

Investor Presentation

BANKNORDIK

A milestone year for BankNordik

27 February 2017

Árni Ellefsen, CEO

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Overview

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- **Financials**
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 - Insurance
 - Expenditures
 - Impairment charges
 - Capital ratios
- **Long-term financial objectives**
- **Outlook 2017**
- **Appendices**



- Retail banking
- Private banking
- Corporate banking
- Insurance

Highlights

– Satisfactory 2016 financial results

2016 financial highlights

- Operating income down 13% YoY to DKK 640m (DKK 734m)
- Operating costs down 8% to DKK 459m (DKK 499m)
- Net loan impairment charges were a reversal of DKK 12m (net charge of DKK 20m)
- Operating profit amounted to DKK 191m (DKK 194m)
- Profit before tax increased to DKK 277m* (DKK 332m loss)
- CET1 capital ratio of 16.0% and solvency ratio of 18.3% at 31 December 2016

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

2016 operational highlights

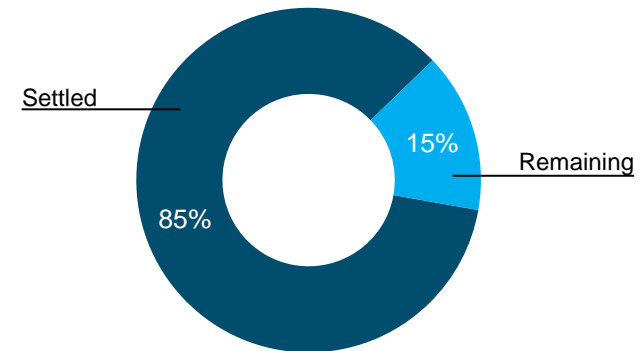
- Vørður deal completed for a capital gain of DKK 84m
- Run-off of corporate loan book in Denmark nearing completion – remaining book value of approx. DKK 230m

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

Update on strategic initiatives

Sale of Vörður completed in September 2016

Winding up of corporate activities in Denmark



- Proceeds amounted to DKK 300m, with transactions costs amounting to DKK 45m (primarily due to currency restrictions imposed by the Icelandic government)
- Capital gain of DKK 84m recognised under discontinued operations related to Vörður in the income statement
- Capital gain included DKK 23m from favourable currency fluctuations, previously recognised under the foreign currency translation reserve
- Danish corporate loan book reduced by close to DKK 70m in Q4 2016
- Approx. DKK 230m remain on the books
- The rate of settlement reduced as run-off nears completion

Solid 2016 financial results

– Figures in DKKm

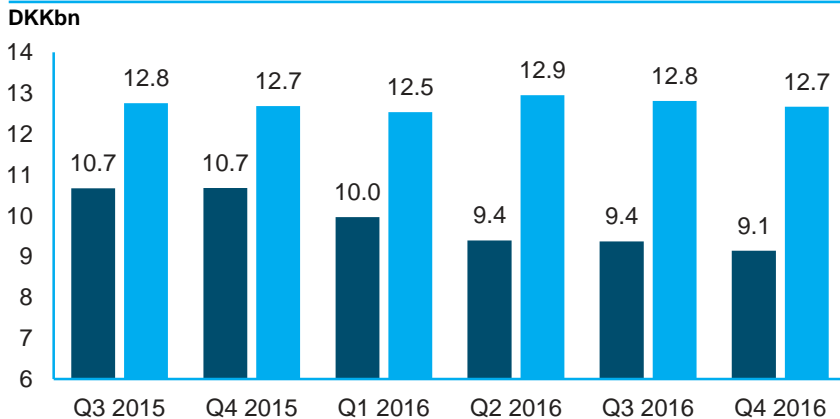
	2016	2015	Index	Q4 2016	Q3 2016	Index	
Profit & Loss	Net interest income	413	469	88	100	97	
	Net fee and commission income	192	226	85	51	111	
	Net insurance income	27	28	96	-7	12	
	Other operating income	9	11	79	2	92	
	Operating income	640	734	87	146	163	89
	Operating costs	-459	-499	92	-114	-113	101
	Sector costs	-2	-21	9	1	-1	
	Profit before impairment charges	179	214	84	33	49	68
	Impairment charges, net	12	-20		4	4	121
	Operating profit	191	194	99	38	53	72
	Non-recurring items	-12	-522		0	0	
	Market value adjustments	8	-41		-10	12	
	Profit before tax, continued	187	-369		28	64	43
	Profit before tax, discontinued (Vörður)	90	37		0	99	
	Profit before tax, total	277	-332		28	164	17
Key Metrics		2016	2015	Index	Q4 2016	Q3 2016	Index
	Loans and advances	9,141	10,675	88	9.141	9,372	98
	Deposits and other debt	12,669	12,680	100	12.669	12.805	99
	Operating cost / income, %	72	68		78	69	
	Solvency ratio, %	18.3	16.8	109	18.3	19.0	96
CET1 capital ratio, %	16.0	13.9	115	16.0	17.0	94	

