

Strong customer activity in Q1 2019

Investor presentation

2 May 2019

Árni Ellefsen, CEO

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Overview

- **Highlights**
- **Financials**
 - Operating income
 - Insurance
 - Business volumes
 - Expenditures
 - Impairment charges
 - Capital ratios
- **Long-term financial objectives**
- **Outlook 2019**
- **Appendices**



Highlights in Q1 2019

— High customer activity but interest margins remain under pressure

Q1 2019 financial highlights

- Net interest income down 3% to DKK 91m in Q1 2019 from DKK 94m Q1 2018
- Net fee and commission income up 9% to DKK 48m from DKK 44m in Q1 2018
- Operating income amounted to DKK 158m vs. DKK 162m in Q1 2018
- Operating costs up 4% to DKK 120m (DKK 115m)
- Net impairment charges were a reversal of DKK 19m (DKK 31m)
- Market value adjustments amounted to a gain of DKK 8m (loss of DKK 6m)
- Profit before tax was DKK 65m (DKK 148m)
- Bank lending volumes up by 4% to DKK 10.0bn (DKK 9.6bn)
- Mortgage lending volumes up by 5% to DKK 12.5bn (DKK 11.9bn)
- CET1 capital ratio of 17.2% and total capital ratio of 19.2% at 31 March 2019

Q1 2019 financial results

— Figures in DKKm

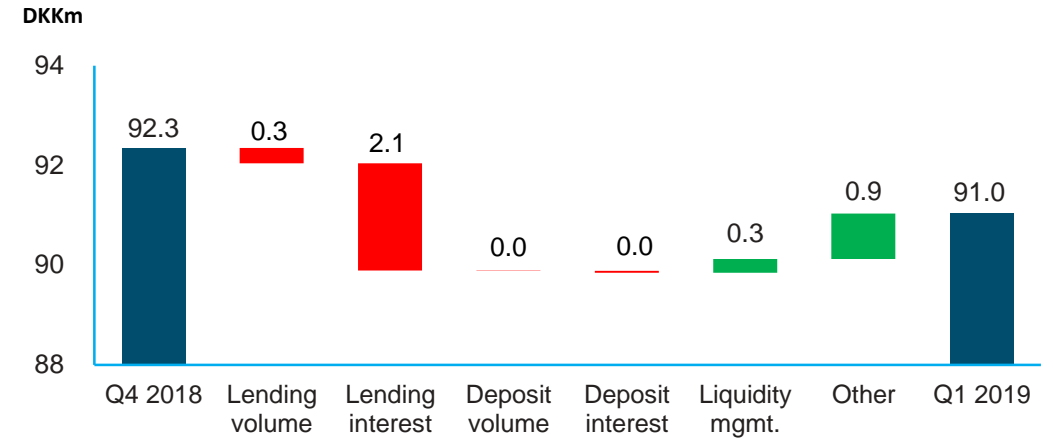
	Q1 2019	Q1 2018	Index	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	
Profit & loss	Net interest income	91	94	97	91	92	94	94	
	Net fee and commission income	48	44	109	48	42	43	44	
	Net insurance income	9	12	71	9	13	13	12	
	Other operating income	11	12	94	11	9	10	12	
	Operating income	158	162	98	158	156	160	157	162
	Operating costs	-120	-115	104	-120	-115	-111	-116	-115
	Sector costs	0	0		0	0	0	0	0
	Profit before impairment charges	38	47	82	38	42	49	42	47
	Net impairment charges on loans	19	31	62	19	18	39	23	31
	Operating profit	57	77	74	57	60	88	65	77
	Non-recurring items	0	76		0	-10	-6	12	76
	Market value adjustments	8	-6		8	-12	-3	-17	-6
Profit before tax	65	148	44	65	38	78	59	148	
Key metrics	Loans and advances	10.0	9.6	104	10.0	10.0	10.0	9.7	9.6
	Deposits and other debt	14.0	13.1	107	14.0	13.4	13.2	13.1	13.1
	Mortgage credit	12.5	11.9	105	12.5	12.2	12.1	11.9	11.9
	Operating cost / income, %	76	71		76	73	69	73	71
	Total capital ratio, %	19.2	18.9		19.2	19.8	17.6	18.5	18.9
	CET1 capital ratio, %	17.2	16.7		17.2	17.7	15.5	16.3	16.7

Net interest income under continuous pressure

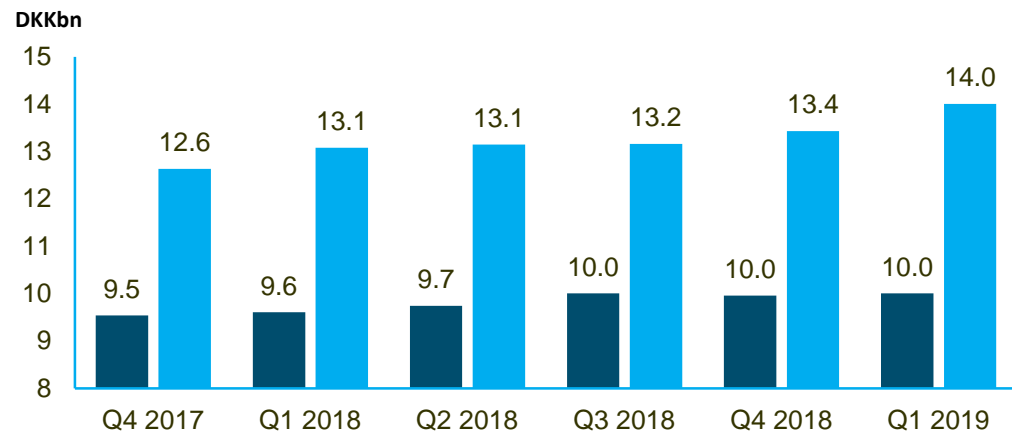
Comments

- Net interest income down by DKK 1m QoQ and by DKK 3m YoY due to margin pressure
- Squeezed margins continue to cause a drag on net interest income
- Lending volumes up by DKK 50m QoQ and by DKK 399m YoY

