

Strong performance in Q1 2020

- uncertain economic environment ahead

Investor presentation

30 April 2020

Árni Ellefsen, CEO

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Overview

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



Highlights in Q1 2020

— Strong customer activity and pressure on interest margins eased

Operating highlights Q1 2020

- Merger of two branches in Denmark implemented in January
- Activity levels adapted to the COVID-19 situation from mid-March:
 - No physical customer meetings – only virtual meetings
 - A majority of the Bank's personnel has been working from home
- From 1 April, no threshold for negative interest rates on corporate deposits
- Changes in customer concepts will increase income from 1 April

Financial highlights Q1 2020

- Operating income up 2% and Operating costs down 10%
- Profit before impairment charges up 46%
- Net impairment charges increased to DKK 24m (DKK -19m)
- Investment portfolio earnings down for a loss of DKK 51m (DKK 15m)
- Loss before tax of DKK -30m (DKK 65m profit)
- CET1 capital ratio of 19.8% and total capital ratio of 23.4%

Profit & loss

	Q1 2020	Q1 2019	Index
Net interest income	88	84	104
Net fee and commission income	54	48	113
Net insurance income	4	9	42
Other operating income	9	11	81
Operating income	154	151	102
Operating costs	-109	-120	90
Sector costs	0	0	186
Profit before impairment charges	45	31	146
Net impairment charges on loans	-24	19	-124
Operating profit	22	50	43
Non-recurring items	0	0	
Investment portfolio earnings	-51	15	-352
Profit before tax	-30	65	-46

Key metrics

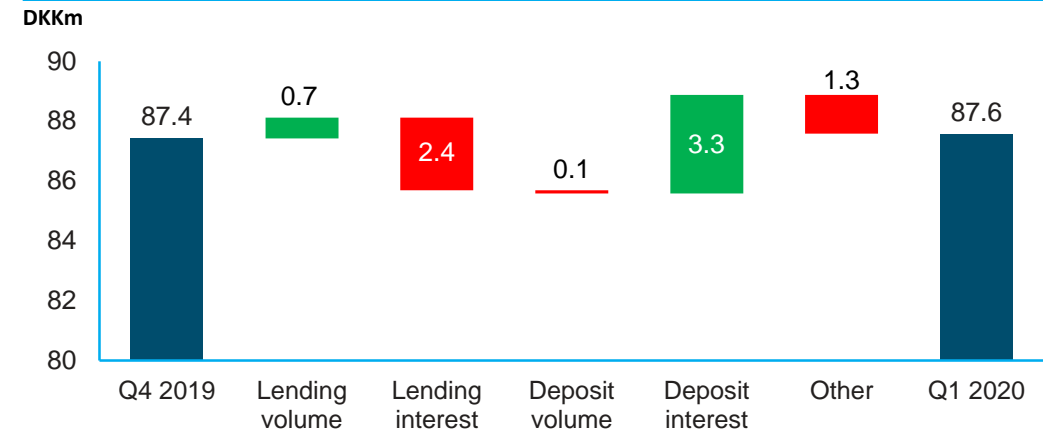
	Q1 2020	Q1 2019	Index
Loans and advances	10.0	10.0	100
Deposits and other debt	12.9	14.0	92
Mortgage credit	13.0	12.5	104
Operating cost / income, %	70	79	
Total capital ratio, %	23.4	19.2	
CET1 capital ratio, %	19.8	17.2	

Margin pressure eased by negative interest rates brackets

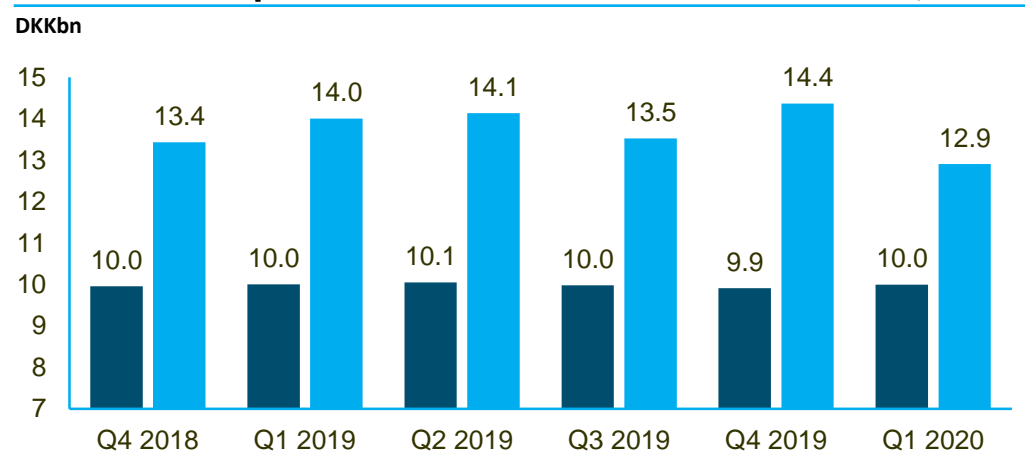
Comments

- Net interest income flat QoQ and up by DKK 4m YoY mainly due to negative interest rates on corporate business
- Effects of negative interest rate brackets introduced on pension and retail deposits in December 2019 feeding through from 1 March 2020
- From 1 April, no threshold for negative interest rates on corporate deposits
- Lending volumes up by DKK 62m QoQ and down by DKK 36m YoY

