

# Improved core earnings

*- driven by strategic initiatives in challenging times*

Investor presentation

4 August 2020

Árni Ellefsen, CEO

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# Overview

- **Highlights**
- **Financials**
  - Operating income
  - Insurance
  - Business volumes
  - Expenditures
  - Impairment charges
  - Capital ratios
- **New customer philosophy**
- **Revised 2020 outlook**
- **Appendices**



# Highlights in H1 2020

## H1 2020 operating highlights

- Merger of two branches in Denmark implemented in January
- Activity levels adapted to the COVID-19 situation from mid-March
- From 1 April, no longer a threshold for negative interest rates on corporate deposits
- Changes in customer concepts increase fee income from 1 April
- New customer philosophy launched in all three countries

## H1 2020 financial highlights

- Net interest income up 6% to DKK 177m in H1 2020 from DKK 167m H1 2019
- Net fee and commission income up 6% to DKK 99m from DKK 93m in H1 2019
- Operating income amounted to DKK 308m vs. DKK 306m in H1 2019
- Operating costs down 10% to DKK 215m (DKK 240m)
- Net impairment charges were a charge of DKK 2m (reversal of DKK 72m)
- Return on investment portfolio was a loss of DKK 17m (profit of DKK 12m)
- Profit before tax was DKK 74m (DKK 151m)
- Bank lending volumes down by 2% to DKK 9.9bn (DKK 10.1bn)
- Mortgage lending volumes up by 4% to DKK 13.1bn (DKK 12.6bn)
- CET1 capital ratio of 20.3% and total capital ratio of 24.0% at 30 June 2020

# H1 2020 financial results

— Figures in DKKm

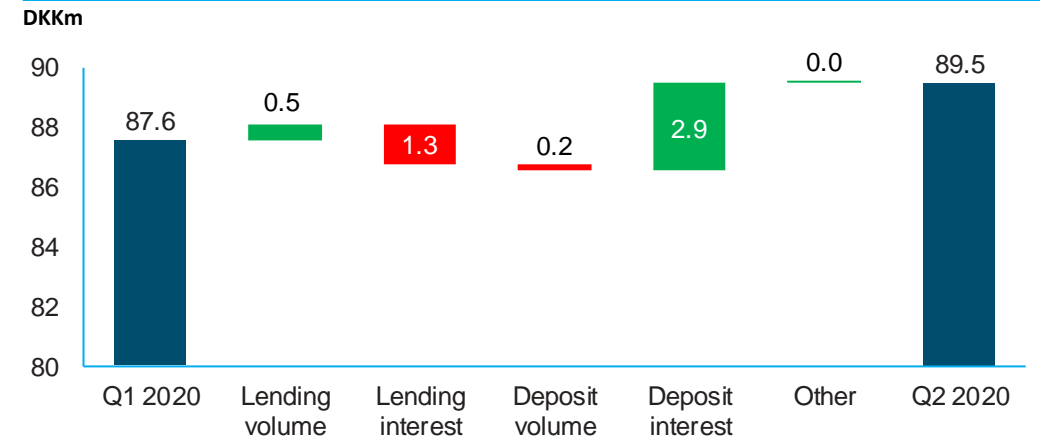
|                          | H1 2020                                 | H1 2019    | Index      | Q2 2020    | Q1 2020    | Q4 2019    | Q3 2019    | Q2 2019    |            |
|--------------------------|---|------------|------------|------------|------------|------------|------------|------------|------------|
| Profit & loss            | Net interest income                     | 177        | 167        | 106        | 90         | 88         | 87         | 83         | 83         |
|                          | Net fee and commission income           | 99         | 93         | 106        | 45         | 54         | 49         | 47         | 45         |
|                          | Net insurance income                    | 15         | 24         | 64         | 12         | 4          | 14         | 15         | 15         |
|                          | Other operating income                  | 17         | 22         | 74         | 8          | 9          | 14         | 13         | 11         |
|                          | <b>Operating income</b>                 | <b>308</b> | <b>306</b> | <b>101</b> | <b>154</b> | <b>154</b> | <b>164</b> | <b>158</b> | <b>155</b> |
|                          | Operating costs                         | -215       | -240       | 90         | -106       | -109       | -117       | -116       | -119       |
|                          | Sector costs                            | -1         | 0          | 204        | 0          | 0          | 0          | 0          | 0          |
|                          | <b>Profit before impairment charges</b> | <b>93</b>  | <b>67</b>  | <b>140</b> | <b>48</b>  | <b>45</b>  | <b>47</b>  | <b>42</b>  | <b>35</b>  |
|                          | Net impairment charges on loans         | -2         | 72         | -3         | 22         | -24        | 25         | 9          | 53         |
|                          | <b>Operating profit</b>                 | <b>91</b>  | <b>138</b> | <b>66</b>  | <b>69</b>  | <b>22</b>  | <b>71</b>  | <b>51</b>  | <b>88</b>  |
|                          | Non-recurring items                     | 0          | 0          |            | 0          | 0          | -13        | 0          | 0          |
|                          | Investment portfolio earnings           | -17        | 12         | -140       | 34         | -51        | 1          | 0          | -2         |
| <b>Profit before tax</b> | <b>74</b>                               | <b>151</b> | <b>49</b>  | <b>103</b> | <b>-30</b> | <b>59</b>  | <b>50</b>  | <b>86</b>  |            |
| Key metrics              | Loans and advances                      | 9.9        | 10.1       | 98         | 9.9        | 10.0       | 9.9        | 10.0       | 10.1       |
|                          | Deposits and other debt                 | 13.1       | 14.2       | 92         | 13.1       | 12.9       | 14.4       | 13.6       | 14.2       |
|                          | Mortgage credit                         | 13.1       | 12.6       | 104        | 13.1       | 13.0       | 13.0       | 12.9       | 12.6       |
|                          | Operating cost / income, %              | 70         | 78         |            | 69         | 70         | 71         | 73         | 77         |
|                          | Total capital ratio, %                  | 24.0       | 19.6       |            | 24.0       | 23.4       | 22.3       | 21.0       | 19.6       |
|                          | CET1 capital ratio, %                   | 20.3       | 17.5       |            | 20.3       | 19.8       | 18.8       | 17.5       | 17.5       |

# Margin pressure eased by negative interest rate brackets

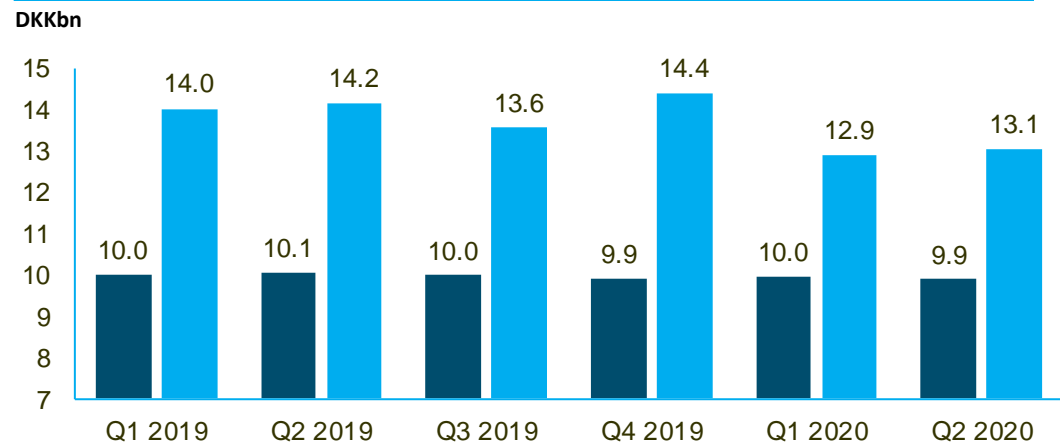
## Comments

- Net interest income up by DKK 2m QoQ and by DKK 10m YoY mainly due to negative interest rates
- 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 longer a threshold for negative interest rates on corporate deposits
- Lending volumes down by DKK 91m QoQ and down by DKK 173m YoY

