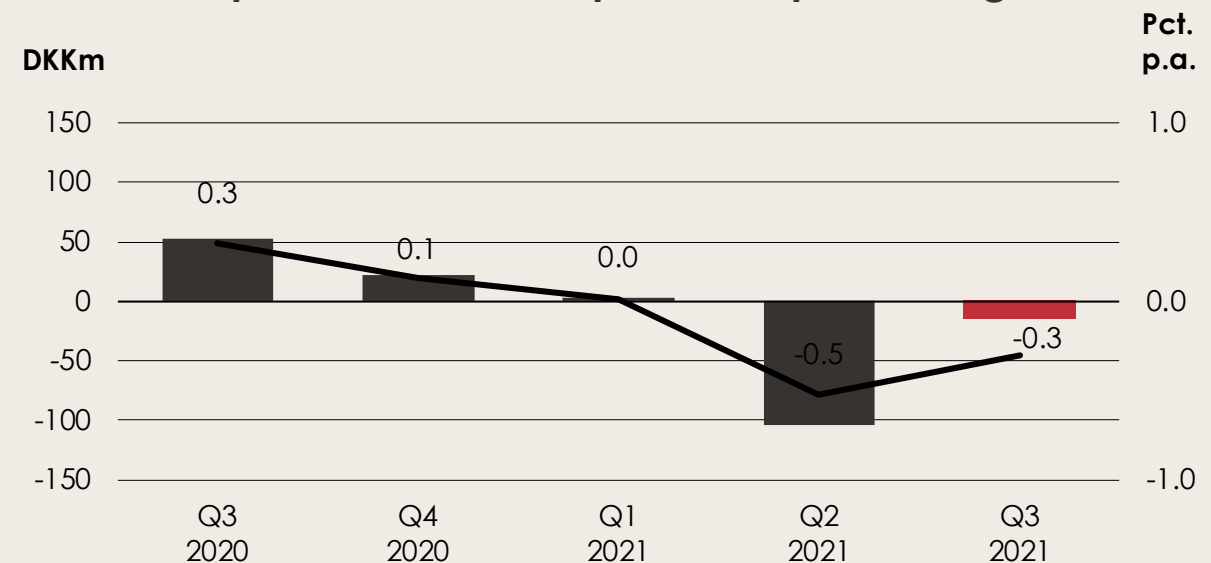
- **Breakdown on segments**

- Private: DKK -35 million
- Consumer finance: DKK -3 million
- Corporate ex. agriculture: DKK -46 million
- Agriculture: DKK -32 million

- **Total management estimate of DKK 610 million (Q2 2021: DKK 556 million)**

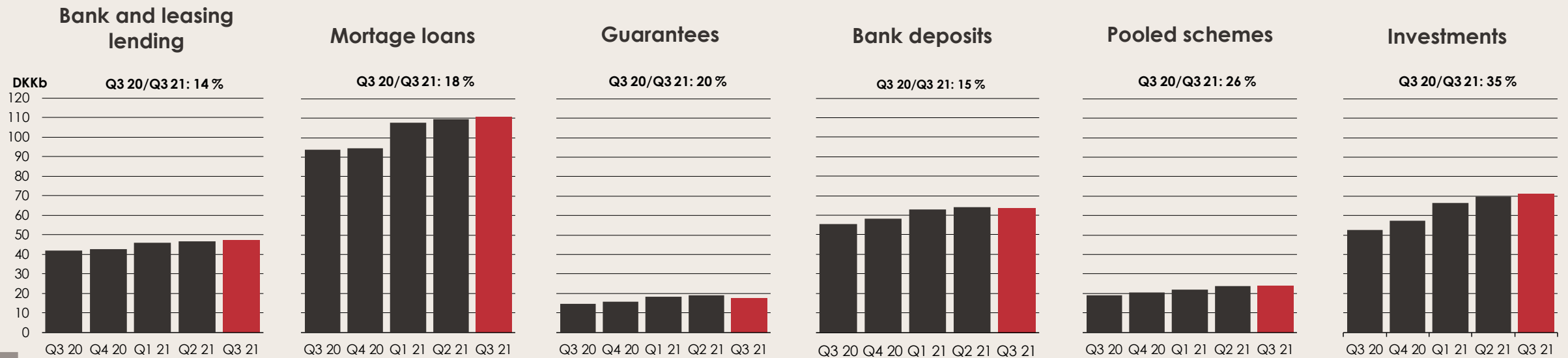
- COVID-19: DKK 347 million (Q2 2021: DKK 320 million)
  - Hereof private: DKK 85 million (Q2 2021: DKK 130 million)
  - Hereof corporate ex. agriculture: DKK 262 million (Q2 2021: DKK 190 million)
- Agriculture (land prices): DKK 125 million (Q2 2021: DKK 139 million)
- Model uncertainty: DKK 76 million (Q2 2021: DKK 97 million)
- Collateral values on private property: DKK 62 million (Q2 2021: DKK 0 million)