Interest income affected by controlled run-off and further margin pressure

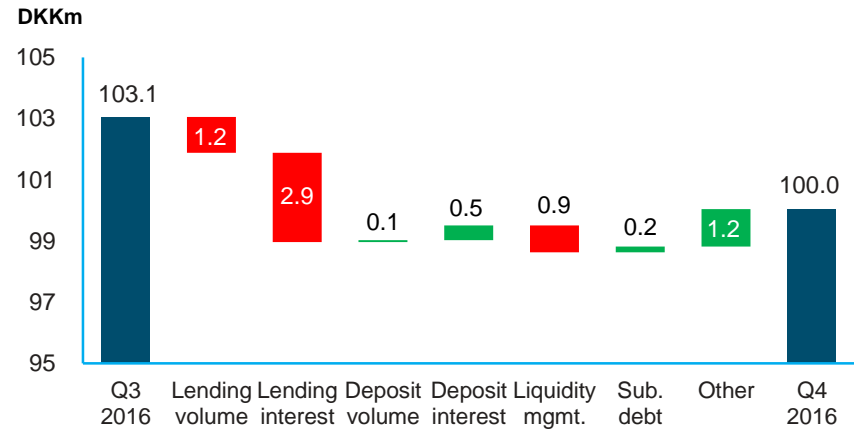
Comments

- Net interest income (NII) down DKK 3m from Q3 2016 to Q4 2016 and down by DKK 55m from 2015 to 2016
- YoY drop in NII mainly owing to the winding up of corporate activities in Denmark and continued margin pressure
- QoQ fall in NII due to further pressure on interest margins
- Lending volumes down DKK 1.5bn YoY and DKK 231m QoQ.

