



**spar Nord**

**Annual Report 2021**  
**Record-breaking results**





## **The Personal Bank in a Digital World**

Spar Nord is a bank which combines attentive and personal advice with up-to-date digital solutions.

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## Why invest in Spar Nord?



### Strong financial performance

Based on a strategy focused on serving retail customers and small and medium-sized enterprises in Denmark, Spar Nord has successfully generated strong results – even in a year of challenging market conditions. Throughout the current business cycle, the Bank has achieved a satisfactory financial performance, and in recent years it has recorded one of the best returns on equity among the large banks in Denmark.



### Local bank model with strong distribution capabilities

Since we launched our local bank strategy in 2000, Spar Nord has experienced strong growth in both the retail and the business customer market, transforming the bank from a regional to a nationwide bank. Having developed a nationwide branch network of 58 Local Banks, two-thirds of Spar Nord's business volume, branches and customers were outside of northern Jutland and one-third within the region in 2021. Most recently, the distribution capabilities were further strengthened by establishing new branches and through the acquisition of BankNordik's Danish business.



### High customer satisfaction

Spar Nord enjoys a strong reputation and high customer satisfaction across customer segments. In the retail segment, Spar Nord monitors customer satisfaction levels via ongoing evaluation of customer meetings. Customer satisfaction in 2021 was on a level with 2020, remaining at a high level. In the business customer segment, Spar Nord was – for the fifth consecutive year – named the bank among the six largest banks in Denmark with the most satisfied business customers (Aalund 2021).



### Strong credit quality

Spar Nord's business model is based on decentralised decision-making powers and local ownership. In the credit area, however, the Bank retains strong centralised management, and coupled with strategic decisions on matters such as exposure size and customer segments, this has given the Bank a well-diversified loan portfolio and a persistently strong credit quality throughout the business cycle.



### Solid capital position ahead of IRB implementation

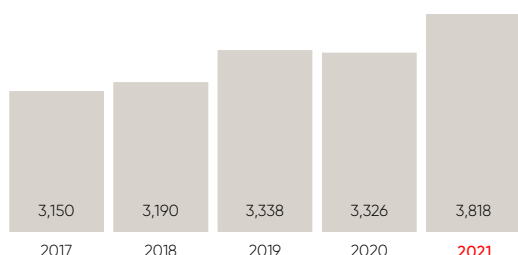
During the past few years, Spar Nord has significantly strengthened its capital position. The Bank's common equity tier 1 capital ratio has thus increased from 9.5% in 2010 to 16.3% in 2021 – primarily because the shareholders' equity has grown from DKK 4.4 billion to DKK 10.7 billion. In 2022, Spar Nord expects to complete the strategic project, which in 2023 is to pave way for implementing internal ratings-based models (IRB) and from 2024 provide the basis for a more optimum capital application.



### The Personal Bank in a Digital World

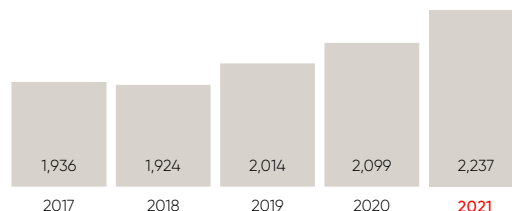
In the past few years, Spar Nord has endeavoured to balance diligent and attentive customer advice with up-to-date digital solutions and possibilities for its customers. Together with a local presence and involvement, advisory services are the foundation for long-term customer relations, while digital solutions are supported by investment in both customer-centric solutions and in process- and system-supportive tools for our advisers.

## Key results in 2021



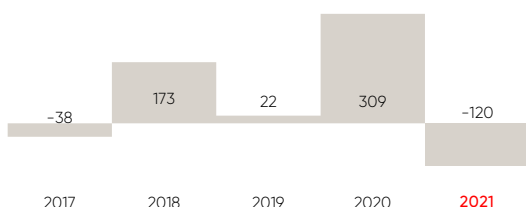
### Core income

Spar Nord generated core income of DKK 3,818 million in 2021, which was DKK 492 million more than in 2020. Net interest and net fee income rose by DKK 455 million, while market value adjustments were down by DKK 25 million. Lastly, other income increased by DKK 63 million. In 2021, core income was favourably impacted by to the acquisition of BankNordik's Danish business.



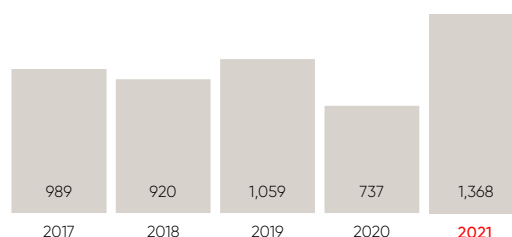
### Costs and expenses

Spar Nord's total costs and expenses amounted to DKK 2,237 million, against DKK 2,099 million in 2020. In 2021, costs and expenses were impacted by to the acquisition of BankNordik's Danish business, including non-recurring expenses totalling DKK 40 million.



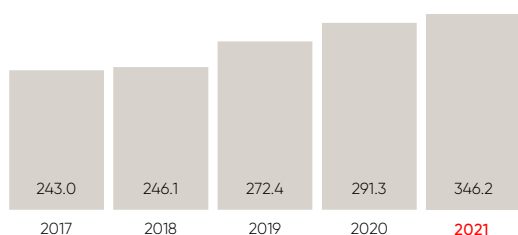
### Loan impairment

Loan impairment charges amounted to an income of DKK 120 million in 2021, against an expense of DKK 309 million in 2020. In 2020, impairment charges were strongly impacted by the recognition of a management estimate of DKK 320 million due to COVID-19, which was reduced to DKK 295 million in 2021.



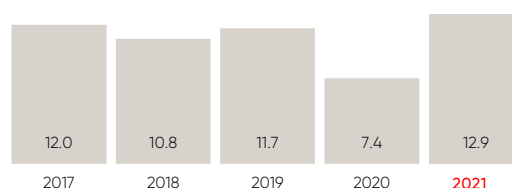
### Profit/loss after tax

Profit after tax was DKK 1,368 million in 2021, against DKK 737 million in 2020. Spar Nord's profit before tax amounted to DKK 1,701 million in 2021.



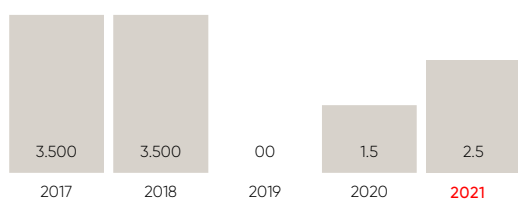
### Business volume

The total business volume grew 19% in 2021 to DKK 346.2 billion at the end of the year. The facilitation of mortgage loans rose 18% to DKK 111.9 billion, while bank and leasing loans rose 16% to DKK 49.1 billion. The acquisition of BankNordik's Danish business contributed a combined business volume to the tune of DKK 27 billion.



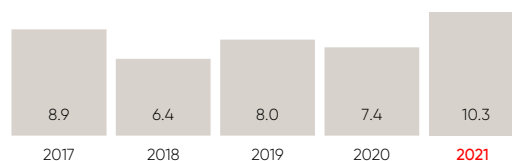
### Return on equity

Return on equity after tax stood at 12.9% in 2021, up from 7.4% in 2020. For the period 2017-2021, average return on equity after tax was 11.0%.



### Dividend

In the Bank's Annual Report 2021, the Board of Directors has allocated dividends of DKK 2.50 per share. See Letter to our shareholders for more information on the recommendation for the annual general meeting.



### Market capitalisation

Spar Nord's market capitalisation rose 40% in 2021 to DKK 10.3 billion at the end of the year.





## How we do business

### Decentralised ownership and strong central support

The core of Spar Nord's business model is local commitment combined with strong central support.

Spar Nord's business model is inspired by the franchise concept, in which strongly anchored local ownership is the driver of customer relations and business volume. Our business model thus supports setting up local teams independently and addressing the market through initiatives and marketing. The business model builds on decentralised decision-making powers with a high degree of local autonomy.

However, the Bank's business model also entails that areas such as credit policy, IT and processes involving areas such as AML and GDPR are established and managed centrally in the Bank.



### Ressources

Strategy and insight  
Image and reputation  
Knowhow and expertise  
Systems and capacity  
Capital and investments



### Results

High customer satisfaction  
Local presence and social commitment  
Earnings and return  
High employee satisfaction

## Letter to our shareholders

### Dear shareholders

Spar Nord had a historic year in 2021; the combination of organic growth and acquisitions drove a strong development in our core business. The year also saw an exceptionally high level of activity among our customers – both in the housing market and in securities trading.

Reporting a net profit of DKK 1,368 million – the highest in the Bank's 197-year history – and a return on equity of 12.9% for 2021, Spar Nord is a top performer among large Danish banks.

On the basis of the highly satisfactory results for 2021, and in accordance with the Bank's dividend policy, Spar Nord intends to pay total dividends of DKK 5.00 per share for 2021, equal to 45% of the profit for the year.

The Board of Directors recommends to the shareholders at the Annual General Meeting that initial dividends of DKK 2.50 per share be paid, and that the Board of Directors be authorised to pay up to an additional DKK 2.50 per share.

It is the intention that the remaining DKK 2.50 per share be paid before the end of H1 2022 if the Board of Directors assesses that no need will arise to strengthen the Bank's own funds due to potential acquisitions. At the same time, the Board of Directors will assess the possibility of adjusting the Bank's own funds through a share buyback of up to DKK 225 million.

### Historically high level of activity

2021 began as 2020 ended: with COVID-19 as the overriding theme and all our lives challenged by restrictions and lockdowns. In spite of this, or perhaps actually as a result of this, the year saw a very high level of activity in housing sales, securities trading and asset management.

In the housing market, the lack of or limited possibility of international travel, especially in the opening months of 2021, resulted in historic levels of transactions in the market for holiday homes, which later rubbed off on the market for owner-occupied homes. At the same time, the very low interest rates, especially in H1 2021, offered good opportunities for customers to remortgage their home loans. Overall, we helped our customers complete more than 6,500 house transactions during 2021, while more than 8,000 loans were remortgaged.

The persistently low interest rates in 2021 also meant that customers remained interested in making pension contributions and in investments in general, and generally buoyant equity markets resulted in high levels of securities trading. On the basis of the strong interest in making pension contributions, the Bank's pension pools reached an impressive DKK 25 billion in 2021.

Furthermore, it is worth noting that the high levels of activity during prolonged periods of 2021 were

handled during lockdowns and with people working from home, which is testament to a continuing high degree of flexibility and agility among customers and employees alike.

### Successful acquisition and integration of BankNordik's Danish business

The last news item in 2020 was the announcement of Spar Nord's acquisition of BankNordik's Danish business. In February 2021, the acquisition became a reality following approval by both the competition authorities and the Danish FSA. In H1 2021, many resources of our organisation worked hard to prepare for the conversion and integration of employees and customers into Spar Nord.

The end of June saw the culmination of a successful project involving the IT migration from SDC to BEC of some 60,000 customers, a business volume of DKK 27 billion and more than 100 employees. With the acquisition of BankNordik's Danish business, the Bank has now an even stronger position in the Greater Copenhagen area, and especially on the island of Amager.

### Local Bank Model provides greater distribution capabilities

In 2021, we also established a further three new branches on Zealand: in Solrød Strand, Korsør and Hørsholm, after having opened a new branch in Herlev in 2020. Finally, we announced at the beginning of 2022 that we will also be establishing new geographical banking areas in the Lolland-Faster area and in Allerød. In all circumstances, the opening of new branches reflects our firm belief in our decentralised business model, which we call the Local Bank Model. Basically, we are confident that it requires physical presence and active involvement in a local area to establish good long-term customer relations.

The opening of new branches and continued growth in many of the branches we opened during the years before the financial crisis resulted in strong organic business momentum in 2021.

As a specific testament to this trend, Spar Nord became the first bank under the Totalkredit alliance to reach DKK 100 billion in mortgage loans arranged during Q4 2021. This milestone was reached on the back of strong distribution capabilities based on local branches and close customer relations.

### From COVID-19 under control to rising infection rates

In terms of COVID-19, 2021 generally fell into two halves. While the first half was still marked by lockdowns and telecommuting, the second half tended to be more normal without any noteworthy restrictions. Unfortunately, the year ended with soaring infection rates and the reintroduction of a number of restrictions, which means it remains difficult to predict the long-term effects and consequences of the pandemic.



## Introduction



In terms of customer credit quality and financial performance, the consequences of COVID-19 have so far been limited. Retail and business customers remain financially robust, and macroeconomic indicators are pointing to a healthy Danish economy. In spite of rising infection rates, we therefore remain confident about the prospects for 2022.

The positive trends are not least attributable to the fact that employees and customers alike have managed to adapt to working from home and accepting virtual meetings as the new normal and not an impediment to resolving financial challenges, starting new investments or trading properties and securities. We firmly believe that the adaptability and can-do attitude is supported by our decentralised business model and the resulting strong relationship between advisers and customers.

A testament to this relationship is Spar Nord winning the accolade – for the fifth consecutive year – of the bank with the most satisfied business customers among the six largest banks in Denmark. This nomination was made by the market research company Aalund in its Bank Barometer Business.

### **Shareholder returns back on track**

After a turbulent year in 2020 with a falling share price and suspended dividends, our shareholders saw Spar Nord's share price recover in 2021. The share opened 2021 at a price of 60 and closed the year at 84, corresponding to an increase of 40%.

Also, the acquisition of BankNordik's Danish business opened up for dividends of DKK 1.50 per share for a payout ratio of 25%. The payout ratio was lower than stated in the Bank's dividend policy not

least on account of the Danish FSA's recommendation for the 2020 financial year.

Thus, the total return on Spar Nord's shares in 2021 was 42%. By comparison, the Danish banking index yielded a return of 34%, so Spar Nord was a very successful investment in 2021.

As mentioned above, 2021 was a historic year for Spar Nord in terms of financial performance. As the Danish FSA no longer imposes any restrictions or recommendations with respect to the Bank's dividend payments, we are able to distribute very decent dividends to our shareholders. It is also a good opportunity to adjust the Bank's capital position following the acquisition of BankNordik's Danish business and recent years' limited dividend payments.

In accordance with the Bank's dividend policy, Spar Nord intends to pay total dividends of DKK 5.00 per share for 2021, equal to 45% of the profit for the year.

The Board of Directors recommends to the shareholders at the Annual General Meeting that initial dividends of DKK 2.50 per share be paid, and that the Board of Directors be authorised to pay up to an additional DKK 2.50 per share.

It is the intention that the remaining DKK 2.50 per share be paid before the end of H1 2022 if the Board of Directors assesses that no need will arise to strengthen the Bank's own funds due to potential acquisitions. At the same time, the Board of Directors will assess the possibility of adjusting the Bank's own funds through a share buyback of up to DKK 225 million.

## Introduction

Total dividends of DKK 5.00 per share equals a payout ratio of 45 and a direct return of 6.0%.

### Official ESG rating by Sustainalytics

In 2022, we continued our dedicated effort to improve the Bank's CSR and sustainability initiatives. Both rank high on the agenda in society at large and in the financial sector. Already in 2020, we adjusted our goal for being carbon neutral from 2025 to 2021, and as this was a focus area in 2021, we note with great satisfaction that we succeeded.

In December 2021, we announced that, together with a number of other players in the financial sector, we had signed an agreement to purchase green power from the energy company Better Energy. The agreement also entails the installation of a brand new solar cell farm. It was a natural step for Spar Nord to sign this agreement as we want to share in the responsibility for mitigating climate and environmental impacts and contribute to the green transition and the joint Danish climate goals for 2030.

In 2021, we also signed an agreement with Sustainalytics, which is a recognised ESG rating agency. As part of the agreement, Sustainalytics reviewed the Bank's goals, policies, initiatives and actions in CSR and sustainability and against that background assigned Spar Nord an ESG rating.

We are happy with the ESG rating we have been assigned, which is on a level with the ratings assigned to our peers and a clear recognition of the ESG work that we undertake in Spar Nord.

### Strategy and outlook

2022 is the final year of our current strategy period. At Spar Nord, we pride ourselves at providing diligent, attentive and highly qualified advice to both retail and business customers, and it is the foundation for our high customer satisfaction ratings, a good reputation and, by extension, continuing growth in market share and business volume.

Combined with a strong belief in the importance of local presence and decentralised decision-making powers, this approach to conducting business will remain the cornerstone of our strategy work in 2022, when we will be defining the direction and goals for the Bank in the upcoming strategy period of 2023–2025.

Another key focus area in 2022 will be to complete our efforts in preparing Spar Nord to become an IRB bank. The purpose of this multi-year strategic project is to enable the Bank to retain the capital required relative to the risk on its exposures at some point during 2024.

On the back of the strengthened distribution capabilities through acquisition and the opening of new branches in 2021, Spar Nord will remain a profitable and business-oriented bank in 2022. Therefore and on account of the persistently low impairment charges, the Bank will be able to generate a return on equity after tax this year that is above its overall financial target of 7–9%, meaning Spar Nord will continue to rank among the top-performing large banks in Denmark.

Yours faithfully

**Kjeld Johannesen**  
Chairman of the  
Board of Directors

**Lasse Nyby**  
Chief Executive Officer





# Performance indicators and financial ratios – Group

## Performance indicators

### Income statement

DKKm	2021	2020	Change in %	2019	2018	2017
Net interest income *)	1,736	1,584	10	1,573	1,548	1,546
Net fee income	1,541	1,238	24	1,225	1,127	1,116
Market value adjustments and dividends	407	433	-6	379	268	404
Other income	133	71	89	160	247	83
<b>Core income</b>	<b>3,818</b>	<b>3,326</b>	<b>15</b>	<b>3,338</b>	<b>3,190</b>	<b>3,150</b>
Staff costs	1,346	1,293	4	1,218	1,152	1,165
Operating expenses	890	806	11	796	771	771
<b>Costs and expenses</b>	<b>2,237</b>	<b>2,099</b>	<b>7</b>	<b>2,014</b>	<b>1,924</b>	<b>1,936</b>
<b>Core earnings before impairment</b>	<b>1,581</b>	<b>1,227</b>	<b>29</b>	<b>1,324</b>	<b>1,266</b>	<b>1,213</b>
Impairment of loans, advances and receivables etc. *)	-120	309	-	22	173	-38
<b>Profit/loss before tax</b>	<b>1,701</b>	<b>918</b>	<b>85</b>	<b>1,302</b>	<b>1,094</b>	<b>1,251</b>
Tax	333	181	84	243	174	262
<b>Profit/loss</b>	<b>1,368</b>	<b>737</b>	<b>86</b>	<b>1,059</b>	<b>920</b>	<b>989</b>
Interest expenses to holders of additional tier 1 (AT1) capital	61	49	23	49	49	49

### Balance sheet

DKKm						
Total assets	116,535	102,077	14	93,113	82,793	80,367
<b>Lending</b>	<b>61,936</b>	<b>52,312</b>	<b>18</b>	<b>51,312</b>	<b>44,330</b>	<b>46,747</b>
Lending, banking and leasing activities	49,086	42,494	16	43,157	39,551	37,272
Lending, reverse repo transactions	12,850	9,819	31	8,155	4,779	9,475
<b>Deposits</b>	<b>89,308</b>	<b>78,881</b>	<b>13</b>	<b>70,602</b>	<b>65,545</b>	<b>64,266</b>
Deposits, banking activities	63,775	58,084	10	53,279	50,773	48,668
Deposits, repo transactions	0	333	-	0	0	175
Deposits, pooled schemes	25,533	20,464	25	17,323	14,772	15,423
Issued bonds	4,845	2,670	81	2,637	0	0
Subordinated debt	1,523	1,333	14	1,322	1,332	1,144
Additional tier 1 (AT1) capital	1,197	794	51	860	861	861
Shareholders' equity	10,727	9,596	12	8,901	8,380	8,114
Guarantees	17,566	15,591	13	14,766	12,092	11,961
Total risk exposure amount	60,479	54,865	10	55,963	53,858	49,546
Tier 1 capital	11,045	10,193	5	9,032	8,387	7,924
Impairment account and discount on exposures taken over **)	1,633	1,717	-5	1,503	1,945	1,616
Contractual non-performing loans	257	275	-7	303	476	341
Business volume	346,189	291,310	19	272,431	246,063	243,014

\*) In the core earnings format in 2017, an amount was reclassified between the items Net interest income and Impairment of loans, advances and receivables, etc., which relates to the share of the discount, recognised as income, on commitments taken over.

\*\*) Incl. impairment of exposures taken over, and from 2018 onwards, the figure is inclusive of impairment of unutilised credit lines.

The comparative figures have not been restated in connection with the implementation of IFRS 9 on financial instruments at 1 January 2018 and IFRS 16 on leasing at 1 January 2019.

## Financial performance – core earnings, year

### Financial ratios

		2021	2020	2019	2018	2017
<b>Own funds</b>						
Own funds ratio		20.8	21.0	18.5	18.0	18.2
Tier 1 capital ratio		18.3	18.6	16.1	15.6	16.0
Common equity tier 1 capital ratio		16.3	17.2	14.6	14.0	14.4
<b>Earnings</b>						
Return on equity before tax excl. additional tier 1 (AT1) capital *)	%	16.1	9.4	14.5	12.8	15.1
Return on equity after tax excl. additional tier 1 (AT1) capital *)	%	12.9	7.4	11.7	10.8	12.0
Cost share of core income	DKK	0.59	0.63	0.60	0.60	0.61
Cost share of core income – incl. impairment of loans, advances and receivables, etc.	DKK	0.55	0.72	0.61	0.66	0.60
Return on assets	%	1.2	0.7	1.1	1.1	1.2
<b>Market risk and liquidity</b>						
Interest rate risk	%	0.9	1.1	0.6	0.2	0.7
Foreign exchange position	%	0.7	0.9	1.0	1.4	3.3
Foreign exchange risk	%	0.1	0.1	0.1	0.1	0.1
Net Stable Funding Ratio (NSFR)	%	125	-	-	-	-
Liquidity Coverage Ratio (LCR)	%	280	241	195	174	187
Bank and leasing loans relative to bank deposits	%	77.0	73.2	81.0	77.9	76.6
<b>Credit risk</b>						
Bank and leasing loans relative to shareholders' equity		4.6	4.4	4.8	4.7	4.6
Increase in loans and advances for the year	%	15.5	-1.5	9.1	6.7	6.2
Sum of large exposures **)	%	81.7	78.1	83.6	79.2	17.2
Impairment ratio		-0.1	0.4	0.0	0.3	-0.1
<b>Employees and branches</b>						
Number of employees (full-time equivalents, end of period)		1,608	1,545	1,549	1,518	1,538
Number of branches		58	51	49	49	50
<b>Spar Nord share</b>						
<b>DKK per share of DKK 10</b>						
Share price, end of period		84	60	65	52	72
Net asset value (NAV), *)		87	78	72	68	66
Profit/loss for the year *)		10.6	5.6	8.2	7.2	7.8
Dividend	DKK	2.5	1.5	0.0	3.5	3.5
Return	%	42	-8	32	-23	-5
Price/earnings *)		8	11	8	7	9

\*) The financial ratio has been calculated as if the additional tier (AT1) capital were treated as a liability for accounting purposes, which means that the calculation of the financial ratio has been based on the shareholders' share of profit and equity. The shareholders' share of profit and equity appears from the statement of changes in equity.

\*\*) From 2018 onwards, the ratio is calculated according to the Danish FSA's new reference point for large exposures.

The comparative figures have not been restated in connection with the implementation of IFRS 9 on financial instruments at 1 January 2018 and IFRS 16 on leasing at 1 January 2019.

The Danish FSA's layout and ratio system is shown in note 6.13 to the consolidated financial statements.

A definition of financial ratios is provided in note 6.13.1 to the consolidated financial statements.



# Performance indicators and financial ratios – Group

## Performance indicators

### Income statement

	2021	2021	2021	2021	2020
DKKm	Q4	Q3	Q2	Q1	Q4
Net interest income	448	442	432	414	398
Net fee income	401	372	372	396	319
Market value adjustments and dividends	110	81	126	90	133
Other income	18	36	42	37	22
<b>Core income</b>	<b>977</b>	<b>931</b>	<b>972</b>	<b>938</b>	<b>872</b>
Staff costs	336	305	352	353	344
Operating expenses	234	208	235	214	224
<b>Costs and expenses</b>	<b>570</b>	<b>513</b>	<b>587</b>	<b>567</b>	<b>568</b>
<b>Core earnings before impairment</b>	<b>407</b>	<b>418</b>	<b>385</b>	<b>371</b>	<b>304</b>
Impairment of loans, advances and receivables etc.	-4	-15	-103	2	22
<b>Profit/loss before tax</b>	<b>412</b>	<b>433</b>	<b>488</b>	<b>368</b>	<b>282</b>
Tax	78	85	97	73	52
<b>Profit/loss</b>	<b>334</b>	<b>348</b>	<b>391</b>	<b>295</b>	<b>230</b>
Interest expenses to holders of additional tier 1 (AT1) capital	17	16	16	12	11

### Balance sheet

DKKm					
Total assets	116,535	115,997	114,562	108,208	102,077
<b>Lending</b>	<b>61,936</b>	<b>60,012</b>	<b>57,862</b>	<b>55,245</b>	<b>52,312</b>
Lending, banking and leasing activities	49,086	47,472	46,551	46,058	42,494
Lending, reverse repo transactions	12,850	12,540	11,312	9,187	9,819
<b>Deposits</b>	<b>89,308</b>	<b>88,008</b>	<b>88,054</b>	<b>85,360</b>	<b>78,881</b>
Deposits, banking activities	63,775	63,802	64,327	62,787	58,084
Deposits, repo transactions	0	0	0	488	333
Deposits, pooled schemes	25,533	24,206	23,727	22,085	20,464
Issued bonds	4,845	4,825	4,847	2,651	2,670
Subordinated debt	1,523	1,529	1,334	1,327	1,333
Additional tier 1 (AT1) capital	1,197	1,659	1,402	1,407	794
Shareholders' equity	10,727	10,394	10,066	9,870	9,596
Guarantees	17,566	17,574	19,031	18,400	15,591
Total risk exposure amount	60,479	60,830	62,619	60,594	54,865
Tier 1 capital	11,045	10,774	10,741	10,482	10,193
Impairment account and discount on exposures taken over *)	1,633	1,635	1,673	1,781	1,717
Contractual non-performing loans	257	279	270	268	275
Business volume	346,189	338,616	336,437	326,604	291,310

\*) Incl. impairment of exposures taken over, and from 2018 onwards, the figure is inclusive of impairment of unutilised credit lines.

## Financial performance – core earnings, quarterly

### Financial ratios

		2021 Q4	2021 Q3	2021 Q2	2021 Q1	2020 Q4
<b>Own funds</b>						
Own funds ratio		20.8	20.2	19.3	19.5	21.0
Tier 1 capital ratio		18.3	17.7	17.2	17.3	18.6
Common equity tier 1 capital ratio		16.3	15.0	15.0	15.0	17.2
<b>Earnings</b>						
Return on equity before tax excl. additional tier 1 (AT1) capital p.a. *)	%	15.5	16.7	19.2	14.6	11.7
Return on equity after tax excl. additional tier 1 (AT1) capital p.a. *)	%	12.5	13.3	15.3	11.6	9.5
Cost share of core income	DKK	0.58	0.55	0.60	0.60	0.65
Cost share of core income – incl. impairment of loans, advances and receivables, etc.	DKK	0.58	0.53	0.50	0.61	0.68
Return on assets	%	0.3	0.3	0.3	0.3	0.2
<b>Market risk and liquidity</b>						
Interest rate risk	%	0.9	0.5	0.9	0.9	1.1
Foreign exchange position	%	0.7	0.5	1.0	0.8	0.9
Foreign exchange risk	%	0.1	0.1	0.1	0.1	0.1
Net Stable Funding Ratio (NSFR)	%	125	128	129	-	-
Liquidity Coverage Ratio (LCR)	%	280	253	257	234	241
Bank and leasing loans relative to bank deposits	%	77.0	74.4	72.4	73.4	73.2
<b>Credit risk</b>						
Bank and leasing loans relative to shareholders' equity		4.6	4.6	4.6	4.7	4.4
Increase in loans and advances for the period	%	3.4	2.0	1.1	8.4	1.8
Sum of large exposures	%	81.7	89.3	81.9	81.8	78.1
Impairment ratio		0.0	0.0	-0.1	0.0	0.0
<b>Employees and branches</b>						
Number of employees (full-time equivalents, end of period)		1,608	1,624	1,635	1,640	1,545
Number of branches		58	57	57	57	51
<b>Spar Nord share</b>						
<b>DKK per share of DKK 10</b>						
Share price, end of period		84	75	71	68	60
Net asset value (NAV) *)		87	85	82	80	78
Profit/loss for the period *)		2.6	2.7	3.1	2.3	1.8

\*) The financial ratio has been calculated as if the additional tier (AT1) capital were treated as a liability for accounting purposes, which means that the calculation of the financial ratio has been based on the shareholders' share of profit and equity. The shareholders' share of profit and equity appears from the statement of changes in equity.



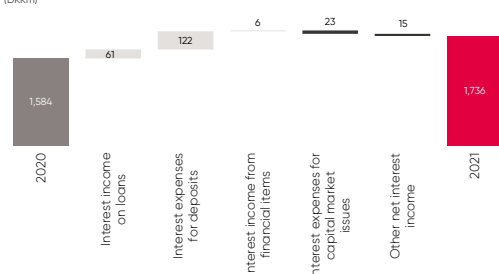
## Results in 2021

Spar Nord achieved a net profit of DKK 1,368 million in 2021, which corresponds to an annualised return on equity of 12.9%. The profit was DKK 631 million, or 86%, higher than in 2020 and is considered highly satisfactory.

### Income

Core income for the year amounted to DKK 3,818 million, which was an increase of DKK 492 million, or 15%, on 2020.

**Developments in net interest income**  
(DKKm)



Net interest income was DKK 1,736 million in 2021, against DKK 1,584 million in 2020.

There was an increase in net interest income both from loans and deposits in 2021. The increase in interest income from lending was positively affected by growth in lending, including the acquisition of BankNordik's Danish business, while developments in the average borrowing rate had the opposite effect. Growth in lending and active initiatives in using negative deposit rates drove an increase in net interest income from deposits.

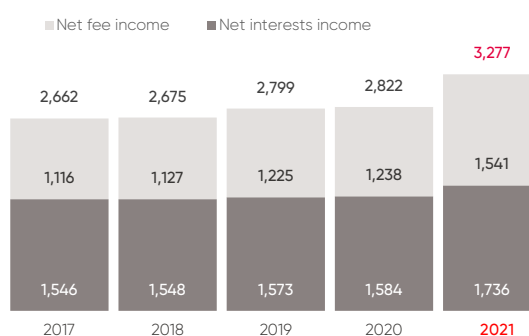
In Q4 2021, the interest margin increased by 4 basis points relative to Q4 2020. This was driven by a decline in the average borrowing rate of 18 basis points (y/y), which was more than offset by a decline in the deposit margin of 22 basis points (y/y).

Lastly, net interest income in 2021 relative to 2020 was adversely affected by a DKK 23 million increase in interest expenses for capital market issues, which was due to an additional issue of MREL capital in Q2 2021.

DKKm	2021	Q4 2021	Q3 2021	Q2 2021	Q1 2021	2020
Interest income on loans	1,508	389	383	375	361	1,447
Interest expenses for deposits	-255	-73	-70	-60	-52	-132
<b>Net interest income, deposits and loans</b>	<b>1,763</b>	<b>462</b>	<b>453</b>	<b>435</b>	<b>413</b>	<b>1,579</b>
Interest income from financial items	107	28	28	25	26	101
Interest expenses for capital market issues	83	26	25	18	15	60
Other net interest income	-51	-16	-15	-11	-10	-35
<b>Total net interest income</b>	<b>1,736</b>	<b>448</b>	<b>442</b>	<b>432</b>	<b>414</b>	<b>1,584</b>

Net fee income was DKK 1,541 million in 2021, against DKK 1,238 million in 2020. Net fee income thus accounted for 47% of total net interest and fee income in 2021 (2020: 44%).

**Net interests income and net fee income**  
(DKKm)



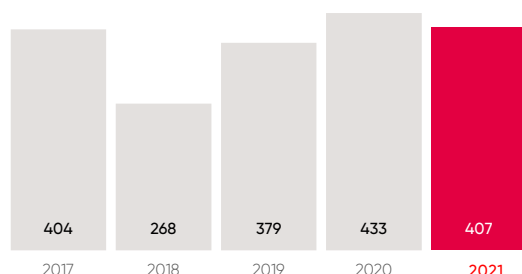
In addition to the acquisition of BankNordik's Danish business, the highly satisfactory trend in net fee income was mainly attributable to a high level of activity in the housing market and securities trading and asset management. In the housing market, especially the first half of 2021 saw a historically high level of transaction activity amid a high level of re-mortgaging activity. Throughout the year, there was a very high level of activity in securities trading and asset management, which contributed to a record-high business volume at the end of 2021.

Finally, higher net fees from payment services and cards, insurance and pension and an ongoing adjustment of the Bank's fee structure contributed to the growth in net fee income relative to 2020.

DKKm	2021	Q4 2021	Q3 2021	Q2 2021	Q1 2021	2020
Mortgage fees	511	130	126	123	132	434
Other transaction fees	130	26	29	27	48	108
Securities and asset management	471	132	115	109	115	401
Other fees	429	113	102	113	101	294
<b>Total net fee income</b>	<b>1,541</b>	<b>401</b>	<b>372</b>	<b>372</b>	<b>396</b>	<b>1,238</b>

## Financial review

### Market value adjustments and dividends (DKKm)



Market value adjustments and dividends totalled DKK 407 million in 2021, against DKK 433 million in 2020.

While equity markets were particularly buoyant in 2021, the fixed income markets were more turbulent and marked by strong fluctuations in yields and credit spreads. Market value adjustments on equities in the Trading Division were a record-high DKK 70 million in 2021, while bonds contributed DKK 15 million. Overall, earnings in the Trading Division were DKK 88 million, which was DKK 133 million lower than in 2020.

Market value adjustments and dividends on the portfolio of strategic shares were DKK 83 million higher than in 2020. Earnings were attributable both to Spar Nord's holding of shares in BI Holding (BankInvest) and PRAS and extraordinary gains related to the Erhvervsinvest companies.

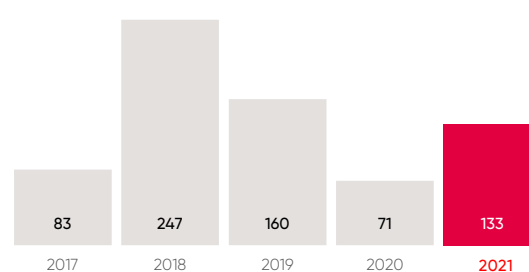
DKKm	2021	Q4 2021	Q3 2021	Q2 2021	Q1 2021	2020
Market value adjustments in Trading Division, etc.	88	25	0	35	28	221
Equity investments, incl. dividends	234	63	58	71	42	151
Currency trading and exchange rate gains	85	22	23	21	20	62
<b>Total market value adjustments and dividends</b>	<b>407</b>	<b>110</b>	<b>81</b>	<b>126</b>	<b>90</b>	<b>433</b>

Other income amounted to DKK 133 million, against DKK 71 million in 2020.

The increase in other income was attributable in particular to positive developments regarding Spar Nord's shareholdings in Danske Andelskassers Bank (DAB), and shareholdings regarding Vækst-Invest Nordjylland were a positive contributor.

Spar Nord increased its shareholding in DAB in 2021 – especially in August when Spar Nord acquired a further 4.6% of the shares in DAB. At end-2021, Spar Nord's shareholding amounted to 37.1%.

### Other income (DKKm)



### Costs and expenses

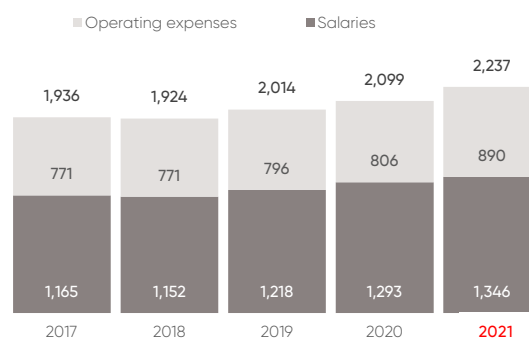
The Group's total costs and expenses amounted to DKK 2,237 million, against DKK 2,099 million in 2020.

Wages and salaries accounted for DKK 1,346 million of total costs and expenses. Realised payroll costs were DKK 53 million, or 4%, higher than in 2020.

The higher payroll costs were primarily attributable to the addition of employees following the acquisition of BankNordik's Danish business. At 31 December 2021, Spar Nord employed 1,608 people (FTE), which was 63 more than at end-2020.

In 2021, the Bank incurred one-off costs of DKK 15 million for dismissal without service requirement and lay-offs in connection with the structuring of the Bank's future organisation after the acquisition of BankNordik's Danish business.

### Total cost (DKKm)



Operating expenses came to DKK 890 million, which was DKK 84 million higher than in 2020.

The increase in operating expenses was mainly ascribable to the acquisition of BankNordik's Danish business. Moreover, operating expenses were affected by an increase in IT costs, while marketing and other operating costs in 2021 were again at a lower level because of the COVID-19 pandemic.

## Financial review

Lastly, one-off costs totalling DKK 25 million were incurred in 2021 related to the acquisition of Bank-Nordik's Danish business in connection with refurbishing of branches and IT migration.

The realised core income and costs correspond to a Cost/Income Ratio of 0.59, which is significantly better than Spar Nord's strategic target.

### Loan impairment

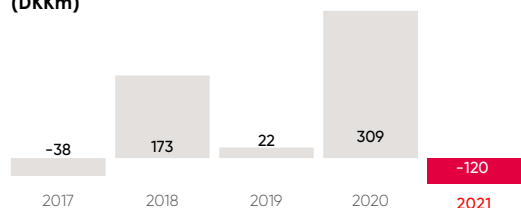
Loan impairment etc. was an income of DKK 120 million in 2021, against an expense of DKK 309 million in 2020.

The continuing positive impairment trends were driven partly by positive developments in the Danish economy, partly by persistently strong credit quality for the Bank's retail and business customers.

In 2021, COVID-19 remained the dominant theme, although the pandemic did not to any major extent lead to large losses. Spar Nord started out with a management estimate relating to COVID-19 of DKK 320 million in 2021. By the end of Q3 2021, the management estimate had been adjusted to DKK 347 million due to model adjustments. Of this amount, DKK 52 million was individualised during Q4, reducing the management estimate to DKK 295 million at end-2021.

The management estimate is still believed to be sufficient to accommodate the effects of the COVID-19 crisis. The government relief packages will expire during 2022 and, expectedly, it will be possible to create more certainty with respect to the long-term socio-economic effects and consequences of the COVID-19 pandemic, especially the effects for Spar Nord's business customers.

**Impairment (DKKm)**



At end-2021, Spar Nord's total management estimates amounted to DKK 536 million, of which COVID-19 accounted for DKK 295 million. The remaining amount of DKK 241 million breaks down into DKK 105 million concerning land prices in the agricultural sector, DKK 71 million relating to model uncertainty etc. and DKK 65 million relating to collateral values on private property.

DKKm	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020
COVID-19	295	346	320	320	320
Land prices in the agricultural sector	105	125	139	144	147
Model uncertainty, etc.	71	76	97	103	103
Collateral value of private properties	65	62	0	0	0
<b>Management estimates, total</b>	<b>536</b>	<b>610</b>	<b>556</b>	<b>566</b>	<b>570</b>

The DKK -120 million impact on profits breaks down into DKK -88 million attributable to agricultural customers, DKK -42 million to retail customers, DKK 14 million to business customers ex. agricultural customers and DKK -4 million to customers in the SparXpres consumer loan business.

Stage 3 impairment at 31 December 2021 amounted to DKK 1,089 million (year-end 2020: DKK 941 million), while stage 1 and 2 impairment totalled DKK 502 million (year-end 2020: DKK 777 million).

### NPL ratio developments

	2021	2020
NPL (DKKm)	1,818	1,873
Exposure (DKKm)	65,817	54,884
NPL ratio	2.8	3.4

At the end of the year, the share of non-performing loans (NPL ratio) at Spar Nord was 2.8%

### The Group's loans, advances and guarantees \*)

Breakdown by industry	Loans, advances and guarantees		Impairment account	
Line of business, %	31.12.21	31.12.20	31.12.21	31.12.20
Public authorities	1.8	1.6	0.0	0.0
Agriculture, hunting and forestry	4.0	5.0	15.2	19.5
Fisheries	0.2	0.2	0.2	0.1
Industry and raw materials extraction	4.5	4.3	6.0	4.9
Energy supply	2.7	3.0	0.9	1.7
Building and construction	4.4	4.3	3.1	3.6
Trade	6.1	5.8	9.2	8.5
Transport, hotels and restaurants	4.2	4.2	7.7	9.0
Information and communication	0.6	0.4	0.6	0.5
Financing and insurance	6.1	5.5	11.3	6.5
Real estate	10.8	11.4	5.6	10.2
Other business areas	7.3	6.7	10.6	7.3
<b>Business customers, total</b>	<b>52.7</b>	<b>52.3</b>	<b>70.4</b>	<b>71.8</b>
<b>Total retail customers</b>	<b>47.3</b>	<b>47.7</b>	<b>29.6</b>	<b>28.2</b>
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

\*) Excl. reverse repo transactions

### Profit/loss

The profit for the year before tax amounted to DKK 1,701 million compared with DKK 918 million in 2020. The Group's effective tax rate was 20%, bringing the net profit to DKK 1,368 million, against DKK 737 million in 2020.



## Q4 2021 relative to Q3 2021

Spar Nord recorded a net profit of DKK 334 million in Q4 2021, against DKK 348 million in Q3 2021.

Net interest income amounted to DKK 448 million in Q4, against DKK 442 million in Q3. Developments reflected a DKK 3 million improvement in interest expenses for deposits, while interest income from loans and advances increased by DKK 6 million. Interest expenses for capital market funding and other interest income contributed a combined fall of DKK 3 million.

Net fee income amounted to DKK 401 million, which was DKK 29 million higher than in the preceding quarter. The increase was primarily driven by rising fee income from securities trading and asset management and from insurance and pension.

Market value adjustments and dividends amounted to DKK 110 million, up from DKK 81 million in Q3. The increase was driven by higher market value adjustments on the Bank's bond portfolio.

Total costs and expenses amounted to DKK 570 million, which was DKK 57 million higher than in the preceding quarter. Payroll costs were DKK 336 million, against DKK 305 million in Q3, attributable in particular to accrual of holiday pay obligations. Operating expenses amounted to DKK 234 million, against DKK 208 million in Q3. The increase was attributable in part to higher IT costs (data processing centre) and in part to consulting fees regarding the IRB project.

Loan impairment etc. in Q4 was an income of DKK 4 million, against an income of DKK 15 million in Q3.

## Business volume

The Group's total business volume (deposits, loans, advances and guarantees, facilitated mortgage loans, customers' custodianship accounts and life annuities) amounted to DKK 346.2 billion at 31 December 2021, which was DKK 54.9 billion higher than at end-2020. Of this amount, the acquisition of BankNordik's Danish business accounted for around DKK 27 billion.

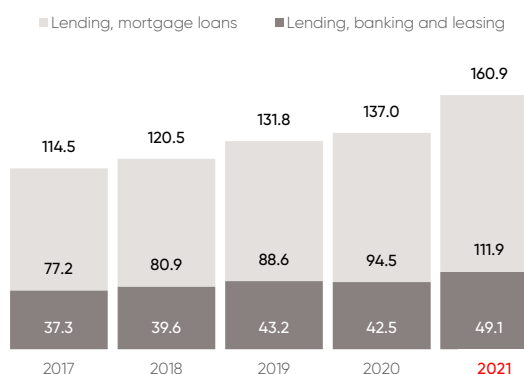
DKKbn	2021	2020	2019	2018	2017
Lending, banking and leasing activities	49.1	42.5	43.2	39.6	37.3
Deposits, banking activities	63.8	58.1	53.3	50.8	48.7
Deposits in pooled schemes	25.5	20.5	17.3	14.8	15.4
Guarantees	17.6	15.6	14.8	12.1	12.0
Loans and advances, mortgage loans	111.9	94.5	88.6	80.9	77.2
Custodianship accounts	74.4	57.3	52.8	46.1	50.9
Letpension, life annuities	4.0	2.9	2.5	1.9	1.6
<b>Total business volume</b>	<b>346.2</b>	<b>291.3</b>	<b>272.4</b>	<b>246.1</b>	<b>243.0</b>

In 2021, the Bank recorded an increase in bank and leasing loans of DKK 6.6 billion, or 15%, to DKK 49.1 billion. Lending to retail customers increased by DKK 2.3 billion, while lending to business customers increased by DKK 2.9 billion. Finally, leasing loans grew by DKK 1.1 billion, while loans to public-sector customers increased by DKK 0.3 billion.

Based on the volume of bank and leasing loans, Spar Nord has a market share in Denmark of about 4%.

Over the course of the year, the volume of facilitated mortgage loans grew by DKK 17.4 billion, or 18%, to DKK 111.9 billion. Total facilitation of mortgage loans from Totalkredit amounted to DKK 100.5 billion, which is the first time the item has passed the DKK 100 billion mark. Facilitation of DLR Kredit mortgage loans totalled DKK 11.3 billion.

**Total credits arranged**  
(DKKbn)

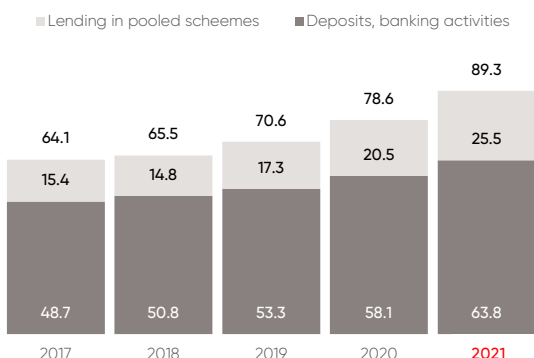


In 2021, deposits, banking activities increased by DKK 5.7 billion to DKK 63.8 billion, equal to 10%. Of the increase in deposits, retail customers accounted for DKK 4.6 billion and business customers for DKK 1.1 billion. Total deposits of DKK 63.8 billion at the end of 2021 gave Spar Nord a market share in Denmark of about 4%.

Deposits in pooled schemes rose by DKK 5.1 billion, or 25%, to DKK 25.5 billion, while customers' custodianship accounts rose by DKK 17.2 billion, or 30%, to DKK 74.4 billion.

## Financial review

### Total deposits (DKKbn)



As a result of developments in deposit and lending volumes, the loan-to-deposit ratio at end-2021 stood at 77.

### Capital position

Since being designated a SIFI institution, Spar Nord has pursued a goal on the capital side of having a common equity tier 1 (CET1) ratio of 13.5% and an own funds ratio of 17.5%.

	2021	2020	2019	2018	2017
Common equity tier 1 capital ratio	16.3	17.2	14.6	14.0	14.4
Tier 1 capital ratio	18.3	18.6	16.1	15.6	16.0
Own funds ratio	20.8	21.0	18.5	18.0	18.2

At 31 December 2021, the common equity tier 1 (CET1) ratio was 16.3%, while the own funds ratio was 20.8%. This should be viewed relative to the individual solvency need calculated by Spar Nord at 9.6% plus the 3.5% combined buffer requirement, bringing the total capital requirement to 13.1%. Thus, at end-2021 Spar Nord has an excess capital coverage of 7.4 percentage points, equal to DKK 4.5 billion.

Compared to the end of 2020, the Bank's capital ratio was reduced by 0.2 of a percentage point, and the common equity tier 1 capital ratio was 0.9 percentage point lower. The lower capital ratios are attributable to an increase in risk exposure driven by the acquisition of BankNordik's Danish business and organic lending growth. The issue of new additional tier 1 capital and tier 2 capital in 2021 resulted in a more limited decline in the capital ratio as compared with the common equity tier 1 capital ratio.

Overall, own funds had increased by DKK 1.044 billion at end-2021. The recognition of the profit for 2021 less expected dividends for the period and the net issuance of DKK 400 million in additional tier 1 capital and DKK 200 million in tier 2 capital made a positive contribution to own funds. A reduced impact of the IFRS 9 transitional scheme of around DKK 250 million, deduction for purchasing additional shares in Danske Andelskassers Bank of around DKK 185 million and goodwill related to the

acquisition of BankNordik's Danish business to the tune of DKK 200 million had the opposite effect.

At end-2021, the risk exposure amount had increased by DKK 5.6 billion, covering a DKK 4.9 billion increase in credit risk, DKK 0.6 billion in operational risk and DKK 0.1 billion in market risk.

The acquisition of BankNordik's Danish business was the main reason for the increase in operational risk and a key explanation for the higher credit risk. The increase in credit risk was also driven by growth in business lending and new rules on counterparty risks.

When the MREL requirement has been phased in on 1 January 2024, Spar Nord must comply with the same requirements regarding eligible liabilities (MREL requirements) as other SIFIs. Fully phased in and assuming a countercyclical buffer of 2.0%, the requirement means that Spar Nord must have total capital of about 28% of the total risk exposure amount (REA).

The Bank expects that the MREL requirement, when fully phased-in, will lead to a total need for issuing MREL capital of around DKK 7 billion. At 31 December 2021, Spar Nord had issued total MREL capital of DKK 4.8 billion. Spar Nord expects to issue MREL capital to the tune of DKK 2.5 billion in 2022, of which DKK 0.9 billion will be for the financing of potential early redemption of existing MREL capital.

### Calibrated MREL requirement

%	01.01.22	01.01.24
Solvency ratio	9.6	9.6
<b>Requirement for loss-absorption amount</b>	<b>9.6</b>	<b>9.6</b>
Solvency ratio	9.6	9.6
Capital conservation buffer requirement	2.5	2.5
SIFI buffer requirement	1.0	1.0
Phasing in	-2.6	0.0
<b>Requirement for recapitalisation amount</b>	<b>10.5</b>	<b>13.1</b>
<b>Total MREL</b>	<b>20.1</b>	<b>22.8</b>
Capital conservation buffer requirement	2.5	2.5
Countercyclical buffer requirement	0.0	2.0
SIFI buffer requirement	1.0	1.0
<b>Total MREL and combined buffer requirement</b>	<b>23.6</b>	<b>28.3</b>

### Excess coverage, calibrated MREL requirement

DKKm / %	01.01.22
Own funds	12,558
Non-preferred senior capital	4,822
Other MREL-eligible liabilities	0
<b>Total capital</b>	<b>17,380</b>
Deduction – separate combined buffer requirement	2,119
<b>Total MREL-eligible liabilities</b>	<b>15,261</b>
MREL and combined buffer requirement	14,299
MREL requirement	12,181
<b>Excess coverage, MREL requirement</b>	<b>3,081</b>
MREL and combined buffer percentage	28.7
NEP (%)	25.2
<b>Excess coverage, MREL requirement in %-point</b>	<b>5.1</b>

## Financial review

### Liquidity

Spar Nord has defined strategic liquidity as the difference between bank and leasing loans and the long-term funding (bank deposits, senior loans, issued bonds, subordinated debt and equity). Subordinated debt, additional tier 1 capital, senior loans and issued bonds with a contractual due date within 12 months do not form a part of the Bank's strategic liquidity.

(DKKbn)	2021	2020	2019	2018	2017
Deposits, banking activities	63.8	58.1	53.3	50.8	48.7
Senior loans/bond issues	4.8	2.7	2.6	0.0	0.0
Shareholders' equity and subordinated debt	13.4	11.7	11.1	10.6	10.1
<b>Liquidity procurement</b>	<b>82.1</b>	<b>72.5</b>	<b>67.0</b>	<b>61.3</b>	<b>58.8</b>
Lending, banking and leasing activities	49.1	42.5	43.2	39.6	37.3
Maturity, senior loans, issued bonds, subordinated debt and additional tier 1 capital <1 year	0.0	0.0	0.4	0.0	0.7
<b>Strategic liquidity, total</b>	<b>33.0</b>	<b>30.0</b>	<b>23.4</b>	<b>21.8</b>	<b>20.8</b>

At the end of 2021, Spar Nord's strategic liquidity amounted to DKK 33.0 billion, up DKK 3.0 billion on end-2020. Combined developments in deposits and lending detracted DKK 0.9 billion from liquidity, while the issuance of MREL capital for a total of DKK 2.2 billion and consolidation of DKK 1.3 billion and the net raising of additional tier 1 capital for DKK 0.4 billion added to the strategic liquidity.

Spar Nord's LCR ratio at 31 December 2021 was 280, while the NSFR ratio was 125.

### Rating

Throughout 2021, Spar Nord's rating from rating agency Moody's was unchanged. Spar Nord has an Adjusted Baseline credit assessment of baa1 and a Banking deposit rating of A1 with a stable outlook. Spar Nord's Senior Non-Preferred issues have been assigned a rating of A3 by Moody's.

### Acquisition and integration of BankNordik's Danish business

In mid-June 2021, Spar Nord successfully carried out its IT migration from SDC to BEC, as a result of which some 60,000 customers from BankNordik's Danish business from 19 June 2021 were subject to Spar Nord's products and business terms.

Total one-off costs associated with the acquisition of BankNordik's Danish business were lower than originally forecast, ending at DKK 40 million.

The profit contribution from the acquisition of BankNordik's Danish business was in line with expectations in 2021. From 2022 onwards, Spar Nord expects an annual contribution to core earnings before impairment of around DKK 100 million.

### The Supervisory Diamond

Some years ago, the Danish FSA launched a model, the Supervisory Diamond, which lists a number of quantitative reference points, stipulating what can be considered a financial institution with an increased risk profile.

Failure to comply with the reference points in the Supervisory Diamond will trigger a reaction from the Danish FSA.

In 2021, Spar Nord was comfortably within all the reference points, achieving the values shown below.

Of the total lending growth of 15.5%, some 5% is attributable to the acquisition of BankNordik's Danish business.

### The Supervisory Diamond

		Thresh- old val- ues	2021	2020
Sum of large exposures	%	<175	81.7	78.1
Growth in lending	%	<20	15.5	-1.5
Property exposure	%	<25	9.7	10.5
Funding ratio		<1	-	0.5
Liquidity benchmark	%	>100	292	251

### Outlook for 2022

Spar Nord expects socio-economic conditions in 2022 to be more or less as favourable as those prevailing in 2021. In other words, a year of persistently low interest rates and strong economic growth, but also a year in which corporate investment appetite in particular is expected to return to pre-pandemic levels.

On the basis of persistently strong organic growth, supported by the opening of four branches since the end of 2020, the establishment of a new geographical banking area on Lolland-Falster in 2022 and the acquisition of BankNordik's Danish business, Spar Nord expects to see solid growth both in lending and in total business volume again in 2022.

The combination of expected organic growth in lending volumes, an expected minor drop in the lending margin and full effect of measures already implemented on the deposit side make Spar Nord expect a fair-sized increase in net interest income in 2022.

With respect to fee income, Spar Nord is entering 2022 with record-high volumes of both facilitated mortgage loans and assets under management. In this area, Spar Nord also expects continuing organic growth in 2022 owing to strengthened distribution capabilities from the opening of new branches and the acquisition of BankNordik's Danish business. Against that background, Spar Nord expects to record an increase in net fee income in 2022, bearing in mind that H1 2021 was

## Financial review

characterised by a historically high level of activity in the housing market.

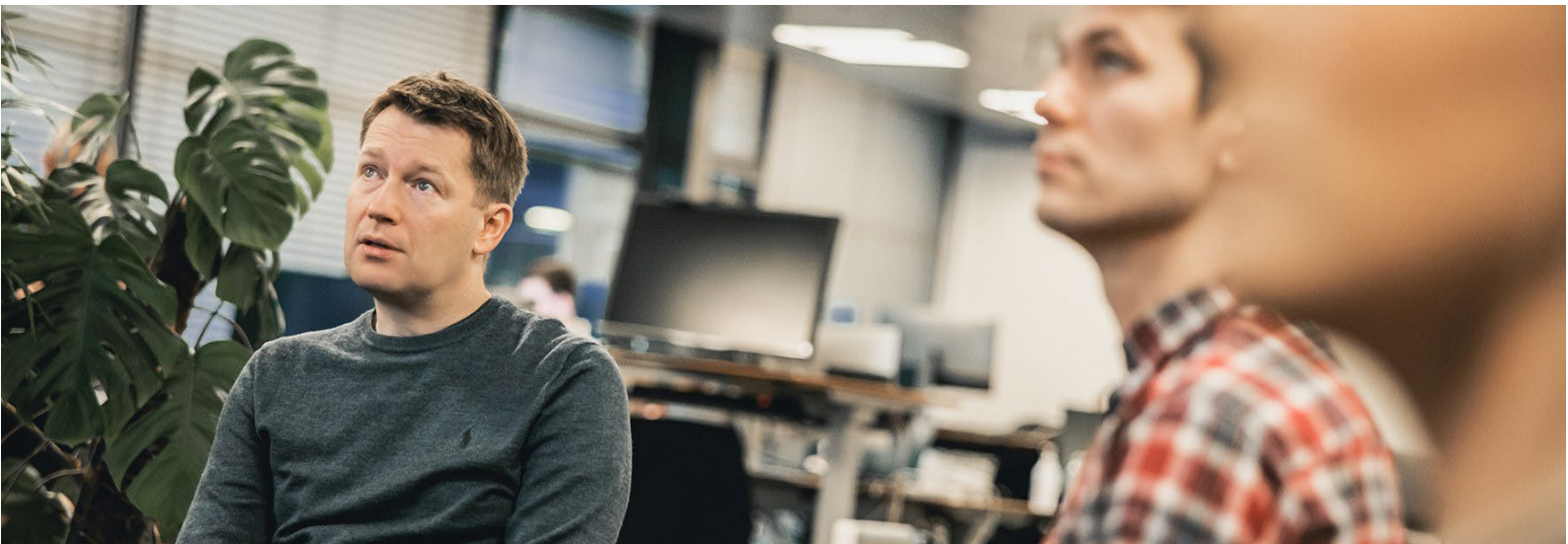
Market value adjustments are expected to be lower than in 2021, primarily because the high market value adjustments on the Bank's equity portfolio are not expected to be repeated.

