

Investor Presentation

BANKNORDIK

Lending to personal customers picked up in Q3 2017

26 October 2017

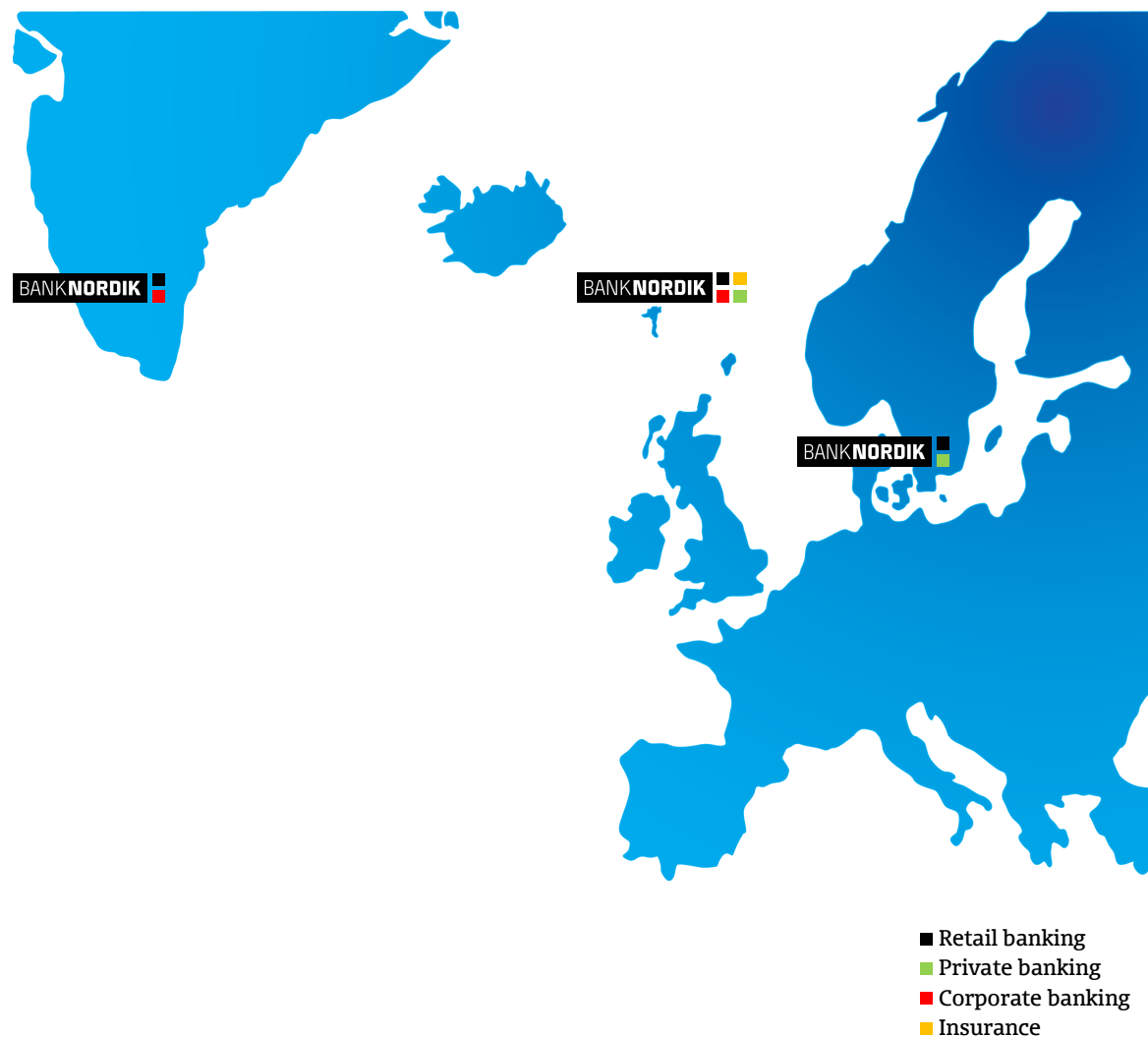
Árni Ellefsen, CEO

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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

– YTD results in line with guidance

9M 2017 financial highlights

- Operating income down 3% YoY to DKK 479m in 9M 2017 (9M 2016: DKK 494m)
- Operating costs up 1% to DKK 350m (DKK 345m)
- Net loan impairment charges were a reversal of DKK 9m (net reversal of DKK 8m)
- Operating profit amounted to DKK 136m (DKK 153m)
- Non-recurring costs amounted to DKK 17m due to an impairment loss on the Group's head office
- Profit before tax fell to DKK 143m (DKK 159m)
- Lending volumes increased by DKK 409m to DKK 9,549m compared to year-end 2016 (DKK 9,141m)
- Deposits increased by DKK 314m to DKK 12,983m compared to year-end 2016 (DKK 12,667m)
- CET1 capital ratio of 15.9% and solvency ratio of 18.2% at 30 September 2017

