



# Nykredit Group

Update on Spar Nord tender offer, annual  
result and funding plans

January 2025

**Nykredit**

# Agenda

- Update
  - Nykredit's tender offer for Spar Nord
  - 2024 Net profits and increase in customer benefits
  - Funding plans
- Q&A



# Nykredit has launched a tender offer for Spar Nord

## Transaction



Recommended tender offer for all outstanding shares in Spar Nord Bank A/S (with commitments from just under 50%\* of the share capital)

## Consideration



DKK 210 per share, corresponding to a premium of 58% compared to 3-months VWAP as of 9 December 2024

## Synergies



Reasonable level of synergies to be realised gradually towards 2027, mainly from overlap in group functions and other operational costs

## Timetable



Closing expected in first half of 2025, depending on approval from all relevant authorities

## Delisting and compulsory acquisition



Nykredit will delist Spar Nord Bank A/S and complete compulsory acquisition of remaining shares as soon as possible

## Indicative timeline



**10 December 2024**

Announcement of intention to acquire Spar Nord



**8 January 2025**

Launch of tender offer after approval by the Danish FSA



**19 & 20 February 2025**

Expected expiry of the offer period and publication of preliminary results of the offer



**24 February 2025**

Latest expected announcement of the final result of the offer



**27 February 2025**

Latest expected day for cash settlement of the offer



**During H1 2025**

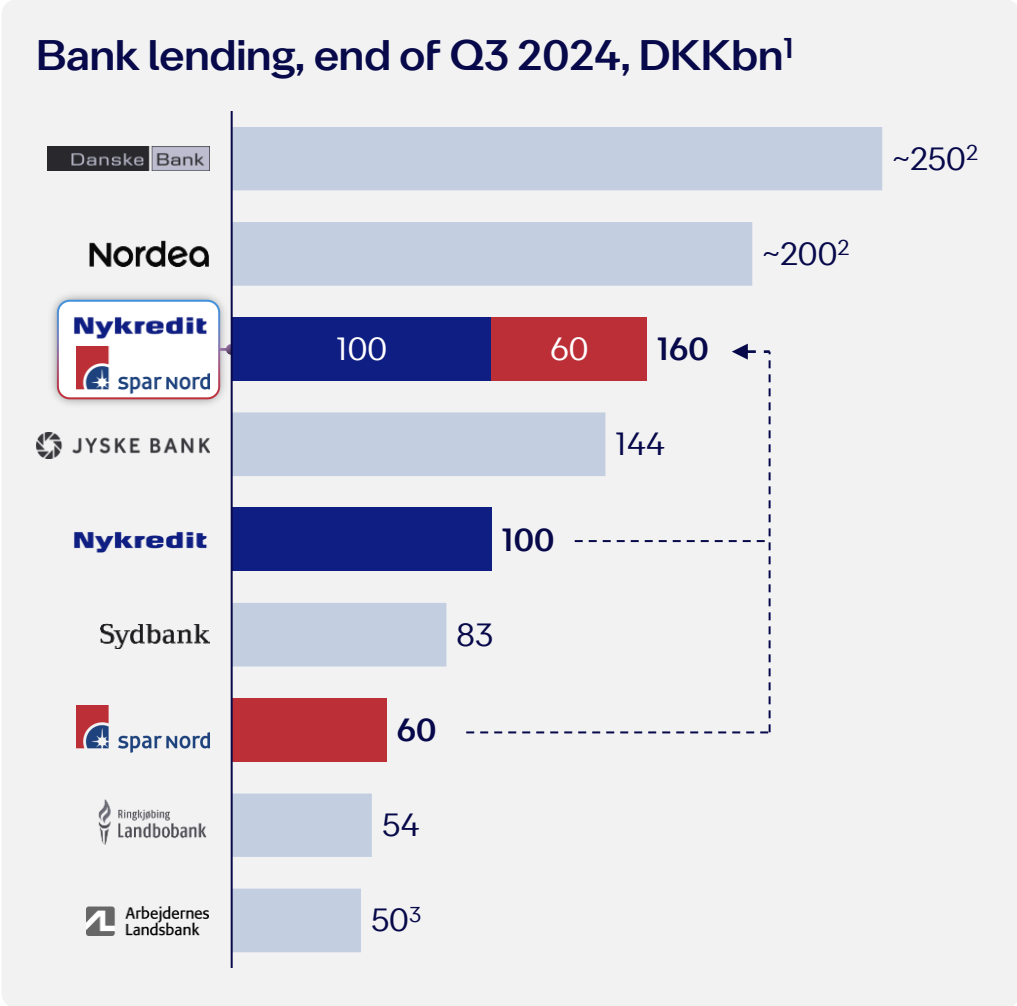
Expected completion of tender offer, subject to approvals from all relevant authorities



**After completion of tender offer**

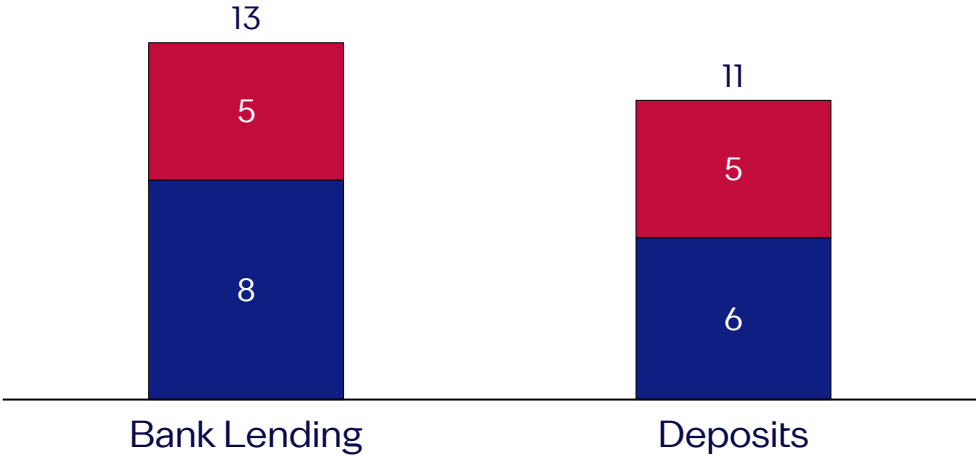
Delisting of Spar Nord Bank A/S and beginning of integration period

# After the merger with Spar Nord, Nykredit will be the third largest bank in Denmark...



Market shares<sup>1,4</sup>, %

■ Spar Nord ■ Nykredit



**We gain scale to increase competition against large listed competitors, in a changing Danish bank market**

**Nykredit** Notes: 1) All consolidated figures are pro-forma, 2) High-level estimate based on Nykredit analysis. Danske Bank and Nordea do not publish bank lending volumes for Denmark, 3) Based on H1 2024 financial report, as Arbejdernes Landsbank does not publish quarterly financial results, 4) Nykredit analysis based on Danmarks Nationalbank's MFI-statistics

# Creating Denmark's mutually owned bank – a leading bank with the competitive power to compete with the large listed competitors



**Nykredit**



Third largest bank in Denmark with ~100 branches



Delisting of Spar Nord and merger to create scale and avoid getting "stuck in the middle"