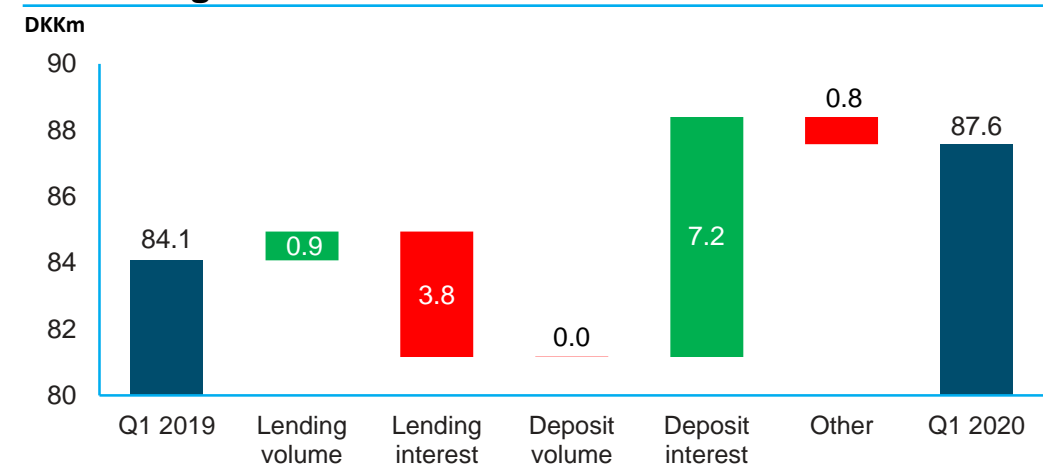
QoQ changes in net interest income



Loans and deposits



YoY changes in net interest income

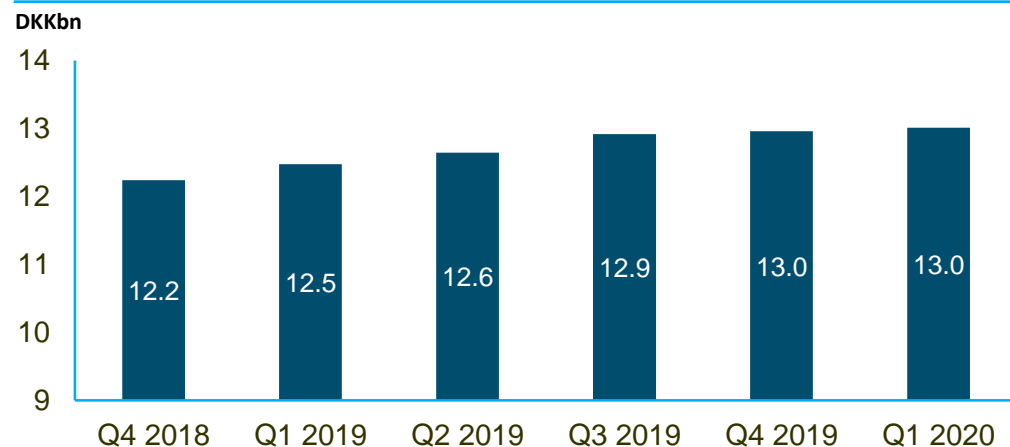


Fee and commission income up in Q1 2020

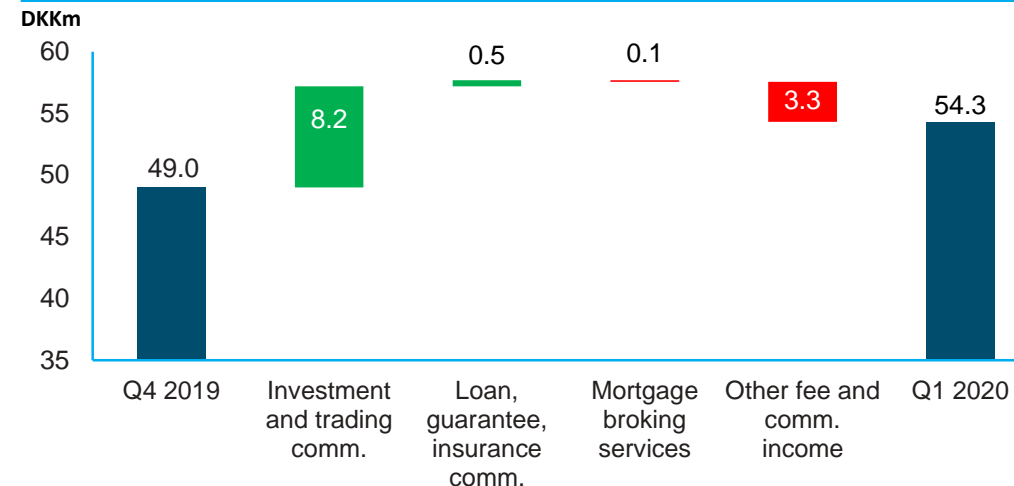
Comments

- Net fee and commission income up by DKK 5m QoQ and up by DKK 6m YoY
- Income from investment management operations increased during Q1 2020
- Mortgage-lending volumes up DKK 51m QoQ and DKK 533m YoY

