

Investor Presentation

BANKNORDIK

Strong results in Q3 2016 - guidance revised upwards

27 October 2016

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 2016**
- **Appendices**



Highlights

– Strong Q3 performance leads to revised guidance

9M 2016 financial highlights

- Operating income down 12% YoY to DKK 494m (DKK 559m)
- Operating costs fell 8% to DKK 345m (DKK 377m)
- Net loan impairment charges were a reversal of DKK 8m (DKK 9m)
- Operating profit amounted to DKK 153m (DKK 157m)
- Profit before tax increased to DKK 249m* (DKK 115m)
- CET1 capital ratio of 17% at 30 September 2016

**Includes capital gain related to the sale of Vørður*

Q3 2016 operational highlights

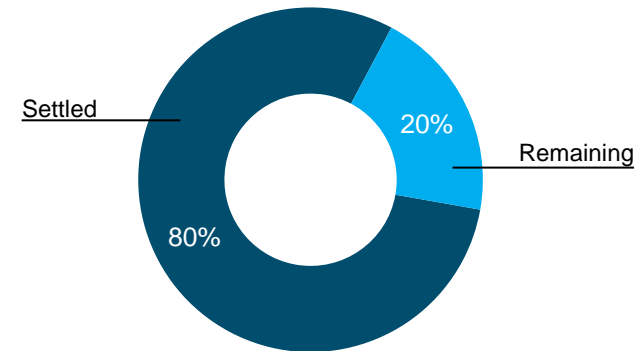
- Vørður deal completed for a capital gain of DKK 84m
- Run-off of Corporate loan book in Denmark nearing completion – remaining book value of approx. DKK 310m

Vörður deal closed and run-off of corporate activities in Denmark nearing completion

Update on strategic initiatives

Sale of Vörður completed in September 2016

Winding up of corporate activities in Denmark



- Proceeds amounted to DKK 300m, while transactions costs amounted to DKK 45m (primarily due to currency restrictions imposed by the Icelandic government)
- Capital gain of DKK 84m recognised in the income statement under non-recurring items
- Capital gain includes DKK 21m from favorable currency fluctuations, previously recognised under the foreign currency translation reserve
- Danish corporate loan book reduced by close to DKK 140m in Q3 2016
- Approx. DKK 310m remain on the books
- The rate of settlement reduced as run-off nears completion

Strong Q3 2016 performance

– Figures in DKKm

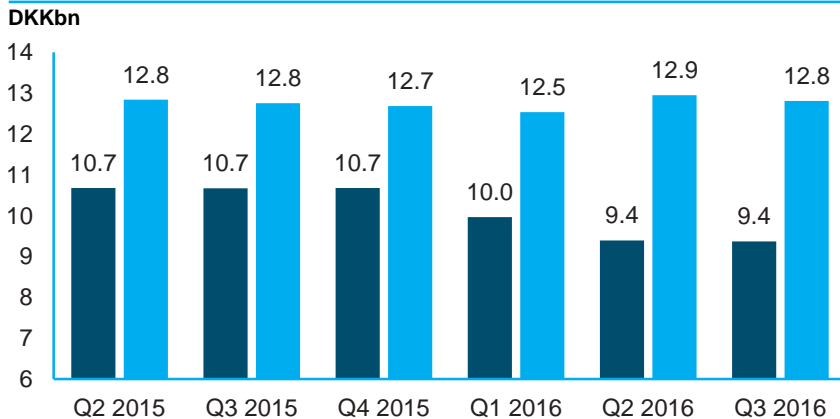
	9M 2016	9M 2015	Index	Q3 2016	Q2 2016	Index	
Profit & Loss	Net interest income	313	358	88	103	98	106
	Net fee and commission income	141	174	81	46	50	92
	Net insurance income	33	20	165	12	12	102
	Other operating income	7	7	98	2	3	69
	Operating income	494	559	88	163	163	100
	Operating costs	-345	-377	92	-113	-115	99
	Sector costs	-3	-16	21	-1	-1	97
	Profit before impairment charges	146	166	88	49	47	104
	Impairment charges, net	8	-9		4	3	
	Operating profit	153	157	97	53	50	104
	Non-recurring items	72	-25		84	0	
	Market value adjustments	18	-36		12	9	
	Profit before tax, continued	243	96	253	148	60	248
	Profit before tax, discontinued (Vørður)	6	19		15	1	
	Profit before tax, total	249	115	217	164	61	268
Key Metrics		9M 2016	9M 2015	Index	Q3 2016	Q2 2016	Index
	Loans and advances	9,372	10,669	88	9,372	9,395	100
	Deposits and other debt	12,805	12,754	100	12,805	12,949	99
	Operating cost / income, %	70	67		69	70	
	Total capital ratio, %	19.0	15.6		19.0	17.1	
CET1 capital ratio, %	17.0	12.7		17.0	15.1		

