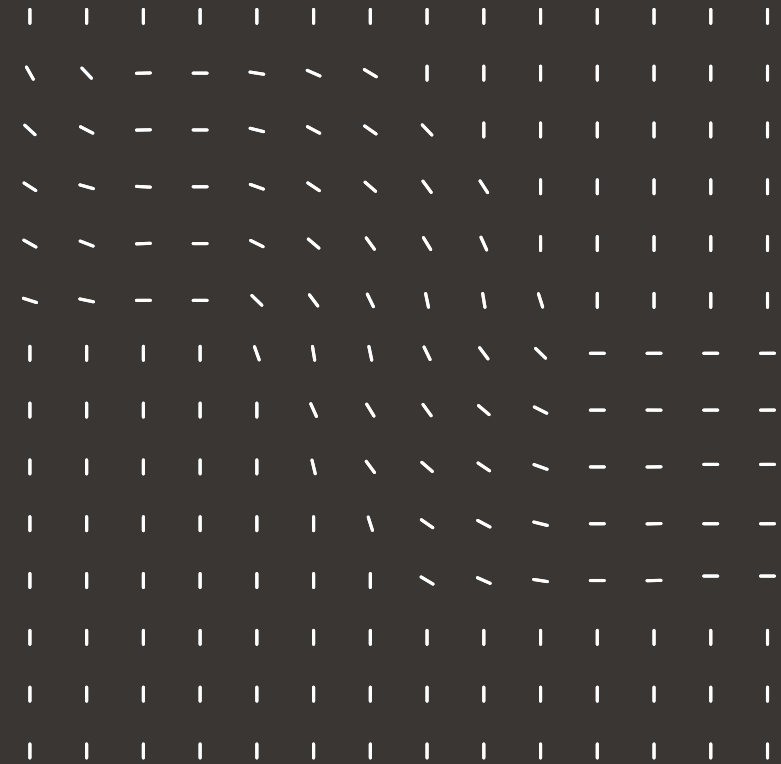


# Presentation of Spar Nord's financial results for Q1 – Q3 2022



Lasse Nyby, CEO  
3 November 2022

# Net profit of DKK 868 million and ROE of 10.3%

## Headlines from the income statement

- Net interest income grows 7% (y/y) due to rising interest rates, growth in business volume and active initiatives on the deposit side
- Net fee income increases by 12% (y/y)
- Positive market-value adjustments from sector shares and exchange rate gains while market value adjustments from equities and bonds were negative
- Costs increase 4% due to other costs items normalized following COVID-19, higher IT costs and collective wage increase
- Modest loan impairments of DKK 21 million in Q1-Q3 2022, where management estimate was increased by DKK 40 million
- Total business volume of DKK 342.1 billion at end of Q3 2022
  - Growth in total credit distribution of DKK 8.4 billion (y/y)
- Strong liquidity and funding and solid capital position

SPAR NORD BANK DKKm	Realized YTD 2022	Realized YTD 2021	Index	Realized Q3 2022	Realized Q2 2022	Index
Net interest income	1,384	1,288	107	499	450	111
Net fees, charges and commissions	1,280	1,140	112	428	414	103
Market-value adjustments and dividends	58	297	20	65	-14	-
Other income	81	115	71	29	17	170
<b>Core income</b>	<b>2,804</b>	<b>2,841</b>	<b>99</b>	<b>1,021</b>	<b>868</b>	<b>118</b>
Staff costs	1,024	1,010	101	320	348	92
Operating expenses	704	657	107	232	236	98
<b>Costs and expenses</b>	<b>1,728</b>	<b>1,667</b>	<b>104</b>	<b>552</b>	<b>584</b>	<b>94</b>
<b>Core earnings before impairment</b>	<b>1,076</b>	<b>1,174</b>	<b>92</b>	<b>470</b>	<b>284</b>	<b>165</b>
Impairments of loans and advances, etc.	21	-116	-	22	5	-
<b>Profit before tax</b>	<b>1,055</b>	<b>1,289</b>	<b>82</b>	<b>447</b>	<b>279</b>	<b>160</b>
Tax	187	256	73	86	48	179
<b>Profit</b>	<b>868</b>	<b>1,034</b>	<b>84</b>	<b>361</b>	<b>231</b>	<b>156</b>