Increase ability to compete with large, listed competitors



Diverse customer composition



A mutually-owned alternative with ForeningsFordele



For the benefit of customers, owners and debt investors

# Updated profit guidance and increased customer benefits for retail mortgages

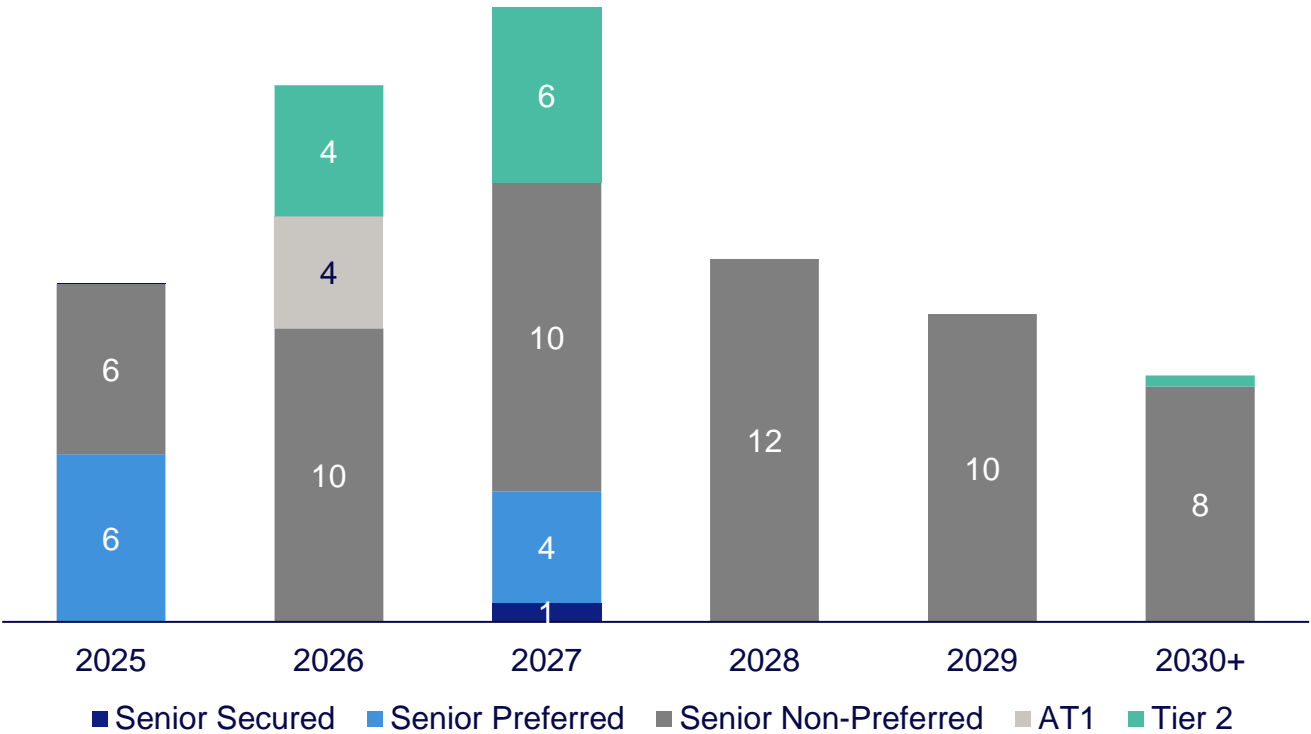
- Nykredit has updated net profit guidance for the Group for 2024 to DKK 11.7bn
- Record high net profit for the 4<sup>th</sup> year in a row
- No dividends will be paid for 2024 as Nykredit intends to maintain a strong capital position
  
- Nykredit has announced an increase in customer benefits for retail mortgage loans from 20 bps. to 25 bps.
  
- Final 2024 results and capital figures will be released on 5 February 2025



# Funding of the Spar Nord transaction will entail additional issuance

## Refinancing needs for outstanding debt and capital instruments<sup>1</sup>

DKKbn



1) For AT1 and Tier 2: First call dates.

## Funding plan

### Upcoming issuance

Nykredit expects to issue a combined **DKK 15bn** (EUR 2bn equivalent) in Tier 2 and Senior Non-Preferred in the near term in connection with the Spar Nord transaction

Upcoming issuance subject to market conditions:

2Y FRN SNP	Benchmark size
5.5Y FXD SNP	Benchmark size
Tier 2	Benchmark size

### Total funding need for 2025 of DKK ~30bn (EUR ~4bn equivalent)

Refinancing of outstanding debt combined with funding of the transaction is expected to result in total expected funding of **DKK ~30bn** in 2025

# Q&A



# Appendix 1

## Spar Nord



# Spar Nord today

## Introduction to Spar Nord



Locally anchored bank with strong emphasis on personal customer experience



High customer satisfaction and brand recognition



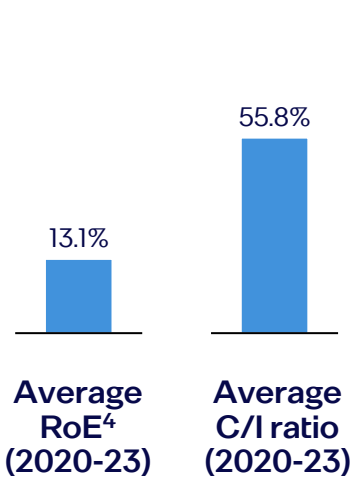
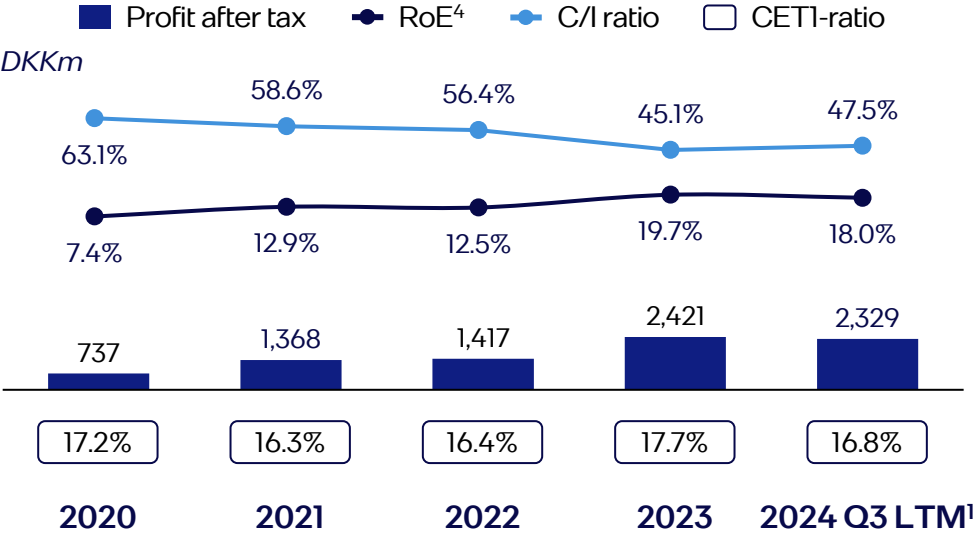
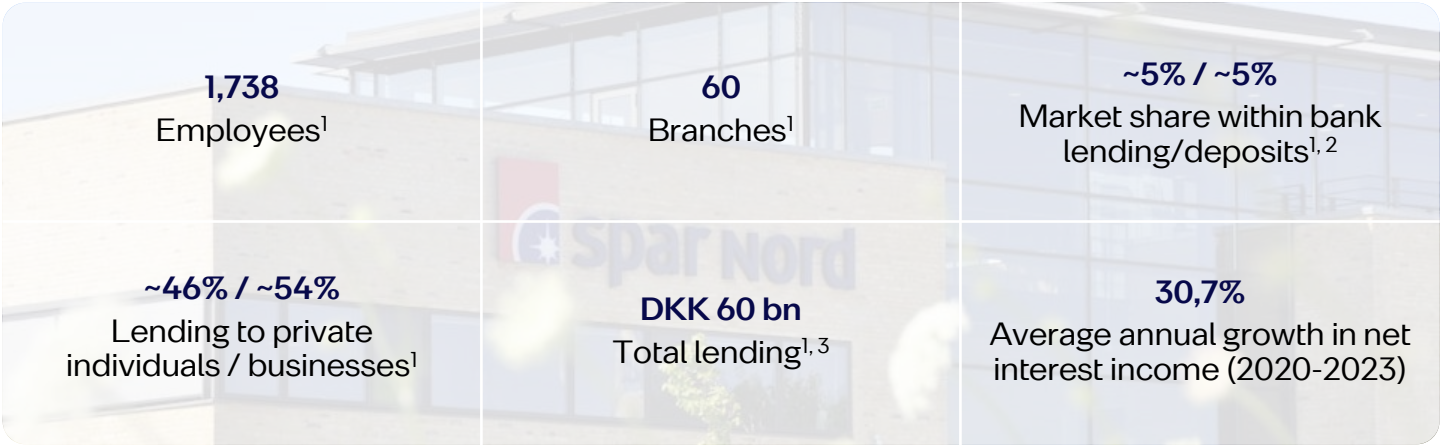
Diversified lending portfolio with robust credit quality



Well capitalised



Strong historical financial results



# Nykredit and Spar Nord operate on a common operating platform with the same products, providing for a smooth integration process

## Common operating platform and products



We will continue to be an active and engaged partner in all operational partnerships