9M 2017 financial results

– Figures in DKKm

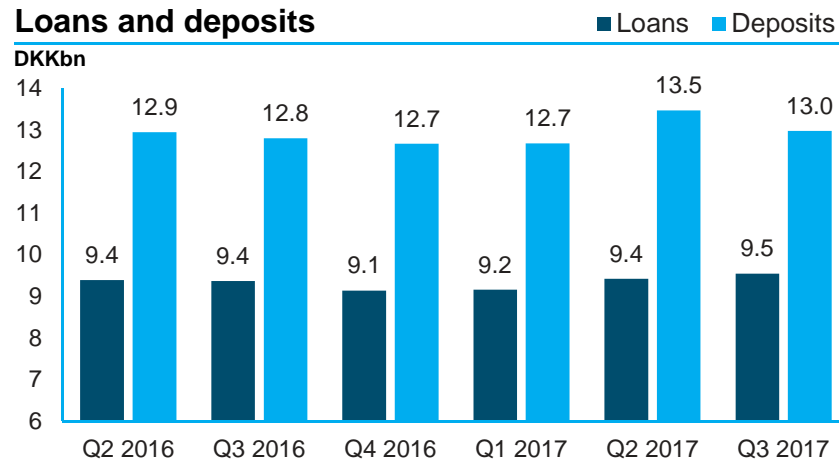
		9M 2017	9M 2016	Index	Q3 2017	Q2 2017	Index
Profit & Loss	Net interest income	292	313	93	97	97	100
	Net fee and commission income	149	141	106	39	58	67
	Net insurance income	31	33	93	13	9	138
	Other operating income	7	7	95	3	2	179
	Operating income	479	494	97	152	166	92
	Operating costs	-350	-345	101	-114	-120	95
	Sector costs	-2	-3	53	-1	-1	100
	Profit before impairment charges	127	146	87	38	46	83
	Impairment charges, net	9	8	115	4	3	124
	Operating profit	136	153	89	42	51	82
	Non-recurring items	-17	-12		-17	0	
	Market value adjustments	24	18	129	5	4	128
	Profit before tax, continued	143	159	90	30	55	55
	Profit before tax, discontinued (Vörður)	0	90		0	0	
	Profit before tax, total	143	249	57	30	55	55
Key Metrics		9M 2017	9M 2016	Index	Q3 2017	Q2 2017	Index
	Loans and advances	9,549	9,372	102	9,549	9,428	101
	Deposits and other debt	12,983	12,804	101	12,983	13,472	96
	Operating cost / income, %	73	70		75	72	
	Solvency ratio, %	18.2	19.0	96	18.2	17.9	102
	CET1 capital ratio, %	15.9	17.0	94	15.9	15.7	101

Lending to personal customers up 5.3% YTD

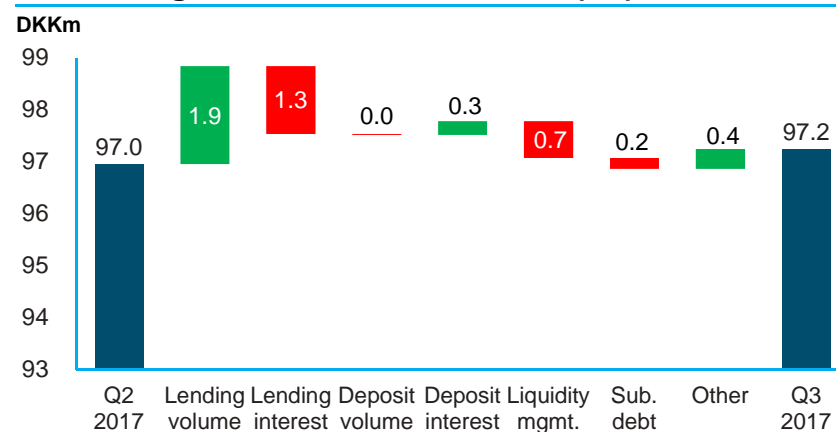
Comments

- Lending volumes up by DKK 408m YTD despite Danish corporate loans of DKK 85m being wound up during the period.
- Lending to personal customers up by 5.3% YTD:
 - 3.7% growth in the Faroe Islands
 - 7.3% growth in Denmark
 - 7.4% growth in Greenland
- NII flat QoQ due to margin pressure

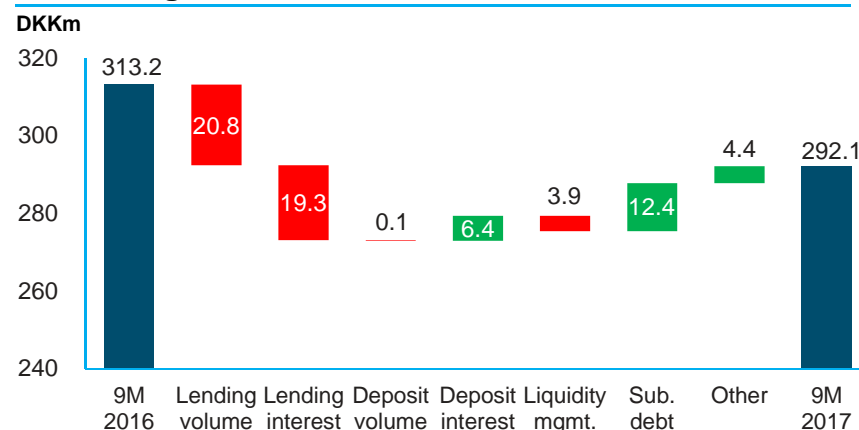
Loans and deposits



QoQ changes in net interest income (NII)



