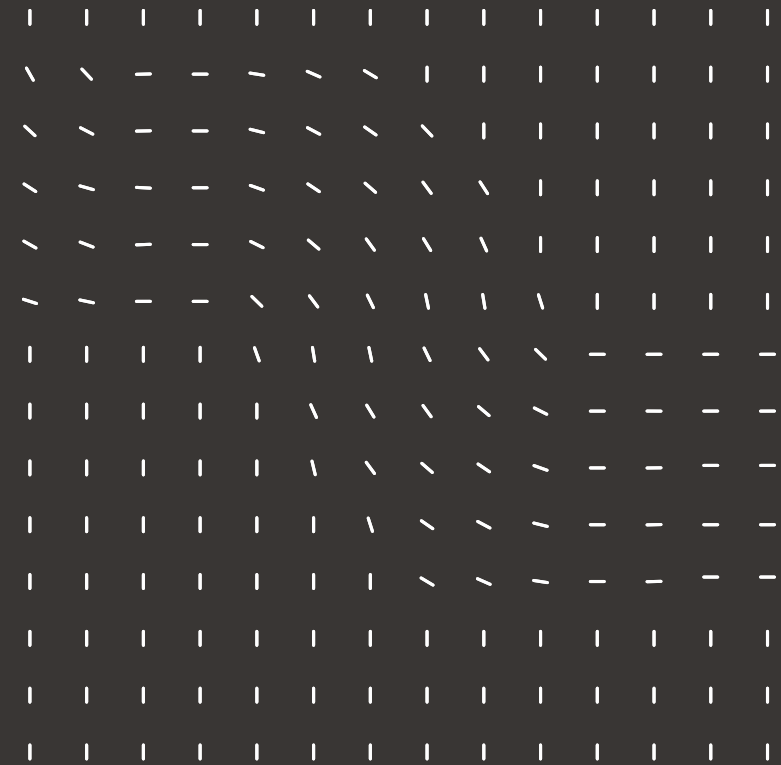


# Presentation of Spar Nord's financial results for H1 2022

Lasse Nyby, CEO  
18 August 2022



# Net profit of DKK 507 million and ROE of 9.1%

## Headlines from the income statement

- Net interest income grows 5% (y/y) due to growth in business volume and active initiatives on the deposit side
- Net fee income increases by 11% (y/y)
- Total market value adjustments markedly affected by negative market value adjustments from equities and bonds
- Costs increase 2% due to higher IT costs, other costs items normalized following COVID-19 and establishment of new branches
- Loan impairments was an income of DKK 2 million
  - Management estimate roughly unchanged
- Compared to end-2021, total credit distribution grew DKK 5.1 billion – but decline in total business volume of DKK 2.2 billion
- Further strengthened strategic liquidity and unchanged solid capital position

SPAR NORD BANK DKKm	Realized YTD 2022	Realized YTD 2021	Index	Realized Q2 2022	Realized Q1 2022	Index
Net interest income	886	846	105	450	436	103
Net fees, charges and commissions	852	768	111	414	438	95
Market-value adjustments and dividends	-7	216	-	-14	7	-
Other income	52	79	66	17	35	50
<b>Core income</b>	<b>1,783</b>	<b>1,910</b>	<b>93</b>	<b>868</b>	<b>915</b>	<b>95</b>
Staff costs	704	705	100	348	357	98
Operating expenses	472	449	105	236	236	100
<b>Costs and expenses</b>	<b>1,176</b>	<b>1,154</b>	<b>102</b>	<b>584</b>	<b>592</b>	<b>99</b>
<b>Core earnings before impairment</b>	<b>606</b>	<b>755</b>	<b>80</b>	<b>284</b>	<b>322</b>	<b>88</b>
Impairments of loans and advances, etc.	-2	-101	2	5	-7	-
<b>Profit before tax</b>	<b>608</b>	<b>856</b>	<b>71</b>	<b>279</b>	<b>329</b>	<b>85</b>
Tax	101	170	59	48	53	90
<b>Profit</b>	<b>507</b>	<b>686</b>	<b>74</b>	<b>231</b>	<b>276</b>	<b>84</b>

# Net interest income up by 5%

- **Net interest income amounted to DKK 886 million versus DKK 846 million last year**

