

Customer activity high in first quarter

- Sale of Danish business finalised as planned

Investor presentation 28 April 2021

Árni Ellefsen, CEO

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Overview

- **Highlights**
- **Overview**
- **Financials**
 - Operating income
 - Insurance
 - Business volumes
 - Expenditures
 - Impairment charges
 - Capital ratios
- **Activity in 2021**
- **Appendices**



Highlights in Q1 2021

— *Divestment improves capital position significantly*

Operating highlights

- Sale of Danish business finalised as planned
- New loan type with improved terms presented to incentivise conversion to renewable energy sources
- First offers of mortgage financing to Faroese corporate customers made in Q1 2021
- Changes to the Board of Directors at annual general meeting and new Board chairman elected

Financial highlights

- Profit before impairment charges up 36%
- Profit before tax from continuing operations of DKK 108m
- Profit before tax from discontinued operations of DKK 9m
- CET1 capital ratio of 31.0% and total capital ratio (MREL) of 36.2%
- RoE low as capital structure is not yet adjusted after divestment

Profit & Loss

<i>DKKm</i>	Q1 2021	Q1 2020	<i>Index</i>
Net interest income	64	63	101
Net fee and commission income	17	16	111
Net insurance income	7	4	203
Other operating income	9	5	169
Operating income	97	87	111
Operating costs	-59	-59	99
Profit before impairment charges	38	28	136
Net impairment charges on loans	-3	-18	19
Operating profit	35	10	347
Non-recurring items	77	0	
Investment portfolio earnings	-3	-21	14
Profit before tax, continuing operations	108	-11	
Profit before tax, discontinued operations	9	-18	
Profit before tax	118	-30	

Key Metrics

<i>DKKbn</i>	Target	Q1 2021	Q1 2020	<i>Index</i>
Loans and advances		7.5	7.4	100
Deposits and other debt		7.5	7.5	101
Mortgage credit		2.4	2.1	119
Operating cost / income, %	55.0	60.7	67.9	
CET1 capital ratio, %	23.0	31.0	19.8	
Total capital ratio (MREL), %	33.0	36.2	23.4	
RoE after tax (annualised)*, %	8.0	7.1	-4.6	

*Non-recurring items are excluded in the annualisation

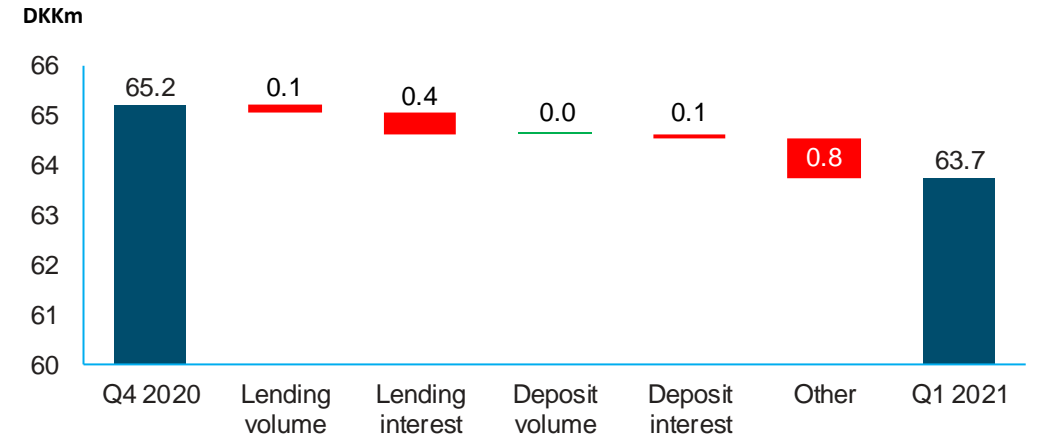
Net interest income

- Increase in net interest income due to negative interest rates on deposits

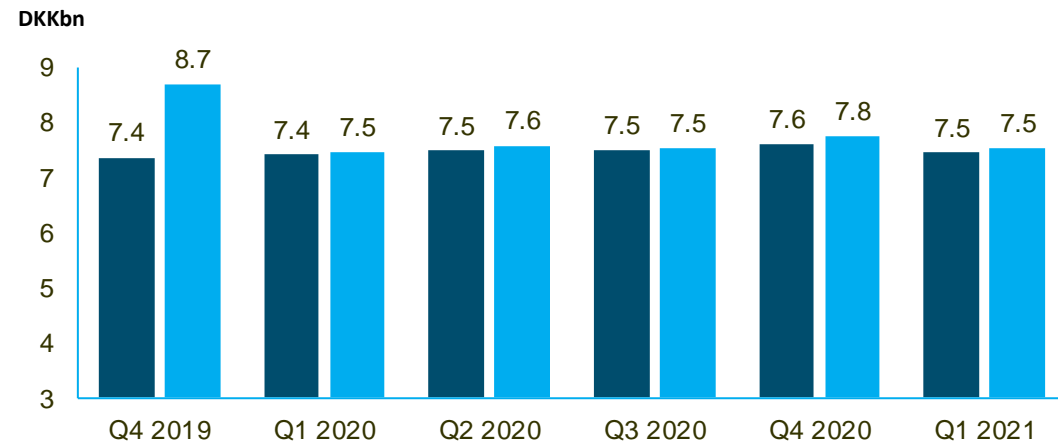
Comments

- Net interest income down by DKK 1.5m QoQ and up DKK 0.8m YoY mainly due to negative interest rates
- Other changes are mainly due to new allocation of cost of subordinated debt. Relative share of the cost was in previous periods allocated to the Danish Business.
- Lending volumes down by DKK 157m QoQ and up by DKK 35m YoY