Restructuring of subordinated debt impacts net interest income

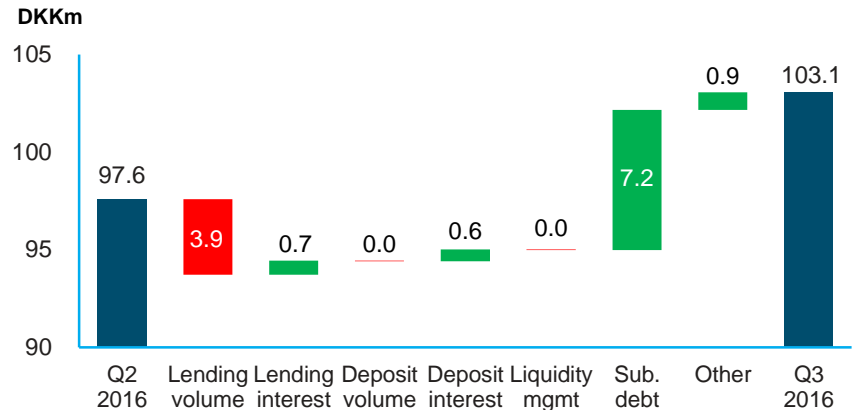
Comments

- Net interest income (NII) up DKK 5m from Q2 2016 to Q3 2016 and down by DKK 45m from 9M 2015 to 9M 2016
- YoY drop in NII mainly owing to the winding up of corporate activities in Denmark and continuous margin pressure
- QoQ increase in NII mostly affected by the restructuring of subordinated debt in June 2016
- Lending volumes down DKK 23m QoQ.

