



Spar Nord

Remuneration Report 2022

Contents

Objects3

Remuneration policy.....3

Financial results - 20223

Remuneration – Board of Directors 5

Remuneration – Executive Board.....7

Remuneration – Material risk takers.....9

Remuneration – Comparative figures.....13

Conformity with the remuneration policy14

Objects

This remuneration report provides an overview of the total remuneration received by each member of the Board of Directors and the Executive Board of the Spar Nord Group during the financial year 2022 compared with the financial years 2021, 2020 and 2019. The Spar Nord Group comprises Spar Nord Bank, CVR no. 13737584, and Spar Nord's wholly owned subsidiary Aktieselskabet Skelagervej 15, CVR no. 32676960 ("Spar Nord"). The remuneration paid to the Board of Directors and the Executive Board of Spar Nord Bank and the Group is identical. The subsidiary's board of directors and executive board are composed of persons employed by Spar Nord Bank, and none of them have received remuneration as members of the subsidiary's board of directors and executive board. The remuneration of the Board of Directors and Executive Board is based on intragroup management agreements. The Executive Board includes the members of the two companies' Executive Boards who are registered with the Danish Business Authority. In addition, information is provided about remuneration paid to other employees of Spar Nord whose activities have a material effect on the Bank's risk profile (material risk takers).

The information set out in this remuneration report has been reconciled with the audited annual reports of Spar Nord for the financial years 2022, 2021, 2020 and 2019, which are available at the Bank's website www.sparnord.dk. Figures in the remuneration report are presented in thousands of Danish kroner, unless otherwise stated. Consequently, rounding differences may occur because grand totals are rounded and the underlying decimal places are not shown to the reader.

The remuneration report for 2021 was approved without a vote at the Annual General Meeting held on 23 March 2022, and the Bank has not received any comments giving rise to amendments to the remuneration report.

Remuneration policy

The remuneration of the Board of Directors and the Executive Board for the financial year 2022 has been awarded in accordance with Spar Nord's remuneration policy, which was approved by the Board of Directors on 9 February 2022 and without a vote at the Annual General Meeting held on 23 March 2022 and is available on the Bank's website www.sparnord.dk. The remuneration policy covers the requirements under sections 139 and 139 a of the Danish Companies Act and section 77 d of the Danish Financial Business Act.

The purpose of Spar Nord's remuneration policy is to promote long-term value creation for shareholders with due consideration to principles regarding sound and effective risk management,

corporate governance and considerations for Spar Nord's reputation, social responsibility and sustainability impact. The remuneration policy must contribute to the Bank's business strategy, objectives, values and long-term interests and ensure that remuneration of the Bank's employees is in accordance with the statutory provisions on protection of customers and investors and other legislative requirements.

Spar Nord wants the Group's remuneration level and principles to conform to the market, enabling the Group to constantly be able to attract, motivate and retain qualified employees in the Group as a whole, regardless of gender.

Financial results – 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, or 4%, higher than in 2021 and is considered highly satisfactory. 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.

From a business perspective, 2022 was characterised by a high level of customer activity, continued business growth and further investment in the Bank's distribution capability through the opening of new banking areas and branches. Growth in both deposits and lending more than offset the decline in customers' custodian accounts and deposits in pooled schemes caused by financial market turbulence.

The profit for the year was especially impacted by the sharp increase in money market and policy rates. The higher level of interest rates resulted in an increase in net interest income from the Bank's deposits and lending and significantly higher net interest income from the placement of the Bank's excess liquidity. In addition, the increase in interest rates resulted in strong remortgaging activity, which contributed favourably to developments in the Bank's net fee income. Overall, the positive performance of the Bank's core business resulted in core earnings before impairment of DKK 1,808 million, which was 14% higher than last year.

Finally, the profit for the year was to a small extent impacted by loan impairment charges, which amounted to DKK 78 million in 2022.

At 31 December 2022, the common equity tier 1 (CET1) ratio was 16.4%, while the own funds ratio was 20.9%. Relative to a total capital requirement of 15.3%, the Bank thus had an excess capital coverage of 5.5 percentage points, equal to DKK 3.3 billion at 31 December.

