

Organic growth and M&A supports a satisfactory 2021

ABG visit January 2022

Guidance for 2021

Updated expectations from 13 October 2021

- Core earnings before impairments and Profit after tax

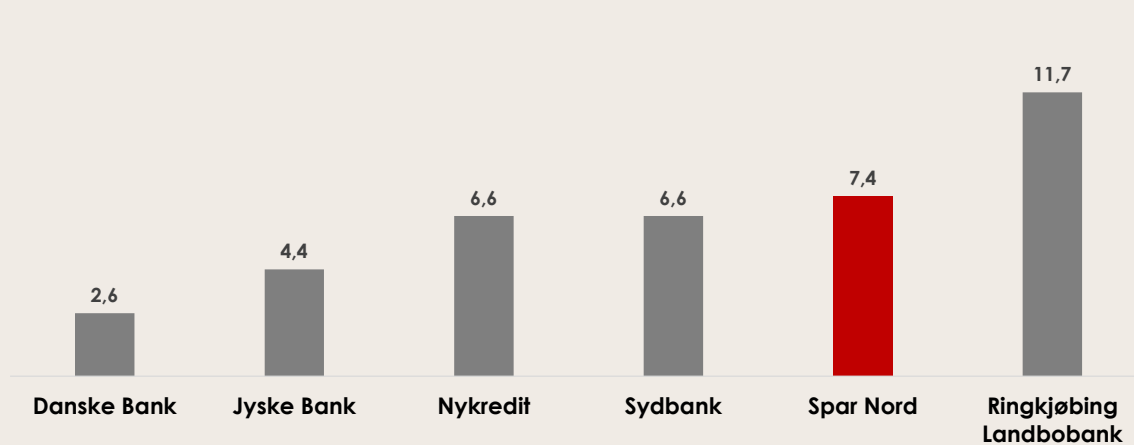
Guidance for 2021		
Updated expectations throughout the year		
	Core earnings before impairments	Profit after tax
YearEnd 2019	1,100 - 1,300	650 - 850
April 2021	1,200 - 1,400	850 - 1,050
July 2021	1,350 - 1.500	1,100 - 1,300
October 2021	1,475 - 1,575	1,250 - 1,350

- **Impairments of loans**

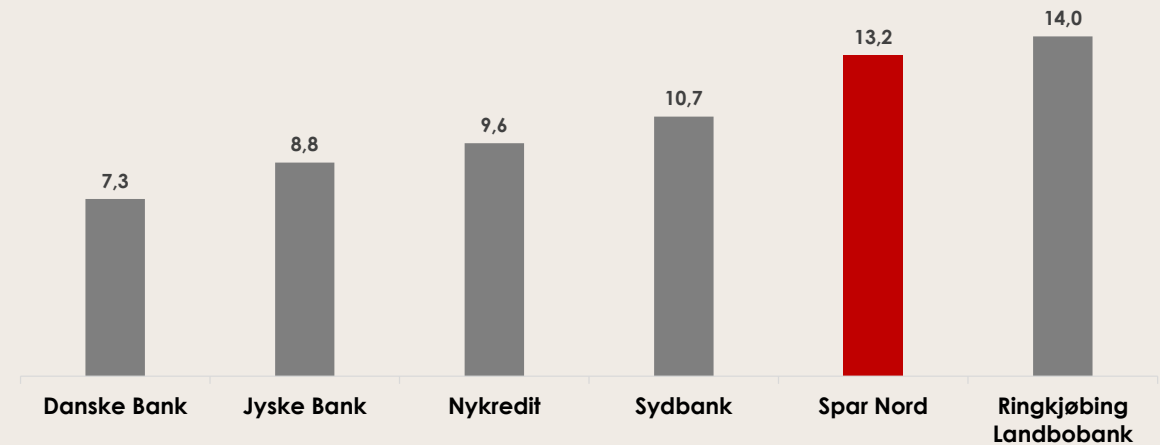
- At the beginning of 2021, impairments charges were expected lower in 2021 than in 2020
- In April expectations were revised - Impairments for 2021 were expected to be significantly lower than in 2020
- In July expectations were revised - A smaller income from impairments was expected for the full year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