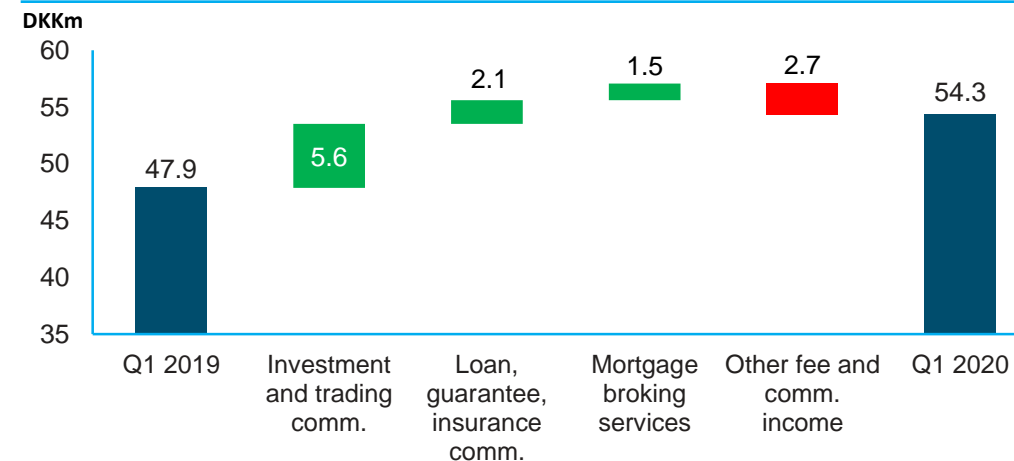
Mortgage lending



QoQ changes in fee and commission income

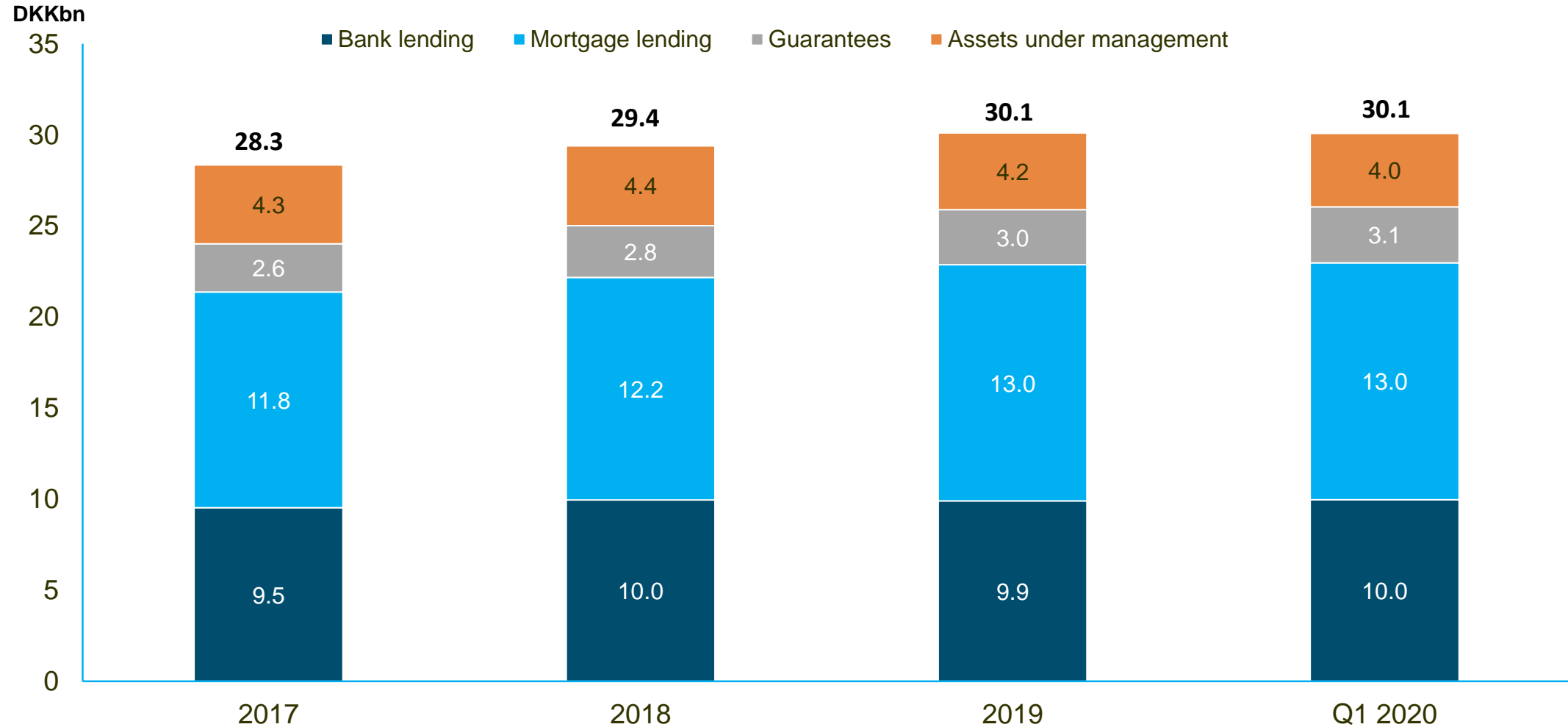


YoY changes in fee and commission income



Development in business volumes

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

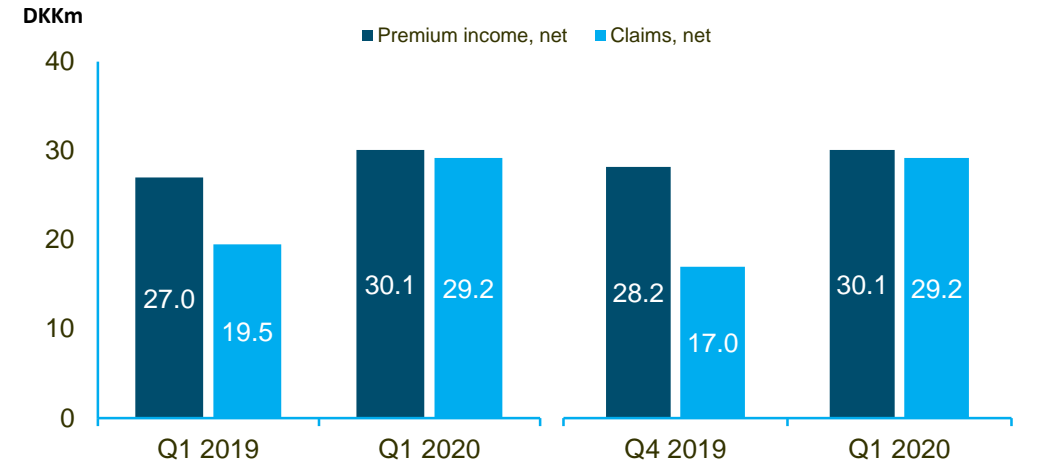


Trygd: Q1 weather conditions causing high insurance claims

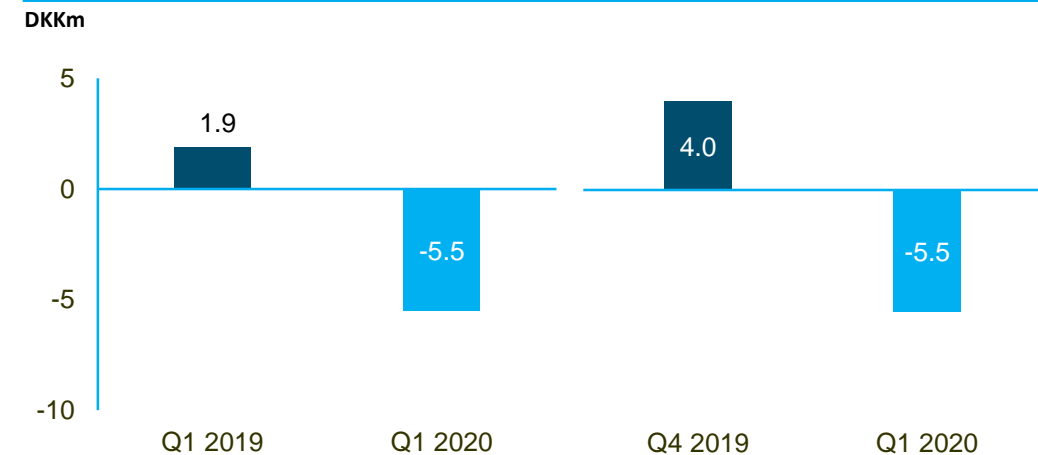
Comments

- Combined ratio of 116% in Q1 2020 compared to 93% in Q1 2019
- Net premium income up by DKK 3m YoY and by DKK 2m QoQ
- Net claims up by DKK 10m YoY and up by DKK 12m QoQ
- Claims in Q1 driven by storm-related claims and travel cancellations due to COVID-19
- Result before tax was a loss of DKK 6m in Q1 2020 relative to a profit of DKK 2m in Q1 2019 and a profit of DKK 4m in Q4 2019
- Trygd expects further losses in 2020 depending on the duration of travel restrictions implied to prevent possible spread of COVID-19

