

Strong customer activity and satisfying financial results in 2019

Investor presentation

27 February 2020

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Overview

- **Highlights**
- **Financials**
 - Operating income
 - Insurance
 - Business volumes
 - Expenditures
 - Impairment charges
 - Capital ratios
- **Outlook 2020**
- **Strategy and long-term financial objectives**
- **Appendices**



Highlights in 2019

2019 operating highlights

- Three initiatives launched in H2 2019 are expected to improve the Group's operating profit by around DKK 40m on an annual basis:
 - Introduction of negative interest rates on corporate deposits introduced in September and October 2019
 - Introduction of negative interest rates on pension deposits and retail deposits introduced in December 2019
 - Organisational adjustments – involving narrowing focus/activities and merging two branches in Denmark
- 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%

2019 financial highlights

- Operating income up 4% to DKK 658m
- Operating costs up 4% to DKK 472m
- Profit before impairment charges up by 3% to DKK 185m
- Net impairment charges were a reversal of DKK 105m
- Operating profit flat at 289m
- Non-recurring items was DKK -14m vs. DKK 72m in 2018
- Profit before tax was DKK 260m (DKK 323m)
- Bank lending volumes down flat at DKK 9,909m
- Mortgage lending volumes up by 6% to DKK 13.0bn (DKK 12.2bn)
- CET1 capital ratio of 18.8% and total capital ratio of 22.3% at 31 December 2019

2019 financial results

— Figures in DKKm

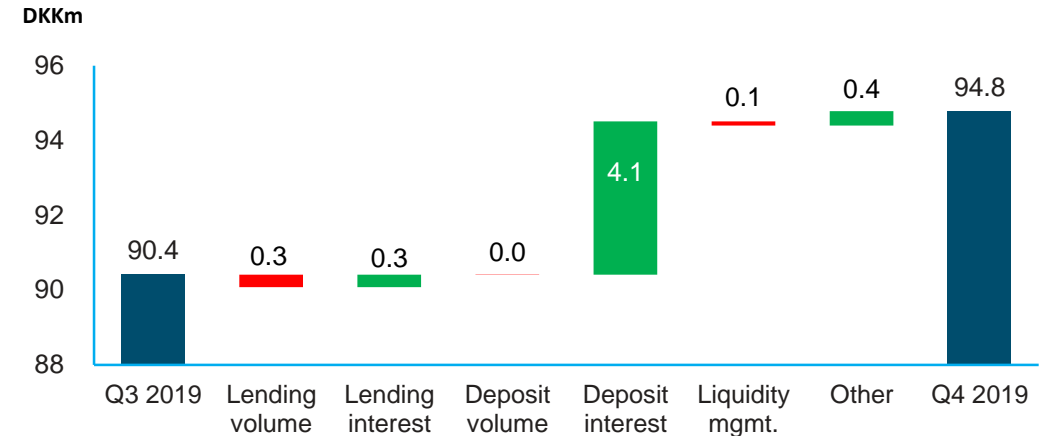
	2019	2018	Index	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	
Profit & loss	Net interest income	367	374	98	95	90	90	91	92
	Net fee and commission income	189	172	110	49	47	45	48	42
	Net insurance income	52	44	120	14	15	15	9	13
	Other operating income	49	45	109	14	13	11	11	9
	Operating income	658	635	104	171	165	163	158	156
	Operating costs	-472	-456	104	-117	-116	-119	-120	-115
	Sector costs	-1	-1	133	0	0	0	0	0
	Profit before impairment charges	185	179	103	54	49	43	38	42
	Net impairment charges on loans	105	111	95	25	9	53	19	18
	Operating profit	289	289	100	79	58	96	57	60
	Non-recurring items	-14	72		-13	0	0	0	-10
	Market value adjustments	-16	-38	43	-6	-8	-10	8	-12
Profit before tax	260	323	80	59	50	86	65	38	
Key metrics	Loans and advances	9.9	10.0	100	9.9	10.0	10.1	10.0	10.0
	Deposits and other debt	14.4	13.4	107	14.4	13.5	14.1	14.0	13.4
	Mortgage credit	13.0	12.2	106	13.0	12.9	12.6	12.5	12.2
	Operating cost / income, %	72	72		68	70	73	76	73
	Total capital ratio, %	22.3	19.8		22.3	21.0	19.6	19.2	19.8
	CET1 capital ratio, %	18.8	17.7		18.8	17.5	17.5	17.2	17.7

Margin pressure eased by introduction of negative interest rates brackets

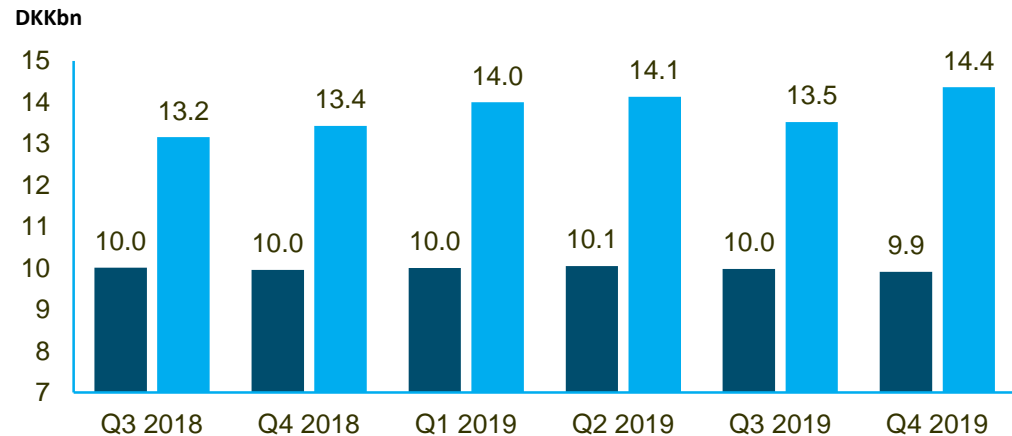
Comments

- Net interest income up DKK 4m QoQ due to negative interest rate brackets introduced on corporate deposits in September and October
- Net interest income down by DKK 7m YoY, mainly due to margin pressure
- Lending volumes down by DKK 74m QoQ and down by DKK 48m YoY

