



Reporting overview 2023

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.



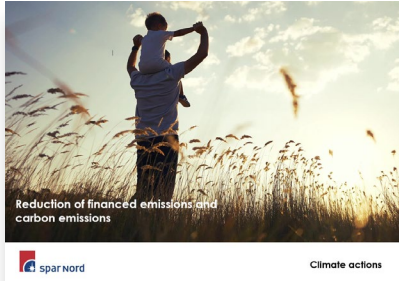
Risk Report 2023

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



Remuneration Report 2023

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



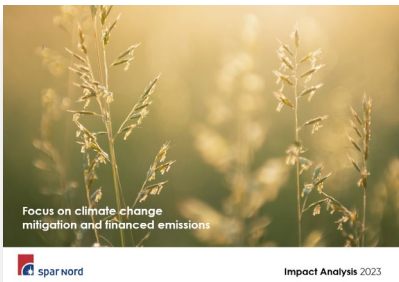
Climate actions

Spar Nord has analysed the Bank's impact on climate change, defining targets and actions with a view to reducing carbon emissions and the share of financed emissions.



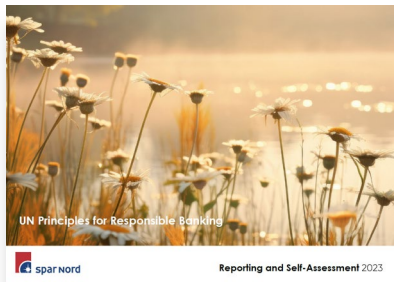
Corporate Governance Report 2023

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.



Impact Analysis 2023

Since 2021, Spar Nord has prepared an Impact Analysis of climate change, which estimates the Bank's financed emissions from lending and investments. The Impact Analysis is prepared as part of the Bank's obligations under the UN PRB.



PRB Reporting and Self-Assessment 2023

Spar Nord reports annually on its compliance with the UN Principles for Responsible Banking (UN PRB). The report is subject to a limited assurance audit and is published in English.



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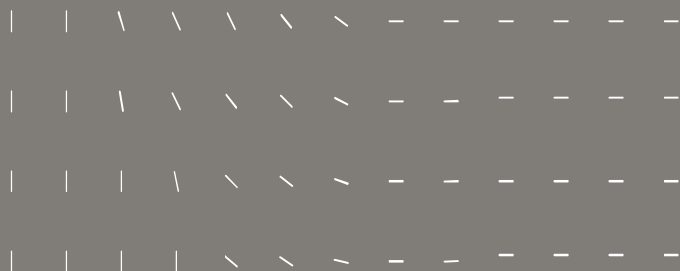
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Annual Report 2023 consists – in accordance with the requirements of the ESEF Regulation – of a zip file sparnord-2023-12-31-da.zip that includes an XHTML file. The XHTML file is the official version of Annual Report 2023. This PDF version of Annual Report 2023 is a copy of the XHTML file. In case of discrepancies, the XHTML file prevails.



Why invest in Spar Nord



Strong financial performance

For a number of years, Spar Nord has successfully generated strong results – even in years of difficult and challenging market conditions, the Bank has achieved positive results. Throughout business cycles, 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

Spar Nord is run on the basis of the local bank model, which is characterised by a high degree of decentralised decision-making powers, local autonomy and initiative and focused primarily on retail customers and small and medium-sized businesses in the local community. More than 20 years of organic growth supplemented by a number of acquisitions has transformed Spar Nord from a regional to a nationwide bank with strong distribution capabilities distributed on more than 60 local banks.



High customer satisfaction

Spar Nord has a strong reputation and high customer satisfaction across customer segments. In the business customer segment, Spar Nord has in six out of seven years been named the bank among the six largest banks in Denmark with the most satisfied business customers (Aalund). In the retail banking area, the Bank also regularly monitors and assesses customer satisfaction levels, and Spar Nord ranks above both the sector average and the large banks (EPSI).



Robust credit quality

Spar Nord has a well-diversified loan portfolio characterised by a credit quality that has remained strong over the past many years. The credit area in Spar Nord builds on a strong centralised credit management based on close dialogue with the local banks and ongoing monitoring of developments in the Bank's exposures. Finally, Spar Nord has clear strategic goals and limits in the credit area in terms of exposure sizes, customer segments, industries, etc.



Solid capital position and upcoming IRB implementation

Spar Nord has a strong capital structure and position with a common equity tier 1 capital ratio of 17.7%, which is well above both statutory requirements and the Bank's own capital targets. The expected implementation of internal ratings-based models (IRB) at the 2024/2025 changeover will in future provide the basis for a more optimum capital application and contribute to further consolidating Spar Nord's capital position. Using IRB models requires the approval of the Danish FSA.



A committed bank

Based on the local bank model, Spar Nord has an ambition that diligent and attentive customer advice combined with a local presence and involvement provide the foundation of strong, long-term customer relations. Accordingly, the Bank's committed employees can make a difference and assume responsibility in the areas where they live – and where the Bank operates.

ESG highlights in 2023



Improved ESG capabilities

In 2022 and 2023, Spar Nord strengthened its 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 have ensured that all employees gain an insight into ESG, the UN SDGs and sustainability generally in relation to the financial sector.



Energy-friendly loan products

Spar Nord offers two energy-friendly loan products that give 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 2023, 66% of the Bank's new car loans were for electric or plug-in 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 the end of 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. Based on 'Our local promise', our employees have made donations for meaningful projects in their own communities. In 2023, the Bank disbursed local sponsorships and donations for a little more than DKK 29 million.



Strengthened ESG organisation

The Bank set up a department for ESG and sustainability in 2023 to coordinate and support the Bank's decentralised ESG initiatives, including by ensuring dialogue and liaising across the organisation and by establishing cohesion and a common interpretation of legislation, strategy and ambition levels in the entire ESG area. The department is a part of the in-house strengthening of governance in connection with preparations for reporting in accordance with the CSRD in 2024.



Focus on nature, climate and environment

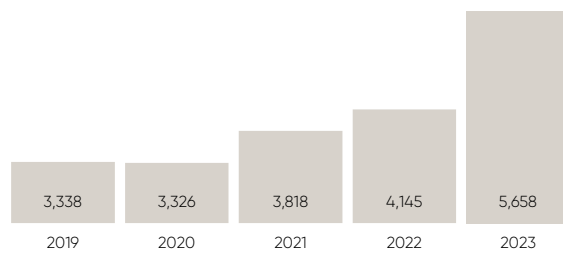
Spar Nord has taken the first important steps towards implementing a broader understanding of the E in ESG with a view to specifying the Bank's impact, risks and opportunities with respect to people, the environment and society. Going forward, we will also include nature as a concept representing significant environmental challenges that to beyond climate change, notably resource efficiency and circular economy, which has been selected as the Bank's other key impact area in accordance with the UN Principles for Responsible Banking (UN PRB).



Climate actions

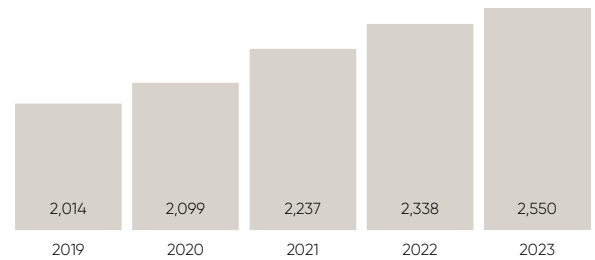
Spar Nord has analysed the Bank's impact on climate change, defining targets and actions with a view to reducing carbon emissions and the share of financed emissions. Spar Nord has assessed that the Bank remains on track to achieving its climate action targets. Spar Nord's climate action are in line with the recommendations from Finans Danmark's Forum for Sustainable Finance and are published at sparnord.com/esg.

Key financial results in 2023



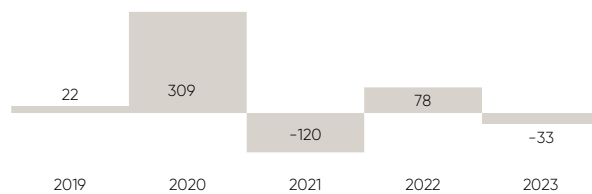
Core income

Spar Nord generated core income of DKK 5,658 million in 2023, which was DKK 1,513 million more than in 2022. Net interest and net fee income rose by DKK 1,331 million, while market value adjustments were up by DKK 129 million.



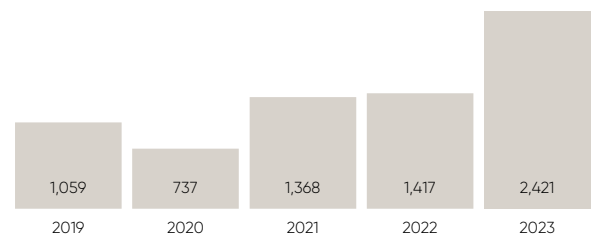
Costs and expenses

Spar Nord's total costs and expenses amounted to DKK 2,550 million, against DKK 2,338 million in 2022. Payroll costs amounted to DKK 1,493 million in 2023, while operating expenses amounted to DKK 1,057 million.



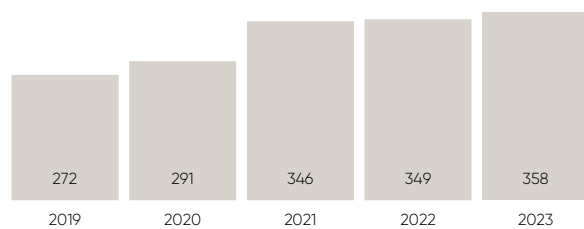
Loan impairment

Loan impairment charges amounted to an income of DKK 33 million in 2023, against an expense of DKK 78 million in 2022. The positive profit impact was driven by lower individual impairment charges in stage 3, while impairment in stages 1 and 2 and management estimates increased during the period.



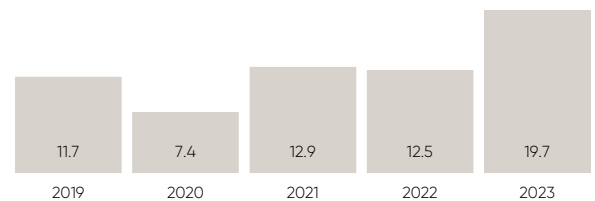
Profit/loss after tax

Profit after tax was DKK 2,421 million in 2023, against DKK 1,417 million in 2022. The net profit was the highest in the Bank's 199-year history.



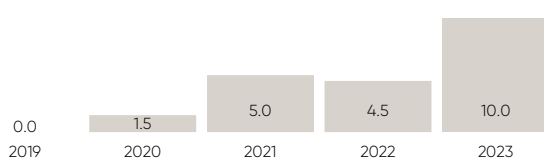
Business volume

The total business volume grew 3% in 2023 to DKK 358 billion at the end of the year. The increase was driven by growth in bank and leasing loans, deposits, deposits in pooled schemes and customers' custodian accounts, while a fall in mortgage loan facilitation and guarantees had the opposite effect.



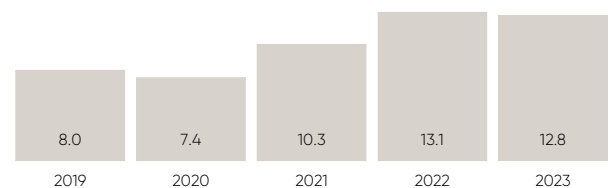
Return on equity

Return on equity after tax stood at 19.7% in 2023, down from 12.5% in 2022. For the period 2019-2023, average return on equity after tax was 12.8%.



Dividend

In the Bank's Annual Report 2023, the Board of Directors has proposed dividends of DKK 10.0 per share. In addition, the Board of Directors intends to propose a share buyback programme of DKK 500 million.



Market capitalisation

Spar Nord's market capitalisation fell 2% in 2023 to DKK 12.8 billion at the end of the year. The fall was due to the capital reduction in 2023 on completion of share buybacks of DKK 225 million.

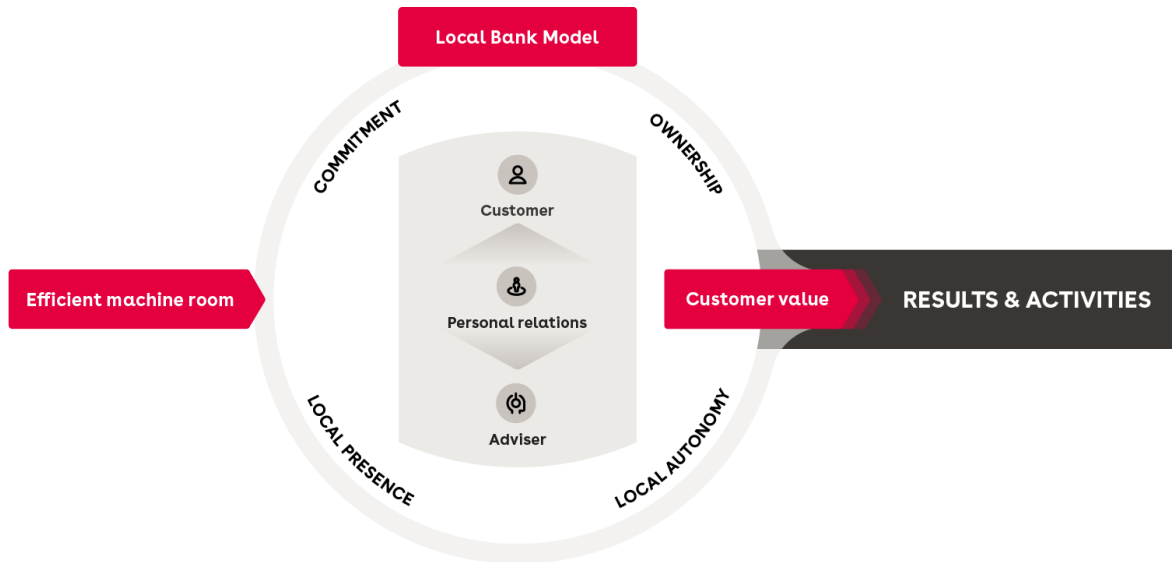
How we do business

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

A recurring feature of 2023 was a number of central bank rate hikes in an effort to curb inflation. By the end of the year, this goal appeared to have been reached, but during the year the rate hikes caused uncertainty with respect to future economic growth, causing an overall lower level of activity than in the preceding years.

The higher interest rates enabled Spar Nord to achieve another record-breaking net profit – the best in the Bank's 199-year history – of DKK 2,421 million and a return on equity of 19.7%, making Spar Nord a top performer among large Danish banks.

On the basis of the highly satisfactory results for 2023, the Board of Directors proposes paying a dividend of DKK 10.0 per share and establishing a share buyback programme of DKK 500 million in 2024.

Continuing investment in future growth

We continued to invest in our local presence and distribution capabilities in 2023, opening a new local bank in Helsingør and a new banking area in Frederikssund. Since 2020, we have opened a total of eight new local banks and banking areas, thereby substantially strengthening our market position on Zealand.

We also invested in the establishment of new decentralised Large Corporate departments in Aarhus and Roskilde, which will henceforth support the business customer departments of the local banks in advising and serving large business customers outside northern Jutland. With this investment, we are confident that even more customers will benefit from our locally-rooted specialist expertise.

The continuous investments in a strong local presence and the enhanced collaboration in the corporate area are based on the Bank's decentralised business model and are to a large extent the reason why we project continued growth in business volume and market share in the coming years.

Specifically, our business volume rose by 3% compared with 2022. Bank and leasing loans grew by 4%, driven primarily by growth in bank mortgage loans to retail customers and in leasing for business customers. We expect both these areas to contribute to positive lending growth going forward.

Lower level of activity than in previous years

Overall, we experienced a lower level of activity in 2023 than in the preceding years, when extensive interest rate volatility in particular caused very strong remortgaging activity. In 2023, elevated interest rates resulted in an abrupt slowdown in the housing market overall.

As good advice obviously extends beyond home finance advisory services, we focused on providing

our customers with insurance and pension advice. In both areas, Spar Nord has strong collaboration partners in the form of Privatsikring and nærpension, which enables us to offer our customers competitive high-quality products. Advisory and sales services related to both insurance and pension products will be another focus area in 2024.

Finally, we contacted all customers with deposits of more than DKK 100,000, informing them of the option of transferring their deposits to savings or fixed-rate products. We did this to ensure that customers are aware of alternative methods of achieving a higher rate of deposit than the deposit on ordinary transaction accounts – and many customers decided to make use of this opportunity. We have repeated the initiative in the opening part of 2024, this time reaching out to customers with deposits of more than DKK 25,000.

In several cases, contacting our customers provided an opportunity to start a dialogue and to offer advice on how to invest excess funds. Spar Nord offers a range of investment products, which delivered strong and highly competitive returns in 2023.

Further value proposition in sustainability

Sustainability plays a pivotal role for many investors, and in 2023 customers were able to track the ESG key figures of their investments in Spar Nord's mobile and e-banking services. We will implement new measures on a regular basis to generally make it easier for customers to make conscious investment decisions – also when it comes to sustainability.

For our business customers, we worked on implementing a solution to manage ESG data. Expected to be launched in the second quarter of 2024, the solution is designed to help and support the Bank's business customers in the upcoming task of collecting, managing and reporting ESG data. The solution will support our continuous sustainability dialogue with business customers.

Within our organisation, we have established an independent department for ESG and sustainability, which is charged with coordinating and supporting the Bank's ESG work and initiatives. The department is a part of the in-house strengthening of governance in connection with the Bank's sustainability reporting, which from 2024 will be subject to the CSRD directive.

Lastly, we should mention the Bank's contribution to society in the form of direct and indirect taxes, which totalled DKK 976 million in 2023.



Rising interest rates towards the end of the year

The Danish central bank, Danmarks Nationalbank, spent most of 2023 seeking to curb the high level of inflation and bringing it closer to the monetary policy target of 2%. During 2023, the central bank thus raised the CD rate on no less than six occasions by a total of 1.85 percentage points to 3.60%.

Based on the situation at the end of the year, the monetary policy measures appear to have worked, as inflation has softened – notably at the tail end of the year. Consequently, there is much to indicate that interest rates have peaked and that Danmarks Nationalbank will not announce further rate hikes.

The rate hikes have also had an impact on the rates customers pay on variable-rate loans, as these rates have widely emulated Nationalbanken's rate hikes. On the other hand, however, competition in the market generally caused the Bank's average lending margin to fall during 2023.

Conversely, 2023 brought an increase in the Bank's deposit margin, as the rate customers receive on variable-rate deposits rose on a limited scale. The increase in the Bank's deposit margin – and that of other banks – was driven by two factors:

1. We have emerged from a period of negative interest rates and a historically low deposit margin for banks, so part of the increase in the deposit margin merely reflects a normalisation trend.

2. The Danish banking sector has a historically large deposit surplus – to the tune of DKK 600 billion – and the competitive setting is therefore very different than on the lending side, which has a major impact on pricing and price formation.

The rising interest rates through 2023 are one of the principal reasons for the Bank's record-breaking result. Rising interest rates and the overall higher level of interest resulted in a much better return on the Bank's excess liquidity.

Compared with last year, a better return on the Bank's excess liquidity explains more than half of the overall increase in net interest income, which is the principal source of income for the Bank.

Modest return to shareholders and stagnant share price

Based on the financial statements for 2022, total dividends of DKK 4.5 per share were distributed in 2023 and Spar Nord established a share buyback programme of DKK 300 million, equivalent to a total payout ratio of 60.

The Bank's share price performance was largely neutral in 2023, with the share opening the year at price DKK 106 and closing at DKK 107. During spring, the share price briefly touched the 130 mark, but financial turmoil triggered by a collapse of several US regional banks and Swiss bank Credit Suisse resulted in subsequent price falls for banking shares overall, including for Spar Nord.

When adding the dividend payment for the year to price developments, the overall return on Spar Nord's shares in 2023 was 4%.

Based on the results for 2023 and the Bank's solid capital position, the Board of Directors will recommend to the shareholders at the Annual General Meeting that a dividend of DKK 10.0 per share be distributed. In addition, the Board of Directors will launch a share buyback programme of DKK 500 million, equal to a total distribution of 69%.

Outlook for the Bank's anniversary year

In May 2024, Spar Nord will celebrate its 200th anniversary, as the Bank dates back to 1824 when Aalborgs Byes og Omegns Sparekasse was founded.

The Bank stands well prepared for the coming years with a successful business model, high rates of customer and employee satisfaction, a robust credit quality and a strong customer base as well as a highly satisfactory financial performance in recent years.

Furthermore, 2024 will likely be the last year in which the Bank applies the standard method for calculating capital before transitioning to internal ratings-based models (IRB). The expected implementation of IRB at the 2024/2025 annual change-over, will thus provide the basis for a more optimum capital application for the Bank.

Going into 2024, the economic climate with a continuing risk of a recession is expected to become one of the main themes of the year. At the same time, it remains difficult to predict the longer-term economic consequences of higher interest rates and an economic slowdown – unemployment trends in particular are expected to be a decisive factor.

Consequently, expectations are for limited economic growth in 2024, but also that recent years' investments in building a growing local presence and distribution capabilities will enable us to capture additional market shares.

Against this background, we expect to be able to generate a satisfactory profit again in 2024 and a return on equity that exceeds the Bank's target of a minimum return on equity of 11% after tax. We therefore hope to be able to generate results that will keep 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 - year

Income statement

DKKm	2023	2022	Change in %	2021	2020	2019
Net interest income	3,538	2,011	76	1,736	1,584	1,573
Net fee income	1,493	1,689	-12	1,541	1,238	1,225
Market value adjustments and dividends	452	323	40	407	433	379
Other income	175	122	43	133	71	160
Net core income	5,658	4,145	36	3,818	3,326	3,338
Staff costs	1,493	1,384	8	1,346	1,293	1,218
Operating expenses	1,057	953	11	890	806	796
Costs and expenses	2,550	2,338	9	2,237	2,099	2,014
Core earnings before impairment	3,108	1,808	72	1,581	1,227	1,324
Impairment of loans, advances and receivables etc.	-33	78	-	-120	309	22
Profit/loss before tax	3,141	1,730	82	1,701	918	1,302
Tax	720	313	130	333	181	243
Profit/loss	2,421	1,417	71	1,368	737	1,059
Interest expenses to holders of additional tier 1 (AT1) capital (taken to equity)	47	47	0	61	49	49

Balance sheet

DKKm	2023	2022	Change in %	2021	2020	2019
Total assets	134,896	123,936	9	116,535	102,077	93,113
Lending	69,366	65,806	5	61,936	52,312	51,312
Lending, banking and leasing activities	57,497	55,296	4	49,086	42,494	43,157
Lending, reverse repo transactions	11,870	10,510	13	12,850	9,819	8,155
Deposits	99,130	94,572	5	89,308	78,881	70,602
Deposits, banking activities	74,308	72,169	3	63,775	58,084	53,279
Deposits, repo transactions	89	0	-	0	333	0
Deposits in pooled schemes	24,733	22,402	10	25,533	20,464	17,323
Issued bonds	9,307	6,216	50	4,845	2,670	2,637
Subordinated debt	1,593	1,597	0	1,523	1,333	1,322
Additional tier 1 (AT1) capital	1,202	1,199	0	1,197	794	860
Shareholders' equity	12,777	11,270	13	10,727	9,596	8,901
Guarantees	9,702	12,342	-21	17,566	15,591	14,766
Total risk exposure amount	60,369	60,463	0	60,479	54,865	55,963
Common equity tier 1 capital	10,691	9,930	8	9,872	9,422	8,192
Impairment account and discount on commitments taken over	1,673	1,678	0	1,633	1,717	1,503
Business volume	358,193	348,739	3	346,189	291,310	272,431

Financial ratios – year

		2023	2022	2021	2020	2019
Own funds						
Own funds ratio		22.3	20.9	20.8	21.0	18.5
Tier 1 capital ratio		19.7	18.4	18.3	18.6	16.1
Common equity tier 1 capital ratio		17.7	16.4	16.3	17.2	14.6
Earnings						
Return on equity before tax excl. additional tier 1 (AT1) capital *)	%	25.7	15.3	16.1	9.4	14.5
Return on equity after tax excl. additional tier 1 (AT1) capital *)	%	19.7	12.5	12.9	7.4	11.7
Cost share of core income	DKK	0.45	0.56	0.59	0.63	0.60
Cost share of core income – incl. impairment of loans, advances and receivables, etc.	DKK	0.44	0.58	0.55	0.72	0.61
Return on assets	%	1.8	1.1	1.2	0.7	1.1
Market risk and liquidity						
Interest rate risk	%	0.3	0.5	0.9	1.1	0.6
Foreign exchange position	%	0.4	0.6	0.7	0.9	1.0
Foreign exchange risk	%	0.1	0.1	0.1	0.1	0.1
Net Stable Funding Ratio (NSFR)	%	131	127	125	-	-
Liquidity Coverage Ratio (LCR)	%	246	211	280	241	195
Bank and leasing loans relative to bank deposits	%	77.4	76.6	77.0	73.2	81.0
Credit risk						
Bank and leasing loans relative to shareholders' equity		4.5	4.9	4.6	4.4	4.8
Increase in loans and advances for the year	%	4.0	12.7	15.5	-1.5	9.1
Sum of large exposures	%	79.4	83.8	81.7	78.1	83.6
Impairment ratio		0.0	0.1	-0.1	0.4	0.0
Employees and branches						
Number of employees (full-time equivalents, end of period)		1,703	1,644	1,608	1,545	1,549
Number of branches		62	60	58	51	49
Spar Nord share						
DKK per share of DKK 10						
Share price, end of period		107	106	84	60	65
Net asset value (NAV), *)		109	93	87	78	72
Profit/loss for the year *)		19.9	11.2	10.6	5.6	8.2
Dividend	DKK	10.0	4.5	5.0**)	1.5	0.0
Return	%	4	33	42	-8	32
Price/earnings *)		5	9	8	11	8

*) 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 Danish FSA's layout and ratio system is shown in note 6.12 to the consolidated financial statements.

A definition of financial ratios is provided in note 6.12.1 to the consolidated financial statements.

Performance indicators – quarters

Income statement

	2023	2023	2023	2023	2022
DKKm	Q4	Q3	Q2	Q1	Q4
Net interest income	947	957	865	770	627
Net fee income	355	361	380	397	410
Market value adjustments and dividends	45	132	118	157	265
Other income	53	36	52	34	41
Net core income	1,400	1,486	1,414	1,357	1,342
Staff costs	396	351	374	372	360
Operating expenses	294	256	250	257	249
Costs and expenses	691	607	624	629	610
Core earnings before impairment	709	879	790	729	732
Impairment of loans, advances and receivables etc.	-4	-25	-5	1	57
Profit/loss before tax	714	904	795	727	675
Tax	164	212	174	170	127
Profit/loss	550	693	621	557	548
Interest expenses to holders of additional tier 1 (AT1) capital (taken to equity)	12	12	12	12	12

Balance sheet

DKKm					
Total assets	134,896	127,176	126,952	125,638	123,936
Lending	69,366	65,930	65,537	65,491	65,806
Lending, banking and leasing activities	57,497	56,161	56,863	56,053	55,296
Lending, reverse repo transactions	11,870	9,769	8,674	9,438	10,510
Deposits	99,130	96,538	96,059	93,490	94,572
Deposits, banking activities	74,308	72,828	72,400	70,310	72,169
Deposits, repo transactions	89	327	199	258	0
Deposits in pooled schemes	24,733	23,383	23,459	22,922	22,402
Issued bonds	9,307	6,459	6,330	6,205	6,216
Subordinated debt	1,593	1,595	1,595	1,597	1,597
Additional tier 1 (AT1) capital	1,202	1,195	1,193	1,201	1,199
Shareholders' equity	12,777	12,282	11,670	11,158	11,270
Guarantees	9,702	9,822	11,137	11,617	12,342
Total risk exposure amount	60,369	59,880	61,512	61,308	60,463
Common equity tier 1 capital *)	10,691	9,902	9,937	9,442	9,930
Impairment account and discount on commitments taken over	1,673	1,712	1,688	1,679	1,678
Business volume	358,193	353,009	355,066	351,123	348,739

*) Common equity Tier 1 capital for Q1 and Q3 2023 are exclusive of recognition of profit/loss for the period.

Financial ratios – quarters

	2023	2023	2023	2023	2022	
	Q4	Q3	Q2	Q1	Q4	
Own funds						
Own funds ratio *)	22.3	21.1	20.6	19.9	20.9	
Tier 1 capital ratio *)	19.7	18.5	18.1	17.3	18.4	
Common equity tier 1 capital ratio *)	17.7	16.5	16.2	15.4	16.4	
Earnings						
Return on equity before tax excl. additional tier 1 (AT1) capital p.a. **)	%	23.4	30.3	27.3	25.5	24.1
Return on equity after tax excl. additional tier 1 (AT1) capital p.a. **)	%	17.9	23.1	21.2	19.5	19.5
Cost share of core income	DKK	0.49	0.41	0.44	0.46	0.45
Cost share of core income – incl. impairment of loans, advances and receivables, etc.	DKK	0.49	0.39	0.44	0.46	0.50
Return on assets	%	0.4	0.5	0.5	0.4	0.4
Market risk and liquidity						
Interest rate risk	%	0.3	0.2	0.1	0.4	0.5
Foreign exchange position	%	0.4	0.5	0.8	0.6	0.6
Foreign exchange risk	%	0.1	0.1	0.1	0.1	0.1
Net Stable Funding Ratio (NSFR)	%	131	129	128	126	127
Liquidity Coverage Ratio (LCR)	%	246	242	252	230	211
Bank and leasing loans relative to bank deposits	%	77.4	77.1	78.5	79.7	76.6
Credit risk						
Bank and leasing loans relative to shareholders' equity		4.5	4.6	4.9	5.0	4.9
Increase in loans and advances for the period	%	2.4	-1.2	1.4	1.4	4.6
Sum of large exposures	%	79.4	84.7	81.6	89.9	83.8
Impairment ratio		0.0	0.0	0.0	0.0	0.1
Employees and branches						
Number of employees (full-time equivalents, end of period)		1,703	1,675	1,655	1,648	1,644
Number of branches		62	62	62	61	60
Spar Nord share						
DKK per share of DKK 10						
Share price, end of period		107	109	107	108	106
Net asset value (NAV) **)		109	104	98	93	93
Profit/loss for the period **)		4.5	5.7	5.1	4.5	4.4

*) Own funds for Q1 and Q3 2023 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

		2023	2022	2021	2020
Environmental data					
Scope 1	tCO2e	216	257	224	123
Scope 2	tCO2e	327	803	1,025	1,102
Scope 3	tCO2e	736,401	648,313	717,954	-
Energy consumption	GJ	27,878	29,473	32,148	-
Renewable energy share	%	46.0	46.8	43.6	-
Water consumption	m3	5,440	7,876	6,451	6,518
Social data					
Full-time workforce	FTE	1,664	1,628	1,618	1,553
Gender diversity	%	50	50	51	52
Gender diversity for management levels	%	28	25	20	22
Pay difference between genders	Factor	1.2	1.2	1.2	1.3
Staff turnover rate	%	15	11	12	9
Absenteeism due to sickness	Days/FTE	6.8	7.7	7.0	4.9
Governance – management data					
Gender diversity of the Board of Directors *)	%	17	0	0	0
Board meeting attendance	%	96	92	96	98
Pay gap between the CEO and employees	Factor	9.7	9.1	8.9	8.9

Definitions of key figures are provided under accounting policies for ESG.

*) From 2023, the figure will be calculated exclusively on the basis of shareholder-elected members, while employee-elected members were previously also included.

Summary of ESG data in the annual report

	Management's review	Note
Reference to Risk Report 2023	Reporting overview 2023	-
Reference to Remuneration Report 2023	Reporting overview 2023	-
Reference to Climate actions	Reporting overview 2023	-
Reference to Corporate Governance Report 2023	Reporting overview 2023	-
Reference to Impact Analysis (UN Principles for Responsible Banking)	Reporting overview 2023	-
Reference to PRB Reporting and Self-Assessment 2023	Reporting overview 2023	-
ESG highlights in 2023	ESG highlights in 2023	-
ESG key figures	ESG key figures	-
Report on sustainability and social responsibility (ESG reporting 2023)	Sustainability reporting/ESG	-
EU Taxonomy reporting	Sustainability reporting/ESG	-
Description of loan impairment charges – management estimates relating to ESG factors	Financial performance in 2023	5.1.1, 5.1.8
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

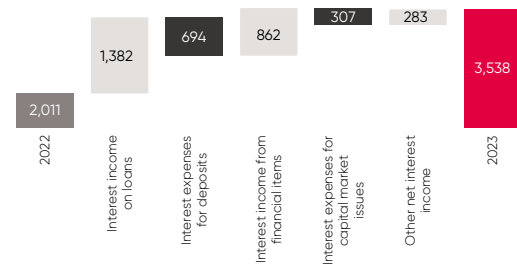
Financial results in 2023

Spar Nord achieved a net profit of DKK 2,421 million in 2023, which corresponds to an annualised return on equity of 19.7%. The profit was 71% higher than in 2022 and is considered highly satisfactory.

Income

Core income for the year amounted to DKK 5,658 million, which was an increase of DKK 1,513 million, or 36%, on 2022.

Developments in net interest income (DKKm)



Net interest income was DKK 3,538 million in 2023, against DKK 2,011 million in 2022.

The sharp increase in net interest income was driven by rising policy and market rates in the year and growth in both lending and deposits.

The increase in interest income from lending was positively affected by a substantial increase in the average lending rate and an increase in average total lending. On the other hand, growth in average deposits and the abolition of negative deposit rates also prompted higher interest expenses in 2023. Overall, developments in policy and market rates and lending and deposits resulted in an increase in net interest income from loans and deposits of DKK 688 million compared with 2022.

Net interest income relating to the placement of the Bank's excess liquidity in 2023 was positively affected by rising interest rates. Net interest income from financial items and other net interest income in 2023 were thus DKK 1,145 million higher overall than in 2022.

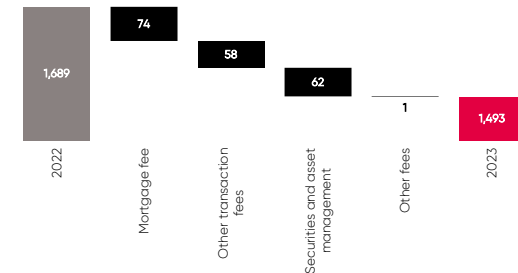
On the other hand, rising market rates and increased volumes had an adverse effect on the Bank's interest expenses for capital market issues, which increased by DKK 307 million in 2023 relative to 2022.

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, which was identified at the end of 2023.

DKKm	2023	Q4 2023	Q3 2023	Q2 2023	Q1 2023	2022
Interest income on loans	3,153	863	824	780	686	1,771
Interest expenses for deposits	531	198	146	109	78	-163
Net interest income, deposits and loans	2,622	665	679	670	608	1,934
Interest income from financial items	1,047	336	303	217	191	184
Interest expenses for capital market issues	422	143	107	93	80	116
Other net interest income	292	89	82	69	51	9
Total net interest income	3,538	947	957	865	770	2,011

Net fee income amounted to DKK 1,493 million, which was DKK 196 million, or 12%, lower than in 2022. Net fee income accounted for 30% of total net interest and fee income in 2023 (2022: 46%).

Developments in net fee income (DKKm)



Net fee income was impacted by a lower level of activity than in 2022 – especially in the housing market, which saw a lower level of property transactions and remortgaging than in 2022. The level of activity was also lower in securities trading and asset management in 2023, and fee income in this area was also adversely affected by last year's decline in asset management business volume.

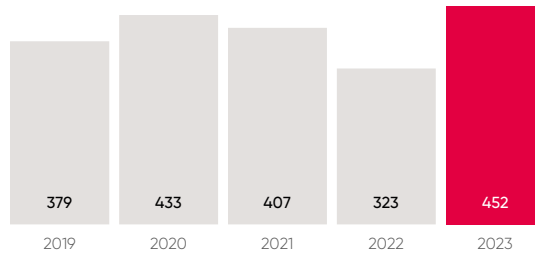
On the other hand, net fee income in 2023 was positively affected by persistently strong activity in payment services and cards as well as insurance and pension.

DKKm	2023	Q4 2023	Q3 2023	Q2 2023	Q1 2023	2022
Mortgage fees	474	118	117	117	122	548
Other transaction fees	89	22	19	24	24	147
Securities and asset management	441	122	96	117	106	504
Other fees	489	93	130	122	144	490
Total net fee income	1,493	355	361	380	397	1,689

Lastly, net fee income in Q4 was adversely affected by an amount of DKK 26 million relating to erroneous collection of fees in the financing company Sparxpres, which meant other fees overall ended on a level with 2022.

Market value adjustments and dividends totalled DKK 452 million in 2023, against DKK 323 million in 2022. Market value adjustments deriving from customer activity and business volume totalled DKK 281 million, while market value adjustments in the Trading Division amounted to DKK 171 million.

Market value adjustments and dividends
(DKKm)



Market value adjustments and dividends on the portfolio of strategic shareholdings in the financial sector were DKK 189 million, which was DKK 43 million lower than in 2022. The lower income was mainly due to lower market value adjustments regarding Spar Nord's shareholdings in BI Holding (BankInvest).

Finally, market value adjustments from currency trading and exchange rate gains amounted to DKK 92 million driven by persistently satisfactory customer activity in 2023.

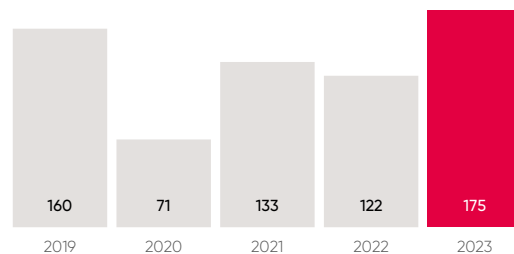
Overall, financial markets in 2023 were favourably affected by a narrowing of credit spreads in the fixed income market and rising equity prices. Overall, these developments prompted positive value adjustments in the Trading Division of DKK 171 million, with value adjustments of the Bank's bond portfolio contributing DKK 144 million, while market value adjustments on the Bank's equity portfolio totalled DKK 27 million.

It should still be noted that the Bank's bond portfolio is recognised at fair value irrespective of whether it is placed in the trading book or in the banking book.

DKKm	2023	Q4 2023	Q3 2023	Q2 2023	Q1 2023	2022
Market value adjustments and dividends, shares in sector-owned companies, etc.	189	44	48	51	46	232
Market value adjustments, currency and currency trading	92	23	22	23	24	94
Market value adjustments deriving from customer activity and business volume	281	66	70	75	70	326
Market value adjustments, equity portfolio	27	10	2	6	9	-33
Market value adjustments, bond portfolio, etc.	144	-31	61	37	78	29
Market value adjustments in Trading Division, etc.	171	-21	62	43	87	-3
Total market value adjustments	452	45	132	118	157	323

Other income amounted to DKK 175 million, against DKK 122 million in 2022, with 2023 being favourably affected by a gain of DKK 20 million from the sale of an investment property in Q2.

Other income
(DKKm)



Of total other income in 2023, investments in associates amounted to DKK 107 million, which was mainly attributable to Spar Nord's holding of shares in Danske Andelskassers Bank (DAB).

At end-2023, Spar Nord's shareholding in DAB amounted to 39.7% (38.3% at end-2022).

Costs and expenses

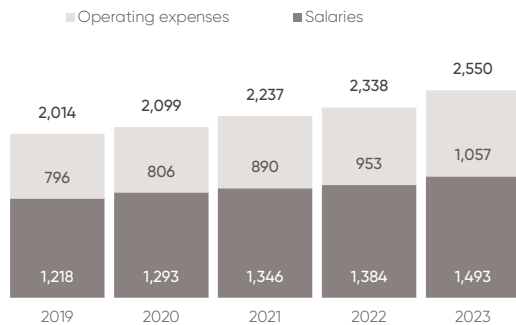
The Group's total costs and expenses amounted to DKK 2,550 million, against DKK 2,338 million in 2022.

Wages and salaries accounted for DKK 1,493 million of total costs and expenses. Realised payroll costs were DKK 109 million, or 8%, higher than in 2022. In 2023, Spar Nord on average employed 36 more staff than in 2022, and combined with pay rises under collective agreements this was the reason for the development.

At 31 December 2023, Spar Nord employed 1,703 people (FTE), which was 59 more than at year-end 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.

Total cost and expenses (DKKm)



Operating expenses came to DKK 1,057 million, which was DKK 104 million higher than in 2022.

About 75% of the increase in operating expenses was attributable to an increase in IT costs for the Bank's data processing centre (BEC), mainly due to increased business activity, as well as other IT costs relating to, among other things, in-house IT projects.

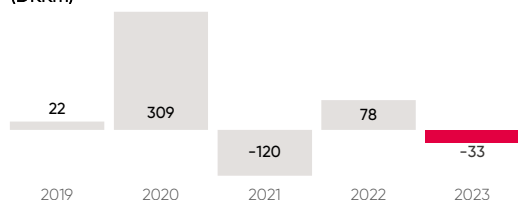
Relative to 2022, the Bank recorded an increase in cost items regarding travel, staff and marketing, while costs of fees were lower, among other things due to lower costs relating to the Bank's IRB project.

The realised core income and costs corresponds to a cost/income ratio of 45, which is well below the strategic goal of a cost/income ratio below 55 (2022: 56).

Loan impairment

Loan impairment etc. was an income of DKK 33 million in 2023, against an expense of DKK 78 million in 2022.

Impairment (DKKm)



The DKK 33 million impact on profits breaks down into income of DKK 47 million from retail customers and an expense of DKK 14 million from business customers.

In 2023, a continued decline in the number of exposures flagged for OEI and improved credit quality contributed to lower stage 3 impairment charges of DKK 109 million compared with the end of 2022. Conversely, higher individual impairment charges and management estimates in stages 1 and 2 resulted in a DKK 116 million increase in impairment charges.