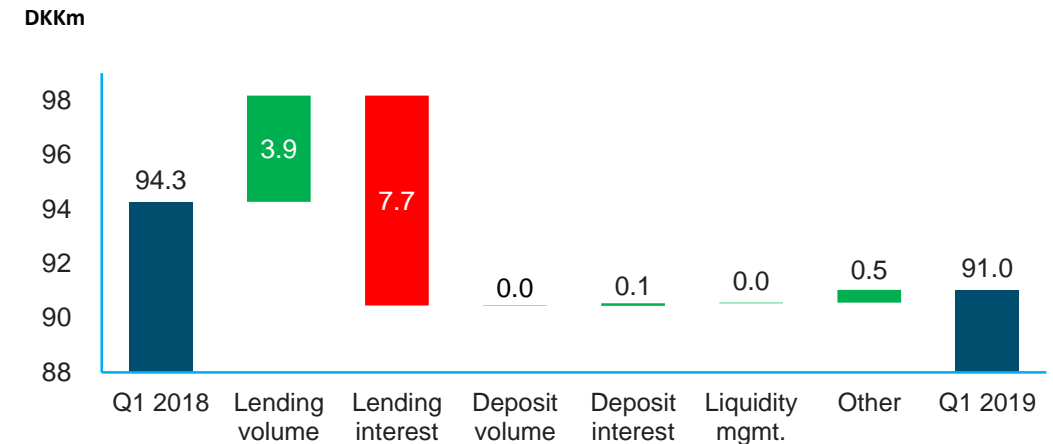
QoQ changes in net interest income



Loans and deposits



YoY changes in net interest income

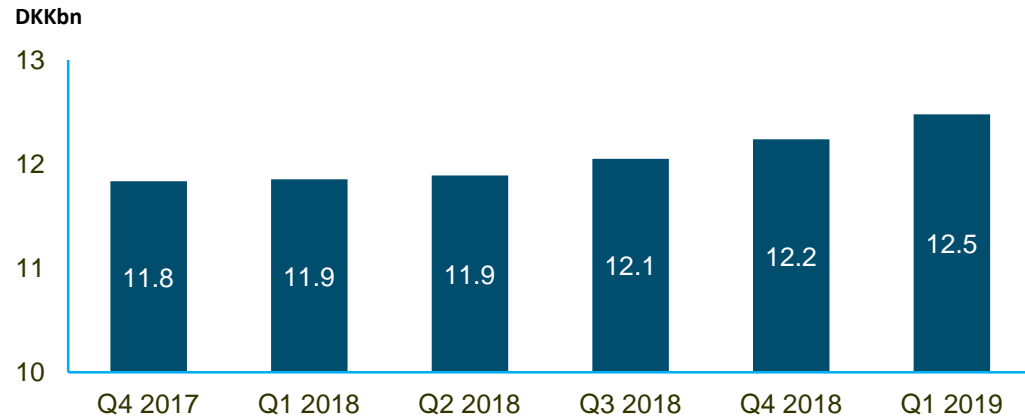


High customer activity driving fee and commission income

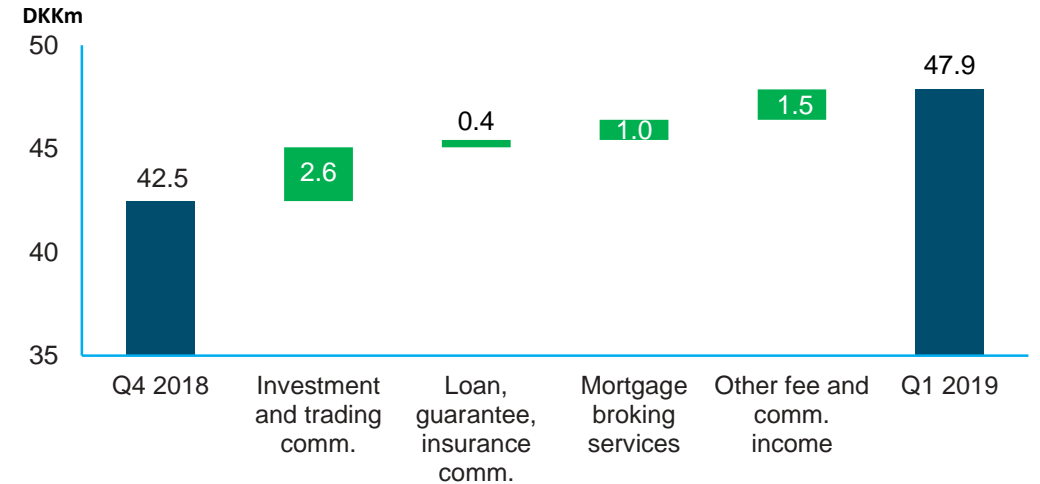
Comments

- Net fee and commission income up by DKK 5m QoQ and by DKK 4 YoY
- Strong customer activity in Q1 2019 driving fee and commission income higher
- Mortgage-lending volumes increased by DKK 239m in Q1 2019

