

# Strong customer activity driving income growth in Q3 2019

Investor presentation

29 October 2019

Árni Ellefsen, CEO

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# Overview

- **Highlights**
- **Financials**
  - Operating income
  - Insurance
  - Business volumes
  - Expenditures
  - Impairment charges
  - Capital ratios
- **Long-term financial objectives**
- **Outlook 2019**
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# Highlights in 9M 2019

## Q3 2019 operating highlights

- Negative interest rate brackets on corporate deposits introduced in September and October with an estimated contribution to pre-tax profit in the amount of DKK 8-10 on an annual basis
- As part of the ongoing efforts to optimise the Group's capital structure, BankNordik issued additional tier 1 capital in the amount of DKK 150m with a fixed coupon of 4.5%

## 9M 2019 financial highlights

- Net interest income down 4% to DKK 272m in 9M 2019 from DKK 282m 9M 2018
- Net fee and commission income up 8% to DKK 140m from DKK 130m in 9M 2018
- Operating income amounted to DKK 486m vs. DKK 479m in 9M 2018
- Operating costs up 4% to DKK 355m (DKK 342m)
- Net impairment charges were a reversal of DKK 80m (reversal of DKK 93m)
- Market value adjustments amounted to a loss of DKK 10m (loss of DKK 26m)
- Profit before tax was DKK 201m (DKK 286m)
- Bank lending volumes flat at DKK 10.0bn
- Mortgage lending volumes up by 7% to DKK 12.9bn (DKK 12.1bn)
- CET1 capital ratio of 17.5% and total capital ratio of 21.0% at 30 September 2019

# 9M 2019 financial results

— Figures in DKKm

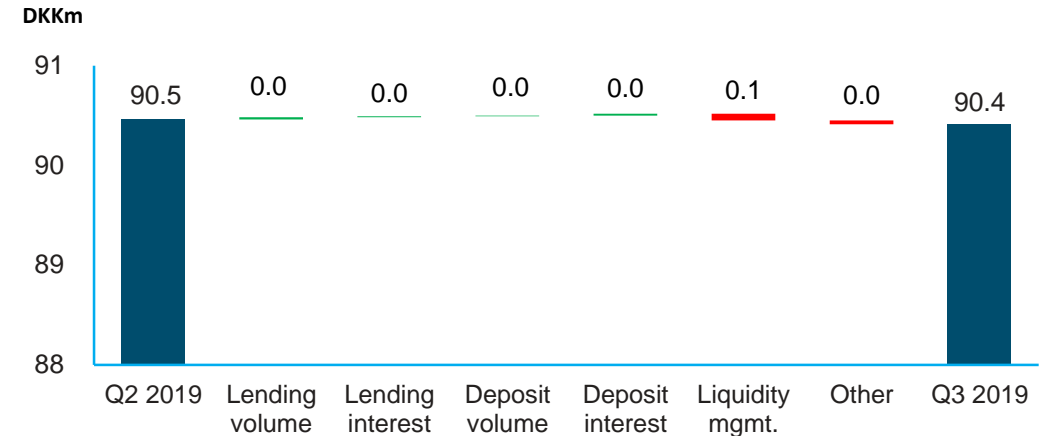
|                          | 9M 2019                                 | 9M 2018    | Index      | Q3 2019    | Q2 2019    | Q1 2019    | Q4 2018    | Q3 2018    |            |
|--------------------------|---|------------|------------|------------|------------|------------|------------|------------|------------|
| <b>Profit &amp; loss</b> | Net interest income                     | 272        | 282        | 96         | 90         | 90         | 91         | 92         | 94         |
|                          | Net fee and commission income           | 140        | 130        | 108        | 47         | 45         | 48         | 42         | 43         |
|                          | Net insurance income                    | 39         | 31         | 124        | 15         | 15         | 9          | 13         | 13         |
|                          | Other operating income                  | 35         | 36         | 97         | 13         | 11         | 11         | 9          | 10         |
|                          | <b>Operating income</b>                 | <b>486</b> | <b>479</b> | <b>102</b> | <b>165</b> | <b>163</b> | <b>158</b> | <b>156</b> | <b>160</b> |
|                          | Operating costs                         | -355       | -342       | 104        | -116       | -119       | -120       | -115       | -111       |
|                          | Sector costs                            | -1         | -1         | 100        | 0          | 0          | 0          | 0          | 0          |
|                          | <b>Profit before impairment charges</b> | <b>130</b> | <b>137</b> | <b>95</b>  | <b>49</b>  | <b>43</b>  | <b>38</b>  | <b>42</b>  | <b>49</b>  |
|                          | Net impairment charges on loans         | 80         | 93         | 87         | 9          | 53         | 19         | 18         | 39         |
|                          | <b>Operating profit</b>                 | <b>211</b> | <b>230</b> | <b>92</b>  | <b>58</b>  | <b>96</b>  | <b>57</b>  | <b>60</b>  | <b>88</b>  |
|                          | Non-recurring items                     | 0          | 82         |            | 0          | 0          | 0          | -10        | -6         |
|                          | Market value adjustments                | -10        | -26        | 39         | -8         | -10        | 8          | -12        | -3         |
| <b>Profit before tax</b> | <b>201</b>                              | <b>286</b> | <b>70</b>  | <b>50</b>  | <b>86</b>  | <b>65</b>  | <b>38</b>  | <b>78</b>  |            |
| <b>Key metrics</b>       | Loans and advances                      | 10.0       | 10.0       | 100        | 10.0       | 10,1       | 10.0       | 10.0       | 10.0       |
|                          | Deposits and other debt                 | 13.5       | 13.2       | 106        | 13.5       | 14.1       | 14.0       | 13.4       | 13.2       |
|                          | Mortgage credit                         | 12.9       | 12.1       | 107        | 12.9       | 12.6       | 12.5       | 12.2       | 12.1       |
|                          | Operating cost / income, %              | 73         | 71         |            | 70         | 73         | 76         | 73         | 69         |
|                          | Total capital ratio, %                  | 21.0       | 17.6       |            | 21.0       | 19.6       | 19.2       | 19.8       | 17.6       |
|                          | CET1 capital ratio, %                   | 17.5       | 15.5       |            | 17.5       | 17.5       | 17.2       | 17.7       | 15.5       |

# Margin pressure eased by introduction of negative interest rates brackets

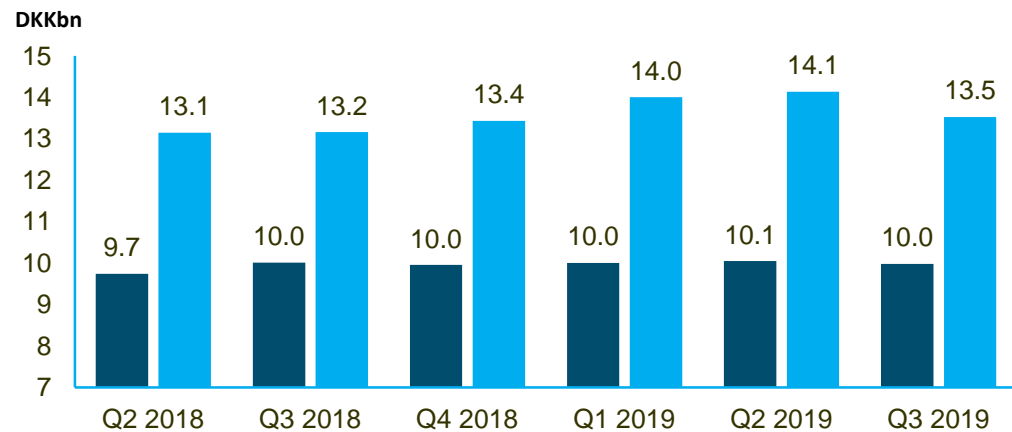
## Comments

- Net interest income flat QoQ and down by DKK 10m YoY, mainly due to margin pressure
- Negative interest rate brackets introduced on corporate deposits in September and October (estimated contribution to pre-tax profit of DKK 8-10m on an annual basis)
- Lending volumes down by DKK 70m QoQ and down by DKK 25m YoY

