

Investor Presentation

BANKNORDIK

H1 2017 results in line with expectations

3 August 2017

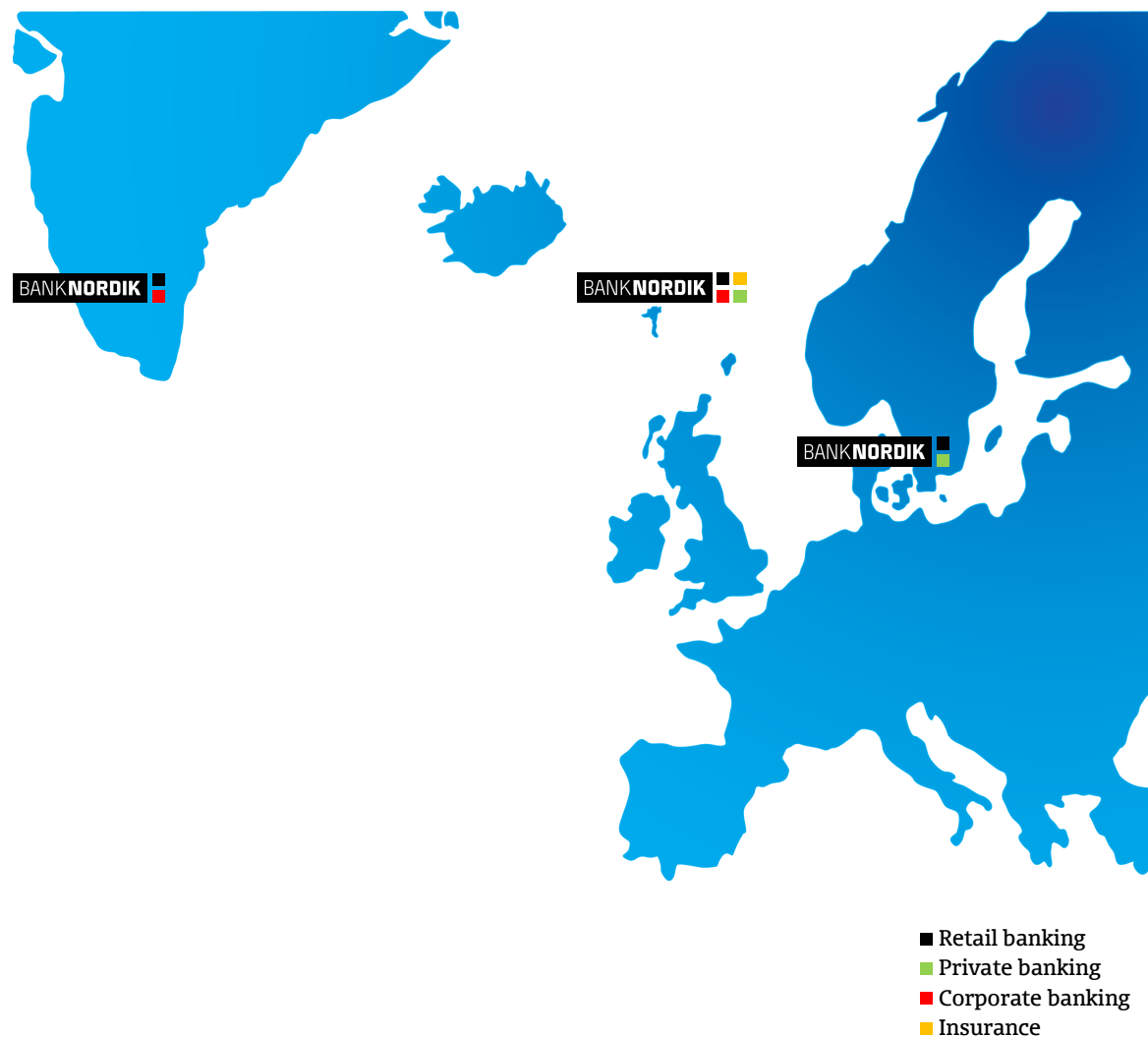
Árni Ellefsen, CEO

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Overview

- **Highlights**
- **Update on strategic initiatives**
- **Financials**
 - Banking
 - Insurance
 - Expenditures
 - Impairment charges
 - Capital ratios
- **Long-term financial objectives**
- **Outlook 2017**
- **Appendices**



Highlights

– Satisfactory first half of 2017

H1 2017 financial highlights

- Operating income down 1% YoY to DKK 326m in H1 2017 (H1 2016: DKK 331m)
- Operating costs up 2% to DKK 236m (DKK 232m)
- Net loan impairment charges were a reversal of DKK 5m (net reversal of DKK 4m)
- Operating profit amounted to DKK 94m (DKK 101m)
- Profit before tax increased to DKK 112m (DKK 86m)
- Lending volumes increased by DKK 287m to DKK 9,428m compared to year-end 2016 (DKK 9,141m)
- Deposits increased by DKK 804m to DKK 13,472m compared to year-end 2016 (DKK 12,669m)
- CET1 capital ratio of 15.7% and solvency ratio of 17.9% at 30 June 2017