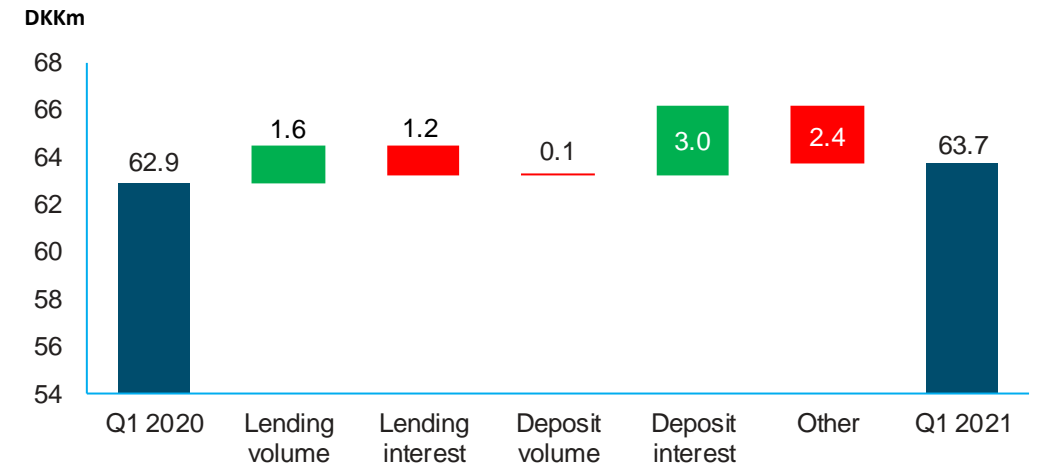
QoQ changes in net interest income



Loans and deposits



YoY changes in net interest income



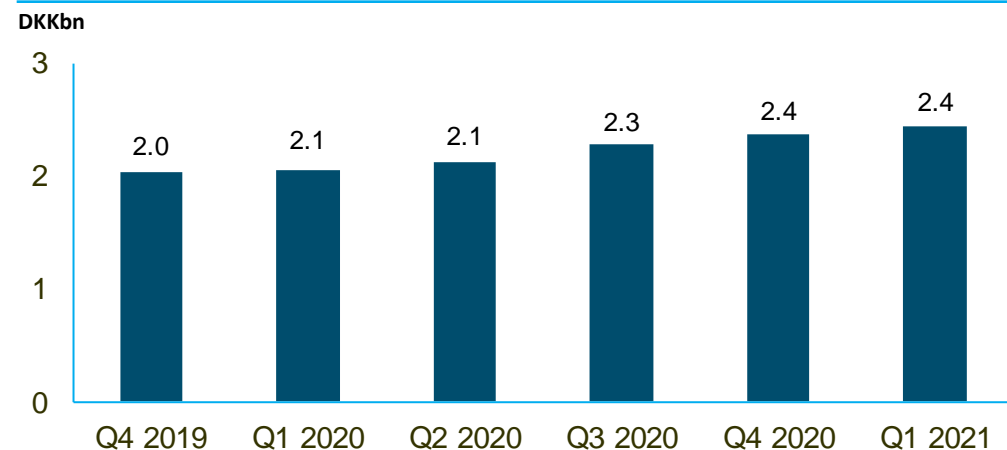
Fee and commission income

- Strong customer activity driving income growth

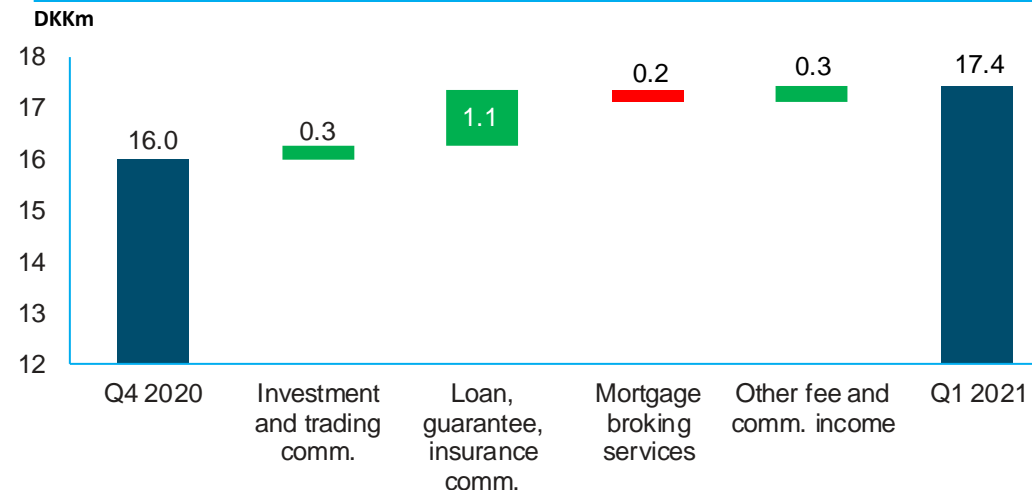
Comments

- Net fee and commission income up by DKK 1.4m QoQ and by DKK 1.7m YoY
- High activity in corporate segment the main driver of increase in fee and commission income in Q1 2021
- Mortgage-broking volumes up DKK 67m QoQ and DKK 386m YoY
- Adjustments of agreement with mortgage-broker has reduced capital requirements as well as broking service commissions

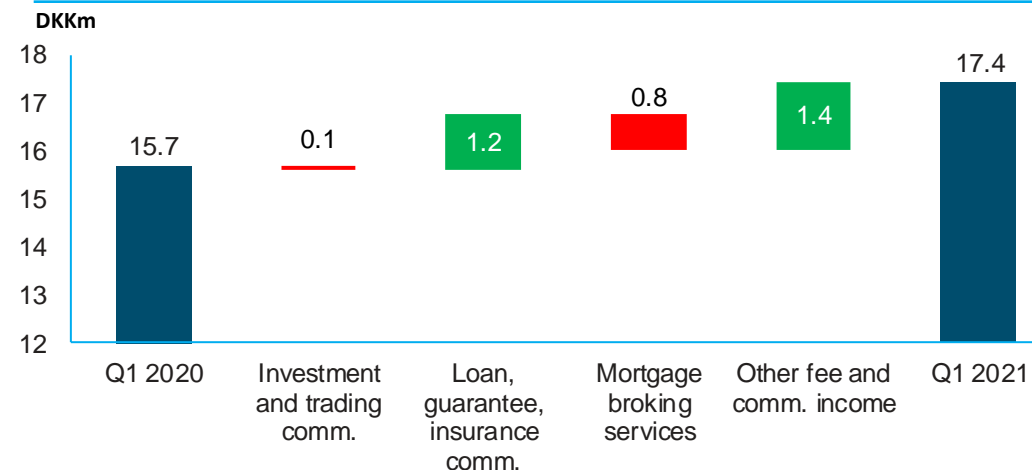
Mortgage-broking services



QoQ changes in fee and commission income



YoY changes in fee and commission income



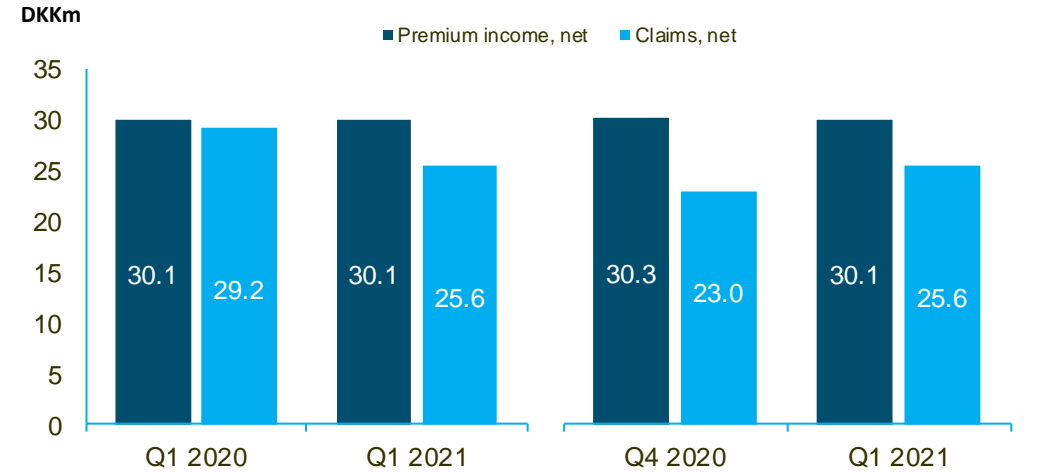
Financial results for Trygd

- Storm season resulting in high claims, but lower than in Q1 2020

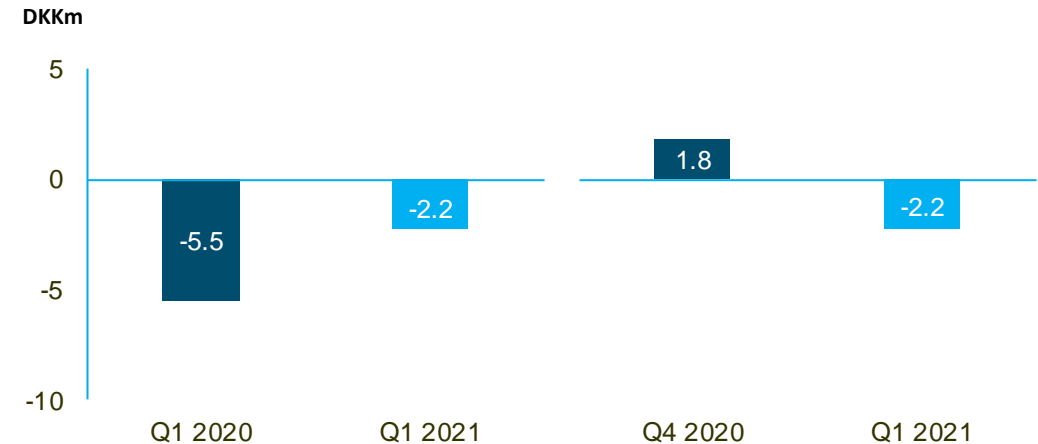
Comments

- Combined ratio of 106% in Q1 2021 compared to 116% in Q1 2020
- Net premium income increased due to indexation but increase in reinsurance cost in Q1 2021 lead to flat net premium income YoY and QoQ
- Net claims down by DKK 3.6m YoY and up by DKK 2.6m QoQ
- High claims ratio in Q1 2021 driven by claims related to the transport segment
- Loss before tax of DKK 2.2m in Q1 2021 compared to a loss of DKK 5.5m in Q1 2020 and a profit of DKK 1.8m in Q4 2020