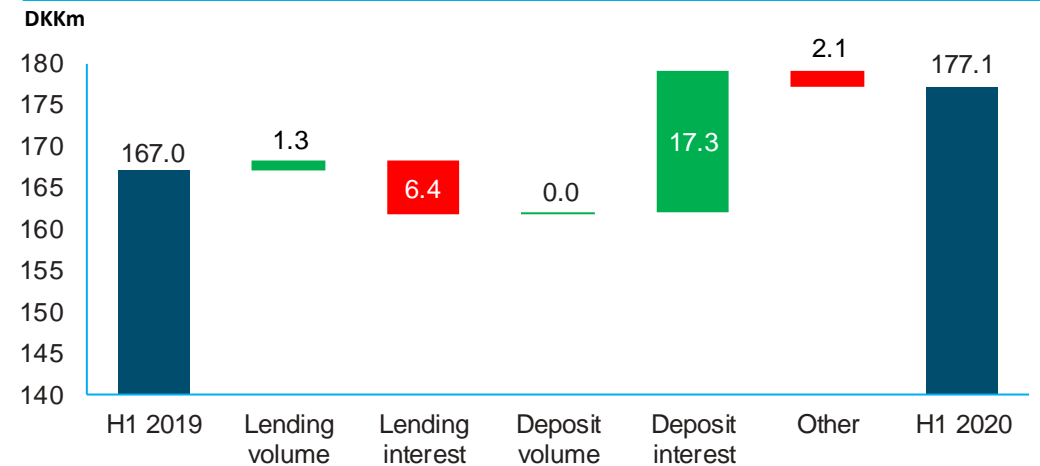
## QoQ changes in net interest income



## Loans and deposits



## YoY changes in net interest income

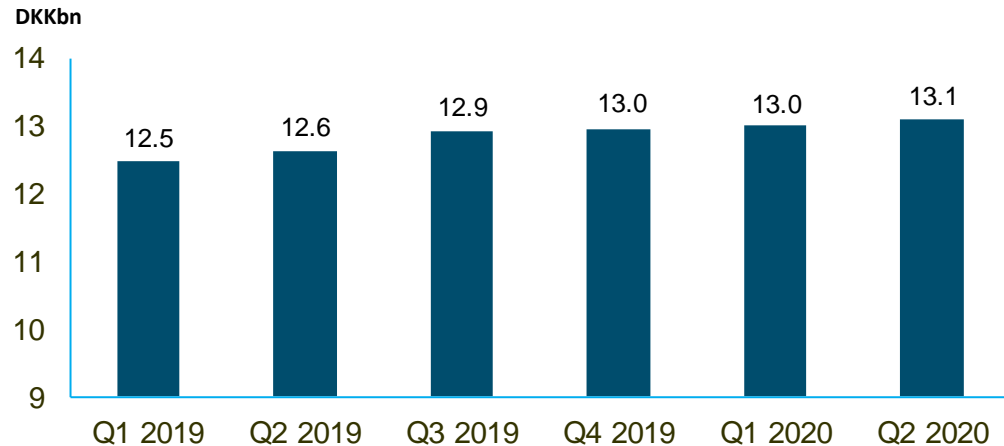


# Fee and commission income up YTD

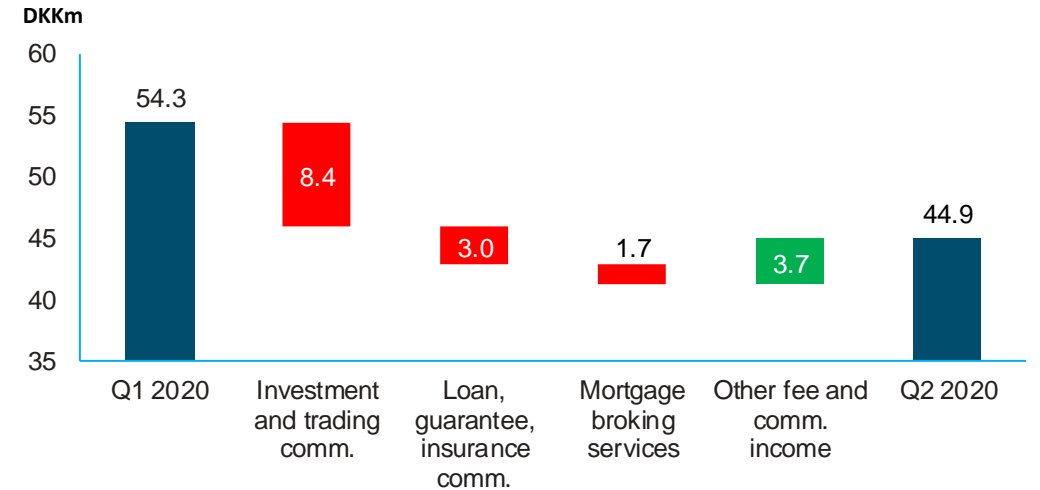
## Comments

- Net fee and commission income down by DKK 9m QoQ but up by DKK 6m YoY
- Income from investment management operations increased during Q1 2020 and returned to normal level in Q2 2020
- COVID-19 reducing customer activity during lockdown
- Mortgage-lending volumes up DKK 97m QoQ and DKK 464m YoY
- Increase of DKK 3.7m in Other fee income in QoQ driven by changes in customer concepts introduced from 1 April