YoY changes in NII

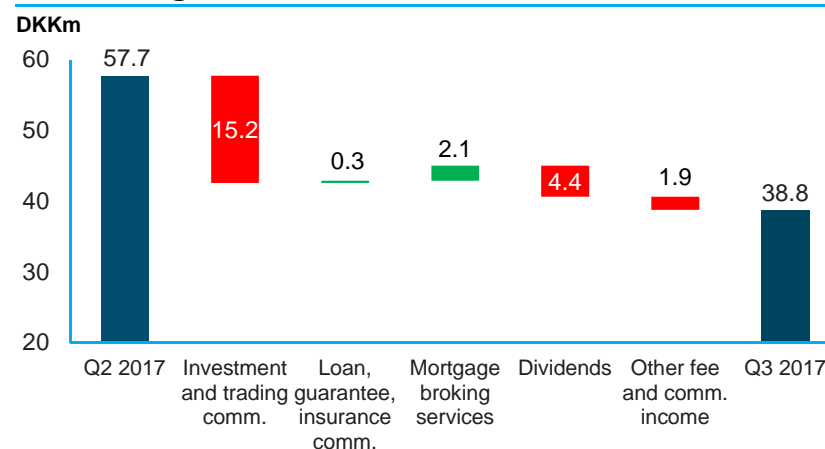


Restructuring of asset management activity triggered fluctuations in investment and trading commission

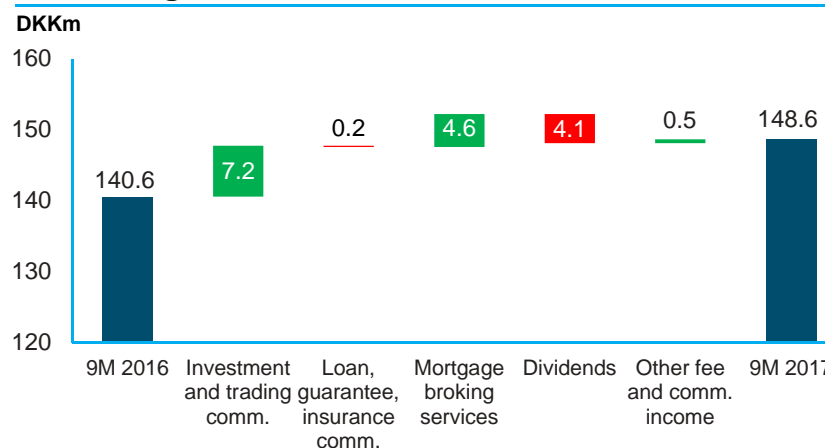
Comments

- Net fee and commission income down by DKK 19m QoQ:
 - In part due to high trading activity in Q2 2017, which has normalised in Q3 2017
 - In part due to a drop in investment and trading commission down caused by structural changes with regards to MiFID II. The drop in revenue is expected to be offset by approximately DKK 6m in higher dividend income/value adjustments in the future
 - Seasonal variations in dividend income
- Net fee and commission income up by DKK 8m YoY:
 - Mostly due to increase in trading and mortgage broking activity