Premiums and claims



Profit before tax



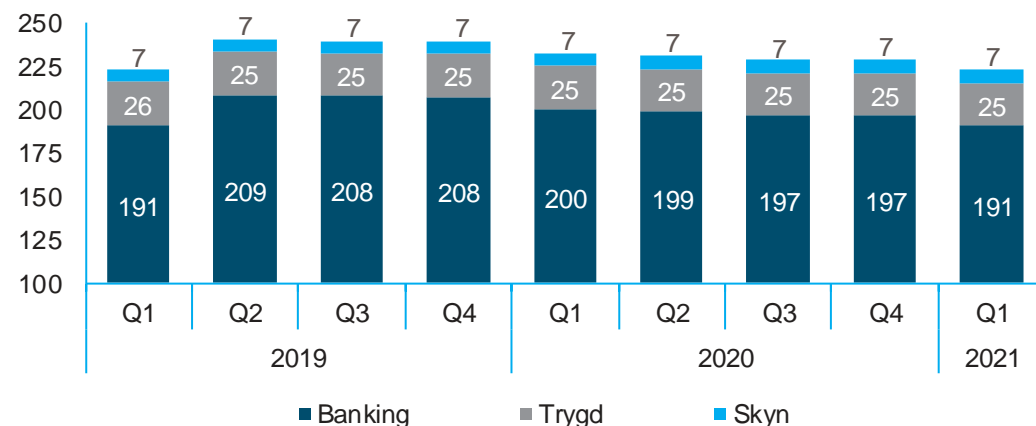
Operating costs

- Operating costs according to plan for divestment

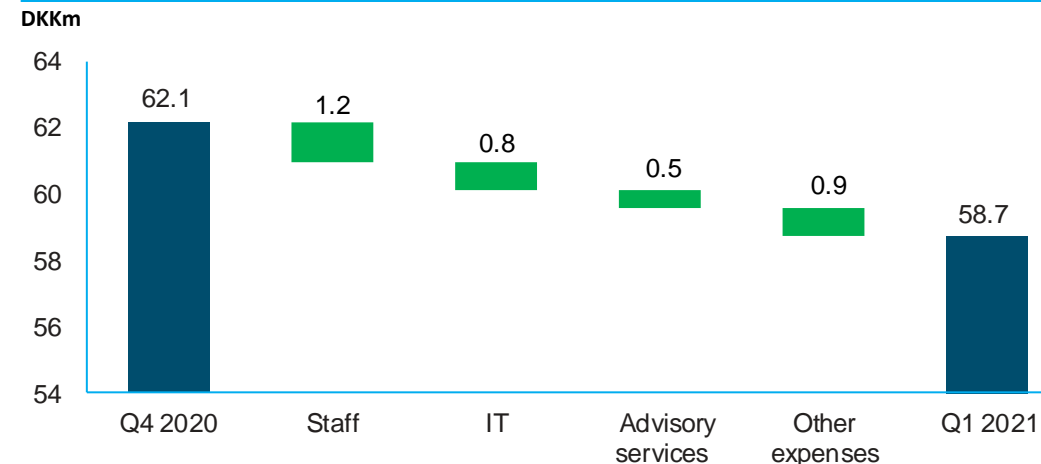
Comments

- Operating costs down by DKK 0.5m YoY and down by DKK 3.4m QoQ
- Decrease in staff costs mainly due to steady fall in number of average FTEs
- Decrease in advisory services related to divestment preparations in Q4 2020
- Marketing activity low in Q1 2020

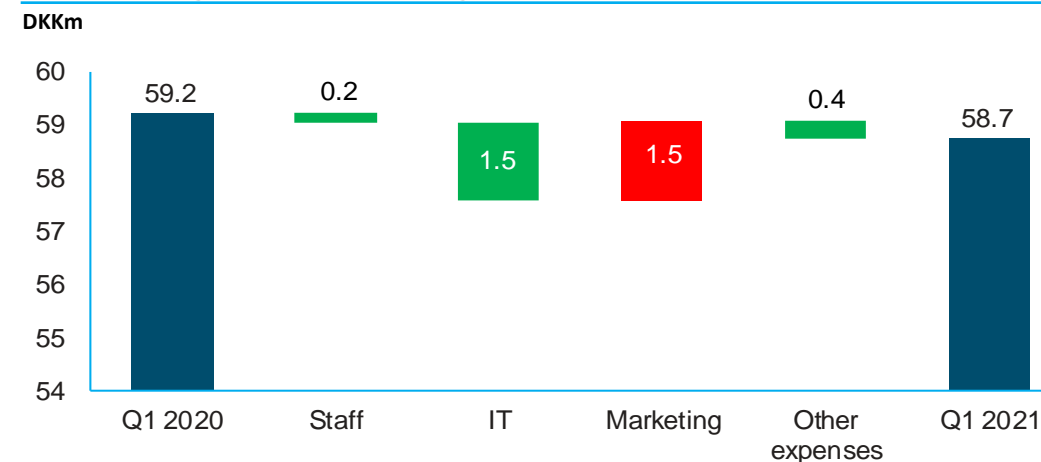
Average number of employees (FTE)



QoQ changes in operating costs



YoY changes in operating costs



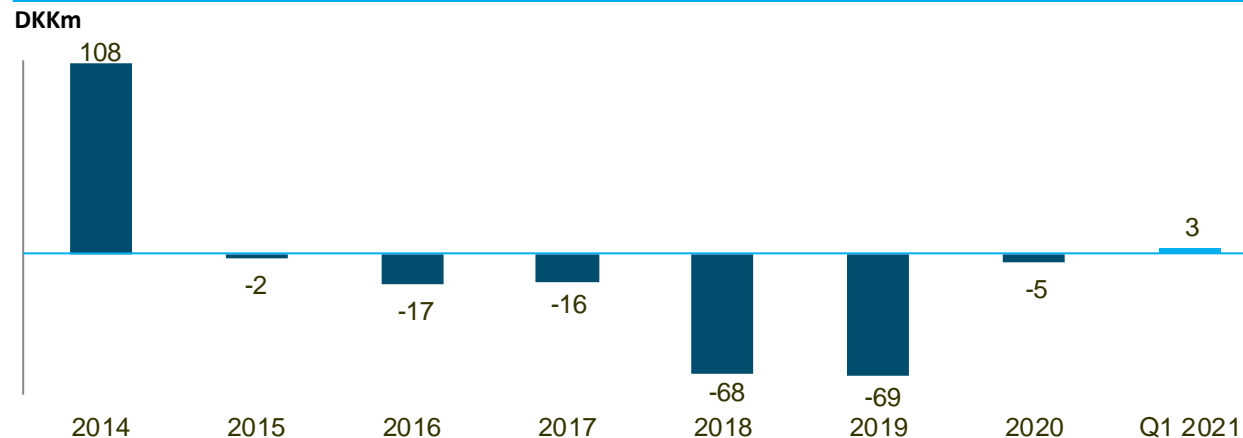
Impairment charges

- Low impairment charges of diversified loan portfolio

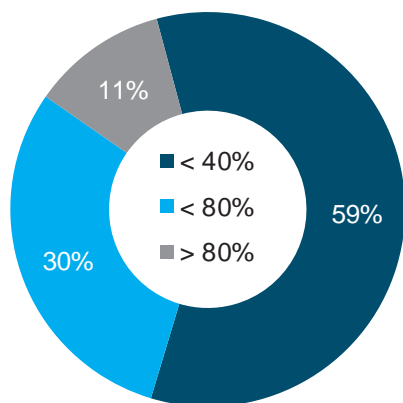
Comments

- Net impairment charges of DKK 3m in Q1 2021
- The discretionary management estimate of DKK 52m recognised in 2020 due to the COVID-19 health is maintained
- Strong LTV ratios for housing loans