**Impairments and impairment percentage**



# Business volume continues to grow

- End of Q3 2021, total business volume amounts to DKK 338.6 billion – DKK 47.3 billion (16%) higher than end-2020
  - Acquisition of BankNordik's Danish business accounted for around DKK 27 billion
- Positive trend in total credit distribution
  - Bank and leasing lending were up by 5.0 billion (Private: DKK 2.5 billion / Corporate: DKK 2.5 billion) and distribution of mortgage loans grew by DKK 16.2 billion
- Deposits and pooled pension savings still growing
  - Bank deposits were up DKK 5.7 billion (Private: DKK 4.4 billion / Corporate: DKK 1.3 billion) and deposits in pooled schemes were up DKK 3.7 billion
- Customers' invested assets are up by DKK 13.8 billion



# Unchanged solid capital position

- **Capital ratios**

- CET1: 15.0 (strategic target: 13.5)
- Own funds ratio: 20.2 (strategic target: 17.5)

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

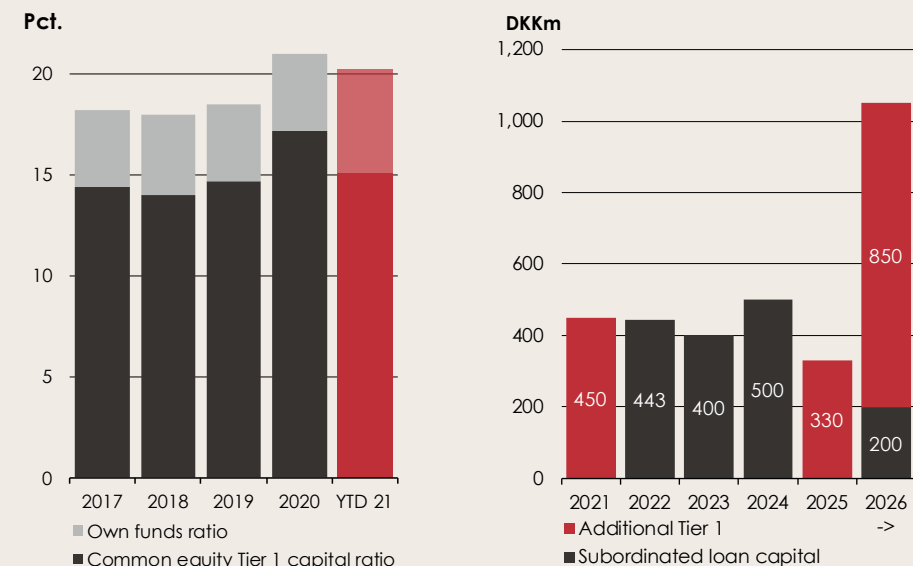
- **Own funds ratio rose 0.9 percentage points in Q3 2021**

- Own funds increased by DKK 230 million with the issuance of AT1 and Tier 2 capital in Q3 2021 contributing positively. A reduced impact of the IFRS transitional scheme and deduction for purchasing additional shares in DAB had the opposite effect
- Risk exposure reduced by DKK 1.8 billion compared to Q2 2021
  - Decline in guarantees, increase in collateral and a fall in exposures with a high capital weighting contributes to a reduced credit risk exposure of DKK 1.0 billion
  - A reduction in the bond portfolio and gross interest rate risk contributes to a reduced market risk exposure of DKK 0.8 billion

- **Capital ratios with recognition of Q1 result (Opted by Q3 2021)**

- CET 1: 15.3
- Own funds ratio: 20.5

**Capital ratios and maturity structure regarding subordinated debt**



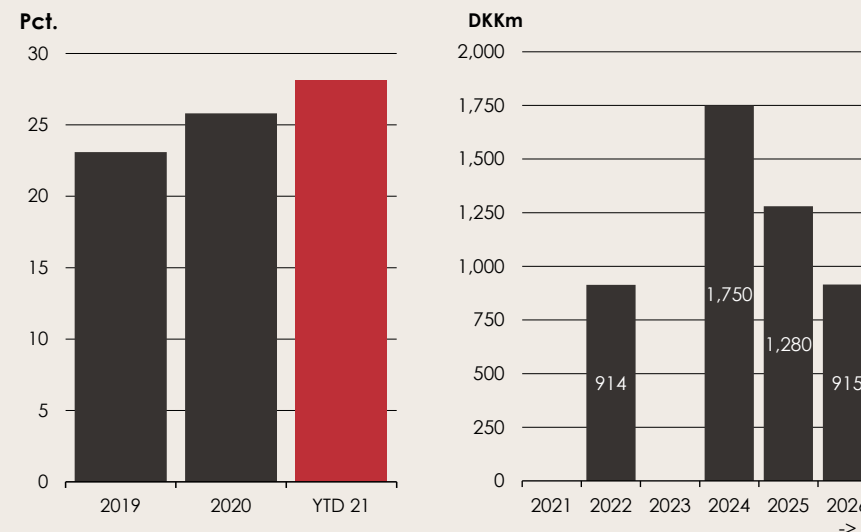
**Capital base**

Pct.	Q3 2021	Q2 2021	2020	2019
<b>Common equity Tier 1 capital ratio</b>	<b>15.0</b>	<b>15.0</b>	<b>17.2</b>	<b>14.6</b>
Additional Tier 1	2.7	2.2	1.4	1.5
Deductions in additional Tier 1	0.0	0.0	0.0	0.0
<b>Tier 1 capital ratio</b>	<b>17.7</b>	<b>17.2</b>	<b>18.6</b>	<b>16.1</b>
Tier 2 capital	2.5	2.1	2.4	2.3
Deductions in own funds	0.0	0.0	0.0	0.0
<b>Own funds ratio</b>	<b>20.2</b>	<b>19.3</b>	<b>21.0</b>	<b>18.5</b>