Income statement

DKKm	2022	2021	Change in %
Net interest income	2,011	1,736	16
Net fee income	1,689	1,541	10
Market value adjustments and dividends	323	407	-21
Other income	122	133	-9
Core income	4,145	3,818	9
Staff costs	1,384	1,346	3
Operating expenses	953	890	7
Costs and expenses	2,338	2,237	4
Core earnings before impairment	1,808	1,581	14
Impairment of loans, advances and receivables etc.	78	-120	-
Profit/loss before tax	1,730	1,701	2
Tax	313	333	-6
Profit/loss	1,417	1,368	4
Interest expenses to holders of additional tier 1 (AT1) capital (taken to equity)	47	61	-23

Remuneration report

Remuneration – Board of Directors

Pursuant to Spar Nord's adopted remuneration policy, members of the Board of Directors exclusively receive a fixed annual fee, which is approved by the shareholders at the general meeting. Members of the Board of Directors do not receive any variable remuneration components in the form of salary, shares, options, pension or other similar arrangements, nor any ad hoc or discretionary amounts paid in the course of the year. Moreover, the Board of Directors is not covered by agreements on severance payment.

Endeavours are made to fix the remuneration of Board of Directors at a level that is in line with market standards having regard to the requirements as to qualifications and resources applying to members of the Board of Directors. The Chairman and Deputy Chairman of the Board of Directors receive remuneration equal to 2.3 times and 1.33 times, respectively, of the ordinary board remuneration for their extended duties.

Members of the Board of Directors who are also members of one or more board committees receive a fixed additional fee as remuneration for their committee work. The chairmen of the Audit Committee and of the Risk Committee receive a fee equal to 1.5 times the committee fee.

The following fees to members of the Board of Directors of Spar Nord for the financial year 2022 were approved at the Annual General Meeting on 23 March 2022 and will apply from this date onwards:

Table 1

	Board of Directors	Audit Committee	Nomination and Remuneration Committee	Risk Committee
Member	DKK 360,000 (base fee)	DKK 100,000	DKK 50,000	DKK 100,000
Chairman	DKK 828,000 (2.3 x base fee)	DKK 150,000	-	DKK 150,000
Deputy Chairman of the Board of Directors	DKK 478,800 (1.33 x base fee)	-	-	-

Members of the Board of Directors are not entitled to additional fees.

Remuneration report

Table 2

Remuneration of the Board of Directors for the financial year 2022 (DKK '000)

	Annual fee	Committee fee	Total remuneration
Kjeld Johannesen, Chairman Chairman of the Nomination and Remuneration Committee Member of the Risk Committee	828	150	978
Per Nikolaj Bukh, Deputy Chairman Chairman of the Audit Committee Member of the Nomination and Remuneration Committee	479	200	679
Kaj Christiansen, board member Chairman of the Risk Committee	360	150	510
Morten Bach Gaardboe, board member Member of the Audit Committee	360	100	460
André Rogaczewski, board member	360	0	360
Henrik Sjøgreen, board member Member of the Risk Committee	360	100	460
Lene Aaen, board member (employee representative)	360	0	360
Jannie Skovsen, board member (employee representative) Member of the Nomination and Remuneration Committee	360	50	410
Kim Østergaard, board member (employee representative) Member of the Audit Committee	360	100	460
Total			
2022	3,827	850	4,677
2021	3,775	807	4,582

Remuneration report

Remuneration – Executive Board

Pursuant to Spar Nord's adopted remuneration policy, members of the Executive Board receive a fixed base salary, which is approved by the Board of Directors on the basis of recommendations from the Nomination and Remuneration Committee. Members of the Executive Board do not receive any variable remuneration components in the form of salary, shares, options, pension or other similar arrangements, nor any ad hoc or discretionary amounts paid in the course of the year.

The remuneration of members of the Executive Board is determined on the basis of an annual review. This review includes the handling of the Bank's long-term interests and implementation of the Bank's business strategy, including its social responsibility and sustainability impact.