Lastly, amounts recovered on previously impaired receivables contributed favourably in the amount of DKK 127 million to the total profit impact in 2023.

At end-2023, total management estimates amounted to DKK 662 million, which was an increase of DKK 88 million relative to 31 December 2022.

The previous management estimate concerning inflation, weak growth and real estate prices increased by DKK 168 million relative to 2022, totalling DKK 603 million at end-2023. At the end of 2023, this estimate was divided into three separate estimates; cyclical downturn, commercial real estate and ESG, with the latter relating primarily to expected effects from the upcoming CO2 levy on agriculture and the transport industry.

At the end of 2023, the management estimate concerning model uncertainty had been reduced by DKK 39 million to DKK 59 million, while the management estimate relating to land prices in the agricultural sector was reversed.

At 31 December 2023, the total management estimates of DKK 662 million broke down into DKK 389 million on business customers and DKK 273 million on retail customers. By way of comparison, total management estimates of DKK 574 million at end-2022 broke down into DKK 260 million on business customers and DKK 314 million on retail customers.

The increase in management estimate concerning business customers was to a large extent attributable to the management estimates concerning commercial real estate and ESG, while the reduction for retail customers related to the cyclical downturn.

Management estimates

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

Stage 3 impairment at 31 December 2023 amounted to DKK 742 million (year-end 2022: DKK 851 million), while stage 1 and 2 impairment totalled DKK 931 million (year-end 2022: DKK 815 million).

NPL ratio developments

	2023	2022
NPL (DKK millions)	1,458	1,627
Exposure (DKKm)	73,110	69,952
NPL ratio	2.0	2.3

At the end of the year, the share of non-performing loans (NPL ratio) at Spar Nord was 2.0%.

The Group's loans, advances and guarantees *)

Breakdown by industry Line of business, %	Loans, advances and guarantees		Impairment account	
	31.12.23	31.12.22	31.12.23	31.12.22
Public authorities	1.1	2.0	0.0	0.0
Agriculture, hunting and forestry	3.8	4.0	6.8	9.6
Fisheries	0.1	0.1	0.1	0.2
Industry and raw materials extraction	5.0	5.3	15.5	7.4
Energy supply	2.7	3.1	0.7	1.0
Building and construction	4.4	4.5	5.8	3.4
Trade	6.5	7.2	6.2	5.9
Transport, hotels and restaurants	4.6	4.6	5.4	7.4
Information and communication	0.5	0.5	0.7	0.7
Financing and insurance	6.1	6.4	7.4	11.2
Real estate	12.2	11.8	11.1	8.3
Other business areas	9.1	8.1	6.9	9.5
Business customers, total	56.1	57.6	66.7	64.5
Total retail customers	43.9	42.4	33.3	35.5
Total	100.0	100.0	100.0	100.0

*) Excl. reverse repo transactions

In 2023, growth in lending to retail customers, mainly bank mortgage loans, resulted in a higher share of loans, advances and guarantees to retail customers, which was 44% at 31 December 2023.

Profit/loss

The profit for the year before tax amounted to DKK 3,141 million compared with DKK 1,730 million in 2022. The Group's effective tax rate was 23%, equal to a total tax expense of DKK 720 million, of which DKK 100 million was ascribable to the special tax for financial enterprises of 3.2%.

This brought the net profit to DKK 2,421 million, against DKK 1,417 million last year.

Q4 2023 relative to Q3 2023

Spar Nord recorded a net profit of DKK 550 million in Q4 2023, against DKK 693 million in Q3 2023.

Net interest income amounted to DKK 947 million in Q4, against DKK 957 million in Q3. The lower net interest income was primarily due to higher interest expenses for deposits as a result of the rate changes carried out in November and growth in deposits for savings and fixed-rate products. To this should be added negative net interest income relating to erroneous collection of fees in the financing company Sparxpres.

Net fee income amounted to DKK 355 million, which was DKK 6 million lower than in the preceding quarter. The decrease was driven by a fall in fee income from payment services and negative fee income relating to erroneous collection of fees in the financing company Sparxpres, while higher fee income from securities trading and asset management had the opposite effect.

Market value adjustments and dividends amounted to DKK 45 million, against DKK 132 million in Q3, driven primarily by fewer positive market value adjustments on the Bank's bond portfolio in Q4.

Total costs and expenses amounted to DKK 691 million, which was DKK 84 million higher than in the preceding quarter. Payroll costs were DKK 396 million, against DKK 351 million in Q3, attributable in particular to accrual of holiday pay obligations. Operating expenses amounted to DKK 294 million, against DKK 256 million in Q3. The increase was attributable mainly to higher IT costs relating to in-house IT projects.

Loan impairment in Q4 was an income of DKK 4 million, against an income of DKK 25 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 358.2 billion at 31 December 2023, which was DKK 9.5 billion higher than at end-2022.

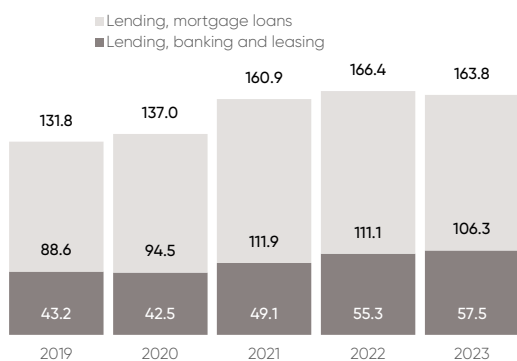
DKKbn	2023	2022	2021	2020	2019
Lending, banking and leasing activities	57.5	55.3	49.1	42.5	43.2
Deposits, banking activities	74.3	72.2	63.8	58.1	53.3
Deposits in pooled schemes	24.7	22.4	25.5	20.5	17.3
Guarantees	9.7	12.3	17.6	15.6	14.8
Loans and advances, mortgage loans	106.3	111.1	111.9	94.5	88.6
Custodianship accounts	80.8	71.3	74.4	57.3	52.8
Pension, life annuity	4.9	4.1	4.0	2.9	2.5
Total business volume	358.2	348.7	346.2	291.3	272.4

In 2023, the Bank recorded an increase in bank and leasing loans of DKK 2.2 billion, or 4%, to DKK 57.5 billion. Loans to retail customers increased by DKK 2.7 billion, while leasing loans grew by DKK 1.0 billion. Furthermore, loans to business customers fell by DKK 0.9 billion, while loans to public-sector customers fell by DKK 0.6 billion.

Based on the volume of bank and leasing loans, Spar Nord has a market share in Denmark of about 6%.

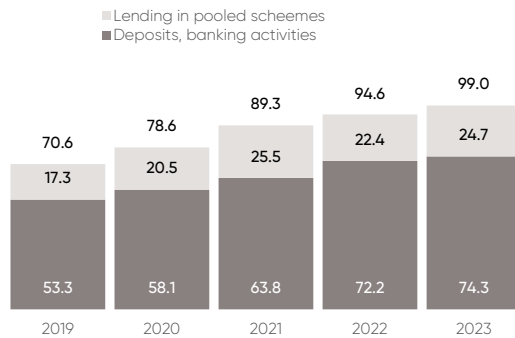
The volume of facilitated mortgage loans was adversely affected both by customers' capital gains from remortgaging to a higher coupon rate and an increase in the facilitation of bank mortgage loans in 2023. Overall, facilitated mortgage loans fell by DKK 4.8 billion, or 4%, compared with end-2022. Facilitation of mortgage loans amounted to DKK 106.3 billion at end-2023, with facilitation of mortgage loans from Totalcredit accounting for DKK 95.9 billion, while facilitation of DLR Kredit mortgage loans amounted to DKK 10.4 billion.

Total credits arranged (DKKbn)



In 2023, deposits, banking activities increased by DKK 2.1 billion to DKK 74.3 billion, equal to 3%. Of the increase in deposits, retail customers accounted for an increase of DKK 2.8 billion and business customers for a drop of DKK 0.7 billion. Total deposits of DKK 74.3 billion at the end of 2023 gave Spar Nord a market share in Denmark of about 4%.

Total deposits (DKKbn)



As of the end of 2023, financial market developments resulted in an increase in customers' custodian accounts of DKK 9.5 billion, or 13%, to DKK 80.8 billion, while deposits in pooled schemes rose by DKK 2.3 billion, or 10%, to DKK 24.7 billion.

Finally, guarantees were reduced by DKK 2.6 billion to DKK 9.7 billion. This was due to the lower level of activity in house sales and loan remortgaging and a reduction in loss guarantees towards Totalcredit.

As a result of developments in deposit and lending volumes, the loan-to-deposit ratio at end-2023 stood at 77%.

The Supervisory Diamond

The Supervisory Diamond lists a number of quantitative reference points, stipulating what can be considered a financial institution with an increased risk.

Failure to comply with the reference points in the Supervisory Diamond will trigger a reaction from the Danish FSA.

In 2023, Spar Nord was comfortably within all the reference points, achieving the values shown below.

The Supervisory Diamond

	Threshold values	2023	2022
Sum of large exposures	% <175	79.4	83.8
Growth in lending	% <20	4.0	12.7
Property exposure	% <25	10.7	10.7
Liquidity indicator	% >100	278	223

Outlook for 2024

Spar Nord expects 2024 be a repeat of 2023 with modest economic growth and a relatively high level of interest rates, the combination of which is expected to trigger limited investment appetite for business customers and limited consumption propensity for retail customers. However, rate cuts in the second half of 2024 and greater clarity with respect to economic growth are expected to push the level of activity higher in the second half year.

Based on recent years' investments in new local banks and banking areas and the establishment of Large Corporates departments in Aarhus and Roskilde, Spar Nord expects to generate growth in bank loans above the sector average. To this should be added expectations of continuing growth both in leasing and bank mortgage loans, which in recent years have been strong growth products for the Bank.

Spar Nord expects lower net interest income in 2024, 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. In terms of net interest income, the greatest uncertainty in 2024 attaches to developments in market and policy rates, which have a strong bearing on returns on Spar Nord's substantial excess liquidity. The Bank currently expects Danmarks Nationalbank to carry out three rate cuts totalling 0.75 of a percentage point.

A rising level of activity throughout 2024 and a higher asset management volume at the beginning of the year are expected combined to lead to rising net fee income compared with 2023. The level of activity in the housing market, including house transactions, is expected to rise in 2024, while re-mortgaging activity is expected to stay subdued. On the other hand, the Bank expects an increase in activity in areas such as pension, insurance and securities trading to contribute to an increase in net fee income in the coming year.

Market value adjustments and dividends are expected to be 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.

Payroll costs are expected to rise due to pay rises under collective agreements and an increase in average number of employees driven by recent years' opening of new local banks and banking areas. Operating expenses will reflect rising IT costs in 2024, while other costs are expected to be on a level with 2023. The increase in IT costs is due partly to recent years' growth, partly to work to complete several in-house IT projects.

Overall, the above factors lead the Bank to project core earnings before impairment in the DKK 2.4 – 2.9 billion range.

Due to expectations of continued modest economic growth and signs of rising unemployment, impairment charges are expected 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.

Other disclosures

Spar Nord's results for 2023 compared with previously announced guidance

In its 2022 annual report, Spar Nord projected core earnings before impairment in the DKK 2,300–2,700 million range and profit after tax in the DKK 1,500–1,800 million range.

The most recent financial guidance for 2023 is provided in company announcement no. 59/2023, in which Spar Nord forecast core earnings before impairment of around DKK 3,050–3,250 million and profit after tax of around DKK 2,350–2,550 million.

As described and explained above in the financial review, Spar Nord reported core earnings before impairment of DKK 3,108 million and a profit after tax of DKK 2,421 million.

The principal reason for the deviation in financial guidance relative to the guidance in the 2022 annual report is higher net interest income because of rising interest rates.

Recognition and measurement uncertainty and change in accounting estimates

The measurement of certain assets and liabilities is based on accounting estimates made by the Spar Nord management.

Areas involving assumptions and estimates that are material to the financial statements include impairment charges on loans and advances and the fair values of financial instruments. These are described in greater detail in note 1.2 to the financial statements.

The impact on Spar Nord's credit quality of the war in Ukraine, warfare in the Middle East, the effects of inflation and house price developments is difficult to predict. These factors cause uncertainty about Spar Nord's future impairment charges.

In the financial year, there were no significant changes to significant accounting estimates, as described in note 1.2.

Information on material contracts

Spar Nord has entered into material contracts that could be affected should the control of Spar Nord change.

For reasons of competition, such contracts are not disclosed in the annual report.

Spar Nord Group

The Spar Nord Group consists of the parent company Spar Nord Bank A/S and its wholly owned subsidiary Aktieselskabet Skelagervej 15. See note 6.11.

The Board of Directors' authority to issue shares and acquire treasury shares

The Board of Directors' authority to issue shares and acquire treasury shares is described in note 4.4.

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Capital and liquidity management

The principal purpose of the Bank's capital and liquidity management is to ensure a prudent capital structure and cash position. More specifically, the purpose is to ensure compliance with applicable legislation, a good balance in terms of its overall risk profile and profitable support of the Bank's business model.

Capital position

On the capital side, Spar Nord pursues the goal of having a common equity tier 1 (CET1) ratio of 13.5% and an own funds ratio of 17.5%.

	2023	2022	2021	2020	2019
Common equity tier 1 capital ratio	17.7	16.4	16.3	17.2	14.6
Tier 1 capital ratio	19.7	18.4	18.3	18.6	16.1
Own funds ratio	22.3	20.9	20.8	21.0	18.5

At 31 December 2023, the common equity tier 1 (CET1) ratio was 17.7%, while the own funds ratio was 22.3%. The latter should be viewed relative to the individual solvency need calculated by Spar Nord at 9.8% plus the 6.0% combined buffer requirement, bringing the total capital requirement to 15.7%. Thus, at the end of the year, Spar Nord had an excess capital coverage of 6.2 percentage points, equal to DKK 3.8 billion.

Compared with end-2022, the CET1 capital ratio thus increased by 1.3 percentage point, while the capital ratio was 1.4 percentage point higher.

At 31 December 2023, the Bank's own funds had increased by DKK 780 million relative to end-2022. At end-2023, own funds were favourably affected by the recognition of the profit for the year less expected dividends. At end-2023, DKK 10 per share is recognised in dividends, equal to a total amount of DKK 1,205 million.

At 31 December 2023, the total risk exposure amount was on a level with end-2022. The credit risk fell by DKK 0.5 billion, while market risk and operational risk increased by DKK 0.1 billion and DKK 0.3 billion, respectively.

DKKbn	2023	2022	2021	2020	2019
Own funds	13.4	12.7	12.6	11.5	10.3
Total risk exposure amount	60.4	60.5	60.5	54.9	56.0
Credit risk share hereof	49.6	50.1	50.2	45.3	47.1
Market risk share hereof	4.0	3.9	4.1	4.0	3.3
Operational risk share hereof	6.8	6.5	6.2	5.6	5.6

The reduced risk exposure amount for credit risk was attributable to a fall in guarantees to retail customers, while growth in loans and advances within mortgage bank loans for retail customers and the investment of mortgage bonds in the banking book had the opposite effect.

The share buyback programme for 2023 of DKK 500 million had not been deducted from the calculation of Spar Nord's capital ratios at 31 December 2023. 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.

Spar Nord must comply with the same requirements regarding eligible liabilities (MREL requirements) as other SIFIs. The MREL requirement was fully phased in at the beginning of 2024, which means that Spar Nord must have total capital of 29% of the total risk exposure amount (REA). At end-2023, the Bank's MREL and combined buffer percentage was calculated at 36.9%.

The Bank expects that the fully phased-in MREL requirement and the upcoming systemic risk buffer concerning real estate exposures will lead to a total need for issuing MREL capital of around DKK 9 billion. In Q4 2023, Spar Nord issued MREL capital totalling DKK 2.7 billion (EUR 250 million Senior Preferred, NOK 800 million and DKK 300 million Senior Non-Preferred), and at 31 December 2023 the Bank had issued total MREL capital of DKK 9.3 billion.

Primarily with a view to refinancing MREL capital of DKK 1,750 million, whose due date by the end of December 2024 will be less than one year away, Spar Nord expects in 2024 to issue MREL capital (Senior Non-Preferred) for up to DKK 2 billion.

Calibrated MREL requirement

%	01.01.24	30.06.24
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
Systemic buffer requirement	0.0	0.6
Requirement for recapitalisation amount	13.3	13.9
Total MREL	23.1	23.7
Capital conservation buffer requirement	2.5	2.5
SIFI buffer requirement	1.0	1.0
Systemic buffer requirement	0.0	0.6
Countercyclical buffer requirement	2.5	2.5
Total MREL and combined buffer requirement	29.0	30.2

Excess coverage, calibrated MREL requirement

DKKm/%	01.01.24
Own funds	13,442
Senior Non-preferred *)	6,716
Senior Preferred	2,606
Deduction, cf. subordination requirement	-493
Minimum requirement for eligible liabilities	22,271
Deduction – separate combined buffer requirement	3,596
MREL-eligible liabilities ex. combined buffer requirement	18,675
MREL and combined buffer requirement	17,532
MREL requirement	13,936
Excess coverage, MREL requirement	4,739
MREL and combined buffer percentage	36.9
MREL (%)	30.9
Excess coverage, MREL requirement in %-points	7.8

*) Permissible holding of own issues of DKK 25 million has been deducted.

Liquidity and funding

With respect to cash resources, Spar Nord's objective is for a minimum Liquidity Coverage Ratio (LCR) of 125% and a minimum Net Stable Funding Ratio (NSFR) of 105%.

At 31 December 2023, 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 2023 was thus 246, while the NSFR ratio was 131.

LCR

DKKbn / %	31.12.23	30.09.23	30.06.23	31.03.23	31.12.22
Liquidity resources	29.6	26.4	29.4	27.2	29.4
Liquidity Coverage Requirement	12.0	10.9	11.7	11.8	13.9
LCR (%)	246	242	252	230	211

NSFR

DKKbn / %	31.12.23	30.09.23	30.06.23	31.03.23	31.12.22
Available stable funding	109.6	104.1	103.7	100.3	100.3
Required stable funding	83.6	80.6	81.1	79.9	78.7
NSFR (%)	131	129	128	126	127

At the end of 2023, Spar Nord's total funding amounted to DKK 104.3 billion. At 31 December 2023, deposits excluding pooled schemes amounted to DKK 74.4 billion, and they are the Bank's principal source of funding.

At 31 December 2023, 64% of the deposits excluding pooled schemes were covered by the Guarantee Fund, which is the Danish guarantee scheme to cover depositors. At the same time, the sum of the 20 largest deposits alone accounted for 5% of the Bank's total deposits excluding pooled schemes.

At end-2023, the Bank had capital market funding totalling DKK 12.1 billion, with tier 2 and additional tier 1 capital accounting for DKK 2.8 billion and MREL capital for DKK 9.3 billion. Issued MREL capital included DKK 2.6 billion of Senior Preferred and DKK 6.7 billion of Senior Non-Preferred.

Funding profile

(DKKbn)	31.12.23	30.09.23	30.06.23	31.03.23	31.12.22
Money market funding	5.0	3.0	2.9	5.5	2.1
Deposits excl. pooled schemes	74.4	73.2	72.6	70.6	72.2
Issued bonds	9.3	6.5	6.3	6.2	6.2
Tier 2 capital and additional tier 1 capital	2.8	2.8	2.8	2.8	2.8
Shareholders' equity	12.8	12.3	11.7	11.2	11.3
Total funding	104.3	97.8	96.3	96.3	94.5

Rating

Throughout 2023, Spar Nord's rating from rating agency Moody's was unchanged.

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 hold an unchanged rating of A3 by Moody's.

Investor relations

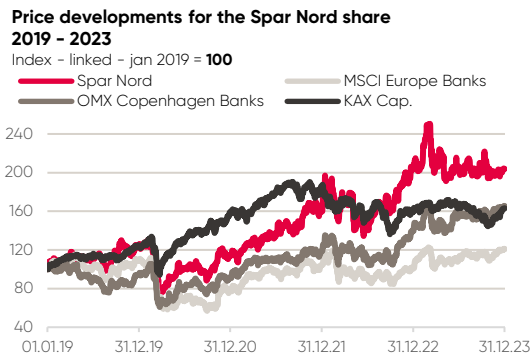
The overall objective of Spar Nord’s dialogue with investors and analysts is to ensure good and lasting relations. It is Spar Nord’s ambition to maintain a high level of information and maximum accessibility, and the Bank constantly endeavours to make relevant and timely information available at all times.

The Bank presents financial reports and other information via its IR website, sparnord.com/ir, 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 2023, analysts from two investment banks were covering the Spar Nord share (Danske Bank and SEB).

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 1,204,666,260, divided into shares of DKK 10 each.



At end-2023, the price of the Spar Nord share was largely unchanged from end-2022. The closing price at end-2023 was 106.6, while the share closed 2022 at a price of 106.4. Returns on the share in 2023 were thus solely attributable to a dividend of DKK 4.5 per share, which equalled an overall return of 4%. By way of comparison, returns for OMX Copenhagen Banks and MSCI Europe Banks were 23% and 28%, respectively.

In a five-year perspective, however, the price performance of the Spar Nord share has been strong, with a total price appreciation of 104% for the entire period. By way of comparison, prices for OMX Copenhagen Banks and MSCI Europe Banks rose by 66% and 21%, respectively, during the same period.

At 31 December 2023, the market capitalisation of Spar Nord was DKK 12.8 billion, against DKK 13.1 billion at end-2022, which was due to the capital

reduction in 2023 on completion of share buybacks of DKK 225 million.

In 2023, the average daily trading volume amounted to about 109,000 shares compared with about 152,000 in 2022.

From 13 February 2023 until 31 January 2024, Danske Bank has been mandated by Spar Nord to manage share buybacks totalling DKK 300 million. As announced in company announcement no. 8/2023, 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 2024.

Breakdown of shareholders

At end-2023, Spar Nord Bank had approximately 82,000 shareholders. The ten largest shareholders combined held about 56% of the share capital. About 72% of the share capital is held by foundations and institutional investors and other major shareholders, while 28% 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. Spar Nord Fonden is the largest shareholder, having an interest of 19.8%. Nykredit Realkredit A/S is the second largest shareholder, having a shareholding of 19.1%.

Spar Nord share	2023	2022
Share capital (DKKm)	1,205	1,230
Market price, year-end	107	106
Market capitalisation (DKKm)	12,842	13,087
Share buyback programme (DKKm)	500	300
Earnings per share for the year (DKK *)	19.9	11.2
Dividend per share (DKK)	10.0	4.5
Net asset value per share (DKK)	109	93
Share price/NAV per share	1.0	1.1

*) 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.

Spar Nord currently 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 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.

On the basis of the highly satisfactory results for 2023, and in accordance with the Bank’s current dividend policy, Spar Nord intends to pay ordinary dividends of DKK 10 per share for 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 by establishing a share buyback programme for DKK 500 million.

Ordinary dividends of DKK 10 per share and the DKK 500 million share buyback programme equals a total payout ratio of 69%.

Financial calendar 2024

19 March 2024	Annual General Meeting
2 May 2024	Interim report for Q1
15 August 2024	Interim report for H1
31 October 2024	Interim report for Q1–Q3

Strategy 2023-25: A committed bank



Strategy 2023-25: A committed bank

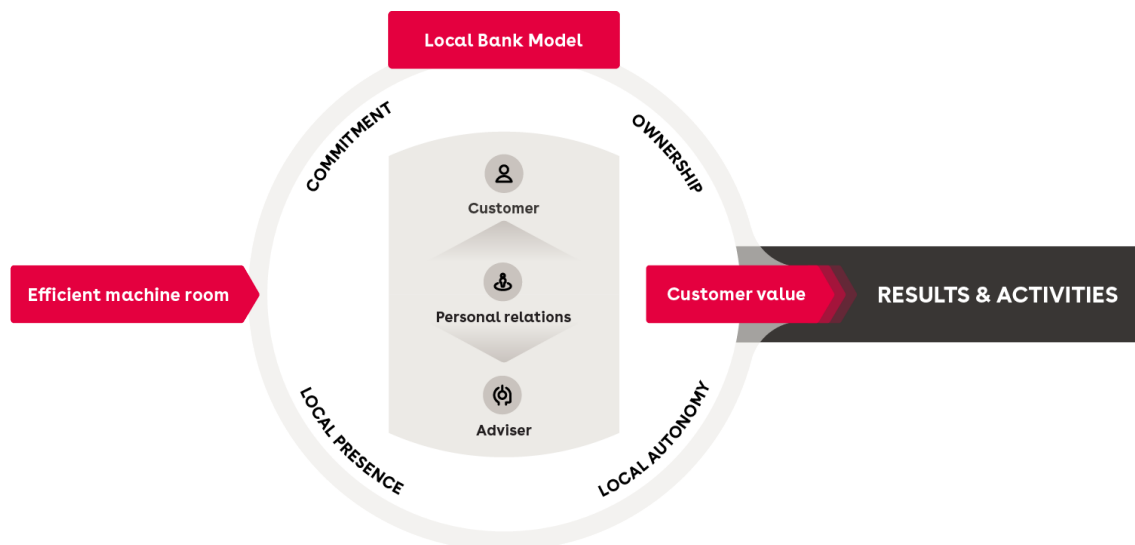
Spar Nord is a bank built on strong customer relationships. We believe relations and business are best cultivated and maintained through a local presence and decentralised decision-making powers. That is why we operate our business based on what we refer to as the local bank model – at the core of which 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. 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. Consequently, the Bank’s vision is to provide DENMARK’S BEST PERSONAL BANKING SERVICES.



Diagnosis: Four defining circumstances in society

The diagnosis encapsulates four current trends which we believe will define the Bank’s operations in the 2023-25 strategy period. Hence, the diagnosis comprises the societal circumstances which are directly addressed by specific actions contained in our strategy.

Geopolitical and macroeconomic uncertainty

We live in times of historically high uncertainty. Geopolitical tensions are running high, with the war in Ukraine and warfare in the Middle East as the most tangible examples that cause macroeconomic uncertainty.

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.

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.

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.

Therefore, our employees can 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

A number of specific actions address threats as well as opportunities identified in the diagnosis. Execution of the Bank’s strategy is on track, and several initiatives have been launched. 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 pro-active and relevant in our advisory services and other communications. We continuously aim to increase the use of data in order to ensure a relevant presence towards the individual customer.



In addition, we 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 improved 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. This investment has a substantial effect and is expected to contribute to continuous customer growth going forward. Furthermore, the Bank remains strongly focused on 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.

The Bank has launched 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. In this connection, the Bank has for example centralised the production and verification of business documents, financial analysis, enhanced due diligence (EDD) of high-risk customers and estate administration. The effect of these steps will be improved quality and more time for customer dialogue.

Strengthened local bank model

We want to consolidate Spar Nord's market position and therefore give our employees a mandate to make decisions that concern customer-centric areas and relations. This way, our employees have a 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 have made 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, and it has contributed to stronger local involvement and increased visibility. To further increase awareness about Spar Nord and the Bank's distinctive features, more than 500 employees have received training during the past year in using social media, which has strengthened our digital ambassadorship.

In the current strategy period, we will 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. During the past year, the Bank has established a mentor scheme for new managers and identified a talent pool of future managers. Furthermore, we have prepared the launch of our in-house management academy in 2024. These measures also serve to ensure a greater 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 dividend policy

For many years, Spar Nord has reported satisfactory financial results which, in terms of business volume growth and return on equity, make the Bank a top performer in the sector.

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. 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

<p>Return on equity</p> <p>› 11 % after tax</p>	<p>Cost/Income Ratio</p> <p>‹ 55</p>	<p>Dividend</p> <p>40–60 % of profit for the year</p>
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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 earnings in the Management’s review and the IFRS financial statements is set out 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 impairment” 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’s review and in the other sections of the Management’s review.

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 guarantees and unutilised credit lines
Impairment account and discount on commitments 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

ESG Report on sustainability and social responsibility

Spar Nord’s strategic ESG initiatives

Like all other banks in Denmark, Spar Nord plays a key role in the transition to a sustainable society. Spar Nord has undertaken to implement sustainable business practices across all business areas and to promote a sound and responsible corporate culture. Sustainability and social responsibility is a matter of common interest and are integral parts of the Bank’s operations and the way we run our business. See description of Spar Nord’s business model on page 7 and Strategy from page 27. With this report on sustainability and social responsibility, including Section 8 Appendix to Management’s report, Spar Nord meets the requirements of sections 134(1)(viii), 135a, 135b and 135d of the Executive Order on financial reports presented by credit institutions and investment companies and disclosures pursuant to Article 8 of the EU Taxonomy Regulation with relevant delegated acts.

Spar Nord’s sustainability efforts pervade all levels of the organisation and all layers of management, affecting our internal processes and reporting as well as our products and customer-facing initiatives. In this context, each individual employee plays a key role in ensuring that the Bank successfully supports its customers in a sustainable transition of either their personal finances or their business. Environmental, social and governance (ESG) factors combine with sustainability and social responsibility to form a key guidepost for the Bank’s strategic endeavours.

Spar Nord’s overall approach to sustainability and social responsibility and related processes and measures is described in an ESG policy. The policy provides the framework for the Bank’s ESG efforts and serves as an umbrella for the combined ESG-related policies and guidelines which support the implementation of various areas of ESG in Spar Nord. The Bank’s ESG policies are available at sparnord.com/esg.

ESG organisation

ESG is inherently anchored with the Bank’s Board of Directors and Executive Board, with maximum involvement of our organisation through an ESG steering group. The ESG steering group is chaired by Spar Nord’s CEO and also consists of executives from relevant professional fields.



Responsibility for performing development tasks and prioritisation in the field of sustainability is strongly anchored in the Bank’s individual business areas. Clearly this places demands on collaboration and coordination across the Bank, which is secured through quarterly meetings of the ESG steering group to discuss the status of priority initiatives and relevant areas for attention.

The ESG steering group has the mandate to make decisions that help to ensure that ESG continues to be integrated across the Bank and that action is anchored in the relevant business areas which have the required skills sets to further develop and implement current sustainability targets.

The Bank set up a department for ESG and sustainability in 2023 to coordinate and support the Bank’s decentralised ESG initiatives, including by ensuring dialogue and liaison across the organisation and by establishing cohesion and a common interpretation of legislation, strategy and ambition levels in the entire ESG area. The department has the overall responsibility for reporting the Bank’s ESG efforts and forms part of the in-house strengthening of governance in connection with preparations for reporting in accordance with the new EU directive on sustainability reporting (CSRD).

Double materiality perspective in ESG efforts

In 2023, the CSRD framework was pivotal in the Bank’s sustainability and social responsibility efforts, including the interpretation and assessment of the new, mandatory and topical reporting standards for sustainability topics (ESRS). As part of these efforts, the Bank has set up a cross-disciplinary CSRD working group composed of key in-house contributors and stakeholders associated with the Bank’s combined sustainability initiatives.

Among other things, the CSRD working group has prepared a holistic assessment of the Bank’s role in the transition to a sustainable society, placing special emphasis on identifying material (potential and actual) impacts, risks and opportunities for the Bank. In the CSRD, this process is referred to as a double materiality assessment. This assessment approach has given Spar Nord greater insight into how the Bank’s own activities, investments and loans engage with a large number of assets and activities that, directly and indirectly, have an impact on people, the environment and society – positive as well as negative. Also, we have learned how ESG matters represent risks as well as opportunities for the Bank.

Using the double materiality concept, the Bank has come to acknowledge that, as a bank, we are in many ways a reflection of society and of our customers’ conduct. Therefore, we potentially interface with many ESRS and CSRD areas. A substantial part of the future work to prepare the Bank for CSRD reporting will therefore focus on qualifying the double materiality concept. This will be done to

ensure that, already from the 2024 financial year, Spar Nord will be able to report a true and fair view of the Bank's overall maturity in the sustainability area.

Partnerships and principles

In order to contribute to Denmark reaching its goal of reducing greenhouse emissions by 70% by 2030, Spar Nord has committed to the climate partnership for the financial sector and complies with the 20 recommendations of the Forum for Sustainable Finance. Spar Nord also collaborates on an ongoing basis with relevant industry communities and industry groups such as the National Banks in Denmark and Finans Danmark to promote sustainability in the financial sector. We also support sustainable business development through projects under the auspices of the Export and Investment Fund of Denmark (EIFO).

Spar Nord's ESG efforts support the targets stipulated in the Danish Climate Act and the Paris Agreement on climate neutrality by 2050. Spar Nord also endorses the UN Sustainable Development Goals and support and apply the UN Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises and the ILO labour market conventions on the dignity of workers, which are described in greater detail in relevant ESG policies. The Bank 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).

Spar Nord has opted to work strategically with eight of the 17 SDGs.



Municipal climate partnership

Spar Nord has entered into climate partnerships with the municipalities of Aalborg and Hjørring. The ambition is for Spar Nord, the municipalities and local businesses, organisations, associations and institutions to take charge of the green transition, and in so doing contribute to the national goals for reducing carbon emissions. It is our ambition to add more municipal climate partnership to the list in 2024.

ESG rating

In order to build transparency and credibility with respect to Spar Nord's business and handling of material aspects in relation to ESG, the Bank is assigned an ESG rating by Sustainalytics and MSCI.

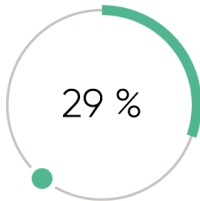
ESG rating	Score	Risk level
Sustainalytics	16.2	Low Risk
MSCI	BBB	Average

Risks relating to ESG efforts

More than ever before, customer confidence is earned by acting prudently and responsibly as a bank. We therefore pay particular attention to maintaining and developing an organisation that adheres to sound practices and is able to respond to the growing threats against our business, our customers and society at large. Therefore, Spar Nord's ESG efforts are based on Danish and international legislation and are conducted in close collaboration with relevant supervisory authorities. Risks are hedged through policies and controls.

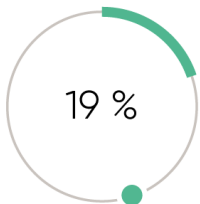
ESG targets

Climate and environment



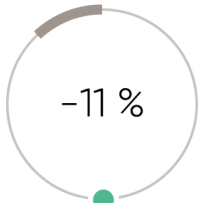
Investments

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.



Own activities

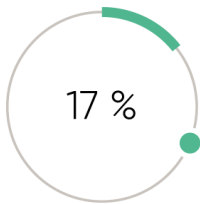
Reduction of carbon emissions from the Bank's own activities by 30% in 2025 and 50% in 2030 compared to 2021 baseline.



Energy-friendly car loans

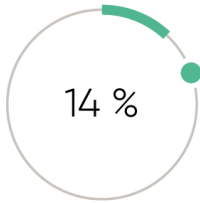
By 2025, 80% of all new loans for the financing of cars are to be for electric or plug-in hybrid vehicles.

Gender in management



Board of Directors

In 2025, the underrepresented gender is to represent at least 33% on the Board of Directors.



Other management levels

By 2026, the underrepresented gender is to represent at least 20% of the other management levels.

ESG Nature, climate and environment



Nature and climate change calls for transition

In recent years, we have seen several extreme weather incidents and consistently rising average temperatures, which is a direct consequence of climate change – in Denmark as well as globally. These factors have a substantial negative impact on nature and on our society.

Spar Nord intends to take responsibility for supporting the sustainable transition through financing and investment activities that mitigate climate change. When we finance and make targeted investments in solutions that support good conditions for our nature – such as wind power, solar power and biogas – or in solutions aimed at restoring or revitalising nature, we contribute to mitigating climate change.

At Spar Nord, we consider climate change a significant societal challenge that is inextricably linked with nature. Therefore, we work to gain greater insights into how, as a financial institution, we can protect nature in the same way we protect the climate and the environment.

As part of the Bank’s focus on climate change, we have defined climate action targets and actions with a view to reducing the share of financed emissions and carbon emissions from the Bank’s own activities. In 2023, Spar Nord also took the first important steps towards implementing a broader understanding of the E in ESG with a view to specifying the initiatives we regularly launch to increase positive impacts while reducing negative impacts on people, the environment and society. As part of these endeavours, we have decided to take a closer look at nature as a new key concept for the Bank that represents major environmental challenges extending beyond climate change.

Going forward, we will work with nature as a concept and improve our understanding of the challenges that go beyond climate change, such as extraction of nutrients, draining of water courses, deforestation, resource utilisation and circularity.

Impact on climate change

As Spar Nord has chosen climate change as the Bank’s most significant impact area, the majority of the Bank’s sustainability promotion activities are focused on energy optimisation and on developing energy-friendly investment and loan products. As part of becoming a signatory to the UN Principles for Responsible Banking (UN PRB), we committed to analysing how we impact and are impacted by society both in a positive and a negative direction in relation to the 17 UN Sustainable Development Goals.

In 2023, we estimated that the Bank’s carbon emissions linked to lending and investment activities amounted to 735,000 tCO₂e against 646,000 tCO₂e in 2022, corresponding to an increase of 14%. The change was due to factors such

as a higher business volume especially in the investment area. Financed emissions in tCO₂e per DKKm are estimated at 6.0 in 2023, which was at the same level as in 2022.

Financed emissions

		2023	2022	2021
Lending				
Carbon emissions	1000 tCO ₂ e	326	334	367
Financed emissions	tCO ₂ e per DKKm	7.6	8.0	9.4
Investments				
Carbon emissions	1000 tCO ₂ e	409	312	349
Financed emissions	tCO ₂ e per DKKm	5.2	4.8	5.4
Total				
Carbon emissions	1000 tCO₂e	735	646	716
Financed emissions	tCO₂e per DKKm	6.0	6.0	6.9

Additional information about the Bank’s analysis of climate change is provided in Spar Nord’s Impact Analysis 2023 and Spar Nord’s PRB reporting, which is available at sparnord.com/esg.

Resource efficiency and circular economy

In 2023, we applied the UN’s Portfolio Impact Analysis Tools to identify ‘Resource efficiency and circular economy’ as the Bank’s other key impact area in accordance with the UN Principles for Responsible Banking (UN PRB). During 2024, we will be making efforts to further map and analyse the area.

In 2024, we also expect to continue our efforts to gain greater insights into Spar Nord’s impact on nature, people and society and the impact that nature has on us as a financial institution – including resource efficiency and circular economy. We will seek to implement this double perspective through all our ESG efforts in order to comply with coming CSRD reporting requirements.



The Bank’s own footprint

Climate and environmental impacts constitute major challenges 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 (UN Global Compact), which form the foundation for our efforts to reduce the Bank’s negative impacts on the climate and the environment.

Spar Nord has prepared an environmental and climate policy to support the efforts to mitigate the environmental and climate impact of the Bank’s own activities, for example by proactively promoting environmental responsibility and sustainable technologies in relevant areas of our operations.

Our environmental and climate impact is attributable to the day-to-day operations of the Bank, our resource consumption and employee actions, but also to collaborative relationships. Consequently, we intend to incorporate environmental and climate considerations in our activities across the Bank.

As part of these efforts, Spar Nord remains focused on energy optimisation and on implementing energy-saving initiatives with respect to the Bank's consumption and operational areas. From 2023 and ten year onwards, Spar Nord will be powered by 100% green electricity supplied by Better Energy. Spar Nord currently has a supply rate of 114%, and the Bank contributes to ensuring that the solar panel farm at Ådum will produce enough green power to supply the annual average consumption of about 32,000 Danish consumers.

Focus on recycling

Spar Nord is generally very committed to recycling and circularity in its operations. In 2023, 33 tonnes of food waste was collected from Spar Nord, which was converted into 3,848 Nm³ of CH₄ (methane) at a biogas facility. This corresponds to 4.7 tCO₂e. There was a small increase of 3 tonnes of food waste in 2023 compared with 2022 because the Bank has become better at sorting waste, thus including a larger share in the biogrinder.

At the headquarters in Aalborg, Spar Nord was the first company in northern Jutland to implement the Tork PaperCircle recycling concept to collect and recycle used paper towels instead of throwing them out. Spar Nord collected close to 3 tonnes of paper towels in 2023 and thus contributes to promoting circularity and resource efficiency. Tork PaperCircle serves as an important initiative to increase climate-awareness for employees, partners and the local community.

Responsible meeting culture and transport habits

Spar Nord has constant focus on maintaining sustainable meeting and travel habits across the Bank. The Bank expects employees to constantly question the necessity of face-to-face meetings, and instead arrange an online meeting when possible. This is both to protect the environment and reduce the Bank's carbon emissions, but naturally also to ensure a more sustainable and effective meeting culture at Spar Nord.

Ongoing focus on sustainable transport habits and responsible meeting culture has resulted in a decrease in carbon emissions in scope 1, which amounted to 216 tCO₂e in 2023, against 257 tCO₂e in 2022. Scope 3 for air travel and business travel amounted to 471 tCO₂e in 2023, against 541 tCO₂e in 2022, equal to a 13% reduction. In 2024, Spar Nord will continue to launch specific initiatives aimed at supporting the positive trend in reducing carbon emissions.

Indirect emissions from key suppliers

Much of Spar Nord's scope 3 is indirect carbon emissions from the data centre BEC Financial Technologies that provides advice, technology and operational services to Spar Nord. Spar Nord owns BEC Financial Technologies together with a number of other banks, with Spar Nord holding an ownership interest of 5.8%.

As Spar Nord consistently seeks to improve its data and insights into total climate impacts, we have opted to estimate the 2022 carbon emissions from BEC Financial Technologies under scope 3 based on our percentage ownership, with emissions amounting to 927 tCO₂e. As we gradually gain more insights into the climate accounts of other suppliers, we will also include their emission figures under scope 3.