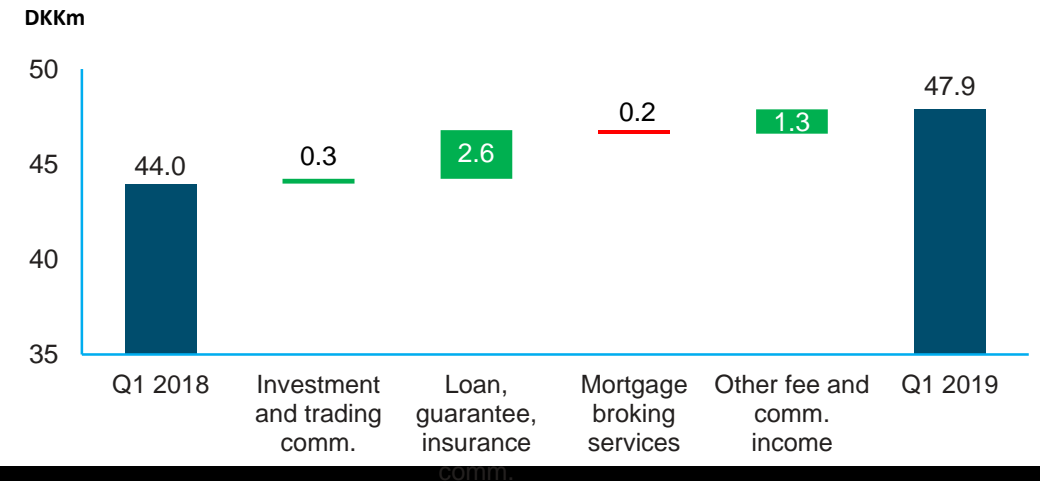
Mortgage lending



QoQ changes in fee and commission income



YoY changes in fee and commission income

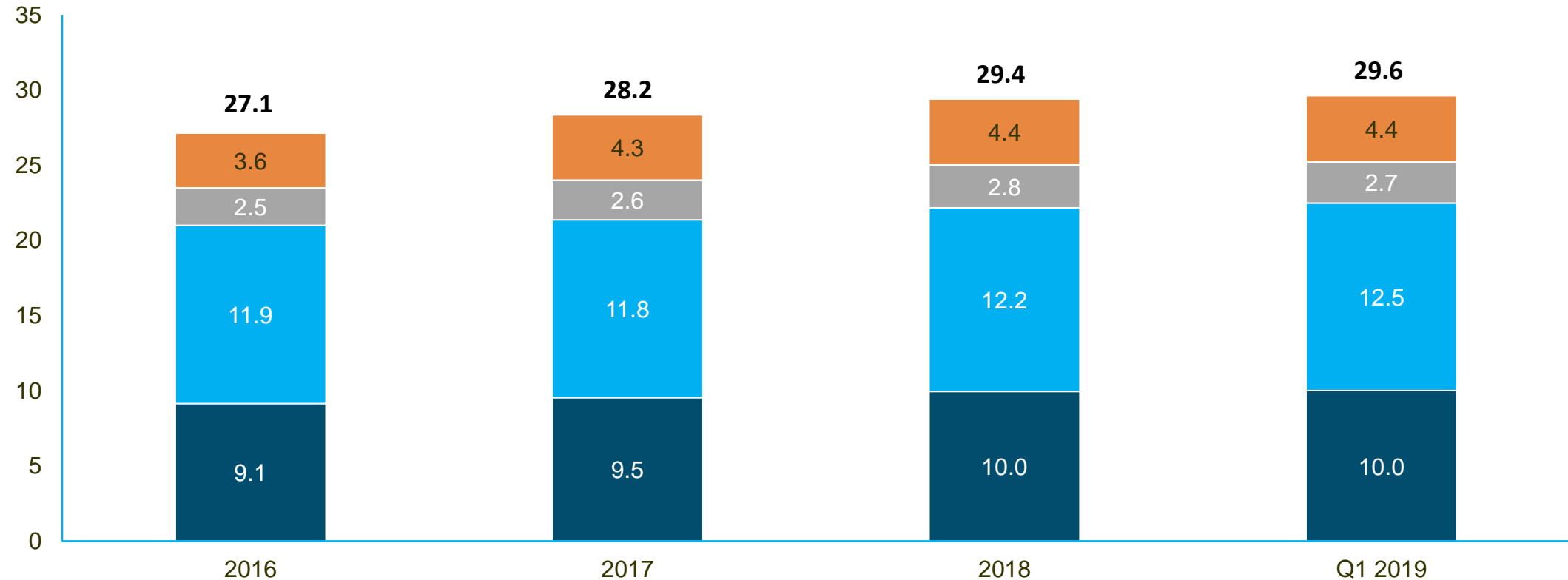


Developments in business volume

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

DKKbn

■ Bank lending ■ Mortgage lending ■ Guarantees ■ Assets under management

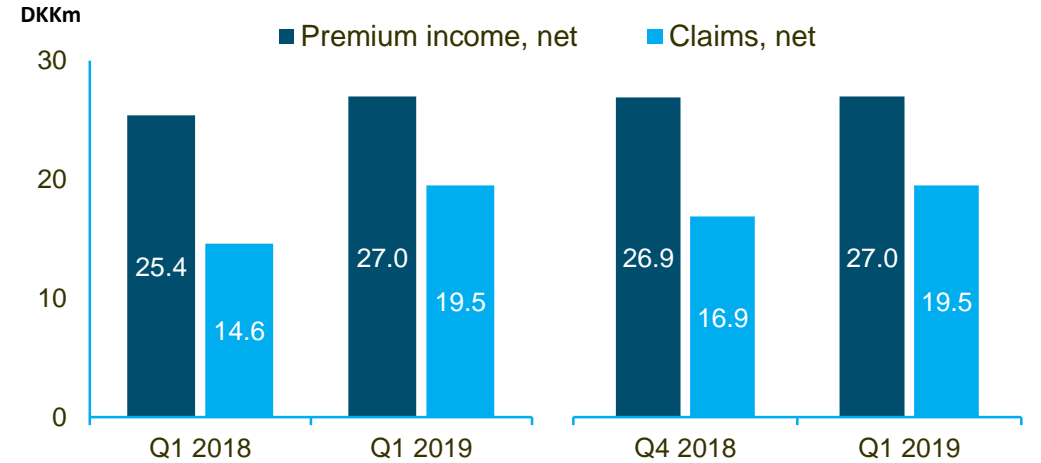


Trygd's net premium income up by 6% YoY

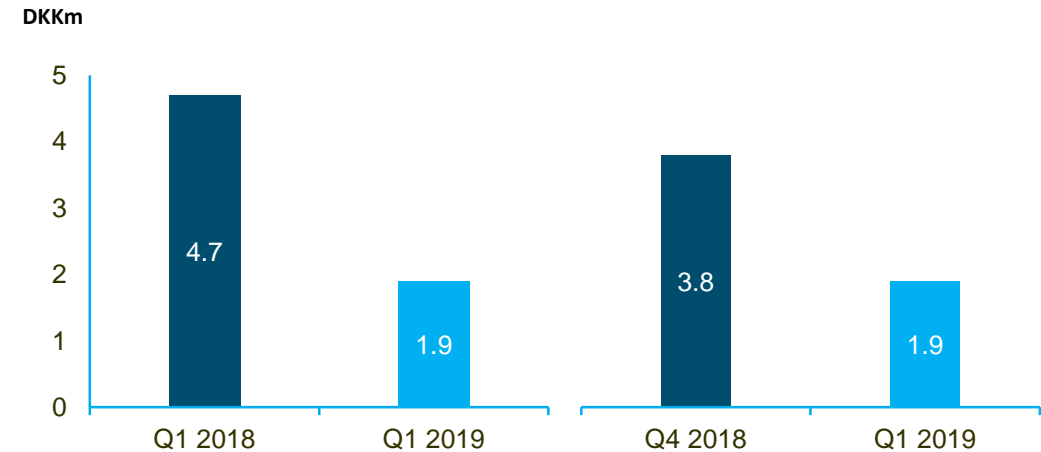
Comments

- Combined ratio of 93% in Q1 2019 compared to 80% in Q1 2018
- Net premium income up by DKK 2m YoY and by DKK 0.1m QoQ
- Net claims up by DKK 5m YoY and by DKK 3m QoQ
- Profit before tax of DKK 2m in Q1 2019 relative to DKK 5m PBT in Q1 2018 and DKK 4m in Q4 2018
- Trygd expects to continue attracting new customers and growing premium income in 2019