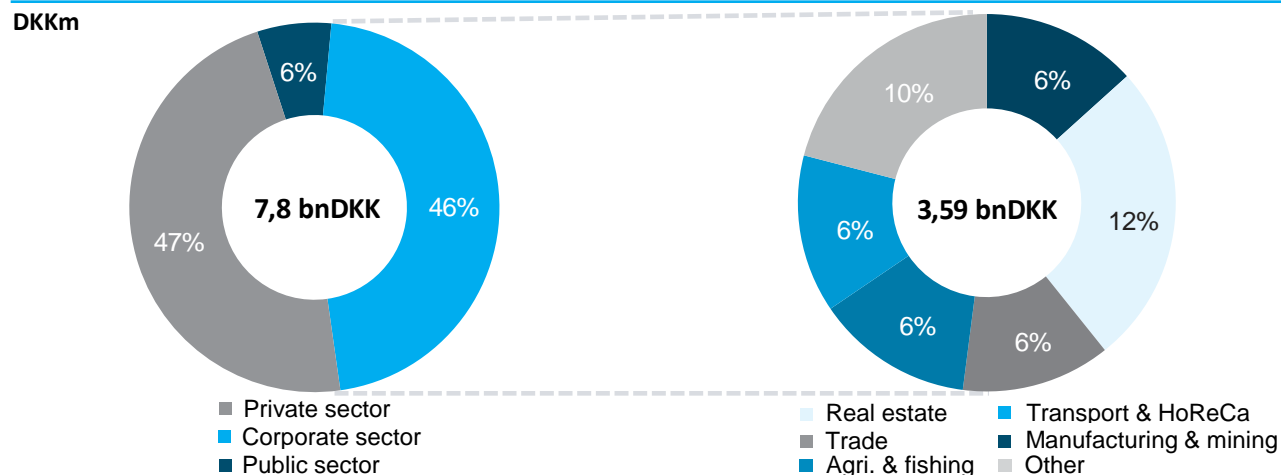
Net impairment charges



LTV for housing loans¹



Gross loans by sector



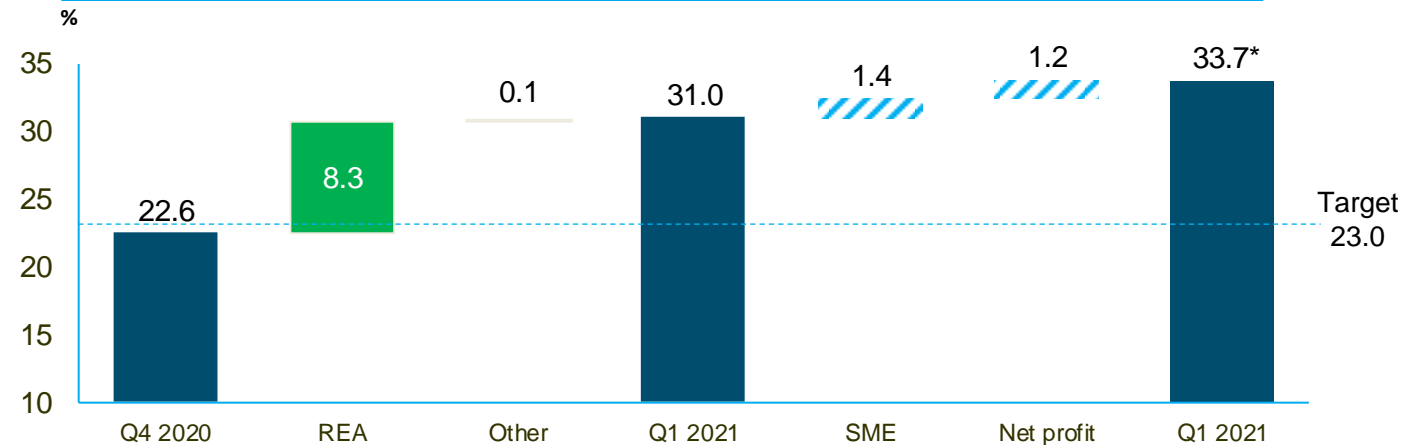
Capital position

- Capital ratios significantly improved due to sale

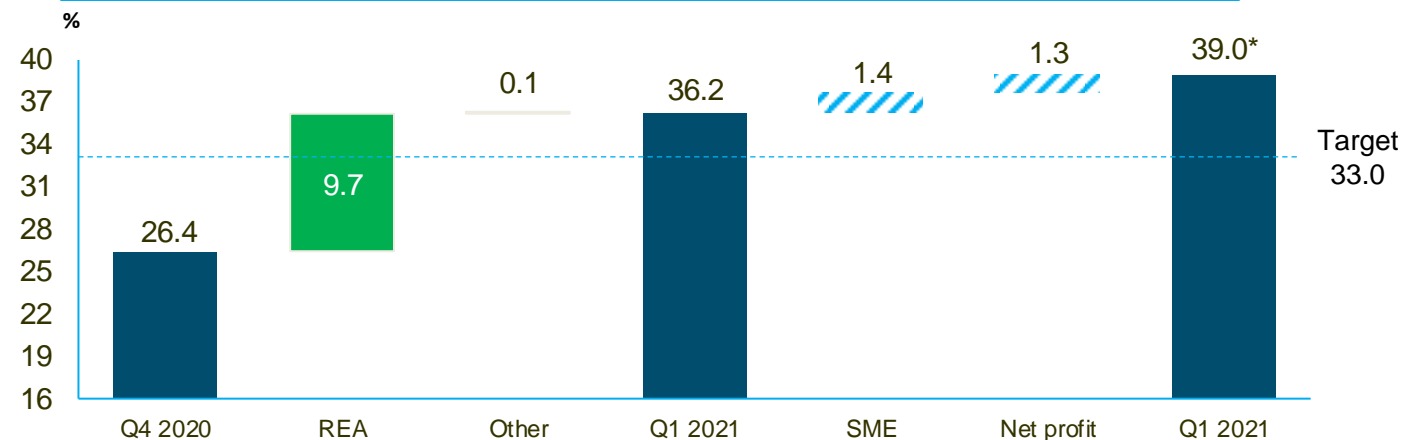
Comments

- CET1 up by 8.4 pp and total capital ratio up by 9.8 pp YoY
- The most significant change in capital ratios is due to REA reduction, i.e. from the sale of the Danish loan portfolio
- Incoming legislation is expected to reduce REA of SME-exposures by DKK 300m (1.4 pp)
- Net gain from the sale currently estimated at DKK 77m (0.8 pp)
- Planned dividend in 2021 – 2023 of DKK 700m
 - 2021: DKK 450m
 - 2022: DKK 125m
 - 2023: DKK 125m

YoY changes in CET1 ratio



YoY changes in Total Capital Ratio (MREL)



Activity in 2021

- Focus and challenges for the remaining year

- With the divestment of the Danish business completed according to plan and the large dividend payouts being planned over the coming years, BankNordik will continue the work on aligning the capital structure of its continuing operations
- Changes made to group organisation following the divestment in order to ensure operations remain cost efficient
- Handover of divested customer base expected to be completed by 19 June 2021
- Focus still on good customer experiences in both the Faroes and Greenland based on our customer philosophy
- Work will continue on further developing the portfolio of green products as part of our efforts to support our customers in making sustainable choices

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**
- **Macro economic overview**

Group

Income statement, Group

DKKm	Index										
	Q1 2021	Q1 2020	21/20	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019
Net interest income	64	63	101	64	65	65	65	63	61	56	56
Net fee and commission income	17	16	111	17	16	15	13	16	15	13	13
Net insurance income	7	4	203	7	12	18	12	4	14	15	15
Other operating income (less reclassification)	9	5	169	9	8	6	5	5	10	9	7
Operating income	97	87	111	97	101	104	95	87	99	94	92
Operating costs ¹	-59	-59	99	-59	-62	-57	-59	-59	-67	-61	-63
Sector costs	0	0		0	0	0	0	0	0	0	0
Profit before impairment charges	38	28	136	38	38	47	36	28	33	33	29
Impairment charges, net	-3	-18	19	-3	10	-2	16	-18	21	5	33
Operating profit	35	10	347	35	48	44	52	10	53	38	62
Non-recurring items ²	77	0		77	0	0	0	0	-5	0	0
Profit before investment portfolio earnings and tax	111	10	1,109	111	48	44	52	10	48	38	62
Investment portfolio earnings ³	-3	-21		-3	1	3	15	-21	-3	-4	-6
Profit before tax, continuing operations	108	-11	957	108	49	48	66	-11	46	34	56
Profit before tax, discontinued operations	9	-18	51	9	1	35	37	-18	14	16	30
Profit before tax, total	118	-30	397	118	51	82	103	-30	59	50	86
Operating cost/income, %	60	68		60	62	55	62	68	67	65	68
Number of FTE, end of period	218	228	96	218	228	232	228	228	238	238	242

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

DKKkm	Index										
	Q1 2021	Q1 2020	21/20	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019
Net interest income	64	63	102	64	65	65	65	63	61	56	56
Net fee and commission income	20	18	111	20	19	18	16	18	18	16	16
Other operating income	7	5	148	7	7	5	4	5	8	7	5
Operating income	91	86	106	91	91	87	85	86	87	80	77
Operating cost	-54	-55	97	-54	-58	-52	-53	-55	-60	-56	-57
Sector costs	0	0		0	0	0	0	0	0	0	0
Profit before impairment charges	37	31	122	37	33	35	32	31	27	24	21
Impairment charges, net	-3	-18	19	-3	10	-2	16	-18	21	5	33
Operating profit	34	13	269	34	43	32	48	13	48	29	53
Non-recurring items	77	0		77	0	0	0	0	-5	0	0
Profit before investment portfolio earnings and tax	111	13	873	111	43	32	48	13	43	29	53
Investment portfolio earnings	-2	-20		-2	2	4	15	-20	-2	-4	-6
Profit before tax, continuing operations	108	-8	- 1,384	108	44	36	62	-8	41	25	48
Profit before tax, discontinued operations	9	-18	- 51	9	1	35	37	-18	14	16	30
Profit before tax, total	118	-26	- 449	118	46	71	99	-26	55	42	78
Loans and advances	7,450	7,416	100	7,451	7,608	7,501	7,479	7,416	7,363	7,262	7,256
Deposits and other debt	7,536	7,468	101	7,536	7,756	7,531	7,581	7,468	8,701	7,947	8,416
Mortgage credit	2,443	2,057	119	2,443	2,375	2,284	2,121	2,057	2,036	2,116	2,032
Operating cost/income, %	59	64		59	63	60	62	64	69	70	73
Number of FTE, end of period	186	195	95	186	196	199	197	195	206	208	210

1) Other costs than direct costs are not included.