Climate accounts

tCO ₂ e	2023	2022	2021
Scope 1	216	257	224
Cars	202	226	191
Heating	14	31	33
Scope 2 - location-based	327	803	1,025
Scope 2 - market-based	327	336	504
Electricity - location-based	0	467	521
Electricity - market-based	-	-	-
District heating	327	336	504
Scope 3	737,401	648,313	717,955
Air travel	109	197	48
Business travel	362	344	138
Water supply	3	4	1
Investments			
BEC Financial Technologies	927	1,768	1,768
Financed loans - retail and business	327,000	334,000	367,000
Asset management and proprietary portfolio	409,000	312,000	349,000

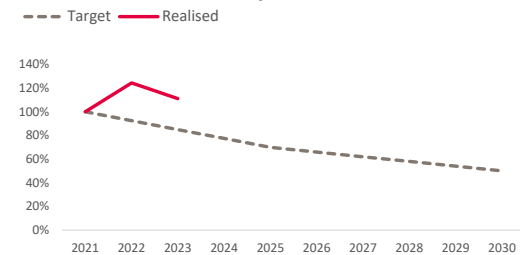
Climate actions for the Bank's own activities

In 2023, Spar Nord defined its first target for reducing carbon emissions from the Bank's own activities (scope 1, scope 2 - market-based and, partly, scope 3, including air travel, business travel and water supply). Spar Nord's climate actions are available at sparnord.com/esg.

Targets for reduction of carbon emissions from the Bank's own activities

Spar Nord has set targets for the reduction of carbon emissions from the Bank's own activities by 30% in 2025 and 50% in 2030 compared to a 2021 baseline.

Carbon emissions from own operations



The 2021 baseline totalled 915 tCO₂e calculated on the basis of scope 1, scope 2 – market-based and, partly, scope 3 (air travel, business travel and water supply). By way of comparison, the Bank’s carbon emission in 2023 totalled 1,017 tCO₂e. At end 2023, carbon emissions from the Bank’s own activities had increased by 11% relative to the 2021 baseline. However, there was a fall of 11% in 2023 relative to 2022.

The relatively low carbon emission level in 2021 was due to factors such as COVID-19 lockdowns and the resulting decline in travel activity as well as limited consumption of power and heat. Therefore, figures from 2022 are assessed to better reflect an organisation the size of Spar Nord. The positive development in carbon emissions in 2023 relative to 2022 is due to factors such as a special focus on energy optimisation, which has resulted in a lower consumption of power and heat.

Results 2023

1. Defined targets and actions for the reduction of carbon emissions from the Bank’s own activities.
2. Implemented comprehensive waste sorting at headquarters and at the local banks.
3. Collected close to 3 tonnes of paper towels for recycling through Tork PaperCircle.
4. Implemented energy optimisation focusing on lighting, water and heat.
5. Achieved a supply rate of 114% through green power purchase agreement.

ESG risks related to the Bank’s own footprint

There are environmental risks associated with the Bank’s operations, because its energy consumption, transport, procurement, resource handling and water consumption may have a negative impact on the Bank’s climate footprint. Consequently, we are constantly working to take measures that may contribute to reducing the carbon emissions from the Bank’s operations.



Responsible investment

Spar Nord offers and arranges investment products for retail and business customers and provides

attractive, sustainable 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, and we therefore focus on integrating environmental, social and governance aspects in the entire investment process.

Spar Nord is a signatory to the UN Principles for Responsible Investment (UN PRI) and gives high priority to environmental protection, human rights, labour standards and business ethics when we continuously screen the investment universe for companies that violate international conventions and standards.

Our investment process has been formalised in a Policy for Responsible Investment and an Active Ownership Policy supported by a Responsible Investment Committee.

Active ownership, dialogue and exclusion

Spar Nord’s overall approach to investments on behalf of its customers builds on active ownership through involvement in and influence on potentially challenged companies to seek a more positive path in relation to ESG criteria. For portfolios of Danish equities managed by Spar Nord, we may engage in dialogue on our own initiative with companies that prove not to comply with international standards and conventions in order to influence their conduct. For non-Danish companies, any dialogue will be initiated through third parties or in collaboration with other investors. Engagement in dialogue with a company may involve various initiatives, including dialogue with the company’s management, influencing the composition of the board of directors and voting at general meetings.

At Spar Nord, we believe in the benefits of engagement and dialogue over consistent exclusion. We believe there is a positive social impact to be gained from contributing to affecting non-sustainable business models and focusing on the ability and intention of the companies to transition to a more sustainable future and that this will impact favourably on our customers’ returns and risks.

Spar Nord applies exclusion criteria towards companies involved in the production of controversial weapons, such as cluster munitions, landmines, chemical and biological weapons and nuclear weapons outside the non-proliferation treaty, and companies in which more than 5% of revenue is generated from thermal coal, tar sand and/or arctic drilling projects. Exclusions may also be made if a company or a country is assessed not to comply with international standards and conventions and not to demonstrate any intention to take responsibility and change its conduct. Spar Nord’s exclusion list is regularly updated on the Bank’s website sparnord.com/esg.

Voting at general meetings

In 2023, Spar Nord voted at the general meetings of 20 Danish companies, and on two occasions Spar Nord voted against the board’s recommendation. Spar Nord also voted at the general meetings of 41 non-Danish companies and voted against management’s recommendation on six occasions.

Sustainable customer-facing initiatives

Spar Nord helps its customers identify their sustainability profile using a Digital Investment Guide (DIG), which enables them to prioritise ESG issues when making investment decisions. In 2023, the Bank also enabled its customers to see the ESG rating for their investments in their online and mobile banking solutions.

Climate actions for the reduction of financed emissions from investments

This is the third time that Spar Nord publishes a follow-up on its targets for the reduction of financed emissions from investment products. Spar Nord’s climate actions reflect the current position of the Bank and are available at sparnord.com/esg.

Financed emissions from investments

Carbon emissions from investments on behalf of customers and the Bank’s proprietary portfolio were calculated at 409,000 tCO₂e in 2023, against 312,000 tCO₂e in 2022. The increase was due to a higher business volume and the fact that the Bank has included a larger share of its proprietary portfolio in the calculation.

Financed emissions from investments amounted to 5.2 tCO₂ per DKKm in 2023, against 4.8 tCO₂e per DKK m in 2022, corresponding to a small increase.

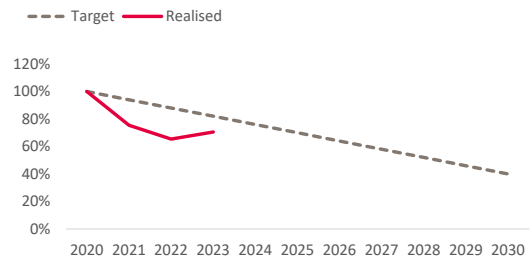
Financed emissions from investments

	2023	2022	2021
1000 tCO₂e			
Asset management	279	219	284
Proprietary portfolio	130	93	66
Carbon emissions	409	312	349
tCO₂e per DKKm			
Asset management	6.4	5.5	6.7
Proprietary portfolio	3.7	3.7	3.0
Financed emissions	5.2	4.8	5.4

Target for the reduction of financed emissions from investments

Spar Nord has set targets for the reduction of financed emissions from investments in equities and corporate bonds in portfolios managed by Spar Nord by 30% by 2025 and 60% by 2030, measured in relation to a weighted benchmark level in 2020, which is used as the baseline year. By the end of 2023, Spar Nord had reduced financed emissions from investments by 29% compared to the 2020 baseline.

Financed emissions from investments



Results 2023

1. ESG ratings in online and mobile banking solutions.
2. Statutory reporting of negative impacts caused by investments made on behalf of customers.
3. Statutory sustainability reporting to customers with products with sustainability characteristics (Pool and Stjerneinvest).
4. Possibility of recommending sustainable unit trust certificates (Art. 9 products).
5. All customers with portfolio management agreements at Spar Nord have had their sustainability profile identified.

ESG risks in connection with investing

When Spar Nord offers and arranges investment products for its customers, there is always a risk that direct or indirect co-financing of activities could have an adverse impact on compliance with the UN Sustainable Development Goals. Any uncritical investment approach would therefore entail a risk not only of contributing to breaching international conventions, but also a risk of directly or indirectly promoting activities that could be harmful to human relations, the climate and the environment. In addition, we risk jeopardising the Bank’s reputation and thereby impair our market position. We are aware that there will continue to be climate-impacting investments in the customer portfolios, but we have focus on reducing the climate impacts through, among other things, influencing companies towards a higher level of sustainability.



Sustainable financing

Through Spar Nord’s lending business, we help finance a wide range of assets and activities that may affect people, the environment and local communities, positively as well as negatively. Through dialogue and collaboration with our customers, Spar Nord aims to contribute to reducing the negative and promoting the positive 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.

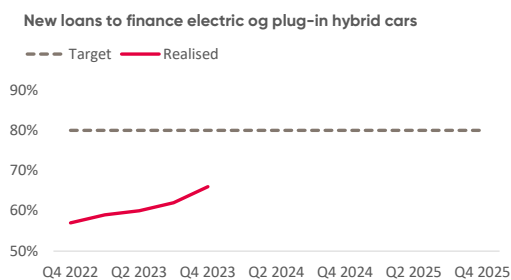
An important element in this process is the Bank's ESG skills enhancement, in which all employees, and business advisers in particular, received training during 2022-2023 to enhance their knowledge in and stimulate dialogue about sustainability with the Bank's customers and in relation to ESG risk management in connection with the Bank's lending activities. In 2023, the Bank also entered into an agreement with Valified, which is a digital tool developed to support business customers' transition plans and adviser/customer dialogue.

Spar Nord has prepared a credit policy, among other things to support Spar Nord's integrity and social responsibility. Spar Nord'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 ESG issues.

Energy-friendly loan products

Spar Nord has chosen to focus its sustainable finance efforts on specific loan products and projects supportive of the green transition. We have initially focused on the financing of private vehicles, home improvements and other energy supply that does not rely on fossil fuels, such as wind turbines, biogas facilities and heating supply.

Spar Nord has launched an energy-friendly car loan and defined a goal that 80% of all new car loans should be for electric or plug-in hybrid vehicles by the end of 2025. We have already come a long way in achieving this goal, as loans for electric and plug-in hybrid vehicles accounted for 66% of all new car loans at the end of 2023.



Spar Nord has also launched an energy-friendly home loan, which offers an attractive interest rate for financing retail customers' loans for energy renovation and energy optimisation of their homes. Furthermore, Spar Nord participates in Totalkredit's initiative to promote energy-efficient construction and renovation.

Committee for sustainable finance

Spar Nord set up a committee for sustainable finance in 2023. The committee consists of members of the Executive Board and heads of the Bank's business units represented to ensure the committee is anchored across the organisation. The committee deals with activities relating to the Bank's loan portfolio, such as advisory services, IT solutions, data collection, products, credit-granting and risk management as well as the monitoring of ESG risks relating to sustainable financing. Furthermore, the committee identifies and recommends specific actions to support cross-organisational progress in executing the Bank's goals for the reduction of financed emissions from lending. The committee for sustainable finance is in charge of the Bank's exclusion list for lending, which was initially approved in December 2023.

Climate actions for the reduction of financed emissions from lending

This is the second time that Spar Nord publishes a follow-up on its targets for the reduction of financed emissions from lending. Spar Nord's climate actions reflect the current position of the Bank and are available at sparnord.com/esg.

Financed emissions from lending

Carbon emissions from lending were calculated at 326,000 tCO2e in 2023, against 334,000 tCO2e in 2022.

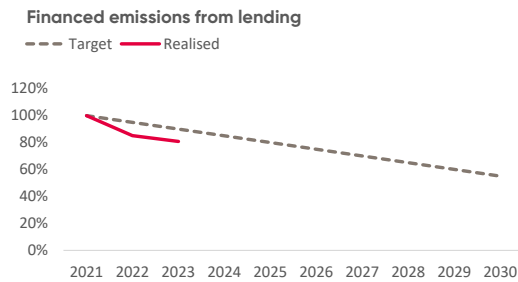
Financed emissions from lending amounted to 7.6 tCO2e per DKKm in 2023, against 8.0 tCO2e per DKKm in 2022. The positive trend was attributable especially to loans to retail customers, where the Bank has increased the share of energy-friendly car loans, and a higher business volume in home loans, which only involve relatively low emissions.

Financed emissions from lending

	2023	2022	2021
1000 tCO2e			
Retail customers	34	39	53
Business customers	292	295	314
Carbon emissions	326	334	367
tCO2e per DKKm			
Retail customers	2.5	3.2	4.9
Business customers	9.9	10.0	11.2
Financed emissions	7.6	8.0	9.4

Target for the reduction of financed emissions from lending

Spar Nord has set targets for the reduction of financed emissions from lending by 20% in 2025 and 45% in 2030 compared to a 2021 baseline. By the end of 2023, Spar Nord had reduced financed emissions from lending by 19% compared to the 2021 baseline.



Results 2023

1. Completed ESG skills enhancement for business advisers and specialists.
2. Prepared a follow-up on targets for the reduction of financed emissions from lending.
3. Set up cross-organisational committee for sustainable financing to support the attainment of reduction targets.
4. Entered into agreement with Valified to support business customers' transition plans.

ESG risks in credit-granting processes

Total bank and leasing loans before impairment of DKK 59 billion entail a risk that the activities we finance have a negative impact on the climate, the environment and on human rights. This includes indirect impacts of activities, such as energy consumption, pollution and environmental impacts of car use, and more direct impacts from businesses. Spar Nord assesses that businesses with significant carbon emissions will face specific market terms, more stringent regulatory requirements and larger investment requirements for climate initiatives. 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.

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 customers. Physical and transition risks related to climate change are an important element in assessing credit risk, both in relation to the individual customer, but also at portfolio level.

At year-end 2023, the Bank's management estimate concerning credit risk relating to ESG amounted to DKK 73 million. The management estimate primarily concerns the CO2 levy on agriculture and the transport industry.

Spar Nord publishes information about ESG risks on the Bank's portfolio of home loans and selected industries, which constitutes a supplement to the

ESG risk reporting pursuant to Article 449a of the Capital Requirements Regulation (EU) 575/2013 (CRR), the full wording of which is available at sparnord.com/accounting.

Reporting in accordance with the EU Taxonomy

In order to highlight and encourage financing of sustainable activities by the financial sector, the European Commission has established a classification system (EU Taxonomy), which ensures uniform reporting of economic activities that satisfy the criteria for being environmentally sustainable. From the 2023 financial year, Spar Nord must publish which of the eligible activities are in accordance with the EU Taxonomy's technical screening criteria and thus classified as environmentally sustainable (aligned). As part of the continuous phasing-in, the Bank will for the 2023 financial year also report on sustainable activities comprised by the environmental objective concerning a circular economy and on the additional added activities comprised by the climate objectives. Lastly, for the 2023 financial year the Bank will commence reporting on its exposures to nuclear power and fossil-fuel related activities.

Reporting on the EU Taxonomy Regulation depends on sourcing specific data from the Bank's relevant customers and investments in the financed activities.

Spar Nord does not have the required data quality to identify and document all of the Bank's sustainable activities comprised by and in accordance with the EU Taxonomy. In the coming years, Spar Nord will continue its efforts to enhance its data quality, among other things through product and IT design and dialogue with its customers.

Spar Nord's combined reporting on the EU Taxonomy pursuant to the NFRD Directive (Directive 2014/95/EU of the European Parliament and of the Council) and the EU Taxonomy Regulation (Regulation (EU) 2020/852 of the European Parliament and of the Council and Commission Delegated Regulation (EU) 2021/2178) is available in Section 8 - Appendix to Management's report.

Calculation of Green Asset Ratio (GAR)

Spar Nord's recognised assets pursuant to the EU Taxonomy's calculation principles amounted to DKK 137.4 billion at 31 December 2023. The calculation of GAR excludes exposures relating to the Bank's trading book and exposures to central banks etc. in the amount of DKK 23.8 billion, which equates to 83% of total assets being included in the calculation.

0. Summary of KPIs to be disclosed by credit institutions under Article 9 Taxonomy Regulation

		Total environmentally sustainable assets (DKKbn)	KPI****	KPI****	% coverage (over total assets)***	% of assets excluded from the numerator of the GAR (Article 7(2) and (3) and Section 1.1.2. of Annex V)	% of assets excluded from the denominator of the GAR (Article 7(1) and Section 1.2.4 of Annex V)
Main KPI	Green asset ratio (GAR) stock	385.5	0.3%	0.3%	83%	18%	1%
Additional KPIs	<i>GAR (flow)</i>	139.3	0.1%	0.1%	-	-	-
	<i>Trading book **</i>						
	<i>Financial guarantees</i>						
	<i>Assets under management</i>	427.4	2.2%	3.0%			
	<i>Fees and commissions income**</i>						

* For credit institutions that do not meet the conditions of Article 94(l) of the CRR or the conditions set out in Article 325a(l) of the CRR
 **Fees and commissions income from services other than lending and AuM
 Institutions shall disclose forwardlooking information for this KPIs, including information in terms of targets, together with relevant explanations on the methodology applied.
 *** % of assets covered by the KPI over banks' total assets
 ****based on the Turnover KPI of the counterparty
 *****based on the CapEx KPI of the counterparty, except for lending activities where for general lending Turnover KPI is used

Note 1: Across the reporting templates; cells shaded in black should not be reported.
Note 2: Fees and Commissions (sheet 6) and Trading Book (sheet 7) KPIs shall only apply starting 2026. SMEs/inclusion in these KPI will only apply subject to a positive result of an impact assessment.

On the basis of the EU Taxonomy's classification and data quality principles, Spar Nord's Green Asset Ratio at 31 December stood at 0.3 % of total recognised assets of DKK 113.6 billion.

Identified activities in accordance with the EU Taxonomy relate to the 'Climate change mitigation' environmental objective. This concerns the Bank's existing portfolio of home loans to retail customers secured against real property, equal to DKK 385 million. Spar Nord expects its Green Asset Ratio to increase going forward. This is partly due to increased focus on financing sustainable assets, partly the fact that the Bank's customers are starting to publish data required for the calculation.

Exposures to nuclear energy and fossil gas related activities

As part of the special EU focus on energy-related activities, Spar Nord must publish its exposures to nuclear energy and fossil gas related activities and the share comprised by and in accordance with the EU Taxonomy. The reporting builds on the NFRD companies' publication of key figures for the relevant activities. As NFRD companies will only start to publish the information in their annual reports for 2023, it has not been possible to obtain key figures to illustrate the relevant activities.

The table below shows that Spar Nord has no exposures to NFRD customers with nuclear energy and fossil gas related activities, and for that reason disclosure of templates 2 to 5 is omitted, in accordance with item 28 of the EU Commission's "Draft Commission Notice" of 21 December 2023.

Row	Nuclear energy related activities	
1	innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	NO
2	The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	NO
3	The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	NO
	Fossil gas related activities	
4	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	NO
5	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	NO
6	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	NO

ESG Social matters

An evolving workplace

Spar Nord's most important resource is its employees. Therefore, we wish to create attractive working conditions and a healthy and stimulating working environment. Spar Nord is characterised by a high job satisfaction that permeates the entire Bank, and employees are able to maintain a good work-life balance in all phases of life. It is important to Spar Nord that all employees are aware of their individual development and career opportunities, and we consider dialogue and good management prerequisites for running a stimulating workplace. We expect our employees to act responsibly towards customers, colleagues, the Bank and society in general. With that in mind, Spar Nord endorses the UN Global Compact and has defined a code of conduct for its employees and implemented a number of supporting policies with focus on responsible working environment, diversity and sound business culture.

Focus on well-being

Each year, Spar Nord measures employee well-being and satisfaction on 10 overall parameters. 2023 was the sixth consecutive year that the current question framework was used to measure well-being and satisfaction. This was the fourth time the survey was not anonymous.

The response rate was as high as 98% in 2023, against 97% in 2022. This means a total of 1,631 employees responded to the survey in 2023, which Spar Nord believes is an indication that the employees are confident in our handling of the results. The survey for 2023 was again very positive, as we maintained a high well-being index of 86%.

Work-life balance

Spar Nord wants its employees to thrive in their job and to have a good work-life balance in all phases of life. Irrespective of age, employees must be able to adjust their working life to their life phase. In 2023, Spar Nord started to focus on generation change, including the retention of seniors and recruiting more young employees. For example, the Bank has introduced late-career interviews to enable seniors to tailor their work schedule, how much they work and the nature of their tasks. Furthermore, the Bank has introduced a mentoring scheme for young people and for new managers, focusing on career planning and the identification of career paths. In 2024, we expect to set up a youth network for the purpose of retaining young employees.

Skills development and training

Society, technology, behaviour and customer requirements are changing constantly, and Spar Nord, therefore, shares a responsibility for ensuring that employee skills are constantly being updated and developed, continuously enhancing the Bank's competitive strength and the employee's value. This applies to professional and personal as well as social skills, which help ensure efficient

collaboration and well-being. However, Spar Nord's skills development and education initiatives do not focus only on maintenance. We attach importance to accommodating requests for developing skills and talent, as this will give our organisation flexibility and mobility.

In 2023, at least 25,500 hours of training were completed, corresponding to an average of 15 hours of training per employee. Furthermore, employees were developed through seminars, network meetings and other arrangements.



Diversity and gender in management

With our strategy 'A committed bank', we have given high priority to diversity, seeking to shift the gender breakdown towards a more equal distribution between men and women.

Spar Nord has defined a diversity policy to focus on the under-represented gender and contribute to diversity on the Board of Directors, the Executive Board, among executive managers and among the Bank's other managers. The policy aims to obtain a more equal distribution of men and women at all management levels of the Bank and to define targets for the proportion of the under-represented gender at the Bank's management levels, including the Board of Directors. The Board of Directors is responsible for the policy, which is reviewed and updated as and when needed, but at least once a year.

The policy sets out specific initiatives to achieve the defined targets. For the Board of Directors, the policy also sets out a number of specific skill sets and an ambition that the Board of Directors should be composed of members with different backgrounds, including education, professional skills, business experience, gender and age. Combined, this will help ensure a diverse composition of board members.

Target for Board of Directors

Spar Nord has defined a target that the under-represented gender on the Board of Directors should represent at least 33% of the shareholder-elected board members by 2025. To support the target achievement, the Bank in 2023 engaged an external search partner to present qualified candidates of the under-represented gender in connection with the recruitment of new board candidates. In 2023, the Bank thus elected two new board members at its annual general meeting, one of whom was a woman. Going forward, the Bank will continue to take supportive measures in order to achieve the target by 2025.

Target for other management levels

For the other management levels, the target is for 20% women by 2026. The target for the other management levels is defined as an aggregate target for the Executive Board and persons with HR responsibility reporting directly to the Executive Board.

Gender in management		2023
Spar Nord's Board of Directors		
Number of shareholder-elected members	6	
Women, percentage	17	
Target percentage	33	
Year of target achievement	2025	
Other management levels		
Total number of managers	66	
Women, percentage	14	
Target percentage	20	
Year of target achievement	2026	

Voluntary targets for the under-represented gender

With a view to operationalising the initiatives and achieve the targets for other management levels, the Bank worked with and defined the following voluntary targets in 2023:

Voluntary targets for the under-represented gender		2023
Executive Board		
Total number of Executive Board members	4	
Women, percentage	0	
Target percentage	25	
Year of target achievement	2030	
Executive managers		
Total number of executives	61	
Women, percentage	15	
Target in % in 2026	20	
Target in % in 2030	40	
Year of target achievement	2026/2030	
Managers (department heads etc.)		
Total number of other managers	154	
Women, percentage	34	
Target in % in 2026	35	
Target in % in 2030	40	
Year of target achievement	2026/2030	

Diversity-promoting initiatives

Spar Nord launched several specific initiatives aimed at increasing the percentage of women in management. Among other things, the Bank participated in a pilot project on diversity management in cooperation with Finansforbundet in Denmark and the High Performance Institute. In the project, 17 of the Bank's executives and department heads attended a two-day event that is based on good experiences from Norway. The Bank expects to continue to focus on diversity management in 2024.

Other initiatives in 2023 included:

- Increased gender equality in recruitment of managers, for example through enhanced focus on qualified candidates of both genders.
- A repetition of the analysis of the Bank's talent pool to support the composition of local management teams with a focus on diversity and gender equality.
- Analysis of how employees experience equal opportunities for a career in management regardless of gender and whether the Bank has an open and unbiased corporate culture. The analysis is expected to be repeated in 2024 to track developments.
- Focus on equal pay, for example in the Bank's joint consultation committee and Nomination and Remuneration Committee.
- Follow-up and reporting to the Executive Board, the Nomination and Remuneration Committee and the Board of Directors.

Results 2023

1. High level of well-being for the sixth consecutive year with a well-being index of 86%.
2. Pilot project concerning diversity management in collaboration with the Education Centre of the Danish Financial Sector.
3. Strategic focus on generation change, including the retention of seniors and attraction of more young employees.
4. New collaboration with AP Care, providing employees with access to better health insurance and early action in case of illness.
5. Successful implementation of new collective agreement.

ESG risks and social matters

Employee matters are affected by many factors which are outside Spar Nord's control, including legislation and cultural trends. Consequently, Spar Nord involves its employees in defining policies governing employee conditions through constructive cooperation and recurring review meetings with Finansforbundet, Spar Nord Kreds, the Bank's joint consultation and working environment committees. If the Bank fails to comply with the policies for employee matters, it will risk discriminating or wearing down employees physically and mentally. The physical working conditions represent a risk in the form of accidents or attrition, and Spar Nord is therefore proactive in terms of preventing accidents, illness as well as physical and mental attrition.



Cohesion and community engagement

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 62 local banks, we actively participate in local communities and support initiatives as well as associations to the benefit of local community cohesion.

Part of what makes Spar Nord a special bank is that we form part of a large ecosystem that extends beyond banking operations. Our employees are an important part of this ecosystem, as they live and work in the local communities where the Bank operates.

Spar Nord has a long-standing tradition of sponsoring small and large local associations and initiatives. We believe we have a particular responsibility for helping to develop healthy and sustainable associations. In 2023, Spar Nord launched ‘The local promise’, which gives our employees the opportunity to donate funds for purposes and associations that are important to their own local community and leisure activities.

In 2023, the Bank disbursed local sponsorships and donations via ‘The local promise’ for a total amount of DKK 29 million.

Nationwide donations rooted in North Jutland

Spar Nord Fonden is rooted in Sparekassen Nordjylland, which for generations has helped people and local communities to blossom. When Sparekassen Nordjylland in 1990 became Spar Nord Bank A/S, the accumulated capital was used to found the Spar Nord Fonden.

Since then, the purpose of the foundation has been to make donations to communities that make a difference at local, regional and national level. Read more at sparnordfonden.dk.

Spar Nord Fonden owns shares in Spar Nord Bank equal to an ownership interest of 19.8 %. Most of the share dividends are channelled back into society. In 2023, Spar Nord Fonden made local, regional and national donations of around DKK 71 million for a total of 870 projects.



ESG risks and local commitment

The local cohesion and the personal relations are required to create positive change and progress in local communities. Failure to support local communities entails a risk of reduced attractiveness of a local community and jeopardises the well-being of the citizens to the detriment of their opportunities and, ultimately, Spar Nord’s business foundation. The autonomous and decentralised commitment of each individual branch in local communities also involves a risk of favouritism and nepotism in relation to sponsorships.

ESG Governance and management



Responsible banking for 200 years

At Spar Nord, we consider integrity and corporate governance to be the cornerstones of our bank, allowing us for 200 years to live up to our corporate responsibility. For Spar Nord, corporate governance equals transparency with respect to the Bank's governance structure, rules and guidelines and openness with respect to our risk management process.

At Spar Nord, integrity goes hand in hand with strong business performance. Consequently, it is important to us that our employees are aware of the Bank's and their own responsibilities when they engage with our customers. It is important that our customers feel that they can rely on us to take good care of their finances. And that customers and society in general are confident that we run our bank in accordance with applicable legislation.

We prioritise a sound corporate culture

Spar Nord has defined a policy on sound corporate culture, which lays down the general framework for the corporate culture at Spar Nord at all levels. The policy is intended to prevent that Spar Nord violates financial legislation or is used for money laundering, terrorist financing or other types of financial crime and corruption and bribery. The policy on sound corporate culture should be seen in the context of the Bank's strategy, business model and values, and the Bank's anti-money laundering and remuneration policies.

Spar Nord introduces all new employees to the policy on sound corporate culture as an integral part of their onboarding, and employees are kept up to date through in-house awareness activities.

Freedom of association

Spar Nord respects and supports the employee's freedom of association and recognises the right to collective bargaining. Spar Nord works constantly to create a responsible working environment, and the Bank has acceded to, and complies with, the general principles and standards on employee rights recognised by the UN Global Compact and the ILO Declaration on Fundamental Principles and Rights at Work, including the ILO declaration on the right to organise and collective bargaining. Spar Nord carries out banking activities in Denmark, where freedom of association is a constitutional right included in the Danish Constitution, and we recognise, respect and comply with this freedom

Whistleblower scheme

At Spar Nord, we want our employees at all times to feel comfortable with contacting senior management levels. This applies in the daily dialogue and liaisons, but also to a great extent in case of knowledge or suspicion of suspicious issues. Consequently, the Bank has set up a whistleblower scheme, which is accessible 24-7, both by employees of the Bank and by customers, business partners and other stakeholders. With the whistleblower scheme, we expect our employees to act and react when they discover irregularities, thus

contributing actively to eliminating the risk of conflicts of interest. Our whistleblower scheme is anonymous and independent, and it is managed by third party, which enables the Bank to protect employees from reprisals.



Anti-corruption and bribery

It is important for Spar Nord's employees to be aware of the conduct and work ethics expected of them for the Bank to maintain the highest standard of personal and organisational integrity and prudence – both internally and externally when meeting customers and business partners. To that end, Spar Nord drew up an independent anti-corruption and bribery policy and launched a number of preventive measures in that context. We also set up a control environment designed to prevent corruption and bribery associated with various elements, such as gifts, donations, conflicts of interest, third-party providers and customer-related transaction risk. Compliance with the policy is safeguarded through codes of conduct, advice and communication available on the Bank's intranet. In the coming years, Spar Nord will continue its anti-corruption and anti-bribery efforts.

Countermeasures against money laundering and financial crime

Spar Nord's ongoing measures against money laundering, terrorist financing and other types of financial crime are crucial to the Bank's credibility. In order to contribute actively to reducing the risk of money laundering and terrorist financing, we have defined an AML policy and implemented a number of preventive measures which are regularly adapted to legislation and the current threat scenario.

Spar Nord employees must regularly undergo AML training. The training takes place at regular intervals and is aimed at the different job functions. It targets both new and current employees with a view to retaining employee awareness of relevant issues and current trends. Spar Nord also adheres to Finans Danmark's principles of conduct on anti-money laundering and counter-terrorist financing in the Danish financial sector.

Spar Nord is continually monitoring transactions for irregularities and reports any suspicious issues to the State Prosecutor for Serious Economic and International Crime (SØIK). The number of reports fell from 2022 to 2023.

Reporting to the State Prosecutor for Serious Economic and International Crime (SØIK)	Number
2021	2,194
2022	3,934
2023	2,738

In 2023, Spar Nord received a report from the Danish FSA which, among other things, addressed matters relating to the Bank's handling of high-risk customers and transaction monitoring. Spar Nord takes these matters very seriously and has taken a number of steps to ensure that all of the orders of the Danish FSA are complied with.

ESG risks and responsible banking

Responsible banking is paramount given that the existence of cross-border financial crime, tax evasion, breaches of sanctions and international terrorist financing is a basic condition for all banks. The risk of the Bank being abused for purposes of money laundering, terrorist financing, evasion of sanctions, corruption, bribery or other types of financial crime is present every day, and the threat level is rising. Although Spar Nord is a Danish bank with branches exclusively in Denmark, the risk is global. Consequently, there is a continuous risk that the Bank is used for harmful activities, which could have an adverse impact on the Bank's operations and reputation. Spar Nord addresses these risks through relevant policies and supportive processes and controls.



System and information security

Security in relation to data, IT systems and their use is a prerequisite for Spar Nord's credibility. 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.

Spar Nord has implemented an extensive information security policy to prevent abuse, IT-related crime, loss of data and operational failures. The policy covers Spar Nord as well as business partners and sub-contractors who have access to Spar Nord's network and data internally and externally. Given that the level of threat in respect of the Bank's information systems is constantly changing, we regularly perform risk assessments and adjust our IT security policy accordingly. Any material change in Spar Nord's IT platform and IT systems is always based on a risk assessment that includes an assessment of confidentiality, integrity and accessibility.

Data protection

Spar Nord complies with the General Data Protection Regulation and resulting requirements on how businesses store and process personal data. The framework for our efforts in relation to the data protection rules is articulated in the Bank's data

protection policy, which also stipulates tasks and responsibilities.

Spar Nord has appointed a data protection officer (DPO), who is anchored in the compliance function and works with an independent annual cycle for controls and reporting to the Bank's Executive Board and Board of Directors in the field of data protection.

All of the Bank's employee undergo a mandatory training session at predefined intervals adjusted to their role in working with personal data at the Bank. Furthermore, various awareness activities are launched in an ongoing process to maintain compliance awareness.

Data ethics report

Building on transparency and responsibility, Spar Nord aims to ensure that all customers and employees are treated equally and properly in all respects and that human considerations always come before business considerations. The Bank has therefore prepared a data ethics policy which contains joint ethical principles and practices for how to collect, and use data. The policy aims to ensure that we use data in an ethically responsible manner, both in activities and in current and future solutions. The data ethics policy applies to any party that, on behalf of Spar Nord, processes personal data, and it is thus used as a benchmark in all data-driven processes and in all assignments involving data – no matter whether such data belong to employees or customers.

Data ethics are incorporated in our ongoing data protection awareness activities in order to sharpen employee attention to the area. In this way, data protection to some extent supports our data ethics efforts.

The information above represents Spar Nord's reporting pursuant to section 135d of the Danish Executive Order on Financial Reports for Credit Institutions and Investment Companies, etc.

ESG risks in connection with data and information systems

While Spar Nord generally has secure and updated information systems, like all other banks we are under the constant threat of IT crime. User behaviour with respect to our systems represents a risk. There is a risk of human error by ourselves or by our suppliers, and, in particular, there is a risk relative to our customers, where especially the skills of the older generation in IT and information security as well as awareness of fraud represent a risk. Furthermore, there is a general risk that process automation, the use of algorithms and the launch of artificial intelligence will increase the personal distance between advisers and customers, aggravate the negative consequences of system errors and make it difficult to allocate responsibility. The proper level of security for Spar Nord is ensured through ongoing assessment of the risk and the threat scenario and by launching the required security measures.



Responsible business relations

Spar Nord buys goods and services from hundreds of Danish and international suppliers. Consequently, we prioritise maintaining good and transparent supplier relationships that underpin the Bank's good reputation and help attract and retain good suppliers and customers.

Spar Nord requires that the Bank's suppliers support internationally recognised principles for human rights, the ILO labour market conventions on the dignity of workers, as well as the UN Sustainable Development Goals and the ten general principles described in the UN Global Compact. Spar Nord has prepared a code of conduct for suppliers, and all of the Bank's primary suppliers automatically accede to this when they either establish or renew supplier agreements with the Bank.

In 2023, Spar Nord selected 30 suppliers and asked them in a questionnaire to consider the specific circumstances in their own supply chain and production. Their responses were generally satisfactory, and only very few gave rise to further scrutiny and dialogue. In the coming years, Spar Nord will remain focused on its policy for responsible supplier conduct.

ESG risks in supplier management

If Spar Nord engages with suppliers whose conduct is not sustainable, we risk promoting inexpedient conduct that could be harmful to the environment, the climate or human relations and rights. The Bank would thus also risk irresponsible supplier conduct adversely affecting our reputation and business. Each year, Spar Nord performs a survey of compliance of the code of conduct for suppliers and, where necessary, takes supportive action to address any risks.



Responsible approach to tax

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 have 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. We have therefore drawn up a tax policy. Spar Nord adheres to the principle of non-aggressive tax planning and has no activities in tax havens. If we become aware that our customers or partners are participating in tax fraud or tax evasion, we cooperate with the relevant authorities to solve the problem in accordance with relevant laws and regulations. Spar Nord complies with applicable legislation and guidelines.

Spar Nord is a key contributor to Danish society, paying direct and indirect taxes of DKK 976 million in 2023.

Spar Nord seeks open dialogue and communication with the tax authorities at all times. In specific cases of doubt, Spar Nord seeks to obtain binding decisions and pre-approvals in order to reduce the risk and uncertainty with regard to future tax payments. Whenever necessary, Spar Nord uses tax consultants to help the Bank to mitigate the risk of not complying with tax legislation and the risk of overpaying taxes.

Accounting policies for ESG

General

Spar Nord's report on sustainability and social responsibility forms part of the Management's report in Annual Report 2023 of Spar Nord Bank A/S and contains data generated from own and suppliers' systems and statistical data from the period 1 January 2023 to 31 December 2023. Contents and data have been checked on a sample basis internally.

Spar Nord's ESG key figures, set out on page 15, have been prepared according to the instructions provided by FSR – Danske Revisorer, the Danish Finance Society and Nasdaq published in June 2019 (updated in January 2022).

E: Climate and environmental data

Reporting and calculation of carbon emissions are divided according to the definitions of scopes 1–3 of the GHG Protocol. Emission factors from the Danish Business Authority's CO2 calculator have been used for the conversion of emissions unless otherwise stated.

Consumption data have been calculated for the period 1 January to 31 December 2023 unless otherwise stated.

Scope 1

Scope 1 refers to the direct emissions from activities controlled by the Bank, i.e. carbon emissions from heating and running the Bank's cars.

Unit: metric tonnes

Cars

The category covers cars, including loan cars and company cars. Emissions from cars are calculated on the basis of the amount of petrol and diesel fuel used. All kilometres driven in company cars are recognised in scope 1. There is no distinction between business and private transport. No distinction is made between business and private driving, just as no distinction is made between the individual car models emission factors.

Heating

Heating includes heating with natural gas, which is calculated using the emission factor for emissions per m³.

Scope 2

Scope 2 refers to the indirect emissions from the energy we buy. Carbon emissions concern electricity and district heating from external suppliers and green power from Better Energy.

Unit: metric tonnes

Electricity

Emissions are calculated under the two methods in the GHG Protocol: market-based and location-

based. The market-based method uses emission factors from electricity declarations, and electricity (observed production). In the calculation of emissions using the location-based method, average emission factors are applied based on energy declarations from Energinet.

District heating

Spar Nord states district heating consumption on the basis of meter readings at the locations where we have our own meters. It is not possible to state the consumption at locations where district heating is paid on account with rent as this is not published by the landlord.

Scope 3

Carbon emissions in scope 3 are divided into 15 categories in the GHG Protocol. We have included category 6: business travel, and category 15: investments and lending.

Unit: metric tonnes

Business travel

Business travel includes travel by air, work-related travel in employees' cars and overnight stays in hotels. Calculations of emissions from air travel distinguish between domestic and foreign travel with regard to the choice of emission factor.

Travel in employees' cars is based on recorded mileage and average carbon emissions for cars.

BEC

Spar Nord's ownership interest in BEC is used as the key for BEC's scope 1 and 2 emissions.

Investments and lending

Carbon emissions from investments and lending are calculated tonnes CO₂e in accordance with Finans Danmark's CO₂ model and company-specific data when available.

Energy consumption

Total energy consumption in gigajoules from gas, district heating and electricity.

Unit: GJ

Renewable energy share

The renewable energy share is calculated as renewable energy as a percentage of total energy consumption.

Unit: %.

Water consumption

Water consumption is disclosed on the basis of meter readings at the locations where Spar Nord has its own water meters. Consumption at locations where water is paid for on account as part of the rent, is not included as we do not have access to specified consumption data.

Unit: m³

Other climate and environmental data

Financed emissions from asset management, proprietary portfolio, business loans and loans for property and cars to retail customers refer to the Bank's climate footprint calculated from tonnes CO₂e per DKKm invested and financed.

Reduction targets for lending and investments

Reduction targets for financed emissions from lending and investments are based on tonnes CO₂e per DKKm invested and financed.

S: Social data

Social data regarding employees, management, pay, etc. comprises the Spar Nord Group's own workforce. Unless otherwise stated, social data are calculated as at 31 December 2023.

Full-time workforce

The full-time workforce is calculated in full-time equivalents (FTEs) and includes permanent and temporary employees, i.e. the average number of employees (full-time employees + compensated overtime + converted hourly paid employees) plus temporary employees/temps converted to FTEs.

Unit: Full-time equivalents (FTEs).

Gender diversity

Number of women relative to number of employees. Both permanent and temporary employees are included in the calculation.

Unit: %.

Gender diversity for management levels

Number of female managers in relation to the total number of managers at the Bank. Includes the Executive Board and employees in management positions with personnel responsibility and/or professional responsibility.

Unit: %.

Pay difference between genders

Median salary for men in relation to median salary for women.

Unit: Factor.

Staff turnover rate

Staff turnover is calculated for employees leaving voluntarily and involuntarily who left the company during the year relative to the average number of employees at 1 January 2023 and 31 December 2023.

Unit: %.

Absenteeism due to sickness

Total number of employee sick days in relation to total number of FTEs. Employee sick days only include absence due to employee's own sickness. Absence due to child's sick days is not included.

Unit: Days/FTE.

G: Governance data

Governance data cover data for the Spar Nord Group. Data are calculated as at 31 December 2023.

Gender diversity of the Board of Directors

Percentage of female board members in relation to the number of members of the Board of Directors. Diversity is measured exclusively for the members elected by the shareholders.

Unit: %.

Board meeting attendance

Number of meetings of the Board of Directors attended by the board member in relation to the total number of meetings held. The calculation includes attendance at board committee meetings.

Unit: %.

Pay gap between the CEO and employees

CEO's total remuneration (incl. late-career allowance) in relation to median salary for employees.

Unit: Factor.