Spar Nord aims to determine the annual fixed base salary on the basis of market practice and serves to attract, motivate and retain competent executive board members with a view to supporting Spar Nord's ability to promote value creation and thereby achieve the Bank's other short and long-term objectives.

The Board of Directors establishes the guidelines for retirement and termination of employment based on the recommendations of the Nomination and Remuneration Committee. The notice period on the part of Spar Nord is 12 months, while a member of the Executive Board may terminate his or her position by giving six months' notice.

Members of the Executive Board of Spar Nord are entitled to annual remuneration in accordance with the remuneration policy. The total remuneration consists of the following fixed remuneration components:

- fixed base salary;
- pension contribution;
- company car; and
- usual benefits

The members of Spar Nord's Executive Board are entitled to receive a pension contribution of 16.8% of their fixed salary and a company car at a value of no more than 7% of the monthly salary, calculated using the tax basis. The terms of employment and remuneration of the members of the Executive Board are agreed individually between each member of the Executive Board and the Board of Directors on the basis of a recommendation from the Nomination and Remuneration Committee.

Table 3

Remuneration of the Executive Board for the financial year 2022 (DKK'000)

	Base salary	Pension contribution	Benefits*	External fees received**	Total amount earned and remuneration paid by Spar Nord
Lasse Nyby, Chief Executive Officer	5,137	836	195	-855	5,312
John Lundsgaard, Managing Director	4,254	663	8	-355	4,570
Lars Møller, Managing Director	4,074	663	195	-724	4,208
Martin Kudsk Rasmussen, Managing Director	3,965	644	219	-50	4,777
Total					
2022	17,430	2,805	616	-1,984	18,867
2021	16,637	2,678	496	-1,887	17,924

*Benefits comprise company car and usual employee benefits such as health insurance and telephony.

**Fees received for directorships. These fees are deducted from the remuneration paid.

Service contracts with members of the Executive Board are open-ended (i.e. not for a fixed term). The total value of severance pay generally amounts to a maximum of one year of salary, excluding pension and other components of remuneration, for any member of the Executive Board. Prior to approval of the remuneration policy for 2022, agreements on other severance pay conditions had been made with some members of the Executive Board. These agreements will be maintained and include severance pay of up to a maximum of two years' salary, which will be reduced gradually when the member in question is aged between 64 and 67 years. From the age of 67 onwards, no severance pay will be granted to the Executive Board member. In the event of the death of the Executive Board member during the period of employment,

Remuneration report

a post-service payment equal to a maximum of six months' salary will be disbursed to the spouse, alternatively to any children under the age of 18.

Remuneration report

Remuneration – Material risk takers

Pursuant to Spar Nord's adopted remuneration policy, material risk takers do not receive variable salary components above DKK 100,000, which is the permitted threshold set out in "Executive Order on remuneration policy and remuneration in banks, mortgage credit institutions, investment companies, investment management companies, investment associations and certain holding companies", including discretionary pension benefits. Variable remuneration pursuant to this threshold is exempt from the requirements defined in the Danish Financial Business Act on postponement of variable remuneration and payment in shares/financial instruments. However, variable remuneration pursuant to the threshold limit is not exempt from the possibility of a repayment requirement if the payment was made on a false basis and the employee was in bad faith.

Any distribution of variable pay that does not exceed the above-mentioned threshold limit takes place according to a concrete assessment of the employee's overall performance in the relevant job function made by the Executive Board. See the appropriate provisions of the above-mentioned Executive Order.

The tables below provide information on remuneration in the financial year 2022 aggregated at group level. In addition to information on Spar Nord's Board of Directors and Executive Board, the items "members of the board of directors" and "members of the executive board" also provide information about the board of directors and executive board of the subsidiary Aktieselskabet Skelagervej 15. As mentioned in the introduction, the remuneration paid to Spar Nord Bank's Board of Directors and Executive Board is identical to the remuneration paid to the Group's board of directors and executive board, while the number of members (directorships) comprises the board of directors and executive board of both companies.