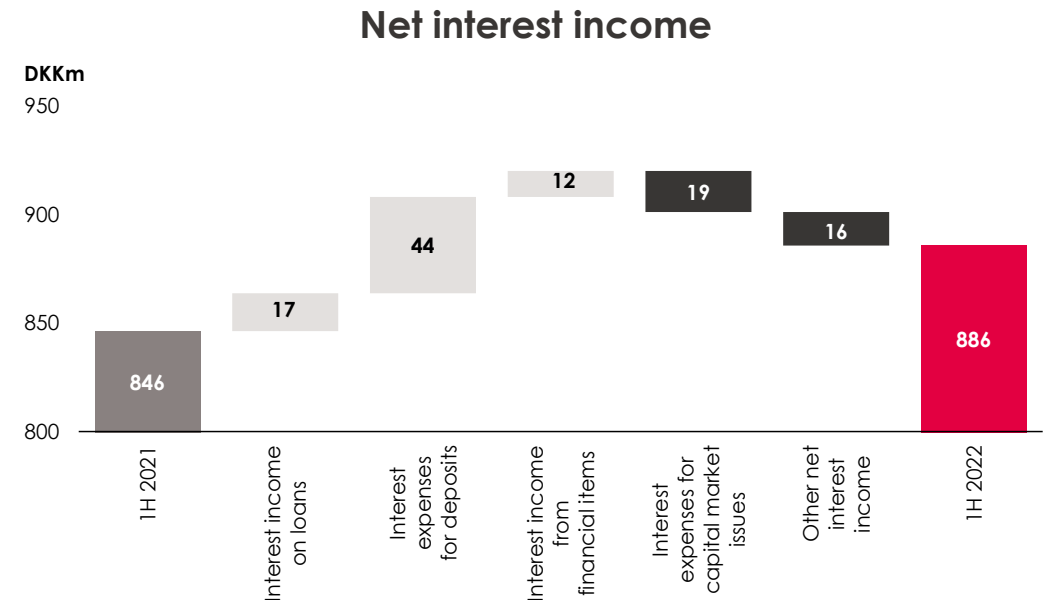
- Interest expenses on deposits improved by DKK 44 million via active initiatives and deposit growth
- Interest income from lending up by DKK 17 million as a net effect of growth in business volume and a continued margin pressure
- Increase in interest expenses for capital market issues of DKK 19 million due to additional issue of MREL capital
- Net of other items contributed an additional DKK 4 million in interest expenses

- **Total lending of DKK 51.8 billion – increase of DKK 2.7 billion (6%) year-to-date**

- Lending to corporates and SMEs has grown DKK 1.7 billion
- Leasing business has grown DKK 0.7 billion
- Lending to private customers up by DKK 0.5 billion
- Lending to public-sector customers reduced by DKK 0.2 billion

- **From Q1 2022 to Q2 2022 NII has grown from DKK 436 million to DKK 450 million**

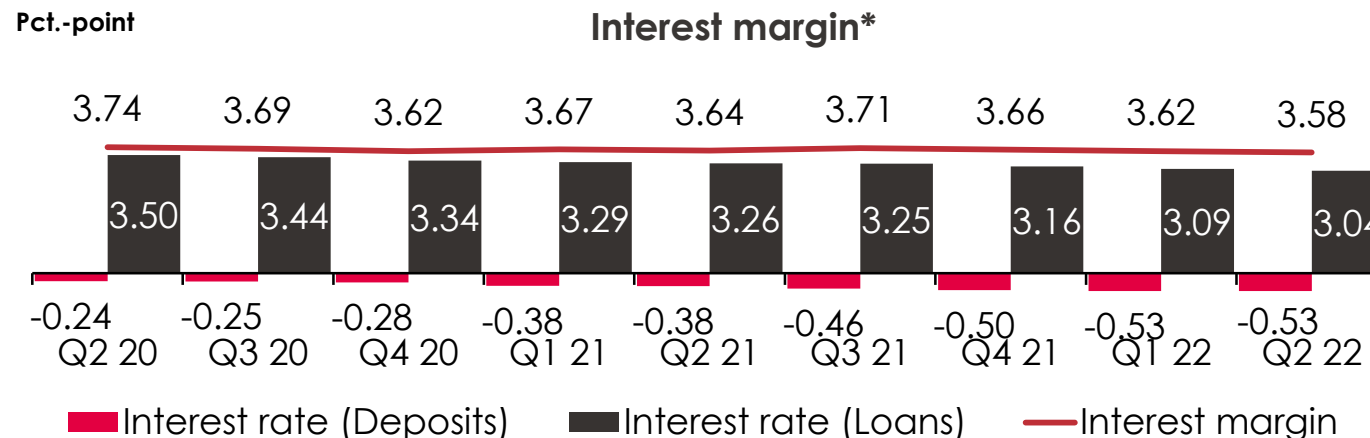
- Increased interest income following growth in both deposits and loans and one additional interest day



DKKm	Q2 '22	Q1 '22	Q4 '21	Q3 '21	Q2 '21
Interest income on loans	381	373	389	383	375
Interest expenses for deposits	-82	-74	-73	-70	-60
<b>Net interest income, deposits and loans</b>	<b>463</b>	<b>447</b>	<b>462</b>	<b>453</b>	<b>435</b>
Interest income from financial deposits	32	30	28	28	25
Interest expenses for capital market issuance	26	26	26	25	18
Other net interest income	-20	-16	-16	-15	-11
<b>Total net interest income</b>	<b>450</b>	<b>436</b>	<b>448</b>	<b>442</b>	<b>432</b>