H1 2017 financial results

– Figures in DKKm

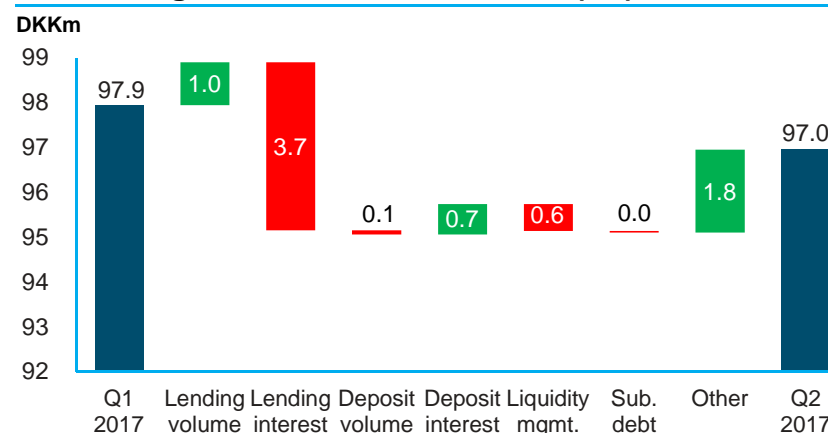
		H1 2017	H1 2016	Index	Q2 2017	Q1 2017	Index
Profit & Loss	Net interest income	195	210	93	97	98	99
	Net fee and commission income	110	95	116	58	52	111
	Net insurance income	18	21	87	9	9	103
	Other operating income	3	5	65	2	1	148
	Operating income	326	331	99	166	160	103
	Operating costs	-236	-232	102	-120	-116	103
	Sector costs	-1	-2	53	-1	-1	100
	Profit before impairment charges	89	97	92	46	43	106
	Impairment charges, net	5	4	125	5	0	
	Operating profit	94	101	94	51	43	118
	Non-recurring items	0	-12		0	0	
	Market value adjustments	18	7	276	4	14	30
	Profit before tax, continued	112	95	119	55	57	96
	Profit before tax, discontinued (Vörður)	0	-9		0	0	
	Profit before tax, total	112	86	131	55	57	95
Key Metrics		H1 2017	H1 2016	Index	Q2 2017	Q1 2017	Index
	Loans and advances	9,428	9,395	100	9,428	9,159	103
	Deposits and other debt	13,472	12,949	104	13,472	12,679	106
	Operating cost / income, %	72	70		72	73	
	Solvency ratio, %	17.9	17.1	105	17.9	18.4	97
	CET1 capital ratio, %	15.7	15.1	112	15.7	16.1	98

Modest increase in lending volumes in Q2 2017

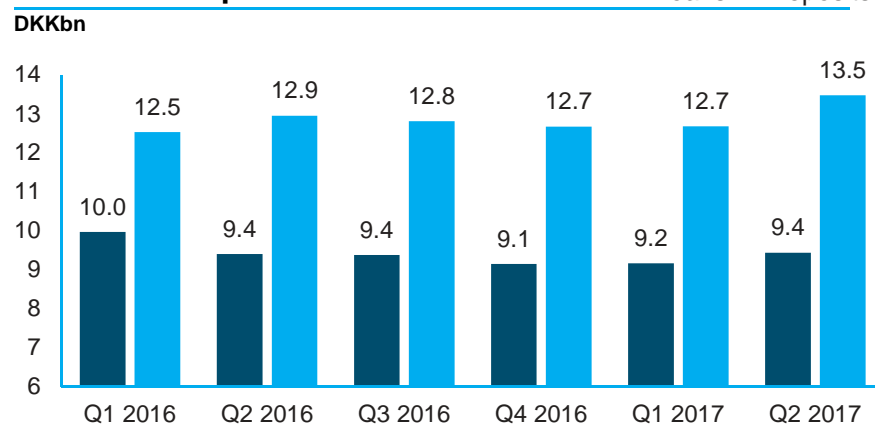
Comments

- Lending volumes up DKK 33m YoY despite having wound-up Danish corporate loans in the amount of DKK 269m during the period.
- Lending volumes up DKK 269m QoQ.
- NII down DKK 1m QoQ due to margin pressure
- NII down DKK 15m YoY mainly owing to the winding of corporate activities and pressure on margins

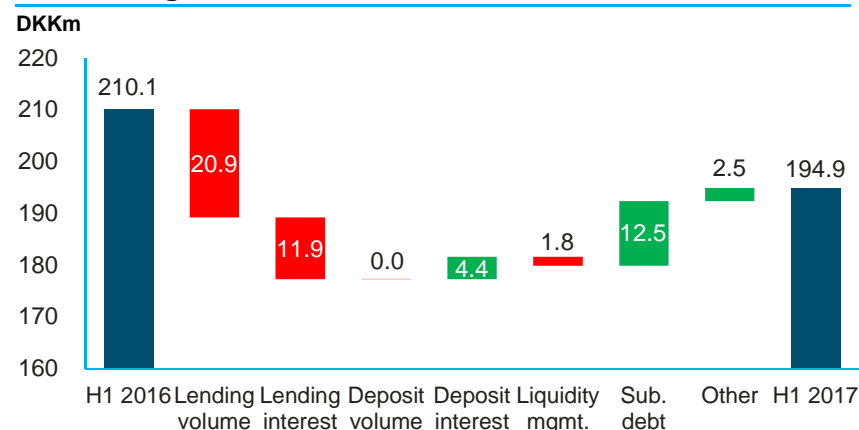
QoQ changes in net interest income (NII)