# Net interest income up by 7%

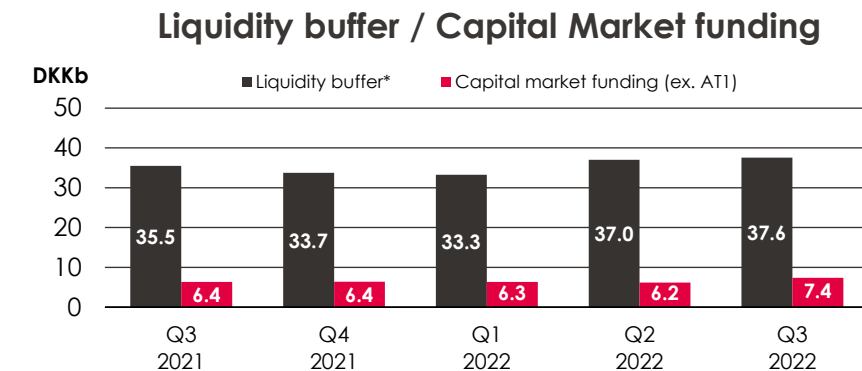
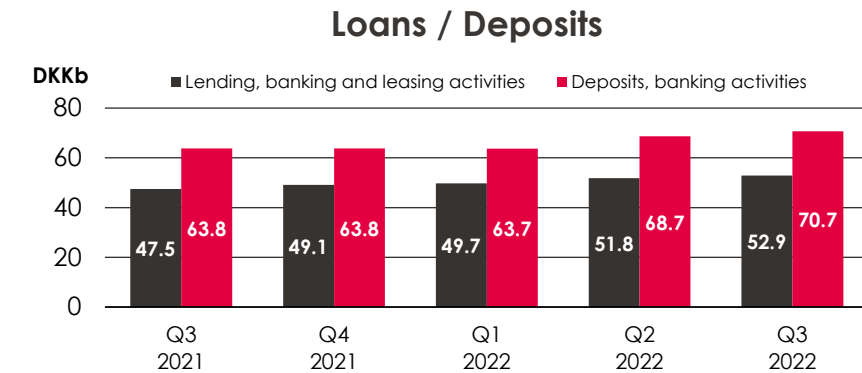
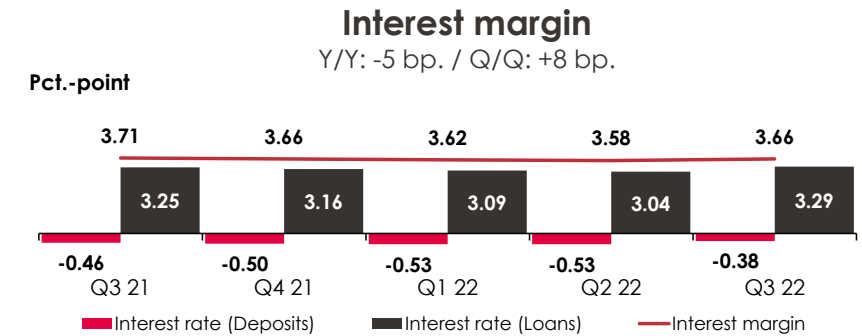
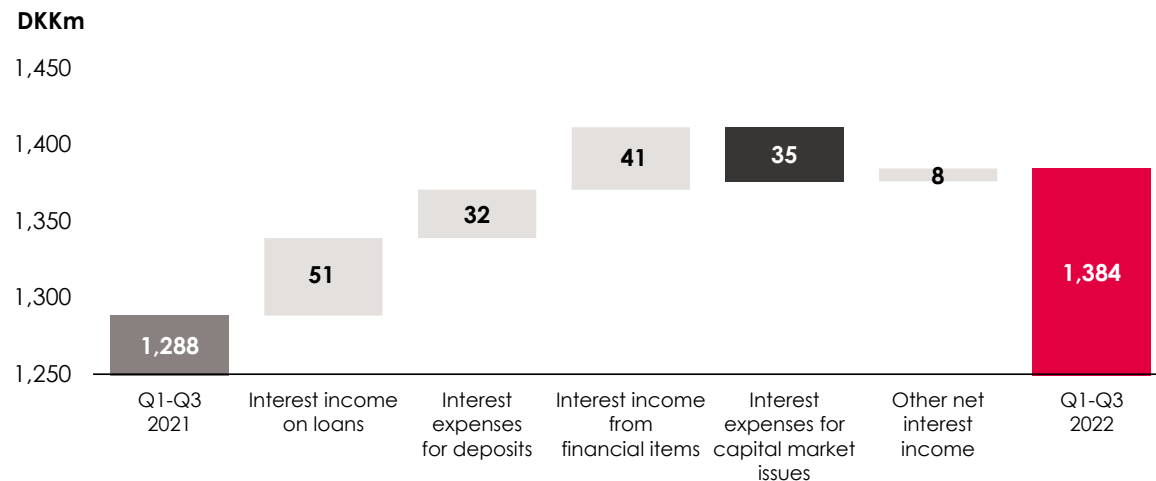
- **Net interest income amounted to DKK 1,384 million versus DKK 1,288 million last year**

- Surging policy and market rates and implementation of interest rate changes
  - CoD +50 bp. per 21/7-2022: Impact on deposits and loans by 1/9-2022 (private and corporate)
  - CoD +75 bp. per 9/9-2022: Impact on deposits and loans by 16/9-2022 (private)  
Impact on deposits by 16/9-2022 and loans by 17/10-2022 (corporate)
- Growth in deposits and loans, but pressure on average interest margin

