

# Spar Nord Debt Investor Presentation

February 2024

# Executive summary

## Full-Service Danish Retail Bank

- Sixth largest bank in Denmark with nationwide operations
- Exclusive focus on household customers and local SMEs with mortgage loans facilitated from Totalcredit
- Strong reputation and customer satisfaction driven by a well-proven decentralized business model

## Strong Performance, Asset Quality and Credit Rating

- ROE among the best in Denmark at 19.7% as of YE 2023 (5-year average 12.8%)
- 44% private customers and 56% corporate customers with well diversified sector exposure
- A1 (stable) issuer rating by Moody's

## Solid Capital Position and Liquidity

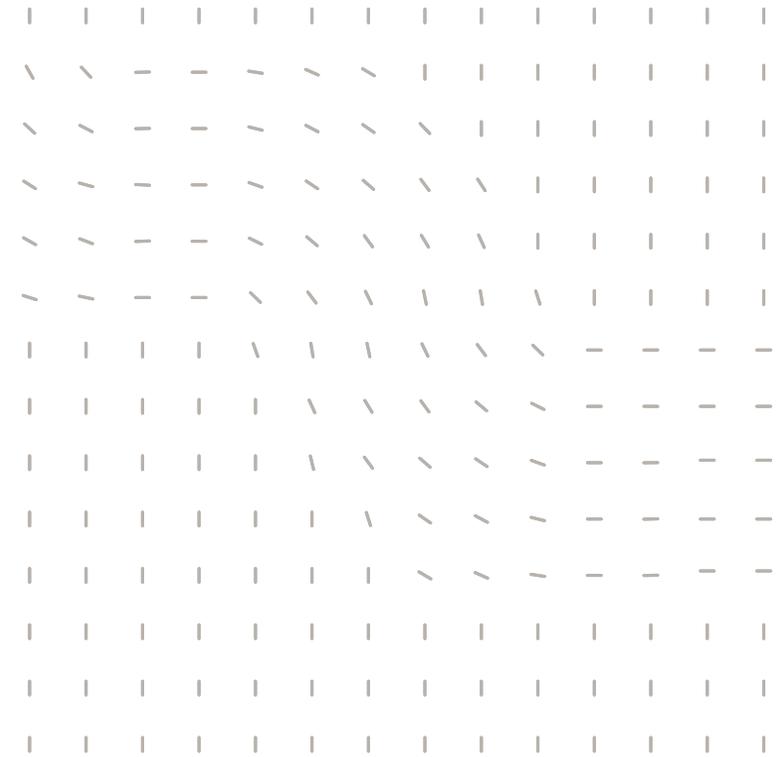
- CET1 ratio at 17.7% as of YE 2023 - well above 13.5% strategic target
- MREL and combined buffer at 36.9% as of FY 2023 - 7.8% above requirement
- Liquidity Coverage Ratio at 246% as of FY 2023 - more than double the statutory requirement of 100%

## Sustainability and ESG at Spar Nord

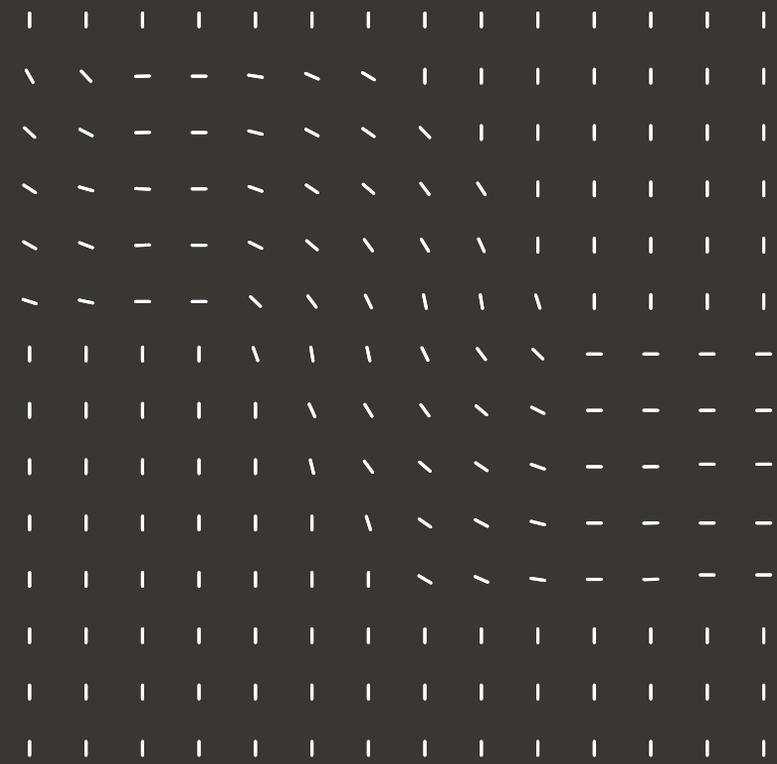
- ESG rating of "Low Risk" by Sustainalytics in 2023
- Action plans/targets in line with recommendations from Finance Denmark's Forum for Sustainable Finance
- 100% powered by green electricity from solar energy

# Agenda

- 1 Introduction
- 2 Financial overview
- 3 Asset quality overview
- 4 Capital & liquidity overview
- 5 Sustainability at Spar Nord



# Introduction



# A robust Danish retail bank focusing on private customers and local businesses

## Brief history

- Founded in 1824 as a savings bank – listed in 1990
- Since 2001, we have focused exclusively on household customers and local SMEs
- At the same time, we started our transformation from regional bank to nationwide presence
- We offer a full range of products and services (both own and distributed) to our core segments.
- We enjoy high customer satisfaction and loyalty - potential for further growth in market-share
- Until now, our standardized approach to risk weighting has made for lower leverage and risk
- In the light of SIFI appointment and MREL demands in 2019, we decided to migrate to IRB models to improve capital efficiency (expected at the 2024/2025 changeover)
- Well-diversified loan portfolio characterised by a credit quality that has remained strong over the past many years



## Strategy and business model

### 1 Focus on households and local SMEs

#### StarPLUS loyalty program



- Focus on attracting and retaining attractive private and SME customers
- Focus on loyalty benefits for customers who buy the whole package

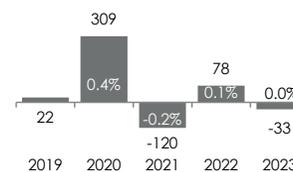
### 2 Strong reputation and customer satisfaction



- In six out of seven years been named the bank among the six largest banks in Denmark with the most satisfied business customers

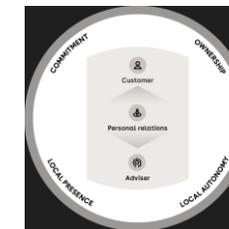
### 3 Robust credit quality

#### Impairment percentage



- A persistently strong credit quality throughout the business cycle
- Strong centralised credit management

### 4 Decentralized business model



- Business model inspired by franchise philosophy
- Local decision making on customer and staff matters
- One brand and same products and concepts

## Shareholders

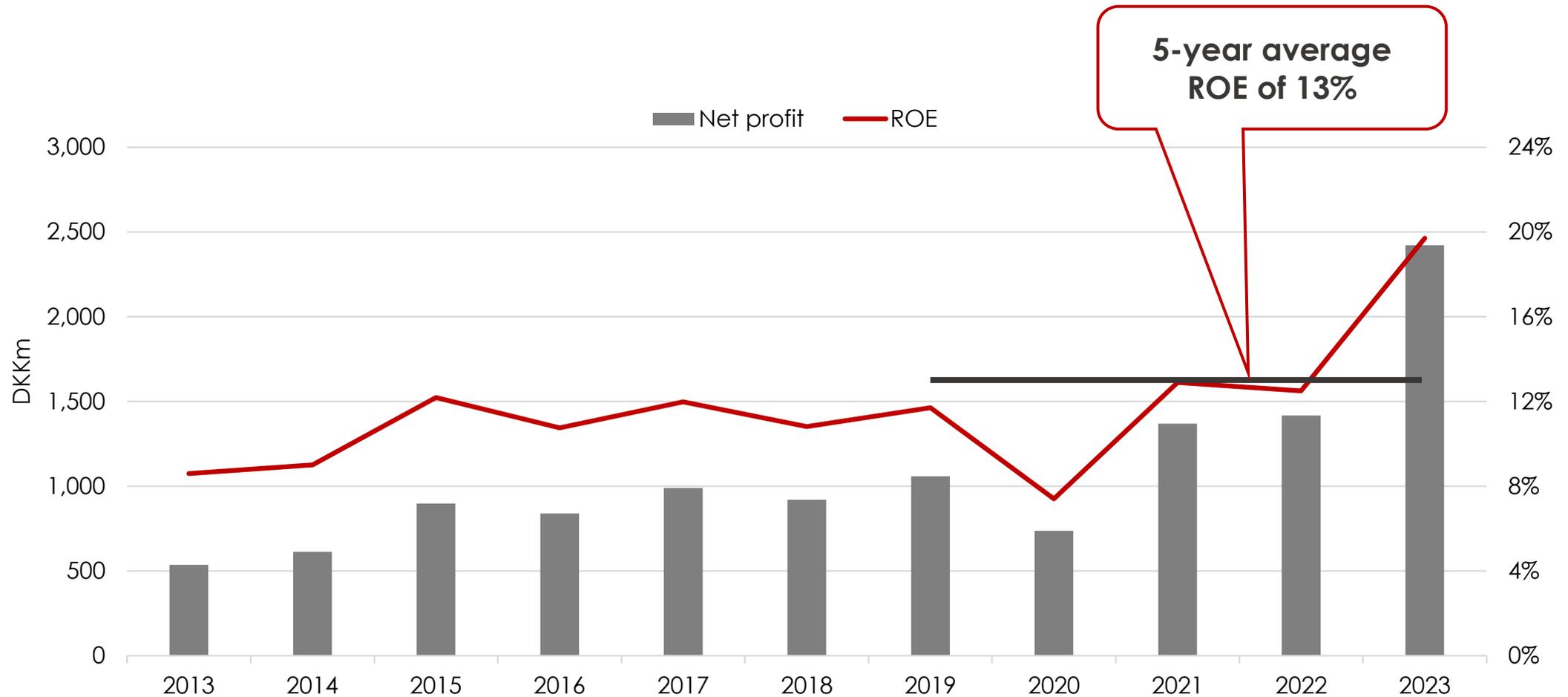


- Spar Nord Foundation is the largest shareholder with **19.8%**
- Nykredit Realkredit A/S holds **19.1%**