Loans and deposits



YoY changes in NII

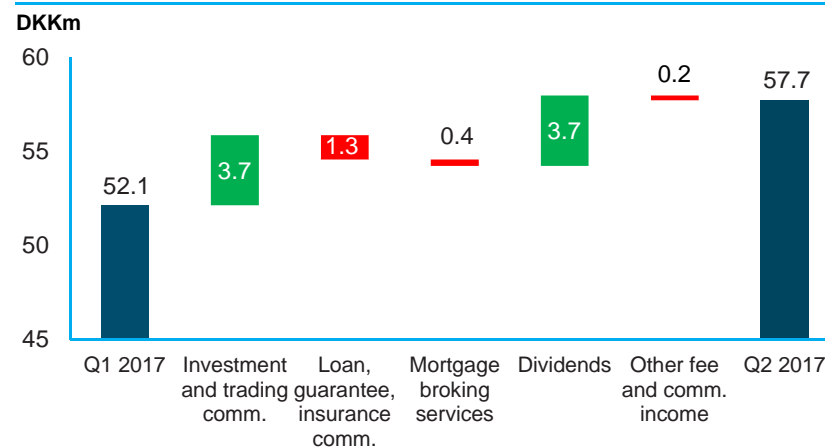


Increase in trading commission in H1 2017

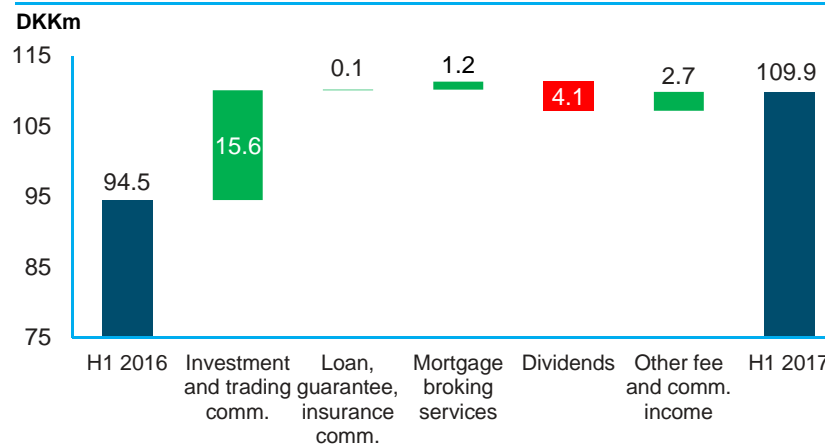
Comments

- Net fee and commission income up by DKK 6m QoQ:
 - higher trading activity
 - Seasonal variations in dividend income
- Net fee and commission income up by DKK 15m YoY:
 - In large part due to higher trading activity, which is expected to normalise at a lower level in upcoming quarters