Premium and claims



Profit before tax

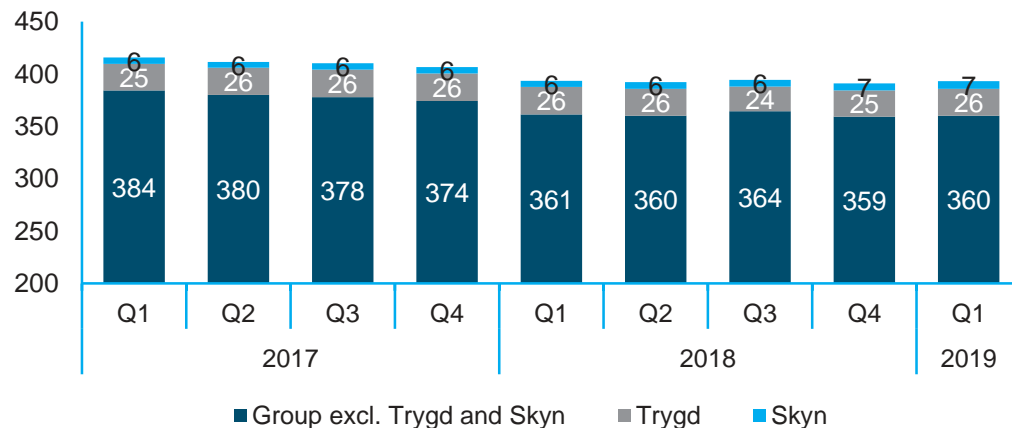


Operating costs increased in Q1 2019

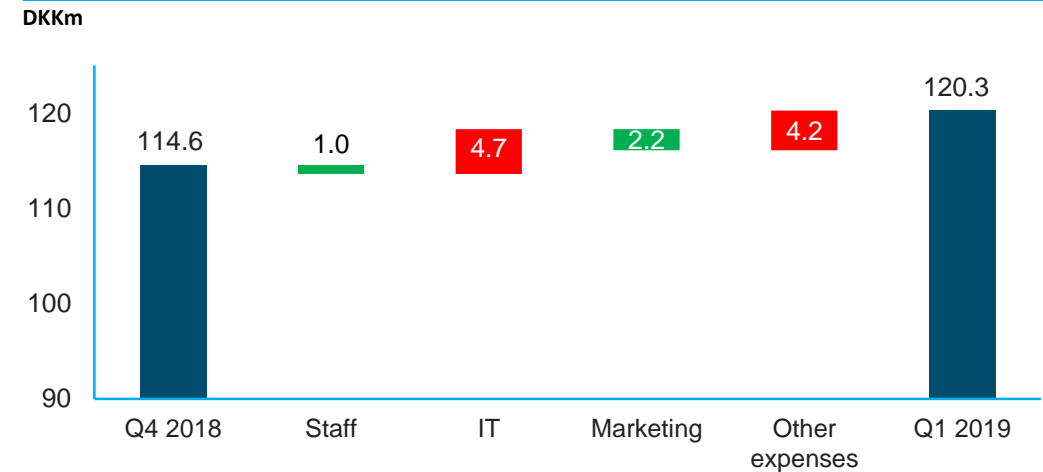
Comments

- Operating costs up by DKK 5m YoY and by DKK 6m QoQ
- Marketing campaigns, IT expenditures and severance payments drove costs higher in Q1 2019 vs. Q1 2018¹
- BankNordik still targets almost zero expenditure growth in FY2019

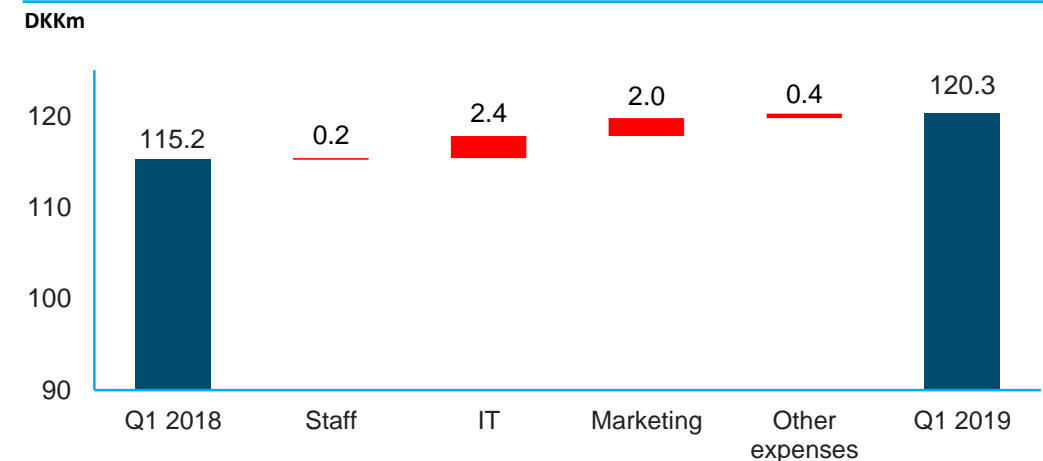
Average number of employees (FTE)