# Continued margin pressure

- **Compared to 12 months ago, total interest margin is increased by 6 basis points**
  - The lending rate is down 22 basis points
  - Active initiatives on pricing lead to 15 basis points improvement of the deposit rate
- **Total interest margin has decreased by 4 basis points since Q1 2022**
  - The lending rate is down 5 basis points
  - The deposit rate is unchanged



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

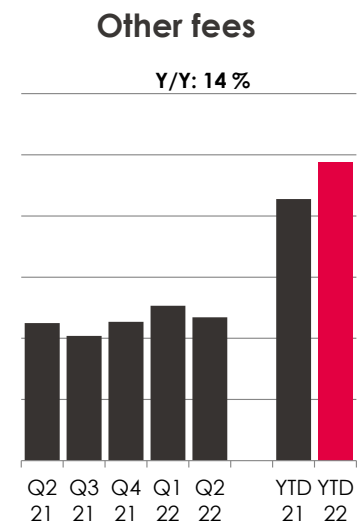
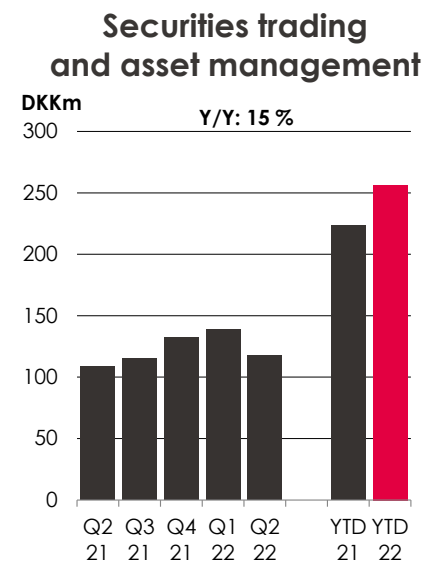
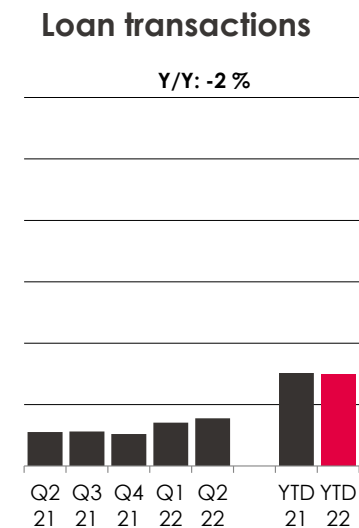
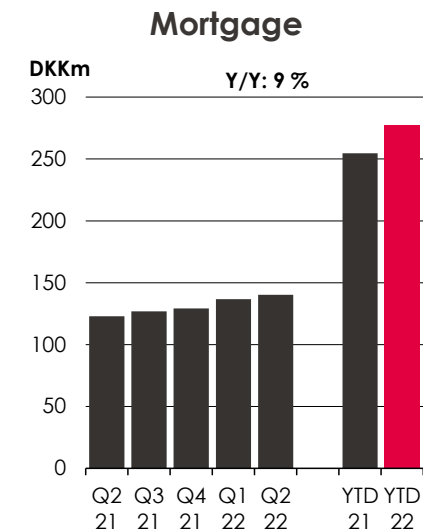
# Net fee income increases by 11%

- **Net fee income amounted to DKK 852 million versus DKK 768 million in H1 2021**
  - Income from mortgage distribution grew 9% due to volume growth in recent years and high remortgaging activity
  - Other loan transactions fees down 2%. In H1 2022, remortgaging activity has almost reached the level from H1 2021, but a decrease in housing transactions
  - Securities trading and asset management grew by 15% follow solid growth in AUM in recent years
  - Fee income from payments, insurance sales etc. up by 14% due to higher net fees from payment services and cards, insurance and pension and adjustments of the Bank's fee structure during 2021

- **Net fee income in Q2 2022 of DKK 414 million – down by DKK 24 million compared to Q1 2022**

- Lower trading activities within securities in Q2 2022
- Other fees included non-recurring elements in Q1 2022