Table 4

Responsibility and business areas (financial year 2022)

	Amount DKK 1,000
Total amount re. remuneration granted in the financial year in the investment area	5,532
Of which total fixed salary	5,232
Of which total variable salary	300
Total amount re. remuneration granted in the financial year in the retail customer area	0
Of which total fixed salary	0
Of which total variable salary	0
Total amount re. remuneration granted in the financial year in the asset management area	0
Of which total fixed salary	0
Of which total variable salary	0
Total amount re. remuneration granted in the financial year for support functions	7,356
Of which total fixed salary	7,056
Of which total variable salary	300
Total amount re. remuneration granted in the financial year for independent control functions	8,049
Of which total fixed salary	7,749
Of which total variable salary	300
Total amount re. remuneration granted in the financial year for members of the board of directors	4,677
Of which total fixed salary	4,677
Of which total variable salary	0
Total amount re. remuneration granted in the financial year for members of the executive board	18,867
Of which total fixed salary	18,867
Of which total variable salary	0
Total amount re. remuneration granted in the financial year in other business areas	5,718
Of which total fixed salary	5,568
Of which total variable salary	150

Remuneration report

Table 5

Information on remuneration in the financial year 2022

Number / Amount (DKK'000)	Board of Directors	Executive Board	Material risk takers
Total amounts re. remuneration granted in the financial year			
Total number of members / total no. of designated employees (positions)*	12	5	21
Total number of fixed salary recipients	12	5	21
Total fixed salary granted in the financial year	4,677	18,867	25,605
Agreements on variable remuneration concluded before 1 January 2011:			
Total number of persons comprised by agreements concluded before 1 January 2011 (not covered by collective agreement)	0	0	1
Total salary granted in the financial year comprised by agreements concluded before 1 January 2011	0	0	1,269
Total fixed salary granted in the financial year comprised by agreements concluded before 1 January 2011	0	0	1,269
Total variable salary granted in the financial year comprised by agreements concluded before 1 January 2011 (not covered by collective agreement)	0	0	0
Information on variable remuneration:			
Total number of recipients of variable remuneration (covered/not covered by collective agreement)	0	0	13
Covered by collective agreement			
Total number of recipients of variable remuneration covered by collective agreement in the financial year	0	0	0
Total variable remuneration granted in the financial year covered by collective agreement	0	0	0
Not covered by collective agreement			
Total number of recipients of variable remuneration not covered by collective agreement in the financial year	0	0	13
Total variable remuneration granted in the financial year not covered by collective agreement	0	0	1,050
Of which:			
Cash	0	0	1,050
Shares and equity-like instruments	0	0	0
Share options or similar instruments	0	0	0
Additional tier 1 capital instruments	0	0	0
Tier 2 capital instruments	0	0	0
Other instruments	0	0	0
Ratio between disbursed/postponed variable remuneration			
Amount disbursed in the financial year	0	0	1,050
Amount postponed in the financial year	0	0	0

*) For additional information, see note on page 12

Remuneration report

Information on remuneration in the financial year 2022

Number / Amount (DKK'000)	Board of Directors	Executive Board	Material risk takers
Permitted threshold of no more than DKK 100,000 in variable remuneration per recipient:			
Total number of persons comprised by threshold in the financial year	0	0	13
Total variable remuneration disbursed in the financial year pursuant to threshold	0	0	1,050
Postponed variable remuneration from prior financial years:			
Total sum of postponed variable remuneration not covered by collective agreement for all financial years	0	0	0
Of which:	0	0	0
Variable remuneration granted in financial year, incl. previously postponed variable remuneration			
Variable remuneration disbursed in financial year of previously postponed variable remuneration			
Any variable remuneration reduced in financial year compared with previously postponed variable remuneration	0	0	0
Total amount repaid, e.g. due to bad faith or erroneous information	0	0	0
Sign-on and severance pay:			
Sign-on pay			
Total number of recipients of sign-on pay in the financial year	0	0	0
Total amount granted in sign-on pay in the financial year	0	0	0
Severance pay			
Total number of recipients of severance pay in the financial year	0	0	0
Total amount granted in severance pay in the financial year	0	0	0
Highest amount of severance pay granted to a single person in the financial year	0	0	0

During their employment or position as a board member, no person at Spar Nord received a total salary including pension in the financial year exceeding an amount corresponding to EUR 1 million.