Payroll costs are expected to move slightly higher, mainly due to pay rises under collective agreements. Moreover, Spar Nord expects a small increase in its employee headcount in 2022, mainly on account of the opening of new branches. Operating expenses will be strongly affected by rising IT costs, related in particular to the Bank's data processing centre. Furthermore, other cost items such as staff, travel and marketing costs are expected to be higher than in 2021, when they were strongly affected by the COVID-19 pandemic.

Overall, the above factors lead the Bank to project core earnings before impairment in the DKK 1,300 - 1,600 million range. Owing to persistently strong economic trends, Spar Nord only expects moderate loan impairment charges, and profit after tax is expected to be in the DKK 1,000-1,250 million range.



## Strategy plan 2020-22



### Strategy plan 2020-22

Since 2017, Spar Nord's vision has been to develop DENMARK'S MOST PERSONAL BANK. Our vision is thus defined because attentiveness and commitment have always been characteristic of Spar Nord's approach to banking and because Spar Nord believes that personal relations will remain pivotal to the ability to attract and retain customers.

Concurrently with the vision, Spar Nord defined a new strategic direction under the heading THE PERSONAL BANK IN A DIGITAL WORLD. The strategic direction reflects that digitalisation is a basic requirement for all banks and that digital technologies, when used correctly, may help create efficiency improvements and even closer and more personal customer relations.

### Vision remains intact

At the end of the strategy period, many of the efforts that were a part of the 2017-19 plan have proven to be a success. In November 2019, the Bank presented a strategy plan for the years 2020-22, which is in many ways a natural continuation of the 2017-19 plan. The vision is still to become DENMARK'S MOST PERSONAL BANK, and the foundation in the form of a business model focusing on local presence and extensive decentralised ownership remains unchanged.

In order to signal that Spar Nord with the new plan is moving along the course already set, the plan – and the strategic direction – has been named THE PERSONAL BANK IN A DIGITAL WORLD 2.0. Three Must Win Battles have been determined under this heading, each comprising three prioritised actions.

### Efficiency in the machine room

These prioritised actions were more clearly defined in autumn 2020 such that the Bank's digital focus is primarily inward-facing in terms of reducing the administrative burden and freeing up time for customers. The banking sector has been subject to a great many new rules and standards in recent years with accompanying administrative tasks. Spar Nord's ambition to create efficiency in its machine room should be seen against this background.

The goal is to reduce the administrative burden, especially for the Bank's customer-facing employees, and is prompted by an acknowledgement that business is created through dialogue with customers. In its efforts to succeed at this goal, Spar Nord has established an IT unit whose dedicated task is to increase administrative efficiency in order to free up more time for customer engagement for the Bank's advisers.

In line with the Bank's business model and focus on decentralised ownership, we have decided to include customer-facing competences in our work to reduce the administrative burden. The aim is to ensure that digital support of administrative tasks has the maximum effect on the advisor's daily work.

Through 2021, solutions have been implemented in an ongoing process in a number of areas to facilitate the administrative tasks for customer-facing employees. This included core disciplines such as preparing for and holding customer meetings, AML processes and credit procedures.

Well prepared for the future

We believe the banking analysis that formed the basis of Spar Nord's current strategic direction in 2016 remains relevant in many areas.

Accordingly, digitalisation will unavoidably remain a basic banking requirement also in the coming years. Legislation and regulation play an increasingly important role and put pressure on earnings at Spar Nord and other banks. In addition, the requirements from customers and the general public with respect to prudence, responsibility and sustainability are becoming more and more pronounced. However, the economic climate generated by COVID-19 changed dramatically through 2021 with rising inflation, stronger growth and rising interest rates.

Our financial results were satisfactory during the strategy period 2017-19 and in the first two years of the strategy period 2020-22. Hence, Spar Nord's business volume growth and return on equity have been excellent compared to similar large banks.

Summing up, management believes that THE PERSONAL BANK IN A DIGITAL WORLD has been a success over the past few years and that Spar Nord is well prepared to face coming years' challenges. In 2022, the Bank will prepare the strategy that will chart the course for the period 2023-25.

Strategic targets 2020-22

Return on equity  
**7-9%**  
after tax

Cost/Income Ratio  
**65**

Dividend  
**30-50%**  
of profit for the year

# Investor relations

The overall objective of Spar Nord's dialogue with investors and analysts is to ensure good and lasting relations. It is Spar Nord's ambition to maintain a high level of information and maximum accessibility, and the Bank constantly endeavours to make relevant and timely information available at all times.

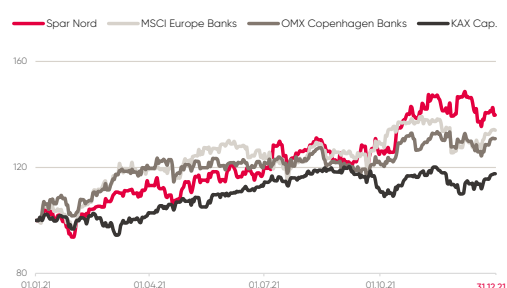
The Bank presents financial reports and other information via its IR website, [sparnord.com/ir](https://sparnord.com/ir), and also provides ongoing information to investors and analysts at frequent meetings, conferences and roadshows, among other things after the publication of the Group's annual and interim reports.

In 2021, analysts from six investment banks were covering the Spar Nord share (ABG Sundal Collier, Carnegie, Danske Bank, Handelsbanken, Nordea and SEB).

## Spar Nord share

Spar Nord is listed on the Nordic exchange, NASDAQ Copenhagen, and is a component of the Large Cap segment. The share capital amounts to DKK 1,230,025,260, divided into shares of DKK 10 each.

**Price developments for the Spar Nord share 2021**  
Index - linked - jan 2021 = 100



The Spar Nord share rose from a price of 60 at end-2020 to 84 at end-2021. The 40% price appreciation (y/y) and dividend of DKK 1.5 per share made for an overall return of 42%. By way of comparison, returns for the Danish total index KAX Cap. was 20%, while OMX Copenhagen Banks and MSCI Europe Banks produced returns of 34% and 39%, respectively. At 31 December 2021, the market capitalisation of Spar Nord was DKK 10.3 billion, against DKK 7.4 billion at end-2020.

In 2021, the average daily trading volume amounted to about 117,000 shares compared with 119,000 in 2020.

## Breakdown of shareholders

At end-2021, Spar Nord Bank had approximately 90,000 shareholders. The ten largest shareholders combined held about 50% of the share capital. About 71% of the share capital is held by foundations and institutional investors and other major shareholders, while 29% of the capital is held by shareholders who each own fewer than 20,000 shares.

Geographically speaking, 72% of the share capital is owned by Danish investors and 28% by foreign investors.

The Bank has two shareholders who have announced that they each hold more than 5% of the share capital. The Spar Nord Foundation, Aalborg, is the largest

shareholder, having an interest of 19.3%. Nykredit Realkredit A/S, Copenhagen, is the second largest shareholder, having an interest of 14.0%.

Spar Nord share	2021	2020
Share capital (DKKm)	1,230	1,230
Market price, year-end	84	60
Market capitalisation (DKKm)	10,283	7,356
Earnings per share for the year (DKK *)	10.6	5.6
Dividend per share (DKK)	2.5	1.5
Net asset value per share (DKK)	87	78
Share price/NAV per share.	1.0	0.8

\*) The financial ratio has been calculated as if the additional tier 1 capital were treated as a liability for accounting purposes, which means that the calculation of the financial ratio has been based on the shareholders' share of profit and equity.

The shareholders' share of profit and equity appears from the statement of changes in equity.

## Dividend policy and expectations

Spar Nord pursues the goal of generating a competitive return for its shareholders – by way of share price performance and dividends. Thus, the Bank's policy is to distribute dividends to shareholders in years when profits permit.

Spar Nord pursues the following 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.

On the basis of the highly satisfactory results for 2021, and in accordance with the Bank's dividend policy, Spar Nord intends to pay total dividends of DKK 5.00 per share for 2021, equal to 45% of the profit for the year.

The Board of Directors recommends to the shareholders at the Annual General Meeting that initial dividends of DKK 2.50 per share be paid, and that the Board of Directors be authorised to pay up to an additional DKK 2.50 per share.

It is the intention that the remaining DKK 2.50 per share be paid before the end of H1 2022 if the Board of Directors assesses that no need will arise to strengthen the Bank's own funds due to potential acquisitions. At the same time, the Board of Directors will assess the possibility of adjusting the Bank's own funds through a share buyback of up to DKK 225 million.

Total dividends of DKK 5.00 per share equals a payout ratio of 45 and a direct return of 6.0%.

## Financial calendar 2022

23 March 2022	Annual General Meeting
5 May 2022	Interim report for Q1
18 August 2022	Interim report for H1
3 November 2022	Interim report for Q1-Q3





Like all other banks, Spar Nord plays a key role in the transition to a sustainable society. The Bank has undertaken to implement sustainable business practices across all business areas and to promote a sound and responsible corporate culture. Spar Nord wishes to take joint responsibility and play a positive role in relations with individuals and society at large.

This section of the report contains an introduction to Spar Nord's ESG initiatives. A more detailed description of the Bank's policies, activities, results and goals in this area is provided in our ESG Report for 2021, which is available on our website [sparnord.com/esg](https://sparnord.com/esg).

#### Responsibility a strategic focus area

Responsibility and sustainability play a pivotal role in Spar Nord's 2020-22 strategy plan. Under the heading "A reputable bank", Spar Nord works with five focus areas: Responsible investment, sustainable finance, governance and compliance, local commitment and the Bank's own emissions.

Spar Nord's ESG work pervades all levels of the organisation and all layers of management, affecting our internal processes and reporting as well as our products and customer-facing initiatives.

#### ESG policy

Spar Nord has defined an ESG policy that describes the details of the five focus areas, and which forms the backbone of the Bank's other relevant policies relating to ESG.

The Bank's ESG-related policies are available at [sparnord.dk/esg](https://sparnord.dk/esg).

#### ESG Risk Rating

Spar Nord has been assigned an ESG rating by Sustainalytics and MSCI. For both ratings, during 2021 Spar Nord succeeded in improving the Bank's ESG risk level.

ESG Risk Rating	Score	Risk level
Sustainalytics	18.6	Low Risk
MSCI	A	Average

#### Endorsing UN principles

In 2020, Spar Nord became a signatory to the UN Global Compact (UNGC) and the UN Principles for Responsible Investment (UN PRI) and in 2021 also the UN Principles for Responsible Banking (UN PRB). This means the UN goals and principles are the overall benchmark for our initiatives, while our daily work is governed by our business strategy and prioritised through materiality analyses and assessments of the areas where we can make the greatest difference.



## UN Sustainable Development Goals, by order of priority



### 5 Gender equality

Be a diverse workplace that reflects the general demographic composition at all management levels.



### 7 Affordable and Clean Energy

Using affordable and clean energy and goal of carbon neutrality in 2021.



### 8 Decent Work and Economic Growth

Actively engaging employees in a well-documented effort to continuously improve our employees' health, safety and working conditions throughout their working lives.



### 11 Sustainable Cities and Communities

Promoting healthy communities and activities across the locations at which we do business, through donations and sponsorships of local culture and sports.



### 12 Responsible Consumption and Production

Buying sustainably and recycling up to 100 % of our waste while continuously implementing resource-saving initiatives across the organisation and fostering a sustainable corporate culture.



### 13 Climate Action

Bringing down direct and indirect climate impacts by reducing our own footprint, implementing sustainable investing criteria and developing sustainable banking products.



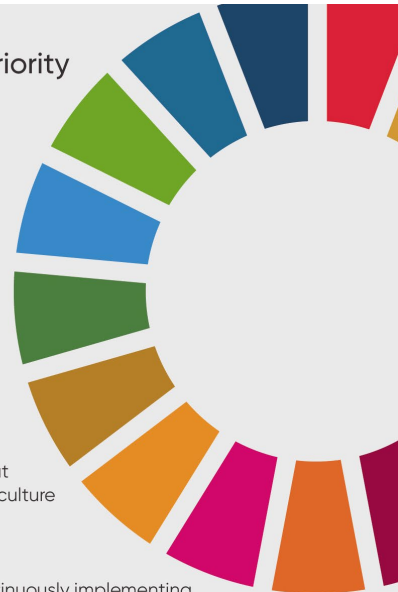
### 16 Peace, justice and strong institutions

Countering money laundering, terrorist financing, financial crime and cybercrime by establishing effective systems, a sound business culture and open collaboration with public authorities. Countering violence, war and human rights abuse through responsible investment, responsible financing and responsible supply chain management.



### 17 Partnership for the goals

Entering into several strategic partnerships with industry organisations, banks and other stakeholders to jointly create sustainable change in the Bank and in society.



## Responsible investment

Spar Nord offers and arranges investment products for retail and business customers and provides attractive investment solutions tailored to each individual customer's time horizon and risk appetite. We believe that responsibility and sustainability go hand in hand with the ambition of generating attractive long-term returns. When we make investments on behalf of our customers, we therefore focus particularly on the UN Principles for Responsible Investment (UN PRI), to which the Bank is a signatory. We want to integrate the focus on environmental, social and governance aspects in the entire investment process. Read more at [sparnord.dk/esg](https://sparnord.dk/esg).

The following are specific examples of results in the area of responsible and sustainable investment in 2021:

- 100% ESG screening of Spar Nord's managed portfolios
- 100% ESG screening of suppliers' portfolios

- About 14% of our "Stjerneinvest" investment concept is placed in the eco-labelled fund BankInvest Global Equities Sustainable Development.
- Publishing exclusion list for Spar Nord's portfolios
- Statement on consideration for sustainability risks
- Integrated consideration for sustainability risks and ESG issues in the investment process

## Sustainable finance

At Spar Nord, we are conscious about the fact that every krone lent will have a certain environmental and climate impact. Consequently, we are a signatory to the UN Principles for Responsible Banking (UN PRB), and we apply Finance Denmark's CO2 model to calculate the CO2e footprint of the Bank's lending for car and home loans to retail customers and business lending at industry level.

To gain more insight into the positive and negative impacts of the Bank's financial activities on achieving the UN Sustainable Development Goals, in 2021 we prepared an Impact Analysis and defined

climate as a significant impact area. Spar Nord's Impact Analysis is available at [sparnord.dk/esg](https://sparnord.dk/esg).

Spar Nord has opted to focus its sustainable finance efforts on specific loan products and projects supportive of the green transition. We have initially focused on the financing of private vehicles and other energy supply that does not rely on fossil fuels, such as wind turbines, biogas facilities and heat plants. Read more at [sparnord.dk/esg](https://sparnord.dk/esg).

Through dialogue and collaboration with our customers, we aim to contribute to reducing the negative impacts of our financing – to the benefit of our customers and sustainability in society. And also to live up to our own ambitions and to the expectations which the market and the authorities have for us.

Specific initiatives in 2021 included:

- Launching a car loan with an attractive interest rate if the borrower buys an electric or plug-in hybrid vehicle
- Calculating CO2e emissions from lending to retail customers (car and home loans) and business customers based on Finance Denmark's CO2 model
- Reporting on which of the Bank's economic activities that could potentially be sustainable (eligible) under the auspices of the EU Taxonomy Regulation

## Governance & Compliance

At Spar Nord, we consider prudence and corporate governance to be the cornerstones of our bank, allowing us for nearly 200 years to live up to our corporate responsibility. To us, corporate governance equals transparency with respect to the Bank's governance structure, rules and guidelines and openness with respect to our risk management process.

### *Data and cybercrime*

Responsible banking is also about countermeasures against the ever-increasing examples of money laundering, terrorist financing and other types of financial crime and corruption and bribery. Consequently, Spar Nord has a duty to make an active contribution to reducing the risk, which we do for example through our AML policy and policy for sound business culture. For example, Spar Nord has made AML training and training in the Bank's code of conduct mandatory for all employees, and we regularly make required preventive measures and take action to mitigate the current threat scenario.

In 2021, Spar Nord made investments to scale up its IT security and will continue these efforts in 2022. The efforts are driven partly by the increased risk of cybercrime and the dynamic threat scenario, and partly by the fact that Spar Nord is designated a systemically important bank in Denmark.

### *Data ethics and processing of personal data*

During 2021, Spar Nord launched a policy on data ethics, which serves to create joint ethical principles and practice for how the Bank should collect, use and erase personal data and for how the Bank, now and in the future, should apply artificial intelligence (AI) in an ethically responsible manner.

The policy on data ethics applies to anyone who, on behalf of the Spar Nord, processes personal data, and it is thus used as a benchmark in all data-related processes and in all assignments involving data – no matter whether such data belongs to employees or customers.

Building on transparency and responsibility, the policy aims to ensure that all customers and employees are treated equally and properly in all respects and that human considerations always come before business considerations. The Bank's data ethics policy is available at [sparnord.dk/esg](https://sparnord.dk/esg).

### *Responsible supply chain management*

Spar Nord buys goods and services from hundreds of Danish and international suppliers. Consequently, Spar Nord takes joint responsibility for maintaining good and transparent supplier relationships, which help safeguard the Bank's reputation, attract good suppliers and retain and attract customers.

We require our suppliers to maintain high environmental standards and that major suppliers support the UN's Sustainable Development Goals and the ten principles of the UN Global Compact. To ensure this, Spar Nord has launched a code of conduct for suppliers, which, with systematic follow-up has become a natural part of the Bank's central procurement processes and supply chain management. In 2021, 61% of suppliers responded to the Bank's systematic follow-up. In 2022, Spar Nord will work to ensure that all of our suppliers – both large and small – become familiar with our code of conduct for suppliers.

### *A decent workplace*

Spar Nord's most important resource is its employees. Therefore, Spar Nord continues to take responsibility for creating a healthy and progressive working environment in which all employees can unfold their professional and personal potential in the best possible way. However, Spar Nord is responsible not only for regulating employee conditions in a proper manner, but also for promoting a culture in which employees consistently act responsibly towards customers, colleagues, the Bank and society in general. With that in mind, Spar Nord endorses the UN Global Compact and has implemented a responsible working environment policy and a policy on sound business culture.

### *Diversity and women in management*

We believe diversity is beneficial for developing both business relations and collegial relations. Spar Nord aims to strengthen its customer services and competitive strength by attracting as skilled employees as possible with respect to professional and human qualities. It follows from this that prejudice based on gender, age, skin colour, religion, sexual orientation, physical appearance or ethnic origin is a barrier not only to developing our business, but also to ensuring a healthy working environment and a good reputation.

Currently, the Bank has defined a goal that women should represent at least 33% of board members. At the end of 2021, this goal was not achieved with women representing 22% of board members. A single male member of the Board of Directors was replaced in 2021. During the recruitment process, we found that there were no interested female candidates whose qualifications matched the primary selection criteria, which are based on considerations with respect to collective competencies on the Board of Directors.

With respect to its day-to-day management, Spar Nord works systematically to identify and motivate employees with management and leadership potential regardless of gender. The Bank is working to improve the retention of managers of both genders by offering opportunities and flexibility in relation to work-life balance.

Spar Nord has defined a goal that there should be at least five qualified applicants for managerial positions in the Bank, and that at least two of these should be women. The long-term objective of the Bank is to shift the gender breakdown at executive and executive mid-level towards a more equal distribution between men and women – from about 20% women currently in the Bank's executive team to 25% women by the end of 2024. As the above-mentioned goals were not fully achieved in 2021, the Bank will focus on initiatives to support the intended developments in 2022.

### **Local commitment**

Spar Nord's operations rely on a strong local presence and decentralised decision-making powers. Accordingly, we naturally engage with the local communities in which we operate. Through our 58 local banks, we actively participate in local communities and support initiatives as well as associations to the benefit of local community cohesion.

Spar Nord has a long-standing tradition of sponsoring small and large associations and initiatives. We believe we have a particularly important responsibility for helping to develop healthy and sustainable associations in all communities where we have a presence. In 2021, the Bank granted sponsorships for more than DKK 22 million.

In close collaboration with the Spar Nord Foundation, Spar Nord Bank each year supports initiatives and projects across Denmark. The Spar Nord Foundation owns approximately 19% of Spar Nord Bank, and the dividends from this ownership interest are some of the funds that we channel back into associations and local communities.

Associations – be they local, regional or national – are the centre of attention for the Spar Nord Foundation, which in 2021 made donations of around DKK 50 million for 815 small and large initiatives across Denmark. Read more about the Bank's local commitment at [sparnord.dk/esg](https://sparnord.dk/esg) and about the Spar Nord Foundation at [sparnordfonden.dk](https://sparnordfonden.dk).

### *Joint effort against marine litter in Denmark*

In 2021, the Bank's employees spent working hours contributing to a national marine litter initiative, in which they teamed up with dedicated local citizens, school children, associations and businesses to collect 2.4 tonnes of marine litter from beaches across Denmark. Spar Nord's nationwide marine litter collection were an extension of the "Havmiljøvogterkampagnen", to which the Spar Nord Foundation has donated a little over DKK 2 million since 2017. The activity is expected to be repeated in 2022.

### **The Bank's own emissions**

Climate and environmental impacts constitute a major challenge to our society, and Spar Nord takes an interest in and co-responsibility for tackling this challenge. Accordingly, Spar Nord is a signatory to the UN's Sustainable Development Goals (SDGs) (UN Global Compact), which form the foundation for our efforts to reduce our negative carbon footprint. In its current strategy plan, Spar Nord has defined an ambition of making the Bank carbon neutral over a period of time.

Through reduction and compensation measures, we had achieved this ambition, which means the Bank has achieved climate-neutrality on scopes 1 and 2 by the end of 2021. The following are examples of our specific results in the area of climate and environment in 2021:

- New 10-year agreement to purchase power from Danish solar panel farm in force from 2023.
- 5 vehicle charging points installed at head office and 3 at the local banks.
- Saving of 1,000 kWh from installing new ventilation system at head office.
- Conversion to LED light sources with anticipated future annual savings of 102,100 kWh
- Total drop in air travel emissions of 47.8 tCO<sub>2</sub>e.
- Emissions from the treatment of waste and spillage in 2021 were 1.2 tCO<sub>2</sub>e.
- Emissions from water consumption in 2021 were 1 tCO<sub>2</sub>e.

# Risk management

Risk assumption is a natural component of banking operations, placing heavy demands on the Bank's risk management organisation and risk management environment. As a result of business activities, Spar Nord is exposed to credit, market and liquidity risk as well as operational risk, including IT, compliance and reputational risk. Risk attaching to climate change is included in the management of the individual types of risk. Strategic and regulatory risk is also a significant focus area.

For a description of risk management in the individual risk areas, including a description of policy, monitoring and reporting, reference is made to the respective sections. For a more detailed description, please see [sparnord.com/risikorapport](http://sparnord.com/risikorapport).

## Risk management organisation

In accordance with Danish legislation, Spar Nord has established a two-tier management structure consisting of a Board of Directors and an Executive Board. Moreover, the Bank has established segregation of functions between entities entering into business transactions with customers or otherwise assuming risk on behalf of the Bank, and entities in charge of risk management.

The structure of Spar Nord's risk management organisation is based on the Institute of Internal Auditors' (IIA) three lines model and is shown in the figure on page 31.

## Board of Directors

The Board of Directors handles the overall and strategic management with a view to running a healthy and competitive bank, thus securing long-term value for the Bank's stakeholders.

Using the strategic objectives as its point of departure, the Board of Directors determines a risk profile, which describes the risk within the Bank's most important risk types that the Board of Directors is willing to undertake while meeting the objectives set forth in the strategy.

The objective is to ensure cohesion between Spar Nord's vision and strategy while ensuring that the risk profile is appropriate at all times, having regard to the Bank's capital and liquidity situation.

The Board of Directors has defined a number of risk policies that set out the overall handling and management of the Bank's risks. These policies are reviewed and approved by the Board of Directors at least once a year.

In order to underpin the management structure, the Board of Directors has drafted written guidelines for the Executive Board, specifying the areas of responsibility and scope of action. As required and at least once a year, the Board of Directors must assess and update these guidelines.

## Board committees

The Board of Directors has set up a Risk Committee, a Nomination and Remuneration Committee and an Audit Committee charged with arranging the preparatory work for the Board of Directors' consideration of matters relating to the respective topics.

Establishing these board committees helps ensure a better utilisation of the specific competences held by the board members, thus ensuring in-depth dealing with the board material. The sole purpose of the committees is to facilitate the transaction of business by the Board of Directors, and they have no independent decision-making powers.

The terms of reference of the committees are available at [www.sparnord.com/committees](http://www.sparnord.com/committees), which also provides a presentation of the members and their qualifications.

### *Risk Committee*

The principal purpose of the Risk Committee is to handle risk-related matters, including to review and assess the adequacy and efficiency of the Bank's policies, instructions and systems. The Risk Committee also serves to advise the Board of Directors on the Bank's overall current and future risk profile and strategy and to ensure the correct implementation of the risk strategy in the Bank.

The Risk Committee consists of three independent board members. The Committee held five meetings in 2021.

### *Nomination and Remuneration Committee*

The principal purpose of the Nomination and Remuneration Committee is to facilitate the decisions to be taken by the Board of Directors with respect to remuneration, including the remuneration policy, and other related decisions that may influence risk management. The Committee also serves to facilitate work related to the process of board evaluation, nominating new candidates for the Board of Directors and Executive Board.

Regularly, and at least once a year, the Committee evaluates the Board of Directors' and Executive Board's structure, size, composition and results and prepares recommendations for the Board of Directors for any changes.

The Nomination and Remuneration Committee consists of three board members, one of which is an independent member and one a member elected by the employees. The Committee held five meetings in 2021.

### *Audit Committee*

The principal purpose of the Audit Committee is to monitor and control accounting and auditing matters, including informing the Board of Directors of the outcome of the statutory audit. Its duties also include monitoring the efficiency of the Bank's internal control system, Internal Audit and risk management systems for financial reporting purposes.



## Risks

The Audit Committee consist of three board members, one of whom is independent and one elected by the employees. The Committee held six meetings in 2021.

### **Executive Board**

In accordance with the guidelines and risk policies issued by the Board of Directors, the Executive Board is in charge of the day-to-day management.

The Executive Board must ensure that risk policies and guidelines are implemented in the Bank's day-to-day operations while also ensuring that business procedures or work descriptions have been prepared for all important areas.

The Executive Board delegates specific guidelines and authorisations to selected departments of the Bank with a view to the practical implementation of the guidelines and policies adopted by the Board of Directors.

### **Executive Board committees**

The Executive Board has set up a number of committees which in specific areas contribute to Spar Nord's risk management, preparing issues and themes for consideration by the Executive Board and Board of Directors.

#### *Solvency and Risk Management Committee*

The Solvency and Risk Management Committee is composed of a member of the Executive Board, Trading Division, Credit Department, Finance & Accounts and Risk Management. The Committee meets every quarter and serves to define targets and principles for calculating adequate own funds and the individual solvency need. The Solvency and Risk Management Committee prepares a recommendation for the individual solvency need and passes it on to the Board of Directors for approval. The Committee handles input from the Market Risk, IT Security and Model Risk Committees and the Credit Committee to ensure that any capital consequences are dealt with by the primary capital and solvency authority.

#### *Market Risk Committee*

The Market Risk Committee is composed of a member of the Executive Board and members of the Trading Division, Finance & Accounts and Risk Management. The Committee meets every quarter to review developments in Spar Nord's positions, risks as well as the liquidity situation and expectations regarding market developments and future plans.

#### *IT Security Committee*

The IT Security Committee is composed of a member of the Executive Board, the IT department, Risk Management and selected heads of business areas. The Committee serves to advise on and deal with any issues that may arise in relation to the information policy and related rules, procedures and contingency plans. The IT Security Committee also addresses the Bank's IT risk profile.

#### *Model Risk Committee*

The Model Risk Committee is composed of a member of the Executive Board and representatives from the

risk management function and the Credit Department. The Committee meets once every quarter to discuss and monitor the management of model risks and to consider recommendations of newly developed and revised models prior to approval and implementation.

#### *Credit Committee*

The Credit Committee is composed of two members of the Executive Board and one member from the Credit Department. The Committee deals with credit facilities that exceed the Credit Department's authorisation limits or involve a matter of principle. The Committee meets several times a week. Frequently, matters that have been dealt with by the Credit Committee will be prepared for subsequent discussion among all members of the Board of Directors.

### **First line**

The business units Spar Nord's Local Banks and Trading Division together with the support and control functions represent the first line. The Bank's day-to-day risk management is handled through risk policies, guidelines, limits and a number of internal controls and is performed in all major risk areas, including credit, market, liquidity and operational risk. In order to support the business units in relation to preventing money-laundering and terrorist financing, the Bank also has an Anti-Money Laundering (AML) function, which is part of the first line.

### **Second line**

The second line consists of the risk management function and the compliance function. The functions have key assignments of monitoring, controlling and reporting the Bank's risks and control environment.

#### *Risk Management Function*

The Risk Management Function is responsible for providing an overview of the Bank and its risk exposure to be able to assess whether such risk exposure is adequately addressed. The risk management function's area of responsibility comprises the Bank's risk-prone activities across various risk areas and organisational units and risks attaching to outsourced functions. The risk management function also serves as a secretariat to the Bank's Risk Committee and will assist the Risk Committee in providing information about the Bank's risk exposure.

The Risk Management Function reports to the Board of Directors on a quarterly basis. The activities of the Risk Management Function are rooted in the annual plan adopted by the Board of Directors.

The Chief Risk Officer reports directly to the Executive Board. Dismissal of the Chief Risk Officer is subject to the prior approval of the Board of Directors.

#### *Compliance Function*

The Compliance Function is charged with assessing and checking Spar Nord's compliance with applicable legislation, banking sector standards and internal guidelines, as well as advising on how to reduce compliance risk.

## Risks

The Compliance Function reports to the Executive Board on a quarterly basis and to the Board of Directors twice a year. The activities of the Compliance Function are rooted in the annual plan adopted by the Board of Directors.

The Head of Compliance reports directly to the Executive Board. Dismissal of the Head of Compliance is subject to the prior approval of the Board of Directors.

### Third line

The Internal Audit Department serves as the third line of defence, which on the basis of the annual plan adopted by the Board of Directors is responsible for planning and performing an operational audit. An operational audit encompasses sample audits of internal processes, business procedures and internal controls in significant and high-risk areas, including in connection with preparing the financial statements.

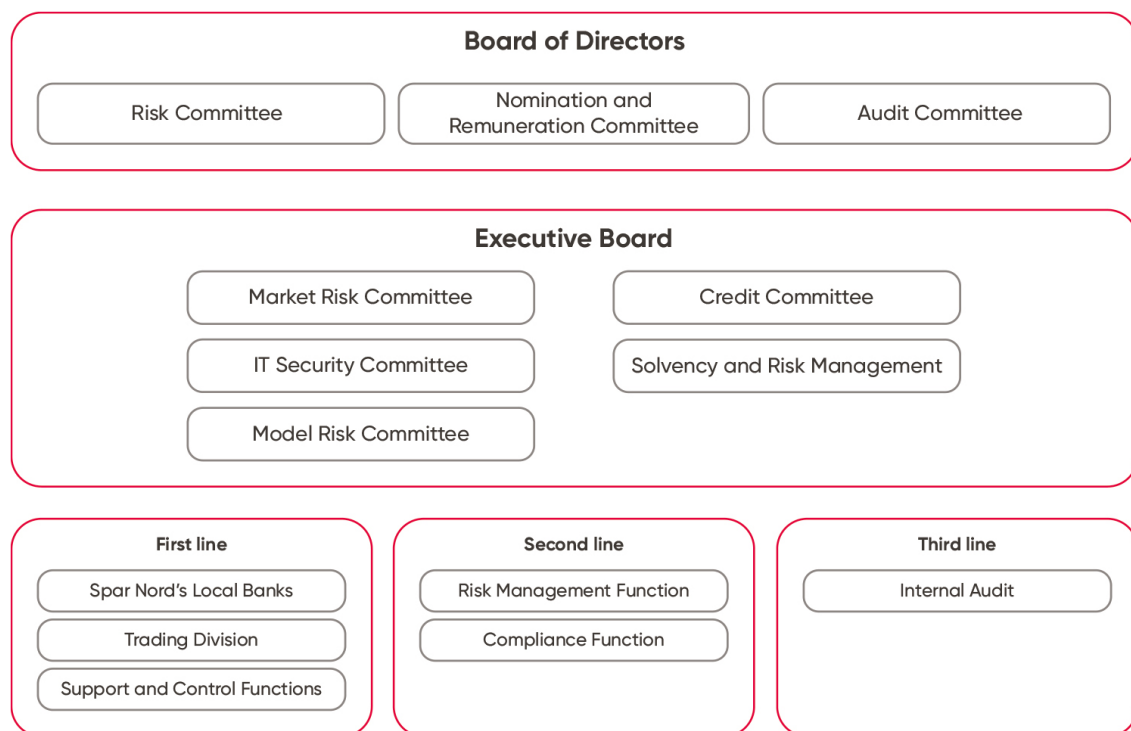
The Internal Audit Department is responsible for planning and performing an audit to obtain reasonable assurance as to whether the consolidated financial statements and the parent company financial statements are free from material misstatement. The Internal Audit Department also serves as a secretariat to the Audit Committee.

It reports directly to the Board of Directors and regularly reports on an ongoing basis to the Executive Board and the Board of Directors. Dismissal of the head of Internal Audit is subject to the prior approval of the Board of Directors.

### Reporting

To ensure an adequate decision-making basis for the Executive Board and the Board of Directors, management receives reporting material pertaining to the principal risk areas.

### Risk management organisation



## Organisation and corporate governance

The Board of Directors and the Executive Board of Spar Nord consider corporate governance to be a fundamental requirement for maintaining a good relationship with internal and external stakeholders and for meeting the Group's financial and non-financial objectives.

For that reason, Spar Nord's Management backs the efforts to promote corporate governance and has chosen to comply with a vast majority of the 2020 recommendations from the Danish Corporate Governance Committee. The full wording of Spar Nord's position on the recommendations and on Finance Denmark's corporate governance code is available at [sparnord.com/governance](https://sparnord.com/governance).

### General Meeting

The shareholders in general meeting constitute Spar Nord's supreme governing body. Information about the notice of general meetings, exercise of voting rights etc. is set out in the Bank's articles of association, which are available on [sparnord.com/vedtaegter](https://sparnord.com/vedtaegter). Only the general meeting can amend the articles of association. Amendments require a two-thirds majority of the votes cast and a two-thirds majority of the share capital represented at the general meeting and entitled to vote.

Pursuant to the Bank's articles of association, the right to vote at general meetings for shareholders holding less than 20,000 shares is exercised through delegates (members of Spar Nord's local bank councils).

Shareholders owning at least 20,000 shares may exercise their voting rights at the general meeting.

### Board of Directors and board committees

Spar Nord's Board of Directors is composed of nine members, six of whom are elected by the shareholders and the remaining three members by the employees. The Bank's Executive Board is not part of the Board of Directors but takes part in all of its meetings. Board members are elected for terms of two years, and half of the members elected by the general meeting are up for election each year, while members elected by the employees pursuant to Danish legislation are elected for terms of four years.

Spar Nord's Board of Directors has set up three committees: an Audit Committee charged with monitoring and controlling accounting and auditing matters, a Risk Committee charged with responsibility for preparatory work leading up to the Board of Directors' decisions regarding risk management and related issues; and a Nomination and Remuneration Committee charged with undertaking the preparatory work concerning the annual board evaluation and nomination process.

Each year, the Spar Nord Board of Directors convenes 11 ordinary meetings and holds a strategy seminar and three meetings with the chairmen of the regional bank committees. In 2021, the Board of Directors held a total of 22 meetings. In addition, 6 meetings were held in the Audit Committee, 5 meetings in the Risk Committee and 5 meetings in the Nomination and Remuneration Committee.

The total board member attendance rate was 96.8%. The attendance by each member of the Board of Directors is published on the Bank's website.

### Evaluation and nomination process

The process of nominating members to the Board of Directors is undertaken by the Nomination and Remuneration Committee in dialogue with the combined members of the Board of Directors and with the assistance of the chairmen of the local bank councils of Spar Nord's shareholder regions. On the basis of the annual evaluation of the Board of Directors' work, competencies and composition, any need for recruiting new board members is assessed. If such a need exists, the Board will prepare a description of the competences and qualifications required for the candidate. The nomination process generally attaches importance to areas such as management experience, business experience, business acumen, insight into finance and risk management and relevant personal skills.

### Election to the Board of Directors

At the Annual General Meeting in March 2022, three of the members elected by the shareholders are up for election. Kjeld Johannesen, Henrik Sjøgreen and Morten Bach Gaardboe have announced that they stand for re-election, and the Board of Directors recommends their re-election.

### Executive Board

The Executive Board is appointed by the Board of Directors and is composed of Lasse Nyby, CEO, John Lundsgaard, Managing Director, Lars Møller, Managing Director, and Martin Kudsk Rasmussen, Managing Director. The Executive Board is the supreme decision-making body as concerns the day-to-day affairs of the Bank, in compliance with the guidelines and directions issued by the Board of Directors. The more specific distribution of duties between the Board of Directors and the Executive Board appears from their rules of procedure.

### Remuneration of the Board of Directors and the Executive Board

The remuneration of the Board of Directors and the fees and salaries paid to the Executive Board are shown in the Bank's remuneration report, which is available at [sparnord.dk/om-spar-nord/governance-og-aflønning/](https://sparnord.dk/om-spar-nord/governance-og-aflønning/). Board members are paid a fixed annual amount and do not participate in any bonus or option programmes.

The Board of Directors finds that the terms of service of Executive Board members, including severance terms, are in line with general practice in the area, and they are regularly reviewed. The Board of Directors also finds that the overall remuneration is competitive and fair in light of the Executive Board's performance and having regard to long-term value generation for shareholders.

According to its remuneration policy, Spar Nord does not operate with incentive schemes for the Board of Directors and the Executive Board.

## Board of Directors



**Kjeld Johannesen**  
Chairman of the Board of Directors

2016 Chairman of the Board of Directors of Spar Nord Bank A/S  
2015 Deputy Chairman of the Board of Directors of Spar Nord Bank A/S  
2014 Member of the Board of Directors of Spar Nord Bank A/S  
1953 Year of birth

Chairman of the Nomination and Remuneration Committee  
Member of the Risk Committee

Up for re-election in 2022

### Managing Director

CLK 2016 Holding ApS  
Kjeld Johannesen Holding ApS

### Education

BCom (Marketing)

### Chairman of the board of directors

KPC Holding A/S  
Hamlet Protein A/S  
New Nutrition ApS  
New Nutrition Holding ApS  
Spækassen Nordjyllands Fond af 29. marts 1976

### Board member of

Aktieselskabet Schouw & Co  
Direktør Svend Hornsylds Legat  
Direktør Hans Hornsyld og Hustru Eva Hornsylds Legat

### Areas of expertise

Management  
Production and marketing  
Strategy  
Business Development  
International business affairs  
Agriculture and foods

### Shares held in Spar Nord

80,000

Independent



**Per Nikolaj Bukh**  
Deputy Chairman of the Board of Directors

2016 Deputy Chairman of the Board of Directors of Spar Nord Bank A/S  
2007 Member of the Board of Directors of Spar Nord Bank A/S  
1965 Year of birth

Chairman of the Audit Committee  
Member of the Nomination and Remuneration Committee

Up for re-election in 2023

### Professor

Aalborg University

### Managing Director

P. N. Bukh ApS

### Education

Msc Econ.  
PhD  
Board of directors training from Bestyrelsesakademiet

### Board member of

Jurist- & Økonomforbundets Forlag A/S  
Oberst H. Parkovs Mindefond  
Professionshøjskolen University College Nordjylland  
Spækassen Nordjyllands Fond af 29 March 1976

### Areas of expertise

Finance and risk management  
Financial markets  
Public enterprises  
Utilities

### Shares held in Spar Nord

27,200

Not independent



**Lene Aaen**  
Member of the Board of Directors

2018 Member of the Board of Directors of Spar Nord Bank A/S  
1970 Year of birth

Workplace representative, Spar Nord Bank A/S

Up for re-election in 2024

### Education

Board of Directors training for financial companies  
Financial services background  
Financial post-graduate training

### Board member of

The Financial Services Union "Spar Nord Kreds"  
Spækassen Nordjyllands Fond af 29 March 1976

### Areas of expertise

HR  
Organisation

### Shares held in Spar Nord

4,650

Not independent

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**Kaj Christiansen**  
Member of the Board of Directors

2012 Member of the Board of Directors of Spar Nord Bank A/S  
1955 Year of birth

Chairman of the Risk Committee

Up for re-election in 2023

**Managing Director**  
Dokøen A/S

**Education**  
State-Authorised Public Accountant

**Board member of**  
Dokøen A/S  
Frederikshavn Maritime Erhvervspark A/S  
Sparekassen Nordjyllands Fond af 29 March 1976

**Areas of expertise**  
Properties  
Marketing  
Finance and risk management

**Shares held in Spar Nord**  
21,100

Independent



**Morten Bach Gaardboe**  
Member of the Board of Directors

2016 Member of the Board of Directors of Spar Nord Bank A/S  
1968 Year of birth

Member of the Audit Committee

Up for re-election in 2022

**Education**  
Financial services background

**Chairman of the board of directors**  
Gefion Group A/S  
Svend Aage Nielsen, Autoriseret El-installatør A/S  
Slagelse Erhvervscenter A/S

**Board member of**  
The Spar Nord Foundation  
Sparekassen Nordjyllands Fond af 29 March 1976

**Areas of expertise**  
The SME segment

**Shares held in Spar Nord**  
7,505

Independent



**André Rogaczewski**  
Member of the Board of Directors

2021 Member of the Board of Directors of Spar Nord Bank A/S  
1968 Year of birth

Up for re-election in 2023

**Managing Director**  
Netcompany A/S

**Education**  
MSc in Computer Science

**Chairman of the board of directors**  
Netcompany A/S  
Smarter Airports A/S

**Board member of**  
Aalborg University  
Dansk Industri Digital  
Teknologipagten  
Sparekassen Nordjyllands Fond af 29 March 1976

**Areas of expertise**  
Digitalisation  
Management  
Business Development  
Diversity and inclusion

**Shares held in Spar Nord**  
30

Independent



## Corporate governance

# Executive Board



**Lasse Nyby**  
Chief Executive Officer

2000 Chief Executive Officer  
1995 Joined the Executive Board  
1986 Year of employment  
1960 Year of birth

### Education

Financial services background  
BCom (Management Accounting)  
Executive education from Insead

**Chairman of the board of directors**  
Aktieselskabet Skelagervej 15

**Board member of**  
AP Pension Livsforsikringsselskab, deputy chairman  
AP Pensionsservice A/S, deputy chairman  
Foreningen AP Pension F.M.B.A., deputy chairman  
Finance Denmark  
FR I af 16. september 2015 A/S  
National Banks in Denmark  
Nykredit A/S  
PRAS A/S  
Sparekassen Nordjyllands Fond af  
29 March 1976

**Shares held in Spar Nord**  
76,136



**John Lundsgaard**  
Managing Director

2000 Joined the Executive Board  
1986 Year of employment  
1964 Year of birth

### Education

Financial services background  
MBA

**Chairman of the board of directors**  
Factor Insurance Brokers A/S

**Board member of**  
Aktieselskabet Skelagervej 15,  
deputy chairman  
BOKIS A/S, deputy chairman  
BEC Financial Technologies a.m.b.a.  
Erhverv Norddanmark  
Finanssektorens Uddannelsescenter  
Kunsten Museum of Modern Art, Aalborg  
Sparekassen Nordjyllands Fond af  
29 March 1976  
Utzon Center A/S

**Shares held in Spar Nord**  
104,215



**Lars Møller**  
**Managing Director**

2000    Joined the Executive Board  
1984    Year of employment  
1957    Year of birth

**Education**

Financial services background  
Executive education from Insead

**Chairman of the board of directors**

BI Asset Management Fondsmægler-  
selskab A/S  
BI Holding A/S (BankInvest Gruppen)  
BI Management A/S

**Board member of**

DLR Kredit A/S, deputy chairman  
Aktieselskabet Skelagervej 15  
Sparekassen Nordjyllands Fond af  
29 March 1976

**Shares held in Spar Nord**

98,580



**Martin Kudsk Rasmussen**  
**Managing Director**

2020    Joined the Executive Board  
2009    Year of employment  
1978    Year of birth

**Education**

Bachelor in economics and business admin-  
istration  
Executive education from Insead

**Board member of**

SNB II Komplementar ApS  
SNB IV Komplementar ApS  
Vækst Invest Nordjylland A/S  
Sparekassen Nordjyllands Fond af  
29 March 1976

**Shares held in Spar Nord**

6,618



## Alternative performance measures

Spar Nord's Management believes that the alternative performance measures (APMs) used in the Management's review provide valuable information to readers of the financial statements. The APMs provide a more consistent basis for comparing the results of financial periods and for assessing the performance of the Group. They are also an important aspect of the way in which Spar Nord's Management defines operating targets and monitors performance.

Throughout the Management's review, performance is assessed on the basis of the financial highlights and segment reporting, which represent the financial information regularly provided to Management. The differences between the financial highlights and the IFRS financial statements relate only to certain changes in the presentation. As there are no adjusting items, net profit is the same in the financial highlights and in the IFRS income statement.

A reconciliation of the correlation between core income in the management commentary and the IFRS financial statements is shown in note 2.1 Business segments.

Spar Nord uses core earnings as a performance measure. There is no difference between "Core earnings before impairment" in the core earnings format and "Profit/loss before loan impairments" in the IFRS financial statements.

Defined below are the additional key indicators shown on pages 11-14 of the management commentary and in the other sections of the management commentary.

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Return on equity before tax, excl. additional tier 1 (AT1) capital

Profit/loss before tax in per cent of shareholders' equity. The average equity is calculated as a simple average of the shareholders' equity at the beginning of the year and at the end of the year. Profit/loss before tax and shareholders' equity are calculated as if the additional tier 1 (AT1) capital were treated as a liability.

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Return on equity after tax excl. additional tier 1 (AT1) capital

Profit/loss after tax in per cent of shareholders' equity. The average equity is calculated as a simple average of the shareholders' equity at the beginning of the year and at the end of the year. Profit/loss after tax and shareholders' equity are calculated as if the additional tier 1 (AT1) capital were treated as a liability.

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Cost share of core income

Total costs/core income.

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Cost share of core income – incl. impairment of loans, advances and receivables, etc.

Total costs plus impairment of loans, advances and receivables, etc./core income.

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Bank and leasing loans relative to bank deposits

Bank and leasing loans as a percentage of bank deposits

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Bank and leasing loans relative to shareholders' equity

Bank and leasing loans / shareholders' equity

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Impairment ratio, %

Impairment for the year in per cent of loans and advances + guarantees + impairment of loans, advances and receivables etc. and provisions for unutilised credit lines

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## Management's statement on the interim report

The Board of Directors and Executive Board have today reviewed and adopted the 2021 Annual Report of Spar Nord Bank A/S.

The consolidated financial statements are presented in accordance with the International Financial Reporting Standards as adopted by the EU, while the Parent Company's financial statements are presented in accordance with the Danish Financial Business Act. In addition, the consolidated financial statements have been prepared in accordance with additional Danish disclosure requirements for the annual reports of listed financial enterprises.

We consider the accounting policies applied to be appropriate, and in our opinion the consolidated financial statements and the Parent Company's financial statements give a true and fair view of the Group's and the Parent Company's financial position at 31 December 2021 and of the results of the Group's and the Parent Company's operations and cash flows for the 2021 financial year

In addition, we also consider the Management's review to give a fair presentation of the development in the Group's and Parent Company's activities and financial affairs, the results for the year and the Group's and the Parent Company's financial position as a whole, as well as a description of the significant risks and elements of uncertainty that may affect the Group or Parent Company

In our opinion, the annual report for the financial year 1 January to 31 December 2021 with the file name "sparnord-2021-12-31.zip" has been prepared, in all material respects, in compliance with the ESEF Regulation.

We recommend that the Annual Report be adopted at the Annual General Meeting.

**Aalborg, 10 February 2022**

### Executive Board



**Lasse Nyby**

Chief Executive Officer



**John Lundsgaard**

Managing Director



**Lars Møller**

Managing Director



**Martin Kudsk Rasmussen**

Managing Director

### Board of Directors



**Kjeld Johannesen**

Chairman of the Board of Directors



**Lene Aaen**



**Kai Christiansen**

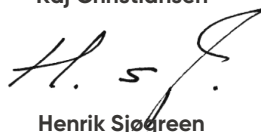


**Per Nikolaj Bukh**

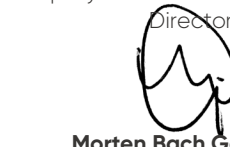
Deputy Chairman of the Board of Directors



**André Rogaczewski**



**Henrik Sjøgreen**



**Morten Bach Gaardboe**



**Jannie Skovsen**



**Kim Østergaard**

## Opinion

### Basis for opinion

We planned and performed our audit to obtain reasonable assurance as to whether the consolidated financial statements and the Parent Company's financial statements are free from material misstatement.

### Statement on the Management's review

Based on the work we have performed, we conclude that the management's review is in accordance with the consolidated financial statements and the Parent Company's financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatements of the Management's review.

**Aalborg, 10 February 2022**

**Spar Nord Bank A/S**

Internal Audit Department

Margit Nicolaysen

Margit Nicolajsen

Head of Internal Audit Department

## Independent auditor's report

### To the shareholders of Spar Nord Bank A/S

#### Opinion

We have audited the consolidated financial statements and the parent financial statements of Spar Nord Bank A/S for the financial year 1 January 2021 to 31 December 2021, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity and notes, including the summary of significant accounting policies, for the Group as well as the Parent and the consolidated cash flow statement. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for listed financial companies, and the parent financial statements are prepared in accordance with the Danish Financial Business Act.

In our opinion, the consolidated financial statements give a true and fair view of the Group's financial position at 31 December 2021 and of its financial performance and cash flows for the financial year 1 January 2021 to 31 December 2021 in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for listed financial companies.

Also, in our opinion, the parent financial statements give a true and fair view of the financial position of the Parent at 31 December 2021 and of its financial performance for the financial year 1 January 2021 to 31 December 2021 in accordance with the Danish Financial Business Act.

Our opinion is consistent with our audit book comments issued to the Audit Committee and the Board of Directors.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the best of our knowledge and belief, we have not provided any prohibited non-audit services as referred to in Article 5(1) of Regulation (EU) No 537/2014.

We were appointed auditors of Spar Nord Bank A/S for the first time on 10 April 2019 for the financial year 2019. We have been reappointed annually by decision of the general meeting for a total contiguous engagement period of 3 years up to and including the financial year 2021.

#### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements and the parent financial statements for the financial year 1 January 2021 to 31 December 2021. These matters were addressed in the context of our audit of the consolidated financial statements and the parent financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Loan impairment charges and provisions for guarantees	How the matter was addressed in our audit
<p>Determining expected loan impairment charges and provisions for guarantees is subject to significant uncertainty and to some degree based on management judgement. Due to the significance of such management judgement and the loan and guarantee volumes of the Group and the Parent, auditing loan impairment charges and provisions for guarantees is a key audit matter.</p> <p>The principles for determining loan impairment charges and provisions for guarantees are further described in Summary of significant accounting policies, and Management has described the management of credit risks and the review for impairment in notes 2.9, 3.2 and 5.1 to the consolidated financial statements.</p> <p>The areas of loans and guarantees involving the highest level of management judgement, thus requiring greater audit attention, are:</p> <ul style="list-style-type: none"> <li>• Identification of credit-impaired exposures.</li> <li>• Parameters and management judgements in the calculation model used to determine Stage 1 and Stage 2 expected losses.</li> <li>• Valuation of collateral and future cash flows, including management judgement involved in determining Stage 2 and Stage 3 expected losses.</li> <li>• The assessment of the effects of COVID-19 and other events that were not already considered by the models in terms of management judgements incorporated in the models and post-model adjustments.</li> </ul>	<p>Based on our risk assessment, our audit comprised a review of the Group's relevant procedures for loans and guarantees, testing of relevant controls and analysis of the credit quality of loans and guarantees, including the amount of impairment charges and provisions for guarantees.</p> <p>Our audit procedures included testing relevant controls regarding:</p> <ul style="list-style-type: none"> <li>• Current assessment of credit risk.</li> <li>• Assessment and validation of input and assumptions applied in calculating impairment charges and provisions for Stage 1 and Stage 2 guarantees.</li> <li>• Determining management judgements in addition to model-based impairment charges.</li> <li>• Determining impairment charges on exposures in Stage 2 and Stage 3, including test of cash flows and definition of scenarios.</li> </ul> <p>Our audit procedures also comprised:</p> <ul style="list-style-type: none"> <li>• Reviewing, on a sample basis, exposures to ensure timely identification of credit-impaired loans and guarantees.</li> <li>• Obtaining and evaluating the system auditor's report from the Bank's data centre which includes an assessment of the mass data import used by the Bank and of the correct allocation of collateral.</li> <li>• Challenging key parameters in the calculation model applied with particular focus on objectivity and the data used.</li> <li>• Challenging management judgements in the calculation model used with particular focus on management consistency and bias.</li> <li>• Testing, on a sample basis for exposures classified to be in Stage 2 and Stage 3, the calculated impairment charges for consistency with legal and group guidelines to this effect. This included testing collateral values and definition of scenarios.</li> <li>• Challenging management judgements incorporated in the models and Management's established post-model adjustments in relation to the effects of COVID-19 and other events that had not already been considered by the models.</li> </ul>

## **Statement on the Management's review**

Management is responsible for the management's review.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the consolidated financial statements and the parent financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Business Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the consolidated financial statements and the parent financial statements and has been prepared in accordance with the requirements of the Danish Financial Business Act. We did not identify any material misstatement of the Management's review.

## **Management's responsibilities for the consolidated financial statements and the parent financial statements**

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements under the Danish Financial Business Act, and for the preparation of parent financial statements that give a true and fair view in accordance with the Danish Financial Business Act, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and the Parent's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in the preparation of the consolidated financial statements and the parent financial statements unless Management either intends to liquidate the Group or the Parent or to cease operations, or has no realistic alternative but to do so.

## **Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and these parent financial statements.

As part of an audit in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in the preparation of the consolidated financial statements and the parent financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the parent financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and, where applicable, safeguards put in place and measures taken to eliminate threats.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements and the parent financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on compliance with the ESEF Regulation

As part of our audit of the consolidated financial statements and the parent financial statements of Spar Nord Bank A/S we performed procedures to express an opinion on whether the annual report of Spar Nord Bank A/S for the financial year 1 January 2021 to 31 December 2021 with the file name sparnord-2021-12-31.zip is prepared, in all material respects, in compliance with the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) which includes requirements related to the preparation of the annual report in XHTML format and iXBRL tagging of the consolidated financial statements.

Management is responsible for preparing an annual report that complies with the ESEF Regulation. This responsibility includes:

- The preparing of the annual report in XHTML format;

- The selection and application of appropriate iXBRL tags, including extensions to the ESEF taxonomy and the anchoring thereof to elements in the taxonomy, for financial information required to be tagged using judgement where necessary;
- Ensuring consistency between iXBRL tagged data and the Consolidated Financial Statements presented in human readable format; and
- For such internal control as Management determines necessary to enable the preparation of an annual report that is compliant with the ESEF Regulation.

Our responsibility is to obtain reasonable assurance on whether the annual report is prepared, in all material respects, in compliance with the ESEF Regulation based on the evidence we have obtained, and to issue a report that includes our opinion. The nature, timing and extent of procedures selected depend on the auditor's judgement, including the assessment of the risks of material departures from the requirements set out in the ESEF Regulation, whether due to fraud or error. The procedures include:

- Testing whether the annual report is prepared in XHTML format;
- Obtaining an understanding of the company's iXBRL tagging process and of internal control over the tagging process;
- Evaluating the completeness of the iXBRL tagging of the Consolidated Financial Statements;
- Evaluating the appropriateness of the company's use of iXBRL elements selected from the ESEF taxonomy and the creation of extension elements where no suitable element in the ESEF taxonomy has been identified;
- Evaluating the use of anchoring of extension elements to elements in the ESEF taxonomy; and
- Reconciling the iXBRL tagged data with the audited Consolidated Financial Statements.

In our opinion, the annual report of Spar Nord Bank A/S for the financial year 1 January 2021 to 31 December 2021 with the file name sparnord-2021-12-31.zip is prepared, in all material respects, in compliance with the ESEF Regulation.