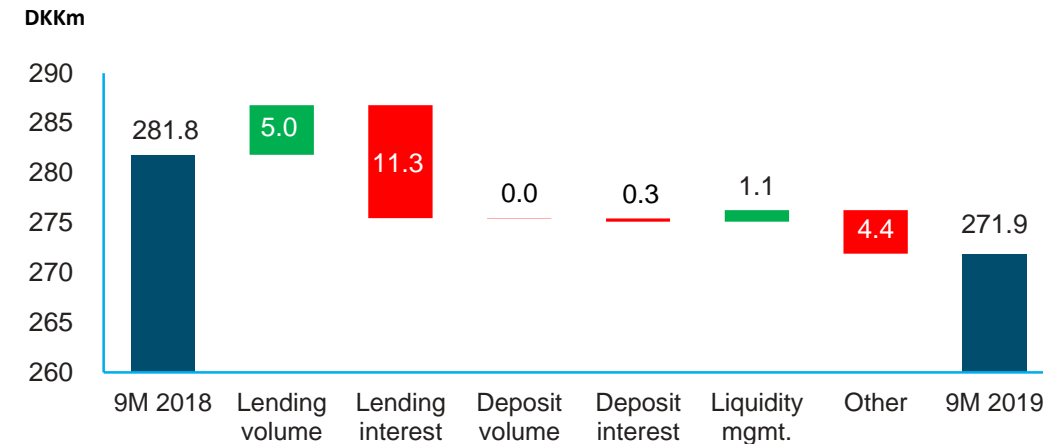
## QoQ changes in net interest income



## Loans and deposits



## YoY changes in net interest income

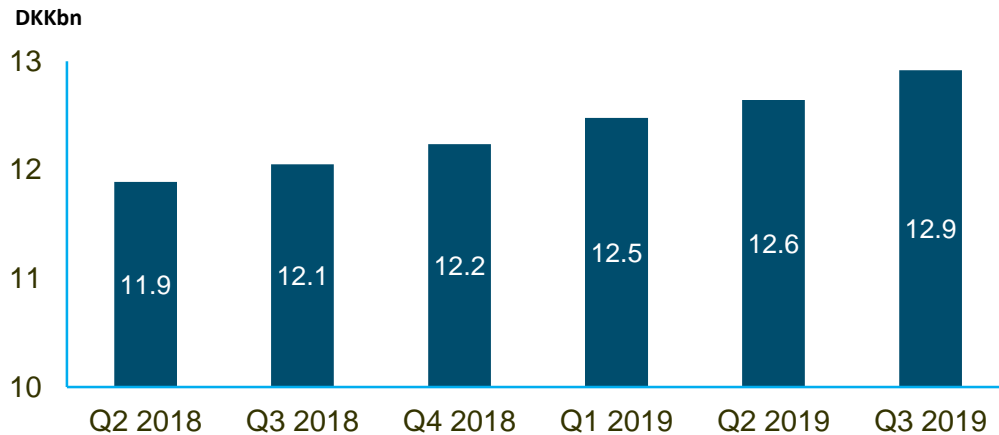


# Strong demand for mortgage services in Q3 2019

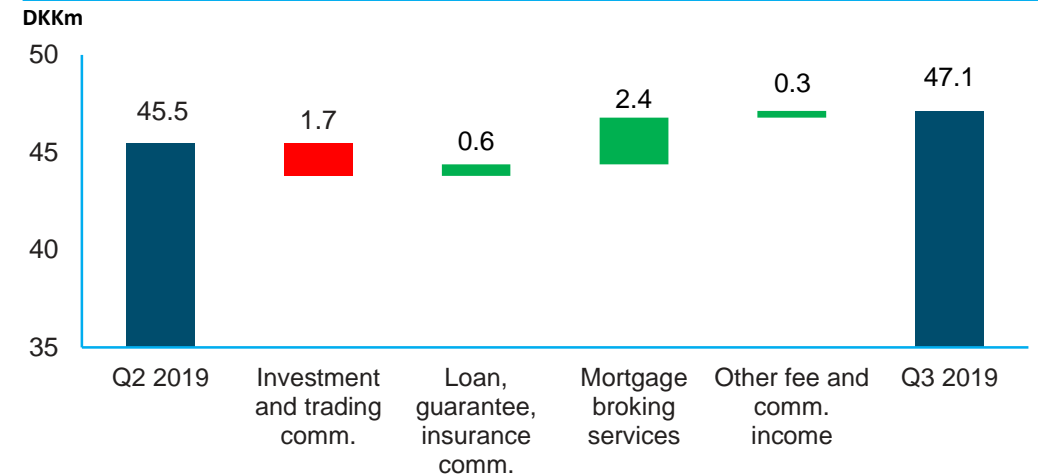
## Comments

- Net fee and commission income up by DKK 2m QoQ and up by DKK 11m YoY
- Strong customer activity in the nine months of 2019, particularly related to mortgage broking services, drove fee and commission income higher
- Mortgage-lending volumes up DKK 680m YTD

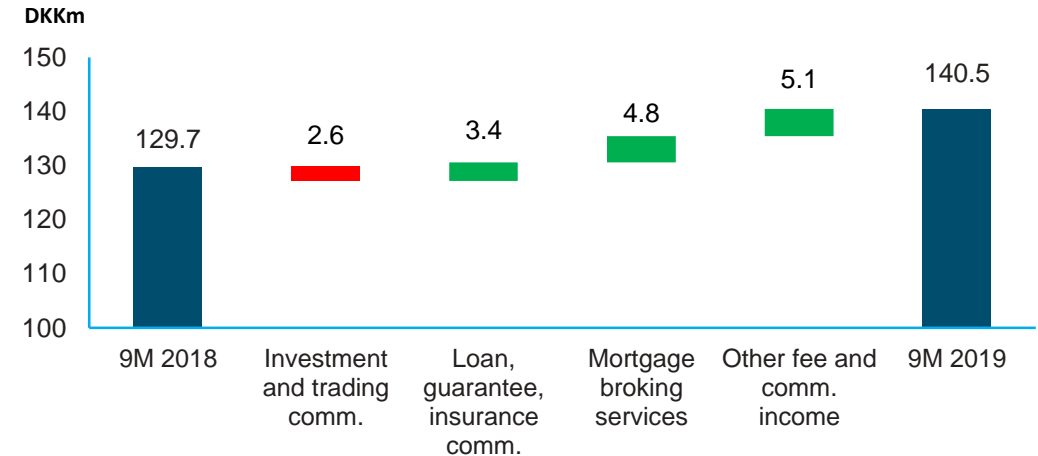
## Mortgage lending



## QoQ changes in fee and commission income



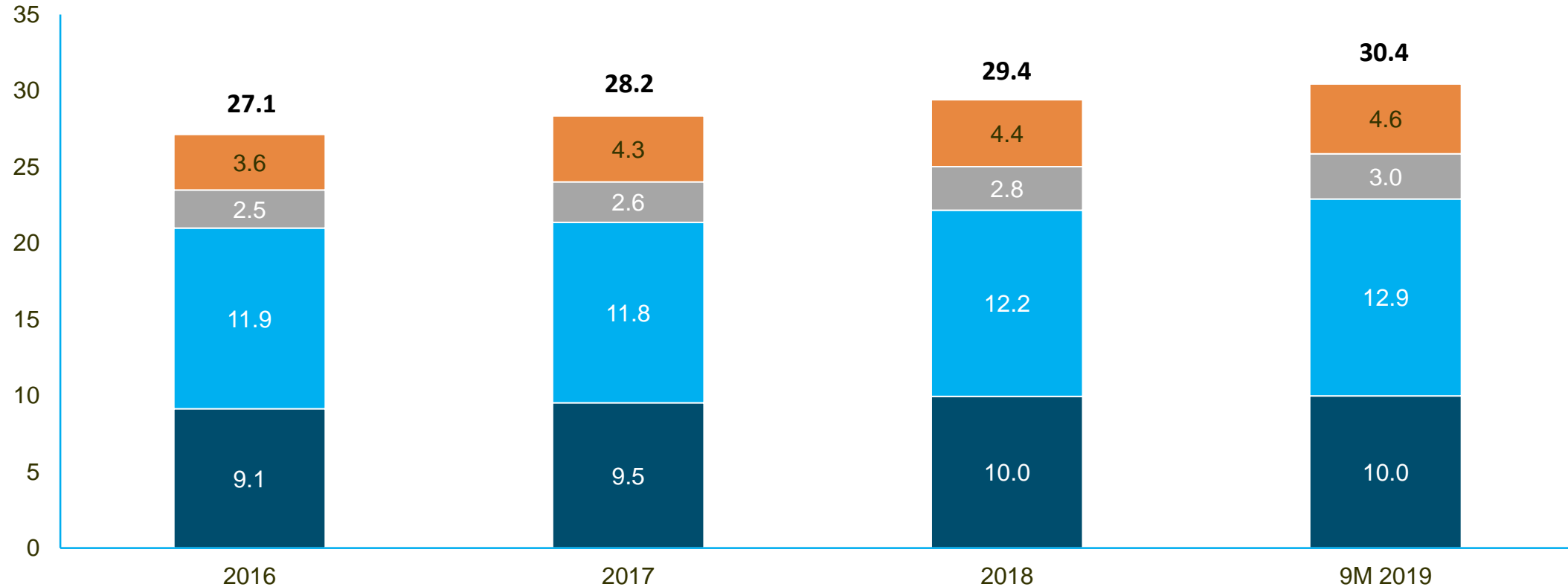
## YoY changes in fee and commission income