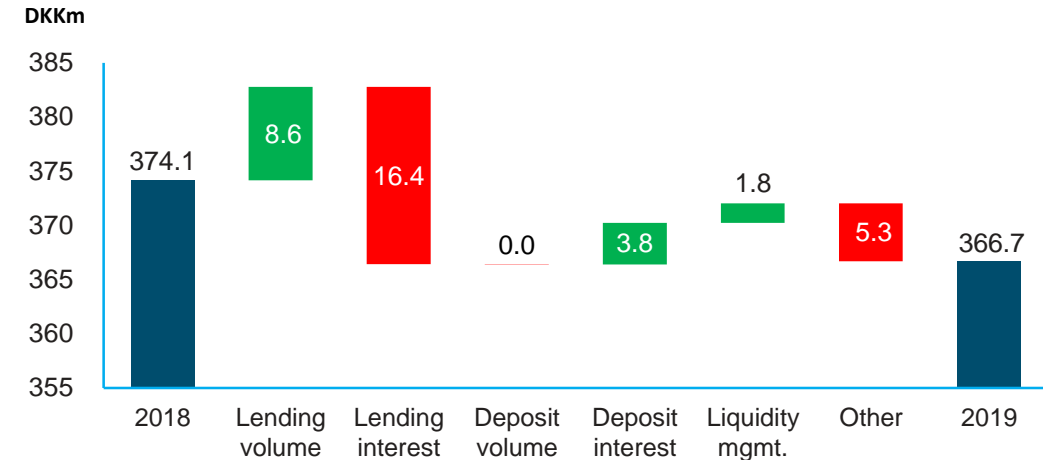
QoQ changes in net interest income



Loans and deposits



YoY changes in net interest income

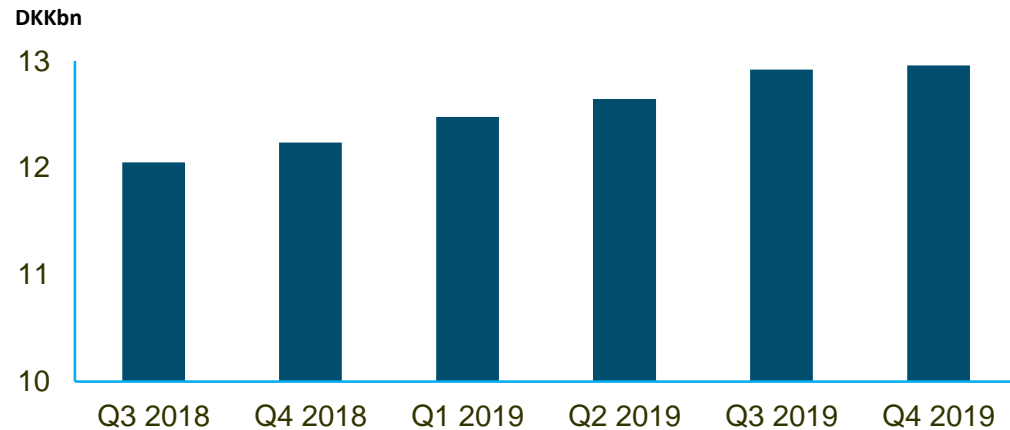


Strong demand for mortgage services in 2019

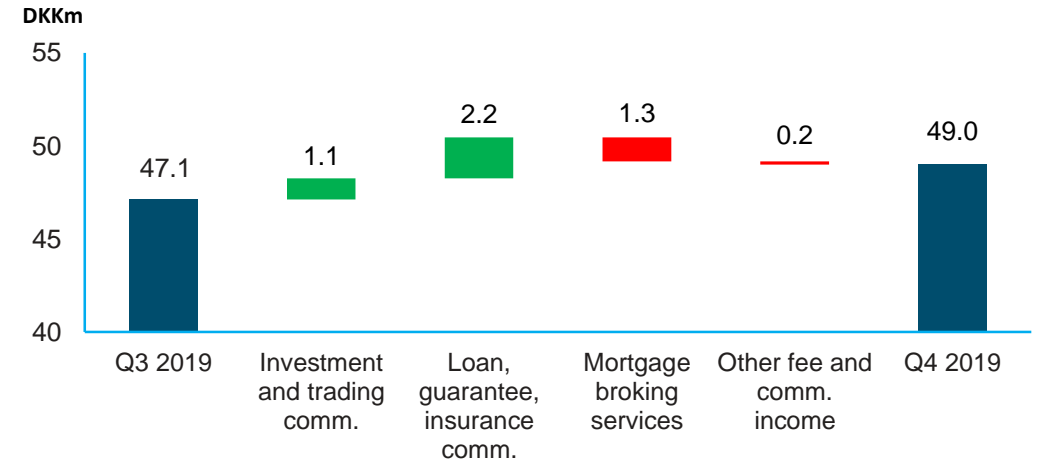
Comments

- Net fee and commission income up by DKK 2m QoQ and up by DKK 17m YoY
- Strong customer activity in 2019, particularly related to mortgage broking services, drove fee and commission income higher
- Mortgage-lending volumes up DKK 722m in 2019 in spite of a decrease for Corporate segment in DK of DKK 189m

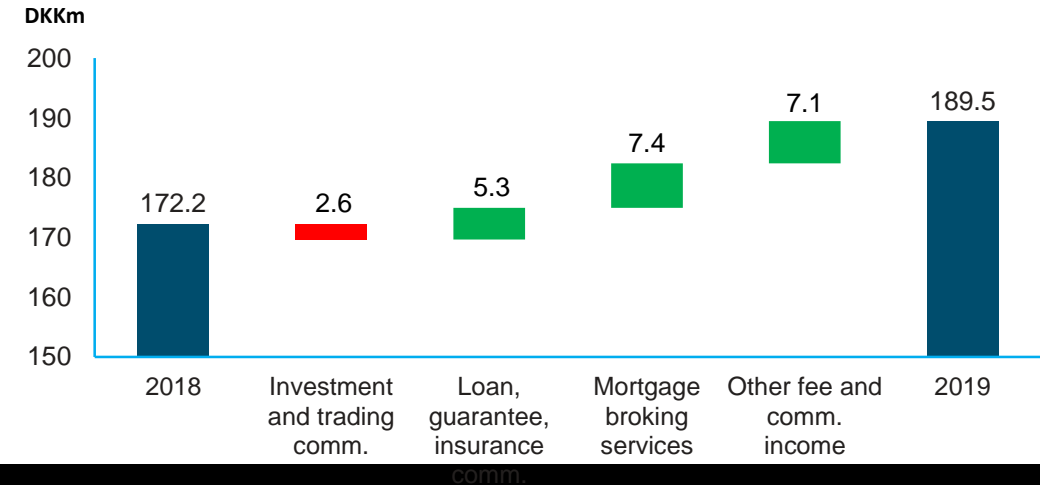
Mortgage lending



QoQ changes in fee and commission income



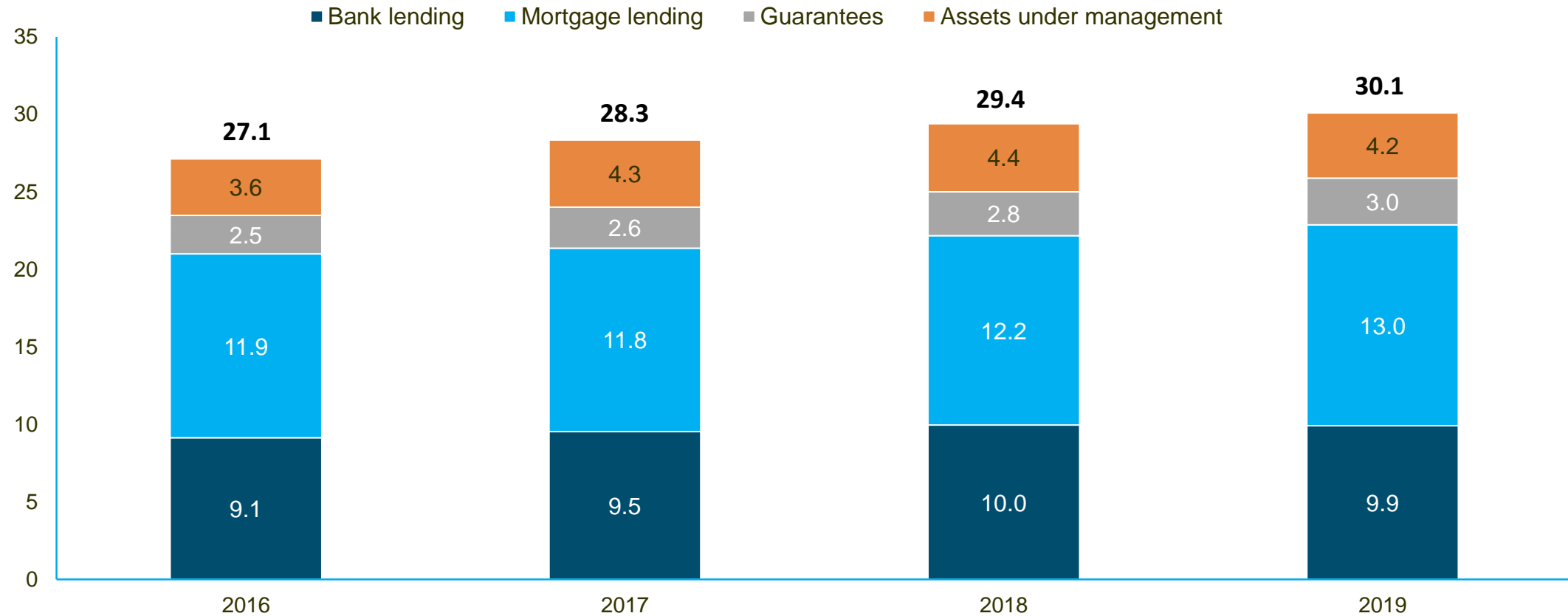
YoY changes in fee and commission income