Premium and claims



Profit before tax

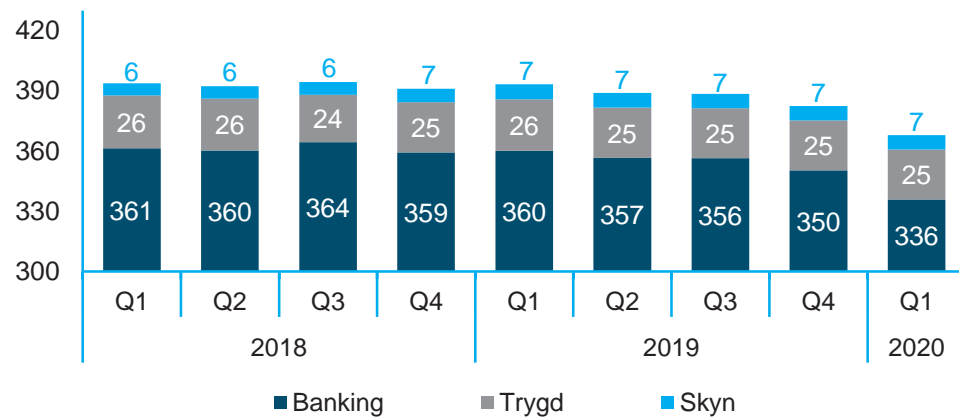


Reduction in operating costs

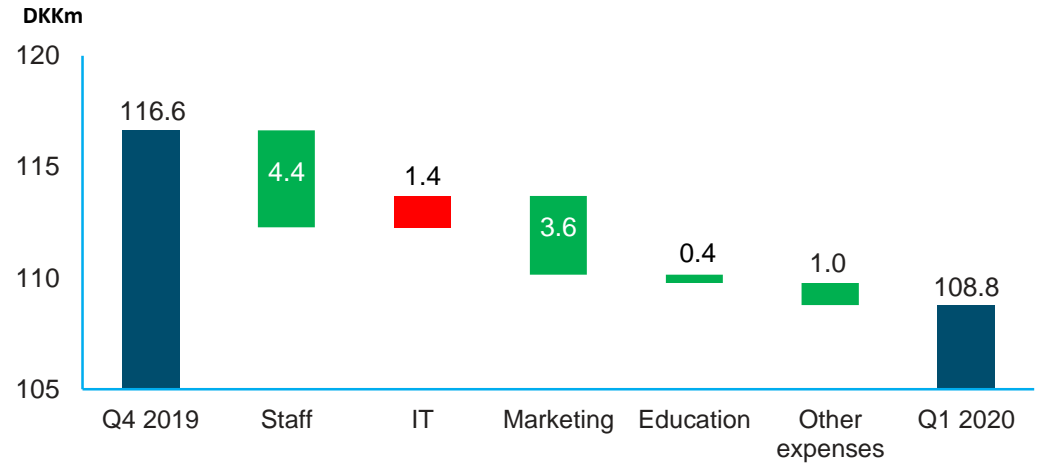
Comments

- Operating costs down by DKK 11m YoY and down by DKK 8m QoQ
- Decrease in staff costs due to steady fall in number of average FTEs
- Decrease in marketing expenditures mainly related to low marketing activity in Q1 2020

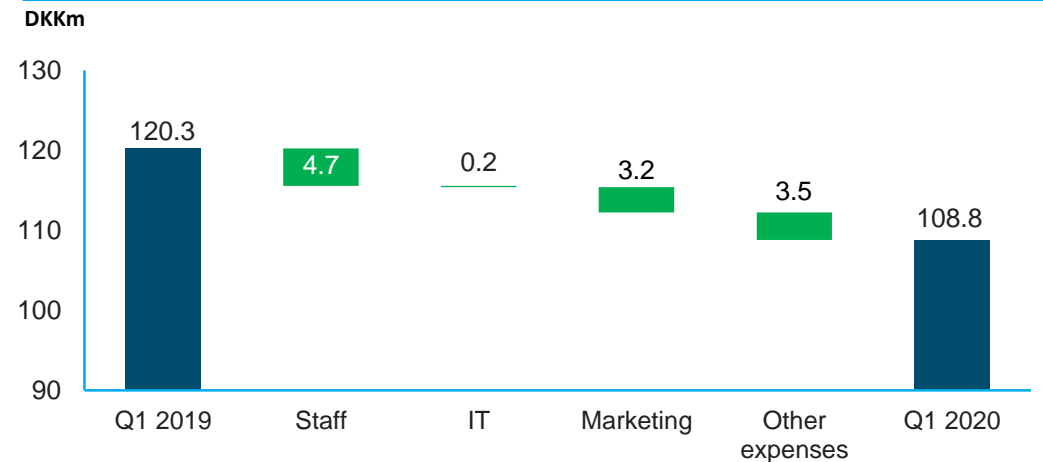
Average number of employees (FTE)



QoQ changes in operating costs



YoY changes in operating costs

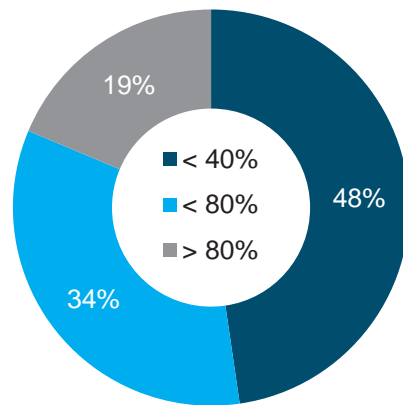


Impairment charges up due to the COVID-19 health crisis

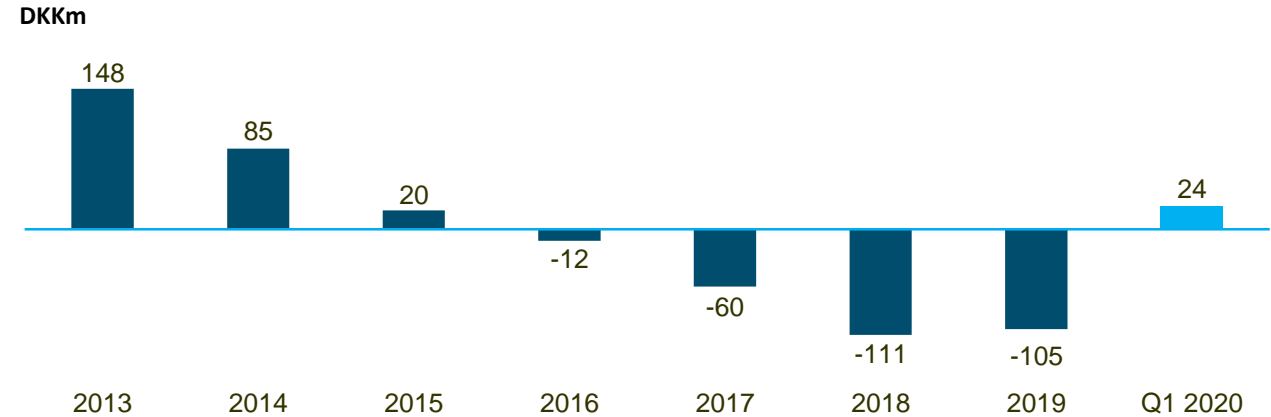
Comments

- Net impairment charges were DKK 24m in Q1 2020
- Additional discretionary management estimated impairment charge of 25m has been made due to the COVID-19 health crisis
- Well-diversified loan portfolio with no individual sector accounting for more than 5%
- Strong LTV ratios for housing loans