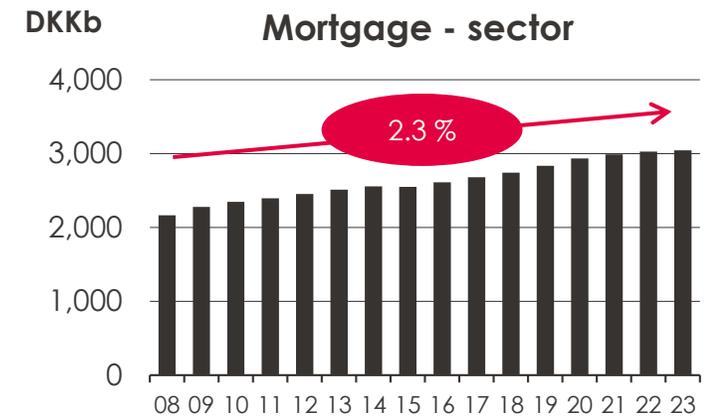
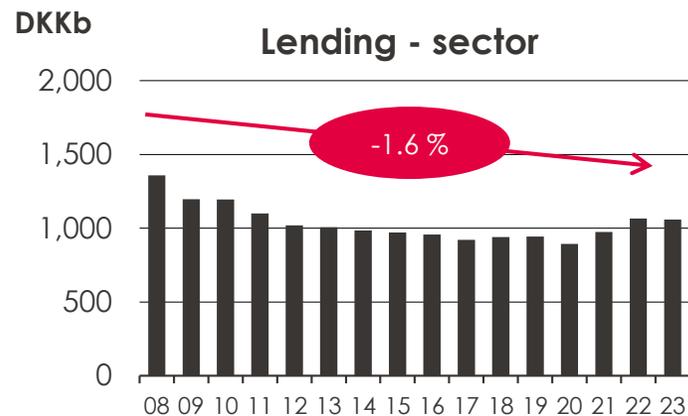
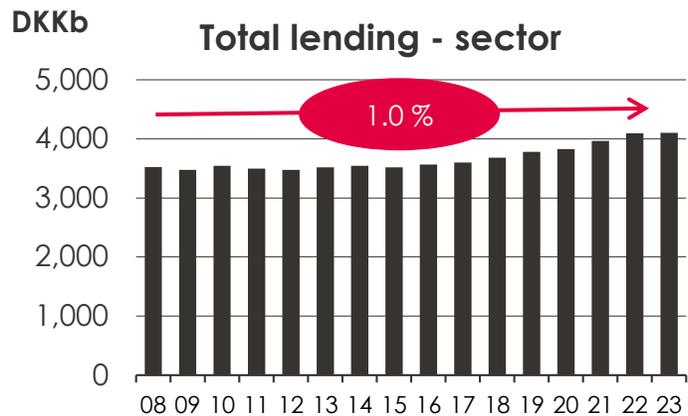
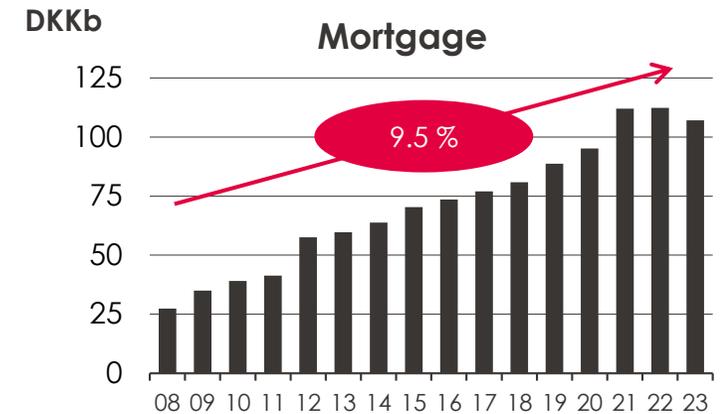
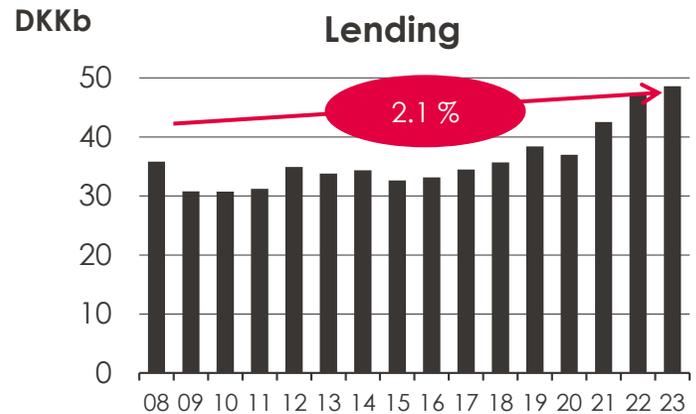
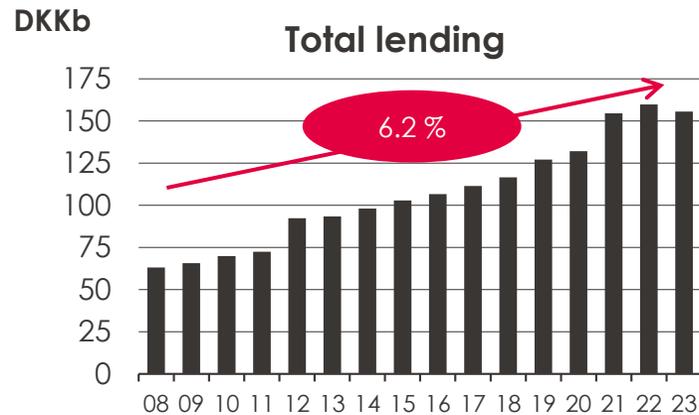
- Professional and institutional investors (incl. Spar Nord Foundation) hold a total of **72 %**
- Several non-domestic investors hold a total of **23 %**

# Stable and strong financial performance through the cycle



# 15 years with growth and steadily gaining market share

## Spar Nord's bank lending and mortgage-distribution compared to sector lending



# National foothold

## North Denmark Region

Business volume DKK 115 billion (2013: 77)  
FTE 321 (2013: 497)  
Branches 21 (2013: 38)

## Central Denmark Region

Business volume DKK 79 billion (2013: 39)  
FTE 233 (2013: 241)  
Branches 9 (2013: 16)

## Region of Southern Denmark

Business volume DKK 42 billion (2013: 16)  
FTE 133 (2013: 98)  
Branches 9 (2013: 8)

## New Local Banks established in recent years

- **2020**
  - Branch in Herlev
- **2021**
  - Branch in Korsør
  - Branch in Solrød Strand
- **2022**
  - Branch in Hørsholm
  - Banking area on Nykøbing Falster
  - Banking area in Allerød
- **2023**
  - Branch in Helsingø
  - Banking area in Frederikssund

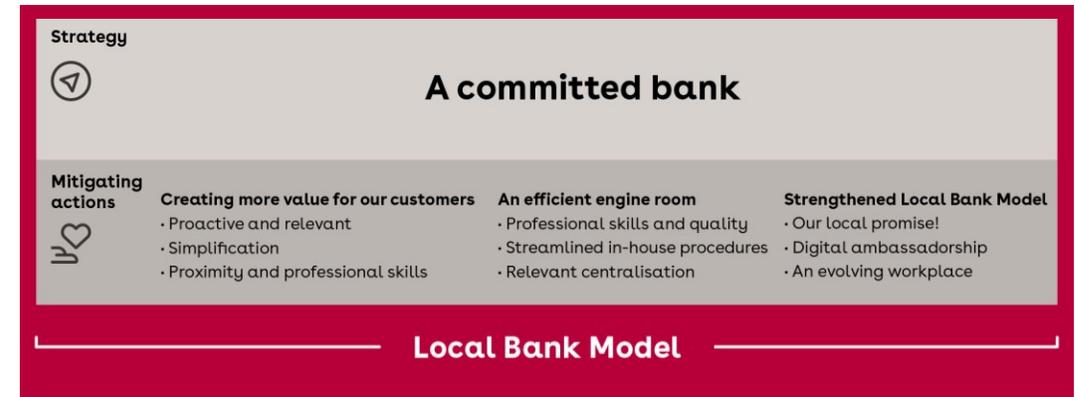
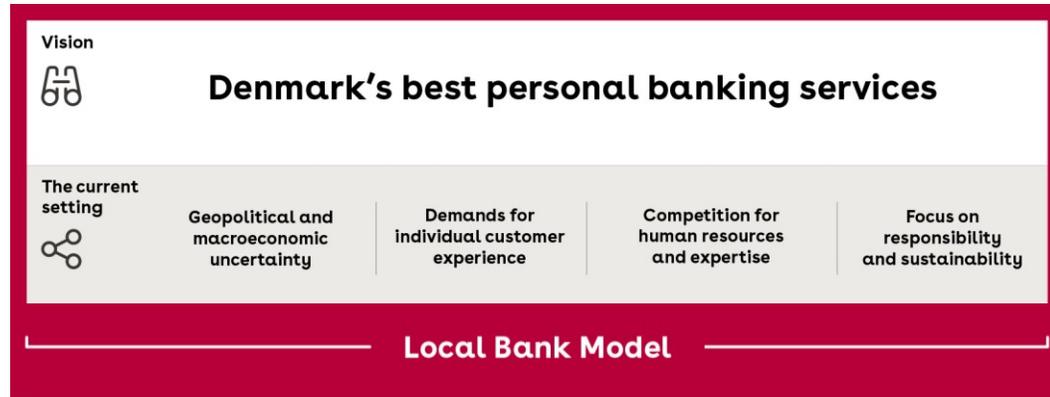
## Capital Region of Denmark