Developments in business volume

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

DKKbn

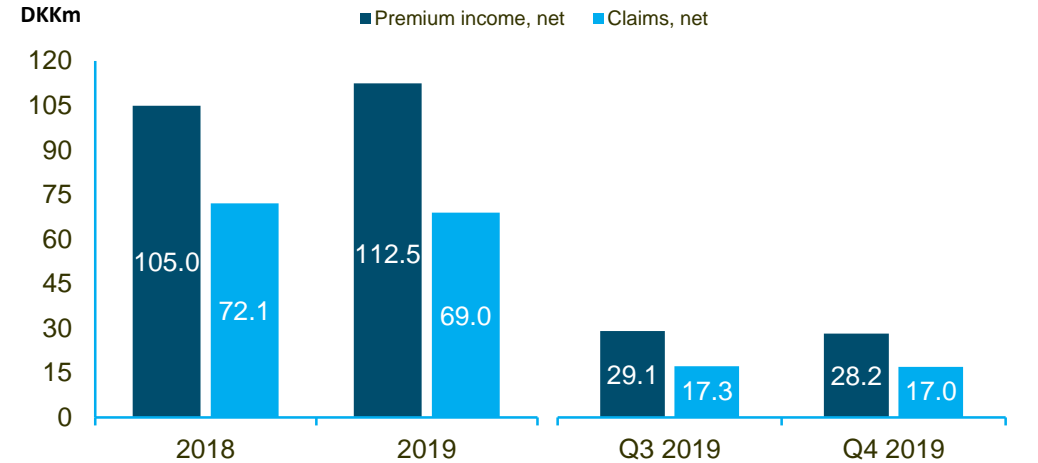


Growth in Trygd's premiums and fewer claims in 2019

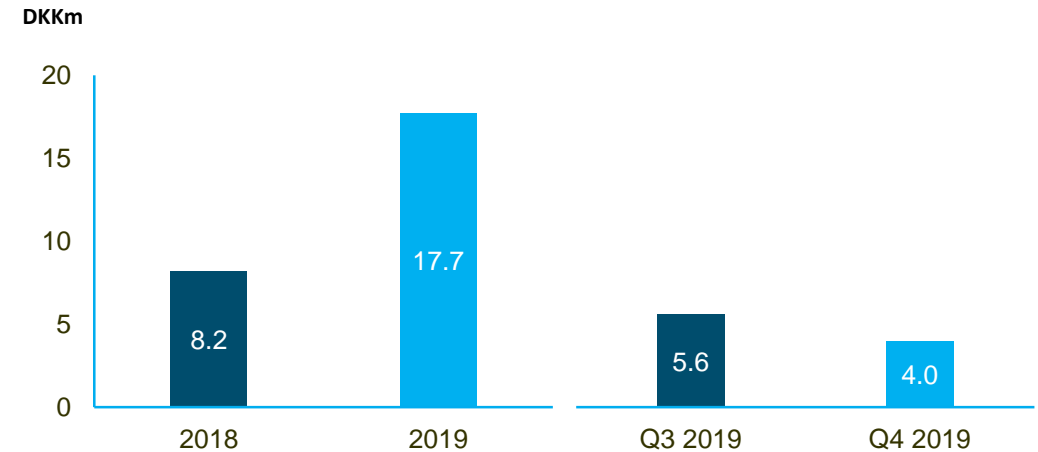
Comments

- Combined ratio of 84% in 2019 compared to 91% in 2018
- Net premium income up by DKK 7m YoY and down by DKK 1m QoQ
- Net claims down by DKK 3m YoY and down by DKK 0.3m QoQ
- Profit before tax of DKK 18m in 2019 relative to DKK 8m in 2018 and DKK 4m in Q4 2019 relative to DKK 6m in Q3 2019
- Trygd expects to continue attracting new customers and growing premium income in 2020

Premium and claims



Profit before tax

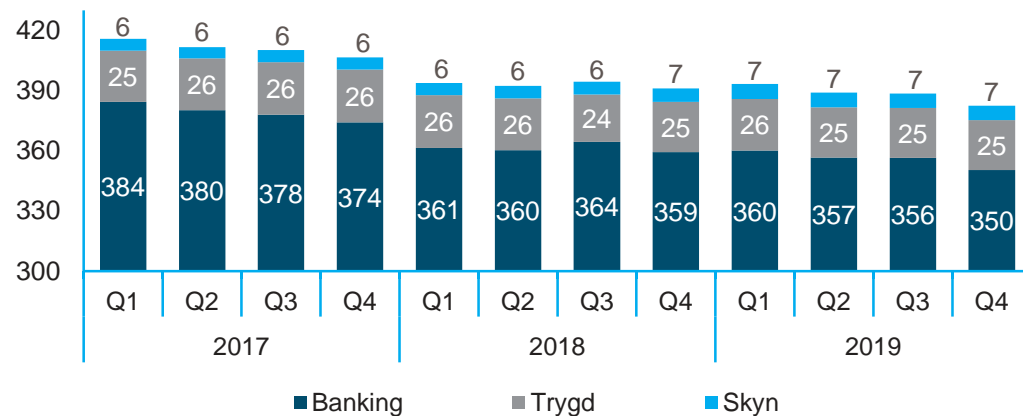


Pressure on operating costs YTD

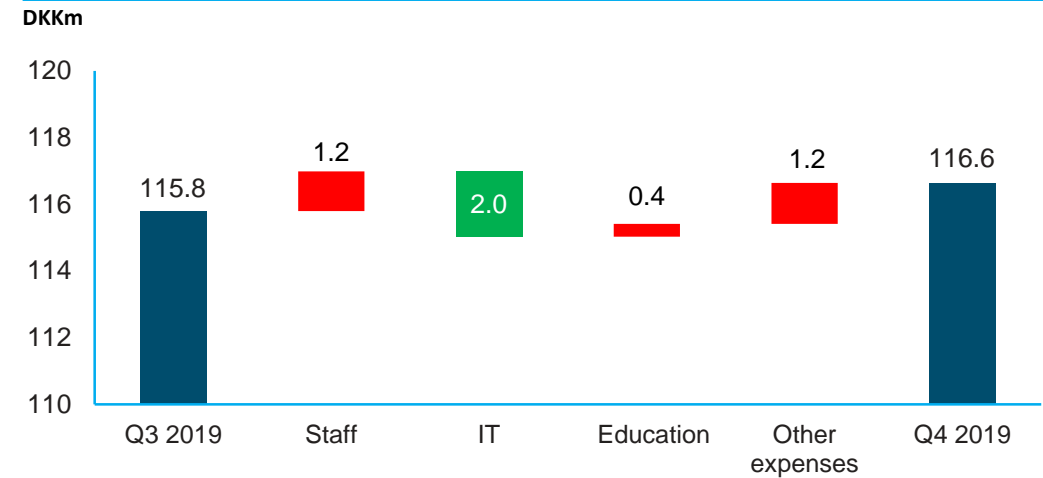
Comments

- Operating costs up by DKK 16m YoY and up by DKK 0.8m 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
- Initiatives launched in December 2019 are expected to have a positive effect of approx. DKK 20m in 2020

