



Record-breaking result

Reporting overview 2022



[Risk Report 2022](#)

The Bank's risk report provides further information about the Bank's business model and risk management, including the Bank's risk management organisation.



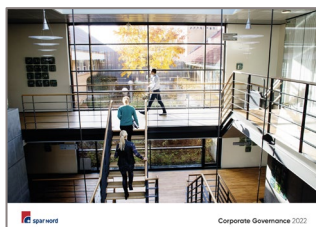
[Remuneration Report 2022](#)

The remuneration report provides an overview of the total remuneration received by the individual members of the Board of Directors and Executive Board of the Spar Nord Group.



[Impact Analysis 2022](#)

Spar Nord became a signatory to the UN Principles for Responsible Banking (UN PRB) in March 2021. This means the UN targets and principles now provide the overall framework for our sustainability initiatives.



[Corporate Governance Report 2022](#)

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.



[ESG 2022](#)

Spar Nord's ESG work is concentrated on five strategic focus areas, which are described in greater detail in our ESG report.

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Annual Report 2022 consists – in accordance with the requirements of the ESEF Regulation – of a zip file `sparnord-2022-12-31-da.zip` that includes an XHTML file. The XHTML file is the official version of Annual Report 2022. This PDF version of Annual Report 2022 is a copy of the XHTML file. In case of discrepancies, the XHTML file prevails.



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 years 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. In recent years, we have further strengthened our distribution capabilities through the acquisition of BankNordik's Danish business and by establishing new local banks and banking areas. This has given us an increased local presence and a foundation for creating an even higher number of strong and long-lasting customer relations.



High customer satisfaction

Spar Nord has a strong reputation and high customer satisfaction across customer segments. In the business customer segment, Spar Nord was – for the sixth consecutive year – named the bank among the six largest banks in Denmark with the most satisfied business customers (Aalund 2022). In the retail banking area, Spar Nord also monitors and assesses customer satisfaction levels in an ongoing process, and as in previous years Spar Nord was placed in the middle of the field.



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. Spar Nord is thus strongly positioned to face the prospects of more challenging years.



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 12.1% in 2012 to 16.4% in 2022 – primarily because the shareholders' equity has grown from DKK 6.0 billion to DKK 11.3 billion. In 2023, Spar Nord expects to complete the strategic project, which in 2024 is to ensure the implementation of internal ratings-based models (IRB). From the end of 2024, the models are thus expected to provide the basis for a more optimum capital application.



The Personal Bank in a Digital World

Spar Nord endeavours 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 employees.

ESG highlights in 2022



Improved ESG capabilities

In 2022, Spar Nord focused on strengthening our overall know-how and capabilities in the area of sustainability. We did this by boosting our ESG capabilities right across the organisation, including both at the local banks and in our corporate functions. By improving our ESG capabilities, we aim to ensure that all employees gain an insight into ESG, the UN SDGs and sustainability generally in relation to the financial sector.



Energy-friendly loan products.

In 2022, Spar Nord launched two new energy-friendly loan products that offer customers an attractive interest rate and low fees when financing energy improvements for their homes or leisure property, or when purchasing an electric or plug-in hybrid vehicle. In 2022, 57% of the Bank's new car loans were for electric or hybrid vehicles. This means that we are well underway to achieving our goal of 80% of all new car loans being for electric or plug-in hybrid vehicles by 2025.



Our local promise

Spar Nord forms part of a large ecosystem that extends beyond banking operations. Our employees are an important part of this ecosystem, as they live, work and actively participate in the local communities where the Bank operates. With 'Our local promise', our employees are given the opportunity to exercise the autonomy that comes with the local bank model through sponsorships in their own community.



Digital investment guide for customers

In collaboration with BEC Financial Technologies and other financial institutions, Spar Nord has launched an extended Digital Investment Guide (DIG) that will contribute to identifying customers' sustainability preferences prior to making an investment.



Energy optimisation

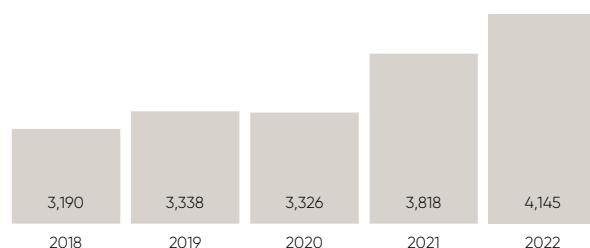
In 2022, Spar Nord focused on energy optimisation and power saving initiatives as a direct consequence of the current geopolitical situation. By converting to LED lighting and other energy-saving initiatives, we have achieved an annual reduction of about 100,000 kWh across the Bank. Spar Nord has also lowered the heating of buildings to 20 degrees Celsius and decided to switch off outdoor signs at 6:00 pm.



CO2e action plans

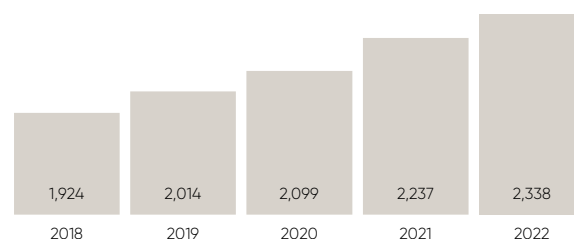
In 2022, Spar Nord presented two action plans for reducing the CO2e footprint of loans and investments. For both action plans, Spar Nord has set specific targets for reducing its CO2e footprint for lending and investment activities in 2025 and 2030, respectively. Spar Nord's action plans and targets are consistent with the recommendations from Finance Denmark's Forum for Sustainable Finance.

Key financial results in 2022



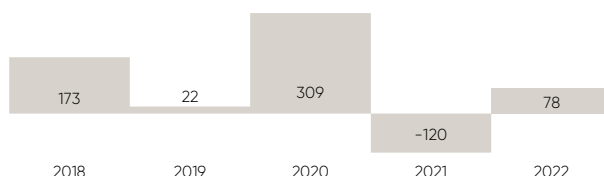
Core income

Spar Nord generated core income of DKK 4,145 million in 2022, which was DKK 327 million more than in 2021. Net interest and net fee income rose by DKK 424 million, while market value adjustments were down by DKK 85 million.



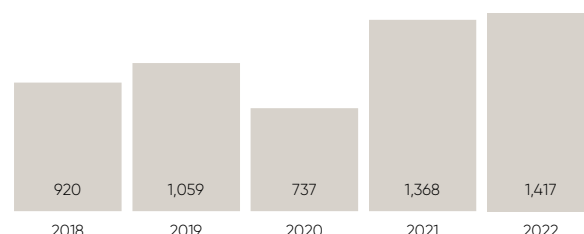
Costs and expenses

Spar Nord's total costs and expenses amounted to DKK 2,338 million, against DKK 2,237 million in 2021. Payroll costs amounted to DKK 1,384 million in 2022, while operating expenses amounted to DKK 953 million.



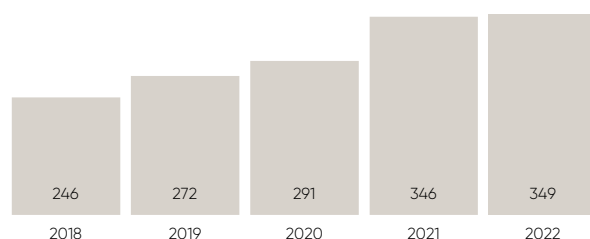
Loan impairment

Loan impairment charges amounted to DKK 78 million in 2022, against an income of DKK 120 million in 2021. In 2022, loan impairment charges were driven by higher model-calculated impairment and management estimates, whereas individual impairment charges were reduced.



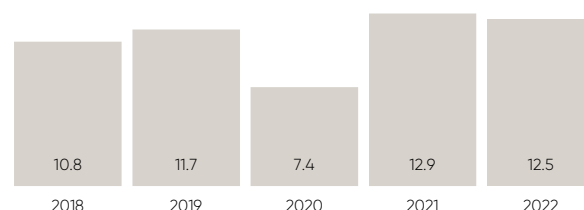
Profit/loss after tax

Profit after tax was DKK 1,417 million in 2022, against DKK 1,368 million in 2021. The net profit was the highest in the Bank's 198-year history.



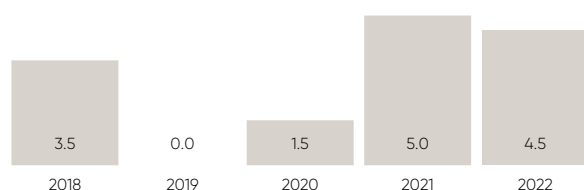
Business volume

The total business volume grew 1% in 2022 to DKK 349 billion at the end of the year. The increase was driven by growth in bank and leasing loans and deposits, while a fall in guarantees, deposits in pooled schemes and customers' custodian accounts had the opposite effect.



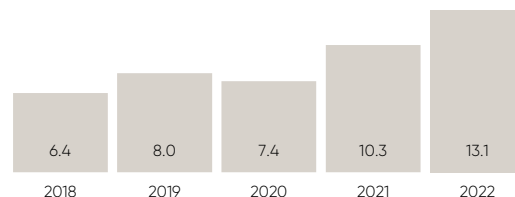
Return on equity

Return on equity after tax stood at 12.5% in 2022, down from 12.9% in 2021. For the period 2018-2022, average return on equity after tax was 11.1%.



Dividend

In the Bank's Annual Report 2022, the Board of Directors has proposed dividends of DKK 4.5 per share. In addition, the Board of Directors intends to propose a share buyback programme of DKK 300 million.



Market capitalisation

Spar Nord's market capitalisation rose 27% in 2022 to DKK 13.1 billion at the end of the year.

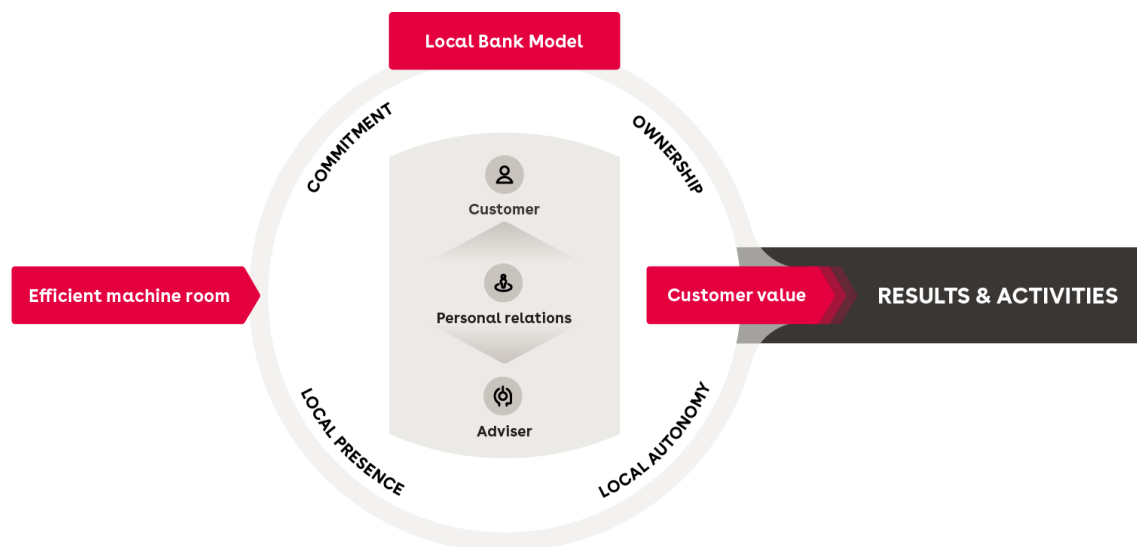
How we do business

Spar Nord's foundation is the local bank model

Spar Nord is a bank built on strong customer relationships. We believe relations and business are best cultivated through a local presence and decentralised decision-making powers. That is why we operate our business based on what we refer to as the local bank model – which builds on local autonomy combined with an efficient in-house engine room.

The local bank model is inspired by the franchise concept, in which strongly anchored local ownership and responsibility help drive customer relations and business volume. The local bank model supports a high degree of local autonomy in terms of picking a team and process the market through initiatives and marketing.

Autonomy in dealings with customers and relations is combined with an efficient in-house engine room. A consistent approach to underlying systems, processes and business procedures helps free up more time for customers while also ensuring quality in centrally managed areas such as credit policy, IT, AML and personal data.



Letter to our shareholders

Dear shareholders

In many ways, 2022 proved different from what was expected – both in Denmark and abroad – with headlines that included war in Europe, sky-high inflation, surging interest rates and financial market turmoil.

Within our organisation, however, further business growth, high prepayment activity and, not least, rising interest rates allowed Spar Nord to report the best financial performance in the Bank's 198-year history.

Reporting a net profit of DKK 1,417 million and a return on equity of 12.5% for 2022, Spar Nord thus ranks among the top-performing large Danish banks.

On the basis of the highly satisfactory results for 2022, the Board of Directors proposes paying a dividend of DKK 4.5 per share and establishing a share buyback programme of DKK 300 million in 2023.

A quick farewell to negative interest rates

While 2022 was the year in which the Western world could truly leave COVID-19 behind us, it was also the year when – due to Russia's invasion of Ukraine – we once more had to experience war in Europe.

The war in Ukraine clearly demonstrated Europe's dependence on Russian gas, causing surging energy and food prices that weighed on both private consumers and businesses. Coupled with continuing supply chain constraints, the price increases triggered a sharp rise in inflation, which reached 10.1% in October 2022, the highest level since 1980.

In response to sharply rising inflation, the Danish central bank implemented four rate hikes in 2022, raising the benchmark certificates of deposit rate by 2.35 percentage points. Similarly, both short-term money market rates and long-term mortgage bond yields rose sharply in 2022. To illustrate this, borrowers could take out a 30-year mortgage loan at a fixed interest rate of 1.5% at the beginning of 2022, but by the end of the year the interest rate had risen to 5%.

Although inflation fell during the final months of 2022, the Danish central bank is expected to hike interest rates further in 2023.

Rising interest rates have also had an impact on the Bank's variable lending rates, which have mirrored the official rate hikes. On the deposit side, interest rate developments allowed us to bid a farewell to negative deposit rates for now, contributing to restoring an interest margin on the Bank's deposit products.

As a bank, we are fully aware that elevated inflation and rising interest rates can be challenging for a number of our customers. For this reason, we are ready to engage with our customers to find out

how we can help them, just as we did during the pandemic. Consequently, we contacted our retail customers in the spring and autumn months with an offer of advisory services and consultation.

Local bank model a foundation for continuing growth

In terms of our banking business, we experienced strong customer activity and volume growth in 2022 – not least in the branches that were opened during the 00s, where Spar Nord continues to make its mark and win market shares.

At the beginning of 2022, we made additional investments in the Bank's distribution capabilities with new geographical banking areas on Lolland-Falster and in Allerød and the opening of a new local bank in Hørsholm. As in 2021, we continue to make additional investments in our physical presence and active involvement in local areas, as we believe this is paramount for creating strong and long-lasting customer relationships.

Our continuing growth and momentum show that the local bank model works, and in the business customer segment this was further demonstrated in 2022 by Spar Nord – for the sixth consecutive year – being named the bank with the most satisfied business customers among the six largest banks in Denmark. The accolade was from market research company Aalund and its Bank Barometer Business.

As society reopened after the pandemic, it was also business customers in particular who showed a growing need to borrow funds for investment and the build-up of inventories. The Bank's total lending rose by DKK 6.2 billion in 2022, of which DKK 2.9 billion was attributable to an increase in loans to business customers and DKK 1.4 billion to growth in leasing activities.

Rising interest rates also enabled many customers to substantially reduce their outstanding mortgage debt by remortgaging to either a higher fixed rate of interest or to a variable rate of interest. Many of our customers capitalised on this opportunity, resulting in extensive remortgaging activity that ended up surpassing the level of activity in 2021.

Finally, in September 2022, Spar Nord launched a new and more competitive bank mortgage loan product, which may prove an attractive alternative to a traditional mortgage loan for some customers. The Bank's competent advisers thus now have yet another strong product to offer when advising customers about home financing. Indeed, the sale of bank mortgage loans was a significant reason for the overall increase in retail customer lending of DKK 1.8 billion.

In the retail customer segment, Spar Nord switched its pension partner in 2022 and now facilitates pension solutions from the Danish pension provider nærpension. Enhanced focus on pension advice helped ensure a high level of activity in 2022 and will in the years ahead remain a focus area in the dialogue with our retail customers.



Strengthened sustainability capabilities

In 2022, Spar Nord made additional sustainability investments by generally improving the ESG capabilities of its employees both at the local banks and in corporate functions. Moreover, dedicated training of the Bank's corporate advisers will enable us to provide even better advice for our business customers on sustainability and ESG.

In order to promote sustainability and the green transition, Spar Nord set a target in 2021 that 80% of all new loans for the financing of cars must be for electric or hybrid vehicles by 2025. By the end of 2022, 57% of new car loans were for energy-friendly vehicles, so we are well on our way to realising the target.

In 2022, Spar Nord presented its first ever action plan for reducing the CO₂e footprint of lending and its second action plan for investments. For both action plans, Spar Nord has set specific targets for reducing its CO₂e footprint for lending and investment activities in 2025 and 2030, respectively.

In the investment area, Spar Nord expanded its Digital Investment Guide in 2022 to identify customers' sustainability preferences and use them to help select relevant investment products. In other words, it has become easier and less complex to go green – also when it comes to investments.

Share price appreciation and strong overall shareholder return

Based on the financial statements for 2021, total dividends of DKK 5 per share were distributed in 2022 and Spar Nord established a share buyback

programme of DKK 225 million, equivalent to a total payout ratio of 61.

In line with general market trends, the Spar Nord share was subject to a high level of volatility in 2022. The share price started the year at 84 and reached a low for the year of 70 in mid-June. However, the share price rose over the course of the second half to end the year at 106 for an overall share price appreciation of 27%.

When adding the dividend payment for the year, the overall return on Spar Nord's shares in 2022 was 33%. By comparison, the Danish banking index yielded a return of 20%, so Spar Nord was a very good investment in 2022.

A historically strong financial performance in 2022 also enables the Bank to distribute fair-sized dividends to its shareholders in 2023. Furthermore, given the Bank's solid capital position, the Board of Directors has found it appropriate to further adjust the Bank's own funds.

Against this background, the Board of Directors recommends to the shareholders at the Annual General Meeting that a dividend of DKK 4.5 per share be distributed. In addition, the Board of Directors will launch a share buyback programme of DKK 300 million, equal to a total distribution of 60%.

Introduction

New strategy plan and financial targets

In 2022, we also worked on the strategy plan that will define our initiatives and overall priorities for the upcoming strategy period 2023–2025. Specific actions must address the challenges that lie ahead in the form of persistent geopolitical and macroeconomic uncertainty, enhanced customer experience demands, growing competition for employees and a continuing focus on responsibility and sustainability.

Fortunately, our well-run bank and solid customer base have given us a strong platform from which to work with the plan. At the same time, the foundation for our strategy and business model builds on an unchanged belief that relations and business are best achieved through a local presence and decentralised decision-making powers.

As described later in this report, we therefore also maintain the Bank's vision of providing "Denmark's best personal banking services". On the other hand, a new strategic direction, "A committed bank", means we will further strengthen our local bank model to consolidate the Bank's special market position. One of the ways to achieve this will be to give our employees even better opportunities to make an active difference for our customers and to support small and large initiatives and associations in the local communities where they live – and where we offer our banking services.

The new strategy also defines Spar Nord's financial targets for the coming years. Given increasing interest rates and expectations of continuing growth – but also higher credit losses – Spar Nord expects to generate a return on equity of at least 11% after tax. We therefore again hope to be able to generate results that will put us among the top-performing large banks in Denmark.

Kjeld Johannesen

Chairman of the
Board of Directors

Lasse Nyby

Chief Executive Officer

Performance indicators and financial ratios – Group

Performance indicators

DKKm	2022	2021	Change in %	2020	2019	2018
Net interest income	2,011	1,736	16	1,584	1,573	1,548
Net fee income	1,689	1,541	10	1,238	1,225	1,127
Market value adjustments and dividends	323	407	-21	433	379	268
Other income	122	133	-9	71	160	247
Core income	4,145	3,818	9	3,326	3,338	3,190
Staff costs	1,384	1,346	3	1,293	1,218	1,152
Operating expenses	953	890	7	806	796	771
Costs and expenses	2,338	2,237	4	2,099	2,014	1,924
Core earnings before impairment	1,808	1,581	14	1,227	1,324	1,266
Impairment of loans, advances and receivables etc.	78	-120	-	309	22	173
Profit/loss before tax	1,730	1,701	2	918	1,302	1,094
Tax	313	333	-6	181	243	174
Profit/loss	1,417	1,368	4	737	1,059	920
Interest expenses to holders of additional tier 1 (AT1) capital (taken to equity)	47	61	-23	49	49	49

Balance sheet

DKKm						
Total assets	123,936	116,535	6	102,077	93,113	82,793
Lending	65,806	61,936	6	52,312	51,312	44,330
Lending, banking and leasing activities	55,296	49,086	13	42,494	43,157	39,551
Lending, reverse repo transactions	10,510	12,850	-18	9,819	8,155	4,779
Deposits	94,572	89,308	6	78,881	70,602	65,545
Deposits, banking activities	72,169	63,775	13	58,084	53,279	50,773
Deposits, repo transactions	0	0	-	333	0	0
Deposits in pooled schemes	22,402	25,533	-12	20,464	17,323	14,772
Issued bonds	6,216	4,845	28	2,670	2,637	0
Subordinated debt	1,597	1,523	5	1,333	1,322	1,332
Additional tier 1 (AT1) capital	1,199	1,197	0	794	860	861
Shareholders' equity	11,270	10,727	5	9,596	8,901	8,380
Guarantees	12,342	17,566	-30	15,591	14,766	12,092
Total risk exposure amount	60,463	60,479	0	54,865	55,963	53,858
Tier 1 capital	11,103	11,045	1	10,193	9,032	8,387
Impairment account and discount on exposures taken over	1,678	1,633	3	1,717	1,503	1,945
Business volume	348,739	346,189	1	291,310	272,431	246,063

The comparative figures have not been restated in connection with the implementation of IFRS 16 on leases at 1 January 2019.

Financial performance – core earnings, year

Financial ratios

		2022	2021	2020	2019	2018
Own funds						
Own funds ratio		20.9	20.8	21.0	18.5	18.0
Tier 1 capital ratio		18.4	18.3	18.6	16.1	15.6
Common equity tier 1 capital ratio		16.4	16.3	17.2	14.6	14.0
Earnings						
Return on equity before tax excl. additional tier 1 (AT1) capital *)	%	15.3	16.1	9.4	14.5	12.8
Return on equity after tax excl. additional tier 1 (AT1) capital *)	%	12.5	12.9	7.4	11.7	10.8
Cost share of core income	DKK	0.56	0.59	0.63	0.60	0.60
Cost share of core income – incl. impairment of loans, advances and receivables, etc.	DKK	0.58	0.55	0.72	0.61	0.66
Return on assets	%	1.1	1.2	0.7	1.1	1.1
Market risk and liquidity						
Interest rate risk	%	0.5	0.9	1.1	0.6	0.2
Foreign exchange position	%	0.6	0.7	0.9	1.0	1.4
Foreign exchange risk	%	0.1	0.1	0.1	0.1	0.1
Net Stable Funding Ratio (NSFR)	%	127	125	-	-	-
Liquidity Coverage Ratio (LCR)	%	211	280	241	195	174
Bank and leasing loans relative to bank deposits	%	76.6	77.0	73.2	81.0	77.9
Credit risk						
Bank and leasing loans relative to shareholders' equity		4.9	4.6	4.4	4.8	4.7
Increase in loans and advances for the year	%	12.7	15.5	-1.5	9.1	6.7
Sum of large exposures	%	83.8	81.7	78.1	83.6	79.2
Impairment ratio		0.1	-0.1	0.4	0.0	0.3
Employees and branches						
Number of employees (full-time equivalents, end of period)		1,644	1,608	1,545	1,549	1,518
Number of branches		60	58	51	49	49
Spar Nord share						
DKK per share of DKK 10						
Share price, end of period		106	84	60	65	52
Net asset value (NAV), *)		93	87	78	72	68
Profit/loss for the year *)		11.2	10.6	5.6	8.2	7.2
Dividend	DKK	4.5	5.0 **)	1.5	0.0	3.5
Return	%	33	42	-8	32	-23
Price/earnings *)		9	8	11	8	7

*) Financial ratios have been calculated as if the additional tier 1 (AT1) capital were treated as a liability for accounting purposes, which means that the calculation of the financial ratios 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.

**) In addition to the proposed distribution of ordinary dividends of DKK 2.5 per share, the Board of Directors exercised its authority to distribute an additional DKK 2.5 per share regarding the 2021 financial year before the end of the first half-year of 2022.

The comparative figures have not been restated in connection with the implementation of IFRS 16 on leases 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

	2022	2022	2022	2022	2021
DKKmn	Q4	Q3	Q2	Q1	Q4
Net interest income	627	499	450	436	448
Net fee income	410	428	414	438	401
Market value adjustments and dividends	265	65	-14	7	110
Other income	41	29	17	35	18
Core income	1,342	1,021	868	915	977
Staff costs	360	320	348	357	336
Operating expenses	249	232	236	236	234
Costs and expenses	610	552	584	592	570
Core earnings before impairment	732	470	284	322	407
Impairment of loans, advances and receivables etc.	57	22	5	-7	-4
Profit/loss before tax	675	447	279	329	412
Tax	127	86	48	53	78
Profit/loss	548	361	231	276	334
Interest expenses to holders of additional tier 1 (AT1) capital (taken to equity)	12	12	12	12	17

Balance sheet

DKKmn					
Total assets	123,936	121,147	118,845	116,035	116,535
Lending	65,806	63,043	62,909	62,346	61,936
Lending, banking and leasing activities	55,296	52,868	51,796	49,722	49,086
Lending, reverse repo transactions	10,510	10,175	11,113	12,624	12,850
Deposits	94,572	92,204	90,505	87,834	89,308
Deposits, banking activities	72,169	70,677	68,672	63,183	63,775
Deposits, repo transactions	0	0	0	496	0
Deposits in pooled schemes	22,402	21,527	21,833	24,154	25,533
Issued bonds	6,216	5,367	4,642	4,817	4,845
Subordinated debt	1,597	2,003	1,508	1,521	1,523
Additional tier 1 (AT1) capital	1,199	1,187	1,193	1,200	1,197
Shareholders' equity	11,270	10,821	10,578	10,685	10,727
Guarantees	12,342	14,643	17,603	18,187	17,566
Total risk exposure amount	60,463	60,885	61,319	61,121	60,479
Tier 1 capital *)	11,103	10,737	10,732	10,727	11,045
Impairment account and discount on exposures taken over	1,678	1,640	1,615	1,627	1,633
Business volume	348,739	342,058	344,035	344,427	346,189

*) Tier 1 capital for Q1 and Q3 2022 are exclusive of recognition of profit/loss for the period.

Financial performance – core earnings, quarterly

Financial ratios

		2022	2022	2022	2022	2021
		Q4	Q3	Q2	Q1	Q4
Own funds						
Own funds ratio *)		20.9	20.2	19.9	20.0	20.8
Tier 1 capital ratio *)		18.4	17.6	17.5	17.6	18.3
Common equity tier 1 capital ratio *)		16.4	15.7	15.6	15.6	16.3
Earnings						
Return on equity before tax excl. additional tier 1 (AT1) capital p.a. **)	%	24.1	16.2	10.0	11.9	15.5
Return on equity after tax excl. additional tier 1 (AT1) capital p.a. **)	%	19.5	13.0	8.2	9.9	12.5
Cost share of core income	DKK	0.45	0.54	0.67	0.65	0.58
Cost share of core income – incl. impairment of loans, advances and receivables, etc.	DKK	0.50	0.56	0.68	0.64	0.58
Return on assets	%	0.4	0.3	0.2	0.2	0.3
Market risk and liquidity						
Interest rate risk	%	0.5	0.5	0.5	0.7	0.9
Foreign exchange position	%	0.6	0.6	0.9	0.5	0.7
Foreign exchange risk	%	0.1	0.1	0.1	0.1	0.1
Net Stable Funding Ratio (NSFR)	%	127	127	125	122	125
Liquidity Coverage Ratio (LCR)	%	211	217	212	233	280
Bank and leasing loans relative to bank deposits	%	76.6	74.8	75.4	78.7	77.0
Credit risk						
Bank and leasing loans relative to shareholders' equity		4.9	4.9	4.9	4.7	4.6
Increase in loans and advances for the period	%	4.6	2.1	4.2	1.3	3.4
Sum of large exposures	%	83.8	89.2	87.6	94.3	81.7
Impairment ratio		0.1	0.0	0.0	0.0	0.0
Employees and branches						
Number of employees (full-time equivalents, end of period)		1,644	1,636	1,627	1,622	1,608
Number of branches		60	60	60	60	58
Spar Nord share						
DKK per share of DKK 10						
Share price, end of period		106	85	75	89	84
Net asset value (NAV) **)		93	89	86	87	87
Profit/loss for the period **)		4.4	2.9	1.8	2.2	2.6

*) Own funds for Q1 and Q3 2022 are exclusive of recognition of profit/loss for the period.

**) Financial ratios have been calculated as if the additional tier 1 (AT1) capital were treated as a liability for accounting purposes, which means that the calculation of the financial ratios 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.

ESG key figures

		2022	2021	2020
Environmental data				
CO2e, scope 1	Tonnes	257	224	123
CO2e, scope 2	Tonnes	803	1,025	1,102
CO2e, scope 3	Tonnes	648,313	717,954	-
Energy consumption	GJ	29,473	32,148	-
Renewable energy share	%	46.8	43.6	-
Water consumption	m3	7,876	6,451	6,518
Social data				
Full-time employees	FTE	1,628	1,618	1,553
Gender diversity	%	50	51	52
Gender diversity at management level	%	25	20	22
Gender pay gap	Times	1.2	1.2	1.3
Staff turnover	%	11	12	9
Absence due to illness	Days per FTE	7.7	7.0	4.9
Governance data				
Gender diversity, Board of Directors	%	22	22	22
Board meeting attendance	%	92	96	98
CEO pay ratio	Times	9.1	8.9	8.9

ESG key figures have been prepared according to the instructions provided by FSR – Danske Revisor, the Danish Finance Society and Nasdaq published in June 2019 (updated in January 2022).

The contents and data are generated from own systems and supplier systems and have been checked internally on a random basis. Definitions of key figures are provided under accounting policies in the ESG report.

Summary of climate data in the annual report

	Management's review	Note
Reference to ESG Report	Reporting overview 2022	-
Reference to Impact Analysis (UN Principles for Responsible Banking)	Reporting overview 2022	-
ESG highlights in 2022	ESG highlights in 2022	-
ESG key figures	ESG key figures	-
Description of ESG efforts at Spar Nord and the ESG Report 2022	ESG	-
Tax policy and corporation tax paid	-	2.10 , 3.12
Climate risk, credit risk	-	5.1.1
Climate risk, market risk	-	5.2
Climate risk, liquidity risk	-	5.3

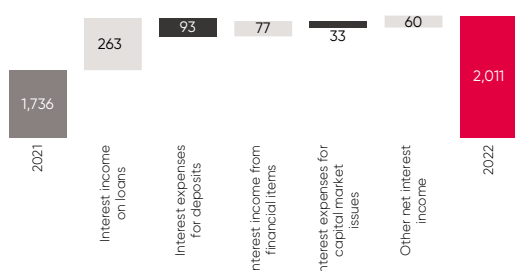
Financial results in 2022

Spar Nord achieved a net profit of DKK 1,417 million in 2022, which corresponds to an annualised return on equity of 12.5%. The profit was DKK 49 million higher than in 2021 and is considered highly satisfactory.

Income

Core income for the year amounted to DKK 4,145 million, which was an increase of DKK 327 million, or 9%, on 2021.

Developments in net interest income
(DKKm)



Net interest income was DKK 2,011 million in 2022, against DKK 1,736 million in 2021.

Developments in net interest income were driven by volume growth and the surging policy and market rates. In addition, net interest income in H2 2022 was favourably affected by the Bank's adjustment of variable-rate deposits and loans to reflect the policy rate changes made by the Danish central bank.

The increase in interest income from lending was positively affected both by growth in lending and an increase in the average lending rate, while interest expenses from deposits were similarly affected by growth in deposits and an increase in the average deposit rate. Overall, net interest income from deposits and loans increased by DKK 171 million relative to 2021.

In 2022, the interest margin increased by 13 basis points relative to 2021. This was driven by an increase in the average borrowing rate of 26 basis points (y/y), while the deposit rate was increased by 13 basis points (y/y). Compared to 30 September 2022, the interest margin had increased by 18 basis points at the end of Q4 2022.

Combined, net interest income from financial items and other net interest income resulted in a DKK 137 million increase in interest income in 2022 compared with 2021. The increase was primarily attributable to the sharply rising market rates in 2022.

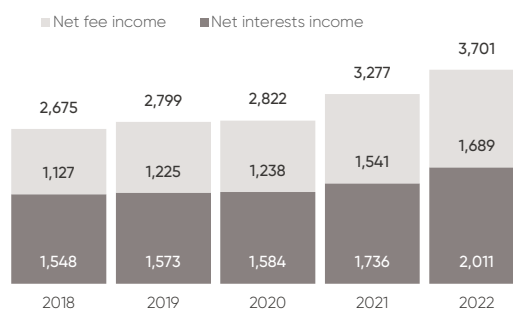
Lastly, net interest income in 2022 relative to 2021 was adversely affected by an increase in interest expenses for capital market issues totalling DKK 33 million, due to a higher volume and developments in market rates in H2 2022.

DKKm	2022	Q4 2022	Q3 2022	Q2 2022	Q1 2022	2021
Interest income on loans	1,771	601	416	381	373	1,508
Interest expenses for deposits	-163	51	-57	-82	-74	-255
Net interest income, deposits and loans	1,934	550	473	463	447	1,763
Interest income from financial items	184	65	57	32	30	107
Interest expenses for capital market issues *)	116	23	41	26	26	83
Other net interest income	9	35	9	-20	-16	-51
Total net interest income	2,011	627	499	450	436	1,736

*) In 2022, interest expenses for interest rate hedging instruments for capital market issues are presented together with Interest expenses for capital market issues, whereas they were previously included in Other net interest income. For 2021, the amount was DKK 21 million.

Net fee income was DKK 1,689 million in 2022, against DKK 1,541 million in 2021. Net fee income thus accounted for 46% of total net interest and fee income in 2022 (2021: 47%).

Net interests income and net fee income
(DKKm)



In 2022, net fee income was favourably impacted by a generally higher level of volume-based fee income driven by last year's growth in business volume within both facilitation of mortgage loans and asset management.

DKKm	2022	Q4 2022	Q3 2022	Q2 2022	Q1 2022	2021
Mortgage fees	548	133	138	140	137	511
Other transaction fees	147	35	38	39	35	130
Securities and asset management	504	124	123	118	139	471
Other fees	490	118	129	117	127	429
Total net fee income	1,689	410	428	414	438	1,541

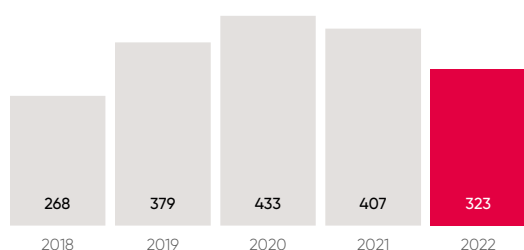
In addition, the increase in long-term mortgage rates resulted in strong remortgaging activity, which also contributed favourably to developments in net fee income. Loan transaction fees rose by a limited margin compared with 2021, primarily because of the sharp slowdown in the number of property transactions, which ended up being a characteristic feature of H2 2022.

Financial review

Finally, a persistently high level of securities trading activity, higher net fees from payment services and cards, insurance and pension and an adjustment of the Bank's fee structure at the end of 2021 also contributed to the growth in net fee income relative to 2021.

Market value adjustments and dividends totalled DKK 323 million in 2022, against DKK 407 million in 2021. Market value adjustments deriving from customer activity and business volume totalled DKK 326 million, while market value adjustments in the Trading Division were negative at DKK 3 million.

Market value adjustments and dividends
(DKKm)



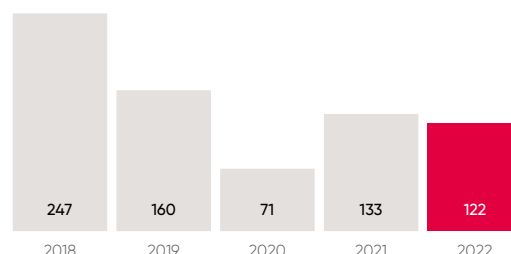
Market value adjustments and dividends on the portfolio of strategic shareholdings in the financial sector were at a satisfactory level of DKK 232 million, which was on a level with last year. Market value adjustments from currency trading and exchange rate gains amounted to DKK 94 million driven by high customer activity in 2022.

For the year as a whole, 2022 was characterised by turbulent financial markets with dominant themes such as rising inflation and interest rates, fears of recession and widening credit spreads – although financial markets started to show more favourable developments at the tail end of the year. The Trading Division realised positive value adjustments with positive market value adjustments of DKK 29 million on the Bank's bond portfolio, while the Bank portfolio of equities contributed negative value adjustments of DKK 33 million.

DKKm	2022	Q4 2022	Q3 2022	Q2 2022	Q1 2022	2021
Market value adjustments and dividends, shares in sector-owned companies, etc.	232	65	63	40	64	234
Market value adjustments currency and currency trading	94	24	22	24	24	85
Market value adjustments deriving from customer activity and business volume	326	89	85	64	88	320
Market value adjustments, equity portfolio	-33	9	-1	-24	-17	70
Market value adjustments, bond portfolio, etc.	29	166	-20	-53	-64	17
Market value adjustments in Trading Division, etc.	-3	176	-21	-77	-81	88
Total market value adjustments	323	265	65	-14	7	407

Other income amounted to DKK 122 million, against DKK 133 million in 2021.