# Consolidated income and business volumes (LTM Q3 2024)

## - The transaction adds critical volume for Nykredit's bank activities

### Overview of consolidated income statement and business volumes (LTM Q3 2024)

Condensed income statement (DKKm)	Nykredit	Spar Nord	Pro forma	Index
Net interest income	14,447	3,618	18,065	125
Net fee income	5,437	1,519	6,956	128
Other income	1,463	585	2,048	140
<b>Income</b>	<b>21,344</b>	<b>5,723</b>	<b>27,067</b>	<b>127</b>
Costs	(6,795)	(2,719)	(9,514)	140
<b>Business profit before impairment charges</b>	<b>14,549</b>	<b>3,003</b>	<b>17,552</b>	<b>121</b>
Impairment charges for loans and advances	177	42	219	124
<b>Profit before tax<sup>1</sup></b>	<b>14,727</b>	<b>3,047</b>	<b>17,774</b>	<b>121</b>
Business volumes (DKKbn)	Nykredit	Spar Nord	Pro forma	Index
<b>Loans excluding repo</b>	<b>1,566</b>	<b>60</b>	<b>1,626</b>	<b>104</b>
- of which mortgage loans	1,466	-	1,466	100
- of which bank loans	100	60	160	160
<b>Deposits</b>	<b>119</b>	<b>75</b>	<b>194</b>	<b>163</b>

Note: 1) Excluding Legacy derivatives (+DKK 18m); 2) Based on LTM Q3 2024



#### Consolidated financials

Nykredit pro forma consolidated earnings are expected to increase by 21% as a result of the acquisition<sup>2</sup> (before synergies)



#### Bank lending

Bank loans and deposits are set to increase significantly by approx. 60% as a result of the transaction

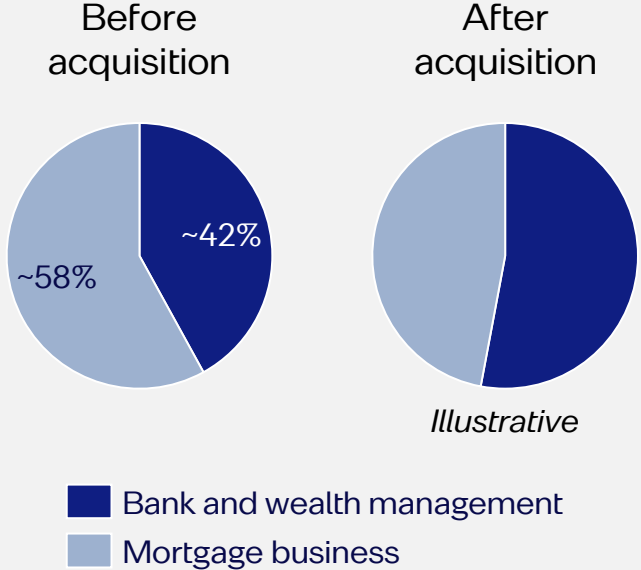


#### Mortgage lending

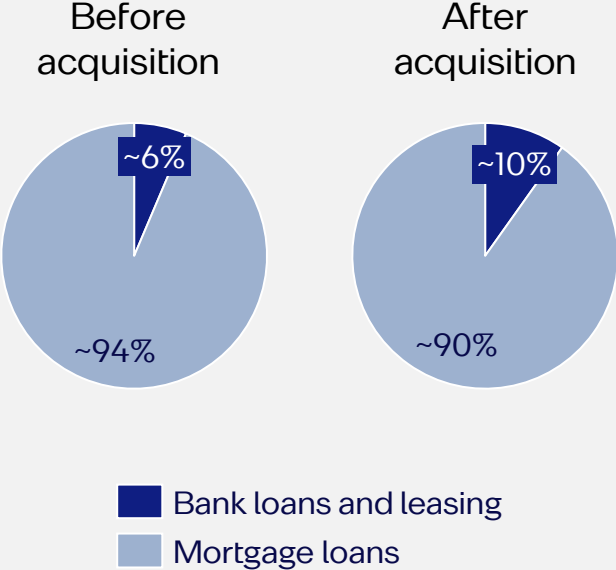
The acquisition will not affect Nykredit's mortgage lending significantly, as Spar Nord is already a Totalkredit partner

# Nykredit will have a more diverse loan portfolio and revenue composition after acquiring Spar Nord

## Approx. effect on Nykredit's revenue composition



## Approx. effect on Nykredit's lending portfolio



As a result, bank revenue is expected to increase whereas revenue from mortgages is not expected to change significantly

Bank lending and leasing activities will increase significantly as a result of the acquisition

The acquisition will not significantly change mortgage lending, as Spar Nord is already a Totalkredit partner

Underlying geographic diversification of lending portfolio is expected to increase, with Spar Nord being particularly strong in Northern Jutland

# Conservative approach to realising synergies to ensure customer retention and a smooth integration

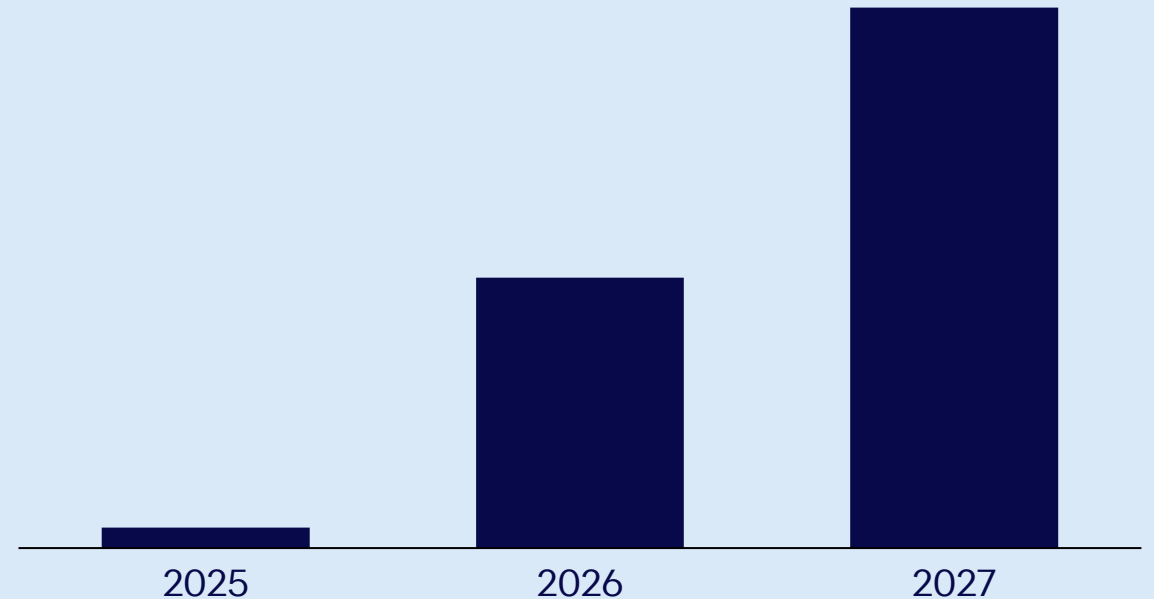
**Synergies will be realised gradually towards 2027 to ensure smooth integration and customer retention**

**Synergies are mainly realised from overlap in group functions, operational costs and geographic overlap in branches, with limited synergies from customer facing employees**