Business volume DKK 53 billion (2013: 11)  
FTE 180 (2013: 76)  
Branches 15 (2013: 5)

## Region Zealand

Business volume DKK 53 billion (2013: 18)  
FTE 143 (2013: 115)  
Branches 8 (2013: 7)

# Strategy and strategic actions 2023-25



- **Creating more value for our customers**

- Improved services to large business customers by establishing Large Corporate departments in Aarhus and Roskilde to complement the Aalborg location
- Improved personalised service by becoming even more proactive and relevant in our advisory services and other communications

- **An efficient engine room**

- Centralisation of administrative tasks – such as production and verification of business documents and financial analysis

- **Strengthened local bank model**

- Consolidation of Spar Nord's market position by giving employees an increased mandate to make decisions that concern customercentric 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

# Financial targets 2023-25

## Strategic targets 2023-25

Return on equity

**> 11 %**

after tax

**2023:**  
**19.7%**

Cost/Income Ratio

**< 55**

**2023:**  
**45**

Dividend

**40-60 %**

of profit for the year

Based on an impairment ratio, which in the 2023-2025 strategy period is not expected to exceed 0.50

CET 1  
**13.5 %**

**2023:**  
**17.7%**

Own funds ratio  
**17.5 %**

**2023:**  
**22.3%**

LCR  
**125 %**

**2023:**  
**246%**

NSFR  
**105 %**

**2023:**  
**131%**

# Financial overview

# Record high net profit of DKK 2,421 million and ROE of 19.7%

## Headlines from the income statement

- Net interest income grows 76% (y/y) due to rise in rates and growth in loans and deposits volumes
- Net fee income decreases by 12% (y/y) due to lower level of activity within the house market, securities trading and assets under management
- Positive market-value adjustments from the Bank's equity and bond portfolio and strategic shares
- Costs increase 9% (y/y) due to continued investment in distribution capacity and higher IT costs
- Strong credit quality results in net reversal of loan impairments of DKK 33 million
- Growth in bank loans and leasing of DKK 2.2 billion or 4% (y/y)
- Continued strong liquidity and funding and solid capital position
  - Distribution of 69% of net result in 2023 in form of ordinary dividend of DKK 10 per share and share buyback of DKK 500 million

SPAR NORD BANK DKKm	Realized 2023	Realized 2022	Index	Realized Q4 2023	Realized Q3 2023	Index
Net interest income	3,538	2,011	176	947	957	99
Net fees, charges and commissions	1,493	1,689	88	355	361	98
Market-value adjustments and dividends	452	323	140	45	132	34
Other income	175	122	143	53	36	147
<b>Core income</b>	<b>5,658</b>	<b>4,145</b>	<b>136</b>	<b>1,400</b>	<b>1,486</b>	<b>94</b>
Staff costs	1,493	1,384	108	396	351	113
Operating expenses	1,057	953	111	294	256	115
<b>Costs and expenses</b>	<b>2,550</b>	<b>2,338</b>	<b>109</b>	<b>691</b>	<b>607</b>	<b>114</b>
<b>Core earnings before impairment</b>	<b>3,108</b>	<b>1,808</b>	<b>172</b>	<b>709</b>	<b>879</b>	<b>81</b>
Impairments of loans and advances	-33	78	-	-4	-25	-
<b>Profit before tax</b>	<b>3,141</b>	<b>1,730</b>	<b>182</b>	<b>714</b>	<b>904</b>	<b>79</b>
Tax	720	313	230	164	212	77
<b>Profit</b>	<b>2,421</b>	<b>1,417</b>	<b>171</b>	<b>550</b>	<b>693</b>	<b>79</b>

## Financial guidance for 2024

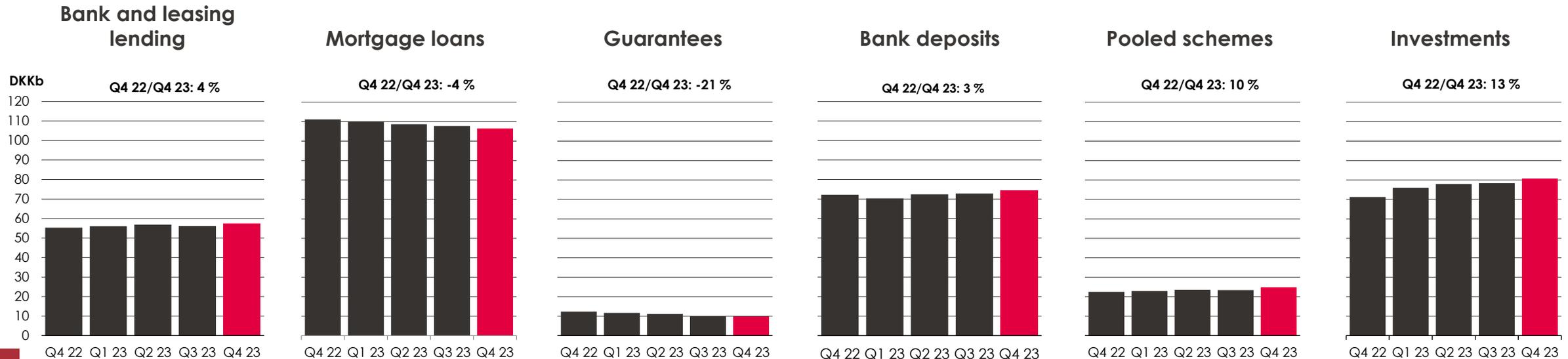
Spar Nord expects core earnings before impairment in the DKK 2.4 – 2.9 billion range and impairment charges at a level around 0.30% of loans, advances and guarantees

Profit after tax is subsequently expected to be in the DKK 1.7 – 2.1 billion range

# Growth in total business volume of 3% (y/y)

## - Underlying 4% growth in bank and leasing lending

- End of 2023, total business volume amounts to DKK 358.2 billion – DKK 9.5 billion (3%) higher than end of 2022
- Growth in both bank and leasing lending and bank deposits
  - Bank and leasing lending were up by DKK 2.2 billion (Private: DKK 2.7 billion / Corporate: DKK -0.5 billion)
  - Bank deposits grew DKK 2.1 billion (Private: DKK 2.8 billion / Corporate: DKK -0.7 billion)
- Customers' invested assets were up DKK 9.5 billion while deposits in pooled schemes grew DKK 2.3 billion
- Decline in mortgage loans of DKK 4.8 billion and drop in guarantees of DKK 2.6 billion
  - By end of 2023, total originated mortgage loans were DKK 106.3 billion



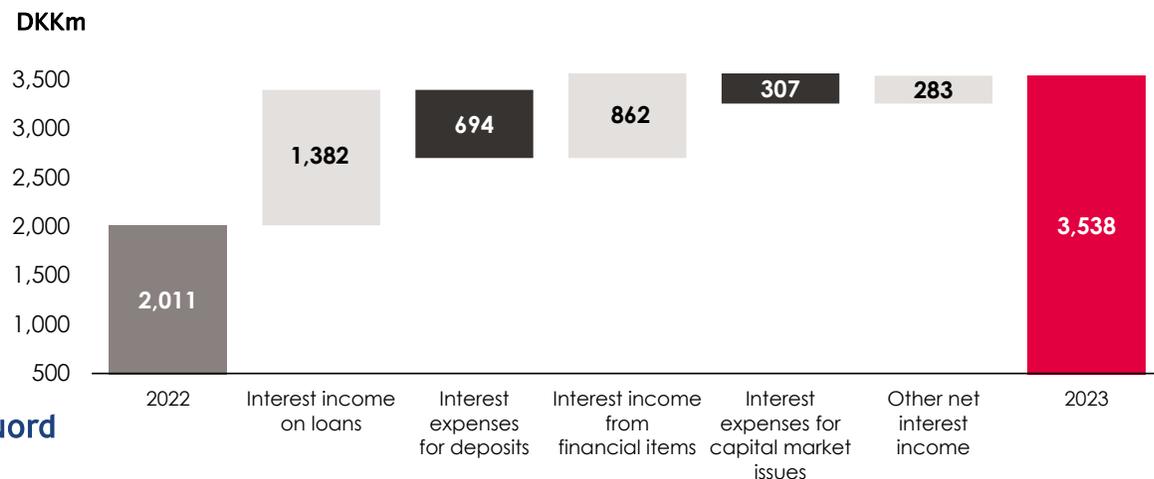
# Net interest income up by 76%

- **NII amounted to DKK 3,538 million versus DKK 2,011 million in 2022**

- Net interest income relating to the placement of the Bank's excess liquidity increased by DKK 1,145 million due to rise in policy and market rates
- The Central Bank's certificate of deposit rate has been raised by 1.85 percentage points to 3.60% end of 2023
- Growth in deposits and loans, and markedly increase in average interest margin led to increase in net interest income from loans and deposits of DKK 688 million
  - Interest margin of 5.48% in Q4 2023 (+118 bp. compared to Q4 2022)
- Net interest income in Q4 2023 was adversely affected in a total amount of DKK 27 million relating to erroneous collection of fees in the financing company Sparxpres

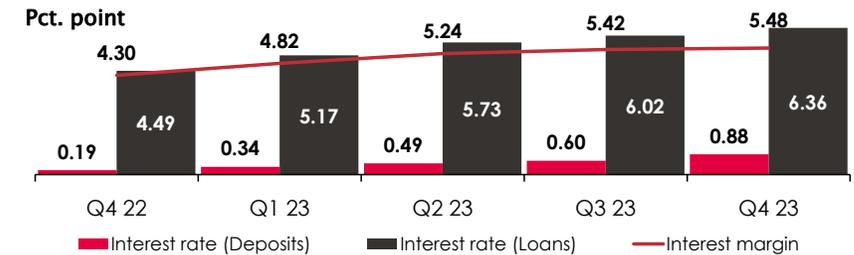
- **Lending growth of DKK 2.2 billion – y/y increase of 4%**

- Lending to private customers up by DKK 2.7 billion (Bank mortgage loans up DKK 2.3 billion)
- Leasing business has grown DKK 1.0 billion
- Lending to corporates and SMEs down DKK 0.9 billion
- Lending to public-sector customers down by DKK 0.6 billion