# Developments in business volume

Business volumes as measured by the sum of lending, guarantees and AUM

DKKbn



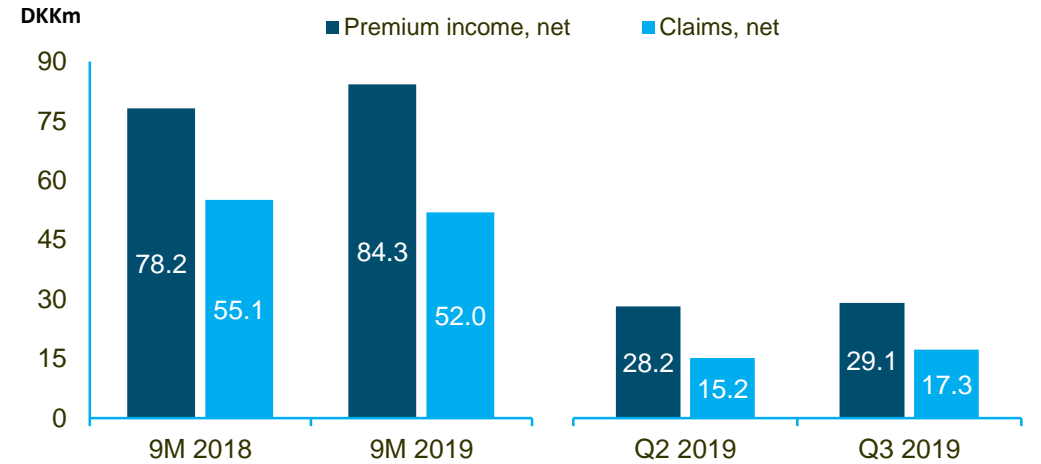


# Growth in Trygd's premiums and fewer claims in 9M 2019

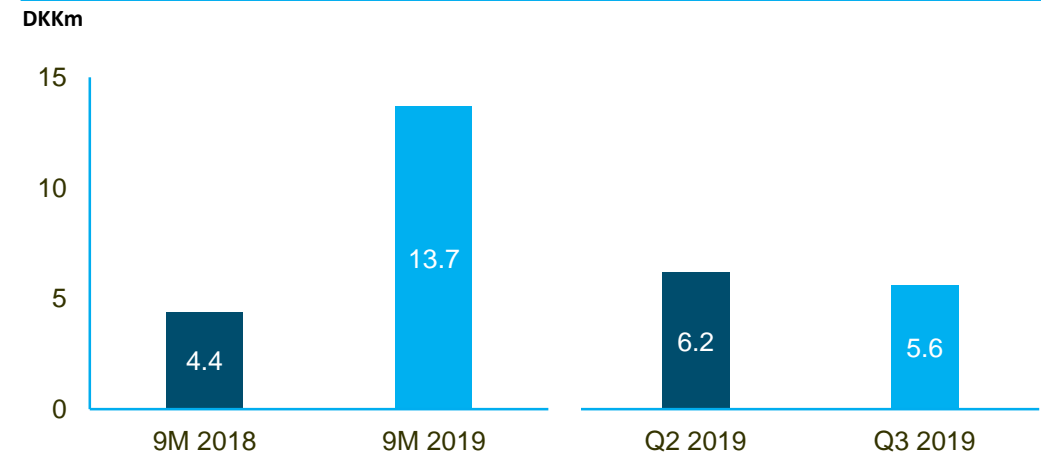
## Comments

- Combined ratio of 83% in 9M 2019 compared to 94% in 9M 2018
- Net premium income up by DKK 6m YoY and by DKK 1m QoQ
- Net claims down by DKK 3m YoY and up by DKK 2m QoQ
- Profit before tax of DKK 14m in 9M 2019 relative to DKK 4m in 9M 2018 and DKK 6m in Q3 2019, flat compared to Q2 2019
- Trygd expects to continue attracting new customers and growing premium income in 2019

## Premium and claims



## Profit before tax

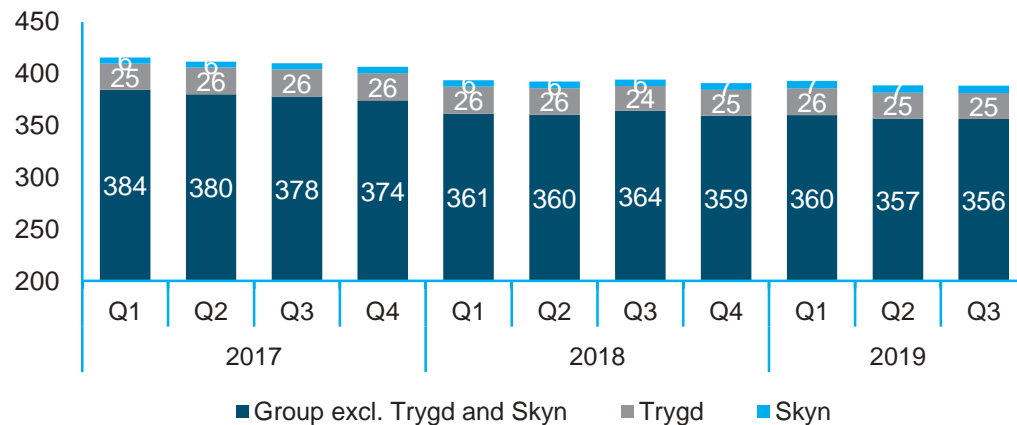


# Pressure on operating costs YTD

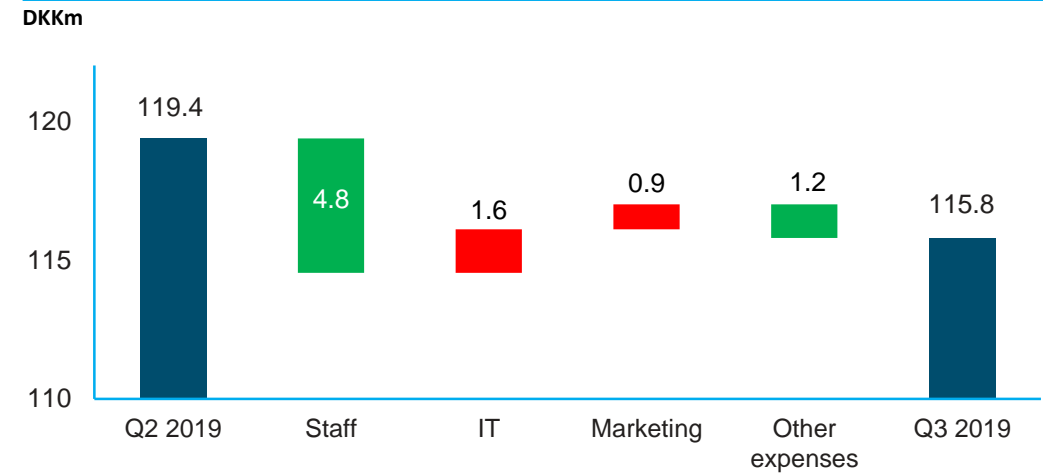
## Comments

- Operating costs up by DKK 14m YoY and down by DKK 4m QoQ
- YoY increase in staff costs due to non-recurring items, severance payments as well as general wage increases
- YoY increase in marketing expenditures mainly related to the Group's Volapyk-marketing campaign