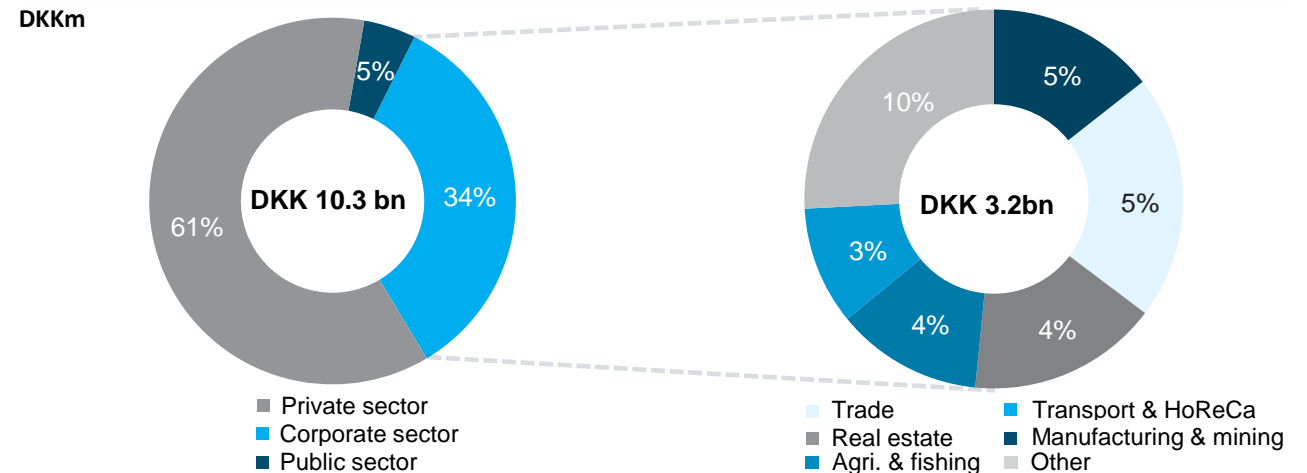
LTV for housing loans¹



Net impairment charges



Gross loans by sector

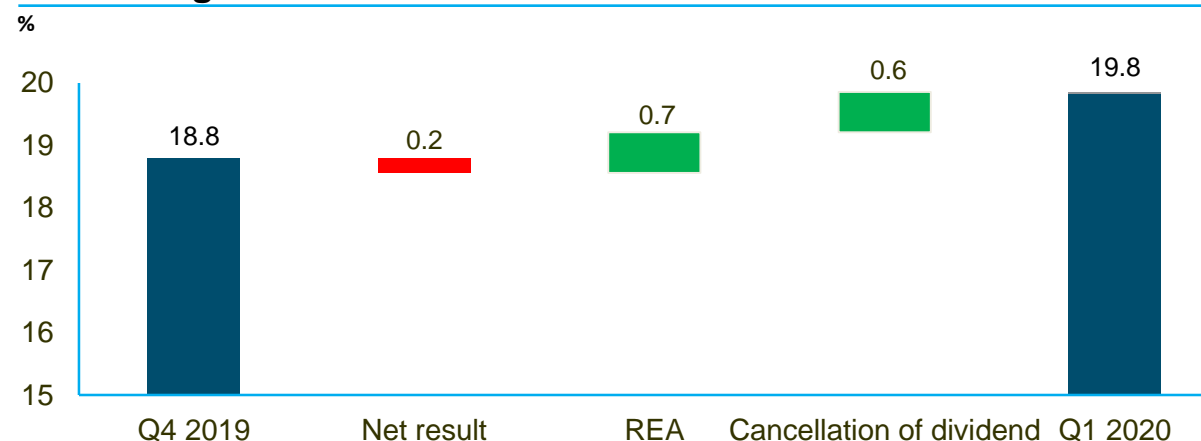


Cancellation of dividend strengthens capital position

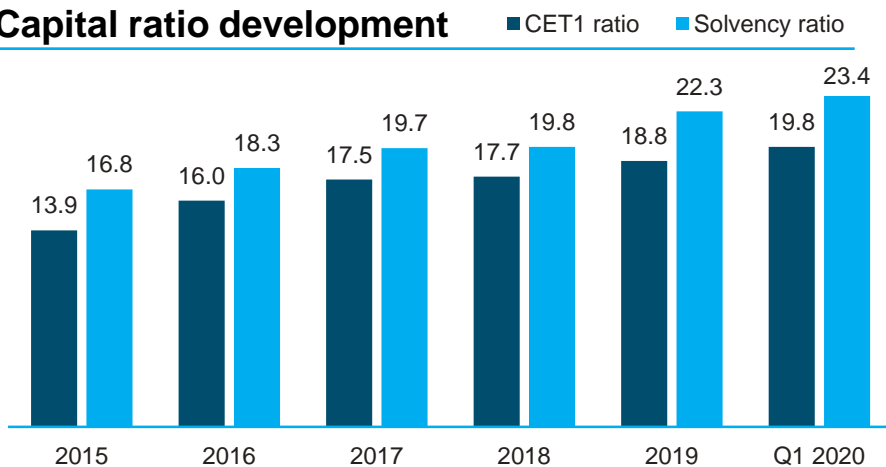
Comments

- CET1 up by 1.0 pp and total capital ratio up by 1.1 pp QoQ
- Cancellation of proposed dividend of DKK 67m for 2019 contributes 0.6 pp to the Group's total capital ratio
- Regularly monitoring the development and consequences of the COVID-19 situation regarding the possibilities of paying dividend for the 2019 financial year.