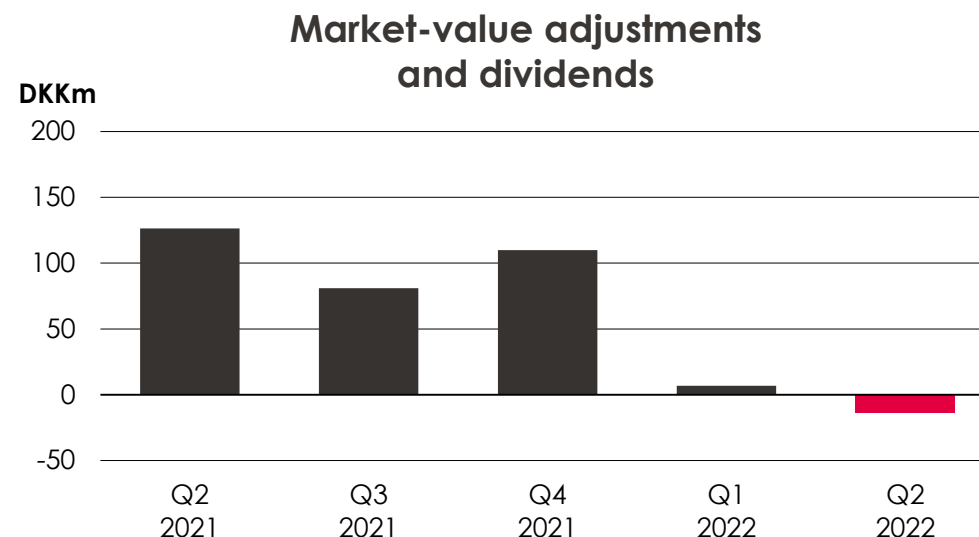
DKKm	Q2 '22	Q1 '22	Q4 '21	Q3 '21	Q2 '21
Mortgage fee	140	137	130	126	123
Other transaction fees	39	35	26	29	27
Securities and asset management	118	139	132	115	109
Other fees	117	127	113	102	113
<b>Total net fees</b>	<b>414</b>	<b>438</b>	<b>401</b>	<b>372</b>	<b>372</b>



# Negative market-value adjustment in the Trading division

## - Satisfactory market-value adjustments from strategic shareholdings and currency trade and -agio

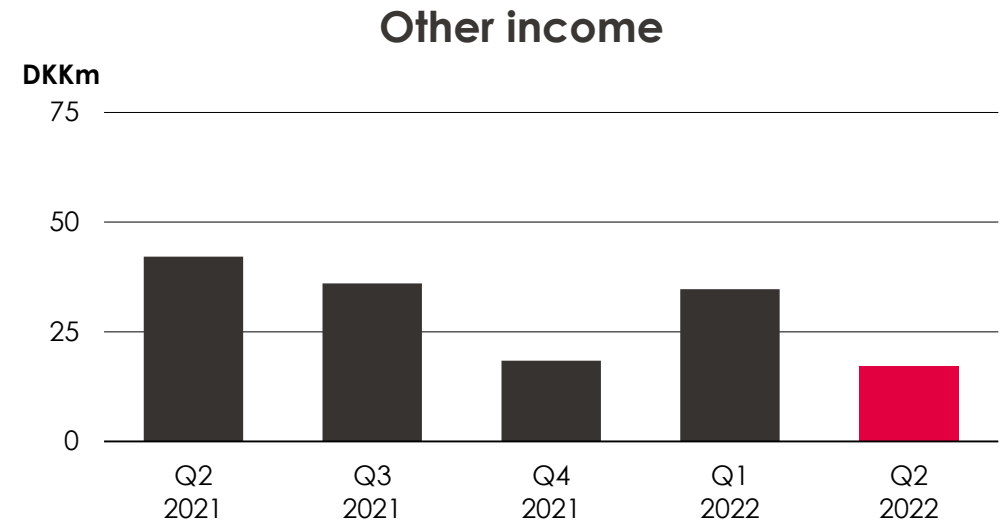
- **Market-value adjustments and dividends amounted to DKK -7 million versus DKK 216 million in H1 2021**
  - Market value adjustments on equities and bonds were DKK -159 million in H1 2022
    - In the Trading Division, market value adjustments on equities were DKK -41 million while bonds were DKK -117 million in H1 2022
  - Market value adjustments and dividends on the portfolio of strategic shares and currency trade and -agio were a satisfactory total of DKK 152 million in H1 2022
    - Market value adjustments and dividends on the portfolio of strategic shares in the financial sector of DKK 104 million – DKK 9 million lower than in the year-earlier period
    - Market value adjustments from currency trading and exchange rate gains amounted to DKK 48 million driven by persistently high customer activity in H1 2022
- **From Q1 2022 to Q2 2022 market value adjustments decreased from DKK 7 million to DKK -14 million**
  - Lower market value adjustments from portfolio of strategic shares in the financial sector



DKKm	Q2 '21	Q3 '21	Q4 '21	Q1 '22	Q2 '22
Market-valued adjustments in Trading Division	35	0	25	-81	-78
Tangible assets incl. dividends	71	58	63	64	40
Currency trade and -agio	21	23	22	24	24
<b>Total</b>	<b>126</b>	<b>81</b>	<b>110</b>	<b>7</b>	<b>-14</b>