QoQ changes in operating costs



YoY changes in operating costs

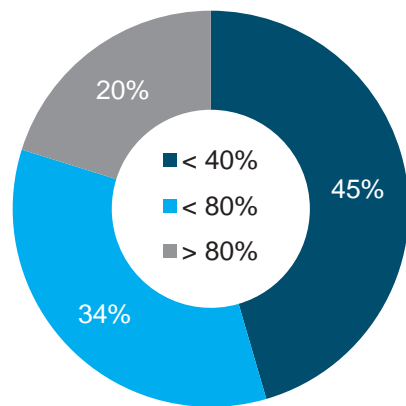


BankNordik continues to reverse impairment charges

Comments

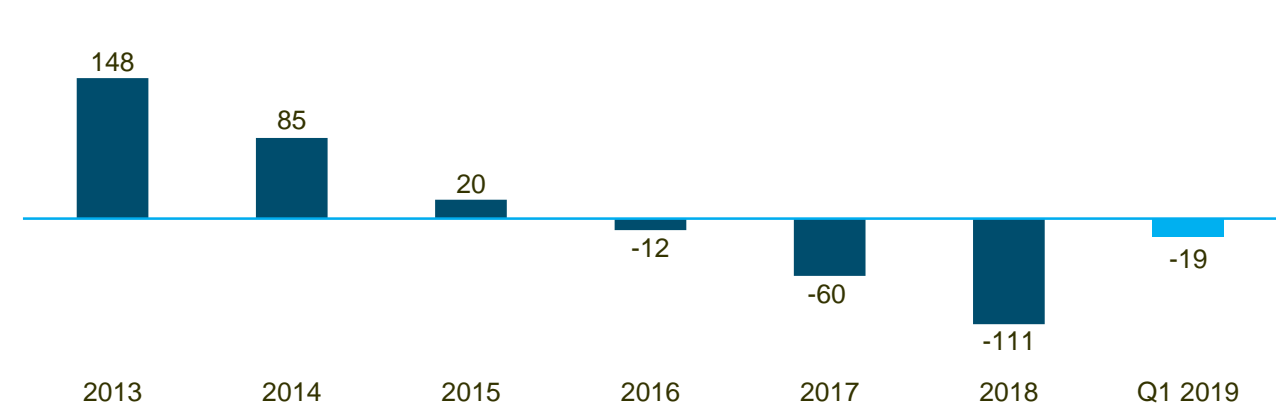
- Net impairment charges were a reversal of DKK 19m in Q1 2019
- No individual sector accounting for more than 5% of the loan portfolio
- Two thirds of the loan portfolio allocated to personal lending
- Strong loan-to-value for housing loans

LTV for housing loans¹



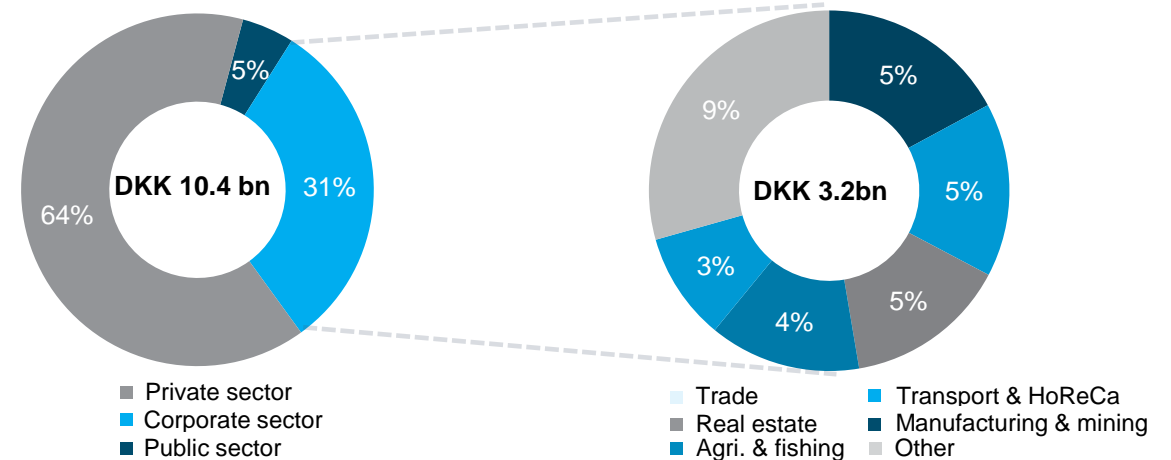
Net impairment charges

DKKm



Loans by sector²

DKKm

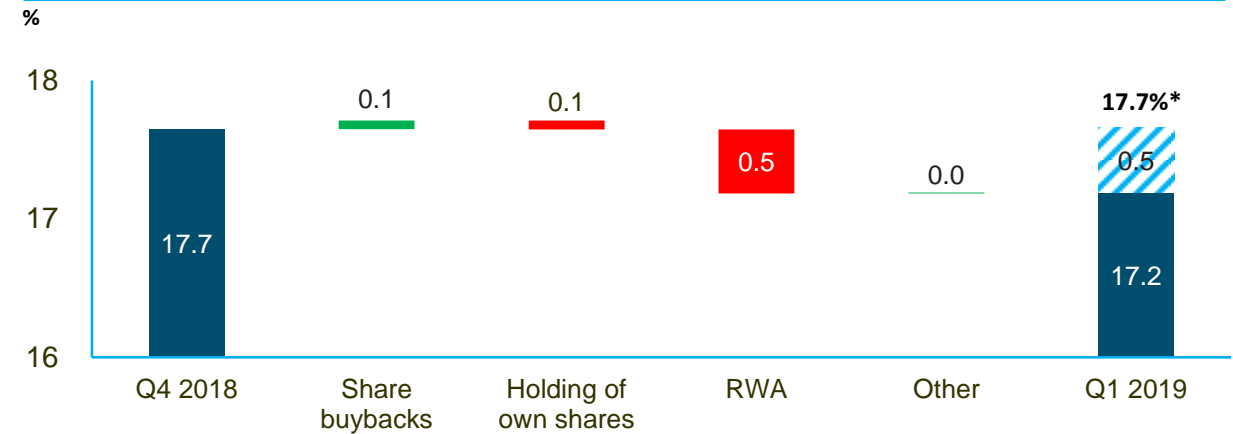


The Group's strong capital position maintained

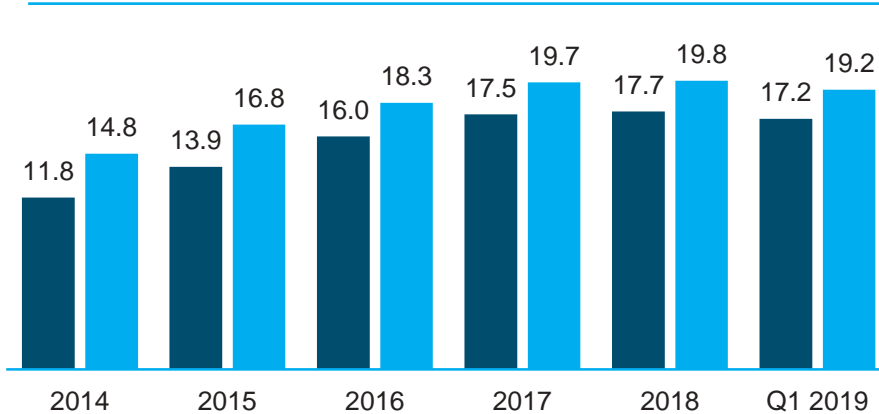
Comments

- CET1 down by 0.5 pp and total capital ratio down by 0.6 pp QoQ
- If net income from Q1 2019 were recognised, the CET1 ratio would be 17.7%* and the total capital ratio would be 19.8%*
- The Group targets a CET1 ratio target of 17% and a total capital ratio target of 20% by 2020