Direct and indirect taxes

Spar Nord's total direct and indirect taxes consist of property taxes, payroll taxes, VAT and corporation tax charged in the income statement. VAT is calculated excluding purchases and sales/ repayment of lease assets, which over time end at DKK 0.

Unit: DKKm

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 risk areas. 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 monitoring and managing the Bank's risks.

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 52.

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 purpose of the committees is to facilitate the transaction of business by the Board of Directors.

The terms of reference of the committees are available at sparnord.com/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 ten meetings in 2023.

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, the 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 four meetings in 2023.

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 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 2023.

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 other committees at executive board level 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 deal with relevant topics within information security and IT risk management. Moreover, the IT Security Committee supports the Bank’s management system for information security.

Model Risk Committee

The Model Risk Committee is composed of a member of the Executive Board and representatives from the risk management function, the IRB department 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 two members 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.

Data Governance Committee

The Data Governance Committee is composed of a member of the Executive Board and selected data owners (business area managers). The Committee meets twice a year. The Data Governance Committee was set up to ensure a cross-disciplinary focus on data governance and data quality in Spar Nord and it serves to define the strategic direction and focus for the area in the Bank’s data strategy within the framework of the Bank’s data governance policy, which is defined by the Board of Directors.

Committee for sustainable finance

The committee for sustainable finance consists of members of the Executive Board and heads of the Bank’s business units represented to ensure the committee is anchored across the organisation. The committee deals with activities relating to the Bank’s loan portfolio and ESG risks.

Committee for responsible investment

The committee for responsible investment consists of one member of the Executive Board and selected executives from the Trading Division and the head of business development. The committee is focused on responsibility and sustainability risks in the investments offered and made by Spar Nord.

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.

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.

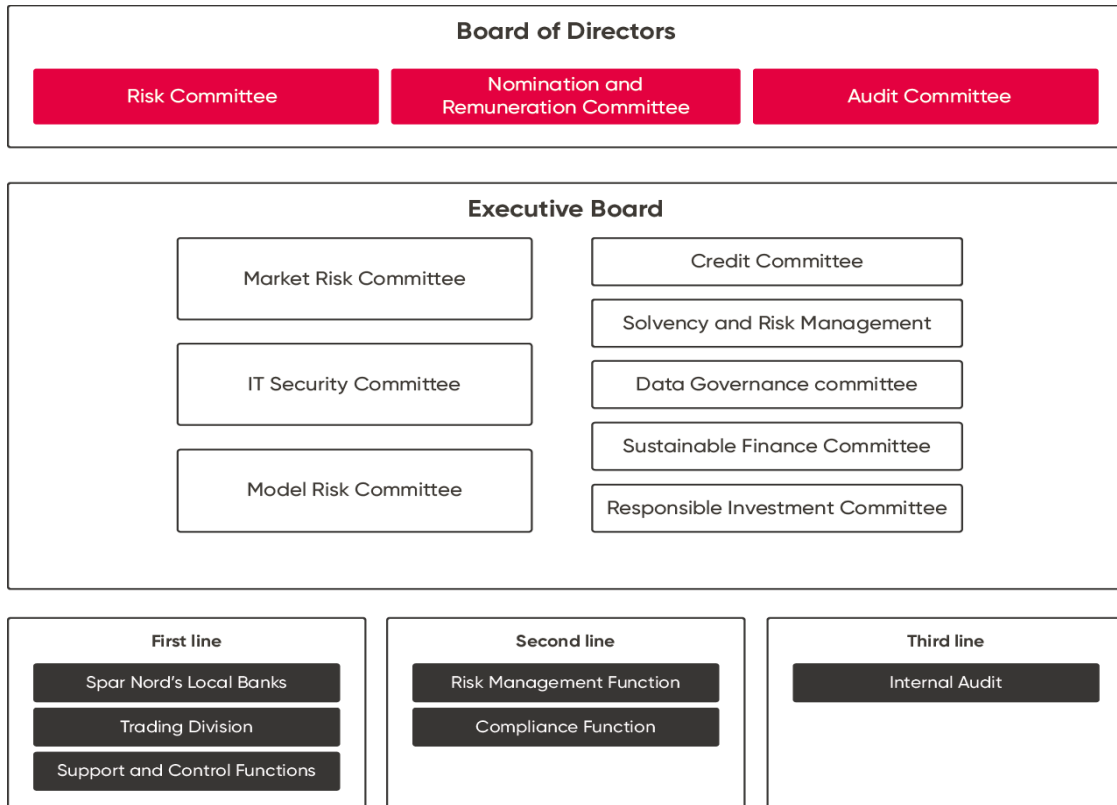
Third line

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 the financial reporting process.

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 regularly receives reporting material pertaining to the principal risk areas.



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 Finans Danmark's corporate governance code is available at sparnord.com/governance.

General meetings

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/articlesofassociation. 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.

However, the Board of Directors will be proposing to the general meeting in March 2024 that the Bank's articles of association be amended to the effect that the Bank's shareholder-elected members henceforth be elected for terms of one year.

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 2023, the Board of Directors held a total of 22 meetings. In addition, 8 meetings were held in the Audit Committee, 10 meetings in the Risk Committee and 4 meetings in the Nomination and Remuneration Committee.

The total board member attendance rate was 95.8%. 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.

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 to the Board of Directors

At the Annual General Meeting in March 2024, three of the members elected by the shareholders are up for election. Kjeld Johannesen, Henrik Sjøgreen and Morten Bach Gaardboe have announced that they stand for re-election. The Board of Directors recommends the re-election of all three candidates.

In 2024, the Board of Directors expects to increase the number of shareholder-elected members from six to seven. In this connection, the Board of Directors will be proposing to the general meeting in March 2024 that Mette Kaagaard, General Manager/CEO of Microsoft Denmark and Iceland, be elected as a new member of the Board of Directors.

At the beginning of 2024, employee representatives were elected to the Board of Directors for the period 2024-2027. Jannie Skovsen, chairman of Spar Nord Kreds, was re-elected as a board representative. Gitte Holmgaard, deputy chairman of Spar Nord Kreds, and Rikke Marie Christiansen, HR

Partner, were elected as new board representatives.

Executive Board

The Executive Board is appointed by the Board of Directors and is composed of Lasse Nyby, CEO, John Lundsgaard, Managing Director, Martin Kudsk Rasmussen, Managing Director and Carsten Levring Jakobsen, Managing Director.

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.

Board self-evaluation

The Board of Directors performs an annual self-evaluation, assessing its work and results.

Discussions are ongoing throughout the year, while an actual evaluation of the skills of each board member is performed once a year. In that connection, an evaluation of the Board's combined skills is also made.

In 2023, the evaluation was made using external assistance combined with an in-house evaluation. The external evaluation was based on an anonymous questionnaire survey with each member of the Board of Directors and the Executive Board. The in-house evaluation focused primarily on individual and collective skills as well as a fit-and-proper assessment of the board members.

The overall evaluation has been presented to and discussed among the members of the Board of Directors. The overall conclusion was that the work of the Board of Directors is characterised by openness and constructive dialogue and that the addition of two new board members in 2023 ought to bring focus on onboarding and board dynamics. Furthermore, it was concluded that, individually and collectively, the members of the Board of Directors meet the fit-and proper requirements.

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 2023. 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.

Board of Directors



Kjeld Johannesen
Chairman of the Board of Directors

2016 Chairman of the Board of Directors of Spar Nord Bank A/S
 2015 Deputy Chairman of the Board of Directors of Spar Nord Bank A/S
 2014 Member of the Board of Directors of Spar Nord Bank A/S
 1953 Year of birth

Chairman of the Nomination and Remuneration Committee
 Member of the Risk Committee

Up for re-election in 2024

Managing Director

CLK 2016 Holding ApS
 Kjeld Johannesen Holding ApS

Education

Diploma in Marketing

Chairman of the board of

KP Invest Herning A/S

Board member of

Aktieselskabet Schouw & Co
 Direktør Svend Hornslyds Legat

Areas of expertise

Management
 Production and marketing
 Strategy
 Business Development
 International business affairs
 Agriculture and foods

Shareholding

80,000

Independent



Per Nikolaj Bukh
Deputy Chairman of the Board of Directors

2016 Deputy Chairman of the Board of Directors of Spar Nord Bank A/S
 2007 Member of the Board of Directors of Spar Nord Bank A/S
 1965 Year of birth

Chairman of the Audit Committee
 Member of the Nomination and Remuneration Committee

Up for re-election in 2025

Professor

Aalborg University

Managing Director

P. N. Bukh ApS

Education

MSc (economics)
 PhD
 Board of directors training from Bestyrelsesakademiet

Board member of

Jurist- & Økonomforbundets Forlag A/S
 Oberst H. Parkovs Mindefond

Areas of expertise

Finance and risk management
 Financial markets
 Public enterprises
 Utilities

Shareholding

31,800

Not independent



Lene Aaen
Member of the Board of Directors

2018 Member of the Board of Directors of Spar Nord Bank A/S
 1970 Year of birth

Will not stand for re-election in 2024

Member of the Financial Services Union "Spar Nord Kreds", Spar Nord Bank A/S

Education

Board of Directors training for financial companies
 Financial services background
 Financial post-graduate training

Board member of

The Financial Services Union "Spar Nord Kreds"
 Spar Nord Fonden

Areas of expertise

HR
 Organisation

Shareholding

5,090

Not independent

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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 re-election in 2024

Education

Financial services background

Chairman of the board of

Ejerforeningen 21-5 DK1 P/S
Svend Aage Nielsen, Autoriseret
El-installatør A/S

Board member of

Spar Nord Fonden

Areas of expertise

The SME segment

Shareholding

7,505

Independent



Lisa Lund Holst
Member of the Board of Directors

2023 Member of the Board of Directors of Spar Nord Bank A/S

1973 Year of birth

Up for re-election in 2025

Chief Operating Officer of The Export and Investment Fund of Denmark

Education

PLD, Harvard Business School, 2014
M.Sc. Supply Chain Management, Copenhagen Business School (2002)
B.Sc. International Business, Copenhagen Business School (2000)

Board member of

Pensionskassen for Sundhedsfaglige

Areas of expertise

Financial business management
Strategy and strategic objectives
Risk and credit management
ESG strategy
IT management

Shareholding

200

Independent



Henrik Sjøgreen
Member of the Board of Directors

2020 Member of the Board of Directors of Spar Nord Bank A/S

1964 Year of birth

Member of the Risk Committee

Up for re-election in 2024

Education

Diploma in Business economics and Management accounting

Chairman of the board of

Simon Fougner Hartmanns Fond

Board member of

Danmarks Skibskredit A/S
Henrik Frode Obels Fond

Areas of expertise

Financial business management
Strategy
Financial risk management

Shareholding

18,500

Independent



Jannie Skovsen
Member of the Board of Directors

2008 Member of the Board of Directors of Spar Nord Bank A/S

1965 Year of birth

Member of the Nomination and Remuneration Committee

Up for re-election in 2028

Senior workplace representative, Spar Nord Bank A/S

Education

Board of Directors training for financial companies
Financial services background
Financial post-graduate training

Chairman of the board of

The Financial Services Union "Spar Nord Kreds"

Board member of

The Financial Services Union executive committee

Areas of expertise

Management
HR
Organisation

Shareholding

0

Not independent



Michael Lundgaard Thomsen
Member of the Board of Directors

2023 Member of the Board of Directors of Spar Nord Bank A/S

1964 Year of birth

Member of the Risk Committee

Up for re-election in 2025

Managing Director

Aalborg Portland A/S

Education

Executive MBA in Change Management, Aarhus Business School
Diploma in Organization and Innovation, Business School of South Denmark
M.Sc in Manufacturing, Management and Systems, Aalborg University

Board member of

Aalborg Symfoniorkester
Confederation of Danish Industry
Erhverv Norddanmark
Fonden Musikkens Hus I Nordjylland
Genan Holding A/S
Kitron ASA

Areas of expertise

ESG strategy and management
Strategy and business development, including M&A
Innovation and technology management
HR

Shareholding

0

Independent



Kim Østergaard
Member of the Board of Directors

2020 Member of the Board of Directors of Spar Nord Bank A/S

1985 Year of birth

Member of the Audit Committee

Will not stand for re-election in 2024

Head of Cash Management & Digitalisering

Managing Director

Simple Not Easy ApS

Education

Diploma in Business economics and Management accounting
Master of Business Development

Areas of expertise

Business Development
Digitalisation
Innovation

Shareholding

2,385

Not independent

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 in Management Accounting
Executive education from Insead

Chairman of the board of

Aktieselskabet Skelagervej 15
Landsdækkende Banker

Board member of

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

Shareholding

83,902



Carsten Levring Jakobsen
Managing Director

2023 Joined the Executive Board
2005 Year of employment
1970 Year of birth

Education

MSc (economics)
MBA

Board member of

DLR Kredit A/S, deputy chairman
Aktieselskabet Skelagervej 15

Shareholding

6,376



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
BOKIS A/S

Factor Insurance Brokers A/S

Bestyrelsesmedlem

Aktieselskabet Skelagervej 15, 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

118,609



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

BI Asset Management Fondsmæglerselskab A/S, deputy chairman
BI Holding A/S
nærpension forsikringsformidling A/S
Vækst Invest Nordjylland A/S
SNB IV Komplementar ApS
Aktieselskabet Skelagervej 15

Shareholding

15,077





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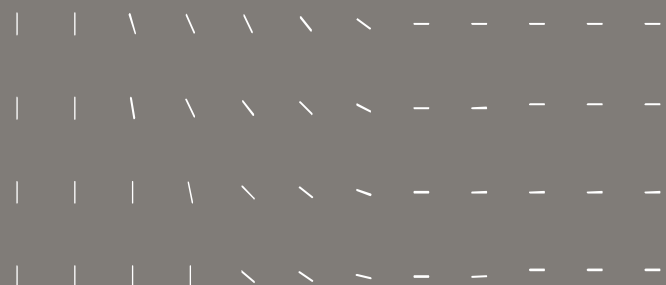
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Management's statement on the annual report

The Board of Directors and the Executive Board have today reviewed and adopted the annual report of Spar Nord Bank A/S for the financial year from 1 January to 31 December 2023.

The consolidated financial statements are presented in accordance with IFRS Accounting Standards. The Parent Company's financial statements have been prepared in accordance with legislative requirements, including the Danish Financial Business Act and the Executive Order on financial reports presented by credit institutions and investment companies. In addition, the annual report has been prepared in accordance with disclosure requirements for listed companies in Denmark.

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 assets, liabilities and financial position at 31 December 2023 and of the results of the Group's and Parent Company's operations and the Group's cash flows for the period from 1 January to 31 December 2023.

We 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 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 of Spar Nord Bank A/S for the financial year 1 January to 31 December 2023 with the file name "sparnord-2023-12-31-da.zip" has been prepared, in all material respects, in compliance with the ESF Regulation.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Aalborg, 7 February 2024

Executive Board



Lasse Nyby
Chief Executive Officer



Carsten Leving Jakobsen
Managing Director



John Lundsgaard
Managing Director



Martin Kudsk Rasmussen
Managing Director

Board of Directors



Kjeld Johannesen
Chairman of the Board of Directors



Per Nikolaj Bukh
Deputy Chairman of the Board of Directors



Lene Aaen



Morten Bach Gaardboe



Lisa Lund-Haist



Henrik Sjøgreen



Janrie Skovsen



Michael Lundgaard Thomsen



Kim Østergaard

Independent auditor's report

To the shareholders of Spar Nord Bank A/S

Report on the consolidated financial statements and the parent financial statements

Opinion

We have audited the consolidated financial statements and the parent financial statements of Spar Nord Bank A/S for the financial year 01.01.2023 – 31.12.2023, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity and notes, including material accounting policy information, for the Group as well as the Parent and the consolidated cash flow statement. The consolidated financial statements are prepared in accordance with IFRS Accounting Standards as adopted by the EU and additional disclosure requirements for listed financial companies in Denmark, 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 31.12.2023 and of its financial performance and cash flows for the financial year 01.01.2023 – 31.12.2023 in accordance with IFRS Accounting Standards as adopted by the EU and additional disclosure requirements for listed financial companies in Denmark.

Also, in our opinion, the parent financial statements give a true and fair view of the financial position of the Parent at 31.12.2023 and of its financial performance for the financial year 01.01.2023 – 31.12.2023 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 the 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 5 years up to and including the financial year 2023.

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 01.01.2023 – 31.12.2023. 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.

<p>Loan impairment charges and provisions for guarantees</p>	<p>How the matter was addressed in our audit</p>
<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 by Management on the management commentary

Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management commentary, 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 commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Business Act and article 8 of Regulation (EU) 2020/852 (EU Taxonomy Regulation).

Based on the work we have performed, we conclude that the management commentary 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 and article 8 of Regulation (EU) 2020/852 (EU Taxonomy Regulation). We did not identify any material misstatement of the management commentary.

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 IFRS Accounting Standards as adopted by the EU and additional Danish disclosure requirements for listed financial companies, 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 for the financial year 01.01.2023-31.12.2023, with the file name sparnord-2023-12-31-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 including notes.

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 including 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 for the financial year 01.01.2023 - 31.12.2023, with the file name sparnord-2023-12-31-da.zip is prepared, in all material respects, in compliance with the ESEF Regulation.

Aalborg, den 7. februar 2024

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR-nr. 33 96 35 56



Anders Oldau Gjelstrup
statsautoriseret revisor
MNE-nr. 10777



Jakob Lindberg
statsautoriseret revisor
MNE-nr. 40824

Group Income statement

Note	2023 DKKkm	2022 DKKkm
Interest income calculated under the effective interest method	3,600	2,046
Other interest income	1,047	185
2.2 + 2.3.1 Interest income	4,647	2,231
2.2 + 2.3.2 Interest expenses	1,109	220
Net interest income	3,538	2,011
2.4 Fees, charges and commissions received	1,679	1,864
2.4 Fees, charges and commissions paid	186	175
2.5 Market value adjustments and dividends	452	323
2.6 Other income	175	122
2.7 Staff costs	1,493	1,384
2.8 Operating expenses	1,057	953
Profit/loss before loan impairment (core earnings before impairment)	3,108	1,808
2.9 Impairment of loans, advances and receivables etc.	-33	78
Profit/loss before tax	3,141	1,730
2.10 Tax	720	313
Profit/loss for the year	2,421	1,417
Appropriation:		
The shareholders of the Parent Company Spar Nord Bank A/S	2,374	1,370
Holders of additional tier 1 (AT1) capital instruments	47	47
Profit/loss for the year	2,421	1,417
Earnings per share for the year		
4.5 Earnings per share for the year (DKK)	19.9	11.2
4.5 Diluted earnings per share for the year (DKK)	19.9	11.2
Proposed dividend per share (DKK)	10.0	4.5

Statement of comprehensive income

Profit/loss for the year	2,421	1,417
Other comprehensive income		
Items that cannot be reclassified to the income statement:		
Adjustment relating to associates	0	0
Net revaluation of domicile property	6	0
Items that can later be reclassified to the income statement		
Adjustment regarding cash flows hedging	7	-18
Other comprehensive income after tax	13	-18
Total comprehensive income	2,434	1,399
Appropriation:		
The shareholders of the Parent Company Spar Nord Bank A/S	2,387	1,352
Holders of additional tier 1 (AT1) capital instruments	47	47
Total comprehensive income	2,434	1,399

Group Balance sheet

Note		2023 DKKkm	2022 DKKkm
Assets			
	Cash balances and demand deposits with central banks	218	1,893
3.1	Due from credit institutions and central banks	2,201	2,746
3.2	Loans, advances and other receivables at amortised cost	69,366	65,806
3.3.1	Bonds at fair value	32,505	25,422
3.3.2	Shares, etc.	1,766	1,734
3.4	Investments in associates	973	736
3.5	Assets linked to pooled schemes	24,733	22,402
3.6	Intangible assets	419	419
3.7.1	Land and buildings	711	780
3.7.2	Other property, plant and equipment	120	125
3.12	Current tax assets	70	65
3.12	Deferred tax assets	0	201
3.7.3	Temporary assets	2	6
3.8	Other assets	1,684	1,479
	Prepayments and deferred income	128	122
	Total assets	134,896	123,936
Equity and liabilities			
Liabilities			
3.9	Due to credit institutions and central banks	5,006	2,076
3.10	Deposits and other payables	74,397	72,169
3.5	Deposits in pooled schemes	24,733	22,402
4.8	Issued bonds at amortised cost	9,307	6,216
3.3.3	Other non-derivative financial liabilities at fair value	1,936	2,918
3.11	Other liabilities	3,672	3,915
	Prepayments and deferred income	110	107
3.12	Deferred tax	76	0
3.13	Provisions	87	67
4.7	Subordinated debt	1,593	1,597
	Total liabilities	120,917	111,467
Equity			
	Share capital	1,205	1,230
	Revaluation reserves	119	113
4.3	Statutory reserves	253	172
	Retained earnings	9,995	9,201
	Proposed dividend	1,205	554
	Shareholders' equity	12,777	11,270
4.6	Holders of additional tier 1 (AT1) capital instruments	1,202	1,199
	Total equity	13,979	12,469
	Total equity and liabilities	134,896	123,936

Group

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 31.12.2022	1,230	113	172	9,201	554	11,270	1,199	12,469
Comprehensive income in 2023								
Profit/loss for the year	-	-	107	1,062	1,205	2,374	47	2,421
Other comprehensive income								
Adjustment relating to associates	-	-	-23	23	-	0	-	0
Net revaluation of properties	-	6	-	-	-	6	-	6
Adjustment regarding cash flows hedging	-	-	7	-	-	7	-	7
Other comprehensive income, total	0	6	-16	23	0	13	0	13
Total comprehensive income	0	6	91	1,085	1,205	2,387	47	2,434
Other adjustments								
Adjustment re. associates, cost of cap. incr.	-	-	-10	-	-	-10	-	-10
Transactions with owners								
Interest paid on additional tier 1 (AT1) capital	-	-	-	-	-	-	-47	-47
Reduction of share capital, net transaction costs	-25	-	-	24	-	-1	-	-1
Dividends paid	-	-	-	-	-554	-554	-	-554
Dividends received, treasury shares	-	-	-	13	-	13	-	13
Disposal upon acquisition of treasury shares and additional tier 1 (AT1) capital	-	-	-	-840	-	-840	-	-840
Addition upon sale of treasury shares and additional tier 1 (AT1) capital	-	-	-	512	-	512	3	515
Transactions with owners and other adjustments, total	-25	0	-10	-291	-554	-880	-44	-924
Equity at 31.12.2023	1,205	119	253	9,995	1,205	12,777	1,202	13,979
Equity at 31.12.2021	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
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 31.12.2022	1,230	113	172	9,201	554	11,270	1,199	12,469

*) 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 1,205 million have been proposed for 2023, corresponding to DKK 10.00 per share. (2022: proposed dividends of DKK 554 million, corresponding to DKK 4.50 per share).

Dividends paid in 2023 amounted to DKK 554 million, corresponding to DKK 4.50 per share (2022: 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).

Spar Nord has launched a share buyback programme for up to DKK 300 million, which will be completed during the period from 13 February 2023 to 31 January 2024.

In the period until the end of December 2023, Spar Nord bought back shares for a value of DKK 290 million (2,678,100 shares).

On 28 April 2023, the share capital was reduced by nominally DKK 25,359,000 through the cancellation of 2,535,900 shares from the Bank's portfolio of treasury shares acquired under the Bank's share buyback programme in the period from 15 June 2022 to 31 January 2023. Net transaction costs relating to the share buyback programme amounted to DKK 1 million.

Group

Cash flow statement

	2023	2022
	DKKm	DKKm
Operations		
Profit/loss before tax	3,141	1,730
3.7 Fair value changes, investment properties and temporary assets	0	0
2.8.2 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	94	98
2.6 Gains and losses on the sale of intangible assets and property, plant and equipment	0	-2
2.6 Gains and losses on sale of associates	0	0
5.1.7 Adjustment of loan impairment etc.	7	75
Adjustment of cash flow hedging	10	-23
4.7+4.8 Adjustment of subordinated debt, issued bonds etc.	-49	-246
3.1.3 Provisions	20	-8
3.4 Income from investments in associates	-107	-75
Corporate income tax paid	-451	-473
Operating activities, total	2,665	1,076
Working capital		
3.1+3.9 Movement in credit institutions and central banks, net	3,054	-376
Movement in loans, advances and other receivables at amortised cost	-3,567	-3,945
3.3.1 Movement in bonds at fair value	-7,084	-6,391
3.3.2 Movement in equity portfolio	-31	196
Movement in other assets and other liabilities, net	-1,444	573
3.1.0 Movement in deposits and other payables	2,228	8,394
Working capital, total	-6,844	-1,549
Cash generated from operations, total	-4,179	-473
Investments		
3.4 Acquisition of associates	-162	-32
3.4 Sale of associates	0	0
3.6 Acquisition of intangible assets	-6	0
3.6 Sale of intangible assets	0	0
3.7 Acquisition of property, plant and equipment	-38	-55
3.7 Sale of property, plant and equipment	70	16
3.4 Dividends from associates	23	33
Investing activities, total	-113	-38
Financing		
4.7 Subordinated debt	-5	73
4.6 Additional tier 1 (AT1) capital included in equity	-44	-46
4.8 Issued bonds	3,141	1,619
Dividends paid, less dividends on treasury shares	-540	-615
Acquisition of treasury shares	-840	-645
Sale of treasury shares	512	451
3.11.1 Repayment of lease liabilities	-26	-28
Reduction of share capital, net transaction costs	-1	-
Financing activities, total	2,197	809
Movements in cash and cash equivalents for the year	-2,095	298
Cash and cash equivalents, beginning of year	4,139	3,841
Movements in cash and cash equivalents for the year	-2,095	298
Cash and cash equivalents, end of year	2,044	4,139
Cash and cash equivalents, end of year		
Cash, cash equivalents and demand deposits with central banks	218	1,893
3.1 Due from credit institutions and central banks within less than 3 months	1,826	2,246
Total	2,044	4,139



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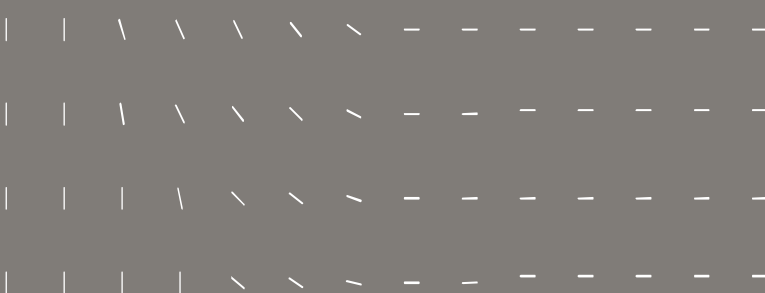
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Main items

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 2022 to 2023 are:

- Amendments to IAS 1 Disclosure of Accounting policies, amendments to IAS 12 Deferred tax related to assets and liabilities arising from a single transaction and amendments to IAS 8 Accounting estimates.

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

- Loan impairment
- Fair value of financial instruments

Section 1 – Notes 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 2023 includes both the consolidated financial statements of Spar Nord Bank A/S and its subsidiary and separate financial statements of the Parent Company.

The annual report has been prepared in accordance with statutory requirements, including the Danish Financial Business Act.

The consolidated financial statements are presented in accordance with the International Financial Reporting Standards 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 consolidated financial statements are 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 7 February 2024, the Board of Directors and Executive Board reviewed and adopted the 2023 Annual Report of Spar Nord. The Annual Report will be submitted for adoption by the shareholders at the Annual General Meeting on 19 March 2024.

Figures in the financial statements are presented in millions of Danish kroner (DKK), 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 2023, the Spar Nord Group implemented the IFRS standards and interpretations taking effect in the EU for 2023. The following amendments to IFRS relevant to Spar Nord were implemented effective 1 January 2023:

- Amendments to IAS 1 Disclosure of Accounting policies, amendments to IAS 12 Deferred tax related to assets and liabilities arising from a single transaction and amendments to IAS 8 Accounting estimates.

The implementation of amended standards did not affect recognition and measurement in 2023, 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 and the subsidiary using the Group's accounting policies, eliminating intra-group income and expenses, shareholdings, intra-

Section 1 – Notes basis of preparation

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 less 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 2023 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 and DKK 7 million in 2023.

European Single Electronic Format

Spar Nord's annual report is prepared in the European Single Electronic Format (ESEF), which can be read by all standard browsers.

In accordance with the delegated regulation and the ESEF Taxonomy, the consolidated financial statements, including the notes, are tagged using inline eXtensible Business Reporting Language (iXBRL).

The annual report consists of a zip file: Sparnord-2023-12-31-da.zip, containing an XHTML document, which can be read by all standard browsers, and a number of specific technical files.

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 2023 Annual Report. These are amendments to IAS 1 Presentation of liabilities 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 – Notes 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

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Main items

Net interest income

DKK 3,538 million

2022: **DKK 2,011** million

Impairment of loans and advances, etc.

DKK -33 million

2022: **DKK 78** million

Net fee income

DKK 1,493 million

2022: **DKK 1,689** million

Profit/loss before tax

DKK 3,141 million

2022: **DKK 1,730** million

Costs and expenses

DKK 2,550 million

2022: **DKK 2,338** million

Profit/loss after tax

DKK 2,421 million

2022: **DKK 1,417** million

Profit/loss before loan impairment charges

DKK 3,108 million

2022: **DKK 1,808** million

C/I ratio

0.45

2022: **0.56**

Section 2 – Notes 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 based on net interest income and net fee income.

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 62 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 Aarhus 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, which were on an upward trajectory in 2023.

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 14.5% (2022: 14.0%) 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 – Notes income statement

Business segments

2023

	Spar Nord's Local Banks	Trading Division	Other areas	Group total *)
	DKKm	DKKm	DKKm	DKKm
Income statement				
Net interest income	3,178	297	63	3,538
Net fee income	1,482	12	-1	1,493
Market value adjustments and dividends	236	159	57	452
Other income	32	0	142	175
Net core income/revenue total	4,928	468	262	5,658
Staff costs and operating expenses	2,330	87	133	2,550
Core earnings before impairment	2,597	381	129	3,108
Impairment of loans, advances and receivables etc.	-33	-1	0	-33
Profit/loss before tax	2,630	382	129	3,141

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

Balance sheet

Loans, advances and other receivables at amortised cost	57,363	12,003	0	69,366
Investments in associates	0	0	973	973
Intangible assets and property, plant and equipment *)	489	0	760	1,250
Other assets **)	1,392	35,793	26,123	63,308
Allocated assets, total	59,244	47,797	27,856	134,896
Deposits and other payables	69,954	4,443	0	74,397
Equity (allocated capital)	6,822	1,611	5,547	13,979
Other liabilities	25,317	7,417	13,786	46,520
Allocated equity and liabilities, total	102,092	13,470	19,333	134,896

Disclosures – income/revenue, total

Internal income/revenue	483	-563	148	68
Internal income and eliminations, offset against costs	0	-68	0	-68
Income/revenue, external customers	4,444	1,099	114	5,658
Income/revenue, total	4,928	468	262	5,658
Of which revenue from contracts with customers (see note 2.4)	899	22	36	956

Disclosures, cash flow statement

Depreciation, amortisation and impairment **)	24	1	69	94
Additions, intangible assets and property, plant and equipment *)	23	0	21	44
Non-cash operating items excl. depr., amort. and impairment of int. assets and prop., plant & equipment	0	0	-78	-78
Impairment and reversal of impairment of loans, advances and receivables, etc.	7	0	0	7

Financial ratios

Return on equity, % ****)	38	26	-	-
Cost share of core income	0.47	0.19	-	-
Total risk exposure amount, end of period	47,045	11,107	2,216	60,369
Number of employees (full-time equivalents, end of period)	1,136	57	510	1,703

*) All assets are located in Denmark.

***) Temporary assets amount to DKK 2 million, of which DKK 2 million relates to lease activities and DKK 0 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 14.5% of the average total risk exposure amount.

Section 2 – Notes 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.	75	0	0	75

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 14.0% of the average total risk exposure amount.

Section 2 – Notes income statement

2.2 Financial items

2023	Interest income	Interest expense	Net interest	Market value adjustments	Share dividends	Total
	DKKkm	DKKkm	DKKkm	DKKkm	DKKkm	DKKkm
Net financials at amortised cost						
Due from and due to credit institutions and central banks	75	64	10	-	-	10
Lending and deposits, banking activities	3,153	531	2,622	-	-	2,622
Repo and reverse repo transactions	362	72	290	-	-	290
Issued bonds	0	336	-336	-66	-	-402
Subordinated debt	0	86	-86	-	-	-86
Other interest	11	19	-8	-	-	-8
Total	3,600	1,109	2,491	-66	-	2,426
Net financials at fair value						
Trading book	1,047	0	1,047	326	2	1,375
Other financial investment assets (shares according to fair-value option)	0	0	0	109	80	189
Total	1,047	0	1,047	435	82	1,564
Total net income from financials	4,647	1,109	3,538	370	82	3,990
2022						
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

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 – Notes 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.

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.

2.3.1 Interest income

	2023	2022
	DKKm	DKKm
Interest income		
Reverse repo transactions with credit institutions and central banks	50	1
Other amounts due from credit institutions and central banks	75	9
Reverse repo transactions, lending	312	6
Loans, advances and other receivables	3,153	1,741
Bonds	846	126
Total derivatives	201	58
Other interest income	11	1
Total interest income after offsetting negative interest income	4,647	1,942
Negative interest income offset against interest income		
Reverse repo transactions with credit institutions and central banks	-	6
Reverse repo transactions, lending	-	24
Bonds	-	5
Total negative interest income transferred to interest expenses	-	36
Negative interest expenses offset against interest expenses		
Repo transactions with credit institutions and central banks	-	2
Repo transactions, deposits	-	8
Deposits and other payables	-	242
Total negative interest expenses transferred to interest income	-	252
Total interest income	4,647	2,231

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

Section 2 – Notes income statement

2.3.2 Interest expenses

	2023	2022
	DKKm	DKKm
Interest expenses		
Repo transactions with credit institutions and central banks	65	5
Other payables to credit institutions and central banks	64	10
Repo transactions, deposits	7	-8
Deposits and other payables	531	-194
Issued bonds	336	67
Subordinated debt	86	49
Other interest expenses	19	2
Total interest expenses after offsetting negative interest expenses	1,109	-69
Negative interest expenses offset against interest expenses		
Repo transactions with credit institutions and central banks	-	2
Repo transactions, deposits	-	8
Deposits and other payables	-	242
Total negative interest expenses transferred to interest income	-	252
Negative interest income offset against interest income		
Reverse repo transactions with credit institutions and central banks	-	6
Reverse repo transactions, lending	-	24
Bonds	-	5
Total negative interest income transferred to interest expenses	-	36
Total interest expenses	1,109	220

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

S 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 custodianship 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 – Notes income statement

	2023	2022
	DKKm	DKKm
Securities trading and custody accounts	484	547
Payment services	251	238
Loan transaction fees	586	725
of which mortgage credit institutions	474	548
Guarantee commission	33	38
Other fees, charges and commissions	324	317
Total fees, charges and commissions received	1,679	1,864
Total fees, charges and commissions paid	186	175
Total net fees, charges and commissions received	1,493	1,689
Of which		
Transaction fees relating to financial instruments measured at amortised cost	586	725
Income from management activities and other fiduciary activities	268	301
Share of above-mentioned fee types concerning revenue from contracts with customers		
Securities trading and custody accounts	354	408
Payment services	251	236
Loan fee	113	177
Other net fees and other operating income	238	235
Total revenue from contracts with customers	956	1,055

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 and the banking 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.

	2023	2022
	DKKm	DKKm
Other loans, advances and receivables at fair value	-66	76
Bonds	303	-480
Shares, etc.	134	88
Currency	92	94
Foreign exchange, interest, share, commodity and other contracts and derivatives	-93	434
Assets linked to pooled schemes	2,459	-3,326
Deposits in pooled schemes	-2,459	3,326
Other liabilities	0	0
Total market value adjustments	370	211
Dividends on shares, etc.	82	112
Market value adjustments and dividends on shares, etc., total	452	323

Section 2 – Notes 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).

	2023	2022
	DKKm	DKKm
Payments under operating leases and other rental income	12	11
Gain on sale of other property, plant and equipment	1	1
Gain on sale of properties	21	2
Other income	24	18
Operation of investment properties	10	15
Total other operating income	67	47
Income from investments in associates	107	75
Other income, total	175	122

2.7 Staff costs

§ Accounting policies

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

	2023	2022
	DKKm	DKKm
Salaries	1,190	1,104
Pensions	140	131
Social security costs	163	150
Total staff costs	1,493	1,384

Number of employees

Average number of employees in the financial year converted into full-time equivalents	1,664	1,628
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Section 2 – Notes income statement

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

	2023	2022
	DKKm	DKKm
Board of Directors		
Number	9	9
Fixed remuneration	5.0	4.7
Pension	-	-
Total remuneration	5.0	4.7

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's 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	18
Fixed pay *)	23.1	22.4
Variable pay	0.7	1.1
Pension	3.4	3.2
Total remuneration earned and paid	27.2	26.7

*) 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 22 March 2023. The remuneration policy is available at sparnord.com/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 *)	19.5	18.0
- less fees received from directorships	2.0	2.0
The Bank's expense, base salary	17.5	16.1
Pension	3.0	2.8
Total remuneration earned and paid	20.6	18.9

*) 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/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 will apply until the member's 64th birthday. Subsequently, the severance pay will be reduced, and no severance pay will be paid when a member of the Executive Board has reached the age of 67.

The severance schemes are only activated if the service contract is terminated on the part of the Bank, as termination on the part of the Executive Board member will only lead to standard remuneration during a 6-month termination period and no severance pay.

Pension obligation

Like the other employees, members of the Executive Board and significant risk takers are comprised by defined contribution pension plans.

Section 2 – Notes 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 prepayments (assets).

	2023	2022
	DKKm	DKKm
IT costs	620	544
Marketing expenses	70	65
Cost of premises	59	61
Staff costs and travel expenses	77	62
Office expenses	14	16
Other administrative expenses	123	107
Operating expenses	963	855
Depreciation, amortisation and impairment	94	98
Total operating expenses	1,057	953

2.8.1 Audit fees

	2023	2022
	DKKm	DKKm
Fees to the audit firm appointed at the General Meeting	5.6	2.1
Fees to other audit firms for non-audit services	0.5	0.4
Total audit fees	6.1	2.5
Total fees to the audit firm appointed at the General Meeting break down as follows:		
Statutory audit	4.2	1.7
Other assurance engagements	0.5	0.1
Tax and VAT assistance	0.0	0.1
Non-audit services	0.9	0.2
Total fees to the audit firm appointed at the General Meeting	5.6	2.1

The fee for non-audit services provided by Deloitte Statsautoriseret Revisionspartnerselskab to the Group in 2023 amounted to DKK 0.9 million, consisting of other services which included the preparation of a comfort letter relating to the EMTN programme, ESG advisory services and other advisory services.

For 2022, the fee for non-audit services provided by Deloitte Statsautoriseret Revisionspartnerselskab to the Group 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).

Section 2 – Notes income statement

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

	2023	2022
	DKKm	DKKm
Intangible assets		
Customer relations, amortisation	5	8
Other intangible assets, amortisation	2	2
Property, plant and equipment		
Domicile properties, depreciation	43	43
Domicile properties, net impairment	3	2
Temporary property portfolio, impairment	0	1
Other property, plant and equipment, depreciation	41	43
Total amortisation, depreciation and impairment of intangible assets and property, plant and equipment	94	98

2.9 Impairment of loans, advances and receivables etc.

	2023	2022
	DKKm	DKKm
Impairment of loans at amortised cost	84	155
Writedowns on amounts due from credit institutions and central banks	0	0
Provision for losses on guarantees	-27	-12
Provisions for losses on unutilised credit lines and loan commitments	-6	4
Loss without prior impairment	74	38
Amounts recovered on previously impaired receivables	127	64
Interest accrued on loans subject to impairment	18	15
Value adjustment of properties taken over	0	0
Reversal of impairment charges taken over	13	29
Total	-33	78

An additional specification of loan impairment etc. is provided in note 5.1 on credit risk.

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.

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 section of the Management's review.

Spar Nord's position on tax matters is also described in the ESG section of the Management's review.

Current tax, paid tax and deferred tax

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

Section 2 – Notes income statement

	2023	2022
	DKKm	DKKm
Tax on profit/loss for the year	720	313
Tax on other comprehensive income	2	-5
Tax on changes in equity	0	0
Tax on fair value adjustments, business combinations	0	0
Total tax	722	308

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

Current tax	386	523
Deferred tax for the year	336	-178
Adjustment of deferred tax, prior years	-53	-3
Adjustment of current tax for prior years	57	-5
Change in corporate tax rate (recalculation factor)	-7	-24
Tax on profit/loss for the year	720	313

Specification of the effective tax rate:

Corporate tax rate in Denmark	22.0	22.0
Special tax for financial enterprises in Denmark	3.2	0.0
Non-taxable income from investments and market value adjustment of shares, %	-2.0	-2.7
Other non-deductible expenses and non-taxable income, %	-0.2	0.6
Adjustment of prior-year taxes, %	0.1	-0.4
Change in corporate tax rate (recalculation factor), %	-0.2	-1.4
Total effective tax rate	22.9	18.1

	Before tax	Tax	After tax	Before tax	Tax	After tax
	2023	2023	2023	2022	2022	2022
	DKKm	DKKm	DKKm	DKKm	DKKm	DKKm
Tax on other comprehensive income						
Adjustment relating to associates	0	0	0	0	0	0
Adjustment regarding cash flows hedging	10	-2	7	-23	5	-18
Net revaluation of properties	6	0	6	0	0	0
Tax on other comprehensive income, total	16	-2	13	-23	5	-18

Tax on changes in equity

Adjustment relating to associates, cost of capital increase	-10	0	-10	0	0	0
Interest and issuance expenses, additional tier 1 (AT1) capital	-47	0	-47	-47	0	-47
Tax on changes in equity	-47	0	-47	-47	0	-47

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 and 2023.

