

Positive developments in operating income and costs continue in Q3

- 2020 net profit outlook increased and range narrowed

Investor presentation

3 November 2020

Árni Ellefsen, CEO

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Overview

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



Highlights in 9M 2020

9M 2020 operating highlights

- Initiatives launched in 2019 - executed in 2020
 - Optimisation of the branch network in Denmark
 - No threshold for negative interest rates on corporate deposits
 - Changes in customer concepts
- Activity levels adapted to the COVID-19 situation from mid-March
- New customer philosophy launched in all three countries

9M 2020 financial highlights

- Profit before impairment charges up by 43% (up by DKK 47m)
 - Net interest, fee and commission income up 6% (up by DKK 23m)
 - Net insurance income down by 13% (down by DKK 5m)
 - Other operating income down by 27% (down by DKK 10m)
 - Operating and sector costs down by 11% (down by DKK 38m)
- Profit before tax DKK 156m (DKK 201m)
 - Net impairment charges were a reversal of DKK 6m (reversal of DKK 80m)
 - Return on investment portfolio was a loss of DKK 6m (profit of DKK 12m)
- CET1 capital ratio of 21.1% and total capital ratio of 24.9% at 30 September 2020

9M 2020 financial results

— Figures in DKKm

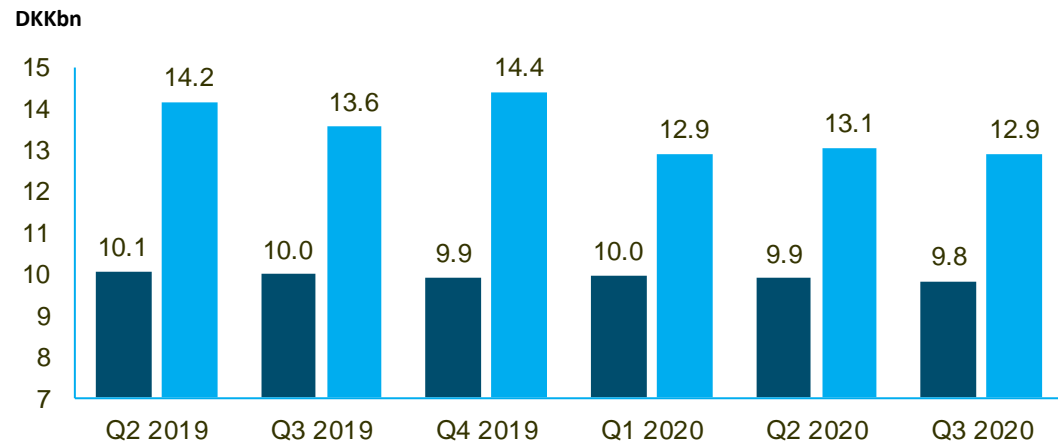
	9M 2020	9M 2019	Index	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	
Profit & loss	Net interest income	266	250	106	89	89	87	83	
	Net fee and commission income	148	140	106	49	45	54	47	
	Net insurance income	34	39	87	18	12	4	15	
	Other operating income	26	35	73	9	8	9	13	
	Operating income	473	464	102	166	153	154	164	158
	Operating costs	-317	-355	89	-102	-106	-109	-117	-116
	Sector costs	-1	-1	204	0	0	0	0	0
	Profit before impairment charges	155	108	143	63	47	45	47	42
	Net impairment charges on loans	6	80	8	8	22	-24	25	9
	Operating profit	162	189	86	71	69	21	71	51
	Non-recurring items	0	0		0	0	0	-13	0
	Investment portfolio earnings	-6	12	-48	11	34	-51	1	0
Profit before tax	156	201	78	82	103	-30	59	50	
Key metrics	Loans and advances	9.8	10.0	98	9.8	9.9	10.0	10.0	
	Deposits and other debt	12.9	13.6	95	12.9	13.1	12.9	13.6	
	Mortgage credit	13.3	12.9	103	13.3	13.1	13.0	12.9	
	Operating cost / income, %	67	77		62	69	71	73	
	Total capital ratio, %	24.9	21.0		24.9	24.0	23.4	22.3	
	CET1 capital ratio, %	21.1	17.5		21.1	20.3	19.8	18.8	

Negative interest rate brackets lifting net interest income

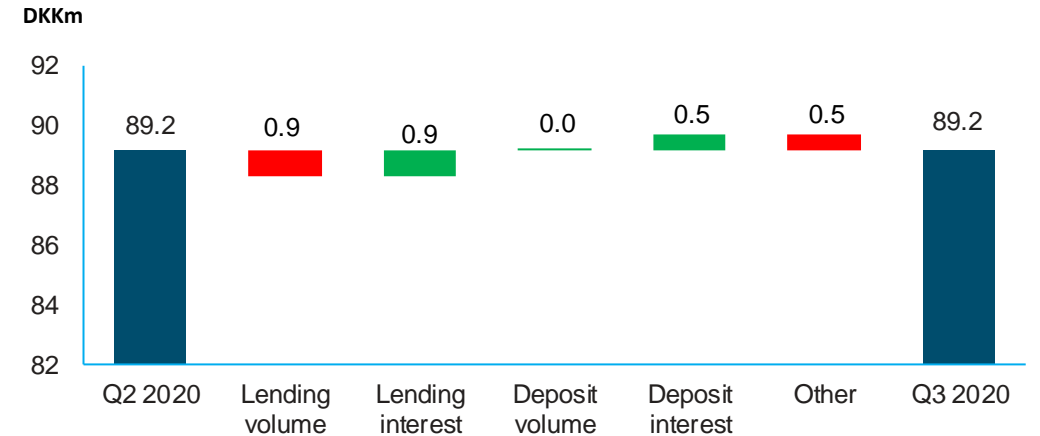
Comments

- Net interest income flat QoQ and up by DKK 16m YoY mainly due to negative interest rates
- Effects of negative interest rate brackets on pension and retail deposits feeding through in 2020
- From 1 April, no longer a threshold for negative interest rates on corporate deposits
- Negative interest rates on personal deposits in Denmark changed from 0.75% to 0.60% in Q3 as thresholds lowered/limited
- Lending volumes down by DKK 51m QoQ and down by DKK 154m YoY