- **Total lending of DKK 52.9 billion – y/y increase of DKK 5.4 billion (11%)**

- Lending to corporates and SMEs has grown DKK 3.2 billion (YTD: DKK 2.1 billion)
- Leasing business has grown DKK 1.3 billion (YTD: DKK 1.1 billion)
- Lending to private customers up by DKK 0.7 billion (YTD: DKK 0.8 billion)
- Lending to public-sector customers up by DKK 0.2 billion (YTD: DKK -0.2 billion)

- **Interest bearing assets of DKK 90 billion versus interest bearing liabilities of DKK 78 billion**

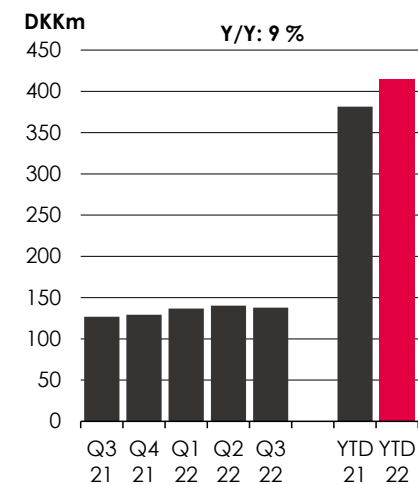


\* Central bank assets, bond portfolio and lending, reverse repo transactions

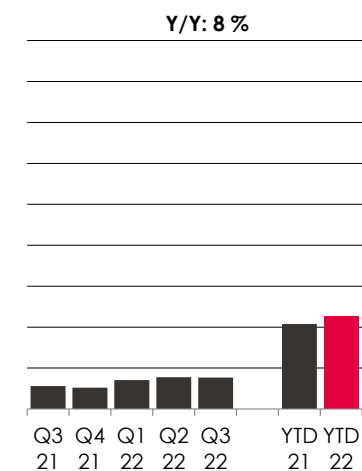
# Net fee income increases by 12%

- Net fee income amounted to DKK 1,280 million versus DKK 1,140 million in Q1-Q3 2021
  - Income from mortgage distribution grew by 9% due to volume growth in recent years
  - Other loan transactions fees up by 8%. In Q1-Q3 2022, remortgaging activity above the level from Q1-Q3 2021, but a decrease in housing transactions
  - Securities trading and asset management grew by 12% follow solid growth in AUM in recent years
  - Fee income from payments, insurance sales etc. up by 18% due to higher net fees from payment services and cards, insurance and pension and adjustments of the Bank's fee structure during 2021

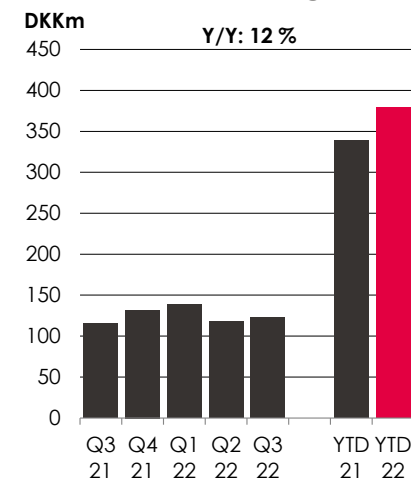
### Mortgage



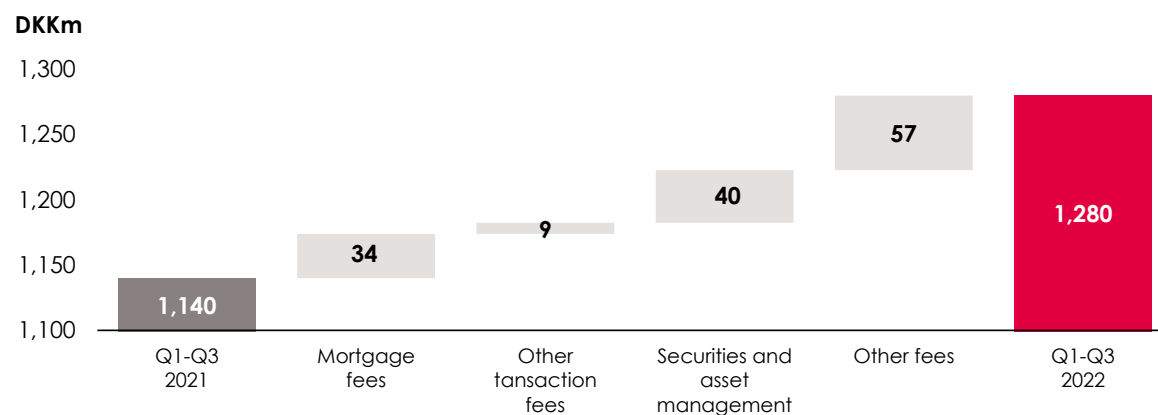
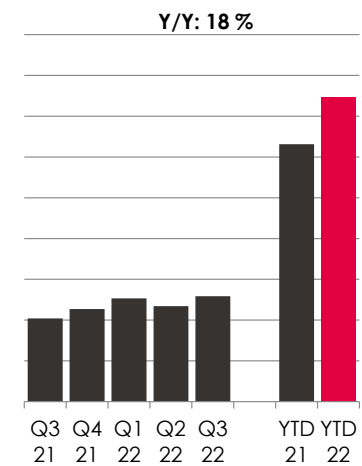
### Other Transactions fees