**Aalborg, 10 February 2022**

## Deloitte

Statsautoriseret Revisionspartnerselskab  
Business Registration No 33 96 35 56



Anders Oldau Gjelstrup  
State-Authorised Public  
Accountant  
MNE-nr. 10777



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# Group

## Income statement

Note	2021 DKKm	2020 DKKm	
	Interest income calculated under the effective interest method	1,834	1,647
	Other interest income	107	100
2.2 + 2.3.1	<b>Interest income</b>	<b>1,941</b>	<b>1,747</b>
2.2 + 2.3.2	Interest expenses	205	163
	<b>Net interest income</b>	<b>1,736</b>	<b>1,584</b>
2.4	Fees, charges and commissions received	1,706	1,396
2.4	Fees, charges and commissions paid	165	158
2.5	Market value adjustments and dividends	407	433
2.6	Other income	133	71
2.7	Staff costs	1,346	1,293
2.8	Operating expenses	890	806
	<b>Profit/loss before loan impairment (core earnings before impairment)</b>	<b>1,581</b>	<b>1,227</b>
2.9	Impairment of loans, advances and receivables etc.	-120	309
	<b>Profit/loss before tax</b>	<b>1,701</b>	<b>918</b>
2.10	Tax	333	181
	<b>Profit/loss for the year</b>	<b>1,368</b>	<b>737</b>
	Appropriation:		
	The shareholders of the Parent Company Spar Nord Bank A/S	1,307	688
	Holders of additional tier 1 (AT1) capital instruments	61	49
	<b>Profit/loss for the year</b>	<b>1,368</b>	<b>737</b>
	<b>Earnings per share for the year</b>		
4.5	Earnings per share for the year (DKK)	10.6	5.6
4.5	Diluted earnings per share for the year (DKK)	10.6	5.6
	Proposed dividend per share (DKK)	2.5	1.5

## Statement of comprehensive income

<b>Profit/loss for the year</b>	<b>1,368</b>	<b>737</b>
<b>Other comprehensive income</b>		
<b>Items that cannot be reclassified to the income statement:</b>		
Adjustment relating to associates	-1	-2
Net revaluation of domicile property	14	7
<b>Other comprehensive income after tax</b>	<b>13</b>	<b>5</b>
<b>Total comprehensive income</b>	<b>1,381</b>	<b>742</b>
Appropriation:		
The shareholders of the Parent Company Spar Nord Bank A/S	1,320	693
Holders of additional tier 1 (AT1) capital instruments	61	49
<b>Total comprehensive income</b>	<b>1,381</b>	<b>742</b>

# Group

## Balance sheet

Note	2021 DKKm	2020 DKKm
<b>Assets</b>		
	Cash balances and demand deposits with central banks	1,855 1,126
3.1	Due from credit institutions and central banks	2,485 1,259
3.2	Loans, advances and other receivables at amortised cost	61,936 52,312
3.3.1	Bonds at fair value	19,031 21,647
3.3.2	Shares, etc.	1,931 1,789
3.4	Investments in associates	663 529
3.5	Assets linked to pooled schemes	25,533 20,464
3.6	Intangible assets	429 171
3.7.1	Land and buildings	796 782
3.7.2	Other property, plant and equipment	123 112
	Current tax assets	105 98
3.7.3	Temporary assets	6 5
3.8	Other assets	1,526 1,675
	Prepayments and deferred income	116 108
	<b>Total assets</b>	<b>116,535 102,077</b>
<b>Equity and liabilities</b>		
<b>Liabilities</b>		
3.9	Due to credit institutions and central banks	2,452 4,167
3.10	Deposits and other payables	63,775 58,416
3.5	Deposits in pooled schemes	25,533 20,464
4.8	Issued bonds at amortised cost	4,845 2,670
3.3.3	Other non-derivative financial liabilities at fair value	2,786 835
3.11	Other liabilities	3,503 3,677
	Prepayments and deferred income	115 28
3.12	Deferred tax	4 19
3.13	Provisions	75 78
4.7	Subordinated debt	1,523 1,333
	<b>Total liabilities</b>	<b>104,611 91,687</b>
<b>Equity</b>		
	Share capital	1,230 1,230
	Revaluation reserves	113 99
	Statutory reserves	148 94
	Proposed dividend	308 185
	Retained earnings	8,928 7,988
	<b>Shareholders' equity</b>	<b>10,727 9,596</b>
4.6	Holders of additional tier 1 (AT1) capital instruments	1,197 794
	<b>Total equity</b>	<b>11,924 10,390</b>
	<b>Total equity and liabilities</b>	<b>116,535 102,077</b>

# Statement of changes in equity

	Share capital	Revaluation reserve	Statutory reserves	Proposed dividend	Retained earnings	Shareholders of Spar Nord Bank A/S	Additional tier 1 (AT1) capital	Total equity
	DKKm	DKKm	DKKm	DKKm	DKKm	DKKm	DKKm	DKKm
<b>Equity at 31.12.20</b>	<b>1,230</b>	<b>99</b>	<b>94</b>	<b>185</b>	<b>7,988</b>	<b>9,596</b>	<b>794</b>	<b>10,390</b>
<b>Comprehensive income in 2021</b>								
Profit/loss for the year	-	-	91	308	908	1,307	61	1,368
<b>Other comprehensive income</b>								
Adjustment relating to associates	-	-	-37	-	36	-1	-	-1
Net revaluation of properties	-	14	-	-	-	14	-	14
<b>Other comprehensive income, total</b>	<b>0</b>	<b>14</b>	<b>-37</b>	<b>0</b>	<b>36</b>	<b>13</b>	<b>0</b>	<b>13</b>
<b>Total comprehensive income</b>	<b>0</b>	<b>14</b>	<b>54</b>	<b>308</b>	<b>944</b>	<b>1,320</b>	<b>61</b>	<b>1,381</b>
<b>Transactions with owners</b>								
Issue of additional tier 1 (AT1) capital, net transaction costs	-	-	-	-	-6	-6	850	844
Redemption of additional tier 1 (AT1) capital	-	-	-	-	-	-	-450	-450
Interest paid on additional tier 1 (AT1) capital	-	-	-	-	-	-	-54	-54
Dividends paid	-	-	-	-185	-	-185	-	-185
Dividends received, treasury shares	-	-	-	-	0	0	-	0
Disposal upon acquisition of treasury shares and additional tier 1 (AT1) capital	-	-	-	-	-503	-503	-4	-506
Addition upon sale of treasury shares and additional tier 1 (AT1) capital	-	-	-	-	504	504	-	504
<b>Total transactions with owners</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-185</b>	<b>-4</b>	<b>-189</b>	<b>342</b>	<b>153</b>
<b>Equity at 31.12.2021</b>	<b>1,230</b>	<b>113</b>	<b>148</b>	<b>308</b>	<b>8,928</b>	<b>10,727</b>	<b>1,197</b>	<b>11,924</b>
<b>Equity at 31.12.2019</b>	<b>1,230</b>	<b>92</b>	<b>116</b>	<b>431</b>	<b>7,032</b>	<b>8,901</b>	<b>860</b>	<b>9,761</b>
<b>Comprehensive income in 2020</b>								
Profit/loss for the year	-	-	29	185	474	688	49	737
<b>Other comprehensive income</b>								
Adjustment relating to associates	-	-	-51	-	49	-2	-	-2
Net revaluation of properties	-	7	-	-	0	7	-	7
<b>Other comprehensive income, total</b>	<b>0</b>	<b>7</b>	<b>-51</b>	<b>0</b>	<b>49</b>	<b>5</b>	<b>0</b>	<b>5</b>
<b>Total comprehensive income</b>	<b>0</b>	<b>7</b>	<b>-22</b>	<b>185</b>	<b>523</b>	<b>693</b>	<b>49</b>	<b>742</b>
<b>Transactions with owners</b>								
Issue of additional tier 1 (AT1) capital, net transaction costs	-	-	-	-	0	0	330	330
Redemption of additional tier 1 (AT1) capital	-	-	-	-	-	-	-400	-400
Interest paid on additional tier 1 (AT1) capital	-	-	-	-	-	-	-49	-49
Suspended dividend payment	-	-	-	-431	431	0	-	0
Disposal upon acquisition of treasury shares and additional tier 1 (AT1) capital	-	-	-	-	-430	-430	-	-430
Addition upon sale of treasury shares and additional tier 1 (AT1) capital	-	-	-	-	433	433	4	436
<b>Total transactions with owners</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-431</b>	<b>432</b>	<b>2</b>	<b>-115</b>	<b>-113</b>
<b>Equity at 31.12.20</b>	<b>1,230</b>	<b>99</b>	<b>94</b>	<b>185</b>	<b>7,988</b>	<b>9,596</b>	<b>794</b>	<b>10,390</b>

Additional tier 1 (AT1) capital is specified in note 4.6.

Dividends of DKK 308 million have been proposed for 2021, corresponding to DKK 2.50 per share. (2020: proposed dividends of DKK 185 million, corresponding to DKK 1.50 per share).

Dividends paid in 2021 amounted to DKK 185 million (2020: DKK 0 million, corresponding to DKK 0.00 per share – proposed dividends for 2019 were subsequently suspended at the general meeting to support the political intentions to ensure an appropriate mitigation of the effects of the COVID-19 pandemic and its consequences for the Danish economy).

The distribution of dividend to Spar Nord's shareholders has no tax consequences for Spar Nord.

# Cash flow statement

	2021	2020
	DKKm	DKKm
<b>Operations</b>		
Profit/loss before tax	1,701	918
3.7 Fair value changes, investment properties and temporary assets	1	1
2.8.2 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	96	80
2.6 Gains and losses on the sale of intangible assets and property, plant and equipment	0	2
2.6 Gains and losses on sale of associates	0	0
5.1.6 Adjustment of loan impairment etc.	-126	214
Adjustment of subordinated debt, issued bonds etc.	-13	51
3.1.3 Provisions	-4	24
3.4 Income from investments in associates	-91	-29
Corporate income tax paid	-354	-225
<b>Operating activities, total</b>	<b>1,210</b>	<b>1,036</b>
<b>Working capital</b>		
3.1+3.9 Movement in credit institutions and central banks, net	-2,214	105
Movement in loans, advances and other receivables at amortised cost	-9,497	-1,215
3.3.1 Movement in bonds at fair value	2,616	-5,149
3.3.2 Movement in equity portfolio	-123	-50
Movement in other assets and other liabilities, net	1,991	-13
3.1.0 Movement in deposits and other payables	5,359	5,137
<b>Working capital, total</b>	<b>-1,868</b>	<b>-1,185</b>
<b>Cash generated from operations, total</b>	<b>-658</b>	<b>-149</b>
<b>Investments</b>		
3.4 Acquisition of associates	-99	-80
3.4 Sale of associates	0	0
3.6 Acquisition of intangible assets	-255	-3
3.6 Sale of intangible assets	0	0
3.7 Acquisition of property, plant and equipment	-103	-44
3.7 Sale of property, plant and equipment	31	17
3.4 Dividends from associates	36	49
<b>Investing activities, total</b>	<b>-390</b>	<b>-61</b>
<b>Financing</b>		
4.7 Subordinated debt	197	-4
4.6 Additional tier 1 (AT1) capital included in equity	337	-115
4.8 Issued bonds	2,181	-3
Dividends paid, less dividends on treasury shares	-184	0
Acquisition of treasury shares	-502	-431
Sale of treasury shares	504	433
3.1.1.1 Repayment of lease liabilities	-29	-25
<b>Financing activities, total</b>	<b>2,504</b>	<b>-145</b>
<b>Movements in cash and cash equivalents for the year</b>	<b>1,456</b>	<b>-355</b>
Cash and cash equivalents, beginning of year	2,385	2,740
Movements in cash and cash equivalents for the year	1,456	-355
<b>Cash and cash equivalents, end of year</b>	<b>3,841</b>	<b>2,385</b>
<b>Cash and cash equivalents, end of year</b>		
Cash, cash equivalents and demand deposits with central banks	1,855	1,126
3.1 Due from credit institutions and central banks within less than 3 months	1,986	1,259
<b>Total</b>	<b>3,841</b>	<b>2,385</b>



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## Section 1

# Basis of preparation

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## Main items

The financial statements of Spar Nord Bank A/S are presented in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, the Danish Financial Business Act and Danish disclosure requirements for annual reports of listed financial enterprises.

The most important changes to the accounting standards from 2020 to 2021 are:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 due to the IBOR reform (phase 2)

The most significant accounting estimates and judgments in these financial statements concern:

- Loan impairment
- Fair value of financial instruments

## Section 1

# Basis of preparation

## 1.1 Accounting policies

### § 1.1.1 Basis of preparation of the annual report

Spar Nord Bank A/S is a public limited company with its registered office in Denmark. The annual report for the year ended 31 December 2021 includes both the consolidated financial statements of Spar Nord and its subsidiary and separate financial statements of the Parent Company.

The consolidated financial statements are presented in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU. The Parent Company's financial statements have been prepared in accordance with the provisions of the Danish Financial Business Act, including the Executive Order on financial reports presented by credit institutions and investment companies.

Moreover, the Annual Report is presented in accordance with additional Danish disclosure requirements for annual reports prepared by listed financial institutions; see the Danish Financial Business Act and the Danish Statutory Order on Adoption of IFRS for financial enterprises issued pursuant to the Danish Financial Business Act.

On 10 February 2022, the Board of Directors and Executive Board reviewed and adopted the 2021 Annual Report of Spar Nord. The Annual Report will be submitted for adoption by the shareholders at the Annual General Meeting on 23 March 2022.

Figures in the financial statements are presented in millions of Danish kroner, unless otherwise stated. Consequently, rounding differences may occur because grand totals are rounded and the underlying decimal places are not shown to the reader.

The policies regarding recognition and measurement in the Parent Company are compatible with IFRS. The difference between the profit or loss in the Group and in the Parent Company is due to the net effect of revaluations and impairment, which in the Group is recognised in other comprehensive income but in the Parent Company in the income statement via profit in subsidiaries. Depreciation of domicile properties in the consolidated financial statements is not made in the subsidiary due to the investment property classification.

Except for the effect of implementation of new and amended accounting standards and interpretations, as described below, the accounting policies are consistent with those applied last year. Comparative figures have been restated to the changed accounting policies unless otherwise provided.

The general accounting policies are described in the following.

Specific accounting policies are incorporated in the relevant notes.

#### Implementation of new accounting standards

Effective 01 January 2021, the Spar Nord Group implemented the IFRS standards and interpretations taking effect in the EU for 2021. The following amendments to IFRS relevant to Spar Nord were implemented effective 01 January 2021:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 due to the IBOR reform (phase 2)

The implementation of amended standards did not materially affect recognition and measurement in 2021, thus not impacting earnings per share, diluted earnings per share and equity.

#### Recognition and measurement

Assets within Spar Nord's control as a result of past events are recognised in the balance sheet when it is probable that future economic benefits will flow to Spar Nord and the value of the asset can be reliably measured. Obligations arising from past events are recognised in the balance sheet where it is probable

that outflows of future financial resources will be required to settle the obligations and they can be reliably estimated

On initial recognition, assets and liabilities are measured at fair value, and for assets and liabilities subsequently measured at amortised cost directly attributable transaction costs will be added. Subsequently, assets and liabilities are measured as described for each item.

Recognition and measurement take into consideration any gains, losses and risks that arise before the presentation of the annual report and that confirm or invalidate matters existing at the balance sheet date.

Income is recognised in the income statement as earned. Costs incurred to generate the year's earnings are recognised in the income statement. Value adjustments of financial assets and liabilities and derivative financial instruments are recognised in the income statement.

Financial instruments are recognised at the settlement date and are derecognised when the right to receive or surrender cash flows from the financial instrument has expired, or if the financial instrument has been transferred and Spar Nord has transferred substantially all risks and rewards of ownership.

#### Foreign currency translation

The consolidated financial statements and the Parent Company's financial statements are presented in Danish kroner (DKK), rounded to the nearest million DKK, which is the functional currency of Spar Nord Bank A/S and the subsidiary Aktieselskabet Skelagervej 15. Transactions denominated in foreign currency are translated at the exchange rate ruling at the transaction date.

Exchange differences arising between the exchange rate at the transaction date and the exchange rate at the payment date are recognised in the income statement as market value adjustments. Monetary items denominated in foreign currency are translated at the exchange rate ruling at the balance sheet date. The difference between the exchange rates at the balance sheet date and at the date when the balance arose is recognised in the income statement as market value adjustments.

#### Offsetting

Receivables and payables are offset when the Group has a legally enforceable right to set off the recognised amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

#### Consolidated financial statements

The consolidated financial statements consolidate the Parent Company Spar Nord Bank A/S and the associate in which Spar Nord Bank A/S has control over financial and operating policy decisions.

Control is said to exist if the Group is exposed or has rights to variable returns from its involvement with the company and has the ability to affect those returns through the power over the company. In the assessment of whether the Group has control, de facto control and potential voting rights that are real and of substance at the balance sheet date are taken into account.

The group enterprise Aktieselskabet Skelagervej 15 is fully consolidated.

The consolidated financial statements have been prepared consolidating the financial statements of Spar Nord Bank A/S and the subsidiary using the Group's accounting policies, eliminating intra-group income and expenses, shareholdings, intra-group balances as well as realised and unrealised gains and losses on intra-group transactions.

## Section 1

# Basis of preparation

### Cash flow statement

The cash flow statement shows the cash flows from operating, investing and financing activities for the year, the year's changes in cash and cash equivalents as well as cash and cash equivalents at the beginning and end of the year. Cash flows from operating activities are calculated according to the indirect method as the profit or loss for the year adjusted for non-cash operating items and changes in working capital.

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of intangible assets and property, plant and equipment as well as associates and group enterprises, etc. Cash flows from financing activities comprise dividends paid and movements in the equity, subordinated debt, issued bonds, lease liabilities and treasury shares.

Cash and cash equivalents comprise cash balances, demand deposits with central banks and amounts due from credit institutions and central banks with less than three months to maturity. These assets can be readily converted into cash and carry only minimal risk of change in value.

### European Single Electronic Format

Pursuant to EU Regulation – EU 2019/815 regarding European Single Electronic Format (ESEF Regulation) – companies preparing financial statements according to IFRS and that are issuers of securities must publish their board-approved annual reports for 2021 in the ESEF format.

The implementation of the new format does not entail material changes to the Group's annual report and has no impact on the Group's accounting policies. This is merely a technical format that enables the user of the financial statements to read them in a browser (XHTML format) and digitally to extract selected information from the financial statements in XBRL format. In the financial statements for 2021, the following items of the consolidated financial statements have been tagged (iXBRL tags) to the ESEF Taxonomy issued by the European Securities and Markets Authority (ESMA):

- Items in the income statement and other comprehensive income
- Balance sheet items
- Statement of changes in equity
- Cash flow statement

Tagging does not comprise the notes to the financial statements. This will be done in the annual report for 2022 in accordance with the regulation. Tagging was made to the effect that for each individual accounting item an initial assessment was made of the correlation to the ESMA Taxonomy, which is based on the IASB's IFRS Taxonomy. Subsequently, tagging was made to the taxonomy element that is most relevant for determining and assessing the individual item. The tagging requirement only extends to accounting items at group level, so no accounting items in the parent financial statements have been tagged. The financial statements have been published with the following file name: Sparnord-2021-12-31.zip.


### 1.1.2 Information about standards not yet effective

The International Accounting Standards Board (IASB) has published a number of new and amended financial reporting standards (IAS and IFRS), which Spar Nord is not required to observe in preparing the 2021 Annual Report. These are IFRS 17, amendments to IFRS 8, amendments to IFRS 12, amendments to IAS 1, amendments to IAS 16 as well as the annual improvement project to IFRS standards 2018–2020.

None of the above standards and interpretations have been adopted by the EU.

Spar Nord does not expect to implement the new standards until they become mandatory. None of the above standards are expected to materially affect Spar Nord's financial reporting, including recognition and measurement.

## 1.2 Significant accounting estimates and judgments

 In connection with the application of Spar Nord's accounting policies, which are described in note 1.1 and the other notes to the financial statements, management makes a number of assessments, which are material to recognition, measurement and presentation of income, costs, assets and liabilities in the financial statements. In addition, management makes a number of estimates of future events that will significantly affect the carrying amounts of assets and liabilities in the preparation of the consolidated financial statements.

The estimates made by the management are based on assumptions that the management finds reasonable, but which are inherently uncertain and unpredictable. The assumptions may be incomplete or inaccurate, and unexpected future events or circumstances may arise. Therefore, estimates are inherently difficult to make and will always entail uncertainty when they involve transactions with customers and other counterparties. It may be necessary to change previous estimates as a result of changes to the assumptions on which the estimates were based or as a result of new information or subsequent events.

The estimates and assumptions that are deemed critical to the consolidated financial statements are as follows:

Accounting item	Estimate	Assessments	Note
Loan impairment	X	X	3.2
Fair value of financial instruments		X	3.3

A specific description of significant accounting estimates and judgments is provided in the relevant notes.

## 1.3 ESEF data

### ESEF data

Company's headquarters	Denmark
Name of the Group's ultimate parent company	Spar Nord Bank A/S (listed on Nasdaq Copenhagen)
Description of the company's operations and primary activities	Financial enterprise, banking
Country of incorporation	Denmark
Principal place of business	Denmark
Description of change of name of reporting entity	N/A
Legal form of the business	Public limited company
Name of reporting entity	Spar Nord Bank A/S
Name of parent company	Spar Nord Bank A/S (listed on Nasdaq Copenhagen)
Registered office	Skelagervej 15 9000 Aalborg Denmark

## Section 2

# Income statement

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## Main items

Net interest income

**DKK 1,736** million

2020: **DKK 1,584** million

Impairment of loans and advances, etc.

**DKK -120** million

2020: **DKK 309** million

Net fee income

**DKK 1,541** million

2020: **DKK 1,238** million

Profit/loss before tax

**DKK 1,701** million

2020: **DKK 918** million

Costs and expenses

**DKK 2,237** million

2020: **DKK 2,099** million

Profit/loss after tax

**DKK 1,368** million

2020: **DKK 737** million

Profit/loss before loan impairment charges

**DKK 1,581** million

2020: **DKK 1,227** million

C/I ratio

**0.59**

2020: **0.63**



## Income statement

## § Accounting policies

## Description of business segments

Other areas comprise central staff and support functions, other income and expenses and eliminations.

The assets and liabilities of the business segments are the operating assets and operating liabilities that are employed by a segment for its operations and that are either directly attributable to the segment or can reasonably be allocated to the segment. The individual business segment includes allocated capital equal to 13.5% (2020: 13.5%) of the average total risk exposure amount of the business area. In the business segment Other areas, the difference between allocated capital and equity is presented.

Income from the business area Trading Division comprises interest and market value adjustments on forex and trading products as well as interest and market value adjustments on the Bank's portfolio of securities.

## Section 2

# Income statement

### Business segments

2021

	Spar Nord's Local Banks	Trading Division	Other areas	Group total *)
	DKKm	DKKm	DKKm	DKKm
<b>Income statement</b>				
Net interest income	1,586	88	61	1,736
Net fee income	1,530	7	3	1,541
Market value adjustments and dividends	257	72	79	407
Other income	26	0	108	133
<b>Core income/revenue, total</b>	<b>3,399</b>	<b>167</b>	<b>251</b>	<b>3,818</b>
Staff costs and operating expenses	2,120	49	68	2,237
<b>Core earnings before impairment</b>	<b>1,280</b>	<b>118</b>	<b>184</b>	<b>1,581</b>
Impairment of loans, advances and receivables etc.	-120	0	0	-120
<b>Profit/loss before tax</b>	<b>1,400</b>	<b>118</b>	<b>184</b>	<b>1,701</b>

\*) The "Group total" column equals core earnings in the management's review.

### Balance sheet

Loans, advances and other receivables at amortised cost	48,830	13,102	4	61,936
Investments in associates	0	0	663	663
Intangible assets and property, plant and equipment *)	487	1	859	1,348
Other assets **)	1,443	24,229	26,917	52,589
<b>Allocated assets, total</b>	<b>50,761</b>	<b>37,332</b>	<b>28,442</b>	<b>116,535</b>
Deposits and other payables	62,904	304	567	63,775
Equity (allocated capital)	6,623	1,453	3,848	11,924
Other liabilities	25,913	5,712	9,211	40,836
<b>Allocated equity and liabilities, total</b>	<b>95,440</b>	<b>7,469</b>	<b>13,626</b>	<b>116,535</b>

### Disclosures – income/revenue, total

Internal income/revenue	-165	139	132	106
Internal income and eliminations, offset against costs	0	-106	0	-106
Income/revenue, external customers	3,564	135	119	3,818
<b>Income/revenue, total</b>	<b>3,399</b>	<b>167</b>	<b>251</b>	<b>3,818</b>
<b>Of which revenue from contracts with customers</b>	<b>888</b>	<b>24</b>	<b>66</b>	<b>977</b>

### Disclosures, cash flow statement

Depreciation, amortisation and impairment ***)	28	1	67	96
Additions, intangible assets and property, plant and equipment *)	21	0	338	359
Non-cash operating items excl. depr., amort. and impairment of int. assets and prop., plant & equipment	0	0	-94	-94
Impairment and reversal of impairment of loans, advances and receivables, etc.	-126	0	0	-126

### Financial ratios

Return on equity, % ****)	22	8	-	-
Cost share of core income	0.62	0.30	-	-
Total risk exposure amount, end of period	47,509	10,301	2,668	60,479
Number of employees (full-time equivalents, end of period)	1,062	72	474	1,608

\*) All assets are located in Denmark.

\*\*) Temporary assets amount to DKK 6 million, of which DKK 1 million relates to lease activities and DKK 5 million relates to other areas.

\*\*\*) No significant impairment writedowns have been made.

\*\*\*\*) The rate of return on equity per annum has been calculated on allocated capital, which amounts to 13.5% of the average total risk exposure amount.

## Section 2

# Income statement

### Business segments

2020	Spar Nord's Local Banks DKKm	Trading Division DKKm	Other areas DKKm	Group total *) DKKm
<b>Income statement</b>				
Net interest income	1,421	107	56	1,584
Net fee income	1,229	2	6	1,238
Market value adjustments and dividends	191	229	14	433
Other income	22	0	49	71
<b>Core income/revenue, total</b>	<b>2,863</b>	<b>338</b>	<b>125</b>	<b>3,326</b>
Staff costs and operating expenses	1,958	62	78	2,099
<b>Core earnings before impairment</b>	<b>905</b>	<b>276</b>	<b>47</b>	<b>1,227</b>
Impairment of loans, advances and receivables etc.	312	1	-3	309
<b>Profit/loss before tax</b>	<b>593</b>	<b>275</b>	<b>49</b>	<b>918</b>

\*) The "Group total" column equals core earnings in the management's review.

### Balance sheet

Loans, advances and other receivables at amortised cost	42,253	10,059	0	52,312
Investments in associates	0	0	529	529
Intangible assets and property, plant and equipment *)	248	2	815	1,064
Other assets **)	1,339	25,116	21,716	48,172
<b>Allocated assets, total</b>	<b>43,841</b>	<b>35,177</b>	<b>23,060</b>	<b>102,077</b>
Deposits and other payables	57,229	583	605	58,416
Equity (allocated capital)	5,835	1,250	3,305	10,390
Other liabilities	20,694	5,745	6,832	33,271
<b>Allocated equity and liabilities, total</b>	<b>83,758</b>	<b>7,578</b>	<b>10,741</b>	<b>102,077</b>

### Disclosures – income/revenue, total

Internal income/revenue	-147	124	786	762
Internal income and eliminations, offset against costs	0	-95	-667	-762
Income/revenue, external customers	3,010	309	6	3,326
<b>Income/revenue, total</b>	<b>2,863</b>	<b>338</b>	<b>125</b>	<b>3,326</b>
<b>Of which revenue from contracts with customers</b>	<b>723</b>	<b>21</b>	<b>26</b>	<b>770</b>

### Disclosures, cash flow statement

Depreciation, amortisation and impairment ***)	23	0	57	80
Additions, intangible assets and property, plant and equipment *)	17	2	28	47
Non-cash operating items excl. depr., amort. and impairment of int. assets and prop., plant & equipment	0	0	-5	-5
Impairment and reversal of impairment of loans, advances and receivables, etc.	214	0	0	214

### Financial ratios

Return on equity, % ****)	10	23	-	-
Cost share of core income	0.68	0.18	-	-
Total risk exposure amount, end of period	43,222	9,259	2,384	54,865
Number of employees (full-time equivalents, end of period)	1,017	68	460	1,545

\*) All assets are located in Denmark.

\*\*) Temporary assets amount to DKK 5 million, of which DKK 4 million relates to lease activities and DKK 1 million relates to other areas.

\*\*\*) No significant impairment writedowns have been made.

\*\*\*\*) The rate of return on equity per annum has been calculated on allocated capital, which amounts to 13.5% of the average total risk exposure amount.

## Section 2

# Income statement

## 2.2 Financial items

2021	Interest income DKKm	Interest expense DKKm	Net interest DKKm	Market value adjustments DKKm	Dividend DKKm	Total DKKm
<b>Net financials at amortised cost</b>						
Due from and due to credit institutions and central banks	5	9	-4	-	-	-4
Lending and deposits, banking activities	1,508	-255	1,763	-	-	1,763
Repo and reverse repo transactions	-57	-11	-46	-	-	-46
Issued bonds	0	48	-48	23	-	-25
Subordinated debt	0	35	-35	-	-	-35
Other interest	0	1	-1	-	-	-1
<b>Total</b>	<b>1,456</b>	<b>-173</b>	<b>1,629</b>	<b>23</b>	<b>-</b>	<b>1,652</b>
<b>Net financials at fair value</b>						
Trading book	107	0	107	147	3	258
Other financial investment assets (shares according to fair-value option)	0	0	0	158	76	234
<b>Total</b>	<b>107</b>	<b>0</b>	<b>107</b>	<b>305</b>	<b>79</b>	<b>491</b>
<b>Total net income from financials</b>	<b>1,563</b>	<b>-173</b>	<b>1,736</b>	<b>328</b>	<b>79</b>	<b>2,143</b>
<b>2020</b>						
<b>Net financials at amortised cost</b>						
Due from and due to credit institutions and central banks	5	9	-5	-	-	-5
Lending and deposits, banking activities	1,447	-133	1,580	-	-	1,580
Repo and reverse repo transactions	-50	-19	-31	-	-	-31
Issued bonds	0	25	-25	-3	-	-28
Subordinated debt	0	35	-35	-	-	-35
Other interest	0	1	-1	-	-	-1
<b>Total</b>	<b>1,401</b>	<b>-82</b>	<b>1,483</b>	<b>-3</b>	<b>-</b>	<b>1,480</b>
<b>Net financials at fair value</b>						
Trading book	101	0	101	282	3	386
Other financial investment assets (shares according to fair-value option)	0	0	0	95	57	151
<b>Total</b>	<b>101</b>	<b>0</b>	<b>101</b>	<b>377</b>	<b>60</b>	<b>537</b>
<b>Total net income from financials</b>	<b>1,502</b>	<b>-82</b>	<b>1,584</b>	<b>374</b>	<b>60</b>	<b>2,018</b>

In the table above, negative interest rates are offset against interest income and interest expenses, respectively. The amount of the negative interest rates offset is shown in notes 2.3.1 and 2.3.1.

In the income statement, negative interest income is presented as interest expenses, and negative interest expenses are presented as interest income.

## Section 2

# Income statement

### 2.3 Net interest



#### Accounting policies

Interest income and expenses comprise:

- interest-bearing financial instruments measured at amortised cost, which are recognised in the income statement applying the effective interest method based on the cost of the financial instrument;
  - amortisation of fees which are an integral part of the effective yield of the financial instrument, including origination fees and document-handling fees in connection with loan establishment etc., and amortisation of any additional difference between cost and redemption price;
  - interest on financial instruments measured at fair value, but not interest on assets and deposits under pooled schemes, which is recognised under market value adjustments;
  - interest income which the lessor on finance leases and purchase contracts has recognised on the basis of the agreed effective interest rate;
  - fees, etc. from operating and finance leases which the lessor has accrued over the remaining term of the leases and recognised on an ongoing basis under Interest income; and
  - interest expense on operating leases in which Spar Nord is the lessee.
- Interest on loans with credit impairment made on the basis of the value after impairment is presented under impairment of loans, advances and receivables etc.

#### 2.3.1 Interest income

	2021	2020
	DKKm	DKKm
<b>Interest income</b>		
Reverse repo transactions with credit institutions and central banks	-11	-15
Other amounts due from credit institutions and central banks	5	5
Reverse repo transactions, lending	-45	-35
Loans, advances and other receivables	1,508	1,447
Bonds	62	74
Total derivatives	45	27
Other interest income	0	0
<b>Total interest income after offsetting negative interest income</b>	<b>1,563</b>	<b>1,502</b>
<b>Negative interest income offset against interest income</b>		
Reverse repo transactions with credit institutions and central banks	11	15
Reverse repo transactions, lending	45	35
Bonds	17	17
<b>Total negative interest income transferred to interest expenses</b>	<b>73</b>	<b>67</b>
<b>Negative interest expenses offset against interest expenses</b>		
Repo transactions with credit institutions and central banks	7	15
Repo transactions, deposits	4	4
Deposits and other payables	294	159
<b>Total negative interest expenses transferred to interest income</b>	<b>305</b>	<b>178</b>
<b>Total interest income</b>	<b>1,941</b>	<b>1,747</b>

In the income statement, negative interest income is presented as interest expenses, and negative interest expenses are presented as interest income.



## Section 2

# Income statement

### 2.3.2 Interest expenses

	2021 DKKm	2020 DKKm
<b>Interest expenses</b>		
Repo transactions with credit institutions and central banks	-7	-15
Other payables to credit institutions and central banks	9	9
Repo transactions, deposits	-4	-4
Deposits and other payables	-255	-133
Issued bonds	48	25
Subordinated debt	35	35
Other interest expenses	1	1
<b>Total interest expenses after offsetting negative interest expenses</b>	<b>-173</b>	<b>-82</b>
<b>Negative interest expenses offset against interest expenses</b>		
Repo transactions with credit institutions and central banks	7	15
Repo transactions, deposits	4	4
Deposits and other payables	294	159
<b>Total negative interest expenses transferred to interest income</b>	<b>305</b>	<b>178</b>
<b>Negative interest income offset against interest income</b>		
Reverse repo transactions with credit institutions and central banks	11	15
Reverse repo transactions, lending	45	35
Bonds	17	17
<b>Total negative interest income transferred to interest expenses</b>	<b>73</b>	<b>67</b>
<b>Total interest expenses</b>	<b>205</b>	<b>163</b>

In the income statement, negative interest expenses are presented as interest income, and negative interest income is presented as interest expenses.

## 2.4 Fees, charges and commissions received

### Accounting policies

§ Fees, charges and commissions relating to services provided over a period of time are accrued over the service period, which includes guarantee commissions. Income generated upon performing a given transaction, including securities and custodian-ship fees plus payment services fees, is recognised as income when the transaction has been performed.

### Revenue from contracts with customers

Revenue is recognised with a view to depicting the transfer of promised services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those services. On the basis of this basic principle, a five-step model is applied in a process to ensure systematic assessment of all elements in contracts with customers.

Revenue is recognised on completion of the transaction and is not a part of the effective rate of interest.

At contract inception, Spar Nord determines for each identified performance obligation whether the bank satisfies the performance obligation over time or at a point in time and whether the consideration is fixed or variable, including whether the consideration is susceptible to, for instance, factors outside the Group's influence. The consideration is then allocated to the identified performance obligation.

Examples of revenue from contracts with customers:

- Portfolio management fees
- Credit card transactions
- Securities trading fees
- Other types of income in the form of, for instance, fee income, property management income and rental income

## Section 2

### Income statement

	2021	2020
	DKKm	DKKm
Securities trading and custody accounts	516	444
Payment services	203	155
Loan transaction fees	672	568
of which mortgage credit institutions	511	434
Guarantee commission	35	30
Other fees, charges and commissions	280	199
<b>Total fees, charges and commissions received</b>	<b>1,706</b>	<b>1,396</b>
<b>Total fees, charges and commissions paid</b>	<b>165</b>	<b>158</b>
<b>Total net fees, charges and commissions received</b>	<b>1,541</b>	<b>1,238</b>
<b>Of which</b>		
Transaction fees relating to financial instruments measured at amortised cost	672	568
Income from management activities and other fiduciary activities	276	253
<b>Revenue from contracts with customers</b>		
Securities trading and custody accounts	372	334
Payment services	197	153
Loan fee	161	133
Other net fees and other operating income	247	150
<b>Total revenue from contracts with customers</b>	<b>977</b>	<b>770</b>

## 2.5 Market value adjustments and dividends



### Accounting policies

Market value adjustments include realised and unrealised market value adjustments of items in the trading portfolio of securities and derivatives and other shares at fair value (fair value option). In addition, the impact on profits/losses from exchange rate adjustments and fair value hedge accounting is also recognised under market value adjustments.

	2021	2020
	DKKm	DKKm
Other loans, advances and receivables at fair value	24	-3
Bonds	-77	146
Shares, etc.	225	153
Currency	84	64
Foreign exchange, interest, share, commodity and other contracts and derivatives	73	14
Assets linked to pooled schemes	2,866	2,089
Deposits in pooled schemes	-2,866	-2,089
Other liabilities	0	0
<b>Total market value adjustments</b>	<b>329</b>	<b>374</b>
Dividends on shares, etc.	79	60
<b>Market value adjustments and dividends on shares, etc., total</b>	<b>407</b>	<b>433</b>

## Section 2

# Income statement

## 2.6 Other income

### § Accounting policies

Other operating income includes items of a secondary nature relative to Spar Nord's activities, including gains on the disposal of acquired investment and domicile properties, the disposal of leasing assets and gains from sale of investments in associates etc.

Other operating income also includes the proportionate share of income after tax from investments in associates as well as lease income from operating leases and rental income from properties after deducting operating expenses.

Disposal gains are determined as the difference between the selling price less selling costs and the carrying amount at the date of disposal.

Prepaid income is recognised at amortised cost under deferred income (liabilities).

	2021	2020
	DKKm	DKKm
Payments under operating leases and other rental income	11	9
Gain on sale of other property, plant and equipment	0	0
Gain on sale of properties	1	0
Other income	17	20
Operation of investment properties	14	13
<b>Total other operating income</b>	<b>43</b>	<b>42</b>
Income from investments in associates	91	29
<b>Other income, total</b>	<b>133</b>	<b>71</b>

## 2.7 Staff costs

### § Accounting policies

Staff costs comprise salaries, holiday pay, anniversary lump sums, pension costs, etc. for staff and management.

	2021	2020
	DKKm	DKKm
Salaries	1,067	1,040
Pensions	134	116
Social security costs	145	138
<b>Total staff costs</b>	<b>1,346</b>	<b>1,293</b>

### Number of employees

Average number of employees in the financial year converted into full-time equivalents	1,618	1,553
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## Section 2

# Income statement

### Of which, remuneration to members of the Board of Directors, Executive Board and material risk takers:

	2021	2020
Board of Directors	DKKm	DKKm
Number	9	9
Fixed remuneration	4.6	4.2
Pension	-	-
<b>Total remuneration</b>	<b>4.6</b>	<b>4.2</b>

The Board of Directors' remuneration in the Parent Company and the Group is identical. The subsidiary's board of directors is composed of persons employed by Spar Nord Bank, the Parent Company, and none of them have received remuneration as members of the subsidiary's board of directors. The remuneration of the Board of Directors is based on intragroup management agreements.

The members of the Board of Directors receive a fixed fee. In addition, a fixed fee is paid to members of the Audit Committee, the Risk Committee and the Nomination and Remuneration Committee.

The Board of Directors receives no variable pay. The members of the Board of Directors are not covered by any corporate pension schemes.

Material risk takers		
Number (avg. number of risk takers)	17	16
Fixed pay *)	20.5	19.4
Variable pay	1.1	0.9
Pension	3.0	2.8
<b>Total remuneration earned and paid</b>	<b>24.5</b>	<b>23.1</b>

\*) The amount includes the value of a company-provided car, etc. and has been deducted from remuneration received from directorships.

In accordance with the Danish Financial Business Act, Spar Nord's remuneration policy defines the group of persons who are material risk takers. No variable remuneration components over and above the statutorily allowed lower threshold limit (DKK 100,000 per year) are paid to material risk takers.

The remuneration paid to Group Management (Board of Directors and Executive Board) does not include any variable components or discretionary pension benefits. The remuneration policy was adopted at the Annual General Meeting on 7 April 2021. The remuneration policy is available at [sparnord.dk/om-spar-nord/governance-og-afloenning/](https://sparnord.dk/om-spar-nord/governance-og-afloenning/).

According to the remuneration policy, the Board of Directors and the Executive Board are included in the group of material risk takers.

The Board of Directors' and Executive Board's remuneration and number of members, etc. are not included in the above specification. The specifications of the Board of Directors' and Executive Board's remuneration, etc. must be included in the total calculation and specification of the Bank's material risk takers.

Executive Board		
Number	4	4
Base salary *)	17.1	15.8
- less fees received from directorships	1.9	1.8
<b>The Bank's expense, base salary</b>	<b>15.2</b>	<b>14.0</b>
Pension	2.7	2.4
<b>Total remuneration earned and paid</b>	<b>17.9</b>	<b>16.5</b>

\*) The amount includes the value of a company-provided car etc.

Martin Kudsk Rasmussen was appointed as managing director and a member of the Executive Board on 1 April 2020.

The members of the Executive Board receive no variable pay.

Members of the Executive Board receive remuneration for their Group executive board duties based on the management agreement with the subsidiary.

Note 6.8 provides information on the Board of Directors and the Executive Board's loans, advances and loan commitments, deposits, collateral and interest rates.

#### Termination rules

The members of the Executive Board are entitled to a notice period of 12 months and will receive severance pay corresponding to one to two years' salary.

For Executive Board members who receive the maximum severance pay, a two-year severance pay period until the member's 64th birthday, after which the severance pay will be reduced gradually, and no severance pay will be paid when a member of the Executive Board has reached the age of 67.

#### Pension obligation

Like the other employees, members of the Executive Board and significant risk takers are comprised by defined contribution pension plans.

## Section 2

# Income statement

## 2.8 Operating expenses



### Accounting policies

Operating expenses include costs of IT, marketing, premises and office expenses. The other administrative expenses include other operating expenses of a secondary nature relative to Spar Nord's activities such as contributions to the Resolution Fund.

Prepaid expenses are recognised at amortised cost under pre-payments (assets).

	2021	2020
	DKKm	DKKm
IT costs	513	439
Marketing expenses	58	62
Cost of premises	53	55
Staff costs and travel expenses	51	45
Office expenses	16	17
Other administrative expenses	104	107
<b>Operating expenses</b>	<b>795</b>	<b>726</b>
<b>Depreciation, amortisation and impairment</b>	<b>96</b>	<b>80</b>
<b>Total operating expenses</b>	<b>890</b>	<b>806</b>

### 2.8.1 Audit fees

	2021	2020
	DKKm	DKKm
Fees to the audit firm appointed at the General Meeting	2.6	1.9
Fees to other audit firms for non-audit services	0.4	0.6
<b>Total audit fees</b>	<b>3.0</b>	<b>2.5</b>

#### Total fees to the audit firm appointed at the General Meeting break down as follows:

Statutory audit	1.0	1.0
Other assurance engagements	0.3	0.2
Tax and VAT assistance	0.0	0.1
Non-audit services	1.4	0.7
<b>Total fees to the audit firm appointed at the General Meeting</b>	<b>2.6</b>	<b>1.9</b>

The fee for non-audit services provided by Deloitte Statsautoriseret Revisionspartnerselskab to the Group in 2021 amounted to DKK 1.4 million, consisting of other services which included advice concerning IRB, QI Review, the preparation of a comfort letter relating to the EMTN programme and advice in connection with the Bank's transaction monitoring.

Deloitte Statsautoriseret Revisionspartnerselskab has met the requirements for total fees for non-audit services pursuant to Regulation (EU) No 537/2014, Article 4(2).

In 2020, the fee for non-audit services provided by Deloitte Statsautoriseret Revisionspartnerselskab to the Group amounted to DKK 0.7 million, consisting of other services, which included a review of the quarterly financial statements with a view to recognising the profit for the period in capital, the preparation of a comfort letter relating to the EMTN programme and advice in connection with the IRB project.



## Section 2

### Income statement

#### 2.8.2 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment

	2021	2020
	DKKm	DKKm
<b>Intangible assets</b>		
Customer relations, amortisation	8	3
Other intangible assets, amortisation	3	3
<b>Property, plant and equipment</b>		
Domicile properties, depreciation	43	40
Domicile properties, net impairment	4	-1
Temporary property portfolio, impairment	0	0
Other property, plant and equipment, depreciation	39	35
<b>Total amortisation, depreciation and impairment of intangible assets and property, plant and equipment</b>	<b>96</b>	<b>80</b>

#### 2.9 Impairment of loans, advances and receivables, etc.

	2021	2020
	DKKm	DKKm
Impairment of loans at amortised cost	-42	328
Writedowns on amounts due from credit institutions and central banks	0	0
Provision for losses on guarantees	5	17
Provisions for losses on unutilised credit lines and loan commitments	-8	8
Loss without prior impairment	55	38
Amounts recovered on previously impaired receivables	71	64
Interest accrued on loans subject to impairment	16	16
Value adjustment of properties taken over	0	0
Reversal of impairment charges taken over	43	-
<b>Total</b>	<b>-120</b>	<b>309</b>

An additional specification of loan impairment etc. is provided in note 5.1 on credit risk.

## Section 2

# Income statement

## 2.10 Tax

### § Accounting policies

The parent company Spar Nord Bank A/S is jointly taxed with its Danish subsidiary. The current Danish income tax liability is allocated among the Danish companies of the tax pool in proportion to their taxable income. Companies utilising tax losses in other companies pay joint taxation contributions to the parent company equal to the tax value of the utilised losses, while companies whose tax losses are utilised by other companies receive joint taxation contributions from the parent company equal to the tax value of the utilised losses (full allocation). The jointly taxed Danish companies are taxed under the Danish on-account tax scheme. Spar Nord recognises a deferred tax liability in respect of recaptured losses related to international joint taxation concerning previous activities abroad, where the deducted tax loss on foreign activities continues to be subject to the ten-year period of commitment for the international tax pool.

Tax for the year, consisting of the year's current tax and changes in deferred tax, is recognised in the income statement as regards the amount that can be attributed to the profit or loss for the year, in other comprehensive income as regards the amount that can be attributed to other comprehensive income items and in equity as regards the amount that can be attributed to movements taken directly to equity.

	2021	2020
	DKKm	DKKm
Tax on profit/loss for the year	333	181
Tax on other comprehensive income	0	0
Tax on changes in equity	0	0
Tax on fair value adjustments, business combinations	-2	0
<b>Total tax</b>	<b>331</b>	<b>181</b>

#### Tax on the profit/loss for the year breaks down as follows:

Current tax	346	182
Deferred tax for the year	-12	-2
Adjustment of deferred tax, prior years	-1	1
Adjustment of current tax for prior years	1	0
<b>Tax on profit/loss for the year</b>	<b>333</b>	<b>181</b>

#### Specification of the effective tax rate:

Current tax rate	22.0	22.0
Income from investments and market value adjustment of shares, %	-2.9	-3.6
Non-deductible expenses and non-taxable income, %	0.5	1.2
Adjustment of prior-year taxes, %	0.0	0.1
<b>Total effective tax rate</b>	<b>19.6</b>	<b>19.7</b>

	Before tax	Tax income/ expense	After tax	Before tax	Tax income/ expense	After tax
	2021	2021	2021	2020	2020	2020
	DKKm	DKKm	DKKm	DKKm	DKKm	DKKm
<b>Tax on other comprehensive income</b>						
Adjustment relating to associates	-1	0	-1	-2	0	-2
Net revaluation of properties	14	0	14	7	0	7
<b>Tax on other comprehensive income, total</b>	<b>13</b>	<b>0</b>	<b>13</b>	<b>6</b>	<b>0</b>	<b>6</b>

#### Tax on changes in equity

Interest and issuance expenses, additional tier 1 (AT1) capital	-61	0	-61	-49	0	-49
<b>Tax on changes in equity</b>	<b>-61</b>	<b>0</b>	<b>-61</b>	<b>-49</b>	<b>0</b>	<b>-49</b>

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# Balance sheet

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## Main items

Lending, banking and leasing activities

**DKK 49,086** million

2020: **DKK 42,494** million

Bonds at fair value

**DKK 19,031** million

2020: **DKK 21,647** million

Deposits, banking activities

**DKK 63,775** million

2020: **DKK 58,084** million

Shares in the trading book

**DKK 138** million

2020: **DKK 144** million

Shares in the banking book

**DKK 1,793** million

2020: **DKK 1,645** million

Deposits in pooled schemes

**DKK 25,533** million

2020: **DKK 20,464** million

## Balance sheet

### 3.1 Due from credit institutions and central banks

#### § Accounting policies

Amounts due from credit institutions and central banks comprise amounts due from other credit institutions and time deposits with central banks.

In reverse repo transactions, that is purchases of securities to be repurchased at a later date, the consideration paid is recognised as an amount due from credit institutions and central banks. The difference between the bid and offered price is recognised as interest in the income statement over the term of the relevant instrument. Reverse repo transactions are measured at amortised cost.

Amounts due from credit institutions and central banks are initially recognised at fair value plus transaction costs and less fees and commissions received that are directly related to the establishment. Subsequently, amounts due from credit institutions and central banks are measured at amortised cost using the effective interest method less write-downs for bad debt losses.

	2021	2020
	DKK m	DKK m
Balances at notice with central banks	0	61
Due from credit institutions, reverse repo transactions	1,515	343
Due from credit institutions, other	971	855
<b>Total due from credit institutions and central banks</b>	<b>2,485</b>	<b>1,259</b>
Of which, subordinated receivables	0	0
<b>Shown by term to maturity</b>		
Demand deposits	166	263
Up to 3 months	1,820	996
Over 3 months and up to 1 year	0	0
Between 1 year and 5 years	500	0
Over 5 years	0	0
<b>Total</b>	<b>2,485</b>	<b>1,259</b>

### 3.2 Loans, advances and other receivables at amortised cost

#### § Accounting policies

This item comprises loans, advances and receivables, including mortgage deeds, finance leases and reverse repo transactions where the counterparty is not a credit institution or a central bank.

In reverse repo transactions, that is purchases of securities to be repurchased at a later date, the consideration paid is recognised as loans, advances and other receivables. The difference between the bid and offered price is recognised as interest in the income statement over the term of the relevant instrument. Reverse repo transactions are measured at amortised cost.

Loans and other receivables are initially recognised at fair value plus transaction costs and less fees and commissions received that are directly related to the establishment. Subsequently, loans, advances and other receivables are measured at amortised cost using the effective interest method less write-downs for bad debt losses.

Reference is made to note 5.1.1 for a description of the accounting policies concerning loan impairment.

#### ④ Significant accounting estimates and judgments, loan impairment

The measurement of impairment pursuant to IFRS 9 across the different categories of financial assets requires estimates, particularly estimates regarding amounts and timing in relation to future cash flows and loan values when determining loss allowances and assessments of significant increases in credit risks. These estimates are based on a number of factors, and changes may result in different levels of loss allowances/provisions.

Under the Bank's expected credit loss model, a loss allowance must be recognised on all credit exposures. The expected credit loss model is based on a complex model involving a number of underlying assumptions concerning choice of variable input and their interdependence. Stage 1 and stage 2 impairment charges are made on the basis of a model calculation, whereas the calculation in respect of exposures from the weak part of stage 2 as well as stage 3 is made as a combination of an individual assessment and a modal calculation. The following components of the model are considered accounting estimates and judgments:

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### Balance sheet

- The Bank's internal credit assessment model which allocates PD (probability of default) to the individual levels, thus dividing them into stages.
- The Bank's internal calculation of LGD values (loss given default) for each segment.
- The Bank's criteria for assessing whether there has been a substantial increase in credit risks since initial recognition, resulting in stage migration.
- Developing a model, including various formulas and selection of input.
- Determining macroeconomic scenarios and economic input such as unemployment levels and loan values and the impact on PD, EAD (exposure at default) and LGD (loss given default).
- Selecting forward-looking macroeconomic scenarios.

Spar Nord has defined a list of risk events that indicate credit impairment. Some risks are registered automatically in the systems, while others are registered manually by customer advisers or credit staff members, including flagging customers as having a weak credit quality. The flagging is made by adding a credit flag that indicates the reasons for an elevated risk level for the customer based on significant estimates, particularly affected by factors such as property prices, unemployment rates and demand for various products and services. The flagging of weak credit quality has a direct impact on customer impairment as it affects customer PD values. See note 5.1.11 for a description hereof.

Individually assessed impairment should be founded on the most likely scenario (base case). In addition, a worst case scenario must be calculated taking a more critical approach to customer exposures, including ability to pay and value of collateral, and a best case scenario based on a more positive approach. A calculation is made for each of the three scenarios, which are then weighted based on the probability of each scenario. Assessment of changes in payment ability and collateral values in and weighting of the three scenarios is based on evaluation of individual customer commitments. The model calculation of the expected losses on exposures in stage 1 and 2 includes an add-on/deduction calculated on the basis of a weighting of the various scenarios with different approaches to macroeconomic developments in the coming years.

From end-2020 to end-2021, the impairment account fell from DKK 1.7 billion to DKK 1.6 billion.

To reduce the risk attaching to individual exposures, Spar Nord accepts collateral consisting mainly of mortgages and charges on physical assets, securities and vehicles, of which mortgages on real property are the most common type. The valuation of such collateral is based on significant estimates made by Management.

Loans and advances amounted to DKK 61,936 million, corresponding to about 53% of the Group's assets at end-2021.

	2021	2020
	DKKm	DKKm
Lending, reverse repo transactions	12,850	9,819
Lending, banking and leasing activities	49,086	42,494
<b>Loans, advances and other receivables at amortised cost, total</b>	<b>61,936</b>	<b>52,312</b>
<b>Broken down by category</b>		
Loan contracts with access to variable utilisation	24,419	21,693
Lease contracts	6,346	5,348
Other lending	31,170	25,271
<b>Total</b>	<b>61,936</b>	<b>52,312</b>
<b>Shown by term to maturity</b>		
Demand deposits	2,292	1,832
Up to 3 months	14,095	11,149
Over 3 months and up to 1 year	18,252	16,797
Between 1 year and 5 years	9,057	7,953
Over 5 years	18,240	14,582
<b>Total</b>	<b>61,936</b>	<b>52,312</b>

Spar Nord does not have the categories "Financial assets at fair value through other comprehensive income" and "Loans at fair value through profit or loss".



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#### 3.2.1 Finance leases as lessor

##### **§ Accounting policies**

Leases in which Spar Nord is the lessor are classified as finance leases when all significant risks and rewards of ownership of an asset are transferred to the lessee.

Where Spar Nord is the lessor, finance lease assets are recognised under loans and advances at the net investment in the leases less payments, calculated according to the annuity principle over the term of the lease.

Income from lease assets is recognised based on the effective interest rate in the lease, and is recognised in the income statement under Interest income. Gains or losses on the sale of lease assets are recognised as other income and operating expenses, respectively.

	2021	2020
	DKKm	DKKm
<b>Lease payments broken down by contractual term to maturity</b>		
Year 1	1,540	1,339
Year 2	1,419	1,206
Year 3	1,205	1,079
Year 4	908	793
Year 5	612	535
Year 6 onwards	946	652
<b>Total gross investments in finance leases</b>	<b>6,630</b>	<b>5,603</b>
Of which, unearned, future financial income	284	255
<b>Total net investments in finance leases</b>	<b>6,346</b>	<b>5,348</b>
Year 1	1,441	1,248
Year 2	1,347	1,141
Year 3	1,158	1,035
Year 4	879	767
Year 5	596	521
Year 6 onwards	926	636
<b>Total net investments in finance leases</b>	<b>6,346</b>	<b>5,348</b>
Lease income is recognised in the income statement under the item "Interest income"	126	114
Average remaining term of the lease contracts	3.0 years	3.0 years

The Group's lease contracts consist mainly of finance leases and are recognised in the balance sheet under lending, banking and leasing activities.

Finance lease assets, with the Group as lessor, comprise agricultural equipment, passenger cars and trucks, industrial machinery, contractor's equipment, etc.

The lease contracts are in Danish kroner and foreign currency. The contracts can be terminated during the lease term.

Leasing loans are always backed by security in the assets through ownership.

## Balance sheet

### 3.3 Securities

#### § Accounting policies

At initial recognition at the settlement date, bonds and shares, etc. are measured at fair value less transaction costs. Subsequently, bonds and shares, etc. are measured at fair value. Realised and unrealised gains and losses as well as dividends are recognised in market value adjustments and in dividends on shares in the income statement.

If an active market exists, the fair value of bonds and shares, etc. is measured on the basis of quoted market prices for the relevant financial instruments. A market is considered active when the instrument is traded with sufficient frequency and in sufficient volume to provide a valid pricing basis. The fair value of such instruments is determined on the basis of the most recently observed closing prices on the balance sheet date (Level 1). In the alternative, generally recognised models and observable market data for corresponding assets are used to measure the fair value (Level 2).

Securities are removed from the balance sheet on the settlement date.

#### Strategic shares

Spar Nord's strategic shares that are not included in the Group's trading book are measured at fair value through profit and loss. Strategic shares form part of a portfolio that is managed – and on which the returns are measured on the basis of fair value – in accordance with a documented risk management and investment strategy. Acquired strategic shares, which are not included in the trading portfolio, are measured at fair value on the basis of available trading information or accepted valuation principles and current market data, including an assessment of future earnings and cash flows (Level 3). The fair value is also affected by co-ownership, trading with the relevant company and shareholders' agreements.

#### ⓘ Significant accounting judgments, fair value of financial instruments

Spar Nord measures a number of financial instruments at fair value, including all derivatives, as well as shares and bonds.

Assessments are made in connection with determining the fair value of financial instruments in the following areas:

- Choosing valuation method.
- Determining when available listed prices do not reflect the fair value.
- Calculating fair value adjustments to provide for relevant risk factors, such as credit, model and liquidity risks.
- Assessing which market parameters are to be monitored for unlisted shares, including future cash flows and return requirements.

In these situations, the decisions are based on judgments in accordance with Spar Nord's accounting policies. All such decisions are approved by the relevant group functions.

As part of its day-to-day operations, Spar Nord has acquired strategic investments in sector supplier companies.

Strategic investments are measured at fair value based on the available information about trading in the relevant company's shares or, alternatively, by using a valuation model based on generally accepted methods and current market data, including an assessment of expected future earnings and cash flows. The valuation will also be affected by co-ownership, trading with the relevant company and shareholders' agreements, etc. If a reliable fair value cannot be determined, the investment will be valued at cost less any impairment.

Valuations of financial instruments that are only to a limited extent based on observable market data are subject to estimates. This applies for example to unlisted shares and certain bonds for which an active market does not exist.

Financial instruments valued on the basis of non-observable input amounted to DKK 2,223 million, equal to 2% of Spar Nord's assets at year-end 2021.

#### 3.3.1 Bonds at fair value

	2021	2020
	DKKkm	DKKkm
Mortgage bonds	17,657	19,639
Government bonds	164	686
Other bonds	1,211	1,322
<b>Bonds at fair value, total</b>	<b>19,031</b>	<b>21,647</b>
Of which, subordinated receivables	47	41

Trading book	18,809	21,450
Banking book	222	197
<b>Bonds at fair value, total</b>	<b>19,031</b>	<b>21,647</b>

#### 3.3.2 Shares, etc.

	2021	2020
	DKKkm	DKKkm
Shares/unit trust certificates listed on NASDAQ Copenhagen A/S	135	146
Shares/unit trust certificates listed on other stock exchanges	86	71
Unlisted shares at fair value	1,710	1,572
<b>Total shares, etc.</b>	<b>1,931</b>	<b>1,789</b>

Trading book	138	144
Banking book	115	91
Banking book, strategic shares	1,678	1,554
<b>Total shares, etc.</b>	<b>1,931</b>	<b>1,789</b>

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### 3.3.3 Other non-derivative financial liabilities at fair value

#### § Accounting policies

Other non-derivative liabilities at fair value comprise negative holdings in connection with reverse repo transactions.

Negative holdings concerning reverse repo transactions arise when Spar Nord resells assets received as collateral. As such assets are not recognised in the balance sheet, a resale results in a negative holding.

	2021	2020
	DKKm	DKKm
Balancing item to negative bond portfolios in connection with reverse repo transactions	2,786	835
<b>Total other non-derivative financial liabilities at fair value</b>	<b>2,786</b>	<b>835</b>

### 3.3.4 Information on fair value of financial instruments

#### § Accounting policies

Financial instruments are recognised in the balance sheet at fair value or amortised cost.