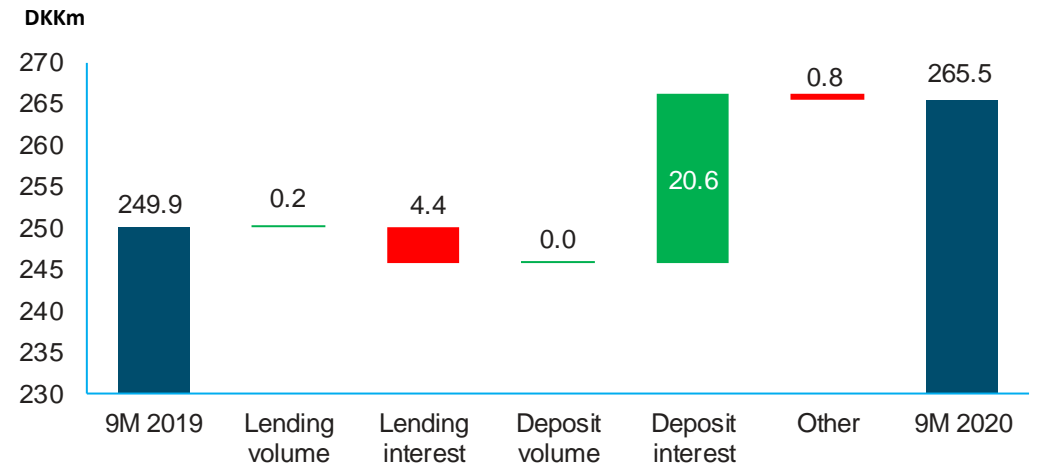
Loans and deposits



QoQ changes in net interest income



YoY changes in net interest income

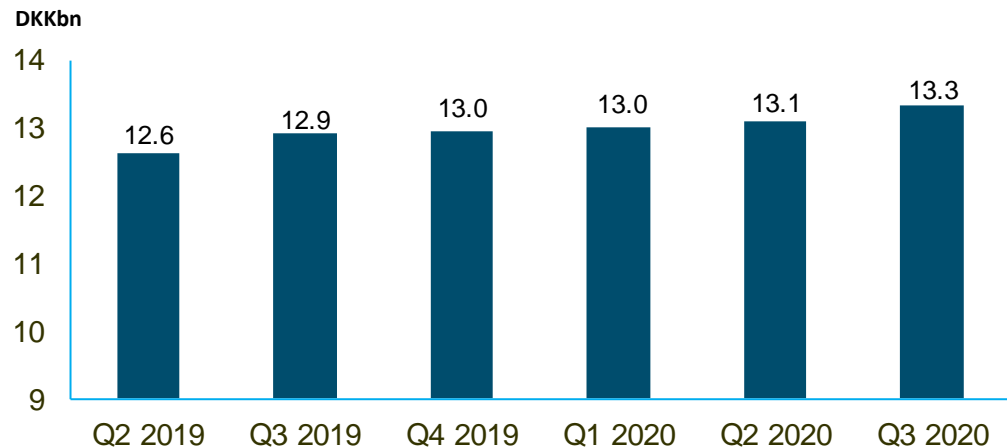


Fee and commission income up

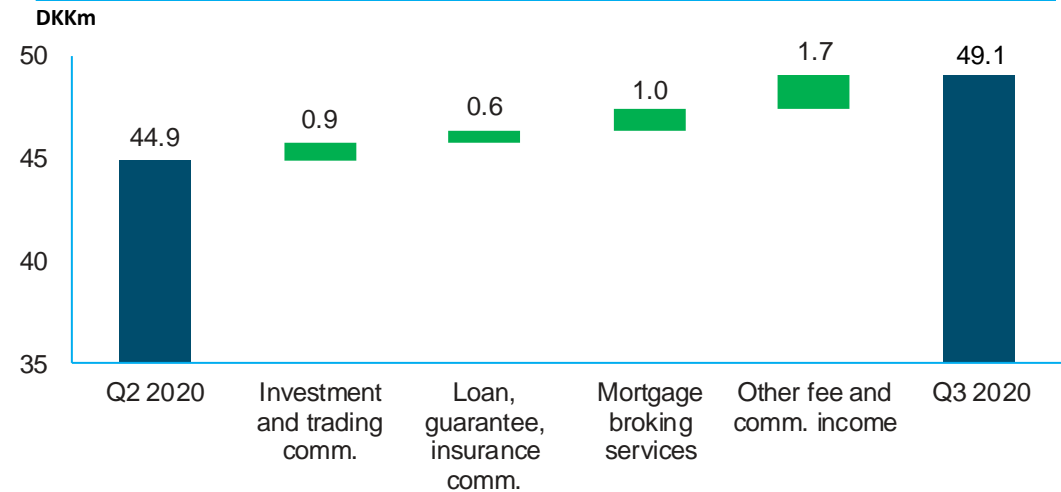
Comments

- Net fee and commission income up by DKK 4m QoQ and by DKK 8m YoY
- Income from investment management operations increased during Q1 2020 and returned to normal level in Q2 and Q3 2020
- Mortgage-broking volumes up DKK 226m QoQ and DKK 415m YoY