Other income
(DKKm)



Of total other income in 2022, investments in associates amounted to DKK 75 million, which was mainly attributable to Spar Nord's holding of shares in Danske Andelskassers Bank (DAB) and Vækst-Invest Nordjylland.

At end-2022, Spar Nord's shareholding in DAB amounted to 38.3%.

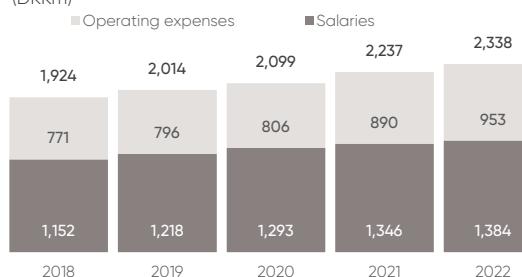
Costs and expenses

The Group's total costs and expenses amounted to DKK 2,338 million, against DKK 2,237 million in 2021.

Wages and salaries accounted for DKK 1,384 million of total costs and expenses. Realised payroll costs were DKK 38 million, or 3%, higher than in 2021. In 2022, Spar Nord on average employed 10 more staff than in 2021, and combined with pay rises under collective agreements this was the reason for the development.

At 31 December 2022, Spar Nord employed 1,644 people (FTE), which was 36 more than at year-end 2021. The increase was mainly driven by the opening of new local banks and banking areas in 2022.

Total cost
(DKKm)



Operating expenses came to DKK 953 million, which was DKK 63 million higher than in 2021.

About half of the increase in operating expenses was driven by an increase in IT costs for the Bank's data processing centre (BEC) due to the expiry of a fixed-price agreement and a higher business volume, including the acquisition of BankNordik's Danish business.

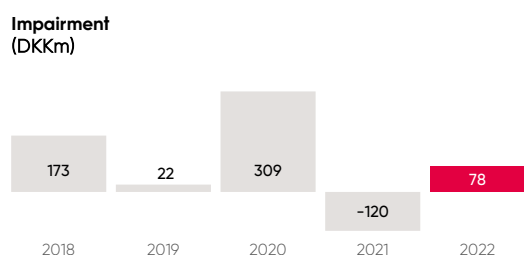
Financial review

The remaining part of the increase in operating expenses was driven broadly by the remaining cost items. For most of the cost items, developments were driven by a higher business volume and a rising level of activity, while for travel and marketing expenses developments were mainly due to an arbitrarily low level of costs in 2021 due to COVID-19.

The realised core income and costs corresponded to a Cost/Income Ratio of 0.56, which was significantly better than Spar Nord's strategic target of 0.65.

Loan impairment

Loan impairment etc. amounted to DKK 78 million in 2022, against an income of DKK 120 million in 2021.



The DKK 78 million impact on profits breaks down into DKK -79 million attributable to agricultural customers, DKK 64 million to business customers excl. agricultural customers and DKK 93 million to retail customers.

In 2022, a decline in the number of exposures flagged for OEI and improved credit quality generally resulted in lower impairment charges and stage 3 management estimates of DKK 238 million compared with the end of 2021.

On the other hand, more negative macroeconomic variables resulted in an increase in model calculated impairment charges and management estimates in stages 1 and 2 of DKK 312 million compared with end-2021. The more negative macroeconomic variables related primarily to retail customers and were based on updated assumptions and expectations for the impacts of rising inflation and interest rates, declining economic growth and falling housing prices.

At end-2022, total management estimates amounted to DKK 574 million, which was an increase of DKK 38 million relative to 31 December 2021. At the end of 2022, the model-supported management estimate concerning inflation, weak growth and property prices amounted to DKK 434 million, while the management estimate concerning COVID-19 was reversed.

The management estimate concerning land prices in the agricultural sector was reduced to DKK 41 million because of rising land prices, while the

management estimate concerning model uncertainty etc. amounted to DKK 98 million.

At 31 December 2022, the total management estimates of DKK 574 million broke down into DKK 260 million on business customers and DKK 314 million on retail customers. (At end-2021, the management estimates of DKK 536 million broke down into DKK 371 million on business customers and DKK 165 million on retail customers.)

Management estimates

	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021
DKKm					
Inflation, weak growth and property prices	434	317	279	243	65
COVID-19	0	84	85	150	295
Land prices in the agricultural sector	41	86	98	101	105
Model uncertainty, etc.	98	89	64	46	71
Management estimates, total	574	576	526	540	536

Stage 3 impairment at 31 December 2022 amounted to DKK 851 million (year-end 2021: DKK 1,089 million), while stage 1 and 2 impairment totalled DKK 815 million (year-end 2021: DKK 502 million).

NPL ratio developments

	2022	2021
NPL (DKKm)	1,627	1,818
Exposure (DKKm)	69,952	65,817
NPL ratio	2.3	2.8

At the end of the year, the share of non-performing loans (NPL ratio) at Spar Nord was 2.3%.

The Group's loans, advances and guarantees *)

Breakdown by industry	Loans, advances and guarantees		Impairment account	
Line of business, %	31.12.22	31.12.21	31.12.22	31.12.21
Public authorities	2.0	1.8	0.0	0.0
Agriculture, hunting and forestry	4.0	4.0	9.6	15.2
Fisheries	0.1	0.2	0.2	0.2
Industry and raw materials extraction	5.3	4.5	7.4	6.0
Energy supply	3.1	2.7	1.0	0.9
Building and construction	4.5	4.4	3.4	3.1
Trade	7.2	6.1	5.9	9.2
Transport, hotels and restaurants	4.6	4.2	7.4	7.7
Information and communication	0.5	0.6	0.7	0.6
Financing and insurance	6.4	6.1	11.2	11.3
Real estate	11.8	10.8	8.3	5.6
Other business areas	8.1	7.3	9.5	10.6
Business customers, total	57.6	52.7	64.5	70.4
Total retail customers	42.4	47.3	35.5	29.6
Total	100.0	100.0	100.0	100.0

*) Excl. reverse repo transactions

Compared with year-end 2021, growth in lending to business customers, growth in leasing and a reduction in mortgage loan guarantees to retail customers resulted in an increased share of loans,

Financial review

advances and guarantees to business customers, which share was 57.6% at 31 December 2022.

Profit/loss

The profit for the year before tax amounted to DKK 1,730 million compared with DKK 1,701 million in 2021. The Group's effective tax rate was 18%, bringing the net profit to DKK 1,417 million, against DKK 1,368 million in 2021.

Q4 2022 relative to Q3 2022

Spar Nord recorded a net profit of DKK 548 million in Q4 2022, against DKK 361 million in Q3 2022.

Net interest income amounted to DKK 627 million in Q4, against DKK 499 million in Q3. There were positive contributions from favourable developments in borrowing rates and higher business volume and higher interest income from the placement of excess liquidity, while higher interest expenses for deposits had the opposite effect.

Net fee income amounted to DKK 410 million, which was DKK 18 million lower than in the preceding quarter. The decrease was driven by a fall in fee income from payment services and lower commissions regarding facilitated mortgage loans.

Market value adjustments and dividends amounted to DKK 265 million, up from DKK 65 million in Q3. The increase was mainly attributable to positive market value adjustments on the Bank's bond portfolio and the portfolio of strategic shareholdings in the financial sector.

Total costs and expenses amounted to DKK 610 million, which was DKK 58 million higher than in the preceding quarter. Payroll costs were DKK 360 million, against DKK 320 million in Q3, attributable in particular to accrual of holiday pay obligations. Operating expenses amounted to DKK 249 million, against DKK 232 million in Q3. The increase was attributable mainly to higher staff costs and consulting fees regarding the IRB project.

Loan impairment etc. in Q4 was an expense of DKK 57 million, against an expense of DKK 22 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 348.7 billion at 31 December 2022, which was DKK 2.5 billion higher than at end-2021.

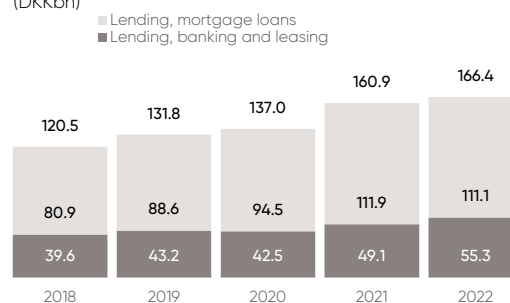
DKKbn	2022	2021	2020	2019	2018
Lending, banking and leasing activities	55.3	49.1	42.5	43.2	39.6
Deposits, banking activities	72.2	63.8	58.1	53.3	50.8
Deposits in pooled schemes	22.4	25.5	20.5	17.3	14.8
Guarantees	12.3	17.6	15.6	14.8	12.1
Loans and advances, mortgage loans	111.1	111.9	94.5	88.6	80.9
Custodianship accounts	71.3	74.4	57.3	52.8	46.1
Pension, life annuity	4.1	4.0	2.9	2.5	1.9
Total business volume	348.7	346.2	291.3	272.4	246.1

In 2022, the Bank recorded an increase in bank and leasing loans of DKK 6.2 billion, or 13%, to DKK 55.3 billion. Lending to business customers increased by DKK 2.9 billion, while lending to retail customers increased by DKK 1.8 billion. Finally, leasing loans grew by DKK 1.4 billion, while loans to public-sector customers increased by DKK 0.1 billion.

Based on the volume of bank and leasing loans, Spar Nord has a market share in Denmark of about 5%.

The volume of facilitated mortgage loans was adversely affected by price gains obtained by customers remortgaging to a higher coupon in 2022, which resulted in an overall decrease of DKK 0.8 billion, or 1%, compared with 2021. Facilitation of mortgage loans amounted to DKK 111.1 billion at end-2021, with facilitation of mortgage loans from Totalkredit accounting for DKK 100.0 billion, while facilitation of DLR Kredit mortgage loans amounted to DKK 11.1 billion.

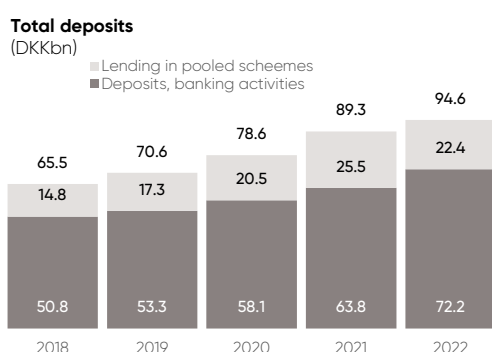
Total credits arranged (DKKbn)



Financial review

In 2022, deposits, banking activities increased by DKK 8.4 billion to DKK 72.2 billion, equal to 13%. Of the increase in deposits, business customers accounted for DKK 5.8 billion and retail customers for DKK 2.6 billion. Total deposits of DKK 72.2 billion at the end of 2022 gave Spar Nord a market share in Denmark of about 4%.

As of the end of 2022, financial market developments resulted in a decline in deposits in pooled schemes of DKK 3.1 billion, or 12%, to DKK 22.4 billion, while customers' custodianship accounts fell by DKK 3.1 billion, or 4%, to DKK 71.3 billion.



As a result of developments in deposit and lending volumes, the loan-to-deposit ratio at end-2022 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%.

	2022	2021	2020	2019	2018
Common equity tier 1 capital ratio	16.4	16.3	17.2	14.6	14.0
Tier 1 capital ratio	18.4	18.3	18.6	16.1	15.6
Own funds ratio	20.9	20.8	21.0	18.5	18.0

At 31 December 2022, the common equity tier 1 (CET1) ratio was 16.4%, while the own funds ratio was 20.9%. The latter should be viewed relative to the individual solvency need calculated by Spar Nord at 9.8% plus the 5.5% combined buffer requirement, bringing the total capital requirement to 15.3%. Thus, at the end of the year, Spar Nord had an excess capital coverage of 5.5 percentage points, equal to DKK 3.3 billion.

Compared with year-end 2021, the Bank's common equity tier 1 capital ratio and own funds ratio increased by 0.1 of a percentage point.

At 31 December 2022, the Bank's own funds had increased by DKK 104 million relative to end-2021. At end-2022, the own funds were favourably affected by the recognition of the profit for the year less expected dividends, while the share buyback programme tranche in 2022 and increase in deductions relating to, among other things, Spar Nord's portfolio of sector shares had the opposite effect.

At 31 December 2022, the total risk exposure amount was on a level with end-2021. The credit risk fell by DKK 0.1 billion and market risk by DKK 0.2 billion, while operational risk increased by DKK 0.3 billion.

The reduced risk exposure amount for credit risk was attributable to a substantial fall in guarantees to retail customers, while growth in loans and advances for both retail and business customers and the investment of mortgage bonds in the banking book had the opposite effect. The reduced risk exposure amount for market risk was driven by a reduction of the Bank's share portfolio and the investment of mortgage bonds in the banking book.

The share buyback programme for 2023 of DKK 300 million had not been deducted from the calculation of Spar Nord's capital ratios at 31 December 2022. Deductions for the share buyback programme are expected to reduce Spar Nord's capital ratios by 0.5 of a percentage point at the end of Q1 2023.

When the MREL requirement has been fully phased in at the beginning of 2024, Spar Nord must comply with the same requirements regarding eligible liabilities (MREL requirements) as other SIFIs. Fully phased in, the requirement means that Spar Nord must have total capital of about 29% 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 8 billion. In Q4 2022, Spar Nord issued MREL capital totalling DKK 1.7 billion (DKK 750 million Senior Preferred and DKK 950 million Senior Non-Preferred), and at 31 December 2022 the Bank had issued total MREL capital of DKK 6.2 billion.

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. In 2023, Spar Nord expects to issue MREL capital for up to DKK 2 billion to prepare for a fully phased-in MREL requirement on 1 January 2024.

Calibrated MREL requirement

%	01.01.23	01.01.24
Solvency ratio	9.8	9.8
Requirement for loss-absorption amount	9.8	9.8
Solvency ratio	9.8	9.8
Capital conservation buffer requirement	2.5	2.5
SIFI buffer requirement	1.0	1.0
Phasing in	-1.3	0.0
Requirement for recapitalisation amount	12.0	13.3
Total MREL	21.8	23.1
Capital conservation buffer requirement	2.5	2.5
Countercyclical buffer requirement	2.0	2.5
SIFI buffer requirement	1.0	1.0
Total MREL and combined buffer requirement	27.2	29.1

Financial review

Excess coverage, calibrated MREL requirement

DKKbn / %	01.01.23
Own funds	12,662
Non-preferred senior capital	5,562
Other MREL-eligible liabilities	750
Total capital	18,974
Deduction – separate combined buffer requirement	3,303
Total MREL-eligible liabilities	15,671
MREL and combined buffer requirement	16,454
MREL requirement	13,151
Excess coverage, MREL requirement	2,520
MREL and combined buffer percentage	31.4
MREL (%)	25.9
Excess coverage, MREL requirement in %-points	4.2

Liquidity and funding

At 31 December 2022, the Liquidity Coverage Ratio and the Net Stable Funding Ratio were well above both the statutory requirements and the Bank's own targets.

Spar Nord's LCR ratio at 31 December 2022 was thus 211, while the NSFR ratio was 127.

LCR

DKKbn / %	31.12.22	30.09.22	30.06.22	31.03.22	31.12.21
Liquidity resources	29.4	28.0	27.4	24.5	25.7
Liquidity Coverage Requirement	13.9	12.9	12.9	10.5	9.2
LCR (%)	211	217	212	233	280

NSFR

DKKbn / %	31.12.22	30.09.22	30.06.22	31.03.22	31.12.21
Available stable funding	100.3	96.5	94.3	93.9	96.3
Required stable funding	78.7	76.2	75.7	76.7	77.0
NSFR (%)	127	127	125	122	125

At 31 December 2022, Spar Nord's total funding amounted to DKK 94.5 billion. The increase was mainly attributable to the positive trend in deposits, which amounted to DKK 72.2 billion at 31 December and were the Bank's principal source of funding.

Funding profile

(DKKbn)	31.12.22	30.09.22	30.06.22	31.03.22	31.12.21
Money market funding	2.1	2.5	2.4	2.9	2.5
Deposits excl. pooled schemes	72.2	70.7	68.7	63.7	63.8
Issued bonds	6.2	5.4	4.6	4.8	4.8
Tier 2 capital and additional tier 1 capital	2.8	3.2	2.7	2.7	2.7
Shareholders' equity	11.3	10.8	10.6	10.7	10.7
Total funding	94.5	92.5	89.0	84.8	84.5

Rating

Throughout 2022, Spar Nord's rating was unchanged from rating agency Moody's, which most recently on 20 January 2023 reaffirmed the rating with an updated credit opinion.

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 also been assigned an unchanged rating of A3 by Moody's.

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 2022, Spar Nord was comfortably within all the reference points, achieving the values shown below.

The Supervisory Diamond

		Threshold values	2022	2021
Sum of large exposures	%	<175	83.8	81.7
Growth in lending	%	<20	12.7	15.5
Property exposure	%	<25	10.7	9.7
Liquidity indicator	%	>100	223	292

Outlook for 2023

In socio-economic terms, Spar Nord expects 2023 to be a challenging year with slowing economic growth and signs of rising unemployment. Central banks are expected to continue implement rising interest rates to regain control of inflation, which will affect housing prices, consumer spending and corporate investment appetite.

Within our organisation, however, we expect continuing organic growth from the past years' investments in new branches and banking areas, enhanced strategic focus on business customers through the establishment of Corporate Banking departments in Aarhus and Roskilde and continuing growth in the Bank's leasing business. Against this background, Spar Nord expects growth in deposits, lending and in total business volume in 2023.

Spar Nord projects a strong increase in net interest income in 2023 owing to interest rate developments in 2022 and expectations of additional rate hikes in the first half of 2023. Developments in money market rates will lead to a much better return on the Bank's excess liquidity than was the case in 2022, while an increase in lending rates and the deposit margin widening carried out in 2022 are

Financial review

expected to contribute to higher net interest income in 2023.

In 2023, net fee income is expected to be maintained at the 2022 level – primarily owing to continuing organic growth and strong customer activity driven by improved distribution capabilities through the establishment of new branches.

Market value adjustments and dividends are expected to be higher than in 2022, when value adjustments on the Bank's proprietary portfolio of shares and bonds resulted in an overall loss. At the same time, Spar Nord expects slightly lower earnings from customer activity, including market value adjustments and dividends on the portfolio of strategic shareholdings in the financial sector.

In terms of costs, the Bank expects an increase in both payroll costs and operating expenses. The increase in payroll costs will be driven by a higher average headcount and pay increases in accordance with collective agreements. Much of the expected increase in operating expenses relates to IT costs, including expectations for higher costs linked to the Bank's data processing centre. The higher level of inflation is also expected to result in an increase in other operating expense items.

Overall, the above factors lead the Bank to project core earnings before impairment in the DKK 2.3 – 2.7 billion range.

Due to uncertainty with respect to the socio economic effects of rising inflation and interest rates, economic slowdown, falling housing prices and signs of rising unemployment, Spar Nord expects impairment of loans and advances, etc. to be higher than in 2022. However, going into 2023 the Bank is comfortable with the levels of both model calculated impairment charges and management estimates.

Profit after tax is subsequently expected to be in the DKK 1.5 – 1.8 billion range.

Strategy 2023-25: A committed bank



Strategy 2023-25: A committed bank

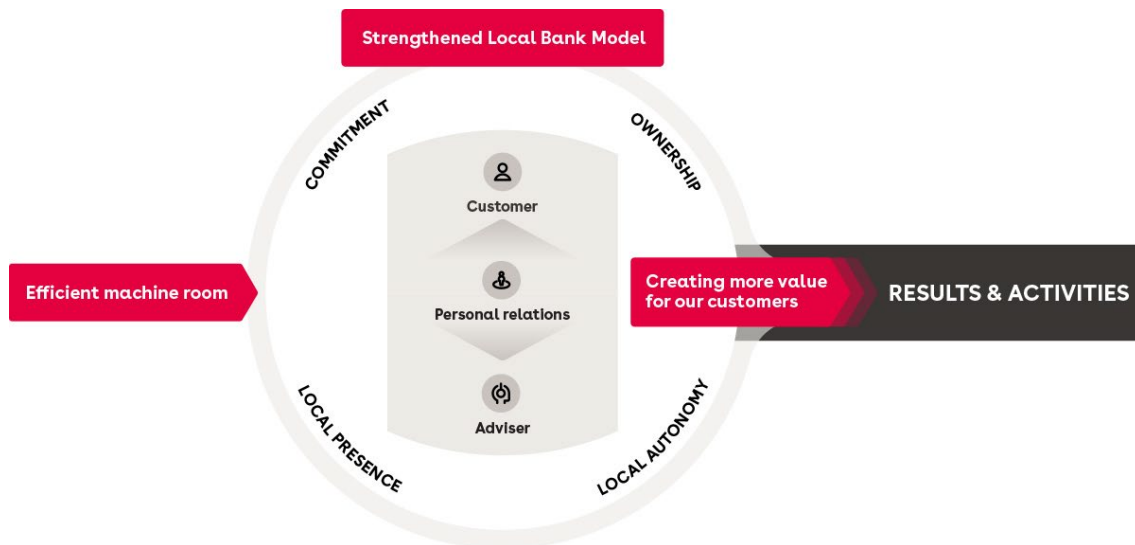
Spar Nord is a bank built on strong customer relationships. We believe relations and business are best cultivated and maintained through a local presence and decentralised decision-making powers. That is why we operate our business based on what we refer to as the local bank model – at the core of which is local autonomy in customer-centric areas and relations.

The local bank model is inspired by the franchise concept, in which strongly anchored local ownership and responsibility help drive customer relations and business volume. The local bank model supports a high degree of local autonomy in terms of picking a team and process the market through initiatives and marketing.

With the local bank model as its foundation, Spar Nord works with 3-year strategy periods. 2023 is the first year of a new strategy period that extends to the end of 2025. The strategy for 2023-2025 operates with a vision, a diagnosis of the current situation, a strategic direction and specific actions – with the broad aim of strengthening local presence and decentralised decision-making powers as the Bank's distinctive features. That is why we have named the strategic direction for the period 2023-2025 A COMMITTED BANK.

Vision: Denmark's best personal banking services

At Spar Nord, we believe that personal relations are also important for our ability to attract and retain customers in an increasingly digitalised future. That is why the Bank is retaining its vision from the two most recent strategy periods and so for the period 2023-2025 will continue to pursue the ambition of providing DENMARK'S BEST PERSONAL BANKING SERVICES.



Diagnosis of the current situation: Four defining circumstances in society

The diagnosis encapsulates four current trends which we believe will define the Bank's operations in the next three years. Hence, the diagnosis comprises the societal circumstances which are directly addressed by specific actions contained in our strategy for the period 2023–2025.

Geopolitical and macroeconomic uncertainty

We live in times of historically high uncertainty. Geopolitical tensions are running high, with the war in Ukraine as the most tangible example that has caused macroeconomic uncertainty. Elevated inflation and rising interest rates combined with slowing economic growth define the macroeconomic environment the Bank currently looks set to have to navigate for the next three years.

Demands for individual customer experience

On the customer side, customers increasingly expect personalised services characterised by keywords such as pro-activity, relevance and simplicity. The Bank's own customer surveys show that customers prefer a bank that pro-actively provides insight and value. It is crucial that we as a bank stay relevant and can make banking less complex for our customers.

Competition for human resources and expertise

We are experiencing growing competition for human resources, which is expected to continue in the years ahead driven by demographic changes. With a business model founded on personal relations, our ability to retain and recruit employees and expertise is paramount for the Bank's continuing growth in the coming strategy period.

Focus on responsibility and sustainability

Being a financial institution with a vision of providing DENMARK'S BEST PERSONAL BANKING SERVICES, trust is a key asset. Responsibility and sustainability thus play a critical role for the Bank in its relations with customers, shareholders, authorities and the rest of society. There is a justified

expectation that the Bank is capable of integrating responsibility and sustainability into its advisory services, products and reporting.

Strategic direction: A committed bank

Spar Nord's differentiated market position builds on a local presence and autonomy in customer-centric areas and relations. In the 2023–2025 strategy period, we aim to further consolidate the Bank's position and business volume based on local autonomy.

That is why we will increase the opportunities for employees to make a difference and assume responsibility in the areas where they live – and where the Bank operates. That is why we have named the strategic direction for the period 2023–2025 A COMMITTED BANK.

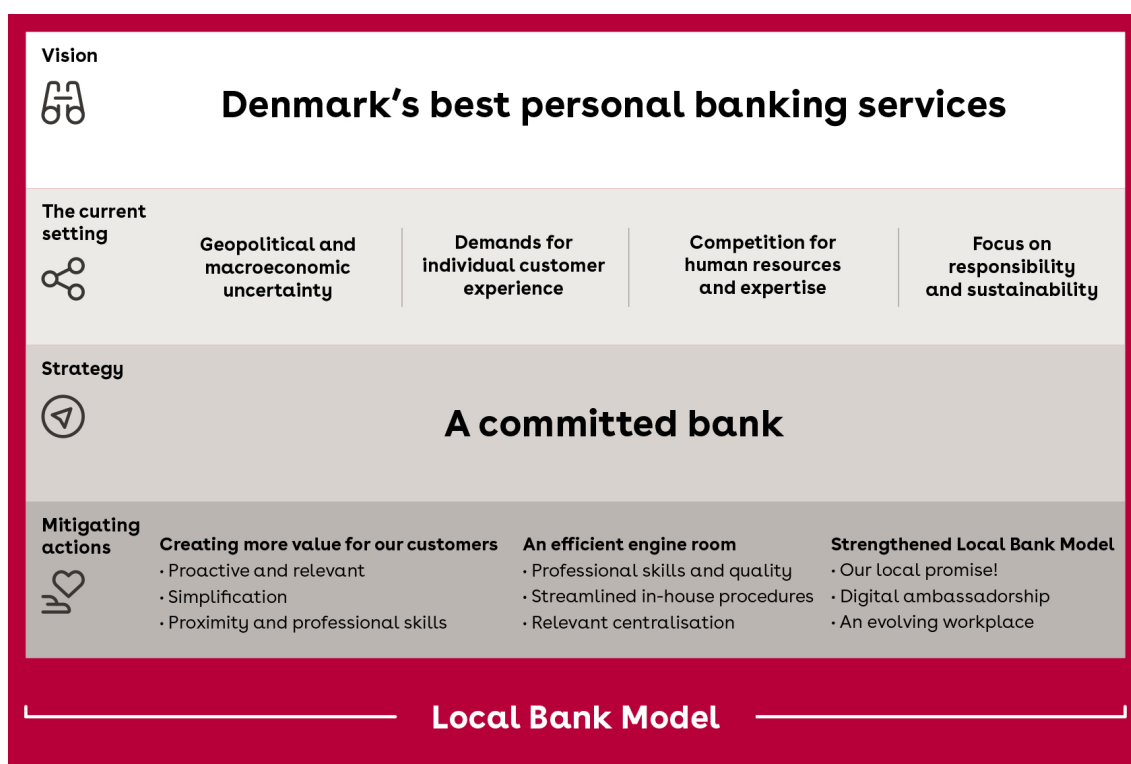
Actions: Commitment to customers and streamlined in-house procedures

During the coming strategy period, a number of specific actions will address threats as well as opportunities identified in the diagnosis. The actions are gathered under three headings: 'creating more value for our customers', 'an efficient engine room' and 'enhanced local bank model'.

Creating more value for our customers

In the 2023–2025 strategy period, we will create more value for customers by strengthening our dialogue with them. We want to accommodate our customers' wishes for more personalised service by becoming even more proactive and relevant in our advisory services and other communications. In that context, we aim to increase the use of data in order to be relevant to the individual customer.

We will initiate a simplification of the Bank's products, advisory services and communications, and endeavour to facilitate a customer dialogue where complexity does not conceal the needs of individual customers. Simplification should ensure customer value is at the centre of everything we do.



In addition, we will work to enhance proximity and professional skills in our customer relations. By proximity we mean both geographical closeness and knowledge about our customers and their needs. Specifically, the Bank has decided to improve services to large business customers by establishing Large Corporate departments in Aarhus and Roskilde to complement the Aalborg location, thus bringing specialist expertise closer to our customers. Furthermore, the Bank is very much focused on increasingly bringing pension expertise into play in the dialogue with our customers. Pension and personal insurance are areas in which we get really close to our customers.

An efficient engine room

Autonomy in dealings with customers and relations is combined with an efficient in-house engine room. A consistent approach to underlying systems, processes and business procedures helps free up more time for customers while also ensuring quality in centrally managed areas such as credit policy, IT, AML and personal data.

In the 2023–2025 strategy period, the Bank will launch specific initiatives aimed at further improving professional skills and quality. This requires a more consistent approach to administrative tasks.

At Spar Nord, we believe that business is generated through relationships, and we therefore aim to retain as many employees as possible in the local marketplace. The centralisation of administrative tasks must be relevant in the sense that the tasks do not add customer value or require knowledge of the customers.

Examples of relevant centralisation efforts include the production and verification of business documents. Other examples are financial analysis and estate administration.

Strengthened local bank model

We want to consolidate Spar Nord's market position by giving our employees an increased mandate to make decisions that concern customer-centric areas and relations. This way, our employees should have an even greater opportunity to make a difference in the areas where they live – and where the Bank operates.

More specifically, all local banks and corporate functions must make what we call 'The local promise', which entails an agreement on how each individual employee will exercise the autonomy that comes with the local bank model. 'The local promise' includes the means and a mandate to sponsor and act as a representative, just as the promise also includes local agreements on joint service goals. To further increase awareness about Spar Nord and the Bank's distinctive features, we will train employees in using social media as a means of strengthening our digital ambassadorship.

Strategy

In the new strategy period, we will also focus on retaining and attracting human resources and expertise – not least recent graduates within economics and finance. Focus will also be on promoting the share of women in management. Specific initiatives such as a mentor scheme, talent development and flexible working conditions will contribute to increasing the share of women in the Bank's management positions.

We see the ability to retain and attract human resources and expertise as well as equal opportunities and more women in management as a natural part of being an evolving workplace.

Financial targets and adjusted dividend policy

During the 2020–2022 strategy period, Spar Nord reported satisfactory financial results which, in terms of business volume growth and return on equity, make the Bank a top performer in the sector.

In other words, the Bank is strongly positioned on the brink of the 2023–2025 strategy period. Based on the strategic direction of A COMMITTED BANK, Management believes the foundation has been laid to further consolidate the Bank's market position and continue to win market share.

Based on an impairment ratio, which in the 2023–2025 strategy period is not expected to exceed 0.50, Spar Nord expects to deliver a financial performance in the period that will rank among the best in the sector with a minimum return on equity of 11% and a cost/income ratio below 55.

Spar Nord pursues the goal of generating a competitive return for its shareholders – by way of share price performance and distributions. From 2023 onwards, Spar Nord aims to distribute 40–60% of the net profit for the year with due consideration to meeting the Bank's capital targets.

The Bank intends to make distributions in the form of cash dividends and share buybacks, always provided that at least 30% of the net profit will be distributed as cash dividends. The distribution of between 40% and 60% is calculated on the net profit and thus before payment of interest on the Bank's additional tier 1 capital.

Strategic targets 2023–25

Return on equity

> 11 %

after tax

Cost/Income Ratio

< 55

Dividend

40–60 %

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.

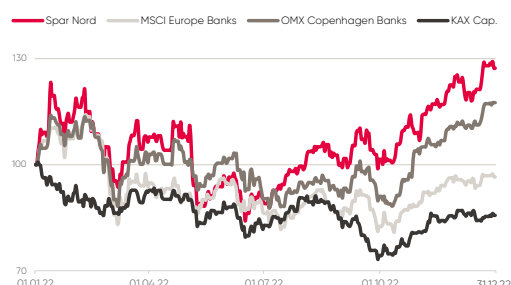
The Bank presents financial reports and other information via its IR website, sparnord.com, and also provides ongoing information to investors and analysts at frequent meetings, conferences and roadshows, among other things after the publication of the Group's annual and interim reports.

In 2022, analysts from six investment banks were covering the Spar Nord share (ABG Sundal Collier, Carnegie, Danske Bank, Handelsbanken, Nordea and SEB), four of which covered the Spar Nord share at the end of 2022.

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 2022
Index – linked – jan 2022 = 100



The Spar Nord share rose from a price of 84 at end-2021 to 106 at end-2022. The 27% price appreciation (y/y) and dividend of DKK 5.0 per share made for an overall return of 33%. By way of comparison, returns for OMX Copenhagen Banks and MSCI Europe Banks were 20% and 2%, respectively. At 31 December 2022, the market capitalisation of Spar Nord was DKK 13.1 billion, against DKK 10.3 billion at end-2021.

In 2022, the average daily trading volume amounted to about 152,000 shares compared with about 117,000 in 2021.

From 15 June 2022 until 31 January 2023, Danske Bank has been mandated by Spar Nord to manage share buybacks totalling DKK 225 million. As announced in company announcement no. 9/2022, the share buyback was launched with a view to reducing the Bank's share capital by the shares acquired under the programme, which the Board of Directors intends to propose to the annual general meeting in March 2023.

Breakdown of shareholders

At end-2022, Spar Nord Bank had approximately 86,000 shareholders. The ten largest shareholders combined held about 50 % of the share capital. About 70 % of the share capital is held by foundations and institutional investors and other major shareholders, while 30 % of the capital is held by shareholders who each own fewer than 20,000 shares.

In terms of geography, 77% is owned by Danish investors, while 23% is held 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 Fonden, Aalborg, is the largest shareholder, having an interest of 19.4%. Nykredit Realkredit A/S, Copenhagen, is the second largest shareholder, having an interest of 18.7%.

Spar Nord share	2022	2021
Share capital (DKKm)	1,230	1,230
Market price, year-end	106	84
Market capitalisation (DKKm)	13,087	10,283
Earnings per share for the year (DKK) *)	11.2	10.6
Dividend per share (DKK)	4.5	5.0
Net asset value per share (DKK)	93	87
Share price/NAV per share.	1.1	1.0

*) The financial ratio has been calculated as if the additional tier 1 (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.

Dividend policy and expectations

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

As from the 2022 financial year, 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 2022, and in accordance with the Bank's current dividend policy, Spar Nord intends to pay ordinary dividends of DKK 4.5 per share for 2022. Furthermore, given the Bank's solid capital position, the Board of Directors has found it appropriate to further adjust the Bank's own funds by establishing a share buyback programme of DKK 300 million.

Investor

Ordinary dividends of DKK 4.5 per share and the DKK 300 million share buyback programme equals a total payout ratio of 60%.

Concurrently with its work to prepare a new strategy for the period 2023–2025, Spar Nord has adjusted its dividend policy, which will apply from the financial year 2023 and onwards.

The adjusted dividend policy is as follows:

Spar Nord pursues the goal of generating a competitive return for its shareholders – by way of share price performance and distributions. Spar Nord aims to distribute 40–60% of the net profit for the year with due consideration to meeting the Bank's capital targets.

The Bank intends to make distributions in the form of cash dividends and share buybacks, always provided that at least 30% of the net profit will be distributed as cash dividends. The distribution of between 40% and 60% is calculated on the net profit and thus before payment of interest on the Bank's additional tier 1 capital.

Financial calendar 2023

22 March 2023	Annual General Meeting
03 May 2023	Interim report for Q1
17 August 2023	Interim report for H1
01 November 2023	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.

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 2022, which is available on our website spar-nord.dk/esg. See ESG key figures on page 15.

UN guidelines and SDGs provide the foundation

Spar Nord is a signatory to the UN Global Compact (UNGC), the UN Principles for Responsible Investment (UN PRI) and 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.

As part of becoming a signatory to UN Principles for Responsible Banking (UN PRB), we are regularly performing analyses in order to identify how Spar Nord impacts society in both a positive and a negative direction in relation to the 17 UN Sustainable Development Goals. In 2021 and 2022, we have thus prepared an Impact Analysis, which shows that climate is the Bank's most significant impact area. Spar Nord's Impact Analysis 2022 is set out as

a separate report, which is available at spar-nord.dk/esg.

ESG rating

In order to build transparency and credibility with respect to Spar Nord's business in relation to sustainability and climate impact, we have opted to be assigned an ESG rating by Sustainalytics and MSCI.

ESG Risk Rating	Score	Risk level
Sustainalytics	16.2	Low Risk
MSCI	BBB	Average

Improved ESG capabilities – a strategic initiative

In 2022, Spar Nord focused especially on strengthening joint know-how and capabilities in the area of sustainability. We improved our ESG capabilities, which are relevant in all parts of our Bank, encompassing employees in the local banks and at our corporate headquarters.

By improving our ESG capabilities, we aim to ensure that all employees gain an insight into ESG, the UN SDGs and sustainability as such in relation to the financial sector. Next, the ambition is to prepare our advisers and enable them to engage with customers about sustainability and ask questions that may hopefully help customers embark on a green transition of either their private finances or their business. Our training and course activities will continue in 2023 in close collaboration with the Education Centre of the Danish Financial Sector.

Spar Nord's ESG work is concentrated on five strategic focus areas:



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 integrating ESG aspects in the entire investment process. Similarly, sustainability considerations are made when we prepare Spar Nord's investment recommendations.

Both in 2021 and 2022, Spar Nord has prepared an action plan for reducing its CO₂e footprint on investments based on recommendations from Finance Denmark's Forum for Sustainable Finance. In addition to the action plan, Spar Nord has defined the CO₂e reduction targets set out below.

Reducing the CO₂e footprint from investments managed by Spar Nord by 30% by 2025 and 60% by 2030 relative to a 2020 baseline.

The following are specific examples of results in the area of responsible and sustainable investment in 2022:

Developing and launching the customer-oriented digital tool Digital Investment Guide (DIG), which includes customer sustainability preferences.

Advisory training for employees with respect to sustainable investment.

Developing stewardship setup for the investment landscape.

Developing the integration of sustainability risks and ESG issues in the investment process.

ESG-certified portfolio managers who handle investments on behalf of customers.

Sustainable finance

At Spar Nord, we are aware that all of our financing activities have a certain environmental and climate impact. Spar Nord has chosen to focus its sustainable finance efforts on specific loan products and projects supportive of the sustainable transition. Initially, we have focused on financing private vehicles and energy renovation by offering the products *Energy-friendly Car Loan* and *Energy-friendly Home Loan*.