### Securities trading and asset management



### Other fees



# Positive market value adjustments from sector shares and customer activity

## - Negative market-value adjustment in the Trading division

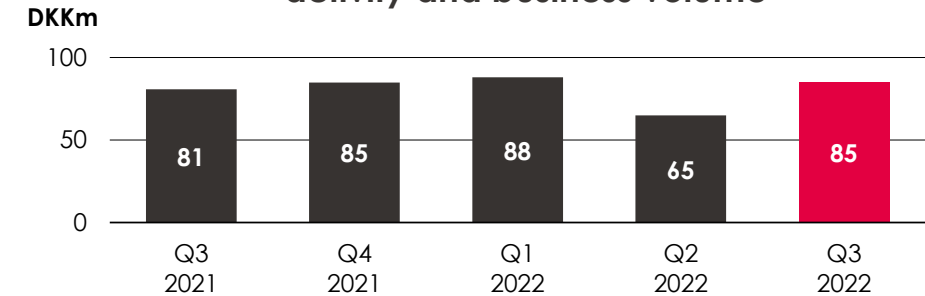
- **Market-value adjustments and dividends amounted to DKK 58 million versus DKK 297 million in Q1-Q3 2021**

- Satisfactory market value adjustments from customer activity and business volume of DKK 238 million in Q1-Q3 2022
  - Market value adjustments and dividends on the portfolio of strategic shares in the financial sector of DKK 167 million – DKK 4 million lower than in the year-earlier period
  - Market value adjustments from currency trading and exchange rate gains amounted to DKK 71 million driven by high customer activity in Q1-Q3 2022
- Market value adjustments on equities and bonds were DKK -179 million in Q1-Q3 2022
  - In the Trading Division, market value adjustments on equities were DKK -42 million while bonds were DKK -137 million in Q1-Q3 2022

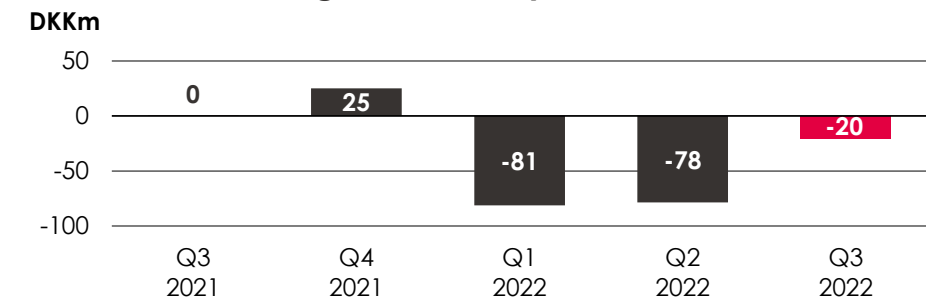
- **From Q2 2022 to Q3 2022 market value adjustments increased from DKK -14 million to DKK 65 million**

- Higher market value adjustments from portfolio of strategic shares in the financial sector and less negative market value adjustments from equities and bonds

Market value adjustments from customer activity and business volume



Trading Division, equities and bonds

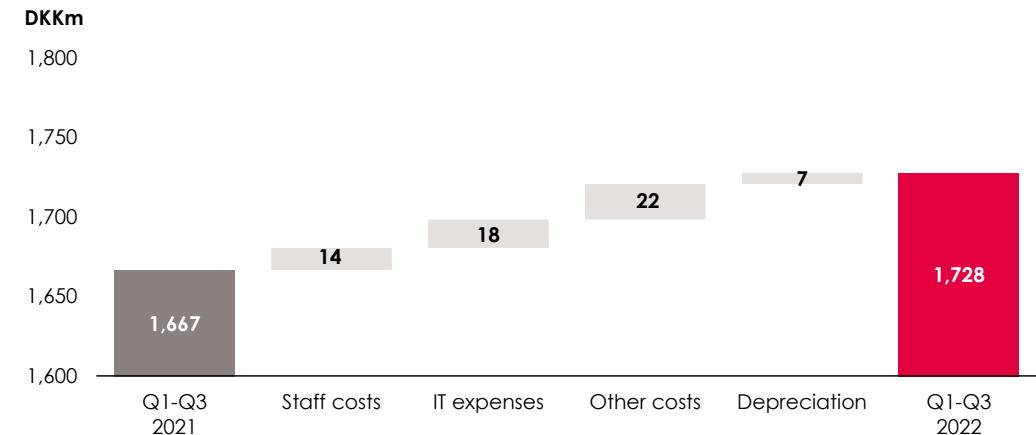


DKKm	Q3 '21	Q4 '21	Q1 '22	Q2 '22	Q3 '22
Tangible assets incl. dividends	58	63	64	40	63
Currency trade and -agio	23	22	24	25	22
<b>Market value adjustments from customer activity and business volume</b>	<b>81</b>	<b>85</b>	<b>88</b>	<b>65</b>	<b>85</b>
Market value adjustments, equities	4	17	-17	-24	-1
Market value adjustments, bonds	-4	8	-64	-54	-19
<b>Market value adjustments in Trading Division</b>	<b>0</b>	<b>25</b>	<b>-81</b>	<b>-78</b>	<b>-20</b>
<b>Total market value adjustments and dividends</b>	<b>81</b>	<b>110</b>	<b>7</b>	<b>-14</b>	<b>65</b>