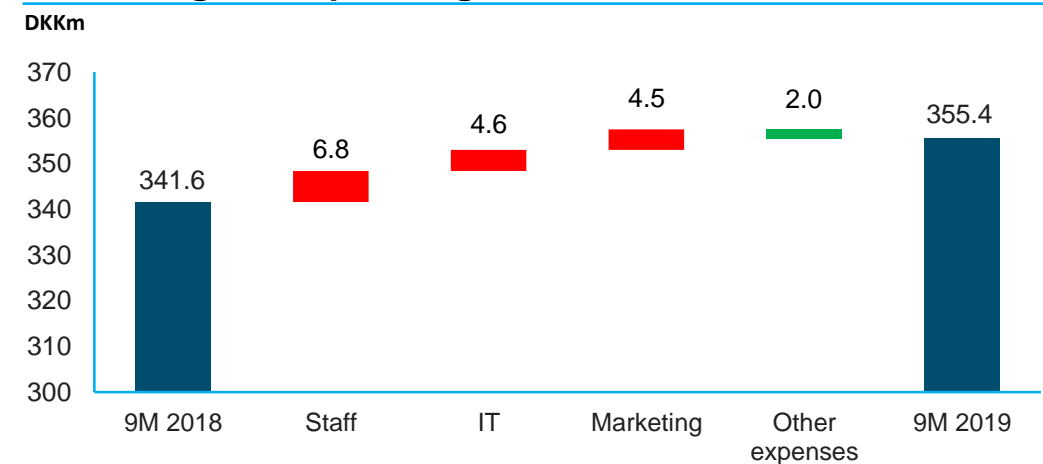
## Average number of employees (FTE)



## QoQ changes in operating costs



## YoY changes in operating costs

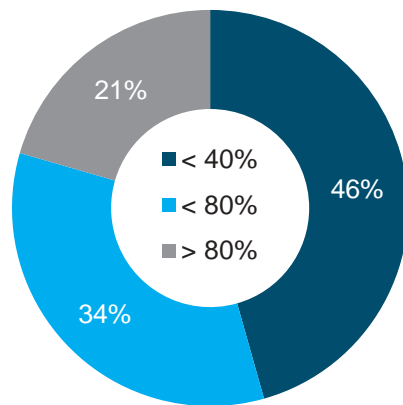


# Reversal of impairment charges continues

## Comments

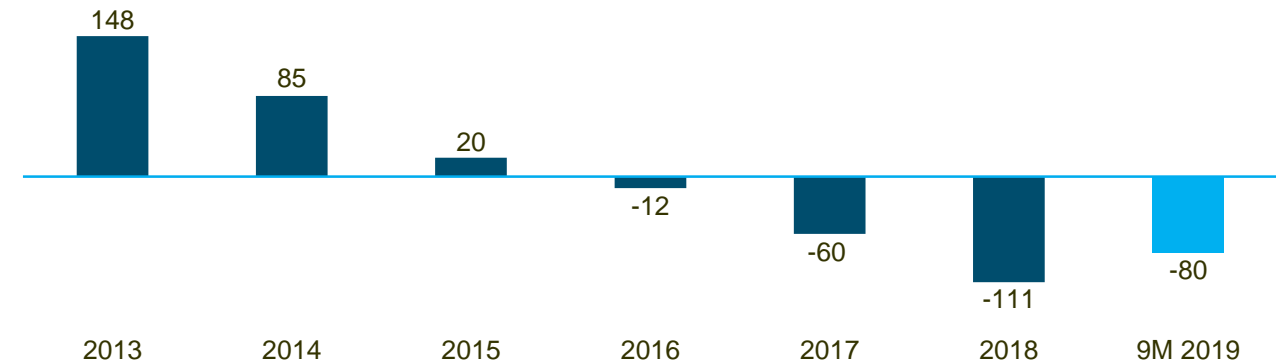
- Net impairment charges were a reversal of DKK 80m in 9M 2019
- Well-diversified loan portfolio with no individual sector accounting for more than 5%
- Strong LTV ratios for housing loans

## LTV for housing loans<sup>1</sup>



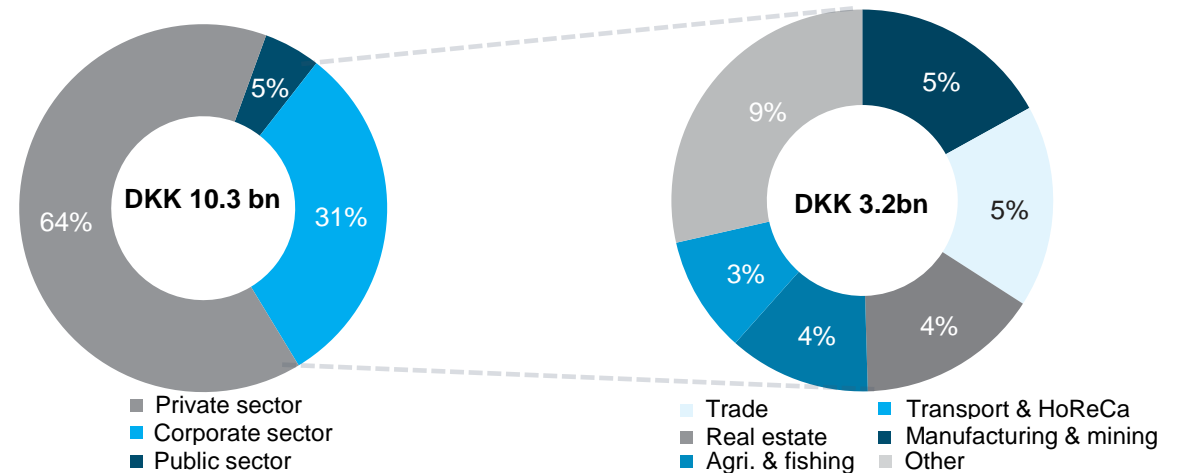
## Net impairment charges

DKKm



## Gross loans by sector

DKKm

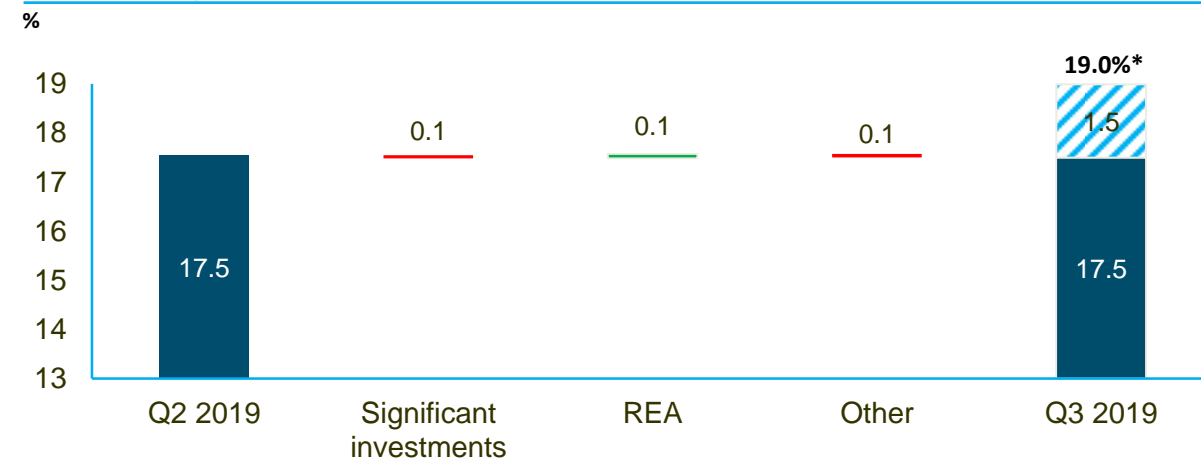


# AT1 issuance strengthens capital position

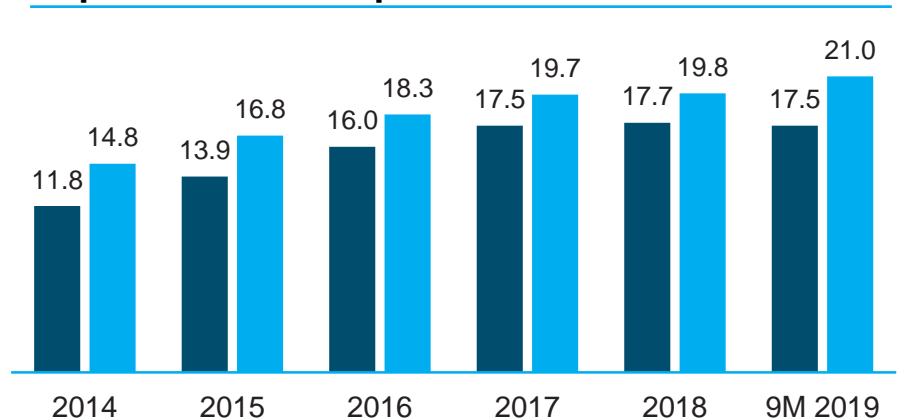
## Comments

- CET1 remains at 17.5% and total capital ratio up by 1.4 pp QoQ
- AT1 capital in the amount of DKK 150m issued in September 2019 contributes 1.4pp to the Group's total capital ratio
- If net income from 9M 2019 were recognised, the CET1 ratio would be 19.0\* and the total capital ratio would be 22.5%\*