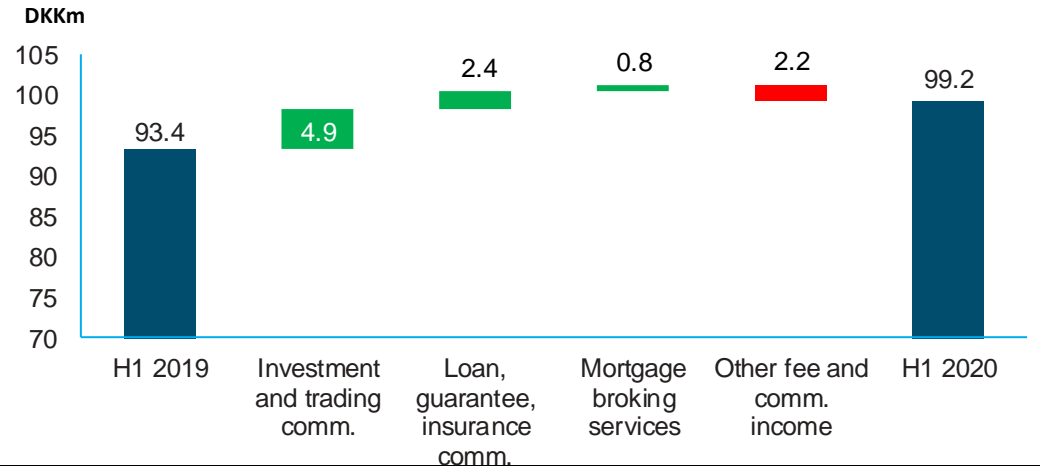
## Mortgage lending



## QoQ changes in fee and commission income



## YoY changes in fee and commission income

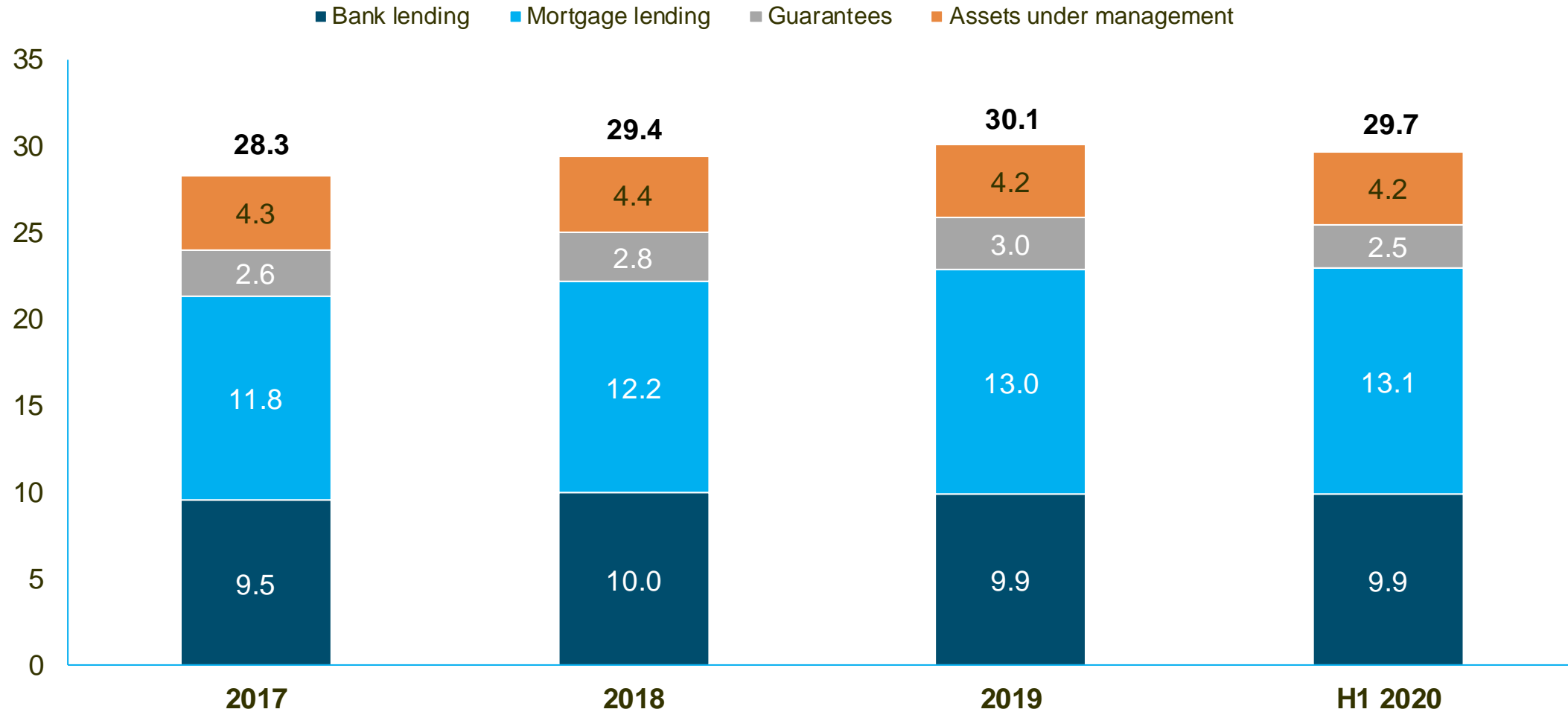


# Developments in business volumes

## - guarantees affected by improved agreement with DLR

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

DKKbn



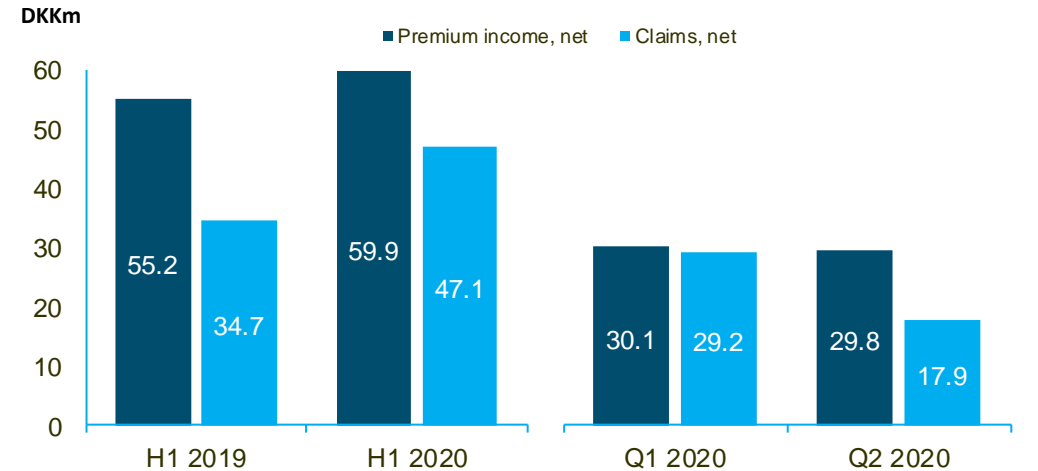


# Weather conditions and COVID-19 sending claims higher

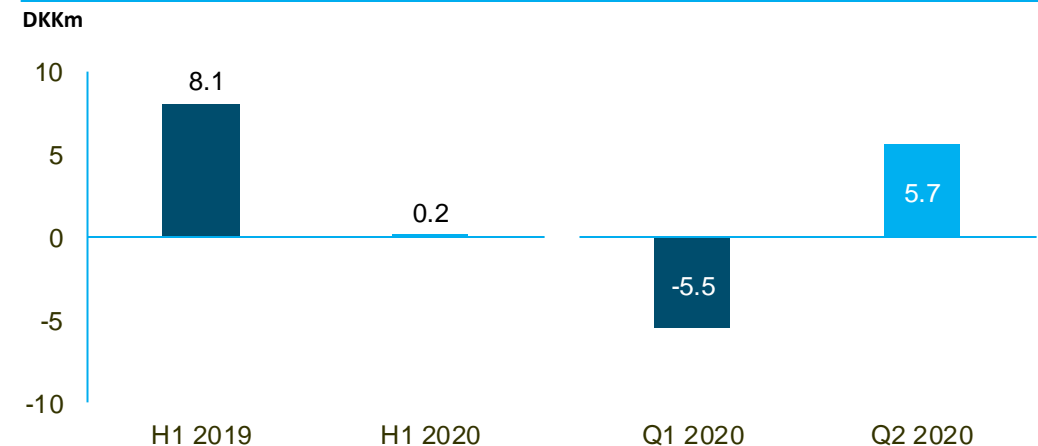
## Comments

- Combined ratio of 99% in H1 2020 compared to 85% in H1 2019
- Net premium income up by DKK 5m YoY and flat on QoQ
- Net claims up by DKK 12m YoY and down by DKK 11m QoQ
- Claims in H1 driven by storm-related claims and travel cancellations due to COVID-19
- Profit before tax of DKK 0.2m in H1 2020 relative to DKK 8m in H1 2019 and DKK 6m in Q2 2020 relative to a loss of DKK 6m in Q1 2020
- Trygd anticipates further losses in 2020 due to COVID-19, but losses are not expected to be as severe as previously announced

## Premium and claims



## Profit before tax

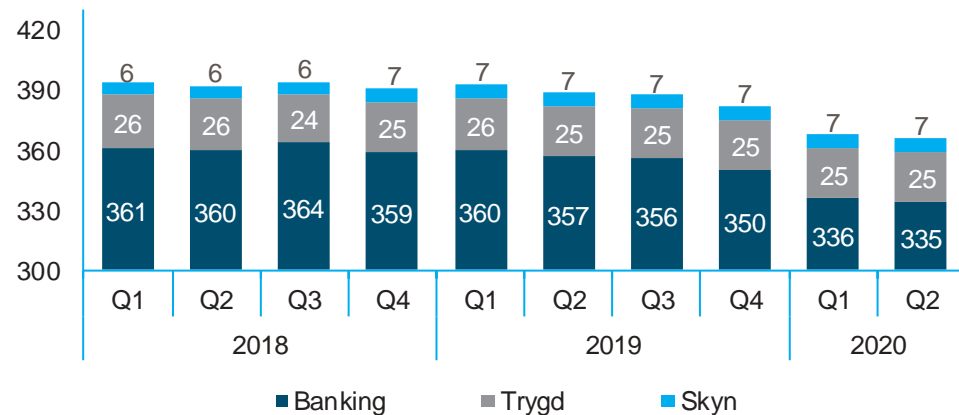


# Operating costs remaining low

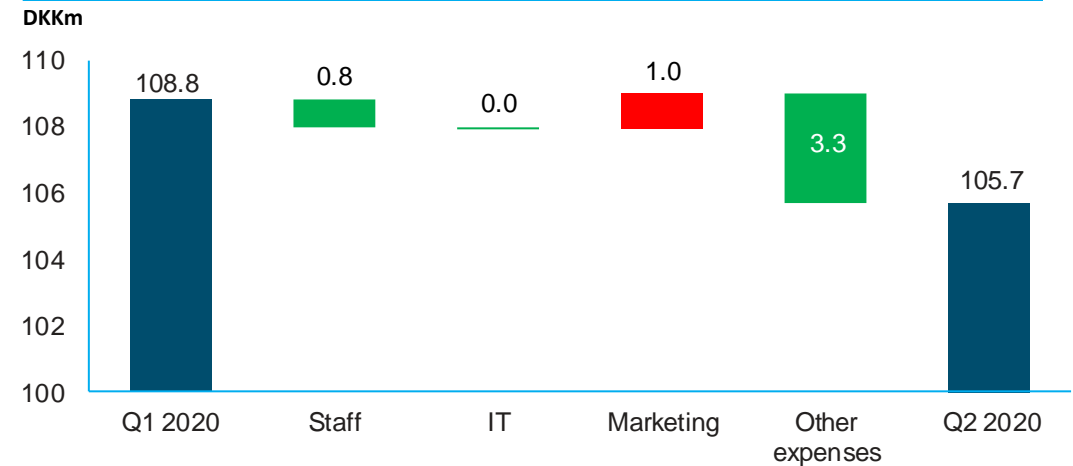
## Comments

- Operating costs down by DKK 25m YoY and down by DKK 3m QoQ
- Decrease in staff costs due to strategic changes implemented in December 2019
- Decrease in marketing expenditures mainly related to low marketing activity in H1 2020
- Decrease in Other expenses by DKK 7.7 YoY mainly related to employee days arranged in H1 2019 (3m)