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

The international rules stipulating that multinational enterprises must pay tax of at least 15%, "International Tax Reform – Pillar Two Model Rules", are not expected to affect Spar Nord going forward because Spar Nord has no activities in tax havens (countries considered a low-tax environment).

Spar Nord could become subject to the rules because the national implementation also extends to large national enterprises. If Spar Nord should become subject to the rules, it is not expected to have any financial impact, but only an effect on the administrative filings with the tax authorities.

Section 3 – Notes balance sheet

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Main items

Lending, banking and leasing activities

DKK 57,497 million

2022: **DKK 55,296** million

Shares in the trading book

DKK 121 million

2022: **DKK 87** million

Bonds at fair value in the trading book

DKK 21,623 million

2022: **DKK 18,664** million

Shares in the banking book

DKK 1,645 million

2022: **DKK 1,647** million

Bonds at fair value in the banking book

DKK 10,882 million

2022: **DKK 6,757** million

Deposits, banking activities

DKK 74,308 million

2022: **DKK 72,169** million

Deposits in pooled schemes

DKK 24,733 million

2022: **DKK 22,402** million

Section 3 – Notes 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.

	2023	2022
	DKKm	DKKm
Balances at notice with central banks	0	0
Due from credit institutions, reverse repo transactions	1,440	1,620
Due from credit institutions, other	761	1,126
Total due from credit institutions and central banks	2,201	2,746
Of which, subordinated receivables	0	0
Shown by term to maturity		
Demand deposits	141	217
Up to 3 months	1,686	2,029
Over 3 months and up to 1 year	125	125
Between 1 year and 5 years	250	375
Over 5 years	0	0
Total	2,201	2,746

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.

🔍 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.

Section 3 – Notes balance sheet

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.
- 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 impairment charges 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.

The impairment account was unchanged from end-2022 to end-2023, standing at 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 69,366 million, corresponding to about 51% of the Group's assets at end-2023.

	2023	2022
	DKKm	DKKm
Lending, reverse repo transactions	11,870	10,510
Lending, banking and leasing activities	57,497	55,296
Loans, advances and other receivables at amortised cost, total	69,366	65,806
Broken down by category		
Loan contracts with access to variable utilisation	25,350	26,045
Lease contracts	8,606	7,608
Other lending	35,410	32,153
Total	69,366	65,806
Shown by term to maturity		
Demand deposits	1,678	1,732
Up to 3 months	12,985	11,658
Over 3 months and up to 1 year	19,047	19,939
Between 1 year and 5 years	9,602	9,774
Over 5 years	26,055	22,703
Total	69,366	65,806

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".

Section 3 – Notes balance sheet

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.

	2023	2022
	DKKm	DKKm
Lease payments broken down by contractual term to maturity		
Year 1	2,141	1,852
Year 2	2,099	1,723
Year 3	1,710	1,474
Year 4	1,308	1,131
Year 5	978	794
Year 6 onwards	1,442	1,263
Total gross investments in finance leases	9,678	8,236
Of which, unearned, future financial income	1,072	628
Total net investments in finance leases	8,606	7,608
Year 1	1,805	1,643
Year 2	1,847	1,569
Year 3	1,534	1,368
Year 4	1,193	1,064
Year 5	910	755
Year 6 onwards	1,318	1,208
Total net investments in finance leases	8,606	7,608
Lease income is recognised in the income statement under the item "Interest income"	349	161
Average remaining term of the lease contracts	2.8 years	2.9 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 (DKK) and foreign currency. The contracts can be terminated during the lease term.

Leasing loans are always backed by security in the assets through ownership.

Section 3 – Notes balance sheet

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 1,645 million, equal to 1% of Spar Nord's assets at year-end 2023.

3.3.1 Bonds at fair value

	2023	2022
	DKKm	DKKm
Mortgage bonds	30,767	24,325
Government bonds	107	45
Other bonds	1,631	1,052
Bonds at fair value, total	32,505	25,422
Of which, subordinated receivables	49	40
Trading book	21,623	18,664
Banking book	10,882	6,757
Bonds at fair value, total	32,505	25,422

3.3.2 Shares, etc.

	2023	2022
	DKKm	DKKm
Shares/unit trust certificates listed on NASDAQ Copenhagen A/S	90	53
Shares/unit trust certificates listed on other stock exchanges	2	11
Unlisted shares at fair value	1,673	1,670
Total shares, etc.	1,766	1,734
Trading book	121	87
Banking book	0	0
Banking book, strategic shares	1,645	1,647
Total shares, etc.	1,766	1,734

Section 3 – Notes balance sheet

3.3.3 Other non-derivative financial liabilities at fair value

§ Accounting policies

Other non-derivative financial 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.

	2023	2022
	DKKm	DKKm
Balancing item to negative bond portfolios in connection with reverse repo transactions	1,936	2,918
Total other non-derivative financial liabilities at fair value	1,936	2,918

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 Refinitiv (previously 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 Refinitiv 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 Refinitiv 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.

Section 3 – Notes balance sheet

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 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 company's equity (net asset value) for accounting purposes, 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
2023		
Cash balances and demand deposits with central banks	218	0
Due from credit institutions and central banks	2,201	0
Loans, advances and other receivables at amortised cost	69,366	0
Bonds at fair value	0	32,505
Shares, etc.	0	1,766
Assets linked to pooled schemes	0	24,733
Positive fair value of derivatives	0	465
Total financial assets	71,785	59,470
Due to credit institutions and central banks	5,006	0
Deposits and other payables	74,397	0
Deposits in pooled schemes	0	24,733
Issued bonds at amortised cost	9,307	0
Other non-derivative financial liabilities at fair value	0	1,936
Lease liabilities	169	0
Negative fair value of derivatives	0	536
Subordinated debt	1,593	0
Total financial liabilities	90,472	27,205
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

Section 3 – Notes balance sheet

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 2023, the customer margin, etc. not yet amortised amounted to DKK 38 million (2022: DKK 44 million).

At end-2023 and 2022, no day 1 gains were not offset from CVA, which is the credit value component of derivatives.

	2023	2022
	DKKm	DKKm
Unamortised customer margin at 1 January	44	54
Net development in amortisation of customer margin	-6	-10
Unamortised customer margin at 31 December	38	44

Breakdown of financial instruments relative to the fair-value hierarchy classification and carrying amount

	Quoted prices	Observable in-	Non-observa-	Total
	Level 1	puts Level 2	ble inputs Level 3	
	DKKm	DKKm	DKKm	DKKm
2023				
Bonds at fair value	0	32,505	0	32,505
Shares, etc.	92	29	1,645	1,766
Assets linked to pooled schemes	14,045	10,688	0	24,733
Positive fair value of derivatives	0	465	0	465
Total financial assets	14,137	43,688	1,645	59,470

Deposits in pooled schemes	0	24,733	0	24,733
Other non-derivative financial liabilities at fair value	0	1,936	0	1,936
Negative fair value of derivatives	0	536	0	536
Total financial liabilities	0	27,205	0	27,205

	Quoted prices	Observable in-	Non-observa-	Total
	Level 1	puts Level 2	ble inputs Level 3	
	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

Section 3 – Notes balance sheet

Level 3	Fair value based on net asset value, cf. shareholders' agreements	Other	Fair value based on net asset value, cf. shareholders' agreements	Other
	2023	2023	2022	2022
	DKKm	DKKm	DKKm	DKKm
Shares, etc.	1,105	540	1,144	503
Positive fair value of derivatives	-	0	-	0

Sensitivities:

 Change in fair value of shares if the profit/loss of the companies changes by 10%	14	-	15	-
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A substantial portion of the shares included under "Other" are valued based on future expected cash flows, 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 2023, the Bank recognised unrealised market value adjustments of DKK 109 million (2022: DKK 116 million) in respect of financial assets held on the balance sheet date valued on the basis of non-observable inputs.

	2023	2022
	DKKm	DKKm
Carrying amount, beginning of period	1,647	2,223
Value adjustments through profit or loss	109	127
Market value adjustments in other comprehensive income	0	0
Purchase	8	107
Sale	119	188
Transferred to/from Level 3	0	-622
Carrying amount, end of year	1,645	1,647
Value adjustments through profit or loss of assets held at the reporting date	109	116

Section 3 – Notes balance sheet

Financial instruments recognised at amortised cost – information on fair value

	Carrying amount	Fair value	Carrying amount	Fair value
	2023	2023	2022	2022
	DKKm	DKKm	DKKm	DKKm
Cash balances and demand deposits with central banks *)	218	218	1,893	1,893
Due from credit institutions and central banks *)	2,201	2,201	2,746	2,746
Loans, advances and other receivables at amortised cost *)	69,366	69,494	65,806	65,828
Total financial assets	71,785	71,913	70,445	70,466
Due to credit institutions and central banks *)	5,006	5,006	2,076	2,076
Deposits and other payables *)	74,397	74,526	72,169	72,171
Issued bonds at amortised cost **)	9,307	9,316	6,216	6,030
Lease liabilities *)	169	169	158	158
Subordinated debt *)	1,593	1,587	1,597	1,536
Total financial liabilities	90,472	90,603	82,216	81,971

*) Level 3 in the fair value hierarchy

**) Level 2 in the fair value hierarchy

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.

Section 3 – Notes balance sheet

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.

Investments in associates are recognised and measured according to the equity method, which entails that the investments are measured at the proportionate share of the associ-

ate's net asset value calculated in accordance with Spar Nord's accounting policies 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.

	2023	2022
	DKKm	DKKm
Total cost, beginning of year	547	515
Additions	162	32
Disposals	0	1
Total cost, end of year	709	547
Revaluations and impairment, beginning of year	190	148
Profit/loss	107	75
Dividend	23	33
Other capital movements recognised in comprehensive income	-10	0
Reversal of revaluations and impairment	0	-1
Revaluations and impairment, end of year	264	190
Carrying amount, end of year	973	736

ate's net asset value calculated in

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:

	2023	2022
	DKKm	DKKm
Spar Nord's share of:		
Profit/loss for the year	-1	20
Other comprehensive income	0	0
Total comprehensive income	-1	20

Section 3 – Notes balance sheet

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 2023 column below are from the most recently published annual report for the 2022 financial year of Danske Andelskassers Bank A/S.

	2023	2022
	DKKm	DKKm
	Danske Andelskassers Bank A/S	Danske Andelskassers Bank A/S
	Hammershøj	Hammershøj
Registered office		
Ownership interest (%)	39.7	38.3
Share of votes (%)	39.7	38.3
Statement of comprehensive income		
Revenue (net interest and fee income, market value adjustments and other operating income)	586	662
Profit/loss for the year	149	198
Other comprehensive income	0	0
Total	149	197
Dividend received by Spar Nord	16	20
Balance sheet		
Loans, advances and receivables etc.	7,153	6,794
Other assets	6,799	6,711
Total assets	13,952	13,505
Deposits and other payables	9,414	9,481
Other liabilities	2,253	1,817
Total liabilities	11,666	11,299
Equity	2,286	2,206
Spar Nord's share of shareholders' equity in Danske Andelskassers Bank A/S according to the most recently published annual report	803	744

The Group's associates are measured at net asset value based on Spar Nord's accounting policies.

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 926 million (2022: DKK 733 million).

Reconciliation of carrying amount at 31 December

	2023	2022
	DKKm	DKKm
Carrying amount of equity investments in individually significant associates	923	681
Carrying amount of equity investments in individually non-significant associates	49	55
Total	973	736

Section 3 – Notes balance sheet

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
	2023	2023	2023	2022
	DKKm	DKKm	DKKm	DKKm
Assets				
Cash deposits	726	10	736	641
Bonds	4,837	61	4,898	5,463
Shares, etc.	13,707	189	13,897	13,051
Unit trust certificates	5,082	70	5,152	3,197
Other assets	51	1	51	51
Total assets	24,403	331	24,733	22,402
Equity and liabilities				
Total deposits	24,403	331	24,733	22,402
Total equity and liabilities	24,403	331	24,733	22,402

3.6 Intangible assets

	2023	2022
	DKKm	DKKm
Goodwill	379	379
Customer relations	34	39
Other intangible assets	7	2
Total intangible assets	419	419

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.

	2023	2022
	DKKm	DKKm
Total cost, beginning of year	380	380
Additions	0	0
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

Section 3 – Notes balance sheet

	Cost	Additions/ disposals	Cost	Impairment	Impairment	Impairment on disposal	Impairment	Carrying amount
	01.01.23	2023	31.12.23	01.01.23	2023	2023	31.12.23	31.12.23
	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
	01.01.22	2022	31.12.23	01.01.22	2022	2022	31.12.23	31.12.23
	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

Goodwill concerning all of the above banking activities 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, customer relations is written down to the value in use.

	2023	2022
	DKKm	DKKm
Total cost, beginning of year	113	113
Additions	0	0
Disposals	0	0
Total cost, end of year	113	113
Depreciation and impairment, beginning of year	74	66
Depreciation for the year	5	8
Reversal of amortisation on disposals	0	0
Depreciation and impairment, end of year	79	74
Carrying amount, end of year	34	39

Section 3 – Notes 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.

	2023	2022
	DKKm	DKKm
Total cost, beginning of year	31	31
Additions	6	0
Disposals	4	0
Total cost, end of year	34	31
Depreciation and impairment, beginning of year	29	28
Depreciation for the year	2	2
Reversal of amortisation on disposals	4	0
Depreciation and impairment, end of year	27	29
Carrying amount, end of year	7	2

The remaining amortisation periods are 0-7 years (2022: 0-8 years) for customer relations and 1-5 years (2022: 1-5 years) for other intangible assets. Goodwill had an indefinite useful life in both 2023 and 2022.

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Section 3 – Notes 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 14.5% (2022: 14.0%) of the total risk exposure amount.

The impairment test in 2023 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% (2022: 1.0%). 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. Since mid-2022 and until Q4 2023, Nationalbanken hiked interest rates on ten occasions by a total of 4.2 percentage points. Following a long period of sharply rising interest rates and a widening interest margin, the period ahead is expected to be marked by falling interest rates, which is expected to have an adverse impact on the interest margin and, by extension, net interest income in 2024 compared with 2023.

Primary assumptions; see above:

	2023	2022
Acquired goodwill, DKKm	379	379
Budget period	5 years	5 years
Average annual growth during the budget period	1.0%	1.0%
Average annual growth during the terminal period	1.0%	1.5%
Discount factor before tax	10.8%	10.1%
Discount factor after tax	8.0%	7.5%
Share of equity of total risk exposure amount	14.5%	14.0%

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. Net fee income is expected to rise slightly in 2024 compared with 2023, when activity, notably within house sales, was adversely affected by the rising interest rates.

Market value adjustments

Market value adjustments are expected to be at a slightly lower level than in 2023.

Costs and expenses

The Bank expects to see an increase in costs and expenses in 2024 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. Impairment charges are expected to be at a higher level than in the last couple of 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 1.0% (2022: 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 10.8% in 2023 (2022: 10.1%) before tax at a tax rate of 26%.

After tax, the discount rate is 8.0% (2022: 7.5%).

The increase in the discount rate from 2022 to 2023 is driven by an increase in the risk-free interest rate, whereas there was a decrease in the market risk premium.

Section 3 – Notes balance sheet

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:

	2023	2022
Reduction in pre-tax profit/loss (change in net interest income, fee income, cost ratio or impairment) up to	60%	65%
Increase in the discount rate (after tax) up to	20%	21%

71% of the present value of expected cash flows in Spar Nord's Local Banks relates to the terminal period (2022: 75%).

Customer relations

The carrying amount of customer relations recognised in connection with the acquisition of BankNordik's Danish business was DKK 34 million (2022: DKK 39 million).

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.

	2023	2022
	DKKm	DKKm
Investment properties	33	98
Domicile properties	512	524
Domicile properties, leasing	165	157
Land and buildings, total	711	780

Section 3 – Notes balance sheet

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.

	2023	2022
	DKKm	DKKm
Fair value, beginning of period	98	99
Additions, incl. improvements	0	0
Disposals	65	0
Unrealised fair value adjustment	0	0
Fair value, end of year	33	98
Required rate of return used in calculating the fair value, %	5.5 - 10.0	5.5 - 9.0
Required rate of return used in calculating the fair value, weighted average, %	6.55	6.55

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:

0	1
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Section 3 – Notes 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.

	2023	2022
	DKKm	DKKm
Total cost, beginning of year	704	720
Additions	2	5
Disposals	0	21
Total cost, end of year	706	704
Value adjustment, beginning of year	180	172
Depreciation for the year	16	16
Net impairment via the income statement	3	2
Changes in value recognised in other comprehensive income	6	0
Depreciation and impairment on disposals	0	10
Value adjustment, end of year	193	180
Fair value, end of year	512	524
Required rate of return used in calculating the fair value, %	5.5 - 10.0	5.5 - 10.0
Required rate of return used in calculating the fair value, weighted average, %	7.27	7.17
Carrying amount if domicile properties were measured according to the depreciated cost method	413	431
Collateral provided to mortgage credit institutions in the form of mortgages on land and buildings has a carrying amount of	-	-

The required rate of return of between 5.5% and 10.0% varies from one property to the next, depending on the location and physical condition of the property.

There was an increase in the required rate of return in 2023 even though the spread in required rates of return is generally unchanged.

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In 2023 and 2022, additions, domicile properties did not include any amounts concerning properties under construction or refurbishment of properties from the subsidiary Aktieselskabet Skelagervej 15.

No borrowing costs were recognised in 2023 and 2022.

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 (2022: 5.5-10.0%) for domicile properties and the 5.0-10.0% range (2022: 5.5-9.0%) for investment properties.

2023

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	9	147	1	17
7.00 - 8.00	11	232	1	10
8.00 - 9.00	5	97	2	3
9.00 ->	7	36	2	4
Total	32	512	6	33

2022

Required rates of return in %	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

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 36 million (2022: DKK 41 million). Other things being equal, a decrease of the rental level of 5% will reduce the fair value by DKK 27 million (2022: DKK 31 million).

Section 3 – Notes balance sheet

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 (dis-counted)	Potential future lease liability not recognised in the balance sheet (dis-counted) *)
2023		
Domicile properties	169	0
2022		
Domicile properties	158	0

* 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

	2023	2022
	DKKm	DKKm
Balance, 1 January	157	150
Additions	8	24
Disposals	0	0
Remeasurement of lease liability	28	11
Depreciation for the year	27	27
Balance, 31 December	165	157

Section 3 – Notes balance sheet

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.

	2023	2022
	DKKm	DKKm
Other property, plant and equipment	101	108
Operating lease assets	19	17
Other property, plant and equipment, total	120	125

Other property, plant and equipment

The figures at end-2023 include various fully written-off assets used for the Spar Nord Group's operations. The original purchase price of these assets amounts to DKK 214 million (2022: DKK 185 million).

	2023	2022
	DKKm	DKKm
Total cost, beginning of year	366	338
Additions	30	39
Disposals	19	10
Total cost, end of year	378	366
Depreciation and impairment, beginning of year	258	227
Depreciation and impairment for the year	37	40
Reversal of depreciation and impairment for the year	18	9
Depreciation and impairment, end of year	277	258
Carrying amount, end of year	101	108

Section 3 – Notes balance sheet

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.

	2023	2022
	DKKm	DKKm
Total cost, beginning of year	28	20
Additions	6	9
Disposals	0	1
Total cost, end of year	34	28
Depreciation and impairment, beginning of year	11	8
Depreciation and impairment for the year	4	4
Reversal of depreciation and impairment for the year	0	0
Depreciation and impairment, end of year	16	11
Carrying amount, end of year	19	17

The contracts can be terminated during the lease term.

Lease payments by term

Year 1	7	4
Year 2	6	6
Year 3	3	6
Year 4	1	1
Year 5	1	0
Year 6 onwards	0	0
Total lease payments under operating leases	19	17

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	5	4
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Section 3 – Notes 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.

	2023	2022
	DKKm	DKKm
Total cost, beginning of year	11	11
Additions	0	2
Disposals	4	2
Total cost, end of year	7	11
Depreciation and impairment, beginning of year	5	5
Movements during the year	0	1
Depreciation and impairment, end of year	5	5
Carrying amount, end of year	2	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.

	2023	2022
	DKKm	DKKm
Positive fair value of derivatives, etc.	465	444
Miscellaneous receivables	479	474
Interest and commissions receivable	370	132
Capital contribution to Bankernes EDB Central a.m.b.a.	357	400
Other assets	12	28
Total other assets	1,684	1,479

Section 3 – Notes balance sheet

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.

	2023	2022
	DKKm	DKKm
Due to central banks	61	88
Due to credit institutions, repo transactions	4,154	1,722
Due to credit institutions, other	791	266
Total due to credit institutions and central banks	5,006	2,076
Shown by term to maturity		
Demand deposits	226	227
Up to 3 months	4,780	1,849
Over 3 months and up to 1 year	0	0
Between 1 year and 5 years	0	0
Over 5 years	0	0
Total	5,006	2,076

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.

	2023	2022
	DKKm	DKKm
Repo transactions	89	0
Demand deposits	57,411	63,913
Subject to notice	5,169	2,105
Time deposits, excluding repo business	8,708	3,147
Special types of deposits	3,020	3,005
Total deposits and other payables	74,397	72,169
Shown by term to maturity		
Demand deposits	57,411	63,913
Up to 3 months	10,159	3,926
Over 3 months and up to 1 year	3,316	1,009
Between 1 year and 5 years	1,361	832
Over 5 years	2,150	2,490
Total	74,397	72,169

Section 3 – Notes balance sheet

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.

	2023	2022
	DKKm	DKKm
Miscellaneous payables	2,534	2,763
Negative fair value of derivatives, etc.	536	675
Interest and commissions payable	158	79
Lease liabilities	169	158
Other liabilities	276	239
Total other liabilities	3,672	3,915

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.

	2023	2022
	DKKm	DKKm
Total lease payments for the year concerning leases	33	30
Amount recognised in the income statement		
Interest payments relating to lease liabilities	-7	2
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	-26	-28
Payments in respect of interest element	-7	-2
Lease payments in respect of short-term leases and low-value leases	-	-
Total cash outflows regarding leases	-33	-30
Of which financing activity	-26	-28
Of which operating activity	-7	-2
Total	-33	-30

Section 3 – Notes 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 the expected tax rate.

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

	2023	2022
	DKKm	DKKm
Beginning of period	65	105
Current tax for the year	-386	-523
Tax on other comprehensive income	-2	5
Prior-year adjustments	-57	5
Paid corporation tax, net	451	473
End of year	70	65

Which breaks down as follows:

Current tax assets	70	65
Payable tax liabilities	0	0
Total	70	65

Paid corporation tax by country

Denmark	451	473
Total	451	473

Deferred tax

	2023	2022
	DKKm	DKKm
Beginning of period	-201	4
Deferred tax for the year recognised in profit/loss for the year	277	-205
Deferred tax for the year recognised in other comprehensive income	0	0
Deferred tax for the year recognised in changes in equity	0	0
End of year	76	-201

Which breaks down as follows:

Deferred tax assets	0	201
Provisions for deferred tax	76	0
Total	76	201

Section 3 – Notes balance sheet

Changes in deferred tax in 2023	Beginning of period	Recognised in profit for the year	Recognised in other comprehensive income etc.	End of year
	DKKm	DKKm	DKKm	DKKm
Intangible assets	53	9	0	62
Property, plant and equipment, incl. leased assets	-100	199	0	99
Loans, advances and other receivables at amortised cost	-51	-3	0	-53
Payables and subordinated debt	-117	112	0	-5
Provisions	-16	-2	0	-19
Miscellaneous	31	-38	0	-7
Total	-201	277	0	76

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

Shown by term to maturity

	2023	2022
	DKKm	DKKm
Up to 3 months	0	0
Over 3 months and up to 1 year	-27	-183
Between 1 year and 5 years	-27	-90
Over 5 years	130	72
Total	76	-201

Deferred tax assets of DKK 0 million were recognised in 2023 (2022: DKK 201 million). In 2022, the amount related to tax-deductible lease assets, which in the table above are included under loans, advances and other receivables at amortised cost and payables and subordinated debt. Spar Nord had no deferred tax assets relating to tax losses in 2023 and 2022.

For 2022, Spar Nord expected that the taxable income within the next 1-3 years could absorb the capitalised deferred tax, and Spar Nord expected to pay corporate tax in the coming years.

Tax assets not recognised in the balance sheet

2023	Beginning of period	Recognised in profit for the year	Additions and disposals	End of year
	DKKm	DKKm	DKKm	DKKm
Tax assets not recognised relate to:				
Losses on properties with deductibility restricted to gains from the same source	17	0	0	17
Cases regarding direct and indirect taxes	22	0	-5	17
Total tax assets not recognised	39	0	-5	34

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

All deferred tax liabilities are recognised in the balance sheet. The temporary differences in 2023 and 2022 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 – Notes 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.

	2023	2022
	DKKm	DKKm
Provision for losses on guarantees	23	50
Other provisions	58	4
Provisions for unutilised credit lines and loan commitments	6	13
Total provisions	87	67
Provisions recognised in the income statement		
New provisions	70	32
Reversed provisions	49	40
Total provisions recognised in the income statement	20	-8
Provision for losses on guarantees		
Beginning of period	50	62
New provisions	11	24
Reversed provisions	39	36
Conclusively lost	0	0
End of year	23	50
Losses on guarantees recognised in the income statement		
New provisions	11	24
Reversed provisions	39	36
Recognised in the income statement	-27	-12
Other provisions		
Beginning of period	4	4
New provisions	57	1
Reversed provisions	2	1
Applied to cover liabilities	0	0
End of year	58	4
Other provisions recognised in the income statement		
New provisions	57	1
Reversed provisions	2	1
Recognised in the income statement	54	0
Provisions for unutilised credit lines and loan commitments		
Beginning of period	13	9
New provisions	2	8
Reversed provisions	8	4
End of year	6	13
Provisions for unutilised credit lines and loan commitments recognised in the income statement		
New provisions	2	8
Reversed provisions	8	4
Recognised in the income statement	-6	4

Section 3 – Notes 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
	DKKkm	DKKkm	DKKkm	DKKkm	DKKkm
2023					
Provision for losses on guarantees	2	3	9	9	23
Other provisions	0	53	3	2	58
Provisions for unutilised credit lines and loan commitments	6	0	0	0	6
Total provisions	8	56	12	11	87
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

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 estimated repayments of overpaid fees and interest to customers in the financing company Sparxpres, which offers consumer loans to retail customers.

Other provisions also include provisions for anniversary lump sums.



Section 4 – Notes capital

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Main items

Earnings per share for the year

DKK 19.9

2022: **DKK 11.2**

Proposed dividend per share

DKK 10.0

2022: DKK 4.5

Target:
Common equity tier 1 capital ratio

13.5

2022: **13.5**

Common equity tier 1 capital ratio

17.7

2022: **16.4**

Target:
Own funds ratio

17.5

2022: **17.5**

Own funds ratio

22.3

2022: **20.9**

Section 4 – Notes 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 the beginning of 2023, Spar Nord's has pursued a dividend policy of distributing 40–60% of the net profit for the year. 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 40–60% is calculated on the net profit and thus before payment of interest on the Bank's additional tier 1 capital.

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 15.4–17.7% (2022: 15.6–16.4%) and thus exceeded Spar Nord's internal target for the period of 13.5% (2022: 13.5%). Correspondingly, the Bank's target of an own funds ratio of 17.5% has been met, as it remained within the 19.9–22.3% range during the year (2022: 19.9–20.9%).

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 continuously 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 comes an add-on 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.

At the beginning of July 2023, Spar Nord submitted the Bank's IRB application to the Danish FSA and expects to obtain the FSA's approval for implementation by the end of 2024. The transition to IRB will result in a revision of the Bank's capital targets etc.

Section 4 – Notes capital

4.2 Own funds

	2023	2022
	DKKm	DKKm
Equity	13,979	12,469
Phasing in of IFRS 9	199	286
Additional tier 1 capital recognised in equity	1,202	1,199
Proposed dividend	1,205	554
Intangible assets	329	341
Share buybacks, non-utilised portion	10	30
Deductions for NPE (Non Performing Exposures)	183	173
Other primary deductions	60	60
Deduction – Holdings of insignificant CET1 instruments	0	116
Deduction – Holdings of significant CET1 instruments	500	352
Common equity tier 1 capital	10,691	9,930
Additional tier 1 (AT1) capital *)	1,173	1,173
Other deductions	0	1
Tier 1 capital	11,864	11,103
Subordinated debt, excl. Additional Tier 1 (AT1) capital *)	1,578	1,579
Other deductions	0	19
Own funds	13,442	12,662
Weighted risk exposure amount, credit risk etc.	49,563	50,063
Weighted risk exposure amount, market risk	3,958	3,901
Weighted risk exposure amount, operational risk	6,848	6,499
Total risk exposure amount	60,369	60,463
Common equity tier 1 capital ratio	17.7	16.4
Tier 1 capital ratio	19.7	18.4
Own funds ratio	22.3	20.9

*) 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 properties 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 40-50% (2022: 30-50%) of the net profit for the year. 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 40-60% is calculated on the net profit and thus before payment of interest on the Bank's additional tier 1 capital.

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.

Section 4 – Notes capital

Statutory reserves, total

	Statutory re- serves	Cash flow hedging	Statutory re- serves, total
2023			
Beginning of period	191	-18	172
Comprehensive income in 2023			
Profit/loss for the year	107	-	107
Other comprehensive income			
Adjustment relating to associates	-23	-	-23
Adjustment regarding cash flows hedging	-	7	7
Other comprehensive income, total	-23	7	-16
Total comprehensive income	83	7	91
Other adjustments			
Adjustment re. associates, cost of cap. incr.	-10	-	-10
Total transactions with owners	-	-	-
Equity at 31.12.2023	264	-10	253
2022			
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 31.12.2022	191	-18	172

Section 4 – Notes capital

4.4 Shares

	Number of shares		Nominal value (DKKm)	
	2023	2022	2023	2022
Issued shares				
1 January	123,002,526	123,002,526	1,230	1,230
Share buyback programme	2,535,900	-	25	-
31 December – fully paid	120,466,626	123,002,526	1,205	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.

	2023	2022
Number of shares in circulation		
Beginning of period	120,711,126	122,934,591
Share buyback programme (15 June 2022 to 31 January 2023)	293,400	2,242,500
Share buyback programme (13 February 2023 to 31 January 2024)	2,678,100	-
Acquisition/sale of treasury shares, trading book	-71,806	19,035
End of year	117,667,820	120,711,126
Shares issued, beginning of year	123,002,526	123,002,526
Share buyback programme (15 June 2022 to 31 January 2023), cancellation of shares	2,535,900	-
Share buyback programme (13 February 2023 to 31 January 2024)	2,678,100	2,242,500
Group's portfolio of treasury shares, trading book	120,706	48,900
Outstanding shares in circulation	117,667,820	120,711,126

Treasury share portfolio

Number of shares, trading book	120,706	48,900
Share buyback programme no. of shares	2,678,100	2,242,500
Nominal value, DKKm	28	23
Fair value, DKKm	298	244
Percentage of share capital	2.3	1.9

Treasury share portfolio, fair value, DKKm

Portfolio, beginning of year	244	6
Share buyback programme (15 June 2022 to 31 January 2023)	-225	193
Share buyback programme (13 February 2023 to 31 January 2024)	290	-
Acquisition of treasury shares	550	452
Sale of treasury shares	512	452
Market value adjustments	-49	45
Portfolio, end of year	298	244

Treasury shares deposited as collateral

Number of shares	551,302	650,630
Nominal value, DKKm	6	7
Fair value, DKKm	59	69
Percentage of share capital	0.4	0.5

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.

On 28 April 2023, the share capital was reduced by nominally DKK 25,359,000 through the cancellation of 2,535,900 shares from the Bank's portfolio of treasury shares acquired under the Bank's share buyback programme in the period from 15 June 2022 to 31 January 2023.

Section 4 – Notes capital

4.5 Earnings per share for the year

	2023	2022
	DKKm	DKKm
The profit/loss of shareholders of the Parent Company, Spar Nord Bank A/S	2,373	1,368
Number of shares, beginning of year	123,002,526	123,002,526
Reduction of share capital (Share buyback programme 15 June 2022 to 31 January 2023)	2,535,900	-
Average number of treasury shares	1,277,153	1,179,668
Average number of shares in circulation	119,189,473	121,822,859
Average dilutive effect of outstanding share options	0	0
Average number of outstanding shares (diluted)	119,189,473	121,822,859
Earnings per share for the year (DKK)	19.9	11.2
Diluted earnings per share for the year (DKK)	19.9	11.2

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' 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.

Currency	Note	Principal DKKm	Interest rate	Received	Maturity	2023	2022
						DKKm	DKKm
DKK	a	250	3.125%	2021	Perpetual	252	252
DKK	b	600	3.25%	2021	Perpetual	606	603
DKK	c	330	6.00%	2020	Perpetual	344	344
Additional tier 1 (AT1) capital issued under CRR, total						1,202	1,199

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

	2023	2022
	DKKm	DKKm
Issue of additional tier 1 (AT1) capital	-	-
Redemption of additional tier 1 (AT1) capital	-	-
Net transaction costs	-	0
Change in portfolio of own bonds	3	2
Interest paid	-47	-47
Total cash flows for the year	-44	-46

Section 4 – Notes capital

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.

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.

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.

Supplementary capital contributions

						2023	2022
						DKKm	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	350
DKK	c	150	2.9298%	2018	29.05.29	150	150
DKK	d	500	5.131%	2022	07.07.32	498	498
DKK	e	400	CIBOR6 + 3.25%	2023	11.04.33	398	-
DKK	f	400	2.5348%	2018	19.06.28	-	400
Supplementary capital contributions, total						1,596	1,597
Portfolio of own bonds relating to subordinated debt						-3	0
Total subordinated debt						1,593	1,597
Interest on subordinated debt						85	49
Amortised costs expensed on 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 07.07.2027. If the loan is not redeemed, interest will be fixed at CIBOR6 + a 3.00% margin.

e Redeemable as from 11.04.2028. If the loan is not redeemed, interest will be fixed at CIBOR6 + a 3.25% margin.

f The loan was redeemed on 19.06.2023.

Subordinated debt, specification of cash flows

	2023	2022
	DKKm	DKKm
Beginning of period	1,597	1,523
Cash flows		
New loans	400	500
Redeemed	-400	-436
Net transaction costs	-2	-2
Change in portfolio of own bonds	-3	11
Net cash flows	-5	73
Other movements		
Change in exchange rate adjustments	0	0
Amortised costs expensed	1	1
Total other movements	1	1
End of year	1,593	1,597

Section 4 – Notes 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.

						2023	2022
						DKKm	DKKm
Currency	Note	Principal DKKm	Interest rate	Received	Maturity		
NOK	a	500	2.8230%	2021	30.06.32	296	313
NOK	b	950	2.1110%	2021	26.11.26	599	633
NOK	c	750	NIBOR3 + 1.05%	2021	26.05.28	496	528
SEK	d	800	STIBOR3 + 0.80%	2021	26.05.26	537	534
DKK	e	1,350	CIBOR3 + 1.00%	2019	05.12.25	1,349	1,349
DKK	f	400	0.7290%	2019	05.12.25	386	372
NOK	g	600	5.5450%	2022	09.09.27	397	429
NOK	h	200	NIBOR3 + 2.00%	2022	09.09.27	132	140
SEK	i	350	4.8330%	2022	09.03.27	235	230
DKK	j	750	CIBOR3 + 1.20%	2022	15.05.25	750	748
SEK	k	1,100	STIBOR3 + 3.00%	2022	01.12.28	739	435
NOK	l	724	NIBOR3 + 3.00%	2022	08.12.28	480	512
EUR	m	25	EURIBOR3 + 1.40%	2023	23.03.27	186	-
EUR	n	250	5.3750%	2023	05.10.27	1,900	-
NOK	o	800	NIBOR3 + 2.45%	2023	01.12.29	531	-
DKK	p	300	CIBOR3 + 1.40%	2023	04.12.26	299	-
Issued bonds, total						9,314	6,223
Portfolio of own issued bonds						-6	-7
Issued bonds, total						9,307	6,216

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 Redeemable as from 23.03.2026. If the bonds are not redeemed, interest will be fixed at EURIBOR3 + a 1.40% margin.

n Redeemable as from 05.10.2026. If the bonds are not redeemed, interest will be fixed at EURIBOR3 + a 1.85% margin.

o Redeemable as from 01.12.2028. If the bonds are not redeemed, interest will be fixed at NIBOR3 + a 2.45% margin.

p Redeemable as from 04.12.2025. If the bonds are not redeemed, interest will be fixed at CIBOR3 + a 1.40% margin.

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

Loan **j and n** are Senior Preferred, while the other loans are Senior Non-Preferred.

Section 4 – Notes capital

Issued bonds at amortised cost, specification of cash flows

	2023	2022
	DKKm	DKKm
Beginning of period	6,216	4,845
Cash flows		
New loans	3,149	2,539
Redeemed	0	-908
Net transaction costs	-8	-7
Change in portfolio of own bonds	1	-5
Net cash flows	3,141	1,619
Other movements		
Change in exchange rate adjustments	-122	-176
Adjustment for effect of interest rate hedging	66	-76
Amortised costs expensed	6	4
Total other movements	-50	-247
End of year	9,307	6,216

Shown by contractual term to maturity

Up to 3 months	2	1
Over 3 months and up to 1 year	755	4
Between 1 year and 5 years	7,722	5,897
Over 5 years	828	314
Total	9,307	6,216

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

Section 5 – Notes risk management

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5.1.9	151	5.3.9	164
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5.2	157	5.4.2	166
5.2.1	157	5.4.3	166
5.2.2	158	5.4.4	166
5.2.3	158	5.4.5	166
5.2.4	159	5.4.6	166
		5.4.7	166
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Main items

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

DKK 68,864 million
2022: **DKK 69,290** million

Interest rate risk

DKK 38 million
2022: **DKK 59** million

Credit exposure – financial credit risk

DKK 35,036 million
2022: **DKK 28,474** million

Shareholding

DKK 2,738 million
2022: **DKK 2,470** million

Credit exposure – retail/business

43.9% / 56.1%
2022: **42.4% / 57.6%**

Short-term liquidity LCR

246%
2022: **211%**

Total impairment account

DKK 1,673 million
2022: **DKK 1,666** million

Long-term liquidity NFSR

131%
2022: **127%**

Section 5 – Notes 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 2023, 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

	2023	2022
	DKKm	DKKm
Credit exposure for financial reporting purposes		
Loans, advances and guarantees	80,734	79,800
Loans and guarantees excl. reverse repo transactions	68,864	69,290
Lending excl. reverse repo business, carrying amount	57,497	55,296
Lending growth (carrying amount, excl. reverse repo transactions)	4.0%	12.7%
Credit exposure to loans, advances and guarantees excl. reverse repo transactions		
Retail customers	43.9%	42.4%
Business customers	56.1%	57.6%
Recognised impairments		
Retail customers	-47	92
Business customers excl. agriculture	98	64
Agriculture	-85	-79
Total (positive amounts indicate a negative profit impact)	-33	78
Impairment ratio, loans, advances and guarantees (impact on operations)	0.0%	0.1%
Impairment etc., end of year		
Stage 1, credit risk has not increased significantly	391	247
Stage 2, credit risk has increased significantly	540	567
Stage 3, credit-impaired	742	851
Total	1,673	1,666
Total impairment in % of loans, advances and guarantees (excl. reverse repo transactions)	2.4%	2.4%

Section 5 – Notes risk management

Overall comments on credit risk

Recognised loan impairment etc. amounted to an income of DKK 33 million in 2023, against an expense of DKK 78 million in 2022.

At DKK 375 million at end-2023, cyclical downturn represents by far the largest management estimate. The estimate covers enhanced credit risk due to economic uncertainty and is a re-labelling of the previous estimate of inflation, weak growth and property prices. Developments in 2023 (-DKK 60 million) were due to the fact that calculations for the new estimates commercial real estate and ESG were separated out from the estimate, which means the estimate overall rose by a small margin (+DKK 6 million).

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 a need may arise to adjust the management estimate in the coming year.

The DKK -33 million impact on profits breaks down into DKK 98 million attributable to business customers ex. agricultural customers, DKK -85 million to agricultural customers, DKK 45 million to retail customers and DKK -2 million to customers in the Sparxpres consumer loan business.

Possible transition to internal ratings-based models (IRB) for the calculation of risk exposure derived from credit risk.

Spar Nord has applied internal models in its credit risk management for more than ten years, and since 2018 the Bank has worked intensively to prepare an application for permission to switch to the use of internal ratings-based models (IRB) for calculating risk exposure derived from credit risk.

The Bank currently employs the standard method for calculating its risk exposure. The use of internal ratings-based models (IRB) may provide a more precise calculation of credit risk exposure. Owing to the generally strong quality of Spar Nord's credit portfolios, it is expected that Spar Nord may achieve lower risk weights, thus attaining a more appropriate capital application. These expected lower risk weights will contribute to underpinning the Bank's competitive strength going forward.

On 4 July 2023, Spar Nord sent an application to the Danish FSA for approval to use own models for calculating risk exposure amounts. The Danish FSA is currently processing the application.

In 2024, Spar Nord expects to complete the implementation of the new IRB-compliant models relative to the Bank's internal rating system and credit management – replacing the existing models.

The new PD models are expected to be phased into the Bank's rating system and credit management process during the first half of 2024. In this connection, the Bank will adjust its credit procedures, IT systems and internal and regulatory reporting comprising PD/ratings. The new PD values will be implemented in the Bank's modelled impairment charges.