At initial recognition, financial assets are assigned to one of the following categories:

- Trading book, which is measured at fair value (bonds and shares).
- Loans, advances and receivables, which are measured at amortised cost.
- Financial assets at fair value through profit and loss.
- Assets under pooled schemes, which are measured at fair value (trading book – bonds and shares).

At initial recognition, financial liabilities are assigned to one of the following categories:

- Trading book, which is measured at fair value.
- Liabilities concerning pooled schemes at fair value due to accounting mismatch
- Other financial liabilities, which are measured at amortised cost.

#### Fair value measurement of financial instruments

Fair value is the amount at which a financial asset or liability may be traded between market participants at the measurement date in the principal market, or, in its absence, the most advantageous market to which Spar Nord has access at such time

Spar Nord's bond trading takes place primarily directly between professional counterparties and not trading directly on the stock exchange.

Fair value is measured based on the following fair value hierarchy, which reflects the parameters included in the measurement:

- **Level 1 – Quoted market price:**  
Quoted prices (unadjusted) in active markets for identical assets or liabilities

- **Level 2 – observable input:**

Valuation techniques based on inputs other than quoted prices at Level 1, observable either directly (prices) or indirectly (derived from prices). Observable input is obtained from recognised providers of price information, which is used in trading with financial counterparties. Spar Nord primarily uses Reuters.

If a financial instrument is quoted in a market that is not active, the measurement is based on the most recent transaction price. Adjustment is made for subsequent changes in market conditions, for instance by including transactions in similar instruments that are assumed to be motivated by normal business considerations.

- **Level 3 – non-observable input:**

Valuation techniques based on inputs for valuing an asset or liability based on unobservable market data. For a number of financial assets and liabilities, no effective market exists. In such situations, an estimated value is used instead, taking account of recent transactions in similar instruments, and discounted cash flows or other recognised estimation and valuation techniques based on the market terms existing at the balance sheet date.

If an instrument is classified differently at the reporting date as compared to the beginning of the financial year, it is transferred to another category in the valuation hierarchy. Any reclassification is considered to have been made as of the reporting date.

#### Bonds and other non-derivative financial liabilities are valued according to the following principles:

- In case of quoted prices, the fair value is fixed as a quoted price or a price quotation by a recognised exchange.
- In case of pricing based on observable inputs, the fair value is primarily determined on the basis of published supply and demand prices that build on pricing information from Reuters and secondarily calculated using a market-based yield curve plus/minus a credit spread, which is also calculated based on market prices.
- In case of pricing based on non-observable inputs, the calculation includes inputs based on the Bank's own valuations of individual components, and also market data in some cases.

Prices available via Reuters are real-time prices provided by large Danish and European banks, which means that end-prices take into account interest rate developments since the latest transactions. Spar Nord believes that these prices express the most correct fair value of the bond portfolios, which are mainly traded between professional counterparties and other large single transactions.

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#### Shares are valued according to the following principles:

- In case of quoted prices, the fair value is fixed as a price quoted by a recognised exchange or an external party.
- In case of pricing based on observable inputs, the fair value is calculated based on available prices for shares that are not listed.
- In case of pricing based on non-observable inputs, the calculation includes shares valued according to generally accepted valuation principles, e.g., the discounting of expected future cash flows, market expectations as to required rate of return on equity and comparable transactions. Shares that are priced on the basis of the prices recommended by Lokale Pengeinstitutter (the Association of Local Banks, Savings Banks and Cooperative Banks in Denmark) are included as non-observable inputs.

The fair values are based on shareholders' agreements for the individual companies and share transactions completed. The fair value is often based on the companies' book equity (intrinsic value), which is used as a basis for the transaction price between shareholders.

The fair value has been reliably measured for all shares, and accordingly no shares have been recognised at cost.

	Amortised cost	Fair value through profit or loss
	DKKm	DKKm
<b>2021</b>		
Cash balances and demand deposits with central banks	1,855	0
Due from credit institutions and central banks	2,485	0
Loans, advances and other receivables at amortised cost	61,936	0
Bonds at fair value	0	19,031
Shares, etc.	0	1,931
Assets linked to pooled schemes	0	25,533
Positive fair value of derivatives	0	542
<b>Total financial assets</b>	<b>66,276</b>	<b>47,037</b>

Due to credit institutions and central banks	2,452	0
Deposits and other payables	63,775	0
Deposits in pooled schemes	0	25,533
Issued bonds at amortised cost	4,845	0
Other non-derivative financial liabilities at fair value	0	2,786
Lease liabilities	151	0
Negative fair value of derivatives	0	474
Subordinated debt	1,523	0
<b>Total financial liabilities</b>	<b>72,746</b>	<b>28,793</b>

	Amortised cost	Fair value through profit or loss
	DKKm	DKKm
<b>2020</b>		
Cash balances and demand deposits with central banks	1,126	0
Due from credit institutions and central banks	1,259	0
Loans, advances and other receivables at amortised cost	52,312	0
Bonds at fair value	0	21,647
Shares, etc.	0	1,789
Assets linked to pooled schemes	0	20,464
Positive fair value of derivatives	0	777
<b>Total financial assets</b>	<b>54,698</b>	<b>44,677</b>

Due to credit institutions and central banks	4,167	0
Deposits and other payables	58,416	0
Deposits in pooled schemes	0	20,464
Issued bonds at amortised cost	2,670	0
Other non-derivative financial liabilities at fair value	0	835
Lease liabilities	137	0
Negative fair value of derivatives	0	743
Subordinated debt	1,333	0
<b>Total financial liabilities</b>	<b>66,724</b>	<b>22,043</b>

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### Derivatives

**§** Derivatives and unsettled spot transactions are recognised at fair value on the transaction date. Positive fair values are recognised under Other assets. Negative fair values are recognised under Other liabilities.

At initial recognition, derivatives and unsettled spot transactions are recognised at fair value less transaction costs. On subsequent recognition, derivatives and unsettled spot transactions are recognised at fair value.

Realised and unrealised gains and losses are recognised in the income statement as market value adjustments. Gains or losses at initial recognition ("day 1 profit/loss") are not recognised for derivative instruments, but are amortised over the term of the relevant instrument.

The calculation of fair value is based on generally recognised models and observable market data (Level 2), including yield curves, exchange rates and volatility curves, for measuring the fair value. The valuation models used comprise swap models, credit pricing models as well as option models, such as Black & Scholes models.

### Day 1 gains (customer margin)

When valuing unlisted derivative instruments, the initial customer margin, etc. is amortised over the remaining term to maturity. At the end of 2021, the customer margin, etc. not yet amortised amounted to DKK 54 million (2020: DKK 63 million).

In Day 1 gains, DKK 8 million (2020: DKK 8 million) was offset from CVA at end-2021, which is the credit value component of derivatives.

	2021	2020
	DKKm	DKKm
Unamortised customer margin at 1 January	63	68
Net development in amortisation of customer margin	-10	-5
<b>Unamortised customer margin at 31 December</b>	<b>54</b>	<b>63</b>

### Breakdown of financial instruments relative to the fair-value hierarchy classification and carrying amount

	Quoted prices Level 1	Observable in- puts Level 2	Non-observa- ble inputs Level 3	Total
	DKKm	DKKm	DKKm	DKKm
<b>2021</b>				
Bonds at fair value	0	19,031	0	19,031
Shares, etc.	221	33	1,678	1,931
Assets linked to pooled schemes	20,011	4,977	545	25,533
Positive fair value of derivatives	0	542	0	542
<b>Total financial assets</b>	<b>20,231</b>	<b>24,583</b>	<b>2,223</b>	<b>47,037</b>
Deposits in pooled schemes	0	25,533	0	25,533
Other non-derivative financial liabilities at fair value	0	2,786	0	2,786
Negative fair value of derivatives	0	474	0	474
<b>Total financial liabilities</b>	<b>0</b>	<b>28,793</b>	<b>0</b>	<b>28,793</b>
	Quoted prices Level 1	Observable in- puts Level 2	Non-observa- ble inputs Level 3	Total
	DKKm	DKKm	DKKm	DKKm
<b>2020</b>				
Bonds at fair value	0	21,647	0	21,647
Shares, etc.	217	16	1,556	1,789
Assets linked to pooled schemes	16,074	4,025	365	20,464
Positive fair value of derivatives	0	776	0	777
<b>Total financial assets</b>	<b>16,292</b>	<b>26,464</b>	<b>1,921</b>	<b>44,677</b>
Deposits in pooled schemes	0	20,464	0	20,464
Other non-derivative financial liabilities at fair value	0	835	0	835
Negative fair value of derivatives	0	743	0	743
<b>Total financial liabilities</b>	<b>0</b>	<b>22,043</b>	<b>0</b>	<b>22,043</b>

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Level 3	Fair value based on net asset value, cf. shareholders' agreements	Other	Fair value based on net asset value, cf. shareholders' agreements	Other
	2021	2021	2020	2020
	DKKmn	DKKmn	DKKmn	DKKmn
Equities	1,219	459	1,179	377
Assets linked to pooled schemes	-	545	-	365
Positive fair value of derivatives	-	0	-	0



#### Sensitivities:

Change in fair value of shares if the profit/loss of the companies changes by 10%	15	-	12	-
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A substantial portion of the shares included under "Other" are valued based on future expected cash, market expectations as to the required rate of return on equity and comparable transactions.

For investment and domicile properties measured at fair value, see note 3.7.1

#### Financial instruments measured at fair value based on non-observable inputs (Level 3)

In 2021, the Bank recognised unrealised market value adjustments of DKK 157 million (2020: DKK 83 million) in respect of financial assets held on the balance sheet date valued on the basis of non-observable inputs.

	2021	2020
	DKKmn	DKKmn
Carrying amount at 1 January	1,921	1,858
Value adjustments through profit or loss	158	95
Market value adjustments in other comprehensive income	0	0
Purchase	249	40
Sale	105	71
Transferred to/from Level 3	0	0
<b>Carrying amount at 31 December</b>	<b>2,223</b>	<b>1,921</b>
Value adjustments through profit or loss of assets held at the reporting date	157	83

Dividends on shares recognised in the income statement are not included in the above statement.



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# Balance sheet

### Financial instruments recognised at amortised cost – information on fair value

	Carrying amount	Fair value	Carrying amount	Fair value
	2021	2021	2020	2020
	DKKm	DKKm	DKKm	DKKm
Cash balances and demand deposits with central banks *)	1,855	1,855	1,126	1,126
Due from credit institutions and central banks *)	2,485	2,485	1,259	1,259
Loans, advances and other receivables at amortised cost *)	61,936	62,111	52,312	52,507
<b>Total financial assets</b>	<b>66,276</b>	<b>66,451</b>	<b>54,698</b>	<b>54,892</b>
Due to credit institutions and central banks *)	2,452	2,452	4,167	4,167
Deposits and other payables *)	63,775	63,775	58,416	58,416
Issued bonds at amortised cost **)	4,845	4,899	2,670	2,714
Lease liabilities *)	151	151	137	137
Subordinated debt ***)	1,523	1,570	1,333	1,371
<b>Total financial liabilities</b>	<b>72,746</b>	<b>72,847</b>	<b>66,724</b>	<b>66,805</b>

\*) Level 3 in the fair value hierarchy

\*\*) Level 1 in the fair value hierarchy

\*\*\*) Level 1 in the fair value hierarchy amounts to DKK 641 million (2020: DKK 0 million), and Level 3 in the fair value hierarchy amounts to DKK 929 million (2020: DKK 1,370 million).

The vast majority of the Group's receivables, loans and borrowings cannot be transferred without the customer's prior acceptance, and no active market exists for trading in such financial instruments. Consequently, the Group bases its fair value estimates on data showing changes in market conditions after the initial recognition of the individual instrument that affects the price that would have been fixed if the terms had been agreed at the balance sheet date. Other parties may make other estimates.

#### The Group discloses information about the fair value of financial instruments recognised at amortised cost on the basis of the following assumptions:

- For a number of the Group's deposits, loans and advances, the interest rate depends on interest developments.
- The fair value of loans and advances and deposits is calculated on the basis of a qualified estimate, taking into account that the Bank continuously adapts its loan terms to existing market conditions.
- The credit risk for loans and advances is reflected in carrying amounts.
- The fair value of fixed-rate deposits is calculated by using the interest rate for similar deposits, based on an estimated yield curve.
- The fair value of subordinated debt and issued bonds is adjusted for listed debt at the most recent transaction price, while unlisted debt is recorded at an estimated transaction price.

## Section 3

# Balance sheet

### 3.4 Investments in associates

#### § Accounting policies

Associates are businesses, other than group enterprises, in which the Group has holdings and significant but not controlling influence. Significant influence is generally achieved by directly or indirectly holding or controlling more than 20%, but less than 50%, of the voting rights.

In determining whether the Group exercises control or has a significant influence, potential votes exercisable at the balance sheet date are taken into account.

Investments in associates are recognised and measured at the proportionate share of the net asset value (NAV) on the balance sheet date plus the carrying amount of acquired goodwill.

The share of profit/loss for the year after tax is recognised in the income statement under other Income.

In connection with the purchase or sale of associates, the results of such group enterprises or associates are recognised in the income statement from or until the acquisition date, as the case may be. Any gain or loss upon sale is calculated as the difference between the selling price and the carrying amount at the transfer date, including the carrying amount of goodwill, and is recognised under other income/operating expenses.

	2021	2020
	DKKm	DKKm
<b>Total cost, beginning of year</b>	434	354
Reclassified to shares	-16	0
Additions	99	80
Disposals	2	0
<b>Total cost, end of year</b>	<b>515</b>	<b>434</b>
Revaluations and impairment, beginning of year	94	116
Reclassified to shares	-3	0
Profit/loss	91	29
Dividend	36	49
Other capital movements recognised in comprehensive income	-1	-2
Reversal of revaluations and impairment	-2	0
<b>Revaluations and impairment, end of year</b>	<b>148</b>	<b>94</b>
<b>Carrying amount, end of year</b>	<b>663</b>	<b>529</b>

Danske Andelskassers Bank A/S is assessed individually to be a significant associate of Spar Nord.

The acquisition of the shares in Danske Andelskassers Bank A/S in 2018 and later years is a strategic investment, and Spar Nord intends to merge Danske Andelskassers Bank A/S with Spar Nord.

Income from this investment is recognised in the income statement under other income in note 2.6.

#### Financial information for all associates that are not individually significant and are recognised according to the equity method:

	2021	2020
	DKKm	DKKm
<b>Spar Nord's share of:</b>		
Profit/loss for the year	28	7
Other comprehensive income	0	0
<b>Total comprehensive income</b>	<b>28</b>	<b>7</b>

## Section 3

# Balance sheet

### Financial information for associates that are individually significant

Financial information for group associates that are individually significant, adjusted for differences in accounting policies.

The accounting figures in the 2021 column below are from the most recently published annual report for the 2020 financial year of Danske Andelskassers Bank A/S.

	2021	2020
	DKKm	DKKm
	Danske Andelskassers Bank A/S	Danske Andelskassers Bank A/S
Registered office	Hammershøj	Hammershøj
Ownership interest (%)	37.1	31.9
Share of votes (%)	37.1	31.9
<b>Statement of comprehensive income</b>		
Revenue	609	826
Profit/loss for the year	113	349
Other comprehensive income	-2	-4
<b>Total</b>	<b>111</b>	<b>346</b>
Dividends received	10	33
<b>Balance sheet</b>		
Loans, advances and receivables etc.	6,316	6,409
Other assets	6,984	6,095
<b>Total assets</b>	<b>13,300</b>	<b>12,504</b>
Deposits and other payables	9,410	9,077
Other liabilities	1,847	1,446
<b>Total liabilities</b>	<b>11,257</b>	<b>10,523</b>
<b>Equity</b>	<b>2,043</b>	<b>1,982</b>
Spar Nord's share of shareholders' equity in Danske Andelskassers Bank A/S according to the most recently published annual report	660	549

Investments in associates are measured according to the equity method, which means that Danske Andelskassers Bank A/S is measured at a share of equity less fair value adjustment of acquired net assets at the date of acquisition.

Based on the market price, Spar Nord's share of the fair value of Danske Andelskassers Bank A/S (Level 1 in the fair value hierarchy) was calculated at DKK 737 million (2020: DKK 433 million).

### Reconciliation of carrying amount at 31 December

	2021	2020
	DKKm	DKKm
Carrying amount of equity investments in individually significant associates	623	473
Carrying amount of equity investments in individually non-significant associates	39	56
<b>Total</b>	<b>663</b>	<b>529</b>

## Section 3

# Balance sheet

### 3.5 Pooled schemes

#### § Accounting policies

Assets forming part of pension pools and customers' contributions to pension pools are presented in separate balance sheet items.

The return on pooled assets and contributions is presented together under market value adjustments and dividends.

Assets and liabilities in pooled schemes are recognised at fair value, see note 3.3.4.

	Pension pools	Other pools	Total	Total
	2021	2021	2021	2020
	DKKm	DKKm	DKKm	DKKm
<b>Assets</b>				
Cash deposits	451	5	456	428
Bonds	4,881	64	4,945	4,005
Shares, etc.	14,125	168	14,293	11,061
Unit trust certificates	5,733	74	5,807	4,950
Other assets	32	0	32	20
<b>Total assets</b>	<b>25,222</b>	<b>311</b>	<b>25,533</b>	<b>20,464</b>
<b>Equity and liabilities</b>				
Total deposits	25,222	311	25,533	20,464
<b>Total equity and liabilities</b>	<b>25,222</b>	<b>311</b>	<b>25,533</b>	<b>20,464</b>

### 3.6 Intangible assets

	2021	2020
	DKKm	DKKm
Goodwill	379	159
Customer relations	46	6
Other intangible assets	3	6
<b>Total intangible assets</b>	<b>429</b>	<b>171</b>

#### 3.6.1 Goodwill

#### § Accounting policies

Acquired goodwill is recognised at cost less accumulated impairment writedowns.

Goodwill is not amortised.

Goodwill on associates is recognised in Investments in associates.

The carrying amount of goodwill is allocated to Spar Nord's cash-generating units at the date of acquisition. The determination of cash-generating units is based on the management structure and the in-house financial management.

Goodwill is not amortised; instead each cash-generating unit is tested for impairment of goodwill at least once a year. Goodwill is written down to its recoverable amount in the income statement provided that the carrying amount of the net assets of the cash-generating unit exceeds the higher of the assets' fair value less costs to sell and their value in use, which equals the present value of the future cash flows expected to be derived from the unit.

	2021	2020
	DKKm	DKKm
Total cost, beginning of year	160	160
Additions	220	0
Disposals	0	0
<b>Total cost, end of year</b>	<b>380</b>	<b>160</b>
Impairment, beginning of year	2	2
Impairment for the year	0	0
Reversal of impairment on disposals	0	0
<b>Impairment, end of year</b>	<b>2</b>	<b>2</b>
<b>Carrying amount, end of year</b>	<b>379</b>	<b>159</b>

## Section 3

### Balance sheet

	Cost	Additions/ disposals	Cost	Impairment	Impairment	Impairment on disposal	Impairment	Carrying amount
	01.01.2021	2021	31.12.2021	01.01.2021	2021	2021	31.12.2021	31.12.2021
	DKKm	DKKm	DKKm	DKKm	DKKm	DKKm	DKKm	DKKm
Banking activities, Roskilde Bank branches	87	0	87	0	0	0	0	87
Banking activities, Sparbank	35	0	35	0	0	0	0	35
Banking activities, BankNordik	0	220	220	0	0	0	0	220
Banking activities, branches, Other	38	0	38	2	0	0	2	37
<b>Total goodwill</b>	<b>160</b>	<b>220</b>	<b>380</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>379</b>

	Cost	Additions/ disposals	Cost	Impairment	Impairment	Impairment on disposal	Impairment	Carrying amount
	01.01.2020	2020	31.12.2020	01.01.2020	2020	2020	31.12.2020	31.12.2020
	DKKm	DKKm	DKKm	DKKm	DKKm	DKKm	DKKm	DKKm
Banking activities, Roskilde Bank branches	87	0	87	0	0	0	0	87
Banking activities, Sparbank	35	0	35	0	0	0	0	35
Banking activities, branches, Other	38	0	38	2	0	0	2	37
<b>Total goodwill</b>	<b>160</b>	<b>0</b>	<b>160</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>159</b>

Goodwill concerns the business segment Spar Nord's Local Banks.

#### 3.6.2 Customer relations

##### Accounting policies

Customer relations taken over on the acquisition of undertakings are recognised at cost and amortised on a straight-line basis over the expected useful life, which does not exceed ten years. The expected useful life depends on customer loyalty.

Useful lives are reassessed annually. Any changes in amortisation as a result of changes in useful life are recognised in future reporting periods as a change in accounting estimates.

Customer relations are subjected to an impairment test when there is evidence of impairment. When there is evidence of impairment, software is written down to the value in use.

	2021	2020
	DKKm	DKKm
Total cost, beginning of year	65	65
Additions	48	0
Disposals	0	0
<b>Total cost, end of year</b>	<b>113</b>	<b>65</b>
Depreciation and impairment, beginning of year	59	55
Depreciation for the year	8	3
Reversal of amortisation on disposals	0	0
<b>Depreciation and impairment, end of year</b>	<b>66</b>	<b>59</b>
<b>Carrying amount, end of year</b>	<b>46</b>	<b>6</b>

## Section 3

# Balance sheet

### 3.6.3 Other intangible assets

#### § Accounting policies

Acquired software is recognised at cost, including installation expenses, and amortised according to the straight-line method over the expected useful life of a maximum of five years.

Useful lives are reassessed annually. Any changes in amortisation as a result of changes in useful life are recognised in future reporting periods as a change in accounting estimates.

Software is subjected to an impairment test when there is evidence of impairment. When there is evidence of impairment, software is written down to the value in use.

	2021	2020
	DKKm	DKKm
Total cost, beginning of year	34	31
Additions	0	3
Disposals	3	0
<b>Total cost, end of year</b>	<b>31</b>	<b>34</b>
Depreciation and impairment, beginning of year	28	25
Depreciation for the year	3	3
Reversal of amortisation on disposals	3	0
<b>Depreciation and impairment, end of year</b>	<b>28</b>	<b>28</b>
<b>Carrying amount, end of year</b>	<b>3</b>	<b>6</b>

The remaining amortisation periods are 0-9 years (2020: 0-2 years) for customer relations and 1-5 years (2020: 1-5 years) for other intangible assets. Goodwill had an indefinite useful life in both 2021 and 2020.



## Section 3

# Balance sheet

### 3.6.4 Impairment test

**\$** The impairment test compares the carrying amount of the estimated present value of the anticipated future cash flows (value in use) with the share of equity assigned to the cash-generating business areas. The special debt structure in financial groups means that the calculation basis for the present value of future cash flows is based on a simplified equity model.

The equity model is based on approved strategies and earnings estimates for the cash-generating business areas for the next five years.

The share of equity has been fixed at 13.5% (2020: 13.5%) of the total risk exposure amount.

The impairment test in 2021 did not give rise to any writedowns for impairment of intangible assets.

### Goodwill

The Spar Nord Group's goodwill is tested annually for impairment. The activities are tested on the identified cash-generating unit to which the assets have been allocated.

Goodwill is included in the cash-generating business area – Spar Nord's Local Banks – which is the business area comprising the branch network. For a more detailed description of Spar Nord's Local Banks, reference is made to note 2.1.

### PRINCIPAL ASSUMPTIONS

#### Cash flow during the budget period

Cash flow during the budget period (five years) is impacted by expectations of interest rates and the impact on the lending and deposit margins at Spar Nord's Local Banks.

The assumptions used in the impairment test are conservative with respect to the future profit impact from the implementation of Spar Nord's strategy.

Growth during the budget period is projected at 1.5% (2020: 1.5%). The average annual growth reflects the targets incorporated into the Bank's outlook for the future.

#### Net interest income

The deposit and lending margins reflect the earnings margin, which is calculated as the difference between the interest rate towards the customers of Spar Nord's Local Banks and an internal funding rate based on the Bank's funding costs.

The interest margin is estimated on the basis of current lending and borrowing rates and Management's expectations for future competition. The pressure on the Bank's interest rate margin is expected to abate, and the interest rate margin is expected to increase in 2022 because the negative rate of deposit is expected to fall by more than the lending rate. In 2021, lending was partly affected by the acquisition of BankNordik's Danish business, partly by organic growth. In 2022, a large part of the COVID-19 relief packages are expected to be phased out, leading to an increase in lending. In 2021, deposits were also affected by the acquisition of BankNordik, and for 2022 the Bank expects a small increase in deposits.

#### Net fee income

The expectations for income from fees, charges and commissions are based on historical data, adjusted to reflect the current situation. Spar Nord expects a small increase in net fee income in 2022.

#### Market value adjustments

Market value adjustments are expected to be lower than in 2021, when there were extraordinarily high market value adjustments of both shares and bonds.

#### Costs and expenses

The Bank expects to see an increase in costs and expenses in 2022 based on a projection of the cost base and anticipated changes in activities, known price increases as well as pay increases according to collective agreements, changes in taxes and duties, etc.

#### Loan impairment

Expectations as to loan impairment are based on the Bank's estimate for the next few years. The expectations are based on historical data, adjusted to reflect the current situation. Loan impairment charges are expected to be slightly higher than in 2021, when the Bank reversed loan impairment charges on account of the positive developments in the Danish economy and strong credit quality for the Bank's customers.

#### Cash flow during the terminal period

Cash flow during the terminal period represents earnings in the preceding years, growing at a constant rate. Growth is projected at 1.5% (2020: 1.5%). Growth has been projected on the basis of expectations for macroeconomic growth.

#### Discount rate

The discount rate used to calculate the discounted value of future cash flows is 9.0% (2020: 9.5%) before tax at a tax rate of 22%.

After tax, the discount rate is 7.0% (2020: 7.5%).

The discount rate has been fixed on the basis of a CAPM model.


#### Primary assumptions; see above:

	2021	2020
Acquired goodwill, DKKm	379	159
Budget period	5 years	5 years
Average annual growth during the budget period	1.5%	1.5%
Average annual growth during the terminal period	1.5%	1.5%
Discount factor before tax	9.0%	9.5%
Discount factor after tax	7.0%	7.5%
Share of equity of total risk exposure amount	13.5%	13.5%

## Section 3

# Balance sheet

### Sensitivity analysis

 Management assesses that probable changes in basic assumptions will not cause the carrying amount of goodwill to exceed its recoverable amount.

Sensitivity analyses show that the goodwill relating to Spar Nord's Local Banks is robust to changes in assumptions.

#### The following matters do not lead to impairment:

	2021	2020
Reduction in pre-tax profit/loss (change in net interest income, fee income, cost ratio or impairment) up to	50%	33%
Increase in the discount rate (pre-tax) up to	14%	11%
Negative growth in balance-sheet items possible	Yes	Yes

Projections for the budget period mean that 76% of the present value of expected cash flows in Spar Nord's Local Banks relates to the terminal period (2020: 75%).

### Customer relations

The carrying amount of customer relations recognised in connection with the merger with Sparbank amounted to DKK 3 million (2020: DKK 6 million) and in connection with the acquisition of BankNordik's Danish business DKK 44 million (2020: DKK 0 million).

Reference is made to note 6.12 for a more detailed description of the acquisition of BankNordik's Danish business, including acquired net assets with customer relationships in the amount of DKK 48 million (2020: DKK 0 million).

The assumptions about fee income etc. and the cost ratio used for recognising customer relations have been compared with the corresponding realised results.

The realised results are in line with expectations, for which reason there is no evidence of impairment.

### Other intangible assets

Management has not identified factors indicating any need for carrying out an impairment test in respect of other intangible assets.

Other intangible assets comprise software used by the Bank and are amortised at the rates stated in the accounting policies.

## 3.7 Property, plant and equipment

### 3.7.1 Land and buildings

#### Accounting policies

Properties, with the exception of domicile properties, are recognised at cost upon acquisition and subsequently measured at fair value. Borrowing costs from general borrowing or loans that are directly attributable to the acquisition and construction of qualifying assets (properties) are attributed to the cost of the specific individual asset.

The fair value is calculated on the basis of current market data according to an asset return model that includes the property's rental income, operating expenses, as well as management and maintenance, etc. Operating expenses and maintenance costs are calculated on the basis of the condition of the individual property, construction year, materials used, etc. The fair value of the property is determined based on the calculated return on its operation and the individually determined rate of return.

The return rate is fixed on the basis of the location of the individual property, potential use, the state of maintenance, credit quality, etc. The fair value of the individual property is reassessed once a year based on the current market and the interest level.

An external valuation of all properties has been obtained from a real estate agent to support the calculation of fair value, including the rental rates and rates of return used.

Land is not depreciated.

	2021	2020
	DKKm	DKKm
Investment properties	99	134
Domicile properties	548	511
Domicile properties, leasing	150	137
<b>Land and buildings, total</b>	<b>796</b>	<b>782</b>

## Section 3

# Balance sheet

### Investment properties

#### § Accounting policies

Investment property is real property, including real property let under operating leases and acquired properties, which the Group owns for the purpose of receiving rent and/or obtaining capital gains.

Investment property is not depreciated.

Changes in fair value and rental income are recognised in other income.

	2021	2020
	DKKm	DKKm
Fair value, beginning of period	134	136
Reclassification to domicile properties	11	0
Additions, incl. improvements	0	1
Disposals	24	1
Unrealised fair value adjustment	-1	-1
<b>Fair value, end of year</b>	<b>99</b>	<b>134</b>
Required rate of return used in calculating the fair value, %	5.5 - 10.0	5.5 - 9.0

Unrealised fair value adjustment is recognised in the item other income in the consolidated financial statements.

The fair-value method (Level 3 in the fair-value hierarchy) has been chosen for measuring investment properties. Investment properties consist mainly of business leases. The periods of non-terminability for Spar Nord in the leases do not exceed 20 years.

For information regarding return on investment properties, please refer to note 2.6.

Note 2.6 includes operating expenses relating to investment properties that did not generate any rental income during the year in the amount of:

1	0
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## Section 3

# Balance sheet

### Domicile properties



#### Accounting policies

Domicile property is real property occupied by Spar Nord's administrative departments, branches and other service units.

The carrying amount of domicile property is systematically depreciated over the expected useful life of 50 years for buildings.

Special fixtures in buildings are depreciated according to the straight-line method over a useful life of 20 years.

Allowance is made for the expected residual value when calculating depreciation.

The revaluation of domicile property to fair value is recognised in Other comprehensive income and allocated to a special reserve under equity, Revaluation reserves, while depreciation and impairment are recognised in the income statement under Other operating expenses.

Domicile property which, according to a publicly announced plan, the Group expects to sell within twelve months is recognised as temporary assets.

	2021	2020
	DKKm	DKKm
Total cost, beginning of year	677	684
Reclassification from investment properties	11	0
Additions	32	1
Disposals	0	8
<b>Total cost, end of year</b>	<b>720</b>	<b>677</b>
Value adjustment, beginning of year	166	164
Depreciation for the year	15	15
Net impairment via the income statement	4	-1
Changes in value recognised in other comprehensive income	13	7
Depreciation and impairment on disposals	0	4
<b>Value adjustment, end of year</b>	<b>172</b>	<b>166</b>
<b>Fair value, end of year</b>	<b>548</b>	<b>511</b>
Required rate of return used in calculating the fair value, %	5.5 - 10.0	5.8 - 9.0
Carrying amount if domicile properties were measured according to the depreciated cost method	435	411
Collateral provided to mortgage credit institutions in the form of mortgages on land and buildings has a carrying amount of	-	-

## Section 3

# Balance sheet

From the subsidiary Aktieselskabet Skelagervej 15, additions in 2021 include domicile property in the amount of DKK 0 million (2020: DKK 0 million) regarding a property under construction and DKK 0 million (2020: DKK 0 million) regarding refurbishment of properties.

No borrowing costs were recognised in 2021 and 2020.

The fair value method (Level 3 in the fair value hierarchy) has been chosen for measuring domicile properties. Fair value has been determined based on observable prices and other valuation methods.

The annual review of the Bank's investment and domicile properties did not give rise to any significant changes in the required rates of return. The required rates of return remained within the 5.5-10.0% range (2020: 5.8-9.0%) for domicile properties and the 5.5-10.0% range (2020: 5.5-9.0%) for investment properties.

### 2021

Required rates of return in %	Domicile properties		Investment properties	
	Number of properties	Fair value year-end	Number of properties	Fair value year-end
-> 7.00	12	204	1	17
7.00 - 8.00	13	235	2	75
8.00 - 9.00	5	82	2	3
9.00 ->	4	27	3	4
<b>Total</b>	<b>34</b>	<b>548</b>	<b>8</b>	<b>99</b>

### 2020

Required rates of return in %				
-> 7.00	10	186	1	17
7.00 - 8.00	12	229	3	89
8.00 - 9.00	7	95	6	29
<b>Total</b>	<b>29</b>	<b>511</b>	<b>10</b>	<b>134</b>

#### Required rates of return Property characteristics

-> 7.00	Prime-location properties in major towns and cities, making the properties attractive to tenants and buyers.
7.00 - 8.00	Properties on the outskirts of attractive towns and properties with a good location in smaller towns.
8.00 - 9.00	Properties located in small towns and villages.
9.00 ->	Properties in towns where they are expected to be difficult to sell.

## Sensitivity analyses

The most important assumptions when calculating the fair value of domicile and investment properties are the required rate of return and the rent level. Other things being equal, an increase of the required rate of return of 0.5 percentage point will reduce the fair value by DKK 44 million (2020: DKK 43 million). Other things being equal, a decrease of the rental level of 5% will reduce the fair value by DKK 32 million (2020: DKK 32 million).

## Section 3

# Balance sheet

### Domicile properties, leasing

#### § Accounting policies

As a lessee, Spar Nord only has property leases for properties used as domicile property from which the Bank pursues banking activities. The lease activities are presented as part of the Bank's land and buildings.

A lease asset is recognised in the balance sheet when, in accordance with a lease entered into regarding a specific, identifiable asset, the asset is made available for use by the Group throughout the lease term and when the Group becomes entitled to obtain substantially all of the economic benefits from use of the identified asset and entitled to direct the use of the identified asset. For information on recognition and measurement of lease liabilities, please refer to note 3.11.1.

On initial recognition, the right-of-use asset is measured at cost, corresponding to the value of the lease liability, adjusted for prepaid lease payments, plus any directly related costs.

On subsequent recognition, the asset is measured at cost less any accumulated depreciation and impairment. The lease asset is depreciated over the longer of the lease term and the expected extension option of the lease asset of 4-6 years (see below under lease term). Depreciation charges are recognised in the income statement on a straight-line basis.

The lease asset is adjusted for changes in the lease liability as described in note 3.11.1.

The Group has decided not to recognise either right-of-use assets of low value or short-term leases in the balance sheet. Instead, lease payments are recognised in the income statement on a straight-line basis.

#### 🔍 Significant accounting estimates and judgments, leasing

##### Lease term

The lease term covers the non-cancellable period of the lease plus periods comprised by an extension option which Spar Nord reasonably expects to exercise and periods comprised by a termination option which Spar Nord reasonably expects not to exercise.

A proportion of Spar Nord's property leases contain options entitling Spar Nord to extend the lease for another lease term of expectedly 4-6 years. On initial recognition of the lease asset, Spar Nord assesses whether it is reasonably probable that it will exercise the extension option. This estimate is reassessed upon the occurrence of a significant event or a significant change in circumstances that is within Spar Nord's control.

	Lease liabilities recognised in the balance sheet (discounted)	Potential future lease liability not recognised in the balance sheet (discounted) *
<b>2021</b>		
Domicile properties	151	22
<b>2020</b>		
Domicile properties	137	20

\* Lease contracts not yet in force.



## Section 3

# Balance sheet

### Alternative borrowing rate

Spar Nord applies its alternative borrowing rate on discounting of the leases to present value. Spar Nord's alternative borrowing rate is the cost of raising external financing for a similar asset with a financing period equal to the term of the lease in the currency in which the lease payments are settled.

### Domicile properties, leasing

	2021	2020
	DKKm	DKKm
Balance, 1 January	137	132
Addition upon business combinations	8	-
Additions	13	15
Disposals	0	0
Remeasurement of lease liability	20	15
Depreciation for the year	28	25
<b>Balance sheet at 31 December</b>	<b>150</b>	<b>137</b>

### 3.7.2 Other property, plant and equipment

#### § Accounting policies

Operating equipment in the form of IT equipment, vehicles, furniture, fixtures and leasehold improvements are recognised at cost less accumulated depreciation and impairment charges.

The basis of depreciation for property, plant and equipment is the difference between cost and residual value at the end of its useful life, and the residual value is assessed regularly.

Leasehold improvements are depreciated over the term of the lease, with a maximum of ten years.

For other operating equipment, depreciation is made on a straight-line basis over the expected useful life of a maximum of five years.

Property, plant and equipment are tested for impairment if indications of impairment exist. An impaired asset is written down to its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. Impairment charges are recognised in the income statement.

	2021	2020
	DKKm	DKKm
Other property, plant and equipment	111	99
Operating lease assets	12	13
<b>Other property, plant and equipment, total</b>	<b>123</b>	<b>112</b>

### Other property, plant and equipment

	2021	2020
	DKKm	DKKm
Total cost, beginning of year	362	341
Addition upon business combinations	6	-
Additions	42	36
Disposals	73	15
<b>Total cost, end of year</b>	<b>338</b>	<b>362</b>
Depreciation and impairment, beginning of year	263	242
Depreciation and impairment for the year	36	33
Reversal of depreciation and impairment for the year	72	12
<b>Depreciation and impairment, end of year</b>	<b>227</b>	<b>263</b>
<b>Carrying amount, end of year</b>	<b>111</b>	<b>99</b>

The figures at end-2021 include various fully written-off assets used for the Spar Nord Group's operations. The original purchase price of these assets amounts to DKK 139 million (2020: DKK 273 million).

## Section 3

# Balance sheet

### Operating lease assets

#### Accounting policies

Where Spar Nord is the lessor, operating lease assets are recognised under Other property, plant and equipment and depreciated as Spar Nord's other property, plant and equipment.

Lease income from operating leases is recognised under other income on a straight-line basis over the current term of the lease.

	2021	2020
	DKKm	DKKm
Total cost, beginning of year	18	16
Additions	2	2
Disposals	0	0
<b>Total cost, end of year</b>	<b>20</b>	<b>18</b>
Depreciation and impairment, beginning of year	5	3
Depreciation and impairment for the year	3	3
Reversal of depreciation and impairment for the year	0	0
<b>Depreciation and impairment, end of year</b>	<b>8</b>	<b>5</b>
<b>Carrying amount, end of year</b>	<b>12</b>	<b>13</b>

The contracts can be terminated during the lease term.

#### Lease payments by term

Year 1	3	3
Year 2	3	3
Year 3	5	3
Year 4	1	3
Year 5	0	1
Year 6 onwards	0	0
<b>Total lease payments under operating leases</b>	<b>12</b>	<b>13</b>

Income from operating leases in the form of variable lease payments that do not depend on an index or a rate under other income in the amount of

3	5
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## Section 3

# Balance sheet

### 3.7.3 Temporary assets

#### § Accounting policies

Temporary assets comprise property, plant and equipment, including assets taken over as a result of the liquidation of customer exposures, the intention being to sell the assets within 12 months. Assets taken over are recognised at the lower of carrying amount and fair value, less costs to sell.

Assets are not depreciated as from the date they are classified as temporary.

Impairment losses occurring in connection with the initial classification as "temporary assets", and gains or losses in relation to subsequent measurement at the lower of the carrying amount and fair value less costs to sell are recognised in the income statement under the items to which they relate. Gains and losses are disclosed in the notes to the financial statements.

Assets and related liabilities are recognised separately in the balance sheet.

	2021	2020
	DKKm	DKKm
Total cost, beginning of year	11	21
Additions	7	5
Disposals	8	14
<b>Total cost, end of year</b>	<b>11</b>	<b>11</b>
Depreciation and impairment, beginning of year	6	9
Movements during the year:	-2	-3
<b>Depreciation and impairment, end of year</b>	<b>5</b>	<b>6</b>
<b>Carrying amount, end of year</b>	<b>6</b>	<b>5</b>

Temporary assets comprise properties taken over and leased assets in connection with non-performing loans held by Spar Nord. Properties expected to be sold within a 12-month period according to a published plan are treated as Temporary assets.

Leased assets include trucks, agricultural machinery and heavy construction machinery.

Properties and leased assets are expected to be disposed of within 12 months.

Properties are sold through estate agents, while leased assets are sold on the usual marketplace for the individual types of assets – primarily by auction or through dealers.

If, contrary to expectations, the assets are not sold within 12 months, they are reclassified to investment properties or, as the case may be, other property, plant and equipment.

### 3.8 Other assets

#### § Accounting policies

Other assets include capital contributions to BEC Financial Technologies a.m.b.a., interest and commissions receivable as well as the positive fair value of derivative instruments

Fair-value measurement of the positive fair value of derivatives is described in more detail in the section Derivatives in note 3.3.4.

Other items are measured at amortised cost.

	2021	2020
	DKKm	DKKm
Positive fair value of derivatives, etc.	542	777
Miscellaneous receivables	484	497
Interest and commissions receivable	81	62
Capital contribution in BEC Financial Technologies a.m.b.a.	387	312
Other assets	32	27
<b>Total other assets</b>	<b>1,526</b>	<b>1,675</b>

## Section 3

# Balance sheet

### 3.9 Due to credit institutions and central banks

#### § Accounting policies

Amounts due to credit institutions and central banks include amounts received under repo transactions.

In repo transactions (sale of securities which the Group agrees to repurchase at a later date), the securities remain in the balance sheet, and the consideration received is recognised under payables. The amount received is recognised as a liability, and the difference between the offered price and the bid price is recognised as interest in the income statement over the term of the relevant instrument. The return on the securities are recognised in the income statement. Repo transactions are measured at amortised cost.

Amounts due to credit institutions and central banks are recognised at the raising of a loan at fair value corresponding to the consideration received less directly attributable transaction costs. Amounts due to credit institutions and central banks not classified as repo transactions are subsequently measured at amortised cost using the effective interest method. Thus, the difference between net proceeds and nominal value is recognised in the income statement under Interest expenses over the loan term.

	2021	2020
	DKKm	DKKm
Due to central banks	91	2,182
Due to credit institutions, repo transactions	2,185	985
Due to credit institutions, other	176	1,001
<b>Total due to credit institutions and central banks</b>	<b>2,452</b>	<b>4,167</b>
<b>Shown by term to maturity</b>		
Demand deposits	231	283
Up to 3 months	2,221	3,884
Over 3 months and up to 1 year	0	0
Between 1 year and 5 years	0	0
Over 5 years	0	0
<b>Total</b>	<b>2,452</b>	<b>4,167</b>

### 3.10 Deposits and other payables

#### § Accounting policies

Deposits include amounts received under repo transactions where the counterparty is not a credit institution or a central bank.

In repo transactions (sale of securities which the Group agrees to repurchase at a later date), the securities remain in the balance sheet, and the consideration received is recognised under payables. The amount received is recognised as a liability, and the difference between the offered price and the bid price is recognised as interest in the income statement over the term of the relevant instrument. The return on the securities are recognised in the income statement. Repo transactions are measured at amortised cost.

Deposits and other payables are recognised at the raising of a loan at fair value corresponding to the consideration received less directly attributable transaction costs. Deposits and other payables not classified as repo transactions are subsequently measured at amortised cost using the effective interest method. Thus, the difference between net proceeds and nominal value is recognised in the income statement under Interest expenses over the loan term.

	2021	2020
	DKKm	DKKm
Repo transactions	0	333
Demand deposits	58,558	53,631
Subject to notice	2,340	1,899
Time deposits, excluding repo business	180	2
Special types of deposits	2,698	2,552
<b>Total deposits and other payables</b>	<b>63,775</b>	<b>58,416</b>
<b>Shown by term to maturity</b>		
Demand deposits	58,558	53,631
Up to 3 months	2,069	2,014
Over 3 months and up to 1 year	294	107
Between 1 year and 5 years	640	540
Over 5 years	2,214	2,123
<b>Total</b>	<b>63,775</b>	<b>58,416</b>

## Section 3

# Balance sheet

### 3.11 Other liabilities

#### § Accounting policies

Other liabilities include various creditors, the negative fair value of derivatives, interest payable and employee benefits payable.

Fair-value measurement of the negative fair value of derivatives is described in more detail in the section Derivatives in note 3.3.4. Other items are measured at amortised cost.

	2021	2020
	DKKm	DKKm
Miscellaneous payables	2,573	2,379
Negative fair value of derivatives, etc.	474	743
Interest and commissions payable	36	22
Lease liabilities	151	137
Other liabilities	268	394
<b>Total other liabilities</b>	<b>3,503</b>	<b>3,677</b>

#### 3.11.1 Lease liabilities

#### § Accounting policies

A lease liability is recognised in the balance sheet when, in accordance with a lease entered into regarding a specific, identifiable asset, the asset is made available for use by the Group throughout the lease term and when the Group becomes entitled to obtain substantially all of the economic benefits from use of the identified asset and entitled to direct the use of the identified asset.

For information on recognition and measurement of lease assets, including extension and termination options, please refer to note 3.7.1.

On initial recognition, the lease liability is measured at the present value of the future lease payments, including extension and termination options, discounted using an alternative interest rate for charging an asset that provides similar security. The lease liability is calculated on the basis of fixed lease payments.

The lease liability is measured at amortised cost using the effective interest rate method. The lease liability is remeasured when there is a specific change in the underlying contractual cash flows

The lease liability is presented under other liabilities.

Spar Nord has opted to omit recognising short-term leases in the balance sheet if the lease term at the date of contract is 12 months or less or if it is a low-value asset.

Instead, lease payments are recognised in the income statement on a straight-line basis.

	2021	2020
	DKKm	DKKm
Total lease payments for the year concerning leases	30	25
<b>Amount recognised in the income statement</b>		
Interest payments relating to lease liabilities	1	0
Variable lease payments not recognised as part of the lease liability	-	-
Costs relating to short-term leases (less than 12 months)	-	-
Costs relating to low-value leases	-	-

A maturity analysis of the lease liabilities is provided in note 5.3.8.

#### Lease liabilities, specification of cash flows

Payments in respect of principal	-29	-25
Payments in respect of interest element	-1	0
Lease payments in respect of short-term leases and low-value leases	0	0
<b>Total cash outflows regarding leases</b>	<b>-30</b>	<b>-25</b>
Of which financing activity	-29	-25
Of which operating activity	-1	0
<b>Total</b>	<b>-30</b>	<b>-25</b>

## Section 3

# Balance sheet

### 3.12 Deferred tax

#### § Accounting policies

Current tax liabilities and current tax receivables are recognised in the balance sheet as estimated tax on the taxable income for the year, adjusted for tax on prior years' taxable income and for tax paid under the on-account tax scheme.

Deferred tax is measured in accordance with the balance sheet liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, no deferred tax is recognised on timing differences regarding non-deductible goodwill and other items for which timing differences have arisen at the acquisition date without affecting the financial results or taxable income. In cases where the tax base may be computed according to several sets of tax regulations, deferred tax is measured on the basis of the intended use of the asset or settlement of the liability planned by Management.

Deferred tax is recognised in the balance sheet under Deferred tax assets and Deferred tax liabilities on the basis of expected tax rates.

Deferred tax assets, including the tax base of tax loss carry-forwards, are recognised under Deferred tax assets at the expected value of their utilisation, either as a set-off against tax on future income or as a set-off against deferred tax liabilities within the same legal tax entity and jurisdiction.

Deferred tax assets and tax liabilities are offset if the enterprise has a legally enforceable right to set off current tax liabilities and tax assets or intends either to settle current tax liabilities and tax assets on a net basis or to realise the assets and settle the liabilities simultaneously.

Adjustment is made to deferred tax relating to eliminations of unrealised intra-group profits and losses. Deferred tax is measured on the basis of the tax regulations and rates that, according to the rules in force at the balance sheet date, will apply at the time the deferred tax is expected to crystallise as current tax. Changes in deferred tax resulting from changes in tax rates are recognised in the income statement.

	2021	2020
	DKKm	DKKm
Beginning of period	19	20
Deferred tax for the year recognised in profit/loss for the year	-13	-1
Deferred tax for the year recognised in other comprehensive income	0	0
Deferred tax for the year recognised in changes in equity	0	0
Deferred tax for the year recognised in purchase price allocation, business combinations	-2	0
<b>Deferred tax, end of year</b>	<b>4</b>	<b>19</b>

Changes in deferred tax in 2021	Beginning of period	Recognised in profit for the year	Recognised in other comprehensive income etc.	End of year
	DKKm	DKKm	DKKm	DKKm
Intangible assets	30	9	0	38
Property, plant and equipment, incl. leased assets	16	-22	-3	-9
Loans, advances and other receivables at amortised cost	-31	-6	0	-37
Payables and subordinated debt	24	-2	0	22
Provisions	-14	-2	0	-16
Claw-back loss	4	0	0	4
Miscellaneous	-9	10	1	3
<b>Total</b>	<b>19</b>	<b>-13</b>	<b>-2</b>	<b>4</b>

#### Changes in deferred tax in 2020

Intangible assets	30	0	0	30
Property, plant and equipment, incl. leased assets	25	-9	0	16
Loans, advances and other receivables at amortised cost	-29	-3	0	-31
Payables and subordinated debt	12	12	0	24
Provisions	-13	-1	0	-14
Claw-back loss	4	0	0	4
Miscellaneous	-8	-1	0	-9
<b>Total</b>	<b>20</b>	<b>-1</b>	<b>0</b>	<b>19</b>

## Section 3

# Balance sheet

	2021	2020
	DKKm	DKKm
<b>Shown by term to maturity</b>		
Up to 3 months	0	0
Over 3 months and up to 1 year	1	7
Between 1 year and 5 years	2	9
Over 5 years	1	3
<b>Total</b>	<b>4</b>	<b>19</b>

### Tax assets not recognised in the balance sheet

2021	Beginning of period DKKm	Recognised in profit for the year DKKm	Additions and disposals DKKm	End of year DKKm
<b>Tax assets not recognised relate to:</b>				
Losses on properties with deductibility restricted to gains from the same source	14	0	0	13
Tax loss abroad	4	0	0	4
Cases regarding direct and indirect taxes	0	0	29	29
<b>Total tax assets not recognised</b>	<b>18</b>	<b>0</b>	<b>29</b>	<b>46</b>

### 2020

<b>Tax assets not recognised relate to:</b>				
Losses on properties with deductibility restricted to gains from the same source	13	0	1	14
Tax loss abroad	4	0	0	4
<b>Total tax assets not recognised</b>	<b>17</b>	<b>0</b>	<b>1</b>	<b>18</b>

All deferred tax liabilities are recognised in the balance sheet. The temporary differences in 2021 and 2020 relating to losses on properties with deductibility restricted to gains from the same source arose on the sale of properties. Furthermore, a tax case was won in 2021, for which the appeals deadline has not expired.

## 3.13 Provisions

### § Accounting policies

Provisions include mainly guarantee commitments, provisions for losses on unutilised credit lines and loan commitments, legal actions and any restructuring costs, etc. Restructuring costs are recognised as liabilities, provided that a detailed, formal restructuring plan is available at the reporting date. A provision is recognised when a legal or constructive obligation exists and when it is probable that the obligation will become effective and it can be measured reliably.

Provisions are based on Management's best estimate of the amount of the commitments. In the measurement of provisions, the costs required to settle the liability are discounted if such discounting would have a material effect on the financial statements.

See note 5.1 for an explanation and specification of provision for losses on guarantees and unutilised credit lines.

	2021	2020
	DKKm	DKKm
Provision for losses on guarantees	62	57
Provisions for losses in connection with legal proceedings	0	-
Other provisions	4	4
Provisions for unutilised credit lines and loan commitments	9	17
<b>Total provisions</b>	<b>75</b>	<b>78</b>

### Provisions recognised in the income statement

New provisions	28	54
Reversed provisions	31	29
<b>Total provisions recognised in the income statement</b>	<b>-3</b>	<b>25</b>

### Provision for losses on guarantees

Beginning of period	57	40
New provisions	23	42
Reversed provisions	18	26
Conclusively lost	0	0
<b>End of year</b>	<b>62</b>	<b>57</b>

### Losses on guarantees recognised in the income statement

New provisions	23	42
Reversed provisions	18	26
<b>Recognised in the income statement</b>	<b>5</b>	<b>17</b>



## Section 3

### Balance sheet

	2021 DKKm	2020 DKKm
<b>Provisions for losses in connection with legal proceedings</b>		
Beginning of period	0	0
New provisions	0	0
Reversed provisions	0	0
Conclusively lost	0	0
<b>End of year</b>	<b>0</b>	<b>0</b>
Provisions for losses in connection with legal proceedings recognised in the income statement		
New provisions	0	0
Reversed provisions	0	0
<b>Recognised in the income statement</b>	<b>0</b>	<b>0</b>
<b>Other provisions</b>		
Beginning of period	4	4
New provisions	1	0
Reversed provisions	0	0
Applied to cover liabilities	0	0
<b>End of year</b>	<b>4</b>	<b>4</b>
<b>Other provisions recognised in the income statement</b>		
New provisions	1	0
Reversed provisions	0	0
<b>Recognised in the income statement</b>	<b>0</b>	<b>0</b>
<b>Provisions for unutilised credit lines and loan commitments</b>		
Beginning of period	17	9
New provisions	5	11
Reversed provisions	13	3
<b>End of year</b>	<b>9</b>	<b>17</b>
<b>Provisions for unutilised credit lines and loan commitments recognised in the income statement</b>		
New provisions	5	11
Reversed provisions	13	3
<b>Recognised in the income statement</b>	<b>-8</b>	<b>8</b>

#### Provisions by term to maturity, shown by category

	Up to 3 months	Over 3 months and up to 1 year	Between 1 year and 5 years	Over 5 years	Total
2021	DKKm	DKKm	DKKm	DKKm	DKKm
Provision for losses on guarantees	2	4	39	15	62
Other provisions	0	0	1	2	4
Provisions for unutilised credit lines and loan commitments	9	0	0	0	9
<b>Total provisions</b>	<b>12</b>	<b>5</b>	<b>41</b>	<b>18</b>	<b>75</b>
<b>2020</b>					
Provision for losses on guarantees	27	3	15	11	57
Other provisions	0	0	2	2	4
Provisions for unutilised credit lines and loan commitments	17	0	0	0	17
<b>Total provisions</b>	<b>45</b>	<b>4</b>	<b>17</b>	<b>13</b>	<b>78</b>

Uncertainty attaches to the due dates of liabilities for which provision has been made.

Provisions for losses on guarantees have been made based on an individual assessment.

Provisions for losses in connection with legal proceedings have been made based on an individual assessment.

Other provisions include provisions for anniversary lump sums.

## Section 4

# Capital

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### Main items

Earnings per share for the year

**DKK 10.6**

2020: **DKK 5.6**

Target:  
Common equity tier 1 capital ratio

**13.5%**

2020: **13.5%**

Target:  
Own funds ratio

**17.5%**

2020: **17.5%**

Proposed dividend per share

**DKK 2.5**

2020: **DKK 1.5**

Common equity tier  
1 capital ratio

**16.3%**

2020: **17.2%**

Own funds ratio

**20.8%**

2020: **21.0%**

## Section 4

# Capital

### 4.1 Capital management

§ Spar Nord's objectives of capital management are:

- to comply with the statutory requirements regarding capital adequacy;
- to ensure that Spar Nord will at all times have adequate capital to support future activities and growth; and
- to maintain a relatively high common equity tier 1 (CET1) ratio and thus keep the dependency on subordinated debt at a moderate level.

During the year under review, Spar Nord met all statutory capital adequacy ratios.

Since early 2019, Spar Nord has pursued the following capital targets:

- a common equity tier 1 capital ratio of 13.5%
- an own funds ratio of 17.5%

Under its dividend policy, Spar Nord aims to distribute 30-50% of the net profit for the year as dividends

Among other things, the capital targets have been fixed to ensure that the Bank maintains adequate own funds to be able to continue its lending operations during periods of difficult market conditions (such as deep economic recession or unexpectedly heavy credit losses).

During the year under review, Spar Nord's common equity tier 1 (CET1) ratio ranged from 15.0-16.3% (2020: 15.3-17.2%) and thus exceeded Spar Nord's internal target for the period of 13.5%. Correspondingly, the internal target of an own funds ratio of 17.5% has been met, as it remained within the 19.3-20.8% band during the year (2020: 19.0-21.0%).

Capital management is based on the methods of accounting and financial ratios developed by the Basel Committee, which have been incorporated into Danish legislation. Management currently monitors the Bank's capital adequacy. The figures calculated at the end of each quarter for Spar Nord's own funds, total risk exposure amount and capital adequacy ratios, including the calculation of the Bank's solvency need ratio, are reported to the Danish FSA in accordance with existing rules.

Spar Nord's individual solvency need is an expression of its own assessment as to how high the total capital ratio should be to safeguard depositors against losses. Since the end of 2012, Spar Nord has based the calculation of its individual solvency need on the so-called 8+ approach. This approach is based on the statutory minimum requirement of 8.0% of the total risk exposure amount (Pillar I) plus add-ons for risks and matters not fully reflected in the calculation of total risk exposure amount. Thus, it is assumed that ordinary risks are covered by the 8% requirement, and that it must therefore be determined which additional risks Spar Nord may have that warrant an add-on to the capital requirement (Pillar II); see the guidelines from the Danish FSA in this respect.

Spar Nord's common equity tier 1 capital consists of its share capital, proposed dividends and retained earnings. Additional tier 1 (AT1) capital and tier 2 capital (T2) in the form of subordinated debt are included in the calculation of Spar Nord's own funds. A number of deductions are made in connection with calculating Spar Nord's common equity tier 1 capital, consisting primarily of proposed dividends, intangible assets and equity investments in other credit institutions.

The total risk exposure is the calculated risk associated with Spar Nord's business areas. Total risk exposure is calculated as follows: assets, items subject to a market risk, and exposures in the form of guarantees are weighted on the basis of standard weights that depend on the type of the individual items and counterparty, with due provision being made for any collateral provided. To this should be added a supplement to cover Spar Nord's operational risks.

Note 4.2 provides more details about the capital requirement.

The maturity profile for Spar Nord's subordinated debt is shown in note 4.7.

Spar Nord continuously assesses the need for adapting the capital structure, including its goals, policies and processes.