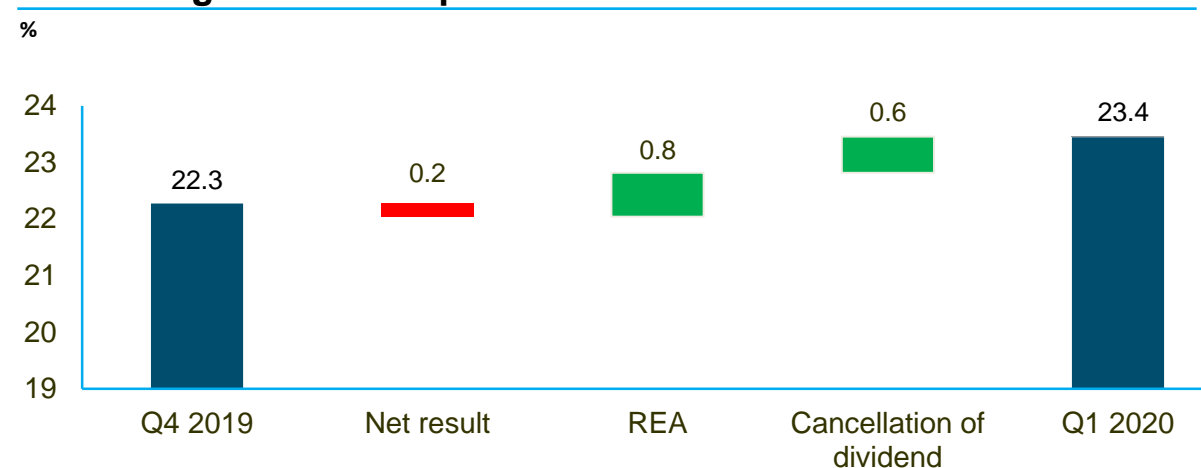
QoQ changes in CET1 ratio



Capital ratio development



QoQ changes in total capital ratio



Revised 2020 outlook

Previous FY2020 guidance was for profit after tax of DKK 100-150m

- On March 20, management suspended this guidance due to the uncertainty surrounding the COVID-19 situation

The original FY 2020 guidance reduced by DKK 70m due to the COVID-19 situation

- An increase in travel insurance claims until the end of august 2020 by **DKK 25m**
- An increase in impairment charges (of which DKK 25m were recognised in Q1 2020) by **DKK 40m**
- Losses from the investment portfolio expected to increase by **DKK 15m**
- The expectations set out above have a combined before tax effect of **DKK 80m** (approx. after tax effect of **DKK 70m**)

New FY2020 guidance is for net profit after tax of DKK 30-80m

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

DKKm	<i>Index</i>							
	Q1 2020	Q1 2019	20/19	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Net interest income	88	84	104	88	87	83	83	84
Net fee and commission income	54	48	113	54	49	47	45	48
Net insurance income	4	9	42	4	14	15	15	9
Other operating income (less reclassification)	9	11	81	9	14	13	11	11
Operating income	154	151	102	154	164	158	155	151
Operating costs ¹	-109	-120	90	-109	-117	-116	-119	-120
Sector costs	0	0	186	0	0	0	0	0
Profit before impairment charges	45	31	146	45	47	42	35	31
Impairment charges, net	-24	19	-124	-24	25	9	53	19
Operating profit	22	50	43	22	71	51	88	50
Non-recurring items ²	0	0		0	-13	0	0	0
Profit before value adjustments and tax	22	50	43	22	58	50	88	50
Investment portfolio earnings ³	-51	15	-352	-51	1	0	-2	15
Profit before tax	-30	65	-46	-30	59	50	86	65
Operating cost/income, %	70	79		70	71	73	77	79
Number of FTE, end of period	359	393	91	359	377	383	390	393

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

DKKm	<i>Index</i>			Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
	Q1 2020	Q1 2019	20/19					
Net interest income	87	84	104	87	87	83	83	84
Net fee and commission income	57	51	113	57	52	50	48	51
Other operating income	9	10	89	9	13	11	10	10
Operating income	153	144	106	153	152	144	140	144
Operating cost	-105	-116	91	-105	-110	-111	-113	-116
Sector costs	0	0	186	0	0	0	0	0
Profit before impairment charges	47	28	169	47	41	33	27	28
Impairment charges, net	-24	19	124	-24	25	9	53	19
Operating profit	24	47	51	24	66	42	80	47
Non-recurring items	0	0		0	-13	0	0	0
Profit before value adjustments and tax	24	47	51	24	52	41	80	47
Investment portfolio earnings	-50	15	334	-50	2	0	-2	15
Profit before tax	-26	62	42	-26	55	42	78	62
Loans and advances	9.971	10.006	100	9.971	9.909	9.983	10.053	10.006
Deposits and other debt	12.903	14.027	92	12.903	14.399	13.557	14.156	14.027
Mortgage credit	13.010	12.477	104	13.010	12.960	12.918	12.644	12.477
Operating cost/income, %	69	80		69	73	77	81	80
Number of FTE, end of period	327	359	91	327	345	354	358	359

Personal Banking

Income statement, Personal banking

DKKm	Index			Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
	Q1 2020	Q1 2019	20/19					
Net interest income	59	61	96	59	61	60	60	61
Net fee and commission income	53	46	114	53	48	46	44	46
Other operating income	10	8	123	10	8	8	8	8
Operating income	122	116	105	122	117	114	112	116
Operating cost	-40	-43	93	-40	-38	-42	-45	-43
Sector costs	0	0		0	0	0	0	0
Profit before impairment charges	81	73	112	81	78	71	67	73
Impairment charges, net	-8	4	174	-8	13	2	26	4
Operating profit	74	77	96	74	91	74	92	77
Non-recurring items	0	0		0	-9	0	0	0
Profit before value adjustments and tax	74	77	96	74	82	74	92	77
Investment portfolio earnings	0	0		0	0	0	0	0
Profit before tax	74	77	96	74	82	74	92	77
Loans and advances	6.152	6.429	96	6.152	6.287	6.402	6.451	6.429
Deposits and other debt	10.003	10.304	97	10.003	10.603	10.523	10.639	10.304
Mortgage credit	12.815	12.093	106	12.815	12.751	12.546	12.280	12.093
Operating cost/income, %	33	37		33	33	37	40	37
Number of FTE, end of period	187	200	94	187	202	213	212	200