# Costs increases by 4%

- **Total costs amounted to DKK 1,728 million versus DKK 1,667 million in Q1-Q3 2021**
  - Q1-Q3 2021 was affected by one-off costs of DKK 40 million related to the integration of BankNordik's Danish business
- **Payroll costs increases by DKK 14 million (1%)**
  - 1,636 employees by end of Q3 2022, which was 12 more than at end of Q3 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 47 million (7%)**
  - 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 (travel-, marketing- and other costs) were also higher than in the year-earlier period, which was affected by COVID-19
- **Cost/Income Ratio of 0.62 – better than strategic target of 0.65 (YTD 2021: 0.59)**

Trend in costs



Breakdown on cost types

Operating expenses (DKKm)	YTD 2022	YTD 2021	Change
Staff-related expenses	29	28	1
Travel expenses	11	6	5
Marketing costs	48	40	8
IT expenses	405	388	18
Cost of premises	41	40	2
Other administrative expenses	95	87	8
Depreciation	75	68	7
<b>Operating expenses</b>	<b>704</b>	<b>657</b>	<b>47</b>

# Modest loan impairment charges

## - A persistently strong customer credit quality

- **Loan impairments amounted to DKK 21 million against DKK -116 million in Q1-Q3 2021**

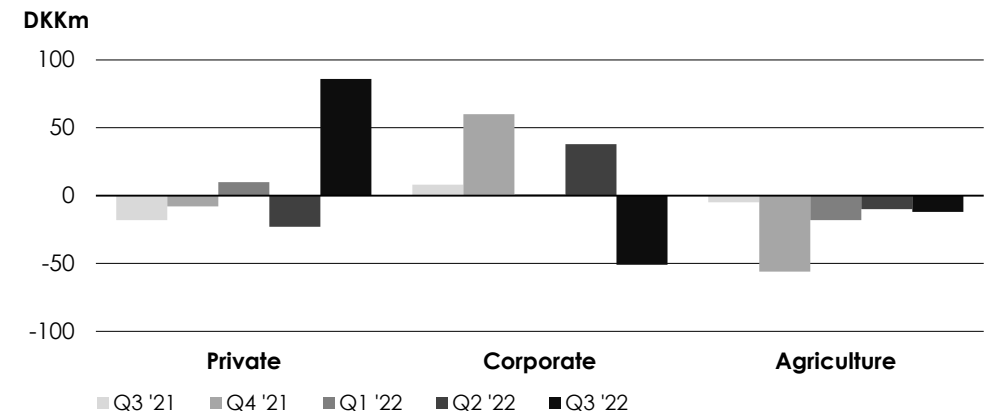
- Continued decline in the number of exposures flagged for OEI and improved credit quality resulted in lower impairment charges and stage 3 management estimates of DKK 217 million
- Increase in model-calculated impairment charges and management estimates in stages 1 and 2 of DKK 252 million due to more negative macroeconomic variables related primarily to retail customers and updated assumptions and expectations for the impacts of rising inflation and interest rates, declining economic growth and falling housing prices
- Impact on profits breaks down into DKK 73 million to private customers, DKK -12 million to corporate customers (ex. agriculture) and DKK -40 million attributable to agricultural customers

- **At the end of Q3 2022, total management estimate was DKK 576 million**

- Broken down into DKK 298 million on private customers and DKK 278 million on corporate customers
- "Inflation and housing prices" of DKK 317 million related to:
  - Stress of private customers with natural gas or electricity as a heating source
  - Stress of private customers in the lowest rating groups
  - Stress of all customers' PD level with the expectation that this will increase in the coming months
  - Stress of housing prices

DKKm	2021 Q3	2021 Q4	2022 Q1	2022 Q2	2022 Q3
Loan impairment charges	-15	-4	-7	5	22
impairment percentage (p.a.)	0.0	0.0	0.0	0.0	0.0