Section 5 – Notes 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 13,310 million (including DKK 1,440 million for credit institutions). Loans, advances and guarantees to public-sector customers totalled DKK 760 million, while amounts due from credit institutions (ex. reverse repo transactions) amounted to DKK 761 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 RKL, 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.

Section 5 – Notes risk management

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 macro-economic 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:

- Retail customers: House price developments and mortgage rates.
 - House price developments (annual trend) -> -3.3%
 - Mortgage rate (current value) -> 4.2 %
- Business customers: SME confidence indicator and industrial confidence indicator.
 - SME confidence indicator (current value) -> -10
 - Industrial confidence indicator (current value) -> -9
- 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) -> 93
 - Price trend for slaughter pigs (annual trend) -> 1%
 - Price trend for milk (annual trend) -> 32%

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 88% in base case, 5% in best case and 7% in worst case (85%, 5% and 10% in 2022).

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:

2023

Scenarios	Stage 1	Stage 2	Stage 3	Total
Total	24	32	44	100
Best	23	32	24	79
Worst	24	34	71	129

2022

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

The total current impairment amount is used as index 100. Best-case would reduce impairment by DKK 359 million (2022: DKK 210 million), while worst-case would increase impairment by DKK 489 million (2022: DKK 395 million). The calculation does not take into account any customers shifting between model and individual calculations in the best and the worst case, respectively.

The lower share of stage 3 impairment charges in 2023 in the current scenario is explained by improved credit quality among the customers in the lowest credit categories. For the modelled impairment charges and the management estimates, there was a movement towards stage 1 because the Bank's rating

models have shown a reduced credit risk across the Bank's customer portfolio.

The management estimates supplement the individual and modelled 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 concerning cyclical downturn was calculated at DKK 375 million at end-2023. When calculating a reduced stress scenario/increased stress scenario, based on the values in the table below, the estimate would have been DKK 303/427 million.

The management estimate concerning commercial real estate has been calculated at DKK 155 million. When calculating a reduced stress scenario/increased stress scenario, the estimate would have been DKK 121/200 million, respectively.

The management estimate concerning ESG has been calculated at DKK 73 million. When calculating a reduced stress scenario/increased stress scenario, the estimate would have been DKK 59/87 million, respectively.

The management estimate concerning model uncertainty has been calculated at DKK 59 million. When calculating a reduced stress scenario/increased stress scenario, the estimate would have been DKK 46/75 million, respectively.

Management estimates (DKKm)

	Reduced	Applied	In-creased
2023			
Cyclical downturn	303	375	427
Commercial real estate	121	155	200
ESG	59	73	87
Model uncertainty	46	59	75
Total	529	662	789

	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 5.1.8.

The following sensitivity analyses were made in 2023 and 2022: The table below shows sub-components of management estimates included in the sensitivity analysis and how these are stressed in % or DKK in respectively the reduced, applied and increased stress scenario.

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Overview of sensitivity analyses (%/DKK)

2023	Reduced	Applied	In-creased
Cyclical downturn, commercial real estate and ESG			
Scenario stress OEI customers (min. weight in worst case in %)	35	40	45
PD stress business general (current PD in %)	60	64	70
PD stress Leasing (without accounting-based credit score in %)	50	100	150
Collateral stress leasing equipment (new haircut percentage)	80	70	65
Cyclical downturn additional			
PD stress retail (current PD in %)	100	113	120
PD stress Sparxpres (%)	100	150	200
Collateral stress private residential (new haircut percentage)	80	70	65
Commercial properties, additional			
PD stress retail (current PD in %)	100	113	120
PD stress Sparxpres (%)	100	150	200
Collateral stress private residential (new haircut percentage)	80	70	65
ESG additional			
PD stress transport (current PD in %)	50	100	150
CO2 levy, cattle (additional cost per cow per annum in DKK)	5,000	7,000	10,000
Model uncertainty			
PD stress retail (historic PD in %)	30	38	50
PD stress business (historic PD in %)	20	29	40
PD stress business, weak (historic PD in %)	10	22	30

Overview of sensitivity analyses (%/DKK)

2022	Reduced	Applied	In-creased
Inflation, weak growth and property prices			
Scenario stress OEI customers (min. weight in worst case in %)	35	40	45
PD stress business (current PD in %)	0	4	10
PD stress retail (current PD in %)	80	90	100
PD stress Leasing (without accounting-based credit score in %)	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 in %)	30	40	50
PD stress business (historic PD in %)	20	30	40
PD stress business, weak (historic PD in %)	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 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 1 billion 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 1.25 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

Section 5 – Notes risk management

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.

The credit policy sets out main credit-granting rules. Even if one or more of the main rules of the credit policy are breached, a loan may still be granted if one or more of the compensatory factors of the credit policy are complied with. It is a precondition that the compensatory factor/factors are assessed to reduce the credit risk for the Bank and for the customer to the same extent that the main rules do.

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 improved 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 started 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:

- 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.

To strengthen the Bank's credit quality, the credit policy has been re-assessed and adjusted, while compensatory factors have been introduced when the financial indicators fail to meet the Bank's guidelines. Moreover, the retail area in the 1st line of defence has been strengthened by establishing a "controlling retail" function, which continuously checks and reports selected housing cases, while data are collected in an ongoing process to improve the Bank's credit procedures in the long run.

The newly established department "Company research" has been set up to ensure good credit quality in the business customer segment. It will pool financial reporting capabilities and support the credit procedure for business customers and ensure a more uniform approach to financial analysis and comments.

To ensure more adequate quality in the Bank's document handling process, it has set up "Competence Centre Business", which prepare the Bank's business documents at central departments in Aalborg, Aarhus and Roskilde.

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 and business customers are systematically screened in order to analyse credit quality and risk for the

Section 5 – Notes risk management

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.

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.

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.

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).

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.

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5.1.2 Credit exposure

	2023	2022
	DKKm	DKKm
Credit risk, loans, advances and receivables		
Balance sheet items		
Loans, advances and other receivables at amortised cost	69,366	65,806
Impairment account for loans and other receivables	1,643	1,602
Off-balance sheet items		
Guarantees, etc.	9,702	12,342
Provisions for guarantees	23	50
Total credit exposure for financial reporting purposes, loans, advances and guarantees	80,734	79,800
Unutilised credit lines and loan commitments	25,928	25,082
Impairment account for unutilised credit lines and loan commitments	6	13
Total credit exposure for financial reporting purposes, loans, advances and guarantees, incl. unutilised credit lines and loan commitments	106,668	104,895
Financial credit risk		
Bonds at fair value	32,505	25,422
Due from credit institutions and central banks	2,201	2,746
Positive fair value of derivative instruments, financial enterprises	329	306
Total credit exposure for financial reporting purposes	35,036	28,474

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

	2023				2022			
	Loans, advances and guarantees		Total impairment and provisions *)		Loans, advances and guarantees		Total impairment and provisions *)	
	DKKm	%	DKKm	%	DKKm	%	DKKm	%
Business customers								
Public authorities	760	0.9	0	0.0	1,358	1.7	0	0.0
Agriculture, hunting, forestry and fisheries	2,699	3.3	115	6.9	2,895	3.6	162	9.8
Industry and raw materials extraction	3,416	4.2	259	15.5	3,666	4.6	123	7.4
Energy supply	1,903	2.4	11	0.7	2,182	2.7	17	1.0
Building and construction	3,046	3.8	98	5.8	3,106	3.9	57	3.4
Trade	4,465	5.5	104	6.2	4,977	6.2	98	5.9
Transport, hotels and restaurants	3,157	3.9	90	5.4	3,165	4.0	124	7.4
Information and communication	351	0.4	12	0.7	330	0.4	11	0.7
Financing and insurance	15,722	19.5	124	7.4	14,604	18.3	187	11.2
Real estate	8,393	10.4	186	11.1	8,200	10.3	137	8.2
Other business areas	6,241	7.7	115	6.9	5,580	7.0	158	9.5
Business customers, total	50,153	62.1	1,115	66.7	50,063	62.7	1,074	64.5
Total retail customers	30,581	37.9	558	33.3	29,737	37.3	591	35.5
Total loans and guarantees	80,734	100.0	1,673	100.0	79,800	100.0	1,666	100.0

*) Incl. provisions for unutilised credit lines and loan commitments of DKK 6 million (2022: DKK 13 million).

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

	2023				2022			
	Loans, advances and guarantees		Total impairment and provisions *)		Loans, advances and guarantees		Total impairment and provisions *)	
	DKKm	%	DKKm	%	DKKm	%	DKKm	%
Business customers								
Public authorities	760	1.1	115	0.0	1,358	2.0	0	0.0
Agriculture, hunting, forestry and fisheries	2,699	3.9	259	6.9	2,895	4.2	162	9.8
Industry and raw materials extraction	3,416	5.0	11	15.5	3,666	5.3	123	7.4
Energy supply	1,872	2.7	98	0.7	2,159	3.1	17	1.0
Building and construction	3,046	4.4	104	5.8	3,106	4.5	57	3.4
Trade	4,465	6.5	90	6.2	4,977	7.2	98	5.9
Transport, hotels and restaurants	3,157	4.6	12	5.4	3,165	4.6	124	7.4
Information and communication	351	0.5	123	0.7	330	0.5	11	0.7
Financing and insurance	4,231	6.1	186	7.3	4,469	6.4	186	11.2
Real estate	8,393	12.2	115	11.2	8,200	11.8	137	8.3
Other business areas	6,241	9.1	0	6.9	5,580	8.1	158	9.5
Business customers, total	38,630	56.1	1,114	66.7	39,905	57.6	1,073	64.5
Total retail customers	30,234	43.9	557	33.3	29,385	42.4	591	35.5
Total loans and guarantees	68,864	100.0	1,672	100.0	69,290	100.0	1,665	100.0

*) Incl. provisions for unutilised credit lines and loan commitments of DKK 6 million (2022: DKK 13 million).

Spar Nord's impairment balance amounted to DKK 1.7 billion, equal to 2.4% of Spar Nord's total loans, advances and guarantees at end-2023. The impairment balance increased by DKK 7 million relative to the beginning of the year.

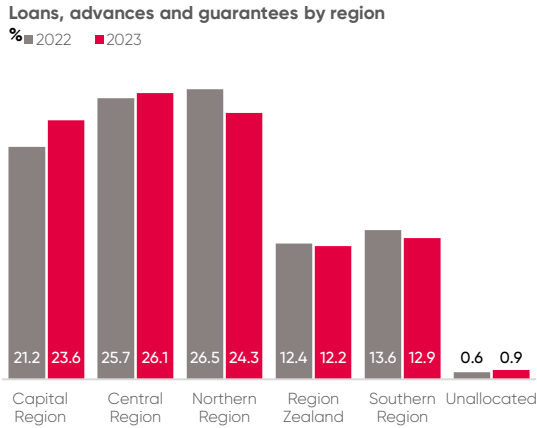
Loans, advances and guarantees by exposure size excl. reverse repo transactions and Sparxpres

DKKm/%	2023	2022	2023	2022
	Number	Number	%	%
0 - 0.1	48,492	52,642	0.8	0.9
0.1 - 0.5	35,244	37,895	9.0	9.8
0.5 - 1.0	13,347	14,529	10.1	10.9
1.0 - 5.0	11,592	11,068	27.9	26.3
5.0 - 10.0	1,154	1,107	8.8	8.7
10.0 - 20.0	466	453	7.2	7.1
20.0 - 50.0	280	306	10.1	10.9
50.0 - 100.0	117	99	9.5	8.1
100.0 ->	63	61	16.4	17.4
Total	110,755	118,160	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 63 exposures that exceed DKK 100 million.

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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-2023, there was a wider spread of loans, advances and guarantees on the regions. Historically, the North Denmark Region has had the largest concentration. At end-2023, loans, advances and guarantees to the Capital Region and Central Region were on a level with the North Denmark Region.

5.1.3 Spar Nord’s exposure by customer portfolios

Spar Nord’s total loans, advances and guarantees before off-setting impairment were DKK 80.7 billion at end-2023, which is DKK 0.9 billion higher than in 2022.

Reverse repo loans rose by DKK 1.4 billion to DKK 11.9 billion at end-2023.

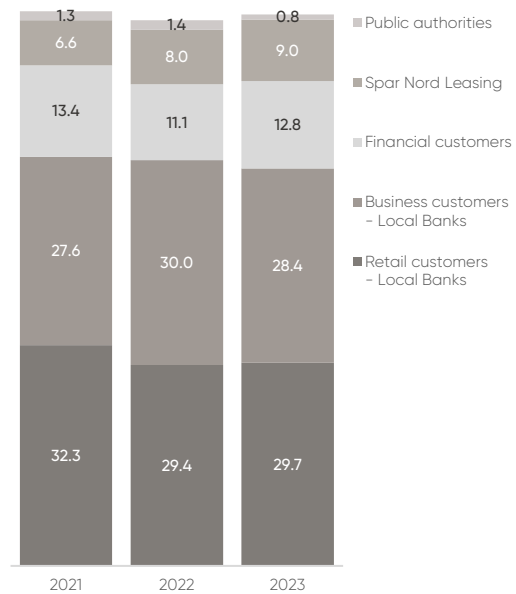
In addition, the Bank’s loans and advances rose DKK 2.2 billion to DKK 59.1 billion at end-2023, corresponding to lending growth of 3.9% in 2023.

Furthermore, guarantees fell by DKK 2.7 billion to stand at DKK 9.7 billion at 31 December 2023.

Customers are categorised into five groups as part of the ongoing 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)



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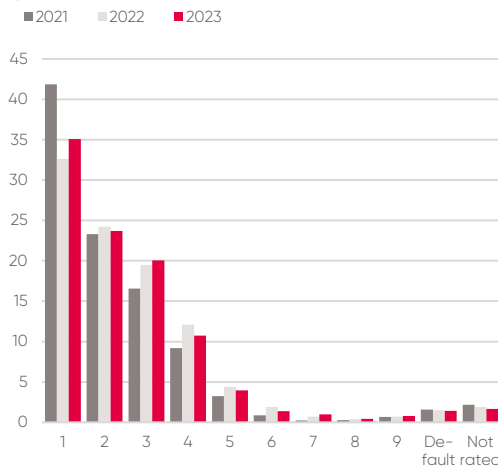
Retail customers with Spar Nord's Local Banks

The total credit exposure to retail customers at Spar Nord's Local Banks amounted to DKK 29.7 billion at end-2023 compared with DKK 29.4 billion at end-2022. 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 2023 would seem to indicate an improvement in customer credit quality, which was primarily attributable to developments in the business cycle component of the rating model, which reflects the macroeconomic outlook.

Retail customers' unauthorised overdrafts and past due exposures were at a low level from 2022-2023, showing a declining trend.

Exposures to retail customers by rating category excl. Sparxpres
%



The average rating for Spar Nord's retail customers shows an improved rating level relative to end-2022.

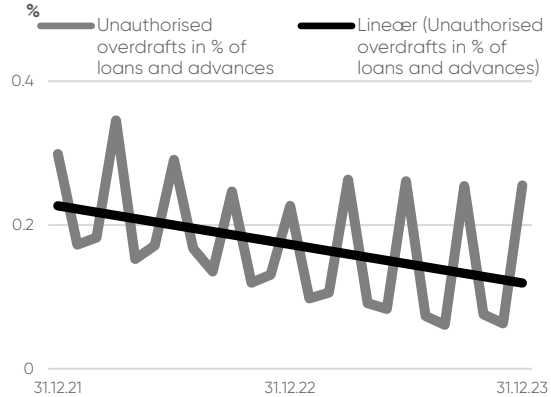
Average rating *)

	2023	2022	2021
Average rating	2.5	2.6	2.3

*) Exposures after impairment

The rating level for Spar Nord's retail customers was largely unchanged in 2023. The small development was driven by new customers and by developments in macroeconomic indicators, which form part of the cyclical component of the model. Credit quality in the retail customer portfolio is not considered to be impaired in 2023.

Retail customers - Local Banks - Development in unauthorised overdrafts/arrears excl. Sparxpres
%



The level of unauthorised overdrafts remains low.

Claims due, but not impaired – Retail

	2023	2023	2022	2022
	Unauthorised overdrafts	Collateral	Unauthorised overdrafts	Collateral
DKKm				
0 - 30 days	68	27	35	19
31 - 60 days	1	0	2	1
61 - 90 days	0	0	1	0
> 90 days	0	0	0	0
Total	68	28	37	20

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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Business customers with Spar Nord's Local Banks

The total credit exposure to business customers at Spar Nord's Local Banks amounted to DKK 28.4 billion at end-2023 compared with DKK 30.0 billion at end-2022.

The credit exposure to business customers amounted to 35.2% of Spar Nord's total credit exposure.

The rating level for Spar Nord's business customers at end-2023 was significantly better than at end-2022, primarily due to developments in the cyclical component of the rating model, which reflects the macroeconomic outlook.

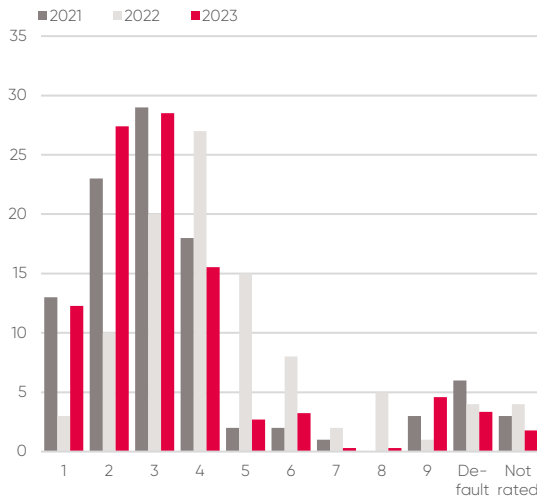
The rating level for Spar Nord's business customers improved over the course of 2023, driven by developments in macroeconomic indicators, which form part of the model's cyclical component. Spar Nord's business customers generally reported decent financial performance and unchanged conduct in 2023.

The conduct and financial performance of the business customers were relatively stable components of the model, and developments in the average rating are therefore driven mainly by the cyclical component.

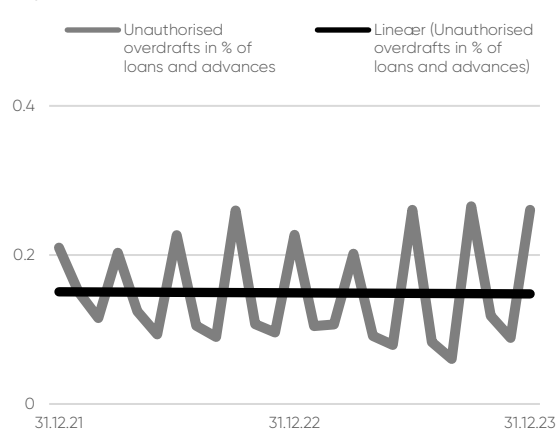
The cyclical component encompasses a range of soft (expectations-based) macroeconomic indicators, which were very volatile in 2023 due to generally higher macroeconomic uncertainties.

Business customers' unauthorised overdrafts and past due exposures remained at a stable, low average level of below 0.2% in the period from 2022 to 2023.

Exposures to business customers by rating category excl. public-sector customers



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



The level of unauthorised overdrafts remains low.

Average rating *)

	2023	2022	2021
Average rating	3.2	4.3	3.4

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

Claims due, but not impaired – Business

	2023	2023	2022	2022
	Unauthorised overdrafts	Collateral	Unauthorised overdrafts	Collateral
DKKm				
0 - 30 days	154	115	97	76
31 - 60 days	1	0	2	1
61 - 90 days	0	0	0	0
> 90 days	0	0	0	0
Total	154	115	99	78

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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Leasing activities

Spar Nord's total credit exposure in the leasing area amounted to DKK 9.0 billion at end-2023, which is DKK 1.0 billion, or 12.8%, more than at end-2022. Credit exposure in the leasing area equals 11.2% of Spar Nord's total loans, advances and guarantees.

The volume of repossessed leasing equipment remains at a very low level below 0.02% 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	2023	2022
Repossessed equipment, total	2	2

The level of unauthorised overdrafts remains low.

Claims due, but not impaired – Leasing

DKKm	2023		2022	
	Unauthorised overdrafts	Collateral	Unauthorised overdrafts	Collateral
0 - 30 days	0	116	0	116
31 - 60 days	1	34	1	34
61 - 90 days	0	0	0	0
> 90 days	0	0	0	0
Total	2	151	2	151

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.

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.

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 2023, the Group repossessed equipment and took over properties worth DKK 2 million (2022: DKK 6 million).

Leasing loans by industry %	Lending		Impairment account	
	2023	2022	2023	2022
Public authorities	0.0	0.0	0.0	0.0
Agriculture, hunting and forestry	10.4	11.9	3.1	4.7
Fisheries	0.0	0.0	0.1	0.0
Industry and raw materials extraction	11.0	11.7	57.3	41.7
Energy supply	9.1	8.0	3.5	2.8
Building and construction	14.9	16.0	7.4	8.6
Trade	7.7	7.0	5.2	5.2
Transport, hotels and restaurants	19.0	21.3	12.3	19.9
Information and communication	0.4	0.3	3.0	1.4
Financing and insurance	2.6	1.9	0.3	1.9
Real estate	2.0	1.8	0.3	0.6
Other business areas	22.7	19.9	7.2	12.6
Business customers, total	99.9	99.9	99.6	99.5
Total retail customers	0.1	0.1	0.4	0.5
Total	100.0	100.0	100.0	100.0

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 45.8 billion, while only DKK 27.9 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 2023 is DKK 502 million (2022: DKK 393 million).

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Collateral accepted and type

	2023	2022
	DKKkM	DKKkM
Collateral accepted		
Credit exposure on loan, advances and guarantees for financial reporting purposes	80,734	79,800
Value of collateral	63,558	61,451
Unsecured, total	17,176	18,349
Types of collateral		
Properties	27,899	25,845
Custody accounts/securities	13,827	12,425
Guarantees/sureties	721	908
Vehicles	574	578
Cash	248	398
Other collateral	5,162	4,840
Collateral used, total	48,431	44,994
Specially secured transactions (mortgage credit institution guarantees)	7,768	9,756
Total collateral accepted, excl. leasing activities	56,199	54,749
Collateral accepted, leasing activities	7,358	6,702
Total	63,558	61,451

Mortgage on real property

Geographical breakdown of mortgages

%	2023	2022
Capital Region	26.0	24.8
Central Region	21.4	21.8
Northern Region	25.7	27.1
Zealand region	13.2	12.8
Southern Region	13.3	12.9
International	0.5	0.5
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

	2023	2023	2022	2022
	DKKkM	%	DKKkM	%
Private housing	32,684	71.4	29,727	69.8
Holiday homes	1,844	4.0	1,692	4.0
Office & retail	5,663	12.4	4,744	11.1
Agriculture	1,751	3.8	2,158	5.1
International	3,817	8.3	4,297	10.1
Total	45,759	100.0	42,618	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

	2023	2022
	DKKkM	DKKkM
Collateral accepted		
Carrying amount of loans, advances and guarantees	789	881
Value of collateral	975	1,055
Unsecured, total	-185	-175
Types of collateral		
Properties	466	521
Custody accounts/securities	4	4
Guarantees/sureties	148	176
Vehicles	6	6
Cash	2	3
Other collateral	192	149
Collateral used, total	818	858
Specially secured transactions (mortgage credit institution guarantees)	63	87
Total collateral accepted, excl. leasing activities	881	945
Collateral accepted, leasing activities	94	110
Total	975	1,055

Unsecured shares

The table below shows that the total unsecured share at end-2023 was 21.3%. Net of reverse loans, the total unsecured share at end-2023 amounted to 24.9%. At end-2022, the unsecured share without reverse repo transactions was 26.5%.

Unsecured share of exposure

%	2023	2022
< 10	63.3	61.6
10 - 50	18.2	18.1
50 - 75	4.7	5.5
> 75	13.7	14.8
Average unsecured share	21.3	23.0

The Group's unsecured share of credit exposure

	2023	2023	2022	2022
	DKKkM	%	DKKkM	%
Line of business				
Public authorities	759	99.8	1,357	99.9
Agriculture, hunting and forestry	430	16.3	356	12.7
Fisheries	7	12.8	17	18.2
Industry and raw materials extraction	910	26.6	1,155	31.5
Energy supply	579	30.4	572	26.2
Building and construction	446	14.7	487	15.7
Trade	1,214	27.2	1,489	29.9
Transport, hotels and restaurants	738	23.4	669	21.1
Information and communication	121	34.5	120	36.5
Financing and insurance	2,045	13.0	2,405	16.5
Real estate	1,361	16.2	1,599	19.5
Other business areas	1,965	31.5	1,793	32.1
Business customers, total	10,576	21.1	12,019	24.0
Total retail customers	6,600	21.6	6,331	21.3
Total	17,176	21.3	18,349	23.0

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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

	2023	2022
NPL (DKK millions)	1,458	1,627
Exposure (DKKkm)	73,110	69,952
NPL ratio	2.0	2.3

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 169 million due to improvement of customer credit quality, settlement of loans or write-offs. Overall, NPL loans were reduced to DKK 1,458 million, and the share of non-performing loans (NPL ratio) was thus 2.0% at end-2023. An amount of DKK 107 million was written off in 2023, and individual impairment charges fell by DKK 86 million.

Loans and advances subject to forbearance in the year

2023

Loans and advances subject to forbearance

DKKkm	Business customers	Retail customers	Total
Non-Performing	65	179	245
Performing	0	2	2
Total	65	181	246

2022

DKKkm	Business customers	Retail customers	Total
Non-Performing	82	171	253
Performing	1	0	1
Total	82	172	254

Carrying amount of loans subject to forbearance in the year

DKKkm	Loans and advances before impairment	Impairment	Carrying amount
2023			
Loans and advances subject to forbearance, etc.			
Non-performing	245	133	111
Performing	2	0	1
Total	246	133	113
Type of forbearance			
Non-performing loans	203	118	86
Reduced interest rate	16	6	10
Extended term	20	8	12
Miscellaneous	7	2	4
Total	246	133	113

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

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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 included exposures for which impairment has been reversed (impairment charges taken over) on customers acquired. At the end of 2023, reversal of impairment was DKK 0 million (2022: DKK 13 million).

	Exposure before impairment	Impairment/provisions	Carrying amount	Recognised impairment etc. total
	DKKm	DKKm	DKKm	DKKm
Summary of carrying amount of exposures				
2023				
Loans and advances at amortised cost (note 5.1.8)	71,009	1,643	69,366	1
Due from credit institutions and central banks (note 5.1.9)	2,202	1	2,201	0
Guarantees (note 5.1.10)	9,724	23	9,702	-27
Unutilised credit lines and loan commitments (note 5.1.8)	25,934	6	25,928	-6
Total	108,870	1,673	107,197	-33
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

Recognised impairment charges etc. are specified in notes 5.1.8, 5.1.9 and 5.1.10.

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

DKKm	2023	2022
Public authorities	0	0
Agriculture, hunting and forestry	-85	-79
Fisheries	-1	0
Industry and raw materials extraction	148	32
Energy supply	-6	2
Building and construction	40	6
Trade	21	-28
Transport, hotels and restaurants	-23	1
Information and communication	3	3
Financing and insurance	-78	6
Real estate	39	44
Other business areas	-44	-2
Business customers, total	14	-15
Total retail customers	-47	92
Total	-33	78

The impact on Spar Nord's profits from impairment amounted to an income of DKK 33 million in 2023, equal to 0.04% of total loans, advances and guarantees.

Retail customers without Sparxpres represented an income of DKK 45 million, while Sparxpres resulted in an income of DKK 2 million. For business customers, there was an expense of DKK 98 million, while the impact on operations from agriculture was an income of DKK 85 million.

Exposures for which interest accrual has been suspended fell from DKK 213 million at end-2022 to DKK 177 million at end-2023.

Exposures before impairment and provisions by stages

	Stage 1	Stage 2	Stage 3	Total
	DKKm	DKKm	DKKm	DKKm
2023				
Loans and advances at amortised cost	61,497	8,060	1,452	71,009
Due from credit institutions and central banks	2,202	0	0	2,202
Guarantees	8,851	796	77	9,724
Unutilised credit lines and loan commitments	24,558	1,299	77	25,934
Total	97,108	10,155	1,607	108,870
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

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Exposures before impairment and provisions by industry

	Stage 1	Stage 2	Stage 3	Total	Recognised impairment etc. total
	DKKm	DKKm	DKKm	DKKm	DKKm
2023					
Public authorities	1,324	0	0	1,324	0
Agriculture, hunting and forestry	2,858	387	183	3,428	-85
Fisheries	72	1	9	82	-1
Industry and raw materials extraction	3,906	1,018	137	5,061	148
Energy supply	2,218	166	3	2,386	-6
Building and construction	4,082	463	80	4,625	40
Trade	6,461	727	115	7,304	21
Transport, hotels and restaurants	3,593	459	110	4,163	-23
Information and communication	422	75	8	505	3
Financing and insurance	17,577	482	240	18,298	-78
Real estate	9,049	1,777	80	10,906	39
Other business areas	7,689	636	165	8,490	-44
Total business	59,250	6,193	1,130	66,573	14
Total retail customers	35,657	3,961	477	40,095	-47
Total	94,907	10,154	1,607	106,668	-33
Total due from credit institutions	2,202	0	0	2,202	0
Total	97,109	10,154	1,607	108,870	-33

2022

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

Impairment and provisions by stages

	Stage 1	Stage 2	Stage 3	Total
	DKKm	DKKm	DKKm	DKKm
2023				
Loans and advances at amortised cost	378	533	732	1,643
Due from credit institutions and central banks	1	0	0	1
Guarantees	10	5	8	23
Unutilised credit lines and loan commitments	2	2	2	6
Total	391	540	742	1,673
2022				
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

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Impairment and provisions by impairment method Individually impaired loans at amortised cost and

	2023	2022
	DKKm	DKKm
Individual impairment	659	541
Model-calculated impairment	1,014	1,125
<i>- of which management estimate. See note 5.1.8</i>	662	574
Impairment of loans at amortised cost and guarantees (impairment account)	1,673	1,666

guarantees

Loans, advances and receivables

Sum total of loans, advances and receivables for which individual impairment has been recognised	1,452	1,623
Individual impairment of loans and advances, receivables	732	842
Carrying amount	720	781

Guarantees

Sum total of guarantees for which individual provisions have been made	77	107
Individual provisions for guarantees	8	7
Carrying amount	69	100

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

	2023	2023	2022	2022
	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	41	18	25	12
Debt collection or restructuring, etc.	54	27	77	19
Other financial difficulty	1,434	695	1,628	818
Individual impairment of loans and advances, receivables and guarantees, total	1,529	740	1,730	849
Impairment in stages 1 and 2		931		814
Non-individually impaired in stage 3		2		2
Total impairment		1,673		1,666

Individual impairment at end-2023 of DKK 740 million includes DKK 6 million in provisions for losses on unutilised credit lines and loan commitments.

In 2023, Spar Nord recorded a decline in credit exposure to customers with individual impairment of DKK 201 million.

At end-2023, the credit-impaired claims represented 1.9% of total credit exposure compared with 2.2% in 2022.

Contractually outstanding amounts for financial assets written off during the accounting period and for which collection efforts are still pursued

In the financial year 2023, DKK 107 million was written off (2022: DKK 107 million), of which DKK 87 million (2022: DKK 89 million) is still the object of collection efforts.

The total impairment account rose by DKK 7 million in 2023,

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.

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

	2023	2022
	DKKm	DKKm
Loans and advances at amortised cost before impairment	71,009	67,408
Unutilised credit lines and loan commitments before impairments	25,934	25,095
Impairment of loans and advances and provisions on unutilised credit lines	1,649	1,615
Total	95,294	90,888

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
2023				
Rating category 1	11,038	5	0	11,043
Rating category 2	12,454	272	0	12,726
Rating category 3	9,935	2,500	0	12,435
Rating category 4	5,311	1,481	1	6,793
Rating category 5	912	825	0	1,737
Rating category 6	344	848	0	1,191
Rating category 7	145	173	0	319
Rating category 8	70	129	0	199
Rating category 9	0	1,225	3	1,228
Default	0	15	1,226	1,240
Unrated	720	1	0	721
Reverse repo transactions	11,864	0	0	11,864
Sparxpres	413	9	87	509
Leasing	8,291	577	136	9,004
Total	61,497	8,060	1,452	71,009

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

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Loans at amortised cost before impairment, by stages

	Stage 1	Stage 2	Stage 3	Total
	DKKm	DKKm	DKKm	DKKm
2023				
Gross exposure 1 January	52,017	13,768	1,623	67,408
New exposures and extension of existing exposures in the year	30,220	2,079	211	32,510
Repayments and reduction of existing exposures	24,375	3,917	509	28,802
Change in gross exposure, transfer to/from stage 1	-2,407	2,318	89	-
Change in gross exposure, transfer to/from stage 2	5,992	-6,213	221	-
Change in gross exposure, transfer to/from stage 3	63	55	-119	-
Gross exposure expensed	-13	-30	-63	-107
Gross exposure 31 December	61,497	8,060	1,452	71,009
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

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 5.11.

	Stage 1	Stage 2	Stage 3	Total
	DKKm	DKKm	DKKm	DKKm
2023				
Rating category 1	14,880	16	0	14,897
Rating category 2	5,587	173	0	5,760
Rating category 3	1,300	424	0	1,724
Rating category 4	390	172	0	562
Rating category 5	43	94	0	136
Rating category 6	43	139	0	182
Rating category 7	13	9	0	22
Rating category 8	2	12	0	14
Rating category 9	0	212	0	212
Default	0	0	77	77
Unrated	1,024	46	0	1,070
Reverse repo transactions	0	0	0	0
Sparxpres	0	0	0	0
Leasing	1,276	0	1	1,276
Total	24,558	1,299	77	25,934

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	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

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

	Stage 1	Stage 2	Stage 3	Total
	DKKm	DKKm	DKKm	DKKm
2023				
Gross exposure 1 January	21,859	3,139	97	25,095
New exposures and extension of existing exposures in the year	9,271	579	40	9,890
Repayments and reduction of existing exposures	8,066	925	61	9,051
Change in gross exposure, transfer to/from stage 1	-505	496	9	-
Change in gross exposure, transfer to/from stage 2	1,981	-1,995	14	-
Change in gross exposure, transfer to/from stage 3	18	5	-23	-
Gross exposure expensed	0	0	0	0
Gross exposure 31 December	24,558	1,299	77	25,934
2022				
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

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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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.
	DKKkm	DKKkm	DKKkm	DKKkm	DKKkm
2023					
Impairment at 1 January, loans at amortised cost	224	536	842	1,602	-
Provisions at 1 January, unutilised credit lines and loan commitments	5	6	2	13	-
Impairment re. new exposures during the year, including new accounts to existing customers	47	4	52	103	103
Reversed impairment re. repaid accounts	40	95	128	262	262
Change in impairment at 1 January, transfer to/from stage 1	253	-240	-13	-	-
Change in impairment at 1 January, transfer to/from stage 2	-68	96	-28	-	-
Change in impairment at 1 January, transfer to/from stage 3	-2	-64	66	-	-
Impairment during the year due to change in credit risk	-38	293	-36	219	219
Previously impaired, now finally lost	0	0	-42	-43	-
Other movements (interest rate correction etc.)	0	0	18	18	-
Loss without prior impairment	-	-	-	-	74
Amounts recovered on previously impaired receivables and adjustment of reversal of impairment charges taken over	-	-	-	-	139
Impairment and provisions for losses, end of period	381	535	734	1,649	-6
Impairment at 31 December, loans at amortised cost	378	533	732	1,643	1
Provisions at 31 December, unutilised credit lines and loan commitments	2	2	2	6	-6
Impairment and provisions for losses, end of period	381	535	734	1,649	-6
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

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

At end-2023, total management estimates amounted to DKK 662 million, which was an increase of DKK 88 million relative to 31 December 2022. The amount relates to four overall areas:

1. Cyclical downturn (DKK 375 million). The estimate covers enhanced credit risk due to economic uncertainty and is a re-labelling of the previous estimate of inflation, weak growth and property prices. Developments in 2023 (-DKK 60 million) were due to the fact that calculations for the new estimates Commercial real estate and ESG were separated out from the estimate, which means the estimate overall rose by a small margin (+DKK 6 million).
2. Commercial real estate (DKK 155 million). This estimate is based on the higher level of interest rates and uncertainty with respect to future price levels. Previously, business customers with real estate exposure were stressed as part of the previous estimate of inflation, weak growth and property prices, but the estimate has now been separated out. In 2023, the estimate concerning business customers with real estate exposures was increased by DKK 125 million.

3. ESG (DKK 73 million). The assessment offsets valuation uncertainty. This estimate is specified by the uncertainty with respect to how the agricultural sector and the transport industry will be affected by the implementation of CO₂ levies in 2025. This estimate amounted to DKK 73 million at end-2023. These industries were also a part of the previous estimate of inflation, weak growth and property prices, but ESG uncertainties are now assessed to be the largest for these two industries. The estimate concerning agriculture and the transport industry was increased by DKK 37 million in 2023.
4. Model uncertainty (DKK 59 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 2023 (DKK -39 million) were driven by a lower probability of default, which results in reduced estimates. The method applied to calculate the estimate was retained in 2023 as it is believed to accurately reflect uncertainty associated with the model calculation.

Management estimates, by stage

	Stage 1	Stage 2	Stage 3	Total
	DKKm	DKKm	DKKm	DKKm
2023				
Cyclical downturn	107	121	146	375
Commercial real estate	116	31	8	155
ESG	22	14	37	73
Model uncertainty	40	19	0	59
Land prices	0	0	0	0
Inflation, weak growth and property prices	0	0	0	0
Total	286	185	191	662
2022				
Cyclical downturn	0	0	0	0
Commercial real estate	0	0	0	0
ESG	0	0	0	0
Model uncertainty	34	65	0	98
Land prices	0	0	41	41
Inflation, weak growth and property prices	44	204	187	434
Total	78	268	228	574

Development in management estimates, by stage

	Stage 1	Stage 2	Stage 3	Development
	DKKm	DKKm	DKKm	DKKm
2022 - 2023				
Cyclical downturn	107	121	146	375
Commercial real estate	116	31	8	155
ESG	22	14	37	73
Model uncertainty	6	-46	0	-39
Land prices	0	0	-41	-41
Inflation, weak growth and property prices	-44	-204	-187	-434
Total	208	-84	-37	88

Development in management estimates, by segment

	Business customers	Retail customers	Total
	DKKm	DKKm	DKKm
2022 - 2023			
Cyclical downturn	-25	-35	-60
Commercial real estate	155	0	155
ESG	73	0	73
Model uncertainty	-33	-7	-39
Land prices	-41	0	-41
Management estimates, total	129	-41	88

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5.1.9 Due from credit institutions and central banks

	2023	2022
	DKKm	DKKm
Due from credit institutions and central banks before impairment	2,202	2,747
Impairment	1	1
Carrying amount	2,201	2,746

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

	Stage 1	Stage 2	Stage 3	Total
	DKKm	DKKm	DKKm	DKKm
2023				
Credit institutions	2,202	0	0	2,202
Central banks	0	0	0	0
Total	2,202	0	0	2,202
2022				
Credit institutions	2,747	0	0	2,747
Central banks	0	0	0	0
Total	2,747	0	0	2,747

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
2023				
Gross exposure 1 January	2,747	0	0	2,747
New exposures and extension of existing exposures in the year	1,998	0	0	1,998
Repayments and reduction of existing exposures	2,543	0	0	2,543
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	2,202	0	0	2,202
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

As they are calculated for specific accounts, the figures concerning new exposures and extension and repayment and reduction also include administrative developments 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.

Section 5 – Notes 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
2023					
Impairment, beginning of year	1	0	0	1	-
Impairment re. new exposures during the year, including new accounts to existing customers	2	0	0	2	2
Reversed impairment re. repaid accounts	2	0	0	2	2
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
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

Section 5 – Notes risk management

5.1.10 Guarantees

	2023	2022
	DKKm	DKKm
Guarantees before provisions for losses	9,724	12,392
Provisions for losses	23	50
Carrying amount	9,702	12,342

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
2023				
Rating category 1	4,283	0	0	4,283
Rating category 2	2,016	16	0	2,032
Rating category 3	1,223	213	0	1,436
Rating category 4	518	181	0	698
Rating category 5	140	98	0	238
Rating category 6	45	46	0	91
Rating category 7	13	12	0	25
Rating category 8	6	12	0	18
Rating category 9	0	212	0	212
Default	0	7	77	84
Unrated	608	0	0	608
Total	8,851	796	77	9,724
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

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Guarantees, by stages

	Stage 1	Stage 2	Stage 3	Total
	DKKm	DKKm	DKKm	DKKm
2023				
Gross exposure 1 January	10,848	1,437	107	12,392
New exposures during the year	4,188	241	6	4,435
Reversed re. repaid exposures	6,189	864	50	7,102
Change in gross exposure, transfer to/from stage 1	-303	291	12	-
Change in gross exposure, transfer to/from stage 2	304	-317	13	-
Change in gross exposure, transfer to/from stage 3	4	8	-12	-
Gross exposure 31 December	8,851	796	77	9,724
2022				
Gross exposure 1 January	16,451	1,057	120	17,628
New exposures during the year	5,587	604	18	6,210
Reversed re. repaid exposures	10,638	754	53	11,446
Change in gross exposure, transfer to/from stage 1	632	-617	-14	-
Change in gross exposure, transfer to/from stage 2	78	-96	18	-
Change in gross exposure, transfer to/from stage 3	2	8	-10	-
Gross exposure 31 December	10,848	1,437	107	12,392

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
2023					
Provisions for losses at 1 January	18	26	7	50	-
Provisions for losses re. new exposures during the year	14	0	1	15	15
Reversed provisions for losses re. repaid exposures	16	23	8	47	47
Change in provisions for losses at 1 January, transfer to/from stage 1	8	-8	0	-	-
Change in provisions for losses at 1 January, transfer to/from stage 2	-7	7	0	-	-
Change in provisions for losses at 1 January, transfer to/from stage 3	0	-2	2	-	-
Provisions for losses during the year due to change in credit risk	-7	5	7	5	5
Provisions for losses at 31 December	10	5	8	23	-27
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

Section 5 – Notes 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

	2023	2022	2023	2022
	Carrying amount	Carrying amount	Risk portfolio	Risk portfolio
	DKKm	DKKm	DKKm	DKKm
AAA	31,246	25,095	29,922	22,332
AA	731	384	731	384
A	1,981	1,627	1,981	1,627
BBB	391	383	388	383
BB	130	130	131	129
B	14	15	14	15
CCC	4	2	4	2
Not rated	539	837	539	837
Total	35,036	28,474	33,710	25,709

Overall, Management's assessment is that Spar Nord's credit risk exposure to financial counterparties remains at a moderate level, as 96.8% (2022: 94.7%) 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.