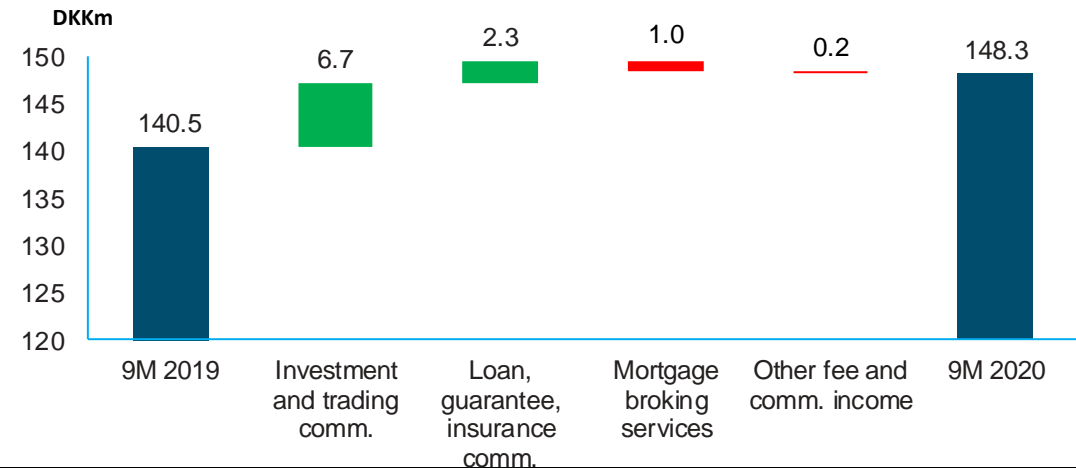
Mortgage-broking services



QoQ changes in fee and commission income



YoY changes in fee and commission income

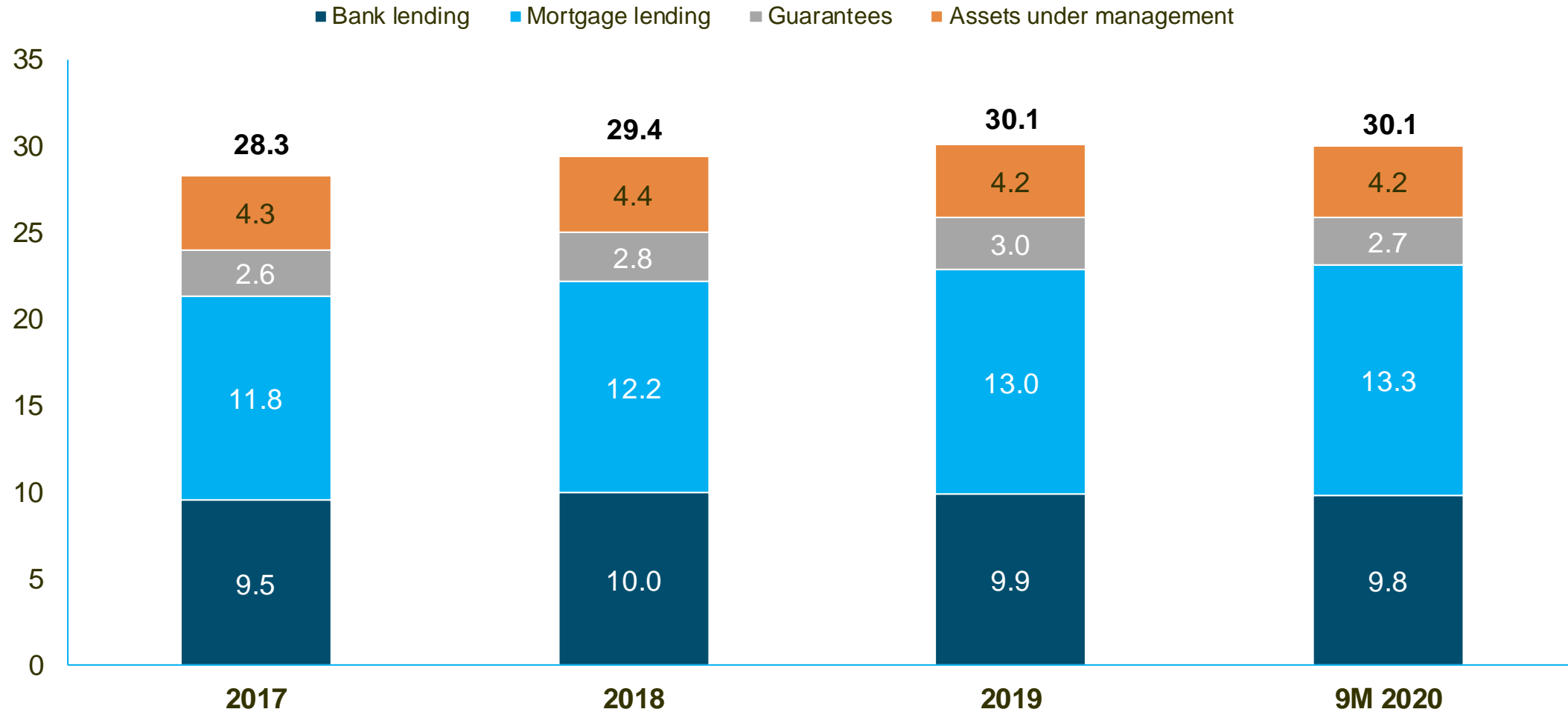


Developments in business volumes

- guarantees affected by improved agreement with DLR

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

DKKbn

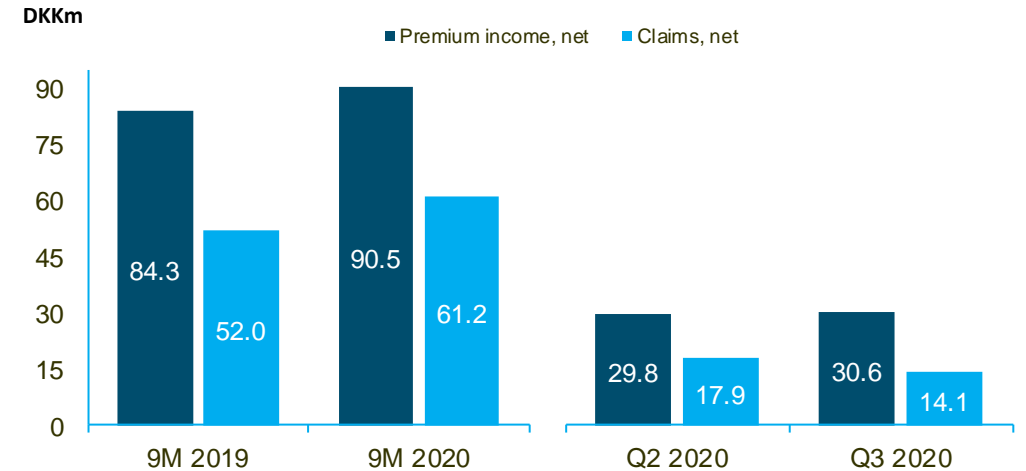


Trygd - Growth in premiums and fewer claims in Q3 2020

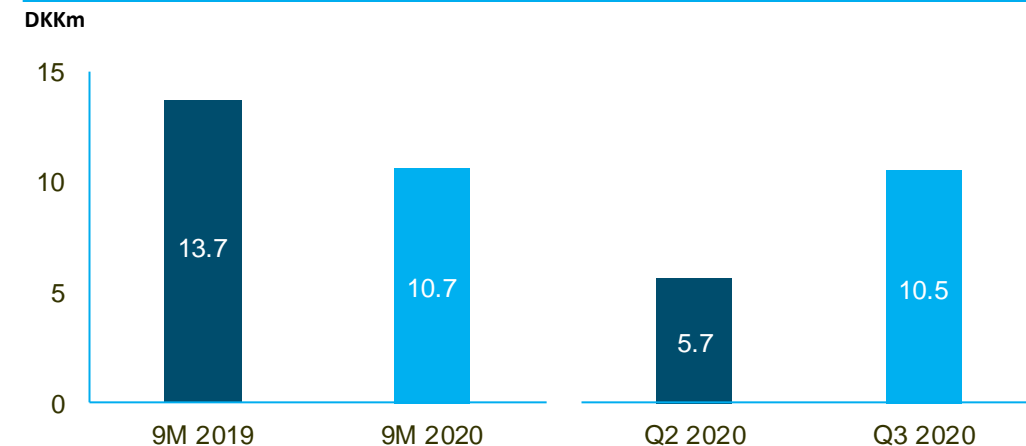
Comments

- Combined ratio of 87% in 9M 2020 compared to 83% in 9M 2019
- Net premium income up by DKK 6m YoY and up by DKK 1m QoQ
- Net claims up by DKK 9m YoY and down by DKK 4m QoQ
- Claims in Q1 2020 driven by windstorm events and travel cancellations due to COVID-19. Fewer claims in Q3 2020
- Profit before tax of DKK 11m in 9M 2020 relative to DKK 14m in 9M 2019 and DKK 11m in Q3 2020 relative to DKK 6m in Q2 2020