Personal Banking

Income statement, Personal banking

DKKkm	Index										
	Q1 2021	Q1 2020	21/20	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019
Net interest income	34	33	102	34	34	34	34	33	33	33	32
Net fee and commission income	14	13	103	14	15	17	14	13	12	14	16
Other operating income	4	6	66	4	4	4	2	6	4	4	4
Operating income	52	53	98	52	53	55	51	53	49	51	52
Operating costs ¹	-14	-15	96	-14	-15	-13	-16	-15	-20	-16	-16
Sector costs	0	0		0	0	0	0	0	0	0	0
Profit before impairment charges	37	38	98	37	38	42	35	38	29	35	37
Impairment charges, net	6	-2	326	6	3	-4	-2	-2	0	1	10
Operating profit	43	36	119	43	41	38	33	36	30	36	46
Non-recurring items	0	0		0	0	0	0	0	-1	0	0
Profit before investment portfolio earnings and tax	43	36	119	43	41	38	33	36	28	36	46
Profit before tax, continuing operations	43	36	119	43	41	38	33	36	28	36	46
Profit before tax, discontinued operations	9	28	34	9	32	48	39	28	54	38	46
Profit before tax, total	52	64	82	52	73	86	72	64	82	74	92
Loans and advances	3,559	3,628	98	3,559	3,587	3,581	3,636	3,628	3,696	3,690	3,667
Deposits and other debt	5,205	4,625	113	5,205	5,140	5,144	5,112	4,625	4,858	4,890	4,904
Mortgage credit	2,152	1,861	116	2,152	2,074	2,003	1,872	1,861	1,828	1,743	1,667
Operating cost/income, %	28	28		28	28	24	31	28	40	31	30
Number of FTE, end of period	77	79	97	77	80	79	82	79	94	105	104

1) Other costs than direct costs are not included.

Corporate Banking

Income statement, Corporate Banking

DKKmn	Index										
	Q1 2021	Q1 2020	21/20	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019
Net interest income	34	33	103	34	35	34	35	33	31	30	29
Net fee and commission income	6	4	142	6	5	4	4	4	4	4	4
Other operating income	2	1	186	2	1	1	1	1	2	1	1
Operating income	42	38	110	42	41	40	39	38	37	35	34
Operating costs ¹	-5	-4	105	-5	-5	-4	-5	-4	-4	-4	-3
Sector costs	0	0		0	0	0	0	0	0	0	0
Profit before impairment charges	38	34	110	38	36	36	34	34	33	31	31
Impairment charges, net	-18	-15	116	-18	4	2	17	-15	20	4	24
Operating profit	20	19	106	20	40	38	51	19	54	35	54
Non-recurring items	0	0		0	0	0	0	0	0	0	0
Profit before investment portfolio earnings and tax	20	19	106	20	40	38	51	19	54	35	54
Profit before tax	20	19	106	20	40	38	51	19	54	35	54
Loans and advances	3,856	3,819	101	3,856	3,974	3,847	3,831	3,819	3,602	3,534	3,573
Deposits and other debt	2,323	2,892	80	2,323	2,607	2,347	2,469	2,892	3,770	3,018	3,498
Mortgage credit	291	196	148	291	301	281	249	196	209	372	364
Operating cost/income, %	11	11		11	12	10	13	11	10	11	10
Number of FTE, end of period	15	17	88	15	16	17	17	17	16	16	16

1) Other costs than direct costs are not included.

Banking – Faroe Islands

Income statement, Faroe Islands

DKK ^m	Index										
	Q1 2021	Q1 2020	21/20	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019
Net interest income	52	50	103	52	53	51	52	50	49	46	46
Net fee and commission income	16	16	102	16	16	14	13	16	15	14	14
Other operating income	6	4	152	6	6	4	3	4	7	6	4
Total Operating income	74	70	106	74	74	70	68	70	71	66	64
Operating cost	-47	-48	96	-47	-50	-45	-45	-48	-51	-48	-50
Sector costs	0	0		0	0	0	0	0	0	0	0
Profit before impairment charges	27	21	126	27	23	24	22	21	20	18	14
Impairment charges, net	-8	-11	69	-8	11	-6	4	-11	11	3	12
Operating profit	19	10	192	19	34	19	26	10	31	21	27
Non-recurring items	-7	0		-7	0	0	0	0	-5	0	0
Profit before investment portfolio earnings and tax	13	10	127	13	34	19	26	10	26	21	27
Investment portfolio earnings	-1	-17	9	-1	2	3	12	-17	-2	-4	-6
Profit before tax	11	-7	157	11	36	22	38	-7	23	16	20
Loans and advances	6,512	6,428	101	6,512	6,670	6,531	6,422	6,428	6,492	6,508	6,564
Deposits and other debt	6,833	6,749	101	6,833	7,037	6,794	6,935	6,749	7,299	7,135	7,491
Mortgage credit	1,513	1,323	114	1,513	1,481	1,434	1,378	1,323	1,275	1,206	1,146
Operating cost/income, %	63	69		63	68	65	67	69	72	73	78
Number of FTE, end of period	166	175	95	166	174	178	178	175	185	188	189

Banking – Denmark

Income statement, Denmark

DKKm	Index										
	Q1 2021	Q1 2020	21/20	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019
Net interest income	1	1	105	1	1	1	1	1	1	1	1
Net fee and commission income	1	0	364	1	0	0	0	0	0	0	0
Other operating income	0	0	118	0	0	0	0	0	0	0	0
Total Operating income	2	2	151	2	1	2	2	2	2	2	2
Operating cost	0	0	1	0	0	0	0	0	0	0	0
Sector costs	0	0		0	0	0	0	0	0	0	0
Profit before impairment charges	2	1	182	2	1	2	1	1	1	1	1
Impairment charges, net	3	1	396	3	6	7	13	1	6	5	3
Operating profit	5	2	261	5	8	9	14	2	7	6	5
Non-recurring items	83	0		83	0	0	0	0	0	0	0
Profit before investment portfolio earnings and tax	88	2	4,413	88	8	9	14	2	7	6	5
Investment portfolio earnings	0	0		0	0	0	0	0	0	0	0
Profit before tax, continuing operations	88	2	4,396	88	8	9	14	2	7	6	5
Profit before tax, discontinued operations	9	-18	51	9	1	35	37	-18	14	16	30
Profit before tax, total	97	-16	596	97	9	43	51	-16	21	23	35
Loans and advances	30	28	107	30	29	23	20	28	28	55	46
Deposits and other debt	45	39	115	45	58	48	43	39	55	58	63
Mortgage credit	93	105	89	93	100	102	103	105	115	278	280
Operating cost/income, %	0	17		0	7	16	18	17	15	29	16
Number of FTE, end of period	1	1	100	1	1	1	1	1	1	1	1

