

Investor Presentation, August 2014

BANKNORDIK

H1 2014 Interim Report:

Profit improved while competition stiffened

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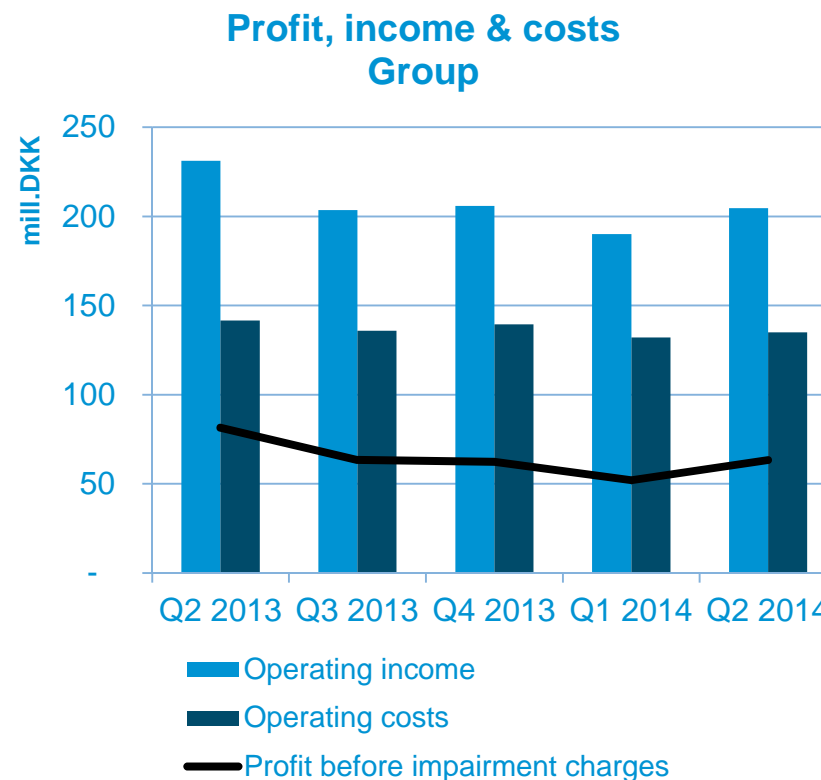
Overview

- Financial performance explained
- Outlook for 2014 maintained
- Strategic focus outlined
 - Stringent segmentation ⇒ Improve income
 - Rationalisation continues ⇒ Cut costs
 - Solid and systematic credit policy ⇒ Low impairments
 - Optimise capital structure ⇒ Repay subordinated loans

Highlights in Q2 2014:

Profit improved, but stiff competition

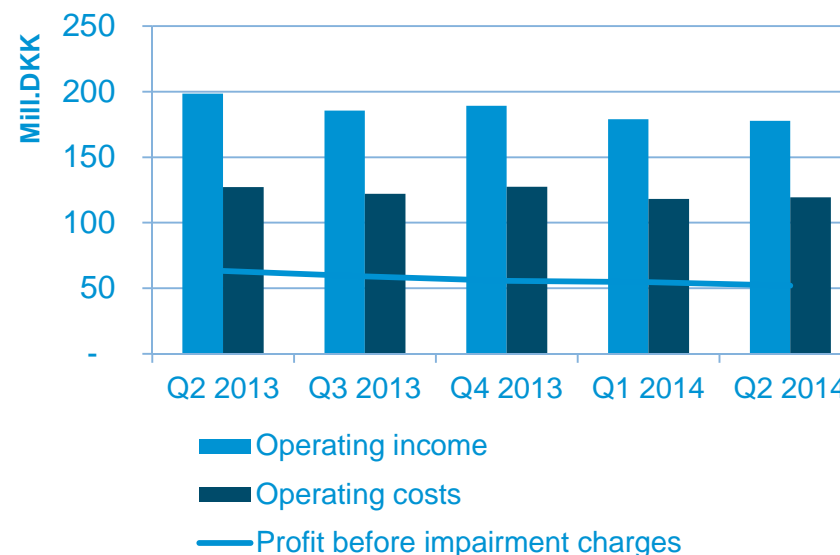
- Operating income increased 8% to DKK 205m (Q1: DKK 190m) explained by seasonal variations in fees and insurance income
- Operating costs increased to DKK 136m (Q1: DKK 132m)
- Impairments decreased to DKK 19m (Q1: DKK 21m)
- Profit before impairments & non-recur. items DKK 62m (Q1: DKK 52m)
- Profit before tax DKK 54m (Q1: DKK 31m)
- Maintain the guidance of profit before impairments & non-recur. costs to be in the range of DKK 200-240m



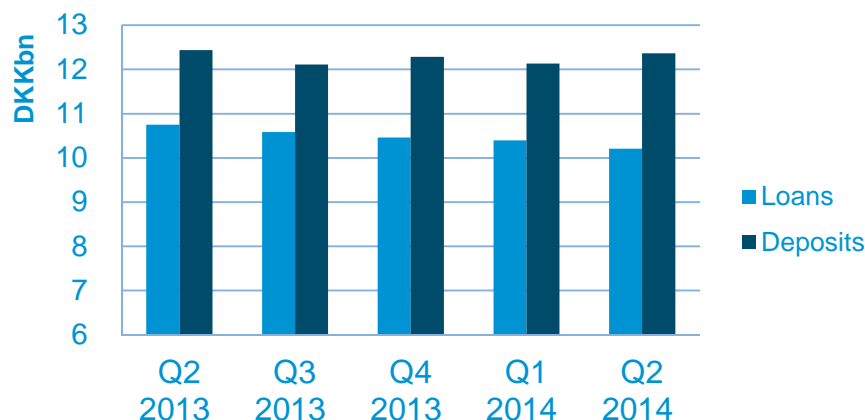
Banking: Stable lending, competitive pricing remains