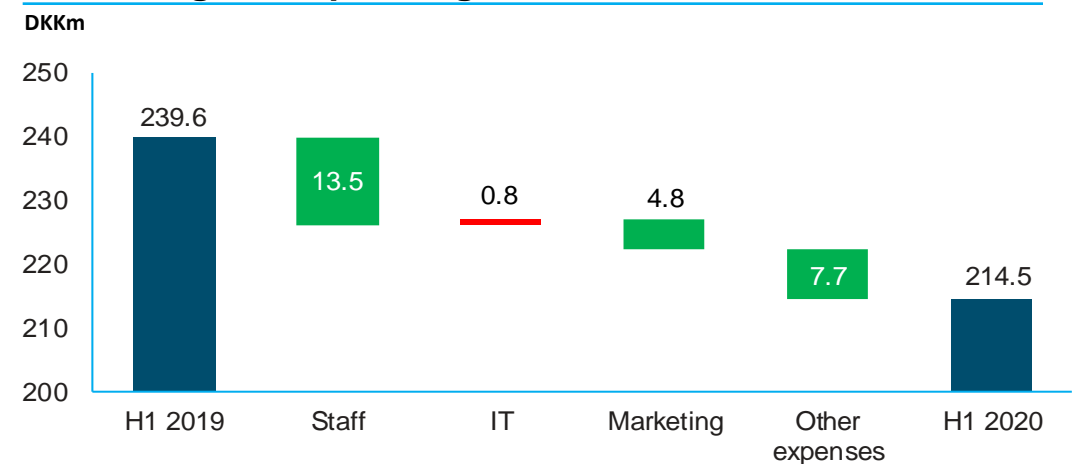
## Average number of employees (FTE)



## QoQ changes in operating costs



## YoY changes in operating costs

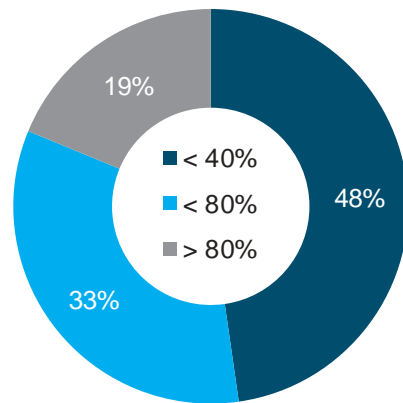


# Impairment charges up due to the COVID-19 health crisis

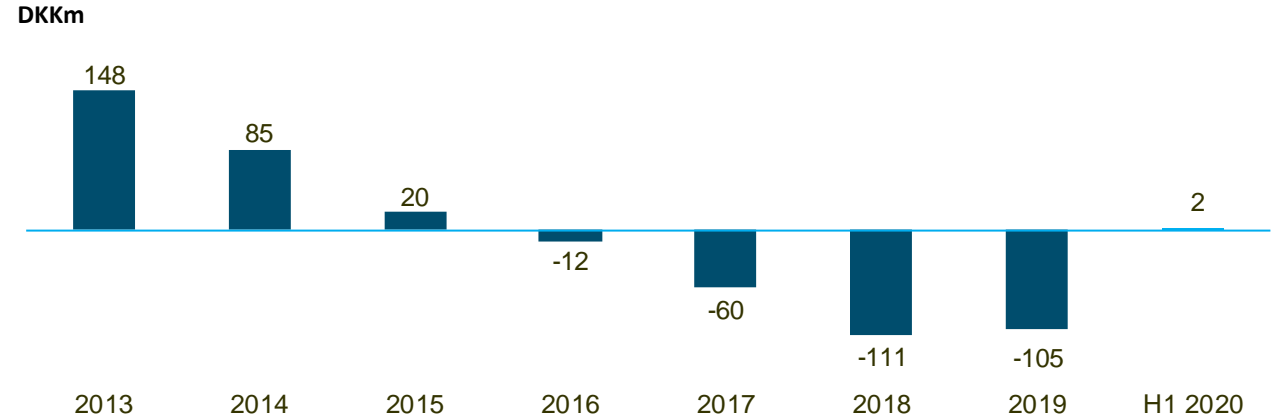
## Comments

- Net impairment charges were DKK 2m in H1 2020
- Included in the net impairment charges of DKK 2m is a discretionary management estimate of DKK 35m 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