	2023	2022	2023	2022
	Carrying amount	Carrying amount	Risk portfolio	Risk portfolio
	DKKm	DKKm	DKKm	DKKm
Bond portfolio broken down by issuer type				
Mortgage-credit institutions	30,767	24,325	29,463	21,783
Financial issuers	1,241	713	1,242	712
Credit bonds	391	339	388	339
Government bonds	107	45	87	-176
Total	32,505	25,422	31,180	22,657

Bond portfolio broken down by rating

AAA	29,806	23,475	28,482	20,712
AA	485	67	485	67
A	1,615	1,189	1,615	1,189
BBB	289	207	285	207
BB	130	130	131	129
B	14	15	14	15
CCC	4	2	4	2
Not rated	163	336	164	336
Total	32,505	25,422	31,180	22,657

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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.

	2023	2022	2023	2022
	Carrying amount	Carrying amount	Risk portfolio	Risk portfolio
	DKKkm	DKKkm	DKKkm	DKKkm
Due from credit institutions by product type				
Reverse repo transactions	1,440	1,620	1,440	1,620
Deposits and unlisted bonds	375	649	375	649
Current accounts	141	217	141	217
CSA accounts, etc.	246	260	246	260
Total	2,201	2,746	2,201	2,746
Positive fair value of derivative instruments, financial enterprises	329	306	329	306
Total	2,530	3,052	2,530	3,052

Due from credit institutions by rating

AAA	1,440	1,620	1,440	1,620
AA	246	318	246	318
A	366	438	366	438
BBB	102	176	102	176
BB	0	0	0	0
Not rated	376	501	376	501
Total	2,530	3,052	2,530	3,052

81.1% (2022: 77.8%) 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 2.5 billion (2022: DKK 3.1 billion), 56.9% (2022: 53.0%) 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 5.19.

Section 5 – Notes 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 only made on behalf of customers.

In 2023, 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, strategic loans 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 hedging strategy also incorporates fixed-rate deposit products.

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 (DKK) 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)

	Short Up to 2 years	Between 2 and 7 years	Long More than 7 years	Total
2023				
DKK	1	2	17	21
EUR	13	8	-6	15
Other	3	-1	0	3
Total	18	9	11	38
2022				
DKK	8	13	22	43
EUR	11	17	-12	15
Other	1	-1	0	0
Total	20	29	10	59

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's position would lose market value if interest rates move higher and would be positively affected by falling interest rates.

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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 table below shows that the Bank's foreign exchange position was reduced from DKK 141 million in 2022 to DKK 74 million in 2023. Foreign exchange risk generally remains at a low level.

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-2023 would result in a loss of DKK 1.5 million.

Currency	Foreign exchange position		Foreign exchange risk	
	2023	2022	2023	2022
	DKKm	DKKm	DKKm	DKKm
EUR	18	109	0.4	2.2
SEK	4	2	0.1	0.0
USD	14	11	0.3	0.2
GBP	3	1	0.1	0.0
CHF	0	0	0.0	0.0
NOK	29	6	0.6	0.1
JPY	1	1	0.0	0.0
Other currencies	5	10	0.1	0.2
Foreign-exchange risk regarding financial instruments, etc., total	74	141	1.5	2.8

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

	2023	2022
	DKKm	DKKm
Listed shares in the trading book	92	64
Unlisted shares in the trading book	29	23
Total shares in the trading book	121	87

Equity risk in the banking book

Shares in credit and financing institutions	1,298	1,247
Shares in unit trust management companies	240	284
Shares in payment services business	21	27
Other equities	86	88
Total shares in strategic business partners	1,645	1,647
Realised gain	0	11
Unrealised gain	109	116
Total associates	973	736
Other shares in the banking book	0	0
Total shares not forming part of the trading book	2,617	2,383

Shares in the trading book are held for trading purposes.

Spar Nord's most significant equity investment recognised in associated at end-2023 was Danske Andelskassers Bank A/S (2022: Danske Andelskassers Bank A/S).

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.

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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	
	2023	2022	2023	2022
	DKKm	DKKm	%	%
Interest rate increase of 1 %-point	-28	-46	-0.2	-0.4
Interest rate decrease of 1 %-point	28	46	0.2	0.4
Share price decrease of 10% in the trading book	-9	-7	-0.1	-0.1
A fair value decrease of 10% for shares in the banking book	-249	-249	-1.9	-2.2
Unfavourable 2% exchange rate fluctuation	-1	-2	0.0	0.0

The sensitivity information shows the impact of isolated changes in interest rates in the trading book, while the impact of changes in exchange rates and the share portfolio is shown for positions both in the banking book and the trading book. 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 0.2% 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 2.0% of shareholders' equity.

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5.3 Liquidity risk

In 2023, 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

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.

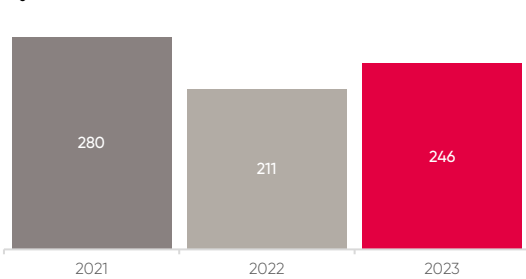
The Finance & Accounts Department is responsible for calculating, monitoring and checking that Spar Nord's liquidity risk does not exceed the allocated limits. The department regularly reports to the Executive Board, the Board of Directors and the Danish FSA.

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 as well as ongoing preparation of stress tests.

At end-2023, LCR was calculated at 246% (2022: 211%), which is significantly above the target LCR of at least 125% (2022: 125%). The excess coverage of 121 percentage points (2022: 86) corresponds to excess liquidity of DKK 14.5 billion (2022: DKK 12.0 billion). Calculated relative to the statutory requirement of 100%, the excess liquidity amounted to DKK 17.6 billion.

Liquidity Coverage Ratio (LCR)



Liquidity Coverage Ratio

DKKm	2023	2022
Liquidity resources	29,604	29,397
Liquidity Coverage Requirement	12,049	13,901
LCR (%)	246	211

As shown above, the liquidity requirement has been reduced since end-2022. The LCR was thus higher because the liquidity requirement has been reduced, while the liquidity resources were at the same level as in 2022. Furthermore, rules on the asset composition of the liquidity resources at end-2023 has resulted in a reduction of the LCR of 29%-points.

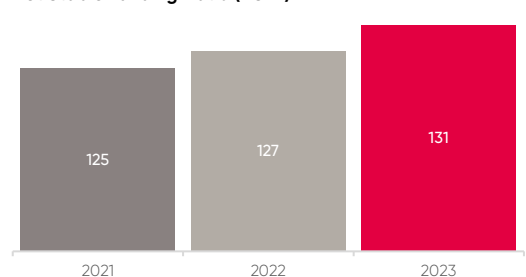
The liquidity reserve according to LCR basically consists of central bank reserves and government debt (Level 1A assets) and mortgage bonds offering particularly high liquidity and high credit quality (Level 1B assets).

5.3.2 Long-term liquidity

NSFR has been calculated and reported since June 2021 and is reported each quarter to the Danish FSA.

At end-2023, NSFR was calculated at 131%, which is comfortably above the Bank's target of 105%. The excess coverage of 26 percentage points relative to the target corresponds to DKK 21.8 billion in excess liquidity. Calculated relative to the statutory requirement of 100%, the excess liquidity amounted to DKK 26.0 billion.

Net Stable Funding Ratio (NSFR)



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Net Stable Funding Ratio (NSFR)

DKKm	2023	2022
Available stable funding (ASF)	109,567	100,291
Required stable funding (RSF)	83,594	78,724
NSFR (%)	131	127

As shown above, both available and required stable funding increased over the course of 2023. NSFR developments were thus explained by the fact that the available stable funding rose by relatively more than the required stable funding.

The increase in the liquidity procurement under Available stable funding was driven mainly by consolidation during the period deposit growth and additional issues of MREL capital.

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.

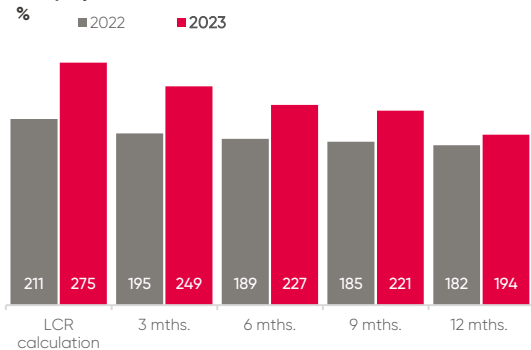
The table shows the result of the liquidity projection in a severe stress scenario is shown, in which Spar Nord operates with a 3-month survival period in its liquidity management. In addition to money and capital market funding falling due, the stress scenario includes a massive stress on the deposit base, continued lending growth and stress on the bond portfolio.

At end-2023, the projection shows that liquidity resources will be reduced by DKK 17.5 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. The liquidity resources are 29%-points higher in the stress test than in the LCR because limitations due to asset composition rules are not applied in the stress test.

Run-off of liquidity resources in a severe stress scenario	Liquidity resources	Accumulated run-off
DKKm/%	2023	2022
Calculation period	33,166	29,397
3 months	22,388	23,838
6 months	19,673	21,930
9 months	18,574	20,581
12 months	15,713	19,388

Run-off of liquidity resources in a severe stress scenario	Liquidity resources	Accumulated run-off
DKKm/%	2023	2022
Calculation period	33,166	29,397
3 months	22,388	23,838
6 months	19,673	21,930
9 months	18,574	20,581
12 months	15,713	19,388

LCR projected in a severe stress scenario

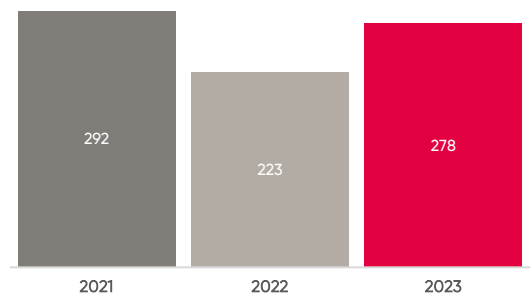


5.3.4 Liquidity indicator

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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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

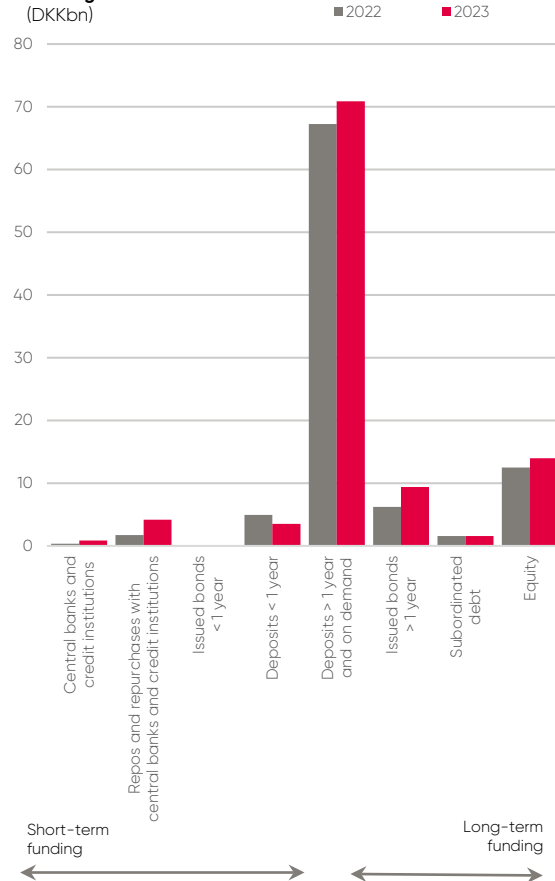
From an overall perspective, the Bank's funding at end-2023 increased by DKK 9.8 billion to DKK 104.3 billion compared with end-2022. Spar Nord's largest source of funding is deposits, which at end-2023 amounted to 71% of Spar Nord's total funding.

At end-2023, Spar Nord's total long-term funding (deposits on demand and funding with a term to maturity of more than 12 months) amounts to 91.8%, which is on a level with year-end 2022.

Funding structure

DKKm/%	2023	2022	2023	2022
Central banks and credit institutions	852	354	0.8	0.4
Repos and repurchases with central banks and credit institutions	4,154	1,722	4.0	1.8
Deposits < 1 year	3,511	4,935	3.4	5.2
Deposits > 1 year and on demand	70,886	67,234	68.0	71.1
Issued bonds > 1 year	9,307	6,216	8.9	6.6
Subordinated debt	1,593	1,597	1.5	1.7
Equity	13,979	12,469	13.4	13.2
Total	104,282	94,527	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 2023, Spar Nord's rating from rating agency Moody's was unchanged.

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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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

	2023		2022	
	< 1 year DKKm	> 1 year DKKm	< 1 year DKKm	> 1 year DKKm
Assets				
Cash balances and demand deposits with central banks	218	0	1,893	0
Due from credit institutions and central banks	1,951	250	2,371	375
Loans, advances and other receivables at amortised cost	33,710	35,656	33,329	32,477
Bonds at fair value	889	31,617	723	24,699
Shares, etc.	92	1,673	64	1,670
Investments in associates	0	973	0	736
Assets linked to pooled schemes	3,254	21,479	2,950	19,452
Intangible assets	6	413	9	410
Land and buildings	45	666	41	738
Other property, plant and equipment	43	76	44	82
Current tax assets	70	0	65	0
Deferred tax assets	0	0	183	18
Temporary assets	2	0	6	0
Other assets	1,045	639	869	610
Prepayments and deferred income	128	0	122	0
Total	41,453	93,443	42,670	81,266
Liabilities				
Due to credit institutions and central banks	5,006	0	2,076	0
Deposits and other payables	70,886	3,511	68,847	3,322
Deposits in pooled schemes	3,254	21,479	2,950	19,452
Issued bonds at amortised cost	2,477	6,830	0	6,216
Other non-derivative financial liabilities at fair value	1,936	0	2,918	0
Other liabilities	3,079	593	3,205	710
Prepayments and deferred income	63	47	50	56
Deferred tax	-27	103	0	0
Provisions	64	22	22	45
Subordinated debt	499	1,094	399	1,198
Total	87,237	33,680	80,468	30,999

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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5.3.9 Contractual term to maturity of financial liabilities

	Carrying amount DKKm	Total contractual cash flows DKKm	Of which within 1 year DKKm	Of which 1–5 years DKKm	Of which over 5 years DKKm
2023					
Non-derivative instruments					
Due to credit institutions and central banks	5,006	5,006	5,006	0	0
Deposits and other payables	74,397	74,793	70,930	1,419	2,444
Deposits in pooled schemes	24,733	24,733	3,254	5,339	16,141
Issued bonds at amortised cost	9,307	10,670	2,945	7,370	355
Other non-derivative instruments	1,936	1,936	1,936	0	0
Lease liabilities	169	198	33	131	35
Other liabilities, excl. derivatives and lease liabilities	2,968	2,938	2,841	97	0
Subordinated debt	1,593	1,780	550	1,230	0
Guarantees	9,702	9,702	4,467	1,585	3,649
Derivatives					
Fair value of derivatives	536	498	183	192	123
Total	130,346	132,254	92,144	17,363	22,747
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

The maturity analysis shows the contractual, undiscounted cash flows and comprises agreed payments, including principal and interest.

For liabilities with variable cash flows, 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 (2022: DKK 66 million) falls due for payment within 1 year, DKK 262 million (2022: DKK 266 million) within 1–5 years, and DKK 1,783 million including repayments of DKK 1,600 million (2022: DKK 1,796 million including repayments of DKK 1,600 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 480 million (2022: DKK 223 million) falls due for payment within 1 year, DKK 9,715 million including repayments of DKK 8,501 million (2022: DKK 5,209 million including repayments of DKK 4,506 million) within 1–5 years, and DKK 930 million including repayments of DKK 863 million (2022: DKK 1,936 million including repayments of DKK 1,830 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.

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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 risk 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 identifying and 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.

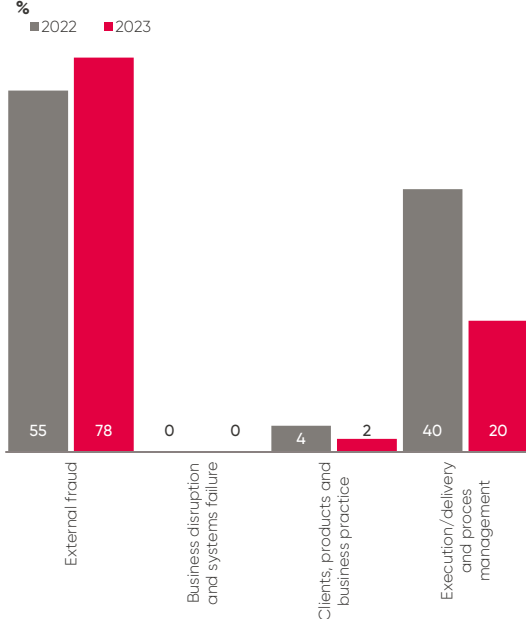
Reporting operational risks

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.

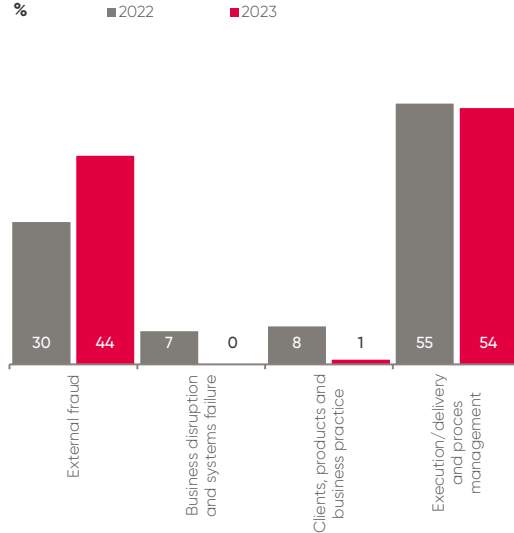
Loss events exceeding DKK 5 million will be reported separately to the Executive Board and Board of Directors.

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

No. of operational loss events broken down by risk type



Operational loss amounts broken down by risk type



Most of the loss events are events involving a limited financial effect. As shown in the figures above, 78% of the operational losses in 2023 related to external fraud (2022: 55%), which in terms of amounts equal 44% (2022: 30%). External fraud includes payment card abuse and online banking fraud. The rest of the loss events relate to traditional banking operations.

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5.4.1 IT security and IT risk management

As Spar Nord is a digital business, data and IT systems security are paramount to its credibility and existence. Furthermore, Spar Nord is a systemically important financial institution (SIFI). This means the Bank also shares a responsibility for the stability of the combined financial sector.

On behalf of the Board of Directors, the Bank's IT security function, together with the business and the IT department, ensures that the Bank's maintains the risk level in the IT area decided by the Board of Directors. This means the Bank retains an overview of external threats and the Bank's IT risks, monitoring whether such risks are hedged through appropriate controls and risk-mitigating measures.

The IT security function is thus charged with providing a reporting basis to the Board of Directors, enabling the board to make decisions regarding the Bank's IT risk based on the adopted IT risk level. This level is set out in the Bank's IT risk management policy, information security policy and the objective of the IT contingency plan. The aim is to ensure continued operation of the Bank at a satisfactory level in the case of extraordinary events. 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.

To be able to report a true and fair view, the IT security function is charged with performing necessary and adequate controls regarding IT in the Bank's organisation, including various risk-based tests of the Bank's security measures. The function participates in sector-specific collaborative initiatives to help strengthen the overall robustness concerning IT in the Danish financial sector.

5.4.2 Data governance and data quality

The Bank's data governance and data quality measures are anchored in the data governance policy prepared by the Board of Directors. The data governance policy serves to ensure that the Bank has a well-organised and structured overview of the data used to make business solutions and assess the Bank's risks. The work is thus an important element of the Bank's strategy of having an efficient in-house engine room and a prerequisite for making effective and data-driven decisions. The Bank has a data governance function working to lay down the overall framework for the data governance and data quality initiatives within the framework of the data governance policy. The responsibility for safeguarding data quality has been decentralised by appointing data owners and data stewards. Topics relating to data governance and data quality are dealt with by the Bank's data governance committee, which is supported by the Bank's data governance committee. During the past year, the Bank has taken steps to define a data strategy setting the direction for the Bank's data and data quality work.

5.4.3 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. The Bank continues to focus on enhancing and optimising existing processes and systems.

Spar Nord is continually monitoring transactions for irregularities and reports any suspicious issues to the State Prosecutor for

Serious Economic and International Crime (SØIK), The number of filings was lower than in 2022. In 2023, Spar Nord had 2,738 filings with SØIK as compared with 3,934 cases in 2022.

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.

5.4.4 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.

The data protection adviser reports directly to the Executive Board and Board of Directors. Reports are made every six months.

5.4.5 Risk exposure amount

In 2023, the operational risk amounted to 11.3% (2022: 10.7%) of the total risk exposure amount, ending at DKK 6,848 million at end-2023 (2022: DKK 6,499 million).

5.4.6 Outsourcing

Over the course of 2023, 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 a third party. 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.

5.4.7 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



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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.

5.4.8 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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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.

	2023	2022
	DKKm	DKKm
Carrying amount of transferred financial assets		
Bonds in repo transactions	4,198	1,742
Carrying amount of related financial liabilities		
Due to credit institutions, repo transactions	4,154	1,722
Deposits and other payables, repo transactions	89	0
Interest payable	2	1
Total	4,245	1,723
Net position	47	-19

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.

	2023	2022
	DKKm	DKKm
Reverse repo transactions		
Collateral accepted that can be repledged or sold	13,716	12,848
Of which, repledged or sold	4,242	3,207

6.3 Collateral provided and encumbered assets

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

	2023	2022
	DKKm	DKKm
Deposits, clearing	153	143
Collateral provided for the market value of derivatives transactions	254	230
Positive market value of derivative contracts subject to netting	249	208
Collateral provided as part of repo transactions	4,198	1,742
Total	4,855	2,323

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.

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

Assets placed in unutilised facilities and which can be freely withdrawn are not considered to be encumbered.

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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.

	Recognised gross DKKkm	Related amounts not offset in the balance sheet					Net amount DKKkm
		Offset DKKkm	Net amount recognised in the balance sheet DKKkm	Financial collateral DKKkm	Cash collateral DKKkm	Net amount DKKkm	
2023							
Financial assets							
Derivatives	1,316	851	465	249	101	115	
Reverse repo transactions	13,309	0	13,309	13,716	-	-407	
Total	14,626	851	13,775	13,965	101	-291	
Financial liabilities							
Derivatives	1,058	523	536	249	254	33	
Repo transactions	4,243	0	4,243	4,243	-	0	
Total	5,301	523	4,778	4,492	254	32	
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	

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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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.

Financial liabilities meeting the criteria for hedged items are regularly monitored. For fixed-rate issued bonds, hedging is

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.

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 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 2023 and 2022 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
	DKKm	DKKm	DKKm
2023			
Liabilities			
Issued bonds at amortised cost, see note 4.8	3,807	3,825	3,859
Interest risk-hedging financial instruments			
Derivatives (swap contracts)	-34	-34	3,859
	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	400	3,127	332
Interest risk-hedging financial instruments, derivatives (synthetic principal)	400	3,127	332

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2022	Carrying amount	Fair value	Nominal value
	DKKm	DKKm	DKKm
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
	DKKm	DKKm	DKKm
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

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

	2023	2022
	DKKm	DKKm
Hedging of fixed-interest assets and liabilities		
Hedging of loans and advances and issued bonds	34	99
Hedging derivatives	-34	-100
Impact on profit/loss	0	-1

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6.5.2 Hedging of cash flows

	Carrying amount	Fair value	Nominal value	
	DKKm	DKKm	DKKm	
2023				
Liabilities				
Issued bonds at amortised cost, see note 4.8	6,529	6,549	6,564	
Interest risk-hedging financial instruments				
Derivatives (swap contracts)	37	37	6,592	
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	
Hedge instrument				
Currency swap, NOK/DKK, SEK/DKK og EUR/DKK				
Nominal principal		6,592	3,934	
Carrying amount		37	123	
Other assets		98	0	
Other liabilities		135	123	
Reserve from hedging of cash flows				
Reserve from hedging of cash flows, 1 January		-23	0	
Loss or gain from hedging recognised in other comprehensive income (continuing hedging activity)		10	-23	
Amount reclassified to the income statement, market value adjustment of financial instruments for non-continuing hedging activity		0	0	
Reserve from hedging of cash flows before tax		-13	-23	
Tax, 1 January		5	0	
Tax, movements during the year		-2	5	
Reserve from hedging of cash flows, year-end, after tax		-10	-18	
Maturity profile and average price of hedging instruments				
	Principal	Price	Principal	Price
	2023	2023	2022	2022
	DKKm		DKKm	
NOK/DKK				
< 1 year	605	0.6368	0	-
1- 5 years	2,109	0.6861	2,344	0.7270
Over 5 years	332	0.6635	356	0.7117
SEK/DKK				
< 1 year	521	0.6518	0	-
1- 5 years	975	0.6724	1,234	0.6858
Over 5 years	0	-	0	-
EUR/DKK				
< 1 year	0	-	-	-
1- 5 years	2,050	7.4554	-	-
Over 5 years	0	-	-	-

Section 6 - Other notes

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

	2023	2022
	DKKm	DKKm
Unrecognised tax assets, see note 3.12	34	39

For further information on legal proceedings and disputes, see note 6.7.

6.6.2 Contingent liabilities

	2023	2022
	DKKm	DKKm
Guarantees	9,702	12,342
Other binding commitments	1,109	1,481
Total contingent liabilities	10,811	13,823

Guarantees

	2023	2022
	DKKm	DKKm
Financial guarantees	3,488	5,252
Loss guarantees for mortgage loans	3,841	4,850
Registration and refinancing guarantees	1,728	1,456
Other contingent liabilities	645	784
Total guarantees	9,702	12,342

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 31.12.2023 and 31.12.2022. The corporate income tax receivable within the tax pool amounted to DKK 70 million at 31.12.2023 (31.12.2022: DKK 65 million). Any adjustments to the taxable income subject to joint taxation might entail an increase in the Parent Company's liability.

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 2023, 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 2023 amounted to DKK 18 million (2022: DKK 14 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.

Section 6 - Other notes

Other binding commitments

	2023	2022
	DKKm	DKKm
Data-processing centre	1,097	1,477
Lease liabilities, Spar Nord as lessee	0	0
Other	12	4
Other binding commitments, total	1,109	1,481

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. The fall in 2023 was attributable to changed termination conditions in BEC Financial Technologies a.m.b.a.

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.

	2023	2022
	DKKm	DKKm
Maturity distribution of minimum lease payments		
Up to 1 year	0	0
1 - 5 years	0	0
Over 5 years	0	0
Total operating lease liabilities	0	0

Spar Nord has not entered into material finance leases as a lessee.

Fixed-price power purchase agreement.

Spar Nord has entered into a power purchase agreement (PPA) to purchase electricity for ten years.

The agreement with the parties is an executory agreement, which means the power purchase agreement does not entail that Spar Nord recognises its value as a financial asset in the balance sheet.

Spar Nord recognises recurring costs of electricity in the income statement as an operating cost.

6.7 Legal proceedings

Spar Nord is party to a number of legal proceedings and disputes. The expected impact on the Group's financial position is assessed in an ongoing process, including the recognition of any provisions or assets.

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.

Related party transactions are settled on market terms.

Commitments and transactions with members of the Board of Directors and Executive Board comprise personal commitments of such parties and of their related parties.

	Parties with significant influence		Associates		Board of Directors		Executive Board	
	2023	2022	2023	2022	2023	2022	2023	2022
	DKKm	DKKm	DKKm	DKKm	DKKm	DKKm	DKKm	DKKm
Granted loans and loan commitments	50	50	11	11	22	31	8	7
Deposits	1	2	19	27	29	38	7	8
Guarantees issued	-	-	-	-	-	-	-	-
Other binding commitments	-	-	-	-	15	-	-	-
Collateral accepted	101	124	-	-	4	5	3	3
Interest income	0	0	0	-	0	0	0	0
Interest expenses	0	0	0	0	0	0	0	0
Fees, charges and commissions received	1	0	0	0	1	1	0	0
Dividends received from equity investments	-	-	23	33	-	-	-	-
Other income	1	-	-	-	-	-	-	-
Other expenses	0	-	0	0	0	-	0	-
Dividends paid	107	119	-	-	0	1	1	1

	Board of Directors		Executive Board	
	2023	2022	2023	2022
	DKKm	DKKm	DKKm	DKKm
Granted loans and advances	10	17	8	7
Unutilised loan and guarantee commitments	12	14	0	0
Guarantees issued	-	-	-	-
Total granted loans and advances, loan commitments and guarantees	22	31	8	7
Interest rate, loans (%)	3.75 - 8.80	2.00 - 6.70	3.75 - 5.66	4.60 - 6.30

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. Credit card 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-2023 comprised the Spar Nord Fonden with a holding of 19.8% (2022: 19.4%) and Nykredit Realkredit A/S with a holding of 19.1% (2022: 18.7%). For registered offices, see sparnord.com/share.

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

	2023	2022
	No. of shares	No. of shares
Board of Directors		
Kjeld Johannesen	80,000	80,000
Per Nikolaj Bukh	31,800	27,200
Lene Aaen	5,090	4,650
Kaj Christiansen (stepped down on 22.03.23)	-	21,100
Morten Bach Gaardboe	7,505	7,505
Lisa Lund Holst (elected on 22.03.23)	200	-
André Rogaczewski (stepped down on 22.03.23)	-	30
Henrik Sjøgreen	18,500	18,500
Jannie Skovsen	0	0
Michael Lundgaard Thomsen (elected on 22.03.23)	0	-
Kim Østergaard	2,385	1,336
Executive Board		
Lasse Nyby	83,902	83,270
Carsten Levring Jakobsen (joined on 01.04.23)	6,376	-
John Lundsgaard	118,609	113,356
Lars Møller (resigned on 30.04.23)	-	98,580
Martin Kudsk Rasmussen	15,077	9,555

6.10 Events after the balance sheet date

No significant events have occurred after 31.12.2023.

6.11 Overview of group companies

		Share capital, year-end	Equity year-end	Profit/loss for the year	Ownership in- terest
	Activity	DKKm	DKKm	DKKm	%
Spar Nord Bank A/S	Banking	1,205	13,979	2,420	-
Subsidiary					
Aktieselskabet Skelagervej 15, Aalborg	Properties	27	338	31	100

Section 6 - Other notes

6.12 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 6.12.1.

Performance indicators

DKKm	2023	2022	2021	2020	2019
Income statement					
Net interest and fee income	5,113	3,813	3,356	2,882	2,858
Market value adjustments	370	211	329	374	320
Staff costs and administrative expenses	2,438	2,224	2,125	2,000	1,917
Impairment of loans, advances and receivables etc.	-33	78	-120	309	22
Income from investments in associates	107	75	91	29	110
Profit/loss for the year	2,421	1,417	1,368	737	1,059

Balance sheet

Lending	69,366	65,806	61,936	52,312	51,312
Equity	13,979	12,469	11,924	10,390	9,761
Total assets	134,896	123,936	116,535	102,077	93,113

Financial ratios

Own funds

Own funds ratio	22.3	20.9	20.8	21.0	18.5
Tier 1 capital ratio	19.7	18.4	18.3	18.6	16.1

Earnings

Return on equity before tax	%	23.7	14.2	15.2	9.1	13.7
Return on equity after tax	%	18.3	11.6	12.3	7.3	11.1
Income/cost ratio		2.25	1.72	1.80	1.38	1.64
Return on assets	%	1.8	1.1	1.2	0.7	1.1

Market risk and liquidity

Interest rate risk	%	0.3	0.5	0.9	1.1	0.6
Foreign exchange position	%	0.4	0.6	0.7	0.9	1.0
Foreign exchange risk	%	0.1	0.1	0.1	0.1	0.1
Liquidity Coverage Ratio (LCR)	%	246	211	280	241	195
Loans and advances plus impairment as % of deposits	%	71.6	71.3	71.1	68.4	74.7

Credit risk

Loans and advances relative to equity		5.0	5.3	5.2	5.0	5.3
Increase in loans and advances for the year	%	4.0	12.7	15.5	-1.5	9.1
Sum of large exposures	%	79.4	83.8	81.7	78.1	83.6
Impairment ratio for the year		0.0	0.1	-0.1	0.4	0.1

The Spar Nord Bank share

DKK per share of DKK 10

Profit/loss for the year		20.3	11.6	11.1	6.0	8.6
Net asset value (NAV)		109	93	87	78	72
Dividend		10.0	4.5	2.5 *)	1.5	0.0
Share price/profit/loss for the period		5.3	9.2	7.5	10.0	7.6
Share price/NAV		1.0	1.1	1.0	0.8	0.9

*) 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.

Section 6 - Other notes

6.12.1 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 Shareholders' equity is calculated as if the additional tier 1 (AT1) capital were treated as a liability.
Dividend per share *)	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
Diluted earnings per share for the year	The profit/loss for the year after tax (parent company)/average number of shares excl. treasury shares in circulation 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 31 of the consolidated financial statements.



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Parent Company

Income statement

Note		2023 DKKkm	2022 DKKkm
7.2	Interest income	4,647	2,231
7.3	Interest expenses	1,113	220
	Net interest income	3,534	2,011
	Dividends on shares, etc.	82	112
7.4	Fees, charges and commissions received	1,679	1,864
7.4	Fees, charges and commissions paid	186	175
	Net interest and fee income	5,109	3,813
7.5	Market value adjustments	369	203
	Other operating income	41	37
7.6	Staff costs and administrative expenses	2,446	2,232
	Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	92	96
	Other operating expenses	19	15
7.23	Impairment of loans, advances and receivables etc.	-33	78
	Income from investments in associates and group enterprises	139	91
	Profit/loss before tax	3,136	1,724
7.7	Tax	716	309
	Profit/loss for the year	2,420	1,415
	Appropriation:		
	The shareholders of the Parent Company Spar Nord Bank A/S	2,373	1,368
	Holders of additional tier 1 (AT1) capital instruments	47	47
	Profit/loss for the year	2,420	1,415
	Proposed dividend DKK 10.0 per share (2022: DKK 4.5)	1,205	554
	Reserve for net revaluation according to the equity method	139	91
	Retained earnings	1,030	723
	Total distribution	2,373	1,368

Statement of comprehensive income

Profit/loss for the year	2,420	1,415
Other comprehensive income		
Items that cannot be reclassified to the income statement:		
Adjustment relating to associates	0	0
Net revaluation of domicile property	6	1
Items that can later be reclassified to the income statement		
Adjustment regarding cash flows hedging	7	-18
Other comprehensive income after tax	14	-17
Total comprehensive income	2,434	1,398
Appropriation:		
The shareholders of the Parent Company Spar Nord Bank A/S	2,387	1,351
Holders of additional tier 1 (AT1) capital instruments	47	47
Total comprehensive income	2,434	1,398

Parent Company Balance sheet

Note		2023 DKKkm	2022 DKKkm
	Assets		
	Cash balances and demand deposits with central banks	218	1,893
7.8	Due from credit institutions and central banks	2,201	2,746
7.9	Loans, advances and other receivables at amortised cost	69,366	65,806
7.10	Bonds at fair value	32,505	25,422
7.11	Shares, etc.	1,745	1,710
	Investments in associates	973	736
	Investments in group enterprises	338	306
7.14	Assets linked to pooled schemes	24,733	22,402
	Intangible assets	419	419
7.12	Land and buildings, total	591	592
7.12.1	Investment properties	33	33
7.12.2	Domicile properties	392	402
7.12.3	Domicile properties (leasing)	165	157
7.13	Other property, plant and equipment	120	125
	Current tax assets	74	69
7.18	Deferred tax assets	0	200
	Temporary assets	2	6
	Other assets	1,684	1,479
	Prepayments and deferred income	135	129
	Total assets	135,104	124,040
	Equity and liabilities		
7.15	Due to credit institutions and central banks	5,006	2,076
7.16	Deposits and other payables	74,605	72,278
7.14	Deposits in pooled schemes	24,733	22,402
7.17	Issued bonds at amortised cost	9,307	6,216
	Other non-derivative financial liabilities at fair value	1,936	2,918
	Other liabilities	3,671	3,911
	Prepayments and deferred income	110	106
	Total payables	119,368	109,908
7.18	Provisions for deferred tax	76	0
	Provision for losses on guarantees	23	50
	Other provisions	64	17
	Total provisions	163	67
7.19	Subordinated debt	1,593	1,597
	Total liabilities	121,124	111,571
	Share capital	1,205	1,230
	Revaluation reserves	111	105
	Statutory reserves	-10	-18
	Retained earnings	10,267	9,399
	Proposed dividend	1,205	554
	Shareholders' equity	12,777	11,270
	Holders of additional tier 1 (AT1) capital instruments	1,202	1,199
	Total equity	13,979	12,469
	Total equity and liabilities	135,104	124,040
	Off-balance sheet items		
	Contingent assets	32	37
7.20	Contingent liabilities	9,702	12,342
7.21	Other binding commitments	1,109	1,481

Parent Company

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 31.12.2022	1,230	105	-18	9,399	554	11,270	1,199	12,469
Comprehensive income in 2023								
Profit/loss for the year	-	-	139	1,030	1,205	2,373	47	2,420
Other comprehensive income								
Adjustment relating to associates	-	-	-97	97	-	0	-	0
Adjustment relating to group enterprises	-	-	-31	31	-	0	-	0
Net revaluation of properties	-	6	-	-	-	6	-	6
Adjustment regarding cash flows hedging	-	-	7	-	-	7	-	7
Other comprehensive income, total	0	6	-121	129	0	14	0	14
Total comprehensive income	0	6	17	1,158	1,205	2,387	47	2,434
Other adjustments								
Adjustment re. associates, cost of cap. incr.	-	-	-10	-	-	-10	-	-10
Transactions with owners								
Interest paid on additional tier 1 (AT1) capital	-	-	-	-	-	-	-47	-47
Reduction of share capital, net transaction costs	-25	-	-	24	-	-1	-	-1
Dividends paid	-	-	-	-	-554	-554	-	-554
Dividends received, treasury shares	-	-	-	13	-	13	-	13
Disposal upon acquisition of treasury shares and additional tier 1 (AT1) capital	-	-	-	-840	-	-840	-	-840
Addition upon sale of treasury shares and additional tier 1 (AT1) capital	-	-	-	512	-	512	3	515
Transactions with owners and other adjustments, total	-25	0	-10	-291	-554	-879	-44	-923
Equity at 31.12.2023	1,205	111	-10	10,267	1,205	12,777	1,202	13,979
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 31.12.2022	1,230	105	-18	9,399	554	11,270	1,199	12,469

*) Total statutory reserves are specified on the next page.

At the end of 2023, the share capital was made up of 120,466,626 shares of DKK 10 each (2022: 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 300 million, which will be completed during the period from 13 February 2023 to 31 January 2024.

In the period until the end of December 2023, Spar Nord bought back shares for a value of DKK 290 million (2,678,100 shares).

On 28 April 2023, the share capital was reduced by nominally DKK 25,359,000 through the cancellation of 2,535,900 shares from the Bank's portfolio of treasury shares acquired under the Bank's share buyback programme in the period from 15 June 2022 to 31 January 2023.

Net transaction costs relating to the share buyback programme amounted to DKK 1 million.

Parent Company Statement of changes in equity

Statutory reserves, total

	Statutory re- serves	Cash flow hedging	Statutory re- serves, total
2023			
Beginning of period	0	-18	-18
Comprehensive income in 2023			
Profit/loss for the year	139	-	139
Other comprehensive income			
Adjustment relating to associates	-97	-	-97
Adjustment relating to group enterprises	-31	-	-31
Adjustment regarding cash flows hedging	-	7	7
Other comprehensive income, total	-129	7	-121
Total comprehensive income	10	7	17
Other adjustments			
Adjustment re. associates, cost of cap. incr.	-10	-	-10
Total transactions with owners	-	-	-
Equity at 31.12.2023	0	-10	-10
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

Parent Company

Capital position

Treasury shares	2023	2022
Treasury share portfolio		
Number of shares, trading book	120,706	48,900
Share buyback programme no. of shares	2,678,100	2,242,500
Nominal value, DKKm	28	23
Fair value, DKKm	298	244
Percentage of share capital	2.3	1.9

Treasury share portfolio, fair value, DKKm	2023	2022
Portfolio, beginning of year	244	6
Share buyback programme (15 June 2022 to 31 January 2023)	-225	-
Share buyback programme (13 February 2023 to 31 January 2024)	290	193
Acquisition of treasury shares	550	452
Sale of treasury shares	512	452
Market value adjustments	-49	45
Portfolio, end of year	298	244

The Bank uses treasury shares, in addition to the share buyback programmes, for trading with customers.