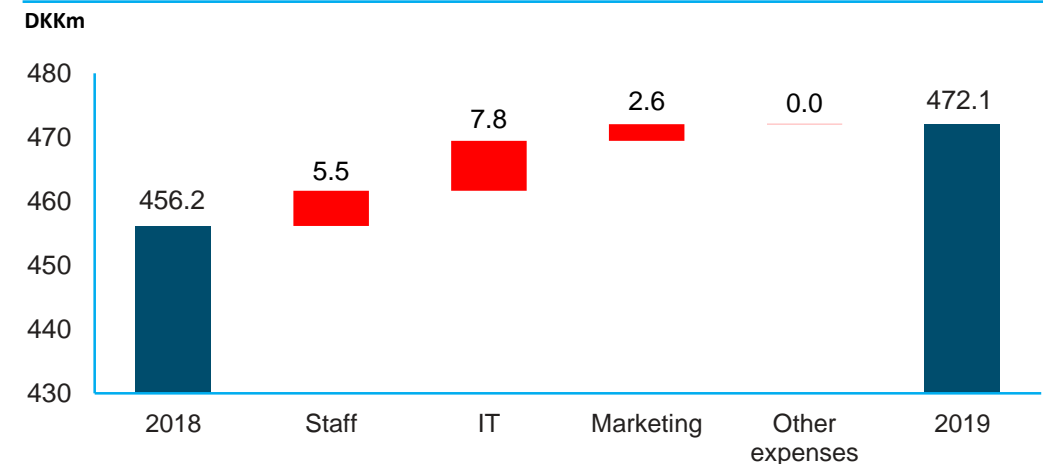
Average number of employees (FTE)



QoQ changes in operating costs



YoY changes in operating costs

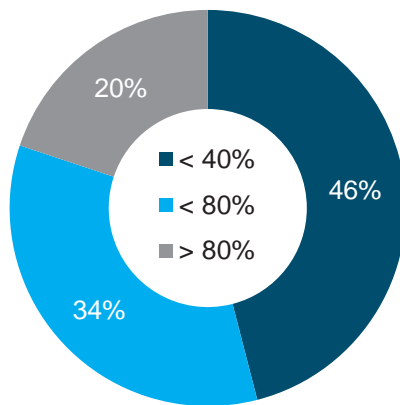


Reversal of impairment charges continues

Comments

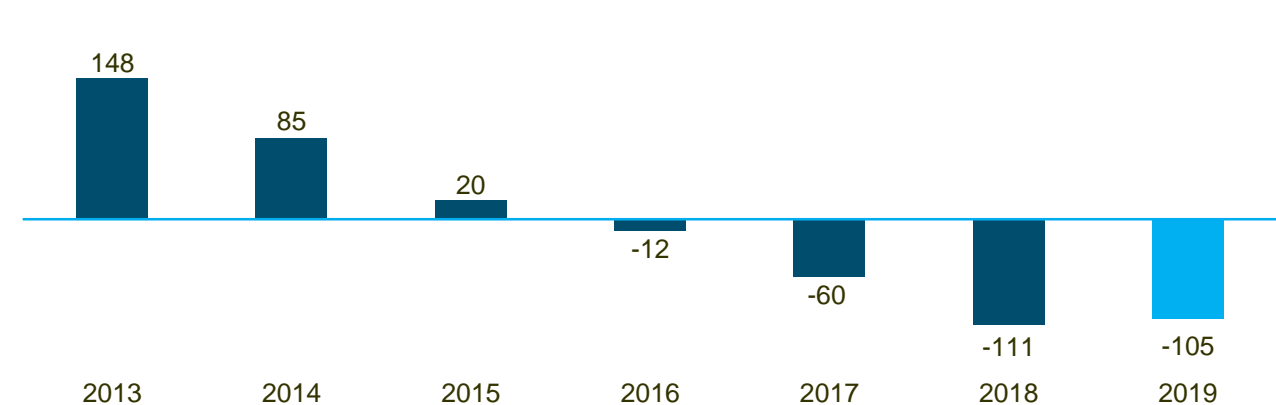
- Net impairment charges were a reversal of DKK 105m in 2019
- Well-diversified loan portfolio with no individual sector accounting for more than 5%
- Strong LTV ratios for housing loans