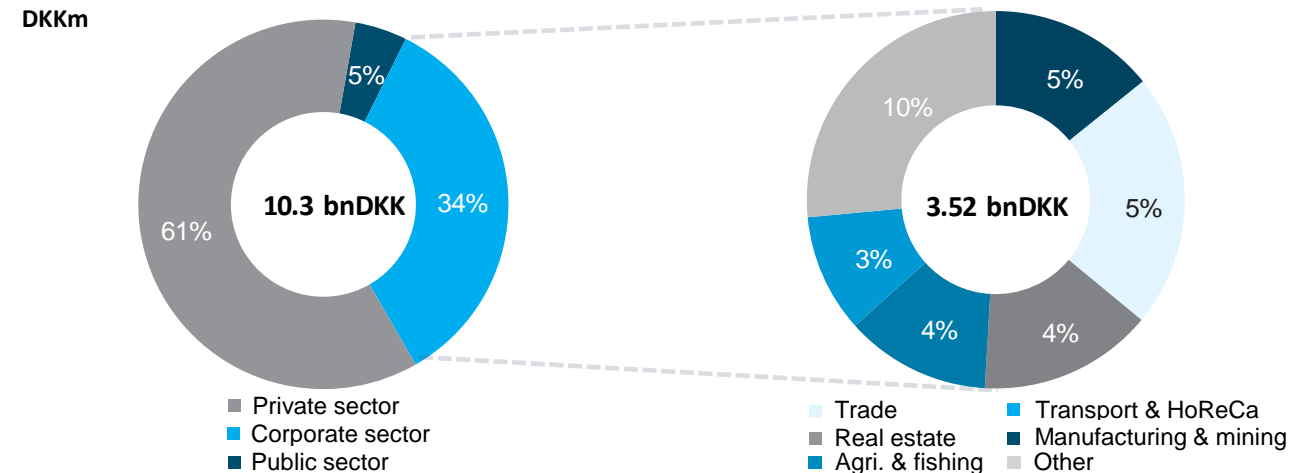
## LTV for housing loans<sup>1</sup>



## Net impairment charges



## Gross loans by sector

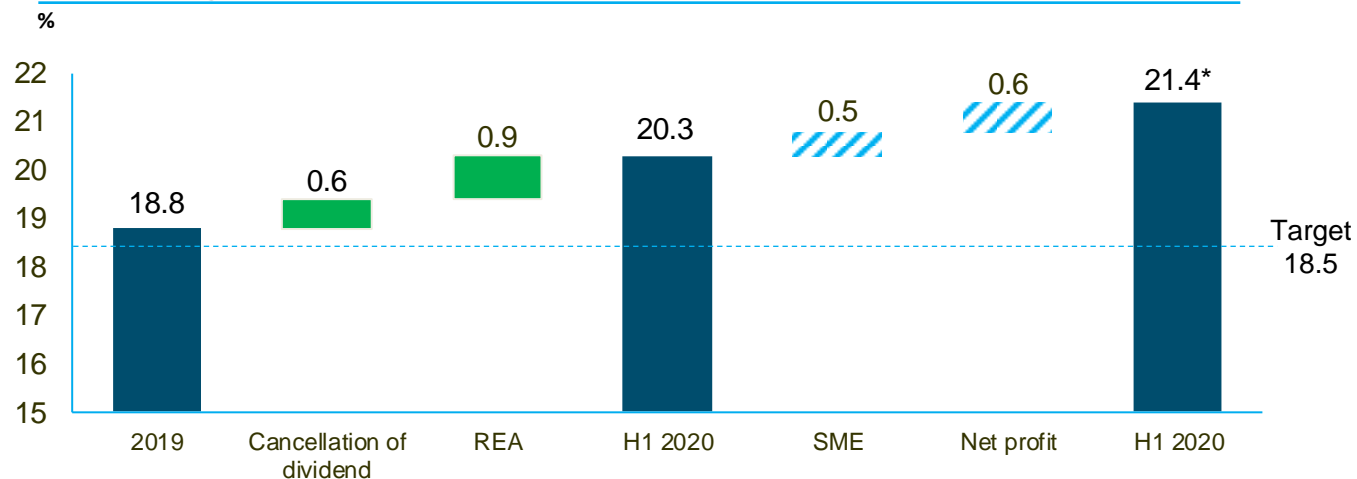


# Capital position well above target

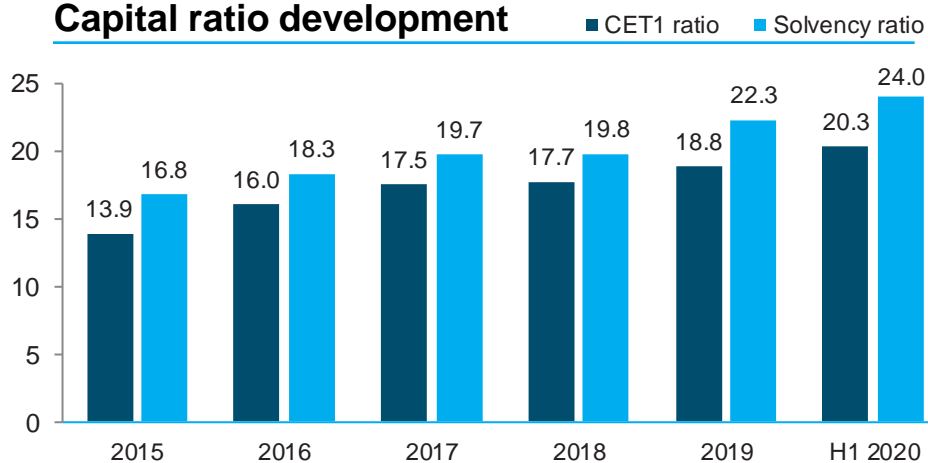
## Comments

- CET1 up by 1.5 pp and total capital ratio up by 1.7 pp YoY
- Cancellation of proposed dividend of DKK 67m for 2019 contributes 0.6 pp to the Group's total capital ratio
- Dividend for 2019 is temporarily on hold pending the impact and consequences of the COVID-19 situation
- SME-reductions expected to reduce REA by DKK 300m (0.5 pp)
- Focus on further reductions of REA

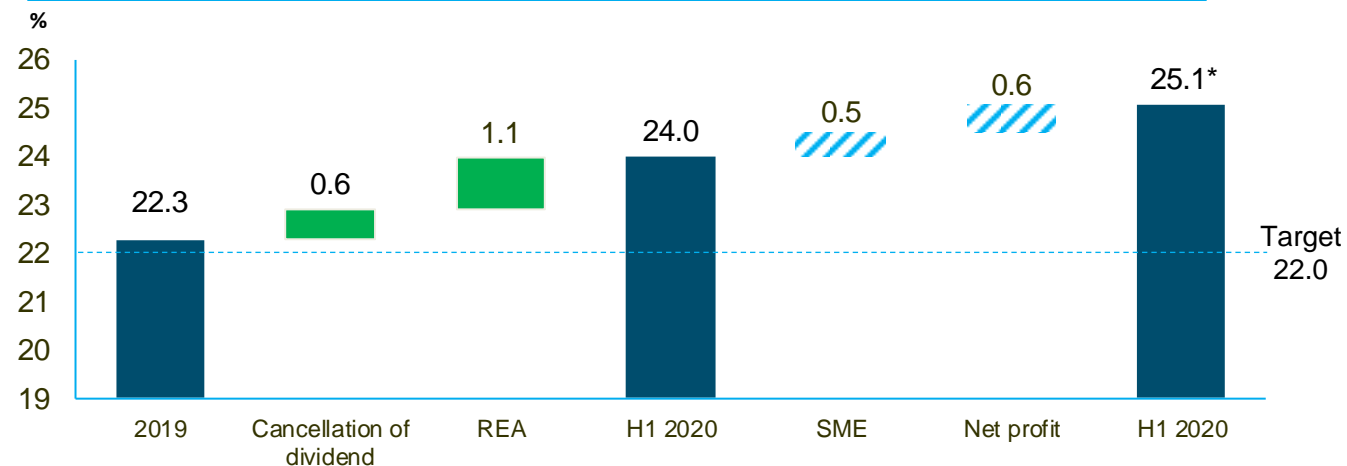
## YoY changes in CET1 ratio



## Capital ratio development



## YoY changes in total capital ratio



# New customer philosophy will drive profitability going forward

**We position ourselves by taking care of our customers and their financial well-being – focusing on customer needs will increase our profitability**

## Objectives and effects

From 20+ objectives and campaign management to responsibility for performance of own portfolio:

- Holistic advice: 90% of all meetings
- Transactional NPS >90
- Relational NPS >40
- ROE 6–8% after tax

Expected derivative effect:

- Improved customer retention
- More customer ambassadors
- Increased add-on and cross sales
- Employee satisfaction goes up
- Sickness absence goes down
- Attract and retain advisers

## Content and training

- Customer philosophy as a basis for changing our mindset and conduct
- Implementation of customer philosophy requires training of advisers

### How

- Redefining the role of the adviser: changing our mindset and our conduct and making our core value the responsibility we have to honour our customers' trust
- Implementing uniform sales management to drive results (add-on and cross selling) and new adviser objectives
- Holistic advice at all meetings; advisers must not refrain from providing advice
- Common standards and methods
- New tools

## Implementation timetable

- Phase 1 will focus on views, mindset, culture, conduct and methods and will be implemented in 2020
- Phase 2 will focus on language, recommendations and solution proposals and will be implemented in 2021
- Phase 3 will focus on efficient customer journeys and managing activity levels and will be implemented in 2021

# Revised 2020 outlook

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

This guidance has since been lowered due to the uncertainty surrounding the COVID-19 situation

**The original FY2020 guidance reduced by DKK 20-30m due to the COVID-19 situation:**

- A general increase in profit before impairment charges in H1 2020 is expected to continue in H2 2020 - positive effect of **DKK 15m**
- An increase in travel insurance claims of **DKK 15m**
- An increase in impairment charges of **DKK 20m**
- Loss from investment portfolio expected to increase by **DKK 10m**
- The expectations set out above have a combined pre-tax effect of **DKK 30m** (approx. after-tax effect of **DKK 25m**)

**New FY2020 guidance is for net profit after tax of DKK 80-120m**

# 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  | H1 2020    | H1 2019    | Index<br>20/19 | Q2 2020    | Q1 2020    | Q4 2019    | Q3 2019    | Q2 2019    |
|--|------------|------------|----------------|------------|------------|------------|------------|------------|
| Net interest income                            | 177        | 167        | 106            | 90         | 88         | 87         | 83         | 83         |
| Net fee and commission income                  | 99         | 93         | 106            | 45         | 54         | 49         | 47         | 45         |
| Net insurance income                           | 15         | 24         | 64             | 12         | 4          | 14         | 15         | 15         |
| Other operating income (less reclassification) | 17         | 22         | 74             | 8          | 9          | 14         | 13         | 11         |
| <b>Operating income</b>                        | <b>308</b> | <b>306</b> | <b>101</b>     | <b>154</b> | <b>154</b> | <b>164</b> | <b>158</b> | <b>155</b> |
| Operating costs <sup>1</sup>                   | -215       | -240       | 90             | -106       | -109       | -117       | -116       | -119       |
| Sector costs                                   | -1         | 0          | 204            | 0          | 0          | 0          | 0          | 0          |
| <b>Profit before impairment charges</b>        | <b>93</b>  | <b>67</b>  | <b>140</b>     | <b>48</b>  | <b>45</b>  | <b>47</b>  | <b>42</b>  | <b>35</b>  |
| Impairment charges, net                        | -2         | 72         | - 3            | 22         | -24        | 25         | 9          | 53         |
| <b>Operating profit</b>                        | <b>91</b>  | <b>138</b> | <b>66</b>      | <b>69</b>  | <b>22</b>  | <b>71</b>  | <b>51</b>  | <b>88</b>  |
| Non-recurring items <sup>2</sup>               | 0          | 0          |                | 0          | 0          | -13        | 0          | 0          |
| <b>Profit before value adjustments and tax</b> | <b>91</b>  | <b>138</b> | <b>66</b>      | <b>69</b>  | <b>22</b>  | <b>58</b>  | <b>50</b>  | <b>88</b>  |
| Investment portfolio earnings <sup>3</sup>     | -17        | 12         | - 140          | 34         | -51        | 1          | 0          | -2         |
| <b>Profit before tax</b>                       | <b>74</b>  | <b>151</b> | <b>49</b>      | <b>103</b> | <b>-30</b> | <b>59</b>  | <b>50</b>  | <b>86</b>  |
| Operating cost/income, %                       | 70         | 78         |                | 69         | 70         | 71         | 73         | 77         |
| Number of FTE, end of period                   | 363        | 390        | 93             | 363        | 359        | 377        | 383        | 390        |