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

In 2021 and 2022, Spar Nord has calculated CO₂e emissions from lending to retail customers (car and home loans) and business customers based on Finance Denmark's CO₂ model. In 2022, Spar Nord prepared its first action plan for reducing its CO₂e footprint on lending based on recommendations from Finance Denmark's Forum for Sustainable Finance. In addition to this action plan, Spar Nord has defined the CO₂e reduction targets set out below.

Reducing the CO₂e footprint from lending by 20% by 2025 and 45% by 2030 relative to a 2021 baseline.



Specific results in 2022 included:

Launching Energy-friendly Car Loan with an attractive interest rate if the borrower buys an electric or plug-in hybrid vehicle.

Launching Energy-friendly Home Loan with an attractive interest rate for energy improvements and energy renovation.

Calculating CO₂e emissions from lending to retail customers (car and home loans) and business customers based on Finance Denmark's CO₂ model.

Preparing an action plan and defining specific targets for reducing CO₂e for lending.

Governance & Compliance

At Spar Nord, we consider prudence and corporate governance to be the cornerstones of our bank. 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.

Healthy corporate culture

Spar Nord prioritises a healthy corporate culture, and combined with the Bank's strategy, business model and values and the Bank's anti-money laundering policies, remuneration policy and code of conduct for employees and suppliers it is to provide the framework for responsible banking operations. In 2021 and 2022, Spar Nord launched in-house awareness campaigns providing extensive information about the setting for a healthy corporate culture.

Data ethics, cyber security and IT governance

Security in relation to data, IT systems and their use is a prerequisite for Spar Nord's credibility and competitiveness. Our business depends on our ability to keep our IT systems operational and our lines of communication open, while at the same time protecting our customers' and the Bank's vital data from unauthorised parties.

To strengthen our defence against cyber attacks, lift the general maturity level and comply with legislative requirements for system security, Spar Nord launched a comprehensive IT governance programme in 2022. Spar Nord's IT governance programme will contribute to safeguarding day-to-

day operations in case of attacks and breakdowns, ensuring that employees obtain a comprehensive overview of the Bank's systems and processes and know how to respond in case of a cyber attack.

Responsible tax procedures

Spar Nord at all times aims to be a responsible taxpayer complying with applicable tax rules. To that end, we aim to ensure transparency and a pro-active, open and collaborative approach to the tax authorities. We publish our tax payments in accordance with national and international requirements and good practice among peer companies. Spar Nord aims to be a competitive business as well as a responsible taxpayer. Paying direct and indirect taxes, Spar Nord is a key contributor to Danish society.

Responsible supply chain management

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. Consequently, all suppliers automatically accept Spar Nord's code of conduct when entering new contracts or when a contract is renegotiated. Spar Nord ensures systematic and annual follow-up on compliance with the code of conduct as a natural part of the Bank's central procurement processes and supply chain management.

An evolving workplace

Spar Nord's most important resource is its employees. Therefore, Spar Nord takes 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. Spar Nord also assumes responsibility 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, an environmental and climate policy and a policy on sound business culture.

Management and organisational diversity

Spar Nord aims to be a diverse workplace where all employees, regardless of gender, have the same opportunities for making a career and being considered for a management position. It is the Bank's ambition to promote gender diversity at all management levels and foster a corporate culture that also opens up for diversity in other areas. Spar Nord's approach to diversity and inclusion is intended to contribute to selecting, attracting, strengthening and retaining a diverse composition of the Bank's management and help Spar Nord retain its position as an attractive workplace.

With our new strategy 'A committed bank', we have defined a number of specific targets and ambitions for how to shift the gender breakdown at executive

and executive mid-level towards a more equal distribution between men and women.

Spar Nord has defined the following goals for the underrepresented gender at management level:

A share of 33% for the Board of Directors by 2025

A share of 25% for the Executive Board by 2030

A share of 20% in the Bank's executive team by 2026 and 30% by 2030

A share of 35% for other senior managers by 2026 and 40% by 2030

In 2022, the Bank had defined a goal that women should represent 33% of board members. At the end of 2022, this goal was not achieved, with women representing 22% of board members. The explanation is that there was no reason in 2022 to change the composition of the Board of Directors.

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 60 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 2022, the Bank entered into sponsorship agreements for a little more than DKK 22 million.

In close collaboration with the Spar Nord Fonden, Spar Nord Bank each year supports initiatives and projects across Denmark. The Spar Nord Fonden 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 Fonden, which in 2022 made donations of around DKK 60.9 million for 681 small and large initiatives across Denmark. Read more about the Bank's local commitment at sparnord.dk/esg and about the Spar Nord Fonden at sparnordfonden.dk.

Meaningful marine litter collection and workplace exercise

Each autumn, Spar Nord Bank's employees spend working hours contributing to a national marine

litter initiative, in which dedicated local citizens, school children, associations and businesses are invited to help make a difference. In a pooled effort, 1.6 tonnes of marine litter was collected from Danish beaches in 2022. The marine litter collection is also the cornerstone for Spar Nord's participation in the Danish initiative Workplace Exercise Week, which is held in the same week. With this meaningful workplace exercise, a healthy and sustainable working life goes hand in hand with being a committed and responsible bank. Since 2017, the Spar Nord Fonden has donated a little over DKK 2.5 million to a Danish marine environment protection campaign called Søværnets Havmiljøvogterkampagne.

The Bank's own footprint

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. At the end of 2021, the Bank achieved climate-neutrality on scopes 1 and 2 through reduction and compensation measures. In 2022, we have used a number of energy-optimising measures to further reduce the share of the Bank's own CO₂e footprint, and thus also the share of purchased climate credits.

The following are examples of our specific results in the area of climate and environment in 2022:

27 new vehicle charging points installed – 16 at our head office and 11 at the local banks.

Energy savings of around 100,000 kWh from 2021-2022 by conversion to LED lighting and energy optimisation throughout the Bank.

Recycling paper hand towels in collaboration with Tork PaperCircle.

Replacing disposable crockery with porcelain and glass at the Bank's head office.

Establishing beds of wild flowers and flower bowls at the head office and locally.

Preparing and establishing waste sorting across the Bank's branches.

Conducting a survey of 31 selected suppliers with a view to compliance with our code of conduct for suppliers.

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 more detailed description of risk management in the individual risk areas, including a description of policy, monitoring and reporting, reference is made to the respective sections in the Risk Report.

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 37.

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 and when required, the Board of Directors will 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. The committees are charged with arranging the preparatory work for the Board of Directors' consideration of matters within the respective committee areas.

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 sparnord.com/about-spar-nord-bank/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, guidelines 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 eight meetings in 2022.

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 Bank's diversity policy, 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 six meetings in 2022.

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

Risks

include monitoring the efficiency of the Bank's internal control system, Internal Audit and risk management systems for financial reporting purposes.

The Audit Committee consist of three board members, one of whom is independent and one elected by the employees. The Committee held eight meetings in 2022.

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 the risk management function, respectively. 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 the risk management function. 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, the

risk management function and selected heads of business areas. The Committee serves to advise on and deal with any issues that may arise in relation to the IT security 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 a centralised department AML & Fraud, 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.

Risks

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.

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.

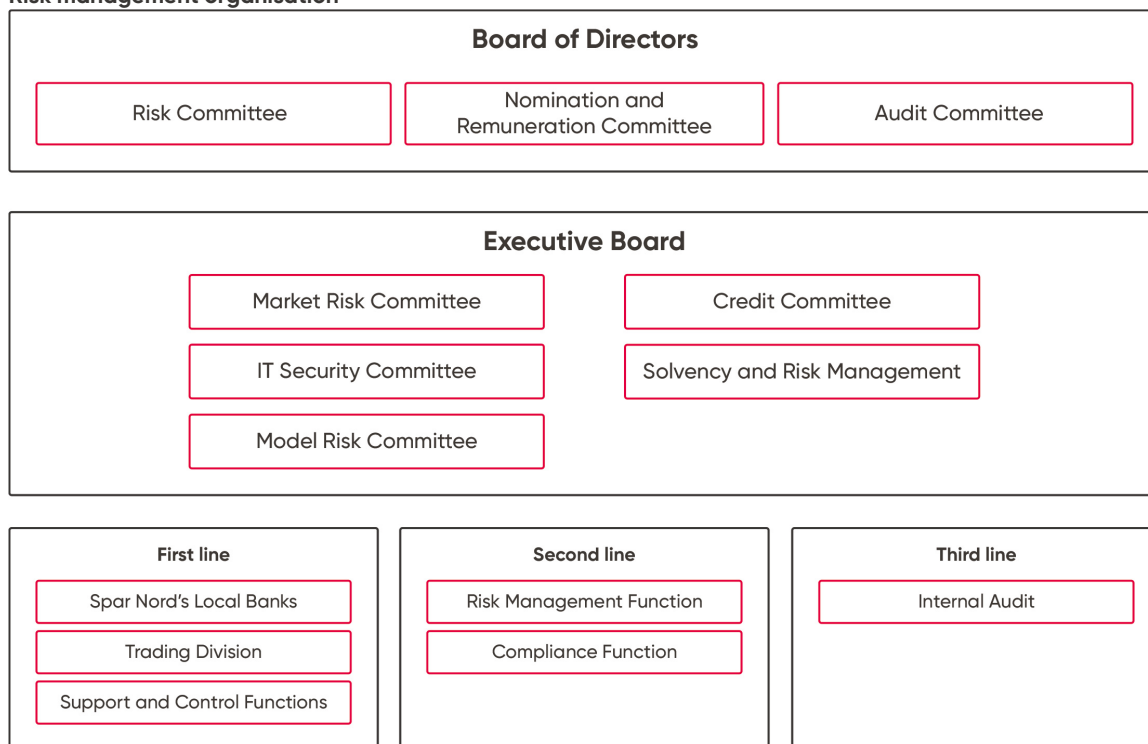
The Internal Audit Department is responsible for planning and performing an audit to obtain reasonable assurance as to whether the consolidated financial statements and the parent company financial statements are free from material misstatement.

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 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/about-spar-nord-bank/governance-and-remuneration.

The 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/about-spar-nord-bank. 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, etc.
- 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 2022, the Board of Directors held a total of 24 meetings. In addition, 8 meetings were held in the Audit Committee, 8 meetings in the Risk Committee and 6 meetings in the Nomination and Remuneration Committee.

The total board member attendance rate was 93.6%. 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 of members to the Board

At the Annual General Meeting in March 2023, three of the members elected by the shareholders are up for election. Per Nikolaj Bukh has announced that he will stand for re-election and the Board of Directors recommends his re-election. Kaj Christiansen and André Rogaczewski have both announced that they will not stand for 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.

Managing Director Lars Møller has informed the Board of Directors that he wishes to retire on 30 April 2023. The Board of Directors has resolved to appoint the Bank's current chief risk officer Carsen Levring Jakobsen as a new Managing Director and member of the Bank's Executive Board effective from 1 April 2023.

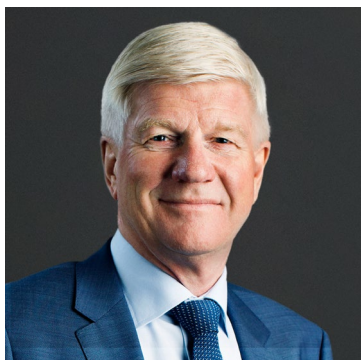
The Executive Board is the supreme decision-making body as concerns the day-to-day affairs of the Bank, in compliance with the guidelines and directions issued by the Board of Directors. The more specific distribution of duties between the Board of Directors and the Executive Board appears from their 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 2022. 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.



Independent



Not independent



Not independent



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 reelection in 2023

Managing Director

Dokøen A/S

Education

State-Authorised Public Accountant

Board member of

Dokøen A/S
Frederikshavn Maritime
Erhvervspark A/S

Areas of expertise

Properties
Marketing
Finance and risk management

Shareholding

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 reelection in 2024

Education

Financial services background

Chairman of the board of directors

Gefion Group A/S
Svend Aage Nielsen, Autoriseret
El-installatør A/S

Board member of

The Spar Nord Fonden

Areas of expertise

The SME segment

Shareholding

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 reelection 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

Areas of expertise

Digitalisation
Management
Business Development
Diversity and inclusion

Shareholding

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
Diploma (Management Accounting)
Executive education from Insead

Chairman of the board of directors

Aktieselskabet Skelagervej 15
Landsdækkende Banker

Board member of

AP Pension Livsforsikringselskab, deputy chairman
Foreningen AP Pension F.M.B.A., deputy chairman
Finance Denmark
FR I af 16. september 2015 A/S
Nykredit A/S
PRAS A/S

Shareholding

83,270



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., deputy chairman
Erhverv Norddanmark
Finanssektorens Uddannelsescenter
Kunsten Museum of Modern Art, Aalborg, vice board leader
Utzon Center A/S, vice board leader

Shareholding

113,356



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 Fondsmæglerselskab A/S
BI Holding A/S (BankInvest Gruppen)
BI Management A/S

Board member of
DLR Kredit A/S, deputy chairman
Aktieselskabet Skelagervej 15

Shareholding
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 administration
Executive education from Insead

Board member of
nærpension forsikringsformidling A/S
SNB II Komplementar ApS
SNB IV Komplementar ApS
Vækst Invest Nordjylland A/S

Shareholding
9,555

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. The core earnings format is thus an actual alternative presentation of the income statement, with a subtotal for core income.

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.

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.
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.
Payout ratio *)	Dividend less dividends on treasury shares plus share buyback programme as a percentage of profit after tax
Cost share of core income (Cost/income ratio)*)	Total costs/core income.
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.
Bank and leasing loans relative to bank deposits	Bank and leasing loans as a percentage of bank deposits
Bank and leasing loans relative to shareholders' equity	Bank and leasing loans / shareholders' equity
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
Impairment account and discount on exposures taken over	Total impairment account plus reversal of impairment charges taken over (which are recognised in loan impairment)
Business volume	Bank and leasing loans, bank deposits, deposits in pooled schemes, guarantees, facilitation of mortgage loans To-talkredit, facilitation of mortgage loans DLR, customers' custodianship accounts and letpension and nærpension, life annuities

*) Spar Nord's strategic targets

Management's statement on the interim report

The Board of Directors and Executive Board have today reviewed and adopted the 2022 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 2022 and of the results of the Group's and the Parent Company's operations and cash flows for the 2022 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 2022 with the file name "sparnord-2022-12-31-da.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, 9 February 2023

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

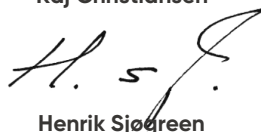


Per Nikolaj Bukh

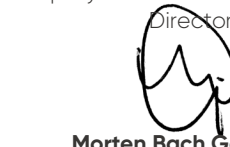
Deputy Chairman of the Board of Directors



André Rogaczewski



Henrik Sjøgreen



Morten Bach Gaardboe



Kim Østergaard



Jannie Skovsen

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 2022 to 31 December 2022, 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 4 years up to and including the financial year 2022.

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 2022 to 31 December 2022. 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"> Identification of credit-impaired exposures . Parameters and management judgements in the calculation model used to determine Stage 1 and Stage 2 expected losses. Valuation of collateral and future cash flows, including management judgement involved in determining Stage 3 expected losses . The assessment of the effects of events that were not already considered by the models in terms of management judgements incorporated in the models and post-model adjustments . 	<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"> Current assessment of credit risk Assessment and validation of input and assumptions applied in calculating impairment charges and provisions for Stage 1 and Stage 2 guarantees. Determining management judgements in addition to model-based impairment charges. Determining impairment charges on exposures in Stage 2 and Stage 3, including test of cash flows and definition of scenarios. <p>Our audit procedures also comprised:</p> <ul style="list-style-type: none"> Reviewing, on a sample basis, exposures to ensure timely identification of credit-impaired loans and guarantees . 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 . Challenging key parameters in the calculation model applied with particular focus on objectivity and the data used . Challenging management judgements in the calculation model used with particular focus on management consistency and bias . Testing, on a sample basis for exposures classified to be in 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. Challenging management judgements incorporated in the models and Management's established post-model adjustments in relation to the effects of events that had not already been considered by the models.

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 other-wise 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 – 31 December 2022, with the file name sparnord-2022-12-31-da.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 inclusive notes;

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 – 31 December 2022, with the file name sparnord-2022-12-31-da.zip, is prepared, in all material respects, in compliance with the ESEF Regulation.

Aalborg, den 9 February 2023

Deloitte

Statsautoriseret Revisionspartnerselskab
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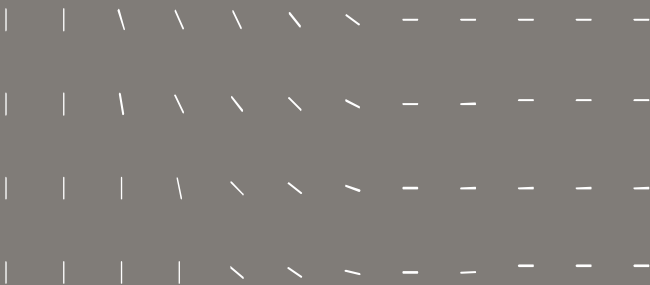
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Income statement

Note	2022 DKKm	2021 DKKm	
	Interest income calculated under the effective interest method	2,046	1,834
	Other interest income	185	107
2.2 + 2.3.1	Interest income	2,231	1,941
2.2 + 2.3.2	Interest expenses	220	205
	Net interest income	2,011	1,736
2.4	Fees, charges and commissions received	1,864	1,706
2.4	Fees, charges and commissions paid	175	165
2.5	Market value adjustments and dividends	323	407
2.6	Other income	122	133
2.7	Staff costs	1,384	1,346
2.8	Operating expenses	953	890
	Profit/loss before loan impairment (core earnings before impairment)	1,808	1,581
2.9	Impairment of loans, advances and receivables etc.	78	-120
	Profit/loss before tax	1,730	1,701
2.10	Tax	313	333
	Profit/loss for the year	1,417	1,368
	Appropriation:		
	The shareholders of the Parent Company Spar Nord Bank A/S	1,370	1,307
	Holders of additional tier 1 (AT1) capital instruments	47	61
	Profit/loss for the year	1,417	1,368
	Earnings per share for the year		
4.5	Earnings per share for the year (DKK)	11.2	10.6
4.5	Diluted earnings per share for the year (DKK)	11.2	10.6
	Proposed dividend per share (DKK)	4.5	2.5 *

*) In addition to the proposed distribution of ordinary dividends of DKK 2.5 per share, the Board of Directors exercised its authority to distribute an additional DKK 2.5 per share regarding the 2021 financial year before the end of the first half-year of 2022.

Statement of comprehensive income

Profit/loss for the year	1,417	1,368
Other comprehensive income		
Items that cannot be reclassified to the income statement:		
Adjustment relating to associates	0	-1
Net revaluation of domicile property	0	14
Items that can later be reclassified to the income statement		
Adjustment regarding cash flows hedging	-18	-
Other comprehensive income after tax	-18	13
Total comprehensive income	1,399	1,381
Appropriation:		
The shareholders of the Parent Company Spar Nord Bank A/S	1,352	1,320
Holders of additional tier 1 (AT1) capital instruments	47	61
Total comprehensive income	1,399	1,381

Group

Balance sheet

Note	2022 DKKm	2021 DKKm
Assets		
	Cash balances and demand deposits with central banks	1,893 1,855
3.1	Due from credit institutions and central banks	2,746 2,485
3.2	Loans, advances and other receivables at amortised cost	65,806 61,936
3.3.1	Bonds at fair value	25,422 19,031
3.3.2	Shares, etc.	1,734 1,931
3.4	Investments in associates	736 663
3.5	Assets linked to pooled schemes	22,402 25,533
3.6	Intangible assets	419 429
3.7.1	Land and buildings	780 796
3.7.2	Other property, plant and equipment	125 123
3.12	Current tax assets	65 105
3.12	Deferred tax assets	201 0
3.7.3	Temporary assets	6 6
3.8	Other assets	1,479 1,526
	Prepayments and deferred income	122 116
	Total assets	123,936 116,535
Equity and liabilities		
Liabilities		
3.9	Due to credit institutions and central banks	2,076 2,452
3.10	Deposits and other payables	72,169 63,775
3.5	Deposits in pooled schemes	22,402 25,533
4.8	Issued bonds at amortised cost	6,216 4,845
3.3.3	Other non-derivative financial liabilities at fair value	2,918 2,786
3.11	Other liabilities	3,915 3,503
	Prepayments and deferred income	107 115
3.12	Deferred tax	0 4
3.13	Provisions	67 75
4.7	Subordinated debt	1,597 1,523
	Total liabilities	111,467 104,611
Equity		
	Share capital	1,230 1,230
	Revaluation reserves	113 113
	Statutory reserves	172 148
	Retained earnings	9,201 8,928
	Proposed dividend	554 308
	Shareholders' equity	11,270 10,727
4.6	Holders of additional tier 1 (AT1) capital instruments	1,199 1,197
	Total equity	12,469 11,924
	Total equity and liabilities	123,936 116,535

Statement of changes in equity

	Share capital	Revaluation reserves	Total statutory reserves *)	Retained earnings	Proposed dividend	Shareholders of Spar Nord Bank A/S	Additional tier 1 (AT1) capital **)	Total equity
	DKKm	DKKm	DKKm	DKKm	DKKm	DKKm	DKKm	DKKm
Equity at 31.12.21	1,230	113	148	8,928	308	10,727	1,197	11,924
Comprehensive income in 2022								
Profit/loss for the year	-	-	75	741	554	1,370	47	1,417
Other comprehensive income								
Adjustment relating to associates	-	-	-33	33	-	0	-	0
Net revaluation of properties	-	0	-	-	-	0	-	0
Adjustment regarding cash flows hedging	-	-	-18	-	-	-18	-	-18
Other comprehensive income, total	0	0	-51	33	0	-18	0	-18
Total comprehensive income	0	0	24	774	554	1,352	47	1,399
Transactions with owners								
Issue of additional tier 1 (AT1) capital, net transaction costs	-	-	-	0	-	0	0	0
Interest paid on additional tier 1 (AT1) capital	-	-	-	-	-	-	-47	-47
Distribution of remaining dividends concerning 2021	-	-	-	-307	307	0	-	0
Dividends paid	-	-	-	-	-615	-615	-	-615
Dividends received, treasury shares	-	-	-	0	-	0	-	0
Disposal upon acquisition of treasury shares and additional tier 1 (AT1) capital	-	-	-	-645	-	-645	-	-645
Addition upon sale of treasury shares and additional tier 1 (AT1) capital	-	-	-	451	-	451	2	453
Total transactions with owners	0	0	0	-501	-308	-809	-45	-854
Equity at 31.12.22	1,230	113	172	9,201	554	11,270	1,199	12,469
Equity at 31.12.20	1,230	99	94	7,988	185	9,596	794	10,390
Comprehensive income in 2021								
Profit/loss for the year	-	-	91	908	308	1,307	61	1,368
Other comprehensive income								
Adjustment relating to associates	-	-	-37	36	-	-1	-	-1
Net revaluation of properties	-	14	-	-	-	14	-	14
Other comprehensive income, total	0	14	-37	36	0	13	0	13
Total comprehensive income	0	14	54	944	308	1,320	61	1,381
Transactions with owners								
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
Total transactions with owners	0	0	0	-4	-185	-189	342	153
Equity at 31.12.2021	1,230	113	148	8,928	308	10,727	1,197	11,924

*) Total statutory reserves are specified in note 4.3.

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

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

Dividends of DKK 554 million have been proposed for 2022, corresponding to DKK 4.50 per share (2021: proposed dividends of DKK 308 million, corresponding to DKK 2.50 per share, and authorisation to distribute an additional DKK 2.50 per share by the end of H1 2022, corresponding to DKK 307 million).

Dividends paid in 2022 amounted to DKK 615 million in the form of proposed distribution of ordinary dividends immediately after the general meeting of DKK 308 million and retained dividend as per authority at end-June 2022 of DKK 307 million, corresponding to DKK 5.00 per share (2021: DKK 185 million, corresponding to DKK 1.50 per share).

Spar Nord has launched a share buyback programme for up to DKK 225 million, which will be completed during the period from 15 June 2022 to 31 January 2023.

In the period until the end of December 2022, Spar Nord bought back shares for a value of DKK 193 million (2,242,500 shares).

Cash flow statement

	2022	2021
	DKKm	DKKm
Operations		
Profit/loss before tax	1,730	1,701
3.7 Fair value changes, investment properties and temporary assets	0	1
2.8.2 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	98	96
2.6 Gains and losses on the sale of intangible assets and property, plant and equipment	-2	0
2.6 Gains and losses on sale of associates	0	0
5.1.7 Adjustment of loan impairment etc.	75	-126
Adjustment of cash flow hedging	-23	-
4.7+4.8 Adjustment of subordinated debt, issued bonds etc.	-246	-13
3.1.3 Provisions	-8	-4
3.4 Income from investments in associates	-75	-91
Corporate income tax paid	-473	-354
Operating activities, total	1,076	1,210
Working capital		
3.1+3.9 Movement in credit institutions and central banks, net	-376	-2,214
Movement in loans, advances and other receivables at amortised cost	-3,945	-9,497
3.3.1 Movement in bonds at fair value	-6,391	2,616
3.3.2 Movement in equity portfolio	196	-123
Movement in other assets and other liabilities, net	573	1,991
3.10 Movement in deposits and other payables	8,394	5,359
Working capital, total	-1,549	-1,868
Cash generated from operations, total	-473	-658
Investments		
3.4 Acquisition of associates	-32	-99
3.4 Sale of associates	0	0
3.6 Acquisition of intangible assets	0	-255
3.6 Sale of intangible assets	0	0
3.7 Acquisition of property, plant and equipment	-55	-103
3.7 Sale of property, plant and equipment	16	31
3.4 Dividends from associates	33	36
Investing activities, total	-38	-390
Financing		
4.7 Subordinated debt	73	197
4.6 Additional tier 1 (AT1) capital included in equity	-46	337
4.8 Issued bonds	1,619	2,181
Dividends paid, less dividends on treasury shares	-615	-184
Acquisition of treasury shares	-645	-502
Sale of treasury shares	451	504
3.11.1 Repayment of lease liabilities	-28	-29
Financing activities, total	809	2,504
Movements in cash and cash equivalents for the year	298	1,456
Cash and cash equivalents, beginning of year	3,841	2,385
Movements in cash and cash equivalents for the year	298	1,456
Cash and cash equivalents, end of year	4,139	3,841
Cash and cash equivalents, end of year		
Cash, cash equivalents and demand deposits with central banks	1,893	1,855
3.1 Due from credit institutions and central banks within less than 3 months	2,246	1,986
Total	4,139	3,841

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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 2021 to 2022 are:

- Amendments to IFRS 3, References to framework and Annual improvements to IFRSs 2018-2020 Cycle

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

- Loan impairment
- Fair value of financial instruments

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 2022 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 9 February 2023, the Board of Directors and Executive Board reviewed and adopted the 2022 Annual Report of Spar Nord. The Annual Report will be submitted for adoption by the shareholders at the Annual General Meeting on 22 March 2023.

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. Due to summing requirements in connection with European Single Electronic Format with respect to the Group's income statement, balance sheet, statement of changes in equity and cash flow statement, rounding differences may also occur relative to the figures in the notes.

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 1 January 2022, the Spar Nord Group implemented the IFRS standards and interpretations taking effect in the EU for 2022. The following amendments to IFRS relevant to Spar Nord were implemented effective 1 January 2022:

- Amendments to IFRS 3, References to framework and Annual improvements to IFRSs 2018–2020 Cycle.

The implementation of amended standards did not materially affect recognition and measurement in 2022, 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

Section 1

Basis of preparation

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.

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.

Changes in deferred tax resulting from changes to the tax rate

Deferred tax was affected at 1 January 2022 due to a change in the tax rate from 2022 to 2024 resulting from changes to the Danish Corporation Tax Act, the Tax Administration Act, the Tax Control Act and the Tax Assessment Act. The changes concern the introduction of "Contributions to society from the financial sector and a cap on deductibility of salary expenses" at 9 June 2022.

The change in the value of deferred tax was made because the calculation of the asset is changed by the different tax rates.

The effect of the change is recognised in the income statement under tax on the profit for the year. The total impact of the change was an income of DKK 24 million in 2022.

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 in the ESEF format.

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 and 2022, 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

In accordance with the regulation, the notes to the financial statements for 2022 have also been tagged.

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-2022-12-31-da.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 2022 Annual Report. These are IFRS 17, amendments to IAS 1 Presentation of liabilities and Accounting policies, amendments to IAS 12 Deferred tax, amendments to IAS 8 Accounting estimates and amendments to IFRS 16 lease liabilities in sale and leaseback transactions.

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

There have been no changes to significant accounting estimates.

A description of change in deferred tax resulting from changes to the tax rate from 2022-2024 is provided in note 1.1.1.

A specific description of significant accounting estimates and judgments is provided in the relevant notes. If there have been significant changes to accounting estimates and judgments, a description hereof and any accounting effect will appear from the relevant notes.

Section 1

Basis of preparation

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 2,011 million

2021: **DKK 1,736** million

Impairment of loans and advances, etc.

DKK 78 million

2021: **DKK -120** million

Net fee income

DKK 1,689 million

2021: **DKK 1,541** million

Profit/loss before tax

DKK 1,730 million

2021: **DKK 1,701** million

Costs and expenses

DKK 2,338 million

2021: **DKK 2,237** million

Profit/loss after tax

DKK 1,417 million

2021: **DKK 1,368** million

Profit/loss before loan impairment charges

DKK 1,808 million

2021: **DKK 1,581** million

C/I ratio

0.56

2021: **0.59**

Income statement

2.1 Business segments

§ Accounting policies

Segment information is provided in accordance with Spar Nord's accounting policies and follows the internal management reporting.

Inter-segment transactions are settled on an arm's length basis. Expenses incurred centrally such as salaries, rent, depreciation, etc. are allocated to the individual segments based on an assessment of the proportionate share of the overall activity level. Segment assets and liabilities are assets and liabilities that are used for maintaining the operating activities of a segment or have come into existence as a result of such activities and that are either directly attributable or may be reasonably allocated to a segment. A calculated share of shareholders' equity is allocated to each segment.

Other income and expenses are charged to Other areas, which item also includes the activities of the subsidiary Aktieselskabet Skelagervej 15.

Description of business segments

Based on the nature of the products and services provided, the Group is organised in a number of business areas and resource and support functions. The reporting segments reflect the Group's organisational and management structure as well as internal follow-up.

Spar Nord's Local Banks cater to all types of retail and business customers. Spar Nord's Local Banks (the retail bank unit) constitutes the largest organisational unit in the Spar Nord Group, consisting of 60 local banks throughout the country and a Large Corporates department, which in addition to own large business customers serves large business customers from the other banking areas. The Large Corporates department is based in Aalborg and has centres in Århus and Roskilde, and the department also comprises Spar Nord Property Administration. Spar Nord Bank's leasing activities form an integral part of Spar Nord's Local Banks.

The Trading Division is composed of Markets, Shares and Corporate Bonds, Interest & Forex, Asset Management and Financial Institutions & Development. The activities of the Trading Division centre on forex and securities, including hedging and managing the transactions made by the local banks' customers. Moreover, the Trading Division cooperates with a number of the Bank's largest business customers and retail customers, as well as managing some of the Bank's own positions. Financial Institutions & Development offers products and advice associated with export and import.

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

Principles for Intra-group settlement

An internal interest rate is calculated for all business segments. The internal interest rate is used to equalise differences between assets and liabilities (surplus/deficit of liquidity) among the business segments. The internal interest rate is calculated on the basis of market rates.

Costs incurred centrally and a few income items are basically allocated internally between the individual business segments on the basis of cost. An allocation is made from the unit paying the costs based on an assessment of each individual unit's proportionate share of the overall activity level.

Other income and expenses are allocated to the business segments to whose operation they are directly related or can reasonably be allocated.

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 14.0% (2021: 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.

Information about income broken down by products and services

The Group's business areas are organised according to differences in products and services, and products and services are uniform within the individual business areas. Income from the business area Spar Nord's Local Banks mainly comprises income from interest, fees, charges and commissions related to products within lending and deposits as well as leasing activities. The customers consist of retail, business and public-sector customers.

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

2022

	Spar Nord's Local Banks	Trading Division	Other areas	Group total *)
	DKKm	DKKm	DKKm	DKKm
Income statement				
Net interest income	2,004	-24	31	2,011
Net fee income	1,672	12	6	1,689
Market value adjustments and dividends	250	-13	86	323
Other income	25	0	97	122
Core income/revenue, total	3,951	-25	219	4,145
Staff costs and operating expenses	2,149	70	119	2,338
Core earnings before impairment	1,802	-95	100	1,808
Impairment of loans, advances and receivables etc.	92	0	-15	78
Profit/loss before tax	1,710	-95	115	1,730

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

Balance sheet

Loans, advances and other receivables at amortised cost	55,035	10,770	2	65,806
Investments in associates	0	0	736	736
Intangible assets and property, plant and equipment *)	488	1	835	1,324
Other assets **)	1,409	30,683	23,977	56,069
Allocated assets, total	56,932	41,453	25,551	123,936
Deposits and other payables	68,553	2,999	618	72,169
Equity (allocated capital)	6,671	1,321	4,477	12,469
Other liabilities	22,914	5,542	10,841	39,297
Allocated equity and liabilities, total	98,138	9,862	15,936	123,936

Disclosures – income/revenue, total

Internal income/revenue	71	-113	118	75
Internal income and eliminations, offset against costs	0	-75	0	-75
Income/revenue, external customers	3,880	164	102	4,145
Income/revenue, total	3,951	-25	219	4,145
Of which revenue from contracts with customers see note 2.4	1,012	17	27	1,055

Disclosures, cash flow statement

Depreciation, amortisation and impairment ***)	30	1	67	98
Additions, intangible assets and property, plant and equipment *)	35	0	20	55
Non-cash operating items excl. depr., amort. and impairment of int. assets and prop., plant & equipment	0	0	-105	-105
Impairment and reversal of impairment of loans, advances and receivables, etc.	74	0	0	74

Financial ratios

Return on equity, % ****)	27	-7	-	-
Cost share of core income	0.54	-2.79	-	-
Total risk exposure amount, end of period	47,445	9,481	3,536	60,463
Number of employees (full-time equivalents, end of period)	1,106	54	484	1,644

*) All assets are located in Denmark.

**) Temporary assets amount to DKK 6 million, of which DKK 2 million relates to lease activities and DKK 4 million relates to other areas.

***) No significant impairment charges have been made.

****) The rate of return on equity per annum has been calculated on allocated capital, which amounts to 14% of the average total risk exposure amount.

Section 2

Income statement

Business segments

2021	Spar Nord's Local Banks DKKm	Trading Division DKKm	Other areas DKKm	Group total *) DKKm
Income statement				
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	408
Other income	26	0	108	133
Core income/revenue, total	3,399	167	251	3,818
Staff costs and operating expenses	2,120	49	68	2,237
Core earnings before impairment	1,280	118	184	1,581
Impairment of loans, advances and receivables etc.	-120	0	0	-120
Profit/loss before tax	1,400	118	184	1,701

*) 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
Allocated assets, total	50,761	37,332	28,442	116,535
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
Allocated equity and liabilities, total	95,440	7,469	13,626	116,535

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
Income/revenue, total	3,399	167	251	3,818
Of which revenue from contracts with customers see note 2.4	888	24	66	977

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 charges 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

2022	Interest income DKKm	Interest expense DKKm	Net interest DKKm	Market value adjustments DKKm	Share dividends DKKm	Total DKKm
Net financials at amortised cost						
Due from and due to credit institutions and central banks	9	10	-1	-	-	-1
Lending and deposits, banking activities	1,741	-194	1,935	-	-	1,935
Repo and reverse repo transactions	7	-3	10	-	-	10
Issued bonds	0	67	-67	76	-	9
Subordinated debt	0	49	-49	-	-	-49
Other interest	1	2	-1	-	-	-1
Total	1,758	-69	1,827	76	-	1,902
Net financials at fair value						
Trading book	184	0	184	9	6	199
Other financial investment assets (shares according to fair-value option)	0	0	0	127	106	232
Total	184	0	184	135	112	432
Total net income from financials	1,942	-69	2,011	211	112	2,334
2021						
Net financials at amortised cost						
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
Total	1,456	-173	1,629	23	-	1,652
Net financials at fair value						
Trading book	107	0	107	147	3	258
Other financial investment assets (shares according to fair-value option)	0	0	0	158	76	234
Total	107	0	107	305	79	491
Total net income from financials	1,563	-173	1,736	329	79	2,143

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 2.3.2.

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 accrues 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.

From 2022 and onwards, interest for hedge transactions of issued bonds and subordinated debt has been offset. Amounts were offset between the item total derivatives under interest income and issued bonds and subordinated debt under interest expenses, respectively.
In 2021, the effect of the offsetting would have been DKK 21 million.