LTV for housing loans¹



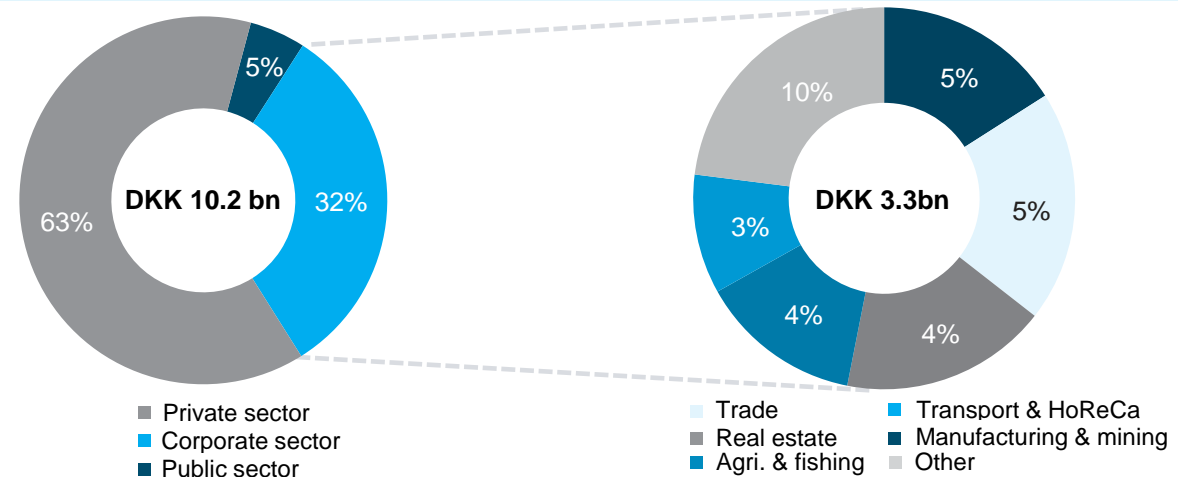
Net impairment charges

DKKm



Gross loans by sector²

DKKm

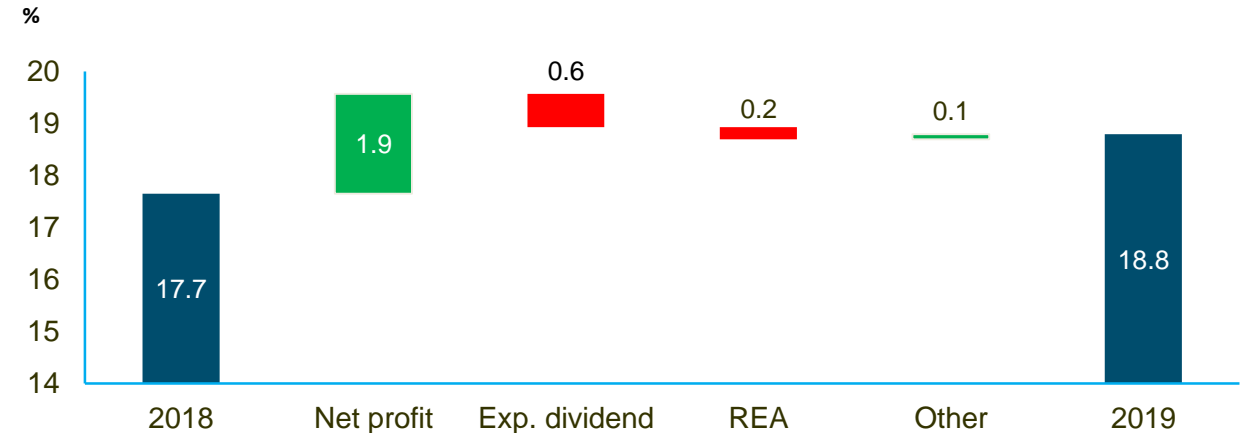


AT1 issuance strengthens capital position

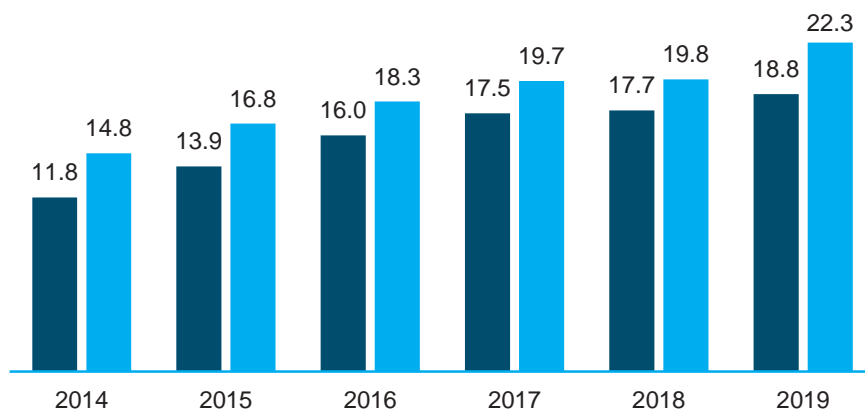
Comments

- CET1 up by 1.1 pp and total capital ratio up by 2.5 pp, both YOY
- AT1 capital in the amount of DKK 150m issued in September 2019 contributes 1.4pp to the Group's total capital ratio

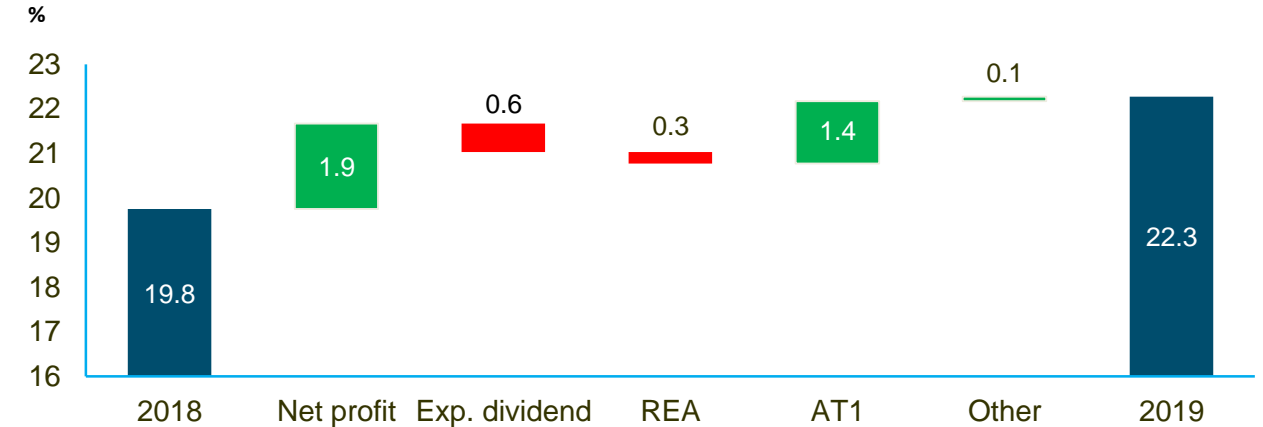
YoY changes in CET1 ratio



Capital ratio development



YoY changes in total capital ratio

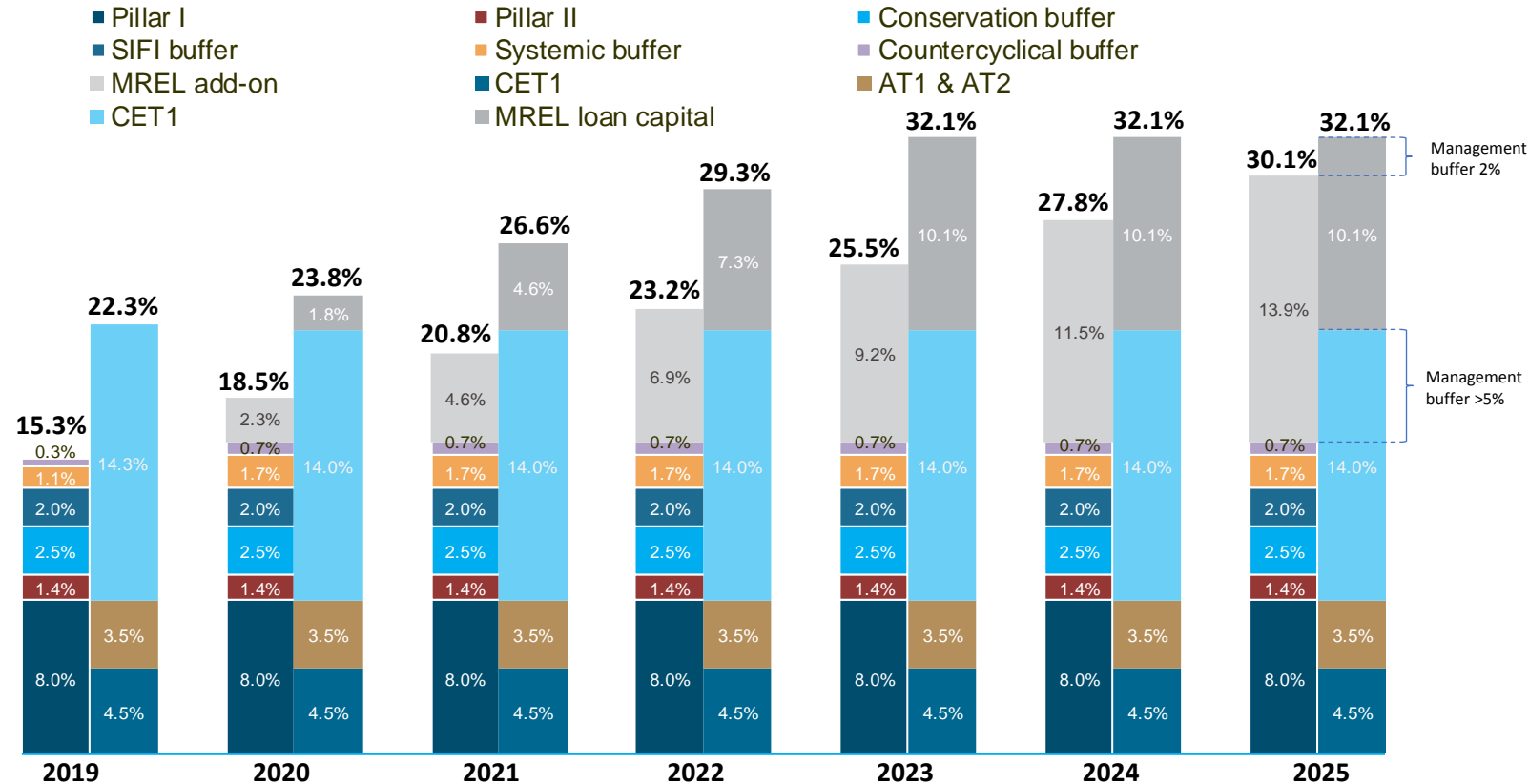


Capital requirements 2020 - 2025

Comments

- The MREL add-on will exclude the systemic risk buffer in the Faroe Islands as well as the Danish countercyclical buffer
- The MREL add-on is to be phased in from 2020-2025 and have effect from January 1 in the relevant years
- Higher capital requirements will render fewer projects attractive to finance and lending growth is less likely to be value accretive
- Intense focus on efficient capital allocation:
 - Strengthen cooperation with InnovFin and EKF to reduce REA