# Decline in other income

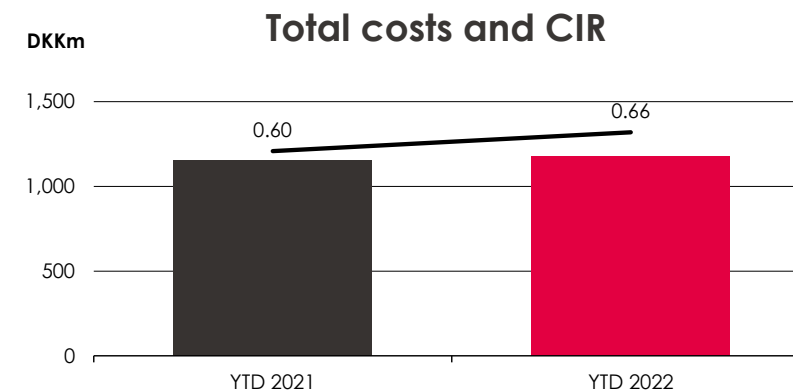
- **Other income amounted to DKK 52 million versus DKK 79 million in H1 2021**
  - Other income were DKK 27 million lower in H1 2022 – driven by lower income from investments in associates
  - Of total other income in H1 2022, investments in associates amounted to DKK 31 million, which was mainly attributable to Spar Nord's holding of shares in Danske Andelskassers Bank (DAB) and Vækst-Invest Nordjylland



DKKm	Q2 '21	Q3 '21	Q4 '21	Q1 '22	Q2 '22
Other operating income	12	9	11	11	10
Income from investments in associates	30	27	8	24	7
<b>Other income, total</b>	<b>42</b>	<b>36</b>	<b>18</b>	<b>35</b>	<b>17</b>
Hereof, Danske Andelskassers Bank	17	18	12	19	2

# Costs increases by 2%

- **Total costs amounted to DKK 1,176 million versus DKK 1,154 million in H1 2021**
  - H1 2021 was affected by one-off costs related to the integration of BankNordik's Danish business
- **Payroll costs were unchanged**
  - 1,627 employees by end of H1 2022, which was 19 more than at end of Q4 2021
  - The increase was mainly driven by the new branch in Hørsholm and the new banking areas on Lolland-Falster and in Allerød
- **Operating expenses up by DKK 23 million (5%)**
  - Rise in IT costs owing to the expiry of a fixed-price agreement with BEC and a greater business volume relating, among other things, to the acquisition of BankNordik's Danish business
  - Several other cost items were also higher than in the year-earlier period, which was affected by COVID-19
- **Cost/Income Ratio of 0.66 – above the strategic target of 0.65**



## Breakdown on cost types

Costs (DKKm)	YTD 2022	YTD 2021	Change
Staff costs	704	705	-1
Operating expenses	472	449	23
<b>Costs and expenses</b>	<b>1,176</b>	<b>1,154</b>	<b>22</b>

Operating expenses (DKKm)	YTD 2022	YTD 2021	Change
Staff-related expenses	18	18	0
Travel expenses	7	3	4
Marketing costs	30	26	4
IT expenses	271	266	5
Cost of premises	27	26	0
Other administrative expenses	69	63	5
Depreciation	50	45	4
<b>Operating expenses</b>	<b>472</b>	<b>449</b>	<b>23</b>



# Net reversals on loan impairments

## - Persistently strong customer credit quality

- **Loan impairments amounted to DKK -2 million against DKK -101 million in H1 2021**