### Breakdown on segments

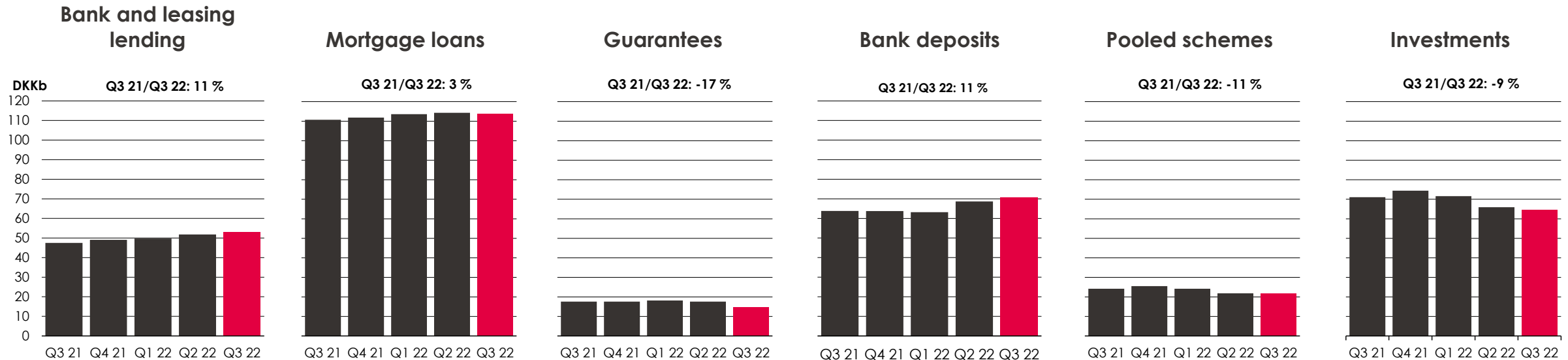


DKKm	2021 Q3	2021 Q4	2022 Q1	2022 Q2	2022 Q3
Inflation and housing prices	62	65	243	279	317
COVID-19	347	295	150	85	84
Agriculture, land prices	125	105	101	98	86
Model uncertainty etc.	76	71	46	64	89
<b>Total management estimates</b>	<b>610</b>	<b>536</b>	<b>540</b>	<b>526</b>	<b>576</b>

# Growth in total business volume (y/y)

## - Continued positive trend in credit distribution

- End of Q3 2022, total business volume amounts to DKK 342.1 billion – DKK 3.5 billion (1%) higher than end of Q3 2021
- Continued positive trend in credit distribution
  - Bank and leasing lending were up by DKK 5.4 billion (Private: DKK 0.7 billion / Corporate: DKK 4.7 billion) and distribution of mortgage loans grew by DKK 3.0 billion
  - Total facilitation of mortgage loans from Totalcredit amounted to DKK 102.5 billion
  - Bank and leasing loans amounted to DKK 52.9 billion
- Deposit growth – but decline in pooled pension savings
  - Bank deposits were up DKK 6.9 billion (Private: DKK 2.1 billion / Corporate: DKK 4.8 billion) while deposits in pooled schemes were down DKK 2.7 billion
- Customers' invested assets were down by DKK 6.4 billion





# Solid capital position

- **Capital ratios**

- CET1: 15.7 (strategic target: 13.5)
- Own funds ratio: 20.2 (strategic target: 17.5)

- **Individual solvency requirement of 9.6% and combined buffer requirement of 4.5%**

- Excess coverage of 5.8 percentage points or DKK 3.5 billion

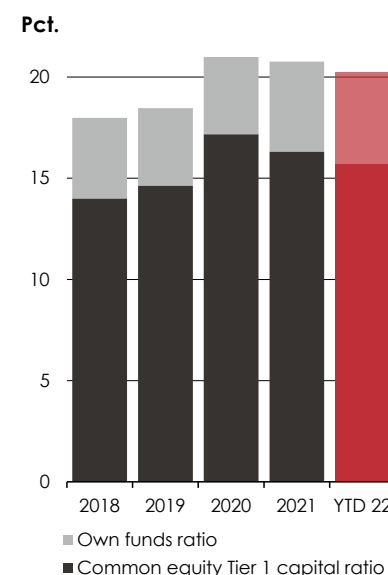
- **CET1 increased by 0.1 percentage points and own funds ratio strengthened by 0.3 percentage points compared to Q2 2022**

- Own funds strengthened by DKK 87 million in Q3 2022
  - + Issuance of Tier 2 capital of DKK 500 million
  - ÷ Announcement of early re-payment of Tier 2 capital of a little more than DKK 400 million in October 2022

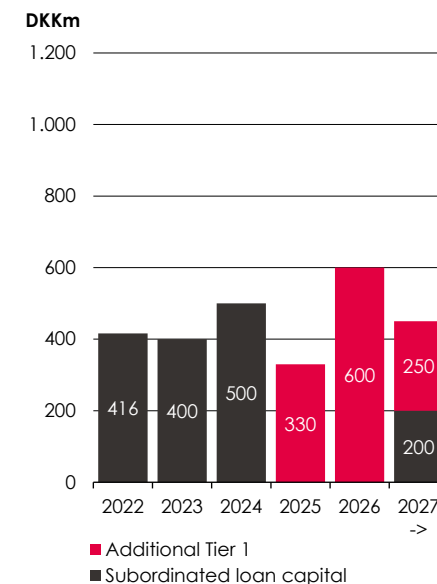
- Total risk exposure amount was DKK 0.4 billion lower than in Q2 2022