QoQ changes in fee and commission income



YoY changes in fee and commission income

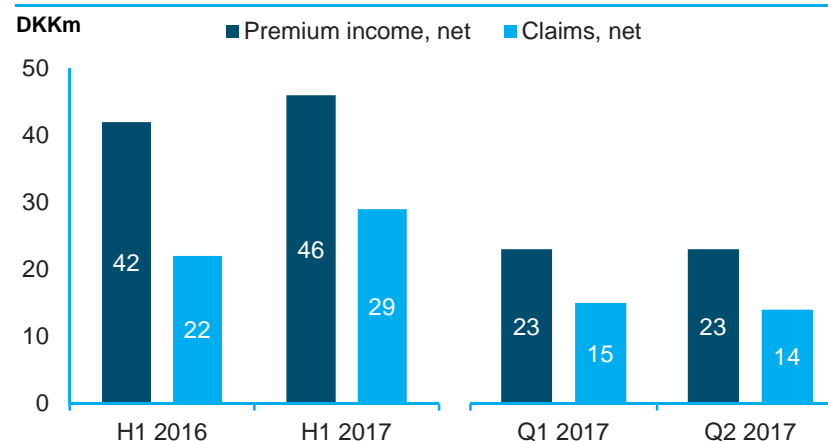


Trygd: Steady YoY growth in premium income

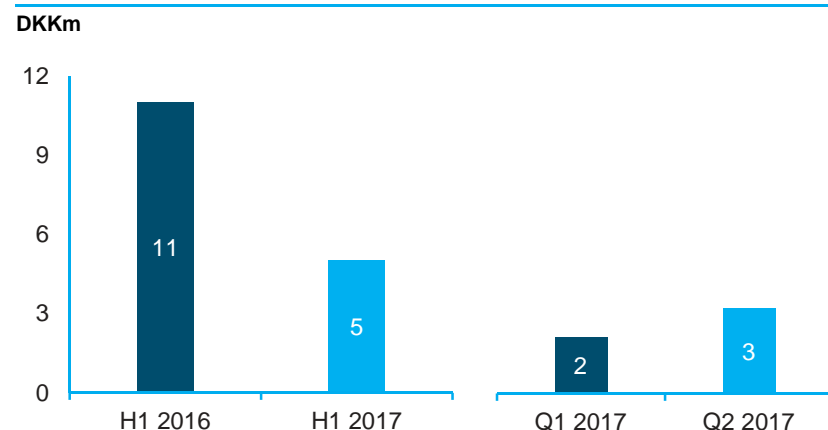
Comments

- Combined ratio was 89% in H1 2017 compared to 76% in H1 2016
- Net premium income up by DKK 4m in H1 2017 compared to H1 2016 and was flat from Q1 2017 to Q2 2017
- Net claims up DKK 7m from H1 2016 to H1 2017 and down DKK 1m from Q1 2017 to Q2 2017
- Profit before tax of DKK 5m in H1 2017 relative to DKK 11m in H1 2016 and DKK 3m in Q2 2017 relative to DKK 2m in Q1 2017
- Trygd expects to continue attracting new customers and growing premium income throughout 2017

Premium and claims



Profit before tax

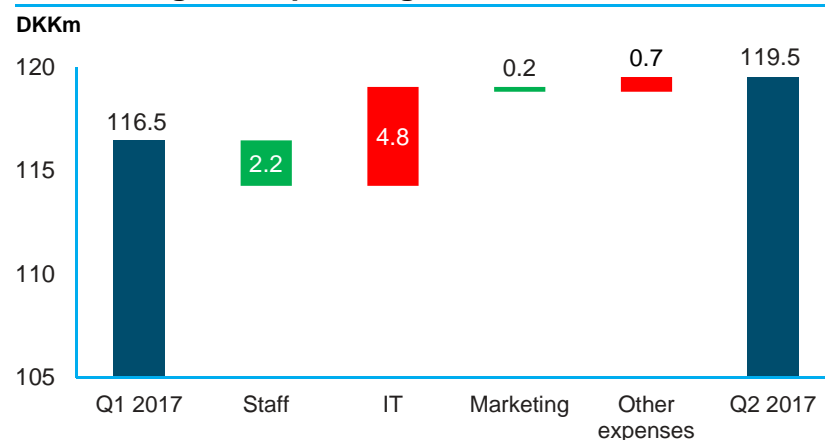


Operating costs up in H1 2017

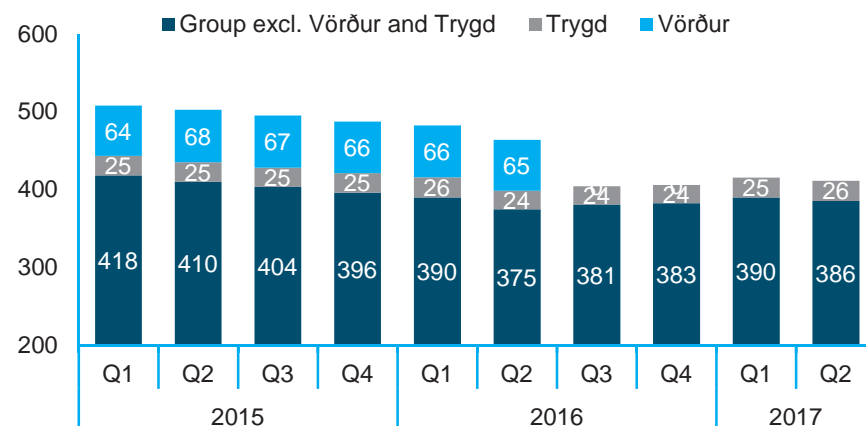
Comments

- Operating costs were up by DKK 4m from Q1 2017 to Q2 2017 and from H1 2017 to H1 2017
- Various IT-projects have added to costs in H1, most notably the MobilePay partnership agreement

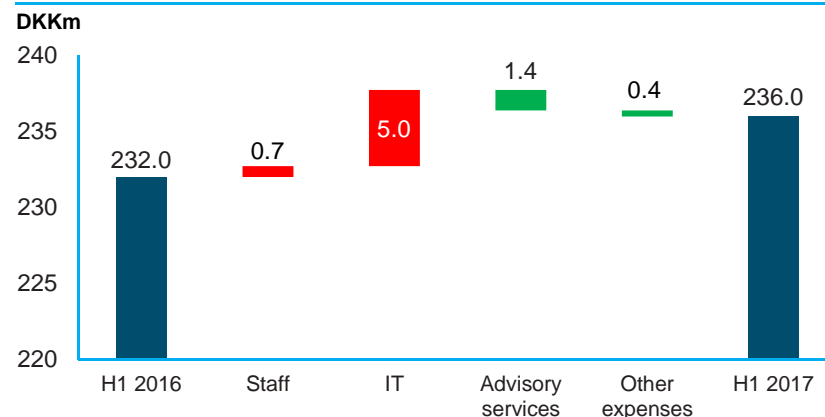
QoQ changes in operating costs



Average number of employees (FTE)