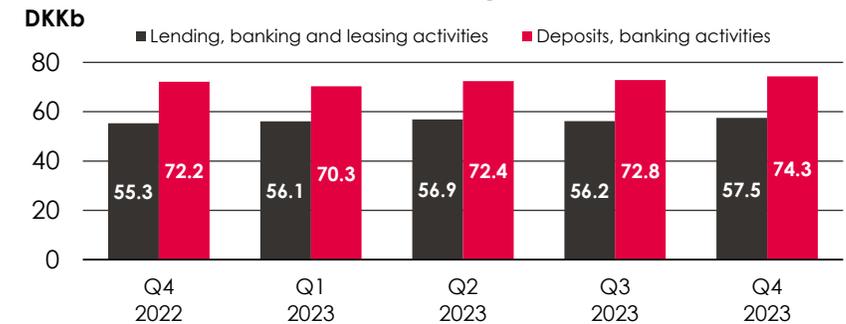


## Interest margin

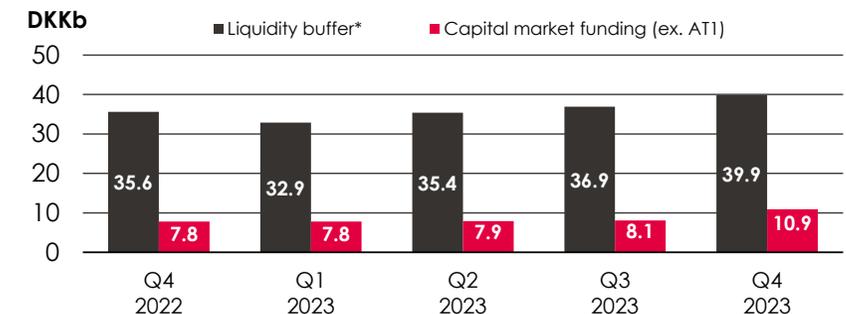
Y/Y: +118 bp. / Q/Q: +6 bp.



## Loans / Deposits



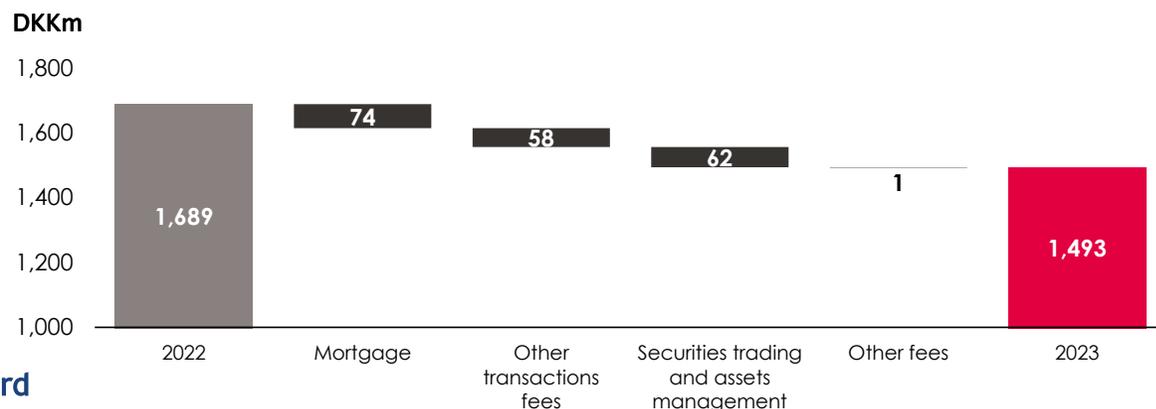
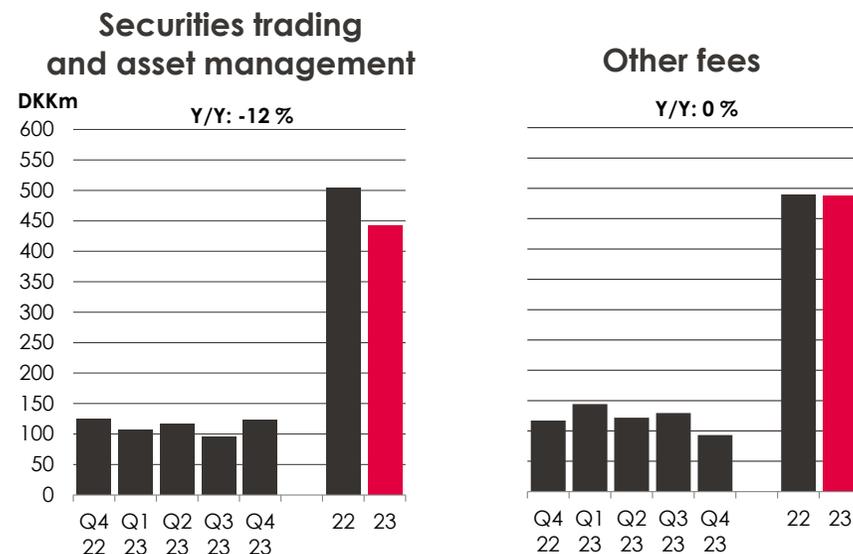
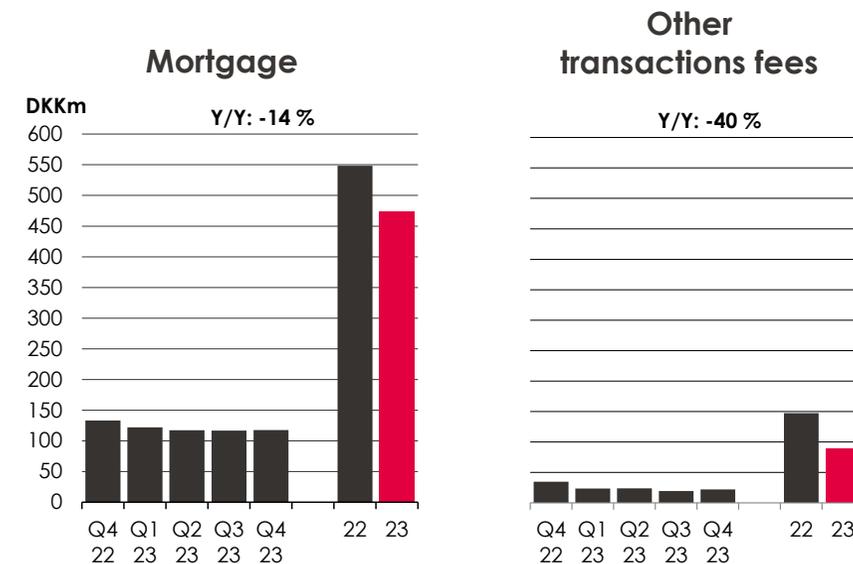
## Liquidity buffer / Capital Market funding



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

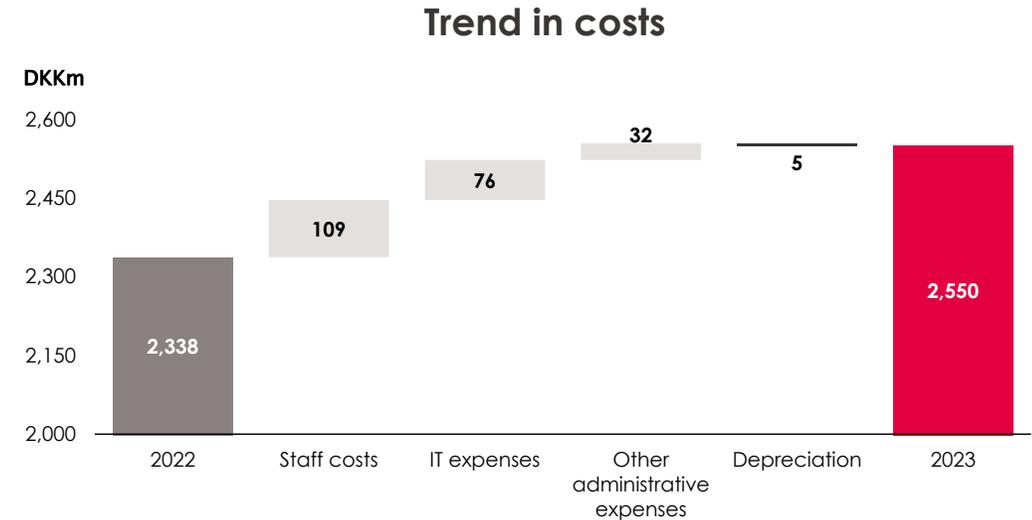
# Lower activity driving decline in net fee income

- **Net fee income amounted to DKK 1,493 million versus DKK 1,689 million in 2022**
  - Overall lower level of activity within the housing market, where especially remortgaging activity has been significantly below the level from the same period last year
  - Also decline in activity within securities trading and assets under management, where fee income was also negatively affected by last year's decline in volume within assets under management
  - Strong activity within payment services and cards, insurance and pension
    - Other fees were in Q4 adversely affected by an amount of DKK 26 million relating to erroneous collection of fees in the financing company Sparxpres



# Costs/income ratio down to 45

- **Total costs amounted to DKK 2,550 million versus DKK 2,338 million in 2022 (9%)**
- **Payroll costs increases by DKK 109 million (8%)**
  - 1,703 employees by end of 2023, which was 59 more than at end of 2022
    - The increase was mainly driven by recent years' opening of new local banks and banking areas on Zealand and within leasing and the Large Corporates area
  - Collective wage increases
- **Operating expenses up by DKK 104 million (11%)**
  - The increase in operating expenses was mainly due to higher IT costs relating to the Bank's data processing centre, BEC and other IT costs
  - Increase in Other administrative expenses, mainly with respect to the handling of cash funds
- **Cost/Income Ratio of 45 – well below the strategic goal of a Cost/Income Ratio below 55**
  - Cost/Income Ratio in 2022: 56



## Breakdown on cost types

Operating expenses (DKKm)	2023	2022	Change
Staff-related expenses	57	46	10
Travel expenses	20	16	4
Marketing costs	70	65	5
IT expenses	620	544	76
Cost of premises	59	61	-2
Other administrative expenses	138	123	15
Depreciation	94	98	-5
<b>Operating expenses</b>	<b>1,057</b>	<b>953</b>	<b>104</b>