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   | H1 2020    | H1 2019    | Index<br>20/19 | Q2 2020    | Q1 2020    | Q4 2019    | Q3 2019    | Q2 2019    |
|--|------------|------------|----------------|------------|------------|------------|------------|------------|
| Net interest income                            | 176        | 166        | 106            | 89         | 87         | 87         | 83         | 83         |
| Net fee and commission income                  | 105        | 99         | 106            | 48         | 57         | 52         | 50         | 48         |
| Other operating income                         | 15         | 19         | 75             | 6          | 9          | 13         | 11         | 10         |
| <b>Operating income</b>                        | <b>296</b> | <b>284</b> | <b>104</b>     | <b>143</b> | <b>153</b> | <b>152</b> | <b>144</b> | <b>140</b> |
| Operating cost                                 | -204       | -229       | 89             | -99        | -105       | -110       | -111       | -113       |
| Sector costs                                   | -1         | 0          | 204            | 0          | 0          | 0          | 0          | 0          |
| <b>Profit before impairment charges</b>        | <b>91</b>  | <b>55</b>  | <b>165</b>     | <b>43</b>  | <b>47</b>  | <b>41</b>  | <b>33</b>  | <b>27</b>  |
| Impairment charges, net                        | -2         | 72         | -3             | 22         | -24        | 25         | 9          | 53         |
| <b>Operating profit</b>                        | <b>89</b>  | <b>127</b> | <b>70</b>      | <b>65</b>  | <b>24</b>  | <b>66</b>  | <b>42</b>  | <b>80</b>  |
| Non-recurring items                            | 0          | 0          |                | 0          | 0          | -13        | 0          | 0          |
| <b>Profit before value adjustments and tax</b> | <b>89</b>  | <b>127</b> | <b>70</b>      | <b>65</b>  | <b>24</b>  | <b>52</b>  | <b>41</b>  | <b>80</b>  |
| Investment portfolio earnings                  | -16        | 13         | -120           | 34         | -50        | 2          | 0          | -2         |
| <b>Profit before tax</b>                       | <b>73</b>  | <b>140</b> | <b>52</b>      | <b>99</b>  | <b>-26</b> | <b>55</b>  | <b>42</b>  | <b>78</b>  |
| Loans and advances                             | 9,880      | 10,053     | 98             | 9,880      | 9,971      | 9,909      | 9,983      | 10,053     |
| Deposits and other debt                        | 13,059     | 14,156     | 92             | 13,059     | 12,903     | 14,399     | 13,557     | 14,156     |
| Mortgage credit                                | 13,107     | 12,644     | 104            | 13,107     | 13,010     | 12,960     | 12,918     | 12,644     |
| Operating cost/income, %                       | 69         | 81         |                | 70         | 69         | 73         | 77         | 81         |
| Number of FTE, end of period                   | 332        | 358        | 93             | 332        | 327        | 345        | 354        | 358        |

# Personal Banking

## Income statement, Personal banking

| DKKm   | H1 2020    | H1 2019    | Index<br>20/19 | Q2 2020    | Q1 2020    | Q4 2019    | Q3 2019    | Q2 2019    |
|--|------------|------------|----------------|------------|------------|------------|------------|------------|
| Net interest income                            | 119        | 121        | 98             | 60         | 59         | 61         | 60         | 60         |
| Net fee and commission income                  | 97         | 91         | 107            | 44         | 53         | 48         | 46         | 44         |
| Other operating income                         | 14         | 16         | 88             | 4          | 10         | 8          | 8          | 8          |
| <b>Operating income</b>                        | <b>230</b> | <b>228</b> | <b>101</b>     | <b>108</b> | <b>122</b> | <b>117</b> | <b>114</b> | <b>112</b> |
| Operating cost                                 | -80        | -88        | 91             | -40        | -40        | -38        | -42        | -45        |
| Sector costs                                   | -1         | 0          |                | 0          | 0          | 0          | 0          | 0          |
| <b>Profit before impairment charges</b>        | <b>149</b> | <b>139</b> | <b>107</b>     | <b>68</b>  | <b>81</b>  | <b>78</b>  | <b>71</b>  | <b>67</b>  |
| Impairment charges, net                        | -3         | 30         | 11             | 4          | -8         | 13         | 2          | 26         |
| <b>Operating profit</b>                        | <b>146</b> | <b>169</b> | <b>86</b>      | <b>72</b>  | <b>74</b>  | <b>91</b>  | <b>74</b>  | <b>92</b>  |
| Non-recurring items                            | 0          | 0          |                | 0          | 0          | -9         | 0          | 0          |
| <b>Profit before value adjustments and tax</b> | <b>146</b> | <b>169</b> | <b>86</b>      | <b>72</b>  | <b>74</b>  | <b>82</b>  | <b>74</b>  | <b>92</b>  |
| <b>Profit before tax</b>                       | <b>146</b> | <b>169</b> | <b>86</b>      | <b>72</b>  | <b>74</b>  | <b>82</b>  | <b>74</b>  | <b>92</b>  |
| Loans and advances                             | 6,047      | 6,451      | 94             | 6,047      | 6,152      | 6,287      | 6,402      | 6,451      |
| Deposits and other debt                        | 10,581     | 10,639     | 99             | 10,581     | 10,003     | 10,603     | 10,523     | 10,639     |
| Mortgage credit                                | 12,859     | 12,280     | 105            | 12,859     | 12,815     | 12,751     | 12,546     | 12,280     |
| Operating cost/income, %                       | 35         | 39         |                | 37         | 33         | 33         | 37         | 40         |
| Number of FTE, end of period                   | 190        | 212        | 90             | 190        | 187        | 202        | 213        | 212        |

# Corporate Banking

## Income statement, Corporate Banking

| DKKm   | H1 2020   | H1 2019   | Index<br>20/19 | Q2 2020   | Q1 2020   | Q4 2019   | Q3 2019   | Q2 2019   |
|--|-----------|-----------|----------------|-----------|-----------|-----------|-----------|-----------|
| Net interest income                            | 68        | 58        | 117            | 35        | 33        | 31        | 30        | 29        |
| Net fee and commission income                  | 8         | 8         | 98             | 4         | 4         | 4         | 4         | 4         |
| Other operating income                         | 2         | 2         | 71             | 1         | 1         | 2         | 1         | 1         |
| <b>Operating income</b>                        | <b>78</b> | <b>69</b> | <b>113</b>     | <b>39</b> | <b>38</b> | <b>37</b> | <b>35</b> | <b>34</b> |
| Operating cost                                 | -9        | -7        | 140            | -5        | -4        | -4        | -4        | -3        |
| Sector costs                                   | 0         | 0         |                | 0         | 0         | 0         | 0         | 0         |
| <b>Profit before impairment charges</b>        | <b>68</b> | <b>62</b> | <b>110</b>     | <b>34</b> | <b>34</b> | <b>33</b> | <b>31</b> | <b>31</b> |
| Impairment charges, net                        | 2         | 34        | 6              | 17        | -15       | 22        | 4         | 24        |
| <b>Operating profit</b>                        | <b>70</b> | <b>96</b> | <b>73</b>      | <b>51</b> | <b>19</b> | <b>55</b> | <b>35</b> | <b>54</b> |
| Non-recurring items                            | 0         | 0         |                | 0         | 0         | 0         | 0         | 0         |
| <b>Profit before value adjustments and tax</b> | <b>70</b> | <b>96</b> | <b>73</b>      | <b>51</b> | <b>19</b> | <b>55</b> | <b>35</b> | <b>54</b> |
| <b>Profit before tax</b>                       | <b>70</b> | <b>96</b> | <b>73</b>      | <b>51</b> | <b>19</b> | <b>55</b> | <b>35</b> | <b>54</b> |
| Loans and advances                             | 3,831     | 3,573     | 107            | 3,831     | 3,819     | 3,602     | 3,534     | 3,573     |
| Deposits and other debt                        | 2,469     | 3,498     | 71             | 2,469     | 2,892     | 3,770     | 3,018     | 3,498     |
| Mortgage credit                                | 249       | 364       | 68             | 249       | 196       | 209       | 372       | 364       |
| Operating cost/income, %                       | 12        | 10        |                | 13        | 11        | 10        | 11        | 10        |
| Number of FTE, end of period                   | 17        | 16        | 106            | 17        | 17        | 16        | 16        | 16        |