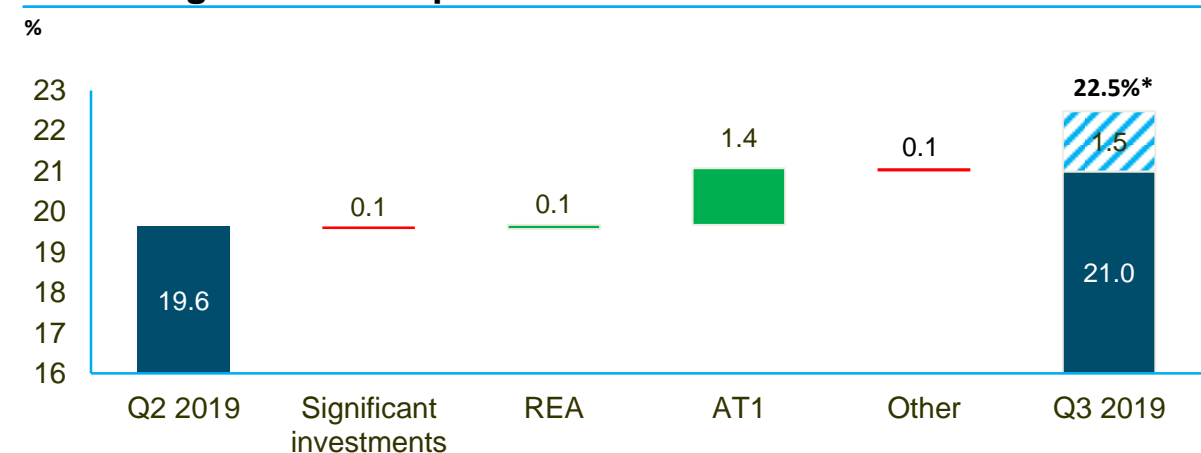
## YoY changes in CET1 ratio



## Capital ratio development



## YoY changes in total capital ratio



# Long-term financial objectives

## In 9M 2019, ROE was affected by:

- Large reversal of impairment charges

## Outlook for 2019

- Operating profit before impairment charges in the range of DKK 160-200m (9M 2019: DKK 130m)
- Net profit in the range of DKK 170-210m (H1 2019: DKK 158m)

|                     | 2018               | 9M 2019            | 2020 target |
|---------------------|--------------------|--------------------|-------------|
| Return on equity    | 13.8% <sup>1</sup> | 10.4% <sup>2</sup> | 10%         |
| Cost/income ratio   | 72%                | 73%                | 65%         |
| CET 1 ratio         | 17.7%              | 17.5%              | 17%         |
| Total capital ratio | 19.8%              | 21.0%              | 20%         |

# Questions?

Árni Ellefsen, CEO

# Appendices

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

# Group

## Income statement, Group

| DKKkm  | Q1-Q3<br>2019 | Q1-Q3<br>2018 | Index<br>19/18 | Q3 2019    | Q2 2019    | Q1 2019    | Q4 2018    | Q3 2018    |
|--|---------------|---------------|----------------|------------|------------|------------|------------|------------|
| Net interest income                            | 272           | 282           | 96             | 90         | 90         | 91         | 92         | 94         |
| Net fee and commission income                  | 140           | 130           | 108            | 47         | 45         | 48         | 42         | 43         |
| Net insurance income                           | 39            | 31            | 124            | 15         | 15         | 9          | 13         | 13         |
| Other operating income (less reclassification) | 35            | 36            | 97             | 13         | 11         | 11         | 9          | 10         |
| <b>Operating income</b>                        | <b>486</b>    | <b>479</b>    | <b>102</b>     | <b>165</b> | <b>163</b> | <b>158</b> | <b>156</b> | <b>160</b> |
| Operating costs <sup>1</sup>                   | -355          | -342          | 104            | -116       | -119       | -120       | -115       | -111       |
| Sector costs                                   | -1            | -1            | 100            | 0          | 0          | 0          | 0          | 0          |
| <b>Profit before impairment charges</b>        | <b>130</b>    | <b>137</b>    | <b>95</b>      | <b>49</b>  | <b>43</b>  | <b>38</b>  | <b>42</b>  | <b>49</b>  |
| Impairment charges, net                        | 80            | 93            | 87             | 9          | 53         | 19         | 18         | 39         |
| <b>Operating profit</b>                        | <b>211</b>    | <b>230</b>    | <b>92</b>      | <b>58</b>  | <b>96</b>  | <b>57</b>  | <b>60</b>  | <b>88</b>  |
| Non-recurring items <sup>2</sup>               | 0             | 82            |                | 0          | 0          | 0          | -10        | -6         |
| <b>Profit before value adjustments and tax</b> | <b>211</b>    | <b>311</b>    | <b>68</b>      | <b>58</b>  | <b>96</b>  | <b>57</b>  | <b>50</b>  | <b>81</b>  |
| Market value adjustments <sup>3</sup>          | -10           | -26           | 39             | -8         | -10        | 8          | -12        | -3         |
| <b>Profit before tax</b>                       | <b>201</b>    | <b>286</b>    | <b>70</b>      | <b>50</b>  | <b>86</b>  | <b>65</b>  | <b>38</b>  | <b>78</b>  |
| Operating cost/income, %                       | 73            | 71            |                | 70         | 73         | 76         | 73         | 69         |
| Number of FTE, end of period                   | 383           | 385           | 100            | 383        | 390        | 393        | 393        | 385        |

1 Comprises staff costs, administrative expenses and amortisation, depreciation and impairment charges (less reclassification to non-recurring items).

2 Reclassified from Other operating income, Staff costs and administrative expenses and from Amortisation, depreciation and impairment charges.

3 Incl. net income from investments accounted for under the equity method (excl. sector shares).



# Banking

## Income statement, Banking

| DKK <sup>m</sup>                               | Q1-Q3<br>2019 | Q1-Q3<br>2018 | Index<br>19/18 | Q3 2019    | Q2 2019    | Q1 2019    | Q4 2018    | Q3 2018    |
|--|---------------|---------------|----------------|------------|------------|------------|------------|------------|
| Net interest income                            | 271           | 281           | 96             | 90         | 90         | 91         | 92         | 94         |
| Net fee and commission income                  | 149           | 137           | 108            | 50         | 48         | 51         | 45         | 45         |
| Other operating income                         | 31            | 31            | 97             | 11         | 10         | 10         | 8          | 8          |
| <b>Operating income</b>                        | <b>450</b>    | <b>449</b>    | <b>100</b>     | <b>151</b> | <b>148</b> | <b>151</b> | <b>145</b> | <b>147</b> |
| Operating cost                                 | -339          | -326          | 104            | -111       | -113       | -116       | -109       | -106       |
| Sector costs                                   | -1            | -1            | 100            | 0          | 0          | 0          | 0          | 0          |
| <b>Profit before impairment charges</b>        | <b>110</b>    | <b>123</b>    | <b>89</b>      | <b>41</b>  | <b>34</b>  | <b>35</b>  | <b>35</b>  | <b>42</b>  |
| Impairment charges, net                        | 80            | 93            | 87             | 9          | 53         | 19         | 18         | 39         |
| <b>Operating profit</b>                        | <b>190</b>    | <b>216</b>    | <b>88</b>      | <b>49</b>  | <b>87</b>  | <b>54</b>  | <b>54</b>  | <b>81</b>  |
| Non-recurring items                            | 0             | 82            |                | 0          | 0          | 0          | -10        | -6         |
| <b>Profit before value adjustments and tax</b> | <b>190</b>    | <b>297</b>    | <b>64</b>      | <b>49</b>  | <b>87</b>  | <b>54</b>  | <b>44</b>  | <b>75</b>  |
| Market value adjustments                       | -8            | -24           | 35             | -7         | -9         | 8          | -11        | -3         |
| <b>Profit before tax</b>                       | <b>182</b>    | <b>273</b>    | <b>66</b>      | <b>42</b>  | <b>78</b>  | <b>62</b>  | <b>32</b>  | <b>72</b>  |
| Loans and advances                             | 9.983         | 10.008        | 100            | 9.983      | 10.053     | 10.006     | 9.956      | 10.008     |
| Deposits and other debt                        | 13.557        | 13.184        | 103            | 13.557     | 14.156     | 14.027     | 13.452     | 13.184     |
| Mortgage credit                                | 12.918        | 12.050        | 107            | 12.918     | 12.644     | 12.477     | 12.238     | 12.050     |
| Operating cost/income, %                       | 75            | 72            |                | 73         | 77         | 77         | 75         | 72         |
| Number of FTE, end of period                   | 354           | 355           | 100            | 354        | 358        | 359        | 360        | 355        |