Premiums and claims



Profit before tax

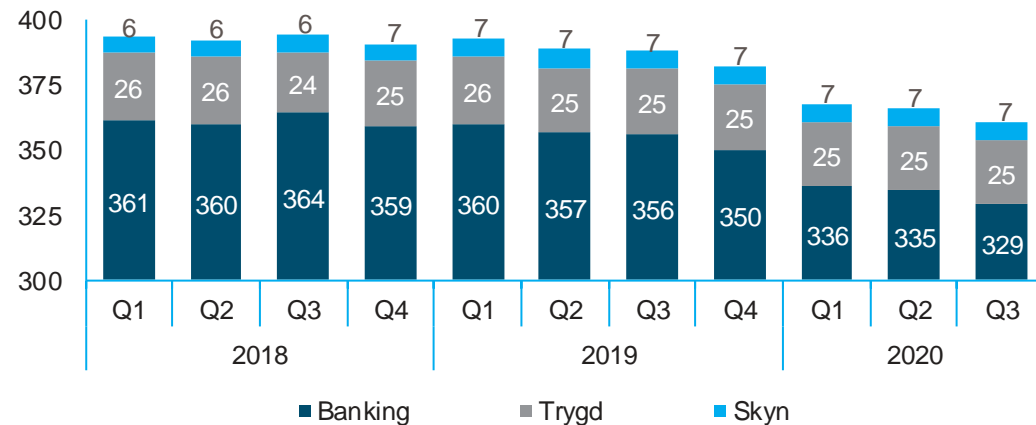


Operating costs remaining low

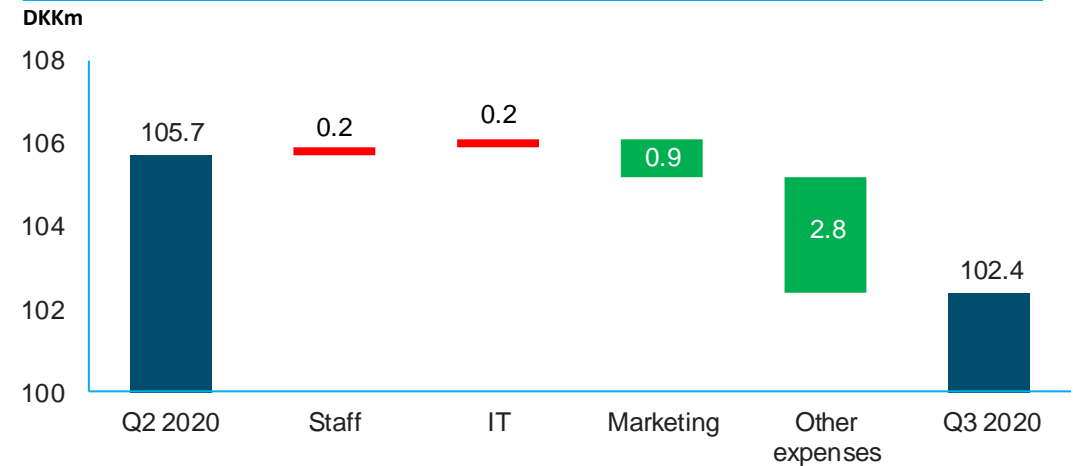
Comments

- Operating costs down by DKK 39m 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 9M 2020 - marketing activity expected to increase in Q4 2020
- Decrease in Other expenses by DKK 13.4m YoY mainly related to employee days arranged in H1 2019 (3m)

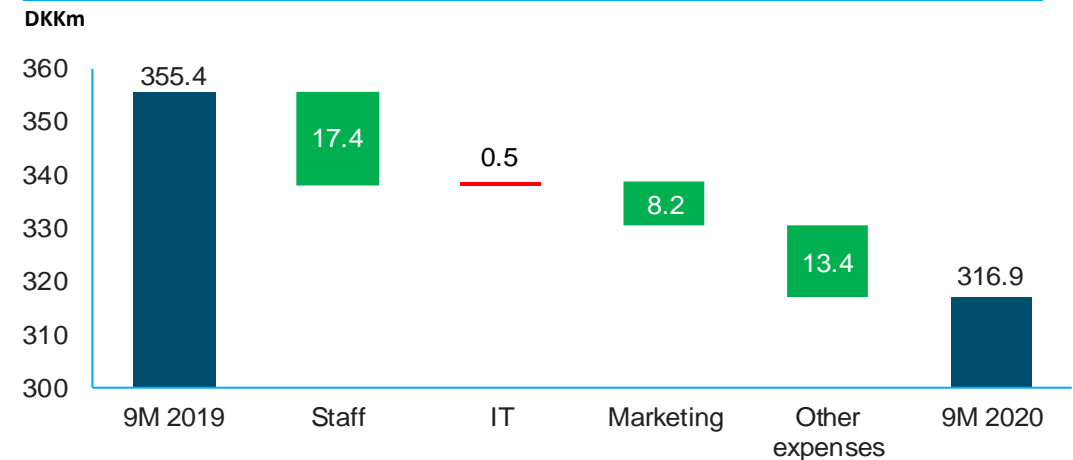
Average number of employees (FTE)



QoQ changes in operating costs



YoY changes in operating costs

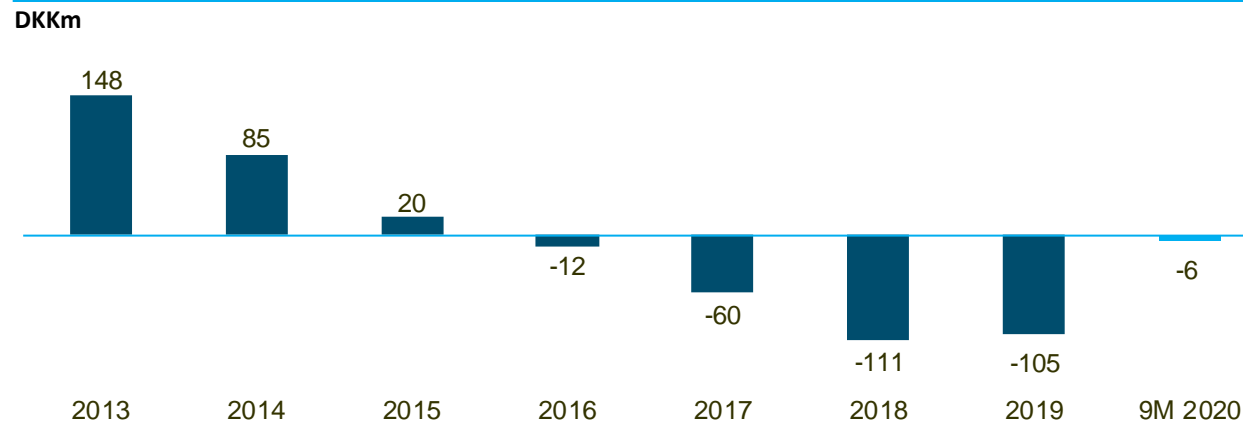


Impairment charges affected by the COVID-19 health crisis

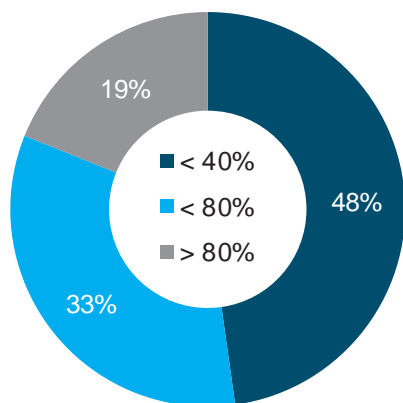
Comments

- Net impairment charges were a reversal of DKK 6m in 9M 2020
- Included in the net impairment charges of DKK 6m is a discretionary management estimate of DKK 50m made due to the COVID-19 health crisis:
 - Faroe Islands DKK 28m
 - Denmark DKK 8m
 - Greenland DKK 14
- Well-diversified loan portfolio with no individual sector accounting for more than 5%