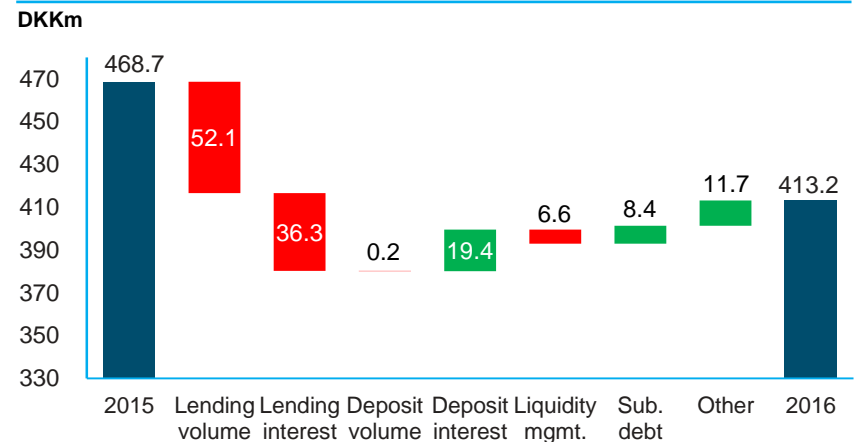
Loans and deposits



QoQ changes in NII



YoY changes in NII

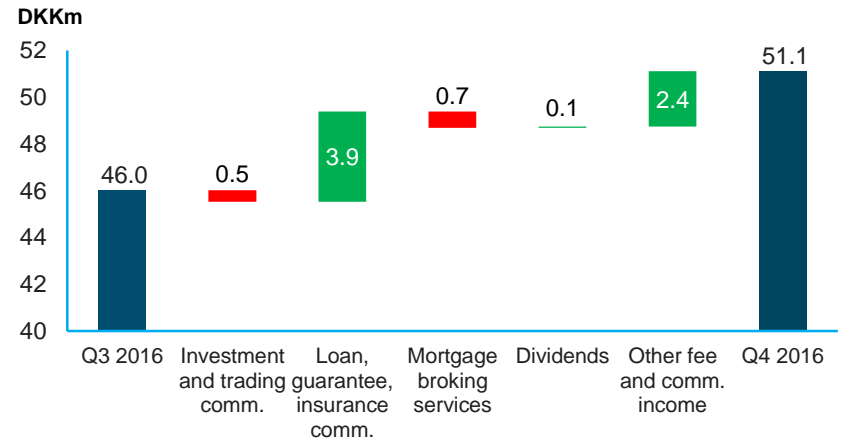


Fee and commission income down YTD

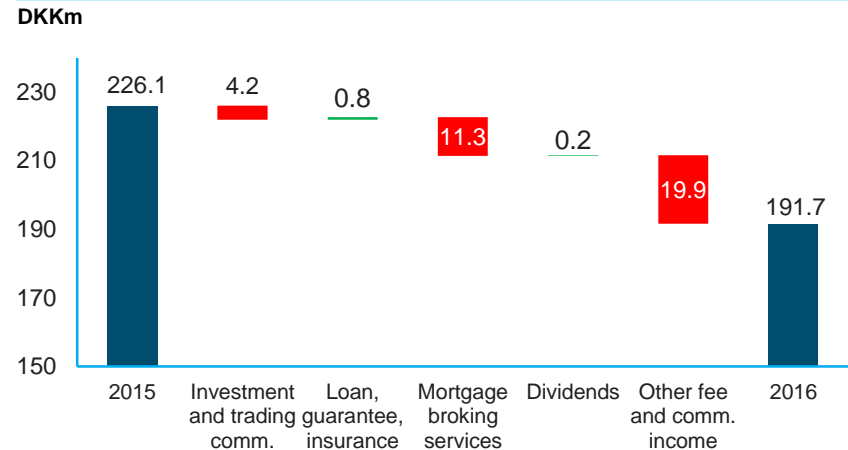
Comments

- Net fee and commission up by DKK 5m QoQ:
 - Insurance commission increased due to provision income from NordikLív
 - Other fee and commission income increased, supported by seasonal variations
- Net fee and commission income fell DKK 34m YoY:
 - Gradual reduction in fee and commission income from corporate operations in Denmark consistent with the controlled run-off
 - Less investment activity in 2016
 - Pull-back of mortgage broking activity to normal levels after a period of high remortgaging activity in 2015

QoQ changes in fee and commission income



YoY changes in fee and commission income

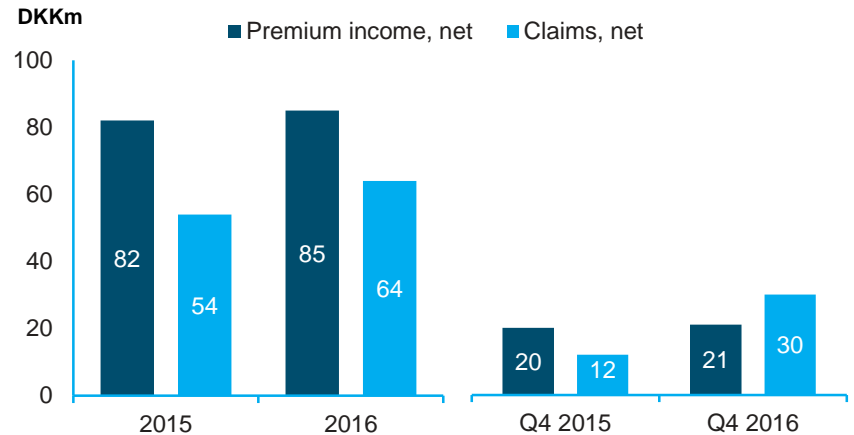


Trygd: Q4 weather conditions causing high insurance claims

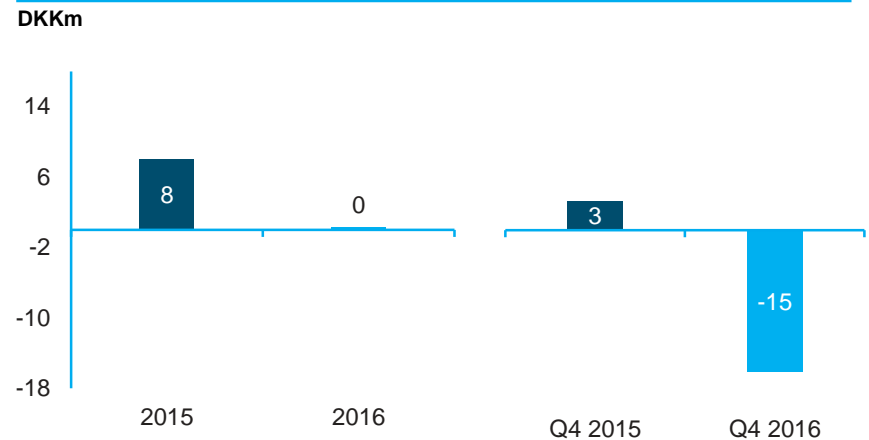
Comments

- Net premium income up by DKK 3m in 2016 compared to 2015 and up DKK 1m from Q4 2015 to Q4 2016
- Net claims up DKK 10m from 2015 to 2016 and up DKK 18m from Q4 2015 to Q4 2016 due to an extraordinarily high level of claims in December
- Profit before tax of DKK 0m in 2016 relative to DKK 8m in 2015 and a loss of DKK 15m in Q4 2016 compared to a profit of DKK 3m in Q4 2015
- Trygd is expected to continue attracting new customers and growing premium income in 2017