## Section 4

# Capital

### 4.2 Own funds

	2021	2020
	DKKm	DKKm
Equity	11,924	10,390
Phasing in of IFRS 9	174	433
Additional tier 1 (AT1) capital included in equity	1,197	794
Proposed dividend	308	185
Intangible assets	348	141
Other primary deductions	70	53
Deduction – Holdings of insignificant CET1 instruments	56	132
Deduction – Holdings of significant CET1 instruments	247	95
<b>Common equity tier 1 capital</b>	<b>9,872</b>	<b>9,422</b>
Additional tier 1 (AT1) capital *)	1,173	773
Other deductions	1	2
<b>Tier 1 capital</b>	<b>11,045</b>	<b>10,193</b>
Subordinated debt, excl. Additional Tier 1 (AT1) capital *)	1,516	1,324
Other deductions	2	3
<b>Own funds</b>	<b>12,558</b>	<b>11,514</b>
Weighted risk exposure amount, credit risk etc.	50,165	45,277
Weighted risk exposure amount, market risk	4,140	3,994
Weighted risk exposure amount, operational risk	6,174	5,594
<b>Total risk exposure amount</b>	<b>60,479</b>	<b>54,865</b>
Common equity tier 1 capital ratio	16.3	17.2
Tier 1 capital ratio	18.3	18.6
Own funds ratio	20.8	21.0

\*) Limit for holding of own issues has been deducted.

### 4.3 Equity



#### Accounting policies

##### Revaluation reserves

Revaluation reserves comprise revaluations of Spar Nord's domicile property after the recognition of deferred tax. The reserve is dissolved when properties are impaired, sold or otherwise disposed of.

##### Statutory reserves

Statutory reserves comprise value adjustments of investments in associates and group enterprises according to the equity method. The reserves are reduced by the dividends distributed to the Parent Company and other movements in the equity of group enterprises and associates, or if the investments are realised in whole or in part.

##### Proposed dividend

Proposed dividend is recognised as a liability at the time of adoption at the annual general meeting (the declaration date). Dividend proposed to be distributed for the year is included under equity until adoption of the dividend proposal. In accordance with the Bank's dividend policy, Spar Nord aims to distribute 30-50% (2020: 30-50%) of the net profit for the year as ordinary dividends with due consideration to meeting the Bank's capital targets.

#### Treasury shares and own bonds

Treasury shares and own bonds are not recognised as assets. Cost and selling prices of treasury shares as well as dividends are recognised directly in retained earnings under equity. Capital reduction by cancellation of treasury shares will lower the share capital by an amount equal to the nominal value of the investments at the time of registration of the capital reduction.

The acquisition of own bonds is recognised directly in Subordinated debt. Upon the acquisition of own bonds, any loss or gain is recognised in the income statement as the difference between the acquisition cost and the carrying amount of the liability.

## Section 4

# Capital

### 4.4 Shares

	Number of shares		Nominal value (DKKm)	
	2021	2020	2021	2020
<b>Issued shares</b>				
1 January	123,002,526	123,002,526	1,230	1,230
<b>31 December – fully paid</b>	<b>123,002,526</b>	<b>123,002,526</b>	<b>1,230</b>	<b>1,230</b>

The share capital is divided into shares with a nominal value of DKK 10. The Bank has only one share class. No shares carry any special rights. No shares are subject to restrictions on transferability or voting rights.

	2021	2020
<b>Number of shares in circulation</b>		
Beginning of period	122,944,463	122,923,347
Acquisition/sale of treasury shares, trading book	-9,872	21,116
<b>End of year</b>	<b>122,934,591</b>	<b>122,944,463</b>
Shares issued, beginning of year	123,002,526	123,002,526
Group's portfolio of treasury shares, trading book	67,935	58,063
<b>Outstanding shares in circulation</b>	<b>122,934,591</b>	<b>122,944,463</b>
<b>Treasury share portfolio</b>		
Number of shares	67,935	58,063
Nominal value, DKKm	0	0
Fair value, DKKm	6	3
Percentage of share capital	0.1	0.0
<b>Treasury share portfolio, fair value, DKKm</b>		
Portfolio, beginning of year	3	5
Acquisition of treasury shares	502	431
Sale of treasury shares	504	433
Market value adjustments	4	0
<b>Portfolio, end of year</b>	<b>6</b>	<b>3</b>
<b>Treasury shares deposited as collateral</b>		
Number of shares	835,643	944,410
Nominal value, DKKm	8	9
Fair value, DKKm	70	56
Percentage of share capital	0.7	0.8

Treasury shares deposited as collateral comprise collateral provided by customers in the form of Spar Nord shares

The Bank uses treasury shares for trading with customers.

Until the next Annual General Meeting, the Board of Directors is authorised to let the Bank acquire treasury shares with a nominal value of up to 10% of the share capital based on the market price at the date of acquisition subject to a deviation of up to 10%.

## Section 4

# Capital

### 4.5 Earnings per share for the year

	2021	2020
	DKKm	DKKm
<b>The profit/loss of shareholders of the Parent Company, Spar Nord Bank A/S</b>	<b>1,309</b>	<b>688</b>
Number of shares, beginning of year	123,002,526	123,002,526
Average number of treasury shares	62,999	68,621
<b>Average number of shares in circulation</b>	<b>122,939,527</b>	<b>122,933,905</b>
Average dilutive effect of outstanding share options	0	0
<b>Average number of outstanding shares (diluted)</b>	<b>122,939,527</b>	<b>122,933,905</b>
Earnings per share for the year (DKK)	10.6	5.6
Diluted earnings per share for the year (DKK)	10.6	5.6

Earnings per share for the year have been calculated as if the additional tier 1 (AT1) capital were treated as a liability, which means that the calculation of the financial ratio has been based on the shareholders' share of profit and equity.

The shareholders' share of profit and equity appears from the statement of changes in equity.

### 4.6 Additional tier 1 (AT1) capital

#### § Accounting policies

Additional tier 1 (AT1) capital issued with a perpetual term and without a contractual obligation to make repayments of principal and pay interest (additional tier 1 capital under CRR) fulfils the conditions for being classified as equity according to IAS 32. Therefore, any such issue of additional tier 1 (AT1) capital is considered equity.

The net amount at the time of issue is recognised as an increase in equity. The payment of interest is treated as dividend and recognised directly in equity at the time when the liability arises.

Upon Spar Nord' redemption of the bonds, the equity will be reduced by the redemption amount at the time of redemption. Cost and selling prices on the purchase and sale of additional tier 1 (AT1) capital under CRR are recognised directly in equity in the same way as the portfolio of treasury shares.

						2021	2020
						DKKm	DKKm
Currency	Note	Principal DKKm	Interest rate	Received	Maturity		
DKK	a	250	3.125%	2021	Perpetual	252	-
DKK	b	600	3.25%	2021	Perpetual	601	-
DKK	c	330	6.00%	2020	Perpetual	344	344
DKK	d	450	5.50%	2016	06.12.2021	-	450
<b>Additional tier 1 (AT1) capital issued under CRR, total</b>						<b>1,197</b>	<b>794</b>

**a** Issued on 30.09.2021, with an option of early redemption as from 30.09.27. The loan carries interest at a rate of 3.125% p.a. until 30.09.2027, after which date interest will be fixed at CIBOR6 + a 2.962% margin. If Spar Nord's common equity tier 1 (CET1) ratio falls below 7%, the loans will be written down. The loans can be written up again based on the rules laid down in CRR.

**b** Issued on 08.03.2021, with an option of early redemption as from 08.09.2026. The loan carries interest at a rate of 3.25% p.a. until 08.09.2026, after which date interest will be fixed at CIBOR6 + a 3.244% margin. If Spar Nord's common equity tier 1 (CET1) ratio falls below 7%, the loans will be written down. The loans can be written up again based on the rules laid down in CRR.

**c** Issued on 15.04.2020, with an option of early redemption as from 15.04.2025. The loan carries interest at a rate of 6.00% p.a. until 15.04.2025, after which date interest will be fixed at CIBOR6 + a 6.00% margin, but a minimum of 6.00%. If Spar Nord's common equity tier 1 (CET1) ratio falls below 5 1/8%, the loans will be written down.

The loans can be written up again based on the rules laid down in CRR.

**d** Redeemed on 06.12.2021.

#### Additional tier 1 (AT1) capital, specification of cash flows

	2021	2020
	DKKm	DKKm
Issue of additional tier 1 (AT1) capital	850	330
Redemption of additional tier 1 (AT1) capital	-450	-400
Net transaction costs	-6	0
Change in portfolio of own bonds	-4	4
Interest paid	-54	-49
<b>Total cash flows for the year</b>	<b>337</b>	<b>-115</b>

## Section 4

# Capital

### 4.7 Subordinated debt

#### § Accounting policies

Subordinated debt consists of liabilities in the form of tier 2 capital and other capital contributions which, in the event of the Bank's voluntary or compulsory winding up, will not be repaid until after the claims of ordinary creditors have been met.

Subordinated debt is recognised at the raising of a loan at fair value less directly attributable external transaction costs. Subsequently, subordinated debt is measured at amortised cost using the effective interest method.

For further information on the issuing of additional tier 1 capital under CRR, see note 4.6.

Early redemption of subordinated debt is subject to the approval of the Danish FSA. Subordinated debt is included in own funds, etc. pursuant to the Danish Financial Business Act.

#### Supplementary capital contributions

						2021	2020
						DKKm	DKKm
Currency	Note	Principal DKKm	Interest rate	Received	Maturity		
DKK	a	200	CIBOR3 + 1.30%	2021	30.09.1933	199	-
DKK	b	350	CIBOR6 + 2.40%	2018	29.05.2029	349	349
DKK	c	150	2.9298%	2018	29.05.2029	150	150
DKK	d	400	2.5348%	2018	19.06.2028	400	400
SEK	e	600	STIBOR3 + 2.50%	2017	18.10.2027	436	443
<b>Supplementary capital contributions, total</b>						<b>1,534</b>	<b>1,342</b>
Portfolio of own bonds relating to subordinated debt						-11	-9
<b>Total subordinated debt</b>						<b>1,523</b>	<b>1,333</b>
Interest on subordinated debt						34	34
Costs of raising subordinated debt						1	1

**a** Redeemable as from 30.09.2028. If the loan is not redeemed, interest will be fixed at CIBOR3 + a 1.30% margin.

**b** Redeemable as from 29.05.2024. If the loan is not redeemed, interest will be fixed at CIBOR6 + a 2.40% margin.

**c** Redeemable as from 129.05.2024. If the loan is not redeemed, interest will be fixed at CIBOR6 + a 2.40% margin.

**d** Redeemable as from 19.06.2023. If the loan is not redeemed, interest will be fixed at CIBOR3 + a 2.10% margin.

**e** Redeemable as from 18.10.2022. If the loan is not redeemed, interest will be fixed at STIBOR3 + a 2.50% margin.

#### Subordinated debt, specification of cash flows

			2021	2020
			DKKm	DKKm
<b>Beginning of period</b>			<b>1,333</b>	<b>1,322</b>
<b>Cash flows</b>				
New loans			200	0
Redeemed			0	0
Net transaction costs			-1	0
Change in portfolio of own bonds			-2	-4
<b>Net cash flows</b>			<b>197</b>	<b>-4</b>
<b>Other movements</b>				
Change in exchange rate adjustments			-8	15
Amortised costs expensed			1	1
<b>Total other movements</b>			<b>-7</b>	<b>16</b>
<b>End of year</b>			<b>1,523</b>	<b>1,333</b>



## Section 4

# Capital

### 4.8 Issued bonds at amortised cost



#### Accounting policies

Issued bonds at amortised cost comprise Non-Preferred Senior debt issued to comply with the MREL requirement for SIFI institutions.

Issued bonds are recognised on issuance at fair value less directly attributable external transaction costs. Subsequently, issued bonds are measured at amortised cost using the effective interest method.

						2021	2020
						DKKkm	DKKkm
Currency	Note	Principal DKKm	Interest rate	Received	Maturity		
NOK	a	500	2.8230%	2021	30.06.1932	366	-
NOK	b	950	2.1110%	2021	26.11.2026	693	-
NOK	c	750	NIBOR3 + 1.05%	2021	26.05.2028	558	-
SEK	d	800	STIBOR3 + 0.80%	2021	26.05.2026	579	-
SEK	e	1,250	STIBOR3 + 1.05%	2019	05.12.2023	907	923
DKK	f	1,350	CIBOR3 + 1.00%	2019	05.12.2025	1,348	1,347
DKK	g	400	0.7290%	2019	05.12.2025	396	399
<b>Issued bonds, total</b>						<b>4,847</b>	<b>2,670</b>
Portfolio of own bonds relating to issued bonds						-2	0
<b>Issued bonds, total</b>						<b>4,845</b>	<b>2,670</b>

**a** The bonds are redeemable from 30.06.2031. If the bonds are not redeemed, interest will be fixed at NIBOR3 + a 1.166% margin.

**b** The bonds are redeemable from 26.11.2025. If the bonds are not redeemed, interest will be fixed at NIBOR3 + a 0.86% margin.

**c** The bonds are redeemable from 26.05.2027. If the bonds are not redeemed, interest will be fixed at NIBOR3 + a 1.05% margin.

**d** The bonds are redeemable from 26.05.2025. If the bonds are not redeemed, interest will be fixed at STIBOR3 + a 0.80% margin.

**e** The bonds are redeemable from 05.12.2022. If the bonds are not redeemed, interest will be fixed at STIBOR3 + a 1.05% margin.

**f** The bonds are redeemable from 05.12.2024. If the bonds are not redeemed, interest will be fixed at CIBOR3 + a 1.00% margin.

**g** The bonds are redeemable from 05.12.2024. If the bonds are not redeemed, interest will be fixed at CIBOR3 + a 1.00% margin.

Loans **a**, **b** and **g** are comprised by the rules on hedge accounting, see note 6.5.

#### Issued bonds at amortised cost, specification of cash flows

	2021	2020
	DKKkm	DKKkm
<b>Beginning of period</b>	<b>2,670</b>	<b>2,637</b>
<b>Cash flows</b>		
New loans	2,192	0
Redeemed	0	0
Net transaction costs	-9	-3
Change in portfolio of own bonds	-2	0
<b>Net cash flows</b>	<b>2,181</b>	<b>-3</b>
<b>Other movements</b>		
Change in exchange rate adjustments	15	31
Change in interest rate hedging	-24	3
Amortised costs expensed	3	2
<b>Total other movements</b>	<b>-6</b>	<b>35</b>
<b>End of year</b>	<b>4,845</b>	<b>2,670</b>

#### Shown by contractual term to maturity

Up to 3 months	1	0
Over 3 months and up to 1 year	910	1
Between 1 year and 5 years	3,006	2,668
Over 5 years	927	0
<b>Total</b>	<b>4,845</b>	<b>2,670</b>

## Section 5

# Risk management

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## Main items

Credit exposures – loans, advances  
and guarantees excl. reverse repo transactions

**DKK 68,234** million

2020: **DKK 59,784** million

Credit exposure – financial credit risk

**DKK 21,728** million

2020: **DKK 23,099** million

Credit exposure – retail/business

**47.3% / 52.7%**

2020: **47.7% / 52.3%**

Total impairment account

**DKK 1,591** million

2020: **DKK 1,717** million

Interest rate risk

**DKK 98** million

2020: **DKK 116** million

Shares held in Spar Nord

**DKK 2,594** million

2020: **DKK 2,318** million

Short-term liquidity LCR

**280%**

2020: **241%**

Long-term liquidity Strategic liquidity

**DKK 32,981** million

2020: **DKK 29,982** million

## Section 5

# Risk management

### 5 Risk management

Spar Nord is exposed to a number of risks in various categories.

The most important categories of risks are as follows:

- **Credit risk:** The risk of losses because counterparties fail to meet all or part of their payment obligations.
- **Market risk:** The risk of loss because the fair value of Spar Nord's assets and liabilities varies with changes in market conditions.
- **Liquidity risk:** The risk of loss because Spar Nord cannot meet its payment obligations via the ordinary liquidity reserves.
- **Operational risk:** The risk of financial loss owing to deficient or erroneous internal procedures and processes, human or system errors, or losses as a result of external events.

The following notes to the Annual Report contain qualitative and quantitative information regarding Spar Nord's credit, market, liquidity and operational risks.

#### 5.1 Credit risk

Credit risk is the risk of loss as a result of borrowers or other counterparties defaulting on their payment obligations, including the risks attaching to customers in financial difficulty, risks relating to large exposures, concentration risks and risks attaching to granted, unutilised credit lines.

In 2021, Spar Nord made no major changes in assumptions, objectives, exposures and calculation methods, etc. as compared to the year before.

#### Overview of principal figures in the credit risk note

	2021	2020
	DKKm	DKKm
<b>Credit exposure for financial reporting purposes</b>		
Loans, advances and guarantees	81,084	69,603
Loans and guarantees excl. reverse repo transactions	68,234	59,784
Loans and advances excl. reverse repo transactions	49,086	42,494
Lending growth (carrying amount, excl. reverse repo transactions)	15.5%	-1.5%
<b>Credit exposure to loans, advances and guarantees excl. reverse repo transactions</b>		
Retail customers	47.3%	47.7%
Business customers	52.7%	52.3%
<b>Recognised impairment</b>		
Retail customers	-46	133
Business customers excl. agriculture	14	250
Agriculture	-88	-74
<b>Total (positive amounts indicate a negative profit impact)</b>	<b>-120</b>	<b>309</b>
Impairment ratio, loans, advances and guarantees (impact on operations)	-0.1%	0.4%
<b>Impairment etc., end of year</b>		
Stage 1, credit risk has not increased significantly	156	196
Stage 2, credit risk has increased significantly	346	580
Stage 3, credit-impaired	1,089	941
<b>Total</b>	<b>1,591</b>	<b>1,717</b>
Total impairment in % of loans, advances and guarantees (excl. reverse repo transactions)	2.3%	2.9%

## Section 5

# Risk management

### Overall comments on credit risk

Loan impairment etc. was an income of DKK 120 million in 2021, against an expense of DKK 309 million in 2020.

Compared with 2020, a management estimate of DKK 65 million has been made concerning the collateral value of private properties. It is estimated that uncertainty attaches to whether the observed increases in property values will be sustained.

The management estimate concerning COVID-19 is reduced overall but increased for the business customer segment (DKK 33 million) and reversed for the retail segment (DKK 59 million). The reduction in the business segment is driven by uncertainty with respect to the economic situation in 2022, including the repayment of deferred VAT payments and various relief packages. The reversal in the retail segment is partly due to increased liquidity (disbursement of frozen holiday pay) in households combined with stronger growth in society and demand for labour.

However, there is a risk that new restrictions, outbreak of infection – both in Denmark and internationally – higher inflation, changed consumer behaviour and trading patterns may cause losses in specific industries and for individual retail customers.

As such, there may arise a need for adjusting the management estimate in the coming year.

The DKK -120 million impact on profits breaks down into DKK 14 million attributable to business customers ex. agricultural customers, DKK -88 million to agricultural customers, DKK -42 million to retail customers and DKK -4 million to customers in the SparXpres consumer loan business.

## Section 5

# Risk management

### 5.1.1 Accounting policies, credit policy, management, monitoring and reporting

#### § Accounting policies

##### Impairment model

Spar Nord recognises a provision for expected credit losses pursuant to IFRS 9 for all financial assets recognised at amortised cost or at fair value through other comprehensive income, lease receivables, certain loan commitments and financial guarantees. For financial assets recognised at amortised cost, the impairment for expected credit losses is recognised in the income statement and set off against the asset in the balance sheet. Provisions for unutilised credit lines and loan commitments and financial guarantees are stated at expected credit losses in the income statement and recognised as a liability.

The above impairment model implies that provisions must be recognised on all Spar Nord's financial assets measured at amortised cost and certain loan commitments and financial guarantees based on statistically expected credit losses ("expected loss" model). Losses caused by regulation of a financial asset will be considered as having been written off.

Under the expected loss model, on initial recognition, a loss allowance will be recognised in an amount equivalent to the 12-month expected credit losses (stage 1). If, on measurement subsequent to initial recognition, the credit risk increases significantly, a loss allowance will be recognised in an amount equivalent to the lifetime expected credit losses of the exposure (stage 2). Where it is established that the exposure is credit-impaired (stage 3), a loss allowance will be recognised in an amount equivalent to the lifetime expected credit losses of the exposure, while revenue will be recognised in the income statement using the effective interest method relative to the recognised impairment loss.

The classification into stages and the calculation of expected credit losses are largely based on Spar Nord's rating models.

The expected credit loss is measured for each facility. Impairment models support the calculation of expected credit losses based on loss ratios and the concepts of PD (Probability-of-Default), LGD (Loss-Given-Default) and EAD (Exposure-at-Default).

The calculation of the expected credit losses on exposures in stages 1 and 2 is based on a model calculation, whereas the calculation in respect of exposures from the weak part of stage 2 as well as stage 3 exposures is made as a combination of an individual assessment and a modal calculation. For customer groups with total exposures exceeding DKK 500,000, the Bank performs an individual assessment of the expected credit losses and the pertaining probabilities. For customer groups with total exposures below DKK 500,000, model-based calculations will be used. The model calculation is based on the Bank's model, which has been part of the basis for Spar Nord's credit control for a number of years, supplemented by a macroeconomic module, which adjusts the calculated PD values. A smaller, delimited portfolio is classified as being exposed to low credit risk. Exposures to these customers are maintained in stage 1.

##### Substantial increase in risk

On transition from stage 1 to stage 2, a substantial increase in the credit risk is defined as follows:

- A 100% increase in the PD for the expected remaining life of the exposure and a 0.5% point increase in the 12-month PD where the 12-month PD was below 1% on initial recognition.
- A 100% increase in the PD for the expected remaining life of the exposure or a 2.0% point increase in the 12-month PD where the 12-month PD was 1% or higher on initial recognition.
- If the exposure has been in arrears for more than 30 days.

Exposures with a substantial increase in the credit risk belonging to customers whose ability to pay shows considerable signs of weakness will be categorised as the weak part of stage 2. A customer's ability to pay in this category is defined as a 12-month PD that exceeds 5.0%.

##### Improvement of credit risk

If the exposure that has been in arrears for more than 30 days ceases to exist or the customers' PD level is subsequently improved (see above with respect to time of initial recognition), it will no longer be considered a significant increase in credit risk, and the exposure will be transferred back to stage 1.

Overall monitoring of Spar Nord's credit risk exposure is managed by the risk management function. Risk Monitoring oversees changes in the credit quality of all exposures and undertakes systematic credit quality control of the credit portfolio. A "weak list" for high-risk customers is used for credit control purposes. If a customer is marked "weak", the customer's PD will be adversely affected. Similarly, the customer's PD will be positively affected if the "weak" marking is removed again.

##### Transition to stage 3 (credit impairment)

If one of the customer's exposures is believed to be credit-impaired, all exposures of the customer in question will be transferred from stage 1 or 2 to stage 3. The criteria for credit impairment are determined on the basis of the Bank's credit management and credit policy. Generally, the criteria for business customers will be significant breach of contract or likely bankruptcy, while for retail customers they will include major negative events.

A customer's exposure is considered to be in default, for example if:

- there are credit-impaired exposures, and the customer is not considered to be able to settle its credit liabilities as calculated in the most likely scenario;
- for retail customers in case of a negative change in income, insufficient disposable income, listing in the Danish credit information agency RKL, material tax debt or substantial consumer loans;
- for business customers in case of negative results and negative equity, substantial negative equity or conversion of debt to subordinated capital;
- for agricultural customers in case of a negative change in income, substantial negative equity or non-compliance with the Bank's requirements for break-even and solvency;
- the payment obligations have been put on hold, or significantly relaxed terms have been granted with respect to interest rate, repayment profile or respite due to the customer's critical financial situation; or
- the customer's exposure for a long period of time (at least 90 days) has been in arrears or overdrawn.

The default criteria follows the CRR. In 2021, these were adjusted to reflect the EBA's guidelines on using the definition of default.

If none of the customer's exposures are considered to be in default any longer, each exposure will again be considered individually. Subsequently, the exposures will be assessed relative to a substantial increase in credit risk and subsequently placed in stage 1 and 2 via using the model's stage motor.

## Section 5

# Risk management

### Prospective information

The model calculation of the expected loss is structured around a number of regression models determining the historical correlation between default and a number of explanatory macro-economic variables relating to the various segments (retail, corporate and agriculture) in the impairment calculation.

The key input used in the impairment calculation are the following economic indicators:

- Retail customers: House price developments and mortgage rates.
- Business customers: SME confidence indicator and industrial confidence indicator.
- Agriculture: Ratio of milk and pork prices to feed prices and price trend for slaughter pigs and milk.

The model calculation of expected losses is based, among other things, on the most likely scenario (base case), and worst and best case scenarios are also set up applying a more critical and a more positive approach, respectively, to macroeconomic developments in the coming years than in the base case scenario. A calculation is made for each of the three scenarios and subsequently a total weighted calculation of the expected loss based on an assessment of the probability of each scenario.

The weighting of the various scenarios is calculated on the basis of the ratio between actual and potential GDP. The current scenario weights are unchanged from last year: 85% in base case, 5% in best case and 10% in worst case.

The assessment of the probability for each scenario is made using macroeconomic variables and approved by the Credit Committee in consultation with the relevant specialists.

### Scenario sensitivity

If either best-case or worst-case from the model calculation and the individual impairment calculations are exclusively applied, it would result in the following impairment distribution between the stages:

#### 2021

Scenarios	Stage 1	Stage 2	Stage 3	Total
Current	10	22	68	100
Best	9	21	55	85
Worst	11	24	93	128

#### 2020

Scenarios	Stage 1	Stage 2	Stage 3	Total
Current	11	33	55	100
Best	10	31	44	86
Worst	11	40	77	128

The total current impairment amount is used as index 100. Best-case would reduce impairment by DKK 241 million, while worst-case would increase impairment by DKK 446 million. The calculation does not take into account any customers wishing to shift between model and individual calculations in the best and the worst case, respectively.

The larger share of stage 3 impairment charges in 2021 in the current scenario is mainly explained by the transfer of a large share of the management estimate relating to COVID-19 from stage 2 to stage 3 as a larger share of this estimate has been individualised.

The COVID-19 management estimate is made on the basis of three different calculations and amounts to DKK 295 million. In one of the calculations, the distribution of the scenario weights is stressed so that the negative scenario generally makes up at least 40%. If the stress rate is changed to a minimum of 35/45%, the total COVID-19 estimate would be calculated at DKK 284/310 million. It is not as easy to make sensitivity analyses for

the two other calculations underlying the management estimate relating to COVID-19, because they rely on the amount of unutilised credit facilities with business customers with OEI and developments in total model-calculated stage 1 and stage 2 impairment charges.

With respect to the management estimate for land prices, the price per hectare used is DKK 15 thousand lower than the Danish FSA's recommended land prices. The estimate has been calculated at DKK 105 million. If the calculation had instead been made with a change of DKK 10/20 thousand per hectare, the estimate would have been DKK 71/138 million.

The management estimate concerning the collateral value of private properties includes a 20% haircut instead of the 5% applied in the model. This estimate has been calculated at DKK 65 million. If the estimate had been calculated using a haircut of 10/30%, the estimate would have amounted to DKK 14/115 million.

The management estimate concerning model uncertainty totals DKK 37 million based on a PD add-on of 42%-points for retail and 20%-points for business. If these add-ons had been calculated at 30/50% for retail and 10/30% for business, the estimate would have amounted to DKK 25/46 million, respectively.

The management estimate relating to lack of discounting of collateral in the individual impairment calculations has been calculated at DKK 34 million based on a time horizon of 1 year for business and 2 years for agriculture and business for customers who have not expected to be able to service their debts. If these time horizons are changed to 0.5/2 years for business and 1/3 years for agriculture and retail, the result would have been DKK 26/47 million.

Management estimate (DKKm)	Better	Applied	Worse
COVID-19	284	295	310
Land prices	71	105	138
Private properties	14	65	115
Model uncertainty	25	37	46
Discounting of collateral	26	34	47
<b>Total</b>	<b>420</b>	<b>536</b>	<b>656</b>

Developments in management estimates are shown in note 5.1.7.

### Credit losses

The lifetime expected credit losses cover the expected remaining lifetime of the facility. For most facilities, the expected lifetime is limited to the remaining contractual maturity, however, capped at five years. For facilities comprising both a loan and an undrawn loan commitment, Spar Nord's exposure to credit losses is not limited to the contractual notice period. For such facilities, the expected lifetime is assumed to be the period during which Spar Nord expects to be exposed to credit losses. For facilities, for which the expected lifetime is longer than the remaining contractual maturity, an expected maturity of one year has been applied. This includes for example credit cards and overdraft facilities.

### Write-off policy

All write-offs are performed by the Debt Collection Department. When the exposure is handed over to Debt Collection, they assess any need for write-off or interim write-off on the unsecured part of the exposure. Exposures covered by collateral will remain on a zero-interest account until the collateral has been realised, and the final loss/write-off has been assessed.

### Credit policy

Spar Nord's overall credit risk is controlled on the basis of the Bank's credit policy, which the Board of Directors determines in conjunction with the general policies and frameworks for risk assumption. The pivotal objective of Spar Nord's credit policy is to ensure that earnings and risks are balanced, and that the assumption of risk is always quantified.

## Section 5

# Risk management

It is the Spar Nord's policy that credit must always be granted on the basis of insight into the customer's financial position and that credit quality – the customer's ability and intention to meet current and future obligations – is a key parameter in all customer relations. For purposes of assessing creditworthiness, the Bank applies statistical rating models which risk-classify its customers.

Spar Nord aims to develop long-term relationships with customers and does not want to use risk tolerance as a competitive parameter.

Spar Nord only wants to conclude transactions that conform to good banking practice and do not jeopardise the Bank's reputation or professional image.

The Bank includes climate considerations and sustainability in its assessment of retail and business customers. Businesses with a high climate impact face special market terms and conditions, more stringent regulatory requirements and an increased requirement to invest in climate measures. Climate challenges may affect the robustness of a business and will potentially impair its earnings capacity and growth opportunities. Other things being equal, this could limit the creditworthiness of a business. Companies with an environmentally sustainable profile are estimated to have a far better foundation for tackling the challenges imposed by rising climate considerations. The Bank considers a satisfactory climate profile a favourable component in its credit assessment.

As a basic rule, Spar Nord does not grant loans and credit facilities based on collateral alone. Thus, the customer should show the intention and have the ability to repay loans without Spar Nord having to realise the collateral.

In order not to lose its ability to act towards a customer, the Bank generally aims not to increase its exposure towards a customer to such an extent that the customer would not be creditworthy in other banks.

Exposure caps have been determined on the basis of the following rules:

- Exposure is capped at DKK 750 million for exposure groups within the same legal entity with more stringent requirements for collateral to secure exposure amounts exceeding DKK 500 million. The unsecured share in the exposure group must not exceed DKK 250 million.
- Exposure is capped at DKK 1 billion for exposure groups consisting of customers who, financially, legally and in terms of risk, are independent of each other and are only affiliated because of a common administrative body. The unsecured share in the exposure group must not exceed DKK 250 million, and individual exposures in the group must not exceed the limits set out above.
- For unrated customers subject to supervision by the Danish FSA, exposure is capped at DKK 1 billion.

In determining the amount of exposure, generally accepted credit risk adjustments are made, as appears from the section regarding large exposures in the CRR Regulation. The statutory limitations apply to trading partners in the financial sector with an external credit rating at investment grade level. For other trading partners in the financial sector, an internally-fixed cap of DKK 700 million applies.

On the basis of the breakdown of the Bank's loans and advances guarantees by industry, targets for the maximum distribution within selected industries are shown below. The maximum figures stated serve to ensure that the Bank maintains a strongly diversified customer portfolio and prevents large concentration risks in individual industries.

The Bank pursues the policy that business customers' share of total loans and advances guarantees cannot exceed 70% of

the Bank's total loans, advances and guarantees excl. reverse lending.

This means the Bank has set a minimum limit of 30% for retail customers' share of the Bank's total loans and advances guarantees. The Bank has no upper limit for retail customers' share of total loans, advances and guarantees because a high proportion of loans to retail customers is considered a strength in terms of credit.

Finally, in its credit policy Spar Nord has stipulated that it wants insight into any commitments that its customers may have towards other financial institutions.

### Targets for industry diversification

Targets for industry diversification in %	Maximum share of total exposure *)
Agricultural sector	10
Property sector	15
of which speculative property financing **)	5
Financing and insurance	10
Industry and raw materials development	10
Trade	15
Energy supply	8

\*) Excl. reverse repo transactions

\*\*) CRR 575/2013 Article 4(79)

### Management, monitoring and reporting

Although Spar Nord's business model is characterised by decentralised decision-making powers, the credit process is managed centrally.

The decentralised lending powers are structured in such a way that there is a strongly reduced facilitation authorisation right for new business customers compared with existing business customers. In the retail customer segment, the right to authorise facilities builds on the application score (when required) or the customer's rating. The powers of authority to grant loans in the credit area are governed by two factors:

- The individual local managers' ability and requirements with respect to customer base.
- Ensuring that large exposures and/or more risky exposures from the local banks are always dealt with and granted by the Credit Department.

Decentralised facility authorisation rights are maximised at DKK 10 million for existing customers.

Customer advisers, where relevant in consultation with relationship managers in retail and business banking, handle the day-to-day management of Spar Nord's credit risks. If a credit facility exceeds the local loan approval limits, it will be passed on and dealt with by the Credit Department, the Credit Committee or the Board of Directors. The Credit Department may authorise credit lines up to DKK 50 million for existing customers and DKK 25 million for new customers. In addition, the Credit Committee may authorise credit lines up to DKK 100 million for existing customers and up to DKK 50 million for new customers. Exposures exceeding DKK 100 million for existing customers and exposures exceeding DKK 50 million for new customers are subject to approval by the Board of Directors. However, the Credit Committee may authorise credit facility extensions of up to DKK 50 million relative to the most recent authorisation given by the Board of Directors.

Overall monitoring of Spar Nord's credit risk exposure is managed by the risk management function, which oversees changes in the credit quality of all exposures and undertakes systematic credit quality control of the credit portfolio.

New exposures to retail customers in excess of DKK 100,000 and business customer exposures in excess of DKK 300,000 are



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systematically screened in order to analyse credit quality and risk to the customers in question. This development is reported at the Bank's quarterly credit quality meetings, at which the Executive Board, the Credit Department and the risk management function are represented. The need for additional sampling/examination of new retail and business customers is assessed on an ongoing basis.

The Bank's rating system regularly calculates a statistically based rating of both retail and business customers. This monthly updated rating combined with an "application score" for new customers is included in the decentralised credit assessment of the individual loan case, and together with other parameters it decides the extent of the decentralised authorisation power. Customers in the rating categories accorded the least risk exposure are more likely to be given higher credit limits or extensions than those with the greatest risk exposure. The risk categorisation based on ratings is also used in early warning processes, in the Bank's impairment processes (IFRS 9), for managing overdrafts and for pricing purposes to help ensure a correlation between the risk assumed by the customer and the price paid.

The Bank's rating system risk-classifies all non-defaulting customers into "rating categories" according to the probability that the individual customer defaults within the next 12 months.

The probability of default is estimated on the basis of statistical models adapted to the individual customer segment. On the basis of this probability, customers are classified into rating categories from 1 to 8, with category 8 containing customers with the highest risk of default. Customers with objective evidence of impairment (OEI) with no breach of contract or need for writedown in the most likely scenario are placed in rating category 9. OEI customers with a need for writedown and other default customers are placed in rating group 11. Remaining customers with exposures that have not been rated and customers exclusively with unutilised credit facilities or exclusive with guarantees are placed in the Unrated rating category.

The model applied to business customers employs three components:

- An accounting component used to risk-classify the customer based on its most recent financial statements.
- A behavioural component that classifies the customer based on its account behaviour and credit history.
- A cyclical component that adjusts the risk classification to current and expected cyclical developments.

New business customers are classified based on the accounting component and the cyclical component during the first sixth months, after which time the behavioural component is also applied in the overall rating.

For retail customers, the model is exclusively based on a behavioural component and a cyclical component.

New retail customers are risk-classified according to an application scoring model that is based on classical credit performance indicators, such as assets, pay, disposable income, etc. This model is based on a combination of a statistical and an expert model (statistical model).

In addition to the above-mentioned models, Spar Nord applies a qualitative risk classification, in which the Spar Nord adviser flags the credit quality as weak if a customer shows signs of default risk. For retail customers, these signs of default risk may for instance be divorce, unemployment repeated unauthorised overdrafts or critical illness, and for business customers they could be earnings challenges, mistrust in management, the loss of key employees, repeated unauthorised overdrafts or loss of major supplier agreements and customers. The flagging of weak credit quality is assessed and made as soon as it is considered likely that the customer will become financially challenged, which is thus often before the situation is discernible in

data for the statistically based models. Customers flagged as having a weak credit quality are reviewed at least once a year.

If a retail customer is flagged as having a weak credit quality but is not in default, the customer will automatically be downgraded by one rating category; it should be noted that a customer flagged as having a weak credit quality can never qualify for rating in the best rating categories (1 and 2).

Business customers are divided into two categories, customers flagged as having a weak credit quality and customers not flagged, and rated using two different models. While both models are based on the same components, the result of the rating calculation in the model for customers flagged as having a weak credit quality will typically lead to a lower rating.

If the adviser or another person believes that the rating of a major business customer does not reflect their true creditworthiness, for example due to inefficiencies in the data or otherwise, a process will be identified to evaluate and, where relevant, change the "rating" (rating override).

### Risk classification – rating categories

As a component of Spar Nord's credit processing, all non-defaulting customers are risk-classified according to the probability that the individual customer defaults within the next 12 months. Customers are divided into categories 1 to 9, with category 9 containing customers subject to the highest risk. The probability of default is estimated statistically by means of Spar Nord's rating systems which are based on various models for the different customer segments.

The model applied to business customers employs three components: An accounting component used to risk-classify the customer based on its most recent financial statements. A behavioural component that classifies the customer based on its account behaviour and credit authorisation history. The third component is a cyclical component used to adjust the classification based on cyclical trends.

New business customers are classified based on the accounting component and the cyclical component until the sixth month, after which time the behavioural component is also applied.

For retail customers, the model is exclusively based on a behavioural component and a cyclical component.

New retail customers are risk-classified according to an application scoring model that is based on classical credit performance indicators, such as assets, pay, disposable income, etc. This model is based on a combination of a statistical and an expert model. After six months, customers are subjected to a behavioural scoring scrutiny, and the results obtained using the two models are co-weighted in the transitional period until the twelfth month, after which the rating is based on the behavioural component exclusively.

For both retail and business customers, the behavioural score is based on information about factors like overdrafts, number of increases and leverage. In the accounting-based credit score for business customers, inputs include information on return on assets, solvency ratio and debt figures.

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### 5.1.2 Credit exposure

	2021	2020
	DKKm	DKKm
<b>Credit risk, loans, advances and receivables</b>		
Balance sheet items		
Loans, advances and other receivables at amortised cost	61,936	52,312
Impairment account for loans and other receivables	1,520	1,643
<b>Off-balance sheet items</b>		
Guarantees, etc.	17,566	15,591
Provisions for guarantees	62	57
<b>Total credit exposure for financial reporting purposes, loans, advances and guarantees</b>	<b>81,084</b>	<b>69,603</b>
Unutilised credit lines and loan commitments	26,924	27,306
Impairment account for unutilised credit lines and loan commitments	9	17
<b>Total credit exposure for financial reporting purposes, loans, advances and guarantees, incl. unutilised credit lines and loan commitments</b>	<b>108,016</b>	<b>96,926</b>
<b>Financial credit risk</b>		
Bonds at fair value	19,031	21,647
Due from credit institutions and central banks	2,486	1,259
Positive fair value of derivative instruments, financial enterprises	212	194
<b>Total credit exposure for financial reporting purposes</b>	<b>21,729</b>	<b>23,099</b>

#### Credit exposure relating to loans, advances and guarantees, gross, and impairment account by industry

	2021				2020			
Line of industry	Loans, advances and guarantees		Total impairment and provisions *)		Loans, advances and guarantees		Total impairment and provisions *)	
	DKKm	%	DKKm	%	DKKm	%	DKKm	%
Public authorities	1,259	1.6	0	0.0	978	1.4	0	0.0
Agriculture, hunting, forestry and fisheries	2,856	3.5	245	15.4	3,109	4.5	336	19.6
Industry and raw materials extraction	3,055	3.8	95	5.9	2,562	3.7	84	4.9
Energy supply	1,905	2.3	14	0.9	1,871	2.7	30	1.7
Building and construction	2,993	3.7	49	3.1	2,591	3.7	62	3.6
Trade	4,191	5.2	146	9.1	3,449	5.0	146	8.5
Transport, hotels and restaurants	2,897	3.6	123	7.7	2,487	3.6	155	9.0
Information and communication	389	0.5	9	0.6	254	0.4	8	0.5
Financing and insurance	16,459	20.3	182	11.4	13,020	18.7	111	6.5
Real estate	7,343	9.1	89	5.6	6,802	9.8	175	10.2
Other business areas	5,008	6.2	169	10.6	3,979	5.7	126	7.3
<b>Business customers, total</b>	<b>48,356</b>	<b>59.6</b>	<b>1,120</b>	<b>70.4</b>	<b>41,103</b>	<b>59.1</b>	<b>1,233</b>	<b>71.8</b>
Total retail customers	32,727	40.4	471	29.6	28,500	40.9	484	28.2
<b>Total loans and guarantees</b>	<b>81,084</b>	<b>100.0</b>	<b>1,591</b>	<b>100.0</b>	<b>69,603</b>	<b>100.0</b>	<b>1,717</b>	<b>100.0</b>

\*) incl. provisions for unutilised credit lines and loan commitments of DKK 9 million (2020: DKK 17 million).

Spar Nord's impairment balance amounted to DKK 1.6 billion, equal to 2.3% of Spar Nord's total loans, advances and guarantees excl. reverse repo transactions at end-2021. The impairment balance fell by DKK 0.1 billion relative to the beginning of the year.

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### Gross credit exposure relating to loans, advances and guarantees, gross, by industry without reverse repo transactions

Line of industry	2021				2020			
	Loans, advances and guarantees		Total impairment and provisions *)		Loans, advances and guarantees		Total impairment and provisions *)	
	DKKm	%	DKKm	%	DKKm	%	DKKm	%
Public authorities	1,259	1.8	0	0.0	978	1.6	0	0.0
Agriculture, hunting, forestry and fisheries	2,856	4.2	245	15.4	3,109	5.2	336	19.6
Industry and raw materials extraction	3,055	4.5	95	6.0	2,562	4.3	84	4.9
Energy supply	1,842	2.7	14	0.9	1,786	3.0	30	1.7
Building and construction	2,993	4.4	49	3.1	2,591	4.3	62	3.6
Trade	4,191	6.1	146	9.2	3,449	5.8	146	8.5
Transport, hotels and restaurants	2,897	4.2	123	7.7	2,487	4.2	155	9.0
Information and communication	389	0.6	9	0.6	254	0.4	8	0.5
Financing and insurance	4,139	6.1	180	11.3	3,287	5.5	110	6.4
Real estate	7,343	10.8	89	5.6	6,802	11.4	175	10.2
Other business areas	5,008	7.3	169	10.6	3,979	6.7	126	7.3
<b>Business customers, total</b>	<b>35,973</b>	<b>52.7</b>	<b>1,119</b>	<b>70.4</b>	<b>31,284</b>	<b>52.3</b>	<b>1,233</b>	<b>71.8</b>
<b>Total retail customers</b>	<b>32,260</b>	<b>47.3</b>	<b>471</b>	<b>29.6</b>	<b>28,500</b>	<b>47.7</b>	<b>484</b>	<b>28.2</b>
<b>Total loans and guarantees</b>	<b>68,234</b>	<b>100.0</b>	<b>1,590</b>	<b>100.0</b>	<b>59,784</b>	<b>100.0</b>	<b>1,717</b>	<b>100.0</b>

\*) Incl. provisions for unutilised credit lines and loan commitments of DKK 9 million (2020: DKK 17 million).

### Loans, advances and guarantees by exposure size excl. reverse repo transactions and SparXpres

DKKm/%	2021	2020	2021	2020
	Number	Number	%	%
0 - 0.1	53,625	49,974	0.8	0.9
0.1 - 0.5	39,995	36,530	10.4	10.3
0.5 - 1.0	16,582	14,763	12.6	12.3
1.0 - 5.0	11,187	10,106	27.3	27.3
5.0 - 10.0	1,192	1,110	9.5	9.7
10.0 - 20.0	478	458	7.5	8.0
20.0 - 50.0	275	275	9.8	10.9
50.0 - 100.0	93	94	7.6	8.3
100.0 ->	57	44	14.5	12.3
<b>Total</b>	<b>123,484</b>	<b>113,354</b>	<b>100.0</b>	<b>100.0</b>

As concerns size of exposures, Spar Nord's credit portfolio is considered to be well-diversified, because 60.6% of the total exposure is attributable to exposures below DKK 10 million each, and Spar Nord only has 57 exposures that exceed DKK 100 million.

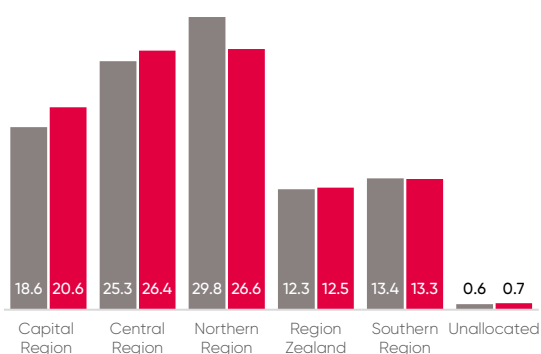
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### Gross credit exposure relating to loans, advances and guarantees excl. reverse repo transactions and SparXpres by geography

#### Loans, advances and guarantees broken down by region

% ■ 2020 ■ 2021



Spar Nord's credit portfolio is considered to have an excellent geographical spread.

At end-2021, the Northern Region accounted for 26.6% of Spar Nord's total loans, advances and guarantees, while the balance is spread over the other regions in Denmark.

### 5.1.3 Spar Nord's exposure by customer portfolios

Spar Nord's total loans, advances and guarantees before off-setting impairment were DKK 81.1 billion at end-2021, which is DKK 11.5 billion higher than in 2020.

Reverse repo loans increased by DKK 3.0 billion to DKK 12.8 billion at end-2021.

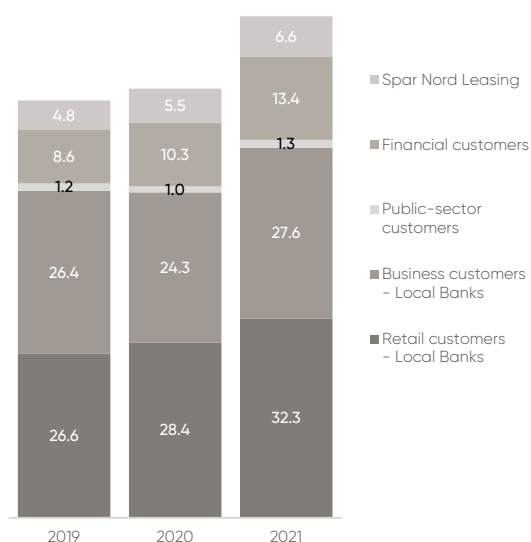
In addition, the Bank's loans and advances rose DKK 6.5 billion to DKK 50.6 billion at end-2021, corresponding to lending growth of 14.7% in 2021.

Furthermore, guarantees rose by DKK 2.0 billion to stand at DKK 17.6 billion at 31 December 2021.

Customers are categorised into five groups as part of the on-going risk monitoring: 1) Retail customers – Local Banks, 2) Business customers – Local Banks, 3) Public-sector customers, 4) Financial customers and 5) Spar Nord Leasing.

The development in these customer groups appears from the figure.

#### Exposures by category (DKKbn)



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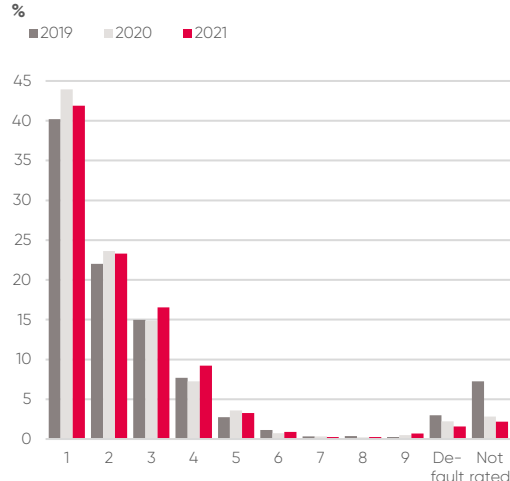
### Retail customers with Spar Nord's Local Banks

The total credit exposure to retail customers at Spar Nord's Local Banks amounted to DKK 32.3 billion at end-2021 compared with DKK 28.4 billion at end-2020. The credit exposure to retail customers amounts to 39.8% of Spar Nord's total credit exposure. As appears from the figure below, the average credit quality of retail customers has developed favourably over the past few years and is currently at a very satisfactory level.

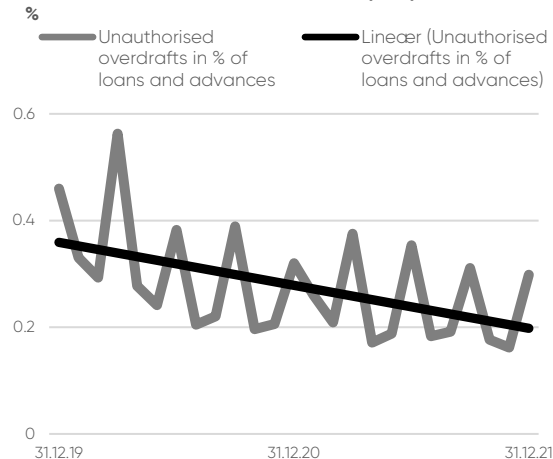
Retail customers' unauthorised overdrafts and past due exposures were at a low level from 2019-2021, showing a declining trend. After the transition to IFRS 9, there is an ever-increasing focus on the treatment of unauthorised overdrafts and arrears.

In the period from 2019 to 2021, there was an improvement in retail customer credit quality.

**Exposures to retail customers by rating category excl. SparXpres**  
%



**Retail customers - Local Banks - Developments in unauthorised overdrafts/arrears excl. SparXpres**  
%



### Average rating \*)

	2021	2020	2019
Average rating	2.3	2.2	2.4

\*) Exposures after impairment

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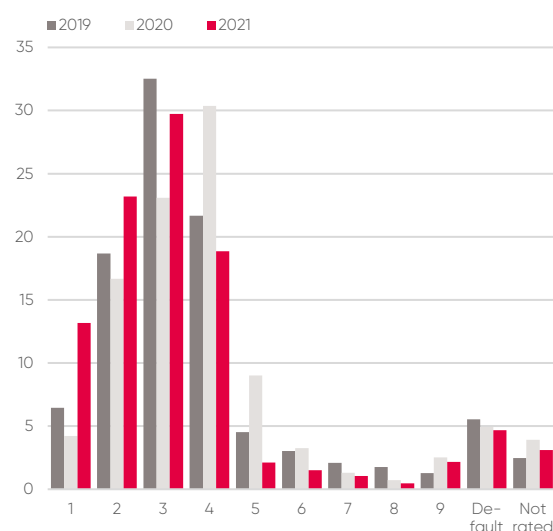
### Business customers with Spar Nord's Local Banks

The total credit exposure to business customers at Spar Nord's Local Banks amounted to DKK 27.6 billion at end-2021 compared with DKK 24.3 billion at end-2020.

The credit exposure to business customers amounted to 34.0% of Spar Nord's total credit exposure.

The Bank's rating model for business customers includes a business cycle model, which has shown instability in specific variables ("consumption expectations").

Exposures to business customers by rating category excl. public-sector customers %

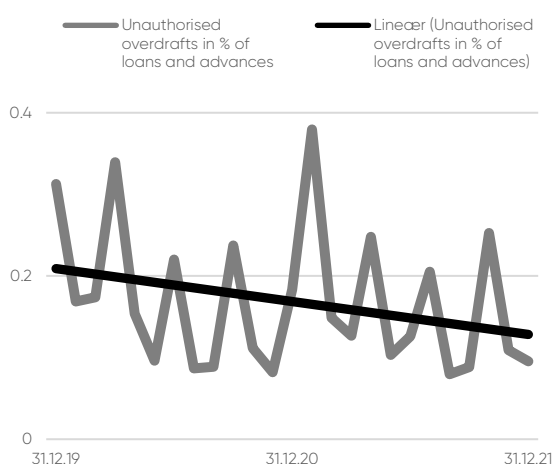


These consumption expectations have to a large extent contributed to a positive development in business customers' average credit quality during the past year.

The Bank is monitoring developments and has made a management estimate to address the uncertainty.

Business customers' unauthorised overdrafts and past due exposures remained at a stable, low average level of below 0.2% in the period from 2020 to 2021.

Business customers ex. agriculture - Local Banks - Development in unauthorised overdrafts/arrears %



Average rating \*)

	2021	2020	2019
Average rating	3.2	3.9	3.6

\*) Exposure after impairment excl. public-sector customers.

### Leasing activities

Spar Nord's total credit exposure in the leasing area amounted to DKK 6.6 billion at end-2021, which is DKK 1.0 billion, or 18.9%, more than at end-2020. Credit exposure in the leasing area equals 8.1% of Spar Nord's total loans, advances and guarantees.

The volume of repossessed leasing equipment remains at a very low level below 0.02% of leasing loans.

In the context of risks, it is important to note that leasing lending is always backed by security in the assets, either through charges or ownership.

### Repossessed equipment

DKKm	2021	2020
Repossessed equipment, total	1	3

Leasing loans by industry %	Lending		Impairment account	
	2021	2020	2021	2020
Public authorities	0.0	0.0	0.0	0.0
Agriculture, hunting and forestry	12.5	14.2	11.8	10.4
Fisheries	0.0	0.0	0.0	0.0
Industry and raw materials extraction	11.3	12.3	12.1	16.2
Energy supply	8.9	9.0	4.8	5.8
Building and construction	15.4	14.7	15.8	5.9
Trade	7.7	8.5	3.3	7.0
Transport, hotels and restaurants	21.9	22.7	31.5	28.0
Information and communication	0.4	0.6	0.8	0.7
Financing and insurance	2.4	1.3	1.5	1.3
Real estate	1.0	1.9	0.6	8.4
Other business areas	18.5	13.8	18.0	15.9
<b>Business customers, total</b>	<b>100.0</b>	<b>99.1</b>	<b>100.0</b>	<b>99.6</b>
<b>Total retail customers</b>	<b>0.0</b>	<b>0.9</b>	<b>0.0</b>	<b>0.4</b>
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

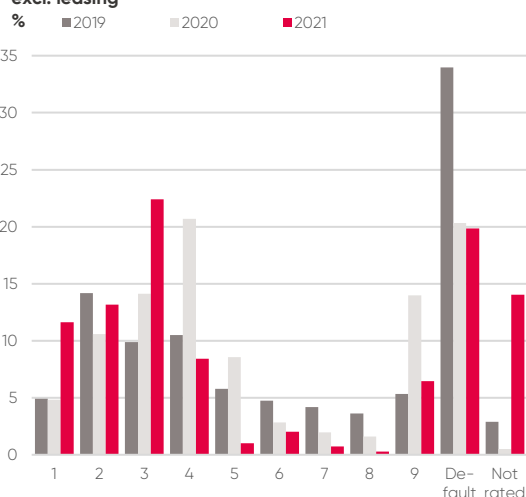
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### Agriculture

At end-2021, loans, advances and guarantees to agricultural customers amounted to DKK 2.7 billion, equal to 3.4%. Of this amount, leasing loans amounted to DKK 0.8 billion.

**Agricultural customer loans, advances and guarantees broken down by rating group excl. leasing**



**Agricultural customers' average rating \*)**

	2021	2020	2019
Average rating	5.6	5.5	5.9

\*) Exposures after impairment

As appears from the figures, the average credit quality of agricultural customers has improved since 2019. The positive development was attributable to a decrease in the Default rating category for agricultural customers.

The impact on profits from impairment of agricultural loans amounted to an income of DKK 88 million in 2021 compared with an income of DKK 74 million in 2020.

In some parts of the agricultural sector, earnings were satisfactory throughout 2021, but in the second half earnings were significantly impaired for pig producers. Pig production earnings reached record-highs in 2019 and 2020, allowing pig producers to reduce their debts. This trend continued into 2021 with pig prices reaching DKK 11.90 per kg in early June, after which they fell DKK 3 over the course of two months. Selling prices thus fell below Spar Nord's required production price of DKK 9.50 (breakeven price). The decline was caused primarily by falling demand from China, which has squeezed markets throughout Europe, both for weaners and slaughter pigs. For 2021 as a whole, the settlement price is higher than DKK 9.50, but earnings came under pressure during the autumn months, including liquidity relative to budget figures.

Prices of grain, purchased feed and fertiliser have increased, which especially affects domestic animal producers who have limited production of own grain.

Dairy producers continue to receive decent settlement prices, which had risen by a fair margin by the end of 2021.

Spar Nord's total impairment of agricultural loans amounted to DKK 242 million at end-2021, equal to 8.8% of Spar Nord's total loans, advances and guarantees to the industry. At 31 December 2020, the corresponding figures were DKK 334 billion and 11.2%.

The figures show Spar Nord's agricultural loans and impairment related to agricultural exposures, broken down by production lines.