Own funds	2023	2022
	DKKm	DKKm
Equity	13,979	12,469
Phasing in of IFRS 9	199	286
Additional tier 1 capital recognised in equity	1,202	1,199
Proposed dividend	1,205	554
Intangible assets	329	341
Share buybacks, non-utilised portion	10	30
Deductions for NPE (Non Performing Exposures)	183	173
Other primary deductions	60	60
Deduction – Holdings of insignificant CET1 instruments	0	116
Deduction – Holdings of significant CET1 instruments	500	352
Common equity tier 1 capital	10,691	9,930
Additional tier 1 (AT1) capital *)	1,173	1,173
Other deductions	0	1
Tier 1 capital	11,864	11,103
Subordinated debt, excl. Additional Tier 1 (AT1) capital *)	1,578	1,579
Other deductions	0	19
Own funds	13,442	12,662
Weighted risk exposure amount, credit risk etc.	49,767	50,163
Weighted risk exposure amount, market risk	3,958	3,901
Weighted risk exposure amount, operational risk	6,834	6,482
Total risk exposure amount	60,558	60,546
Common equity tier 1 capital ratio	17.7	16.4
Tier 1 capital ratio	19.6	18.3
Own funds ratio	22.2	20.9

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

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Section 7 – Notes Parent Company

§ 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	
	2023	2022	2023	2022
	DKKm	DKKm	DKKm	DKKm
Spar Nord Group	2,421	1,417	13,979	12,469
Net depreciation and impairment, Group domicile properties	0	-3	-	-
Spar Nord Parent Company	2,420	1,415	13,979	12,469

7.2 Interest income

	2023	2022
	DKKm	DKKm
Interest income		
Reverse repo transactions with credit institutions and central banks	50	1
Other amounts due from credit institutions and central banks	75	9
Reverse repo transactions, deposits	312	6
Loans, advances and other receivables	3,153	1,741
Bonds	846	126
Derivatives	201	58
Other interest income	11	1
Total interest income after offsetting negative interest income	4,647	1,942
Negative interest income offset against interest income		
Reverse repo transactions with credit institutions and central banks	-	6
Reverse repo transactions, deposits	-	24
Bonds	-	5
Total negative interest income transferred to interest expenses	-	36
Negative interest expenses offset against interest expenses		
Repo transactions with credit institutions and central banks	-	2
Repo transactions, deposits	-	8
Deposits and other payables	-	242
Total negative interest expenses transferred to interest income	-	252
Total interest income	4,647	2,231

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.

Section 7 – Notes Parent Company

7.3 Interest expenses

	2023	2022
	DKKm	DKKm
Interest expenses		
Repo transactions with credit institutions and central banks	65	5
Other payables to credit institutions and central banks	64	10
Repo transactions, deposits	7	-8
Deposits and other payables	536	-194
Issued bonds	336	67
Subordinated debt	86	49
Other interest expenses	19	2
Total interest expenses after offsetting negative interest expenses	1,113	-69
Negative interest expenses offset against interest expenses		
Repo transactions with credit institutions and central banks	-	2
Repo transactions, deposits	-	8
Deposits and other payables	-	242
Total negative interest expenses transferred to interest income	-	252
Negative interest income offset against interest income		
Reverse repo transactions with credit institutions and central banks	-	6
Reverse repo transactions, deposits	-	24
Bonds	-	5
Total negative interest income transferred to interest expenses	-	36
Total interest expenses	1,113	220

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

	2023	2022
	DKKm	DKKm
Securities trading and custody accounts	484	547
Payment services	251	238
Loan transaction fees	586	725
of which mortgage credit institutions	474	548
Guarantee commission	33	38
Other fees, charges and commissions	324	317
Total fees, charges and commissions received	1,679	1,864
Total fees, charges and commissions paid	186	175
Total net fees, charges and commissions received	1,493	1,689

For accounting policies, see note 2.4 to the consolidated financial statements.

Section 7 – Notes Parent Company

7.5 Market value adjustments

	2023	2022
	DKKm	DKKm
Other loans, advances and receivables at fair value	-66	76
Bonds	303	-480
Shares, etc.	134	80
Investment properties	0	0
Currency	92	94
Foreign exchange, interest, share, commodity and other contracts and derivatives	-93	434
Assets linked to pooled schemes	2,459	-3,326
Deposits in pooled schemes	-2,459	3,326
Total market value adjustments	369	203

For accounting policies, see note 2.5 to the consolidated financial statements.

7.6 Staff costs and administrative expenses

Staff costs	1,493	1,384
Administrative expenses	953	847
Total staff costs and administrative expenses	2,446	2,232

Salaries	1,190	1,104
Pensions	140	131
Social security costs	163	150
Total staff costs	1,493	1,384

Of which, remuneration to members of the Executive Board and Board of Directors:

Board of Directors	5.0	4.7
Executive Board	20.6	18.9
Total remuneration	25.6	23.5

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	1,664	1,628
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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

Fees to the audit firm appointed at the General Meeting	5.6	2.1
Fees to other audit firms for non-audit services	0.5	0.4
Total audit fees	6.1	2.4

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

Statutory audit	4.2	1.6
Other assurance engagements	0.5	0.1
Tax and VAT assistance	0.0	0.1
Non-audit services	0.9	0.2
Total fees to the audit firm appointed at the General Meeting	5.6	2.1

Section 7 – Notes Parent Company

7.7 Tax

	2023	2022
	DKKm	DKKm
Tax on profit/loss for the year	716	309
Tax on other comprehensive income	2	-5
Tax on changes in equity	0	0
Tax on fair value adjustments, business combinations	0	0
Total tax	718	304

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

Current tax	382	520
Deferred tax for the year	336	-178
Adjustment of deferred tax, prior years	-53	-3
Adjustment of current tax for prior years	57	-5
Change of tax rate	-7	-24
Tax on profit/loss for the year	716	309

Specification of the effective tax rate:

Corporate tax rate in Denmark	22.0	22.0
Special tax for financial enterprises in Denmark	3.2	0.0
Non-taxable income from investments and market value adjustment of shares, %	-2.2	-2.8
Other non-deductible expenses and non-taxable income, %	-0.1	0.6
Adjustment of prior-year taxes, %	0.1	-0.5
Change in corporate tax rate (recalculation factor), %	-0.2	-1.4
Total effective tax rate	22.8	17.9

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

	2023	2022
	DKKm	DKKm
Due from credit institutions and central banks		
Balances at notice with central banks	0	0
Due from credit institutions	2,201	2,746
Total due from credit institutions and central banks	2,201	2,746

Of which, subordinated receivables	0	0
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Shown by term to maturity

Demand deposits	141	217
Up to 3 months	1,686	2,029
Over 3 months and up to 1 year	125	125
Between 1 year and 5 years	250	375
Over 5 years	0	0
Total	2,201	2,746

Repo transactions hereof	1,440	1,620
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For accounting policies, see note 3.1 to the consolidated financial statements.

Section 7 – Notes Parent Company

7.9 Loans, advances and other receivables at amortised cost

	2023	2022
	DKKm	DKKm
Lending, reverse repo transactions	11,870	10,510
Lending, banking and leasing activities	57,497	55,296
Loans, advances and other receivables at amortised cost, total	69,366	65,806

Shown by term to maturity

Demand deposits	1,678	1,732
Up to 3 months	12,985	11,658
Over 3 months and up to 1 year	19,047	19,939
Between 1 year and 5 years	9,602	9,774
Over 5 years	26,055	22,703
Total	69,366	65,806

Gross loans, advances and guarantees broken down by sectors and industries, %

Public authorities	0.9	1.7
Business customers		
Agriculture, hunting, forestry and fisheries	3.3	3.6
Industry and raw materials extraction	4.2	4.6
Energy supply	2.4	2.7
Building and construction	3.8	3.9
Trade	5.5	6.2
Transport, hotels and restaurants	3.9	4.0
Information and communication	0.4	0.4
Financing and insurance	19.5	18.3
Real estate	10.4	10.3
Other business areas	7.7	7.0
Business customers, total	61.2	61.0
Retail customers	37.9	37.3
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

	2023	2022
	DKKm	DKKm
Mortgage bonds	30,767	24,325
Government bonds	107	45
Other bonds	1,631	1,052
Bonds at fair value, total	32,505	25,422
Of which, subordinated receivables	49	40

For accounting policies, see note 3.3 to the consolidated financial statements.

Section 7 – Notes Parent Company

7.11 Shares

	2023	2022
	DKKm	DKKm
Shares/unit trust certificates listed on NASDAQ Copenhagen A/S	90	53
Shares/unit trust certificates listed on other stock exchanges	2	11
Unlisted shares at fair value	1,653	1,646
Total shares, etc.	1,745	1,710

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

	2023	2022
	DKKm	DKKm
Fair value, beginning of period	33	34
Reclassification to domicile properties	0	0
Additions during the year, including improvements	0	0
Disposals during the year	0	0
Unrealised fair value adjustment	0	0
Fair value, end of year	33	33
Required rate of return used in calculating the fair value, %	5.5 - 10.0	5.5 - 9.0

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

	2023	2022
	DKKm	DKKm
Restated value beginning of year	402	421
Reclassification from domicile properties	0	0
Additions during the year, including improvements	2	5
Disposals during the year	0	21
Loss	14	14
Changes in value recognised in other comprehensive income	6	1
Changes in value recognised in the income statement	-3	9
Restated value, year-end	392	402
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.

Section 7 – Notes Parent Company

7.12.3 Domicile properties, leasing

	2023	2022
	DKKm	DKKm
Balance, 1 January	157	150
Additions	8	24
Disposals	0	0
Remeasurement of lease liability	28	11
Depreciation for the year	27	27
Balance, 31 December	165	157

For accounting policies, see note 3.7.1 to the consolidated financial statements.

7.13 Other property, plant and equipment

	2023	2022
	DKKm	DKKm
Total cost, beginning of year	394	358
Additions	37	47
Disposals	19	11
Total cost, end of year	412	394
Depreciation and impairment, beginning of year	269	235
Impairment for the year	0	-
Depreciation for the year	41	43
Reversal of depreciation and impairment for the year	18	9
Depreciation and impairment, end of year	292	269
Carrying amount, end of year	120	125

For accounting policies, see note 3.7.2 to the consolidated financial statements.

7.14 Pooled schemes

	Pension pools	Other pools	Total	
	2023	2023	2023	2022
	DKKm	DKKm	DKKm	DKKm
Assets				
Cash deposits	726	10	736	641
Bonds	4,837	61	4,898	5,463
Shares, etc.	13,707	189	13,897	13,051
Unit trust certificates	5,082	70	5,152	3,197
Other assets	51	1	51	51
Total assets	24,403	331	24,733	22,402
Equity and liabilities				
Total deposits	24,403	331	24,733	22,402
Total equity and liabilities	24,403	331	24,733	22,402

For accounting policies, see note 3.5 to the consolidated financial statements.

Section 7 – Notes Parent Company

7.15 Due to credit institutions and central banks

	2023	2022
	DKKm	DKKm
Due to central banks	61	88
Due to credit institutions	4,944	1,989
Total due to credit institutions and central banks	5,006	2,076
Shown by term to maturity		
Demand deposits	226	227
Up to 3 months	4,780	1,849
Over 3 months and up to 1 year	0	0
Between 1 year and 5 years	0	0
Over 5 years	0	0
Total	5,006	2,076
Repo transactions hereof	4,154	1,722

For accounting policies, see note 3.9 to the consolidated financial statements.

7.16 Deposits and other payables

	2023	2022
	DKKm	DKKm
Demand deposits	57,619	64,021
Subject to notice	5,169	2,105
Time deposits	8,797	3,147
Special types of deposits	3,020	3,005
Total deposits and other payables	74,605	72,278
Shown by term to maturity		
Demand deposits	57,619	64,021
Up to 3 months	10,159	3,926
Over 3 months and up to 1 year	3,316	1,009
Between 1 year and 5 years	1,361	832
Over 5 years	2,150	2,490
Total	74,605	72,278
Repo transactions hereof	89	0

For accounting policies, see note 3.10 to the consolidated financial statements.

7.17 Issued bonds at amortised cost

	2023	2022
	DKKm	DKKm
Shown by contractual term to maturity		
Demand deposits	-	-
Up to 3 months	2	1
Over 3 months and up to 1 year	755	4
Between 1 year and 5 years	7,722	5,897
Over 5 years	828	314
Total	9,307	6,216

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

For accounting policies, see note 4.8 to the consolidated financial statements.

Section 7 – Notes Parent Company

7.18 Deferred tax

	2023	2022
	DKKm	DKKm
Beginning of period	-200	6
Deferred tax for the year recognised in profit/loss for the year	276	-206
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	0
End of year	76	-200

Which breaks down as follows:

Deferred tax assets	0	200
Provisions for deferred tax	76	0
Total	76	200

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
2023				
Intangible assets	53	9	0	62
Property, plant and equipment, incl. leased assets	-99	198	0	99
Loans, advances and other receivables at amortised cost	-51	-3	0	-53
Payables and subordinated debt	-117	112	0	-5
Provisions	-16	-2	0	-19
Claw-back loss	0	0	0	0
Miscellaneous	31	-38	0	-7
Total	-200	276	0	76

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

All deferred tax liabilities are recognised in the balance sheet.

Deferred tax assets of DKK 0 million were recognised in 2023 (2022: DKK 201 million). In 2022, the amount related to tax-deductible lease assets, which in the table above are included under loans, advances and other receivables at amortised cost and payables and subordinated debt. Spar Nord had no deferred tax assets relating to tax losses in 2023 and 2022.

For 2022, Spar Nord expected that the taxable income within the next 1–3 years could absorb the capitalised deferred tax, and Spar Nord expected to pay corporate tax in the coming years.

For accounting policies, see note 3.12 to the consolidated financial statements.

Section 7 – Notes Parent Company

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.

Currency	Note	Principal millions	Interest rate	Received	Maturity	2023	2022
						DKKm	DKKm
DKK	a	200	CIBOR3 + 1.30%	2021	30.09.33	199	199
DKK	b	350	CIBOR6 + 2.40%	2018	29.05.29	350	350
DKK	c	150	2.9298%	2018	29.05.29	150	150
DKK	d	500	5.1310%	2022	07.07.32	498	498
DKK	e	400	CIBOR6 + 3.25%	2023	11.04.33	398	-
DKK	f	400	2.5348%	2018	19.06.28	-	400
Supplementary capital contributions, total						1,596	1,597
Portfolio of own bonds relating to subordinated debt						-3	0
Total subordinated debt						1,593	1,597
Interest on subordinated debt						85	49
Costs of raising subordinated debt						1	1

7.20 Contingent liabilities

	2023	2022
	DKKm	DKKm
Financial guarantees	3,488	5,252
Loss guarantees for mortgage loans	3,841	4,850
Registration and refinancing guarantees	1,728	1,456
Other contingent liabilities	645	784
Total contingent liabilities	9,702	12,342

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 Totalcredit 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 31.12.2023 and 31.12.2022. The corporate income tax receivable within the tax pool amounted to DKK 70 million at 31 December 2023 (31 December 2022: DKK 65 million). Any adjustments to the taxable

income subject to joint taxation might entail an increase in the Parent Company's liability.

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 2023, 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 2023 amounted to DKK 18 million (2022: DKK 14 million).

Section 7 – Notes Parent Company

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 1,109 million (2022: DKK 1,481 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

	2023	2022
	DKKm	DKKm
Loans and advances at amortised cost before impairment	71,009	67,408
Unutilised credit lines and loan commitments before impairments	25,934	25,095
Impairment of loans and advances and provisions on unutilised credit lines	1,649	1,615
Carrying amount	95,294	90,888

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
2023				
Rating category 1	11,038	5	0	11,043
Rating category 2	12,454	272	0	12,726
Rating category 3	9,935	2,500	0	12,435
Rating category 4	5,311	1,481	1	6,793
Rating category 5	912	825	0	1,737
Rating category 6	344	848	0	1,191
Rating category 7	145	173	0	319
Rating category 8	70	129	0	199
Rating category 9	0	1,225	3	1,228
Default	0	15	1,226	1,240
Unrated	720	1	0	721
Reverse repo transactions	11,864	0	0	11,864
Sparxpres	413	9	87	509
Leasing	8,291	577	136	9,004
Total	61,497	8,060	1,452	71,009
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

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.

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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.

	Stage 1	Stage 2	Stage 3	Total	Recognised impairment etc.
	DKKm	DKKm	DKKm	DKKm	DKKm
2023					
Impairment at 1 January, loans at amortised cost	224	536	842	1,602	-
Impairment at 1 January, unutilised credit lines and loan commitments	5	6	2	13	-
Impairment re. new exposures during the year, including new accounts to existing customers	47	4	52	103	103
Reversed impairment re. repaid accounts	40	95	128	262	262
Change in impairment at 1 January, transfer to/from stage 1	253	-240	-13	-	-
Change in impairment at 1 January, transfer to/from stage 2	-68	96	-28	-	-
Change in impairment at 1 January, transfer to/from stage 3	-2	-64	66	-	-
Impairment during the year due to change in credit risk	-38	293	-36	219	219
Previously impaired, now finally lost	0	0	-42	-43	-
Other movements (interest rate correction etc.)	0	0	18	18	-
Loss without prior impairment	-	-	-	-	74
Amounts recovered on previously impaired receivables and adjustment of reversal of impairment charges taken over	-	-	-	-	139
Impairment and provisions for losses, end of period	381	535	734	1,649	-6
Impairment at 31 December, loans at amortised cost	378	533	732	1,643	1
Impairment at 31 December, unutilised credit lines and loan commitments	2	2	2	6	-6
Impairment and provisions for losses, end of period	381	535	734	1,649	-6
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 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
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

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 included exposures for which impairment has been reversed (impairment charges taken over) on customers acquired. At the end of 2023, reversal of impairment was DKK 0 million (2022: DKK 13 million).

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7.23.2 Due from credit institutions and central banks

	2023	2022
	DKKm	DKKm
Due from credit institutions and central banks before impairment	2,202	2,747
Impairment	1	1
Carrying amount	2,201	2,746

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
2023				
Credit institutions	2,202	0	0	2,202
Central banks	0	0	0	0
Total	2,202	0	0	2,202
2022				
Credit institutions	2,747	0	0	2,747
Central banks	0	0	0	0
Total	2,747	0	0	2,747

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
2023					
Impairment, beginning of year	1	0	0	1	-
Impairment re. new exposures during the year, including new accounts to existing customers	2	0	0	2	2
Reversed impairment re. repaid accounts	2	0	0	2	2
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
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

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7.23.3 Guarantees

	2023	2022
	DKKm	DKKm
Guarantees before provisions for losses	9,724	12,392
Provisions for losses	23	50
Carrying amount	9,702	12,342

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
2023				
Rating category 1	4,283	0	0	4,283
Rating category 2	2,016	16	0	2,032
Rating category 3	1,224	212	0	1,436
Rating category 4	518	181	0	698
Rating category 5	140	98	0	238
Rating category 6	45	46	0	91
Rating category 7	13	12	0	25
Rating category 8	6	12	0	18
Rating category 9	0	212	0	212
Default	0	7	77	84
Unrated	608	0	0	608
Total	8,852	795	77	9,724

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

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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
2023					
Provisions for losses at 1 January	18	26	7	50	-
Provisions for losses re. new exposures during the year	14	0	1	15	15
Reversed provisions for losses re. repaid exposures	16	23	8	47	47
Change in provisions for losses at 1 January, transfer to/from stage 1	8	-8	0	-	-
Change in provisions for losses at 1 January, transfer to/from stage 2	-7	7	0	-	-
Change in provisions for losses at 1 January, transfer to/from stage 3	0	-2	2	-	-
Provisions for losses during the year due to change in credit risk	-7	5	7	5	5
Provisions for losses at 31 December	10	5	8	23	-27
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

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 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 2023 and 2022 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
	DKKkm	DKKkm	DKKkm
2023			
Liabilities			
Issued bonds at amortised cost	3,807	3,825	3,859
Interest risk-hedging financial instruments			
Derivatives (swap contracts)	-34	-34	3,859

	Within 1 year	1– 5 years	Over 5 years
	DKKkm	DKKkm	DKKkm
Shown by term to maturity			
Nominal value of issued bonds at amortised cost	400	3,127	332
Interest risk-hedging financial instruments, derivatives (synthetic principal)	400	3,127	332

	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	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

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

	2023	2022
	DKKkm	DKKkm
Hedging of fixed-interest assets and liabilities		
Hedging of loans and advances and issued bonds	34	99
Hedging derivatives	-34	-100
Impact on profit/loss	0	-1

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7.24.2 Hedging of cash flows

	Carrying amount	Fair value	Nominal value	
	DKKm	DKKm	DKKm	
2023				
Liabilities				
Issued bonds at amortised cost, see note 4.8	6,529	6,549	6,564	
Interest risk-hedging financial instruments				
Derivatives (swap contracts)	37	37	6,592	
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	
Hedge instrument				
Currency swap, NOK/DKK, SEK/DKK and EUR/DKK			2023	2022
Nominal principal		6,592	3,934	
Carrying amount		37	123	
Other assets		98	0	
Other liabilities		135	123	
Reserve from hedging of cash flows				
Reserve from hedging of cash flows, 1 January		-23	0	
Loss or gain from hedging recognised in other comprehensive income (continuing hedging activity)		10	-23	
Amount reclassified to the income statement, market value adjustment of financial instruments for non-continuing hedging activity		0	0	
Reserve from hedging of cash flows before tax		-13	-23	
Tax, 1 January		5	0	
Tax, movements during the year		-2	5	
Reserve from hedging of cash flows, 31 December		-10	-18	
Maturity profile and average price of hedging instruments				
	Principal	Price	Principal	Price
	2023	2023	2022	2022
	DKKm		DKKm	
NOK/DKK				
< 1 year	605	0.6368	0	-
1– 5 years	2,109	0.6861	2,344	0.7270
Over 5 years	332	0.6635	356	0.7117
SEK/DKK				
< 1 year	521	0.6518	0	-
1– 5 years	975	0.6724	1,234	0.6858
Over 5 years	0	-	0	-
EUR/DKK				
< 1 year	0	-	-	-
1– 5 years	2,050	7.4554	-	-
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.

Commitments and transactions with members of the Board of Directors and Executive Board comprise personal commitments of such parties and of their related parties.

Note 6.11 to the consolidated financial statements contains a list of group enterprises.

Related party transactions are settled on market terms.

Demand balance between Aktieselskabet Skelagervej 15 and the Spar Nord Parent Company, carrying interest at the market rate.

	Parties with significant influence		Associates		Group entities		Board of Directors		Executive Board	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	DKKm	DKKm	DKKm	DKKm	DKKm	DKKm	DKKm	DKKm	DKKm	DKKm
Granted loans and loan commitments	50	50	11	11	-	-	22	31	8	7
Deposits	1	2	19	27	208	108	29	38	7	8
Guarantees issued	-	-	-	-	-	-	-	-	-	-
Other binding commitments	-	-	-	-	-	-	15	-	-	-
Collateral accepted	101	124	-	-	0	48	4	5	3	3
Interest income	0	0	-	-	-	-	0	0	0	0
Interest expenses	0	0	0	0	4	-	0	0	0	0
Fees, charges and commissions received	1	0	0	0	0	0	1	1	0	0
Dividends received from equity investments	-	-	23	33	-	-	-	-	-	-
Other income	1	-	-	-	0	0	-	-	-	-
Other expenses	0	-	0	0	8	7	0	-	0	-
Dividends paid	107	119	-	-	-	-	0	1	1	1

	Board of Directors		Executive Board	
	2023	2022	2023	2022
	DKKm	DKKm	DKKm	DKKm
Granted loans and advances	10	17	8	7
Unutilised loan and guarantee commitments	12	14	0	0
Guarantees issued	-	-	-	-
Total granted loans and advances, loan commitments and guarantees	22	31	8	7
Interest rate, loans (%)	3.75 - 8.80	2.00 - 6.70	3.75 - 5.66	4.60 - 6.30

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 2023, joint tax contributions in the amount of DKK 4 million (2022: DKK 3 million) were transferred between the companies.

Related party transactions, including credit facilities, are concluded on an arm's length basis.

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 material risk takers appear from note 2.7.

Related parties holding at least 5% of the Bank's share capital at end-2023 comprised the Spar Nord Fonden with a holding of 19.8% (2022: 19.4%) and Nykredit Realkredit A/S with a holding of 19.1% (2022: 18.7%). For registered offices, see sparnord.com/share.

Employee-elected directors are eligible for bank staff loans/credits. Credit card balances are interest free for the Bank's customers, as well as for the Executive Board and Board of Directors.

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.

The respective shareholdings of the Executive Board and the Board of Directors are shown in note 6.9 to the consolidated financial statements.

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7.26 Performance indicators and financial ratios

Performance indicators

DKKm **2023** 2022 2021 2020 2019

Income statement

Net interest and fee income	5,109	3,813	3,356	2,881	2,858
Market value adjustments	369	203	315	373	320
Staff costs and administrative expenses	2,446	2,232	2,132	2,007	1,924
Impairment of loans, advances and receivables etc.	-33	78	-120	309	22
Income from investments in associates and subsidiaries	139	91	116	41	120
Profit/loss for the year	2,420	1,415	1,370	738	1,060

Balance sheet

Lending	69,366	65,806	61,936	52,312	51,312
Equity	13,979	12,469	11,924	10,390	9,761
Total assets	135,104	124,040	116,626	102,155	93,246

Financial ratios

Own funds

Own funds ratio	22.2	20.9	20.7	21.0	18.4
Tier 1 capital ratio	19.6	18.3	18.2	18.6	16.1

Earnings

Return on equity before tax	%	23.7	14.1	15.2	9.1	13.7
Return on equity after tax	%	18.3	11.6	12.3	7.3	11.2
Income/cost ratio		2.24	1.71	1.80	1.38	1.64
Return on assets	%	1.8	1.1	1.2	0.7	1.1

Market risk and liquidity

Interest rate risk	%	0.3	0.5	0.9	1.1	0.6
Foreign exchange position	%	0.4	0.6	0.7	0.9	1.0
Foreign exchange risk	%	0.1	0.1	0.1	0.1	0.1
Liquidity Coverage Ratio (LCR)	%	242	210	278	239	192
Loans and advances plus impairment as % of deposits	%	71.5	71.2	71.0	68.3	74.6

Credit risk

Loans and advances relative to equity		5.0	5.3	5.2	5.0	5.3
Increase in loans and advances for the year	%	4.0	12.7	15.5	-1.5	9.1
Sum of large exposures	%	79.4	83.8	81.7	78.1	83.6
Impairment ratio for the year		0.0	0.1	-0.1	0.4	0.1

The Spar Nord Bank share

DKK per share of DKK 10

Profit/loss for the year	20.3	11.6	11.1	6.0	8.6
Net asset value (NAV)	109	93	87	78	72
Dividend	10.0	4.5	2.5 *)	1.5	0.0
Share price/profit/loss for the period	5.3	9.2	7.5	10.0	7.6
Share price/NAV	1.0	1.1	1.0	0.8	0.9

*) 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.

A definition of financial ratios is provided in note 6.12.1 to the consolidated financial statements.

Section 8 – Appendix to Management’s review

ESG Report on sustainability and social responsibility EU Taxonomy reporting

Spar Nord’s combined reporting on the EU Taxonomy pursuant to the NFRD Directive (Directive 2014/95/EU of the European Parliament and of the Council) and the EU Taxonomy Regulation (Regulation (EU) 2020/852 of the European Parliament and of the Council and Commission Delegated Regulation (EU) 2021/2178) is also available on Spar Nord’s website sparnord.com/eutaxonomy2023.

Section 8 – Appendix to Management’s review is not a part of the consolidated financial statements, which are audited, but is a part of the Management’s review for 2023.

0. Summary of KPIs credit institutions must publish pursuant to Article 8 of the EU Taxonomy regulation

(zoom in to make the table readable).

0. Summary of KPIs to be disclosed by credit institutions under Article 8 Taxonomy Regulation

		Total environmentally sustainable assets	KPI****	KPI*****	% coverage (over total assets)***	% of assets excluded from the numerator of the GAR (Article 7(2) and (3) and Section 1.1.2. of Annex V)	% of assets excluded from the denominator of the GAR (Article 7(1) and Section 1.2.4 of Annex V)
Main KPI	Green asset ratio (GAR) stock	385.5	0.3%	0.3%	83%	18%	1%
Additional KPIs	GAR (flow)	139.3	0.1%	0.1%	-	-	-
	<i>Trading book*</i>						
	<i>Financial guarantees</i>						
	<i>Assets under management</i>	427.4	2.2%	3.0%			
	<i>Fees and commissions income**</i>						

* For credit institutions that do not meet the conditions of Article 94(1) of the CRR or the conditions set out in Article 325a(1) of the CRR

**Fees and commissions income from services other than lending and AuM

Institutions shall disclose forwardlooking information for this KPIs, including information in terms of targets, together with relevant explanations on the methodology applied.

*** % of assets covered by the KPI over banks’ total assets

****based on the Turnover KPI of the counterparty

*****based on the CapEx KPI of the counterparty, except for lending activities where for general lending Turnover KPI is used

Note 1: Across the reporting templates: cells shaded in black should not be reported.

Note 2: Fees and Commissions (sheet 6) and Trading Book (sheet 7) KPIs shall only apply starting 2026. SMEs’ inclusion in these KPI will only apply subject to a positive result of an impact assessment.



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ESG Report on sustainability and social responsibility EU Taxonomy reporting

1. Assets for the calculation of GAR – CAPEX 2023
(zoom in to make the table readable)

Table showing assets for the calculation of GAR - CAPEX 2023, including sub-sections like Climate Change Mitigation (CCM), Climate Change Adaptation (CCA), Water and marine resources (WAMR), Circular economy (CE), Pollution (POL), Resilience and transition (RT), and Total CAPEX. It lists various asset categories and their corresponding values across different metrics.

Footnotes and explanatory text for the 2023 CAPEX table, detailing methodologies and definitions used for the data presented.

1. Assets for the calculation – CAPEX 2022
(zoom in to make the table readable)

Table showing assets for the calculation of GAR - CAPEX 2022, with a similar structure to the 2023 table, including sub-sections like Climate Change Mitigation (CCM), Climate Change Adaptation (CCA), Water and marine resources (WAMR), Circular economy (CE), Pollution (POL), Resilience and transition (RT), and Total CAPEX.

Footnotes and explanatory text for the 2022 CAPEX table, detailing methodologies and definitions used for the data presented.



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2. GAR sector information – Turnover 2023 (zoom in to make the table readable)

2. GAR sector information - Turnover

Breakdown by sector: NACE 2 digit level (cash and debt)	Climate Change Mitigation (2023)		Climate Change Adaptation (2023)		Water and marine resources (2023)		Circular economy (2023)		Pollution (2023)		Biodiversity and ecosystems (2023)		TOTAL (2023 - CO2 + MFR - O2 - PM10 - PM2.5)	
	Non-Financial Corporate Information (NFCI) - 2023	2023 and other NFCI not subject to (2023) carrying amount	Non-Financial Corporate Information (NFCI) - 2023	2023 and other NFCI not subject to (2023) carrying amount	Non-Financial Corporate Information (NFCI) - 2023	2023 and other NFCI not subject to (2023) carrying amount	Non-Financial Corporate Information (NFCI) - 2023	2023 and other NFCI not subject to (2023) carrying amount	Non-Financial Corporate Information (NFCI) - 2023	2023 and other NFCI not subject to (2023) carrying amount	Non-Financial Corporate Information (NFCI) - 2023	2023 and other NFCI not subject to (2023) carrying amount	Non-Financial Corporate Information (NFCI) - 2023	2023 and other NFCI not subject to (2023) carrying amount
	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million

1. The information disclosed in this table is information on customers in reporting bank assets that are covered by the EU Taxonomy. It is not intended to be used for the purpose of the EU Taxonomy. It is not intended to be used for the purpose of the EU Taxonomy. It is not intended to be used for the purpose of the EU Taxonomy.

2. The information disclosed in this table is information on customers in reporting bank assets that are covered by the EU Taxonomy. It is not intended to be used for the purpose of the EU Taxonomy. It is not intended to be used for the purpose of the EU Taxonomy. It is not intended to be used for the purpose of the EU Taxonomy.

From a business perspective, Spar Nord has opted not to publish data in this template as the volume of customers in the individual industry codes is so limited that the exposure of the individual customer would be identifiable.

2. GAR sector information – CAPEX 2023 (zoom in to make the table readable)

2. GAR sector information - CAPEX

Breakdown by sector: NACE 2 digit level (cash and debt)	Climate Change Mitigation (2023)		Climate Change Adaptation (2023)		Water and marine resources (2023)		Circular economy (2023)		Pollution (2023)		Biodiversity and ecosystems (2023)		TOTAL (2023 - CO2 + MFR - O2 - PM10 - PM2.5)	
	Non-Financial Corporate Information (NFCI) - 2023	2023 and other NFCI not subject to (2023) carrying amount	Non-Financial Corporate Information (NFCI) - 2023	2023 and other NFCI not subject to (2023) carrying amount	Non-Financial Corporate Information (NFCI) - 2023	2023 and other NFCI not subject to (2023) carrying amount	Non-Financial Corporate Information (NFCI) - 2023	2023 and other NFCI not subject to (2023) carrying amount	Non-Financial Corporate Information (NFCI) - 2023	2023 and other NFCI not subject to (2023) carrying amount	Non-Financial Corporate Information (NFCI) - 2023	2023 and other NFCI not subject to (2023) carrying amount	Non-Financial Corporate Information (NFCI) - 2023	2023 and other NFCI not subject to (2023) carrying amount
	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million

1. The information disclosed in this table is information on customers in reporting bank assets that are covered by the EU Taxonomy. It is not intended to be used for the purpose of the EU Taxonomy. It is not intended to be used for the purpose of the EU Taxonomy. It is not intended to be used for the purpose of the EU Taxonomy.

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From a business perspective, Spar Nord has opted not to publish data in this template as the volume of customers in the individual industry codes is so limited that the exposure of the individual customer would be identifiable.



Section 8 – Appendix to Management’s review ESG Report on sustainability and social responsibility EU Taxonomy reporting

3. GAR KPI stock – CAPEX 2023 (zoom in to make the table readable)

3. GAR KPI stock – CAPEX

1 Information on the GAR given under the heading 'the table shows a breakdown of the total covered assets' is based on the data disclosed in the table below, and by applying the formula provided in the template.

2 Information on the GAR given under the heading 'eligible activities' is based on the information included in the template, and by applying the formula provided in the template.

3 Credit institutions are, in addition to the information included in the template, also the proportion of financing received through the use of an environmental certificate (Taxonomy eligible). This information would also be included in the table if an environmental certificate were used to finance the total covered assets.

4 Credit institutions shall disclose this template for interest-based and equity-based instruments.

a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q	r	s	t	u	v	w	x	y	za	zb	zc	zd	ze	zf																					
																															Climate Change Mitigation (CCM)			Climate Change Adaptation (CCA)			Water and marine resources (WTR)			Circular economy (CE)			Pollution (P)			Biodiversity and Ecosystems (BIO)			TOTAL (CCM + CCA + WTR + CE + P + BIO)		
																															Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy eligible)
<p>GAR – Covered assets in both transition and enabling</p> <p>1 Loans and advances, debt securities and equity instruments not HT eligible for GAR calculation</p> <p>2 Financial underwriting</p> <p>3 Credit institutions</p> <p>4 Loans and advances</p> <p>5 Debt securities, including LSP</p> <p>6 Equity instruments</p> <p>7 Other financial corporations</p> <p>8 of which investment firms</p> <p>9 Loans and advances</p> <p>10 Debt securities, including LSP</p> <p>11 Equity instruments</p> <p>12 of which management companies</p> <p>13 Loans and advances</p> <p>14 Debt securities, including LSP</p> <p>15 Equity instruments</p> <p>16 of which insurance undertakings</p> <p>17 Loans and advances</p> <p>18 Debt securities, including LSP</p> <p>19 Equity instruments</p> <p>20 Non-financial underwriting</p> <p>21 Loans and advances</p> <p>22 Debt securities, including LSP</p> <p>23 Equity instruments</p> <p>24 Household</p> <p>25 of which loans collateralised by residential immovable property</p> <p>26 of which building renovation loans</p> <p>27 of which motor vehicle loans</p> <p>28 Local government financing</p> <p>29 Housing financing</p> <p>30 Other local government financing</p> <p>31 Culture or created by using possession: residential and commercial immovable properties</p> <p>32 Total GAR loans</p>																																																			

3. GAR KPI stock – CAPEX 2022 (zoom in to make the table readable)

3. GAR KPI stock – CAPEX

1 Information on the GAR given under the heading 'the table shows a breakdown of the total covered assets' is based on the data disclosed in the table below, and by applying the formula provided in the template.

2 Information on the GAR given under the heading 'eligible activities' is based on the information included in the template, and by applying the formula provided in the template.

3 Credit institutions are, in addition to the information included in the template, also the proportion of financing received through the use of an environmental certificate (Taxonomy eligible). This information would also be included in the table if an environmental certificate were used to finance the total covered assets.

4 Credit institutions shall disclose this template for interest-based and equity-based instruments.

a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q	r	s	t	u	v	w	x	y	za	zb	zc	zd	ze	zf																					
																															Climate Change Mitigation (CCM)			Climate Change Adaptation (CCA)			Water and marine resources (WTR)			Circular economy (CE)			Pollution (P)			Biodiversity and Ecosystems (BIO)			TOTAL (CCM + CCA + WTR + CE + P + BIO)		
																															Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy eligible)
<p>GAR – Covered assets in both transition and enabling</p> <p>1 Loans and advances, debt securities and equity instruments not HT eligible for GAR calculation</p> <p>2 Financial underwriting</p> <p>3 Credit institutions</p> <p>4 Loans and advances</p> <p>5 Debt securities, including LSP</p> <p>6 Equity instruments</p> <p>7 Other financial corporations</p> <p>8 of which investment firms</p> <p>9 Loans and advances</p> <p>10 Debt securities, including LSP</p> <p>11 Equity instruments</p> <p>12 of which management companies</p> <p>13 Loans and advances</p> <p>14 Debt securities, including LSP</p> <p>15 Equity instruments</p> <p>16 of which insurance undertakings</p> <p>17 Loans and advances</p> <p>18 Debt securities, including LSP</p> <p>19 Equity instruments</p> <p>20 Non-financial underwriting</p> <p>21 Loans and advances</p> <p>22 Debt securities, including LSP</p> <p>23 Equity instruments</p> <p>24 Household</p> <p>25 of which loans collateralised by residential immovable property</p> <p>26 of which building renovation loans</p> <p>27 of which motor vehicle loans</p> <p>28 Local government financing</p> <p>29 Housing financing</p> <p>30 Other local government financing</p> <p>31 Culture or created by using possession: residential and commercial immovable properties</p> <p>32 Total GAR loans</p>																																																			



Section 8 – Appendix to Management’s review

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5. KPI off-balance sheet exposures – Turnover 2023 (zoom in to make the table readable)

5. KPI off-balance sheet exposures – Turnover

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q	r	s	t	u	v	w	x	y	z	aa	ab	ac	ad	ae	af		
% (compared to total eligible off-balance sheet assets)	Climate Change Mitigation (CCM)				Climate Change Adaptation (CCA)				Water and marine resources (WTR)				Circular economy (CE)				Pollution (PFC)				Biodiversity and ecosystems (BIO)				TOTAL (CCM + CCA + WTR + CE + PFC + BIO)									
	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy eligible)									
1. Financial guarantees (FinGuar KPI)	2.3%	2.2%	0.0%	0.0%	Of which use of Proceeds	Of which transitional	Of which enabling	Of which use of Proceeds	Of which transitional	Of which enabling	Of which use of Proceeds	Of which transitional	Of which enabling	Of which use of Proceeds	Of which transitional	Of which enabling	Of which use of Proceeds	Of which transitional	Of which enabling	Of which use of Proceeds	Of which transitional	Of which enabling	Of which use of Proceeds	Of which transitional	Of which enabling	Of which use of Proceeds	Of which transitional	Of which enabling	Of which use of Proceeds	Of which transitional	Of which enabling	Of which use of Proceeds	Of which transitional	Of which enabling

5. KPI off-balance sheet exposures – CAPEX 2023 (zoom in to make the table readable)

5. KPI off-balance sheet exposures – CAPEX

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q	r	s	t	u	v	w	x	y	z	aa	ab	ac	ad	ae	af
% (compared to total eligible off-balance sheet assets)	Climate Change Mitigation (CCM)				Climate Change Adaptation (CCA)				Water and marine resources (WTR)				Circular economy (CE)				Pollution (PFC)				Biodiversity and ecosystems (BIO)				TOTAL (CCM + CCA + WTR + CE + PFC + BIO)							
	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy eligible)							
1. Financial guarantees (FinGuar KPI)	3.1%	3.0%	0.0%	0.0%	2.0%	Of which use of Proceeds	Of which transitional	Of which enabling	Of which use of Proceeds	Of which transitional	Of which enabling	Of which use of Proceeds	Of which transitional	Of which enabling	Of which use of Proceeds	Of which transitional	Of which enabling	Of which use of Proceeds	Of which transitional	Of which enabling	Of which use of Proceeds	Of which transitional	Of which enabling	Of which use of Proceeds	Of which transitional	Of which enabling	Of which use of Proceeds	Of which transitional	Of which enabling	Of which use of Proceeds	Of which transitional	Of which enabling

Template 1 Nuclear and fossil gas related activities

Row	Nuclear energy related activities	
1	The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	NO
2	The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	NO
3	The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	NO
	Fossil gas related activities	
4	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	NO
5	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	NO
6	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	NO

As Spar Nord answers "no" all of the above conditions, templates 2 to 5 are not published.



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