QoQ changes in fee and commission income



YoY changes in fee and commission income

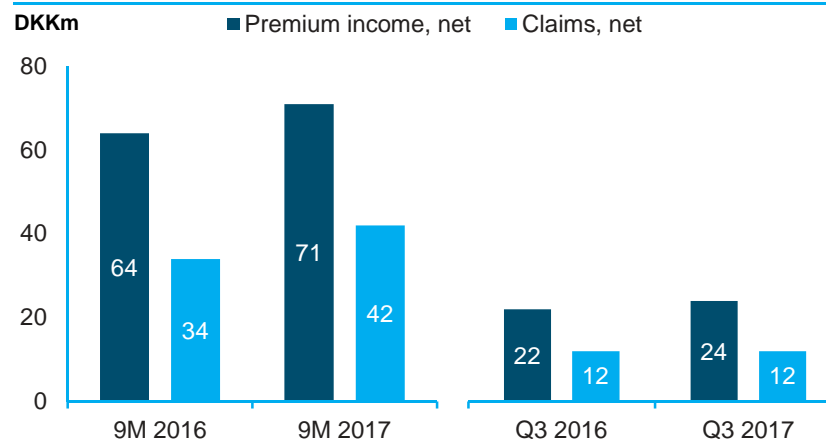


Trygd: 10% YoY growth in premium income

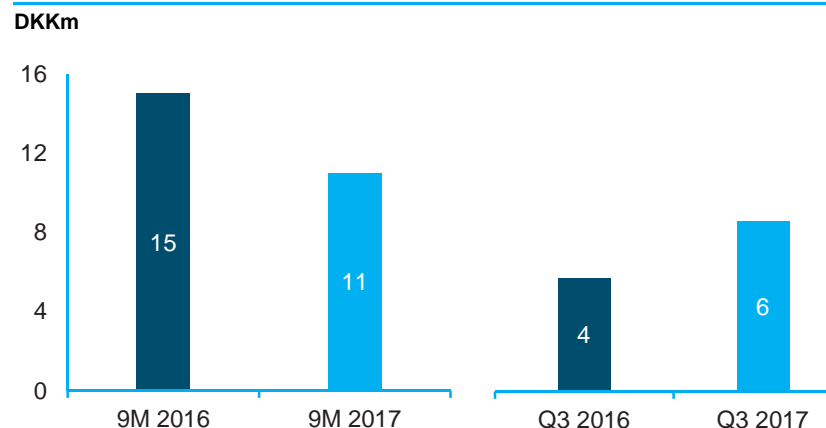
Comments

- Combined ratio was 84% in 9M 2017 compared to 78% in 9M 2016
- Net premium income up by DKK 7m in 9M 2017 compared to 9M 2016 and up DKK 2m from Q3 2016 to Q3 2017
- Net claims up by DKK 8m from 9M 2016 to 9M 2017 and flat from Q3 2016 to Q3 2017
- Profit before tax of DKK 11m in 9M 2017 relative to DKK 15m in 9M 2016 and of DKK 6m in Q3 2017 relative to DKK 4m in Q3 2016
- Trygd expects to continue attracting new customers and growing premium income throughout 2017

Premium and claims



Profit before tax

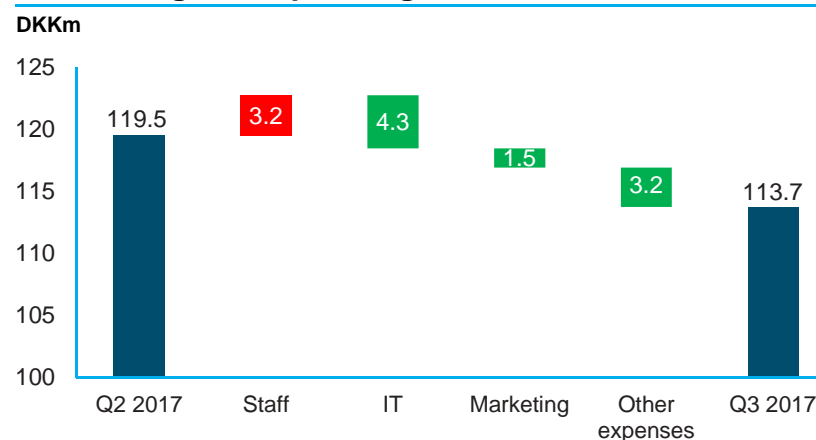


Operating costs up by 1% YoY

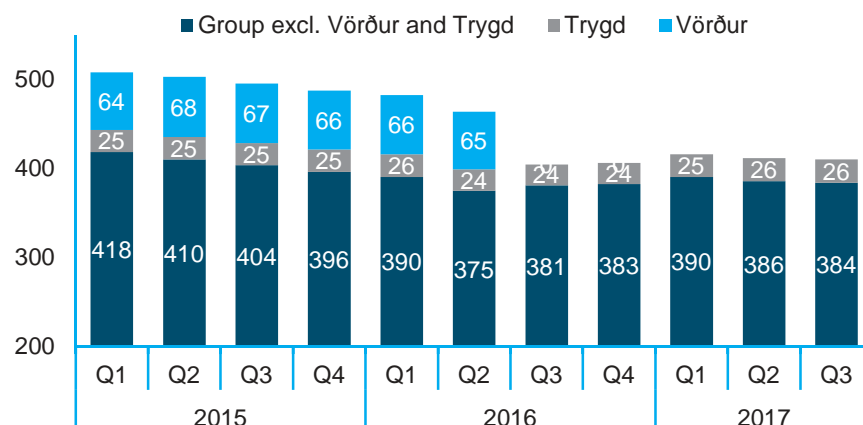
Comments

- Operating costs were down by DKK 6m from Q2 2017 to Q3 2017 and up by DKK 4m from 9M 2016 to 9M 2017
- Various IT projects have added to costs in 9M 2017, most notably the MobilePay partnership agreement
- Staff costs are up in part due to severance payments

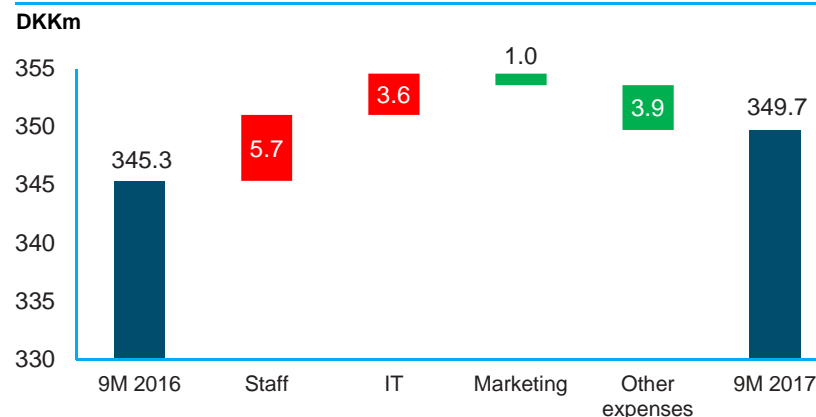
QoQ changes in operating costs



Average number of employees (FTE)