Banking – Greenland

Income statement, Greenland

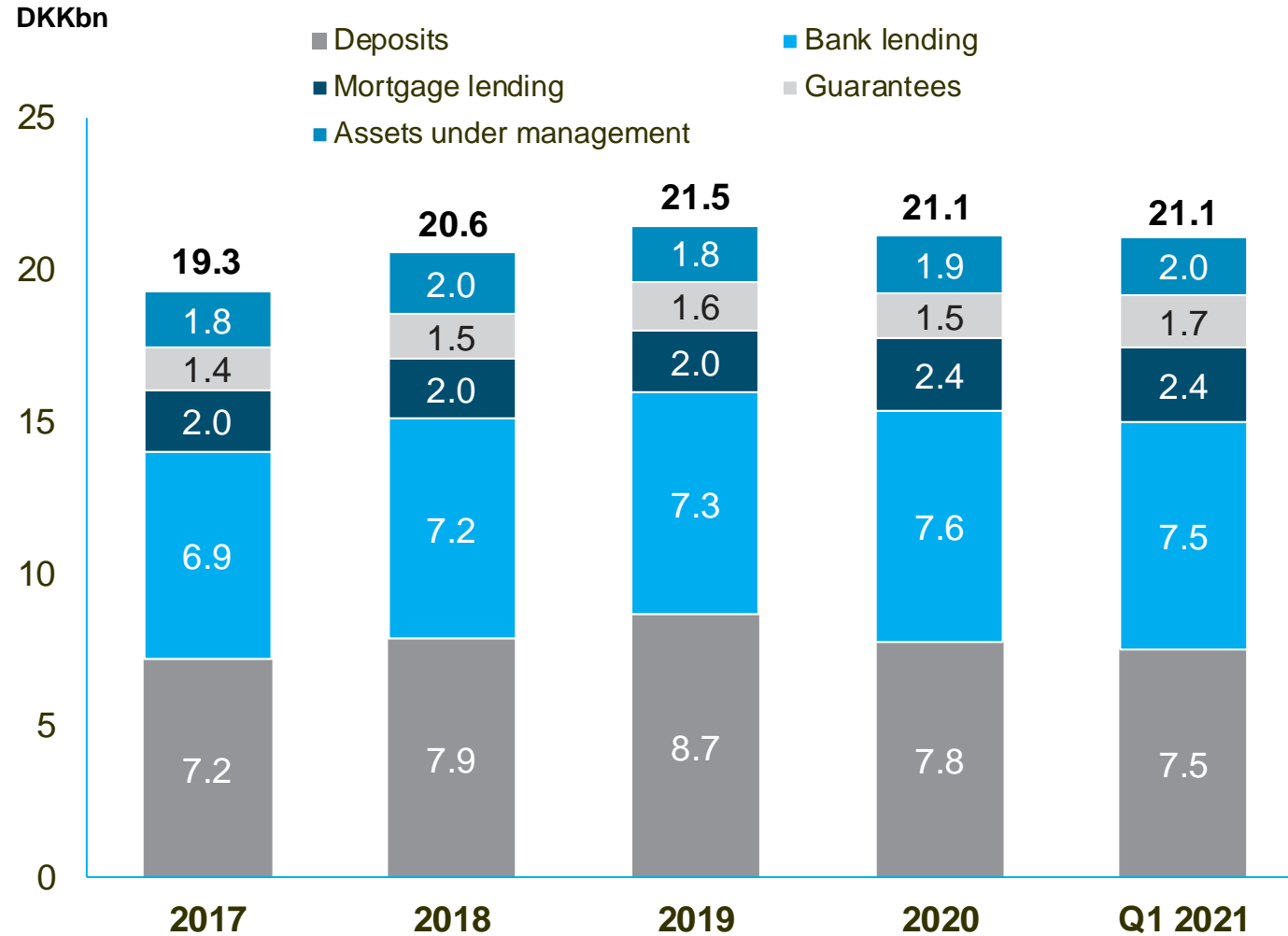
DKK m	Index										
	Q1 2021	Q1 2020	21/20	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019
Net interest income	11	12	94	11	11	12	12	12	11	9	8
Net fee and commission income	3	2	139	3	3	3	3	2	2	2	2
Other operating income	1	1	131	1	1	1	1	1	1	1	1
Total Operating income	15	15	104	15	16	16	15	15	14	12	12
Operating cost	-7	-7	107	-7	-7	-7	-7	-7	-8	-8	-7
Sector costs	0	0		0	0	0	0	0	0	0	0
Profit before impairment charges	8	8	101	8	8	9	8	8	6	5	5
Impairment charges, net	2	-7		2	-8	-4	-1	-7	4	-3	18
Operating profit	10	1	1,334	10	1	5	7	1	10	2	22
Non-recurring items	0	0		0	0	0	0	0	0	0	0
Profit before investment portfolio earnings and tax	10	1	1,334	10	1	5	7	1	10	2	22
Investment portfolio earnings	-1	-3		-1	0	1	3	-3	0	0	0
Profit before tax	9	-3	336	9	0	6	10	-3	10	3	23
Loans and advances	909	1,006	90	909	908	918	1,039	1,006	795	690	643
Deposits and other debt	658	736	89	658	661	659	611	736	1,299	730	865
Mortgage credit	836	629	133	836	795	748	639	629	646	632	606
Operating cost/income, %	47	45		47	45	43	47	45	58	61	58
Number of FTE, end of period	19	19	100	19	21	20	18	19	20	20	20

Income statement, Trygd

DKKm	<i>Index</i>										
	Q1 2021	Q1 2020	21/20	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019
Premium income, net of reinsurance	30	30	100	30	30	31	30	30	28	29	28
Claims, net of reinsurance	-26	-29	88	-26	-23	-14	-18	-29	-17	-17	-15
Net insurance income	4	1	465	4	7	16	12	1	11	12	13
Net income from investment activities	-1	-1		-1	0	0	0	-1	0	0	0
Operating income	4	0	1,156	4	7	16	12	0	11	11	13
Operating cost	-6	-6	106	-6	-5	-6	-6	-6	-7	-6	-7
Profit before tax	-2	-6	40	-2	2	11	6	-6	4	6	6
Combined ratio	106	116		106	93	65	81	116	85	80	78
Claims ratio	85	97		85	76	46	60	97	60	60	54
Number of FTE, end of period	24	25	98	24	25	25	24	25	25	22	24

Developments in business volumes

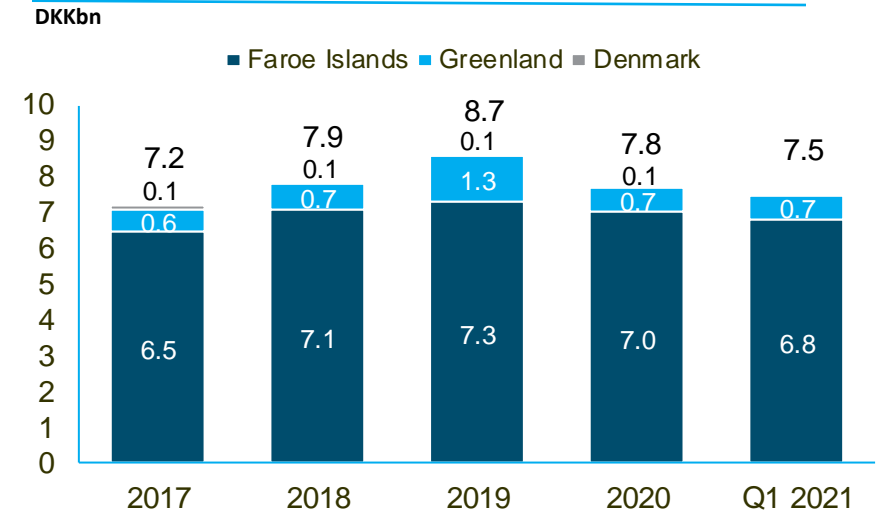
Business volumes (sum of deposits, lending, guarantees and AUM)



Comments

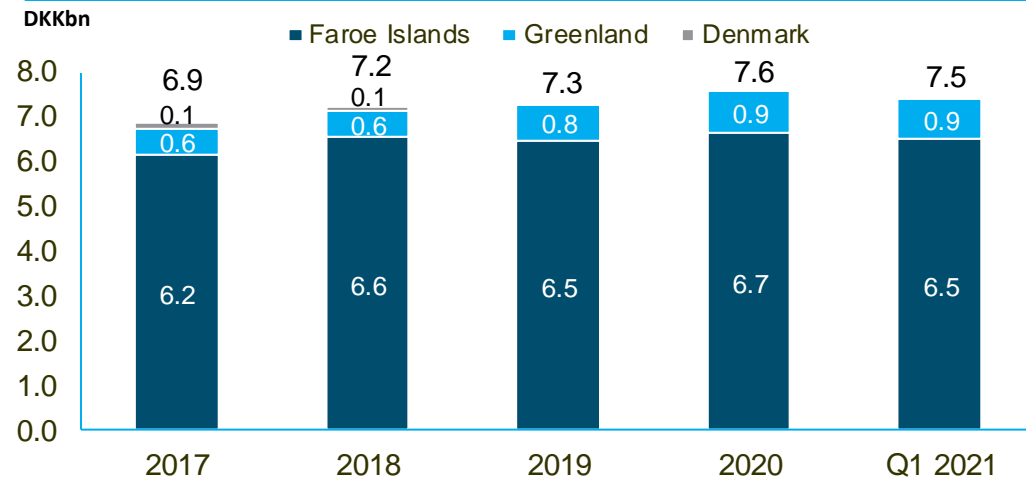
- Improved agreement with DLR has reduced guarantees with more than DKK 400m in 2020
- Significant increase in guarantees for corporate sector in 2020 and Q1 2021