2.3.1 Interest income

	2022	2021
	DKKm	DKKm
Interest income		
Reverse repo transactions with credit institutions and central banks	1	-11
Other amounts due from credit institutions and central banks	9	5
Reverse repo transactions, lending	6	-45
Loans, advances and other receivables	1,741	1,508
Bonds	126	62
Total derivatives	58	45
Other interest income	1	0
Total interest income after offsetting negative interest income	1,942	1,563
Negative interest income offset against interest income		
Reverse repo transactions with credit institutions and central banks	6	11
Reverse repo transactions, lending	24	45
Bonds	5	17
Total negative interest income transferred to interest expenses	36	73
Negative interest expenses offset against interest expenses		
Repo transactions with credit institutions and central banks	2	7
Repo transactions, deposits	8	4
Deposits and other payables	242	294
Total negative interest expenses transferred to interest income	252	305
Total interest income	2,231	1,941

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

	2022	2021
	DKKm	DKKm
Interest expenses		
Repo transactions with credit institutions and central banks	5	-7
Other payables to credit institutions and central banks	10	9
Repo transactions, deposits	-8	-4
Deposits and other payables	-194	-255
Issued bonds	67	48
Subordinated debt	49	35
Other interest expenses	2	1
Total interest expenses after offsetting negative interest expenses	-69	-173
Negative interest expenses offset against interest expenses		
Repo transactions with credit institutions and central banks	2	7
Repo transactions, deposits	8	4
Deposits and other payables	242	294
Total negative interest expenses transferred to interest income	252	305
Negative interest income offset against interest income		
Reverse repo transactions with credit institutions and central banks	6	11
Reverse repo transactions, lending	24	45
Bonds	5	17
Total negative interest income transferred to interest expenses	36	73
Total interest expenses	220	205

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

	2022	2021
	DKKm	DKKm
Securities trading and custody accounts	547	516
Payment services	238	203
Loan transaction fees	725	672
of which mortgage credit institutions	548	511
Guarantee commission	38	35
Other fees, charges and commissions	317	280
Total fees, charges and commissions received	1,864	1,706
Total fees, charges and commissions paid	175	165
Total net fees, charges and commissions received	1,689	1,541
Of which		
Transaction fees relating to financial instruments measured at amortised cost	725	672
Income from management activities and other fiduciary activities	301	276
Share of above-mentioned fee types concerning revenue from contracts with customers		
Securities trading and custody accounts	408	372
Payment services	236	197
Loan fee	177	161
Other net fees and other operating income	235	247
Total revenue from contracts with customers	1,055	977

2.5 Market value adjustments and dividends



Accounting policies

Market value adjustments include realised and unrealised market value adjustments of items in the trading book 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.

	2022	2021
	DKKm	DKKm
Other loans, advances and receivables at fair value	76	24
Bonds	-480	-77
Shares, etc.	88	225
Currency	94	84
Foreign exchange, interest, share, commodity and other contracts and derivatives	434	73
Assets linked to pooled schemes	-3,326	2,866
Deposits in pooled schemes	3,326	-2,866
Other liabilities	0	0
Total market value adjustments	211	329
Dividends on shares, etc.	112	79
Market value adjustments and dividends on shares, etc., total	323	407

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).

	2022	2021
	DKKm	DKKm
Payments under operating leases and other rental income	11	11
Gain on sale of other property, plant and equipment	1	0
Gain on sale of properties	2	1
Other income	18	17
Operation of investment properties	15	14
Total other operating income	47	43
Income from investments in associates	75	91
Other income, total	122	133

2.7 Staff costs

§ Accounting policies

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

	2022	2021
	DKKm	DKKm
Salaries	1,104	1,067
Pensions	131	134
Social security costs	150	145
Total staff costs	1,384	1,346

Number of employees

Average number of employees in the financial year converted into full-time equivalents	1,628	1,618
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Section 2

Income statement

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

	2022	2021
	DKKm	DKKm
Board of Directors		
Number	9	9
Fixed remuneration	4.7	4.6
Pension	-	-
Total remuneration	4.7	4.6

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)	18	17
Fixed pay *)	22.4	20.5
Variable pay	1.1	1.1
Pension	3.2	3.0
Total remuneration earned and paid	26.7	24.5

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

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 23 March 2022. The remuneration policy is available at sparnord.com/about-spar-nord-bank/governance-and-remuneration.

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 *)	18.0	17.1
- less fees received from directorships	2.0	1.9
The Bank's expense, base salary	16.1	15.2
Pension	2.8	2.7
Total remuneration earned and paid	18.9	17.9

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

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.

Information about the remuneration of individual members of the Board of Directors and Executive Board is available in the Remuneration Report at sparnord.com/about-spar-nord-bank/governance-and-remuneration.

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).

	2022	2021
	DKKm	DKKm
IT costs	544	513
Marketing expenses	65	58
Cost of premises	61	53
Staff costs and travel expenses	62	51
Office expenses	16	16
Other administrative expenses	107	104
Operating expenses	855	795
Depreciation, amortisation and impairment	98	96
Total operating expenses	953	890

2.8.1 Audit fees

	2022	2021
	DKKm	DKKm
Fees to the audit firm appointed at the General Meeting	2.1	2.6
Fees to other audit firms for non-audit services	0.4	0.4
Total audit fees	2.5	3.0

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

Statutory audit	1.7	1.0
Other assurance engagements	0.1	0.3
Tax and VAT assistance	0.1	0.0
Non-audit services	0.2	1.4
Total fees to the audit firm appointed at the General Meeting	2.1	2.6

The fee for non-audit services provided by Deloitte Statsautoriseret Revisionspartnerselskab to the Group in 2022 amounted to DKK 0.2 million, consisting of other services which included the preparation of a comfort letter relating to the EMTN programme and other advisory services.

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

Section 2

Income statement

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

	2022	2021
	DKKm	DKKm
Intangible assets		
Customer relations, amortisation	8	8
Other intangible assets, amortisation	2	3
Property, plant and equipment		
Domicile properties, depreciation	43	43
Domicile properties, net impairment	2	4
Temporary property portfolio, impairment	1	0
Other property, plant and equipment, depreciation	43	39
Total amortisation, depreciation and impairment of intangible assets and property, plant and equipment	98	96

2.9 Impairment of loans, advances and receivables, etc.

	2022	2021
	DKKm	DKKm
Impairment of loans at amortised cost	155	-42
Writedowns on amounts due from credit institutions and central banks	0	0
Provision for losses on guarantees	-12	5
Provisions for losses on unutilised credit lines and loan commitments	4	-8
Loss without prior impairment	38	55
Amounts recovered on previously impaired receivables	64	71
Interest accrued on loans subject to impairment	15	16
Value adjustment of properties taken over	0	0
Reversal of impairment charges taken over	29	43
Total	78	-120

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.

Tax policy, Governance & Compliance

Spar Nord's tax policy, which has been approved by the Board of Directors, is published and further described in the ESG Report for 2022.

Spar Nord's position on tax matters is briefly described in the management's review under "ESG".

Current tax, paid tax and deferred tax

Spar Nord's current tax, paid tax and deferred tax are described in note 3.12.

	2022	2021
	DKKm	DKKm
Tax on profit/loss for the year	313	333
Tax on other comprehensive income	-5	0
Tax on changes in equity	0	0
Tax on fair value adjustments, business combinations	0	-2
Total tax	308	331

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

Current tax	523	346
Deferred tax for the year	-178	-12
Adjustment of deferred tax, prior years	-3	-1
Adjustment of current tax for prior years	-5	1
Change in corporate tax rate (recalculation factor)	-24	-
Tax on profit/loss for the year	313	333

Specification of the effective tax rate:

Current tax rate	22.0	22.0
Non-taxable income from investments and market value adjustment of shares, %	-2.7	-2.9
Other non-deductible expenses and non-taxable income, %	0.6	0.5
Adjustment of prior-year taxes, %	-0.4	0.0
Change in corporate tax rate (recalculation factor), %	-1.4	-
Total effective tax rate	18.1	19.6

	Before tax	Tax	After tax	Before tax	Tax	After tax
	2022	2022	2022	2021	2021	2021
	DKKm	DKKm	DKKm	DKKm	DKKm	DKKm
Tax on other comprehensive income						
Adjustment relating to associates	0	0	0	-1	0	-1
Adjustment regarding cash flows hedging	-23	5	-18	0	0	0
Net revaluation of properties	0	0	0	14	0	14
Tax on other comprehensive income, total	-23	5	-18	13	0	13

Tax on changes in equity

Interest and issuance expenses, additional tier 1 (AT1) capital	-47	0	-47	-66	0	-66
Tax on changes in equity	-47	0	-47	-66	0	-66

The tax rate will be changed from 2023 due to changes to the Danish Corporation Tax Act, the Tax Administration Act, the Tax Control Act and the Tax Assessment Act. The changes concern the introduction of "Contributions to society from the financial sector and a cap on deductibility of salary expenses" at 9 June 2022 and mean that the corporate tax rate for financial enterprises will rise to 25.2% in 2023 and 26% in 2024 and the

introduction of a cap on deductible payroll costs of DKK 7.5 million per employee (2022 rate).

The effect on deferred tax of the changed corporate tax rate is recognised in 2022.

The DKK 7.5 million cap on deductible payroll costs per employee does not affect Spar Nord.

Section 3

Balance sheet

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Main items

Lending, banking and leasing activities

DKK 55,296 million

2021: **DKK 49,086** million

Shares in the trading book

DKK 87 million

2021: **DKK 138** million

Bonds at fair value in the trading book

DKK 18,664 million

2021: **DKK 18,809** million

Shares in the banking book

DKK 1,647 million

2021: **DKK 1,793** million

Bonds at fair value in the banking book

DKK 6,757 million

2021: **DKK 222** million

Deposits, banking activities

DKK 72,169 million

2021: **DKK 63,775** million

Deposits in pooled schemes

DKK 22,402 million

2021: **DKK 25,533** 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.

	2022	2021
	DKKm	DKKm
Balances at notice with central banks	0	0
Due from credit institutions, reverse repo transactions	1,620	1,515
Due from credit institutions, other	1,126	971
Total due from credit institutions and central banks	2,746	2,485
Of which, subordinated receivables	0	0
Shown by term to maturity		
Demand deposits	217	166
Up to 3 months	2,029	1,820
Over 3 months and up to 1 year	125	0
Between 1 year and 5 years	375	500
Over 5 years	0	0
Total	2,746	2,485

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.

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The following components of the model are considered accounting estimates and judgments:

- 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 impairments as it affects customer PD values. See note 5.1.1 for a description hereof.

Individually assessed impairments 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-2021 to end-2022, the impairment account rose from DKK 1.6 billion to DKK 1.7 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 65,806 million, corresponding to about 53% of the Group's assets at end-2022.

	2022	2021
	DKKm	DKKm
Lending, reverse repo transactions	10,510	12,850
Lending, banking and leasing activities	55,296	49,086
Loans, advances and other receivables at amortised cost, total	65,806	61,936
Broken down by category		
Loan contracts with access to variable utilisation	26,045	24,419
Lease contracts	7,608	6,346
Other lending	32,153	31,170
Total	65,806	61,936
Shown by term to maturity		
Demand deposits	1,732	2,292
Up to 3 months	11,658	14,095
Over 3 months and up to 1 year	19,939	18,252
Between 1 year and 5 years	9,774	9,057
Over 5 years	22,703	18,240
Total	65,806	61,936

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.

	2022	2021
Lease payments broken down by contractual term to maturity	DKKm	DKKm
Year 1	1,852	1,540
Year 2	1,723	1,419
Year 3	1,474	1,205
Year 4	1,131	908
Year 5	794	612
Year 6 onwards	1,263	946
Total gross investments in finance leases	8,236	6,630
Of which, unearned, future financial income	628	284
Total net investments in finance leases	7,608	6,346
Year 1	1,643	1,441
Year 2	1,569	1,347
Year 3	1,368	1,158
Year 4	1,064	879
Year 5	755	596
Year 6 onwards	1,208	926
Total net investments in finance leases	7,608	6,346
Lease income is recognised in the income statement under the item "Interest income"	161	126
Average remaining term of the lease contracts	2.9 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.

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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 book, 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.

Securities in the banking book

Bonds and shares in the banking book are recognised and measured in the same way as securities in the trading book as the securities, as part of Management's risk management and monitoring process, are recognised and measured at fair value through profit or loss.

④ 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 1,647 million, equal to 1% of Spar Nord's assets at year-end 2022.

3.3.1 Bonds at fair value

	2022	2021
	DKKm	DKKm
Mortgage bonds	24,325	17,657
Government bonds	45	164
Other bonds	1,052	1,211
Bonds at fair value, total	25,422	19,031
Of which, subordinated receivables	40	47
Trading book	18,664	18,809
Banking book	6,757	222
Bonds at fair value, total	25,422	19,031

3.3.2 Shares, etc.

	2022	2021
	DKKm	DKKm
Shares/unit trust certificates listed on NASDAQ Copenhagen A/S	53	135
Shares/unit trust certificates listed on other stock exchanges	11	86
Unlisted shares at fair value	1,670	1,710
Total shares, etc.	1,734	1,931
Trading book	87	138
Banking book	0	115
Banking book, strategic shares	1,647	1,678
Total shares, etc.	1,734	1,931

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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.

	2022	2021
	DKKm	DKKm
Balancing item to negative bond portfolios in connection with reverse repo transactions	2,918	2,786
Total other non-derivative financial liabilities at fair value	2,918	2,786

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:

- Securities in the trading book and the banking book which are 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
2022		
Cash balances and demand deposits with central banks	1,893	0
Due from credit institutions and central banks	2,746	0
Loans, advances and other receivables at amortised cost	65,806	0
Bonds at fair value	0	25,422
Shares, etc.	0	1,734
Assets linked to pooled schemes	0	22,402
Positive fair value of derivatives	0	444
Total financial assets	70,445	50,002
Due to credit institutions and central banks	2,076	0
Deposits and other payables	72,169	0
Deposits in pooled schemes	0	22,402
Issued bonds at amortised cost	6,216	0
Other non-derivative financial liabilities at fair value	0	2,918
Lease liabilities	158	0
Negative fair value of derivatives	0	675
Subordinated debt	1,597	0
Total financial liabilities	82,216	25,996
	Amortised cost	Fair value through profit or loss
	DKKm	DKKm
2021		
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
Total financial assets	66,276	47,037
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
Total financial liabilities	72,746	28,793

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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.

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 2022, the customer margin, etc. not yet amortised amounted to DKK 44 million (2021: DKK 54 million).

In Day 1 gains, DKK 0 million (2021: DKK 0 million) was offset from CVA at end-2022, which is the credit value component of derivatives.

	2022	2021
	DKKm	DKKm
Unamortised customer margin at 1 January	54	63
Net development in amortisation of customer margin	-10	-10
Unamortised customer margin at 31 December	44	54

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
2022				
Bonds at fair value	0	25,422	0	25,422
Shares, etc.	64	23	1,647	1,734
Assets linked to pooled schemes	13,080	9,323	0	22,402
Positive fair value of derivatives	0	444	0	444
Total financial assets	13,144	35,212	1,647	50,002
Deposits in pooled schemes	0	22,402	0	22,402
Other non-derivative financial liabilities at fair value	0	2,918	0	2,918
Negative fair value of derivatives	0	675	0	675
Total financial liabilities	0	25,996	0	25,996

	Quoted prices Level 1	Observable in- puts Level 2	Non-observa- ble inputs Level 3	Total
	DKKm	DKKm	DKKm	DKKm
2021				
Bonds at fair value	0	19,031	0	19,031
Shares, etc.	221	33	1,678	1,931
Assets linked to pooled schemes	16,777	8,211	545	25,533
Positive fair value of derivatives	0	542	0	542
Total financial assets	16,998	27,816	2,223	47,037
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
Total financial liabilities	0	28,793	0	28,793

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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
	2022	2022	2021	2021
	DKKkm	DKKkm	DKKkm	DKKkm
Equities	1,144	503	1,219	459
Assets linked to pooled schemes	-	0	-	545
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	-	15	-
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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 2022, the Bank recognised unrealised market value adjustments of DKK 116 million (2021: DKK 157 million) in respect of financial assets held on the balance sheet date valued on the basis of non-observable inputs.

	2022	2021
	DKKkm	DKKkm
Carrying amount, beginning of period	2,223	1,921
Value adjustments through profit or loss	127	158
Market value adjustments in other comprehensive income	0	0
Purchase	107	249
Sale	188	105
Transferred to/from Level 3	-622	0
Carrying amount, end of year	1,647	2,223
Value adjustments through profit or loss of assets held at the reporting date	116	157

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Financial instruments recognised at amortised cost – information on fair value

	Carrying amount 2022 DKKm	Fair value 2022 DKKm	Carrying amount 2021 DKKm	Fair value 2021 DKKm
Cash balances and demand deposits with central banks *)	1,893	1,893	1,855	1,855
Due from credit institutions and central banks *)	2,746	2,746	2,485	2,485
Loans, advances and other receivables at amortised cost *)	65,806	65,828	61,936	62,111
Total financial assets	70,445	70,466	66,276	66,451
Due to credit institutions and central banks *)	2,076	2,076	2,452	2,452
Deposits and other payables *)	72,169	72,171	63,775	63,775
Issued bonds at amortised cost **)	6,216	6,030	4,845	4,899
Lease liabilities *)	158	158	151	151
Subordinated debt ***)	1,597	1,536	1,523	1,570
Total financial liabilities	82,216	81,971	72,746	72,847

*) Level 3 in the fair value hierarchy

**) Level 2 in the fair value hierarchy

***) Level 1 in the fair value hierarchy amounts to DKK 0 million (2021: DKK 641 million), and Level 2 in the fair value hierarchy amounts to DKK 1,536 million (2021: DKK 929 million).

No active market exists for trading in the Group's receivables, loans and deposits. The Group bases its fair value estimates for these financial instruments 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 most 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 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.

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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.

On initial recognition, investments in associates are recognised and measured at cost and are subsequently measured at the proportionate share of the fair value 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.

	2022	2021
	DKKm	DKKm
Total cost, beginning of year	515	434
Reclassified to shares	0	-16
Additions	32	99
Disposals	1	2
Total cost, end of year	547	515
Revaluations and impairment, beginning of year	148	94
Reclassified to shares	0	-3
Profit/loss	75	91
Dividend	33	36
Other capital movements recognised in comprehensive income	0	-1
Reversal of revaluations and impairment	-1	-2
Revaluations and impairment, end of year	190	148
Carrying amount, end of year	736	663

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:

	2022	2021
	DKKm	DKKm
Spar Nord's share of:		
Profit/loss for the year	20	28
Other comprehensive income	0	0
Total comprehensive income	20	28

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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 2022 column below are from the most recently published annual report for the 2021 financial year of Danske Andelskassers Bank A/S.

	2022	2021
	DKKm	DKKm
	Danske Andelskassers Bank A/S	Danske Andelskassers Bank A/S
	Hammershøj	Hammershøj
Registered office		
Ownership interest (%)	38.3	37.1
Share of votes (%)	38.3	37.1
Statement of comprehensive income		
Revenue	662	609
Profit/loss for the year	198	113
Other comprehensive income	0	-2
Total	197	111
Dividend received by Spar Nord	20	10
Balance sheet		
Loans, advances and receivables etc.	6,794	6,316
Other assets	6,711	6,984
Total assets	13,505	13,300
Deposits and other payables	9,481	9,410
Other liabilities	1,817	1,847
Total liabilities	11,299	11,257
Equity	2,206	2,043
Spar Nord's share of shareholders' equity in Danske Andelskassers Bank A/S according to the most recently published annual report	744	660

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 733 million (2021: DKK 737 million).

Reconciliation of carrying amount at 31 December

	2022	2021
	DKKm	DKKm
Carrying amount of equity investments in individually significant associates	681	623
Carrying amount of equity investments in individually non-significant associates	55	39
Total	736	663

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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
	2022	2022	2022	2021
	DKKm	DKKm	DKKm	DKKm
Assets				
Cash deposits	633	8	641	456
Bonds	5,394	69	5,463	4,945
Shares, etc.	12,885	165	13,051	14,293
Unit trust certificates	3,154	43	3,197	5,807
Other assets	51	0	51	32
Total assets	22,117	286	22,402	25,533
Equity and liabilities				
Total deposits	22,117	286	22,402	25,533
Total equity and liabilities	22,117	286	22,402	25,533

3.6 Intangible assets

	2022	2021
	DKKm	DKKm
Goodwill	379	379
Customer relations	39	46
Other intangible assets	2	3
Total intangible assets	419	429

3.6.1 Goodwill

§ Accounting policies

Acquired goodwill is recognised at cost less accumulated impairment charges.

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.

	2022	2021
	DKKm	DKKm
Total cost, beginning of year	380	160
Additions	0	220
Disposals	0	0
Total cost, end of year	380	380
Impairment, beginning of year	2	2
Impairment for the year	0	0
Reversal of impairment on disposals	0	0
Impairment, end of year	2	2
Carrying amount, end of year	379	379

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	Cost	Additions/disposals	Cost	Impairment	Impairment	Impairment on disposal	Impairment	Carrying amount
	01.01.22	2022	31.12.22	01.01.22	2022	2022	31.12.22	31.12.22
	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	220	0	220	0	0	0	0	220
Banking activities, branches, Other	38	0	38	2	0	0	2	37
Total goodwill	380	0	380	2	0	0	2	379

	Cost	Additions/disposals	Cost	Impairment	Impairment	Impairment on disposal	Impairment	Carrying amount
	01.01.21	2021	31.12.21	01.01.21	2021	2021	31.12.21	31.12.21
	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
Total goodwill	160	220	380	2	0	0	2	379

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.

	2022	2021
	DKKm	DKKm
Total cost, beginning of year	113	65
Additions	0	48
Disposals	0	0
Total cost, end of year	113	113
Depreciation and impairment, beginning of year	66	59
Depreciation for the year	8	8
Reversal of amortisation on disposals	0	0
Depreciation and impairment, end of year	74	66
Carrying amount, end of year	39	46

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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.

	2022	2021
	DKKm	DKKm
Total cost, beginning of year	31	34
Additions	0	0
Disposals	0	3
Total cost, end of year	31	31
Depreciation and impairment, beginning of year	28	28
Depreciation for the year	2	3
Reversal of amortisation on disposals	0	3
Depreciation and impairment, end of year	29	28
Carrying amount, end of year	2	3

The remaining amortisation periods are 0-8 years (2021: 0-9 years) for customer relations and 1-5 years (2021: 1-5 years) for other intangible assets. Goodwill had an indefinite useful life in both 2022 and 2021.

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Balance sheet

3.6.4 Impairment test

§ The impairment test compares 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 14.0% (2021: 13.5%) of the total risk exposure amount.

The impairment test in 2022 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 1.0% (2021: 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 deposit rates, expectations of future interest rate changes and Management's expectations for future competition. In 2022, the current account rate of the Danish central bank rose 2.35 percentage points, which means recent years' negative deposit rates are behind us. The higher and persistently rising level of interest rates has resulted in a widening of the interest rate margin and is expected to have a positive effect on net interest income in 2023.

The Bank expects to see a continuing increase in lending to both retail and business customers and also projects a small increase in bank deposits.

Net fee income

The expectations for income from fees, charges and commissions are based on historical data, adjusted to reflect the current situation. The level of net fee income is expected to remain high in 2023.

Market value adjustments

Market value adjustments are expected to stay on a level with 2022.

Costs and expenses

The Bank expects to see an increase in costs and expenses in 2023 based on a projection of the cost base and anticipated changes in activities, known and anticipated price increases as well as expected 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. Due to the rising level of interest rates, high inflation, falling housing prices and uncertainty with respect to macroeconomic trends, loan impairment charges are expected to be substantially higher than in 2022 and are expected to return to a more normalised level compared to the levels of the past few years.

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% (2021: 1.5%). Growth has been projected on the basis of expectations for macroeconomic growth.

Discount rate

The discount rate is determined on the basis of a Capital Asset Pricing Model and comprises a risk-free interest rate, the market risk premium, a factor to hedge the systematic market risk (Beta risk) and a company-specific risk.

The values for risk-free interest rate, market risk premium, the Beta factor and the company-specific risk are updated annually on the basis of external sources.

The discount rate used to calculate the discounted value of future cash flows is 10.1% in 2022 (2021: 9.0%) before tax at a tax rate of 26%.

After tax, the discount rate is 7.5% (2021: 7.0%).

The increase in the discount rate from 2021 to 2022 is driven by an increase the risk-free interest rate, whereas there was a small decrease in the market risk premium and the Beta factor.


Primary assumptions; see above:

	2022	2021
Acquired goodwill, DKKm	379	379
Budget period	5 years	5 years
Average annual growth during the budget period	1.0%	1.5%
Average annual growth during the terminal period	1.5%	1.5%
Discount factor before tax	10.1%	9.0%
Discount factor after tax	7.5%	7.0%
Share of equity of total risk exposure amount	14.0%	13.5%

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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:

	2022	2021
Reduction in pre-tax profit/loss (change in net interest income, fee income, cost ratio or impairment) up to	65%	50%
Increase in the discount rate (pre-tax) up to	21%	14%
Negative growth in balance-sheet items possible	Yes	Yes

75% of the present value of expected cash flows in Spar Nord's Local Banks relates to the terminal period (2021: 76%).

Customer relations

The carrying amount of customer relations recognised in connection with the merger with Sparbank amounted to DKK 0 million (2021: DKK 3 million), and in connection with the acquisition of BankNordik's Danish business the amount was DKK 39 million (2021: DKK 44 million).

Reference is made to note 6.12 for a more detailed description of the acquisition of BankNordik's Danish business in 2021, including acquired net assets with customer relationships in the amount of DKK 48 million in 2021.

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.

	2022	2021
	DKKm	DKKm
Investment properties	98	99
Domicile properties	524	548
Domicile properties, leasing	157	150
Land and buildings, total	780	796

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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.

	2022	2021
	DKKm	DKKm
Fair value, beginning of period	99	134
Reclassification to domicile properties	0	11
Additions, incl. improvements	0	0
Disposals	0	24
Unrealised fair value adjustment	0	-1
Fair value, end of year	98	99
Required rate of return used in calculating the fair value, %	5.5 - 9.0	5.5 - 10.0

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	1
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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.

	2022	2021
	DKKm	DKKm
Total cost, beginning of year	720	677
Reclassification from investment properties	0	11
Additions	5	32
Disposals	21	0
Total cost, end of year	704	720
Value adjustment, beginning of year	172	166
Depreciation for the year	16	15
Net impairment via the income statement	2	4
Changes in value recognised in other comprehensive income	0	13
Depreciation and impairment on disposals	10	0
Value adjustment, end of year	180	172
Fair value, end of year	524	548
Required rate of return used in calculating the fair value, %	5.5 - 10.0	5.5 - 10.0
Carrying amount if domicile properties were measured according to the depreciated cost method	431	435
Collateral provided to mortgage credit institutions in the form of mortgages on land and buildings has a carrying amount of	-	-

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From the subsidiary Aktieselskabet Skelagervej 15, additions in 2022 include domicile property in the amount of DKK 0 million (2021: DKK 0 million) regarding a property under construction and DKK 0 million (2021: DKK 0 million) regarding refurbishment of properties.

No borrowing costs were recognised in 2022 and 2021.

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 (2021: 5.5-10.0%) for domicile properties and the 5.5-9.0% range (2021: 5.5-10.0%) for investment properties.

2022

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	200	1	17
7.00 - 8.00	10	209	2	75
8.00 - 9.00	7	98	3	7
9.00 ->	3	16	2	0
Total	32	524	8	98

2021

Required rates of return in %				
-> 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
Total	34	548	8	99

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 41 million (2021: DKK 44 million). Everything else being equal, a decrease of the rental level of 5% will reduce the fair value by DKK 31 million (2021: DKK 32 million).

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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.

🔍 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) *)
2022		
Domicile properties	158	0
2021		
Domicile properties	151	22

*) Lease contracts not yet in force at the balance sheet date.

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

	2022	2021
	DKKm	DKKm
Balance, beginning of year	150	137
Addition upon business combinations	-	8
Additions	24	13
Disposals	0	0
Remeasurement of lease liability	11	20
Depreciation for the year	27	28
Balance, end of year	157	150

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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.

	2022	2021
	DKKm	DKKm
Other property, plant and equipment	108	111
Operating lease assets	17	12
Other property, plant and equipment, total	125	123

Other property, plant and equipment

The figures at end-2022 include various fully written-off assets used for the Spar Nord Group's operations. The original purchase price of these assets amounts to DKK 284 million (2021: DKK 139 million).

	2022	2021
	DKKm	DKKm
Total cost, beginning of year	338	362
Addition upon business combinations	-	6
Additions	39	42
Disposals	10	73
Total cost, end of year	366	338
Depreciation and impairment, beginning of year	227	263
Depreciation and impairment for the year	40	36
Reversal of depreciation and impairment for the year	9	72
Depreciation and impairment, end of year	258	227
Carrying amount, end of year	108	111

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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.

	2022	2021
	DKKm	DKKm
Total cost, beginning of year	20	18
Additions	9	2
Disposals	1	0
Total cost, end of year	28	20
Depreciation and impairment, beginning of year	8	5
Depreciation and impairment for the year	4	3
Reversal of depreciation and impairment for the year	0	0
Depreciation and impairment, end of year	11	8
Carrying amount, end of year	17	12

The contracts can be terminated during the lease term.

Lease payments by term

Year 1	4	3
Year 2	6	3
Year 3	6	5
Year 4	1	1
Year 5	0	0
Year 6 onwards	0	0
Total lease payments under operating leases	17	12

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

4	3
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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.

	2022	2021
	DKKm	DKKm
Total cost, beginning of year	11	11
Additions	2	7
Disposals	2	8
Total cost, end of year	11	11
Depreciation and impairment, beginning of year	5	6
Movements during the year:	1	-2
Depreciation and impairment, end of year	5	5
Carrying amount, end of year	6	6

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 derivatives.

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.

	2022	2021
	DKKm	DKKm
Positive fair value of derivatives, etc.	444	542
Miscellaneous receivables	474	484
Interest and commissions receivable	132	81
Capital contribution to Bankernes EDB Central a.m.b.a.	400	387
Other assets	28	32
Total other assets	1,479	1,526

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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.

	2022	2021
	DKKm	DKKm
Due to central banks	88	91
Due to credit institutions, repo transactions	1,722	2,185
Due to credit institutions, other	266	176
Total due to credit institutions and central banks	2,076	2,452
Shown by term to maturity		
Demand deposits	227	231
Up to 3 months	1,849	2,221
Over 3 months and up to 1 year	0	0
Between 1 year and 5 years	0	0
Over 5 years	0	0
Total	2,076	2,452

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.

	2022	2021
	DKKm	DKKm
Repo transactions	0	0
Demand deposits	63,913	58,558
Subject to notice	2,105	2,340
Time deposits, excluding repo business	3,147	180
Special types of deposits	3,005	2,698
Total deposits and other payables	72,169	63,775
Shown by term to maturity		
Demand deposits	63,913	58,558
Up to 3 months	3,926	2,069
Over 3 months and up to 1 year	1,009	294
Between 1 year and 5 years	832	640
Over 5 years	2,490	2,214
Total	72,169	63,775

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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.

	2022	2021
	DKKm	DKKm
Miscellaneous payables	2,763	2,573
Negative fair value of derivatives, etc.	675	474
Interest and commissions payable	79	36
Lease liabilities	158	151
Other liabilities	239	268
Total other liabilities	3,915	3,503

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.

	2022	2021
	DKKm	DKKm
Total lease payments for the year concerning leases	30	30
Amount recognised in the income statement		
Interest payments relating to lease liabilities	2	1
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	-28	-29
Payments in respect of interest element	-2	-1
Lease payments in respect of short-term leases and low-value leases	-	-
Total cash outflows regarding leases	-30	-30
Of which financing activity	-28	-29
Of which operating activity	-2	-1
Total	-30	-30

Balance sheet

3.12 Current tax assets, paid tax and 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.

Spar Nord's tax on profit/loss for the year and tax on other comprehensive income is shown in note 2.10 together with a reference to Spar Nord's tax policy and Governance & Compliance.

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.

A description of changes in deferred tax resulting from changes to the tax rate from 2023-2024 is provided in note 1.11.

Current tax assets

	2022	2021
	DKKm	DKKm
Beginning of period	105	98
Current tax for the year	-523	-346
Tax on other comprehensive income	5	0
Prior-year adjustments	5	-1
Paid corporation tax, net	473	354
End of year	65	105

Which breaks down as follows:

Current tax assets	65	105
Payable tax liabilities	0	0
Total	65	105

Paid corporation tax by country

Denmark	473	354
Total	473	354

Deferred tax

	2022	2021
	DKKm	DKKm
Beginning of period	4	19
Deferred tax for the year recognised in profit/loss for the year	-205	-13
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	0	-2
End of year	-201	4

Which breaks down as follows:

Deferred tax assets	201	0
Provisions for deferred tax	0	4
Total	201	4

Section 3

Balance sheet

	Beginning of period	Recognised in profit for the year	Recognised in other comprehensive income etc.	End of year
	DKKm	DKKm	DKKm	DKKm
Changes in deferred tax in 2022				
Intangible assets	38	14	0	53
Property, plant and equipment, incl. leased assets	-9	-91	0	-100
Loans, advances and other receivables at amortised cost	-37	-13	0	-51
Payables and subordinated debt	22	-139	0	-117
Provisions	-16	-1	0	-16
Claw-back loss	4	-4	0	0
Miscellaneous	3	28	0	31
Total	4	-205	0	-201

Changes in deferred tax in 2021

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
Total	19	-13	-2	4

	2022	2021
	DKKm	DKKm
Shown by term to maturity		
Up to 3 months	0	0
Over 3 months and up to 1 year	-183	1
Between 1 year and 5 years	-90	2
Over 5 years	72	1
Total	-201	4

Deferred tax assets of DKK 201 million have been recognised (2021: DKK 0 million), relating primarily to tax-deductible lease assets, which above are included under loans, advances and other receivables at amortised cost and payables and subordinated debt. Spar Nord has no deferred tax assets relating to tax losses.

Spar Nord expects that the taxable income within the next 1-3 years may absorb the capitalised deferred tax, and Spar Nord expects to pay corporate tax in the coming years.

Tax assets not recognised in the balance sheet

	Beginning of period	Recognised in profit for the year	Additions and disposals	End of year
	DKKm	DKKm	DKKm	DKKm
2022				
Tax assets not recognised relate to:				
Losses on properties with deductibility restricted to gains from the same source	13	0	4	17
Tax loss abroad	4	-4	0	0
Cases regarding direct and indirect taxes	29	-8	1	22
Total tax assets not recognised	46	-12	5	39

2021

Tax assets not recognised relate to:

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
Total tax assets not recognised	18	0	29	46

All deferred tax liabilities are recognised in the balance sheet. The temporary differences in 2022 and 2021 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, parts of which are still pending.

Section 3

Balance sheet

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.

	2022	2021
	DKKm	DKKm
Provision for losses on guarantees	50	62
Provisions for losses in connection with legal proceedings	0	0
Other provisions	4	4
Provisions for unutilised credit lines and loan commitments	13	9
Total provisions	67	75
Provisions recognised in the income statement		
New provisions	32	28
Reversed provisions	40	31
Total provisions recognised in the income statement	-8	-3
Provision for losses on guarantees		
Beginning of period	62	57
New provisions	24	23
Reversed provisions	36	18
Conclusively lost	0	0
End of year	50	62
Losses on guarantees recognised in the income statement		
New provisions	24	23
Reversed provisions	36	18
Recognised in the income statement	-12	5
Other provisions		
Beginning of period	4	4
New provisions	1	1
Reversed provisions	1	0
Applied to cover liabilities	0	0
End of year	4	4
Other provisions recognised in the income statement		
New provisions	1	1
Reversed provisions	1	0
Recognised in the income statement	0	0
Provisions for unutilised credit lines and loan commitments		
Beginning of period	9	17
New provisions	8	5
Reversed provisions	4	13
End of year	13	9
Provisions for unutilised credit lines and loan commitments recognised in the income statement		
New provisions	8	5
Reversed provisions	4	13
Recognised in the income statement	4	-8

Section 3

Balance sheet

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
	DKKm	DKKm	DKKm	DKKm	DKKm
2022					
Provision for losses on guarantees	2	6	30	12	50
Other provisions	0	0	2	2	4
Provisions for unutilised credit lines and loan commitments	13	0	0	0	13
Total provisions	15	7	31	14	67
2021					
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
Total provisions	12	5	41	18	75

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 11.2

2021: **DKK 10.6**

Proposed dividend per share

DKK 4.5

2021: **DKK 2.5 ***)

Target:
Common equity tier 1 capital ratio

13.5%

2021: **13.5%**

Common equity tier
1 capital ratio

16.4%

2021: **16.3%**

Target:
Own funds ratio

17.5%

2021: **17.5%**

Own funds ratio

20.9%

2021: **20.8%**

*) In addition to the proposed distribution of ordinary dividends of DKK 2.5 per share, the Board of Directors exercised its authority to distribute an additional DKK 2.5 per share before the end of the first half-year of 2022.

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%

Since 2019, Spar Nord's has pursued a dividend policy of distributing 30–50% of the net profit for the year.

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 15.6–16.4% (2021: 15.0–16.3%) and thus exceeded Spar Nord's internal target for the period of 13.5% (2021: 13.5%). Correspondingly, the Bank's target of an own funds ratio of 17.5% has been met, as it remained within the 19.9–20.9% band during the year (2021: 19.3–20.8%).

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

	2022	2021
	DKKm	DKKm
Equity	12,469	11,924
Phasing in of IFRS 9	286	174
Additional tier 1 (AT1) capital included in equity	1,199	1,197
Proposed dividend	554	308
Intangible assets	341	348
Share buybacks, non-utilised portion	30	0
Deductions for NPE (Non Performing Exposures)	173	17
Other primary deductions	60	53
Deduction – Holdings of insignificant CET1 instruments	116	56
Deduction – Holdings of significant CET1 instruments	352	247
Common equity tier 1 capital	9,930	9,872
Additional tier 1 (AT1) capital *)	1,173	1,173
Other deductions	1	1
Tier 1 capital	11,103	11,045
Subordinated debt, excl. Additional Tier 1 (AT1) capital *)	1,579	1,516
Other deductions	19	2
Own funds	12,662	12,558
Weighted risk exposure amount, credit risk etc.	50,063	50,165
Weighted risk exposure amount, market risk	3,901	4,140
Weighted risk exposure amount, operational risk	6,499	6,174
Total risk exposure amount	60,463	60,479
Common equity tier 1 capital ratio	16.4	16.3
Tier 1 capital ratio	18.4	18.3
Own funds ratio	20.9	20.8

*) 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.

Cash flow hedging

Cash flow hedging comprises the reserve for market value adjustment of derivatives used for the hedging of cash flows. For further information, see note 6.5.

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% (2021: 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.

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.