Notes to tables 4 and 5

Number of directorships and executive positions

There are nine directorships in Spar Nord Bank and three directorships in the subsidiary Aktieselskabet Skelagervej 15 (total of 12). There are four executive positions in Spar Nord Bank and one in the subsidiary Aktieselskabet Skelagervej 15 (total of five).

Risk takers

At the end of 2022, 21 functions/positions were defined as risk takers. These are held by 18 persons, of which one risk taker covers two positions, and another two positions are held by members of the Executive Board, whose remuneration is included in the Executive Board's remuneration and therefore not in the remuneration of material risk takers.

The persons and their remuneration are included for the periods in which they are risk takers. Because a person has been replaced in a function, the total remuneration of risk takers comprises remuneration of 19 persons (equal to 18 persons on average over the course of the year).

The fee in connection with directorships is deducted from the fixed salary of the risk takers (a total of DKK 274,694).

Remuneration report

Remuneration – Comparative figures

Developments in the remuneration of the Board of Directors and the Executive Board for 2022, 2021, 2020 and 2019 are summarised in the table below. Additional comparative figures will be accumulated year by year over the next five years as permitted pursuant to the Danish Business Authority's guidelines.

Table 6

Comparison of remuneration of Board of Directors and Executive Board and Spar Nord's results for 2022, 2021, 2020 and 2019

	2022	2022 vs 2021 In %	2021 vs 2020 In %	2020 vs 2019 In %
Spar Nord's net profit before tax	1,730,160	2	85	-29
Spar Nord's net profit after tax	1,416,868	4	86	-30
Executive Board				
Lasse Nyby, Chief Executive Officer	5,312	4	2	7
John Lundsgaard, Managing Director	4,570	1	5	4
Lars Møller, Managing Director	4,208	3	6	2
Martin Kudsk Rasmussen, Managing Director (took office on 1 April 2020)	4,777	14	-2	-
Board of Directors				
Kjeld Johannesen, Chairman	978	3	11	4
Per Nikolaj Bukh, Deputy Chairman	679	2	7	3
Kaj Christiansen, board member	510	4	14	4
Morten Bach Gaardboe, board member	460	2	7	4
André Rogaczewski, board member (took office on 7 April 2021)	360	33	-	-
Henrik Sjøgreen, board member, (took office on 17 June 2020)	460	4	12	-
John Sørensen, board member (retired on 07 April 2021)	-	-	7	4
Lene Aaen, board member (employee representative)	360	2	7	5
Jannie Skovsen, board member (employee representative)*	410	3	14	10
Kim Østergaard, board member (employee representative), (took office on 1 April 2020)	460	8	30	-
Average remuneration of employees (FTE)				
Employees	745	1	6	2

* After the Annual General Meeting on 17 June 2020, Jannie Skovsen became a member of the Nomination and Remuneration Committee.

**) After the Annual General Meeting on 7 April 2021, Kim Østergaard became a member of the Audit Committee.

For board members, who retired during 2021, the difference compared with previous years has been calculated on the basis of a full-year fee for 2021 in order to provide a meaningful comparative figure.

Conformity with the remuneration policy

The remuneration of the Board of Directors and the Executive Board for the financial year 2022 is in line with the guidelines of the remuneration policy by contributing to Spar Nord's business strategy, long-term interests, sustainability impact and value creation, as Spar Nord achieved a satisfactory financial result in what was in many ways a turbulent year. Spar Nord recorded a profit of DKK 1,417 million after tax and a return on equity of 12.5%.

Compliance with the remuneration policy is reviewed once every year. The guidelines for this review, which is carried out by the HR Department, which is independent of the entities controlled, are defined by the Board of Directors, and the outcome of the review is reported to the Nomination and Remuneration Committee and to the Board of Directors as a whole. The 2022 review concluded that the remuneration policy had been complied with.



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