Corporate Banking

Income statement, Corporate Banking

DKKkm	<i>Index</i>			Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
	Q1 2020	Q1 2019	20/19					
Net interest income	33	29	113	33	31	30	29	29
Net fee and commission income	4	4	105	4	4	4	4	4
Other operating income	1	1	81	1	2	1	1	1
Operating income	38	35	111	38	37	35	34	35
Operating cost	-4	-3	129	-4	-4	-4	-3	-3
Sector costs	0	0		0	0	0	0	0
Profit before impairment charges	34	31	109	34	33	31	31	31
Impairment charges, net	-15	11	146	-15	22	4	24	11
Operating profit	19	42	45	19	55	35	54	42
Non-recurring items	0	0		0	0	0	0	0
Profit before value adjustments and tax	19	42	45	19	55	35	54	42
Investment portfolio earnings	0	0		0	0	0	0	0
Profit before tax	19	42	45	19	55	35	54	42
Loans and advances	3.819	3.565	107	3.819	3.602	3.534	3.573	3.565
Deposits and other debt	2.892	3.715	78	2.892	3.770	3.018	3.498	3.715
Mortgage credit	196	384	51	196	209	372	364	384
Operating cost/income, %	11	10		11	10	11	10	10
Number of FTE, end of period	17	16	105	17	16	16	16	16

Banking, Faroe Islands

Income statement, Faroe Islands

DKKkm	<i>Index</i>							
	Q1 2020	Q1 2019	20/19	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Net interest income	50	46	108	50	49	46	46	46
Net fee and commission income	16	14	113	16	15	14	14	14
Other operating income	4	5	84	4	7	6	4	5
Total Operating income	70	65	108	70	71	66	64	65
Operating cost	-48	-48	100	-48	-51	-48	-50	-48
Sector costs	0	0		0	0	0	0	0
Profit before impairment charges	21	17	129	21	20	18	14	17
Impairment charges, net	-11	10	- 117	-11	11	3	12	10
Operating profit	10	26	38	10	31	21	27	26
Non-recurring items	0	0		0	-5	0	0	0
Profit before value adjustments and tax	10	26	38	10	26	21	27	26
Investment portfolio earnings	-17	11	- 159	-17	-2	-4	-6	11
Profit before tax	-7	37	- 19	-7	23	16	20	37
Loans and advances	6.428	6.540	98	6.428	6.492	6.508	6.564	6.540
Deposits and other debt	6.749	7.442	91	6.749	7.299	7.135	7.491	7.442
Mortgage credit	1.323	1.102	120	1.323	1.275	1.206	1.146	1.102
Operating cost/income, %	69	74		69	72	73	78	74
Number of FTE, end of period	175	190	92	175	185	188	189	190

Banking, Denmark

Income statement, Denmark

DKK M	<i>Index</i>			Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
	Q1 2020	Q1 2019	20/19					
Net interest income	25	29	87	25	28	28	28	29
Net fee and commission income	39	34	113	39	34	34	32	34
Other operating income	4	4	94	4	5	4	4	4
Total Operating income	68	68	101	68	66	66	65	68
Operating cost	-50	-61	82	-50	-51	-55	-57	-61
Sector costs	0	0		0	0	0	0	0
Profit before impairment charges	18	7	275	18	16	11	8	7
Impairment charges, net	-5	14	36	-5	10	8	23	14
Operating profit	13	21	64	13	25	19	31	21
Non-recurring items	0	0		0	-8	0	0	0
Profit before value adjustments and tax	13	21	64	13	17	19	31	21
Investment portfolio earnings	-29	4		-29	4	4	4	4
Profit before tax	-16	24	67	-16	21	23	35	24
Loans and advances	2.536	2.846	89	2.536	2.622	2.785	2.845	2.846
Deposits and other debt	5.418	5.693	95	5.418	5.802	5.691	5.799	5.693
Mortgage credit	11.058	10.740	103	11.058	11.038	11.080	10.892	10.740
Operating cost/income, %	73	90		73	76	84	88	90
Number of FTE, end of period	132	149	89	132	140	146	149	149

Banking, Greenland

Income statement, Greenland

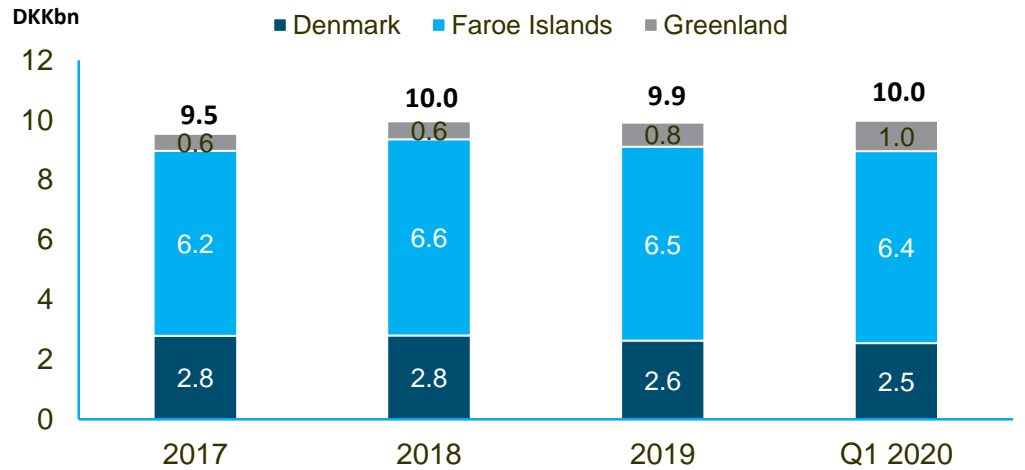
DKKkm	<i>Index</i>			Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
	Q1 2020	Q1 2019	20/19					
Net interest income	12	8	141	12	11	9	8	8
Net fee and commission income	2	2	107	2	2	2	2	2
Other operating income	1	1	93	1	1	1	1	1
Total Operating income	15	11	130	15	14	12	12	11
Operating cost	-7	-6	104	-7	-8	-8	-7	-6
Sector costs	0	0		0	0	0	0	0
Profit before impairment charges	8	5	165	8	6	5	5	5
Impairment charges, net	-7	-5		-7	4	-3	18	-5
Operating profit	1	0	334	1	10	2	22	0
Non-recurring items	0	0		0	0	0	0	0
Profit before value adjustments and tax	1	0	334	1	10	2	22	0
Investment portfolio earnings	-3	0		-3	0	0	0	0
Profit before tax	-3	1	- 412	-3	10	3	23	1
Loans and advances	1.006	621	162	1.006	795	690	643	621
Deposits and other debt	736	892	83	736	1.299	730	865	892
Mortgage credit	629	635	99	629	646	632	606	635
Operating cost/income, %	45	57		45	58	61	58	57
Number of FTE, end of period	19	21	93	19	20	20	20	21