**Agricultural customer loans, advances and guarantees by production line**

2021 DKKm	Loans, advances and guarantees	Non-performing loans	Of which impaired	Share impaired
Cattle producers	546	4	149	27.3
Pig producers	337	0	82	24.3
Crop producers	552	8	44	8.0
Mink producers	55	0	5	9.5
Leasing	823	0	19	2.2
Miscellaneous	431	0	7	1.6
<b>Total</b>	<b>2,743</b>	<b>13</b>	<b>305</b>	<b>11.1</b>

2020 DKKm	Loans, advances and guarantees	Non-performing loans	Of which impaired	Share impaired
Cattle producers	554	3	171	30.9
Pig producers	451	0	133	29.5
Arable producers	624	8	74	11.8
Mink producers	103	1	16	15.1
Leasing	789	1	6	0.8
Miscellaneous	466	2	27	5.8
<b>Total</b>	<b>2,987</b>	<b>14</b>	<b>426</b>	<b>14.3</b>

**Agricultural customers' impairment by production line**

2021 DKKm / %	Impairment account	Written off	Impairment for the year	Impairment ratio of exposure	Percentage impaired
Cattle producers	106	1	-46	19.5	71.4
Pig producers	69	8	-2	0.4	16.3
Crop producers	41	2	-26	7.5	93.6
Mink producers	10	0	-15	19.2	202.0
Leasing	3	1	0	20.6	84.6
Miscellaneous	12	0	1	2.7	174.8
<b>Total</b>	<b>242</b>	<b>11</b>	<b>-88</b>	<b>8.8</b>	<b>79.3</b>

2020 DKKm / %	Impairment account	Written off	Impairment for the year	Impairment ratio of exposure	Percentage impaired
Cattle producers	150	7	-22	27.1	87.4
Pig producers	78	2	-37	17.3	72.2
Crop producers	60	4	-11	9.5	88.0
Mink producers	25	0	-3	24.8	53.3
Leasing	4	0	1	0.6	69.5
Miscellaneous	17	0	-3	3.7	68.2
<b>Total</b>	<b>334</b>	<b>13</b>	<b>-74</b>	<b>11.2</b>	<b>78.4</b>

There was a slight decrease in the overall exposure to agriculture excl. leasing in 2021. Lending to the mink industry has been reduced, while other production lines are on a level with 2020.

Spar Nord pursues the principle that if agricultural customers with a weak capital position fail to deliver positive returns at the breakeven prices fixed by the Bank of DKK 9.50/kg (without supplementary payment) for pork, and DKK 2.20/kg for milk (without supplementary payment), this is defined as OEI.

The breakeven price of "DKK 2.20/kg without supplementary payment for milk" has been changed to DKK 2.35/kg in 2022. The increase was of a technical nature because of a changed principle from Arla Foods regarding the fixing of their on-account milk prices. It has no financial impact for the customers or the Bank, nor for the number of exposures marked with OEI.



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Breakeven prices are calculated based on financing at a 4% average interest rate for all the interest-bearing debt except for mortgage debt, for which the interest rate is fixed using fixed-rate bonds loans with long maturities. If these breakeven prices cannot be achieved in financial statements and budgets, the exposure will be subjected to an individual impairment calculation.

Spar Nord anticipates that conditions for dairy producers will become more favourable in 2022 compared with 2021. For pig producers, the Bank expects lower earnings due to extensive uncertainty as to whether demand will recover to normal levels and the spread of African swine fever and COVID-19-related impacts.

Spar Nord's calculation of collateral values of agricultural properties is in accordance with the Danish FSA's most recent guidelines, which means that the land values in the Bank's market area range between DKK 125,000 and DKK 160,000 per hectare.

### 5.1.4 Collateral

An important component of Spar Nord's management of credit risks is to reduce the risk attaching to individual exposures by accepting collateral, such as mortgages and charges over physical assets, securities and guarantees, etc. Mortgages and charges on real property, securities and vehicles make up the most common type of collateral. Mortgages on property are by far the most important collateral type provided to Spar Nord. Mortgages on real property consist mainly of mortgages on private housing.

For a description of collateral with reverse repo transactions, see note 6.2 and for collateral provided through clearing systems with central banks and other infrastructure institutions see note 6.3.

The credit quality of the individual exposure categories broken down by Spar Nord's internal credit rating is shown in notes 5.1.8 and 5.1.10.

#### Collateral accepted and type

Spar Nord wants to reduce the risk attaching to individual exposures by accepting collateral such as mortgages and charges over physical assets, securities and guarantees, etc. whenever possible. Mortgages on real property are by far the most important collateral type provided to Spar Nord. Mortgages on real property consist mainly of mortgages on private housing.

In the event that Spar Nord calls up collateral that cannot easily be converted to cash, Spar Nord pursues the policy of attempting to dispose of such assets as soon as possible.

In 2021, the Group repossessed equipment and took over properties worth DKK 6 million (2020: DKK 5 million).

The leased assets are valued and depreciated on an ongoing basis. Thus, in periods of declining prices for leased assets, the collateral calculated for the Bank's leasing activities is reduced.

The property value under mortgages broken down by property type is calculated at DKK 37.4 billion, while only DKK 21.5 billion is recorded as security on properties in the table. This is because the former amount represents the amount mortgaged to Spar Nord and is recorded as collateral accepted, while the latter amount is the share actually used for calculating collateral regarding a specific exposure. Some exposures are smaller than the collateral value, and collateral has also been provided by customers who do not currently have any facilities. Spar Nord monitors the value of collateral provided on an ongoing basis. When the risk associated with a counterparty increases, monitoring of the collateral provided will be intensified. A haircut of 5% of the value is made when the property collateral is allocated to the exposures.

Farm buildings are assessed in relation to their age, condition, etc. and are measured at fair value. Other agricultural assets such as livestock, stocks, equipment, etc. are recognised at 80% of their carrying amount.

A 5% haircut is applied to all of the above-mentioned values.

In addition to the individual impairment charges, where the maximum collateral value is based on the Danish FSA's recommended land and building values, a management estimate has been made to set off any valuation uncertainty, as described earlier. The management estimate is calculated as a reduction of DKK 15,000 per hectare of eligible land relative to recommended prices. The total management estimate for agricultural is DKK 118 million, of which DKK 105 million relates to land prices, DKK 12 million to discounting of collateral and DKK 1 million to model uncertainty.

The total loan amounts for customers which no impairment charge has been recognised as a result of collateral for 2021 is DKK 536 million.

	2021	2020
	DKKm	DKKm
<b>Collateral accepted</b>		
Credit exposure on loan, advances and guarantees for financial reporting purposes	81,084	69,603
Value of collateral	62,180	51,821
<b>Unsecured, total</b>	<b>18,904</b>	<b>17,782</b>
<b>Types of collateral</b>		
Properties	21,485	17,183
Custody accounts/securities	14,584	11,219
Guarantees/sureties	936	635
Vehicles	570	566
Cash	617	681
Other collateral	3,967	3,769
<b>Collateral used, total</b>	<b>42,160</b>	<b>34,053</b>
Specially secured transactions (mortgage credit institution guarantees)	14,483	13,165
<b>Total collateral accepted, excl. leasing activities</b>	<b>56,643</b>	<b>47,218</b>
Collateral accepted, leasing activities	5,537	4,603
<b>Total</b>	<b>62,180</b>	<b>51,821</b>

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### Collateral accepted and type for stage 3

	2021	2020
	DKKm	DKKm
<b>Collateral accepted</b>		
Carrying amount of loans, advances and guarantees	849	1,070
Value of collateral	1,028	1,144
<b>Unsecured, total</b>	<b>-179</b>	<b>-73</b>
<b>Types of collateral</b>		
Properties	489	624
Custody accounts/securities	3	6
Guarantees/sureties	211	76
Vehicles	5	6
Cash	27	18
Other collateral	149	207
<b>Collateral used, total</b>	<b>883</b>	<b>937</b>
Specially secured transactions (mortgage credit institution guarantees)	101	117
<b>Total collateral accepted, excl. leasing activities</b>	<b>984</b>	<b>1,054</b>
Collateral accepted, leasing activities	44	90
<b>Total</b>	<b>1,028</b>	<b>1,144</b>

### Mortgage on real property

#### Geographical breakdown of mortgages

%	2021	2020
Capital Region	23.6	17.2
Central Region	20.9	22.4
Northern Region	28.7	33.7
Zealand region	12.9	13.7
Southern Region	13.2	12.1
International	0.7	0.8
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

Spar Nord continuously monitors the value of the collateral furnished. If the risk exposure to a counterparty increases, the collateral is subjected to a particularly critical review. The value is assessed based on the expected price to be fetched in a compulsory sale of the collateral, less any expenses arising from its realisation.

#### Mortgages broken down by property type

	2021	2021	2020	2020
	DKKm	%	DKKm	%
Private housing	25,100	67.1	18,863	62.3
Holiday homes	1,402	3.7	1,153	3.8
Office & retail	4,753	12.7	4,495	14.8
Agriculture	2,088	5.6	2,168	7.2
International	4,065	10.9	3,600	11.9
<b>Total</b>	<b>37,409</b>	<b>100.0</b>	<b>30,278</b>	<b>100.0</b>

Spar Nord's evaluation of mortgages on rental properties is based on the capacity of the properties to generate a return. Various requirements are made with regard to the rate of return, depending on the use of the property, the condition of the buildings and the physical location in Denmark. Residential rental property is valued on the basis of a required rate of return in the 4.25 to 10.0% range.

### Unsecured shares

The table below shows that the total unsecured share at end-2021 was 23.3%. Net of reverse loans, the total unsecured share at end-2021 amounted to 35.2%. At end-2020, the unsecured share without reverse repo transactions was 29.7%.

#### Unsecured share of exposure

%	2021	2020
< 10	61.6	57.7
10 - 50	17.4	19.5
50 - 75	5.2	6.0
> 75	15.8	16.8
<b>Average unsecured share</b>	<b>23.3</b>	<b>25.5</b>

### The Group's unsecured share of credit exposure

	2021	2021	2020	2020
	DKKm	%	DKKm	%
<b>Line of business</b>				
Public authorities	1,259	100.0	978	100.0
Agriculture, hunting and forestry	438	16.0	530	17.7
Fisheries	13	11.6	24	19.4
Industry and raw materials extraction	876	28.7	597	23.3
Energy supply	485	25.5	489	26.1
Building and construction	649	21.7	638	24.6
Trade	1,312	31.3	944	27.4
Transport, hotels and restaurants	587	20.3	492	19.8
Information and communication	153	39.3	101	39.8
Financing and insurance	2,300	14.0	2,069	15.9
Real estate	1,565	21.3	1,898	27.9
Other business areas	1,672	33.4	1,412	35.5
<b>Business customers, total</b>	<b>11,309</b>	<b>23.4</b>	<b>10,172</b>	<b>24.7</b>
<b>Total retail customers</b>	<b>7,595</b>	<b>23.2</b>	<b>7,610</b>	<b>26.7</b>
<b>Total</b>	<b>18,904</b>	<b>23.3</b>	<b>17,782</b>	<b>25.5</b>

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### 5.1.5 Forbearance

A loan facility is defined as being subject to forbearance if the conditions regarding interest payments and/or repayments have been relaxed on account of the borrower's financial difficulty or if the loan has been refinanced on more lenient terms. In connection with COVID-19, forbearance must be flagged if the more lenient terms are considered only to apply for a temporary period.

Forbearance must be approved by the Credit Department. Customers who have been granted forbearance must be flagged for objective evidence of credit impairment.

In addition to decentralised registration, customers flagged as having a weak credit quality and OEI with an indication of credit impairment will be monitored centrally and reported on periodically.

Stage 3 loans were reduced by a total of DKK 55 million due to improvement of customer credit quality, settlement of loans or write-offs. Overall, NPL loans were reduced to DKK 1,818 million, and the share of non-performing loans (NPL ratio) was thus 2.8% at end-2021. An amount of DKK 130 million was written off in 2021, and individual impairment charges were increased by DKK 25 million.

#### Non-Performing

An exposure is defined as "Non-performing" (NPL), if:

- the exposure has been in arrears (i.e. if any amount of interest, fees or instalments remains unpaid) for more than 90 days; or
- it is considered unlikely that the debtor will fully meet its payment obligations without realising collateral.

#### NPL ratio

	2021	2020
NPL (DKK millions)	1,818	1,873
Exposure (DKKm)	65,817	54,884
NPL ratio	2.8	3.4

#### Loans and advances subject to forbearance in the year

##### 2021

#### Loans and advances subject to forbearance

DKKm	Business customers	Agriculture	Retail customers	Total
Non-Performing	117	24	181	323
Performing	0	0	2	3
<b>Total</b>	<b>118</b>	<b>24</b>	<b>183</b>	<b>325</b>

##### 2020

DKKm	Business customers	Agriculture	Retail customers	Total
Non-Performing	199	28	145	372
Performing	5	6	5	16
<b>Total</b>	<b>204</b>	<b>34</b>	<b>151</b>	<b>388</b>

#### Carrying amount of loans subject to forbearance in the year

DKKm	Loans and advances before impairment	Impairment	Carrying amount
<b>2021</b>			
<b>Loans and advances subject to forbearance, etc.</b>			
Non-performing	323	155	168
Performing	3	0	2
<b>Total</b>	<b>325</b>	<b>155</b>	<b>170</b>

#### Type of forbearance

Non-performing loans	281	140	141
Reduced interest rate	30	13	17
Extended term	12	2	10
Miscellaneous	2	0	2
<b>Total</b>	<b>325</b>	<b>155</b>	<b>170</b>

##### 2020

#### Loans and advances subject to forbearance, etc.

Non-performing	372	188	184
Performing	16	0	16
<b>Total</b>	<b>388</b>	<b>189</b>	<b>200</b>

#### Type of forbearance

Non-performing loans	294	161	133
Reduced interest rate	64	13	51
Extended term	30	15	15
Miscellaneous	1	0	1
<b>Total</b>	<b>388</b>	<b>189</b>	<b>200</b>

#### Claims due, but not impaired

DKKm	2021 Unauthorised overdrafts	2021 Collateral	2020 Unauthorised overdrafts	2020 Collateral
0 - 30 days	90	148	89	115
31 - 60 days	4	10	3	6
61 - 90 days	0	0	1	2
> 90 days	0	0	0	0
<b>Total</b>	<b>95</b>	<b>158</b>	<b>94</b>	<b>123</b>

Collateral amounts are calculated on the basis of the Bank's collateral registration system. The collateral registration is based on a prudent valuation of all pledged/mortgaged assets.

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### 5.1.6 Exposures and impairment etc.

For a description of principles for loan impairment, see note 5.1.1.

Spar Nord's impairment account broken down by industry is shown in note 5.1.2.

The exposures include exposures for which impairment has been reversed (impairment charges taken over) on customers acquired. At the end of 2021, reversal of impairment was DKK 42 million.

Summary of carrying amount of exposures	Exposure before impairment	Impairment/provisions	Carrying amount	Recognised impairment etc. total
	DKKm	DKKm	DKKm	DKKm
<b>2021</b>				
Loans and advances at amortised cost (note 5.1.7)	63,456	1,520	<b>61,936</b>	-117
Due from credit institutions and central banks (note 5.1.8)	2,486	1	<b>2,485</b>	0
Guarantees (note 5.1.9)	17,628	62	<b>17,566</b>	5
Unutilised credit lines and loan commitments (note 5.1.7)	26,932	9	<b>26,924</b>	-8
<b>Total</b>	<b>110,502</b>	<b>1,591</b>	<b>108,911</b>	<b>-120</b>
<b>2020</b>				
Loans and advances at amortised cost (note 5.1.7)	53,955	1,643	<b>52,312</b>	285
Due from credit institutions and central banks (note 5.1.8)	1,259	1	<b>1,259</b>	0
Guarantees (note 5.1.9)	15,648	57	<b>15,591</b>	17
Unutilised credit lines and loan commitments (note 5.1.7)	27,323	17	<b>27,306</b>	8
<b>Total</b>	<b>98,185</b>	<b>1,717</b>	<b>96,468</b>	<b>309</b>

Recognised impairment etc. is specified in notes 5.1.6, 5.1.7, 5.1.8 and 5.1.9.

### Profit impact from losses and impairment of loans, advances and guarantees – by industry

DKKm	2021	2020
Public authorities	0	0
Agriculture, hunting and forestry	-88	-74
Fisheries	1	1
Industry and raw materials extraction	17	-1
Energy supply	-16	14
Building and construction	-8	2
Trade	0	59
Transport, hotels and restaurants	-21	60
Information and communication	0	-1
Financing and insurance	67	30
Real estate	-58	36
Other business areas	31	50
<b>Business customers, total</b>	<b>-74</b>	<b>176</b>
<b>Total retail customers</b>	<b>-46</b>	<b>133</b>
<b>Total</b>	<b>-120</b>	<b>309</b>

The impact on Spar Nord's profits from impairment amounted to an income of DKK 120 million in 2021, equal to 0.1% of total loans, advances and guarantees.

Retail customers without SparXpres represented an income of DKK 42 million, while SparXpres resulted in an income of DKK 4 million. For business customers, there was an expense of DKK 14 million, while the impact on operations from agriculture was an income of DKK 88 million.

Exposures for which interest accrual has been suspended fell from DKK 275 million at end-2020 to DKK 257 million at end-2021.

### Exposures before impairment and provisions by stages

	Stage 1	Stage 2	Stage 3	Total
	DKKm	DKKm	DKKm	DKKm
<b>2021</b>				
Loans and advances at amortised cost	56,905	4,736	1,815	<b>63,456</b>
Due from credit institutions and central banks	2,486	0	0	<b>2,486</b>
Guarantees	16,451	1,057	120	<b>17,628</b>
Unutilised credit lines and loan commitments	25,681	1,149	103	<b>26,932</b>
<b>Total</b>	<b>101,523</b>	<b>6,942</b>	<b>2,038</b>	<b>110,502</b>
<b>2020</b>				
Loans and advances at amortised cost	44,661	7,426	1,868	<b>53,955</b>
Due from credit institutions and central banks	1,259	0	0	<b>1,259</b>
Guarantees	14,671	838	139	<b>15,648</b>
Unutilised credit lines and loan commitments	25,042	2,150	131	<b>27,323</b>
<b>Total</b>	<b>85,633</b>	<b>10,414</b>	<b>2,139</b>	<b>98,185</b>

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### Exposures before impairment and provisions by industry

	Stage 1	Stage 2	Stage 3	Total	Recognised impairment etc. total
	DKKm	DKKm	DKKm	DKKm	DKKm
<b>2021</b>					
Public authorities	1,723	0	0	1,723	0
Agriculture, hunting and forestry	2,765	521	318	3,604	-88
Fisheries	97	48	6	151	1
Industry and raw materials extraction	4,133	479	138	4,749	17
Energy supply	2,424	38	16	2,478	-16
Building and construction	4,048	382	88	4,518	-8
Trade	6,133	636	153	6,922	0
Transport, hotels and restaurants	3,335	507	131	3,973	-21
Information and communication	467	64	9	539	0
Financing and insurance	18,231	355	273	18,859	67
Real estate	8,617	909	123	9,649	-58
Other business areas	6,805	425	260	7,490	31
<b>Total business</b>	<b>58,777</b>	<b>4,365</b>	<b>1,514</b>	<b>64,656</b>	<b>-74</b>
<b>Total retail customers</b>	<b>40,260</b>	<b>2,577</b>	<b>523</b>	<b>43,360</b>	<b>-46</b>
<b>Total</b>	<b>99,036</b>	<b>6,942</b>	<b>2,038</b>	<b>108,016</b>	<b>-120</b>
<b>Total due from credit institutions</b>	<b>2,486</b>	<b>0</b>	<b>0</b>	<b>2,486</b>	<b>0</b>
<b>Total</b>	<b>101,522</b>	<b>6,942</b>	<b>2,038</b>	<b>110,502</b>	<b>-120</b>

#### 2020

Public authorities	1,825	0	0	1,825	0
Agriculture, hunting and forestry	2,487	949	441	3,877	-74
Fisheries	95	68	2	165	1
Industry and raw materials extraction	3,362	852	154	4,368	-1
Energy supply	2,216	173	19	2,408	14
Building and construction	3,492	605	124	4,221	2
Trade	5,359	1,357	180	6,896	59
Transport, hotels and restaurants	2,537	789	182	3,508	60
Information and communication	310	105	7	422	-1
Financing and insurance	14,052	918	89	15,059	30
Real estate	7,226	1,643	216	9,085	36
Other business areas	5,317	833	163	6,313	50
<b>Total business</b>	<b>48,277</b>	<b>8,293</b>	<b>1,577</b>	<b>58,147</b>	<b>176</b>
<b>Total retail customers</b>	<b>36,096</b>	<b>2,121</b>	<b>562</b>	<b>38,779</b>	<b>133</b>
<b>Total</b>	<b>84,373</b>	<b>10,414</b>	<b>2,139</b>	<b>96,926</b>	<b>309</b>
<b>Total due from credit institutions</b>	<b>1,259</b>	<b>0</b>	<b>0</b>	<b>1,259</b>	<b>0</b>
<b>Total</b>	<b>85,632</b>	<b>10,414</b>	<b>2,139</b>	<b>98,185</b>	<b>309</b>

### Impairment and provisions by stages

	Stage 1	Stage 2	Stage 3	Total
	DKKm	DKKm	DKKm	DKKm
<b>2021</b>				
Loans and advances at amortised cost	133	309	1,078	<b>1,520</b>
Due from credit institutions and central banks	1	0	0	<b>1</b>
Guarantees	19	35	8	<b>62</b>
Unutilised credit lines and loan commitments	3	3	3	<b>9</b>
<b>Total</b>	<b>156</b>	<b>346</b>	<b>1,089</b>	<b>1,591</b>
<b>2020</b>				
Loans and advances at amortised cost	170	543	929	<b>1,643</b>
Due from credit institutions and central banks	1	0	0	<b>1</b>
Guarantees	18	32	7	<b>57</b>
Unutilised credit lines and loan commitments	7	6	4	<b>17</b>
<b>Total</b>	<b>196</b>	<b>580</b>	<b>941</b>	<b>1,717</b>

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### Impairment and provisions by impairment method

	2021	2020
	DKKm	DKKm
Individual impairment	728	703
Model-calculated impairment	863	1,014
- of which management estimate. See note 5.1.7	536	570
<b>Impairment of loans at amortised cost and guarantees (impairment account)</b>	<b>1,591</b>	<b>1,717</b>

### Individually impaired loans at amortised cost and guarantees

#### Loans, advances and receivables

Sum total of loans, advances and receivables for which individual impairment has been recognised	1,815	1,868
Individual impairment of loans and advances, receivables	1,081	941
<b>Carrying amount</b>	<b>734</b>	<b>927</b>

#### Guarantees

Sum total of guarantees for which individual provisions have been made	120	139
Individual provisions for guarantees	8	7
<b>Carrying amount</b>	<b>112</b>	<b>132</b>

### Individually impaired loans at amortised cost and guarantees in stage 3 by cause of impairment

	2021	2021	2020	2020
	Credit exposure before impairment	Impairment and provisions for losses, beginning of period	Credit exposure before impairment	Impairment and provisions for losses, beginning of period
	DKKm	DKKm	DKKm	DKKm
Insolvent liquidation and bankruptcy	63	36	65	44
Debt collection or restructuring, etc.	84	26	94	40
Other financial difficulty	1,788	1,027	1,848	856
<b>Individual impairment of loans and advances, receivables and guarantees, total</b>	<b>1,935</b>	<b>1,089</b>	<b>2,007</b>	<b>941</b>

Individual impairment at end-2021 of DKK 1,089 million includes DKK 9 million in provisions for losses on unutilised credit lines and loan commitments.

In 2021, Spar Nord recorded a decline in credit exposure to customers with individual impairment of DKK 72 million.

At end-2021, the credit-impaired claims represented 2.4% of total credit exposure compared with 2.9% in 2020.

The total impairment account fell DKK 126 million in 2021.

The collateral for individually credit-impaired loans and for overdue loans that have not been individually impaired does not differ significantly from the Bank's other collateral

### Contractually outstanding amounts for financial assets written off during the accounting period and for which collection efforts are still pursued

In the financial year 2021, DKK 131 million was written off (2020: DKK 167 million), of which DKK 107 million (2020: DKK 140 million) is still the object of collection efforts.

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### Risk management

#### 5.1.7 Loans at amortised cost and unutilised credit lines and loan commitments

	2021	2020
	DKKm	DKKm
Loans and advances at amortised cost before impairment	63,456	53,955
Unutilised credit lines and loan commitments before impairment	26,932	27,323
Impairment of loans and advances and provisions on unutilised credit lines	1,529	1,660
<b>Total</b>	<b>88,859</b>	<b>79,618</b>

#### Loans at amortised cost before impairment, by rating category

The table below shows the credit quality and exposures before impairment based on Spar Nord's internal rating system divided into stages.

A description of Spar Nord's internal rating categories and impairment model is provided in note 5.1.1.

	Stage 1	Stage 2	Stage 3	Total
	DKKm	DKKm	DKKm	DKKm
<b>2021</b>				
Rating category 1	10,836	1	0	<b>10,837</b>
Rating category 2	9,736	146	0	<b>9,882</b>
Rating category 3	9,632	929	3	<b>10,564</b>
Rating category 4	5,275	1,155	2	<b>6,432</b>
Rating category 5	703	465	0	<b>1,168</b>
Rating category 6	213	361	2	<b>577</b>
Rating category 7	75	239	0	<b>314</b>
Rating category 8	56	137	0	<b>193</b>
Rating category 9	0	642	83	<b>726</b>
Default	24	352	1,564	<b>1,941</b>
Unrated	837	0	0	<b>837</b>
Reverse repo transactions	12,850	0	0	<b>12,850</b>
SparXpres	429	10	105	<b>545</b>
Leasing	6,238	299	54	<b>6,590</b>
<b>Total</b>	<b>56,905</b>	<b>4,736</b>	<b>1,815</b>	<b>63,456</b>

<b>2020</b>				
Rating category 1	8,092	3	0	<b>8,095</b>
Rating category 2	6,986	281	0	<b>7,267</b>
Rating category 3	5,827	1,574	0	<b>7,402</b>
Rating category 4	5,821	1,798	0	<b>7,619</b>
Rating category 5	1,370	1,176	0	<b>2,546</b>
Rating category 6	311	510	0	<b>821</b>
Rating category 7	59	313	0	<b>372</b>
Rating category 8	37	183	0	<b>221</b>
Rating category 9	1	789	5	<b>795</b>
Default	18	163	1,675	<b>1,855</b>
Unrated	987	3	0	<b>989</b>
Reverse repo transactions	9,819	0	0	<b>9,819</b>
SparXpres	503	27	83	<b>612</b>
Leasing	4,830	606	105	<b>5,541</b>
<b>Total</b>	<b>44,661</b>	<b>7,426</b>	<b>1,868</b>	<b>53,955</b>

## Section 5

# Risk management

### Loans at amortised cost before impairment, by stages

	Stage 1	Stage 2	Stage 3	Total
	DKKm	DKKm	DKKm	DKKm
<b>2021</b>				
Gross exposure 1 January	44,661	7,426	1,868	<b>53,955</b>
Addition upon business combinations	2,058	106	31	<b>2,195</b>
New exposures and extension of existing exposures in the year	30,149	1,659	312	<b>32,120</b>
Repayments and reduction of existing exposures	-22,060	-2,285	-339	<b>-24,684</b>
Change in gross exposure, transfer to/from stage 1	-1,216	931	285	-
Change in gross exposure, transfer to/from stage 2	3,221	-3,446	225	-
Change in gross exposure, transfer to/from stage 3	108	353	-461	-
Gross exposure expensed	-16	-7	-107	<b>-130</b>
<b>Gross exposure 31 December</b>	<b>56,905</b>	<b>4,736</b>	<b>1,815</b>	<b>63,456</b>

	Stage 1	Stage 2	Stage 3	Total
	DKKm	DKKm	DKKm	DKKm
<b>2020</b>				
Gross exposure 1 January	43,773	6,992	1,999	<b>52,764</b>
New exposures and extension of existing exposures in the year	23,103	1,585	267	<b>24,954</b>
Repayments and reduction of existing exposures	-20,106	-3,019	-474	<b>-23,599</b>
Change in gross exposure, transfer to/from stage 1	-3,633	3,438	195	-
Change in gross exposure, transfer to/from stage 2	1,460	-1,730	269	-
Change in gross exposure, transfer to/from stage 3	76	173	-248	-
Gross exposure expensed	-13	-12	-140	<b>-164</b>
<b>Gross exposure 31 December</b>	<b>44,661</b>	<b>7,426</b>	<b>1,868</b>	<b>53,955</b>

The figures concerning new exposures and extension and repayment and reduction include administrative movements in which the balance is moved between two accounts for the same customer.

### Unutilised credit lines and loan commitments before impairment and provisions, by rating category

The rating breakdown of Spar Nord's unutilised credit lines and loan commitments before impairment and provisions generally follow the rating breakdown for loans at amortised cost before impairment shown above.

	Stage 1	Stage 2	Stage 3	Total
	DKKm	DKKm	DKKm	DKKm
<b>2021</b>				
Gross exposure 1 January	25,042	2,150	131	<b>27,323</b>
Addition upon business combinations	829	50	3	<b>881</b>
New exposures and extension of existing exposures in the year	8,716	515	43	<b>9,273</b>
Repayments and reduction of existing exposures	-9,959	-535	-52	<b>-10,545</b>
Change in gross exposure, transfer to/from stage 1	-326	314	12	-
Change in gross exposure, transfer to/from stage 2	1,360	-1,383	23	-
Change in gross exposure, transfer to/from stage 3	19	39	-58	-
Gross exposure expensed	0	0	0	<b>0</b>
<b>Gross exposure 31 December</b>	<b>25,681</b>	<b>1,149</b>	<b>103</b>	<b>26,932</b>

	Stage 1	Stage 2	Stage 3	Total
	DKKm	DKKm	DKKm	DKKm
<b>2020</b>				
Gross exposure 1 January	21,919	1,394	99	<b>23,412</b>
New exposures and extension of existing exposures in the year	9,982	933	63	<b>10,978</b>
Repayments and reduction of existing exposures	-6,133	-862	-72	<b>-7,067</b>
Change in gross exposure, transfer to/from stage 1	-1,283	1,226	56	-
Change in gross exposure, transfer to/from stage 2	545	-558	13	-
Change in gross exposure, transfer to/from stage 3	11	16	-27	-
Gross exposure expensed	0	0	0	<b>0</b>
<b>Gross exposure 31 December</b>	<b>25,042</b>	<b>2,150</b>	<b>131</b>	<b>27,323</b>

### Unutilised credit lines and loan commitments before impairment and provisions, by stage

The figures concerning new exposures and extension and repayment and reduction include administrative movements in which the balance is moved between two accounts for the same customer.



## Section 5

# Risk management

### Impairment and provisions for losses

Analysis of changes in impairment and provisions for losses during the year broken down by stages and correlated to recognised impairment, etc. A summary of total recognised impairment, etc. is provided in note 5.1.6.

It is not possible to separate movements during the year into impairment and provisions for losses on the exposure categories loans at amortised cost and unutilised credit lines and loan commitments.

	Stage 1	Stage 2	Stage 3	Total	Recognised impairment etc.
	DKKm	DKKm	DKKm	DKKm	DKKm
<b>2021</b>					
Impairment at 1 January, loans at amortised cost	170	543	929	<b>1,643</b>	-
Provisions at 1 January, unutilised credit lines and loan commitments	7	6	4	<b>17</b>	-
Impairment re. new exposures during the year, including new accounts to existing customers	47	6	40	<b>92</b>	92
Reversed impairment re. repaid accounts	36	52	72	<b>160</b>	160
Change in impairment at 1 January, transfer to/from stage 1	192	-167	-26	-	-
Change in impairment at 1 January, transfer to/from stage 2	-50	106	-56	-	-
Change in impairment at 1 January, transfer to/from stage 3	-20	-92	112	-	-
Impairment during the year due to change in credit risk	-174	-39	215	<b>3</b>	3
Previously impaired, now finally lost	0	0	-81	<b>-81</b>	-
Other movements (interest rate correction etc.)	0	0	16	<b>16</b>	-
Loss without prior impairment	-	-	-	-	55
Amounts recovered on previously impaired receivables and adjustment of reversal of impairment charges taken over	-	-	-	-	114
<b>Impairment and provisions for losses, end of period</b>	<b>136</b>	<b>311</b>	<b>1,081</b>	<b>1,529</b>	<b>-125</b>
Impairment at 31 December, loans at amortised cost	133	309	1,078	<b>1,520</b>	-117
Provisions at 31 December, unutilised credit lines and loan commitments	3	3	3	<b>9</b>	-8
<b>Impairment and provisions for losses, end of period</b>	<b>136</b>	<b>311</b>	<b>1,081</b>	<b>1,529</b>	<b>-125</b>
<b>2020</b>					
Impairment at 1 January, loans at amortised cost	134	258	1,061	<b>1,453</b>	-
Provisions at 1 January, unutilised credit lines and loan commitments	3	3	3	<b>9</b>	-
Impairment re. new exposures during the year, including new accounts to existing customers	53	18	31	<b>102</b>	102
Reversed impairment re. repaid accounts	19	27	87	<b>133</b>	133
Change in impairment at 1 January, transfer to/from stage 1	82	-45	-37	-	-
Change in impairment at 1 January, transfer to/from stage 2	-16	60	-43	-	-
Change in impairment at 1 January, transfer to/from stage 3	-2	-13	15	-	-
Impairment during the year due to change in credit risk	-56	295	112	<b>350</b>	350
Previously impaired, now finally lost	0	0	-138	<b>-138</b>	-
Other movements (interest rate correction etc.)	0	0	16	<b>16</b>	-
Loss without prior impairment	-	-	-	-	37
Amounts recovered on previously impaired receivables	-	-	-	-	64
<b>Impairment and provisions for losses, end of period</b>	<b>177</b>	<b>549</b>	<b>933</b>	<b>1,660</b>	<b>293</b>
Impairment at 31 December, loans at amortised cost	170	543	929	<b>1,643</b>	285
Provisions at 31 December, unutilised credit lines and loan commitments	7	6	4	<b>17</b>	8
<b>Impairment and provisions for losses, end of period</b>	<b>177</b>	<b>549</b>	<b>933</b>	<b>1,660</b>	<b>293</b>

The figures concerning impairment re. new exposures and reversed impairment charges re. repaid accounts include administrative movements in which the balance is moved between two accounts for the same customer.

Reversal (impairment charges taken over) on customers acquired is shown in note 5.1.6 at the top.

Loss without prior impairment expresses Spar Nord's recognised loans for which the loss is greater than impairment at the beginning of the year.

## Section 5

# Risk management

### Management estimates

In 2021, the Bank reduced its management estimates by DKK 34 million to a total of DKK 536 million. The amount relates to five overall areas:

1. COVID-19 (DKK 295 million). Despite relief packages, the socio-economic repercussions of COVID-19 are still subject to great uncertainty, which is reflected by this estimate. Developments in 2021 (-DKK 25 million) were driven by a shift from a macroeconomic model to calculations based on customer data. The estimate was retained in 2021 as it is believed that the risks relating to COVID-19 are best covered using the method at the present time.
2. Declining land prices (DKK 105 million). The assessment offsets valuation uncertainty. The estimate is calculated on the basis of a reduction of DKK 15,000 per hectare of eligible land relative to recommended prices. Developments in 2021 (-DKK 42 million) were driven by fewer agricultural customers flagged for OEI with lower exposures and less land. The estimate was retained in 2021 as the risk relating to land prices is believed to be covered.
3. Model uncertainty (DKK 37 million). The Bank's rating models have historically shown an unintentional volatility in risk level adjustment via macroeconomic variables, and therefore an amount has been allocated to cover the increased risk. Developments in 2021 (-DKK 29 million) were driven by a historically low PD level in the business model. Instead, an extra calculation has been added in the COVID-19 estimate as factors relating thereto are the reason for the low PD levels. The estimate and method were retained in 2021 as it is believed to accurately reflect uncertainty associated with the model calculation.

4. Errors in discounting of collateral (DKK 34 million). Only towards the end of 2021 did Spar Nord's data processing centre develop a solution to discount collateral in the individual impairment calculations, Spar Nord will only be implementing this solution in 2022, which leads to too low impairment charges in 2021, which are offset by this estimate. Developments in 2021 (-DKK 3 million) relate to developments in collateral values – no significant changes during the year. The estimate and method were retained in 2021 but will be excluded in 2022 when Spar Nord has implemented the new solution.
5. Collateral value, properties (DKK 65 million). Uncertainty with respect to the sustainability of price increases on properties. The estimate has been made by changing the calculation of collateral values on private properties from 95% to 80% in the base scenario. New estimate in 2021 – estimate concerning uncertainty about whether the observed increases in property values for retail customers will be sustained.

### Management estimates, by stage

	Stage 1	Stage 2	Stage 3	Total
	DKKm	DKKm	DKKm	DKKm
<b>2021</b>				
COVID-19, business	18	92	113	<b>223</b>
COVID-19, retail	3	34	35	<b>71</b>
Properties, retail	5	19	42	<b>65</b>
Land prices, agriculture	0	0	105	<b>105</b>
Model uncertainty, business	8	8	0	<b>15</b>
Model uncertainty, retail	13	9	0	<b>21</b>
Model uncertainty, agriculture	1	0	0	<b>1</b>
Discounting of collateral, business	0	0	15	<b>15</b>
Discounting of collateral, agriculture	0	0	12	<b>12</b>
Discounting of collateral, retail	0	0	7	<b>7</b>
<b>Total</b>	<b>46</b>	<b>161</b>	<b>329</b>	<b>536</b>

#### 2020

COVID-19, business	9	166	15	<b>190</b>
COVID-19, retail	1	117	12	<b>130</b>
Properties, retail	0	0	0	<b>0</b>
Land prices, agriculture	0	0	147	<b>147</b>
Model uncertainty, business	12	29	0	<b>41</b>
Model uncertainty, retail	10	11	0	<b>21</b>
Model uncertainty, agriculture	1	3	0	<b>4</b>
Discounting of collateral, business	0	0	17	<b>17</b>
Discounting of collateral, agriculture	0	0	11	<b>11</b>
Discounting of collateral, retail	0	0	9	<b>9</b>
<b>Total</b>	<b>32</b>	<b>327</b>	<b>211</b>	<b>570</b>

### Development in management estimates, by stage

	Stage 1	Stage 2	Stage 3	Development
	DKKm	DKKm	DKKm	DKKm
<b>2020 - 2021</b>				
COVID-19	11	-157	121	<b>-25</b>
Land prices	0	0	-42	<b>-42</b>
House prices	5	19	42	<b>65</b>
Discounting of collateral	0	0	-3	<b>-3</b>
Model uncertainty	-2	-27	0	<b>-29</b>
<b>Total</b>	<b>13</b>	<b>-165</b>	<b>118</b>	<b>-34</b>

### Development in management estimates, by segment

	Business customers	Agriculture	Retail customers
	DKKm	DKKm	DKKm
<b>2020 - 2021</b>			
COVID-19	33	0	<b>-59</b>
Land prices	0	-42	<b>0</b>
House prices	0	0	<b>65</b>
Discounting of collateral	-2	1	<b>-2</b>
Model uncertainty	-26	-3	<b>0</b>
<b>Management estimates, total</b>	<b>5</b>	<b>-43</b>	<b>5</b>

## Section 5

### Risk management

#### 5.1.8 Due from credit institutions and central banks

	2021	2020
	DKKm	DKKm
Due from credit institutions and central banks before impairment	2,486	1,259
Impairment	1	1
<b>Carrying amount</b>	<b>2,485</b>	<b>1,259</b>

#### Due from credit institutions and central banks before impairment, by rating category

	Stage 1	Stage 2	Stage 3	Total
	DKKm	DKKm	DKKm	DKKm
<b>2021</b>				
Credit institutions	2,486	0	0	<b>2,486</b>
Central banks	0	0	0	<b>0</b>
<b>Total</b>	<b>2,486</b>	<b>0</b>	<b>0</b>	<b>2,486</b>
<b>2020</b>				
Credit institutions	1,198	0	0	<b>1,198</b>
Central banks	61	0	0	<b>61</b>
<b>Total</b>	<b>1,259</b>	<b>0</b>	<b>0</b>	<b>1,259</b>

A breakdown by product type and rating category is shown in note 5.1.10.

#### Due from credit institutions and central banks before impairment, by stage

	Stage 1	Stage 2	Stage 3	Total
	DKKm	DKKm	DKKm	DKKm
<b>2021</b>				
Gross exposure 1 January	1,259	0	0	<b>1,259</b>
New exposures and extension of existing exposures in the year	2,088	0	0	<b>2,088</b>
Repayments and reduction of existing exposures	-861	0	0	<b>-861</b>
Change in gross exposure, transfer to/from stage 1	0	0	0	-
Change in gross exposure, transfer to/from stage 2	0	0	0	-
Change in gross exposure, transfer to/from stage 3	0	0	0	-
<b>Gross exposure 31 December</b>	<b>2,486</b>	<b>0</b>	<b>0</b>	<b>2,486</b>
<b>2020</b>				
Gross exposure 1 January	1,588	0	0	<b>1,588</b>
New exposures and extension of existing exposures in the year	770	0	0	<b>770</b>
Repayments and reduction of existing exposures	-1,099	0	0	<b>-1,099</b>
Change in gross exposure, transfer to/from stage 1	0	0	0	-
Change in gross exposure, transfer to/from stage 2	0	0	0	-
Change in gross exposure, transfer to/from stage 3	0	0	0	-
<b>Gross exposure 31 December</b>	<b>1,259</b>	<b>0</b>	<b>0</b>	<b>1,259</b>

The figures concerning new exposures and extension and repayment and reduction include administrative movements in which the balance is moved between two accounts for the same customer.

## Section 5

# Risk management

### Impairment

Analysis of changes in impairment during the period broken down by stages and correlated to recognised impairment, etc. A summary of total recognised impairment, etc. is provided in note 5.1.6.

	Stage 1	Stage 2	Stage 3	Recognised Total impairment etc.	
	DKKm	DKKm	DKKm	DKKm	DKKm
<b>2021</b>					
Impairment, beginning of year	1	0	0	1	-
Impairment re. new exposures during the year, including new accounts to existing customers	4	0	0	4	4
Reversed impairment re. repaid accounts	4	0	0	4	4
Change in impairment at 1 January, transfer to/from stage 1	0	0	0	-	-
Change in impairment at 1 January, transfer to/from stage 2	0	0	0	-	-
Change in impairment at 1 January, transfer to/from stage 3	0	0	0	-	-
Impairment during the year due to change in credit risk	0	0	0	0	0
<b>Impairment, end of year</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>0</b>
<b>2020</b>					
Impairment, beginning of year	1	0	0	1	-
Impairment re. new exposures during the year, including new accounts to existing customers	1	0	0	1	1
Reversed impairment re. repaid accounts	0	0	0	0	0
Change in impairment at 1 January, transfer to/from stage 1	0	0	0	-	-
Change in impairment at 1 January, transfer to/from stage 2	0	0	0	-	-
Change in impairment at 1 January, transfer to/from stage 3	0	0	0	-	-
Impairment during the year due to change in credit risk	-1	0	0	-1	-1
<b>Impairment, end of year</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>0</b>

## Section 5

### Risk management

#### 5.1.9 Guarantees

	2021	2020
	DKKm	DKKm
Guarantees before provisions for losses	17,628	15,648
Provisions for losses	62	57
<b>Carrying amount</b>	<b>17,566</b>	<b>15,591</b>

#### Guarantees before provisions, by rating category

The table below shows the credit quality and exposures before impairment based on Spar Nord's internal rating system divided into stages.

A description of Spar Nord's internal rating categories and impairment model is provided in note 5.1.1.

	Stage 1	Stage 2	Stage 3	Total
	DKKm	DKKm	DKKm	DKKm
<b>2021</b>				
Rating category 1	7,977	3	0	<b>7,979</b>
Rating category 2	3,778	49	1	<b>3,828</b>
Rating category 3	2,256	290	1	<b>2,547</b>
Rating category 4	1,001	331	2	<b>1,334</b>
Rating category 5	361	104	0	<b>466</b>
Rating category 6	71	49	1	<b>121</b>
Rating category 7	17	12	0	<b>29</b>
Rating category 8	8	4	0	<b>13</b>
Rating category 9	0	168	3	<b>172</b>
Default	8	45	112	<b>165</b>
Unrated	974	0	0	<b>974</b>
<b>Total</b>	<b>16,451</b>	<b>1,057</b>	<b>120</b>	<b>17,628</b>
<b>2020</b>				
Rating category 1	6,900	2	0	<b>6,902</b>
Rating category 2	3,365	36	0	<b>3,401</b>
Rating category 3	1,855	218	0	<b>2,073</b>
Rating category 4	1,041	203	0	<b>1,244</b>
Rating category 5	453	103	0	<b>557</b>
Rating category 6	77	48	0	<b>125</b>
Rating category 7	17	17	0	<b>34</b>
Rating category 8	6	12	0	<b>18</b>
Rating category 9	1	135	0	<b>135</b>
Default	15	64	139	<b>218</b>
Unrated	940	0	0	<b>940</b>
<b>Total</b>	<b>14,671</b>	<b>838</b>	<b>139</b>	<b>15,648</b>

## Section 5

# Risk management

### Guarantees, by stages

	Stage 1	Stage 2	Stage 3	Total
	DKKm	DKKm	DKKm	DKKm
<b>2021</b>				
Gross exposure 1 January	14,671	838	139	<b>15,648</b>
Addition upon business combinations	1,295	84	10	<b>1,389</b>
New exposures during the year	9,946	650	22	<b>10,619</b>
Reversed re. repaid exposures	-9,532	-447	-49	<b>-10,028</b>
Change in gross exposure, transfer to/from stage 1	-184	172	12	-
Change in gross exposure, transfer to/from stage 2	246	-263	17	-
Change in gross exposure, transfer to/from stage 3	10	22	-32	-
<b>Gross exposure 31 December</b>	<b>16,451</b>	<b>1,057</b>	<b>120</b>	<b>17,628</b>
<b>2020</b>				
Gross exposure 1 January	13,907	707	192	<b>14,807</b>
New exposures during the year	9,258	323	29	<b>9,610</b>
Reversed re. repaid exposures	-8,326	-366	-76	<b>-8,769</b>
Change in gross exposure, transfer to/from stage 1	-292	276	16	-
Change in gross exposure, transfer to/from stage 2	110	-125	15	-
Change in gross exposure, transfer to/from stage 3	13	24	-38	-
<b>Gross exposure 31 December</b>	<b>14,671</b>	<b>838</b>	<b>139</b>	<b>15,648</b>

### Provisions for losses

Analysis of changes in impairment and provisions for losses during the year broken down by stages and correlated to recognised impairment, etc. A summary of total recognised impairment, etc. is provided in note 5.1.6.

	Stage 1	Stage 2	Stage 3	Total	Recognised impairment etc.
	DKKm	DKKm	DKKm	DKKm	DKKm
<b>2021</b>					
Provisions for losses at 1 January	18	32	7	<b>57</b>	-
Provisions for losses re. new exposures during the year	25	21	4	<b>50</b>	50
Reversed provisions for losses re. repaid exposures	18	31	3	<b>52</b>	52
Change in provisions for losses at 1 January, transfer to/from stage 1	9	-7	-2	-	-
Change in provisions for losses at 1 January, transfer to/from stage 2	-5	6	-1	-	-
Change in provisions for losses at 1 January, transfer to/from stage 3	0	0	0	-	-
Provisions for losses during the year due to change in credit risk	-11	14	3	<b>7</b>	7
<b>Provisions for losses at 31 December</b>	<b>19</b>	<b>35</b>	<b>8</b>	<b>62</b>	<b>5</b>
<b>2020</b>					
Provisions for losses at 1 January	17	5	18	<b>40</b>	-
Provisions for losses re. new exposures during the year	20	1	4	<b>24</b>	24
Reversed provisions for losses re. repaid exposures	14	6	10	<b>29</b>	29
Change in provisions for losses at 1 January, transfer to/from stage 1	1	-1	0	-	-
Change in provisions for losses at 1 January, transfer to/from stage 2	-1	4	-3	-	-
Change in provisions for losses at 1 January, transfer to/from stage 3	0	0	0	-	-
Provisions for losses during the year due to change in credit risk	-5	29	-3	<b>21</b>	21
<b>Provisions for losses at 31 December</b>	<b>18</b>	<b>32</b>	<b>7</b>	<b>57</b>	<b>17</b>

## Section 5

# Risk management

### 5.1.10 Financial credit risk

As part of its trading in and holding of securities, foreign currency and derivative instruments and its payment services, etc., the Bank will experience credit risk exposure to financial counterparties.

Spar Nord's Management allocates lines for credit risk exposure to financial counterparties, based on the specific counterparty's risk profile, rating, amount of exposure and solvency. The risks and lines of financial instruments are monitored constantly.

#### Total financial credit risk

	2021	2020	2021	2020
	Carrying amount	Carrying amount	Risk portfolio	Risk portfolio
	DKKm	DKKm	DKKm	DKKm
AAA	18,312	19,683	16,582	18,975
AA	117	725	117	725
A	1,717	1,813	1,715	1,812
BBB	462	497	462	497
BB	130	110	130	110
B	16	17	16	17
CCC	1	2	1	2
Not rated	973	253	973	209
<b>Total</b>	<b>21,728</b>	<b>23,099</b>	<b>19,996</b>	<b>22,347</b>

Overall, Management's assessment is that Spar Nord's credit risk exposure to financial counterparties remains at a moderate level, as 92.1% (2020: 96.3%) of the financial credit risk is attributable to counterparties with a rating of A or higher.

#### Bond portfolio

The Group's bond portfolio at fair value through profit or loss is the most significant source of financial credit risk.

	2021	2020	2021	2020
	Carrying amount	Carrying amount	Risk portfolio	Risk portfolio
	DKKm	DKKm	DKKm	DKKm
<b>Bond portfolio broken down by issuer type</b>				
Mortgage-credit institutions	17,657	19,639	16,279	19,041
Financial issuers	865	986	865	986
Credit bonds	345	335	345	335
Government bonds	164	686	-191	532
<b>Total</b>	<b>19,031</b>	<b>21,647</b>	<b>17,299</b>	<b>20,895</b>

#### Bond portfolio broken down by rating

	2021	2020	2021	2020
	Carrying amount	Carrying amount	Risk portfolio	Risk portfolio
	DKKm	DKKm	DKKm	DKKm
AAA	16,798	19,279	15,067	18,571
AA	3	546	3	546
A	1,280	1,059	1,278	1,059
BBB	342	394	342	394
BB	130	110	130	110
B	16	17	16	17
CCC	1	2	1	2
Not rated	462	240	462	196
<b>Total</b>	<b>19,031</b>	<b>21,647</b>	<b>17,299</b>	<b>20,895</b>

## Section 5

# Risk management

### Due from credit institutions

The other major source of financial credit risk is amounts due from credit institutions and central banks. In this area, Spar Nord's exposure is typically to central banks with a triple A rating or Danish banks with which the Bank's Trading Division has a customer relationship.

	2021	2020	2021	2020
	Carrying amount	Carrying amount	Risk portfolio	Risk portfolio
	DKKbn	DKKbn	DKKbn	DKKbn
<b>Due from credit institutions by product type</b>				
Certificates of deposit	0	61	0	61
Reverse repo transactions	1,515	343	1,515	343
Deposits and unlisted bonds	500	0	500	0
Current accounts	166	263	166	263
CSA accounts, etc.	306	592	306	592
<b>Total</b>	<b>2,485</b>	<b>1,259</b>	<b>2,485</b>	<b>1,259</b>
Positive fair value of derivative instruments, financial enterprises	212	194	212	194
<b>Total</b>	<b>2,697</b>	<b>1,452</b>	<b>2,697</b>	<b>1,452</b>
<b>Due from credit institutions by rating</b>				
AAA	1,515	404	1,515	404
AA	114	179	114	179
A	437	754	437	754
BBB	120	103	120	103
BB	0	0	0	0
B	0	0	0	0
Not rated	510	13	510	13
<b>Total</b>	<b>2,697</b>	<b>1,452</b>	<b>2,697</b>	<b>1,452</b>

76.6% (2020: 92.0%) of Spar Nord's amounts due from credit institutions concerns institutions with an A rating or higher. Of the total amounts due from credit institutions of DKK 2.7 billion (2020: DKK 1.5 billion), 56.2% (2020: 27.8%) is attributable to institutions with an AAA rating.

Balances with unrated credit institutions are attributable primarily to Danish credit institutions.

A breakdown by stage and rating category is shown in note 5.1.8.



## Section 5

# Risk management

### 5.2 Market risk

Market risk is an umbrella heading for the risk of loss caused by changes in the value of a portfolio of financial instruments due to fluctuations in exchange rates or prices in financial markets.

Spar Nord deals and takes positions in products that involve a number of market-based risks. Most of Spar Nord's activities regarding trading and position-taking comprise relatively simple products, of which interest-based products are the most frequently traded. Spar Nord also deals and takes positions in shares and foreign exchange instruments, whereas trading in commodity derivatives is very limited.

In 2021, Spar Nord made no major changes in assumptions, objectives, policies, exposures and calculation methods, etc. as compared to the year before.

Spar Nord's interest rate risk, foreign exchange risk and equity risk are described below.

#### Market risk policy

The market risk policy determines Spar Nord's overall risk profile for market risk, as well as the overall organisational delegation of responsibilities in the market risk area with a view to profitably supporting the business model.

The policy identifies and sets limits for the various types of market risk, setting out specific limits for how much risk the Bank is prepared to assume. Market risk is composed of:

- Interest rate risk in the trading book and the banking book.
- Credit spread risk on the bond portfolio.
- Equity risk in the trading book and the banking book.
- Foreign exchange risk.
- Option risk.
- Commodity risk.

The policy establishes the methods to be used in calculating the various risk targets.

#### Management, monitoring and reporting

For its day-to-day management of market risks, the Bank has established a three-tier set of guidelines. At the first tier, the Board of Directors issues the definition of the limits for Spar Nord, which are delegated to the Executive Board. At the second tier, the Executive Board delegates limits to the other entities of the Bank, with the Trading Division being the largest entity.

At the third and last tier, the executives of the Trading Division are granted the limits within which they may operate.

The Finance & Accounts Department is responsible for measuring, monitoring, controlling and reporting market risks. Market risks are controlled and monitored through an integrated risk management system, with day-to-day follow-up on all market risks subject to the guidelines. Follow-up is made intraday and end-of-day.

If the guidelines are exceeded, the responsible entity will be informed. Information is also conveyed to the head of the Trading Division, the Executive Board and, ultimately, the Board of Directors, depending on which of the above-mentioned limits are breached. The Bank's risk management function will be informed about all breaches.

Developments in risk levels and gains or losses are regularly reported to the Executive Board and Board of Directors.

In 2021, the Bank replaced its data platform used for risk and position management in the area of market risk. Thus, the Bank now has a front-to-back solution for market risk management.

#### 5.2.1 Interest rate risk

Interest rate risk is the risk of loss due to interest rate fluctuations. Spar Nord's primary source of interest rate risk in the banking book derives from bank activities like deposits and lending, leases, repo and reverse repo transactions, strategic loans and possibly hedge operations in relation thereto. Interest rate risks in the trading book occur in connection with trading and position-taking in bonds and fixed-income derivatives like interest rate swaps, futures and standard interest rate options.

Interest rate risk both within the trading book and the banking book is calculated on the basis duration targets. For managing its portfolio of callable Danish mortgage bonds, the Bank uses model-based key risk indicators that provide for the embedded option component. As concerns interest rate options, the above-mentioned key indicators are supplemented by the most important risk factors expressing sensitivity of the option premium on changes in the underlying parameters.

The interest rate risk is assessed on a daily basis, and decisions are made in light of expectations for macroeconomic developments and cyclical trends. Spar Nord converts the interest rate risk in foreign currencies into Danish kroner and offsets the negative interest rate risk against the positive one to calculate the net interest rate risk.

#### Interest-rate risk shown by maturity and currency (DKKm)

	Less than 3 months	3 months – 1 years	1 – 3 years	3 – 7 years	More than 7 years	Total
<b>2021</b>						
DKK	13	19	40	27	18	<b>117</b>
EUR	3	1	-15	-3	1	<b>-14</b>
Other	-3	0	-1	-1	1	<b>-5</b>
<b>Total</b>	<b>12</b>	<b>19</b>	<b>24</b>	<b>23</b>	<b>21</b>	<b>98</b>
<b>2020</b>						
DKK	15	28	45	3	14	<b>105</b>
EUR	1	-2	-1	26	-15	<b>8</b>
Other	2	0	0	0	0	<b>3</b>
<b>Total</b>	<b>18</b>	<b>25</b>	<b>44</b>	<b>29</b>	<b>0</b>	<b>116</b>

Shown above is the interest rate risk relative to maturity and exchange rates. This shows the interest rate risk for a given time interval on the yield curve. The table shows the interest rate risk given a 1.0 percentage point increase in interest rates. A positive interest rate risk means the Bank would lose money if interest rates move higher and would make money from falling interest rates.

At the end of 2021, Spar Nord was exposed to a positive interest rate risk in DKK and a negative interest rate risk in EUR and other currencies (2020: positive interest rate risk in DKK and a and on a smaller scale in EUR and other currencies). The interest rate risk amounted to DKK 98 million at end-2021, which is a DKK 18 million decrease compared with end-2020.

## Section 5

# Risk management

### 5.2.2 Foreign exchange risk

Foreign exchange risk is the risk of loss on positions in foreign currency due to exchange rate fluctuations. Currency options are included in the calculation at the Delta-adjusted position.

The foreign exchange risk is illustrated by the table below. The calculation is based on the assumption that all exchange rates change unfavourably by 2% which will result in a loss of DKK 4.1 million.

Currency	Foreign exchange position		Foreign exchange risk	
	2021	2020	2021	2020
	DKKm	DKKm	DKKm	DKKm
EUR	137	51	2.7	1.0
SEK	3	0	0.1	0.0
USD	11	1	0.2	0.0
GBP	5	1	0.1	0.0
CHF	1	1	0.0	0.0
NOK	33	0	0.7	0.0
JPY	1	4	0.0	0.1
Other currencies	11	6	0.2	0.1
<b>Foreign-exchange risk regarding financial instruments, etc., total</b>	<b>204</b>	<b>64</b>	<b>4.1</b>	<b>1.3</b>

The table shows that the Bank's foreign exchange position was increased from DKK 64 million in 2020 to DKK 204 million in 2021. Foreign exchange risk generally remains at a low level.

### 5.2.3 Equity risk

Equity risk is the risk of losses caused by changes in equity prices. Equity positions are the calculated net value of long and short equity positions and equity-related instruments.

The calculation of equity positions is broken down by positions in the banking book and in the trading book.

Equity risk in the trading book	2021	2020
	DKKm	DKKm
Listed shares in the trading book	115	134
Unlisted shares in the trading book	22	10
<b>Total shares in the trading book</b>	<b>138</b>	<b>144</b>

Equity risk in the banking book		
Shares in credit and financing institutions	1,278	1,274
Shares in unit trust management companies	280	214
Shares in pension institutions	1	2
Shares in payment services business	20	7
Other equities	99	57
<b>Total shares in strategic business partners</b>	<b>1,678</b>	<b>1,554</b>
Realised gain	0	12
Unrealised gain	157	83
<b>Total associates</b>	<b>663</b>	<b>529</b>
<b>Other shares in the banking book</b>	<b>115</b>	<b>91</b>
<b>Total shares not forming part of the trading book</b>	<b>2,456</b>	<b>2,174</b>

Shares in the trading book are held for trading purposes.