# Personal Banking

## Income statement, Personal banking

| DKKkm  | Q1-Q3<br>2019 | Q1-Q3<br>2018 | Index<br>19/18 | Q3 2019    | Q2 2019    | Q1 2019    | Q4 2018    | Q3 2018    |
|--|---------------|---------------|----------------|------------|------------|------------|------------|------------|
| Net interest income                            | 181           | 195           | 93             | 60         | 60         | 61         | 63         | 65         |
| Net fee and commission income                  | 136           | 125           | 109            | 46         | 44         | 46         | 44         | 41         |
| Other operating income                         | 24            | 24            | 99             | 8          | 8          | 8          | 7          | 5          |
| <b>Operating income</b>                        | <b>342</b>    | <b>345</b>    | <b>99</b>      | <b>114</b> | <b>112</b> | <b>116</b> | <b>114</b> | <b>111</b> |
| Operating cost                                 | -130          | -133          | 98             | -42        | -45        | -43        | -43        | -44        |
| Sector costs                                   | 0             | 0             |                | 0          | 0          | 0          | 0          | 0          |
| <b>Profit before impairment charges</b>        | <b>211</b>    | <b>211</b>    | <b>100</b>     | <b>71</b>  | <b>67</b>  | <b>73</b>  | <b>70</b>  | <b>67</b>  |
| Impairment charges, net                        | 32            | 47            | 70             | 2          | 26         | 4          | 8          | 22         |
| <b>Operating profit</b>                        | <b>243</b>    | <b>258</b>    | <b>94</b>      | <b>74</b>  | <b>92</b>  | <b>77</b>  | <b>78</b>  | <b>89</b>  |
| Non-recurring items                            | 0             | 0             |                | 0          | 0          | 0          | 0          | 0          |
| <b>Profit before value adjustments and tax</b> | <b>243</b>    | <b>258</b>    | <b>94</b>      | <b>74</b>  | <b>92</b>  | <b>77</b>  | <b>78</b>  | <b>89</b>  |
| Market value adjustments                       | 0             | 0             |                | 0          | 0          | 0          | 0          | 0          |
| <b>Profit before tax</b>                       | <b>243</b>    | <b>258</b>    | <b>94</b>      | <b>74</b>  | <b>92</b>  | <b>77</b>  | <b>78</b>  | <b>89</b>  |
| Loans and advances                             | 6.402         | 6.481         | 99             | 6.402      | 6.451      | 6.429      | 6.455      | 6.481      |
| Deposits and other debt                        | 10.523        | 9.928         | 106            | 10.523     | 10.639     | 10.304     | 10.096     | 9.928      |
| Mortgage credit                                | 12.546        | 11.625        | 108            | 12.546     | 12.280     | 12.093     | 11.838     | 11.625     |
| Operating cost/income, %                       | 38            | 39            |                | 37         | 40         | 37         | 38         | 40         |
| Number of FTE, end of period                   | 213           | 206           | 103            | 213        | 212        | 200        | 208        | 206        |

# Corporate Banking

## Income statement, Corporate Banking

| DKKkm  | Q1-Q3<br>2019 | Q1-Q3<br>2018 | Index<br>19/18 | Q3 2019   | Q2 2019   | Q1 2019   | Q4 2018   | Q3 2018   |
|--|---------------|---------------|----------------|-----------|-----------|-----------|-----------|-----------|
| Net interest income                            | 88            | 86            | 102            | 30        | 29        | 29        | 27        | 29        |
| Net fee and commission income                  | 12            | 10            | 123            | 4         | 4         | 4         | 4         | 3         |
| Other operating income                         | 4             | 5             | 78             | 1         | 1         | 1         | 1         | 2         |
| <b>Operating income</b>                        | <b>104</b>    | <b>101</b>    | <b>103</b>     | <b>35</b> | <b>34</b> | <b>35</b> | <b>32</b> | <b>34</b> |
| Operating cost                                 | -10           | -12           | 90             | -4        | -3        | -3        | -4        | -4        |
| Sector costs                                   | 0             | 0             |                | 0         | 0         | 0         | 0         | 0         |
| <b>Profit before impairment charges</b>        | <b>93</b>     | <b>89</b>     | <b>105</b>     | <b>31</b> | <b>31</b> | <b>31</b> | <b>29</b> | <b>30</b> |
| Impairment charges, net                        | 38            | 46            | 81             | 4         | 24        | 11        | 10        | 17        |
| <b>Operating profit</b>                        | <b>131</b>    | <b>135</b>    | <b>97</b>      | <b>35</b> | <b>54</b> | <b>42</b> | <b>39</b> | <b>47</b> |
| Non-recurring items                            | 0             | 0             |                | 0         | 0         | 0         | 0         | 0         |
| <b>Profit before value adjustments and tax</b> | <b>131</b>    | <b>135</b>    | <b>97</b>      | <b>35</b> | <b>54</b> | <b>42</b> | <b>39</b> | <b>47</b> |
| Market value adjustments                       | 0             | 0             |                | 0         | 0         | 0         | 0         | 0         |
| <b>Profit before tax</b>                       | <b>131</b>    | <b>135</b>    | <b>97</b>      | <b>35</b> | <b>54</b> | <b>42</b> | <b>39</b> | <b>47</b> |
| Loans and advances                             | 3.534         | 3.527         | 100            | 3.534     | 3.573     | 3.565     | 3.502     | 3.527     |
| Deposits and other debt                        | 3.018         | 3.257         | 93             | 3.018     | 3.498     | 3.715     | 3.356     | 3.257     |
| Mortgage credit                                | 372           | 425           | 88             | 372       | 364       | 384       | 400       | 425       |
| Operating cost/income, %                       | 10            | 12            |                | 11        | 10        | 10        | 11        | 12        |
| Number of FTE, end of period                   | 16            | 17            | 93             | 16        | 16        | 16        | 16        | 17        |