Satisfactory performance compared to peers

ROE after tax Q4 2020



ROE after tax Q3 2021



Net interest income up by 9%

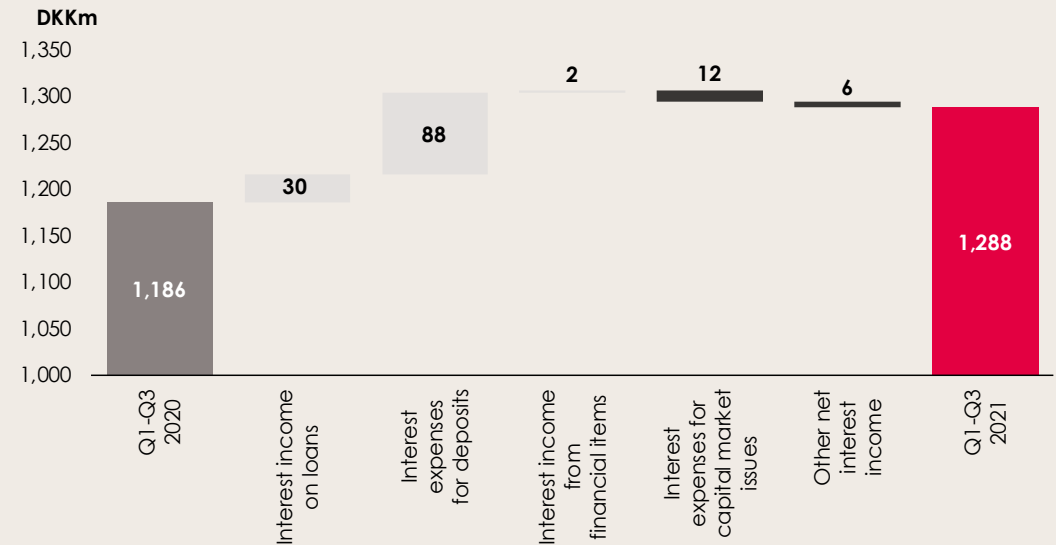
- **Total lending of DKK 47.5 billion – increase of DKK 5.0 billion (12%) year-to-date**

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

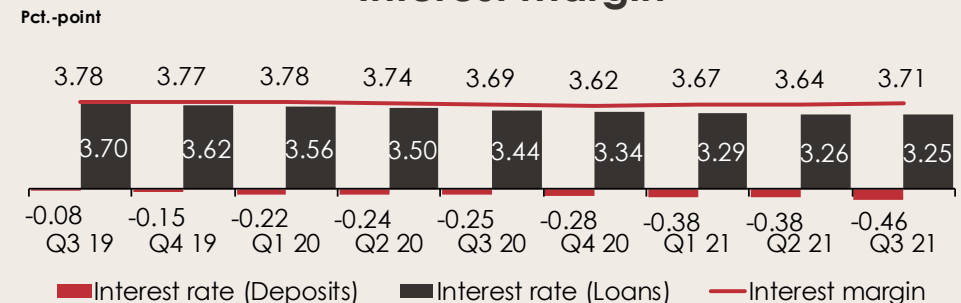
- **Active measures on deposits lead to improved interest margin**

- Compared to 12 months ago, total interest margin is increased by 2 basis points
 - The lending rate is down 19 basis points
 - Active measures on pricing lead to 21 basis points improvement of the deposit rate

Net interest income



Interest margin



Outlook for NII

In the coming quarters, Spar Nord expects:

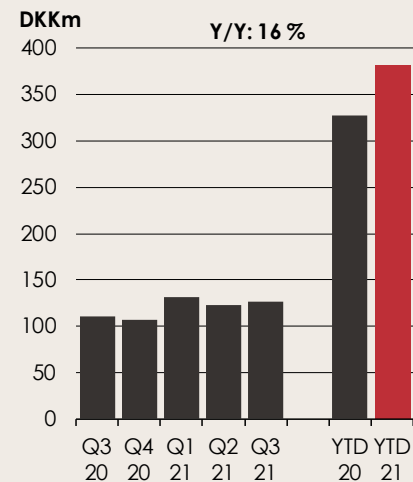
- Volume growth from new branches, leasing activities and expiry of the government's financial relief packages
- Full-year effects of initiatives taken on deposit repricing
- Continuing but reduced pressure on lending margin
- Increasing interest expenses for MREL capital



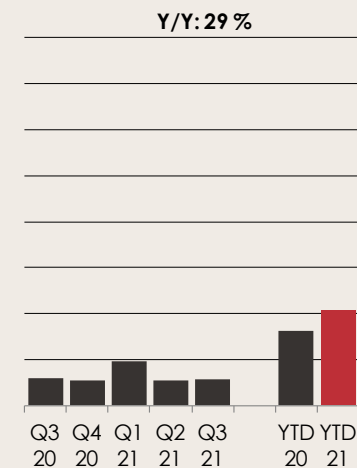
Net fee income increases by 24% and is realized at a record level

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

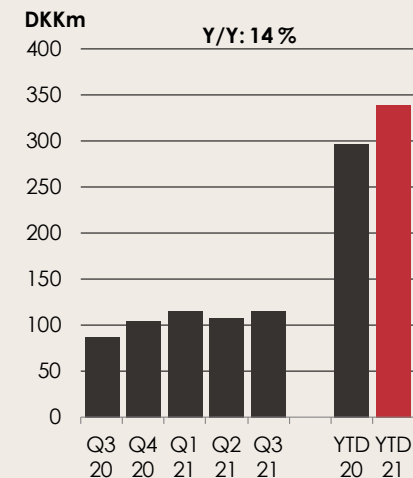
Mortgage



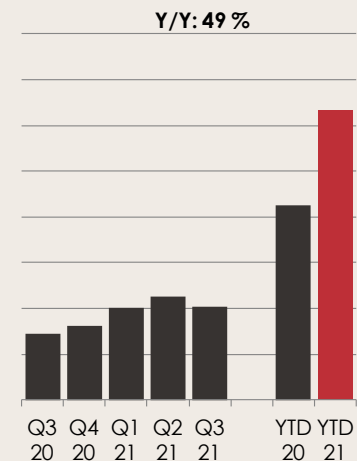
Loan transactions



Securities trading and asset management



Other fees



Outlook for net fee income

In the coming quarters, Spar Nord expects:

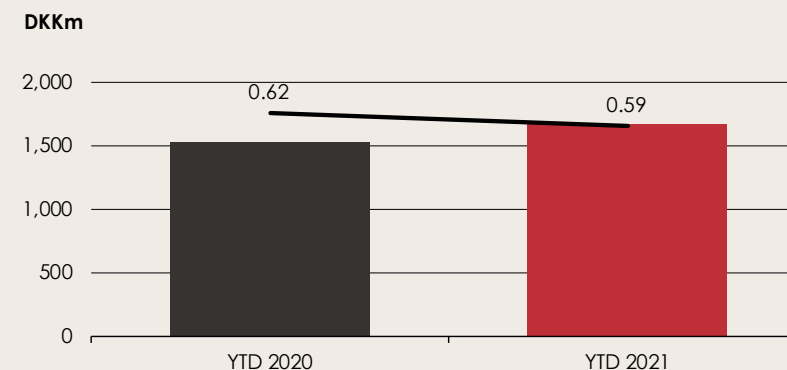
- Business volumes within asset management products and originated mortgage loans at record high level
- Continued growth within AUM and mortgage loans
- Full-year effects of initiatives taken on fee-structure
- Risk for decline in earnings from securities trading from lower activity



Costs increases by 9%

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

Total costs and CIR



Breakdown on cost types

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

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

Outlook for costs

In the coming quarters, Spar Nord expects:

- Minor rise in staff costs primarily driven by pay rises under collective agreements
- Continued structural pressure on IT expenses
 - Expiry of 5-year IT-agreement with BEC (from fixed prices to standard prices)
 - Finalizing IRB-project (application to FSA expected in late 2022)
 - New IT Governance programme planned for 2022 - 2023
- Costs from start-up of new branches
- Post COVID-19, more normalized cost in other areas e.g. marketing and travel



Net reversals on loan impairments

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

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

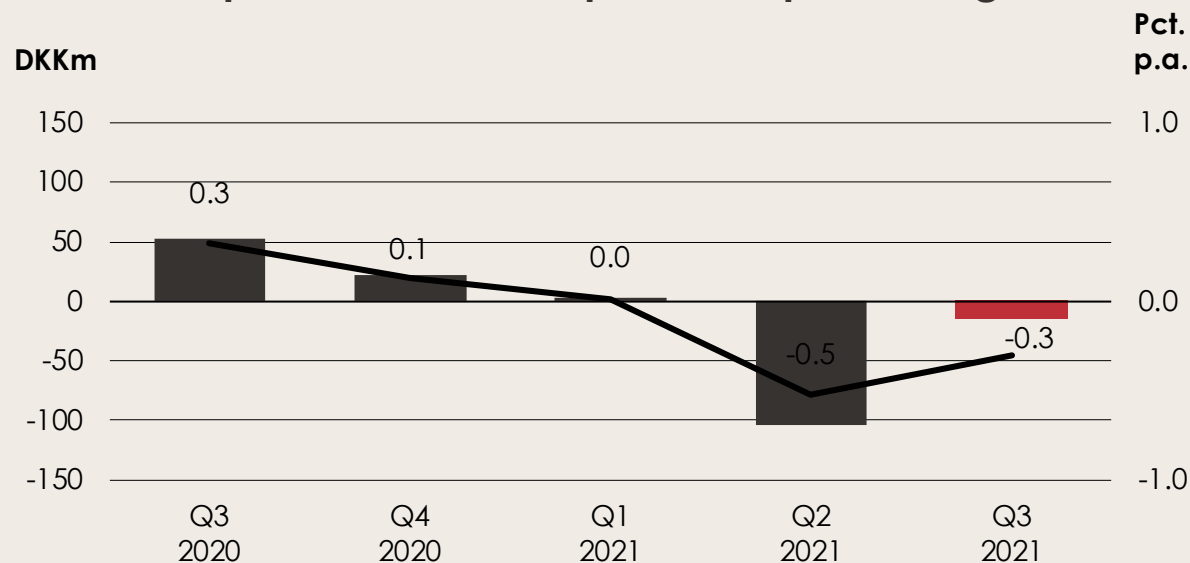
- **Breakdown on segments**

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

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

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

Impairments and impairment percentage



Outlook for loan impairments

In the coming quarters, Spar Nord expects:

- Management estimate related to COVID-19 still considered adequate
- Credit quality will remain robust
 - Limited loan impairment charges



Capital distribution

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