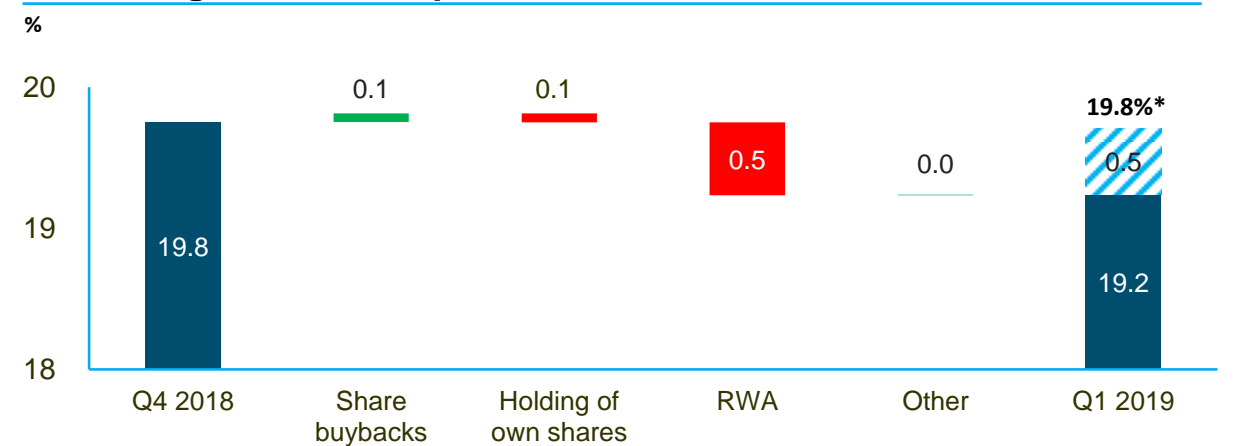
YoY changes in CET1 ratio



Capital ratio development



YoY changes in total capital ratio



Long-term financial objectives

In Q1 2019, ROE was affected by:

- High insurance claims
- High operating costs
- Large reversal of impairment charges

Outlook for 2019

- Operating profit before impairment charges in the range of DKK 160-200m (Q1 2019: DKK 37m)
- Net profit at the upper end of guidance of DKK 100-150m (Q1 2019: DKK 51m)

	2018	2019	2020 target
Return on equity	13.8% ¹	10.4% ²	10%
Cost/income ratio	72%	76%	65%
CET 1 ratio	17.7%	17.2%	17%
Total capital ratio	19.8%	19.2%	20%

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 2019	Q1 2018	19/18	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Net interest income	91,0	94,3	97	91	92,3	94	93	94
Net fee and commission income	48	44	109	48	42	43	43	44
Net insurance income	9	12	71	9	13	13	6	12
Other operating income (less reclassifica	11	12	94	11	9	10	15	12
Operating income	158	162	98	158	156	160	157	162
Operating costs*	-120	-115	104	-120	-115	-111	-116	-115
Sector costs	0	0		0	0	0	0	0
Profit before impairment charges	38	47	82	38	42	49	42	47
Impairment charges, net	19	31	62	19	18	39	23	31
Operating profit	57	77	74	57	60	88	65	77
Non-recurring items**	0	76		0	-10	-6	12	76
Profit before value adjustments and	57	154	37	57	50	81	76	154
Market value adjustments***	8	-6		8	-12	-3	-17	-6
Profit before tax	65	148	44	65	38	78	59	148
Operating cost/income, %	76	71		76	73	69	73	71
Number of FTE, end of period	393	387	101	393	393	385	390	387

* Comprises staff costs, administrative expenses and amortisation, depreciation and impairment charges (less reclassification to non-recurring items).

** Reclassified from Other operating income, Staff costs and administrative expenses and from Amortisation, depreciation and impairment charges.

*** Incl. net income from investments accounted for under the equity method (excl. sector shares).

Banking

Income statement, Banking

DKKm	Q1 2019	Q1 2018	Index 19/18	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Net interest income	91	94	96	91	92	94	93	94
Net fee and commission income	51	46	109	51	45	45	45	46
Other operating income	10	10	97	10	8	8	13	10
Operating income	151	150	100	151	145	147	152	150
Operating cost	-116	-110	105	-116	-109	-106	-110	-110
Sector costs	0	0		0	0	0	0	0
Profit before impairment charges	35	40	88	35	35	42	42	40
Impairment charges, net	19	31		19	18	39	23	31
Operating profit	54	71	77	54	54	81	65	71
Non-recurring items	0	76		0	-10	-6	12	76
Profit before value adjustments and	54	147	37	54	44	75	76	147
Market value adjustments	8	-5		8	-11	-3	-17	-5
Profit before tax	62	142	44	62	32	72	59	142
Loans and advances *	10.006	9.607	104	10.006	9.956	10.008	9.742	9.607
Deposits and other debt	14.027	13.107	107	14.027	13.452	13.184	13.168	13.107
Mortgage credit	12.477	11.852	105	12.477	12.238	12.050	11.890	11.852
Operating cost/income, %	77	73		77	75	72	72	73
Number of FTE, end of period	359	356	101	359	360	355	358	356

Personal Banking

Income statement, Personal banking

DKKm	<i>Index</i>							
	Q1 2019	Q1 2018	19/18	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Net interest income	61	66	93	61	63	65	65	66
Net fee and commission income	46	43	109	46	44	41	41	43
Other operating income	8	8	103	8	7	5	11	8
Operating income	116	116	100	116	114	111	117	116
Operating cost	-43	-45	96	-43	-43	-44	-44	-45
Sector costs	0	0		0	0	0	0	0
Profit before impairment charges	73	71	102	73	70	67	73	71
Impairment charges, net	4	15	29	4	8	22	10	15
Operating profit	77	86	89	77	78	89	83	86
Non-recurring items	0	0		0	0	0	0	0
Profit before value adjustments and	77	86	89	77	78	89	83	86
Market value adjustments	0	0		0	0	0	0	0
Profit before tax	77	86	89	77	78	89	83	86
Loans and advances	6.429	6.368	101	6.429	6.455	6.481	6.382	6.368
Deposits and other debt	10.304	9.804	105	10.304	10.096	9.928	10.027	9.804
Mortgage credit	12.093	11.406	106	12.093	11.838	11.625	11.460	11.406
Operating cost/income, %	37	39		37	38	40	38	38
Number of FTE, end of period	200	207	96	200	208	206	201	207