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Capital

Statutory reserves, total

2022	Statutory re- serves	Cash flow hedging	Statutory re- serves, total
Beginning of period	148	0	148
Comprehensive income in 2022			
Profit/loss for the year	75	0	75
Other comprehensive income			
Adjustment relating to associates	-33	-	-33
Adjustment regarding cash flows hedging	-	-18	-18
Other comprehensive income, total	-33	-18	-51
Total comprehensive income	42	-18	24
Total transactions with owners	-	-	-
Equity at 31.12.22	191	-18	172
2021			
Beginning of period	94	-	94
Comprehensive income in 2021			
Profit/loss for the year	91	-	91
Other comprehensive income			
Adjustment relating to associates	-37	-	-37
Adjustment regarding cash flows hedging	-	-	-
Other comprehensive income, total	-37	-	-37
Total comprehensive income	54	-	54
Total transactions with owners	-	-	-
Equity at 31.12.21	148	-	148

Section 4

Capital

4.4 Shares

	Number of shares		Nominal value (DKKm)	
	2022	2021	2022	2021
Issued shares				
1. January	123,002,526	123,002,526	1,230	1,230
31 December – fully paid	123,002,526	123,002,526	1,230	1,230

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.

	2022	2021
Number of shares in circulation		
Beginning of period	122,934,591	122,944,463
Acquisition/sale of treasury shares, trading book	-2,223,465	-9,872
End of year	120,711,126	122,934,591
Shares issued, beginning of year	123,002,526	123,002,526
Share buyback programme	2,242,500	-
Group's portfolio of treasury shares, trading book	48,900	67,935
Outstanding shares in circulation	120,711,126	122,934,591
Treasury share portfolio		
Number of shares, trading book	48,900	67,935
Share buyback programme no. of shares	2,242,500	-
Nominal value, DKKm	23	1
Fair value, DKKm	244	6
Percentage of share capital	1.9	0.1
Treasury share portfolio, fair value, DKKm		
Portfolio, beginning of year	6	3
Share buyback programme	193	-
Acquisition of treasury shares	452	502
Sale of treasury shares	452	504
Market value adjustments	45	4
Portfolio, end of year	244	6
Treasury shares deposited as collateral		
Number of shares	650,630	835,643
Nominal value, DKKm	7	8
Fair value, DKKm	69	70
Percentage of share capital	0.5	0.7

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%.

The Board of Directors is authorised to make a decision to increase the Company's share capital in the period ending on 30 April 2026 by a maximum of nominally DKK 246,005,052 by way of one or more issues. The new shares, which are issued to named holders, will rank *pari passu* with existing shares.

The increase can take place by

- a cash deposit with pre-emption rights for the company's existing shareholders at a discount to the market price, or
- a cash deposit or otherwise at market price without pre-emption rights for the company's shareholders.

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Capital

4.5 Earnings per share for the year

	2022	2021
	DKKm	DKKm
The profit/loss of shareholders of the Parent Company, Spar Nord Bank A/S	1,368	1,309
Number of shares, beginning of year	123,002,526	123,002,526
Average number of treasury shares	1,179,668	62,999
Average number of shares in circulation	121,822,859	122,939,527
Average dilutive effect of outstanding share options	0	0
Average number of outstanding shares (diluted)	121,822,859	122,939,527
Earnings per share for the year (DKK)	11.2	10.6
Diluted earnings per share for the year (DKK)	11.2	10.6

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's 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.

Early redemption of additional tier 1 capital is subject to the approval of the Danish FSA. Additional tier 1 capital is included in own funds, etc. pursuant to the Danish Financial Business Act.

						2022	2021
						DKKm	DKKm
Currency	Note	Principal DKKm	Interest rate	Received	Maturity		
DKK	a	250	3.125%	2021	Perpetual	252	252
DKK	b	600	3.25%	2021	Perpetual	603	601
DKK	c	330	6.00%	2020	Perpetual	344	344
Additional tier 1 (AT1) capital issued under CRR, total						1,199	1,197

a Issued on 30.09.2021, with an option of early redemption as from 30.09.2027. 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 at least 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.

Additional tier 1 (AT1) capital, specification of cash flows

	2022	2021
	DKKm	DKKm
Issue of additional tier 1 (AT1) capital	0	850
Redemption of additional tier 1 (AT1) capital	0	-450
Net transaction costs	0	-6
Change in portfolio of own bonds	2	-4
Interest paid	-47	-54
Total cash flows for the year	-46	337

Section 4

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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

						2022 DKKm	2021 DKKm
Currency	Note	Principal DKKm	Interest rate	Received	Maturity		
DKK	a	200	CIBOR3 + 1.30%	2021	30.09.33	199	199
DKK	b	350	CIBOR6 + 2.40%	2018	29.05.29	350	349
DKK	c	150	2.9298%	2018	29.05.29	150	150
DKK	d	400	2.5348%	2018	19.06.28	400	400
DKK	e	500	5.131%	2022	07.07.32	498	-
SEK	f	600	STIBOR3 + 2.50%	2017	18.10.27	0	436
Supplementary capital contributions, total						1,597	1,534
Portfolio of own issued bonds						0	-11
Total subordinated debt						1,597	1,523
Interest on subordinated debt						49	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 29.05.2024. 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 07.07.2027. If the loan is not redeemed, interest will be fixed at CIBOR6 + a 3.00% margin.

f Redeemed at 18.10.2022

Subordinated debt, specification of cash flows

	2022 DKKm	2021 DKKm
Beginning of period	1,523	1,333
Cash flows		
New loans	500	200
Redeemed	-436	0
Net transaction costs	-2	-1
Change in portfolio of own bonds	11	-2
Net cash flows	73	197
Other movements		
Change in exchange rate adjustments	0	-8
Amortised costs expensed	1	1
Total other movements	1	-7
End of year	1,597	1,523

Section 4

Capital

4.8 Issued bonds at amortised cost



Accounting policies

Issued bonds at amortised cost comprise Preferred and 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.

						2022	2021
						DKKm	DKKm
Currency	Note	Principal DKKm	Interest rate	Received	Maturity		
NOK	a	500	2.8230%	2021	30.06.32	313	366
NOK	b	950	2.1110%	2021	26.11.26	633	693
NOK	c	750	NIBOR3 + 1.05%	2021	26.05.28	528	558
SEK	d	800	STIBOR3 + 0.80%	2021	26.05.26	534	579
DKK	e	1,350	CIBOR3 + 1.00%	2019	05.12.25	1,349	1,348
DKK	f	400	0.7290%	2019	05.12.25	372	396
NOK	g	600	5.5450%	2022	09.09.28	429	-
NOK	h	200	NIBOR3 + 2.00%	2022	09.09.28	140	-
SEK	i	350	4.8330%	2022	09.03.28	230	-
DKK	j	750	CIBOR3 + 1.20%	2022	15.05.25	748	-
SEK	k	650	STIBOR3 + 3.00%	2022	01.12.28	435	-
NOK	l	724	NIBOR3 + 3.00%	2022	08.12.28	512	-
SEK	m	1,250	STIBOR3 + 1.05%	2019	05.12.23	-	907
Issued bonds, total						6,223	4,847
Portfolio of own bonds relating to issued bonds						-7	-2
Issued bonds, total						6,216	4,845

- a** Redeemable as 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 Redeemable as from 26.05.2027. If the bonds are not redeemed, interest will be fixed at NIBOR3 + a 1.05% margin.
d Redeemable as from 26.05.2025. If the bonds are not redeemed, interest will be fixed at STIBOR3 + a 0.80% margin.
e Redeemable as from 05.12.2024. If the bonds are not redeemed, interest will be fixed at CIBOR3 + a 1.00% margin.
f Redeemable as from 05.12.2024. If the bonds are not redeemed, interest will be fixed at CIBOR3 + a 1.00% margin.
g The bonds cannot be redeemed early.
h The bonds cannot be redeemed early.
i Redeemable as from 09.03.2026. If the bonds are not redeemed, interest will be fixed at STIBOR3 + a 1.80% margin.
j Redeemable as from 15.05.2024. If the bonds are not redeemed, interest will be fixed at CIBOR3 + a 1.20% margin.
k Redeemable as from 01.12.2027. If the bonds are not redeemed, interest will be fixed at STIBOR3 + a 3.00% margin.
l Redeemable as from 08.12.2027. If the bonds are not redeemed, interest will be fixed at NIBOR3 + a 3.00% margin.
m Redeemed on 05.12.2022.

Loans **a, b, f, g and i** are comprised by the rules on hedge accounting, see note 6.5.

Section 4

Capital

Issued bonds at amortised cost, specification of cash flows

	2022	2021
	DKKm	DKKm
Beginning of period	4,845	2,670
Cash flows		
New loans	2,539	2,192
Redeemed	-908	0
Net transaction costs	-7	-9
Change in portfolio of own bonds	-5	-2
Net cash flows	1,619	2,181
Other movements		
Change in exchange rate adjustments	-176	15
Adjustment for effect of interest rate hedging	-76	-24
Amortised costs expensed	4	3
Total other movements	-247	-6
End of year	6,216	4,845

Shown by contractual term to maturity

Up to 3 months	1	1
Over 3 months and up to 1 year	4	910
Between 1 year and 5 years	5,897	3,006
Over 5 years	314	927
Total	6,216	4,845

In addition to repayment, maturity distribution also comprises amortised loan costs.

Section 5

Risk management

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Main items

Credit exposures – loans, advances and guarantees excl. reverse repo transactions

DKK 69,290 million

2021: **DKK 68,234** million

Credit exposure – financial credit risk

DKK 28,474 million

2021: **DKK 21,728** million

Credit exposure – retail/business

42.4% / 57.6%

2021: **47.3% / 52.7%**

Total impairment account

DKK 1,666 million

2021: **DKK 1,591** million

Interest rate risk

DKK 59 million

2021: **DKK 98** million

Shareholding

DKK 2,470 million

2021: **DKK 2,594** million

Short-term liquidity LCR

211%

2021: **280%**

Long-term liquidity NFSR

127%

2021: **125%**

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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 2022, 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

	2022	2021
	DKKm	DKKm
Credit exposure for financial reporting purposes		
Loans, advances and guarantees	79,800	81,084
Loans and guarantees excl. reverse repo transactions	69,290	68,234
Loans and advances excl. reverse repo transactions	55,296	49,086
Lending growth (carrying amount of gross lending, excl. reverse repo transactions)	12.7%	15.5%
Credit exposure to loans, advances and guarantees excl. reverse repo transactions		
Retail customers	42.4%	47.3%
Business customers	57.6%	52.7%
Recognised impairments		
Retail customers	92	-46
Business customers excl. agriculture	64	14
Agriculture	-79	-88
Total (positive amounts indicate a negative profit impact)	78	-120
Impairment ratio, loans, advances and guarantees (impact on operations)	0.1%	-0.1%
Impairment etc., end of year		
Stage 1, credit risk has not increased significantly	247	156
Stage 2, credit risk has increased significantly	567	346
Stage 3, credit-impaired	851	1,089
Total	1,666	1,591
Total impairment in % of loans, advances and guarantees (excl. reverse repo transactions)	2.4%	2.3%

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Risk management

Overall comments on credit risk

Recognised loan impairment etc. amounted to DKK 78 million in 2022, against an income of DKK 120 million in 2021.

The management estimate concerning collateral value of private properties introduced in 2021 proved to become even more relevant in 2022. Historically high inflation, fears of a recession and falling housing prices combine to cause a high degree of macroeconomic uncertainty. Therefore, our "Inflation, weak growth and property prices" management estimate has been increased by DKK 369 million to cover elevated credit risk associated with the higher economic uncertainty.

Due to higher trading prices of agricultural land, the management estimate concerning land prices has been reduced by DKK 64 million. Furthermore, the management estimate concerning COVID-19 and discounting of collateral was reversed in 2022. COVID-19 no longer poses a socio-economic risk, while the discounting of collateral was incorporated in our business and systems at the beginning of 2022.

The current macroeconomic uncertainties are believed to be covered and explained by the Bank's management estimates. As mentioned, there is a high degree of uncertainty involved, and therefore there may arise a need for adjusting the management estimate in the coming year.

The DKK 78 million impact on profits breaks down into DKK 64 million attributable to business customers ex. agricultural customers, DKK -79 million to agricultural customers, DKK 98 million to retail customers and DKK -6 million to customers in the SparXpres consumer loan business.

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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 the normal part of stage 2 is made using the above-mentioned impairment models. As mentioned, these models are based on the Bank's PD model, which has formed a part of the credit management work for a number of years. The impairment models have been supplemented by a macroeconomic model, which adjusts the calculated PD values.

The calculation of the expected credit losses on exposures in the weak part of stage 2 as well as stage 3 is made as either as an individual assessment or a model calculation. For customer groups objective evidence of impairment (OEI) and also with total exposures exceeding DKK 500,000, the Bank performs an individual assessment of the expected credit losses and the pertaining probabilities. For exposures flagged for OEI with total exposures of DKK 500,000 or less, model-based calculations will be used, employing the same method as for the individual assessments. For customers with no OEI, the Bank uses the same impairment models as in stage 1 and the normal part of stage 2.

Low credit-risk portfolio

On the transition to IFRS 9, an overall assessment was made of the credit risk of each individual portfolio. In that connection, all exposures to public authorities and credit institutions were categorised as having a low credit risk based on recognised analyses of risk of loss and collateral assessment for these customer segments. Moreover, reverse repo transactions are also categorised as having a low credit risk as this type of exposures are characterised by short maturities and a high degree of collateral. Exposures to these customers are maintained in stage 1.

The following loss percentages are applied for the three types of exposures:

- Public sector: 0.00%
- Credit institutions: 0.09%
- Reverse repo transactions: <0.01%

Reverse repo transactions totalled DKK 12,130 million (including DKK 1,620 million for credit institutions). Loans, advances and guarantees to public-sector customers totalled DKK 1,358 million, while amounts due from credit institutions (ex. reverse repo transactions) amounted to DKK 1,126 million.

Substantial increase in risk

On transition from stage 1 to stage 2, a substantial increase in the credit risk is defined as follows:

- A minimum 100% increase in the PD for the applied remaining life of the exposure and an increase of at least 0.5% point in the 12-month PD where the 12-month PD was below 1% on initial recognition.
- A minimum 100% increase in the PD for the applied remaining life of the exposure or an increase of at least 2.0% point 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.

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 stage 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.

The Bank's criteria for default follow the CRR, and a customer's exposure is considered to be in default, if for example

- 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 RKI, 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.

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 place in stage 1 and 2 via using the model's stage motor.

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 macroeconomic 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:

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- Retail customers: House price developments and mortgage rates.
 - House price developments (annual trend) -> 2.5%
 - Mortgage rate (current value) -> 3.5%
- Business customers: SME confidence indicator and industrial confidence indicator.
 - SME confidence indicator (current value) -> -44
 - Industrial confidence indicator (current value) -> -14
- Agriculture: Ratio of milk and pork prices to feed prices and price trend for slaughter pigs and milk.
 - Ratio of milk and pork prices to feed prices (current value) -> 98
 - Price trend for slaughter pigs (annual trend) -> 46%
 - Price trend for milk (annual trend) -> 52%

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 both from the model calculation and from the individual impairment calculations are exclusively applied, it would result in the following index-linked impairment distribution between the stages:

2022

Scenarios	Stage 1	Stage 2	Stage 3	Total
Base	15	34	51	100
Best	14	30	43	87
Worst	14	43	67	124

2021

Scenarios	Stage 1	Stage 2	Stage 3	Total
Base	10	22	68	100
Best	9	21	55	85
Worst	11	24	93	128

The total current impairment amount is used as index 100. Best-case would reduce impairment by DKK 210 million (2021: DKK 241 million), while worst-case would increase impairment by DKK 395 million (2021: 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 lower share of stage 3 impairment charges in 2022 in the current scenario is explained by improved credit quality among the customers in the lowest credit, and the new management estimates cover exposures in stages other than stage 3. In addition to the new management estimates, the overall increase in credit risk has also caused a significant increase in model-calculated stage 1 and stage 2 impairment charges.

The management estimates supplement the individual and model-calculated impairment charges when these are not assessed to provide an accurate view of the current risk exposure level. The estimates are based on various calculations in which the impairment calculation for relevant exposures is stressed. To understand the sensitivity of these calculations, we have made computations that adjust the stressed variables to a scenario of reduced stress and a scenario of increased stress, respectively.

The management estimate for inflation, weak growth and property prices has been calculated at DKK 434 million at end

2022. When calculating a reduced stress scenario/increased stress scenario, the estimates would have been DKK 337/523 million, respectively.

The management estimate concerning model uncertainty has been calculated at DKK 98 million. When calculating a reduced stress scenario/increased stress scenario, based on the values in the table below, the estimate would have been DKK 71/123 million, respectively.

The management estimate for land prices has been calculated at DKK 41 million. When calculating a reduced stress scenario/increased stress scenario, the estimate would have been DKK 28/81 million, respectively.

Management estimates (DKKm)

	Reduced	Applied	In-creased
2022			
Inflation, weak growth and property prices	337	434	523
Model uncertainty	71	98	123
Land prices	28	41	81
Total	436	574	726

Developments in management estimates are shown in note 5.1.7.

The following sensitivity analyses were made in 2022.

Overview of sensitivity analyses (%/DKK)

	Reduced	Applied	In-creased
2022			
Inflation, weak growth and property prices			
Scenario stress OEI customers (min. weight in worst case)	35	40	45
PD stress business (current PD)	0	4	10
PD stress retail (current PD)	80	90	100
PD stress Leasing (without accounting-based credit score)	50	100	150
PD stress SparXpres	100	150	200
Collateral stress properties and leasing equipment (new haircut percentage)	80	70	65
Model uncertainty			
PD stress retail (historic PD)	30	40	50
PD stress business (historic PD)	20	30	40
PD stress business, weak (historic PD)	10	22	30
Land prices			
Stress land prices (reduction in DKK per hectare of eligible land)	5,000	7,500	15,000

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

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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.

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.

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	10

*) Excl. reverse repo transactions

**) CRR 575/2013 Article 4(79)

Climate risk

The Bank's credit granting is always made based on a pre-calculated risk assessment in accordance with the customer's interests and abilities to comply with any obligations undertaken, against appropriate collateral and with due consideration to environmental, social and governance (ESG) issues.

ESG risk is an inherent credit risk assessed together with other credit factors. Assessments of especially governance factors have historically formed a part of the basic credit assessment of business customer exposures. Driven by both regulation and the current climate crisis, the inclusion of physical and transition risks related to climate change is also an important assessment of the credit risk – both in relation to the individual customer, but also at portfolio level. Businesses with significant CO2e emissions will 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 applying a more environmentally sustainable profile are estimated to potentially have a better foundation for tackling any challenges imposed by rising climate considerations.

In 2022 and 2023, the Bank's corporate advisers and corporate specialists will improve their ESG capabilities by getting access to tools that enable them to start engaging with customers about sustainability. These customer dialogues are used for example to assess any significant ESG-related credit risks.

At 1 January 2023, the Bank will also start to report on Pillar III ESG risks, initially focusing on physical and transition risks for residential buildings and industries with the highest CO2e emissions.

Relative to the Bank's impairment calculations, climate risk is a parameter in the individually calculated impairment charges to ensure the most accurate impairment calculation. This may be in relation to the future earnings capacity and the value of the customer's assets, if the customer is facing climate challenges.

Although it might be relevant, the model-calculated impairment charges do not yet incorporate climate risks because data in the area is still not sufficient to make qualified calculations.

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:

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- 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 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.

Risk classification – rating categories

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. The remaining customers with exposures that have still not been rated and customers who exclusively have unutilised credit facilities or only have 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.

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).

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.

Section 5

Risk management

5.1.2 Credit exposure

	2022	2021
	DKKm	DKKm
Credit risk, loans, advances and receivables		
Balance sheet items		
Loans, advances and other receivables at amortised cost	65,806	61,936
Impairment account for loans and other receivables	1,602	1,520
Off-balance sheet items		
Guarantees, etc.	12,342	17,566
Provisions for guarantees	50	62
Total credit exposure for financial reporting purposes, loans, advances and guarantees	79,800	81,084
Unutilised credit lines and loan commitments	25,082	26,924
Impairment account for unutilised credit lines and loan commitments	13	9
Total credit exposure for financial reporting purposes, loans, advances and guarantees, incl. unutilised credit lines and loan commitments	104,895	108,016
Financial credit risk		
Bonds at fair value	25,422	19,031
Due from credit institutions and central banks	2,746	2,485
Positive fair value of derivative instruments, financial enterprises	306	212
Total credit exposure for financial reporting purposes	28,474	21,728

Credit exposure relating to loans, advances and guarantees, gross, and impairment account by industry

	2022				2021			
	Loans, advances and guarantees		Total impairment and provisions *)		Loans, advances and guarantees		Total impairment and provisions *)	
	DKKm	%	DKKm	%	DKKm	%	DKKm	%
Business customers								
Public authorities	1,358	1.7	0	0.0	1,259	1.6	0	0.0
Agriculture, hunting, forestry and fisheries	2,895	3.6	162	9.8	2,856	3.5	245	15.4
Industry and raw materials extraction	3,666	4.6	123	7.4	3,055	3.8	95	5.9
Energy supply	2,182	2.7	17	1.0	1,905	2.3	14	0.9
Building and construction	3,106	3.9	57	3.4	2,993	3.7	49	3.1
Trade	4,977	6.2	98	5.9	4,191	5.2	146	9.1
Transport, hotels and restaurants	3,165	4.0	124	7.4	2,897	3.6	123	7.7
Information and communication	330	0.4	11	0.7	389	0.5	9	0.6
Financing and insurance	14,604	18.3	187	11.2	16,459	20.3	182	11.4
Real estate	8,200	10.3	137	8.2	7,343	9.1	89	5.6
Other business areas	5,580	7.0	158	9.5	5,008	6.2	169	10.6
Business customers, total	50,063	62.7	1,074	64.5	48,356	59.6	1,120	70.4
Total retail customers	29,737	37.3	591	35.5	32,727	40.4	471	29.6
Total loans and guarantees	79,800	100.0	1,666	100.0	81,084	100.0	1,591	100.0

*) Incl. provisions for unutilised credit lines and loan commitments of DKK 13 million. (2021: DKK 9 million).

Section 5

Risk management

Gross credit exposure relating to loans, advances and guarantees, gross, by industry without reverse repo transactions

	2022				2021			
	Loans, advances and guarantees		Total impairment and provisions *)		Loans, advances and guarantees		Total impairment and provisions *)	
	DKKm	%	DKKm	%	DKKm	%	DKKm	%
Business customers								
Public authorities	1,358	2.0	0	0.0	1,259	1.8	0	0.0
Agriculture, hunting, forestry and fisheries	2,895	4.2	162	9.8	2,856	4.2	245	15.4
Industry and raw materials extraction	3,666	5.3	123	7.4	3,055	4.5	95	6.0
Energy supply	2,159	3.1	17	1.0	1,842	2.7	14	0.9
Building and construction	3,106	4.5	57	3.4	2,993	4.4	49	3.1
Trade	4,977	7.2	98	5.9	4,191	6.1	146	9.2
Transport, hotels and restaurants	3,165	4.6	124	7.4	2,897	4.2	123	7.7
Information and communication	330	0.5	11	0.7	389	0.6	9	0.6
Financing and insurance	4,469	6.4	186	11.2	4,139	6.1	180	11.3
Real estate	8,200	11.8	137	8.3	7,343	10.8	89	5.6
Other business areas	5,580	8.1	158	9.5	5,008	7.3	169	10.6
Business customers, total	39,905	57.6	1,073	64.5	35,973	52.7	1,119	70.4
Total retail customers	29,385	42.4	591	35.5	32,260	47.3	471	29.6
Total loans and guarantees	69,290	100.0	1,665	100.0	68,234	100.0	1,590	100.0

*) Incl. provisions for unutilised credit lines and loan commitments of DKK 13 million (2021: DKK 9 million).

Spar Nord's impairment balance amounted to DKK 1.7 billion, equal to 2.1% of Spar Nord's total loans, advances and guarantees at end-2022. The impairment balance increased by DKK 0.1 billion relative to the beginning of the year.

Loans, advances and guarantees by exposure size excl. reverse repo transactions and SparXpres

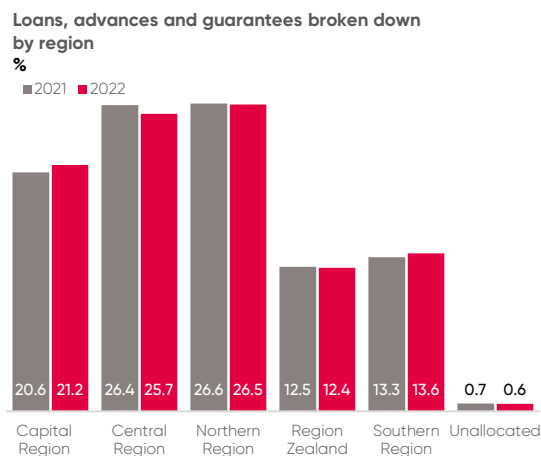
DKKm / %	2022	2021	2022	2021
	Number	Number	%	%
0 - 0.1	52,642	53,625	0.9	0.8
0.1 - 0.5	37,895	39,995	9.8	10.4
0.5 - 1.0	14,529	16,582	10.9	12.6
1.0 - 5.0	11,068	11,187	26.3	27.3
5.0 - 10.0	1,107	1,192	8.7	9.5
10.0 - 20.0	453	478	7.1	7.5
20.0 - 50.0	306	275	10.9	9.8
50.0 - 100.0	99	93	8.1	7.6
100.0 ->	61	57	17.4	14.5
Total	118,160	123,484	100.0	100.0

As concerns size of exposures, Spar Nord's credit portfolio is considered to be well-diversified, because 56.6% of the total exposure is attributable to exposures below DKK 10 million each, and Spar Nord only has 61 exposures that exceed DKK 100 million.

Section 5

Risk management

Gross credit exposure relating to loans, advances and guarantees excl. reverse repo transactions and SparXpres by geography



Spar Nord's credit portfolio is considered to have an excellent geographical spread.

At end-2022, the North Denmark Region accounted for 26.5% 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 impairments were DKK 79.8 billion at end-2022, which is DKK 1.3 billion lower than in 2021.

Reverse repo loans fell by DKK 2.3 billion to DKK 10.5 billion at end-2022.

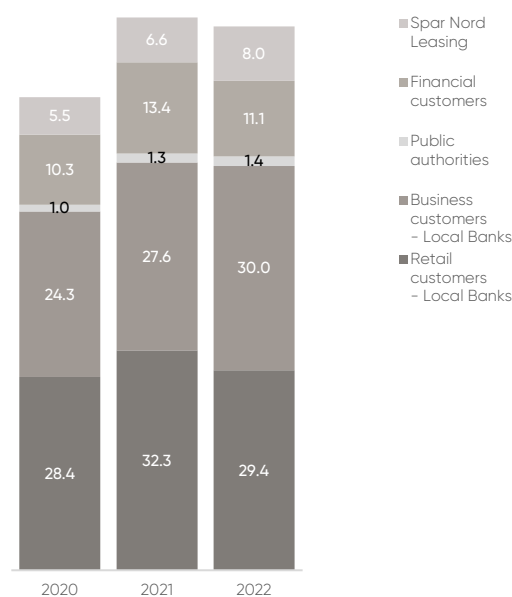
In addition, the Bank's loans and advances rose DKK 6.3 billion to DKK 56.9 billion at end-2022, corresponding to lending growth of 12.4% in 2022.

Furthermore, guarantees fell by DKK 5.2 billion to stand at DKK 12.4 billion at 31 December 2022.

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)



Section 5

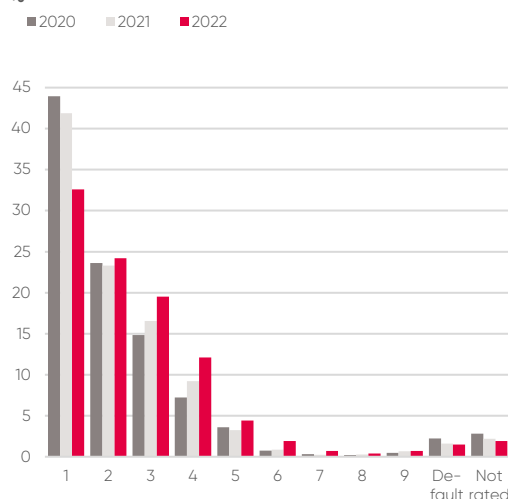
Risk management

Retail customers with Spar Nord's Local Banks

The total credit exposure to retail customers at Spar Nord's Local Banks amounted to DKK 29.4 billion at end-2022 compared with DKK 32.3 billion at end-2021. The credit exposure to retail customers amounts to 36.8% 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.

Developments in the rating level for Spar Nord's retail customers in 2022 would seem to indicate a deterioration in customer credit quality, which was primarily attributable to developments in the business cycle component of the rating model, which reflects the macroeconomic outlook.

Exposures to retail customers by rating category excl. SparXpres
%



The average rating for Spar Nord's retail customers increased from 2.3 at the end of 2021 to 2.6 at the end of 2022.

Average rating *)

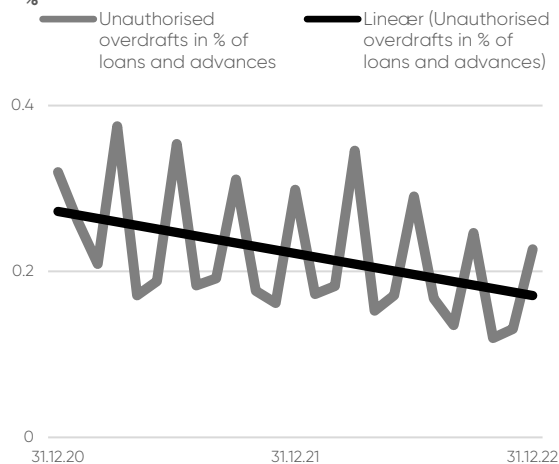
	2022	2021	2020
Average rating	2.6	2.3	2.2

*) Exposures after impairment

The rating level for Spar Nord's retail customers improved steadily through 2022, driven by developments in macroeconomic indicators, which form part of the model's business cycle component. The credit quality of the retail customer portfolio is not believed to have been significantly impaired in 2022 despite the deterioration of the overall rating level.

Retail customers' unauthorised overdrafts and past due exposures were at a low level from 2020-2022, showing a declining trend.

Retail customers - Local Banks - Developments in unauthorised overdrafts/arrears excl. SparXpres
%



The level of unauthorised overdrafts remains low.

Claims due, but not impaired – Retail

	2022	2022	2021	2021
	Unauthorised overdrafts	Collateral	Unauthorised overdrafts	Collateral
DKKm				
0 - 30 days	35	19	39	25
31 - 60 days	2	1	4	2
61 - 90 days	1	0	0	0
> 90 days	0	0	0	0
Total	37	20	43	28

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.

Section 5

Risk management

Business customers with Spar Nord's Local Banks

The total credit exposure to business customers at Spar Nord's Local Banks amounted to DKK 30.0 billion at end-2022 compared with DKK 27.6 billion at end-2021.

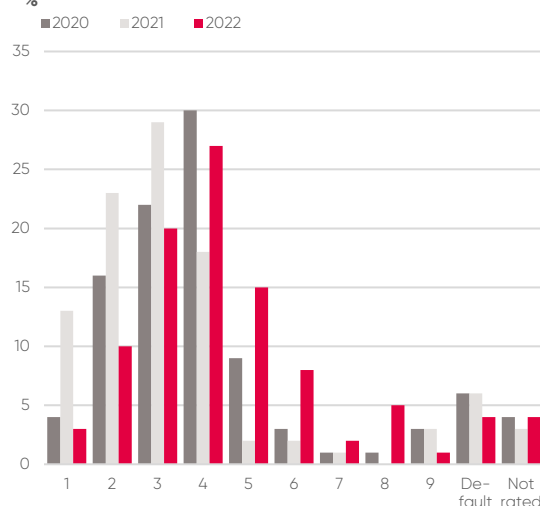
The credit exposure to business customers amounted to 37.5% of Spar Nord's total credit exposure.

The rating level for Spar Nord's business customers at end-2022 was significantly lower than at end-2021, primarily due to developments in the business cycle component of the rating model, which reflects the macroeconomic outlook.

The rating level for Spar Nord's business customers deteriorated over the course of 2022, driven by developments in macroeconomic indicators, which form part of the model's business cycle component. Spar Nord's business customers generally reported decent financial performance and unchanged conduct in 2022.

The conduct and financial performance of the business customers were relatively stable components of the model, and

Exposures to business customers by rating category excl. public authorities
%



Average rating *)

	2022	2021	2020
Average rating	4.4	3.4	4.0

*) Exposure after impairment excl. public-sector customers.

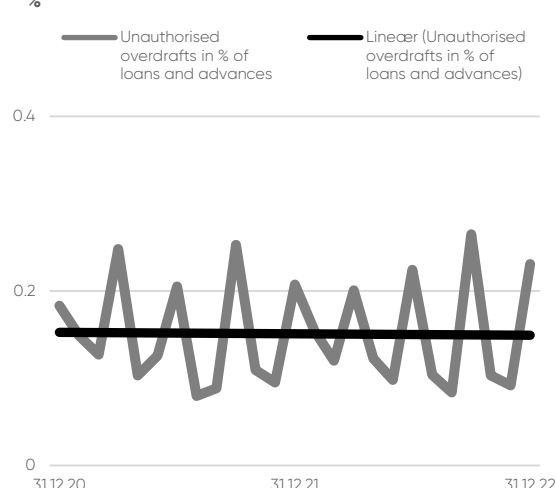
developments in the average rating are therefore driven mainly by the business cycle component.

The business cycle component encompasses a range of soft (expectations-based) macroeconomic indicators, which were very volatile in 2022 due to generally higher macroeconomic uncertainties. The business cycle component was re-estimated in September 2022, which has reduced the volatility, but there is still a considerable negative impact on the rating level.

The credit quality of the business customer portfolio is thus not believed to have been significantly impaired in 2022 despite the rise in the overall rating level.

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 2022.

Business customers ex. agriculture - Local Banks - Development in unauthorised overdrafts/arrears
%



The level of unauthorised overdrafts remains low.

Claims due, but not impaired – Business

	2022	2022	2021	2021
	Unauthorised overdrafts	Collateral	Unauthorised overdrafts	Collateral
DKKm				
0 - 30 days	97	76	51	27
31 - 60 days	2	1	1	0
61 - 90 days	0	0	0	0
> 90 days	0	0	0	0
Total	99	78	51	27

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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Risk management

Leasing activities

Spar Nord's total credit exposure in the leasing area amounted to DKK 8.0 billion at end-2022, which is DKK 1.4 billion, or 21.1%, more than at end-2021. Credit exposure in the leasing area equals 10.0% of Spar Nord's total loans, advances and guarantees.

The volume of repossessed leasing equipment remains at a very low level below 0.03% 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	2022	2021
Repossessed equipment, total	2	1

The level of unauthorised overdrafts remains low.

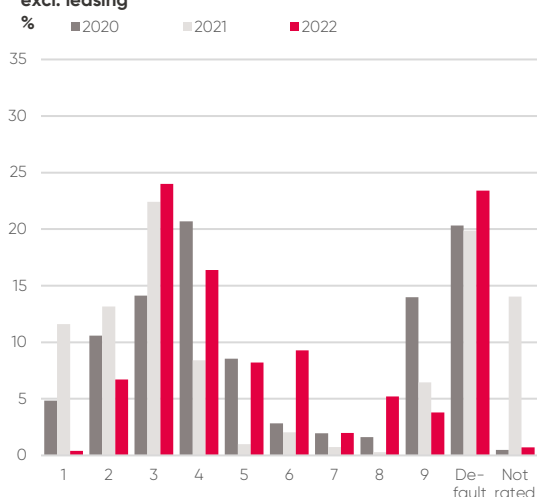
Claims due, but not impaired – Leasing

DKKm	2022 Unau- thorised over- drafts	2022 Collat- eral	2021 Unau- thorised over- drafts	2021 Collat- eral
0 – 30 days	0	116	1	96
31 – 60 days	1	34	0	8
61 – 90 days	0	0	0	0
> 90 days	0	0	0	0
Total	2	151	1	103

Agriculture

Loans, advances and guarantees to agricultural customers amounted to DKK 2.8 billion at end-2022, equal to 3.5%. Of this amount, leasing loans amounted to DKK 1.0 billion.

Agricultural customer loans, advances and guarantees broken down by rating group excl. leasing



Agricultural customers' average rating *)

	2022	2021	2020
Average rating	5.7	5.6	5.5

*) Exposures after impairments

As appears from the figures, the average credit quality of agricultural customers has deteriorated since 2021. The negative development was ascribable to developments in the business cycle component, which reflects the macroeconomic outlook. Seen in isolation, the conduct and financial performance of agricultural customers do not give rise to higher ratings in 2022.

Leasing loans by industry	Lending		Impairment account	
	2022	2021	2022	2021
Public authorities	0.0	0.0	0.0	0.0
Agriculture, hunting and forestry	11.9	12.5	4.7	11.8
Fisheries	0.0	0.0	0.0	0.0
Industry and raw materials extraction	11.7	11.3	41.7	12.1
Energy supply	8.0	8.9	2.8	4.8
Building and construction	16.0	15.4	8.6	15.8
Trade	7.0	7.7	5.2	3.3
Transport, hotels and restaurants	21.3	21.9	19.9	31.5
Information and communication	0.3	0.4	1.4	0.8
Financing and insurance	1.9	2.4	1.9	1.5
Real estate	1.8	1.0	0.6	0.6
Other business areas	19.9	18.5	12.6	18.0
Business customers, total	99.9	100.0	99.5	100.0
Total retail customers	0.1	0.0	0.5	0.0
Total	100.0	100.0	100.0	100.0

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.

Consequently, the credit quality of the agricultural customer portfolio is thus not believed to have been significantly impaired in 2022 despite the rise in the overall rating level.

The impact on profits from impairment of agricultural loans amounted to an income of DKK 79 million in 2022 compared with an income of DKK 88 million in 2021.

Earnings in the agricultural sector in 2022 were satisfactory especially for dairy and arable farmers, who recorded historically high settlement prices. Pig prices also moved higher, but especially producers of weaners were adversely affected by relatively low prices. Higher prices of feed, fertiliser, energy and interest rate costs weighed on all production lines, but producers of weaners were hit the hardest due to their high energy consumption. The cost of animal feed is to some extent offset the higher the proportion farms can produce themselves.