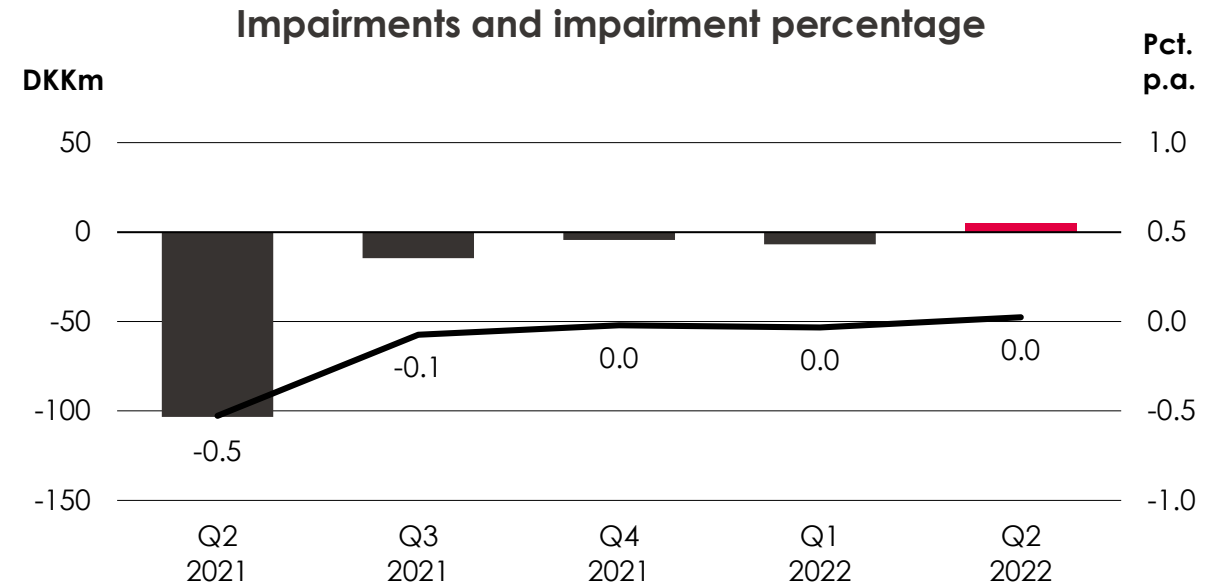
- A persistently strong customer credit quality resulted in reduced impairment changes and management estimates in stage 3
- Increased model-calculated impairment and management estimates in stages 1 and 2 due to uncertainty attaching to the effects of the war in Ukraine, rising interest rates and inflation and concerns about future economic growth

- **Breakdown on segments**

- Private: DKK -7 million
- Consumer finance: DKK -6 million
- Corporate ex. agriculture: DKK 39 million
- Agriculture: DKK -28 million

- **At the end of H1 2022, total management estimate was DKK 526 million**

- Management estimate of DKK 194 million concerning the war in Ukraine and rising rates and inflation increased to DKK 222 million
- Management estimate concerning COVID-19 reduced to DKK 85 million
- Other management estimates concerning collateral value of private properties, model uncertainty, etc. and agriculture totalled DKK 219 million



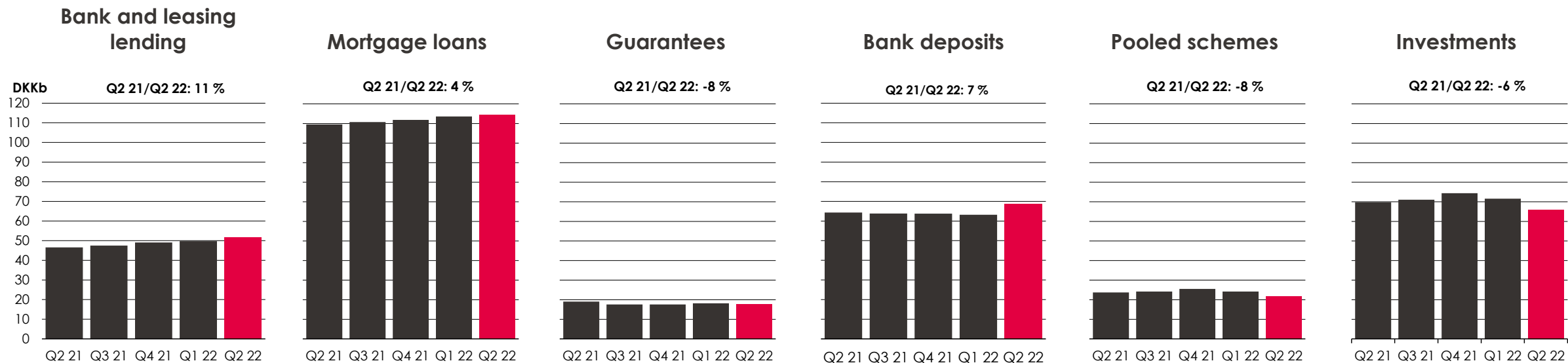
### Management estimates

DKKm	2021 Q2	2021 Q3	2021 Q4	2022 Q1	2022 Q2
War in Ukraine and rising rates and inflation				194	222
COVID-19	320	346	295	150	85
Agriculture (land prices)	139	125	105	101	98
Model uncertainty etc.	97	76	71	46	64
Collateral values on private property		62	65	49	57
<b>Total management estimates</b>	<b>556</b>	<b>610</b>	<b>536</b>	<b>540</b>	<b>526</b>

# Continuing increase in credit distribution

## - Bank and leasing loans now exceeds DKK 50 billion

- End of H1 2022, total business volume amounts to DKK 344.0 billion – DKK 2.2 billion (0.6%) lower than end-2021
- Continued positive trend in total credit distribution
  - Bank and leasing lending were up by 2.7 billion (Private: DKK 0.5 billion / Corporate: DKK 2.2 billion) and distribution of mortgage loans grew by DKK 2.4 billion
    - Total facilitation of mortgage loans from Totalkredit amounted to DKK 103.0 billion
    - Bank and leasing loans amounted to DKK 51.8 billion
- Deposit growth – but decline in pooled pension savings
  - Bank deposits were up DKK 4.9 billion (Private: DKK 1.2 billion / Corporate: DKK 3.7 billion) while deposits in pooled schemes were down DKK 3.7 billion
- Customers' invested assets were down by DKK 8.4 billion