YoY changes in operating costs



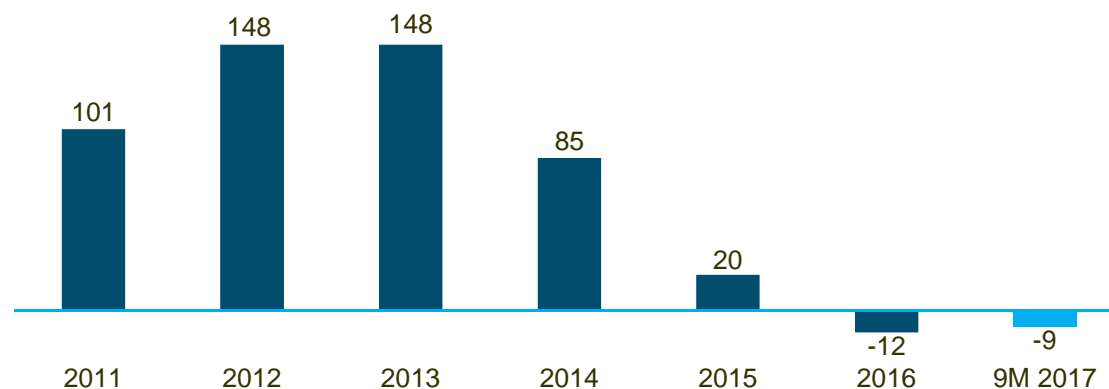
The Group continues to reverse impairment charges

Conservative portfolio structure

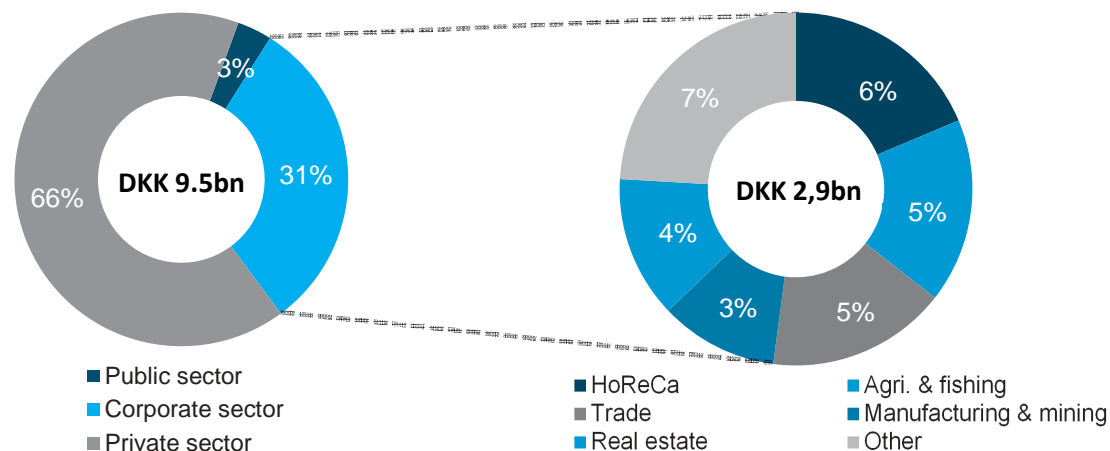
- Net impairment charges were a reversal of DKK 9m in 9M 2017
- The private sector accounted for 66% of the loan portfolio, excluding the remaining part of the Danish corporate portfolio
- No individual sector accounting for more than 6% of the loan portfolio, excluding the Danish corporate portfolio
- BankNordik provides 1st lien mortgage loans to the private sector in the Faroe Islands, obtaining a high degree of security