# Robust credit quality results in net reversal of impairment charges

- **Loan impairments amounted to DKK -33 million against DKK 78 million in 2022**

- Individual impairments in stage 3 declined by DKK 72 million due to reduced number of exposures flagged for OEI and improved credit quality
- Total increase in impairments in stage 1 and 2 and management estimates of DKK 79 million, whereof 88 was attributable to an underlying increase in management estimate
- Impact on profits breaks down into income of DKK 47 million from retail customers and an expense of DKK 14 million from business customers
  - Amounts recovered on previously impaired receivables contributed favorably to the amount of DKK 127 million to the total profit impact in 2023

- **At the end of 2023, total management estimate was DKK 662 million**

- Broken down into DKK 389 million on corporate customers and DKK 273 million on private customers
- By end of 2023, the previous management estimate concerning inflation, low growth and housing prices was divided into three separate estimates; cyclical downturn, commercial real estate and ESG:
  - DKK 375 million concerning cyclical downturn
  - DKK 155 million concerning commercial real estate
  - DKK 73 million concerning ESG

● Related to the expected effects from the upcoming CO2 levy on agriculture and the transport industry

DKKm / pct.	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023
- Impairments, private	20	-12	37	-37	-35
- Impairments, corporate	37	13	-42	12	31
<b>Impairments of loans and advance:</b>	<b>57</b>	<b>1</b>	<b>-5</b>	<b>-25</b>	<b>-4</b>
<b>Impairment ratio</b>	<b>0.1</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Impairments by type (DKKm)	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023
Management estimates	574	588	646	671	662
Impairments in Stage 1 and 2	469	472	473	497	460
<b>Impairments in Stage 1 and 2 + Estimates</b>	<b>1,043</b>	<b>1,060</b>	<b>1,119</b>	<b>1,169</b>	<b>1,122</b>
Impairments in Stage 3	623	608	569	543	551
<b>Total impairments</b>	<b>1,666</b>	<b>1,667</b>	<b>1,688</b>	<b>1,712</b>	<b>1,673</b>

DKKm	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023
Cyclical downturn	369	381	443	403	375
Commercial real estate	30	28	26	112	155
ESG	36	39	52	54	73
Model uncertainty etc.	98	102	92	79	59
Land prices	41	38	33	23	0
<b>Total management estimates</b>	<b>574</b>	<b>588</b>	<b>646</b>	<b>671</b>	<b>662</b>

# Financial guidance for 2024

- **Core income expectations**

- Growth in total business volume from sustained organic growth, enhanced strategic focus on business customers and continuing growth within leasing activities and bank mortgage loans
- Decline in net interest income in 2024 primarily owing primarily because of pressure on deposit margins and higher funding costs - on the other hand, business volume growth and a higher average lending rate will contribute positively to net interest income
  - Expectation of three rate cuts from June 2024 and onwards totaling 0.75 of a percentage point
- Increase in net fee income from a higher level of activity in areas such as pension, insurance and securities trading, as well as a higher asset management volume at the beginning of the year
- Market value adjustments and dividends on a level with 2023, including a consistently fair-sized contribution from currency trading and exchange rate and value adjustments and dividends on the portfolio of sector shares

- **Cost expectations**

- Increase in payroll costs driven by a higher average headcount and pay increases in accordance with collective agreements
- Increase in IT costs due to recent years' growth, partly to work to complete several in-house IT projects
- Expected one-off costs of approx. DKK 40 million related to the bank's 200th anniversary and cloud migration

- **Core earnings before impairments expected to be in the DKK 2.4-2.9 billion range**

- **Impairment charges are budgeted at a level around 0.30% of loans, advances and guarantees**

- Due to expectations of continued modest economic growth and a potential increase in unemployment

- **Profit after tax expected to be in the DKK 1.7-2.1 billion range**

- Corresponding to a ROE after tax in the 13-16% range

## 5 years trend

DKKm	2023	2022	2021	2020	2019
<b>Core earnings before impairment</b>	<b>3,108</b>	<b>1,808</b>	<b>1,581</b>	<b>1,227</b>	<b>1,324</b>
Impairments of loans and advance	-33	78	-120	309	22
<b>Profit after tax</b>	<b>2,421</b>	<b>1,417</b>	<b>1,368</b>	<b>737</b>	<b>1,059</b>
ROE after tax (pct.)	19.7	12.5	12.9	7.4	11.7

# Asset quality overview

# Maintaining strong credit quality is a very important ambition

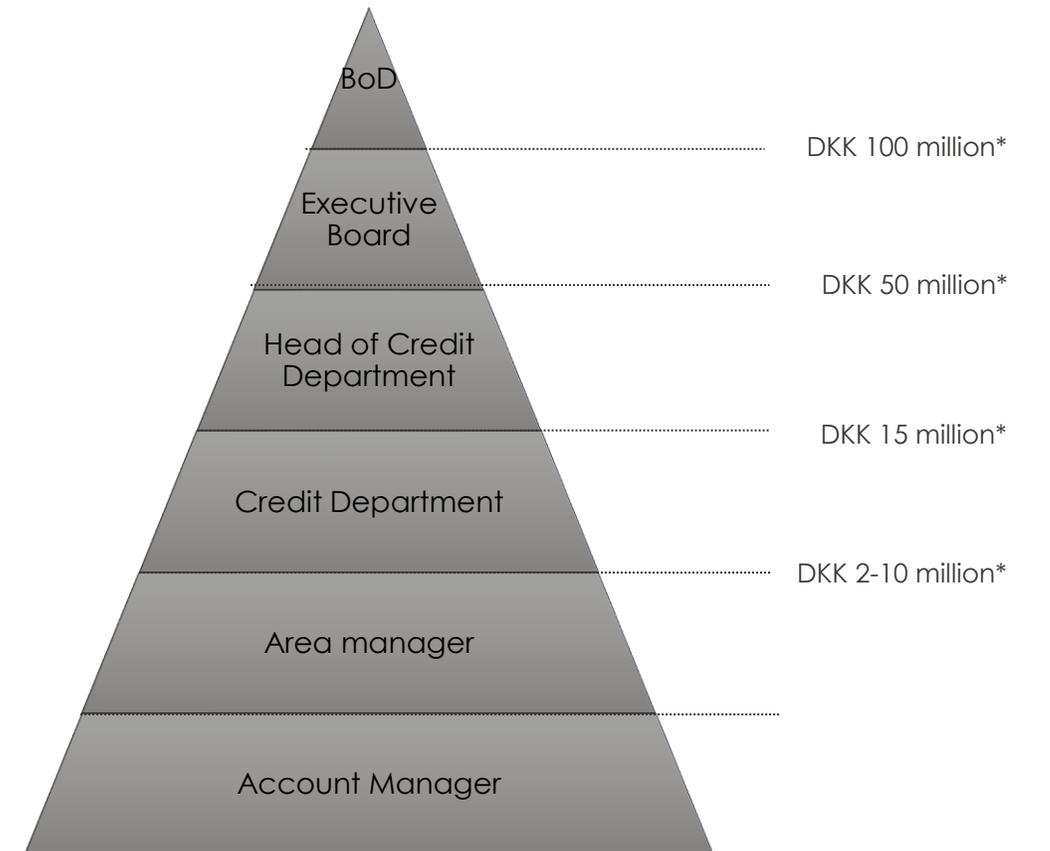
## Comments

- Firm focus on household segment and local SMEs
  - Loan book is 44 % private customers and 56 % corporate customers\*
  - Corporate portfolio is very diversified in terms of business sectors
  - Formal targets for industry diversification
 

Energy	max. 8%
Agriculture	max. 10%
Property	max. 15% (5% for speculative property financing)
Financing	max. 10%
Industry	max. 10%
Trading	max. 15%
  - Exposure is capped at DKK 1,000m for exposure groups within the same legal entity with more stringent requirements for collateral to secure exposure amounts exceeding DKK 500m
  - The unsecured share in the exposure group must not exceed DKK 250m
- Centralized monitoring of credit risk exposures by the Risk Management Department
  - Systematic screening of new retail exposures over DKK 100,000 and business exposures over DKK 300,000 form the basis for selection for a manual credit quality assessment.

\*Excluding reverse repo transactions

## Underwriting hierarchy



\*half amount on new customer

# Well diversified loan book maintained

- Loan book is generally very well diversified on industries
  - No abnormal exposure to any business sectors
  - Largest sector exposure is property which accounts for 12%
- Exposure to private customers accounts for 44% of loans and guarantees – against a sector average of approx. 1/3

## Loans and guarantees broken down by industry\*

Industry	DKKm			Pct.		
	2023	2022	2021	2023	2022	2021
Public authorities	760	1,358	1,259	1.1	2.0	1.8
Agriculture	2,643	2,802	2,743	3.8	4.0	4.0
Fisheries	56	93	114	0.1	0.1	0.2
Industry	3,416	3,666	3,055	5.0	5.3	4.5
Utilities	1,872	2,159	1,842	2.7	3.1	2.7
Building and construction	3,046	3,106	2,993	4.4	4.5	4.4
Trade	4,465	4,977	4,191	6.5	7.2	6.1
Transport, Hotels and Restaurants	3,157	3,165	2,897	4.6	4.6	4.2
Information	351	330	389	0.5	0.5	0.6
Financing and insurance	4,231	4,469	4,139	6.1	6.4	6.1
Property	8,393	8,200	7,343	12.2	11.8	10.8
Other industries	6,241	5,580	5,008	9.1	8.1	7.3
Total Business customers	38,630	39,905	35,973	56.1	57.6	52.7
Private customers	30,234	29,385	32,260	43.9	42.4	47.3
<b>Total</b>	<b>68,864</b>	<b>69,290</b>	<b>68,234</b>	<b>100</b>	<b>100</b>	<b>100</b>