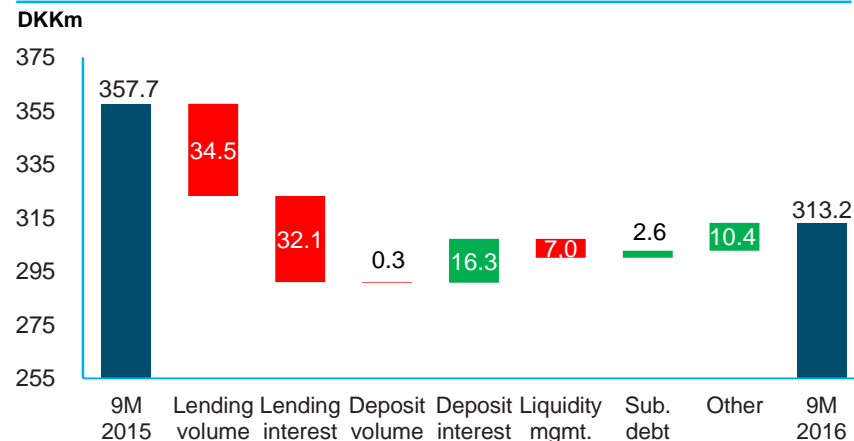
Loans and deposits



QoQ changes in NII



YoY changes in NII

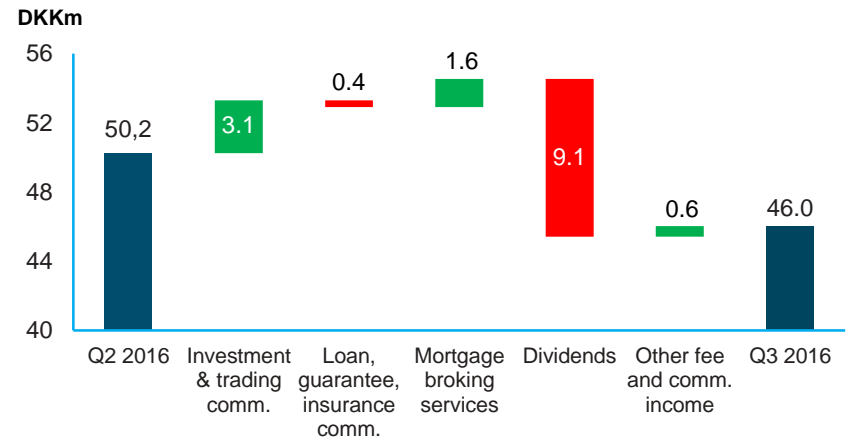


Fee and commission income down YTD

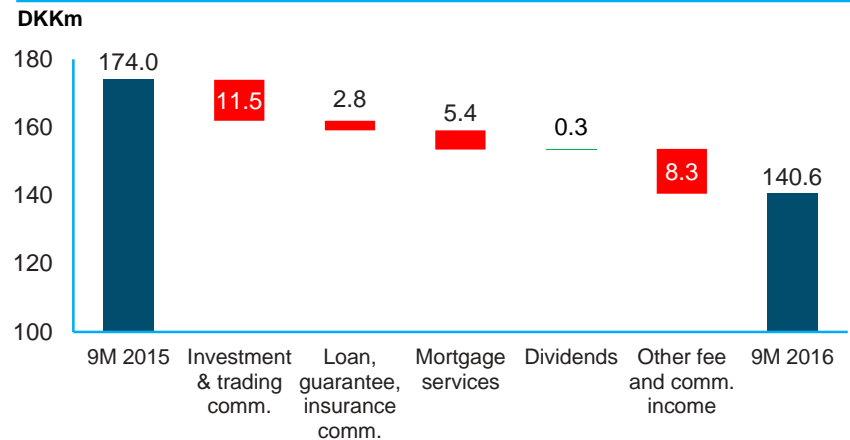
Comments

- Net fee and commission income fell DKK 4m QoQ:
 - Mainly due to dividend income from the investment portfolio recognised in the previous quarter
 - Increased income from investment management in Q3 2016
- Net fee and commission income fell DKK 33m YoY:
 - Gradual reduction in fee and commission income from corporate operations in Denmark consistent with the controlled run-off
 - Less asset management activity in 9M 2016
 - Normalisation of mortgage broking activity after a period of high remortgaging activity in 2015

QoQ changes in fee and commission income



YoY changes in fee and commission income

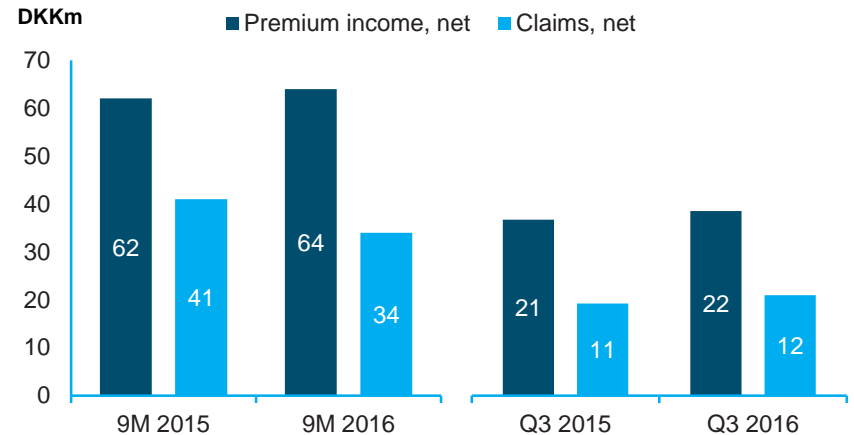


Stable insurance claims – profitable quarter for Trygd

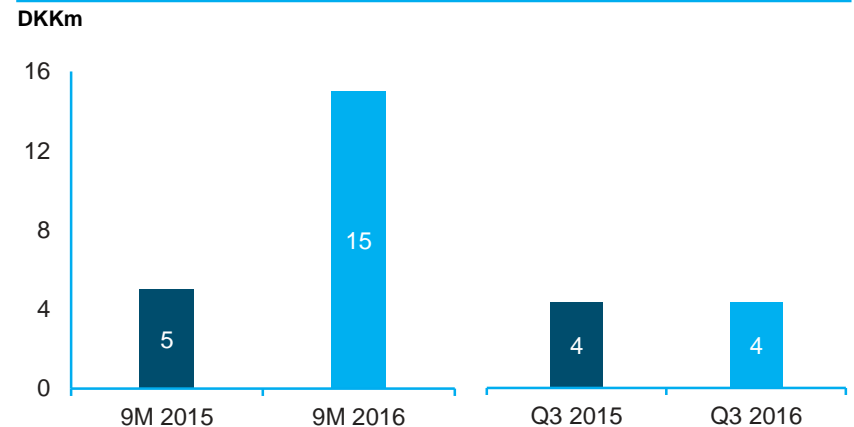
Comments

- Net premium income up by DKK 2m in 9M 2016 compared to 9M 2015 and up DKK 1m from Q3 2015 to Q3 2016
- Net claims down DKK 7m from 9M 2015 to 9M 2016 and up DKK 1m from Q3 2015 to Q3 2016
- Profit before tax of DKK 15m in 9M 2016 relative to DKK 5m in 9M 2015 and DKK 4m in Q3 2016, flat compared to Q3 2015
- Trygd continues to experience moderate top-line growth
- Market prices have stabilised in 2016 after a period of increased competition and relatively low claims.