Premium and claims



Profit before tax

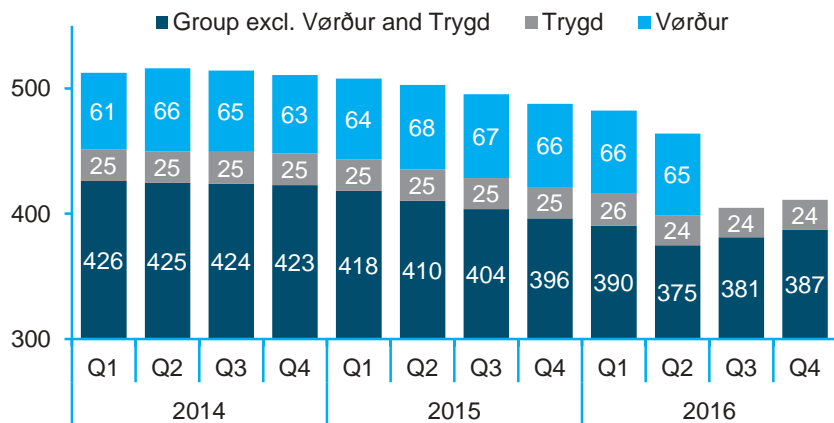


Operating costs down DKK 40m in 2016

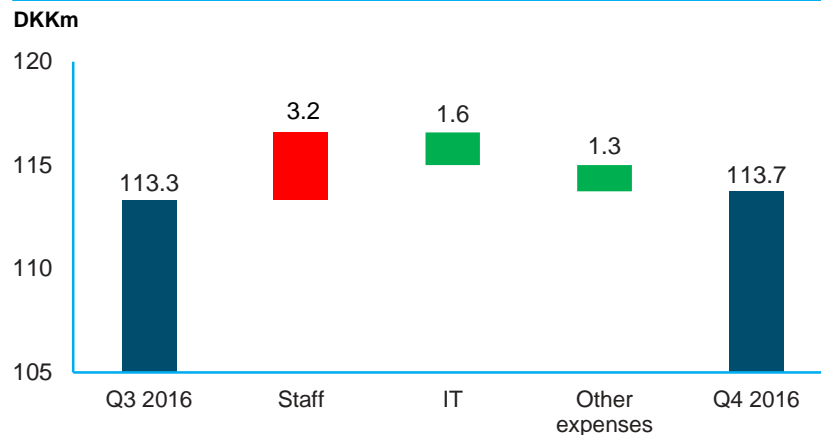
Comments

- Operating costs were close to flat from Q3 2016 to Q4 2016 and down by DKK 40m from 2015 to 2016
- Decline in staff costs YoY mainly due to the winding-up of corporate activities in Denmark
- DKK 12m in amortisation of intangible assets related to customer relations discontinued – fully written off in Q4 2015
- Reduction in advisory services expenditures related to previous year's strategic initiatives

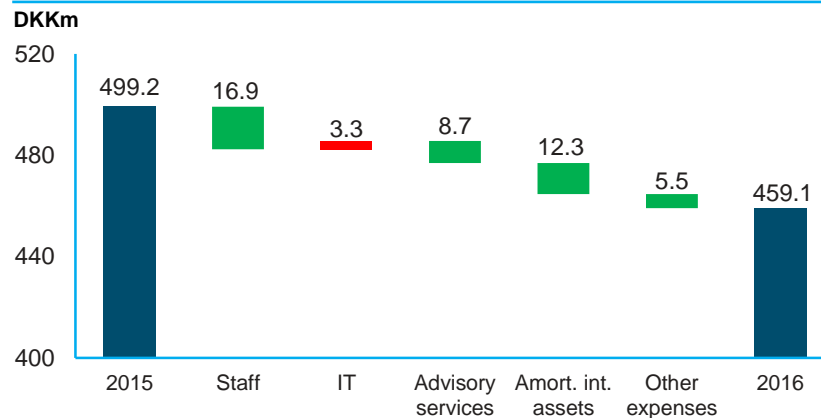
Average number of employees (FTE)