Capital requirements based on comments from the Danish FSA¹



Outlook 2020 – challenging market conditions

Business volume growth

- Using EKF and InnovFin to support corporate lending growth
- Robust growth in mortgage brokerage volumes, bank loans to personal customers flat
- Increased insurance income and assets under management
- Risk-weighted assets flat

Operating income flat

- Continued pressure on lending rate offset by negative rates on some deposits
- Lower fee income from loan conversions balanced out by adjustments to loyalty programme and other measures
- Increased insurance premiums to counter normalised claims level

Modest cost reduction

- Increased staff costs due to salary increases
- Savings on staff costs due to increased efficiency and process optimisation
- Continued increases to IT costs
- Savings from organisational adjustments announced in December 2019

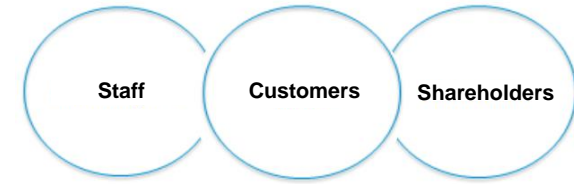
Impairment charges to remain at a low level

Net profit expected at DKK 100-150m (2019: DKK 207m)

Economic outlook

	2020F	2019E
Denmark	1.5%	1.8%
Faroe Islands	Growth	6.6%
Greenland	3.8%	2.2%

Strategy 2020-22: Improved customer experience; increased efficiency and profitability



Areas of focus

1

Improved customer experience:

- *Customer philosophy* concept for straightforward advice to customers
- *The good customer meeting* as a new standard
- Simple, easy and seamless digital advice with the option to request personal advice

Examples of initiatives:

- Launch of Customer philosophy at all branches
- Further development of Advisor as advisory platform
- Launching a new online and mobile banking platform

2

Efficient and digital organisation:

- Focus on ongoing process efficiency and optimisation
- More automated and digital processes
- Responsive and adaptable organisation

Examples of initiatives :

- Further development of robotics capabilities
- Implementing Automated Production
- Training in adapting to digital

3

Trustworthy and respectable financial group

- Attractive place to work with short decision-making paths and trust-based dialogue
- Ensuring that we abide by relevant legislation, rules and ethical guidelines
- Demonstrating social responsibility by supporting a better, more sustainable future

Examples of initiatives :

- Green and responsible products
- Measuring and reporting developments in sustainability
- Ongoing trainee education and competency development

Vision:

Best at retaining and attracting customers

Mission:

We make it easy for you to make the right choice

Strategic objectives:

- ROE = 6-8% after tax
- C/I ≤ 67%
- CET1 ratio = 18.5%
- Total capital ratio = 22%
- Relational NPS > 40
- Implementing transactional NPS in 2020
- Employee satisfaction ≥ 4.5 (max. score = 5)

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	Index			Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
	2019	2018	19/18								
Net interest income	367	374	98	95	90	90	91	92	94	93	94
Net fee and commission income	189	172	110	49	47	45	48	42	43	43	44
Net insurance income	52	44	120	14	15	15	9	13	13	6	12
Other operating income (less reclassification)	49	45	109	14	13	11	11	9	10	15	12
Operating income	658	635	104	171	165	163	158	156	160	157	162
Operating costs ¹	-472	-456	104	-117	-116	-119	-120	-115	-111	-116	-115
Sector costs	-1	-1	133	0	0	0	0	0	0	0	0
Profit before impairment charges	185	179	103	54	49	43	38	42	49	42	47
Impairment charges, net	105	111	95	25	9	53	19	18	39	23	31
Operating profit	289	289	100	79	58	96	57	60	88	65	77
Non-recurring items ²	-14	72		-13	0	0	0	-10	-6	12	76
Profit before value adjustments and tax	276	361	76	65	58	96	57	50	81	76	154
Market value adjustments ³	-16	-38	43	-6	-8	-10	8	-12	-3	-17	-6
Profit before tax	260	323	80	59	50	86	65	38	78	59	148
Operating cost/income, %	72	72		68	70	73	76	73	69	73	71
Number of FTE, end of period	377	393	96	377	383	390	393	393	385	390	387

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 ^m			<i>Index</i>								
	2019	2018	19/18	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Net interest income	365	373	98	94	90	90	91	92	94	93	94
Net fee and commission income	200	182	110	52	50	48	51	45	45	45	46
Other operating income	43	39	111	13	11	10	10	8	8	13	10
Operating income	609	594	102	159	151	148	151	145	147	152	150
Operating cost	-449	-435	103	-110	-111	-113	-116	-109	-106	-110	-110
Sector costs	-1	-1	133	0	0	0	0	0	0	0	0
Profit before impairment charges	159	159	100	49	41	34	35	35	42	42	40
Impairment charges, net	105	111	95	25	9	53	19	18	39	23	31
Operating profit	263	269	98	73	49	87	54	54	81	65	71
Non-recurring items	-14	72		-13	0	0	0	-10	-6	12	76
Profit before value adjustments and tax	250	341	73	60	49	87	54	44	75	76	147
Market value adjustments	-14	-36	38	-5	-7	-9	8	-11	-3	-17	-5
Profit before tax	236	306	77	55	42	78	62	32	72	59	142
Loans and advances	9,909	9,956	100	9,909	9,983	10,053	10,006	9,956	10,008	9,742	9,607
Deposits and other debt	14,399	13,452	107	14,399	13,557	14,156	14,027	13,452	13,184	13,168	13,107
Mortgage credit	12,960	12,238	106	12,960	12,918	12,644	12,477	12,238	12,050	11,890	11,852
Operating cost/income, %	74	73		69	73	77	77	75	72	72	73
Number of FTE, end of period	345	360	96	345	354	358	359	360	355	358	356

Personal Banking

Income statement, Personal banking

DKKm	Index			Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
	2019	2018	19/18								
Net interest income	242	258	94	61	60	60	61	63	65	65	66
Net fee and commission income	184	169	109	48	46	44	46	44	41	41	43
Other operating income	33	31	105	8	8	8	8	7	5	11	8
Operating income	458	459	100	117	114	112	116	114	111	117	116
Operating cost	-169	-176	96	-38	-42	-45	-43	-43	-44	-44	-45
Sector costs	-1	-1		0	0	0	0	0	0	0	0
Profit before impairment charges	289	282	103	78	71	67	73	70	67	73	71
Impairment charges, net	45	54	83	13	2	26	4	8	22	10	15
Operating profit	334	336	99	91	74	92	77	78	89	83	86
Non-recurring items	-9	0		-9	0	0	0	0	0	0	0
Profit before value adjustments and tax	325	336	97	82	74	92	77	78	89	83	86
Market value adjustments	0	0		0	0	0	0	0	0	0	0
Profit before tax	325	336	97	82	74	92	77	78	89	83	86
Loans and advances	6,287	6,455	97	6,287	6,402	6,451	6,429	6,455	6,481	6,382	6,368
Deposits and other debt	10,603	10,096	105	10,603	10,523	10,639	10,304	10,096	9,928	10,027	9,804
Mortgage credit	12,751	11,838	108	12,751	12,546	12,280	12,093	11,838	11,625	11,460	11,406
Operating cost/income, %	37	38		33	37	40	37	38	40	38	38
Number of FTE, end of period	202	208	97	202	213	212	200	208	206	201	207