# Banking, Faroe Islands

## Income statement, Faroe Islands

| DKKm   | H1 2020    | H1 2019    | Index<br>20/19 | Q2 2020   | Q1 2020   | Q4 2019   | Q3 2019   | Q2 2019   |
|--|------------|------------|----------------|-----------|-----------|-----------|-----------|-----------|
| Net interest income                            | 102        | 92         | 110            | 52        | 50        | 49        | 46        | 46        |
| Net fee and commission income                  | 29         | 28         | 105            | 13        | 16        | 15        | 14        | 14        |
| Other operating income                         | 7          | 9          | 78             | 3         | 4         | 7         | 6         | 4         |
| <b>Total Operating income</b>                  | <b>138</b> | <b>129</b> | <b>107</b>     | <b>68</b> | <b>70</b> | <b>71</b> | <b>66</b> | <b>64</b> |
| Operating cost                                 | -94        | -98        | 96             | -45       | -48       | -51       | -48       | -50       |
| Sector costs                                   | 0          | 0          |                | 0         | 0         | 0         | 0         | 0         |
| <b>Profit before impairment charges</b>        | <b>44</b>  | <b>31</b>  | <b>142</b>     | <b>22</b> | <b>21</b> | <b>20</b> | <b>18</b> | <b>14</b> |
| Impairment charges, net                        | -8         | 22         | 35             | 4         | -11       | 11        | 3         | 12        |
| <b>Operating profit</b>                        | <b>36</b>  | <b>53</b>  | <b>68</b>      | <b>26</b> | <b>10</b> | <b>31</b> | <b>21</b> | <b>27</b> |
| Non-recurring items                            | 0          | 0          |                | 0         | 0         | -5        | 0         | 0         |
| <b>Profit before value adjustments and tax</b> | <b>36</b>  | <b>53</b>  | <b>68</b>      | <b>26</b> | <b>10</b> | <b>26</b> | <b>21</b> | <b>27</b> |
| Investment portfolio earnings                  | -5         | 4          | 110            | 12        | -17       | -2        | -4        | -6        |
| <b>Profit before tax</b>                       | <b>31</b>  | <b>57</b>  | <b>54</b>      | <b>38</b> | <b>-7</b> | <b>23</b> | <b>16</b> | <b>20</b> |
| Loans and advances                             | 6,422      | 6,564      | 98             | 6,422     | 6,428     | 6,492     | 6,508     | 6,564     |
| Deposits and other debt                        | 6,935      | 7,491      | 93             | 6,935     | 6,749     | 7,299     | 7,135     | 7,491     |
| Mortgage credit                                | 1,378      | 1,146      | 120            | 1,378     | 1,323     | 1,275     | 1,206     | 1,146     |
| Operating cost/income, %                       | 68         | 76         |                | 67        | 69        | 72        | 73        | 78        |
| Number of FTE, end of period                   | 178        | 189        | 94             | 178       | 175       | 185       | 188       | 189       |

# Banking, Denmark

## Income statement, Denmark

| DKKm   | H1 2020    | H1 2019    | Index<br>20/19 | Q2 2020   | Q1 2020    | Q4 2019   | Q3 2019   | Q2 2019   |
|--|------------|------------|----------------|-----------|------------|-----------|-----------|-----------|
| Net interest income                            | 51         | 57         | 89             | 26        | 25         | 28        | 28        | 28        |
| Net fee and commission income                  | 71         | 67         | 106            | 32        | 39         | 34        | 34        | 32        |
| Other operating income                         | 6          | 8          | 72             | 2         | 4          | 5         | 4         | 4         |
| <b>Total Operating income</b>                  | <b>128</b> | <b>132</b> | <b>97</b>      | <b>60</b> | <b>68</b>  | <b>66</b> | <b>66</b> | <b>65</b> |
| Operating cost                                 | -97        | -118       | 82             | -47       | -50        | -51       | -55       | -57       |
| Sector costs                                   | 0          | 0          |                | 0         | 0          | 0         | 0         | 0         |
| <b>Profit before impairment charges</b>        | <b>31</b>  | <b>14</b>  | <b>214</b>     | <b>13</b> | <b>18</b>  | <b>16</b> | <b>11</b> | <b>8</b>  |
| Impairment charges, net                        | 14         | 37         | 38             | 19        | -5         | 10        | 8         | 23        |
| <b>Operating profit</b>                        | <b>45</b>  | <b>51</b>  | <b>87</b>      | <b>32</b> | <b>13</b>  | <b>25</b> | <b>19</b> | <b>31</b> |
| Non-recurring items                            | 0          | 0          |                | 0         | 0          | -8        | 0         | 0         |
| <b>Profit before value adjustments and tax</b> | <b>45</b>  | <b>51</b>  | <b>87</b>      | <b>32</b> | <b>13</b>  | <b>17</b> | <b>19</b> | <b>31</b> |
| Investment portfolio earnings                  | -10        | 8          |                | 19        | -29        | 4         | 4         | 4         |
| <b>Profit before tax</b>                       | <b>35</b>  | <b>59</b>  | <b>59</b>      | <b>51</b> | <b>-16</b> | <b>21</b> | <b>23</b> | <b>35</b> |
| Loans and advances                             | 2,419      | 2,845      | 85             | 2,419     | 2,536      | 2,622     | 2,785     | 2,845     |
| Deposits and other debt                        | 5,513      | 5,799      | 95             | 5,513     | 5,418      | 5,802     | 5,691     | 5,799     |
| Mortgage credit                                | 11,090     | 10,892     | 102            | 11,090    | 11,058     | 11,038    | 11,080    | 10,892    |
| Operating cost/income, %                       | 76         | 89         |                | 78        | 73         | 76        | 84        | 88        |
| Number of FTE, end of period                   | 136        | 149        | 91             | 136       | 132        | 140       | 146       | 149       |

# Banking, Greenland

## Income statement, Greenland

| DKKm   | H1 2020   | H1 2019   | Index<br>20/19 | Q2 2020   | Q1 2020   | Q4 2019   | Q3 2019   | Q2 2019   |
|--|-----------|-----------|----------------|-----------|-----------|-----------|-----------|-----------|
| Net interest income                            | 23        | 17        | 141            | 12        | 12        | 11        | 9         | 8         |
| Net fee and commission income                  | 5         | 4         | 118            | 3         | 2         | 2         | 2         | 2         |
| Other operating income                         | 1         | 2         | 76             | 1         | 1         | 1         | 1         | 1         |
| <b>Total Operating income</b>                  | <b>30</b> | <b>23</b> | <b>131</b>     | <b>15</b> | <b>15</b> | <b>14</b> | <b>12</b> | <b>12</b> |
| Operating cost                                 | -14       | -13       | 105            | -7        | -7        | -8        | -8        | -7        |
| Sector costs                                   | 0         | 0         |                | 0         | 0         | 0         | 0         | 0         |
| <b>Profit before impairment charges</b>        | <b>16</b> | <b>10</b> | <b>166</b>     | <b>8</b>  | <b>8</b>  | <b>6</b>  | <b>5</b>  | <b>5</b>  |
| Impairment charges, net                        | -8        | 13        |                | -1        | -7        | 4         | -3        | 18        |
| <b>Operating profit</b>                        | <b>8</b>  | <b>23</b> | <b>35</b>      | <b>7</b>  | <b>1</b>  | <b>10</b> | <b>2</b>  | <b>22</b> |
| Non-recurring items                            | 0         | 0         |                | 0         | 0         | 0         | 0         | 0         |
| <b>Profit before value adjustments and tax</b> | <b>8</b>  | <b>23</b> | <b>35</b>      | <b>7</b>  | <b>1</b>  | <b>10</b> | <b>2</b>  | <b>22</b> |
| Investment portfolio earnings                  | -1        | 1         |                | 3         | -3        | 0         | 0         | 0         |
| <b>Profit before tax</b>                       | <b>7</b>  | <b>24</b> | <b>30</b>      | <b>10</b> | <b>-3</b> | <b>10</b> | <b>3</b>  | <b>23</b> |
| Loans and advances                             | 1,039     | 643       | 161            | 1,039     | 1,006     | 795       | 690       | 643       |
| Deposits and other debt                        | 611       | 865       | 71             | 611       | 736       | 1,299     | 730       | 865       |
| Mortgage credit                                | 639       | 606       | 106            | 639       | 629       | 646       | 632       | 606       |
| Operating cost/income, %                       | 46        | 57        |                | 47        | 45        | 58        | 61        | 58        |
| Number of FTE, end of period                   | 18        | 20        | 88             | 18        | 19        | 20        | 20        | 20        |