**Expected IT integration in spring of 2026 enables all synergies to be realised in 2027**

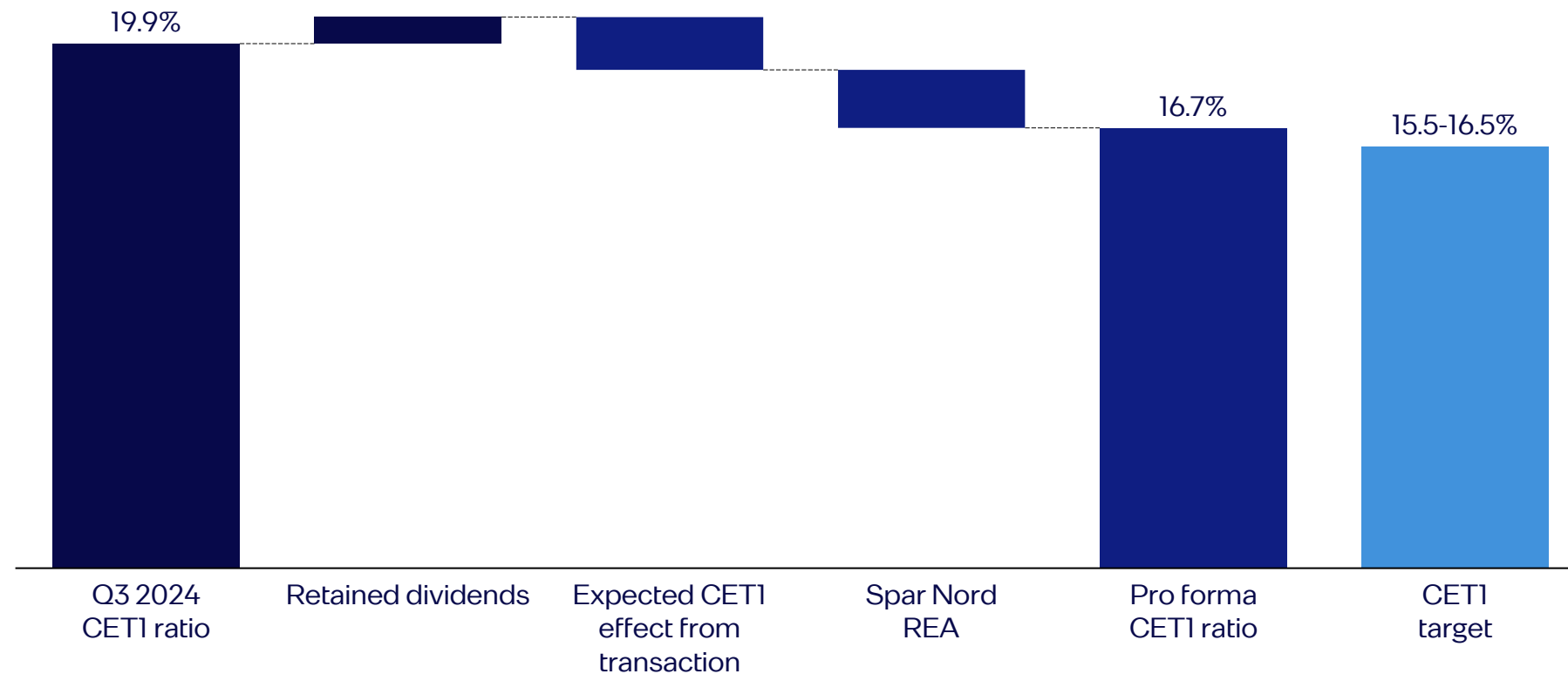
## **Synergies will be realised gradually towards 2027**

*Full-year effect of realised synergies, Illustrative*



# The transaction is expected to be executed with a reasonable buffer relative to the capital target

Estimated pro forma CET1 capital position<sup>1,2</sup>



Note: 1) Nykredit Realkredit Group, 2) CET1 under the assumption of no ordinary dividend for 2024. The Board's final decision on dividends is pending the full-year results which will be published on 5 February 2025

# Appendix 2

## Nykredit and Danish macro economy





# Group income statement

DKKm	9M 2023	9M 2024	Change	
Net interest income	9,106	8,992	-1%	Decreased despite continued volume growth due to margin compression on lending and deposits
Net fee income	1,950	2,011	3%	Increased due to higher banking activity and funding income. However, lower mortgage activity impacted NFI negatively
Wealth management income	1,785	2,004	12%	Increased due to higher AuM driven by positive value adjustments and inflow of new funds
Customer benefits and capitalisation costs	1,021	1,420	39%	Positively impacted by interest on equity which offsets interest expenses on bail-inable debt
Trading and investment portfolio	1,423	1,802	27%	Increased due to income from credit bonds, spread tightening on short-dated covered bonds
<b>Total income</b>	<b>15,286</b>	<b>16,228</b>	<b>6%</b>	
Costs	4,805	5,040	5%	Up, driven by increasing costs of payroll, digitization/IT and one-off costs in relation to relocation to new headquarters
Impairment charges	-141	-141	0%	Reversal of impairment charges in Q1-Q3 2024, as underlying credit quality remains strong
Legacy derivatives	143	102	-29%	Negative value adjustments due to lower interest rates
<b>Profit before tax</b>	<b>10,764</b>	<b>11,431</b>	<b>6%</b>	
<b>Profit after tax</b>	<b>8,328</b>	<b>8,958</b>	<b>8%</b>	Full-year guidance revised upwards to DKK 11.0-11.75bn




# Continued volume growth and increasing income diversification

- Strong business performance with volume growth driven by:
  - Mortgage lending to Corporates & Institutions and personal customers
  - Growth in bank lending driven by large corporates and retail customers
  - Continued growth in Assets under Management driven by inflow of new funds and positive value adjustments

## Core income composition



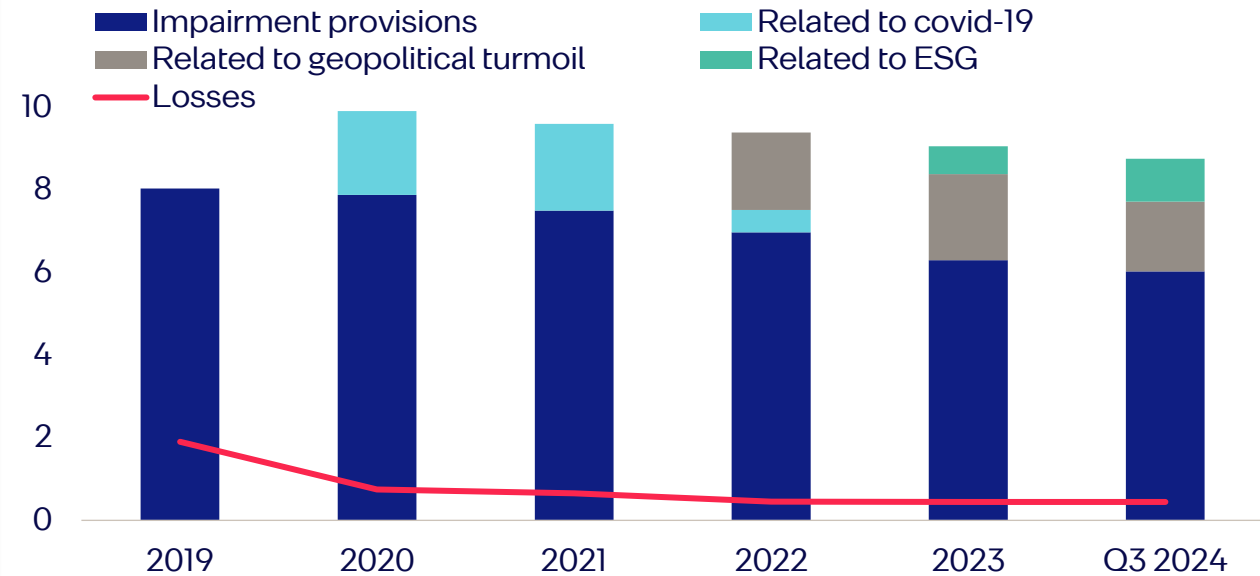
## Volume growth in all business areas

	9M 2024 vs 9M 2023	Q3 2024 vs Q2 2024
 Mortgage lending	+2.0% ↑ +29bn	+0.8% ↑ +12bn
 Bank lending	+8.3% ↑ +8bn	+2.6% ↑ +2bn
 Assets under Management	+18.8% ↑ +81bn	+3.5% ↑ +18bn