- Risk exposure for credit risk was increased by DKK 0.3 billion
  - + Growth in business volume within retail and business customers
  - + Investment of mortgage bonds for DKK 4.1 billion in the banking book
  - ÷ Substantial reduction in guarantees for retail customers
- Risk exposure for market risk was reduced by DKK 0.7 billion
  - ÷ Lower interest rate risk
  - ÷ Reduction of the Bank's share portfolio
  - ÷ Investment of mortgage bonds in the banking book

## Capital ratios



## Maturity profile for subordinated debt



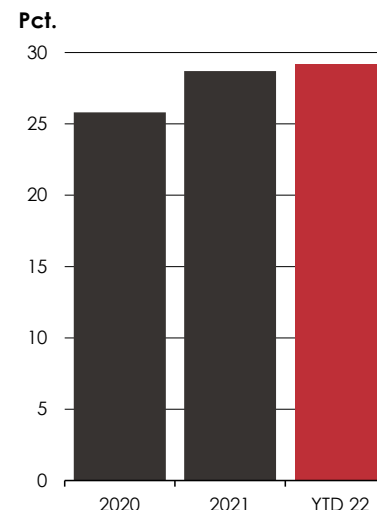
## Capital base

Pct. / DKKm	Q3 2022	Q2 2022	2021	2020
<b>Common equity Tier 1 capital ratio</b>	<b>15.7</b>	<b>15.6</b>	<b>16.3</b>	<b>17.2</b>
Additional Tier 1	1.9	1.9	1.9	1.4
<b>Tier 1 capital ratio</b>	<b>17.6</b>	<b>17.5</b>	<b>18.3</b>	<b>18.6</b>
Tier 2 capital	2.6	2.4	2.5	2.4
<b>Own funds ratio</b>	<b>20.2</b>	<b>19.9</b>	<b>20.8</b>	<b>21.0</b>
<b>Total risk exposure</b>	<b>60,885</b>	<b>61,319</b>	<b>60,479</b>	<b>54,865</b>
Of which credit risk	50,626	50,359	50,165	45,277
Of which market risk	3,759	4,461	4,140	3,994
Of which operational risk	6,499	6,499	6,174	5,594

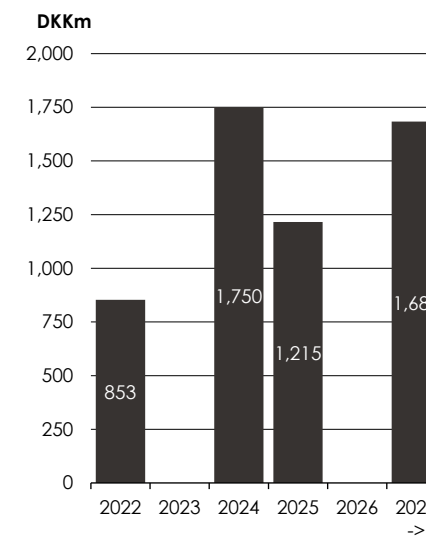
# Comfortable coverage for MREL requirement

- **MREL and combined buffer percentage was 29.2% which is 1.7 percentage points higher than end of Q2 2022**
  - Additional MREL capital for DKK 0.8 billion was issued in Q3 2022:
    - NOK 600 million with 5-year maturity and fixed coupon of mid-swap + 190 bps.
    - NOK 200 million with 5-year maturity and floating coupon of 3m NIBOR + 200 bps.
    - SEK 350 million with term of 4.5NC3.5 and fixed coupon of mid-swap + 180 bps.
- **Excess coverage, MREL requirement of 4.7% per 30 September 2022**
  - The Danish FSA's phasing in of the remaining part of MREL requirement towards the beginning of 2024:
    - 10% phased in on 1 January 2023
    - 10% phased 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%
  - With due consideration to ensuring an even maturity structure and the current opportunities and prices of issues, Spar Nord regularly considers the need for and timing of issuing additional MREL capital

**MREL and combined buffer percentage**



**Maturity profile for MREL capital**



**MREL requirement and -coverage**

DKKb	Q3 2022	Q2 2022	2021	2020
Own funds	12.3	12.2	12.6	11.5
Senior Non-Preferred	5.5	4.6	4.8	2.7
Deduction – separate combined buffer requirement	-2.7	-2.1	-2.1	-1.9
<b>Total MREL-eligible liabilities</b>	<b>15.1</b>	<b>14.7</b>	<b>15.3</b>	<b>12.3</b>