Net impairment charges

DKK m



Loans by sector - excl. Danish corporate sector

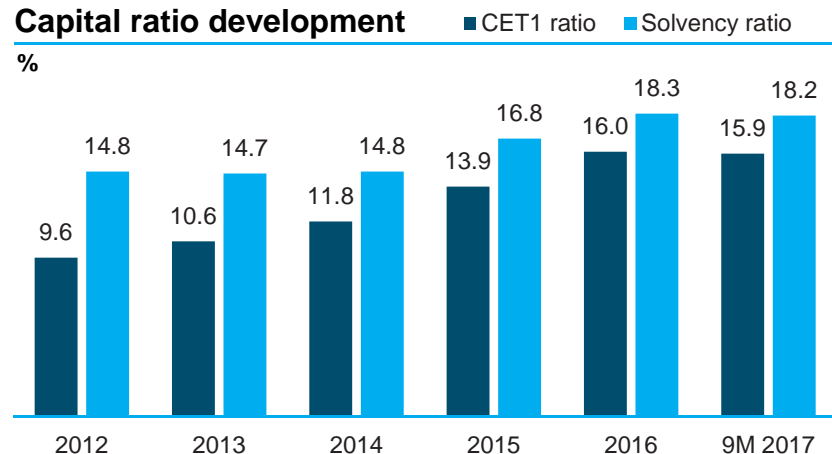


RWA up 1.5% in 9M 2017

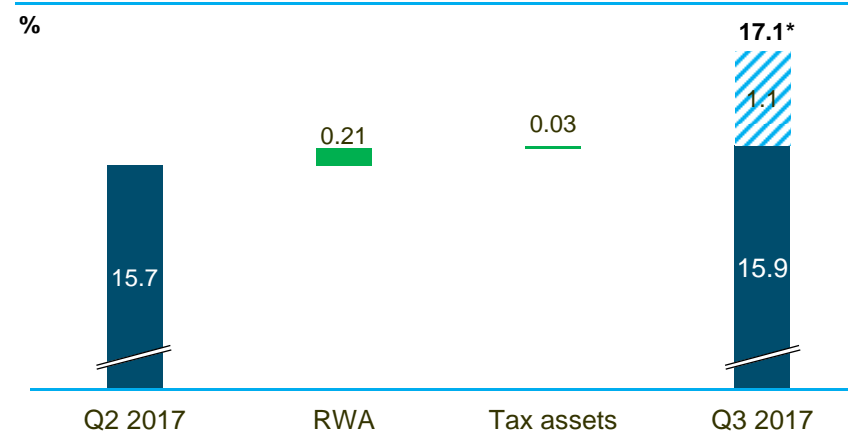
Comments

- CET1 and solvency ratios up by 0.2 and 0.3 percentage points QoQ, respectively
- If net income from 9M 2017 was recognised in the solvency statement, the solvency ratio would be 19.3% and the CET1 ratio would be 17.1 as of 30 September 2017*
- Systemic risk buffer of 1% of all Faroese exposures will take effect from January 2018

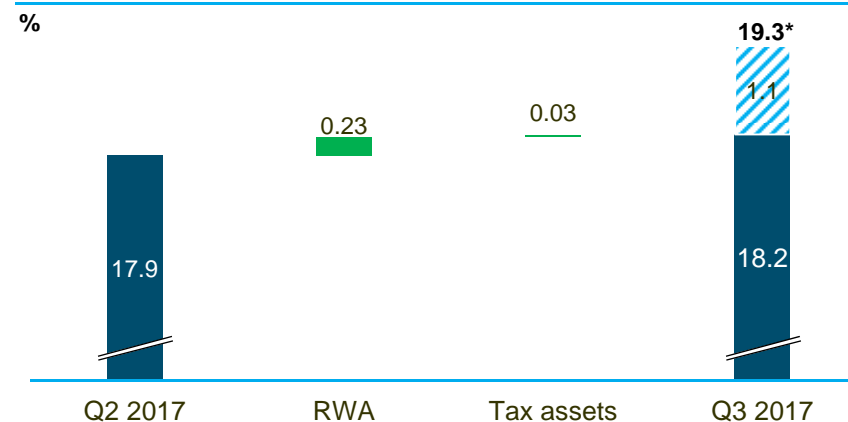
Capital ratio development



QoQ changes in CET1 ratio



QoQ changes in solvency



Long-term financial objectives

2020 financial objectives

Comments	Progress			
	Key metrics	2016	9M 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 9M 2017, ROE was affected by: <ul style="list-style-type: none"> low impairment charges positive market value adjustments an impairment loss on the Group's head office 	Return on equity	12.0% (8.1%)*	8.1%**	10%
	Cost/income ratio	72%	73%	62%
	CET1 capital ratio	16.0%	15.9%	13%
	Total capital ratio	18.3%	18.2%	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, non-recurring items, value adjustments and tax in the range of DKK 150-190m in 2017 (9M 2017: DKK 127m)
- Management previously expected net impairment charges on loans for 2017 to be less than DKK 20m. This figure has been revised and net impairment charges for 2017 are now expected not to be higher than zero (9M 2017: Reversal of DKK 9m)