# Solid capital position despite share buyback and growth

- **Capital ratios**

- CET1: 15.6 (strategic target: 13.5)
- Own funds ratio: 19.9 (strategic target: 17.5)

- **Individual solvency requirement of 9.5% and combined buffer requirement of 3.5%**

- Excess coverage of 6.7 percentage points or DKK 4.1 billion

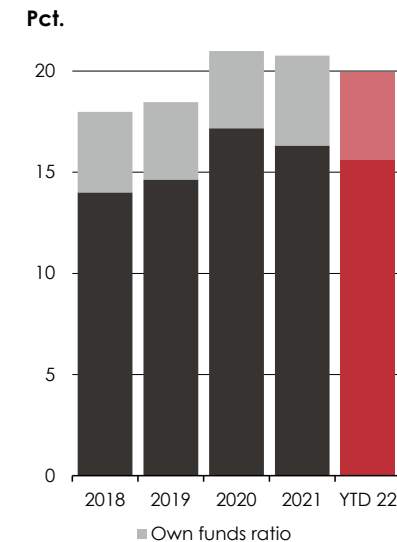
- **CET1 unchanged and own funds ratio reduced by 0.1 percentage points compared to end of Q1 2022**

- Compared with Q1 2022, the Bank's own funds are largely unchanged
  - The recognition of the profit for the period strengthened own funds by DKK 507 million
  - Deductions for expected dividends of DKK 254 million and the share buyback programme of DKK 225 million reduced own funds
- The total risk exposure amount increased marginally in Q2 2022
  - Decrease in Credit risk exposure was primarily due to the implementation of a new and more precise capital calculation system
  - Increase in market risk exposure was primarily driven by an increased bond portfolio

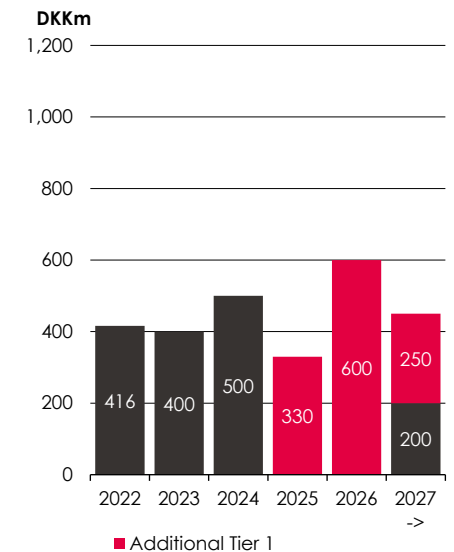
- **Issue of Tier 2 capital**

- On 30 June 2022, Spar Nord issued tier 2 capital for DKK 500 million with a value date on 7 July 2022. The issued capital is therefore not included in the Bank's own funds at 30 June 2022

**Capital ratios**



**Maturity profile for subordinated debt**



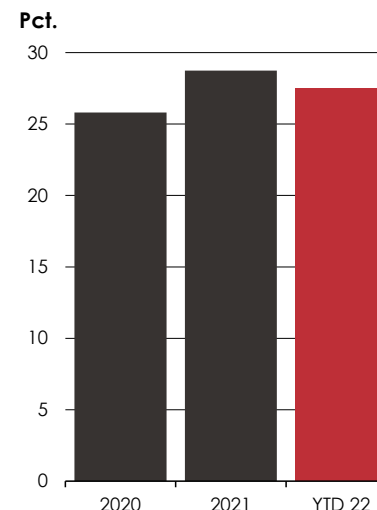
**Capital base**

Pct.	Q2 2022	Q1 2022	2021	2020
<b>Common equity Tier 1 capital ratio</b>	<b>15.6</b>	<b>15.6</b>	<b>16.3</b>	<b>17.2</b>
Additional Tier 1	1.9	1.9	1.9	1.4
Deductions in additional Tier 1	0.0	0.0	0.0	0.0
<b>Tier 1 capital ratio</b>	<b>17.5</b>	<b>17.6</b>	<b>18.3</b>	<b>18.6</b>
Tier 2 capital	2.4	2.5	2.5	2.4
Deductions in own funds	0.0	0.0	0.0	0.0
<b>Own funds ratio</b>	<b>19.9</b>	<b>20.0</b>	<b>20.8</b>	<b>21.0</b>