Corporate Banking

Income statement, Corporate Banking

DKKm	Index			Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
	2019	2018	19/18								
Net interest income	119	113	105	31	30	29	29	27	29	29	28
Net fee and commission income	17	14	115	4	4	4	4	4	3	3	3
Other operating income	6	6	97	2	1	1	1	1	2	1	3
Operating income	141	133	106	37	35	34	35	32	34	34	33
Operating cost	-14	-15	94	-4	-4	-3	-3	-4	-4	-4	-4
Sector costs	0	0		0	0	0	0	0	0	0	0
Profit before impairment charges	127	118	108	33	31	31	31	29	30	30	29
Impairment charges, net	59	57	105	22	4	24	11	10	17	13	16
Operating profit	186	174	107	55	35	54	42	39	47	43	45
Non-recurring items	0	0		0	0	0	0	0	0	0	0
Profit before value adjustments and tax	186	174	107	55	35	54	42	39	47	43	45
Market value adjustments	0	0		0	0	0	0	0	0	0	0
Profit before tax	186	174	107	55	35	54	42	39	47	43	45
Loans and advances	3,602	3,502	103	3,602	3,534	3,573	3,565	3,502	3,527	3,360	3,240
Deposits and other debt	3,770	3,356	112	3,770	3,018	3,498	3,715	3,356	3,257	3,141	3,303
Mortgage credit	209	400	52	209	372	364	384	400	425	430	446
Operating cost/income, %	10	11		10	11	10	10	11	12	11	12
Number of FTE, end of period	16	16	99	16	16	16	16	16	17	17	18

Banking, Faroe Islands

Income statement, Faroe Islands

DKKm	Index			Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
	2019	2018	19/18								
Net interest income	216	216	100	56	53	54	53	54	55	53	55
Net fee and commission income	56	50	113	15	14	14	14	13	12	14	12
Other operating income	22	14	155	7	6	4	5	3	3	5	3
Total Operating income	295	280	105	78	73	72	72	69	70	72	70
Operating cost	-197	-175	113	-51	-48	-50	-48	-41	-43	-44	-47
Sector costs	0	0		0	0	0	0	0	0	0	0
Profit before impairment charges	98	105	93	27	25	22	24	28	27	28	23
Impairment charges, net	36	46	79	11	3	12	10	-5	16	21	14
Operating profit	133	151	88	38	28	34	33	22	43	48	37
Non-recurring items	-5	83		-5	0	0	0	-8	0	10	81
Profit before value adjustments and tax	128	234	55	33	28	34	33	14	43	59	118
Market value adjustments	-14	-36	38	-5	-7	-9	8	-11	-7	-18	1
Profit before tax	115	198	58	28	21	25	41	2	36	40	120
Loans and advances	6,492	6,561	99	6,492	6,508	6,564	6,540	6,561	6,452	6,378	6,213
Deposits and other debt	7,299	7,101	103	7,299	7,135	7,491	7,442	7,101	7,006	6,880	6,829
Mortgage credit	1,275	1,057	121	1,275	1,206	1,146	1,102	1,057	1,007	979	956
Operating cost/income, %	67	62		65	65	69	67	60	62	61	66
Number of FTE, end of period	185	189	98	185	188	189	190	189	179	178	172

Banking, Denmark

Income statement, Denmark

DKKm	Index			Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
	2019	2018	19/18								
Net interest income	113	122	92	28	28	28	29	30	31	31	31
Net fee and commission income	135	123	109	34	34	32	34	30	31	30	32
Other operating income	17	19	88	5	4	4	4	4	3	7	6
Total Operating income	265	265	100	66	66	65	68	63	65	68	69
Operating cost	-224	-231	97	-51	-55	-57	-61	-60	-55	-58	-57
Sector costs	-1	0		0	0	0	0	0	0	0	0
Profit before impairment charges	41	33	122	16	11	8	7	3	10	9	11
Impairment charges, net	55	64	86	10	8	23	14	20	26	-3	20
Operating profit	96	97	99	25	19	31	21	23	35	7	32
Non-recurring items	-9	-11		-8	0	0	0	-1	-6	1	-5
Profit before value adjustments and tax	87	86	101	17	19	31	21	22	29	8	27
Market value adjustments	0	0		0	0	0	0	0	0	0	0
Profit before tax	87	86	101	17	19	31	21	22	29	8	27
Loans and advances	2.622	2.798	94	2.622	2.785	2.845	2.846	2.798	2.832	2.772	2.798
Deposits and other debt	5.802	5.656	103	5.802	5.691	5.799	5.693	5.656	5.551	5.675	5.619
Mortgage credit	11.038	10.563	105	11.038	11.080	10.892	10.740	10.563	10.409	10.273	10.219
Operating cost/income, %	84	87		76	84	88	90	95	85	86	83
Number of FTE, end of period	140	154	91	140	146	149	149	154	158	162	166

Banking, Greenland

Income statement, Greenland

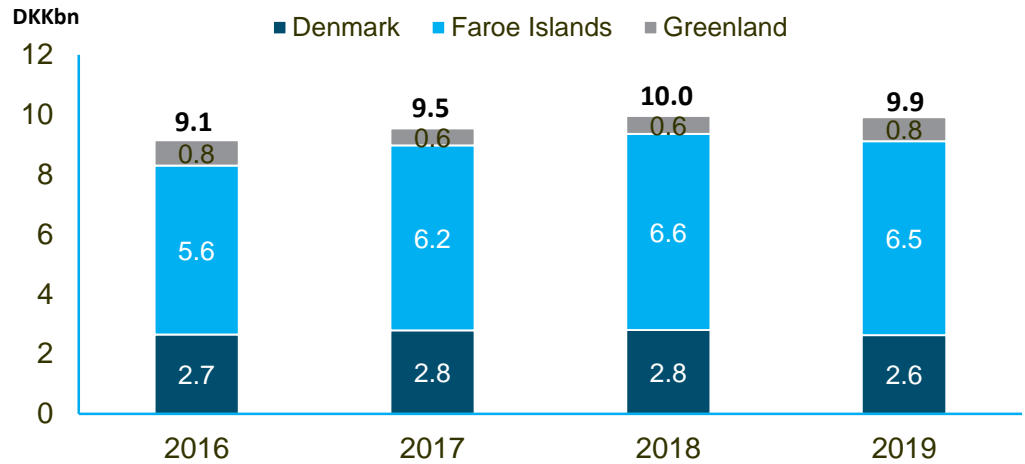
DKKkm	Index			Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
	2019	2018	19/18								
Net interest income	36	34	106	11	9	8	8	9	8	9	8
Net fee and commission income	9	9	101	2	2	2	2	2	2	2	2
Other operating income	4	6	73	1	1	1	1	1	2	1	1
Total Operating income	50	49	101	14	12	12	11	12	13	12	12
Operating cost	-29	-29	100	-8	-8	-7	-6	-7	-8	-8	-6
Sector costs	0	0		0	0	0	0	0	0	0	0
Profit before impairment charges	20	20	103	6	5	5	5	5	5	5	5
Impairment charges, net	14	2		4	-3	18	-5	3	-3	5	-3
Operating profit	35	22	161	10	2	22	0	8	2	10	2
Non-recurring items	0	0		0	0	0	0	0	0	0	0
Profit before value adjustments and tax	35	22	161	10	2	22	0	8	2	10	2
Market value adjustments	0	0		0	0	0	0	0	0	0	0
Profit before tax	35	22	161	10	2	22	0	8	2	10	2
Loans and advances	795	597	133	795	690	643	621	597	724	593	597
Deposits and other debt	1,299	696	187	1,299	730	865	892	696	627	613	660
Mortgage credit	646	618	105	646	632	606	635	618	635	638	677
Operating cost/income, %	59	59		58	61	58	57	60	59	62	55
Number of FTE, end of period	20	18	113	20	20	20	21	18	18	18	19