Premium and claims



Profit before tax

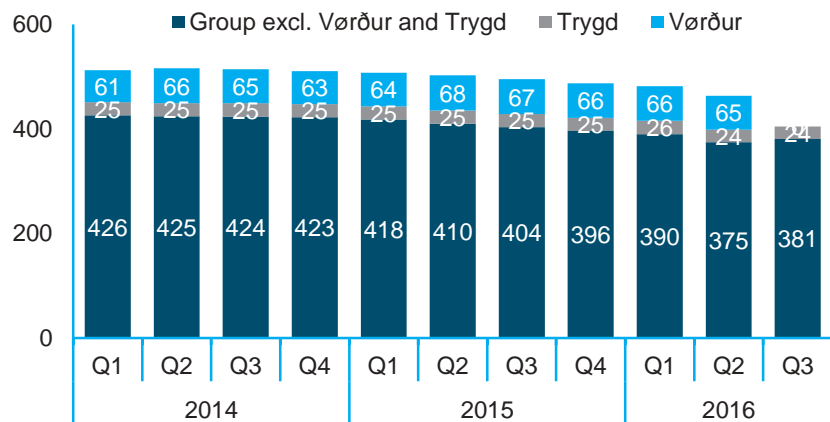


Operating costs further reduced in Q3 2016

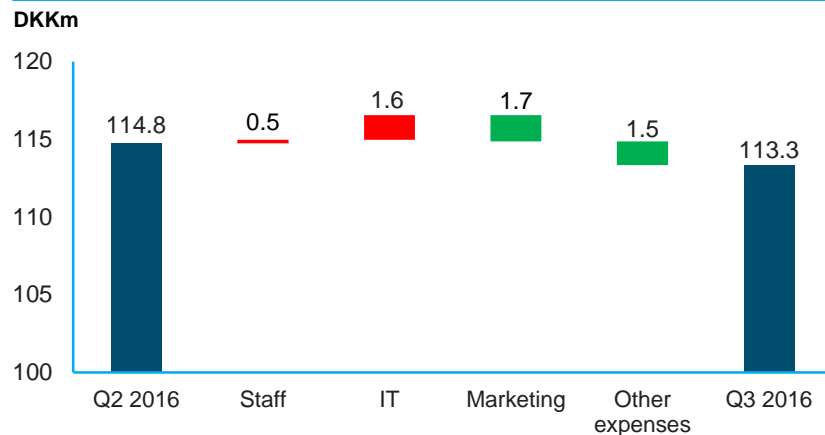
Comments

- Operating costs fell by DKK 2m from Q2 2016 to Q3 2016 and by DKK 32m from 9M 2015 to 9M 2016
- Steep decline in staff costs YoY mainly due to the winding-up of corporate activities in Denmark
- DKK 9m in amortisation of intangible assets related to customer relations discontinued – fully written off in Q4 2015
- Reduction in advisory services expenditures relates to previous year's strategic initiatives

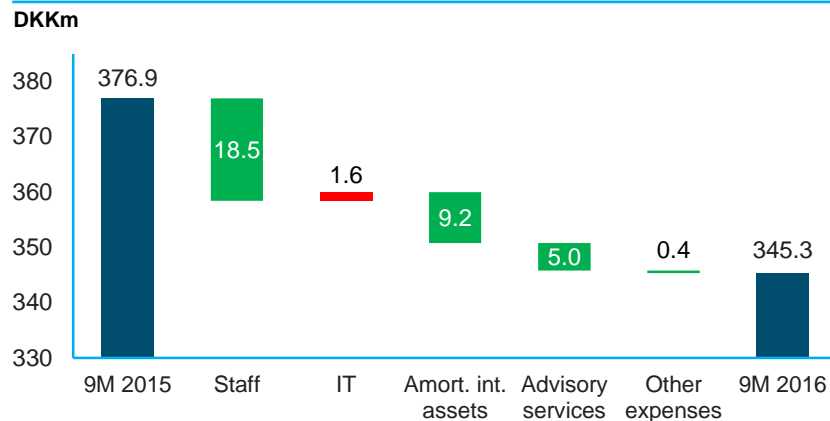
Average number of employees (FTE)