YoY changes in operating costs



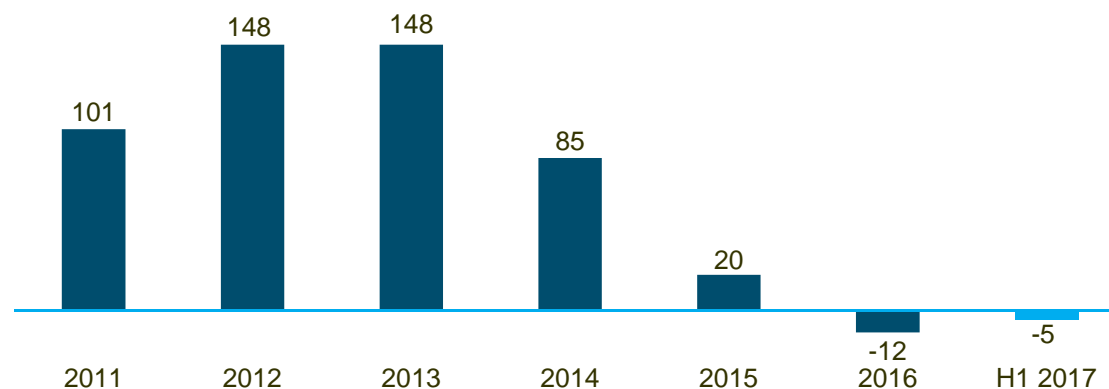
Reversal of impairment charges

Conservative portfolio structure

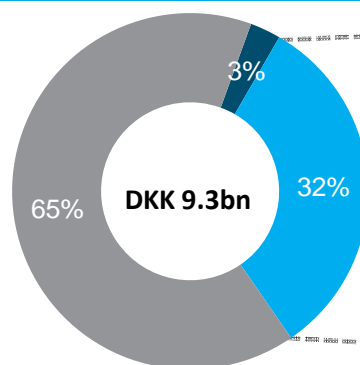
- Net impairment charges were a reversal of DKK 5m in H1 2017
- The private sector accounts for 65% of the loan portfolio, excluding the Danish corporate portfolio
- No individual sector accounts for more than 6% of the loan portfolio, excluding the Danish corporate portfolio
- BankNordik provides 1st lien mortgage loans to the private sector in the Faroe Islands, obtaining a high degree of security

Net impairment charges

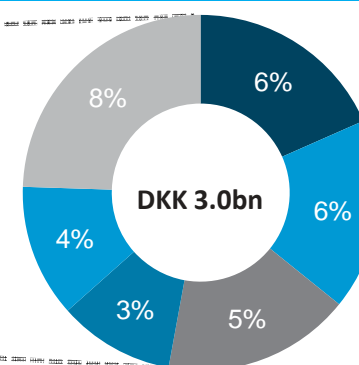
DKKm



Loans by sector - excl. Danish corporate sector



Public sector
Corporate sector
Private sector



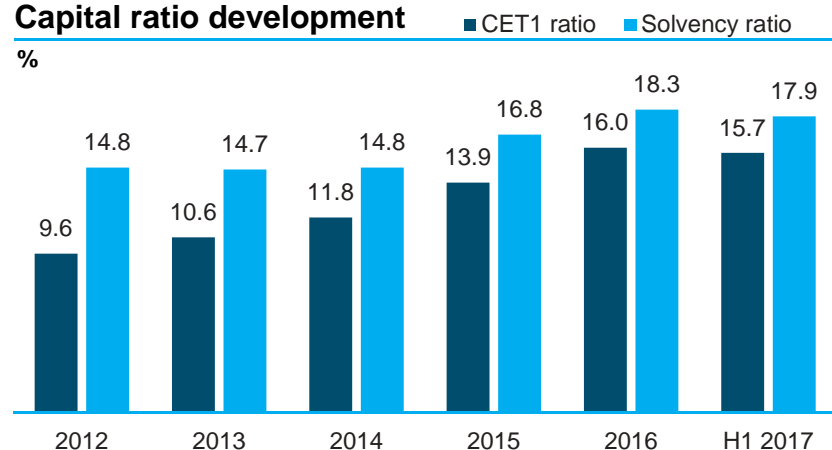
HoReCa
Trade
Real estate
Agri. & fishing
Manufacturing & mining
Other