Deposits

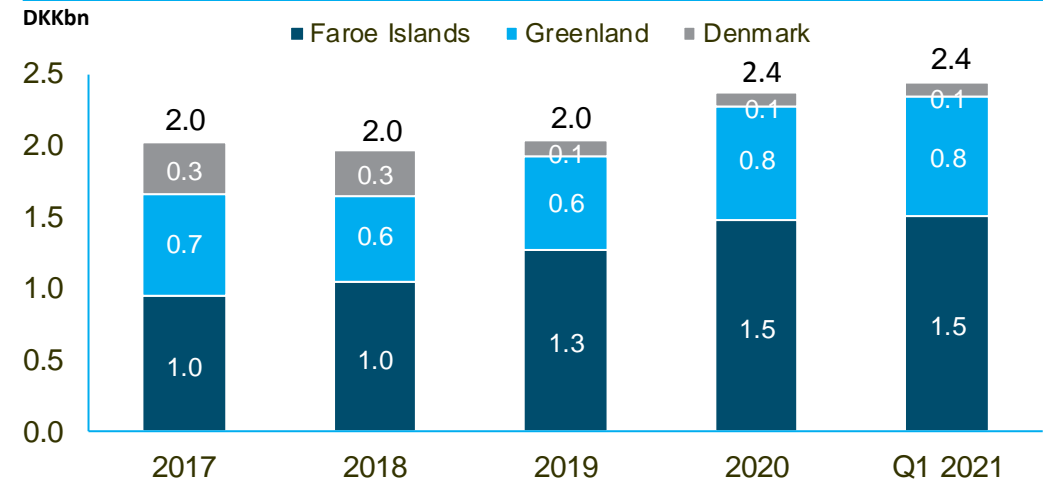


Development in business volumes

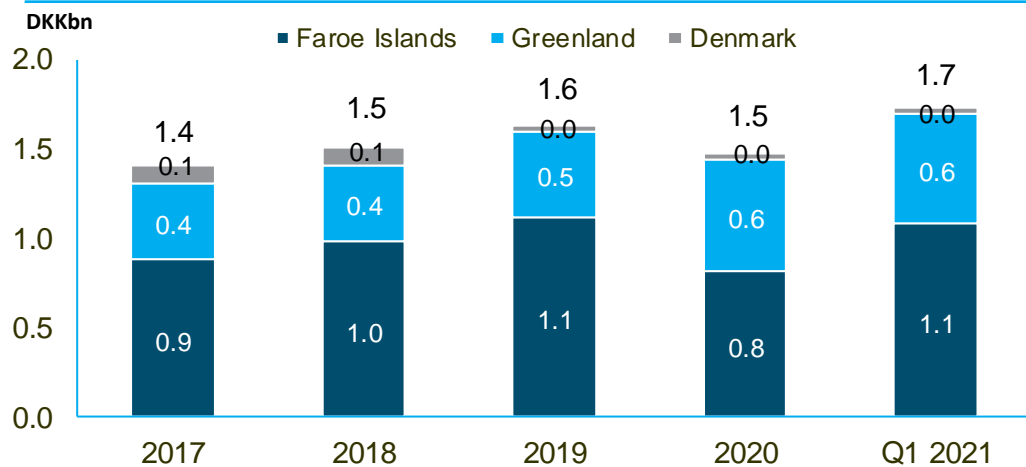
Bank lending



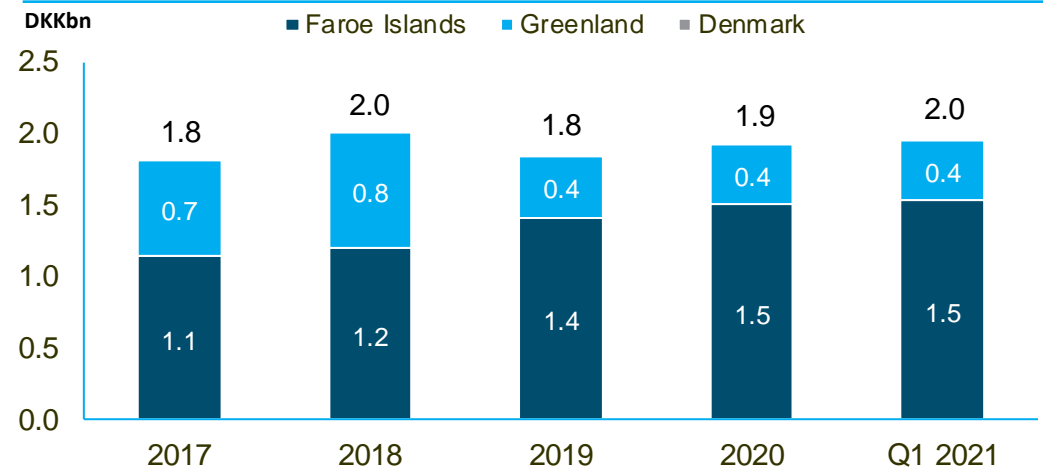
Mortgages



Guarantees



Assets under management



Credit quality of the loan portfolio

Credit classification according to the Danish FSA's method

	Q4 2020			Q1 2021			Change
	<7.5 DKKm	>7.5 DKKm	Total	<7.5 DKKm	>7.5 DKKm	Total	
Portfolio without weakness	1,264	4,072	5,337	1,258	4,254	5,511	175
Portfolio with some weakness	3,557	2,057	5,614	3,531	1,847	5,378	-236
Portfolio with weakness	104	200	305	120	185	305	0
- here of unsecured	17	48	65	19	47	66	1
- impairments	44	68	113	21	30	52	-61
Portfolio with OIE	255	218	473	234	322	556	84
- here of unsecured	97	124	221	96	186	282	62
- impairments	101	100	201	97	105	203	2
Portfolio without individ. classification	64	18	82	58	52	111	28
Total	5,245	6,566	11,810	5,201	6,661	11,861	51

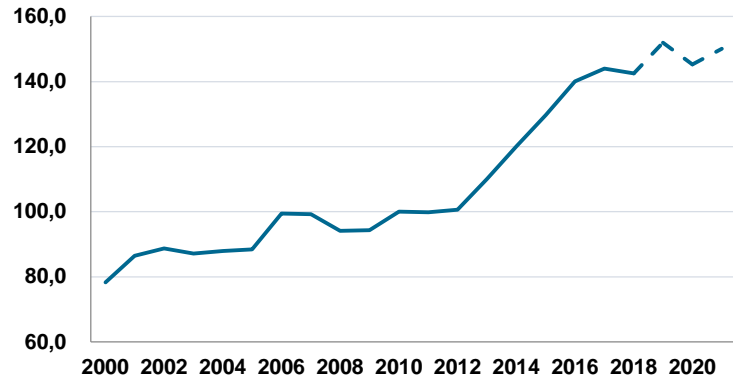
Total loan portfolio (Gross exposure) includes

- Loans and advances
- Credits
- Unused credits
- Guarantees

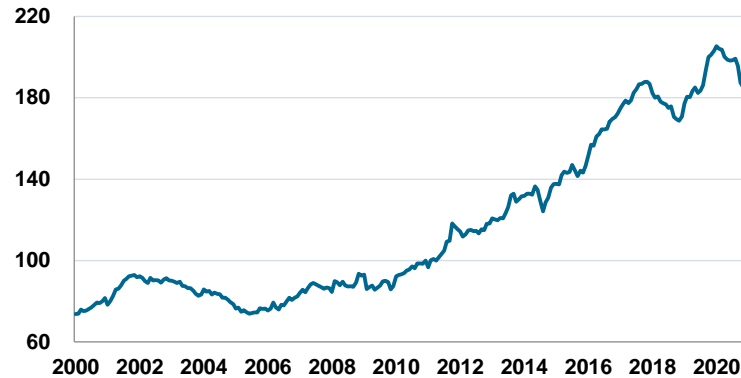
The Faroese economy

The Faroese economy has seen significant growth in the past decade to the point where GDP per capita in 2019 surpassed that of Denmark. The main drivers of growth have been pelagic fisheries and aquaculture. The economy has also seen significant growth in its tourism industry until the COVID-19 pandemic. The Faroese economy remained resilient throughout 2020 and is expected to rebound solidly in 2021.