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	Q1-Q3 2017	Q1-Q3 2016	Index 17/16	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016
Net interest income	292	313	93	97	97	98	100	103
Net fees, commission income & dividends	149	141	106	39	58	52	51	46
Net insurance income	31	33	93	13	9	9	-7	12
Other operating income (less reclassification)	7	7	95	3	2	1	2	2
Operating income	479	494	97	152	166	160	146	163
Operating costs*	-350	-345	101	-114	-120	-116	-114	-113
Sector costs	-2	-3	53	-1	-1	-1	1	-1
Profit before impairment charges	127	146	87	38	46	43	33	49
Impairment charges	-4	-8	47	0	2	-5	-10	4
Reversals of acquired OEI impairments (Reclassified from Other operating income)	12	16	80	4	3	5	15	-1
Impairment charges, net	9	8	115	4	5	0	4	4
Operating profit	136	153	89	42	51	43	38	53
Impairment charges, intangible assets	0	0		0	0	0	0	0
Non-recurring items**	-17	-12	136	-17	0	0	0	0
Profit before value adjustments and tax	119	141	85	25	51	43	38	53
Market value adjustments***	24	18	129	5	4	14	-10	12
Profit before tax, continuing operations	143	159	90	30	55	57	28	64
Profit before tax, discontinued operations (Vörður)	0	90		0	0	0	0	99
Profit before tax, total	143	249	57	30	55	57	28	164
Operating cost/income, %	73	70		75	72	73	78	69
Number of FTE, end of period	407	416	98	407	407	416	415	416

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

** Reclassified from Staff costs and administrative expences and from Amortisation, depreciation and impairment charges.

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

Banking

Income statement, Banking

DKK m	Q1-Q3 2017	Q1-Q3 2016	Index 17/16	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016
Net interest income	291	312	93	97	96	97	99	103
Net fees, commission income & dividends	155	146	106	41	60	54	55	48
Other operating income	3	3	119	2	1	1	1	1
Operating income	449	461	97	140	157	152	155	151
Operating cost	-333	-331	100	-108	-112	-112	-108	-108
Sector costs	-2	-3	53	-1	-1	-1	1	-1
Profit before impairment charges	115	127	91	31	45	40	49	42
Impairment charges	-4	-8	47	0	2	-5	-10	2
Reversals of acquired OEI impairments	12	16	80	4	3	5	15	2
Impairment charges, net	9	8	115	4	5	0	4	4
Operating profit	124	135	92	35	50	40	53	46
Impairment charges, intangible assets	0	0		0	0	0	0	0
Non-recurring items	-17	-12	136	-17	0	0	0	0
Profit before value adjustments and tax	107	122	87	18	50	40	53	46
Market value adjustments	25	21	118	6	5	14	-9	12
Profit before tax	132	144	92	24	55	54	44	58
Loans and advances	9.549	9.372	102	9.549	9.428	9.159	9.141	9.372
Deposits and other debt	13.000	12.829	101	13.000	13.498	12.696	12.691	12.829
Operating cost/income, %	74	72		78	71	74	69	71
Number of FTE, end of period	372	386	96	372	376	384	385	386

Personal Banking

Income statement, Personal banking

DKK m	Q1-Q3 2017	Q1-Q3 2016	Index 17/16	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016
Net interest income	196	208	94	66	65	64	67	70
Net fees, commission income & dividends	123	119	103	38	41	43	51	44
Other operating income	3	2	149	2	0	0	1	1
Operating income	322	330	98	107	107	108	119	115
Operating cost	-132	-125	106	-43	-45	-45	-45	-42
Sector costs	-1	-2	53	0	0	0	1	-1
Profit before impairment charges	188	202	93	64	62	63	75	72
Impairment charges, net	3	20		-1	1	3	-2	8
Operating profit	191	223	86	63	63	66	73	80
Non-recurring items	0	-2		0	0	0	0	0
Profit before value adjustments and tax	191	221	86	63	63	66	73	80
Market value adjustments	0	0		0	0	0	0	0
Profit before tax	191	221	86	63	63	66	73	80
Loans and advances	6.274	5.852	107	6.274	6.123	6.017	5.960	5.852
Deposits and other debt	9.802	9.722	101	9.802	10.282	9.530	9.538	9.722
Operating cost/income, %	41	38		40	42	41	38	34
Number of FTE, end of period	208	207		208	214	211	215	207

Corporate Banking

Income statement, Corporate Banking

DKKkm	Q1-Q3 2017	Q1-Q3 2016	Index 17/16	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016
Net interest income	92	115	80	31	30	31	32	34
Net fees, commission income & dividends	12	12	100	4	4	4	5	4
Other operating income	0	0		0	0	0	0	0
Operating income	104	127	82	34	34	36	38	38
Operating cost	-10	-13	76	-4	-3	-3	-4	-3
Sector costs	0	-1	54	0	0	0	0	0
Profit before impairment charges	93	113	83	30	31	32	34	35
Impairment charges, net	6	-13		5	4	-3	6	-2
Operating profit	99	100	99	35	35	29	40	32
Non-recurring items	0	0		0	0	0	0	0
Profit before value adjustments and tax	99	100	99	35	35	29	40	32
Market value adjustments	0	0		0	0	0	0	0
Profit before tax	99	100	99	35	35	29	40	32
Loans and advances	3.276	3.520	93	3.276	3.305	3.142	3.181	3.520
Deposits and other debt	3.198	3.107	103	3.198	3.216	3.166	3.153	3.107
Operating cost/income, %	10	11		11	9	9	10	8
Number of FTE, end of period	17	18		17	17	17	17	18