Increase in RWA in H1 2017

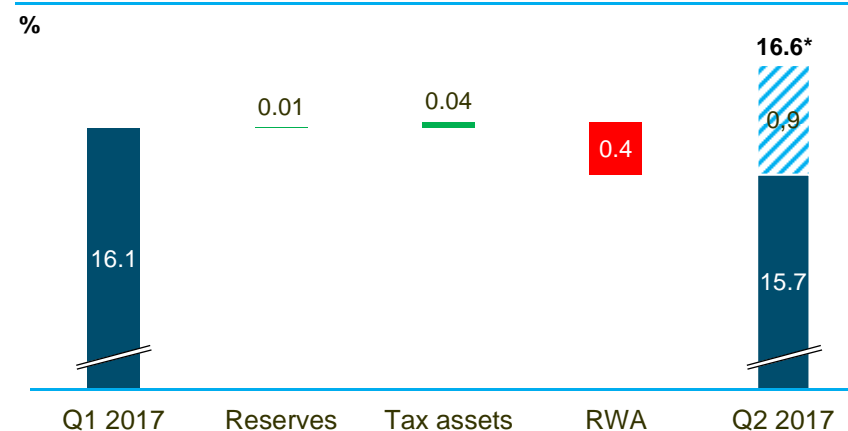
Comments

- CET1 and solvency ratios down 0.4 and 0.5 percentage points QoQ, respectively
- If net income from H1 2017 was recognised in the solvency statement, the solvency ratio would be 18.8% and the CET1 ratio would be 16.6 as of 30 June 2017*
- Systemic risk buffer of 1% of all Faroese exposures will take effect from January 2018

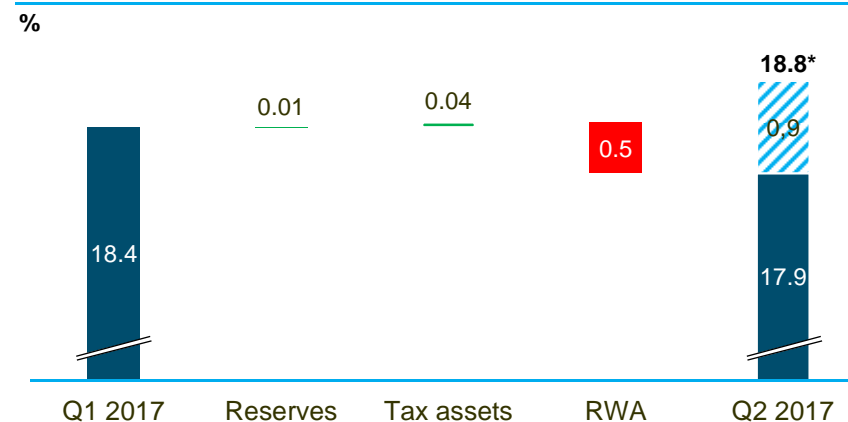
Capital ratio development



QoQ changes in CET1 ratio



QoQ changes in solvency



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*Capital ratios including H1 2017 net profit and excluding expected dividends

Interim Report H1 2017

Long-term financial objectives

2020 financial objectives

Comments	Progress			
	Key metrics	2016	H1 2017	2020 target
<ul style="list-style-type: none"> The Group targets 10% ROE and 62% cost/income by 2020 The Group is likely to re-evaluate its capital ratio targets once the requirements relating to MREL become known In H1 2017, ROE was affected by: <ul style="list-style-type: none"> low impairment charges positive market value adjustments 	Return on equity	12.0% (8.1%)*	9.7%**	10%
	Cost/income ratio	72%	72%	62%
	CET1 capital ratio	16.0%	15.7%	13%
	Total capital ratio	18.3%	17.9%	16.5%

*8.1% ROE excludes capital gains from Vörður

**Annualised figure

Outlook for 2017

FY2017 guidance reconfirmed

- Management reconfirms guidance of profit before impairment charges, value adjustments and tax in the range of DKK 150-190m in 2017 (H1 2017: DKK 89m)
- Net impairment charges on loans for 2017 are expected to be less than DKK 20m (H1 2017: Reversal of DKK 5m)



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Questions?

Árni Ellefsen, CEO

Appendices

- **Group**
- **Banking**
- **Personal Banking**
- **Corporate Banking**
- **Banking, Faroe Islands**
- **Banking, Denmark**
- **Banking, Greenland**
- **Insurance, Trygd**
- **Credit quality of loan portfolio**

Group

Income statement, Group

DKKm	H1 2017	H1 2016	Index 17/16	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016
Net interest income	195	210	93	97	98	100	103	98
Net fees, commission income & dividends	110	95	116	58	52	51	46	50
Net insurance income	18	21	87	9	9	-7	12	12
Other operating income (less reclassification)	3	5	65	2	1	2	2	3
Operating income	326	331	99	166	160	146	163	163
Operating costs*	-236	-232	102	-120	-116	-114	-113	-115
Sector costs	-1	-2	53	-1	-1	1	-1	-1
Profit before impairment charges	89	97	92	46	43	33	49	47
Impairment charges	-3	-12	28	2	-5	-10	4	-10
Reversals of acquired OEI impairments (Reclassified from Other operating income)	8	17	50	3	5	15	-1	14
Impairment charges, net	5	4	125	5	0	4	4	3
Operating profit	94	101	94	51	43	38	53	50
Impairment charges, intangible assets	0	0		0	0	0	0	0
Non-recurring items (Reclassified from Staff costs and administrative expences)	0	-12		0	0	0	0	0
Profit before value adjustments and tax	94	88	107	51	43	38	53	50
Market value adjustments**	18	7		4	14	-10	12	9
Profit before tax, continuing operations	112	95	119	55	57	28	64	60
Profit before tax, discontinued operations (Vörður)	0	-9		0	0	0	99	1
Profit before tax, total	112	86	131	55	57	28	164	61
Operating cost/income, %	72	70		72	73	78	69	70
Number of FTE, end of period	407	464	88	407	416	415	416	464