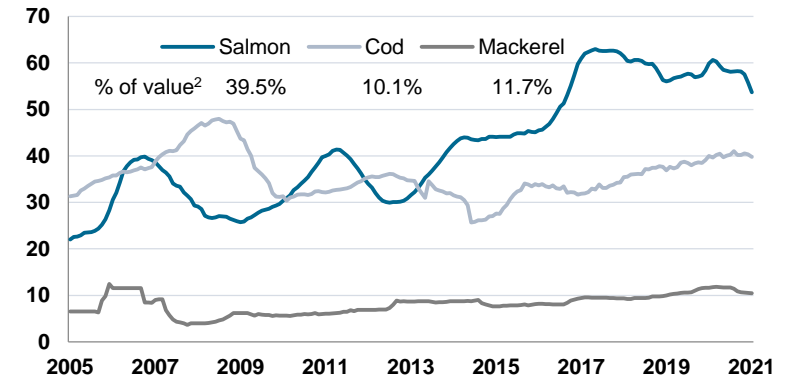
Real GDP¹ (2010 = 100)



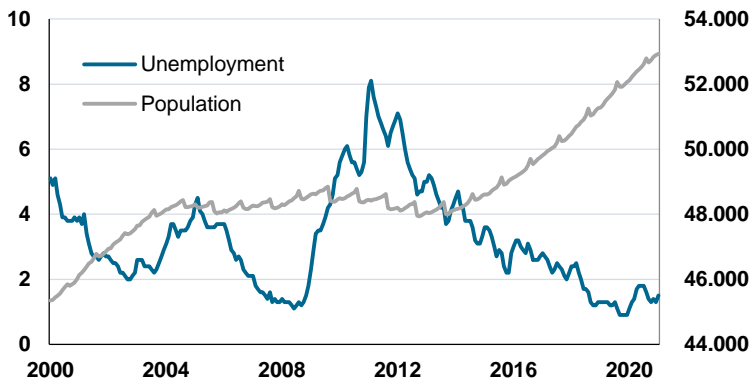
Exports, rolling 12m (Dec 2010 = 100)



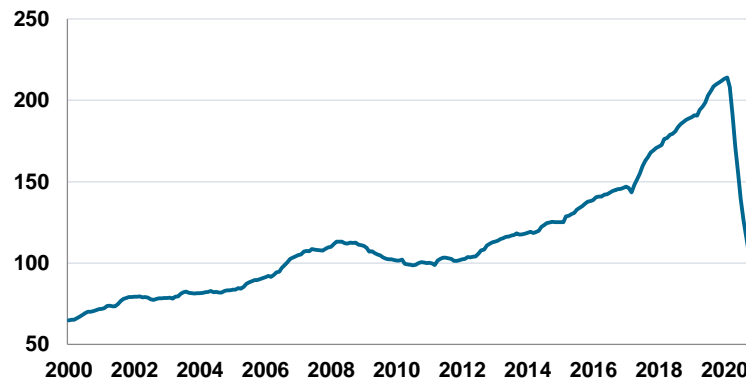
Export prices, rolling 12m avg, DKK/kg



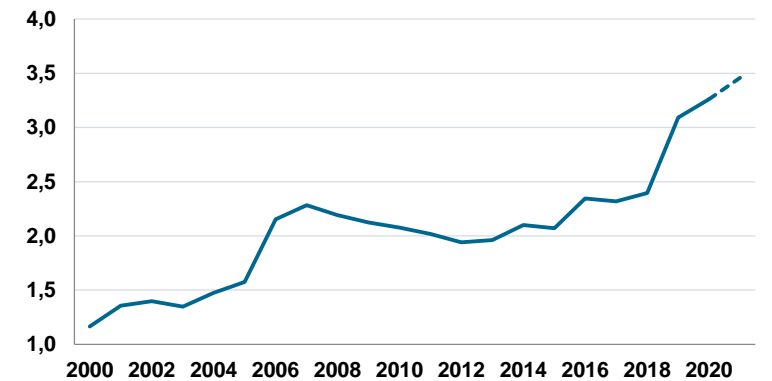
Unemployment, % (left); population, '000' (right)



Arrivals, air travel, annual total, '000



House prices, Tórshavn, annual average (2021 to date)



¹ Nominal GDP deflated by annual rate of inflation. 2019 estimated, 2020 and 2021 forecasts

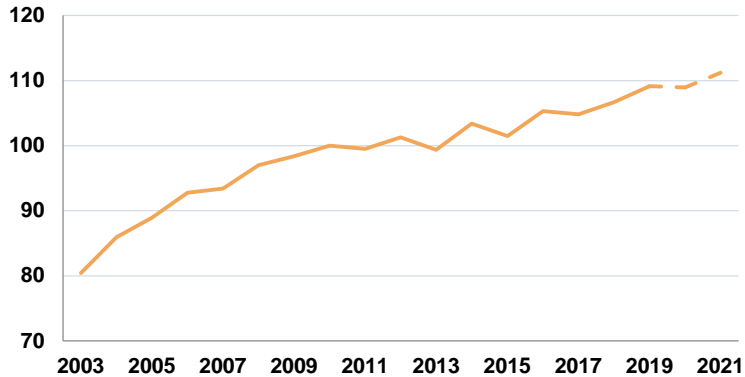
² Species' export value as percentage of total export value during last 12 months

Sources: Statistics Faroe Islands, the Faroese Economic Council, BankNordik

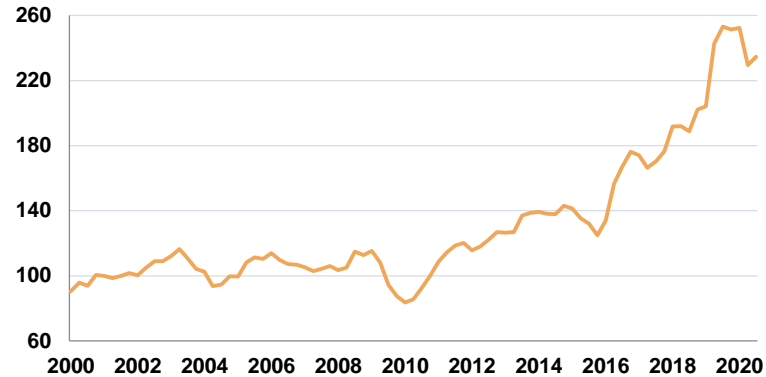
The Greenlandic economy

The Greenlandic economy has grown steadily over the last decade, mainly driven by an increase in export volumes and prices. Greenland's economic cycles are stabilised by the fact that the Danish block grant accounts for about a third of its public sector budget. The country has significant opportunities for future growth in its upcoming airport capacity expansion and the nascent mining industry. The main challenge growth are structural unemployment as well as a shortage of skilled labour.

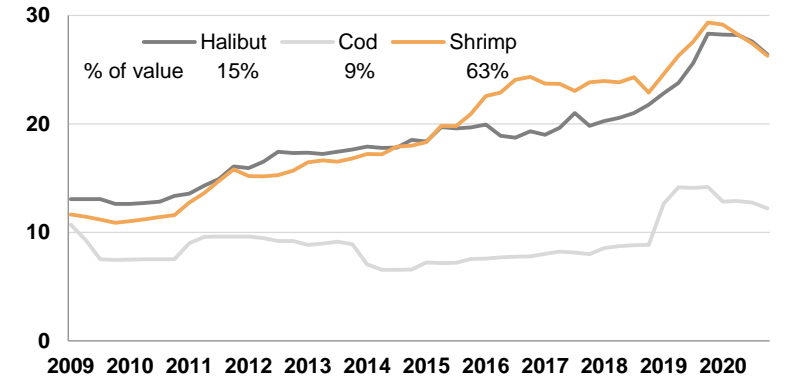
Real GDP (2010 = 100)



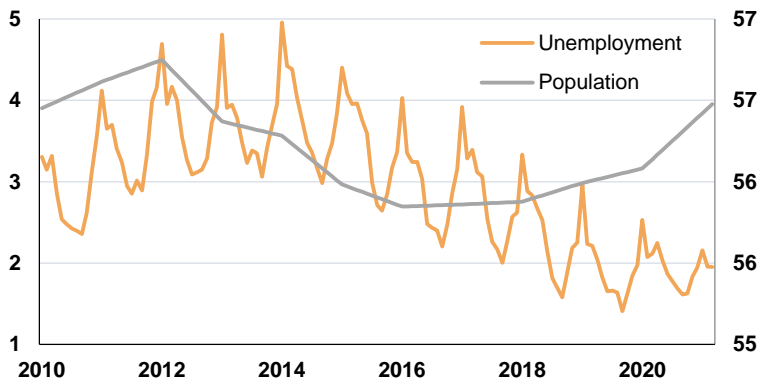
Exports, rolling 4Q (Q4 2010 = 100)



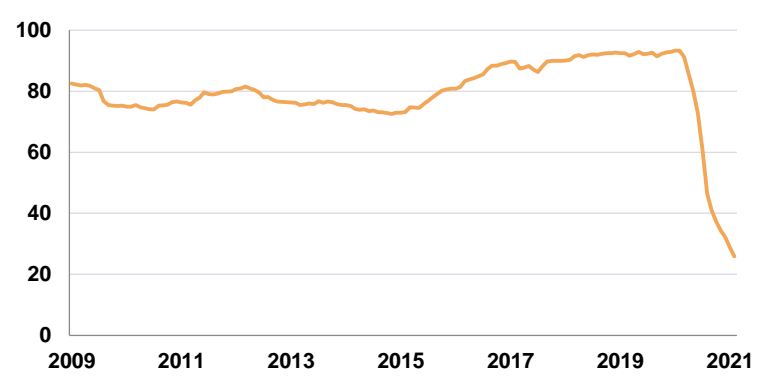
Export prices, rolling 4Q avg., DKK/kg



Unemployment (left), population (right), '000



Arrivals, air travel, rolling 12M, '000



Retail sales, seasonally adusted index (2010 = 100)