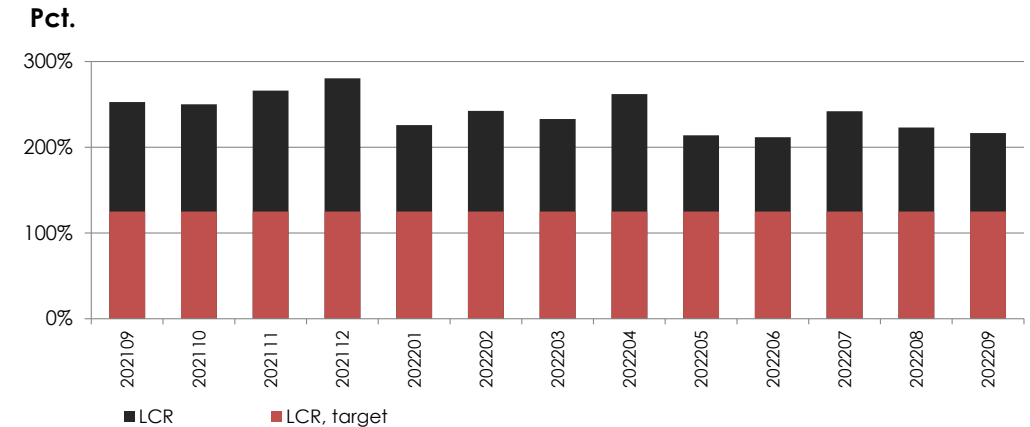
  

Pct.	Q3 2022	Q2 2022	2021	2020
MREL and combined buffer percentage	29.2	27.5	28.7	25.8
MREL and combined buffer requirement	24.6	23.5	23.6	19.6
<b>Excess coverage, MREL requirement</b>	<b>4.7</b>	<b>4.0</b>	<b>5.1</b>	<b>6.2</b>

# Strong liquidity and funding

- **End of September 2022, LCR stood at 217%**
  - Statutory requirement at 100% / Bank's own target at 125%
- **End of September 2022, NSFR stood at 127%**
  - Statutory requirement at 100% / Bank's own target at 105%
- **End of September 2022, deposits excluding pooled schemes amounted to 76% of the Bank's total funding**

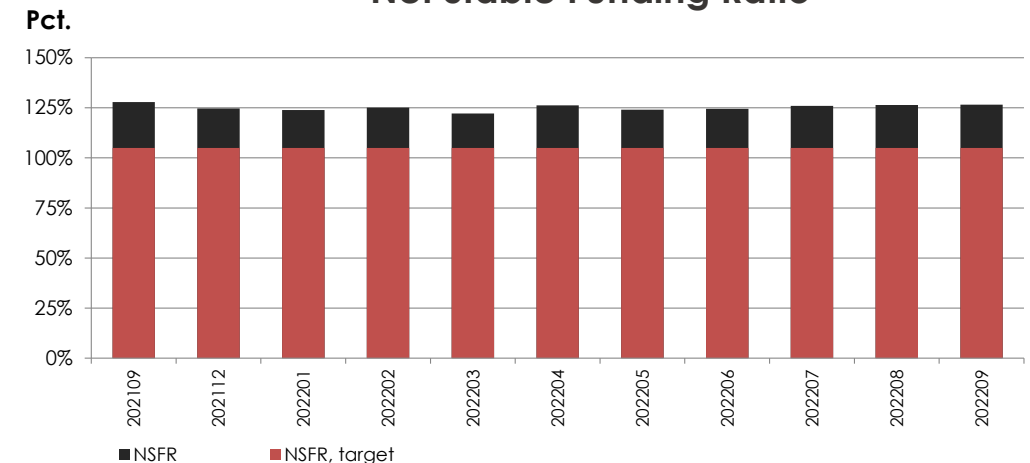
## Liquidity Coverage Ratio



## Funding profile

DKKb	2021 Q3	2021 Q4	2022 Q1	2022 Q2	2022 Q3
Money market funding	2.8	2.5	2.9	2.4	2.5
Deposits excluding pooled schemes	63.8	63.8	63.7	68.7	70.7
Issued bonds	4.8	4.8	4.8	4.6	5.4
Tier 2 capital and additional tier 1 capital	3.2	2.7	2.7	2.7	3.2
Shareholders' equity	10.4	10.7	10.7	10.6	10.8
<b>Total funding</b>	<b>85.0</b>	<b>84.5</b>	<b>84.8</b>	<b>89.0</b>	<b>92.5</b>

## Net Stable Funding Ratio



# Financial guidance for 2022 narrowed

- On the basis of its financial results in Q1-Q3 2022, Spar Nord narrows its financial guidance for 2022
  - For 2022, Spar Nord now expects core earnings before impairment to be at the upper end of a narrowed guidance range of DKK 1,450-1,600 million
  - Owing to strong credit quality among the Bank's customers, we still only expect modest loan impairment charges
  - Against this background, profit after tax is expected to be at the upper end of a narrowed guidance range of DKK 1,150-1,250 million

## 5-year history

DKKm	2021	2020	2019	2018	2017
<b>Core earnings before impairment</b>	<b>1,581</b>	<b>1,227</b>	<b>1,324</b>	<b>1,266</b>	<b>1,213</b>
Loan impairment charges	-120	309	22	173	-38
<b>Net profit</b>	<b>1,368</b>	<b>737</b>	<b>1,059</b>	<b>920</b>	<b>989</b>
ROE (pct.)	12.9	7.4	11.7	10.8	12.0