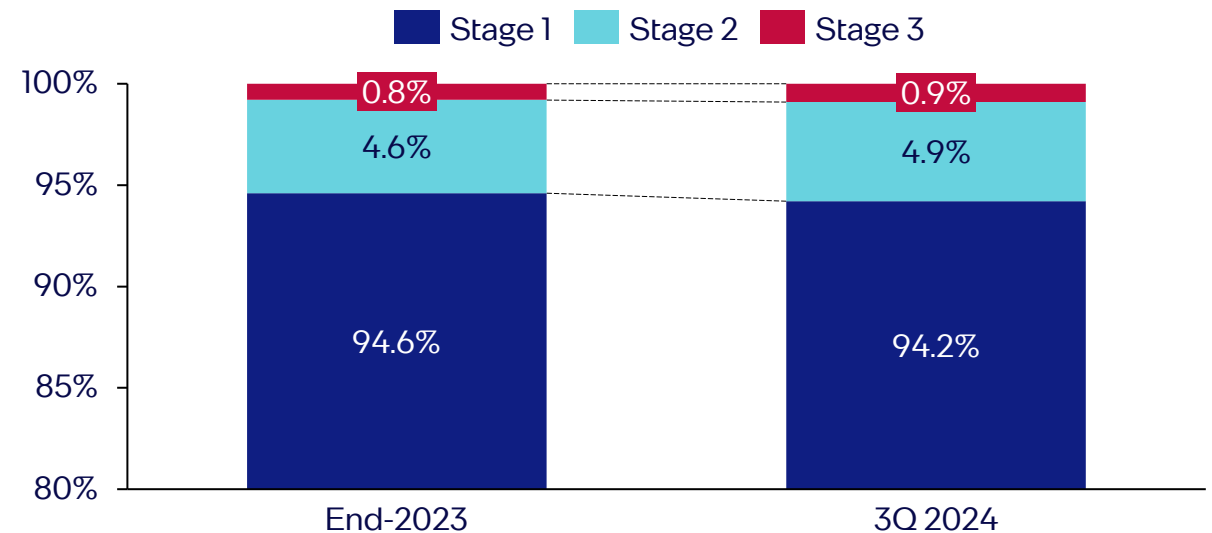
# Strong buffer for potential headwind

- Virtually no losses incurred in the past four years
- Declining level of impairment provisions due to favourable economic conditions and improved credit quality
  - Total loan impairment provisions amounted to DKK 8.8bn at Q3 2024, down from DKK 9.1bn at end-2023
- Provisions of DKK 1.7bn for potential losses from geopolitical uncertainty
  - Strong focus on particularly exposed sectors and customers to ensure that signs of weakness are addressed in the credit process
- In Q1-Q3 2024, provisions related to transitional risks from ESG were raised to DKK 1.0bn
- Stable distribution of loan portfolio across stages – of which 94% in stage 1

Nykredit Group's total loan impairment provisions, DKKbn

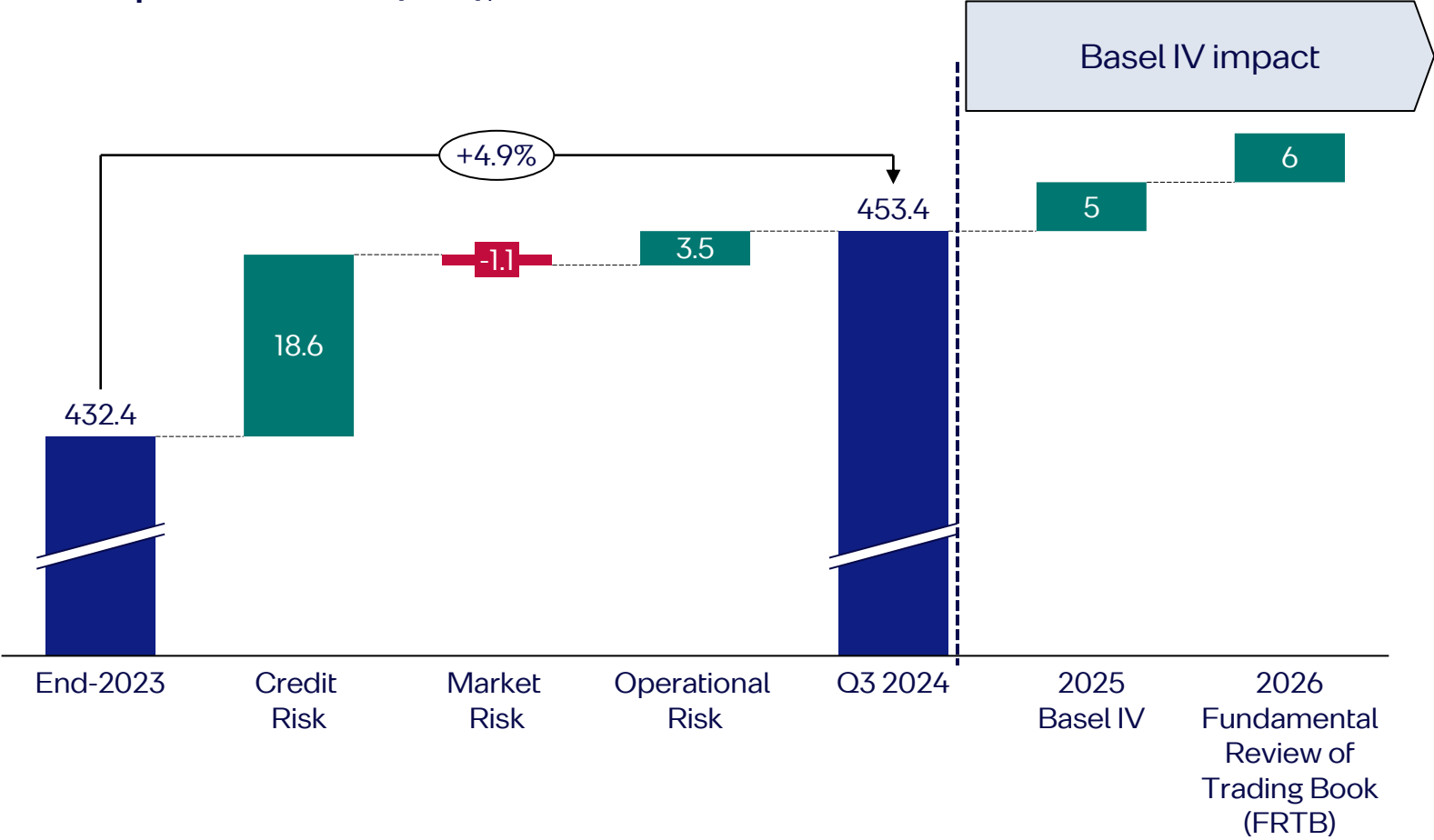


Nykredit Group's loan portfolio by stages



# Risk exposures have increased – and upward pressure remains

Risk Exposure Amount (REA), DKKbn

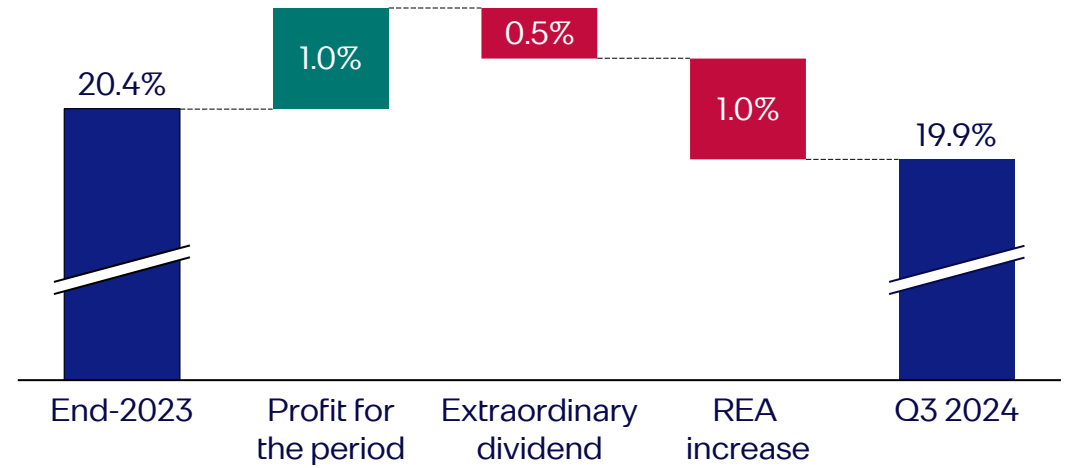


- In Q1-Q3/2024, the risk exposure amount increased by DKK 21.1bn or 4.9%
- Higher lending volumes, higher risk weighting and decreasing interest rates drive credit risk up
- Market risk declined due to reduced interest rate risk
- Going forward, Nykredit expects increasing risk exposures due to Basel IV
- Basel IV REA impact estimate:
  - DKK 5bn 2025 January 1st – day one effect
  - DKK 6bn in 2026 due to Fundamental Review of Trading Book
- Nykredit already holds capital to cover the expected long-term impact of Basel IV