QoQ changes in operating costs



YoY changes in operating costs

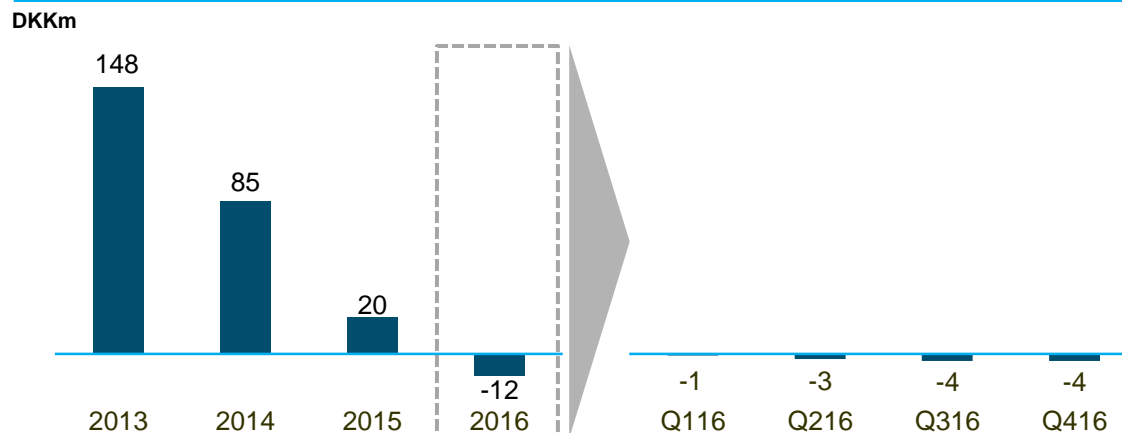


Net reversal of impairment charges in 2016

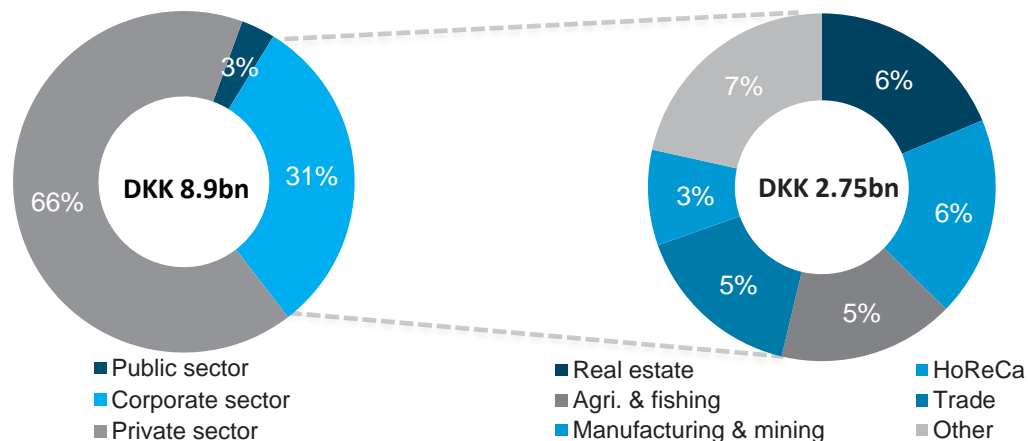
Conservative portfolio structure

- Net impairment charges were a reversal of DKK 4m in Q4 2016
- The private sector accounts for 66% of the loan portfolio, excluding the Danish corporate portfolio
- No individual sector accounts for more than 6% of the loan portfolio, excluding the Danish corporate portfolio
- BankNordik provides 1st lien mortgage loans to the private sector in the Faroe Islands, obtaining a high degree of security
- A large part of the real estate exposure (6%) relates to financing of state-owned real estate in Greenland