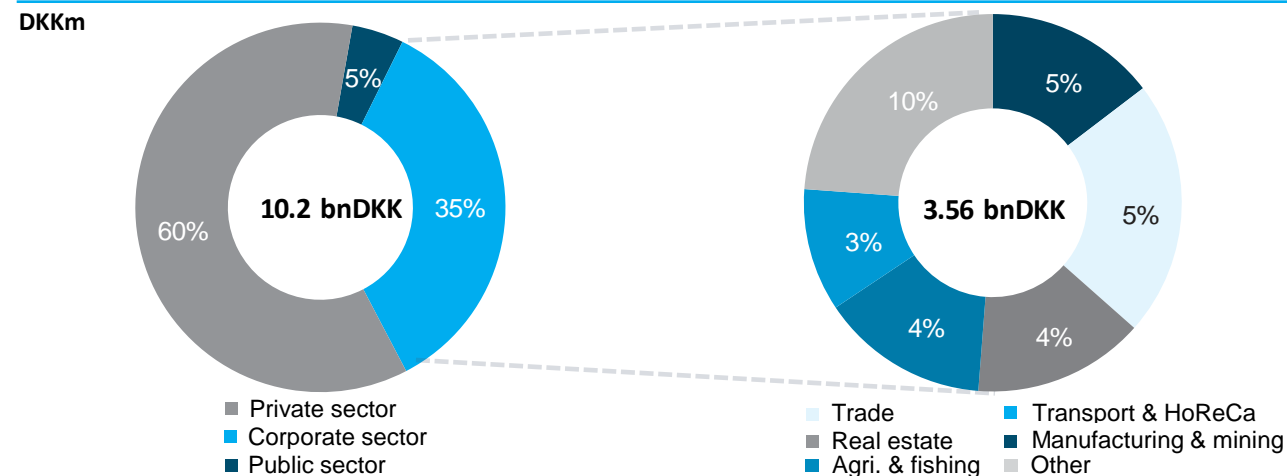
Net impairment charges



LTV for housing loans¹



Gross loans by sector

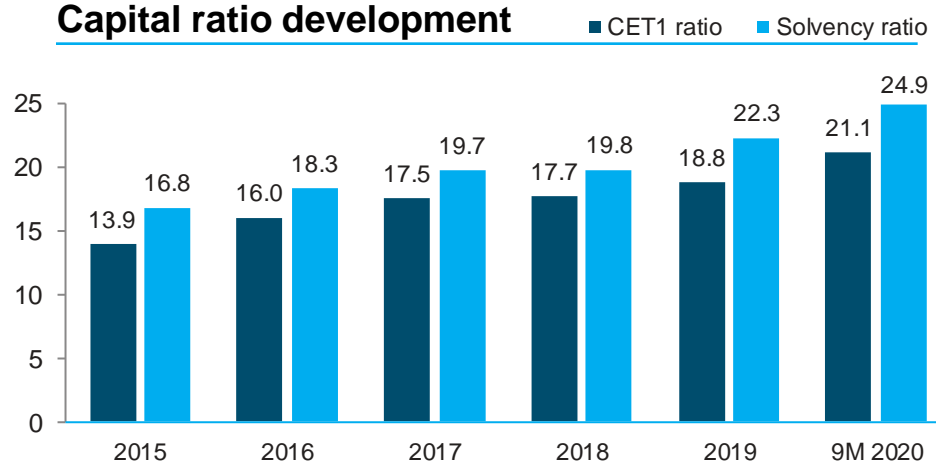


Capital position well above revised target

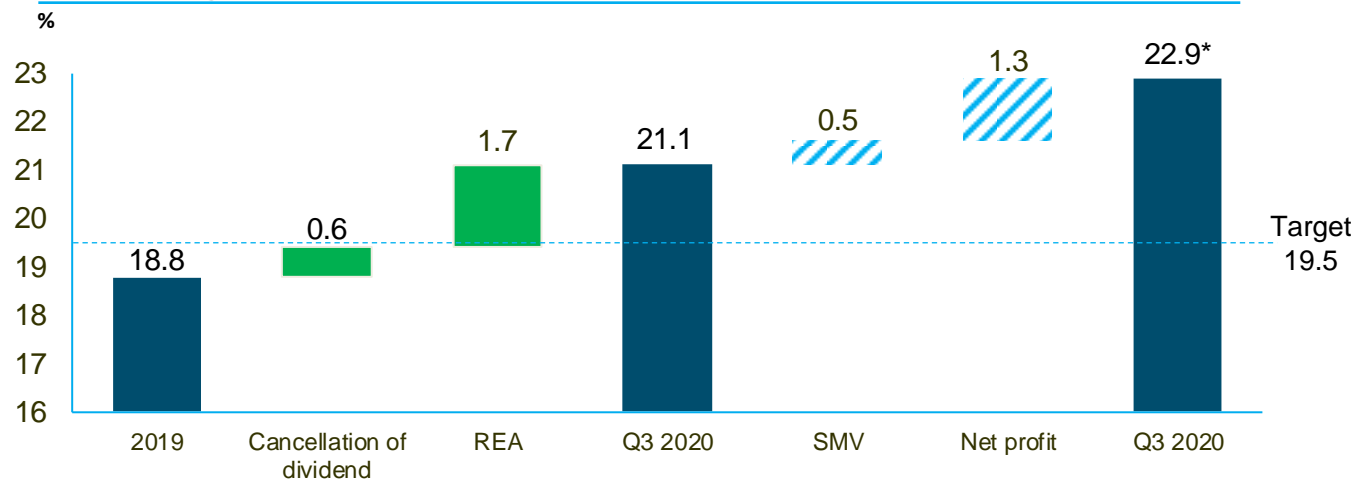
Comments

- CET1 up by 2.3 pp and total capital ratio up by 2.6 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 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)
- Revised target for CET1 and Total Capital Ratio (TCR):
 - CET1-target raised from 18.5% to 19.5%
 - TCR-target raised from 22.0% to 23.0%