# Comfortable coverage for MREL requirement

- MREL and combined buffer percentage was 28.1% which is an increase of 1.1 percentage points compared to Q2 2021
  - Increase in MREL and combined buffer percentage primarily driven by increase in own funds
- Excess coverage, MREL requirement of 5.3% per 30 September 2021
  - At the end of Q3 2021, MREL and combined buffer requirements stood at 22.8%, which is 3.6 percentage points higher than at the end of Q2 2021. The increase is due to a further phasing in of the bank's MREL requirement as of 1 July 2021 and is the main reason for the decrease in the bank's excess coverage from Q2 to Q3 2021

MREL and combined buffer percentage og maturity profile for MREL capital



MREL requirement and -coverage

DKKb	Q3 2021	Q2 2021	2020	2019*
Own funds	12.3	12.1	11.5	10.3
Senior Non-Preferred	4.8	4.8	2.7	2.6
Deduction – separate combined buffer requirement	-2.1	-2.2	-1.9	-2.2
<b>Total MREL-eligible liabilities</b>	<b>15.0</b>	<b>14.7</b>	<b>12.2</b>	<b>10.7</b>

Pct.	Q3 2021	Q2 2021	2020	2019*
MREL and combined buffer percentage	28.1	27.0	25.8	23.1
MREL and combined buffer requirement	22.8	19.2	19.6	19.6
<b>Excess coverage, MREL requirement</b>	<b>5.3</b>	<b>7.7</b>	<b>6.2</b>	<b>3.5</b>

\* Adapted to BRRD2 rule set

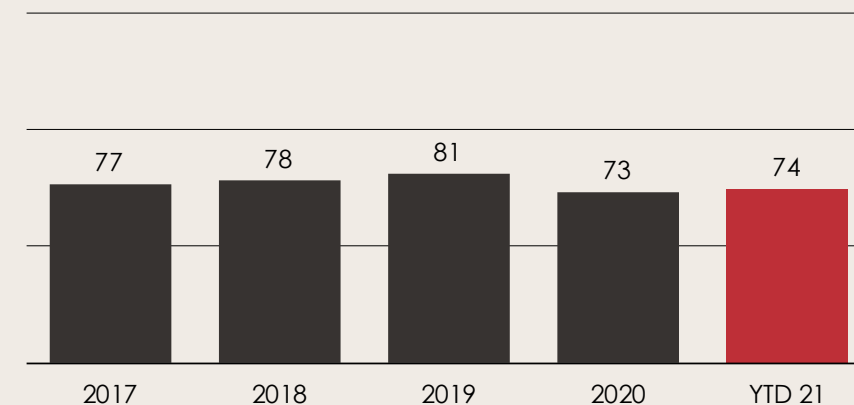
# Strategic liquidity remains at high level

- **Strategic liquidity strengthened by DKK 4.7 billion in 2021**
  - Acquisition of deposit surplus from BankNordik's Danish business contributed more than DKK 3 billion
  - Issue of MREL capital in Q2 2021 contributed DKK 2.2 billion
  - Issue of AT1 and Tier 2 capital in Q3 2021 contributed DKK 1.1 billion
  - Increases in corporate lending and leasing of DKK 2.6 billion detracted strategic liquidity
- **End of September 2021, LCR stood at 253%**
- **End of September 2021, NSFR stood at 128%**

## Strategic liquidity

DKKb	YTD 2021	2020	2019
Deposits, banking activities	63.8	58.1	53.3
Seniorfunding	4.8	2.7	2.6
Core capital and sub. capital	13.6	11.7	11.1
<b>Stable long term funding</b>	<b>82.2</b>	<b>72.5</b>	<b>67.0</b>
Loans, banking and leasing activities	47.5	42.5	43.2
Maturity < 1 year	0.0	0.0	0.4
<b>Strategic liquidity</b>	<b>34.7</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 in company announcement on 13 Oct. 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
- In July guidance was hiked to DKK 1,350-1,500 million
- **Core earnings before impairments are now expected of around DKK 1,475-1,575 million**

- **Impairments of loans**

- At the beginning of 2021, impairments charges were expected lower in 2021 than in 2020
- In April expectations were revised - Impairments for 2021 were expected to be significantly lower than in 2020
- In July expectations were revised - A smaller income from impairments was expected for the full year
- **Income from impairments is now expected around DKK 100 million 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
- In July guidance was hiked to DKK 1,100-1,300 million
- **Net profits are now expected of around DKK 1,250-1,350 million**