Spar Nord's total impairment of agricultural loans amounted to DKK 159 million at end-2022, equal to 5.7% of Spar Nord's total loans, advances and guarantees to the industry. At 31 December 2021, the corresponding figures were DKK 242 million and 8.8%.

Agricultural customer loans, advances and guarantees by production line

2022 DKKm	Loans, advances and guarantees	Non-performing loans	Of which impaired	Share impaired
Cattle producers	477	1	127	26.7
Pig producers	323	0	55	17.0
Crop producers	547	3	39	7.1
Mink producers	25	0	2	7.1
Leasing	952	0	16	1.7
Miscellaneous	479	0	6	1.4
Total	2,802	4	246	8.8

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2021 DKKm	Loans, ad- vances and guaran- tees	Non- perform- ing 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
Total	2,743	13	305	11.1

Agricultural customers' impairment account and losses by production line

2022 DKKm / %	Impairment account	Written off	Impairment for the year	Impairment ratio of ex- posure	Percent- age im- paired
Cattle producers	53	3	-61	11.2	41.8
Pig pro- ducers	65	4	-11	20.1	117.8
Crop pro- ducers	19	0	-9	3.5	49.4
Mink pro- ducers	1	0	-1	3.9	55.5
Leasing	4	0	1	0.4	24.1
Miscella- neous	17	0	2	3.6	263.8
Total	159	7	-79	5.7	64.8

2021 DKKm / %	Impairment account	Written off	Impairment for the year	Impairment ratio of ex- posure	Percent- age im- paired
Cattle producers	106	1	-46	19.5	71.4
Pig pro- ducers	69	8	-2	20.6	16.3
Crop pro- ducers	41	2	-26	7.5	93.6
Mink pro- ducers	10	0	-15	19.2	202.0
Leasing	3	1	0	0.4	84.6
Miscella- neous	12	0	1	2.7	174.8
Total	242	11	-88	8.8	79.3

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.

The figures show Spar Nord's agricultural loans and impairment related to agricultural exposures, broken down by production lines.

There was a slight decrease in the overall exposure to agriculture excl. leasing in 2022. Exposure to cattle and other production lines has been reduced, while other production lines are on a level with 2021.

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, this is defined as OEI.

The previous breakeven prices for milk and pork will be reassessed based on the new cost level. The calculation of the breakeven prices is based on a higher interest rate of 5.5% on variable-rate loans.

Spar Nord expects a fall in milk prices but that dairy farmers will continue to generate satisfactory earnings. Earnings for producers of weaners are also expected to improve, but not to a satisfactory level. Earnings for producers of slaughter pigs are expected to remain unchanged at an acceptable level.

Spar Nord's calculation of collateral values of agricultural properties is in accordance with the Danish FSA's most recently published guidelines, which means that the land values in the Bank's market area range between DKK 125,000 and DKK 160,000 per hectare.

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 most recently published 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 7,500 per hectare of eligible land relative to recommended prices. The total management estimate for agricultural is DKK 60 million, of which DKK 41 million relates to land prices, DKK 18 million to inflation, weak growth and property prices and DKK 1 million to model uncertainty.

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 2022, the Group repossessed equipment and took over properties worth DKK 6 million (2021: DKK 6 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 42.6 billion, while only DKK 25.8 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.

The total loan amounts for customers which no impairment charge has been recognised as a result of collateral for 2022 is DKK 393 million. (2021: DKK 536 million).

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Risk management

Collateral accepted and type

	2022	2021
	DKKmn	DKKmn
Collateral accepted		
Credit exposure on loan, advances and guarantees for financial reporting purposes	79,800	81,084
Value of collateral	61,451	62,180
Unsecured, total	18,349	18,904
Types of collateral		
Properties	25,845	21,485
Custody accounts/securities	12,425	14,584
Guarantees/sureties	908	936
Vehicles	578	570
Cash	398	617
Other collateral	4,840	3,967
Collateral used, total	44,994	42,160
Specially secured transactions (mortgage credit institution guarantees)	9,756	14,483
Total collateral accepted, excl. leasing activities	54,749	56,643
Collateral accepted, leasing activities	6,702	5,537
Total	61,451	62,180

Mortgage on real property

Geographical breakdown of mortgages

%	2022	2021
Capital Region	24.8	23.6
Central Region	21.8	20.9
Northern Region	27.1	28.7
Zealand region	12.8	12.9
Southern Region	12.9	13.2
International	0.5	0.7
Total	100.0	100.0

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

	2022	2022	2021	2021
	DKKmn	%	DKKmn	%
Private housing	29,727	69.8	25,100	67.1
Holiday homes	1,692	4.0	1,402	3.7
Office & retail	4,744	11.1	4,753	12.7
Agriculture	2,158	5.1	2,088	5.6
International	4,297	10.1	4,065	10.9
Total	42,618	100.0	37,409	100.0

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 greater than 5%.

Collateral accepted and type for stage 3

	2022	2021
	DKKmn	DKKmn
Collateral accepted		
Carrying amount of loans, advances and guarantees	881	849
Value of collateral	1,055	1,028
Unsecured, total	-175	-179
Types of collateral		
Properties	521	489
Custody accounts/securities	4	3
Guarantees/sureties	176	211
Vehicles	6	5
Cash	3	27
Other collateral	149	149
Collateral used, total	858	883
Specially secured transactions (mortgage credit institution guarantees)	87	101
Total collateral accepted, excl. leasing activities	945	984
Collateral accepted, leasing activities	110	44
Total	1,055	1,028

Unsecured shares

The table below shows that the total unsecured share at end-2022 was 23.0%. Net of reverse loans, the total unsecured share at end-2022 amounted to 26.5%. At end-2021, the unsecured share without reverse repo transactions was 27.7%.

Unsecured share of exposure

%	2022	2021
< 10	61.6	61.6
10 - 50	18.1	17.4
50 - 75	5.5	5.2
> 75	14.8	15.8
Average unsecured share	23.0	23.3

The Group's unsecured share of credit exposure

	2022	2022	2021	2021
	DKKmn	%	DKKmn	%
Line of business				
Public authorities	1,357	99.9	1,259	100.0
Agriculture, hunting and forestry	356	12.7	438	16.0
Fisheries	17	18.2	13	11.6
Industry and raw materials extraction	1,155	31.5	876	28.7
Energy supply	572	26.2	485	25.5
Building and construction	487	15.7	649	21.7
Trade	1,489	29.9	1,312	31.3
Transport, hotels and restaurants	669	21.1	587	20.3
Information and communication	120	36.5	153	39.3
Financing and insurance	2,405	16.5	2,300	14.0
Real estate	1,599	19.5	1,565	21.3
Other business areas	1,793	32.1	1,672	33.4
Business customers, total	12,019	24.0	11,309	23.4
Total retail customers	6,331	21.3	7,595	23.2
Total	18,349	23.0	18,904	23.3

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5.1.5 NPL ratio

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

	2022	2021
NPL (DKK millions)	1,627	1,818
Exposure (DKKm)	69,952	65,817
NPL ratio	2.3	2.8

5.1.6 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.

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 192 million due to improvement of customer credit quality, settlement of loans or write-offs. Overall, NPL loans were reduced to DKK 1,627 million, and the share of non-performing loans (NPL ratio) was thus 2.3% at end-2022. In 2022, an amount of DKK 107 million was written off. The individual impairment charges were reduced by DKK 129 million.

Loans and advances subject to forbearance in the year

2022

Loans and advances subject to forbearance

DKKm	Business customers	Agriculture	Retail customers	Total
Non-Performing	75	7	171	253
Performing	1	0	0	1
Total	76	7	172	254

2021

DKKm	Business customers	Agriculture	Retail customers	Total
Non-Performing	117	24	181	323
Performing	0	0	2	3
Total	118	24	183	325

Carrying amount of loans subject to forbearance in the year

DKKm	Loans and advances before impairment	Impairment	Carrying amount
2022			
Loans and advances subject to forbearance, etc.			
Non-performing	253	116	137
Performing	1	0	1
Total	254	117	137
Type of forbearance			
Non-performing loans	220	104	116
Reduced interest rate	8	1	7
Extended term	25	12	13
Miscellaneous	1	0	1
Total	254	117	137

2021

Loans and advances subject to forbearance, etc.

Non-performing	323	155	168
Performing	3	0	2
Total	325	155	170
Type of forbearance			
Non-performing loans	281	140	141
Reduced interest rate	30	13	17
Extended term	12	2	10
Miscellaneous	2	0	2
Total	325	155	170

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5.1.7 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 2022, reversal of impairment was DKK 13 million. (2021: DKK 42 million).

	Exposure before impairment	Impairment/provisions	Carrying amount	Recognised impairment etc. total
	DKKm	DKKm	DKKm	DKKm
Summary of carrying amount of exposures				
2022				
Loans and advances at amortised cost (note 5.1.8)	67,408	1,602	65,806	85
Due from credit institutions and central banks (note 5.1.9)	2,747	1	2,746	0
Guarantees (note 5.1.10)	12,392	50	12,342	-12
Unutilised credit lines and loan commitments (note 5.1.8)	25,095	13	25,082	4
Total	107,642	1,666	105,976	78
2021				
Loans and advances at amortised cost (note 5.1.8)	63,456	1,520	61,936	-117
Due from credit institutions and central banks (note 5.1.9)	2,486	1	2,485	0
Guarantees (note 5.1.10)	17,628	62	17,566	5
Unutilised credit lines and loan commitments (note 5.1.8)	26,932	9	26,924	-8
Total	110,502	1,591	108,911	-120

Recognised impairments etc. are specified in notes 5.1.7, 5.1.8, 5.1.9 and 5.1.10.

Profit impact from losses and impairment of loans, advances and guarantees – by industry

DKKm	2022	2021
Public authorities	0	0
Agriculture, hunting and forestry	-79	-88
Fisheries	0	1
Industry and raw materials extraction	32	17
Energy supply	2	-16
Building and construction	6	-8
Trade	-28	0
Transport, hotels and restaurants	1	-21
Information and communication	3	0
Financing and insurance	6	67
Real estate	44	-58
Other business areas	-2	31
Business customers, total	-15	-74
Total retail customers	92	-46
Total	78	-120

The impact on Spar Nord's profits from impairment amounted to an expense of DKK 78 million in 2022, equal to 0.1% of total loans, advances and guarantees.

Retail customers without SparXpres represented an expenses of DKK 98 million, while SparXpres resulted in an income of DKK 6 million. For business customers, there was an expense of DKK 64 million, while the impact on operations from agriculture was an income of DKK 79 million.

Exposures for which interest accrual has been suspended fell from DKK 257 million at end-2021 to DKK 213 million at end-2022.

Exposures before impairment and provisions by stages

	Stage 1	Stage 2	Stage 3	Total
	DKKm	DKKm	DKKm	DKKm
2022				
Loans and advances at amortised cost	52,017	13,768	1,623	67,408
Due from credit institutions and central banks	2,747	0	0	2,747
Guarantees	10,848	1,437	107	12,392
Unutilised credit lines and loan commitments	21,859	3,139	97	25,095
Total	87,471	18,344	1,827	107,642
2021				
Loans and advances at amortised cost	56,905	4,736	1,815	63,456
Due from credit institutions and central banks	2,486	0	0	2,486
Guarantees	16,451	1,057	120	17,628
Unutilised credit lines and loan commitments	25,681	1,149	103	26,932
Total	101,523	6,942	2,038	110,502

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Exposures before impairment and provisions by industry

	Stage 1	Stage 2	Stage 3	Total	Recognised impairment etc. total
2022	DKKm	DKKm	DKKm	DKKm	DKKm
Public authorities	1,850	0	0	1,850	0
Agriculture, hunting and forestry	2,668	825	271	3,764	-79
Fisheries	73	36	10	119	0
Industry and raw materials extraction	3,289	1,821	157	5,266	32
Energy supply	2,261	454	0	2,715	2
Building and construction	3,043	1,037	96	4,176	6
Trade	5,229	2,411	98	7,738	-28
Transport, hotels and restaurants	3,053	901	151	4,106	1
Information and communication	311	161	9	480	3
Financing and insurance	14,734	1,699	277	16,709	6
Real estate	6,949	3,451	68	10,469	44
Other business areas	6,196	1,616	202	8,013	-2
Total business	49,656	14,410	1,337	65,404	-15
Total retail customers	35,068	3,932	490	39,491	92
Total	84,725	18,343	1,827	104,895	78
Total due from credit institutions	2,747	0	0	2,747	0
Total	87,472	18,343	1,827	107,642	78

2021					
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
Total business	58,777	4,365	1,514	64,656	-74
Total retail customers	40,260	2,577	523	43,360	-46
Total	99,037	6,942	2,038	108,016	-120
Total due from credit institutions	2,486	0	0	2,486	0
Total	101,523	6,942	2,038	110,502	-120

Impairment and provisions by stages

	Stage 1	Stage 2	Stage 3	Total
2022	DKKm	DKKm	DKKm	DKKm
Loans and advances at amortised cost	224	536	842	1,602
Due from credit institutions and central banks	1	0	0	1
Guarantees	18	26	7	50
Unutilised credit lines and loan commitments	5	6	2	13
Total	247	567	851	1,666

2021				
Loans and advances at amortised cost	133	309	1,078	1,520
Due from credit institutions and central banks	1	0	0	1
Guarantees	19	35	8	62
Unutilised credit lines and loan commitments	3	3	3	9
Total	156	346	1,089	1,591

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Impairment and provisions by impairment method

	2022	2021
	DKKm	DKKm
Individual impairment	541	728
Model-calculated impairment	1,125	863
- of which management estimate. See note 5.1.8	574	536
Impairment of loans at amortised cost and guarantees (impairment account)	1,666	1,591

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	1,623	1,815
Individual impairment of loans and advances, receivables	842	1,078
Carrying amount	781	737

Guarantees

Sum total of guarantees for which individual provisions have been made	107	120
Individual provisions for guarantees	7	8
Carrying amount	100	112

Individually impaired loans at amortised cost and guarantees in stage 3 by cause of impairment

	2022	2022	2021	2021
	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	25	12	63	36
Debt collection or restructuring, etc.	77	19	84	26
Other financial difficulty	1,628	818	1,788	1,025
Individual impairment of loans and advances, receivables and guarantees, total	1,730	849	1,935	1,086

Individual impairment at end-2022 of DKK 851 million includes DKK 13 million in provisions for losses on unutilised credit lines and loan commitments.

In 2022, Spar Nord recorded a decline in credit exposure to customers with individual impairment of DKK 205 million.

At end-2022, the credit-impaired claims represented 2.2% of total credit exposure compared with 2.4% in 2021.

The total impairment account rose by DKK 75 million in 2022,

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 2022, DKK 107 million was written off (2021: DKK 131 million), of which DKK 88 million (2021: DKK 107 million) is still the object of collection efforts.

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5.1.8 Loans at amortised cost and unutilised credit lines and loan commitments

	2022	2021
	DKKm	DKKm
Loans and advances at amortised cost before impairment	67,408	63,456
Unutilised credit lines and loan commitments before impairments	25,095	26,932
Impairment of loans and advances and provisions on unutilised credit lines	1,615	1,529
Total	90,888	88,859

Loans at amortised cost before impairments, 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
Rating category 1	8,493	8	0	8,501
Rating category 2	7,216	208	0	7,424
Rating category 3	7,157	2,427	0	9,584
Rating category 4	6,554	3,294	0	9,848
Rating category 5	2,828	2,224	0	5,052
Rating category 6	700	2,010	0	2,710
Rating category 7	355	451	0	806
Rating category 8	247	1,116	0	1,363
Rating category 9	0	508	2	511
Default	0	141	1,379	1,521
Unrated	1,070	1	0	1,071
Reverse repo transactions	10,510	0	0	10,510
SparXpres	424	10	91	526
Leasing	6,463	1,370	150	7,982
Total	52,017	13,768	1,623	67,408

2021

Rating category 1	10,836	1	0	10,837
Rating category 2	9,736	146	0	9,882
Rating category 3	9,632	929	3	10,564
Rating category 4	5,275	1,155	2	6,432
Rating category 5	703	465	0	1,168
Rating category 6	213	361	2	577
Rating category 7	75	239	0	314
Rating category 8	56	137	0	193
Rating category 9	0	642	83	726
Default	24	352	1,564	1,941
Unrated	837	0	0	837
Reverse repo transactions	12,850	0	0	12,850
SparXpres	429	10	105	545
Leasing	6,238	299	54	6,590
Total	56,905	4,736	1,815	63,456

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Loans at amortised cost before impairment, by stages

	Stage 1	Stage 2	Stage 3	Total
	DKKm	DKKm	DKKm	DKKm
2022				
Gross exposure 1 January	56,905	4,736	1,815	63,456
New exposures and extension of existing exposures in the year	29,283	4,036	138	33,456
Repayments and reduction of existing exposures	-26,035	-2,917	-444	-29,397
Change in gross exposure, transfer to/from stage 1	-8,878	8,724	154	-
Change in gross exposure, transfer to/from stage 2	679	-867	188	-
Change in gross exposure, transfer to/from stage 3	75	67	-142	-
Gross exposure expensed	-12	-11	-85	-107
Gross exposure 31 December	52,017	13,768	1,623	67,408
2021				
Gross exposure 1 January	44,661	7,426	1,868	53,955
Addition upon business combinations	2,058	106	31	2,195
New exposures and extension of existing exposures in the year	30,149	1,659	312	32,120
Repayments and reduction of existing exposures	-22,060	-2,285	-339	-24,684
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	-130
Gross exposure 31 December	56,905	4,736	1,815	63,456

As they are calculated for specific accounts, the figures concerning new exposures and extension and repayment and reduction also include administrative movements in which the balance is moved between two accounts for the same customer. In these cases, the relocated amount will be listed both as a reduction of the old account and an increase on the new account.

Unutilised credit lines and loan commitments before impairment and 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
2022				
Rating category 1	9,709	7	0	9,716
Rating category 2	5,384	227	0	5,611
Rating category 3	2,653	1,356	0	4,009
Rating category 4	1,262	629	0	1,892
Rating category 5	318	276	0	593
Rating category 6	95	255	0	350
Rating category 7	10	42	0	52
Rating category 8	17	142	0	158
Rating category 9	0	142	0	142
Default	0	14	97	111
Unrated	1,054	49	0	1,104
Reverse repo transactions	0	0	0	0
SparXpres	0	0	0	0
Leasing	1,356	0	0	1,357
Total	21,859	3,139	97	25,095

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	Stage 1	Stage 2	Stage 3	Total
2021	DKKm	DKKm	DKKm	DKKm
Rating category 1	14,925	14	0	14,939
Rating category 2	4,535	40	0	4,575
Rating category 3	1,900	232	0	2,132
Rating category 4	652	404	0	1,057
Rating category 5	272	42	0	314
Rating category 6	93	46	0	139
Rating category 7	3	27	0	30
Rating category 8	2	18	0	19
Rating category 9	0	214	3	217
Default	5	49	97	151
Unrated	1,812	64	0	1,876
Reverse repo transactions	0	0	0	0
SparXpres	0	0	0	0
Leasing	1,481	0	1	1,483
Total	25,681	1,149	103	26,932

Unutilised credit lines and loan commitments before impairment and provisions, by stage

As they are calculated for specific accounts, the figures concerning new exposures and extension and repayment and reduction also include administrative movements in which the balance is moved between two accounts for the same customer. In these cases, the relocated amount will be listed both as a reduction of the old account and an increase on the new account.

	Stage 1	Stage 2	Stage 3	Total
2022	DKKm	DKKm	DKKm	DKKm
Gross exposure 1 January	25,681	1,149	103	26,932
New exposures and extension of existing exposures in the year	7,842	1,098	42	8,982
Repayments and reduction of existing exposures	-8,854	-1,906	-60	-10,819
Change in gross exposure, transfer to/from stage 1	-3,069	3,054	14	-
Change in gross exposure, transfer to/from stage 2	252	-271	20	-
Change in gross exposure, transfer to/from stage 3	7	15	-22	-
Gross exposure expensed	0	0	0	0
Gross exposure 31 December	21,859	3,139	97	25,095

2021				
Gross exposure 1 January	25,042	2,150	131	27,323
Addition upon business combinations	829	50	3	881
New exposures and extension of existing exposures in the year	8,716	515	43	9,273
Repayments and reduction of existing exposures	-9,959	-535	-52	-10,545
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	0
Gross exposure 31 December	25,681	1,149	103	26,932

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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 5.1.7.

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
2022					
Impairment at 1 January, loans at amortised cost	133	309	1,078	1,520	-
Provisions at 1 January, unutilised credit lines and loan commitments	3	3	3	9	-
Impairment re. new exposures during the year, including new accounts to existing customers	56	4	37	96	96
Reversed impairment re. repaid accounts	42	27	66	134	134
Change in impairment at 1 January, transfer to/from stage 1	223	-195	-28	-	-
Change in impairment at 1 January, transfer to/from stage 2	-124	175	-51	-	-
Change in impairment at 1 January, transfer to/from stage 3	-1	-62	63	-	-
Impairment during the year due to change in credit risk	-18	335	-135	183	183
Previously impaired, now finally lost	-2	0	-71	-73	-
Other movements (interest rate correction etc.)	0	0	15	15	-
Loss without prior impairment	-	-	-	-	38
Amounts recovered on previously impaired receivables and adjustment of reversal of impairment charges taken over	-	-	-	-	93
Impairment and provisions for losses, end of period	228	542	845	1,615	89
Impairment at 31 December, loans at amortised cost	224	536	842	1,602	85
Provisions at 31 December, unutilised credit lines and loan commitments	5	6	2	13	4
Impairment and provisions for losses, end of period	228	542	845	1,615	89
2021					
Impairment at 1 January, loans at amortised cost	170	543	929	1,643	-
Provisions at 1 January, unutilised credit lines and loan commitments	7	6	4	17	-
Impairment re. new exposures during the year, including new accounts to existing customers	47	6	40	92	92
Reversed impairment re. repaid accounts	36	52	72	160	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	3	3
Previously impaired, now finally lost	0	0	-81	-81	-
Other movements (interest rate correction etc.)	0	0	16	16	-
Loss without prior impairment	-	-	-	-	55
Amounts recovered on previously impaired receivables	-	-	-	-	114
Impairment and provisions for losses, end of period	136	311	1,081	1,529	-125
Impairment at 31 December, loans at amortised cost	133	309	1,078	1,520	-117
Provisions at 31 December, unutilised credit lines and loan commitments	3	3	3	9	-8
Impairment and provisions for losses, end of period	136	311	1,081	1,529	-125

As they are calculated for specific accounts, the figures concerning new exposures and extension and repayment and reduction also include administrative movements in which the balance is moved between two accounts for the same customer. In these cases, the relocated amount will be listed both as a reduction of the old account and an increase on the new account.

Loss without prior impairment expresses Spar Nord's recognised loans for which the loss is greater than impairment at the beginning of the year.

Reversal (impairment charges taken over) on customers acquired is shown in note 5.1.7 at the top.

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Management estimates

In 2022, the Bank increased its management estimates by DKK 38 million to a total of DKK 574 million. The amount relates to three overall areas:

1. Inflation, weak growth and property prices (DKK 434 million). Estimate to cover enhanced credit risk due to economic uncertainty. Developments in 2022 (+ DKK 369 million) were driven by economic uncertainty exemplified by the high level of inflation, weak growth and falling property prices. The estimate was extended in 2022 to also cover potential consequences of the higher inflation and fears of a recession.
2. Model uncertainty (DKK 98 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 2022 (DKK 61 million) were driven by a higher PD level, which results in higher estimates. The estimate and method were retained in 2022 as it is believed to accurately reflect uncertainty associated with the model calculation.

3. Declining land prices (DKK 41 million). The assessment offsets valuation uncertainty. The estimate is calculated on the basis of a reduction of DKK 7,500 per hectare of eligible land relative to recommended prices. Developments in 2022 (-DKK 64 million) were due to reduced stress on land prices from DKK 15,000 to DKK 7,500 per hectare of eligible land. This was based on observations of higher trading prices of agricultural land. The estimate was retained in 2022 as the risk relating to land prices is believed to be covered.

Furthermore, the management estimate relating to COVID-19 (DKK 295 million) and discounting of collateral (DKK 34 million) were reversed as they are no longer considered relevant.

Management estimates, by stage

	Stage 1	Stage 2	Stage 3	Total
	DKKm	DKKm	DKKm	DKKm
2022				
Inflation, weak growth and property prices	44	204	187	434
Model uncertainty	34	65	0	98
Land prices	0	0	41	41
COVID-19	0	0	0	0
Discounting of collateral	0	0	0	0
Total	78	268	228	574

2021

Inflation, weak growth and property prices	5	19	42	65
Model uncertainty	21	16	0	37
Land prices	0	0	105	105
COVID-19	20	126	148	295
Discounting of collateral	0	0	34	34
Total	46	161	329	536

Development in management estimates, by stage

	Stage 1	Stage 2	Stage 3	Development
	DKKm	DKKm	DKKm	DKKm
2021 - 2022				
Inflation, weak growth and property prices	39	185	145	369
Model uncertainty	13	49	0	61
Land prices	0	0	-64	-64
COVID-19	-20	-126	-148	-295
Discounting of collateral	0	0	-34	-34
Total	32	107	-101	38

Development in management estimates, by segment

	Business customers	Retail customers	Total
	DKKm	DKKm	DKKm
2021 - 2022			
Inflation, weak growth and property prices	156	213	369
Model uncertainty	47	14	61
Land prices	-64	0	-64
COVID-19	-223	-71	-295
Discounting of collateral	-27	-7	-34
Management estimates, total	-111	149	38

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5.1.9 Due from credit institutions and central banks

	2022	2021
	DKKm	DKKm
Due from credit institutions and central banks before impairment	2,747	2,486
Impairment	1	1
Carrying amount	2,746	2,485

Due from credit institutions and central banks before impairment, by rating category

	Stage 1	Stage 2	Stage 3	Total
	DKKm	DKKm	DKKm	DKKm
2022				
Credit institutions	2,747	0	0	2,747
Central banks	0	0	0	0
Total	2,747	0	0	2,747

2021				
Credit institutions	2,486	0	0	2,486
Central banks	0	0	0	0
Total	2,486	0	0	2,486

All amounts due from credit institutions and central banks are placed in rating category 1 in Spar Nord's internal rating system. A breakdown by product type and rating category is shown in note 5.1.11.

Due from credit institutions and central banks before impairment, by stage

	Stage 1	Stage 2	Stage 3	Total
	DKKm	DKKm	DKKm	DKKm
2022				
Gross exposure 1 January	2,486	0	0	2,486
New exposures and extension of existing exposures in the year	1,956	0	0	1,956
Repayments and reduction of existing exposures	-1,696	0	0	-1,696
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	-
Gross exposure 31 December	2,747	0	0	2,747

2021				
Gross exposure 1 January	1,259	0	0	1,259
New exposures and extension of existing exposures in the year	2,088	0	0	2,088
Repayments and reduction of existing exposures	-861	0	0	-861
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	-
Gross exposure 31 December	2,486	0	0	2,486

As they are calculated for specific accounts, the figures concerning new exposures and extension and repayment and reduction also include administrative movements in which the balance is moved between two accounts for the same customer. In these cases, the relocated amount will be listed both as a reduction of the old account and an increase on the new account.

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Risk management

Impairment

Analysis of changes in impairments during the period broken down by stages and correlated to recognised impairments, etc. A summary of total recognised impairment, etc. is provided in note 5.1.7.

	Stage 1	Stage 2	Stage 3	Total	Recognised impairment etc.
	DKKm	DKKm	DKKm	DKKm	DKKm
2022					
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	1	0	0	1	1
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
Impairment, end of year	1	0	0	1	0
2021					
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
Impairment, end of year	1	0	0	1	0

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Risk management

5.1.10 Guarantees

	2022	2021
	DKKm	DKKm
Guarantees before provisions for losses	12,392	17,628
Provisions for losses	50	62
Carrying amount	12,342	17,566

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
2022				
Rating category 1	3,911	1	0	3,912
Rating category 2	2,815	33	0	2,849
Rating category 3	1,816	315	0	2,131
Rating category 4	1,034	455	0	1,488
Rating category 5	403	263	0	665
Rating category 6	77	128	0	205
Rating category 7	21	32	0	53
Rating category 8	11	80	0	91
Rating category 9	0	107	0	107
Default	0	20	107	127
Unrated	760	4	0	764
Total	10,848	1,437	107	12,392
2021				
Rating category 1	7,977	3	0	7,979
Rating category 2	3,778	49	1	3,828
Rating category 3	2,256	290	1	2,547
Rating category 4	1,001	331	2	1,334
Rating category 5	361	104	0	466
Rating category 6	71	49	1	121
Rating category 7	17	12	0	29
Rating category 8	8	4	0	13
Rating category 9	0	168	3	172
Default	8	45	112	165
Unrated	974	0	0	974
Total	16,451	1,057	120	17,628

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Risk management

Guarantees, by stages

	Stage 1	Stage 2	Stage 3	Total
	DKKm	DKKm	DKKm	DKKm
2022				
Gross exposure 1 January	16,451	1,057	120	17,628
Addition upon business combinations	5,587	604	18	6,210
New exposures during the year	-10,638	-754	-53	-11,446
Reversed re. repaid exposures	-632	617	14	0
Change in gross exposure, transfer to/from stage 1	78	-96	18	-
Change in gross exposure, transfer to/from stage 2	2	8	-10	-
Change in gross exposure, transfer to/from stage 3	0	0	0	-
Gross exposure 31 December	10,848	1,437	107	12,392
2021				
Gross exposure 1 January	14,671	838	139	15,648
Addition upon business combinations	1,295	84	10	1,389
New exposures during the year	9,946	650	22	10,619
Reversed re. repaid exposures	-9,532	-447	-49	-10,028
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	-
Gross exposure 31 December	16,451	1,057	120	17,628

Provisions for losses

Analysis of changes in 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 5.1.7.

	Stage 1	Stage 2	Stage 3	Total	Recognised impairment etc.
	DKKm	DKKm	DKKm	DKKm	DKKm
2022					
Provisions for losses at 1 January	19	35	8	62	-
Provisions for losses re. new exposures during the year	32	0	2	33	33
Reversed provisions for losses re. repaid exposures	30	18	7	55	55
Change in provisions for losses at 1 January, transfer to/from stage 1	11	-9	-1	0	-
Change in provisions for losses at 1 January, transfer to/from stage 2	-8	9	-1	0	-
Change in provisions for losses at 1 January, transfer to/from stage 3	0	0	1	0	-
Provisions for losses during the year due to change in credit risk	-4	9	6	10	10
Provisions for losses at 31 December	18	26	7	50	-12
2021					
Provisions for losses at 1 January	18	32	7	57	-
Provisions for losses re. new exposures during the year	25	21	4	50	50
Reversed provisions for losses re. repaid exposures	18	31	3	52	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	7	7
Provisions for losses at 31 December	19	35	8	62	5

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Risk management

5.1.11 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

	2022	2021	2022	2021
	Carrying amount	Carrying amount	Risk portfolio	Risk portfolio
	DKKm	DKKm	DKKm	DKKm
AAA	25,095	18,312	22,332	16,582
AA	384	117	384	117
A	1,627	1,717	1,627	1,715
BBB	383	462	383	462
BB	130	130	129	130
B	15	16	15	16
CCC	2	1	2	1
Not rated	837	973	837	973
Total	28,474	21,728	25,709	19,996

Overall, Management's assessment is that Spar Nord's credit risk exposure to financial counterparties remains at a moderate level, as 94.7% (2021: 92.1%) 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.

	2022	2021	2022	2021
	Carrying amount	Carrying amount	Risk portfolio	Risk portfolio
	DKKm	DKKm	DKKm	DKKm
Bond portfolio broken down by issuer type				
Mortgage-credit institutions	24,325	17,657	21,783	16,279
Financial issuers	713	865	712	865
Credit bonds	339	345	339	345
Government bonds	45	164	-176	-191
Total	25,422	19,031	22,657	17,299

Bond portfolio broken down by rating

	2022	2021	2022	2021
	Carrying amount	Carrying amount	Risk portfolio	Risk portfolio
	DKKm	DKKm	DKKm	DKKm
AAA	23,475	16,798	20,712	15,067
AA	67	3	67	3
A	1,189	1,280	1,189	1,278
BBB	207	342	207	342
BB	130	130	129	130
B	15	16	15	16
CCC	2	1	2	1
Not rated	336	462	336	462
Total	25,422	19,031	22,657	17,299

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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.

	2022	2021	2022	2021
	Carrying amount	Carrying amount	Risk portfolio	Risk portfolio
	DKKm	DKKm	DKKm	DKKm
Due from credit institutions by product type				
Certificates of deposit	0	0	0	0
Reverse repo transactions	1,620	1,515	1,620	1,515
Deposits and unlisted bonds	649	500	649	500
Current accounts	217	166	217	166
CSA accounts, etc.	260	306	260	306
Total	2,746	2,485	2,746	2,485
Positive fair value of derivative instruments, financial enterprises	306	212	306	212
Total	3,052	2,697	3,052	2,697
Due from credit institutions by rating				
AAA	1,620	1,515	1,620	1,515
AA	318	114	318	114
A	438	437	438	437
BBB	176	120	176	120
BB	0	0	0	0
B	0	0	0	0
Not rated	501	510	501	510
Total	3,052	2,697	3,052	2,697

77.8% (2021: 76.6%) 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 3.1 billion (2021: DKK 2.7 billion), 53.0% (2021: 56.2%) 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 5.1.9.

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 2022, 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 describes the types of risk the Bank includes in the market risk area. The Board of Directors has prepared guidelines for the Executive Board describing the methods to be used in calculating the various risk.

ESG risk

ESG risk is a natural component of the Bank's risk management in the market risk area. ESG risk refers to the risks associated with investing in businesses that fail to adapt to environmental, social and governance-related factors.

As part of the handling of the Bank's positions, an assessment is made of ESG issues, which is an important activity to reduce the loss of market values due to climate-related physical and transition risks or social and ethical issues that could impact businesses that fail to adapt to global developments.

The Bank's market risk policy stipulates that the Bank must work with involvement and stewardship in order to promote sustainability, and that it must use exclusion measures when necessary. The exclusion list includes companies in which the Bank may not invest. Spar Nord complies with UN and EU sanctions when investing in government bonds and excludes investment in government bonds and/or other securities from countries against which sanctions have been imposed.

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 can 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.

Spar Nord has a front-to-back solution for market risk management, which means that both risk-taking and risk-managing business entities work on the same platform, which contributes to ensuring effective 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, bonds, leases, repo and reverse repo transactions, capital issues 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.

For interest rate risk in the banking book the Bank seeks to hedge the risk by raising subordinated loans with fixed rate of interest. Interest rate swaps are also used to hedge interest rate risk in the banking book.

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
2022						
DKK	5	-4	29	-8	22	43
EUR	7	17	-6	9	-12	15
Other	1	0	-1	0	0	0
Total	14	13	21	0	10	59
2021						
DKK	13	19	40	27	18	117
EUR	3	1	-15	-3	1	-14
Other	-3	0	-1	-1	1	-5
Total	12	19	24	23	21	98

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 2022, Spar Nord was exposed to a positive interest rate risk in Danish kroner of DKK 43 million and in EUR of DKK 15 million (2021: positive interest rate risk in DKK of DKK 117 million and a negative risk in EUR of DKK 14 million). The limited interest rate risk for other currencies was neutralised in 2022 (2021: negative interest rate risk of DKK 5 million). The total interest rate risk amounted to DKK 59 million at end-2022, which is a DKK 39 million decrease compared with end-2021.

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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 at end-2022 will result in a loss of DKK 2.8 million.

Currency	Foreign exchange position		Foreign exchange risk	
	2022	2021	2022	2021
	DKKm	DKKm	DKKm	DKKm
EUR	109	137	2.2	2.7
SEK	2	3	0.0	0.1
USD	11	11	0.2	0.2
GBP	1	5	0.0	0.1
CHF	0	1	0.0	0.0
NOK	6	33	0.1	0.7
JPY	1	1	0.0	0.0
Other currencies	10	11	0.2	0.2
Foreign-exchange risk regarding financial instruments, etc., total	141	204	2.8	4.1

The table shows that the Bank's foreign exchange position was reduced from DKK 204 million in 2021 to DKK 141 million in 2022. 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	2022	2021
	DKKm	DKKm
Listed shares in the trading book	64	115
Unlisted shares in the trading book	23	22
Total shares in the trading book	87	138

Equity risk in the banking book		
Shares in credit and financing institutions	1,247	1,278
Shares in unit trust management companies	284	280
Shares in pension institutions	0	1
Shares in payment services business	27	20
Other equities	88	99
Total shares in strategic business partners	1,647	1,678
Realised gain	11	0
Unrealised gain	116	157
Total associates	736	663
Other shares in the banking book	0	115
Total shares not forming part of the trading book	2,383	2,456

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-2022 was Danske Andelskasser Bank A/S (2021: Danske Andelskassers Bank A/S).

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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	
	2022	2021	2022	2021
	DKKm	DKKm	%	%
Interest rate increase of 1 %-point	-46	-77	-0.4	-0.7
Interest rate decrease of 1 %-point	46	77	0.4	0.7
Share price decrease of 10% in the trading book	-7	-11	-0.1	-0.1
A fair value decrease of 10% for shares in the banking book	-249	-233	-2.2	-2.2
Unfavourable 2% exchange rate fluctuation	-2	-3	0.0	0.0

The sensitivity information includes positions in the trading book and the banking book with respect to interest rate and exchange rate risk. 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 0.4% 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 2022, 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 and funding 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 and funding policy is to ensure that the Bank has a liquidity risk that at all times bears a natural relation to Spar Nord's overall risk profile. In addition, the liquidity and funding 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 Bank's 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 liquidity benchmark threshold values in the Supervisory Diamond.

ESG risk

Spar Nord regularly considers ESG risk when placing excess liquidity, which is a significant activity to reduce the loss of market values due to environmental, social and governance-related factors.