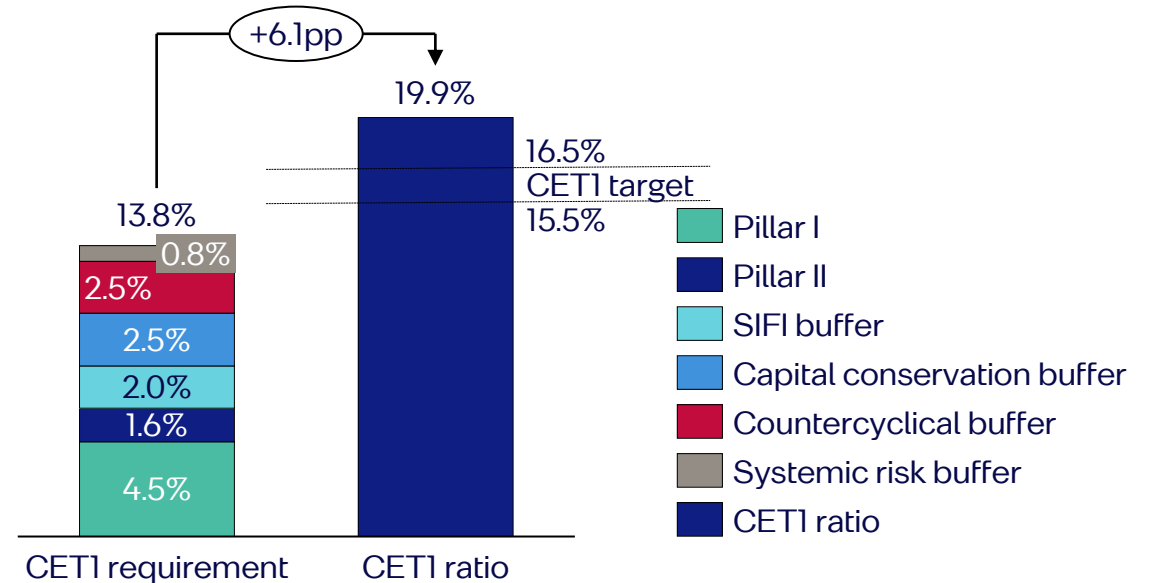
# Strong capitalisation

- As a result of Nykredit's continued strong capitalisation and stable earnings, extraordinary dividend of DKK 2.2bn was paid out in September 2024
- The CET1 capital ratio of 19.9% has declined slightly from the level at end-2023, as the increase in risk exposure amounts was partly offset by profit for the period
- The CET1 capital ratio is some 400bp above the policy target
- As of 30 June 2024, the Systemic Risk Buffer for exposures to real estate companies was activated which has increased the CET1 requirement by approx 0.8%
- Nykredit's capital policy target includes a buffer for a severe macro stress

## CET1 capital ratio



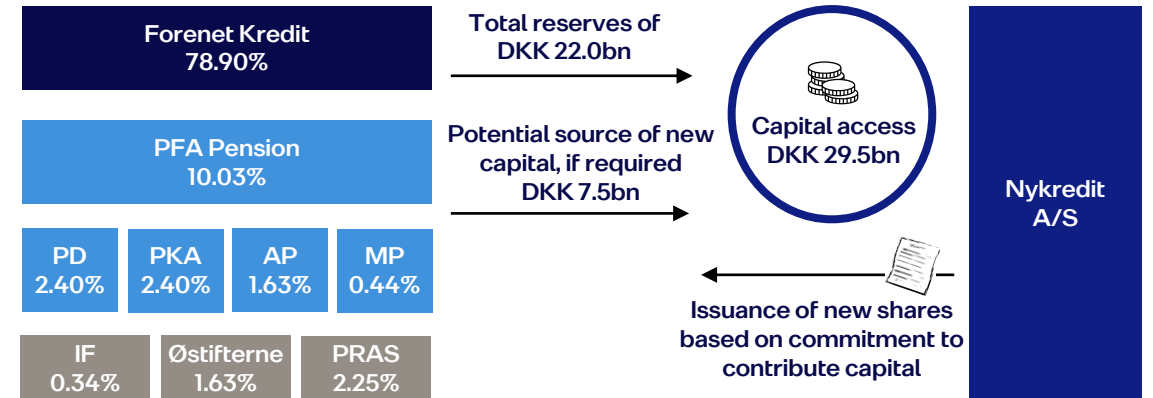
## CET1 capital requirement and ratio (3Q 2024)



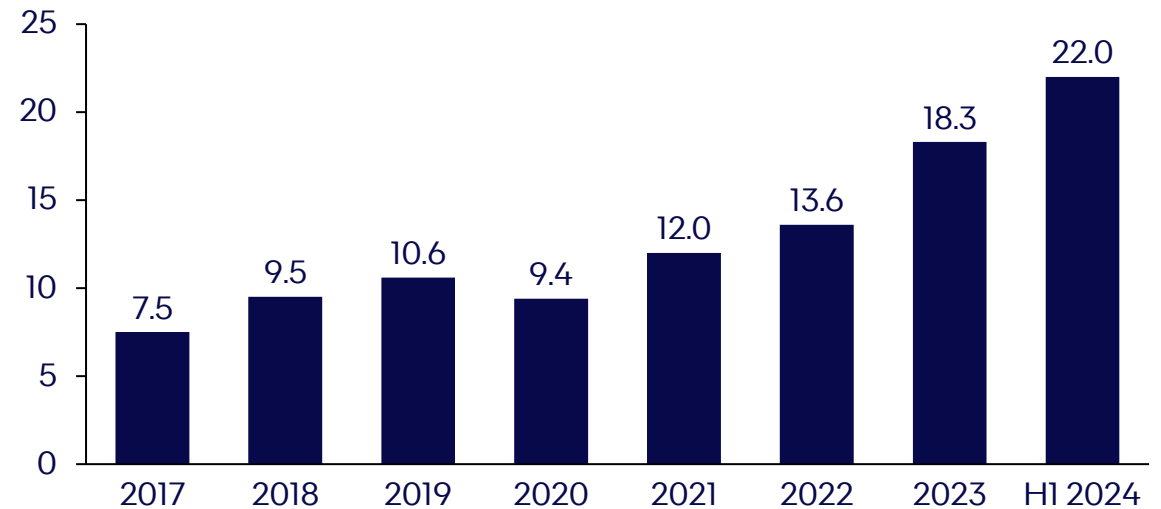
# Nykredit has access to significant capital injections

- Nykredit has access to additional capital from its owners of DKK 29.5bn ~ 6.6%-points
  - Mutual owner 'Forenet Kredit' (78.9%) has total reserves of DKK 22.0bn and is committed to support Nykredit
  - Five Danish pension funds (16.9%) have committed to contributing capital if needed, in total DKK 7.5bn

## Ownership structure and capital access (H1 2024)



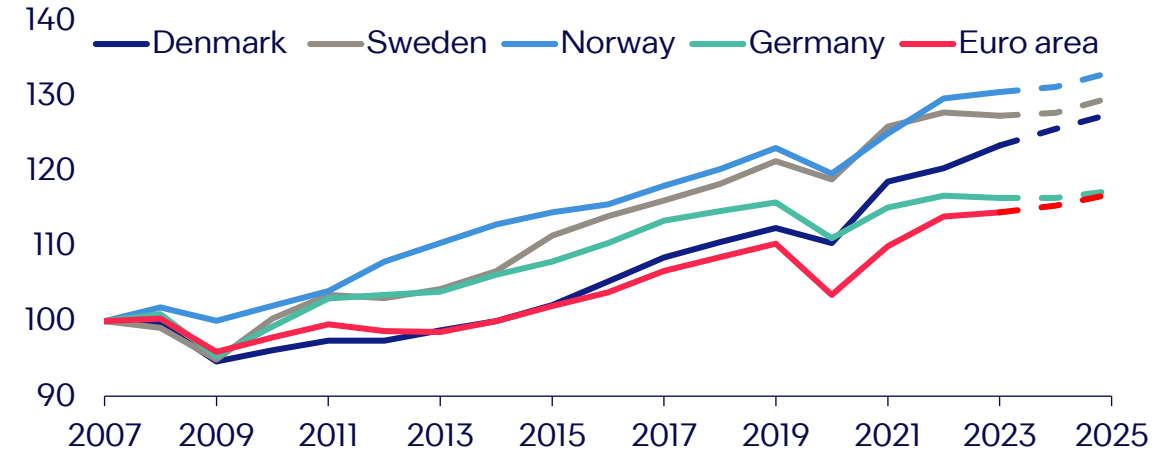
## Total reserves of Forenet Kredit (DKKbn)