Income statement, Trygd

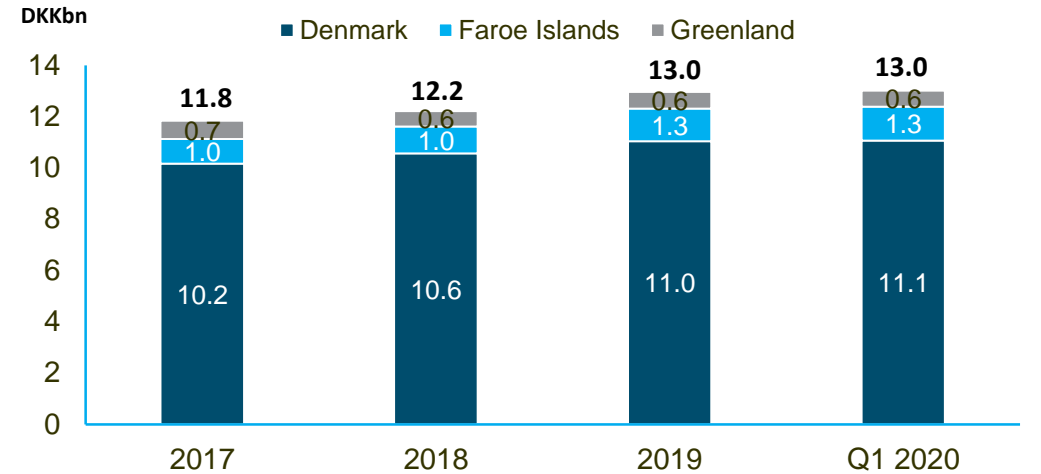
DKKm	<i>Index</i>							
	Q1 2020	Q1 2019	20/19	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Premium income, net of reinsurance	30	27	112	30	28	29	28	27
Claims, net of reinsurance	-29	-19	150	-29	-17	-17	-15	-19
Net insurance income	1	8	13	1	11	12	13	8
Net income from investment activities	-1	0		-1	0	0	0	0
Operating income	0	8	5	0	11	11	13	8
Operating cost	-6	-6	103	-6	-7	-6	-7	-6
Profit before tax	-6	2	- 294	-6	4	6	6	2
Combined ratio	116	93		116	85	80	78	93
Claims ratio	97	72		97	60	60	54	72
Number of FTE, end of period	25	26	96	25	25	22	24	26

Development in business volumes

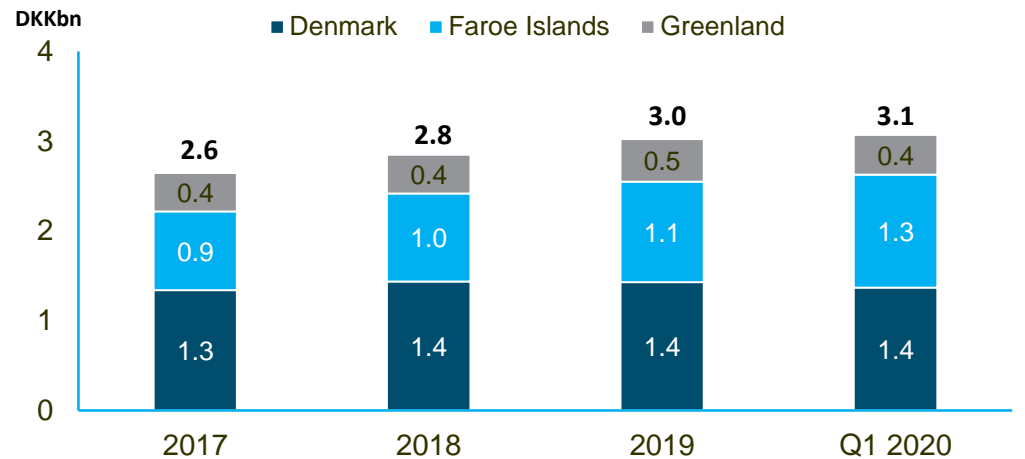
Bank lending



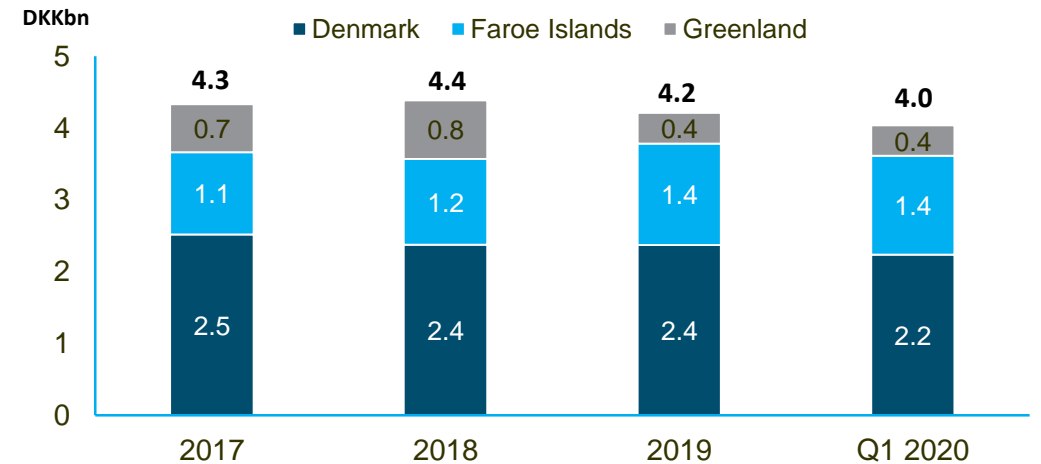
Mortgages



Guarantees



Assets under management



Credit quality of the loan portfolio

Credit classification according to the Danish FSA's method

	Q4 2019			Q1 2020			Change
	<7.5 DKKm	>7.5 DKKm	Total	<7.5 DKKm	>7.5 DKKm	Total	
Portfolio without weakness	3,163	3,503	6,665	3,110	3,330	6,440	-226
Portfolio with some weakness	6,148	1,469	7,617	6,097	2,059	8,156	539
Portfolio with weakness	214	149	362	213	126	339	-23
- here of unsecured	46	45	91	55	49	104	13
- impairments	71	38	109	87	42	129	20
Portfolio with OIE	514	205	719	505	193	698	-21
- here of unsecured	265	132	397	245	125	370	-27
- impairments	259	116	375	257	113	370	-5
Portfolio without individ. classification	107	101	208	66	8	74	-134
Total	10,146	5,426	15,572	9,990	5,716	15,706	135