Corporate Banking

Income statement, Corporate Banking

DKKm	<i>Index</i>							
	Q1 2019	Q1 2018	19/18	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Net interest income	29	28	107	29	27	29	29	28
Net fee and commission income	4	3	131	4	4	3	3	3
Other operating income	1	3		1	1	2	1	3
Operating income	35	33	104	35	32	34	34	33
Operating cost	-3	-4	87	-3	-4	-4	-4	-4
Sector costs	0	0		0	0	0	0	0
Profit before impairment charges	31	29	106	31	29	30	30	29
Impairment charges, net	11	16		11	10	17	13	16
Operating profit	42	45	92	42	39	47	43	45
Non-recurring items	0	0		0	0	0	0	0
Profit before value adjustments and	42	45	92	42	39	47	43	45
Market value adjustments	0	0		0	0	0	0	0
Profit before tax	42	45	92	42	39	47	43	45
Loans and advances	3.565	3.240	110	3.565	3.502	3.527	3.360	3.240
Deposits and other debt	3.715	3.303	112	3.715	3.356	3.257	3.141	3.303
Mortgage credit	384	446	86	384	400	425	430	446
Operating cost/income, %	10	12		10	11	12	11	12
Number of FTE, end of period	16	18	89	16	16	17	17	18

Banking, Faroe Islands

Income statement, Faroe Islands

DKKm	<i>Index</i>							
	Q1 2019	Q1 2018	19/18	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Net interest income	53	55	96	53	54	55	53	55
Net fee and commission income	14	12	119	14	13	12	14	12
Other operating income	5	3	150	5	3	3	5	3
Total Operating income	72	70	103	72	69	70	72	70
Operating cost	-48	-47	104	-48	-41	-43	-44	-47
Sector costs	0	0		0	0	0	0	0
Profit before impairment charges	24	23	100	24	28	27	28	23
Impairment charges, net	10	14		10	-5	16	21	14
Operating profit	33	37	89	33	22	43	48	37
Non-recurring items	0	81		0	-8	0	10	81
Profit before value adjustments and	33	118	28	33	14	43	59	118
Market value adjustments	8	1	675	8	-11	-7	-18	1
Profit before tax	41	120	35	41	2	36	40	120
Loans and advances	6.540	6.213	105	6.540	6.561	6.452	6.378	6.213
Deposits and other debt	7.442	6.829	109	7.442	7.101	7.006	6.880	6.829
Mortgage credit	1.102	956	115	1.102	1.057	1.007	979	956
Operating cost/income, %	67	66		67	60	62	61	66
Number of FTE, end of period	190	172	111	190	189	179	178	172

Banking, Denmark

Income statement, Denmark

DKKm	Q1 2019	Q1 2018	Index 19/18	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Net interest income	29	31	96	29	30	31	31	31
Net fee and commission income	34	32	107	34	30	31	30	32
Other operating income	4	6	68	4	4	3	7	6
Total Operating income	68	69	99	68	63	65	68	69
Operating cost	-61	-57	106	-61	-60	-55	-58	-57
Sector costs	0	0		0	0	0	0	0
Profit before impairment charges	7	11	59	7	3	10	9	11
Impairment charges, net	14	20	69	14	20	26	-3	20
Operating profit	21	32	65	21	23	35	7	32
Non-recurring items	0	-5		0	-1	-6	1	-5
Profit before value adjustments and	21	27	77	21	22	29	8	27
Market value adjustments	0	0		0	0	0	0	0
Profit before tax	21	27	77	21	22	29	8	27
Loans and advances	2.846	2.798	102	2.846	2.798	2.832	2.772	2.798
Deposits and other debt	5.693	5.619	101	5.693	5.656	5.551	5.675	5.619
Mortgage credit	10.740	10.219	105	10.740	10.563	10.409	10.273	10.219
Operating cost/income, %	90	83		90	95	85	86	83
Number of FTE, end of period	149	166	90	149	154	158	162	166

Banking, Greenland

Income statement, Greenland

DKKm	<i>Index</i>							
	Q1 2019	Q1 2018	19/18	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Net interest income	8	8	98	8	9	8	9	8
Net fee and commission income	2	2	90	2	2	2	2	2
Other operating income	1	1	105	1	1	2	1	1
Total Operating income	11	12	97	11	12	13	12	12
Operating cost	-6	-6	99	-6	-7	-8	-8	-6
Sector costs	0	0		0	0	0	0	0
Profit before impairment charges	5	5	94	5	5	5	5	5
Impairment charges, net	-5	-3		-5	3	-3	5	-3
Operating profit	0	2	12	0	8	2	10	2
Non-recurring items	0	0		0	0	0	0	0
Profit before value adjustments and	0	2	12	0	8	2	10	2
Market value adjustments	0	0		0	0	0	0	0
Profit before tax	0	2	12	0	8	2	10	2
Loans and advances	621	597	104	621	597	724	593	597
Deposits and other debt	892	660	135	892	696	627	613	660
Mortgage credit	635	677	94	635	618	635	638	677
Operating cost/income, %	57	55		57	60	59	62	55
Number of FTE, end of period	21	19	109	21	18	18	18	19