# Banking, Faroe Islands

## Income statement, Faroe Islands

| DKKkm  | Q1-Q3<br>2019 | Q1-Q3<br>2018 | Index<br>19/18 | Q3 2019   | Q2 2019   | Q1 2019   | Q4 2018   | Q3 2018   |
|--|---------------|---------------|----------------|-----------|-----------|-----------|-----------|-----------|
| Net interest income                            | 160           | 163           | 98             | 53        | 54        | 53        | 54        | 55        |
| Net fee and commission income                  | 41            | 37            | 111            | 14        | 14        | 14        | 13        | 12        |
| Other operating income                         | 15            | 12            | 132            | 6         | 4         | 5         | 3         | 3         |
| <b>Total Operating income</b>                  | <b>216</b>    | <b>211</b>    | <b>102</b>     | <b>73</b> | <b>72</b> | <b>72</b> | <b>69</b> | <b>70</b> |
| Operating cost                                 | -146          | -133          | 109            | -48       | -50       | -48       | -41       | -43       |
| Sector costs                                   | 0             | 0             |                | 0         | 0         | 0         | 0         | 0         |
| <b>Profit before impairment charges</b>        | <b>70</b>     | <b>78</b>     | <b>91</b>      | <b>25</b> | <b>22</b> | <b>24</b> | <b>28</b> | <b>27</b> |
| Impairment charges, net                        | 25            | 51            | 49             | 3         | 12        | 10        | -5        | 16        |
| <b>Operating profit</b>                        | <b>95</b>     | <b>129</b>    | <b>74</b>      | <b>28</b> | <b>34</b> | <b>33</b> | <b>22</b> | <b>43</b> |
| Non-recurring items                            | 0             | 91            |                | 0         | 0         | 0         | -8        | 0         |
| <b>Profit before value adjustments and tax</b> | <b>95</b>     | <b>220</b>    | <b>43</b>      | <b>28</b> | <b>34</b> | <b>33</b> | <b>14</b> | <b>43</b> |
| Market value adjustments                       | -8            | -24           | 35             | -7        | -9        | 8         | -11       | -7        |
| <b>Profit before tax</b>                       | <b>87</b>     | <b>196</b>    | <b>44</b>      | <b>21</b> | <b>25</b> | <b>41</b> | <b>2</b>  | <b>36</b> |
| Loans and advances                             | 6.508         | 6.452         | 101            | 6.508     | 6.564     | 6.540     | 6.561     | 6.452     |
| Deposits and other debt                        | 7.135         | 7.006         | 102            | 7.135     | 7.491     | 7.442     | 7.101     | 7.006     |
| Mortgage credit                                | 1.206         | 1.007         | 120            | 1.206     | 1.146     | 1.102     | 1.057     | 1.007     |
| Operating cost/income, %                       | 67            | 63            |                | 65        | 69        | 67        | 60        | 62        |
| Number of FTE, end of period                   | 188           | 179           | 105            | 188       | 189       | 190       | 189       | 179       |

# Banking, Denmark

## Income statement, Denmark

| DKKkm  | Q1-Q3<br>2019 | Q1-Q3<br>2018 | Index<br>19/18 | Q3 2019   | Q2 2019   | Q1 2019   | Q4 2018   | Q3 2018   |
|--|---------------|---------------|----------------|-----------|-----------|-----------|-----------|-----------|
| Net interest income                            | 85            | 93            | 92             | 28        | 28        | 29        | 30        | 31        |
| Net fee and commission income                  | 101           | 93            | 108            | 34        | 32        | 34        | 30        | 31        |
| Other operating income                         | 12            | 16            | 79             | 4         | 4         | 4         | 4         | 3         |
| <b>Total Operating income</b>                  | <b>198</b>    | <b>202</b>    | <b>98</b>      | <b>66</b> | <b>65</b> | <b>68</b> | <b>63</b> | <b>65</b> |
| Operating cost                                 | -173          | -171          | 101            | -55       | -57       | -61       | -60       | -55       |
| Sector costs                                   | 0             | 0             |                | 0         | 0         | 0         | 0         | 0         |
| <b>Profit before impairment charges</b>        | <b>25</b>     | <b>30</b>     | <b>82</b>      | <b>11</b> | <b>8</b>  | <b>7</b>  | <b>3</b>  | <b>10</b> |
| Impairment charges, net                        | 45            | 43            | 105            | 8         | 23        | 14        | 20        | 26        |
| <b>Operating profit</b>                        | <b>70</b>     | <b>74</b>     | <b>95</b>      | <b>19</b> | <b>31</b> | <b>21</b> | <b>23</b> | <b>35</b> |
| Non-recurring items                            | 0             | -10           |                | 0         | 0         | 0         | -1        | -6        |
| <b>Profit before value adjustments and tax</b> | <b>70</b>     | <b>64</b>     | <b>109</b>     | <b>19</b> | <b>31</b> | <b>21</b> | <b>22</b> | <b>29</b> |
| Market value adjustments                       | 0             | 0             |                | 0         | 0         | 0         | 0         | 0         |
| <b>Profit before tax</b>                       | <b>70</b>     | <b>64</b>     | <b>109</b>     | <b>19</b> | <b>31</b> | <b>21</b> | <b>22</b> | <b>29</b> |
| Loans and advances                             | 2.785         | 2.832         | 98             | 2.785     | 2.845     | 2.846     | 2.798     | 2.832     |
| Deposits and other debt                        | 5.691         | 5.551         | 103            | 5.691     | 5.799     | 5.693     | 5.656     | 5.551     |
| Mortgage credit                                | 11.080        | 10.409        | 106            | 11.080    | 10.892    | 10.740    | 10.563    | 10.409    |
| Operating cost/income, %                       | 87            | 85            |                | 84        | 88        | 90        | 95        | 85        |
| Number of FTE, end of period                   | 146           | 158           | 93             | 146       | 149       | 149       | 154       | 158       |

# Banking, Greenland

## Income statement, Greenland

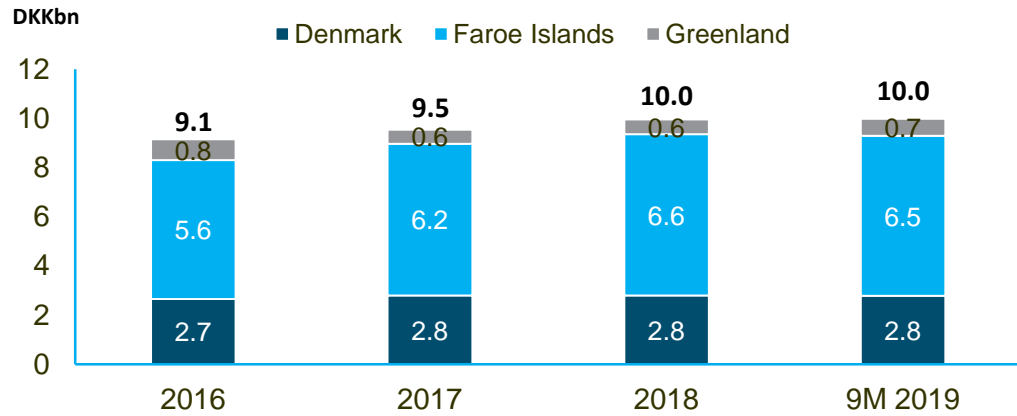
| DKKkm  | Q1-Q3<br>2019 | Q1-Q3<br>2018 | Index<br>19/18 | Q3 2019   | Q2 2019   | Q1 2019   | Q4 2018   | Q3 2018   |
|--|---------------|---------------|----------------|-----------|-----------|-----------|-----------|-----------|
| Net interest income                            | 26            | 26            | 100            | 9         | 8         | 8         | 9         | 8         |
| Net fee and commission income                  | 7             | 7             | 100            | 2         | 2         | 2         | 2         | 2         |
| Other operating income                         | 3             | 4             | 71             | 1         | 1         | 1         | 1         | 2         |
| <b>Total Operating income</b>                  | <b>35</b>     | <b>36</b>     | <b>97</b>      | <b>12</b> | <b>12</b> | <b>11</b> | <b>12</b> | <b>13</b> |
| Operating cost                                 | -21           | -22           | 97             | -8        | -7        | -6        | -7        | -8        |
| Sector costs                                   | 0             | 0             |                | 0         | 0         | 0         | 0         | 0         |
| <b>Profit before impairment charges</b>        | <b>15</b>     | <b>15</b>     | <b>98</b>      | <b>5</b>  | <b>5</b>  | <b>5</b>  | <b>5</b>  | <b>5</b>  |
| Impairment charges, net                        | 10            | -1            |                | -3        | 18        | -5        | 3         | -3        |
| <b>Operating profit</b>                        | <b>25</b>     | <b>14</b>     | <b>183</b>     | <b>2</b>  | <b>22</b> | <b>0</b>  | <b>8</b>  | <b>2</b>  |
| Non-recurring items                            | 0             | 0             |                | 0         | 0         | 0         | 0         | 0         |
| <b>Profit before value adjustments and tax</b> | <b>25</b>     | <b>14</b>     | <b>183</b>     | <b>2</b>  | <b>22</b> | <b>0</b>  | <b>8</b>  | <b>2</b>  |
| Market value adjustments                       | 0             | 0             |                | 0         | 0         | 0         | 0         | 0         |
| <b>Profit before tax</b>                       | <b>25</b>     | <b>14</b>     | <b>183</b>     | <b>2</b>  | <b>22</b> | <b>0</b>  | <b>8</b>  | <b>2</b>  |
| Loans and advances                             | 690           | 724           | 95             | 690       | 643       | 621       | 597       | 724       |
| Deposits and other debt                        | 730           | 627           | 117            | 730       | 865       | 892       | 696       | 627       |
| Mortgage credit                                | 632           | 635           | 100            | 632       | 606       | 635       | 618       | 635       |
| Operating cost/income, %                       | 59            | 59            |                | 61        | 58        | 57        | 60        | 59        |
| Number of FTE, end of period                   | 20            | 18            | 109            | 20        | 20        | 21        | 18        | 18        |