A salient feature of shares in the banking book is that they have not been acquired for trading purposes. In addition, a distinction is made between shares in strategic partners, including sector companies, associates and other shares in the banking book.

Spar Nord's most significant equity investment recognised in associated at end-2021 was Danske Andelskassers Bank A/S (2020: Danske Andelskassers Bank A/S).

## Section 5

### Risk management

Shares in strategic partners in the financial sector are shares in companies whose purpose is to support financial institutions' business in the fields of mortgage credit, payment services, unit trusts, etc. Participation in the companies in question is considered a prerequisite for the Bank's operations.

In several of the sector companies, the shares are redistributed to the effect that the ownership interest of the respective institution will reflect its business volume with the sector company.

The shares are typically redistributed on the basis of the sector company's equity value. In light of this, Spar Nord adjusts the recognised value of these shares when new information is available that warrants a change of fair value measurement. In other sector companies, the shares are not redistributed, but are measured based on a fair value corresponding to the net asset value or another recognised valuation method (including discounting of cash flows and market expectations with respect to equity return requirements). The adjustments of the values of the shares in these companies are also recognised in the income statement.

#### 5.2.4 Sensitivity analysis

The sensitivity information shows how Spar Nord's income statement will be impacted if interest rates change, if share prices drop or if all exchange rates develop unfavourably.

	Impact on operating profit		Impact on equity	
	2021	2020	2021	2020
	DKKm	DKKm	%	%
Interest rate increase of 1%-point	-77	-85	-0.7	-0.9
Interest rate decrease of 1%-point	77	85	0.7	0.9
Share price decrease of 10% in the trading book	-11	-11	-0.1	-0.1
A fair value decrease of 10% for shares in the banking book	-233	-206	-2.2	-2.1
Unfavourable 2% exchange rate fluctuation	-3	-1	0.0	0.0

The sensitivity information shows the impact of isolated changes in interest rates in the trading book, while the impact of changes in exchange rates and the share portfolio is shown for positions both in the banking book and the trading book. The impact on the operating profit and the impact on equity are calculated after tax.

It appears from the table that the impact of an interest rate increase will be a loss equal to 0.7% of shareholders' equity. Furthermore, the effect of a 10% decline in the value of the share portfolio both in the banking and the trading book will be a loss equal to 2.2% of shareholders' equity.

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# Risk management

### 5.3 Liquidity risk

In 2021, Spar Nord made no major changes in calculation methods, policies and exposures etc. as compared to the year before.

Liquidity risk means that Spar Nord cannot meet its payment obligations while also meeting the statutory liquidity requirements. Moreover, a liquidity risk exists if the lack of financing/funding prevents Spar Nord from adhering to the adopted business model, or if Spar Nord's costs for procurement of liquidity rise disproportionately.

Spar Nord Bank is generally exposed to liquidity risks when lending, investment and funding activities result in a cash flow mismatch.

#### Liquidity policy

The liquidity policy determines Spar Nord's overall risk profile for liquidity risks and financing structure, as well as the overall organisational delegation of responsibilities in the liquidity area with a view to profitably supporting the business model.

The aim of the liquidity policy is to ensure that Spar Nord has a liquidity risk that at all times bears a natural relation to Spar Nord's overall risk profile. In addition, the liquidity policy is intended to ensure that the Bank continuously handles and manages its liquidity appropriately and is capable of meeting its payment obligations as and when due while complying with applicable legislation and supporting future activities and growth. Lastly, the policy is intended to ensure a financing structure that ensures a correlation between risk and price.

Spar Nord's objective is for the Liquidity Coverage Ratio (LCR) to amount to at least 125% in compliance with the regulation on LCR. The Bank has also defined a target of maintaining a Net Stable Funding Ratio (NSFR) above 105%. In addition, Spar Nord aims to stay below the funding ratio and liquidity benchmark threshold values in the Supervisory Diamond.

#### Management, monitoring and reporting

On the basis of the policies and objectives defined by the Board of Directors, the Executive Board has defined operational frameworks and specific limits for the liquidity function in the Trading Division, which is responsible for managing Spar Nord's short-term liquidity. Funding in the Finance & Accounts Department is responsible for managing and monitoring Spar Nord's long-term liquidity.

The Finance & Accounts Department is responsible for calculating, monitoring and checking that Spar Nord's liquidity risk does not exceed the allocated limits. The department regularly reports to the Executive Board, the Board of Directors and the Danish FSA.

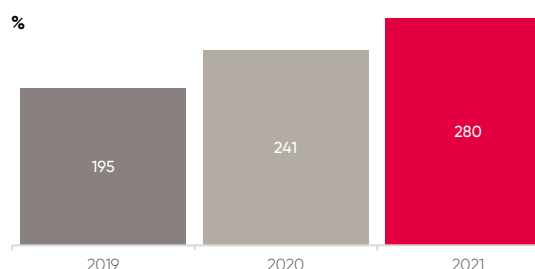
#### 5.3.1 Short-term Liquidity

Spar Nord employs fixed models to monitor and manage its short-term liquidity, including the daily management of LCR and intraday liquidity and ongoing preparation of stress tests.

At end-2021, LCR was calculated at 280% (2020: 241%), which is significantly above the target LCR of at least 125% (2020: 125%). The excess coverage of 155 percentage points (2020: 116) corresponds to excess liquidity of DKK 14.2 billion (2020: DKK 11.5 billion). Calculated relative to the statutory requirement of 100%, the excess liquidity amounted to DKK 16.5 billion.

The liquidity reserve according to LCR basically consists of central bank reserves and government debt (Level 1A assets) and mortgage bonds offering particularly high liquidity and very high credit quality (Level 1B assets).

#### Liquidity Coverage Ratio (LCR)



#### Liquidity Coverage Ratio

DKKm	2021	2020
Liquidity resources	25,688	23,844
Liquidity Coverage Requirement	9,161	9,876
<b>LCR (%)</b>	<b>280</b>	<b>241</b>

## Section 5

# Risk management

### 5.3.2 Long-term liquidity

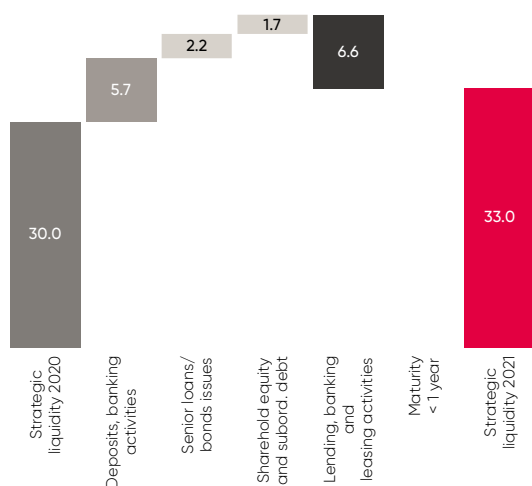
Strategic liquidity is calculated as deposits excl. repo transactions, senior loans, issued bonds, subordinated debt and equity less lending excl. reverse repo transactions. However, subordinated debt, additional tier 1 capital, senior loans and issued bonds with a contractual due date within 12 months are not included in the calculation of strategic liquidity.

	2021	2020
	DKKm	DKKm
Deposits, banking activities	63,775	58,084
Senior loans and issued bonds	4,845	2,670
Subordinated debt	1,523	1,333
Equity	11,924	10,390
<b>Liquidity procurement</b>	<b>82,067</b>	<b>72,476</b>
<b>Lending, banking and leasing activities</b>	<b>49,086</b>	<b>42,494</b>
Senior loans, issued bonds, subordinated debt and additional tier 1 capital with a term to maturity of less than 12 months	0	0
<b>Strategic liquidity</b>	<b>32,981</b>	<b>29,982</b>

At end-2021, Spar Nord had strategic liquidity of DKK 33.0 billion. The level reflects strengthened liquidity of DKK 3.0 billion relative to end-2020, when strategic liquidity was calculated at DKK 30.0 billion.

Compared with 2020, the Bank increased its deposits by DKK 5.7 billion. Senior loans and bond issues rose by DKK 2.2 billion, while shareholders' equity and subordinated debt increased by DKK 1.7 billion. During the same period, there was an increase in lending, which reduces strategic liquidity by 6.6 billion. Finally, a positive consolidation for the period also contributes to an overall improvement in strategic liquidity.

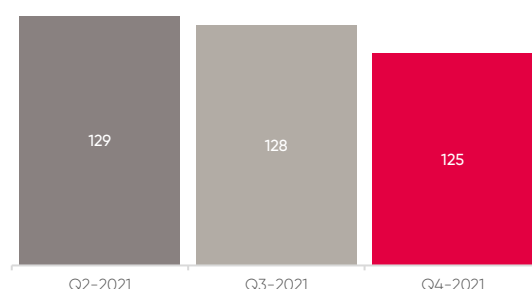
#### Development in Strategic liquidity (DKKbn)



NSFR has been calculated and reported to the Danish FSA since June 2021. The ratio is reported once every quarter. NSFR for the past three quarters is shown below.

At end-2021, NSFR was calculated at 125%, which is comfortably above the Bank's target of 105%. The excess coverage of 20 percentage points relative to the target corresponds to DKK 15.5 billion in excess liquidity. Calculated relative to the statutory requirement of 100%, the excess liquidity amounted to DKK 19.3 billion.

#### Net Stable Funding Ratio (NSFR)



## Section 5

### Risk management

#### 5.3.3 Stress test

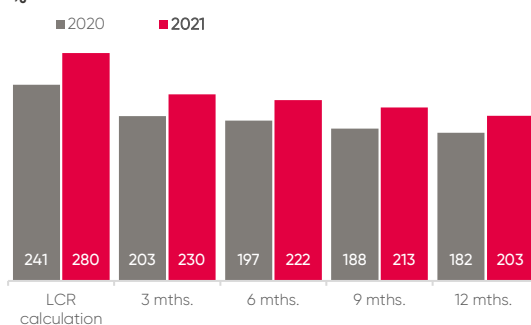
In accordance with the Executive Order on Management and Control of Banks etc., Spar Nord prepares internal liquidity stress tests based on LCR. The stress tests span a 12-month period and are calculated using three permanently defined scenarios: a business-specific, a market-specific and a mixed scenario. All scenarios are calculated without any management intervention. The stress tests prepared have lived up to the Bank's internal targets throughout the period.

Subsequently, the result of the liquidity projection in a severe stress scenario is shown, in which Spar Nord operates with a 3-month survival period in its liquidity management. In addition to money and capital market funding falling due, the stress scenario includes a massive stress on the deposit base, continued lending growth and stress on the bond portfolio.

At end-2021, the projection shows that liquidity resources will be reduced by DKK 7.7 billion over the 12-month projection period, but also that in a severe stress scenario the Bank complies with the LCR statutory requirement in the full 12-month projection period.

Run-off of liquidity resources in a severe stress scenario	Liquidity resources		Accumulated run-off	
	2021	2020	2021	2020
DKKm / %				
Calculation period	25,688	23,844	-	-
3 months	22,258	19,407	-13	-19
6 months	21,179	18,441	-18	-23
9 months	19,785	17,046	-23	-29
12 months	17,976	16,111	-30	-32

LCR projected in a severe stress scenario %

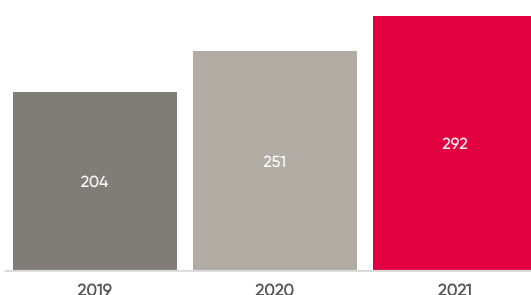


#### 5.3.4 Liquidity indicator

The liquidity indicator of the Danish FSA is based on a projected version of LCR using an adjusted calculation of liquidity in the numerator, while the time horizon for the denominator is extended to cover the period up to 3 months inclusive.

Since the liquidity indicator was implemented in the Supervisory Diamond, Spar Nord has realised a level notably above the 100% requirement.

Liquidity indicator %



## Section 5

# Risk management

### 5.3.5 Funding and maturity structure

Spar Nord's operations are predominantly funded through four funding sources:

- Customer deposits
- Loans or repo transactions from other credit institutions and Danmarks Nationalbank (the central bank)
- Issued bonds and senior loans, including Senior Non-Preferred
- Subordinated debt and equity

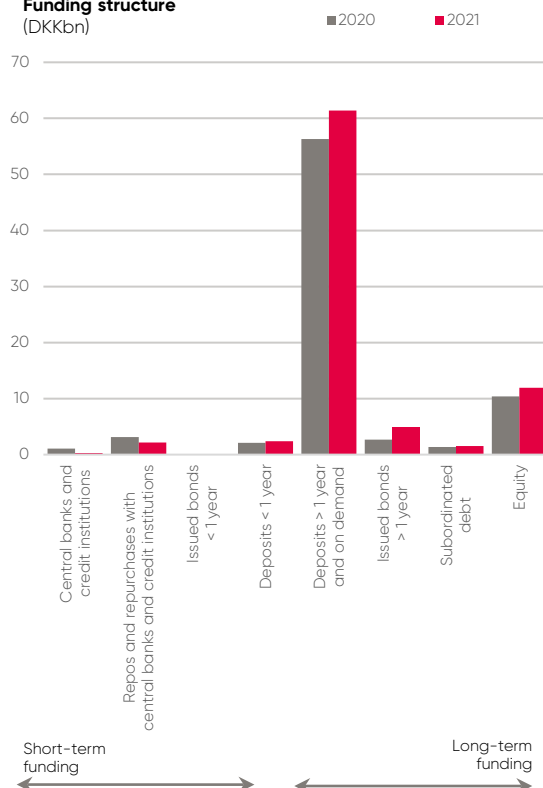
From an overall perspective, the Bank's funding at end-2021 increased by DKK 7.5 billion to DKK 84.5 billion compared with end-2020. The principal change in Spar Nord's funding is a DKK 5.4 billion increase in deposits (incl. repo), which was primarily driven by the acquisition of BankNordik's Danish business. Deposits remain Spar Nord's largest source of funding, and at end-2021 it represented 75% of Spar Nord's total funding.

At end-2021, Spar Nord's total long-term funding (deposits on demand and funding with a term to maturity of more than 12 months) amounts to 94%, which is on a level with year-end 2020.

#### Funding structure

DKKm/%	2021	2020	2021	2020
Central banks and credit institutions	267	1,065	0.3	1.4
Repos and repurchases with central banks and credit institutions	2,185	3,102	2.6	4.0
Issued bonds < 1 year	0	0	0.0	0.0
Deposits < 1 year	2,363	2,121	2.8	2.8
Deposits > 1 year and on demand	61,412	56,295	72.7	73.1
Issued bonds > 1 year	4,845	2,670	5.7	3.5
Subordinated debt	1,523	1,333	1.8	1.7
Equity	11,924	10,390	14.1	13.5
<b>Total</b>	<b>84,519</b>	<b>76,976</b>	<b>100.0</b>	<b>100.0</b>

#### Funding structure (DKKbn)



### 5.3.6 Contingency liquidity plan

Spar Nord has prepared a liquidity contingency plan pursuant to the Danish Executive Order on Management and Control of Banks. This plan contains a catalogue of possible courses of action for strengthening liquidity in a critical situation. The catalogue contains a more detailed description of the expected impact and time span of the individual actions.

The liquidity contingency plan is applied if Spar Nord can only meet the predetermined liquidity guidelines with difficulty and with resulting sharply increased funding costs.

## Section 5

### Risk management

#### 5.3.7 Balance sheet breakdown less/more than 1 year

Breakdown of balance sheet items expected to be recovered or repaid after more than or within 12 months

	2021		2020	
	< 1 year	> 1 year	< 1 year	> 1 year
	DKKm	DKKm	DKKm	DKKm
<b>Assets</b>				
Cash balances and demand deposits with central banks	1,855	0	1,126	0
Due from credit institutions and central banks	1,986	500	1,259	0
Loans, advances and other receivables at amortised cost	34,638	27,297	29,777	22,535
Bonds at fair value	497	18,534	912	20,735
Shares, etc.	221	1,710	217	1,572
Investments in associates	0	663	0	529
Assets linked to pooled schemes	3,301	22,232	2,483	17,981
Intangible assets	10	418	6	165
Land and buildings	41	755	37	744
Other property, plant and equipment	39	84	36	76
Current tax assets	105	0	98	0
Temporary assets	6	0	5	0
Other assets	724	802	704	970
Prepayments and deferred income	116	0	109	0
<b>Total</b>	<b>43,539</b>	<b>72,996</b>	<b>36,769</b>	<b>65,308</b>
<b>Liabilities</b>				
Due to credit institutions and central banks	2,452	0	4,167	0
Deposits and other payables	60,921	2,854	55,753	2,664
Deposits in pooled schemes	3,301	22,232	2,483	17,981
Issued bonds at amortised cost	911	3,934	2	2,668
Other non-derivative financial liabilities at fair value	2,786	0	835	0
Other liabilities	2,957	547	3,047	630
Prepayments and deferred income	115	0	28	0
Deferred tax	3	1	16	3
Provisions	16	58	48	30
Subordinated debt	433	1,090	0	1,333
<b>Total</b>	<b>73,895</b>	<b>30,716</b>	<b>66,379</b>	<b>25,309</b>

Deposits comprise fixed-term deposits and demand deposits, etc. Fixed-term deposits are recognised at the maturity date. Contractually, demand deposits have ultra-short maturity and are therefore shown above with a term to maturity of less than 12 months.

Bonds are broken down by duration.

Issued bonds and subordinated debt is deemed to fall due at the time when the Spar Nord Group may choose between redeeming the debt or paying an increased interest rate/increased redemption price.



## Section 5

# Risk management

### 5.3.8 Contractual term to maturity of financial liabilities

2021	Carrying amount DKKm	Contractual cash flows DKKm	Within 1 year DKKm	1– 5 years DKKm	Over 5 years DKKm
<b>Non-derivative instruments</b>					
Due to credit institutions and central banks	2,452	2,452	2,452	0	0
Deposits and other payables	63,775	63,669	60,919	2,854	-104
Deposits in pooled schemes	25,533	25,533	3,301	5,481	16,751
Issued bonds at amortised cost	4,845	5,159	970	3,204	985
Other non-derivative instruments	2,786	2,786	2,786	0	0
Lease liabilities	151	157	27	102	27
Other liabilities, excl. derivatives and lease liabilities	2,878	2,872	2,783	90	0
Subordinated debt	1,523	1,592	467	921	204
Guarantees	17,566	17,566	7,115	4,009	6,442
<b>Derivatives</b>					
Fair value of derivatives	474	421	141	108	171
<b>Total</b>	<b>121,983</b>	<b>122,206</b>	<b>80,961</b>	<b>16,769</b>	<b>24,476</b>

2020					
<b>Non-derivative instruments</b>					
Due to credit institutions and central banks	4,167	4,167	4,167	0	0
Deposits and other payables	58,416	58,322	55,752	540	2,029
Deposits in pooled schemes	20,464	20,464	2,483	4,587	13,394
Issued bonds at amortised cost	2,670	2,745	23	2,723	0
Other non-derivative instruments	835	835	835	0	0
Lease liabilities	137	141	25	92	24
Other liabilities, excl. derivatives and lease liabilities	2,796	2,793	2,703	89	0
Subordinated debt	1,333	1,426	33	1,392	0
Guarantees	15,591	15,591	6,239	4,002	5,350
<b>Derivatives</b>					
Fair value of derivatives	743	672	315	79	277
<b>Total</b>	<b>107,154</b>	<b>107,156</b>	<b>72,576</b>	<b>13,505</b>	<b>21,075</b>

The maturity analysis shows the contractual, undiscounted cash flows and comprises agreed payments, including principal and interest.

For liabilities with variable cash flow, such as floating-rate financial liabilities, the information is based on the conditions existing at the balance sheet date.

Subordinated debt is deemed to fall due at the time when the Spar Nord Group may choose between redeeming the debt or paying an increased interest rate/increased redemption price. If Spar Nord instead chooses to extend the loans, interest of DKK 35 million (2020: DKK 33 million) falls due for payment within 1 year, DKK 140 million (2020: DKK 134 million) within 1–5 years, and DKK 1,602 million including repayments of DKK 1,536 million (2020: DKK 1,431 million including repayments of DKK 1,344 million) after 5 years.

Issued bonds are deemed to fall due at the time when the Spar Nord Group may choose between redeeming the debt or paying a different interest rate. If Spar Nord instead chooses to extend the loans, interest of DKK 63 million (2020: DKK 23 million) falls due for payment within 1 year, DKK 4,154 million including repayments of DKK 3,949 million (2020: DKK 2,745 million including repayments of DKK 2,675 million) within 1–5 years, and DKK 1,007 million including repayments of DKK 933 million (2020: DKK 0 million including repayments of DKK 0 million) after 5 years.

As regards deposits in pension pools, only the customers' deposits in the pension pools are allocated, as future yields for pension pool participants depend on the return on pooled assets. The dates when the obligations fall due are correlated to the assets in the pension pools.

Payments regarding irrevocable credit commitments and guarantees fall due if a number of predetermined conditions have been met. Such payment obligations have been recognised at the time when the agreements expire.

Under the agreements made, customers can usually demand repayment of their deposits at short notice. However, in practice they are considered a stable funding source, as amounts disbursed largely equal deposits received.

The above-mentioned breakdown by term to maturity is based on the earliest date when a demand for payment can be made.

## Section 5

# Risk management

### 5.4 Operational risk

Operational risk is the risk of loss resulting from inefficient or deficient internal procedures, from human or systemic errors or from external events, including legal risks.

Operational risk also comprises model risk, which is the risk of loss resulting from decisions primarily based on results of internal models. Operational risk arises due to errors in the development, execution or use of such models.

#### Operational risk policy

Spar Nord's Board of Directors defines the Bank's operational risk policy. This includes determining risk tolerance in the area.

The purpose of the Bank's operational risk policy is to promote an open culture among its employees and thereby increase awareness of operational risk. The policy also describes how to ensure that the Board of Directors and the Executive Board are kept informed about significant risk areas.

Operational risks are assessed on the basis of the probability of the risk materialising in the form of an operational event, and the consequences this might entail. In the policy, operational risk tolerance has been determined as being low compared with the other types of risk the Bank is exposed to.

#### Addressing operational risks

All of Spar Nord's activities are subject to operational risk, and therefore a key task is to limit the operational risk level as much as possible, with due consideration to continuing sound banking operations.

Operational risk is managed across the Bank through a comprehensive system of business procedures and control measures developed to ensure an adequate control environment.

Follow-up and reporting with respect to operational risk is anchored with the risk management function, while responsibility for addressing risks lies with the first line of defence in the unit responsible for the relevant business activity. This helps ensure segregation of controlling and operational functions.

In addition to identifying operational risk, all operational events resulting in a loss of more than DKK 10,000 are systematically recorded, categorised and reported. The Bank also registers operational incidents that could potentially have resulted in a loss, but did not do so (near-miss incidents). To enhance awareness and promote an open culture in the organisation, awareness activities are regularly undertaken aimed at operational risk management.

#### Reporting operational risks

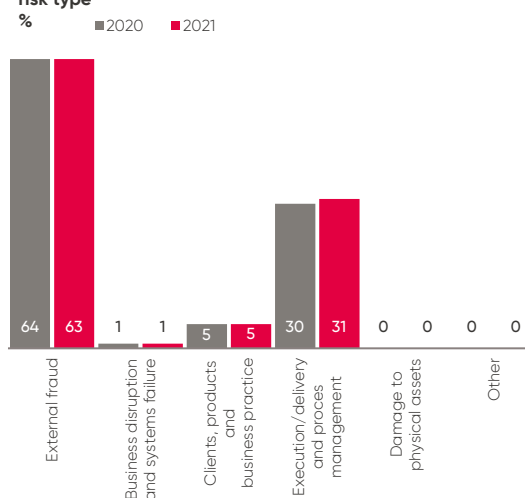
Reporting to the Board of Directors, Executive Board and risk owners is done on a quarterly basis. The risk owners are informed about the loss events during the period under review and about changes to the risk patterns of the area. The Board of Directors and Executive Board receive a summary of significant changes to the risk patterns and a statement of total loss events.

Loss events exceeding DKK 5 million will be reported separately to the Executive Board and Board of Directors.

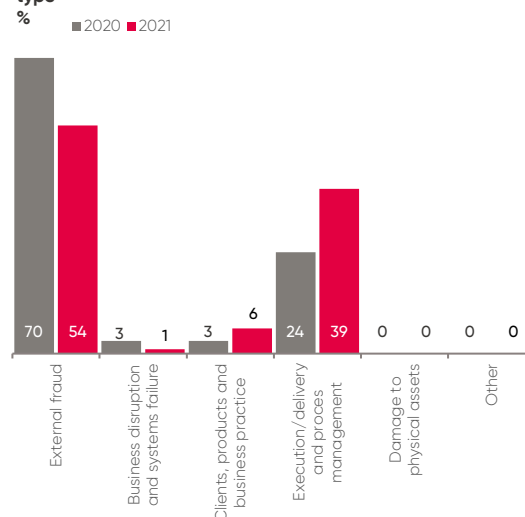
The figures below illustrate the percentage distribution on risk types measured by number of events and loss amounts, respectively,

Most of the loss events are events involving a limited financial effect. As shown in the figures, most of the loss events relate to external fraud, including payment card abuse and online banking fraud. The rest of the loss events relate to traditional banking operations.

**No. of operational loss events broken down by risk type**



**Operational loss amounts broken down by risk type**



## Section 5

# Risk management

### 5.4.1 IT security

As Spar Nord is a digital business, data and IT systems security are paramount to its credibility and existence and involve the Bank managing a number of business-critical IT risks.

Spar Nord's central IT security function teams up with the business and IT to ensure that the threat scenario is kept up to date, that IT risks are identified and analysed and that these risks are adequately mitigated through appropriate controls and risk-mitigating measures. The purpose is to ensure that the day-to-day operations reflect the risk tolerance accepted by the Board of Directors. The Bank's risk profile is regularly reported to the Bank's Executive Board and Board of Directors.

The IT security function is responsible for reporting on compliance with the Bank's adopted IT security risk tolerance, as defined in the IT security policy, and for the objective of the IT contingency plan. The Bank's IT security efforts also include the preparation of business continuity plans and recovery plans and for arranging periodic testing of such measures. The aim is to ensure continued operation of the Bank at a satisfactory level in the case of extraordinary events. The IT security function is also charged with ensuring compliance with legislative and sector-specific requirements, requirements and customer expectations in terms of the Bank's availability, confidentiality and integrity.

The risk management function, the Executive Board and the Board of Directors regularly review the IT security and the IT risk profile. These are also regularly addressed in the IT security committee, which has representatives with decision-making powers that enable the committee to manage the Bank's IT risks.

In order to protect the Bank against the growing threat in the area of cyber security, the IT security function has regularly carried out awareness activities for employees and other risk-based tests of the Bank's security measures. The function has also participated in sector-specific collaborative initiatives to build internal knowledge about information security.

### 5.4.2 Money-laundering risk

The Bank retains a strong focus on anti-money-laundering (AML) measures, including the risk-mitigating measures that must be implemented to prevent the Bank from being used for money-laundering activities and terrorism financing purposes.

The AML function is charged with ensuring that the Bank complies with the Danish Act on Measures to Prevent Money Laundering and Financing of Terrorism, EU Funds Transfer Regulation and EU anti-terrorism regulations. The AML function supports the Bank's business development in connection with ongoing implementation of the rules. In addition, the AML function carries out regular controls to ensure compliance.

The Bank continues to focus on enhancing and optimising existing processes and systems.

The number of filings with the State Prosecutor for Serious Economic and International Crime (SØIK) is at a stable level, which is a trend witnessed in the rest of the Danish financial sector. In 2021, Spar Nord had 2,194 filings with SØIK as compared with 2,048 cases in 2020.

The AML function is anchored in the Legal Department and reports quarterly to the Executive Board and Board of Directors.

### 5.4.3 GDPR

The DPO function/data protection adviser forms part of the Bank's second line and is anchored in the compliance function.

As with the rest of the Bank's compliance function, one of the duties of the data protection adviser is to control, assess and report on whether the Bank complies with current legislation and practice in the area of data protection.

The data protection adviser applies a risk-based approach to identifying areas to review. The areas form part of an annual plan approved by the Board of Directors.

In 2021, the adviser focused on areas such as compliance with the basic principles of the GDPR, especially the requirement for storage limitation, handling of data breaches and entering into agreements with data processors.

The data protection adviser reports directly to the Executive Board and Board of Directors. Reports are made every six months.

### 5.4.4 Risk Exposure Amount

In 2021, the operational risk amounted to 10.2% (2020: 10.2%) of the total risk exposure amount, ending at DKK 6,174 million at end-2021 (2020: DKK 5,594 million).

### 5.4.5 Products and services

Risks associated with the implementation of new products and services are identified and assessed according to internal procedures prior to final approval by the Executive Board and/or Board of Directors.

Risk analyses and statements by selected consultation partners, including statements from the Finance Department, Legal Department and the Chief Risk Officer, help ensure comprehensive insight into the risks faced by the Bank and its customers. As prescribed by law, the Chief Risk Officer may require that a change to an existing product be treated as a new product.

The approval procedures are described in the Bank's product policies for financial products and other bank products, respectively. The policies are reviewed annually by the risk committee, which recommends the policies for final approval by the Board of Directors.

Products which have been subjected to the internal approval procedures are regularly monitored and revisited at least every other year. If it turns out that a previous analysis of the Bank's and customers' risks is no longer accurate, the product will again be subjected to the internal approval procedure with a view to ensuring an accurate description of the Bank's and the customers' risks.

As part of the policy for financial products, a distribution strategy has been defined with the overall purpose of ensuring that the Bank distributes the right products to the right customers.

## Section 6

# Other notes

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## Section 6

### Other notes

#### 6.1 Transfer of financial assets

Spar Nord has transferred the following financial assets, which are still recognised in the balance sheet.

	2021	2020
	DKKm	DKKm
<b>Carrying amount of transferred financial assets</b>		
Bonds in repo transactions	2,187	1,315
<b>Carrying amount of related financial liabilities</b>		
Due to credit institutions, repo transactions	2,185	985
Deposits and other payables, repo transactions	0	333
Interest payable	0	0
<b>Total</b>	<b>2,185</b>	<b>1,317</b>
<b>Net position</b>	<b>-2</b>	<b>2</b>

Spar Nord has entered into agreements regarding the sale of securities as genuine sale and repo transactions. When it lends or sells securities subject to a repurchase agreement, Spar Nord receives cash or other financial assets upon the transfer of the securities to the counterparty. The counterparty is entitled to sell or repledge the securities lent or sold according to the repurchase agreements, but the counterparty is obliged to return the securities upon expiry of the contract. If the value of the securities increases or decreases, Spar Nord may make or receive a demand for payment of additional cash collateral in specific circumstances.

Spar Nord has decided that it will essentially retain all the risks and benefits attaching to these securities, and therefore it has not ceased recognising them. In addition, Spar Nord recognises a financial liability for the cash received as collateral.

Spar Nord has not entered into agreements regarding the sale of assets where such assets cease to be recognised in the balance sheet, but where the seller has continued involvement after the sale.

#### 6.2 Collateral accepted

In connection with reverse repo transactions, collateral that can be sold or repledged pursuant to the terms of the appropriate agreement is accepted.

	2021	2020
	DKKm	DKKm
<b>Reverse repo transactions</b>		
Collateral accepted that can be repledged or sold	14,921	10,474
Of which, repledged or sold	3,739	847

#### 6.3 Collateral provided and encumbered assets

Collateral provided through clearing systems, with central counterparties and other infrastructure institutions:

	2021	2020
	DKKm	DKKm
Deposits, clearing	169	173
Collateral provided for the market value of derivatives transactions	284	574
Positive market value of derivative contracts subject to netting	207	196
Collateral provided as part of repo transactions	2,187	1,315
Collateral provided for monetary policy loans	0	2,385
<b>Total</b>	<b>2,847</b>	<b>4,643</b>

Assets are treated as encumbered if they have been provided as collateral or if they are subject to any agreement to secure, act as collateral for or improve the credit quality of any on- or off-balance-sheet transaction from which they cannot be freely withdrawn. Assets that have been provided as collateral and are subject to restrictions as concerns withdrawal, e.g. assets for which prior approval is required to withdraw or replace them with other assets, are considered to be encumbered.

Assets placed in unutilised facilities and which can be freely withdrawn are not considered to be encumbered. Securities sold as part of sale and repurchase agreements (repo transactions) remain in the balance sheet. The counterparty is entitled to sell the securities or deposit them as collateral for other loans. Assets deposited as collateral for own liabilities towards Danmarks Nationalbank (the central bank), Danish and foreign clearing centres and banks with which the Bank has concluded CSA agreements are all based on standard agreements customarily used by financial market participants.

## Section 6

### Other notes

#### 6.4 Offsetting financial assets and financial liabilities

Assets and liabilities are offset when Spar Nord and the counterparty have a legal right to offset, while at the same time having agreed to make a net settlement or realise the asset and redeem the liability at the same time. Positive and negative fair values of derivatives with the same counterparty are offset if the parties have agreed to make a net settlement of the contractual payments, and if cash payment or provision of collateral for changes in the fair value takes place on a daily basis. Master netting agreements and corresponding agreements provide a further right to offset when a counterparty is in default, which additionally reduces the exposure to a counterparty in default, but this does not meet the criteria for offsetting for accounting purposes according to IFRS.

				Related amounts not offset in the balance sheet		
	Recognised gross DKKm	Offset DKKm	Net amount recognised in the balance sheet DKKm	Financial collateral DKKm	Cash collateral DKKm	Net amount DKKm
<b>2021</b>						
<b>Financial assets</b>						
Derivatives	677	135	542	207	44	292
Reverse repo transactions	14,364	0	14,364	14,921	-	-556
<b>Total</b>	<b>15,041</b>	<b>135</b>	<b>14,906</b>	<b>15,127</b>	<b>44</b>	<b>-264</b>
<b>Financial liabilities</b>						
Derivatives	659	185	474	207	284	-16
Repo transactions	2,185	0	2,185	2,188	-	-3
<b>Total</b>	<b>2,844</b>	<b>185</b>	<b>2,659</b>	<b>2,395</b>	<b>284</b>	<b>-20</b>
<b>2020</b>						
<b>Financial assets</b>						
Derivatives	861	84	777	196	13	568
Reverse repo transactions	10,161	0	10,161	10,474	-	-312
<b>Total</b>	<b>11,022</b>	<b>84</b>	<b>10,938</b>	<b>10,669</b>	<b>13</b>	<b>256</b>
<b>Financial liabilities</b>						
Derivatives	1,002	258	743	196	574	-26
Repo transactions	1,317	0	1,317	1,315	-	2
<b>Total</b>	<b>2,319</b>	<b>258</b>	<b>2,061</b>	<b>1,511</b>	<b>574</b>	<b>-24</b>

In the balance sheet, reverse repo transactions are classified as Due from credit institutions and central banks or as Loans, advances and other receivables at amortised cost. Repo transactions are classified as Due to credit institutions and central banks or as Deposits and other payables in the balance sheet.

Repo transactions and reverse repo transactions are recognised in the balance sheet on a gross basis; see notes 6.1 and 6.2.

## Section 6

### Other notes

#### 6.5 Hedge accounting

##### § Accounting policies

Spar Nord uses derivative financial instruments to hedge the interest rate risk on fixed-rate assets and liabilities (fair value hedge) measured at amortised cost. Such hedging derivatives are measured at fair value through profit or loss.

When the hedge accounting criteria are fulfilled, the carrying amount of the hedged assets and liabilities is adjusted for changes in fair value regarding the hedged risks (fair value hedge). If the hedge criteria cease to be met, the accumulated value adjustments of the hedged items are amortised over the term to maturity.

2021	Carrying amount DKKkm	Fair value DKKkm	Nominal value DKKkm
<b>Liabilities</b>			
Issued bonds at amortised cost, see note 4.8	1,455	1,459	1,483
Interest risk-hedging financial instruments			
Derivatives (swap contracts)	-24	-24	1,483
	<b>Within 1 year DKKkm</b>	<b>1– 5 years DKKkm</b>	<b>Over 5 years DKKkm</b>
<b>Shown by term to maturity</b>			
Nominal value of issued bonds at amortised cost	0	1,109	373
Interest risk-hedging financial instruments, derivatives (synthetic principal)	0	1,109	373
<b>2020</b>	<b>Carrying amount DKKkm</b>	<b>Fair value DKKkm</b>	<b>Nominal value DKKkm</b>
<b>Liabilities</b>			
Issued bonds at amortised cost, see note 4.8	399	400	400
Interest risk-hedging financial instruments			
Derivatives (swap contracts)	0	0	400
	<b>Within 1 year DKKkm</b>	<b>1– 5 years DKKkm</b>	<b>Over 5 years DKKkm</b>
<b>Shown by term to maturity</b>			
Nominal value of issued bonds at amortised cost	0	400	0
Interest risk-hedging financial instruments, derivatives (synthetic principal)	0	400	0

Spar Nord pursues a strategy of mitigating the interest rate risk on its strategic funding either by using the interest rate risk from strategic funding to hedge the interest rate risk on fixed-rate agreements in other business areas outside the Trading Division or, secondarily, to hedge the interest rate risk on strategic loans using derivatives and applying the rules on hedge accounting.

The Bank assesses the potential hedging of interest rate risk in connection with each loan, partly to ensure that the Bank hedges fixed-rate agreements outside the Trading Division, and partly to avoid unnecessary interest rate exposure on its strategic funding.

The Bank does not expect the CIBor transition to have any material impact on this hedging activity.

Financial liabilities meeting the criteria for hedged items are regularly monitored. For issued bonds at amortised cost/fair value, hedging is made at the time of issuance with an interest rate swap with the same yield/maturity profile.

The effectiveness of such hedging is measured on a continuing basis.

The table below shows the value adjustment of hedged assets and hedging derivatives recognised under market value adjustments.

	2021 DKKkm	2020 DKKkm
<b>Hedging of fixed-interest assets</b>		
Hedging of issued bonds	24	-3
Hedging derivatives	-24	3
<b>Impact on profit/loss</b>	<b>0</b>	<b>0</b>

## Section 6

### Other notes

#### 6.6 Off-balance sheet items

##### § Accounting policies

Contingent assets and liabilities consist of possible assets and liabilities arising from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of Spar Nord.

Contingent assets are disclosed when an inflow of economic benefits is probable.

Contingent liabilities are disclosed when an outflow of economic resources from Spar Nord is possible but not probable.

Disclosure also includes current liabilities which have not been recognised because it is not probable that the liability will entail an outflow of economic resources from Spar Nord or where the liability cannot be reliably measured.

##### 6.6.1 Contingent assets

	2021	2020
	DKKm	DKKm
Unrecognised tax assets, see note 3.12	46	18

##### 6.6.2 Contingent liabilities

	2021	2020
	DKKm	DKKm
Guarantees	17,566	15,591
Other binding commitments	1,487	1,200
<b>Total contingent liabilities</b>	<b>19,053</b>	<b>16,791</b>

##### Guarantees

Financial guarantees	7,835	6,508
Loss guarantees for mortgage loans	6,818	5,834
Registration and refinancing guarantees	2,058	2,459
Other contingent liabilities	855	790
<b>Total guarantees</b>	<b>17,566</b>	<b>15,591</b>

Financial guarantees largely consist of payment guarantees.

Loss guarantees for mortgage loans have been granted for the highest-risk portion of mortgage loans to personal customers and on business properties. There is a full right of set-off against future income concerning Totalkredit and DLR.

Registration and refinancing guarantees are furnished in connection with Land Registry processing upon the arrangement and refinancing of mortgage loans.

Other contingent liabilities relate mainly to performance bonds and letters of credit.

Reference is made to note 2.7 regarding the Executive Board's notice of termination and the associated compensation.

Spar Nord is taxed jointly with its Danish subsidiary in the Spar Nord Group. As management company, Spar Nord has unlimited, joint and several liability together with the subsidiary for the Danish corporate income tax payable. Due to the payment of tax on account, no tax was payable at 31.12.2021 and 31.12.2020. The corporate income tax receivable within the tax pool amounted to DKK 105 million at 31.12.2021 (31.12.2020: DKK 98 million). Any adjustments to the taxable income subject to joint taxation might entail an increase in the Parent Company's liability.

Spar Nord has made provisions for a deferred tax liability in respect of recaptured losses related to international joint taxation.



## Section 6

### Other notes

The Bank participates in the national restructuring and resolution scheme, with separate contributions being paid to the Guarantee Fund and the Resolution Fund.

The Guarantee Fund covers depositors' eligible deposits in the Bank under EUR 100,000 (see section 9(1) of the Danish Act on a Depositor and Investor Guarantee Scheme). The Bank's costs for the Guarantee Fund are calculated based on the Bank's pro-rata share. The amount of the contribution will be adjusted by an individual risk factor. The Bank made no contributions to the Guarantee Fund in 2021, as the Guarantee Fund's assets exceed its target level of 0.8% of the covered deposits in the sector. The Bank may be required to pay contributions in future if the Guarantee Fund's assets fall below 0.8% of the covered deposits in the sector.

The Resolution Fund is to be used pursuant to the Act on Restructuring and Resolution of Certain Financial Enterprises for the purpose of covering the associated costs.

The Bank's costs for the Resolution Fund are calculated based on the Bank's pro-rata share of the sector's total equity and liabilities less own funds and covered deposits. This contribution will also be adjusted by an individually determined risk factor. The Bank's contribution to the Resolution Fund for 2021 amounted to DKK 15 million (2020: DKK 16 million).

The amount of the contingent liabilities and the possible due dates are subject to uncertainty, for which reason this information has not been disclosed.

### Other binding commitments

	2021	2020
	DKKm	DKKm
Data-processing centre	1,461	1,179
Lease liabilities, Spar Nord as lessee	27	21
<b>Other binding commitments, total</b>	<b>1,487</b>	<b>1,200</b>

#### Data-processing centre

Spar Nord has entered into an agreement with BEC Financial Technologies a.m.b.a. regarding the provision of IT services.

Spar Nord's membership of BEC Financial Technologies a.m.b.a. means that in case of termination of the Bank's membership, it is liable to pay an exit fee.

In addition, a capital contribution to BEC Financial Technologies a.m.b.a. has been recognised under Other assets.

The Spar Nord Group has no other significant binding agreements.

#### Lease liabilities, Spar Nord as lessee

The lease liabilities below concern leases concluded at the balance sheet date but for which the lease asset has not yet been made available.

Reference is also made to note 3.7.1, domicile properties, leasing, and note 3.11.1, lease liabilities.

	2021	2020
	DKKm	DKKm
<b>Maturity distribution of minimum lease payments</b>		
Up to 1 year	3	2
1 – 5 years	11	9
Over 5 years	13	9
<b>Total operating lease liabilities</b>	<b>27</b>	<b>21</b>

Spar Nord has not entered into finance leases as a lessee.

## 6.7 Legal proceedings

Spar Nord is party to a number of legal proceedings. The proceedings are assessed regularly and necessary provisions are made based on an assessment of the risk of loss.

The pending legal proceedings are not expected to materially affect the Group's financial position.

## Section 6

### Other notes

#### 6.8 Related parties

	Parties with significant influence		Associates		Board of Directors		Executive Board	
	2021	2020	2021	2020	2021	2020	2021	2020
	DKKm	DKKm	DKKm	DKKm	DKKm	DKKm	DKKm	DKKm
Loans, advances and loan commitments	50	50	15	15	35	28	10	3
Deposits	1	4	25	48	29	24	10	8
Guarantees issued	-	-	-	-	-	-	-	0
Other binding commitments	-	-	-	-	-	13	-	0
Collateral accepted	102	123	-	-	11	11	-	-
Interest income	0	0	-	0	0	1	0	0
Interest expenses	0	-	0	-	0	0	0	0
Fees, charges and commissions received	1	1	0	0	2	3	0	0
Dividends received from equity investments	-	-	36	49	-	-	-	-
Other income	1	1	-	-	-	-	-	-
Other expenses	-	-	-	-	-	-	-	-
Dividends paid	36	-	-	-	0	-	0	-

Related parties with significant influence are shareholders with holdings exceeding 20% of Spar Nord Bank A/S, or where significant influence is otherwise considered to exist.

Commitments and transactions with members of the Board of Directors and Executive Board comprise personal commitments of such parties and of their related parties. Commitments and transactions with retired and new members of the Board of Directors and Executive Board have been recognised up to and including the date of retirement and as from the date of appointment, as the case may be.

	Board of Directors		Executive Board	
	2021	2020	2021	2020
	DKKm	DKKm	DKKm	DKKm
Loans and advances	22	27	6	3
Unutilised loan and guarantee commitments	13	1	4	0
Guarantees issued	-	-	-	0
<b>Total loans and advances, loan commitments and guarantees</b>	<b>35</b>	<b>28</b>	<b>10</b>	<b>3</b>

Interest rate, loans (%)	1.00 - 3.81	1.00 - 6.75	2.25 - 3.95	1.00 - 3.95
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No transactions were concluded during the year with members of the Board of Directors, the Executive Board or executive staff members, other than transactions involving salary, remuneration, etc., securities trading and loans and provision of collateral. More details regarding the remuneration of the Board of Directors, the Executive Board and executive staff members appear from note 2.7.

Employee-elected directors are eligible for bank staff loans/credits. MasterCard and VISA debit balances are interest free for the Bank's customers, as well as for the Executive Board and Board of Directors.

The respective shareholdings of the Executive Board and the Board of Directors are shown in note 6.9.

Other related party transactions, including credit facilities, are concluded on an arm's length basis.

There were no credit-impaired exposures with related parties.

Related parties holding at least 5% of the Bank's share capital at end-2021 comprised the Spar Nord Foundation, Aalborg, with a holding of 19.3% (2020: 19.3%) and Nykredit Realkredit A/S, Copenhagen, with a holding of 14.0% (2020: 14.0%).

The figures above do not include any bonds issued by Spar Nord that rank as debt, subordinated debt or additional tier 1 (AT1) capital, as such bonds are bearer securities. In such cases, Spar Nord Bank does not know the identity of the creditors. Spar Nord Bank shares may be registered in the name of the holder.

## Section 6

### Other notes

#### 6.9 Spar Nord shares held by management

	2021	2020
	No. of shares	No. of shares
<b>Board of Directors</b>		
Kjeld Johannesen	80,000	80,000
Per Nikolaj Bukh	27,200	27,200
Lene Aaen	4,650	4,750
Kaj Christiansen	21,100	21,100
Morten Bach Gaardboe	7,505	7,505
André Rogaczewski (took office on 07.04.21)	30	-
Henrik Sjøgreen	18,500	3,500
Jannie Skovsen	0	0
John Sørensen (retired on 07.04.21)	-	5,160
Kim Østergaard	26	26
<b>Executive Board</b>		
Lasse Nyby	76,136	75,179
John Lundsgaard	104,215	93,725
Lars Møller	98,580	93,800
Martin Kudsk Rasmussen	6,618	4,160

#### 6.10 Events after the balance sheet date

No significant events have occurred after 31 December 2021.

#### 6.11 Overview of group companies

		Share capital, year-end	Equity year-end	Profit/loss for the year	Ownership interest
	Activity	DKKm	DKKm	DKKm	%
Spar Nord Bank A/S	Banking	1,230	11,924	1,370	-
<b>Subsidiary</b>					
Aktieselskabet Skelagervej 15, Aalborg	Properties	27	290	25	100

## Section 6

### Other notes

#### 6.12 Business combinations

On 22 December 2020, Spar Nord announced an agreement for the conditional acquisition of BankNordik's Danish business.

The intention with the acquisition is to strengthen Spar Nord's market position in the retail customer segment in the Greater Copenhagen area and in the cities of Aarhus, Odense, Kolding and Haderslev. The agreement will also allow Spar Nord to achieve the potential for efficiency enhancement and improved earnings power which arises from the ability to serve a greater number of customers using the same production and support platform. Furthermore, Spar Nord expects to achieve positive synergies from the combination of BankNordik's branches with Spar Nord's branches in relevant geographical areas.

Closing of the transaction was subject to the approval of the Danish FSA and the Danish Competition and Consumer Authority. As Spar Nord received both regulatory approvals before the end of January 2021, the acquisition was finalised at 1 February 2021.

Spar Nord's profit, comprehensive income, balance sheet and cash flows for 2020 were therefore not affected by the acquisition of BankNordik's Danish business.

##### BankNordik's Danish business will be recognised in 2021.

BankNordik's Danish business has contributed moderately to Spar Nord's profit before impairment in 2021 because of one-off costs associated with the transaction. From 2022, the acquired business is expected to contribute a profit before impairment of around DKK 100 million.

Spar Nord's integration of BankNordik's Danish business has proceeded successfully and both customers and employees have built affiliation with Spar Nord's branches from before the acquisition and in the branches taken over. As the integration has been completed, Spar Nord will follow up on the acquisition with financial specifics, as the BankNordik portfolio is fully integrated in Spar Nord Bank and thus as an integral part of the financial follow-up and management process.

Against this background, it is impossible to disclose income and profit before impairment for BankNordik's Danish business 2021 in the post-acquisition period, but we can report that one-off costs amounted to DKK 42 million in H1 2021 and were not changed significantly in H2 2021.

As a result of the completed integration and combined financial follow-up and management process, it is also not possible to disclose income and profit before impairment for Spar Nord for January to December 2021 on a pro forma basis as if BankNordik's Danish business had been acquired at 1 January 2021.

The total purchase consideration is DKK -3,004 million, corresponding to Spar Nord receiving a net payment for BankNordik for acquiring net debts at the transaction because customer deposits and, by extension, total liabilities exceeded the acquired loans, advances and total assets including goodwill. Concurrently with the settlement of the purchase consideration, Spar Nord has granted financing to BankNordik as a part of the agreement, in the form of standard senior debt with terms to maturity of up to 18 months.

Spar Nord is not under any obligation to pay any additional purchase consideration.

Spar Nord does not take over any obligation to pay severance amounts to Bank Nordik's data processing centre.

In 2021, Spar Nord incurred transaction costs relating to the acquisition of DKK 0 million (2020: DKK 2 million) for advisers, which amount has been recognised in operating expenses in the income statement.

In connection with the acquisition, goodwill has been made up at DKK 220 million after recognition at fair value of identifiable assets, liabilities and contingent liabilities. Goodwill represents the value of the existing employees and know-how as well as expected synergies from the combination with Spar Nord.

For tax purposes, deductible goodwill of DKK 255 million has been calculated. The difference between this amount and goodwill for accounting purposes is explained by differences between accounting and tax values of assets acquired.

	Fair value at the date of acquisition <b>2021</b> DKK m
Cash balances and demand deposits with central banks	15
Due from credit institutions and central banks	0
Loans, advances and other receivables at amortised cost	2,195
Shares, etc.	31
Assets linked to pooled schemes	790
Land and buildings	26
Other property, plant and equipment	11
Intangible assets, customer relationships	48
Other assets	14
Prepayments and deferred income	0
<b>Total assets</b>	<b>3,130</b>
Deposits and other payables	5,537
Deposits in pooled schemes	790
Other liabilities	27
Prepayments and deferred income	1
Deferred tax	-2
Provisions	0
<b>Total liabilities</b>	<b>6,354</b>
<b>Acquired net assets</b>	<b>-3,224</b>
Goodwill	220
<b>Purchase consideration</b>	<b>-3,004</b>
Consideration in the form of shares in Spar Nord Bank A/S	0
Cash consideration	-3,004
<b>Purchase consideration</b>	<b>-3,004</b>

##### Calculation of fair values of acquired assets and liabilities.

The fair value of loans and advances is based on an assessment of the market value of BankNordik's total lending. The fair value of loans and advances of DKK 2,195 million is measured at the present value of the cash flows expected to be received. The contractual receivable gross amount is calculated at DKK 2,322 million, of which DKK 113 million is not expected to be received. Total guarantees acquired amount to DKK 1,389 million for which no provisions for losses or fair value adjustments have been made. The guarantees are primarily mortgage credit guarantees.

The fair value of unlisted shares is based on the company's equity (net asset value) for accounting purposes, as the sale of such shares is governed by the shareholders' agreement for the company.

In connection with the acquisition, Spar Nord has calculated identifiable intangible assets in the form of customer relationships in the amount of DKK 48 million, which expresses the value of the acquired customer base from BankNordik.

## Section 6

### Other notes

The fair value of customer relationships is determined using recognised methods in which the expected future earnings from the acquired customers are assessed.

The fair value of domicile properties is estimated at the acquisition date using a return model.

The fair value of other property, plant and equipment is estimated on the basis of depreciated recoverable amount because they are not traded in an active market.

The value of deferred tax assets/liabilities comprises the tax value of fair value adjustments of, primarily, property plant and equipment and intangible assets. No deferred tax or tax losses have been acquired from BankNordik.

The fair value of deposits has been calculated as the contractual debt because the interest rate on deposits tracks the market rate and no material fixed-rate deposits are acquired.

Acquired litigation, appeals and complaints are recognised at fair value, which is calculated on the basis of weighted probabilities of assessed possible outcomes of such cases. We are not familiar with any material cases to be recognised at the date of acquisition.

## Section 6

### Other notes

#### 6.13 Performance indicators and financial ratios (Danish FSA's layout and ratio system)

##### Accounting policies

The Group's performance indicators and financial ratios (core earnings) appearing from the Management's review may differ from the layout below. The relationship between Core earnings and the format below is shown in note 2.1, Business segments.

Ratio definitions are set out in note 6.13.1.

##### Performance indicators

DKKm	2021	2020	2019	2018	2017
<b>Income statement</b>					
Net interest and fee income	3,356	2,882	2,858	2,730	2,716
Market value adjustments	329	374	320	214	381
Staff costs and administrative expenses	2,125	2,000	1,917	1,859	1,863
Impairment of loans, advances and receivables etc.	-120	309	22	173	-7
Income from investments in associates	91	29	110	36	32
Profit/loss for the year	1,368	737	1,059	920	989
<b>Balance sheet</b>					
Lending	61,936	52,312	51,312	44,330	46,747
Equity	11,924	10,390	9,761	9,241	8,975
Total assets	116,535	102,077	93,113	82,793	80,367

##### Financial ratios

###### Own funds

Own funds ratio	20.8	21.0	18.5	18.0	18.2
Tier 1 capital ratio	18.3	18.6	16.1	15.6	16.0

###### Earnings

Return on equity before tax	%	15.2	9.1	13.7	12.1	14.2
Return on equity after tax	%	12.3	7.3	11.1	10.2	11.2
Income/cost ratio		1.80	1.38	1.64	1.52	1.65
Return on assets	%	1.2	0.7	1.1	1.1	1.2

###### Market risk and liquidity

Interest rate risk	%	0.9	1.1	0.6	0.2	0.7
Foreign exchange position	%	0.7	0.9	1.0	1.4	3.3
Foreign exchange risk	%	0.1	0.1	0.1	0.1	0.1
Liquidity Coverage Ratio (LCR)	%	280	241	195	174	187
Excess coverage relative to statutory liquidity requirement	%	-	-	-	-	326.4
Loans and advances as % of deposits	%	69.4	66.3	72.7	67.6	72.7

###### Credit risk

Loans and advances relative to equity		5.2	5.0	5.3	4.8	5.2
Increase in loans and advances for the year	%	15.5	-1.5	9.1	6.7	6.2
Sum of large exposures	%	81.7	78.1	83.6	79.2	17.2
Impairment ratio for the year		-0.1	0.4	0.1	0.2	0.0

##### The Spar Nord Bank share

###### DKK per share of DKK 10

Profit/loss for the year	11.1	6.0	8.6	7.5	8.1
Net asset value (NAV)	87	78	72	68	66
Dividend	2.5	1.5	0.0	3.5	3.5
Share price/profit/loss for the period	7.5	10.0	7.6	6.9	9.0
Share price/NAV	1.0	0.8	0.9	0.8	1.1

## Section 6

### Other notes

#### 6.13.1 Ratio definitions

Own funds ratio *)	Own funds in per cent of total risk exposure amount
Tier 1 capital ratio *)	Tier 1 Capital in per cent of total risk exposure amount
Common equity tier 1 capital ratio	Common equity tier 1 capital in per cent of total risk exposure amount
Return on equity before tax *)	Profit/loss before tax in per cent of average equity. The average equity is calculated as a simple average of the shareholders' equity at the beginning of the year and at the end of the year.
Return on equity after tax *)	Profit/loss after tax in per cent of average equity. The average equity is calculated as a simple average of the shareholders' equity at the beginning of the year and at the end of the year.
Income/cost ratio *)	Net interest and fee income, Market value adjustments, Other operating income and Profit/loss on equity investments in associates and group enterprises / Staff costs and administrative expenses, Depreciation, amortisation and impairment of intangible assets and property, plant and equipment, Other operating expenses and Impairment of loans, advances and receivables.
Return on assets *)	Profit/loss after tax in per cent of total assets.
Interest rate risk *)	Interest rate risk in per cent of tier 1 capital
Foreign exchange position *)	Foreign exchange indicator 1 in per cent of tier 1 capital
Foreign exchange risk *)	Foreign exchange indicator 2 in per cent of tier 1 capital
Loans and advances as % of deposits *)	Loans and advances in per cent of deposits.
Excess coverage relative to statutory liquidity requirement	Cash balances, Demand deposits with Danmarks Nationalbank (the central bank), Absolutely secure and liquid demand deposits with credit institutions and insurance companies, Uncollateralised certificates of deposit issued by Danmarks Nationalbank and Secure and marketable (listed) uncollateralised securities in per cent of 10% of Reduced payables and guarantee commitments.
Liquidity Cover Ratio (LCR) *)	Liquid assets in per cent of the net value of cash inflows and cash outflows viewed over a 30-day period of heightened corporate financial stress.
Sum of large exposures *) (2017 and earlier)	Sum of large exposures in per cent of own funds, adjusted for exposures to credit institutions, etc. below EUR 150 million after making allowance for credit risk reduction and exceptions, etc.
Sum of large exposures *) (from 2018)	Sum of large exposures (20 largest exposures below 175% of common equity tier 1 capital)
Impairment ratio for the year *)	Impairment of loans, advances and guarantees for the year in per cent of loans and advances + guarantees + impairment of loans, advances and receivables etc.
Increase in loans and advances for the year *)	Increase in loans and advances from the beginning of the year to the end of the year, excl. repos, in per cent.
Loans and advances relative to equity *)	Loans and advances/equity.
Earnings per share for the year *)	Profit/loss for the year after tax(parent company)/average number of shares in circulation excl. treasury shares. The average number of shares is calculated as a simple average of the shares at the beginning of the year and at the end of the year.
Net asset value per share *)	Shareholders' equity/number of shares excl. treasury shares Shareholders' equity is calculated as if the additional tier 1 (AT1) capital were treated as a liability.
Dividend per share *)	Proposed dividend/number of shares.
Share price relative to earnings per share for the year *)	Share price/earnings per share for the year.
Share price relative to net asset value (NAV) *)	Share price/NAV per share.
Return, %	Year-end price – year-end price the year before + dividend for the year before + extraordinary dividend for the year in per cent of the year-end price the year before.
Price/earnings	Year-end price/Earnings per share for the year. Profit/loss for the year is calculated as if the additional tier 1 (AT1) capital were treated as a liability.
Earnings per share for the year	Profit/loss for the year after tax(parent company)/average number of shares in circulation excl. treasury shares. The average number of shares is calculated as a simple average of the shares at the beginning of the year and at the end of the year. Profit/loss for the year after tax (parent company) is calculated as if the additional tier 1 (AT1) capital were treated as a liability.
Diluted earnings per share for the year	The profit/loss for the year after tax(parent company)/average number of shares in circulation excl. treasury shares including dilutive effect of share options and conditional shares. The average number of shares is calculated as a simple average of the shares at the beginning of the year and at the end of the year. Profit/loss for the year after tax (parent company) is calculated as if the additional tier 1 (AT1) capital were treated as a liability.