\* Excl. reverse repo transactions

# Total credit distribution by industry\*

Bank loans and guarantees + Originated mortgage loans - 2023 (DKKm)								
Industry	Spar Nord On balance sheet			Spar Nord Off balance sheet	Originated mortgage loans		Total	Total in pct.
	Bank loans	SparXpres	Leasing loans	Guarantees	Totalkredit	DLR Kredit		
Public authorities	755		2	2	0	0	760	0.5
Agriculture and Fisheries	1,502		937	11	310	3,098	5,859	3.5
Industry	1,988		993	405	316	173	3,874	2.3
Utilities	958		817	79	29	24	1,907	1.1
Construction and engineering	1,348		1,339	272	820	336	4,115	2.4
Trade	3,467		695	227	889	331	5,610	3.3
Transport, hotels and restaurants	1,305		1,713	101	391	107	3,617	2.1
Informations	275		40	14	365	12	706	0.4
Financing and insurance	3,607		232	338	185	398	4,759	2.8
Property	7,664		183	162	2,106	3,946	14,061	8.3
Other industries	3,862		2,042	157	2,767	293	9,121	5.4
<b>Total business customers</b>	<b>26,730</b>		<b>8,994</b>	<b>1,767</b>	<b>8,180</b>	<b>8,717</b>	<b>54,388</b>	<b>32.3</b>
Private customers	22,897	509	10	1,503	87,566	1,706	114,191	67.7
<b>Total</b>	<b>49,627</b>	<b>509</b>	<b>9,004</b>	<b>3,270</b>	<b>95,745</b>	<b>10,424</b>	<b>168,579</b>	<b>100.0</b>

\*Gross credit distribution excl. reverse repo transactions

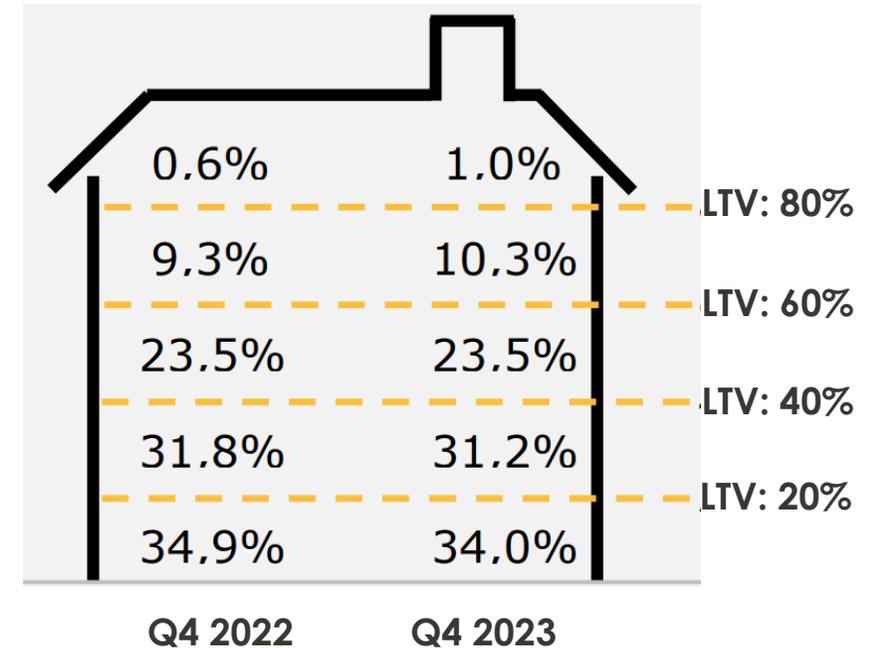
# Facilitation of mortgage loans from Totalkredit

## Mortgage facilitation overview

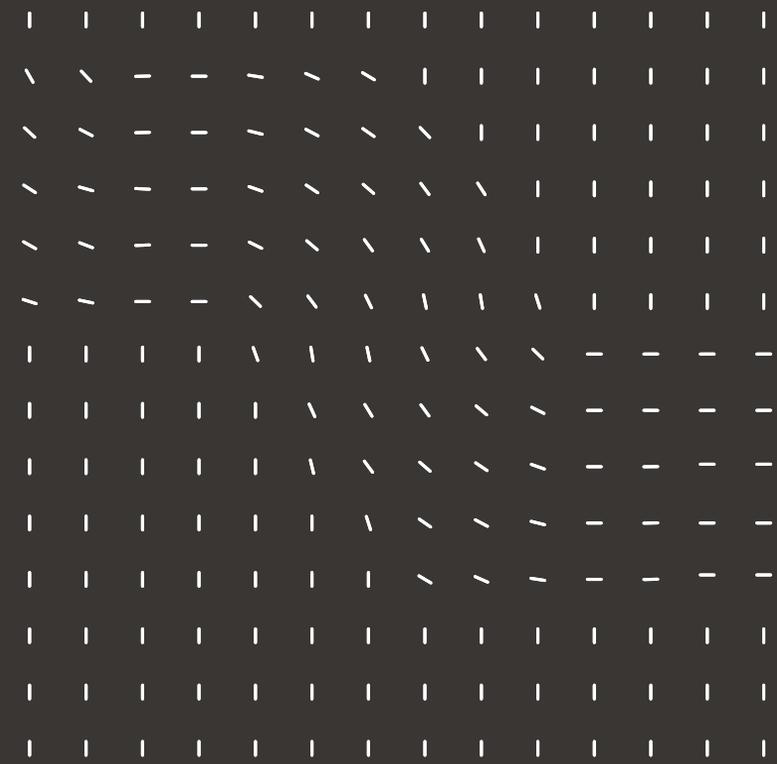
- A major part of Spar Nord's business consists of facilitating mortgage loans on behalf of Totalkredit and DLR-Kredit (DKK 109.8bn by H1'23)
- When facilitating mortgage loans, Spar Nord is responsible for customer services, facilitation and initial credit assessment. Spar Nord then receives a share of the total income from the customer
- Risk of mortgage facilitation:
  - For Totalkredit private loans, Spar Nord is generally liable for losses on the cash part of the loan that exceeds 60% of the property's mortgage lending value
  - For Totalkredit business loans, Spar Nord is liable for 1/3 of the loan
  - On DLR-Kredit mortgage loans, Spar Nord is liable for a 6% guarantee plus a right of setoff
- In case of losses on loans facilitated by Spar Nord, a full or partial setoff will be made against the commission paid to Spar Nord for its loan-facilitation services
- Spar Nord records losses arisen on an ongoing basis, recognising them in impairment etc., so no losses are offset against future commission

## Totalkredit Private – Spar Nord LTV & Historical loss rates for mortgages

- By end Q4 2023, 99.0% of Spar Nord's originated mortgage loans at Totalkredit were below 80% LTV and as much as 88.7% were below a LTV of 60%



Totalkredit loans					
Private (DKKm)	2023	2022	2021	2020	2019
Loss	13.1	11.2	11.0	11.9	11.8
Loans	95,868	100,047	97,870	80,599	75,079
Percentage	0.014%	0.011%	0.011%	0.015%	0.016%



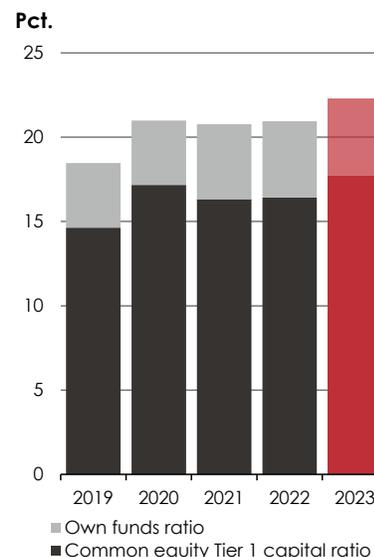
# Capital & liquidity overview

# Solid capital coverage and distribution of 69%

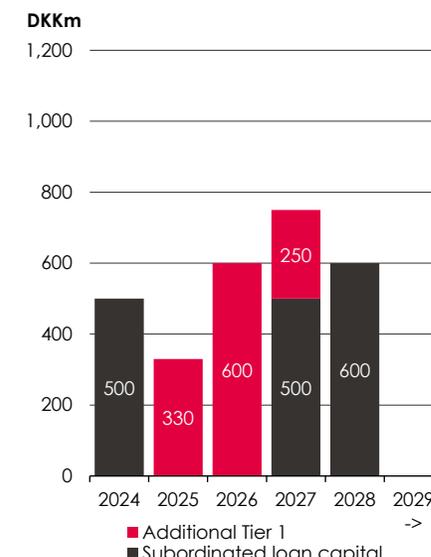
- **Capital ratios**
  - CET1: 17.7 (strategic target: 13.5)
  - Own funds ratio: 22.3 (strategic target: 17.5)
- **Individual solvency requirement of 9.8% and combined buffer requirement of 6.0%**
  - Excess coverage of 6.2 percentage points or DKK 3.8 billion
- **Compared with 2022, the Bank's CET1 ratio increased by 1.3 percentage point, while the own funds ratio was 1.4 percentage point higher**
  - Own funds increased by DKK 780 million from the recognition of the profit for the year less expected dividends
    - DKK 10 per share in dividends equal to a total amount of DKK 1,205 million
  - Total risk exposure declined DKK 0.1 billion compared to end 2022
- **On the basis of 2023, distribution of 69% of net result is set in form of ordinary dividend of DKK 10 per share and share buyback of DKK 500 million**
  - Deductions for the share buyback programme are expected to reduce Spar Nord's capital ratios by 0.9 of a percentage point at the end of Q1 2024

	2023	2022	2021	2020	2019
Dividend per share (DKK)	10.0	4.5	5.0	1.5	0.0
Share buyback (DKKm)	500	300	225	-	-
<b>Payout ratio</b>	<b>69</b>	<b>60</b>	<b>61</b>	<b>25</b>	<b>0</b>