Net impairment charges



Loans by sector - excl. Danish corporate sector

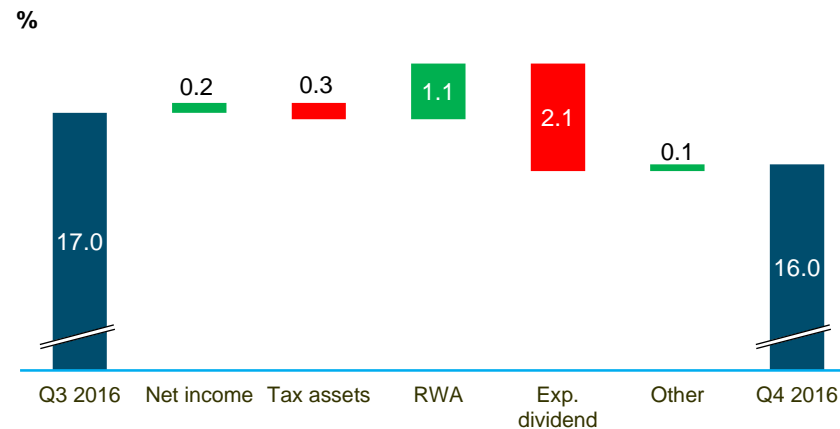


Capital position strengthened in 2016

Comments

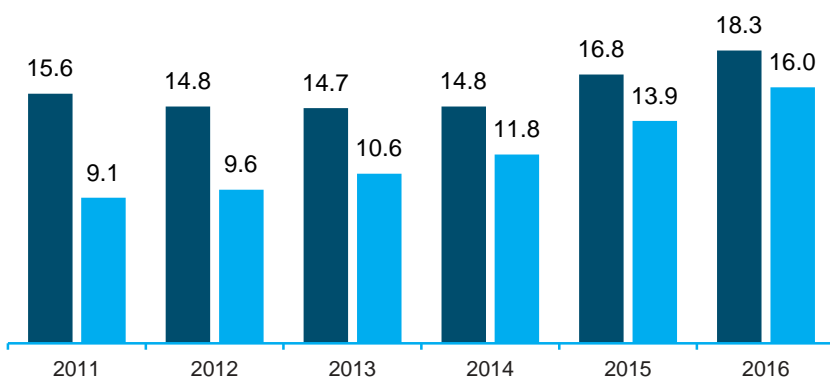
- CET1 ratio up by 2.1 percentage points YoY despite proposed extraordinary dividends
- The Group has strengthened its core capital position considerably in recent years
- BankNordik continuously monitors the regulatory environment to anticipate and adapt to impending capital requirements

QoQ changes in CET1 ratio

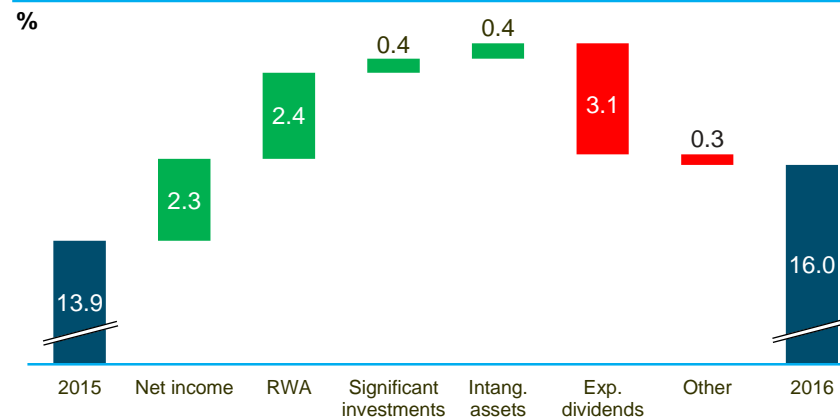


Capital ratio development

■ Solvency ratio ■ CET1 ratio



YoY changes in CET1 ratio



Long-term financial objectives

2020 financial objectives

Comments	Progress			
<ul style="list-style-type: none"> ▪ The Group targets 10% ROE and 62% cost/income by 2020 ▪ BankNordik's long-term capital ratio targets have been met ▪ In 2016, ROE was affected by: <ul style="list-style-type: none"> - The sale of Vørður - Non-recurring items related to redundancies - Reversal of impairment charges ▪ The Group is likely to re-evaluate its capital ratio targets once the requirements related to the MREL become known 	Key metrics	2015	2016	2020 target
	Return on equity	6.3%*	12.0% (8.1%)**	10%
	Cost/income ratio	68%	72%	62%
	CET1 capital ratio	13.9%	16.0%	13%
	Total capital ratio	16.8%	18.3%	16.5%

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

**8.1% ROE excludes capital gains from Vørður

Outlook for 2017

FY2017 guidance

- Management expects profit before impairment charges, value adjustments and tax to be in the range of DKK 150-190m in 2017 (2016: DKK 179m)
- Net impairment charges on loans for 2017 are expected to be less than DKK 20m (2016: reversal of DKK 12m)



BANKNORDIK

Questions?

Árni Ellefsen, CEO

Appendices

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

Group

Income statement, Group

DKKm	2016	2015	Index 16/15	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015
Net interest income	413	469	88	100	103	98	113	111
Net fees, commission income & dividends	192	226	85	51	46	50	44	52
Net insurance income	27	28	96	-7	12	12	9	8
Other operating income (less reclassification)	9	11	79	2	2	3	2	4
Operating income	640	734	87	146	163	163	168	175
Operating costs*	-459	-499	92	-114	-113	-115	-117	-122
Sector costs	-2	-21	9	1	-1	-1	-1	-5
Profit before impairment charges	179	214	84	33	49	47	49	47
Impairment charges	-18	-60	31	-10	4	-10	-3	-26
Reversals of acquired OEI impairments (Reclassified from Other operating income)	30	40	76	15	-1	14	3	15
Impairment charges, net	12	-20		4	4	3	1	-11
Operating profit	191	194	99	38	53	50	50	36
Impairment charges, intangible assets	0	-468		0	0	0	0	-468
Non-recurring items (Reclassified from Staff costs and administrative expences)	-12	-54		0	0	0	-12	-29
Profit before value adjustments and tax	179	-328		38	53	50	38	-461
Market value adjustments**	8	-41		-10	12	9	-3	-4
Profit before tax, continuing operations	187	-369		28	64	60	35	-465
Profit before tax, discontinued operations (Vörður)	90	37		0	99	1	-10	18
Profit before tax, total	277	-332		28	164	61	25	-447
Operating cost/income, %	72	68		78	69	70	70	70
Number of FTE, end of period	415	459	90	415	416	464	477	459