QoQ changes in operating costs



YoY changes in operating costs

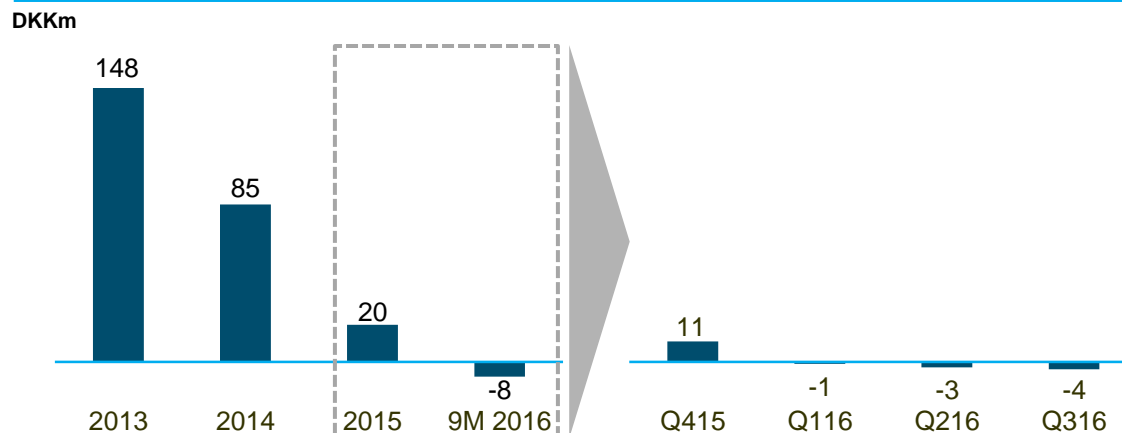


Net impairment charges remain in reverse

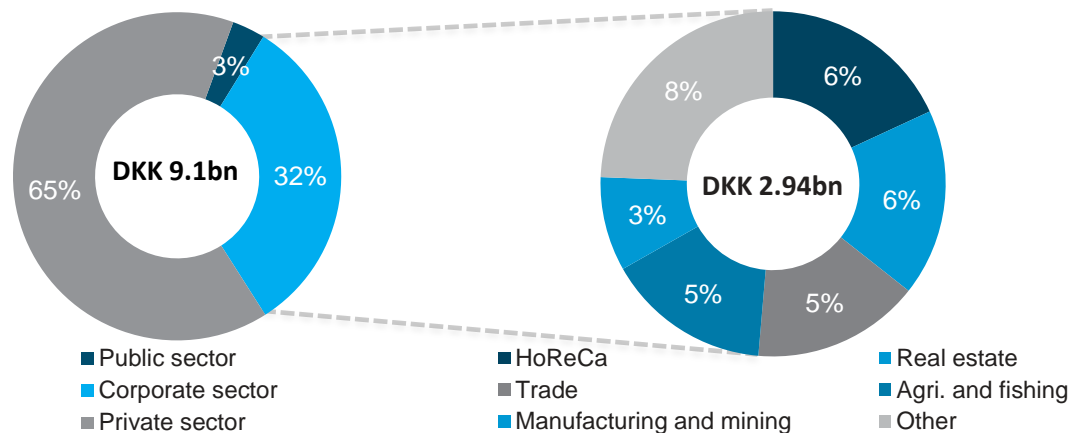
Conservative portfolio structure

- In Q3 2016 net impairment charges were a reversal of DKK 4m
- The private sector accounts for 65% of the loan portfolio, excluding the Danish corporate sector
- In the Faroe Islands, BankNordik provides 1st lien mortgage loans to the private sector, obtaining a high degree of security
- A large part of the real estate exposure (5.6%) relates to financing of state-owned real estate in Greenland