Furthermore, Spar Nord has established an ESG rating with rating agency Sustainalytics, which in connection with capital market issues provides an external foundation for dialogue about the Bank's ESG position with both existing and potential investors and lenders. Concurrently with these efforts, Spar Nord pays attention to various other providers of ESG ratings used by banks and asset managers for the screening of investment portfolios, and we are regularly in dialogue with these providers to ensure an accurate ESG rating of Spar Nord.

Management, monitoring and reporting

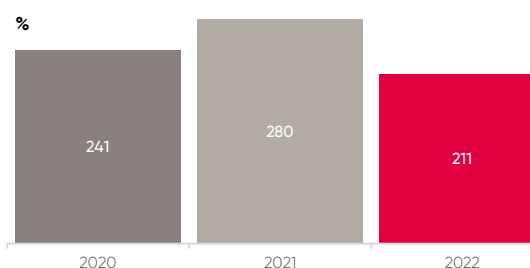
On the basis of the policies and objectives defined by the Board of Directors, the Executive Board has defined operational frameworks and specific limits for the liquidity function in the Trading Division, which is responsible for managing Spar Nord's short-term liquidity. Funding in the Finance & Accounts 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 the Bank's short-term liquidity, including the daily management of LCR and intraday liquidity and ongoing preparation of stress tests.

Liquidity Coverage Ratio (LCR)



Liquidity Coverage Ratio

DKKm	2022	2021
Liquidity resources	29,397	25,688
Liquidity Coverage Requirement	13,901	9,161
LCR (%)	211	280

At end-2022, LCR was calculated at 211% (2021: 280%), which is significantly above the target LCR of at least 125% (2021: 125%). The excess coverage of 86 percentage points (2021: 155) corresponds to excess liquidity of DKK 12.0 billion (2021: DKK 14.2 billion). Calculated relative to the statutory requirement of 100%, the excess liquidity amounted to DKK 15.5 billion.

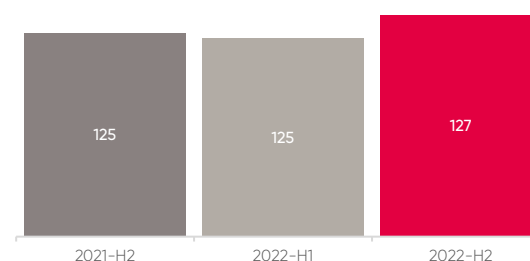
The liquidity reserve according to LCR basically consists of central bank reserves and government debt (Level 1A assets) and mortgage bonds offering particularly high liquidity and very high credit quality (Level 1B assets).

5.3.2 Long-term liquidity

NSFR has been calculated and reported to the Danish FSA since June 2021. The ratio is reported once every quarter. NSFR since end-2021 is shown below.

At end-2022, NSFR was calculated at 127%, which is comfortably above the Bank's target of 105%. The excess coverage of 22 percentage points relative to the target corresponds to DKK 17.6 billion in excess liquidity. Calculated relative to the statutory requirement of 100%, the excess liquidity amounted to DKK 21.6 billion.

Net Stable Funding Ratio (NSFR)



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Risk management

5.3.3 Stress test

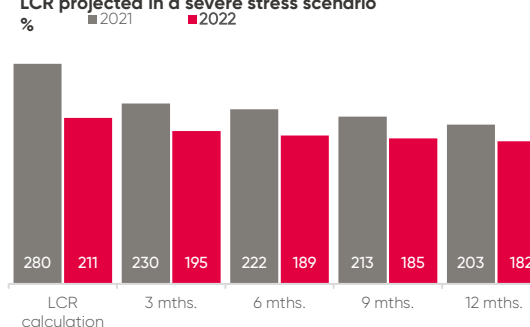
In accordance with the Executive Order on Management and Control of Banks etc., Spar Nord prepares internal liquidity stress tests based on LCR. The stress tests span a 12-month period and are calculated using three permanently defined scenarios: a business-specific, a market-specific and a mixed scenario. 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-2022, the projection shows that liquidity resources will be reduced by DKK 10 billion over the 12-month projection period, and 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	
	2022	2021	2022	2021
DKKm / %				
Calculation period	29,397	25,688	-	-
3 months	23,838	22,258	-19	-13
6 months	21,930	21,179	-25	-18
9 months	20,581	19,785	-30	-23
12 months	19,388	17,976	-34	-30

LCR projected in a severe stress scenario %

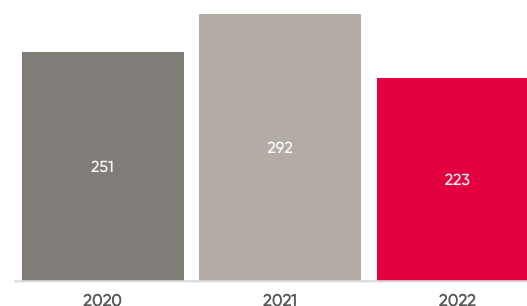


5.3.4 Liquidity indicator

The liquidity indicator of the Danish FSA, which is a part of the Supervisory Diamond, is based on a projected version of LCR using an adjusted calculation of the liquidity resources, while the time horizon for the liquidity requirement is extended to cover the period up to 3 months inclusive.

Since the liquidity indicator was implemented, Spar Nord has realised a level notably above the 100% requirement.

Liquidity indicator %



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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 and Senior Preferred.
- Subordinated debt and equity

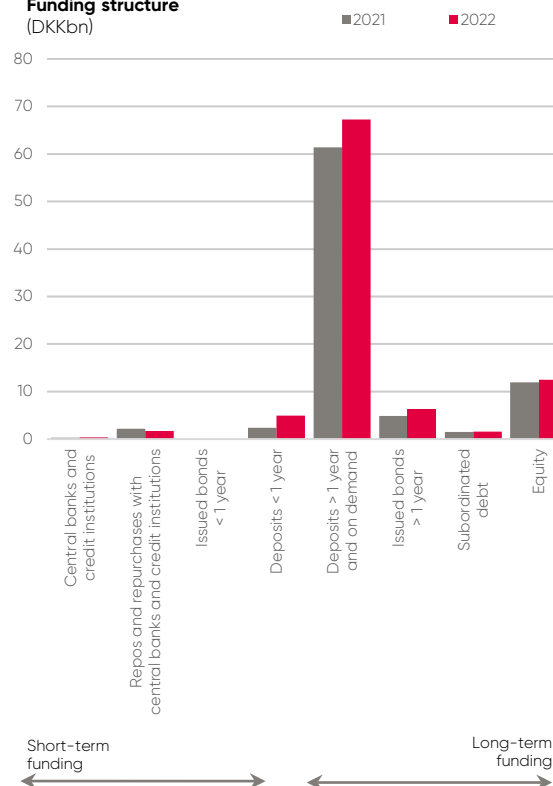
From an overall perspective, the Bank's funding at end-2022 increased by DKK 10.0 billion to DKK 94.5 billion compared with end-2021. The most important change in Spar Nord's funding structure is an increase in deposits of DKK 8.4 billion. Deposits remain Spar Nord's largest source of funding, and at end-2022 it represented 76% of Spar Nord's total funding.

At end-2022, Spar Nord's total long-term funding (deposits on demand and funding with a term to maturity of more than 12 months) amounts to 93%, which is on a level with year-end 2021.

Funding structure

DKKm / %	2022	2021	2022	2021
Central banks and credit institutions	354	267	0.4	0.3
Repos and repurchases with central banks and credit institutions	1,722	2,185	1.8	2.6
Issued bonds < 1 year	0	0	0.0	0.0
Deposits < 1 year	4,935	2,363	5.2	2.8
Deposits > 1 year and on demand	67,234	61,412	71.1	72.7
Issued bonds > 1 year	6,216	4,845	6.6	5.7
Subordinated debt	1,597	1,523	1.7	1.8
Equity	12,469	11,924	13.2	14.1
Total	94,527	84,519	100.0	100.0

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.

5.3.7 Rating

Throughout 2022, Spar Nord's rating was unchanged from rating agency Moody's, which most recently on 20 January 2023 reaffirmed the rating with an updated credit opinion.

Spar Nord has the following stable outlook ratings:

- Baseline credit assessment: baa1
- Bank deposit rating: A1 / P-1
- Senior unsecured: A1
- Senior Non-Preferred: A3

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Risk management

5.3.8 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

	2022		2021	
	< 1 year DKKm	> 1 year DKKm	< 1 year DKKm	> 1 year DKKm
Assets				
Cash balances and demand deposits with central banks	1,893	0	1,855	0
Due from credit institutions and central banks	2,371	375	1,986	500
Loans, advances and other receivables at amortised cost	33,329	32,477	34,638	27,297
Bonds at fair value	723	24,699	497	18,534
Shares, etc.	64	1,670	221	1,710
Investments in associates	0	736	0	663
Assets linked to pooled schemes	2,950	19,452	3,301	22,232
Intangible assets	9	410	10	418
Land and buildings	41	738	41	755
Other property, plant and equipment	44	82	39	84
Current tax assets	65	0	105	0
Deferred tax assets	183	18	0	0
Temporary assets	6	0	6	0
Other assets	869	610	724	802
Prepayments and deferred income	122	0	116	0
Total	42,670	81,266	43,539	72,996
Liabilities				
Due to credit institutions and central banks	2,076	0	2,452	0
Deposits and other payables	68,847	3,322	60,921	2,854
Deposits in pooled schemes	2,950	19,452	3,301	22,232
Issued bonds at amortised cost	0	6,216	911	3,934
Other non-derivative financial liabilities at fair value	2,918	0	2,786	0
Other liabilities	3,205	710	2,957	547
Prepayments and deferred income	107	0	115	0
Deferred tax	0	0	3	1
Provisions	22	45	16	58
Subordinated debt	399	1,198	433	1,090
Total	80,525	30,942	73,895	30,716

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.

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Risk management

5.3.9 Contractual term to maturity of financial liabilities

	Carrying amount DKKm	Contractual cash flows DKKm	Within 1 year DKKm	1–5 years DKKm	Over 5 years DKKm
2022					
Non-derivative instruments					
Due to credit institutions and central banks	2,076	2,076	2,076	0	0
Deposits and other payables	72,169	72,465	68,850	862	2,753
Deposits in pooled schemes	22,402	22,402	2,950	4,747	14,705
Issued bonds at amortised cost	6,216	7,178	223	6,332	622
Other non-derivative instruments	2,918	2,918	2,918	0	0
Lease liabilities	158	170	29	114	27
Other liabilities, excl. derivatives and lease liabilities	3,082	3,070	2,968	102	0
Subordinated debt	1,597	1,796	461	1,130	206
Guarantees	12,342	12,342	5,218	2,523	4,602
Derivatives					
Fair value of derivatives	675	631	200	184	247
Total	123,636	125,049	85,894	15,994	23,162
2021					
Non-derivative instruments					
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
Derivatives					
Fair value of derivatives	474	421	141	108	171
Total	121,983	122,206	80,961	16,769	24,476

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 66 million (2021: DKK 35 million) falls due for payment within 1 year, DKK 266 million (2021: DKK 140 million) within 1–5 years, and DKK 1,796 million including repayments of DKK 1,600 million (2021: DKK 1,602 million including repayments of DKK 1,536 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 223 million (2021: DKK 63 million) falls due for payment within 1 year, DKK 5,209 million including repayments of DKK 4,506 million (2021: DKK 4,154 million including repayments of DKK 3,949 million) within 1–5 years, and DKK 1,936 million including repayments of DKK 1,830 million (2021: DKK 1,007 million including repayments of DKK 933 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 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 and developments.

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 risk culture in the organisation, awareness activities are regularly undertaken aimed at operational risk management.

Reporting operational risks

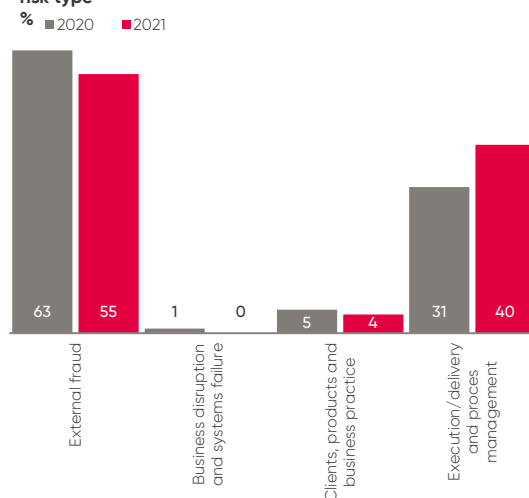
Reporting to the Board of Directors, Executive Board and risk owners is done on a quarterly basis. The risk owners are informed about the loss events during the period under review and about changes to the risk patterns of the area. The Board of Directors and Executive Board receive a summary of significant 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.

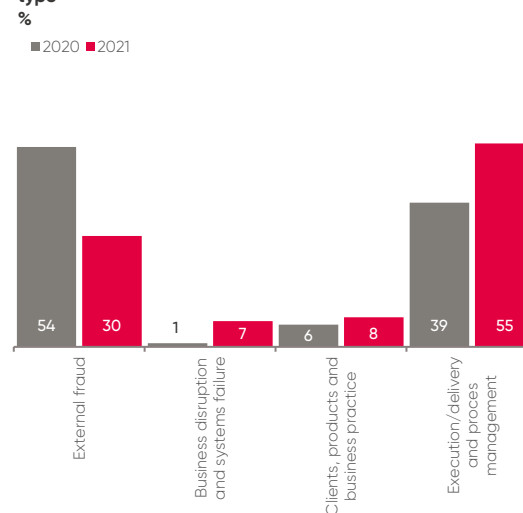
The figures below illustrate the percentage distribution on risk types measured by number of events and loss amounts, respectively,

Most of the loss events are events involving a limited financial effect. As shown in the figures below, 55% of the loss events in 2022 related to external fraud (2021: 63%), which in terms of amounts equal 30% (2021: 54%). External fraud includes 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
% ■ 2020 ■ 2021



Operational loss amounts broken down by risk type
% ■ 2020 ■ 2021



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.

The Bank's central IT security function teams up with the business and the IT department 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. As the threat landscape continues to evolve, it is important that the Bank remains vigilant and stay updated on the potential threats the Bank may face. The purpose is to ensure that the day-to-day operations reflect the risk tolerance defined 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 by the IT Security Committee.

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 preventing money-laundering and terrorist financing, including the risk-mitigating measures that must be implemented to prevent the Bank from being used for money-laundering activities, terrorism financing purposes or sanction breaches.

The AML & Fraud 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 and sanction regulations. The AML & Fraud function supports the Bank's business development in connection with ongoing implementation of the rules. In addition, AML & Fraud 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) has increased significantly. In 2022, Spar Nord had 3,934 filings with SØIK as compared with 2,194 cases in 2021.

AML & Fraud is an independent department reporting directly to the Executive Board. The Bank's AML Officer reports quarterly to the Executive Board and the Board of Directors.

5.4.3 GDPR

The DPO function (data protection officer) 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 2022, focus was on areas such as compliance with the basic principles and security of processing requirements of the GDPR, the rights of data subjects and the use of 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 2022, the operational risk amounted to 10.7% (2021: 10.2%) of the total risk exposure amount, ending at DKK 6,499 million at end-2022 (2021: DKK 6,174 million).

5.4.5 Outsourcing

Over the course of 2022, the Bank strengthened its framework and business procedures for identifying outsourcing risks.

Enhanced focus on the area is to help identify and manage risks arising from the activities outsourced to third parties. This will help strengthen the future processing of the activities and improve the decision-making basis when entering into agreements with third parties. Reports are made twice a year to the Executive Board and the Board of Directors on the Bank's use of critical/important outsourcing and sub-outsourcing, including suppliers and sub-suppliers providing services relating thereto. The reports include information on risk developments in this area. Once a year, a report is prepared for the Executive Board on all outsourcing activities in the Bank.

The responsibility for the report on the Bank's use of outsourcing to the Executive Board and Board of Directors lies with the Outsourcing Officer appointed by the Executive Board.

5.4.6 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 risk management function, help ensure comprehensive insight into the risks faced by the Bank and its customers. The risk management function must at all times be able to demand 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.

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Risk management

5.4.7 Model risk

Model risk is the operational risk of loss caused by erroneous model output. Model risk is an important and growing risk area in Spar Nord due to the need for effective, data-driven decisions.

At Spar Nord, the responsibility for the individual model lies with the business unit that either develops or is the primary user of the model. The risk management function, which is placed in the second line, is responsible for the classification and risk assessment of the model.

Model risk is reported twice a year to the Board of Directors, including the Risk Committee. The report summarises developments in Spar Nord's model risk.

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Section 6

Other notes

6.1 Transfer of financial assets

§ 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.

Spar Nord has transferred the following financial assets, which are still recognised in the balance sheet.

	2022	2021
	DKKm	DKKm
Carrying amount of transferred financial assets		
Bonds in repo transactions	1,742	2,187
Carrying amount of related financial liabilities		
Due to credit institutions, repo transactions	1,722	2,185
Deposits and other payables, repo transactions	0	0
Interest payable	1	0
Total	1,723	2,185
Net position	-19	-2

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.

	2022	2021
	DKKm	DKKm
Reverse repo transactions		
Collateral accepted that can be repledged or sold	12,848	14,921
Of which, repledged or sold	3,207	3,739

6.3 Collateral provided and encumbered assets

Collateral provided through clearing systems, with central counterparties and other infrastructure institutions:

	2022	2021
	DKKm	DKKm
Deposits, clearing	143	169
Collateral provided for the market value of derivatives transactions	230	284
Positive market value of derivative contracts subject to netting	208	207
Collateral provided as part of repo transactions	1,742	2,187
Total	2,323	2,847

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.

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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
2022						
Financial assets						
Derivatives	1,554	1,110	444	208	133	103
Reverse repo transactions	12,130	0	12,130	12,848	-	-717
Total	13,684	1,110	12,574	13,055	133	-615
Financial liabilities						
Derivatives	1,293	618	675	208	230	237
Repo transactions	1,722	0	1,722	1,748	-	-26
Total	3,015	618	2,397	1,956	230	211
2021						
Financial assets						
Derivatives	677	135	542	207	44	292
Reverse repo transactions	14,364	0	14,364	14,921	-	-556
Total	15,041	135	14,906	15,127	44	-264
Financial liabilities						
Derivatives	659	185	474	207	284	-16
Repo transactions	2,185	0	2,185	2,188	-	-3
Total	2,844	185	2,659	2,395	284	-20

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.

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Other notes

6.5 Hedge accounting

§ Accounting policies

Fair value hedging

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 hedging criteria are no longer met, fair value adjustment is discontinued, and amortisation is based on the fair value immediately prior to the use of the hedging rules.

Spar Nord pursues a strategy of mitigating the interest rate and foreign exchange risk on its strategic funding and individual loans with significant interest rate risk 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 capital issues 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 and individual loans with significant interest rate risk.

Cash flow hedging

Spar Nord uses derivative financial instruments to hedge cash flows (cash flow hedge) based on variable interest rates in foreign currency against cash flows based on variable interest rates in DKK. The risk that is hedged is the risk of changes in future cash flows caused by a change in the interest rate spread between the foreign currency and DKK. Such hedging instruments are measured at fair value, and value changes are recognised in equity through other comprehensive income except for the ineffective portion of the cash flow hedge, which is recognised immediately in the income statement. When the hedged transactions are made, the accumulated changes are transferred from equity through other comprehensive income to the income statement.

If the hedging criteria are no longer met, fair value adjustment in equity is discontinued, and the reserve in equity is amortised over the remaining term of the loan. In this way, any hedge reserve is recognised in profit/loss under interest in an ongoing process. If the discontinued fair value adjustment results from repayment of the loan, the reserve will immediately be recognised in profit/loss.

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 Bank also hedges foreign exchange risk and the risk of developments in the difference between the variable rate (spread) between DKK and the foreign currency for issued bonds and subordinated debt using derivatives.

Developments in the fair value of derivatives related to the basis swap spread rate between DKK and currencies with variable rate are recognised according to the rules on cash flow hedging.

The effectiveness of such hedging is measured on a continuing basis, and no material ineffectiveness was found in 2022 and 2021 as the same nominal values, maturities and reference rates apply to the hedged item and the hedge instrument and an insignificant credit risk.

6.5.1 Hedging of fair values

	Carrying amount	Fair value	Nominal value
	DKKkm	DKKkm	DKKkm
2022			
Assets			
Lending	88	88	88
Interest risk-hedging financial instruments			
Derivatives (swap contracts)	0	0	88
Liabilities			
Issued bonds at amortised cost, see note 4.8	1,970	1,984	2,083
Interest risk-hedging financial instruments			
Derivatives (swap contracts)	-100	-100	2,083
	Within 1 year	1- 5 years	Over 5 years
	DKKkm	DKKkm	DKKkm
Shown by term to maturity			
Nominal value of loans and advances	0	88	0
Interest risk-hedging financial instruments derivatives (synthetic principal)	0	88	0
Nominal value of issued bonds at amortised cost	0	1,730	353
Interest risk-hedging financial instruments, derivatives (synthetic principal)	0	1,730	353

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Other notes

	Carrying amount	Fair value	Nominal value
	DKKm	DKKm	DKKm
2021			
Liabilities			
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

	Within 1 year	1– 5 years	Over 5 years
	DKKm	DKKm	DKKm
Shown by term to maturity			
Nominal value of issued bonds at amortised cost	0	1,109	373
Interest risk-hedging financial instruments, derivatives (synthetic principal)	0	1,109	373

The table below shows the value adjustment of hedged assets and liabilities and hedging derivatives recognised under market value adjustments.

	2022	2021
	DKKm	DKKm
Hedging of fixed-interest assets and liabilities		
Hedging of loans and advances and issued bonds	99	24
Hedging derivatives	-100	-24
Impact on profit/loss	-1	0

6.5.2 Hedging of cash flows

	Carrying amount	Fair value	Nominal value
	DKKm	DKKm	DKKm
2022			
Liabilities			
Issued bonds at amortised cost, see note 4.8	3,755	3,765	3,837
Interest risk-hedging financial instruments			
Derivatives (swap contracts)	123	123	3,934

	2022	2021
	DKKm	DKKm
Hedge instrument		
Currency swap, NOK/DKK and SEK/DKK		
Nominal principal	3,934	-
Carrying amount	123	-
Other assets	0	-
Other liabilities	123	-

Reserve from hedging of cash flows		
Reserve from hedging of cash flows, 1 January	0	-
Loss or gain from hedging recognised in other comprehensive income (continuing hedging activity)	-23	-
Amount reclassified to the income statement, market value adjustment of financial instruments (discontinued hedging activity)	0	-
Reserve from hedging of cash flows before tax	-23	-
Tax	5	-
Reserve from hedging of cash flows, 31 December	-18	-

Section 6

Other notes

	Principal 2022	Price 2022	Principal 2021	Price 2021
	DKKm		DKKm	
Maturity profile and average price of hedging instruments				
NOK/DKK				
< 1 year	0	-	-	-
1– 5 years	2,344	0.7270	-	-
Over 5 years	356	0.7117	-	-
SEK/DKK				
< 1 year	0	-	-	-
1– 5 years	1,234	0.6858	-	-
Over 5 years	0	-	-	-

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

	2022	2021
	DKKm	DKKm
Unrecognised tax assets, see note 3.12	39	46

6.6.2 Contingent liabilities

	2022	2021
	DKKm	DKKm
Guarantees	12,342	17,566
Other binding commitments	1,481	1,487
Total contingent liabilities	13,823	19,053

Guarantees

Financial guarantees	5,252	7,835
Loss guarantees for mortgage loans	4,850	6,818
Registration and refinancing guarantees	1,456	2,058
Other contingent liabilities	784	855
Total guarantees	12,342	17,566

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 31.12.2022 and 31.12.2021. The corporate income tax receivable within the tax pool amounted to DKK 65 million at 31.12.2022 (31.12.2021: DKK 105 million). Any adjustments to the taxable income subject to joint taxation might entail an increase in the Parent Company's liability.

Section 6

Other notes

In 2021, Spar Nord made provisions for a deferred tax liability in respect of recaptured losses related to international joint taxation. In 2022, the international joint taxation stopped on expiry of the 10-year period of commitment.

For further information on legal proceedings, see note 6.7.

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 2022, 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 2022 amounted to DKK 14 million (2021: DKK 15 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

	2022	2021
	DKKm	DKKm
Data-processing centre	1,477	1,461
Lease liabilities, Spar Nord as lessee	0	23
Other	4	4
Other binding commitments, total	1,481	1,487

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.

	2022	2021
	DKKm	DKKm
Maturity distribution of minimum lease payments		
Up to 1 year	0	3
1 – 5 years	0	11
Over 5 years	0	9
Total operating lease liabilities	0	23

Spar Nord has not entered into material 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

§ 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.

Related party transactions are settled on market terms.

	Parties with significant influence		Associates		Board of Directors		Executive Board	
	2022	2021	2022	2021	2022	2021	2022	2021
	DKKkm	DKKkm	DKKkm	DKKkm	DKKkm	DKKkm	DKKkm	DKKkm
Loans, advances and loan commitments	50	50	11	15	31	35	7	10
Deposits	2	1	27	25	38	29	8	10
Guarantees issued	-	-	-	-	-	-	-	-
Other binding commitments	-	-	-	-	-	-	-	-
Collateral accepted	124	102	-	-	5	11	3	-
Interest income	0	0	-	-	0	0	0	0
Interest expenses	0	0	0	0	0	0	0	0
Fees, charges and commissions received	0	1	0	0	1	2	0	0
Dividends received from equity investments	-	-	33	36	-	-	-	-
Other income	-	1	-	-	-	-	-	-
Other expenses	-	-	0	-	-	-	-	-
Dividends paid	119	36	-	-	1	0	1	0

	Board of Directors		Executive Board	
	2022	2021	2022	2021
	DKKkm	DKKkm	DKKkm	DKKkm
Loans and advances	17	22	7	6
Unutilised loan and guarantee commitments	14	13	0	4
Guarantees issued	-	-	-	-
Total loans and advances, loan commitments and guarantees	31	35	7	10
Interest rate, loans (%)	2.00 – 6.70	1.00 – 3.81	4.60 – 6.30	2.25 – 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 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.

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-2022 comprised the Spar Nord Fonden, Aalborg, with a holding of 19.4% (2021: 19.3%) and Nykredit Realkredit A/S, Copenhagen, with a holding of 18.7% (2021: 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

	2022	2021
	No. of shares	No. of shares
Board of Directors		
Kjeld Johannesen	80,000	80,000
Per Nikolaj Bukh	27,200	27,200
Lene Aaen	4,650	4,650
Kaj Christiansen	21,100	21,100
Morten Bach Gaardboe	7,505	7,505
André Rogaczewski	30	30
Henrik Sjøgreen	18,500	18,500
Jannie Skovsen	0	0
Kim Østergaard	1,336	26
Executive Board		
Lasse Nyby	83,270	76,136
John Lundsgaard	113,356	104,215
Lars Møller	98,580	98,580
Martin Kudsk Rasmussen	9,555	6,618

6.10 Events after the balance sheet date

No significant events have occurred after 31.12.2022.

6.11 Overview of group companies

	Activity	Share capital, year-end DKKkm	Equity year-end DKKkm	Profit/loss for the year DKKkm	Ownership interest %
Spar Nord Bank A/S					
	Banking	1,230	12,469	1,415	-
Subsidiary					
	Aktieselskabet Skelagervej 15, Aalborg	27	306	16	100

Section 6

Other notes

6.12 Business combinations

There were no business combinations in 2022. The note is included for comparative figures for 2021.

On 22 December 2020, Spar Nord announced an agreement for the conditional acquisition of BankNordik's Danish business.

The intention with the acquisition was 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 also allowed Spar Nord to achieve the potential for efficiency enhancement and improved earnings power which arose from the ability to serve a greater number of customers using the same production and support platform. Furthermore, Spar Nord expected 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 was recognised in 2021.

BankNordik's Danish business 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 was expected to contribute a profit before impairment of around DKK 100 million.

Spar Nord's integration of BankNordik's Danish business proceeded successfully and both customers and employees 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 was impossible to disclose income and profit before impairment for BankNordik's Danish business 2021 in the post-acquisition period, but we reported 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 was 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 was 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 had 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 was not under any obligation to pay any additional purchase consideration.

Spar Nord did not take over any obligation to pay severance amounts to BankNordik's data processing centre.

In 2021, Spar Nord incurred transaction costs relating to the acquisition of DKK 0 million for advisers, which amount was recognised in operating expenses in the income statement.

In connection with the acquisition, goodwill had been made up at DKK 220 million after recognition at fair value of identifiable assets, liabilities and contingent liabilities. Goodwill represented 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 was calculated. The difference between this amount and goodwill for accounting purposes was explained by differences between accounting and tax values of assets acquired.

	Fair value at the date of acquisition
	2021
	DKKm
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
Total assets	3,130
Deposits and other payables	5,537
Deposits in pooled schemes	790
Other liabilities	27
Prepayments and deferred income	1
Deferred tax	-2
Provisions	0
Total liabilities	6,354
Acquired net assets	-3,224
Goodwill	220
Purchase consideration	-3,004
Consideration in the form of shares in Spar Nord Bank A/S	0
Cash consideration	-3,004
Purchase consideration	-3,004

Calculation of fair values of acquired assets and liabilities.

The fair value of loans and advances was 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 was measured at the present value of the cash flows Spar Nord expected to receive. The contractual receivable gross amount was DKK 2,322 million, of which Spar Nord did not expect to receive DKK 113 million. Total guarantees acquired amounted to DKK 1,389 million for which no provisions for losses or fair value adjustments had been made. The guarantees were primarily mortgage credit guarantees.

The fair value of unlisted shares was based on the company's equity (net asset value) for accounting purposes, as the sale of such shares was governed by the shareholders' agreement for the company.

Section 6

Other notes

In connection with the acquisition, Spar Nord had calculated identifiable intangible assets in the form of customer relationships in the amount of DKK 48 million, which expressed the value of the acquired customer base from BankNordik.

The fair value of customer relationships was determined using recognised methods in which the expected future earnings from the acquired customers were assessed.

The fair value of domicile properties was estimated at the acquisition date using a return model.

The fair value of other property, plant and equipment was estimated on the basis of depreciated recoverable amount because they were not traded in an active market.

The value of deferred tax assets/liabilities comprised the tax value of fair value adjustments of, primarily, property plant and equipment and intangible assets. No deferred tax or tax losses were acquired from BankNordik.

The fair value of deposits was calculated as the contractual debt because the interest rate on deposits tracked the market rate and no material fixed-rate deposits were acquired.

Acquired litigation, appeals and complaints were recognised at fair value, which was calculated on the basis of weighted probabilities of assessed possible outcomes of such cases. We were 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	2022	2021	2020	2019	2018
------	------	------	------	------	------

Income statement

Net interest and fee income	3,813	3,356	2,882	2,858	2,730
Market value adjustments	211	329	374	320	214
Staff costs and administrative expenses	2,224	2,125	2,000	1,917	1,859
Impairment of loans, advances and receivables etc.	78	-120	309	22	173
Income from investments in associates	75	91	29	110	36
Profit/loss for the year	1,417	1,368	737	1,059	920

Balance sheet

Lending	65,806	61,936	52,312	51,312	44,330
Equity	12,469	11,924	10,390	9,761	9,241
Total assets	123,936	116,535	102,077	93,113	82,793

Financial ratios

Own funds

Own funds ratio	20.9	20.8	21.0	18.5	18.0
Tier 1 capital ratio	18.4	18.3	18.6	16.1	15.6

Earnings

Return on equity before tax	%	14.2	15.2	9.1	13.7	12.1
Return on equity after tax	%	11.6	12.3	7.3	11.1	10.2
Income/cost ratio		1.72	1.80	1.38	1.64	1.52
Return on assets	%	1.1	1.2	0.7	1.1	1.1

Market risk and liquidity

Interest rate risk	%	0.5	0.9	1.1	0.6	0.2
Foreign exchange position	%	0.6	0.7	0.9	1.0	1.4
Foreign exchange risk	%	0.1	0.1	0.1	0.1	0.1
Liquidity Coverage Ratio (LCR)	%	211	280	241	195	174
Loans and advances plus impairment as % of deposits	%	71.3	71.1	68.4	74.7	70.4

Credit risk

Loans and advances relative to equity		5.3	5.2	5.0	5.3	4.8
Increase in loans and advances for the year	%	12.7	15.5	-1.5	9.1	6.7
Sum of large exposures	%	83.8	81.7	78.1	83.6	79.2
Impairment ratio for the year		0.1	-0.1	0.4	0.1	0.2

The Spar Nord Bank share

DKK per share of DKK 10

Profit/loss for the year	11.6	11.1	6.0	8.6	7.5
Net asset value (NAV)	93	87	78	72	68
Dividend	4.5	2.5 *)	1.5	0.0	3.5
Share price/profit/loss for the period	9.2	7.5	10.0	7.6	6.9
Share price/NAV	1.1	1.0	0.8	0.9	0.8

*) In addition to the proposed distribution of ordinary dividends of DKK 2.5 per share, the Board of Directors was authorised to distribute an additional DKK 2.5 per share before the end of the first half-year of 2022.

Section 6

Other notes

6.13.2 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 plus impairment as % of deposits *)	Loans advances and other receivables at amortised cost plus impairment as % of deposits and other payables and deposits in pooled schemes
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 *)	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
Dividend per share *)	Shareholders' equity is calculated as if the additional tier 1 (AT1) capital were treated as a liability. 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 44 of the consolidated financial statements.

Parent company financial statements

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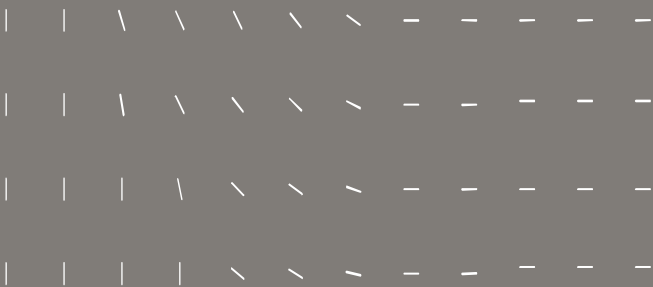
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Parent Company

Income statement

Note	2022 DKKm	2021 DKKm
7.2 Interest income	2,231	1,941
7.3 Interest expenses	220	205
Net interest income	2,011	1,736
Dividends on shares, etc.	112	79
7.4 Fees, charges and commissions received	1,864	1,706
7.4 Fees, charges and commissions paid	175	165
Net interest and fee income	3,813	3,356
7.5 Market value adjustments	203	315
Other operating income	37	34
7.6 Staff costs and administrative expenses	2,232	2,132
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	96	94
Other operating expenses	15	17
7.23 Impairment of loans, advances and receivables etc.	78	-120
Income from investments in associates and group enterprises	91	116
Profit/loss before tax	1,724	1,699
7.7 Tax	309	330
Profit/loss for the year	1,415	1,370
Appropriation:		
The shareholders of the Parent Company Spar Nord Bank A/S	1,368	1,309
Holders of additional tier 1 (AT1) capital instruments	47	61
Profit/loss for the year	1,415	1,370
Proposed dividend DKK 4.5 per share (2021: DKK 2.5) *)	554	308
Reserve for net revaluation according to the equity method	91	116
Retained earnings	723	885
Total distribution	1,368	1,309

*) In addition to the proposed distribution of ordinary dividends of DKK 2.5 per share, the Board of Directors was authorised to distribute an additional DKK 2.5 per share regarding the 2021 financial year before the end of the first half-year of 2022.

Statement of comprehensive income

Profit/loss for the year	1,415	1,370
Other comprehensive income		
Items that cannot be reclassified to the income statement:		
Adjustment relating to associates	0	-1
Net revaluation of domicile property	1	11
Items that can later be reclassified to the income statement		
Adjustment regarding cash flows hedging	-18	-
Other comprehensive income after tax	-17	10
Total comprehensive income	1,398	1,380
Appropriation:		
The shareholders of the Parent Company Spar Nord Bank A/S	1,351	1,319
Holders of additional tier 1 (AT1) capital instruments	47	61
Total comprehensive income	1,398	1,380

Parent Company

Balance sheet

Note		2022 DKKm	2021 DKKm
	Assets		
	Cash balances and demand deposits with central banks	1,893	1,855
7.8	Due from credit institutions and central banks	2,746	2,485
7.9	Loans, advances and other receivables at amortised cost	65,806	61,936
7.10	Bonds at fair value	25,422	19,031
7.11	Shares, etc.	1,710	1,914
	Investments in associates	736	663
	Investments in group enterprises	306	290
7.14	Assets linked to pooled schemes	22,402	25,533
	Intangible assets	419	429
7.12	Land and buildings, total	592	604
7.12.1	Investment properties	33	34
7.12.2	Domicile properties	402	421
7.12.3	Domicile properties (leasing)	157	150
7.13	Other property, plant and equipment	125	123
	Current tax assets	69	109
7.18	Deferred tax assets	200	0
	Temporary assets	6	6
	Other assets	1,479	1,526
	Prepayments and deferred income	129	123
	Total assets	124,040	116,626
	Equity and liabilities		
7.15	Due to credit institutions and central banks	2,076	2,452
7.16	Deposits and other payables	72,278	63,868
7.14	Deposits in pooled schemes	22,402	25,533
7.17	Issued bonds at amortised cost	6,216	4,845
	Other non-derivative financial liabilities at fair value	2,918	2,786
	Other liabilities	3,911	3,500
	Prepayments and deferred income	106	115
	Total payables	109,908	103,098
7.18	Provisions for deferred tax	0	6
	Provision for losses on guarantees	50	62
	Other provisions	17	13
	Total provisions	67	80
7.19	Subordinated debt	1,597	1,523
	Total liabilities	111,571	104,702
	Share capital	1,230	1,230
	Revaluation reserves	105	104
	Statutory reserves	-18	0
	Retained earnings	9,399	9,086
	Proposed dividend	554	308
	Shareholders' equity	11,270	10,727
	Holders of additional tier 1 (AT1) capital instruments	1,199	1,197
	Total equity	12,469	11,924
	Total equity and liabilities	124,040	116,626
	Off-balance sheet items		
	Contingent assets	37	44
7.20	Contingent liabilities	12,342	17,566
7.21	Other binding commitments	1,481	1,487

Statement of changes in equity

	Share capital	Revaluation reserve	Statutory reserves, total *)	Retained earnings	Proposed dividend	Shareholders of Spar Nord Bank A/S	Additional tier 1 (AT1) capital	Total equity
	DKKm	DKKm	DKKm	DKKm	DKKm	DKKm	DKKm	DKKm
Equity at 31.12.2021	1,230	104	0	9,086	308	10,727	1,197	11,924
Comprehensive income in 2022								
Profit/loss for the year	-	-	91	723	554	1,368	47	1,415
Other comprehensive income								
Adjustment relating to associates	-	-	-75	75	-	0	-	0
Adjustment relating to group enterprises	-	-	-16	16	-	0	-	0
Net revaluation of properties	-	1	-	-	-	1	-	1
Adjustment regarding cash flows hedging	-	-	-18	-	-	-18	-	-18
Other comprehensive income, total	0	1	-109	91	0	-17	0	-17
Total comprehensive income	0	1	-18	814	554	1,351	47	1,398
Transactions with owners								
Issue of additional tier 1 (AT1) capital, net transaction costs	-	-	-	0	-	0	-	0
Interest paid on additional tier 1 (AT1) capital	-	-	-	-	-	-	-47	-47
Distribution of remaining dividends concerning 2021	-	-	-	-307	307	0	-	0
Dividends paid	-	-	-	-	-615	-615	-	-615
Dividends received, treasury shares	-	-	-	0	-	0	-	0
Disposal upon acquisition of treasury shares and additional tier 1 (AT1) capital	-	-	-	-645	-	-645	-	-645
Addition upon sale of treasury shares and additional tier 1 (AT1) capital	-	-	-	451	-	451	2	453
Total transactions with owners	0	0	0	-501	-308	-809	-45	-854
Equity at 31.12.22	1,230	105	-18	9,399	554	11,270	1,199	12,469
Equity at 31.12.2020	1,230	92	0	8,089	185	9,596	794	10,390
Comprehensive income in 2021								
Profit/loss for the year	-	-	116	885	308	1,309	61	1,370
Other comprehensive income								
Adjustment relating to associates	-	-	-91	90	-	-1	-	-1
Adjustment relating to group enterprises	-	-	-25	25	-	0	-	0
Net revaluation of properties	-	11	-	-	-	11	-	11
Other comprehensive income, total	0	11	-116	115	0	10	0	10
Total comprehensive income	0	11	0	1,000	308	1,319	61	1,380
Transactions with owners								
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
Total transactions with owners	0	0	0	-3	-185	-188	343	155
Equity at 31.12.2021	1,230	104	0	9,086	308	10,727	1,197	11,924

*) Total statutory reserves are specified under capital.