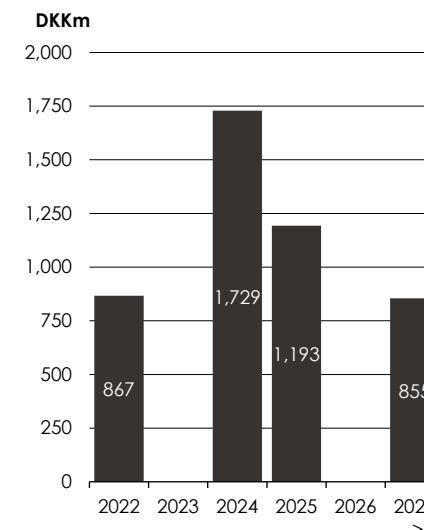
# Comfortable coverage for MREL requirement

- **MREL and combined buffer percentage was 27.5% which is 0.4 percentage points lower than end of Q1 2022**
- **Excess coverage, MREL requirement of 4.0% per 30 June 2022**
  - The Danish FSA's phasing in of the remaining part of MREL requirement towards the beginning of 2024:
    - 10% phase in on 1 January 2023
    - 10% phase in on 1 January 2024
- Fully phased in by 1 January 2024, the requirement means that Spar Nord must have total capital of about 29% of the total risk exposure
  - Assuming a countercyclical buffer of 2.5%
- Spar Nord currently expects to issue additional MREL capital for DKK 2.0-3.0 billion in 2022, of which DKK 0.9 billion will be for the financing of potential early redemption of existing MREL capital

**MREL and combined buffer percentage**



**Maturity profile for MREL capital**



**MREL requirement and -coverage**

DKKb	Q2 2022	Q1 2022	2021	2020
Own funds	12.2	12.2	12.6	11.5
Senior Non-Preferred	4.6	4.8	4.8	2.7
Deduction – separate combined buffer requirement	-2.1	-2.1	-2.1	-1.9
<b>Total MREL-eligible liabilities</b>	<b>14.7</b>	<b>14.9</b>	<b>15.3</b>	<b>12.2</b>

Pct.	Q2 2022	Q1 2022	2021	2020
MREL and combined buffer percentage	27.5	27.9	28.7	25.8
MREL and combined buffer requirement	23.5	23.8	23.6	19.6
<b>Excess coverage, MREL requirement</b>	<b>4.0</b>	<b>4.1</b>	<b>5.1</b>	<b>6.2</b>

# Strategic liquidity further strengthened

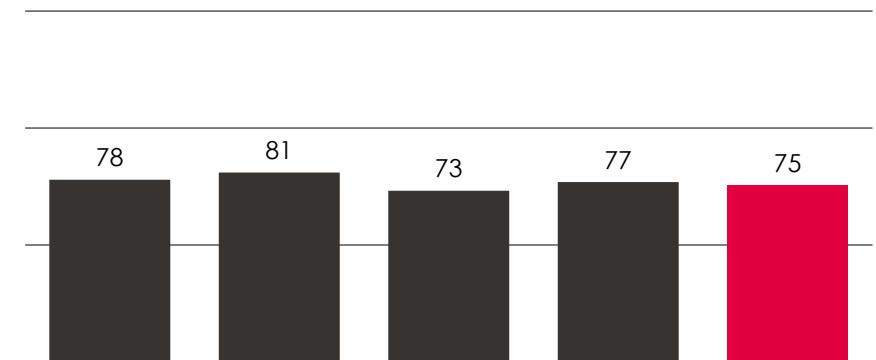
- **Strategic liquidity up by DKK 1.8 billion in H1 2022**
  - Increase in deposits of DKK 4.9 billion
  - Increase in banking and leasing activities of DKK 2.7 billion
- **End of June 2022, LCR stood at 212%**
- **End of June 2022, NSFR stood at 125%**

## Strategic liquidity

DKKb	YTD 2022	2021	2020
Deposits, banking activities	68.7	63.8	58.1
Seniorfunding	4.6	4.8	2.7
Core capital and sub. capital	13.3	13.4	11.7
<b>Stable long term funding</b>	<b>86.6</b>	<b>82.1</b>	<b>72.5</b>
Loans, banking and leasing activities	51.8	49.1	42.5
Maturity < 1 year	0.0	0.0	0.0
<b>Strategic liquidity</b>	<b>34.8</b>	<b>33.0</b>	<b>30.0</b>

## Loan to deposit ratio\*

Pct.



2018 2019 2020 2021 YTD 22 13

\* Banking and leasing lending relative to bank deposits

# Guidance for 2022

- On the basis of its financial results in H1 2022 and outlook for the second half, Spar Nord retains its financial guidance for 2022
  - Core earnings before impairments expected to be in the DKK 1,300-1,600 million range
  - Owing to persistently strong economic trends and adequate management estimates, Spar Nord only expects moderate loan impairment charges
  - Profit after tax expected to be in the DKK 1,000-1,250 million range