* Comprises Staff costs and administrative expences and Amortisation, depreciation and impairment charges (less reclassification to non-recurring items)

** Incl. Net income from investments accounted for under the equity method

Banking

Income statement, Banking

DKKm	2016	2015	Index 16/15	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015
Net interest income	412	467	88	99	103	97	112	111
Net fees, commission income & dividends	201	226	89	55	48	52	46	52
Other operating income	4	4	99	1	1	2	1	2
Operating income	617	698	88	155	151	151	159	164
Operating cost	-439	-475	92	-108	-108	-110	-113	-115
Sector costs	-2	-21	9	1	-1	-1	-1	-5
Profit before impairment charges	176	201	87	49	42	40	45	44
Impairment charges, net	12	-20		4	4	3	1	-11
Operating profit	188	181	104	53	46	43	45	33
Impairment charges, intangible assets	0	-468		0	0	0	0	-468
Non-recurring items	-12	-54		0	0	0	-12	-29
Profit before value adjustments and tax	175	-341	51	53	46	43	33	-464
Market value adjustments	12	-37		-9	12	12	-3	-5
Profit before tax	187	-378	50	44	58	55	30	-469
Loans and advances	9.141	10.675	86	9.141	9.372	9.395	9.961	10.675
Deposits and other debt	12.691	12.739	100	12.691	12.829	13.006	12.589	12.739
Operating cost/income, %	71	68		69	71	73	71	70
Number of FTE, end of period	385	363	106	385	386	370	381	363

Personal Banking

Income statement, Personal banking

DKKm	2016	2015	Index 16/15	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015
Net interest income	276	305	90	67	70	68	70	76
Net fees, commission income & dividends	170	186	91	51	44	38	37	48
Other operating income	3	1		1	1	0	0	1
Operating income	449	492	91	119	115	107	108	125
Operating cost	-170	-173	98	-45	-42	-45	-38	-40
Sector costs	-2	-16	10	1	-1	-1	-1	-4
Profit before impairment charges	277	303	91	75	72	61	69	82
Impairment charges, net	18	0		-2	8	12	1	-5
Operating profit	296	303	98	73	80	73	70	76
Impairment charges, intangible assets	0	0		0	0	0	0	0
Non-recurring items	-2	-11		0	0	0	-2	-7
Profit before value adjustments and tax	294	291	101	73	80	73	68	69
Market value adjustments	0	0		0	0	0	0	0
Profit before tax	294	291	101	73	80	73	68	69
Loans and advances	5.960	5.961	100	5.960	5.852	5.716	5.766	5.961
Deposits and other debt	9.538	9.534	100	9.538	9.722	9.742	9.382	9.534
Operating cost/income, %	38	35		38	34	44	36	32
Number of FTE, end of period	202	203	100	202	206	203	196	203

Corporate Banking

Income statement, Corporate Banking

DKKm	2016	2015	Index 16/15	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015
Net interest income	148	196	75	32	34	36	45	47
Net fees, commission income & dividends	17	20	82	5	4	4	4	4
Other operating income	0	0		0	0	0	0	0
Operating income	164	216	76	38	38	40	49	51
Operating cost	-17	-33	52	-4	-3	-4	-6	-8
Sector costs	0	-5	9	0	0	0	0	-1
Profit before impairment charges	147	178	82	34	35	36	42	42
Impairment charges, net	-6	8		6	-2	-11	1	16
Operating profit	140	187	75	40	32	24	43	58
Impairment charges, intangible assets	0	0		0	0	0	0	0
Non-recurring items	0	0		0	0	0	0	0
Profit before value adjustments and tax	140	187	75	40	32	24	43	58
Market value adjustments	0	0		0	0	0	0	0
Profit before tax	140	187	75	40	32	24	43	58
Loans and advances	3.181	4.924	65	3.181	3.520	3.678	4.195	4.924
Deposits and other debt	3.153	3.170	99	3.153	3.107	3.264	3.207	3.170
Operating cost/income, %	10	15		10	8	10	13	17
Number of FTE, end of period	18	29	63	18	18	22	21	29

Banking, Faroe Islands

Income statement, Faroe Islands

DKKm	2016	2015	Index 16/15	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015
Net interest income	206	209	99	51	53	47	55	48
Net fees, commission income & dividends	58	57	101	16	13	17	12	13
Other operating income	2	1	117	0	0	1	1	1
Total Operating income	266	268	99	67	67	64	68	62
Operating cost	-171	-186	92	-42	-42	-43	-44	-49
Sector costs	-1	-7	10	0	0	0	0	-2
Profit before impairment charges	95	75	126	26	24	21	24	11
Impairment charges, net	-14	-23		-14	1	-7	5	-11
Operating profit	81	52	156	12	26	14	29	1
Non-recurring items	0	-34		-84	84	0	0	-22
Profit before value adjustments and tax	81	18	452	-73	110	14	29	-21
Market value adjustments	12	-37		-9	12	12	-3	-5
Profit before tax	93	-19		-82	121	26	27	-26
Loans and advances	5.645	5.936	95	5.645	5.828	5.843	5.810	5.936
Deposits and other debt	6.156	5.656	109	6.156	6.178	6.179	5.810	5.656
Operating cost/income, %	64	69		63	63	67	64	79
Number of FTE, end of period	182	154	118	182	178	171	169	154