* Comprises Staff costs and administrative expences and Amortisation, depreciation and impairment charges (less reclassification to non-recurring items)

** Incl. Net income from investments accounted for under the equity method

Banking

Income statement, Banking

DKK ^m	H1 2017	H1 2016	Index 17/16	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016
Net interest income	194	210	93	96	97	99	103	97
Net fees, commission income & dividends	114	98	116	60	54	55	48	52
Other operating income	2	2	68	1	1	1	1	2
Operating income	310	310	100	157	152	155	151	151
Operating cost	-224	-223	100	-112	-112	-108	-108	-110
Sector costs	-1	-2	53	-1	-1	1	-1	-1
Profit before impairment charges	84	85	100	45	40	49	42	40
Impairment charges	-3	-10	36	2	-5	-10	2	-7
Reversals of acquired OEI impairments	8	14	62	3	5	15	2	10
Impairment charges, net	5	4	125	5	0	4	4	3
Operating profit	89	88	101	50	40	53	46	43
Impairment charges, intangible assets	0	0		0	0	0	0	0
Non-recurring items	0	-12		0	0	0	0	0
Profit before value adjustments and tax	89	76	117	50	40	53	46	43
Market value adjustments	20	10		5	14	-9	12	12
Profit before tax	109	86	127	55	54	44	58	55
Loans and advances	9.428	9.395	100	9.428	9.159	9.141	9.372	9.395
Deposits and other debt	13.498	13.006	104	13.498	12.696	12.691	12.829	13.006
Operating cost/income, %	72	72		71	74	69	71	73
Number of FTE, end of period	376	370	102	376	384	385	386	370

Personal Banking

Income statement, Personal banking

DKKm	H1 2017	H1 2016	Index 17/16	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016
Net interest income	130	138	94	65	64	67	70	68
Net fees, commission income & dividends	84	76	112	41	43	51	44	38
Other operating income	1	1	81	0	0	1	1	0
Operating income	214	215	100	107	108	119	115	107
Operating cost	-89	-83	108	-45	-45	-45	-42	-45
Sector costs	-1	-2	54	0	0	1	-1	-1
Profit before impairment charges	124	130	96	62	63	75	72	61
Impairment charges, net	4	12		1	3	-2	8	12
Operating profit	128	142	90	63	66	73	80	73
Non-recurring items	0	-2		0	0	0	0	0
Profit before value adjustments and tax	128	141	91	63	66	73	80	73
Market value adjustments	0	0		0	0	0	0	0
Profit before tax	128	141	91	63	66	73	80	73
Loans and advances	6.123	5.716	107	6.123	6.017	5.960	5.852	5.716
Deposits and other debt	10.282	9.742	106	10.282	9.530	9.538	9.722	9.742
Operating cost/income, %	42	39		42	41	38	34	44
Number of FTE, end of period	214	203	105	214	211	215	207	203

Corporate Banking

Income statement, Corporate Banking

DKK ^m	H1 2017	H1 2016	Index 17/16	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016
Net interest income	62	81	76	30	31	32	34	36
Net fees, commission income & dividends	8	8	102	4	4	5	4	4
Other operating income	0	0		0	0	0	0	0
Operating income	70	89	78	34	36	38	38	40
Operating cost	-7	-10	63	-3	-3	-4	-3	-4
Sector costs	0	-1	50	0	0	0	0	0
Profit before impairment charges	63	78	81	31	32	34	35	36
Impairment charges, net	1	-10		4	-3	6	-2	-11
Operating profit	64	68	95	35	29	40	32	24
Non-recurring items	0	0		0	0	0	0	0
Profit before value adjustments and tax	64	68	95	35	29	40	32	24
Market value adjustments	0	0		0	0	0	0	0
Profit before tax	64	68	95	35	29	40	32	24
Loans and advances	3.305	3.678	90	3.305	3.142	3.181	3.520	3.678
Deposits and other debt	3.216	3.264	99	3.216	3.166	3.153	3.107	3.264
Operating cost/income, %	9	12		9	9	10	8	10
Number of FTE, end of period	17	22	78	17	17	17	18	22