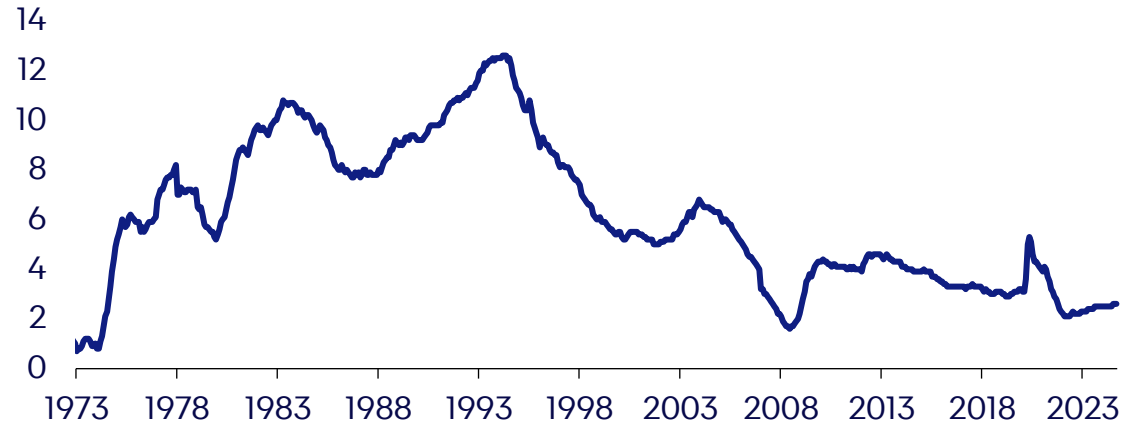
# Danish economy is resilient, supported by strong employment

- The Danish economy has showed strong growth since covid
- Inflation is under control and stands at 1.6% in October 2024
- Growth in real wages and exports supports the Danish economy
- Unemployment rate remains low at 2.9% in September 2024
- In 2024: After a decline in GDP in Q1, GDP growth is expected in Q2 and the rest of the year
  - Expected GDP growth rate: +1.8% in 2024 and +1.6% in 2025
- Public finances are robust – both from a historical and international perspective

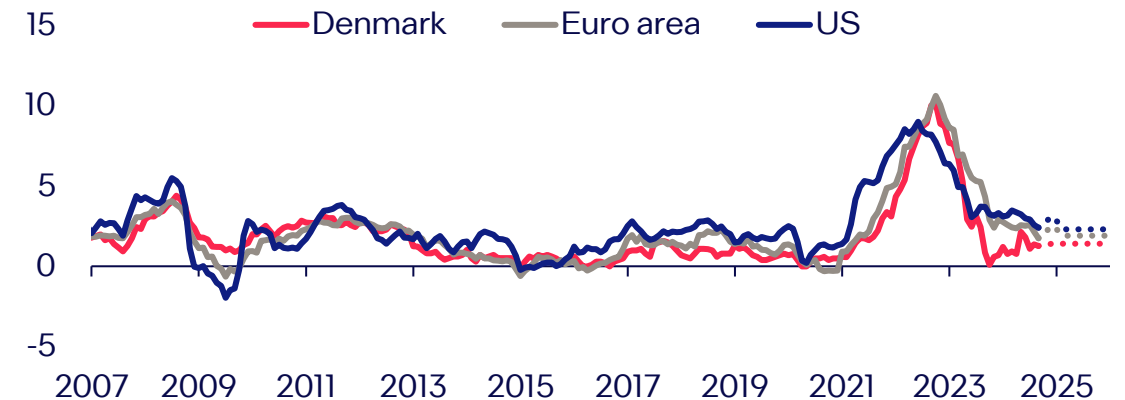
**GDP by country, 2007 = 100 (Forecast 2024)**



**Unemployment rate (FTE, seasonally adjusted)**



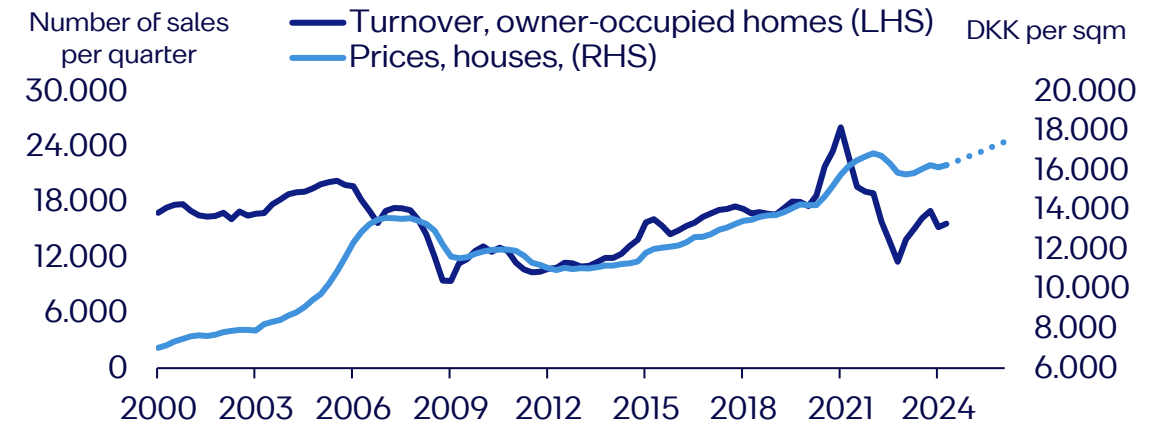
**Inflation rate (CPI), YoY %**



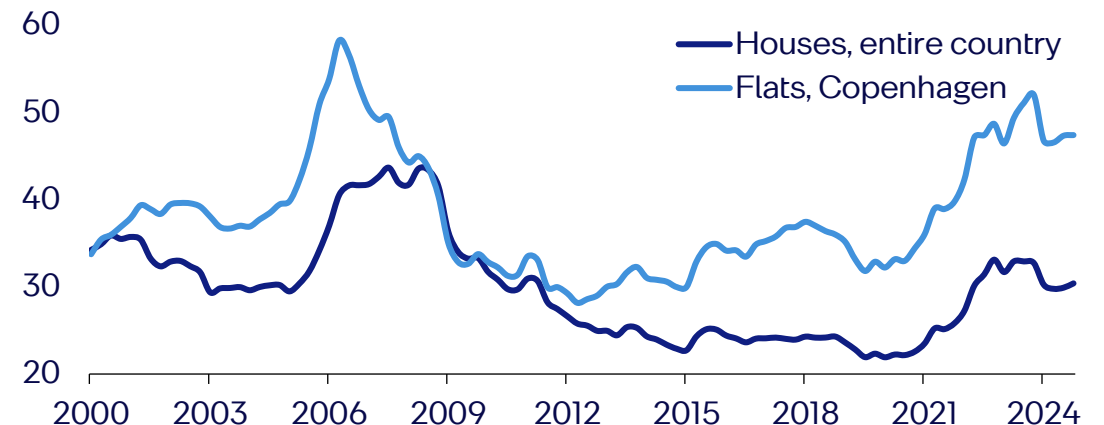
# Sound Danish housing market

- Continued price increases in the Danish housing market in Q3 2024
  - House and flat prices are up 4% and 5% respectively on national level since Q3 2023
- Sales activity has improved and is almost back at pre-covid levels
- Nykredit expects price increases for the rest of 2024 and price increases of 3-4% in 2025
- Despite higher household income, higher interest rate levels have made it considerably more expensive to buy a home
- However, as interest rates have started to decline, the outlook for lower interest rates is expected to support price growth and reduce the burden of housing costs

## Home sales per quarter and price development



## Housing burden, % of disposable income





# Personal loan portfolio is robust



Credit quality of our personal customers is generally high

LTV remains low, arrears are historically low and forced sales are few despite higher interest rates