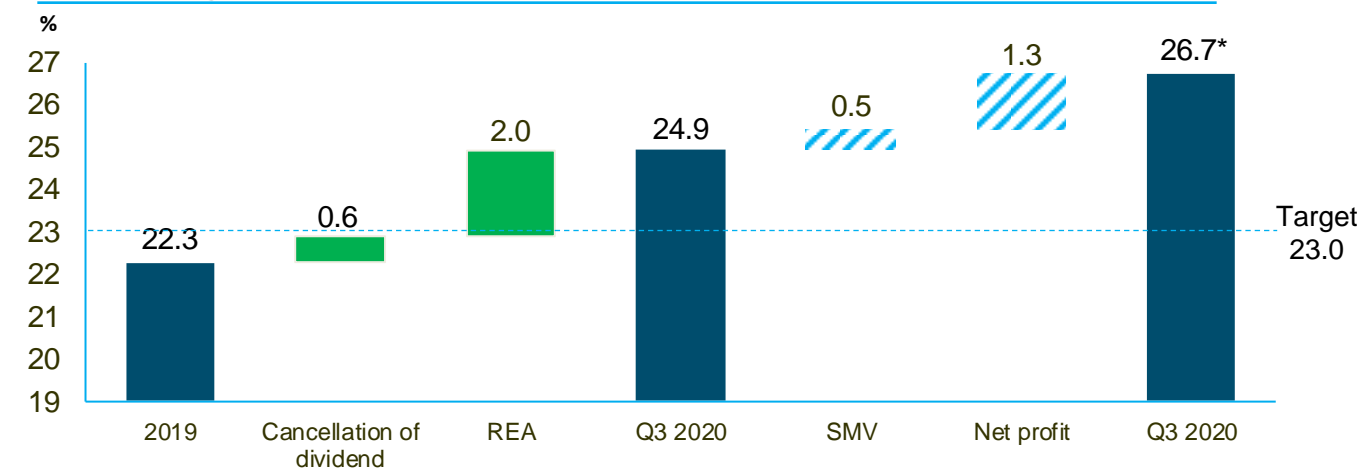
Capital ratio development



YoY changes in CET1 ratio



YoY changes in total capital ratio



Revised and narrowed 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.

As the uncertainty is now considered to have diminished and the greater part of the year has passed positively, the original FY2020 guidance is upgraded and the range narrowed:

- A general increase in profit before impairment charges in 9M 2020 is expected to continue in Q4 2020 - positive effect of **DKK 15m**
- A decrease in impairment charges of **DKK 10m**
- Loss on the investment portfolio expected to decrease by **DKK 5m**
- 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 140-160m

Revised long-term financial objectives

Comments

- Long-term financial objectives revised
 - RoE after tax 8%
 - Operating C/I 65%
- Implementation of new customer philosophy expected to raise commission income
- Focus on ongoing process efficiency, and more automated and digital processes will reduce costs
- Normalisation of 2020 to an average year
 - Impairment charges expected to increase
 - Fewer claims expected
 - Investment portfolio return expected to decrease
- Strengthen cooperation with InnovFin and EKF to reduce REA – will lead to a slight decrease in net interest income

	RoE	C/I
Estimate year-end 2020	~7%	~68%
New customer philosophy	↑	↑
Process efficiency and automatisisation	↑	↑
Normalised impairment charges	↓	
Normalised claims	↑	↑
Strengthen cooperation with InnovFin & EKF	↑	↓
Revised long-term financial objectives	~8%	~65%

Equity Story



Focus on improving customer experience and on efficient cost management

- Firmly anchored in the Faroes – continued profitable growth in Denmark and Greenland
- Strategic focus:
 - plain and relevant holistic advice on financing, insurance, investments and pensions
 - delivering improved customer experience – both digital and physical
 - efficient, digital organisation
- Low-risk loan portfolio with limited exposure to historically risky sectors
- Well-consolidated group – appropriate capital resources relative to targets
- A group known for its credible conduct and integrity and one that complies with current ethical guidelines and regulations

Targets

Customer

- Relational NPS > 40 at branches and in corporate departments
- Relational NPS > 15 in Customer Service and in Banking for young people
- Transactional NPS > 90
- Holistic advice at 90% of customer meetings

Employees

- High performance in in-house corporate culture survey (minimum 4.5)
- Employee turnover < 7% per year
- Gender overrepresentation of not more than 60% among managers and in all departments

Shareholders

- ROE \geq 8% p.a.
- C/I \leq 65%
- Dividend payout ratio 20-40%
- Share buybacks
- Total capital ratio > 23%
- CET1 ratio > 19.5%

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	Q1-Q3 2020	Q1-Q3 2019	Index 20/19	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019
Net interest income	266	250	106	89	89	87	87	83
Net fee and commission income	148	140	106	49	45	54	49	47
Net insurance income	34	39	87	18	12	4	14	15
Other operating income (less reclassification)	26	35	73	9	8	9	14	13
Operating income	473	464	102	166	153	154	164	158
Operating costs ¹	-317	-355	89	-102	-106	-109	-117	-116
Sector costs	-1	-1		0	0	0	0	0
Profit before impairment charges	155	108	143	63	47	45	47	42
Impairment charges, net	6	80	8	8	22	-24	25	9
Operating profit	162	189	86	71	69	21	71	51
Non-recurring items ²	0	0		0	0	0	-13	0
Profit before investment portfolio earnings and tax	162	189	86	71	69	21	58	50
Investment portfolio earnings ³	-6	12	48	11	34	-51	1	0
Profit before tax	156	201	78	82	103	-30	59	50
Tax	33	42	78	17	21	-5	11	10
Net profit	123	158	78	65	82	-24	48	40
Operating cost/income, %	67	77		62	69	71	71	73
Number of FTE, end of period	361	383	94	361	363	359	377	383

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

DKKmn	Q1-Q3 2020	Q1-Q3 2019	Index 20/19	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019
Net interest income	266	249	107	89	89	87	87	83
Net fee and commission income	157	149	106	52	48	57	52	50
Other operating income	23	31	75	8	6	9	13	11
Operating income	445	428	104	150	143	153	152	144
Operating cost	-302	-339	89	-98	-99	-105	-110	-111
Sector costs	-1	-1		0	0	0	0	0
Profit before impairment charges	142	88	161	51	43	47	41	33
Impairment charges, net	6	80	8	8	22	-24	25	9
Operating profit	148	168	88	60	65	24	66	42
Non-recurring items	0	0		0	0	0	-13	0
Profit before investment portfolio earnings and tax	148	168	88	60	65	24	52	41
Investment portfolio earnings	-5	14	35	11	34	-50	2	0
Profit before tax	144	182	79	71	99	-26	55	42
Loans and advances	9,829	9,983	98	9,829	9,880	9,971	9,909	9,983
Deposits and other debt	12,892	13,557	95	12,892	13,059	12,903	14,399	13,557
Mortgage credit	13,333	12,918	103	13,333	13,107	13,010	12,960	12,918
Operating cost/income, %	68	79		65	70	69	73	77
Number of FTE, end of period	329	354	93	329	332	327	345	354

Personal Banking

Income statement, Personal banking

DKKm	Q1-Q3 2020	Q1-Q3 2019	Index 20/19	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019
Net interest income	179	181	99	60	60	59	61	60
Net fee and commission income	145	136	106	48	44	53	48	46
Other operating income	21	24	88	7	4	10	8	8
Operating income	345	342	101	115	108	122	117	114
Operating cost	-116	-130	89	-35	-40	-40	-38	-42
Sector costs	-1	0		0	0	0	0	0
Profit before impairment charges	229	211	109	80	68	81	78	71
Impairment charges, net	3	32	10	7	4	-8	13	2
Operating profit	232	243	95	86	72	74	91	74
Non-recurring items	0	0		0	0	0	-9	0
Profit before investment portfolio earnings and ta	232	243	95	86	72	74	82	74
Profit before tax	232	243	95	86	72	74	82	74
Loans and advances	5,923	6,402	93	5,923	6,047	6,152	6,287	6,402
Deposits and other debt	10,534	10,523	100	10,534	10,581	10,003	10,603	10,523
Mortgage credit	13,052	12,546	104	13,052	12,859	12,815	12,751	12,546
Operating cost/income, %	33	38		31	37	33	33	37
Number of FTE, end of period	187	213	88	187	190	187	202	213