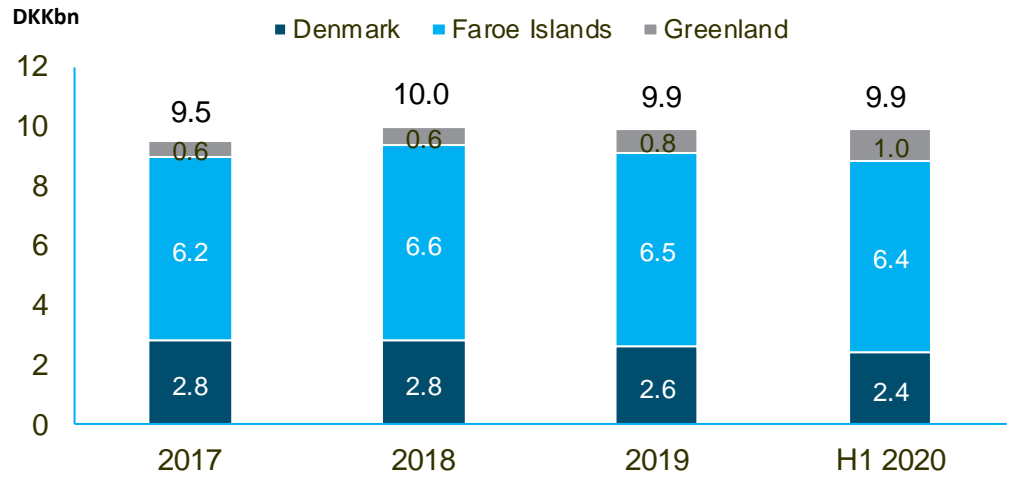
## Income statement, Trygd

| DKKm                                  | H1 2020    | H1 2019   | Index<br>20/19 | Q2 2020   | Q1 2020   | Q4 2019   | Q3 2019   | Q2 2019   |
|---------------------------------------|------------|-----------|----------------|-----------|-----------|-----------|-----------|-----------|
| Premium income, net of reinsurance    | 60         | 55        | 108            | 30        | 30        | 28        | 29        | 28        |
| Claims, net of reinsurance            | -47        | -35       | 136            | -18       | -29       | -17       | -17       | -15       |
| <b>Net insurance income</b>           | <b>13</b>  | <b>21</b> | <b>62</b>      | <b>12</b> | <b>1</b>  | <b>11</b> | <b>12</b> | <b>13</b> |
| Net income from investment activities | -1         | 0         |                | 0         | -1        | 0         | 0         | 0         |
| <b>Operating income</b>               | <b>12</b>  | <b>20</b> | <b>60</b>      | <b>12</b> | <b>0</b>  | <b>11</b> | <b>11</b> | <b>13</b> |
| Operating cost                        | -12        | -12       | 98             | -6        | -6        | -7        | -6        | -7        |
| <b>Profit before tax</b>              | <b>0.2</b> | <b>8</b>  | <b>2</b>       | <b>6</b>  | <b>-6</b> | <b>4</b>  | <b>6</b>  | <b>6</b>  |
| Combined ratio                        | 99         | 85        |                | 81        | 116       | 85        | 80        | 78        |
| Claims ratio                          | 79         | 63        |                | 60        | 97        | 60        | 60        | 54        |
| Number of FTE, end of period          | 24         | 24        | 99             | 24        | 25        | 25        | 22        | 24        |

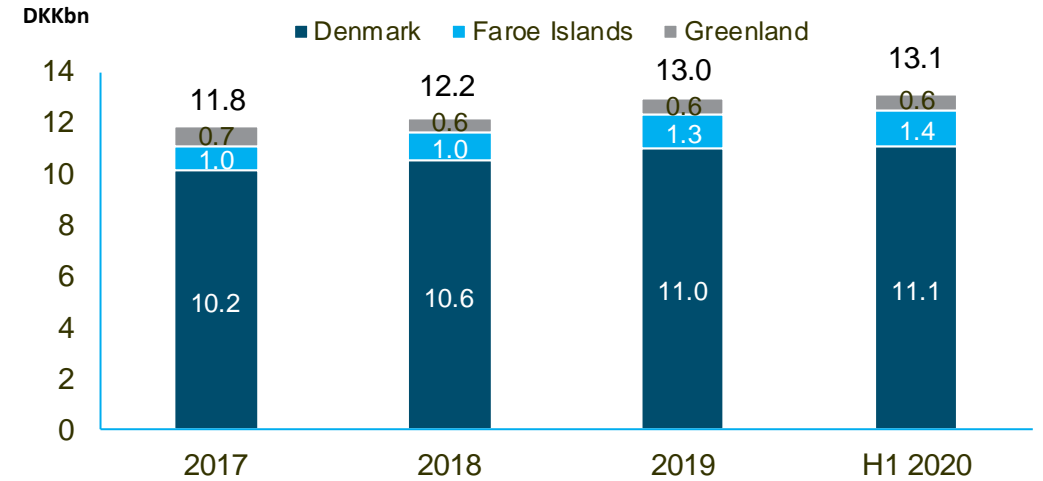


# Development in business volumes

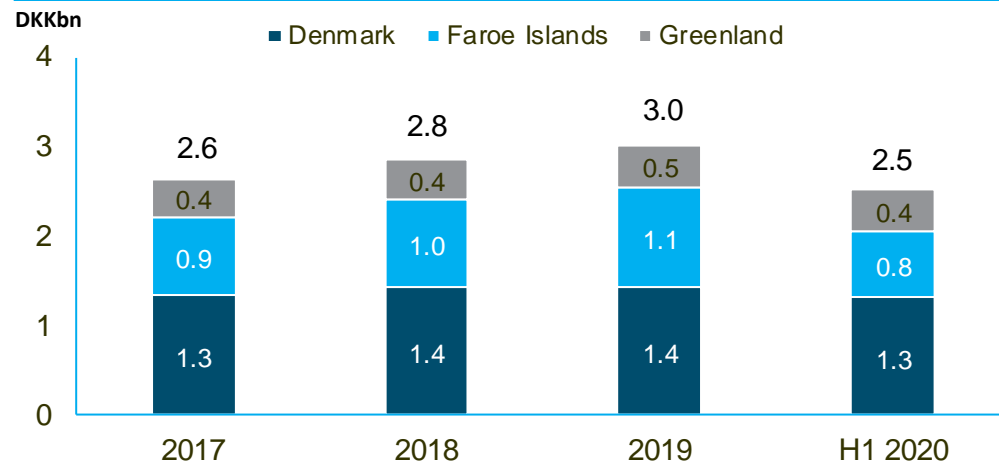
## Bank lending



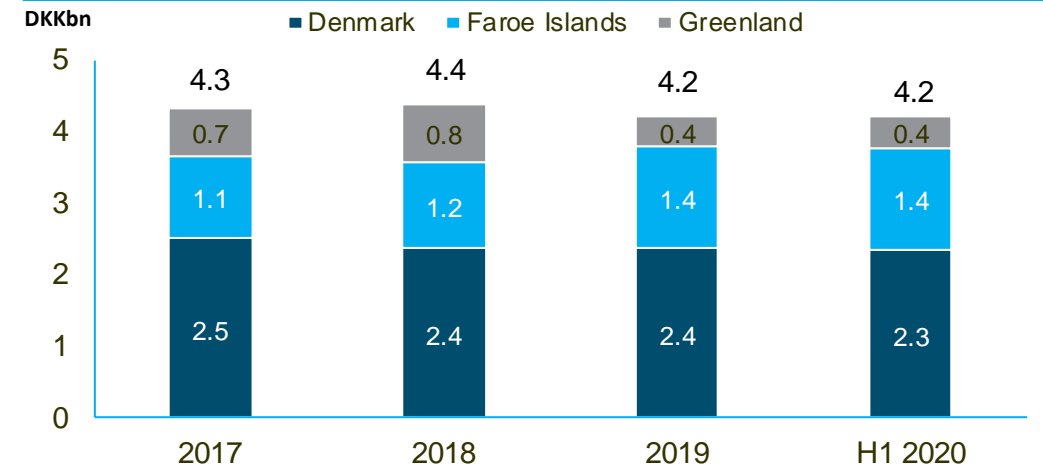
## Mortgages



## Guarantees



## Assets under management



# Credit quality of the loan portfolio

## Credit classification according to the Danish FSA's method

|   | Q1 2020      |              |               | Q2 2020      |              |               | Change     |
|---|--------------|--------------|---------------|--------------|--------------|---------------|------------|
|   | <7.5 DKKm    | >7.5 DKKm    | Total         | <7.5 DKKm    | >7.5 DKKm    | Total         |            |
| Portfolio without weakness                | 3,110        | 3,330        | 6,440         | 3,067        | 3,908        | 6,975         | 536        |
| Portfolio with some weakness              | 6,097        | 2,059        | 8,156         | 6,059        | 2,203        | 8,262         | 106        |
| Portfolio with weakness                   | 213          | 126          | 339           | 204          | 132          | 336           | -3         |
| - here of unsecured                       | 55           | 49           | 104           | 47           | 42           | 88            | -16        |
| - impairments                             | 87           | 42           | 129           | 87           | 42           | 129           | 1          |
| Portfolio with OIE                        | 505          | 193          | 698           | 487          | 170          | 658           | -40        |
| - here of unsecured                       | 245          | 125          | 370           | 236          | 116          | 352           | -18        |
| - impairments                             | 257          | 113          | 370           | 248          | 105          | 353           | -16        |
| Portfolio without individ. classification | 66           | 8            | 74            | 79           | 134          | 213           | 139        |
| <b>Total</b>                              | <b>9,990</b> | <b>5,716</b> | <b>15,706</b> | <b>9,897</b> | <b>6,547</b> | <b>16,444</b> | <b>737</b> |