Banking, Faroe Islands

Income statement, Faroe Islands

DKKm	H1 2017	H1 2016	Index 17/16	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016
Net interest income	107	102	105	53	53	51	53	47
Net fees, commission income & dividends	27	29	92	13	14	16	13	17
Other operating income	1	1	43	0	0	0	0	1
Total Operating income	134	132	101	67	67	67	67	64
Operating cost	-86	-87	100	-43	-43	-42	-42	-43
Sector costs	0	-1	53	0	0	0	0	0
Profit before impairment charges	47	45	106	23	24	26	24	21
Impairment charges, net	-15	-1		-4	-11	-14	1	-7
Operating profit	33	44	75	20	13	12	26	14
Non-recurring items	0	0		0	0	-84	84	0
Profit before value adjustments and tax	33	44	75	20	13	-73	110	14
Market value adjustments	20	10	205	5	14	-9	12	12
Profit before tax	52	53	99	25	27	-82	121	26
Loans and advances	6.056	5.843	104	6.056	5.811	5.645	5.828	5.843
Deposits and other debt	6.483	6.179	105	6.483	6.271	6.156	6.178	6.179
Operating cost/income, %	64	66		64	64	63	63	67
Number of FTE, end of period	179	171	105	179	181	182	178	171

Banking, Denmark

Income statement, Denmark

DKKm	H1 2017	H1 2016	Index 17/16	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016
Net interest income	66	90	74	32	34	38	40	41
Net fees, commission income & dividends	83	65	128	45	38	36	33	33
Other operating income	1	1	63	0	0	0	0	1
Total Operating income	149	155	96	78	72	74	73	75
Operating cost	-124	-124	100	-63	-61	-60	-60	-60
Sector costs	-1	-1	53	0	0	1	-1	-1
Profit before impairment charges	24	30	80	14	10	15	13	14
Impairment charges, net	19	5	360	10	10	19	3	10
Operating profit	43	35	123	24	20	34	16	24
Impairment charges, intangible assets	0	0		0	0	0	0	0
Non-recurring items	0	-12		0	0	0	0	0
Profit before value adjustments and tax	43	23	188	24	20	34	16	24
Market value adjustments	0	0		0	0	0	0	0
Profit before tax	43	23	188	24	20	34	16	24
Loans and advances	2.686	2.886	93	2.686	2.659	2.652	2.734	2.886
Deposits and other debt	6.171	6.195	100	6.171	5.598	5.693	5.946	6.195
Operating cost/income, %	83	80		81	86	81	82	80
Number of FTE, end of period	181	182	99	181	187	186	191	182

Banking, Greenland

Income statement, Greenland

DKK m	H1 2017	H1 2016	Index 17/16	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016
Net interest income	21	18	117	11	10	11	10	9
Net fees, commission income & dividends	5	4	110	2	3	3	2	2
Other operating income	0	0	236	0	0	1	0	0
Total Operating income	26	23	117	13	13	15	12	12
Operating cost	-14	-13	106	-6	-7	-6	-6	-7
Sector costs	0	0	53	0	0	0	0	0
Profit before impairment charges	13	10	132	7	6	8	5	5
Impairment charges, net	0	0		-1	1	-1	-1	0
Operating profit	13	10	136	6	7	8	4	4
Impairment charges, intangible assets	0	0		0	0	0	0	0
Non-recurring items	0	0		0	0	0	0	0
Profit before value adjustments and tax	13	10	136	6	7	8	4	4
Market value adjustments	0	0		0	0	0	0	0
Profit before tax	13	10	136	6	7	8	4	4
Loans and advances	685	666	103	685	690	844	810	666
Deposits and other debt	844	632	133	844	827	842	705	632
Operating cost/income, %	51	56		48	54	44	53	59
Number of FTE, end of period	17	16	104	17	16	17	17	16

Insurance, Trygd

Income statement, Trygd

DKK m	H1 2017	H1 2016	Index 17/16	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016
Premium income, net of reinsurance	46	42	109	23	23	21	22	21
Claims, net of reinsurance	-29	-22	136	-14	-15	-30	-12	-10
Net insurance income	17	21	81	9	7	-8	9	12
Net income from investment activities	0	1		0	0	0	0	1
Operating income	17	21	78	9	8	-8	9	12
Operating cost	-12	-10	113	-6	-5	-6	-6	-5
Profit before tax	5	11	45	3	2	-15	4	7
Combined ratio	89	76		88	90	168	77	64
Claims ratio	64	51		60	68	139	57	46
Number of FTE, end of period	26	23	114	26	26	24	24	23

Credit quality of the loan portfolio

Credit classification according to the Danish FSA's method

	Q1 2017			Q2 2017			Change
	<7.5 DKKm	>7.5 DKKm	Total	<7.5 DKKm	>7.5 DKKm	Total	
Portfolio without weakness	3.377	2.549	5.927	3.407	2.687	6.093	167
Portfolio with some weakness	5.197	1.190	6.387	5.459	1.368	6.828	440
Portfolio with weakness	342	100	442	316	101	417	-26
- here of unsecured	138	9	148	127	23	150	2
Portfolio with OIE	848	681	1.528	799	646	1.445	-84
- here of unsecured	512	393	905	476	371	847	-58
- impairments	351	217	567	349	224	573	6
Portfolio without individ. classification	115	0	115	94	0	94	-21
Total	10.343	4.520	14.400	10.074	4.802	14.876	476