Corporate Banking

Income statement, Corporate Banking

DKKm	Q1-Q3 2020	Q1-Q3 2019	Index 20/19	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019
Net interest income	102	88	117	34	35	33	31	30
Net fee and commission income	12	12	99	4	4	4	4	4
Other operating income	3	4	72	1	1	1	2	1
Operating income	117	104	113	40	39	38	37	35
Operating cost	-13	-10	128	-4	-5	-4	-4	-4
Sector costs	0	0		0	0	0	0	0
Profit before impairment charges	104	93	111	36	34	34	33	31
Impairment charges, net	4	38	11	2	17	-15	22	4
Operating profit	108	131	83	38	51	19	55	35
Non-recurring items	0	0		0	0	0	0	0
Profit before investment portfolio earnings and ta	108	131	83	38	51	19	55	35
Profit before tax	108	131	83	38	51	19	55	35
Loans and advances	3,847	3,534	109	3,847	3,831	3,819	3,602	3,534
Deposits and other debt	2,347	3,018	78	2,347	2,469	2,892	3,770	3,018
Mortgage credit	281	372	75	281	249	196	209	372
Operating cost/income, %	11	10		10	13	11	10	11
Number of FTE, end of period	17	16	106	17	17	17	16	16

Banking – Faroe Islands

Income statement, Faroe Islands

DKKm	Q1-Q3 2020	Q1-Q3 2019	Index 20/19	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019
Net interest income	153	138	111	51	52	50	49	46
Net fee and commission income	43	41	105	14	13	16	15	14
Other operating income	11	15	73	4	3	4	7	6
Total Operating income	208	194	107	70	68	70	71	66
Operating cost	-139	-146	96	-45	-45	-48	-51	-48
Sector costs	0	0		0	0	0	0	0
Profit before impairment charges	68	49	140	24	22	21	20	18
Impairment charges, net	-13	25	- 54	-6	4	-11	11	3
Operating profit	55	73	75	19	26	10	31	21
Non-recurring items	0	0		0	0	0	-5	0
Profit before investment portfolio earnings and ta	55	73	75	19	26	10	26	21
Investment portfolio earnings	-2	0	- 663	3	12	-17	-2	-4
Profit before tax	53	74	72	22	38	-7	23	16
Loans and advances	6,531	6,508	100	6,531	6,422	6,428	6,492	6,508
Deposits and other debt	6,794	7,135	95	6,794	6,935	6,749	7,299	7,135
Mortgage credit	1,434	1,206	119	1,434	1,378	1,323	1,275	1,206
Operating cost/income, %	67	75		65	67	69	72	73
Number of FTE, end of period	178	188	95	178	178	175	185	188

Banking – Denmark

Income statement, Denmark

DKKm	Q1-Q3 2020	Q1-Q3 2019	Index 20/19	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019
Net interest income	77	85	90	26	26	25	28	28
Net fee and commission income	105	101	105	35	32	39	34	34
Other operating income	9	12	76	3	2	4	5	4
Total Operating income	192	198	97	64	60	68	66	66
Operating cost	-142	-173	82	-46	-47	-50	-51	-55
Sector costs	-1	0		0	0	0	0	0
Profit before impairment charges	49	25	196	18	13	18	16	11
Impairment charges, net	32	45	70	18	19	-5	10	8
Operating profit	80	70	115	36	32	13	25	19
Non-recurring items	0	0		0	0	0	-8	0
Profit before investment portfolio earnings and ta	80	70	115	36	32	13	17	19
Investment portfolio earnings	-3	12		7	19	-29	4	4
Profit before tax	78	82	95	43	51	-16	21	23
Loans and advances	2,380	2,785	85	2,380	2,419	2,536	2,622	2,785
Deposits and other debt	5,439	5,691	96	5,439	5,513	5,418	5,802	5,691
Mortgage credit	11,152	11,080	101	11,152	11,090	11,058	11,038	11,080
Operating cost/income, %	74	87		71	78	73	76	84
Number of FTE, end of period	131	146	89	131	136	132	140	146

Banking – Greenland

Income statement, Greenland

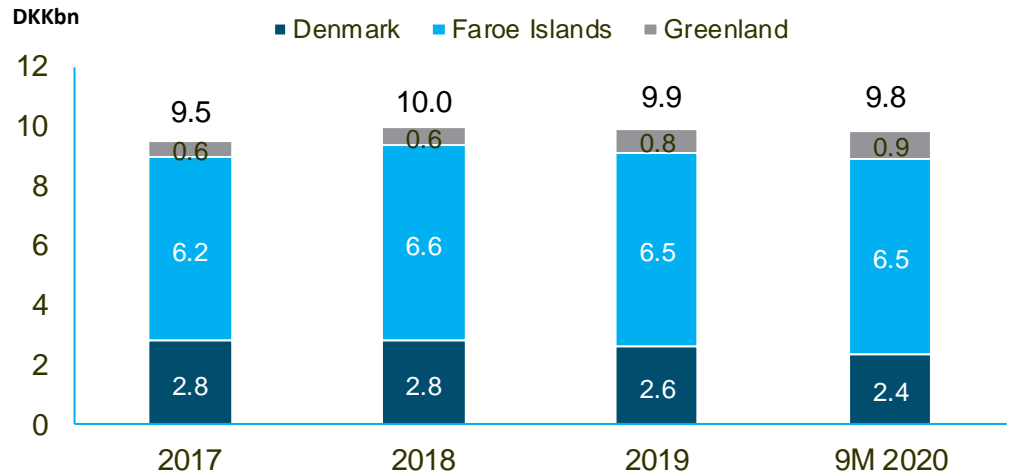
DKKm	Q1-Q3 2020	Q1-Q3 2019	Index 20/19	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019
Net interest income	35	26	137	12	12	12	11	9
Net fee and commission income	8	7	124	3	3	2	2	2
Other operating income	2	3	78	1	1	1	1	1
Total Operating income	46	35	130	16	15	15	14	12
Operating cost	-21	-21	99	-7	-7	-7	-8	-8
Sector costs	0	0		0	0	0	0	0
Profit before impairment charges	25	15	172	9	8	8	6	5
Impairment charges, net	-12	10		-4	-1	-7	4	-3
Operating profit	13	25	53	5	7	1	10	2
Non-recurring items	0	0		0	0	0	0	0
Profit before investment portfolio earnings and ta	13	25	53	5	7	1	10	2
Investment portfolio earnings	0	1		1	3	-3	0	0
Profit before tax	13	26	50	6	10	-3	10	3
Loans and advances	918	690	133	918	1,039	1,006	795	690
Deposits and other debt	659	730	90	659	611	736	1,299	730
Mortgage credit	748	632	118	748	639	629	646	632
Operating cost/income, %	45	59		43	47	45	58	61
Number of FTE, end of period	20	20	102	20	18	19	20	20