Net impairment charges



Loans by sector - excl. Danish corporate sector

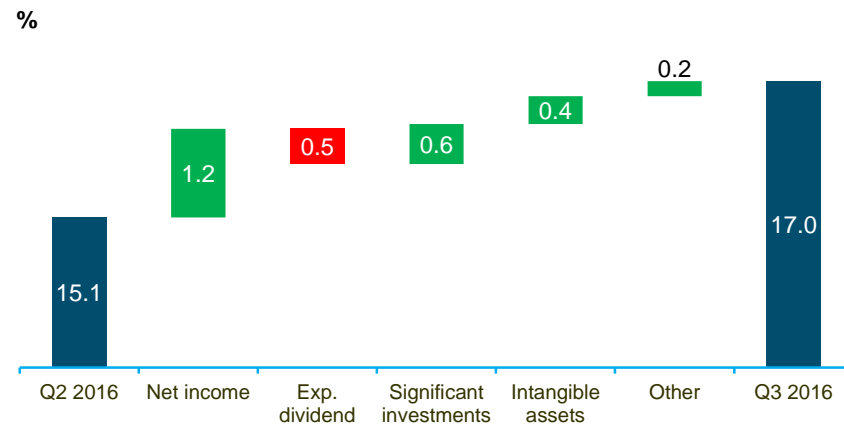


Sale of Vørður raised capital ratios

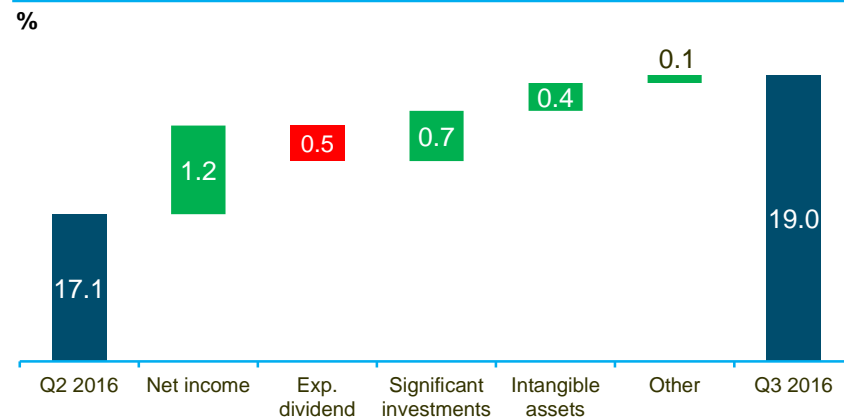
Comments

- At 30 September 2016, the Bank had a CET1 capital ratio of 17.0%, a 1.9 percentage point increase from 30 June 2016
- Solvency also increased by 1.9 percentage points to 19.0% at 30 September 2016
- The sale of Vørður was the main contributor to the increase in capital ratios from Q2 2016 to Q3 2016
- BankNordik currently meets its long-term capital ratio targets of 13% CET1 and 16.5% solvency

QoQ changes in CET1 ratio



QoQ changes in solvency



Long-term financial objectives

2020 financial objectives

Comments	Progress			
<ul style="list-style-type: none"> ▪ The Group targets 10% ROE and 62% cost/income by 2020 ▪ BankNordik's long-term capital ratio targets have been met ▪ In 9M 2016, ROE was affected by: <ul style="list-style-type: none"> - The sale of Vørður - Non-recurring items related to redundancies - Low impairment charges 	Key metrics	2015	H1 2016	2020 target
	Return on equity	6.3%*	14.6% (9.7%)**	10%
	Cost/income ratio	68%	70%	62%
	CET1 capital ratio	13.9%	17.0%	13%
	Total capital ratio	16.8%	19.0%	16.5%

*Equity and income adj. for goodwill and goodwill impairments, respectively

**Annualised figures. 9.7% ROE excludes capital gains from Vørður

Outlook for 2016

FY2016 guidance revised upwards

- Management raises 2016 guidance on profit before impairment charges, non-recurring items, value adjustments and tax from DKK 160-190m to DKK 175-200m (9M 2016: DKK 146m)
- Net impairment charges on loans for 2016 are expected to be less than in 2015 (DKK 20m). For the first nine months of 2016, net impairment charges were a reversal of DKK 8m.



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Questions?

Árni Ellefsen, CEO

Appendices

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

Group

Income statement, Group

DKKm	Q1 - Q3 2016	Q1 - Q3 2015	Index 16/15	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015
Net interest income	313	358	88	103	98	113	111	116
Net fee and commission income	141	174	81	46	50	44	52	52
Net insurance income	33	20		12	12	9	8	10
Other operating income	7	7	98	2	3	2	4	2
Operating income	494	559	88	163	163	168	175	180
Operating costs	-345	-377	92	-113	-115	-117	-122	-122
Sector costs	-3	-16	21	-1	-1	-1	-5	-5
Profit before impairment charges	146	166	88	49	47	49	47	54
Impairment charges	-8	-34	24	4	-10	-3	-26	-12
Reversals of acquired OEI impairments	16	25	63	-1	14	3	15	18
Impairment charges, net	8	-9		4	3	1	-11	7
Operating profit	153	157	97	53	50	50	36	60
Impairment charges, intangible assets	0	0		0	0	0	-468	0
Non-recurring items	72	-25		84	0	-12	-29	-11
Profit before value adjustments and tax	225	132	170	137	50	38	-461	49
Market value adjustments*	18	-36		12	9	-3	-4	-20
Profit before tax, continuing operations	243	96	253	148	60	35	-465	29
Profit before tax, discontinued operations (Vörður)	6	19	31	15	1	-10	18	13
Profit before tax, total	249	115	217	164	61	25	-447	42
Operating cost/income, %	70	67		69	70	70	70	67
Number of FTE, end of period (incl. Vörður)	416	478	87	416	464	477	459	478