Banking, Faroe Islands

Income statement, Faroe Islands

DKKkm	Q1-Q3 2017	Q1-Q3 2016	Index 17/16	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016
Net interest income	160	155	103	53	53	53	51	53
Net fees, commission income & dividends	39	42	93	12	13	14	16	13
Other operating income	1	2	50	0	0	0	0	0
Total Operating income	200	199	100	66	67	67	67	67
Operating cost	-126	-128	98	-39	-43	-43	-42	-42
Sector costs	-1	-1	53	0	0	0	0	0
Profit before impairment charges	73	69	106	26	23	24	26	24
Impairment charges, net	-17	0		-2	-4	-11	-14	1
Operating profit	57	69	83	24	20	13	12	26
Non-recurring items	-17	84		-17	0	0	-84	84
Profit before value adjustments and tax	40	153	26	8	20	13	-73	110
Market value adjustments	25	21	118	6	5	14	-9	12
Profit before tax	66	175	38	13	25	27	-82	121
Loans and advances	6.110	5.828	105	6.110	6.056	5.811	5.645	5.828
Deposits and other debt	6.514	6.178	105	6.514	6.483	6.271	6.156	6.178
Operating cost/income, %	63	65		60	64	64	63	63
Number of FTE, end of period	178	178	100	178	179	181	182	178

Banking, Denmark

Income statement, Denmark

DKKm	Q1-Q3 2017	Q1-Q3 2016	Index 17/16	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016
Net interest income	100	129	77	34	32	34	38	40
Net fees, commission income & dividends	109	98	112	27	45	38	36	33
Other operating income	1	1	84	0	0	0	0	0
Total Operating income	210	228	92	61	78	72	74	73
Operating cost	-187	-184	102	-63	-63	-61	-60	-60
Sector costs	-1	-2	53	0	0	0	1	-1
Profit before impairment charges	21	43	50	-3	14	10	15	13
Impairment charges, net	24	9		4	10	10	19	3
Operating profit	45	52	87	2	24	20	34	16
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	45	39	115	2	24	20	34	16
Market value adjustments	0	0		0	0	0	0	0
Profit before tax	45	39	115	2	24	20	34	16
Loans and advances	2.740	2.734	100	2.740	2.686	2.659	2.652	2.734
Deposits and other debt	5.640	5.946	95	5.640	6.171	5.598	5.693	5.946
Operating cost/income, %	89	80		104	81	86	81	82
Number of FTE, end of period	178	191	93	178	181	187	186	191

Banking, Greenland

Income statement, Greenland

DKKm	Q1-Q3 2017	Q1-Q3 2016	Index 17/16	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016
Net interest income	31	28	113	10	11	10	11	10
Net fees, commission income & dividends	7	7	110	2	2	3	3	2
Other operating income	2	0	837	1	0	0	1	0
Total Operating income	40	34	116	14	13	13	15	12
Operating cost	-20	-19	105	-6	-6	-7	-6	-6
Sector costs	0	0	53	0	0	0	0	0
Profit before impairment charges	20	15	132	7	7	6	8	5
Impairment charges, net	2	-1	134	1	-1	1	-1	-1
Operating profit	22	14	154	9	6	7	8	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	22	14	154	9	6	7	8	4
Market value adjustments	0	0		0	0	0	0	0
Profit before tax	22	14	154	9	6	7	8	4
Loans and advances	699	810	86	699	685	690	844	810
Deposits and other debt	846	705	120	846	844	827	842	705
Operating cost/income, %	50	55	90	47	48	54	44	53
Number of FTE, end of period	17	17	97	17	17	16	17	17

Insurance, Trygd

Income statement, Trygd

DKKm	Q1-Q3 2017	Q1-Q3 2016	Index 17/16	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016
Premium income, net of reinsurance	71	64	110	24	23	23	21	22
Claims, net of reinsurance	-42	-34	122	-12	-14	-15	-30	-12
Net insurance income	29	30	97	12	9	7	-8	9
Net income from investment activities	0	1		0	0	0	0	0
Operating income	29	31	94	12	9	8	-8	9
Operating cost	-17	-16	110	-6	-6	-5	-6	-6
Profit before tax	11	15	77	6	3	2	-15	4
Combined ratio	84	78		73	88	90	168	77
Claims ratio	59	53		49	60	68	139	57
Number of FTE, end of period	27	24	113	27	26	26	24	24

Credit quality of the loan portfolio

Credit classification according to the Danish FSA's method

	Q2 2017			Q3 2017			Change
	<7.5 DKKm	>7.5 DKKm	Total	<7.5 DKKm	>7.5 DKKm	Total	
Portfolio without weakness	3.407	2.687	6.093	3.363	2.913	6.276	183
Portfolio with some weakness	5.460	1.368	6.828	5.565	1.384	6.949	122
Portfolio with weakness	316	101	417	312	115	427	10
- here of unsecured	127	23	150	117	24	141	-9
Portfolio with OIE	799	646	1.445	754	642	1.396	-49
- here of unsecured	476	371	847	435	361	796	-51
- impairments	349	224	573	332	224	556	-18
Portfolio without individ. classification	94	0	94	119	17	136	42
Total	10.075	4.802	14.876	10.112	5.072	15.185	308