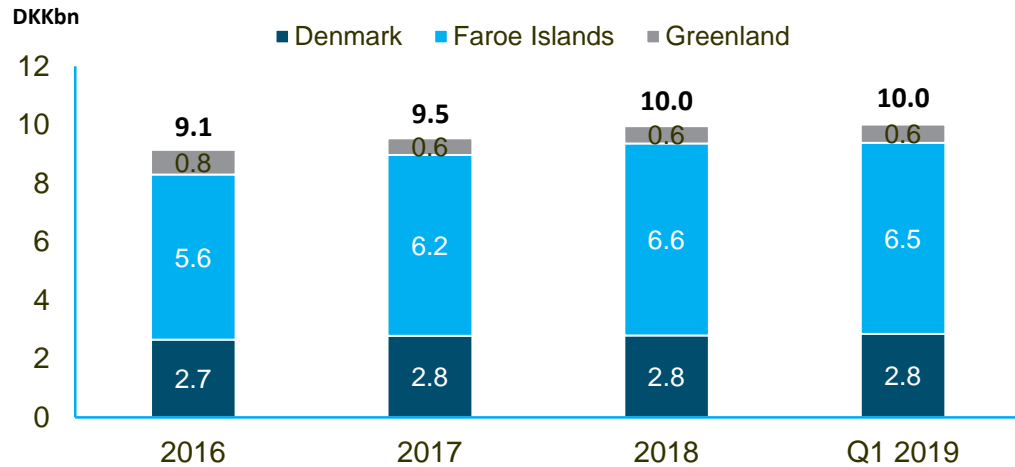
Trygd

Income statement, Trygd

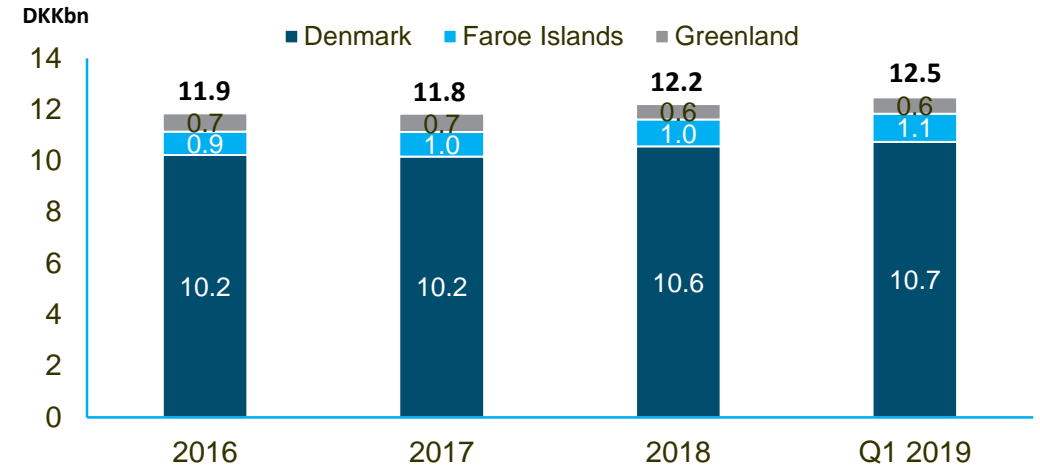
DKKm	<i>Index</i>							
	Q1 2019	Q1 2018	19/18	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Premium income, net of reinsurance	27	25	106	27	27	27	26	25
Claims, net of reinsurance	-19,5	-14,6	133	-19	-17	-17	-23	-15
Net insurance income	8	11	70	8	10	10	3	11
Net income from investment activities	0	0		0	0	0	0	0
Operating income	8	11	71	8	10	9	3	11
Operating cost	-6	-6	98	-6	-6	-6	-6	-6
Profit before tax	2	5	39	2	4	3	-4	5
Combined ratio	93	80		93	85	87	114	80
Claims ratio	72	58		72	63	64	90	58
Number of FTE, end of period	26	25	103	26	25	23	25	25

Development in business volumes

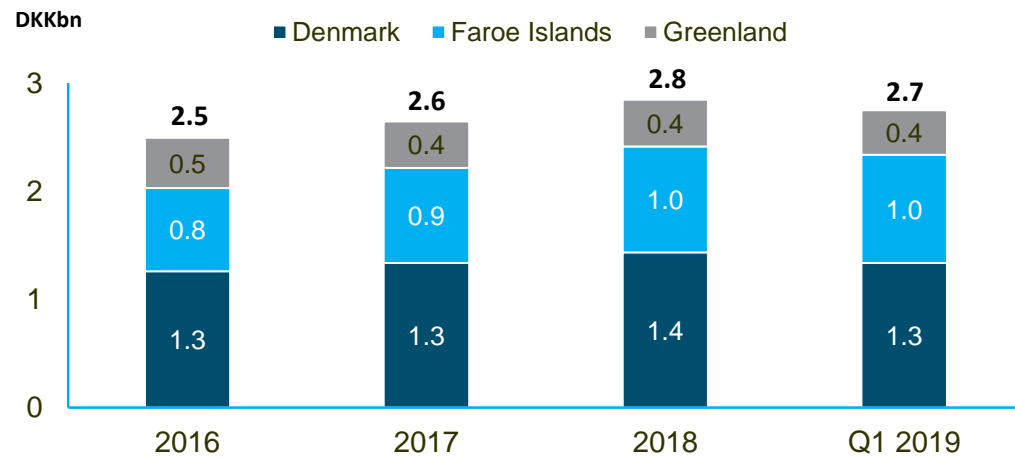
Bank lending



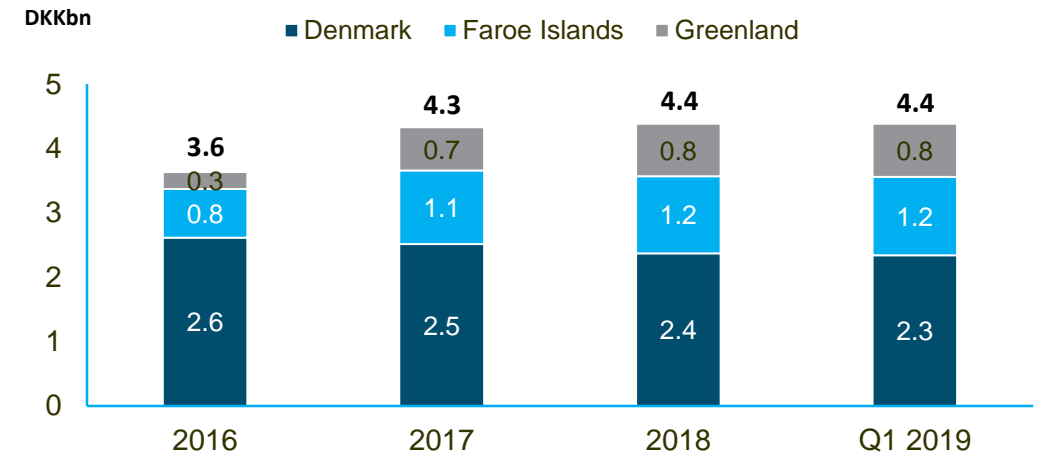
Mortgages



Guarantees



Assets under management



Credit quality of the loan portfolio

Credit classification according to the Danish FSA's method

	Q4 2018			Q1 2019			Change
	<7.5 DKKm	>7.5 DKKm	Total	<7.5 DKKm	>7.5 DKKm	Total	
Portfolio without weakness	3.366	2.948	6.314	3.359	3.107	6.467	153
Portfolio with some weakness	6.097	1.423	7.521	5.970	1.547	7.517	-4
Portfolio with weakness	249	251	499	217	176	392	-107
- here of unsecured	66	87	153	55	51	106	-47
- impairments	53	54	106	100	97	197	91
Portfolio with OIE	605	239	844	589	231	820	-24
- here of unsecured	332	154	485	310	148	457	-28
- impairments	294	128	422	286	129	415	-7
Portfolio without individ. classification	31	26	57	34	65	99	42
Total	10.348	4.887	15.236	10.169	5.126	15.295	59