Income statement, Trygd

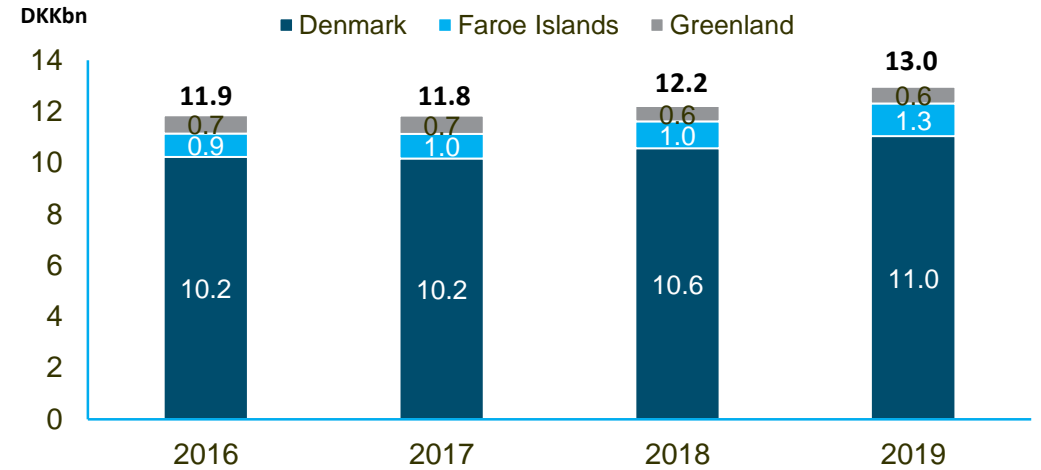
DKKm	Index			Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
	2019	2018	19/18								
Premium income, net of reinsurance	113	105	107	28	29	28	27	27	27	26	25
Claims, net of reinsurance	-69	-72	96	-17	-17	-15	-19	-17	-17	-23	-15
Net insurance income	44	33	132	11	12	13	8	10	10	3	11
Net income from investment activities	-1	-1		0	0	0	0	0	0	0	0
Operating income	43	32	133	11	11	13	8	10	9	3	11
Operating cost	-25	-24	105	-7	-6	-7	-6	-6	-6	-6	-6
Profit before tax	18	8	216	4	6	6	2	4	3	-4	5
Combined ratio	84	91		85	80	78	93	85	87	114	80
Claims ratio	61	69		60	60	54	72	63	64	90	58
Number of FTE, end of period	25	25	98	25	22	24	26	25	23	25	25

Development in business volumes

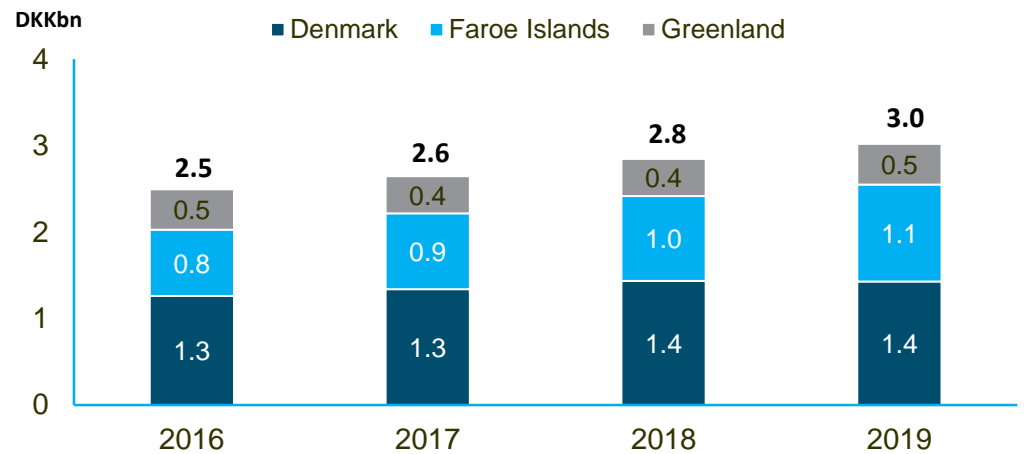
Bank lending



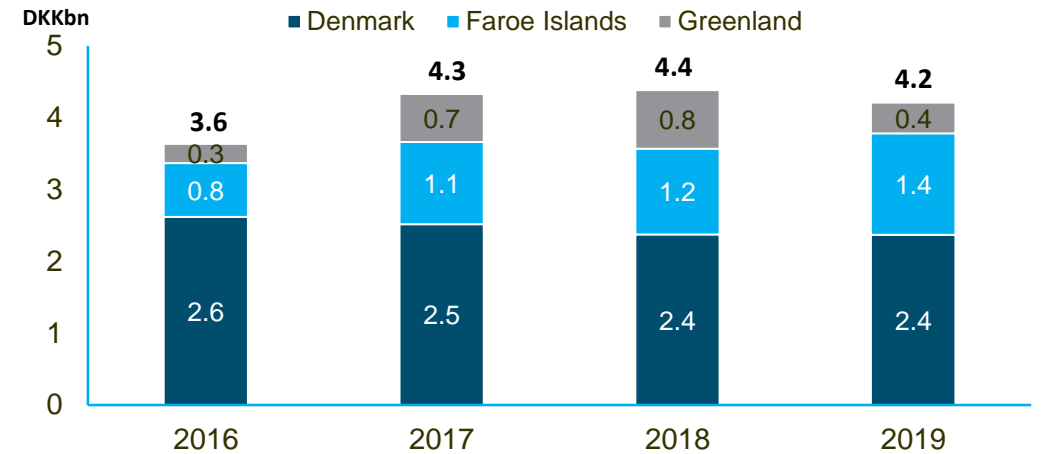
Mortgages



Guarantees



Assets under management



Credit quality of the loan portfolio

Credit classification according to the Danish FSA's method

	Q3 2019			Q4 2019			Change
	<7.5 DKKm	>7.5 DKKm	Total	<7.5 DKKm	>7.5 DKKm	Total	
Portfolio without weakness	3,257	3,427	6,683	3,163	3,503	6,665	-18
Portfolio with some weakness	6,111	1,537	7,648	6,148	1,469	7,617	-31
Portfolio with weakness	241	160	400	214	149	362	-38
- here of unsecured	58	66	124	46	45	91	-34
- impairments	81	52	133	71	38	109	-24
Portfolio with OIE	541	224	765	514	205	719	-46
- here of unsecured	289	139	428	265	132	397	-31
- impairments	273	129	402	259	116	375	-27
Portfolio without individ. classification	88	26	114	107	101	208	94
Total	10,238	5,373	15,611	10,146	5,426	15,572	-40