## Income statement, Trygd

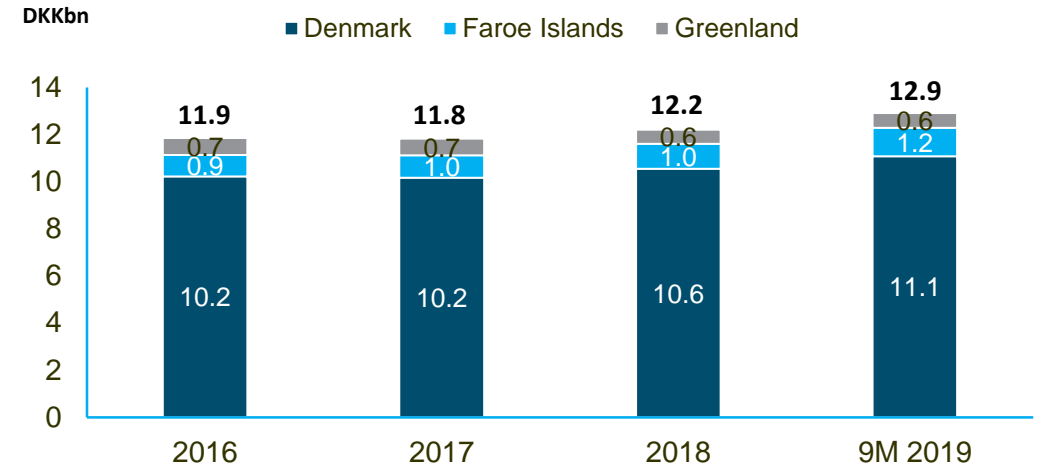
| DKKm                                  | Q1-Q3<br>2019 | Q1-Q3<br>2018 | Index<br>19/18 | Q3 2019   | Q2 2019   | Q1 2019  | Q4 2018   | Q3 2018   |
|---------------------------------------|---------------|---------------|----------------|-----------|-----------|----------|-----------|-----------|
| Premium income, net of reinsurance    | 84            | 78            | 108            | 29        | 28        | 27       | 27        | 27        |
| Claims, net of reinsurance            | -52           | -55           | 94             | -17       | -15       | -19      | -17       | -17       |
| <b>Net insurance income</b>           | <b>32</b>     | <b>23</b>     | <b>140</b>     | <b>12</b> | <b>13</b> | <b>8</b> | <b>10</b> | <b>10</b> |
| Net income from investment activities | 0             | -1            |                | 0         | 0         | 0        | 0         | 0         |
| <b>Operating income</b>               | <b>32</b>     | <b>22</b>     | <b>142</b>     | <b>11</b> | <b>13</b> | <b>8</b> | <b>10</b> | <b>9</b>  |
| Operating cost                        | -18           | -18           | 101            | -6        | -7        | -6       | -6        | -6        |
| <b>Profit before tax</b>              | <b>14</b>     | <b>4</b>      | <b>312</b>     | <b>6</b>  | <b>6</b>  | <b>2</b> | <b>4</b>  | <b>3</b>  |
| Combined ratio                        | 83            | 94            |                | 80        | 78        | 93       | 85        | 87        |
| Claims ratio                          | 62            | 71            |                | 60        | 54        | 72       | 63        | 64        |
| Number of FTE, end of period          | 22            | 23            | 97             | 22        | 24        | 26       | 25        | 23        |

# Development in business volumes

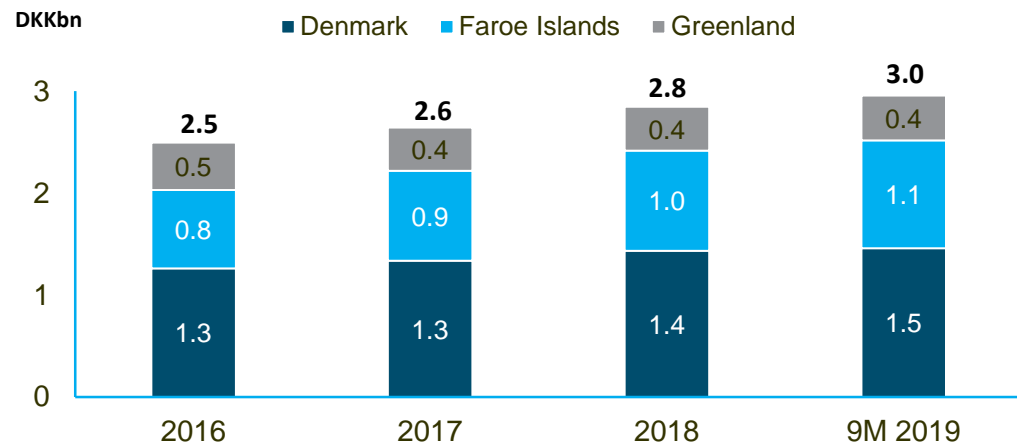
## Bank lending



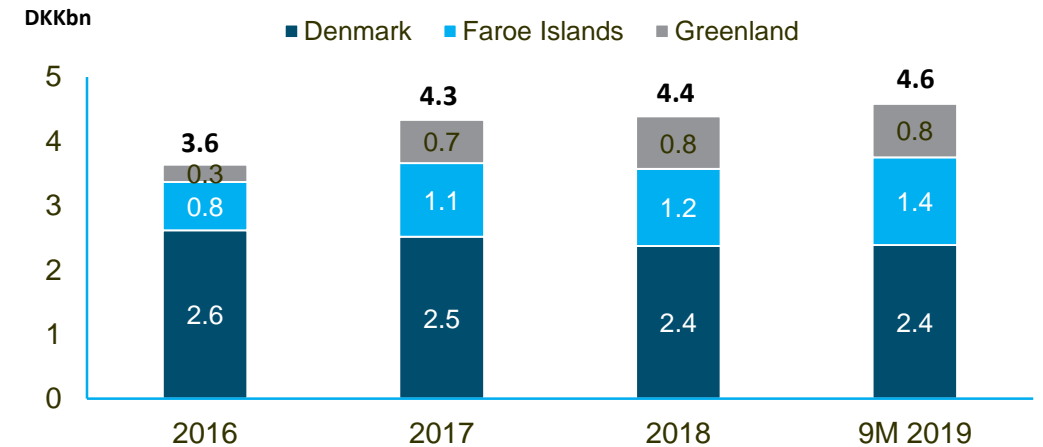
## Mortgages



## Guarantees



## Assets under management





# Credit quality of the loan portfolio

Credit classification according to the Danish FSA's method

|   | Q2 2019       |              |               | Q3 2019       |              |               | Change     |
|---|---------------|--------------|---------------|---------------|--------------|---------------|------------|
|   | <7.5 DKKm     | >7.5 DKKm    | Total         | <7.5 DKKm     | >7.5 DKKm    | Total         |            |
| Portfolio without weakness                | 3.351         | 3.211        | 6.562         | 3.257         | 3.427        | 6.683         | 122        |
| Portfolio with some weakness              | 6.009         | 1.432        | 7.441         | 6.111         | 1.537        | 7.648         | 207        |
| Portfolio with weakness                   | 226           | 154          | 380           | 241           | 160          | 400           | 20         |
| - here of unsecured                       | 51            | 57           | 107           | 58            | 66           | 124           | 17         |
| - impairments                             | 81            | 46           | 128           | 81            | 52           | 133           | 5          |
| Portfolio with OIE                        | 553           | 229          | 782           | 541           | 224          | 765           | -16        |
| - here of unsecured                       | 293           | 146          | 439           | 289           | 139          | 428           | -12        |
| - impairments                             | 276           | 128          | 404           | 273           | 129          | 402           | -2         |
| Portfolio without individ. classification | 99            | 0            | 99            | 88            | 26           | 114           | 16         |
| <b>Total</b>                              | <b>10.238</b> | <b>5.026</b> | <b>15.264</b> | <b>10.238</b> | <b>5.373</b> | <b>15.611</b> | <b>348</b> |