*Incl. Net income from investment activities

Banking

Income statement, Banking

DKKm	Q1 - Q3 2016	Q1 - Q3 2015	Index 16/15	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015
Net interest income	312	356	88	103	97	112	111	116
Net fees, commission income & dividends	146	174	84	48	52	46	52	52
Other operating income	3	3	111	1	2	1	2	1
Operating income	461	533	87	151	151	159	164	168
Operating cost	-331	-360	92	-108	-110	-113	-115	-115
Sector costs	-3	-16	21	-1	-1	-1	-5	-5
Profit before impairment charges	127	157	81	42	40	45	44	48
Impairment charges	-8	-34	24	2	-7	-3	-26	-12
Reversals of acquired OEI impairments	16	25	63	2	10	3	15	18
Impairment charges, net	8	-9		4	3	1	-11	7
Operating profit	135	148	91	46	43	45	33	55
Impairment charges, intangible assets	0	0		0	0	0	-468	0
Non-recurring items	-12	-25		0	0	-12	-29	-11
Profit before value adjustments and tax	122	123	99	46	43	33	-464	44
Market value adjustments	21	-32		12	12	-3	-5	-19
Profit before tax	144	91	158	58	55	30	-469	24
Loans and advances	9.372	10.669	88	9.372	9.395	9.961	10.675	10.669
Deposits and other debt	12.829	12.829	100	12.829	13.006	12.589	12.739	12.829
Operating cost/income, %	72	68		71	73	71	70	68
Number of FTE, end of period	386	383	101	386	370	381	363	383

Personal Banking

Income statement, Personal banking

DKKm	Q1 - Q3 2016	Q1 - Q3 2015	Index 16/15	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015
Net interest income	208	229	91	70	68	70	76	81
Net fees, commission income & dividends	119	138	87	44	38	37	48	38
Other operating income	2	0		1	0	0	1	1
Operating income	330	367	90	115	107	108	125	120
Operating cost	-122	-133	92	-39	-45	-38	-40	-45
Sector costs	-2	-12	21	-1	-1	-1	-4	-3
Profit before impairment charges	205	222	92	75	61	69	82	72
Impairment charges	13	-2	567	6	8	-1	-7	0
Reversals of acquired OEI impairments	8	7	104	2	4	2	1	2
Impairment charges, net	20	5		8	12	1	-5	2
Operating profit	225	227	99	83	73	70	76	74
Impairment charges, intangible assets	0	0		0	0	0	0	0
Non-recurring items	-2	-4		0	0	-2	-7	0
Profit before value adjustments and tax	224	222	101	83	73	68	69	74
Market value adjustments	0	0		0	0	0	0	0
Profit before tax	224	222	101	83	73	68	69	74
Loans and advances	5.852	5.984	98	5.852	5.716	5.766	5.961	5.984
Deposits and other debt	9.722	9.441	103	9.722	9.742	9.382	9.534	9.441
Operating cost/income, %	37	36		34	44	36	32	37
Number of FTE, end of period	206	216	95	206	203	196	203	216

Corporate Banking

Income statement, Corporate Banking

DKKm	Q1 - Q3 2016	Q1 - Q3 2015	Index 16/15	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015
Net interest income	115	149	77	34	36	45	47	53
Net fees, commission income & dividends	12	16	74	4	4	4	4	6
Other operating income	0	0	0	0	0	0	0	0
Operating income	127	165	77	38	40	49	51	59
Operating cost	-13	-24	55	-3	-4	-6	-8	-8
Sector costs	-1	-4	18	0	0	0	-1	-2
Profit before impairment charges	113	136	83	35	36	42	42	50
Impairment charges	-20	-25	81	-4	-16	0	5	-7
Reversals of acquired OEI impairments	7	18	42	2	5	1	11	16
Impairment charges, net	-13	-7		-2	-11	1	16	9
Operating profit	100	129	77	32	24	43	58	58
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	100	129	77	32	24	43	58	58
Market value adjustments	0	0		0	0	0	0	0
Profit before tax	100	129	77	32	24	43	58	58
Loans and advances	3.520	4.685	75	3.520	3.678	4.195	4.924	4.685
Deposits and other debt	3.107	3.388	92	3.107	3.264	3.207	3.170	3.388
Operating cost/income, %	11	15		8	10	13	17	13
Number of FTE, end of period	18	37	49	18	22	21	29	37

Banking, Faroe Islands

Income statement, Faroe Islands

DKKm	Q1 - Q3 2016	Q1 - Q3 2015	Index 16/15	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015
Net interest income	155	161	97	53	47	55	48	50
Net fees, commission income & dividends	42	44	94	13	17	12	13	14
Other operating income	2	1	177	0	1	1	1	0
Total Operating income	199	206	96	67	64	68	62	64
Operating cost	-128	-137	94	-42	-43	-44	-49	-45
Sector costs	-1	-5	21	0	0	0	-2	-1
Profit before impairment charges	69	63	109	24	21	24	11	17
Impairment charges, net	0	-12	0	1	-7	5	-11	-14
Operating profit	69	51	135	26	14	29	1	3
Non-recurring items	84	-12		84	0	0	-22	-11
Profit before value adjustments and tax	153	39	392	110	14	29	-21	-8
Market value adjustments	21	-32		12	12	-3	-5	-19
Profit before tax	175	7	2.641	121	26	27	-26	-27
Loans and advances	5.828	5.781	101	5.828	5.843	5.810	5.936	5.781
Deposits and other debt	6.178	5.814	106	6.178	6.179	5.810	5.656	5.814
Operating cost/income, %	65	67		63	67	64	79	70
Number of FTE, end of period	178	154	116	178	171	169	154	154