Income statement, Trygd

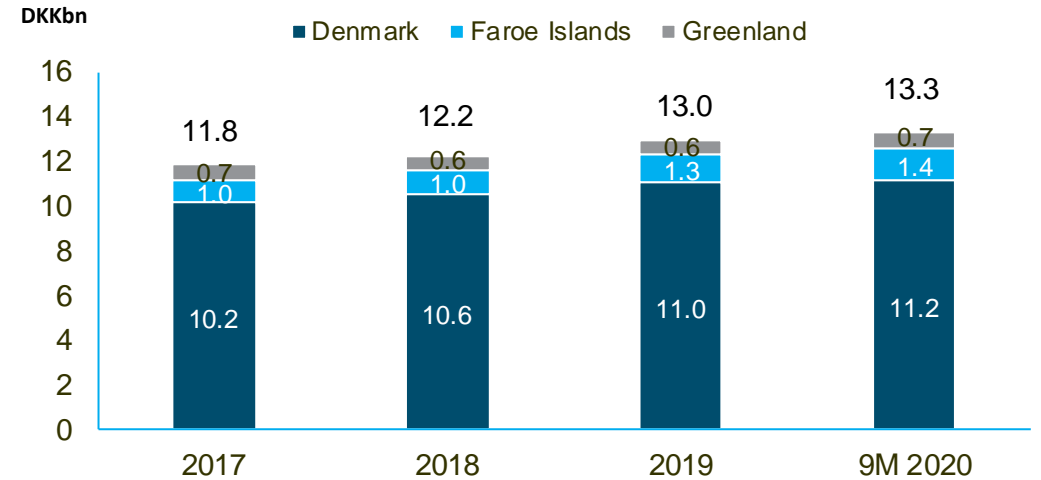
DKKm	Q1-Q3 2020	Q1-Q3 2019	Index 20/19	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019
Premium income, net of reinsurance	90	84	107	31	30	30	28	29
Claims, net of reinsurance	-61	-52	118	-14	-18	-29	-17	-17
Net insurance income	29	32	90	16	12	1	11	12
Net income from investment activities	-1	0		0	0	-1	0	0
Operating income	28	32	89	16	12	0	11	11
Operating cost	-18	-18	97	-6	-6	-6	-7	-6
Profit before tax	11	14	78	11	6	-6	4	6
Combined ratio	87	83		65	81	116	85	80
Claims ratio	68	62		46	60	97	60	60
Number of FTE, end of period	25	22	112	25	24	25	25	22

Development in business volumes

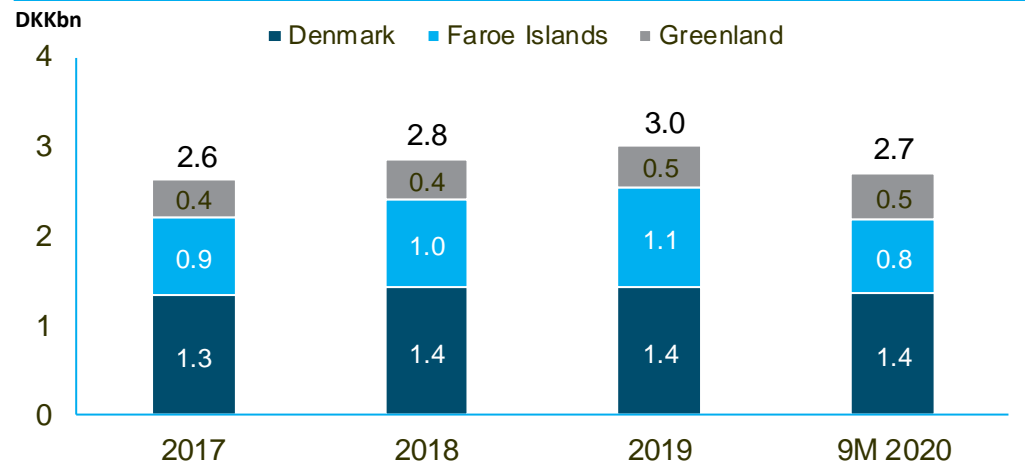
Bank lending



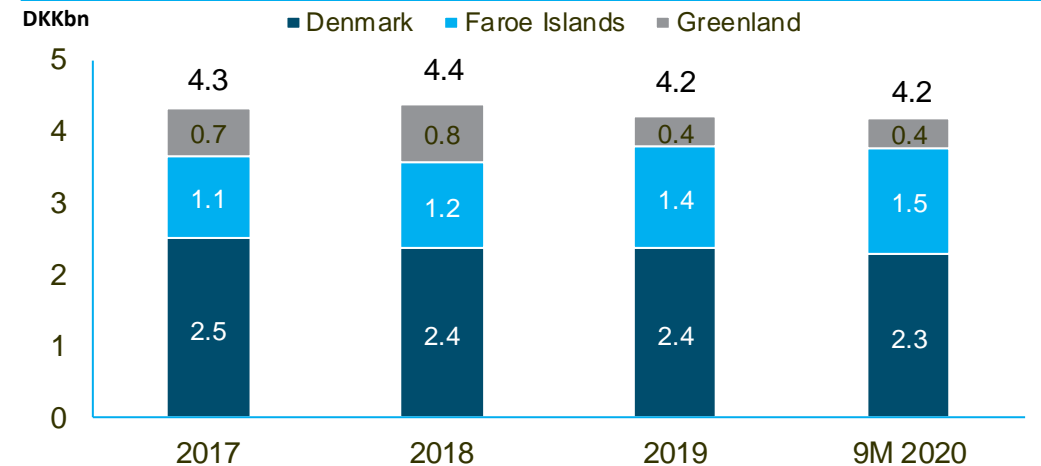
Mortgages



Guarantees



Assets under management



Credit quality of the loan portfolio

Credit classification according to the Danish FSA's method

	Q2 2020			Q3 2020			Change
	<7.5 DKKm	>7.5 DKKm	Total	<7.5 DKKm	>7.5 DKKm	Total	
Portfolio without weakness	3,067	3,908	6,975	3,019	3,939	6,958	-17
Portfolio with some weakness	6,059	2,203	8,262	6,123	1,954	8,077	-184
Portfolio with weakness	204	132	336	187	134	321	-15
- here of unsecured	47	42	88	46	49	95	7
- impairments	87	42	129	74	66	140	10
Portfolio with OIE	487	170	658	464	161	625	-32
- here of unsecured	236	116	352	222	108	330	-22
- impairments	248	105	353	222	106	327	-26
Portfolio without individ. classification	79	134	213	69	51	120	-93
Total	9,897	6,547	16,444	9,863	6,239	16,102	-342

Total loan portfolio (Gross exposure) includes

- Loans and advances
- Credits
- Unused credits
- Guarantees