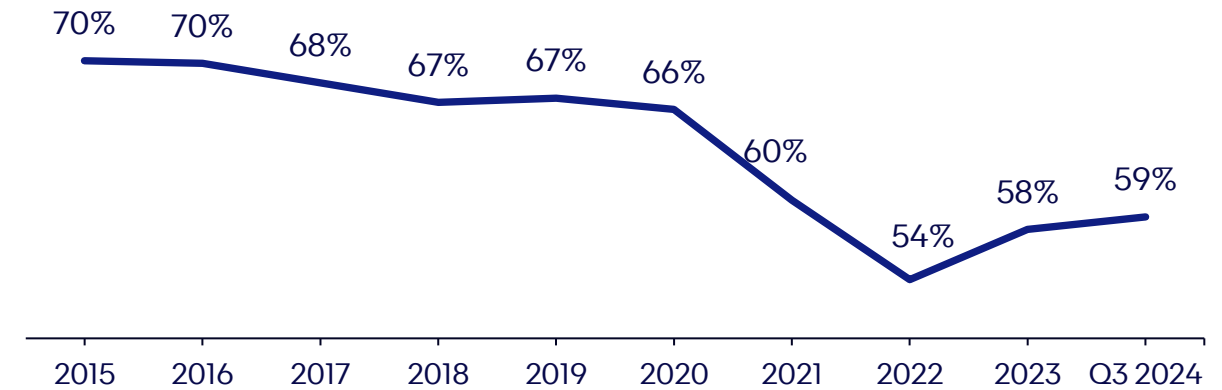
Purchasing power is being regained due to strong income growth and inflation levels below 2%

Unemployment remains very low at 2.9%

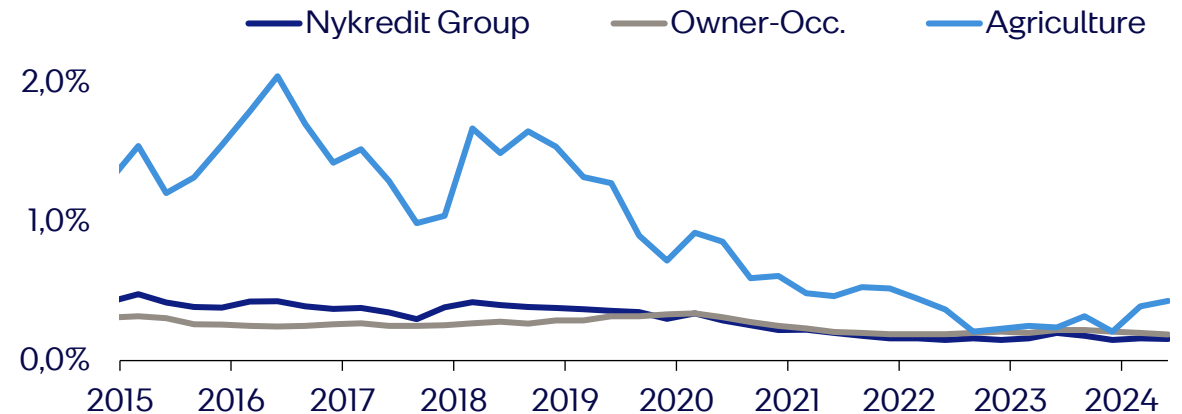


The Danish housing market has performed surprisingly well, and market activity is gradually recovering

## Average LTV for private residential properties



## 75-day mortgage arrears at latest due date



# Business loan portfolio is resilient

But some industries are particularly exposed



The resilient Danish economy and strong competitiveness benefit Danish businesses

The creditworthiness of the portfolio remains high despite higher interest rates



The portfolio is well-diversified across sectors, the largest sectors being rental properties and agriculture



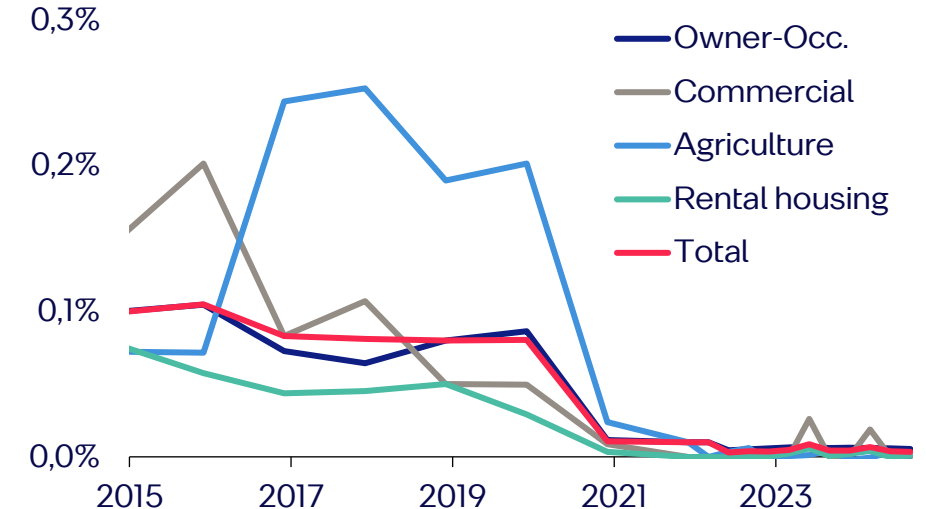
Attention to sectors affected by high-interest rate sensitivity and inflation

5% of total lending is within high-attention sectors such as construction and sub-segments within agriculture – of which 62% is secured by mortgages

## Average business sector LTVs

	2015	Q3 2024
Private rental	67%	56%
Office and retail	56%	49%
Industry and trades	49%	50%
Agriculture	58%	55%

## Incurred losses on mortgage lending as a % of debt






# Credit and ESG ratings

## Nykredit's credit ratings

	<b>S&amp;P Global</b>	<b>Fitch Ratings</b>
Covered bonds	AAA	-
Senior preferred debt	A+	AA-
Short-term debt	A-1	F1
Issuer rating	A+	A+
Outlook	Stable	Stable
Senior non-preferred	BBB+	A+
Tier 2	BBB	A-
Additional Tier 1	BB+	BBB

## Nykredit's ESG ratings

	Score	Range
 MSCI	AAA	CCC-AAA
 SUSTAINALYTICS	10.7	100 - 0
 CDP	B	D- to A+



Source: Nykredit company reports

# Nykredit benchmark transactions

Instrument	ISIN	Currency	Amount (m)	Interest type	Issue date	Maturity date	Call date
AT1	DK0030352471	EUR	500	Adjust	15-Oct-2020	Perp	15-Apr-2026
Tier 2	DK0030487996	EUR	500	Fixed	28-Apr-2021	28-Jul-2031	28-Apr-2026
Tier 2	DK0030507694	EUR	500	Adjust	29-Sep-2022	29-Dec-2032	29-Sep-2027
SNP	DK0009522062	EUR	500	Fixed	28-Jun-2019	17-Jan-2025	-
SNP	NO0010887391	NOK	1.175	Floating	07-Jul-2020	07-Jul-2025	-
SNP	NO0010887409	NOK	1.000	Floating	10-Jul-2020	07-Oct-2025	-
SNP	NO0012428459	NOK	1.500	Fixed	03-Feb-2022	03-Nov-2026	-
SNP	DK0009526998	EUR	750	Fixed	20-Jan-2020	20-Jan-2027	-
SNP	DK0030393665	EUR	500	Fixed	27-Feb-2024	05-Jul-2027	-
SNP	DK0030513155	SEK	1.500	Floating	06-Dec-2023	06-Dec-2027	-
SNP	DK0030484548	EUR	750	Fixed	24-Feb-2021	17-Jan-2028	-
SNP	DK0030045703	EUR	750	Fixed	20-Feb-2023	17-Jul-2028	-
SNP	DK0030512421	EUR	750	Fixed	21-Nov-2023	19-Jan-2029	-
SNP	DK0030394986	EUR	500	Fixed	27-Mar-2024	09-Jul-2029	-
SNP	DK0030523386	EUR	500	Fixed	21-Nov-2024	10-Jan-2030	-
SNP	DK0030467295	EUR	500	Fixed	30-Sep-2024	10-Jul-2031	-
SP	DK0009529901	EUR	750	Fixed	11-Jun-2020	10-Jul-2025	-
SP	DK0030506886	EUR	500	Fixed	29-Mar-2022	12-Jul-2027	-

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