Banking, Denmark

Income statement, Denmark

DKKm	Q1 - Q3 2016	Q1 - Q3 2015	Index 16/15	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015
Net interest income	129	171	76	40	41	49	54	57
Net fees, commission income & dividends	98	122	80	33	33	32	36	36
Other operating income	1	1	137	0	1	0	1	0
Total Operating income	228	293	78	73	75	80	91	93
Operating cost	-184	-203	90	-60	-60	-64	-60	-64
Sector costs	-2	-10	20	-1	-1	-1	-3	-3
Profit before impairment charges	43	80	53	13	14	16	28	26
Impairment charges, net	9	10	91	3	10	-5	-1	26
Operating profit	52	90	57	16	24	11	27	52
Impairment charges, intangible assets	0	0		0	0	0	-398	0
Non-recurring items	-12	-13		0	0	-12	-7	0
Profit before value adjustments and tax	39	77	51	16	24	-1	-379	52
Market value adjustments	0	0		0	0	0	0	0
Profit before tax	39	77	51	16	24	-1	-379	52
Loans and advances	2.734	4.213	65	2.734	2.886	3.422	4.098	4.213
Deposits and other debt	5.946	6.543	91	5.946	6.195	6.197	6.559	6.543
Operating cost/income, %	80	69		82	80	79	66	69
Number of FTE, end of period	191	213	90	191	182	196	194	213

Banking, Greenland

Income statement, Greenland

DKKm	Q1 - Q3 2016	Q1 - Q3 2015	Index 16/15	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015
Net interest income	28	25	111	10	9	9	9	9
Net fees, commission income & dividends	7	8	84	2	2	2	3	3
Other operating income	0	1	23	0	0	0	0	0
Total Operating income	34	34	102	12	12	11	12	11
Operating cost	-19	-20	96	-6	-7	-6	-7	-6
Sector costs	0	-1	27	0	0	0	0	0
Profit before impairment charges	15	13	115	5	5	5	5	5
Impairment charges, net	-1	-6	20	-1	0	0	1	-6
Operating profit	14	7	195	4	4	5	5	-1
Impairment charges, intangible assets	0	0		0	0	0	-70	0
Non-recurring items	0	0		0	0	0	0	0
Profit before value adjustments and tax	14	7	195	4	4	5	-64	-1
Market value adjustments	0	0		0	0	0	0	0
Profit before tax	14	7	195	4	4	5	-64	-1
Loans and advances	810	674	120	810	666	729	641	674
Deposits and other debt	705	472	149	705	632	582	524	472
Operating cost/income, %	55	59		53	59	53	57	54
Number of FTE, end of period	17	16	106	17	16	16	15	16

Insurance, Trygd

Income statement, Trygd

DKKm	Q1 - Q3 2016	Q1 - Q3 2015	Index 16/15	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015
Premium income, net of reinsurance	64	62	103	22	21	21	20	21
Claims, net of reinsurance	-34	-41	82	-12	-10	-12	-12	-11
Net insurance income	30	21	142	9	12	9	8	10
Net income from investment activities	-3	-1		-1	-1	-1	0	0
Operating income	27	20	132	8	11	8	8	10
Operating cost	-12	-15	78	-4	-4	-4	-5	-6
Profit before tax	15	5	301	4	7	4	3	4
Combined ratio	72	91		77	64	75	88	79
Claims ratio	53	66		57	46	57	61	51
Number of FTE, end of period	24	25	96	24	23	25	25	25

Credit quality of the loan portfolio

Credit classification according to the Danish FSA's method

	Q2 2016			Q3 2016			Change
	<7.5 DKKm	>7.5 DKKm	Total	<7.5 DKKm	>7.5 DKKm	Total	
Portfolio without weakness	3.632	2.646	6.278	3.653	2.111	5.764	-514
Portfolio with some weakness	4.743	1.194	5.937	5.052	1.283	6.334	397
Portfolio with weakness	428	138	566	398	115	513	-53
- here of unsecured	194	40	234	168	30	198	-36
Portfolio with OIE	945	789	1.733	934	829	1.763	29
- here of unsecured	608	431	1.039	603	489	1.092	53
- impairments	409	221	630	404	230	634	4
Portfolio without individ. classification	252	18	271	152	196	348	77
Total	10.000	4.785	14.784	10.189	4.533	14.722	-63