At the end of 2022, the share capital was made up of 123,002,526 shares of DKK 10 each (2021: 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.

Spar Nord has launched a share buyback programme for up to DKK 225 million, which will be completed during the period from 15 June 2022 to 31 January 2023. In the period until the end of December 2022, Spar Nord bought back shares for a value of DKK 193 million (2,242,500 shares).

Parent Company

Capital position

Treasury shares	2022	2021
Treasury share portfolio		
Number of shares, trading book	48,900	67,935
Share buyback programme no. of shares	2,242,500	-
Nominal value, DKKm	23	1
Fair value, DKKm	244	6
Percentage of share capital	1.9	0.1

Treasury share portfolio, fair value, DKKm		
Portfolio, beginning of year	6	3
Share buyback programme	193	-
Acquisition of treasury shares	452	502
Sale of treasury shares	452	504
Market value adjustments	45	4
Portfolio, end of year	244	6

The Bank uses treasury shares for trading with customers.

Own funds	2022	2021
	DKKm	DKKm
Equity	12,469	11,924
Phasing in of IFRS 9	286	174
Additional tier 1 (AT1) capital included in equity	1,199	1,197
Proposed dividend	554	308
Intangible assets	341	348
Share buybacks, non-utilised portion	30	0
Deductions for NPE (Non Performing Exposures)	173	17
Other primary deductions	60	53
Deduction – Holdings of insignificant CET1 instruments	116	56
Deduction – Holdings of significant CET1 instruments	352	247
Common equity tier 1 capital	9,930	9,872
Additional tier 1 (AT1) capital *)	1,173	1,173
Other deductions	1	1
Tier 1 capital	11,103	11,045
Subordinated debt, excl. Additional Tier 1 (AT1) capital *)	1,579	1,516
Other deductions	19	2
Own funds	12,662	12,558
Weighted risk exposure amount, credit risk etc.	50,163	50,253
Weighted risk exposure amount, market risk	3,901	4,140
Weighted risk exposure amount, operational risk	6,482	6,158
Total risk exposure amount	60,546	60,550
Common equity tier 1 capital ratio	16.4	16.3
Tier 1 capital ratio	18.3	18.2
Own funds ratio	20.9	20.7

*) Limit for holding of own issues has been deducted.

Parent Company

Capital position

Statutory reserves, total

	Statutory re- serves	Cash flow hedging	Statutory re- serves, total
2022			
Beginning of period	0	0	0
Comprehensive income in 2022			
Profit/loss for the year	91	-	91
Other comprehensive income			
Adjustment relating to associates	-75	-	-75
Adjustment relating to group enterprises	-16	-	-16
Adjustment regarding cash flows hedging	-	-18	-18
Other comprehensive income, total	-91	-18	-109
Total comprehensive income	0	-18	-18
Total transactions with owners	-	-	-
Equity at 31.12.2022	0	-18	-18

2021

Beginning of period	0	-	0
Comprehensive income in 2021			
Profit/loss for the year	116	-	116
Other comprehensive income			
Adjustment relating to associates	-91	-	-91
Adjustment relating to group enterprises	-25	-	-25
Adjustment regarding cash flows hedging	-	-	0
Other comprehensive income, total	-116	-	-116
Total comprehensive income	0	-	0
Total transactions with owners	-	-	-
Equity at 31.12.2021	0	-	0

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§ 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, except that properties classified as investment properties in subsidiaries are classified as domicile properties in the Group.

For a description of accounting policies and changes thereto, please see accounting policies in the notes to the consolidated financial statements.

The following table shows, for material supplementary items, a reference to the identical or, in all material respects, identical note in the consolidated financial statements.

Accounting item in Parent Company	Group note
Investments in associates	3.4
Intangible assets	3.6
Other assets	3.8
Other non-derivative financial liabilities at fair value	3.3.3
Other liabilities	3.11

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	
	2022	2021	2022	2021
	DKKkm	DKKkm	DKKkm	DKKkm
Spar Nord Group	1,417	1,368	12,469	11,924
Net depreciation and impairment, Group domicile properties	-3	2	0	0
Spar Nord Parent Company	1,415	1,370	12,469	11,924

7.2 Interest income

	2022	2021
	DKKkm	DKKkm
Interest income		
Reverse repo transactions with credit institutions and central banks	1	-11
Other amounts due from credit institutions and central banks	9	5
Reverse repo transactions, deposits	6	-45
Loans, advances and other receivables	1,741	1,508
Bonds	126	62
Derivatives	58	45
Other interest income	1	0
Total interest income after offsetting negative interest income	1,942	1,563
Negative interest income offset against interest income		
Reverse repo transactions with credit institutions and central banks	6	11
Reverse repo transactions, deposits	24	45
Bonds	5	17
Total negative interest income transferred to interest expenses	36	73
Negative interest expenses offset against interest expenses		
Repo transactions with credit institutions and central banks	2	7
Repo transactions, deposits	8	4
Deposits and other payables	242	294
Total negative interest expenses transferred to interest income	252	305
Total interest income	2,231	1,941

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

For accounting policies and a description of offsetting of interest for hedge transactions of issued bonds and subordinated debt, reference is made to the note 2.3 to the consolidated financial statements.

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7.3 Interest expenses

	2022	2021
	DKKm	DKKm
Interest expenses		
Repo transactions with credit institutions and central banks	5	-7
Other payables to credit institutions and central banks	10	9
Repo transactions, deposits	-8	-4
Deposits and other payables	-194	-255
Issued bonds	67	48
Subordinated debt	49	35
Other interest expenses	2	1
Total interest expenses after offsetting negative interest expenses	-69	-173
Negative interest expenses offset against interest expenses		
Repo transactions with credit institutions and central banks	2	7
Repo transactions, deposits	8	4
Deposits and other payables	242	294
Total negative interest expenses transferred to interest income	252	305
Negative interest income offset against interest income		
Reverse repo transactions with credit institutions and central banks	6	11
Reverse repo transactions, deposits	24	45
Bonds	5	17
Total negative interest income transferred to interest expenses	36	73
Total interest expenses	220	205

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

	2022	2021
	DKKm	DKKm
Securities trading and custody accounts	547	516
Payment services	238	203
Loan transaction fees	725	672
of which mortgage credit institutions	548	511
Guarantee commission	38	35
Other fees, charges and commissions	317	280
Total fees, charges and commissions received	1,864	1,706
Total fees, charges and commissions paid	175	165
Total net fees, charges and commissions received	1,689	1,541

For accounting policies, see note 2.4 to the consolidated financial statements.

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7.5 Market value adjustments

	2022	2021
	DKKm	DKKm
Other loans, advances and receivables at fair value	76	24
Bonds	-480	-77
Shares, etc.	80	212
Investment properties	0	-1
Currency	94	84
Foreign exchange, interest, share, commodity and other contracts and derivatives	434	73
Assets linked to pooled schemes	-3,326	2,866
Deposits in pooled schemes	3,326	-2,866
Total market value adjustments	203	315

For accounting policies, see note 2.5 to the consolidated financial statements.

7.6 Staff costs and administrative expenses

	2022	2021
	DKKm	DKKm
Staff costs	1,384	1,346
Administrative expenses	847	785
Total staff costs and administrative expenses	2,232	2,132

Salaries	1,104	1,067
Pensions	131	134
Social security costs	150	145
Total staff costs	1,384	1,346

Of which, remuneration to members of the Executive Board and Board of Directors:

Board of Directors	4.7	4.6
Executive Board	18.9	17.9
Total remuneration	23.5	22.5

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	1,628	1,618
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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

	2022	2021
	DKKm	DKKm
Fees to the audit firm appointed at the General Meeting	2.1	2.6
Fees to other audit firms for non-audit services	0.4	0.4
Total audit fees	2.4	3.0

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

Statutory audit	1.6	0.9
Other assurance engagements	0.1	0.3
Tax and VAT assistance	0.1	0.0
Non-audit services	0.2	1.4
Total fees to the audit firm appointed at the General Meeting	2.1	2.6

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7.7 Tax

	2022	2021
	DKKm	DKKm
Tax on profit/loss for the year	309	330
Tax on other comprehensive income	-5	0
Tax on changes in equity	0	0
Tax on fair value adjustments, business combinations	0	-2
Total tax	304	328

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

Current tax	520	342
Deferred tax for the year	-178	-12
Adjustment of deferred tax, prior years	-3	-1
Adjustment of current tax for prior years	-5	1
Change of tax rate	-24	0
Tax on profit/loss for the year	309	330

Specification of the effective tax rate:

Current tax rate	22.0	22.0
Non-taxable income from investments and market value adjustment of shares, %	-2.8	-3.1
Other non-deductible expenses and non-taxable income, %	0.6	0.5
Adjustment of prior-year taxes, %	-0.5	0.0
Change in corporate tax rate (recalculation factor), %	-1.4	-
Total effective tax rate	17.9	19.4

For accounting policies and a description of the change in the corporate tax rate from 2023, see note 2.10 to the consolidated financial statements.

7.8 Due from credit institutions and central banks

	2022	2021
	DKKm	DKKm
Due from credit institutions and central banks		
Balances at notice with central banks	0	0
Due from credit institutions	2,746	2,485
Total due from credit institutions and central banks	2,746	2,485

Of which, subordinated receivables	0	0
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Shown by term to maturity

Demand deposits	217	166
Up to 3 months	2,029	1,820
Over 3 months and up to 1 year	125	0
Between 1 year and 5 years	375	500
Over 5 years	0	0
Total	2,746	2,485

Repo transactions hereof	1,620	1,515
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For accounting policies, see note 3.1 to the consolidated financial statements.

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7.9 Loans, advances and other receivables at amortised cost

	2022	2021
	DKKm	DKKm
Lending, reverse repo transactions	10,510	12,850
Lending, banking and leasing activities	55,296	49,086
Loans, advances and other receivables at amortised cost, total	65,806	61,936

Shown by term to maturity

Demand deposits	1,732	2,292
Up to 3 months	11,658	14,095
Over 3 months and up to 1 year	19,939	18,252
Between 1 year and 5 years	9,774	9,057
Over 5 years	22,703	18,240
Total	65,806	61,936

Gross loans, advances and guarantees broken down by sectors and industries, %

Public authorities	1.7	1.6
Business customers		
Agriculture, hunting, forestry and fisheries	3.6	3.5
Industry and raw materials extraction	4.6	3.8
Energy supply	2.7	2.3
Building and construction	3.9	3.7
Trade	6.2	5.2
Transport, hotels and restaurants	4.0	3.6
Information and communication	0.4	0.5
Financing and insurance	18.3	20.3
Real estate	10.3	9.1
Other business areas	7.0	6.2
Business customers, total	61.0	58.1
Retail customers	37.3	40.4
Total	100.0	100.0

For a description of accounting policies, see notes 3.2 and 5.1 to the consolidated financial statements.

7.10 Bonds at fair value

	2022	2021
	DKKm	DKKm
Mortgage bonds	24,325	17,657
Government bonds	45	164
Other bonds	1,052	1,211
Bonds at fair value, total	25,422	19,031
Of which, subordinated receivables	40	47

For accounting policies, see note 3.3 to the consolidated financial statements.

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7.11 Equities

	2022	2021
	DKKm	DKKm
Shares/unit trust certificates listed on NASDAQ Copenhagen A/S	53	135
Shares/unit trust certificates listed on other stock exchanges	11	86
Unlisted shares at fair value	1,646	1,693
Total shares, etc.	1,710	1,914

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

	2022	2021
	DKKm	DKKm
Fair value, beginning of period	34	69
Reclassification to domicile properties	0	11
Additions during the year, including improvements	0	0
Disposals during the year	0	24
Unrealised fair value adjustment	0	-1
Fair value, end of year	33	34
Required rate of return used in calculating the fair value, %	5.5 - 9.0	5.5 - 10.0

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.

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.

7.12.2 Domicile properties

	2022	2021
	DKKm	DKKm
Restated value beginning of year	421	383
Reclassification from domicile properties	0	11
Additions during the year, including improvements	5	32
Disposals during the year	21	0
Depreciation	14	13
Changes in value recognised in other comprehensive income	1	11
Changes in value recognised in the income statement	9	-4
Restated value, year-end	402	421
Required rate of return used in calculating the fair value, %	5.5 - 10.0	5.5 - 10.0

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.

For accounting policies, see note 3.7.1 to the consolidated financial statements.

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.

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7.12.3 Domicile properties, leasing

	2022	2021
	DKKm	DKKm
Balance, 1 January	150	137
Addition upon business combinations	-	8
Additions	24	13
Disposals	0	0
Remeasurement of lease liability	11	20
Depreciation for the year	27	28
Balance sheet at 31 December	157	150

For accounting policies, see note 3.7.1 to the consolidated financial statements.

7.13 Other property, plant and equipment

	2022	2021
	DKKm	DKKm
Total cost, beginning of year	358	380
Addition upon business combinations	-	6
Additions	47	45
Disposals	11	73
Total cost, end of year	394	358
Depreciation and impairment, beginning of year	235	268
Impairment for the year	-	1
Depreciation for the year	43	38
Reversal of depreciation and impairment for the year	9	72
Depreciation and impairment, end of year	269	235
Carrying amount, end of year	125	123

For accounting policies, see note 3.7.2 to the consolidated financial statements.

7.14 Pooled schemes

	Pension pools	Other pools	Total	
	2022	2022	2022	2021
	DKKm	DKKm	DKKm	DKKm
Assets				
Cash deposits	633	8	641	456
Bonds	5,394	69	5,463	4,945
Shares, etc.	12,885	165	13,051	14,293
Unit trust certificates	3,154	43	3,197	5,807
Other assets	51	0	51	32
Total assets	22,117	286	22,402	25,533
Equity and liabilities				
Total deposits	22,117	286	22,402	25,533
Total equity and liabilities	22,117	286	22,402	25,533

For accounting policies, see note 3.5 to the consolidated financial statements.

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7.15 Due to credit institutions and central banks

	2022	2021
	DKKm	DKKm
Due to central banks	88	91
Due to credit institutions	1,989	2,361
Total due to credit institutions and central banks	2,076	2,452
Shown by term to maturity		
Demand deposits	227	231
Up to 3 months	1,849	2,221
Over 3 months and up to 1 year	0	0
Between 1 year and 5 years	0	0
Over 5 years	0	0
Total	2,076	2,452
Repo transactions hereof	1,722	2,185

For accounting policies, see note 3.9 to the consolidated financial statements.

7.16 Deposits and other payables

	2022	2021
	DKKm	DKKm
Demand deposits	64,021	58,651
Subject to notice	2,105	2,340
Time deposits	3,147	180
Special types of deposits	3,005	2,698
Total deposits and other payables	72,278	63,868
Shown by term to maturity		
Demand deposits	64,021	58,651
Up to 3 months	3,926	2,069
Over 3 months and up to 1 year	1,009	294
Between 1 year and 5 years	832	640
Over 5 years	2,490	2,214
Total	72,278	63,868
Repo transactions hereof	0	0

For accounting policies, see note 3.10 to the consolidated financial statements.

7.17 Issued bonds at amortised cost

	2022	2021
	DKKm	DKKm
Shown by contractual term to maturity		
Demand deposits	-	-
Up to 3 months	1	1
Over 3 months and up to 1 year	4	910
Between 1 year and 5 years	5,897	3,006
Over 5 years	314	927
Total	6,216	4,845

In addition to repayment, maturity distribution also comprises amortised loan costs.

For accounting policies, see note 4.8 to the consolidated financial statements.

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7.18 Deferred tax

	2022	2021
	DKKm	DKKm
Beginning of period	6	21
Deferred tax for the year recognised in profit/loss for the year	-206	-13
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	0	-2
End of year	-200	6

Which breaks down as follows:

Deferred tax assets	200	0
Provisions for deferred tax	0	6
Total	200	6

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
2022				
Intangible assets	38	14	0	53
Property, plant and equipment, incl. leased assets	-8	-91	0	-99
Loans, advances and other receivables at amortised cost	-37	-13	0	-51
Payables and subordinated debt	22	-139	0	-117
Provisions	-16	-1	0	-16
Claw-back loss	4	-4	0	0
Miscellaneous	3	28	0	31
Total	6	-206	0	-200

2021

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
Total	21	-13	-2	6

All deferred tax liabilities are recognised in the balance sheet.

Deferred tax assets of DKK 200 million have been recognised (2021: DKK 0 million), relating primarily to tax-deductible lease assets, which above are included under loans, advances and other receivables at amortised cost and payables and subordinated debt. Spar Nord has no deferred tax assets relating to tax losses.

Spar Nord expects that the taxable income within the next 1-3 years may absorb the capitalised deferred tax, and Spar Nord expects to pay corporate tax in the coming years.

For accounting policies, see note 3.12 to the consolidated financial statements.

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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, including a description of the individual loan, see note references a–f below, reference is made to note 4.7 to the consolidated financial statements.

Spar Nord Bank is the borrower with respect to all loans.

						2022	2021
						DKKm	DKKm
Currency	Note	Principal millions	Interest rate	Received	Maturity		
DKK	a	200	CIBOR3 + 1.30%	2021	30.09.33	199	199
DKK	b	350	CIBOR6 + 2.40%	2018	29.05.29	350	349
DKK	c	150	2.9298%	2018	29.05.29	150	150
DKK	d	400	2.5348%	2018	19.06.28	400	400
DKK	e	500	5.1310%	2022	07.07.32	498	-
SEK	f	600	STIBOR3 + 2.50%	2017	18.10.27	0	436
Supplementary capital contributions, total						1,597	1,534
Portfolio of own bonds relating to subordinated debt						0	-11
Total subordinated debt						1,597	1,523
Interest on subordinated debt						49	34
Costs of raising subordinated debt						1	1

7.20 Contingent liabilities

	2022	2021
	DKKm	DKKm
Financial guarantees	5,252	7,835
Loss guarantees for mortgage loans	4,850	6,818
Registration and refinancing guarantees	1,456	2,058
Other contingent liabilities	784	855
Total contingent liabilities	12,342	17,566

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 31.12.2022 and 31.12.2021. The corporate income tax receivable within the tax pool amounted to DKK 65 million at 31.12.2022 (31.12.2021: DKK 105

million). Any adjustments to the taxable income subject to joint taxation might entail an increase in the Parent Company's liability.

In 2021, Spar Nord made provisions for a deferred tax liability in respect of recaptured losses related to international joint taxation. In 2022, the international joint taxation stopped on expiry of the 10-year period of commitment.

For further information on legal proceedings, see note 6.7.

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 2022, 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.

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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 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 2022 amounted to DKK 14 million (2021: DKK 15 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 1,481 million (2021: DKK 1,487 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

	2022	2021
	DKKm	DKKm
Loans and advances at amortised cost before impairment	67,408	63,456
Unutilised credit lines and loan commitments before impairments	25,095	26,932
Impairment of loans and advances and provisions on unutilised credit lines	1,615	1,529
Carrying amount	90,888	88,859

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 impairments, by rating category

	Stage 1	Stage 2	Stage 3	Total
	DKKm	DKKm	DKKm	DKKm
2022				
Rating category 1	8,493	8	0	8,501
Rating category 2	7,216	208	0	7,424
Rating category 3	7,157	2,427	0	9,584
Rating category 4	6,554	3,294	0	9,848
Rating category 5	2,828	2,224	0	5,052
Rating category 6	700	2,010	0	2,710
Rating category 7	355	451	0	806
Rating category 8	247	1,116	0	1,363
Rating category 9	0	508	2	511
Default	0	141	1,379	1,521
Unrated	1,070	1	0	1,071
Reverse repo transactions	10,510	0	0	10,510
SparXpres	424	10	91	526
Leasing	6,463	1,370	150	7,982
Total	52,017	13,768	1,623	67,408
2021				
Rating category 1	10,836	1	0	10,837
Rating category 2	9,736	146	0	9,882
Rating category 3	9,632	929	3	10,564
Rating category 4	5,275	1,155	2	6,432
Rating category 5	703	465	0	1,168
Rating category 6	213	361	2	577
Rating category 7	75	239	0	314
Rating category 8	56	137	0	193
Rating category 9	0	642	83	726
Default	24	352	1,564	1,941
Unrated	837	0	0	837
Reverse repo transactions	12,850	0	0	12,850
SparXpres	429	10	105	545
Leasing	6,238	299	54	6,590
Total	56,905	4,736	1,815	63,456

Unutilised credit lines and loan commitments before impairments and provisions, by rating group

The rating breakdown of Spar Nord's unutilised credit lines and loan commitments before impairments and provisions generally follow the rating breakdown for loans at amortised cost before impairments 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 5.1.7 to the consolidated financial statements.

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	Stage 1	Stage 2	Stage 3	Total	Recognised impairment etc.
	DKKm	DKKm	DKKm	DKKm	DKKm
2022					
Impairment at 1 January, loans at amortised cost	133	309	1,078	1,520	-
Impairment at 1 January, unutilised credit lines and loan commitments	3	3	3	9	-
Impairment re. new exposures during the year, including new accounts to existing customers	56	4	37	96	96
Reversed impairment re. repaid accounts	42	27	66	134	134
Change in impairment at 1 January, transfer to/from stage 1	223	-195	-28	-	-
Change in impairment at 1 January, transfer to/from stage 2	-124	175	-51	-	-
Change in impairment at 1 January, transfer to/from stage 3	-1	-62	63	-	-
Impairment during the year due to change in credit risk	-18	335	-135	183	183
Previously impaired, now finally lost	-2	0	-71	-73	-
Other movements (interest rate correction etc.)	0	0	15	15	-
Loss without prior impairment	-	-	-	-	38
Amounts recovered on previously impaired receivables	-	-	-	-	93
Impairment and provisions for losses, end of period	228	542	845	1,615	89
Impairment at 31 December, loans at amortised cost	224	536	842	1,602	85
Impairment at 31 December, unutilised credit lines and loan commitments	5	6	2	13	4
Impairment and provisions for losses, end of period	228	542	845	1,615	89
2021					
Impairment at 1 January, loans at amortised cost	170	543	929	1,643	-
Impairment at 1 January, unutilised credit lines and loan commitments	7	6	4	17	-
Impairment re. new exposures during the year, including new accounts to existing customers	47	6	40	92	92
Reversed impairment re. repaid accounts	36	52	72	160	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	3	3
Previously impaired, now finally lost	0	0	-81	-81	-
Other movements (interest rate correction etc.)	0	0	16	16	-
Loss without prior impairment	-	-	-	-	55
Amounts recovered on previously impaired receivables	-	-	-	-	114
Impairment and provisions for losses, end of period	136	311	1,081	1,529	-125
Impairment at 31 December, loans at amortised cost	133	309	1,078	1,520	-117
Impairment at 31 December, unutilised credit lines and loan commitments	3	3	3	9	-8
Impairment and provisions for losses, end of period	136	311	1,081	1,529	-125

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 2022, reversal of impairment was DKK 13 million. (2021: DKK 42 million).

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7.23.2 Due from credit institutions and central banks

	2022	2021
	DKKm	DKKm
Due from credit institutions and central banks before impairment	2,747	2,486
Impairment	1	1
Carrying amount	2,746	2,485

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
2022				
Credit institutions	2,747	0	0	2,747
Central banks	0	0	0	0
Total	2,747	0	0	2,747

2021				
Credit institutions	2,486	0	0	2,486
Central banks	0	0	0	0
Total	2,486	0	0	2,486

Impairment

Analysis of changes in impairment for the period broken down by stages and correlated to recognised impairment, etc. is set out in note 5.1.7 to the consolidated financial statements.

	Stage 1	Stage 2	Stage 3	Total	Recognised impairment etc.
	DKKm	DKKm	DKKm	DKKm	DKKm
2022					
Impairment, beginning of year	1	0	0	1	0
Impairment re. new exposures during the year, including new accounts to existing customers	1	0	0	1	1
Reversed impairment re. repaid accounts	1	0	0	1	1
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
Impairment, end of year	1	0	0	1	0

2021					
Impairment, beginning of year	1	0	0	0	-
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
Impairment, end of year	1	0	0	1	0

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7.23.3 Guarantees

	2022	2021
	DKKm	DKKm
Guarantees before provisions for losses	12,392	17,628
Provisions for losses	50	62
Carrying amount	12,342	17,566

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
2022				
Rating category 1	3,911	1	0	3,912
Rating category 2	2,815	33	0	2,849
Rating category 3	1,816	315	0	2,131
Rating category 4	1,034	455	0	1,488
Rating category 5	403	263	0	665
Rating category 6	77	128	0	205
Rating category 7	21	32	0	53
Rating category 8	11	80	0	91
Rating category 9	0	107	0	107
Default	0	20	107	127
Unrated	760	4	0	764
Total	10,848	1,437	107	12,392

2021				
Rating category 1	7,977	3	0	7,979
Rating category 2	3,778	49	1	3,828
Rating category 3	2,256	290	1	2,547
Rating category 4	1,001	331	2	1,334
Rating category 5	361	104	0	466
Rating category 6	71	49	1	121
Rating category 7	17	12	0	29
Rating category 8	8	4	0	13
Rating category 9	0	168	3	172
Default	8	45	112	165
Unrated	974	0	0	974
Total	16,451	1,057	120	17,628

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Provisions for losses

Analysis of changes in impairments during the period broken down by stages and correlated to recognised impairments, etc. A summary of total recognised impairment, etc. is provided in note 5.1.7 to the consolidated financial statements.

	Stage 1	Stage 2	Stage 3	Total	Recognised impairment etc.
	DKKm	DKKm	DKKm	DKKm	DKKm
2022					
Provisions for losses at 1 January	19	35	8	62	-
Provisions for losses re. new exposures during the year	32	0	2	33	33
Reversed provisions for losses re. repaid exposures	30	18	7	55	55
Change in provisions for losses at 1 January, transfer to/from stage 1	11	-9	-1	-	-
Change in provisions for losses at 1 January, transfer to/from stage 2	-8	9	-1	-	-
Change in provisions for losses at 1 January, transfer to/from stage 3	0	0	1	-	-
Provisions for losses during the year due to change in credit risk	-4	9	6	10	10
Provisions for losses at 31 December	18	26	7	50	-12
2021					
Provisions for losses at 1 January	18	32	7	57	-
Provisions for losses re. new exposures during the year	25	21	4	50	50
Reversed provisions for losses re. repaid exposures	18	31	3	52	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	7	7
Provisions for losses at 31 December	19	35	8	62	5

The change in portfolio impairments 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, impairments are affected by impaired macroeconomic factors.

7.24 Hedge accounting

§ Accounting policies

Fair value hedging

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 hedging criteria are no longer met, fair value adjustment is discontinued, and amortisation is based on the fair value immediately prior to the use of the hedging rules.

Spar Nord pursues a strategy of mitigating the interest rate and foreign exchange risk on its strategic funding and individual loans with significant interest rate risk 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 capital issues using derivatives and applying the rules on hedge accounting.

Cash flow hedging

Spar Nord uses derivative financial instruments to hedge cash flows (cash flow hedge) based on variable interest rates in foreign currency against cash flows based on variable interest rates in DKK. The risk that is hedged is the risk of changes in future cash flows caused by a change in the interest rate spread between the foreign currency and DKK. Such hedging instruments are measured at fair value, and value changes are recognised in equity through other comprehensive income except for the ineffective portion of the cash flow hedge, which is recognised immediately in the income statement. When the hedged transactions are made, the accumulated changes are transferred from equity through other comprehensive income to the income statement.

If the hedging criteria are no longer met, fair value adjustment in equity is discontinued, and the reserve in equity is amortised over the remaining term of the loan. In this way, any hedge reserve is recognised in profit/loss under interest in an ongoing process. If the discontinued fair value adjustment results from repayment of the loan, the reserve will immediately be recognised in profit/loss.

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 and individual loans with significant interest rate risk.

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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 Bank also hedges foreign exchange risk and the risk of developments in the difference between the variable rate (spread) between DKK and the foreign currency for issued bonds and subordinated debt using derivatives.

Developments in the fair value of derivatives related to the basis spread rate between DKK and [[currencies in variable rate]] are recognised according to the rules on cash flow hedging.

The effectiveness of such hedging is measured on a continuing basis, and no material ineffectiveness was found in 2022 and 2021 as the same nominal values, maturities and reference rates apply to the hedged item and the hedge instrument and an insignificant credit risk.

7.24.1 Hedging of fair values

	Carrying amount	Fair value	Nominal value
	DKKm	DKKm	DKKm
2022			
Assets			
Lending	88	88	88
Interest risk-hedging financial instruments			
Derivatives (swap contracts)	0	0	88
Liabilities			
Issued bonds at amortised cost	1,970	1,984	2,083
Interest risk-hedging financial instruments			
Derivatives (swap contracts)	-100	-100	2,083
Shown by term to maturity	Within 1 year	1– 5 years	Over 5 years
	DKKm	DKKm	DKKm
Nominal value of loans and advances	0	88	0
Interest risk-hedging financial instruments derivatives (synthetic principal)	0	88	0
Nominal value of issued bonds at amortised cost	0	1,730	353
Interest risk-hedging financial instruments, derivatives (synthetic principal)	0	1,730	353
	Carrying amount	Fair value	Nominal value
	DKKm	DKKm	DKKm
2021			
Liabilities			
Issued bonds at amortised cost	1,455	1,459	1,483
Interest risk-hedging financial instruments			
Derivatives (swap contracts)	-24	-24	1,483
Shown by term to maturity	Within 1 year	1– 5 years	Over 5 years
	DKKm	DKKm	DKKm
Nominal value of issued bonds at amortised cost	0	1,109	373
Interest risk-hedging financial instruments, derivatives (synthetic principal)	0	1,109	373

The table below shows the value adjustment of hedged assets and liabilities and hedging derivatives recognised under market value adjustments.

	2022	2021
	DKKm	DKKm
Hedging of fixed-interest assets and liabilities		
Hedging of loans and advances and issued bonds	99	24
Hedging derivatives	-100	-24
Impact on profit/loss	-1	0

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7.24.2 Hedging of cash flows

	Carrying amount	Fair value	Nominal value
	DKKm	DKKm	DKKm
2022			
Liabilities			
Issued bonds at amortised cost, see note 4.8	3,755	3,765	3,837

Interest risk-hedging financial instruments

Derivatives (swap contracts)	123	123	3,934
------------------------------	-----	-----	-------

	2022	2021
	DKKm	DKKm
Hedge instrument		
Currency swap, NOK/DKK and SEK/DKK		
Nominal principal	3,934	-
Carrying amount	123	-
Other assets	0	-
Other liabilities	123	-

Reserve from hedging of cash flows

Reserve from hedging of cash flows, 1 January	0	-
Loss or gain from hedging recognised in other comprehensive income (continuing hedging activity)	-23	-
Amount reclassified to the income statement market value adjustment of financial instruments (discontinued) hedging activity	0	-
Reserve from hedging of cash flows before tax	-23	-
Tax	5	-
Reserve from hedging of cash flows, 31 December	-18	-

	Principal	Price	Principal	Price
	2022	2022	2021	2021
	DKKm		DKKm	
Maturity profile and average price of hedging instruments				
NOK/DKK				
< 1 year	0	-	-	-
1– 5 years	2,344	0.7270	-	-
Over 5 years	356	0.7117	-	-
SEK/DKK				
< 1 year	0	-	-	-
1– 5 years	1,234	0.6858	-	-
Over 5 years	0	-	-	-

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7.25 Related parties

§ 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.

Demand balance 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.

Related party transactions are settled on market terms.

	Parties with significant influence		Associates		Group entities		Board of Directors		Executive Board	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	DKKm	DKKm	DKKm	DKKm	DKKm	DKKm	DKKm	DKKm	DKKm	DKKm
Loans, advances and loan commitments	50	50	11	15	-	-	31	35	7	10
Deposits	2	1	27	25	108	93	38	29	8	10
Guarantees issued	-	-	-	-	-	-	-	-	-	-
Other binding commitments	-	-	-	-	-	-	-	-	-	-
Collateral accepted	124	102	-	-	48	48	5	11	3	-
Interest income	0	0	-	-	-	-	0	0	0	0
Interest expenses	0	0	0	0	-	-	0	0	0	0
Fees, charges and commissions received	0	1	0	0	0	0	1	2	0	0
Dividends received from equity investments	-	-	33	36	-	0	-	-	-	-
Other income	-	1	-	-	0	0	-	-	-	-
Other expenses	-	-	0	-	7	7	-	-	-	-
Dividends paid	119	36	-	-	-	-	1	0	1	0

	Board of Directors		Executive Board	
	2022	2021	2022	2021
	DKKm	DKKm	DKKm	DKKm
Loans and advances	17	22	7	6
Unutilised loan and guarantee commitments	14	13	0	4
Guarantees issued	-	-	-	-
Total loans and advances, loan commitments and guarantees	31	35	7	10
Interest rate, loans (%)	2.00 - 6.70	1.00 - 3.81	4.60 - 6.30	2.25 - 3.95

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 2022, joint tax contributions in the amount of DKK 3 million (2021: DKK 3 million) were transferred between the companies.

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 to the consolidated financial statements.

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-2022 comprised the Spar Nord Fonden, Aalborg, with a holding of 19.4% (2021: 19.3%) and Nykredit Realkredit A/S, Copenhagen, with a holding of 18.7% (2021: 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	2022	2021	2020	2019	2018
Income statement					
Net interest and fee income	3,813	3,356	2,881	2,858	2,730
Market value adjustments	203	315	373	320	214
Staff costs and administrative expenses	2,232	2,132	2,007	1,924	1,865
Impairment of loans, advances and receivables etc.	78	-120	309	22	173
Income from investments in associates and group enterprises	91	116	41	120	50
Profit/loss for the year	1,415	1,370	738	1,060	921
Balance sheet					
Lending	65,806	61,936	52,312	51,312	44,330
Equity	12,469	11,924	10,390	9,761	9,241
Total assets	124,040	116,626	102,155	93,246	82,917

Financial ratios

Own funds

Own funds ratio	20.9	20.7	21.0	18.4	18.0
Tier 1 capital ratio	18.3	18.2	18.6	16.1	15.6

Earnings

Return on equity before tax	%	14.1	15.2	9.1	13.7	12.1
Return on equity after tax	%	11.6	12.3	7.3	11.2	10.2
Income/cost ratio		1.71	1.80	1.38	1.64	1.52
Return on assets	%	1.1	1.2	0.7	1.1	1.1

Market risk and liquidity

Interest rate risk	%	0.5	0.9	1.1	0.6	0.2
Foreign exchange position	%	0.6	0.7	0.9	1.0	1.4
Foreign exchange risk	%	0.1	0.1	0.1	0.1	0.1
Liquidity Coverage Ratio (LCR)	%	210	278	239	192	172
Loans and advances plus impairment as % of deposits	%	71.2	71.0	68.3	74.6	70.2

Credit risk

Loans and advances relative to equity		5.3	5.2	5.0	5.3	4.8
Increase in loans and advances for the year	%	12.7	15.5	-1.5	9.1	6.7
Sum of large exposures	%	83.8	81.7	78.1	83.6	79.2
Impairment ratio for the year		0.1	-0.1	0.4	0.1	0.2

The Spar Nord Bank share

DKK per share of DKK 10

Profit/loss for the year	11.6	11.1	6.0	8.6	7.5
Net asset value (NAV)	93	87	78	72	68
Dividend	4.5	2.5 *)	1.5	0.0	3.5
Share price/profit/loss for the period	9.2	7.5	10.0	7.6	6.9
Share price/NAV	1.1	1.0	0.8	0.9	0.8

*) In addition to the proposed distribution of ordinary dividends of DKK 2.5 per share, the Board of Directors was authorised to distribute an additional DKK 2.5 per share before the end of the first half-year of 2022

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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