## Capital ratios



## Maturity profile for subordinated debt



Pct. / DKKm	Q4 2023	Q3 2023	2022	2021
<b>Common equity Tier 1 capital ratio</b>	<b>17.7</b>	<b>16.5</b>	<b>16.4</b>	<b>16.3</b>
Additional Tier 1	1.9	2.0	1.9	1.9
<b>Tier 1 capital ratio</b>	<b>19.7</b>	<b>18.5</b>	<b>18.4</b>	<b>18.3</b>
Tier 2 capital	2.6	2.6	2.6	2.5
<b>Own funds ratio</b>	<b>22.3</b>	<b>21.1</b>	<b>20.9</b>	<b>20.8</b>
<b>Total Risk Exposure</b>	<b>60,369</b>	<b>59,880</b>	<b>60,463</b>	<b>60,479</b>
Of which Credit Risk	49,563	48,986	50,063	50,165
Of which Market Risk	3,958	4,046	3,901	4,140
Of which Operational Risk	6,848	6,848	6,499	6,174

# Comfortable coverage for MREL requirement

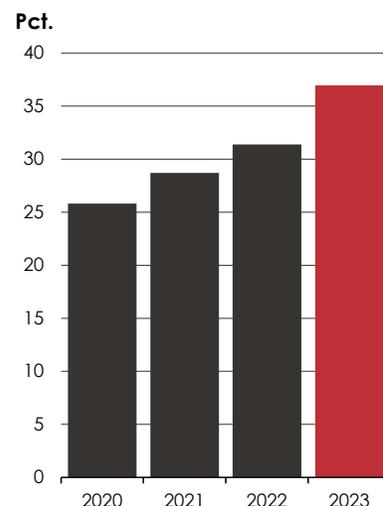
- **MREL and combined buffer percentage was 36.9% which is 5.5 percentage points higher than end 2022**

- In December 2023, Spar Nord issued MREL capital (Senior Non-Preferred) of DKK 830 million:
  - NOK 800 million with term of 6NC5 and floating coupon of 3m NIBOR + 245 bps.
  - DKK 300 million with term of 3NC2 and floating coupon of 3m CIBOR + 140 bps.
- In January 2024, additional MREL capital of DKK 660 million was issued (*Issue was not included in the MREL and combined buffer percentage at the end of 2023*)
  - SEK 1,000 million with term of 6NC5 and floating coupon of 3m STIBOR + 245 bps.

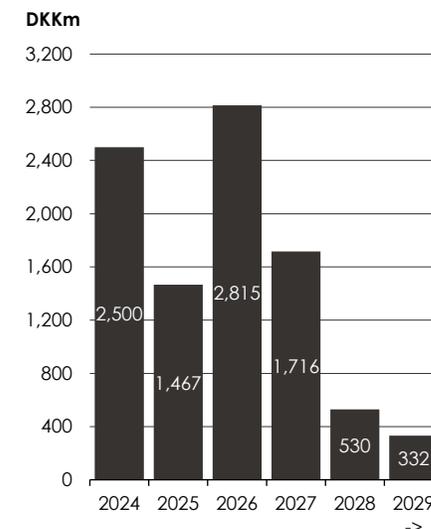
- **Excess coverage against fully phased-in MREL and combined buffer requirement of 7.8 percentage points by start of 2024**

- Fully phased-in MREL and combined buffer requirement at 29.0%
  - Spar Nord is in place for the fully phased-in MREL requirement as well as the expected implementation of a sector-specific systemic risk buffer for exposures to real estate companies in mid-2024
- With due consideration to the current opportunities and prices of issues, Spar Nord regularly considers the need for, and timing of, issuing additional MREL capital
  - Following issue of MREL capital in January 2024, Spar Nord expects in 2024 to issue MREL capital (Senior Non-Preferred) for up to DKK 2 billion - primarily with a view to refinancing outstanding MREL capital

**MREL and combined buffer percentage**



**Maturity profile for MREL capital\***



\* MREL capital is shown with a minimum of 1 year to contractual maturity

**MREL requirement and -coverage**

DKKb	Q4 2023	Q3 2023	2022	2021
Own funds	13.4	12.6	12.7	12.6
MREL capital	6.7	6.6	6.2	4.8
Deduction – separate combined buffer requirement	-3.6	-3.6	-3.3	-2.1
<b>Total MREL-eligible liabilities</b>	<b>18.7</b>	<b>15.7</b>	<b>15.7</b>	<b>15.3</b>

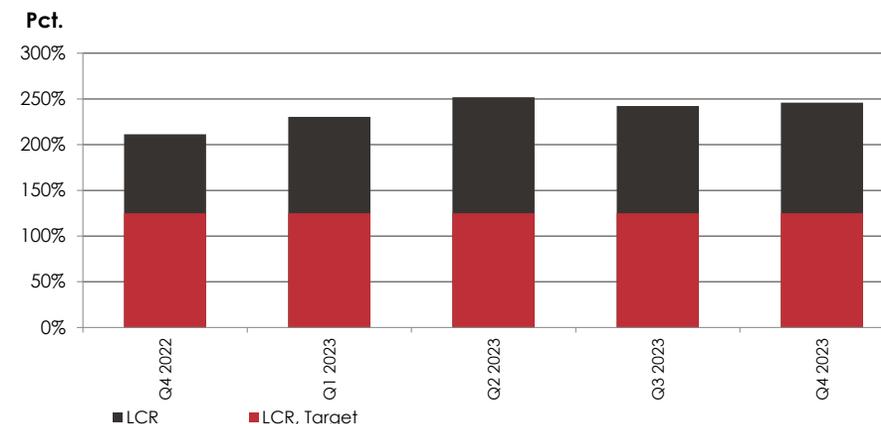
  

Pct.	Q4 2023	Q3 2023	2022	2021
MREL and combined buffer percentage	36.9	32.1	31.4	28.7
MREL and combined buffer requirement	29.0	28.1	27.2	23.6
<b>Excess coverage, MREL requirement</b>	<b>7.8</b>	<b>4.0</b>	<b>4.2</b>	<b>5.1</b>

# Unchanged strong liquidity and funding

- **End of 2023, LCR stood at 246%**
  - Statutory requirement at 100% / Bank's own target at 125%
- **End of 2023, NSFR stood at 131%**
  - Statutory requirement at 100% / Bank's own target at 105%
- **End of 2023, deposits excluding pooled schemes amounted to DKK 74.4 billion or 71 % of the Bank's total funding**
  - 64% of the deposits excluding pooled schemes were covered by the Guarantee Fund
  - The sum of the 20 largest deposits accounted for 5% of the Bank's total deposits excluding pooled schemes

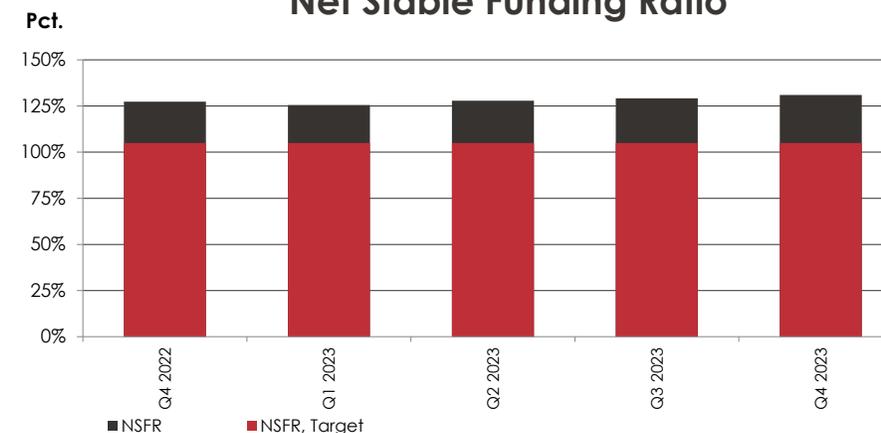
## Liquidity Coverage Ratio



## Funding profile

DKKb	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023
Money market funding	2.1	5.5	2.9	3.0	5.0
Deposits excluding pooled schemes	72.2	70.6	72.6	73.2	74.4
Issued bonds	6.2	6.2	6.3	6.5	9.3
Tier 2 capital and AT1 capital	2.8	2.8	2.8	2.8	2.8
Shareholders' equity	11.3	11.2	11.7	12.3	12.8
<b>Total funding</b>	<b>94.5</b>	<b>96.3</b>	<b>96.3</b>	<b>97.8</b>	<b>104.3</b>

## Net Stable Funding Ratio



# Strong and low risk customer deposit base

- **Overall, a conservative funding profile which gives rise to strong liquidity and funding metrics**
  - Liquidity metrics by end of 2023: LCR = 246 % and NSFR = 131 %
- **Majority of funding based on a strong customer deposit base**
  - A natural consequence of the Bank's business model with focus on private customers and SMEs
  - Focus on full customer relationships contributes to large deposit base
    - By end 2023, average deposits were in the range of:
      - DKK 155,000 per retail customer
      - DKK 4,7m per corporate/non-retail customer
    - 64 % of the customer deposits are covered by the Danish deposit protection scheme
      - 83 % of retail deposits
      - 7 % of other deposits (sum of non-retail deposits, deposits from financial customers and repo transactions)
- **MREL-requirement now fully phased in**
  - Outstanding amount of MREL capital around DKK 9bn