\*) Danish FSA's ratio definitions.

A definition of alternative performance measures is shown on page 38 of the consolidated financial statements.

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# Parent Company

## Income statement

Note	2021 DKKm	2020 DKKm
7.2 Interest income	1,941	1,747
7.3 Interest expenses	205	163
<b>Net interest income</b>	<b>1,736</b>	<b>1,584</b>
Dividends on shares, etc.	79	60
7.4 Fees, charges and commissions received	1,706	1,396
7.4 Fees, charges and commissions paid	165	158
<b>Net interest and fee income</b>	<b>3,356</b>	<b>2,881</b>
7.5 Market value adjustments	315	373
Other operating income	34	34
7.6 Staff costs and administrative expenses	2,132	2,007
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	94	78
Other operating expenses	17	19
Income from investments in associates and group enterprises	116	41
7.23 Impairment of loans, advances and receivables etc.	-120	309
<b>Profit/loss before tax</b>	<b>1,699</b>	<b>916</b>
7.7 Tax	330	178
<b>Profit/loss for the year</b>	<b>1,370</b>	<b>738</b>
Appropriation:		
The shareholders of the Parent Company Spar Nord Bank A/S	1,309	688
Holders of additional tier 1 (AT1) capital instruments	61	49
<b>Profit/loss for the year</b>	<b>1,370</b>	<b>738</b>
Proposed dividend DKK 2.50 per share (2020: DKK 1.50)	308	185
Reserve for net revaluation according to the equity method	116	41
Retained earnings	885	463
<b>Total distribution</b>	<b>1,309</b>	<b>688</b>

## Statement of comprehensive income

<b>Profit/loss for the year</b>	<b>1,370</b>	<b>738</b>
<b>Other comprehensive income</b>		
<b>Items that cannot be reclassified to the income statement:</b>		
Adjustment relating to associates	-1	-2
Net revaluation of domicile property	11	6
<b>Other comprehensive income after tax</b>	<b>10</b>	<b>5</b>
<b>Total comprehensive income</b>	<b>1,380</b>	<b>743</b>
Appropriation:		
The shareholders of the Parent Company Spar Nord Bank A/S	1,319	693
Holders of additional tier 1 (AT1) capital instruments	61	49
<b>Total comprehensive income</b>	<b>1,380</b>	<b>743</b>

# Parent Company

## Balance sheet

Note		2021 DKKm	2020 DKKm
	<b>Assets</b>		
	Cash balances and demand deposits with central banks	1,855	1,126
7.8	Due from credit institutions and central banks	2,485	1,259
7.9	Loans, advances and other receivables at amortised cost	61,936	52,312
7.10	Bonds at amortised cost	19,031	21,647
7.11	Shares, etc.	1,914	1,785
	Investments in associates	663	529
	Investments in group enterprises	290	265
7.14	Assets linked to pooled schemes	25,533	20,464
	Intangible assets	429	171
	Investment properties	34	69
	Domicile properties	421	383
	Domicile properties (leasing)	150	137
7.12	<b>Land and buildings, total</b>	<b>604</b>	<b>590</b>
7.13	Other property, plant and equipment	123	112
	Current tax assets	109	101
	Temporary assets	6	5
	Other assets	1,526	1,675
	Prepayments and deferred income	123	115
	<b>Total assets</b>	<b>116,626</b>	<b>102,155</b>
	<b>Equity and liabilities</b>		
7.15	Due to credit institutions and central banks	2,452	4,167
7.16	Deposits and other payables	63,868	58,497
7.14	Deposits in pooled schemes	25,533	20,464
7.17	Issued bonds at amortised cost	4,845	2,670
	Other non-derivative financial liabilities at fair value	2,786	835
	Other liabilities	3,500	3,673
	Prepayments and deferred income	115	28
	<b>Total payables</b>	<b>103,098</b>	<b>90,333</b>
7.18	Provisions for deferred tax	6	21
	Provision for losses on guarantees	62	57
	Other provisions	13	21
	<b>Total provisions</b>	<b>80</b>	<b>99</b>
7.19	Subordinated debt	1,523	1,333
	<b>Total liabilities</b>	<b>104,702</b>	<b>91,765</b>
	Share capital	1,230	1,230
	Revaluation reserves	104	92
	Statutory reserves	0	0
	Proposed dividend	308	185
	Retained earnings	9,086	8,089
	<b>Shareholders' equity</b>	<b>10,727</b>	<b>9,596</b>
	Holders of additional tier 1 (AT1) capital instruments	1,197	794
	<b>Total equity</b>	<b>11,924</b>	<b>10,390</b>
	<b>Total equity and liabilities</b>	<b>116,626</b>	<b>102,155</b>
	<b>Off-balance sheet items</b>		
	Contingent assets	44	16
7.20	Contingent liabilities	17,566	15,591
7.21	Other binding commitments	1,487	1,200

# Statement of changes in equity

	Share capital	Revaluation reserve	Statutory reserves	Proposed dividend	Retained earnings	Shareholders of Spar Nord Bank A/S	Additional tier 1 (AT1) capital	Total equity
	DKKkm	DKKkm	DKKkm	DKKkm	DKKkm	DKKkm	DKKkm	DKKkm
<b>Equity at 31.12.20</b>	<b>1,230</b>	<b>92</b>	<b>0</b>	<b>185</b>	<b>8,089</b>	<b>9,596</b>	<b>794</b>	<b>10,390</b>
<b>Comprehensive income in 2021</b>								
Profit/loss for the year	-	-	116	308	885	1,309	61	1,370
<b>Other comprehensive income</b>								
Adjustment relating to associates	-	-	-91	-	90	-1	-	-1
Adjustment relating to group enterprises	-	-	-25	-	25	0	-	0
Net revaluation of properties	-	11	-	-	-	11	-	11
<b>Other comprehensive income, total</b>	<b>0</b>	<b>11</b>	<b>-116</b>	<b>0</b>	<b>115</b>	<b>10</b>	<b>0</b>	<b>10</b>
<b>Total comprehensive income</b>	<b>0</b>	<b>11</b>	<b>0</b>	<b>308</b>	<b>1,000</b>	<b>1,319</b>	<b>61</b>	<b>1,380</b>
<b>Transactions with owners</b>								
Issue of additional tier 1 (AT1) capital, net transaction costs	-	-	-	-	-6	-6	850	844
Redemption of additional tier 1 (AT1) capital	-	-	-	-	-	-	-450	-450
Interest paid on additional tier 1 (AT1) capital	-	-	-	-	-	-	-54	-54
Dividends paid	-	-	-	-185	-	-185	-	-185
Dividends received, treasury shares	-	-	-	-	0	0	-	0
Disposal upon acquisition of treasury shares and additional tier 1 (AT1) capital	-	-	-	-	-502	-502	-4	-506
Addition upon sale of treasury shares and additional tier 1 (AT1) capital	-	-	-	-	504	504	-	504
<b>Total transactions with owners</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-185</b>	<b>-3</b>	<b>-188</b>	<b>343</b>	<b>155</b>
<b>Equity at 31.12.2021</b>	<b>1,230</b>	<b>104</b>	<b>0</b>	<b>308</b>	<b>9,086</b>	<b>10,727</b>	<b>1,197</b>	<b>11,924</b>
<b>Equity at 31.12.2019</b>	<b>1,230</b>	<b>86</b>	<b>0</b>	<b>431</b>	<b>7,155</b>	<b>8,901</b>	<b>860</b>	<b>9,761</b>
<b>Comprehensive income in 2020</b>								
Profit/loss for the year	-	-	41	185	463	688	49	738
<b>Other comprehensive income</b>								
Adjustment relating to associates	-	-	-29	-	27	-2	-	-2
Adjustment relating to group enterprises	-	-	-12	-	12	0	-	0
Net revaluation of properties	-	6	-	-	0	6	-	6
<b>Other comprehensive income, total</b>	<b>0</b>	<b>6</b>	<b>-41</b>	<b>0</b>	<b>39</b>	<b>5</b>	<b>0</b>	<b>5</b>
<b>Total comprehensive income</b>	<b>0</b>	<b>6</b>	<b>0</b>	<b>185</b>	<b>502</b>	<b>693</b>	<b>49</b>	<b>743</b>
<b>Transactions with owners</b>								
Issue of additional tier 1 (AT1) capital, net transaction costs	-	-	-	-	0	0	330	330
Redemption of additional tier 1 (AT1) capital	-	-	-	-	-	0	-400	-400
Interest paid on additional tier 1 (AT1) capital	-	-	-	-	-	-	-49	-49
Suspended dividend payment	-	-	-	-431	431	0	-	0
Dividends paid	-	-	-	0	-	0	-	0
Disposal upon acquisition of treasury shares and additional tier 1 (AT1) capital	-	-	-	-	-431	-431	-	-431
Addition upon sale of treasury shares and additional tier 1 (AT1) capital	-	-	-	-	433	433	4	436
<b>Total transactions with owners</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-431</b>	<b>432</b>	<b>2</b>	<b>-115</b>	<b>-114</b>
<b>Equity at 31.12.20</b>	<b>1,230</b>	<b>92</b>	<b>0</b>	<b>185</b>	<b>8,089</b>	<b>9,596</b>	<b>794</b>	<b>10,390</b>

At the end of 2021, the share capital was made up of 123,002,526 shares of DKK 10 each (2020: 123,002,526 shares of DKK 10 each).

The Bank has only one share class.

No shares carry any special rights. No shares are subject to restrictions on transferability or voting rights.

# Parent Company

## Capital position

<b>Treasury shares</b>	<b>2021</b>	<b>2020</b>
<b>Treasury share portfolio</b>		
Number of shares	67,935	58,063
Nominal value, DKKm	0	0
Fair value, DKKm	6	3
Percentage of share capital	0.1	0.0

### Treasury share portfolio, fair value, DKKm

Portfolio, beginning of year	3	5
Acquisition of treasury shares	502	431
Sale of treasury shares	504	433
Market value adjustments	4	0
<b>Portfolio, end of year</b>	<b>6</b>	<b>3</b>

The Bank uses treasury shares for trading with customers.

### Own funds

	<b>2021</b>	<b>2020</b>
	<b>DKKm</b>	<b>DKKm</b>
Equity	11,924	10,390
Phasing in of IFRS 9	174	433
Additional tier 1 (AT1) capital included in equity	1,197	794
Proposed dividend	308	185
Intangible assets	348	141
Other primary deductions	70	53
Deduction – Holdings of insignificant CET1 instruments	56	132
Deduction – Holdings of significant CET1 instruments	247	95
<b>Common equity tier 1 capital</b>	<b>9,872</b>	<b>9,422</b>

Additional tier 1 (AT1) capital *)	1,173	773
Other deductions	1	2
<b>Tier 1 capital</b>	<b>11,045</b>	<b>10,193</b>

Subordinated debt, excl. Additional Tier 1 (AT1) capital *)	1,516	1,324
Other deductions	2	3
<b>Own funds</b>	<b>12,558</b>	<b>11,514</b>

Weighted risk exposure amount, credit risk etc.	50,253	45,352
Weighted risk exposure amount, market risk	4,140	3,994
Weighted risk exposure amount, operational risk	6,158	5,575
<b>Total risk exposure amount</b>	<b>60,550</b>	<b>54,921</b>

Common equity tier 1 capital ratio	16.3	17.2
Tier 1 capital ratio	18.2	18.6
Own funds ratio	20.7	21.0

\*) Limit for holding of own issues has been deducted.

## Section 7

# Notes parent company

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## Section 7

# Notes parent company

### § 7.1 Accounting policies

The financial statements of the Parent Company Spar Nord Bank A/S have been prepared in accordance with the provisions of the Danish Financial Business Act, including the Danish FSA's Executive Order on financial reports presented by credit institutions and investment companies (Executive Order on the presentation of financial statements).

The Parent Company's accounting policies are identical to those of the Group.

For a description of accounting policies and changes thereto, please see accounting policies in the notes to the consolidated financial statements.

Investments in group enterprises are recognised and measured at the proportionate share of the net asset value (NAV) on the balance sheet date plus the carrying amount of acquired goodwill.

The difference between the equity and profit or loss in the Group and in the Parent Company is due to properties being classified as investment properties in subsidiaries and as domicile properties in the Group. The difference consists of net depreciation and impairment on such properties; see below:

	Profit/loss		Equity	
	2021	2020	2021	2020
	DKKm	DKKm	DKKm	DKKm
Spar Nord Group	1,368	737	11,924	10,390
Net depreciation and impairment, Group domicile properties	2	1	0	0
<b>Spar Nord Parent Company</b>	<b>1,370</b>	<b>738</b>	<b>11,924</b>	<b>10,390</b>

	2021	2020
	DKKm	DKKm
<b>Interest income</b>		
Reverse repo transactions with credit institutions and central banks	-11	-15
Other amounts due from credit institutions and central banks	5	5
Reverse repo transactions, deposits	-45	-35
Loans, advances and other receivables	1,508	1,447
Bonds	62	74
Derivatives	45	27
Other interest income	0	0
<b>Total interest income after offsetting negative interest income</b>	<b>1,563</b>	<b>1,502</b>
<b>Negative interest income offset against interest income</b>		
Reverse repo transactions with credit institutions and central banks	11	15
Reverse repo transactions, deposits	45	35
Bonds	17	17
<b>Total negative interest income transferred to interest expenses</b>	<b>73</b>	<b>67</b>
<b>Negative interest expenses offset against interest expenses</b>		
Repo transactions with credit institutions and central banks	7	15
Repo transactions, deposits	4	4
Deposits and other payables	294	159
<b>Total negative interest expenses transferred to interest income</b>	<b>305</b>	<b>178</b>
<b>Total interest income</b>	<b>1,941</b>	<b>1,747</b>

### 7.2 Interest income

In the income statement, negative interest income is presented as interest expenses, and negative interest expenses are presented as interest income.

For accounting policies, see note 2.3 to the consolidated financial statements.

## Section 7

### Notes parent company

#### 7.3 Interest expenses

	2021	2020
	DKKm	DKKm
<b>Interest expenses</b>		
Repo transactions with credit institutions and central banks	-7	-15
Other payables to credit institutions and central banks	9	9
Repo transactions, deposits	-4	-4
Deposits and other payables	-255	-133
Issued bonds	48	25
Subordinated debt	35	35
Other interest expenses	1	1
<b>Total interest expenses after offsetting negative interest expenses</b>	<b>-173</b>	<b>-82</b>
<b>Negative interest expenses offset against interest expenses</b>		
Repo transactions with credit institutions and central banks	7	15
Repo transactions, deposits	4	4
Deposits and other payables	294	159
<b>Total negative interest expenses transferred to interest income</b>	<b>305</b>	<b>178</b>
<b>Negative interest income offset against interest income</b>		
Reverse repo transactions with credit institutions and central banks	11	15
Reverse repo transactions, deposits	45	35
Bonds	17	17
<b>Total negative interest income transferred to interest expenses</b>	<b>73</b>	<b>67</b>
<b>Total interest expenses</b>	<b>205</b>	<b>163</b>

In the income statement, negative interest expenses are presented as interest income, and negative interest income is presented as interest expenses.

For accounting policies, see note 2.3 to the consolidated financial statements.

#### 7.4 Fees, charges and commissions received

For accounting policies, see note 2.4 to the consolidated financial statements.

	2021	2020
	DKKm	DKKm
Securities trading and custody accounts	516	444
Payment services	203	155
Loan transaction fees	672	568
of which mortgage credit institutions	511	434
Guarantee commission	35	30
Other fees, charges and commissions	280	199
<b>Total fees, charges and commissions received</b>	<b>1,706</b>	<b>1,396</b>
<b>Total fees, charges and commissions paid</b>	<b>165</b>	<b>158</b>
<b>Total net fees, charges and commissions received</b>	<b>1,541</b>	<b>1,238</b>

## Section 7

### Notes parent company

#### 7.5 Market value adjustments

	2021	2020
	DKKkm	DKKkm
Other loans, advances and receivables at fair value	24	-3
Bonds	-77	146
Shares, etc.	212	153
Investment properties	-1	-1
Currency	84	64
Foreign exchange, interest, share, commodity and other contracts and derivatives	73	14
Assets linked to pooled schemes	2,866	2,089
Deposits in pooled schemes	-2,866	-2,089
Other assets	0	-
Other liabilities	0	-
<b>Total market value adjustments</b>	<b>315</b>	<b>373</b>

For accounting policies, see note 2.5 to the consolidated financial statements.

#### 7.6 Staff costs and administrative expenses

	2021	2020
	DKKkm	DKKkm
Staff costs	1,346	1,293
Administrative expenses	785	714
<b>Total staff costs and administrative expenses</b>	<b>2,132</b>	<b>2,007</b>

Salaries	1,067	1,040
Pensions	134	116
Social security costs	145	138
<b>Total staff costs</b>	<b>1,346</b>	<b>1,293</b>

##### Of which, remuneration to members of the Executive Board and Board of Directors:

Board of Directors	4.6	4.2
Executive Board	17.9	16.5
<b>Total remuneration</b>	<b>22.5</b>	<b>20.6</b>

For additional information on remuneration to members of the Board of Directors, Executive Board and material risk takers, see note 2.7 to the consolidated financial statements.

##### Number of employees

Average number of employees in the financial year converted into full-time equivalents	1,618	1,553
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For a description of accounting policies, see notes 2.7 and 2.8 to the consolidated financial statements.

##### 7.6.1 Audit fees

	2021	2020
	DKKkm	DKKkm
Fees to the audit firm appointed at the General Meeting	2.6	1.8
Fees to other audit firms for non-audit services	0.4	0.6
<b>Total audit fees</b>	<b>3.0</b>	<b>2.4</b>

##### Total fees to the audit firm appointed at the General Meeting break down as follows:

Statutory audit	0.9	0.9
Other assurance engagements	0.3	0.2
Tax and VAT assistance	0.0	0.1
Non-audit services	1.4	0.7
<b>Total fees to the audit firm appointed at the General Meeting</b>	<b>2.6</b>	<b>1.8</b>



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### Notes parent company

#### 7.7 Tax

	2021	2020
	DKKm	DKKm
Tax on profit/loss for the year	330	178
Tax on other comprehensive income	0	0
Tax on changes in equity	0	0
Tax on fair value adjustments, business combinations	-2	0
<b>Total tax</b>	<b>328</b>	<b>178</b>
<b>Tax on the profit/loss for the year breaks down as follows:</b>		
Current tax	342	179
Deferred tax for the year	-12	-1
Adjustment of deferred tax, prior years	-1	1
Adjustment of current tax for prior years	1	0
<b>Tax on profit/loss for the year</b>	<b>330</b>	<b>178</b>
<b>Specification of the effective tax rate:</b>		
Current tax rate	22.0	22.0
Income from investments and market value adjustment of shares, %	-3.1	-3.9
Non-deductible expenses and non-taxable income, %	0.5	1.3
Adjustment of prior-year taxes, %	0.0	0.1
<b>Total effective tax rate</b>	<b>19.4</b>	<b>19.5</b>

For accounting policies, see note 2.10 to the consolidated financial statements.

#### 7.8 Due from credit institutions and central banks

	2021	2020
	DKKm	DKKm
<b>Due from credit institutions and central banks</b>		
Balances at notice with central banks	0	61
Due from credit institutions	2,485	1,198
<b>Total due from credit institutions and central banks</b>	<b>2,485</b>	<b>1,259</b>
Of which, subordinated receivables	0	0
<b>Shown by term to maturity</b>		
Demand deposits	166	263
Up to 3 months	1,820	996
Over 3 months and up to 1 year	0	0
Between 1 year and 5 years	500	0
Over 5 years	0	0
<b>Total</b>	<b>2,485</b>	<b>1,259</b>
Repo transactions hereof	1,515	343

For accounting policies, see note 3.1 to the consolidated financial statements.

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### Notes parent company

#### 7.9 Loans, advances and other receivables at amortised cost

	2021	2020
	DKKm	DKKm
Lending, reverse repo transactions	12,850	9,819
Lending, banking and leasing activities	49,086	42,494
<b>Loans, advances and other receivables at amortised cost, total</b>	<b>61,936</b>	<b>52,312</b>
Shown by term to maturity		
Demand deposits	2,292	1,832
Up to 3 months	14,095	11,149
Over 3 months and up to 1 year	18,252	16,797
Between 1 year and 5 years	9,057	7,953
Over 5 years	18,240	14,582
<b>Total</b>	<b>61,936</b>	<b>52,312</b>

#### Gross loans, advances and guarantees broken down by sectors and industries, %

<b>Public authorities</b>	<b>1.6</b>	<b>1.4</b>
<b>Business market</b>		
Agriculture, hunting, forestry and fisheries	3.5	4.5
Industry and raw materials extraction	3.8	3.7
Energy supply	2.3	2.7
Building and construction	3.7	3.7
Trade	5.2	5.0
Transport, hotels and restaurants	3.6	3.6
Information and communication	0.5	0.4
Financing and insurance	20.3	18.7
Real estate	9.1	9.8
Other business areas	6.2	5.7
<b>Business customers, total</b>	<b>58.1</b>	<b>57.6</b>
<b>Retail customers</b>	<b>40.4</b>	<b>40.9</b>
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

For accounting policies, see note 3.2 to the consolidated financial statements.

#### 7.10 Bonds at fair value

	2021	2020
	DKKm	DKKm
Mortgage bonds	17,657	19,639
Government bonds	164	686
Other bonds	1,211	1,322
<b>Bonds at fair value, total</b>	<b>19,031</b>	<b>21,647</b>
Of which, subordinated receivables	47	41

For accounting policies, see note 3.3 to the consolidated financial statements.

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### Notes parent company

#### 7.11 Equities

	2021	2020
	DKKm	DKKm
Shares/unit trust certificates listed on NASDAQ Copenhagen A/S	135	144
Shares/unit trust certificates listed on other stock exchanges	86	91
Unlisted shares at fair value	1,693	1,550
<b>Total shares, etc.</b>	<b>1,914</b>	<b>1,785</b>

Spar Nord's strategic shares that are not included in the Group's trading book are measured at fair value through profit and loss.

For accounting policies, see note 3.3 to the consolidated financial statements.

Strategic shares form part of a portfolio that is managed – and on which the returns are measured on the basis of fair value – in accordance with a documented risk management and investment strategy.

#### 7.12 Land and buildings

##### 7.12.1 Investment properties

	2021	2020
	DKKm	DKKm
Fair value, beginning of period	69	71
Reclassification to domicile properties	11	0
Additions during the year, including improvements	0	1
Disposals during the year	24	1
Unrealised fair value adjustment	-1	-1
<b>Fair value, end of year</b>	<b>34</b>	<b>69</b>
Required rate of return used in calculating the fair value, %	5.5 - 10.0	5.5 - 9.0

The fair-value method (Level 3 in the fair-value hierarchy) has been chosen for measuring investment properties. Investment properties consist mainly of business leases. The periods of non-terminability for Spar Nord in the leases do not exceed 20 years.

For accounting policies, see note 3.7.1 to the consolidated financial statements.

##### 7.12.2 Domicile properties

	2021	2020
	DKKm	DKKm
Restated value beginning of year	383	391
Reclassification from domicile properties	11	-
Reclassification from temporary assets	-	4
Additions during the year, including improvements	32	1
Disposals during the year	0	8
Depreciation	13	13
Changes in value recognised in other comprehensive income	11	1
Changes in value recognised in the income statement	-4	6
<b>Restated value, year-end</b>	<b>421</b>	<b>383</b>
Required rate of return used in calculating the fair value, %	5.5 - 10.0	5.8 - 9.0

The fair value method (Level 3 in the fair value hierarchy) has been chosen for measuring domicile properties. Fair value has been determined based on observable prices and other valuation methods.

An external valuation of all properties has been obtained from a real estate agent to support the calculation of fair value, including the rental rates and rates of return used.

For accounting policies, see note 3.7.1 to the consolidated financial statements.

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### Notes parent company

#### 7.12.3 Domicile properties, leasing

	2021	2020
	DKKm	DKKm
Balance, 1 January	137	132
Addition upon business combinations	8	-
Additions	13	15
Disposals	0	0
Remeasurement of lease liability	20	15
Depreciation for the year	28	25
<b>Balance sheet at 31 December</b>	<b>150</b>	<b>137</b>

For accounting policies, see note 3.7.1 to the consolidated financial statements.

#### 7.13 Other property, plant and equipment

	2021	2020
	DKKm	DKKm
Total cost, beginning of year	380	357
Addition upon business combinations	6	-
Additions	45	37
Disposals	73	15
<b>Total cost, end of year</b>	<b>358</b>	<b>380</b>
Depreciation and impairment, beginning of year	268	244
Depreciation and impairment for the year	39	35
Reversal of depreciation and impairment for the year	72	12
<b>Depreciation and impairment, end of year</b>	<b>235</b>	<b>268</b>
<b>Carrying amount, end of year</b>	<b>123</b>	<b>112</b>

For accounting policies, see note 3.7.2 to the consolidated financial statements.

#### 7.14 Pooled schemes

	Pension pools	Other pools	Total	
	2021	2021	2021	2020
	DKKm	DKKm	DKKm	DKKm
<b>Assets</b>				
Cash deposits	451	5	456	428
Bonds	4,881	64	4,945	4,005
Shares, etc.	14,125	168	14,293	11,061
Unit trust certificates	5,733	74	5,807	4,950
Other assets	32	0	32	20
<b>Total assets</b>	<b>25,222</b>	<b>311</b>	<b>25,533</b>	<b>20,464</b>
<b>Equity and liabilities</b>				
Total deposits	25,222	311	25,533	20,464
<b>Total equity and liabilities</b>	<b>25,222</b>	<b>311</b>	<b>25,533</b>	<b>20,464</b>

For accounting policies, see note 3.5 to the consolidated financial statements.

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### Notes parent company

#### 7.15 Due to credit institutions and central banks

	2021	2020
	DKKm	DKKm
Due to central banks	91	2,182
Due to credit institutions	2,361	1,985
<b>Total due to credit institutions and central banks</b>	<b>2,452</b>	<b>4,167</b>
<b>Shown by term to maturity</b>		
Demand deposits	231	283
Up to 3 months	2,221	3,884
Over 3 months and up to 1 year	0	0
Between 1 year and 5 years	0	0
Over 5 years	0	0
<b>Total</b>	<b>2,452</b>	<b>4,167</b>
Repo transactions hereof	2,185	985

For accounting policies, see note 3.9 to the consolidated financial statements.

#### 7.16 Deposits and other payables

	2021	2020
	DKKm	DKKm
Demand deposits	58,651	53,712
Subject to notice	2,340	1,899
Time deposits	180	334
Special types of deposits	2,698	2,552
<b>Total deposits and other payables</b>	<b>63,868</b>	<b>58,497</b>
<b>Shown by term to maturity</b>		
Demand deposits	58,651	53,712
Up to 3 months	2,069	2,014
Over 3 months and up to 1 year	294	107
Between 1 year and 5 years	640	540
Over 5 years	2,214	2,123
<b>Total</b>	<b>63,868</b>	<b>58,497</b>
Repo transactions hereof	0	333

For accounting policies, see note 3.10 to the consolidated financial statements.

#### 7.17 Issued bonds at amortised cost

	2021	2020
	DKKm	DKKm
<b>Shown by contractual term to maturity</b>		
Demand deposits	-	-
Up to 3 months	1	0
Over 3 months and up to 1 year	910	1
Between 1 year and 5 years	3,006	2,668
Over 5 years	927	0
<b>Total</b>	<b>4,845</b>	<b>2,670</b>

For accounting policies, see note 4.8 to the consolidated financial statements.

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### Notes parent company

#### 7.18 Provisions for deferred tax

	2021	2020
	DKKm	DKKm
Beginning of period	21	21
Deferred tax for the year recognised in profit/loss for the year	-13	0
Deferred tax for the year recognised in other comprehensive income	0	0
Deferred tax for the year recognised in changes in equity	0	0
Deferred tax for the year recognised in purchase price allocation, business combinations	-2	0
<b>End of year</b>	<b>6</b>	<b>21</b>

Changes in deferred tax	Beginning of period	Recognised in profit for the year	Recognised in other comprehensive income etc.	End of year
	DKKm	DKKm	DKKm	DKKm
<b>2021</b>				
Intangible assets	30	9	0	38
Property, plant and equipment, incl. leased assets	18	-23	-3	-8
Loans, advances and other receivables at amortised cost	-31	-6	0	-37
Payables and subordinated debt	24	-2	0	22
Provisions	-14	-2	0	-16
Claw-back loss	4	0	0	4
Miscellaneous	-9	10	1	3
<b>Total</b>	<b>21</b>	<b>-13</b>	<b>-2</b>	<b>6</b>

<b>2020</b>				
Intangible assets	30	0	0	30
Property, plant and equipment, incl. leased assets	26	-8	0	18
Loans, advances and other receivables at amortised cost	-29	-3	0	-31
Payables and subordinated debt	12	12	0	24
Provisions	-13	-1	0	-14
Claw-back loss	4	0	0	4
Miscellaneous	-8	-1	0	-9
<b>Total</b>	<b>21</b>	<b>0</b>	<b>0</b>	<b>21</b>

All deferred tax liabilities are recognised in the balance sheet.

For accounting policies, see note 3.12 to the consolidated financial statements.

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# Notes parent company

## 7.19 Subordinated debt

Subordinated debt are liabilities in the form of tier 2 capital which, in the event of the Company's voluntary or compulsory winding up, will not be repaid until after the claims of ordinary creditors have been met. Early redemption of subordinated debt is subject to the approval of the Danish FSA. Subordinated debt is included in own funds, etc. pursuant to the Danish Financial Business Act.

The issuance of additional tier 1 capital under CRR with a perpetual term and with voluntary payment of interest and repayments of principal is treated as equity for accounting purposes. For further details, please see note 4.6 to the consolidated financial statements.

Spar Nord Bank is the borrower with respect to all loans.

Currency	Note	Principal millions	Interest rate	Received	Maturity	2021	2020
						DKKm	DKKm
DKK	a	200	CIBOR3 + 1.30%	2021	30.09.1933	199	-
DKK	b	350	CIBOR6 + 2.40%	2018	29.05.2029	349	349
DKK	c	150	2.9298%	2018	29.05.2029	150	150
DKK	d	400	2.5348%	2018	19.06.2028	400	400
SEK	e	600	STIBOR3 + 2.50%	2017	18.10.2027	436	443
<b>Supplementary capital contributions, total</b>						<b>1,534</b>	<b>1,342</b>
Portfolio of own bonds relating to subordinated debt						-11	-9
<b>Total subordinated debt</b>						<b>1,523</b>	<b>1,333</b>
Interest on subordinated debt						34	34
Costs of raising subordinated debt						1	1

## 7.20 Contingent liabilities

	2021	2020
	DKKm	DKKm
Financial guarantees	7,835	6,508
Loss guarantees for mortgage loans	6,818	5,834
Registration and refinancing guarantees	2,058	2,459
Other contingent liabilities	855	790
<b>Total contingent liabilities</b>	<b>17,566</b>	<b>15,591</b>

Financial guarantees largely consist of payment guarantees.

Loss guarantees for mortgage loans have been granted for the highest-risk portion of mortgage loans to personal customers and on business properties. There is a full right of set-off against future income concerning Totalkredit and DLR.

Registration and refinancing guarantees are furnished in connection with Land Registry processing upon the arrangement and refinancing of mortgage loans.

Other contingent liabilities relate mainly to performance bonds and letters of credit.

Reference is made to note 2.7 to the consolidated financial statements regarding the Executive Board's notice of termination and the associated compensation.

Spar Nord is taxed jointly with its Danish subsidiary in the Spar Nord Group. As management company, Spar Nord has unlimited, joint and several liability together with the subsidiary for the Danish corporate income tax payable. Due to the payment of tax on account, no tax was payable at 31.12.2021 and 31.12.2020. The corporate income tax receivable within the tax pool amounted to DKK 105 million at 31.12.2021 (31.12.2020: DKK

98 million). Any adjustments to the taxable income subject to joint taxation might entail an increase in the Parent Company's liability.

Spar Nord has made provisions for a deferred tax liability in respect of recaptured losses related to international joint taxation.

The Bank participates in the national restructuring and resolution scheme, with separate contributions being paid to the Guarantee Fund and the Resolution Fund.

The Guarantee Fund covers depositors' eligible deposits in the Bank under EUR 100,000 (see section 9(1) of the Danish Act on a Depositor and Investor Guarantee Scheme). The Bank made no contributions to the Guarantee Fund in 2021, as the Guarantee Fund's assets exceed its target level of 0.8% of the covered deposits in the sector. The Bank may be required to pay contributions in future if the Guarantee Fund's assets fall below 0.8% of the covered deposits in the sector.

The Resolution Fund covers the costs associated with the possible winding-up of financial institutions under the auspices of Finansiel Stabilitet (the Winding-Up Company). The Bank's contributions to the Resolution Fund are calculated based on the

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### Notes parent company

Bank's pro-rata share of the sector's total equity and liabilities less own funds and the deposits covered by the Guarantee Fund, adjusted by a risk factor. The Bank's contribution to the Resolution Fund for 2021 amounted to DKK 15 million (2020: DKK 16 million).

The amount of the contingent liabilities and the possible due dates are subject to uncertainty, for which reason this information has not been disclosed.

For accounting policies, see note 6.6 to the consolidated financial statements.

#### 7.21 Other binding commitments

Other binding commitments of DKK 1,487 million (2020: DKK 1,200 million) consist of lease obligations in which Spar Nord Bank is lessee, and the liability to pay a withdrawal fee on potential withdrawal from BEC Financial Technologies a.m.b.a. See note 6.6.2 to the consolidated financial statements for a description hereof.

For accounting policies, see note 6.6 to the consolidated financial statements.

#### 7.22 Risk management

Spar Nord is exposed to a number of risks in various categories, the most important one being:

- **Credit risk:** The risk of losses because counterparties fail to meet all or part of their payment obligations.
- **Market risk:** The risk of loss because the fair value of Spar Nord's assets and liabilities varies with changes in market conditions.
- **Liquidity risk:** The risk of loss because Spar Nord cannot meet its payment obligations via the ordinary liquidity reserves.
- **Operational risk:** The risk of financial loss owing to deficient or erroneous internal procedures and processes, human or system errors, or losses as a result of external events.

Notes 5.1, 5.2, 5.3 and 5.4 to the consolidated financial statements provide a description of the financial risks and policies and targets for managing credit, market, liquidity and operational risks.

#### 7.23 Credit risk

##### 7.23.1 Loans at amortised cost and unutilised credit lines and loan commitments

	2021	2020
	DKKm	DKKm
Loans and advances at amortised cost before impairment	63,456	53,955
Unutilised credit lines and loan commitments before impairment	26,932	27,323
Impairment of loans and advances and provisions on unutilised credit lines	1,529	1,660
<b>Carrying amount</b>	<b>88,859</b>	<b>79,618</b>

The following tables show the credit quality and exposures before impairment based on Spar Nord's internal rating system divided into stages.

A description of Spar Nord's internal rating groups and impairment model is provided in accounting policies note 5.1.1 to the consolidated financial statements.



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#### Loans at amortised cost before impairment, by rating category

	Stage 1	Stage 2	Stage 3	Total
	DKKm	DKKm	DKKm	DKKm
<b>2021</b>				
Rating category 1	10,836	1	0	<b>10,837</b>
Rating category 2	9,736	146	0	<b>9,882</b>
Rating category 3	9,632	929	3	<b>10,564</b>
Rating category 4	5,275	1,155	2	<b>6,432</b>
Rating category 5	703	465	0	<b>1,168</b>
Rating category 6	213	361	2	<b>577</b>
Rating category 7	75	239	0	<b>314</b>
Rating category 8	56	137	0	<b>193</b>
Rating category 9	0	642	83	<b>726</b>
Default	24	352	1,564	<b>1,941</b>
Unrated	837	0	0	<b>837</b>
Reverse repo transactions	12,850	0	0	<b>12,850</b>
SparXpres	429	10	105	<b>545</b>
Leasing	6,238	299	54	<b>6,590</b>
<b>Total</b>	<b>56,905</b>	<b>4,736</b>	<b>1,815</b>	<b>63,456</b>
<b>2020</b>				
Rating category 1	8,092	3	0	<b>8,095</b>
Rating category 2	6,986	281	0	<b>7,267</b>
Rating category 3	5,827	1,574	0	<b>7,402</b>
Rating category 4	5,821	1,798	0	<b>7,619</b>
Rating category 5	1,370	1,176	0	<b>2,546</b>
Rating category 6	311	510	0	<b>821</b>
Rating category 7	59	313	0	<b>372</b>
Rating category 8	37	183	0	<b>221</b>
Rating category 9	1	789	5	<b>795</b>
Default	18	163	1,675	<b>1,855</b>
Unrated	987	3	0	<b>989</b>
Reverse repo transactions	9,819	0	0	<b>9,819</b>
SparXpres	503	27	83	<b>612</b>
Leasing	4,830	606	105	<b>5,541</b>
<b>Total</b>	<b>44,661</b>	<b>7,426</b>	<b>1,868</b>	<b>53,955</b>

#### Unutilised credit lines and loan commitments before impairment and provisions, by rating group

The rating breakdown of Spar Nord's unutilised credit lines and loan commitments before impairment and provisions generally follow the rating breakdown for loans at amortised cost before impairment shown above.

A description of Spar Nord's internal rating categories and impairment model is provided in note 5.1.1.

#### Impairment and provisions for losses

Analysis of changes in impairment and provisions for losses during the period broken down by stages and correlated to recognised impairment, etc. A summary of total recognised impairment, etc. is provided in note 5.1.6 to the consolidated financial statements.

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	Stage 1	Stage 2	Stage 3	Total	Recognised impairment etc.
	DKKm	DKKm	DKKm	DKKm	DKKm
<b>2021</b>					
Impairment at 1 January, loans at amortised cost	170	543	929	<b>1,643</b>	-
Impairment at 1 January, unutilised credit lines and loan commitments	7	6	4	<b>17</b>	-
Impairment re. new exposures during the year, including new accounts to existing customers	47	6	40	<b>92</b>	92
Reversed impairment re. repaid accounts	36	52	72	<b>160</b>	160
Change in impairment at 1 January, transfer to/from stage 1	192	-167	-26	-	-
Change in impairment at 1 January, transfer to/from stage 2	-50	106	-56	-	-
Change in impairment at 1 January, transfer to/from stage 3	-20	-92	112	-	-
Impairment during the year due to change in credit risk	-174	-39	215	<b>3</b>	3
Previously impaired, now finally lost	0	0	-81	<b>-81</b>	-
Other movements (interest rate correction etc.)	0	0	16	<b>16</b>	-
Loss without prior impairment	-	-	-	-	55
Amounts recovered on previously impaired receivables	-	-	-	-	114
<b>Impairment and provisions for losses, end of period</b>	<b>136</b>	<b>311</b>	<b>1,081</b>	<b>1,529</b>	<b>-125</b>
Impairment at 31 December, loans at amortised cost	133	309	1,078	<b>1,520</b>	-117
Impairment at 31 December, unutilised credit lines and loan commitments	3	3	3	<b>9</b>	-8
<b>Impairment and provisions for losses, end of period</b>	<b>136</b>	<b>311</b>	<b>1,081</b>	<b>1,529</b>	<b>-125</b>
<b>2020</b>					
Impairment at 1 January, loans at amortised cost	134	258	1,061	<b>1,453</b>	-
Impairment at 1 January, unutilised credit lines and loan commitments	3	3	3	<b>9</b>	-
Impairment re. new exposures during the year, including new accounts to existing customers	53	18	31	<b>102</b>	102
Reversed impairment re. repaid accounts	19	27	87	<b>133</b>	133
Change in impairment at 1 January, transfer to/from stage 1	82	-45	-37	-	-
Change in impairment at 1 January, transfer to/from stage 2	-16	60	-43	-	-
Change in impairment at 1 January, transfer to/from stage 3	-2	-13	15	-	-
Impairment during the year due to change in credit risk	-56	295	112	<b>350</b>	350
Previously impaired, now finally lost	0	0	-138	<b>-138</b>	-
Other movements (interest rate correction etc.)	0	0	16	<b>16</b>	-
Loss without prior impairment	-	-	-	-	37
Amounts recovered on previously impaired receivables	-	-	-	-	64
<b>Impairment and provisions for losses, end of period</b>	<b>177</b>	<b>549</b>	<b>933</b>	<b>1,660</b>	<b>293</b>
Impairment at 31 December, loans at amortised cost	170	543	929	<b>1,643</b>	285
Impairment at 31 December, unutilised credit lines and loan commitments	7	6	4	<b>17</b>	8
<b>Impairment and provisions for losses, end of period</b>	<b>177</b>	<b>549</b>	<b>933</b>	<b>1,660</b>	<b>293</b>

The figures concerning newly established and repaid accounts may include administrative movements in which the balance is moved between two accounts for the same customer.

Loss without prior impairment expresses Spar Nord's recognised loans for which the loss is greater than impairment at the beginning of the year.

The exposures include exposures for which impairment has been reversed (impairment charges taken over) on customers acquired. At the end of 2021, reversal of impairment was DKK 42 million.

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#### 7.23.2 Due from credit institutions and central banks

	2021	2020
	DKKm	DKKm
Due from credit institutions and central banks before impairment	2,486	1,259
Impairment	1	1
<b>Carrying amount</b>	<b>2,485</b>	<b>1,259</b>

The following tables show the credit quality and exposures before impairment based on Spar Nord's internal rating system divided into stages.

A description of Spar Nord's internal rating groups and impairment model is provided in accounting policies note 5.1.1 to the consolidated financial statements.

#### Due from credit institutions and central banks before impairment

	Stage 1	Stage 2	Stage 3	Total
	DKKm	DKKm	DKKm	DKKm
<b>2021</b>				
Credit institutions	2,486	0	0	<b>2,486</b>
Central banks	0	0	0	<b>0</b>
<b>Total</b>	<b>2,486</b>	<b>0</b>	<b>0</b>	<b>2,486</b>

<b>2020</b>				
Credit institutions	1,198	0	0	<b>1,198</b>
Central banks	61	0	0	<b>61</b>
<b>Total</b>	<b>1,259</b>	<b>0</b>	<b>0</b>	<b>1,259</b>

#### Impairment

Analysis of changes in impairment for the period broken down by stages and correlated to recognised impairment, etc. is set out in note 5.1.6 to the consolidated financial statements.

	Stage 1	Stage 2	Stage 3	Total	Recognised impairment etc.
	DKKm	DKKm	DKKm	DKKm	DKKm
<b>2021</b>					
Impairment, beginning of year	1	0	0	<b>0</b>	0
Impairment re. new exposures during the year, including new accounts to existing customers	4	0	0	<b>4</b>	4
Reversed impairment re. repaid accounts	4	0	0	<b>4</b>	4
Change in impairment at 1 January, transfer to/from stage 1	0	0	0	-	-
Change in impairment at 1 January, transfer to/from stage 2	0	0	0	-	-
Change in impairment at 1 January, transfer to/from stage 3	0	0	0	-	-
Impairment during the year due to change in credit risk	0	0	0	<b>0</b>	0
<b>Impairment, end of year</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>0</b>

<b>2020</b>					
Impairment, beginning of year	1	0	0	<b>0</b>	-
Impairment re. new exposures during the year, including new accounts to existing customers	1	0	0	<b>1</b>	1
Reversed impairment re. repaid accounts	0	0	0	<b>0</b>	0
Change in impairment at 1 January, transfer to/from stage 1	0	0	0	-	-
Change in impairment at 1 January, transfer to/from stage 2	0	0	0	-	-
Change in impairment at 1 January, transfer to/from stage 3	0	0	0	-	-
Impairment during the year due to change in credit risk	-1	0	0	<b>-1</b>	-1
<b>Impairment, end of year</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

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#### 7.23.3 Guarantees

	2021	2020
	DKKm	DKKm
Guarantees before provisions for losses	17,628	15,648
Provisions for losses	62	57
<b>Carrying amount</b>	<b>17,566</b>	<b>15,591</b>

The following tables show the credit quality and exposures before impairment based on Spar Nord's internal rating system divided into stages.

A description of Spar Nord's internal rating groups and impairment model is provided in accounting policies note 5.1.1 to the consolidated financial statements.

#### Guarantees before provisions, by rating category

	Stage 1	Stage 2	Stage 3	Total
	DKKm	DKKm	DKKm	DKKm
<b>2021</b>				
Rating category 1	7,977	3	0	<b>7,979</b>
Rating category 2	3,778	49	1	<b>3,828</b>
Rating category 3	2,256	290	1	<b>2,547</b>
Rating category 4	1,001	331	2	<b>1,334</b>
Rating category 5	361	104	0	<b>466</b>
Rating category 6	71	49	1	<b>121</b>
Rating category 7	17	12	0	<b>29</b>
Rating category 8	8	4	0	<b>13</b>
Rating category 9	0	168	3	<b>172</b>
Default	8	45	112	<b>165</b>
Unrated	974	0	0	<b>974</b>
<b>Total</b>	<b>16,451</b>	<b>1,057</b>	<b>120</b>	<b>17,628</b>

<b>2020</b>				
Rating category 1	6,900	2	0	<b>6,902</b>
Rating category 2	3,365	36	0	<b>3,401</b>
Rating category 3	1,855	218	0	<b>2,073</b>
Rating category 4	1,041	203	0	<b>1,244</b>
Rating category 5	453	103	0	<b>557</b>
Rating category 6	77	48	0	<b>125</b>
Rating category 7	17	17	0	<b>34</b>
Rating category 8	6	12	0	<b>18</b>
Rating category 9	1	135	0	<b>135</b>
Default	15	64	139	<b>218</b>
Unrated	940	0	0	<b>940</b>
<b>Total</b>	<b>14,671</b>	<b>838</b>	<b>139</b>	<b>15,648</b>

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#### Provisions for losses

Analysis of changes in impairment during the period broken down by stages and correlated to recognised impairment, etc. A summary of total recognised impairment, etc. is provided in note 5.1.6 to the consolidated financial statements.

	Stage 1	Stage 2	Stage 3	Recognised Total impairment etc.	
	DKKm	DKKm	DKKm	DKKm	DKKm
<b>2021</b>					
Provisions for losses at 1 January	18	32	7	<b>57</b>	-
Provisions for losses re. new exposures during the year	25	21	4	<b>50</b>	50
Reversed provisions for losses re. repaid exposures	18	31	3	<b>52</b>	52
Change in provisions for losses at 1 January, transfer to/from stage 1	9	-7	-2	-	-
Change in provisions for losses at 1 January, transfer to/from stage 2	-5	6	-1	-	-
Change in provisions for losses at 1 January, transfer to/from stage 3	0	0	0	-	-
Provisions for losses during the year due to change in credit risk	-11	14	3	<b>7</b>	7
<b>Provisions for losses at 31 December</b>	<b>19</b>	<b>35</b>	<b>8</b>	<b>62</b>	<b>5</b>
<b>2020</b>					
Provisions for losses at 1 January	17	5	18	<b>40</b>	-
Provisions for losses re. new exposures during the year	20	1	4	<b>24</b>	24
Reversed provisions for losses re. repaid exposures	14	6	10	<b>29</b>	29
Change in provisions for losses at 1 January, transfer to/from stage 1	1	-1	0	-	-
Change in provisions for losses at 1 January, transfer to/from stage 2	-1	4	-3	-	-
Change in provisions for losses at 1 January, transfer to/from stage 3	0	0	0	-	-
Provisions for losses during the year due to change in credit risk	-5	29	-3	<b>21</b>	21
<b>Provisions for losses at 31 December</b>	<b>18</b>	<b>32</b>	<b>7</b>	<b>57</b>	<b>17</b>

The change in portfolio impairment was driven by an increase in gross lending and movements between the stages as illustrated in the table, which is the result of a change in customers' credit risk. In addition, impairment are affected by impaired macroeconomic factors.

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#### 7.24 Hedge accounting

<b>2021</b>	<b>Carrying amount</b>	<b>Fair value</b>	<b>Nominal value</b>
	<b>DKKm</b>	<b>DKKm</b>	<b>DKKm</b>
<b>Liabilities</b>			
Issued bonds at amortised cost	1,455	1,459	1,483
Interest risk-hedging financial instruments			
Derivatives (swap contracts)	-24	-24	1,483
<b>Shown by term to maturity</b>	<b>Within 1 year</b>	<b>1– 5 years</b>	<b>Over 5 years</b>
	<b>DKKm</b>	<b>DKKm</b>	<b>DKKm</b>
Nominal value of issued bonds at amortised cost	0	1,109	373
Interest risk-hedging financial instruments, derivatives (synthetic principal)	0	1,109	373
<b>2020</b>	<b>Carrying amount</b>	<b>Fair value</b>	<b>Nominal value</b>
	<b>DKKm</b>	<b>DKKm</b>	<b>DKKm</b>
<b>Liabilities</b>			
Issued bonds at amortised cost	399	400	400
Interest risk-hedging financial instruments			
Derivatives (swap contracts)	0	0	400
<b>Shown by term to maturity</b>	<b>Within 1 year</b>	<b>1– 5 years</b>	<b>Over 5 years</b>
	<b>DKKm</b>	<b>DKKm</b>	<b>DKKm</b>
Nominal value of issued bonds at amortised cost	0	400	0
Interest risk-hedging financial instruments, derivatives (synthetic principal)	0	400	0

Spar Nord pursues a strategy of mitigating the interest rate risk on its strategic funding either by using the interest rate risk from strategic funding to hedge the interest rate risk on fixed-rate agreements in other business areas outside the Trading Division or, secondarily, to hedge the interest rate risk on strategic loans using derivatives and applying the rules on hedge accounting.

The Bank assesses the potential hedging of interest rate risk in connection with each loan, partly to ensure that the Bank hedges fixed-rate agreements outside the Trading Division, and partly to avoid unnecessary interest rate exposure on its strategic funding.

The Bank does not expect the Ciber transition to have any material impact on this hedging activity.

Financial liabilities meeting the criteria for hedged items are regularly monitored. For issued bonds at amortised cost/fair value, hedging is made at the time of issuance with an interest rate swap with the same yield/maturity profile.

The effectiveness of such hedging is measured on a continuing basis.

The table below shows the value adjustment of hedged assets and hedging derivatives recognised under market value adjustments.

	<b>2021</b>	<b>2020</b>
	<b>DKKm</b>	<b>DKKm</b>
<b>Hedging of fixed-interest assets</b>		
Hedging of issued bonds	24	-3
Hedging derivatives	-24	3
<b>Impact on profit/loss</b>	<b>0</b>	<b>0</b>

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#### 7.25 Related parties

	Parties with significant influence		Associates		Group entities		Board of Directors		Executive Board	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	DKKm	DKKm	DKKm	DKKm	DKKm	DKKm	DKKm	DKKm	DKKm	DKKm
Loans, advances and loan commitments	50	50	15	15	-	-	35	28	10	3
Deposits	1	4	25	48	93	81	29	24	10	8
Guarantees issued	-	-	-	-	-	-	-	-	-	0
Other binding commitments	-	-	-	-	-	-	-	13	-	0
Collateral accepted	102	123	-	-	48	48	11	11	-	-
Interest income	0	0	-	0	-	-	0	1	0	0
Interest expenses	0	-	0	-	-	-	0	0	0	0
Fees, charges and commissions received	1	1	0	0	0	0	2	3	0	0
Dividends received from equity investments	-	-	36	49	0	75	-	-	-	-
Other income	1	1	-	-	0	0	-	-	-	-
Other expenses	-	-	-	-	7	7	-	-	-	-
Dividends paid	36	-	-	-	-	-	0	-	0	-

Related parties with significant influence are shareholders with holdings exceeding 20% of Spar Nord Bank A/S, or where significant influence is otherwise considered to exist.

Note 6.11 to the consolidated financial statements contains a list of group enterprises.

The Danish companies in the Group are jointly taxed, which means that the Parent Company is liable for the payment of Danish corporate income tax. In 2021, joint tax contributions in the amount of DKK 3 million (2020: DKK 3 million) were transferred between the companies.

A demand balance exists between Aktieselskabet Skelagervej 15 and the Spar Nord Parent Company, carrying interest at the market rate.

Commitments and transactions with members of the Board of Directors and Executive Board comprise personal commitments of such parties and of their related parties. Commitments and transactions with retired and new members of the Board of Directors and Executive Board have been recognised up to and including the date of retirement and as from the date of appointment, as the case may be.

	Board of Directors		Executive Board	
	2021	2020	2021	2020
	DKKm	DKKm	DKKm	DKKm
Loans and advances	22	27	6	3
Unutilised loan and guarantee commitments	13	1	4	0
Guarantees issued	-	-	-	0
<b>Total loans and advances, loan commitments and guarantees</b>	<b>35</b>	<b>28</b>	<b>10</b>	<b>3</b>
Interest rate, loans (%)	1.00 - 3.81	1.00 - 6.75	2.25 - 3.95	1.00 - 3.95

No transactions were concluded during the year with members of the Board of Directors, the Executive Board or executive staff members, other than transactions involving salary, remuneration, etc., securities trading and loans and provision of collateral. More details regarding the remuneration of the Board of Directors, the Executive Board and material risk takers appear from note 2.7.

Employee-elected directors are eligible for bank staff loans/credits. MasterCard and VISA debit balances are interest free for the Bank's customers, as well as for the Executive Board and Board of Directors.

The respective shareholdings of the Executive Board and the Board of Directors are shown in note 6.9 to the consolidated financial statements.

Other related party transactions, including credit facilities, are concluded on an arm's length basis.

Related parties holding at least 5% of the Bank's share capital at end-2021 comprised the Spar Nord Foundation, Aalborg, with a holding of 19.3% (2020: 19.3%) and Nykredit Realkredit A/S, Copenhagen, with a holding of 14.0% (2020: 14.0%).

The figures above do not include any bonds issued by Spar Nord that rank as debt, subordinated debt or additional tier 1 (AT1) capital, as such bonds are bearer securities. In such cases, Spar Nord Bank does not know the identity of the creditors. Spar Nord Bank shares may be registered in the name of the holder.

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#### 7.26 Performance indicators and financial ratios

##### Performance indicators

DKKm	2021	2020	2019	2018	2017
<b>Income statement</b>					
Net interest and fee income	3,356	2,881	2,858	2,730	2,711
Market value adjustments	315	373	320	214	379
Staff costs and administrative expenses	2,132	2,007	1,924	1,865	1,869
Impairment of loans, advances and receivables etc.	-120	309	22	173	-7
Income from investments in associates and group enterprises	116	41	120	50	51
Profit/loss for the year	1,370	738	1,060	921	991
<b>Balance sheet</b>					
Lending	61,936	52,312	51,312	44,330	46,747
Equity	11,924	10,390	9,761	9,241	8,975
Total assets	116,626	102,155	93,246	82,917	80,597

##### Financial ratios

###### Own funds

Own funds ratio	20.7	21.0	18.4	18.0	18.1
Tier 1 capital ratio	18.2	18.6	16.1	15.6	15.9

###### Earnings

Return on equity before tax	%	15.2	9.1	13.7	12.1	14.2
Return on equity after tax	%	12.3	7.3	11.2	10.2	11.3
Income/cost ratio		1.80	1.38	1.64	1.52	1.65
Return on assets	%	1.2	0.7	1.1	1.1	1.2

###### Market risk and liquidity

Interest rate risk	%	0.9	1.1	0.6	0.2	0.7
Foreign exchange position	%	0.7	0.9	1.0	1.4	3.3
Foreign exchange risk	%	0.1	0.1	0.1	0.1	0.1
Liquidity Coverage Ratio (LCR)	%	278	239	192	172	182
Excess coverage relative to statutory liquidity requirement	%	-	-	-	-	325.2
Loans and advances as % of deposits	%	69.3	66.3	72.5	67.5	72.4

###### Credit risk

Loans and advances relative to equity		5.2	5.0	5.3	4.8	5.2
Increase in loans and advances for the year	%	15.5	-1.5	9.1	6.7	6.6
Sum of large exposures	%	81.7	78.1	83.6	79.2	17.2
Impairment ratio for the year		-0.1	0.4	0.1	0.2	0.0

##### The Spar Nord Bank share

###### DKK per share of DKK 10

Profit/loss for the year	11.1	6.0	8.6	7.5	8.1
Net asset value (NAV)	87	78	72	68	66
Dividend	2.5	1.5	0.0	3.5	3.5
Share price/profit/loss for the period	7.5	10.0	7.6	6.9	8.9
Share price/NAV	1.0	0.8	0.9	0.8	1.1

A definition of financial ratios is provided in note 6.13.1 to the consolidated financial statements.





The Annual Report has been prepared in a Danish and an English version. In case of discrepancy between the Danish-language original text and the English-language translation, the Danish text shall prevail.

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