Banking, Denmark

Income statement, Denmark

DKKm	2016	2015	Index 16/15	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015
Net interest income	167	224	74	38	40	41	49	54
Net fees, commission income & dividends	133	158	84	36	33	33	32	36
Other operating income	1	2	83	0	0	1	0	1
Total Operating income	302	384	79	74	73	75	80	91
Operating cost	-243	-263	92	-60	-60	-60	-64	-60
Sector costs	-1	-13	9	1	-1	-1	-1	-3
Profit before impairment charges	58	108	53	15	13	14	16	28
Impairment charges, net	28	9	319	19	3	10	-5	-1
Operating profit	85	117	73	34	16	24	11	27
Impairment charges, intangible assets	0	-398		0	0	0	0	-398
Non-recurring items	-12	-20		0	0	0	-12	-7
Profit before value adjustments and tax	73	-302		34	16	24	-1	-379
Market value adjustments	0	0		0	0	0	0	0
Profit before tax	73	-302		34	16	24	-1	-379
Loans and advances	2.652	4.098	65	2.652	2.734	2.886	3.422	4.098
Deposits and other debt	5.693	6.559	87	5.693	5.946	6.195	6.197	6.559
Operating cost/income, %	81	68		81	82	80	79	66
Number of FTE, end of period	186	194	96	186	191	182	196	194

Banking, Greenland

Income statement, Greenland

DKKm	2016	2015	Index 16/15	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015
Net interest income	38	34	114	11	10	9	9	9
Net fees, commission income & dividends	10	11	91	3	2	2	2	3
Other operating income	1	1	100	1	0	0	0	0
Total Operating income	49	45	108	15	12	12	11	12
Operating cost	-25	-26	96	-6	-6	-7	-6	-7
Sector costs	0	-1	12	0	0	0	0	0
Profit before impairment charges	24	18	131	8	5	5	5	5
Impairment charges, net	-2	-5	31	-1	-1	0	0	1
Operating profit	22	13	173	8	4	4	5	5
Impairment charges, intangible assets	0	-70		0	0	0	0	-70
Non-recurring items	0	0		0	0	0	0	0
Profit before value adjustments and tax	22	-57		8	4	4	5	-64
Market value adjustments	0	0		0	0	0	0	0
Profit before tax	22	-57		8	4	4	5	-64
Loans and advances	844	641	132	844	810	666	729	641
Deposits and other debt	842	524	161	842	705	632	582	524
Operating cost/income, %	52	58		44	53	59	53	57
Number of FTE, end of period	17	15	113	17	17	16	16	15

Insurance, Trygd

Income statement, Trygd

DKKm	2016	2015	Index 16/15	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015
Premium income, net of reinsurance	85	82	104	21	22	21	21	20
Claims, net of reinsurance	-64	-54	119	-30	-12	-10	-12	-12
Net insurance income	22	29	75	-8	9	12	9	8
Net income from investment activities	1	0		0	0	1	0	0
Operating income	22	29	78	-8	9	12	9	8
Operating cost	-22	-21	106	-6	-6	-5	-5	-5
Profit before tax	0	8		-15	4	7	4	3
Combined ratio	101	90		168	77	64	75	88
Claims ratio	75	65		139	57	46	57	61
Number of FTE, end of period	24	25	96	24	24	23	25	25

Credit quality of the loan portfolio

Credit classification according to the Danish FSA's method

	2015			2016			Change
	<7.5 DKKm	>7.5 DKKm	Total	<7.5 DKKm	>7.5 DKKm	Total	
Portfolio without weakness	4.230	3.574	7.804	3.790	2.632	6.422	-1.382
Portfolio with some weakness	4.743	1.510	6.252	5.436	1.120	6.556	304
Portfolio with weakness	458	127	584	391	89	480	-104
- here of unsecured	221	54	274	151	22	173	-101
Portfolio with OIE	1.085	719	1.804	928	674	1.602	-202
- here of unsecured	678	357	1.035	563	358	921	-114
- impairments	409	208	617	383	243	626	9
Portfolio without individ. classification	470	24	494	143	0	143	-351
Total	10.985	5.953	16.939	10.687	4.515	15.203	-1.736