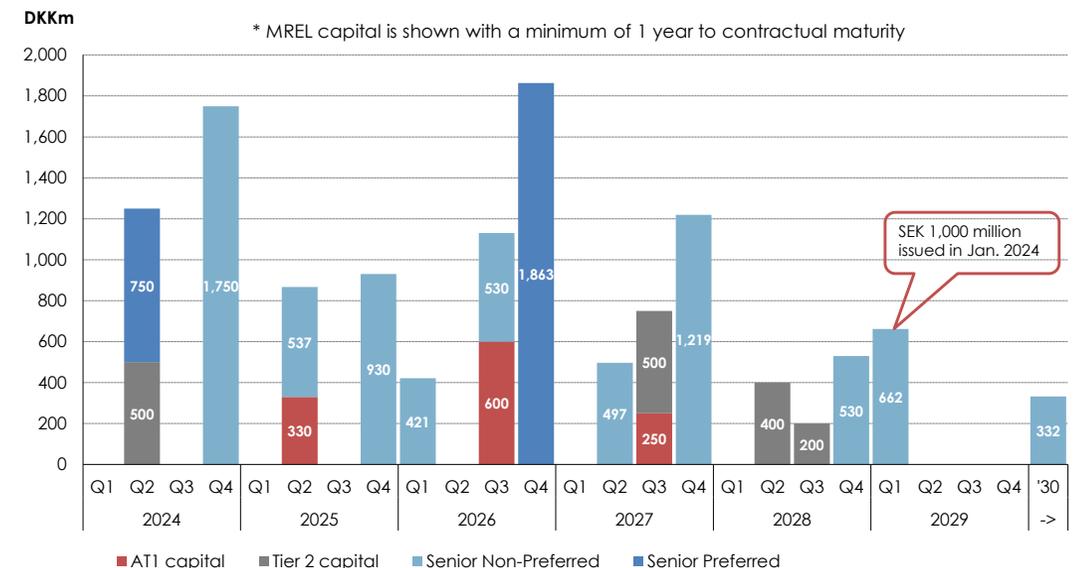
Deposits excluding pooled schemes (DKKb)	2020	2021	2022	2023
Deposits, Retail customers	46.7	53.6	56.2	60.9
Deposits, Non-retail customers	10.6	9.2	13.5	12.3
Deposits, Financial customers	0.8	1.0	2.4	1.1
Deposits, Repo transactions	0.3	0.0	0.0	0.1
<b>Deposits excluding pooled schemes</b>	<b>58.4</b>	<b>63.8</b>	<b>72.2</b>	<b>74.4</b>

Customer deposits Supplementary metrics	2020	2021	2022	2023
Top 20 customer deposits / Total customer deposits	3%	3%	7%	5%

MREL-capital (DKKb)	2020	2021	2022	2023
Senior Preferred	2.7	4.8	5.5	6.7
Senior Non-Preferred	0.0	0.0	0.8	2.6
<b>MREL-capital</b>	<b>2.7</b>	<b>4.8</b>	<b>6.2</b>	<b>9.3</b>

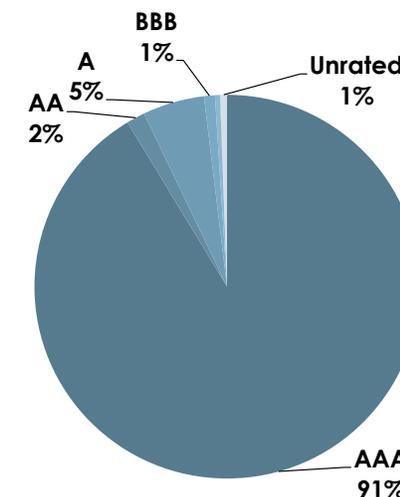
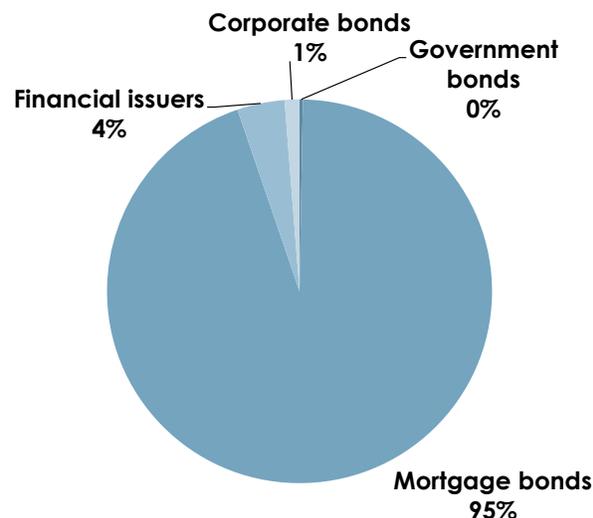


# Conservative liquidity portfolio

## Comments

- Bond portfolio consists of 94% mortgage bonds
  - Of which 98% are from Danish mortgage issuers
- 91% of the bond portfolio are rated AAA
  - And only 1% are Non-investment grade
- Investment focus is on issuers from Denmark, Other Nordic Countries and to a lesser extend Euroland
- Entire bond portfolio booked at fair value

## Bond portfolio by issuer type and rating

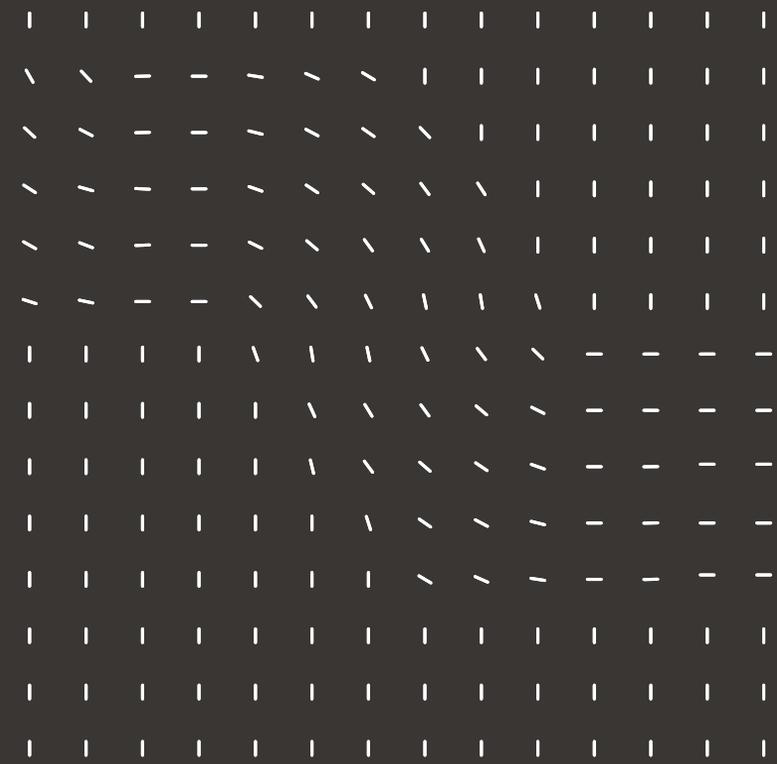


	2023	2022
Government bonds	87	-176
Mortgage bonds	29,463	21,783
Financial issuers	1,242	712
Corporate bonds	388	339
<b>Total bonds</b>	<b>31,180</b>	<b>22,657</b>

\*Bond portfolio plus spot and forward purchases and sales

	2023	2022
AAA	28,482	20,712
AA	485	67
A	1,615	1,189
BBB	285	207
BB	131	129
B	14	15
CCC	4	2
Unrated	164	336
<b>Total bonds</b>	<b>31,180</b>	<b>22,657</b>

\*Bond portfolio plus spot and forward purchases and sales



# Sustainability at Spar Nord

# ESG and sustainability in five workstreams

**1.**  
**RESPONSIBLE  
INVESTMENTS**

**2.**  
**SUSTAINABLE  
FINANCE**

**3.**  
**GOVERNANCE  
&  
COMPLIANCE**

**4.**  
**LOCAL  
INVOLVEMENT**

**5.**  
**OWN  
FOOTPRINT**

**UN INITIATIVES PROVIDE THE FRAMEWORK FOR ESG WORK**

**WE SUPPORT**



# ESG and sustainability



- **Selected milestones from the work with Spar Nord’s five prioritised ESG efforts**

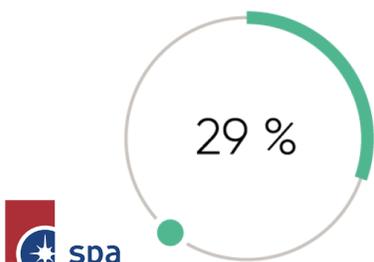
- Energy-friendly loan products (*financing of private cars, home improvements and other energy supply*)
  - By the end of 2025, 80% of all new car loans must be for energy-friendly cars (63% by end of 2023)
- Strengthened organization within ESG, where newly established department for ESG and sustainability is charged with coordinating and supporting the Bank’s ESG work and initiatives
  - Strengthening of governance and preparation for reporting according to CSRD in 2024
- Completion of double materiality assessment and continued efforts on CSRD, including the interpretation and assessment of the new, mandatory and topical reporting standards for sustainability topics (ESRS)
  - Spar Nord has chosen to report on the following five ESRS:
    - ESRS E1 – Climate change ; ESRS E5 – Resource use and circular economy
    - ESRS S1 – Own workforce ; ESRS S4 – Consumers and End-users ; ESRS G1 – Business conduct



- **Spar Nord has an ESG rating of “Low Risk” by Sustainalytics**

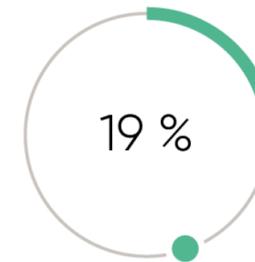
## Spar Nord has defined climate actions and targets for reduction of carbon emissions from e.g. investments and lending

Spar Nord’s climate actions and targets are in line with the recommendations from Finans Danmark’s Forum for Sustainable Finance



### Investments

Reduction of financed emissions from investments in shares and corporate bonds made on behalf of customers by 30% in 2025 and 60% in 2030 compared to 2020 baseline.



### Lending

Reduction of financed emissions from lending by 20% in 2025 and 45% in 2030 compared to 2021 baseline.

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# Legal disclaimer

Certain statements in today's presentation are based on the beliefs of our management as well as assumptions made by and information currently available to the management. Forward-looking statements (other than statements of historical fact) regarding our future results of operations, financial condition, business strategy and future objectives can generally be identified by terminology such as "targets", "beliefs", "expects", "intends", "plans", "assumes", "will", "may", "anticipates", "continues" or similar expressions.

A number of different factors may cause the actual performance to deviate significantly from the forward-looking statements in the presentations including but not limited to general economic developments, changes in the competitive environment, developments in the financial markets, extraordinary events such as natural disasters or terrorist attacks and changes in legislation.

We urge you to read our financial reports available on [sparnord.com](http://sparnord.com) for a discussion of some of the factors that could affect our future performance and the industry in which we operate.

Should one or more of these risks or uncertainties materialise or should any underlying assumptions prove to be incorrect, our actual financial condition or results could materially differ from that presented as anticipated, believed, estimated or expected.

Please note that we are not under any duty to update any of the forward-looking statements or to conform such statements to actual results, except as may be required by law.