- Operating income was stable because higher fees compensated for lower net interest income
- Interest margin decreased because of stiffer competition
- Operating costs increased to DKK 120m in Q2 explained by higher administrative costs
 - Primarily in connection with change of location of branches in Denmark
- Profit before impairments and non-recurring items DKK 51m (Q1 2014: 55m)
- Net impairments amounted to DKK 19m

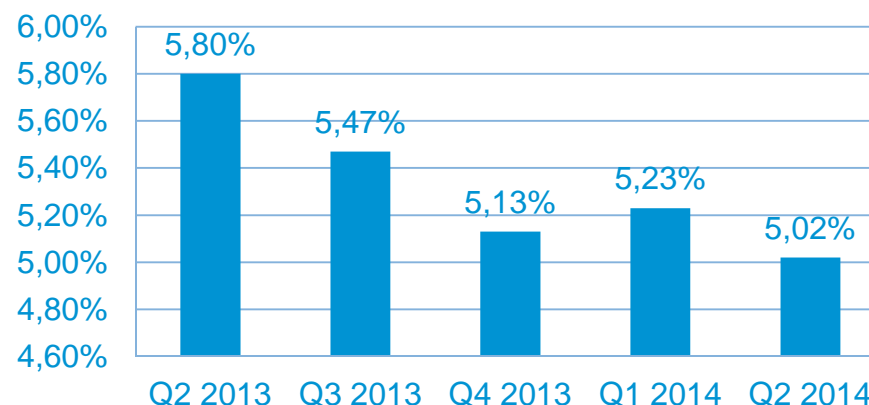
Profit, income & costs Banking



Loans & Deposits

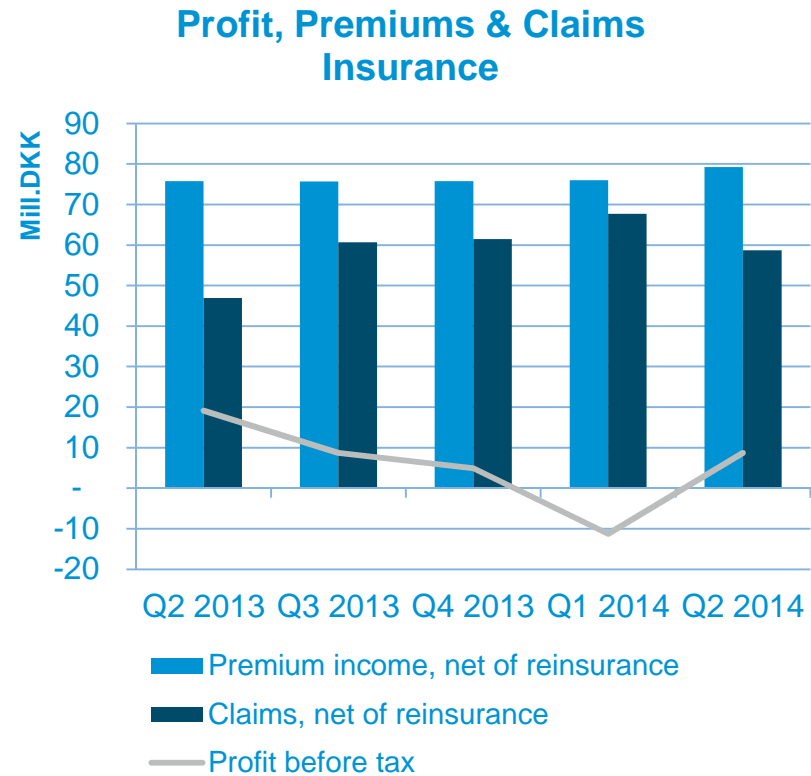


Interest Margin



A profitable quarter in insurance influenced by higher claims in the Faroese operation

- Premium income from insurance activities increased 5%
- Claims were lower, but higher in the Faroese operation in Q2
- Investment income rebounded in Iceland in Q2
- The 20% reduction in prices on the Faroes dampens profits going forward, but Trygd continues to gain market share



Outlook for 2014: Stable volumes, but pressure on interest margin remains

- Management expects the profit before tax, impairments, non-recurring items and value adjustments to be in the range of DKK 200-240m for the full year 2014. In H1 this result amounted to DKK 114m.
- Volumes are expected to be at the same level at year-end 2014
- Interest margins are expected to be at the same level as the average levels for Q2 2014
- Fee income is expected to be stable relative to 2013
- Costs continue the downward trend
- Impairments are expected to be below those in 2013

Strategic focus outlined

- Stringent segmentation
 - Rationalisation continues
 - Solid and systematic credit policy
 - Optimise capital structure
- ⇒ Improve income
 - ⇒ Cut costs
 - ⇒ Low impairments
 - ⇒ Repay subordinated loans

Strategic focus: More stringent customer segmentation

- Loyalty programme is well received by customers
 - Current customers take on new products especially within insurance and pensions – in order to achieve better prices
 - Gaining market share in insurance on the Faroes
 - Prices have been lowered to attract new customers and retain volume
- Unprofitable customers are being serviced more efficiently
- Corporate customer acquisition strengthened

Strategic focus: Cost efficiency remains on the agenda

- Rationalisations: FTE in Banking has been reduced by 7% since Q1 2013
- Continue efforts to further improve efficiency

	H1 2014	H1 2013	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013
Banking	420	451	420	420	431	440	451
Insurance	86	81	86	86	87	85	81
Other	4	6	4	6	5	5	6
Group	510	538	510	512	523	530	538

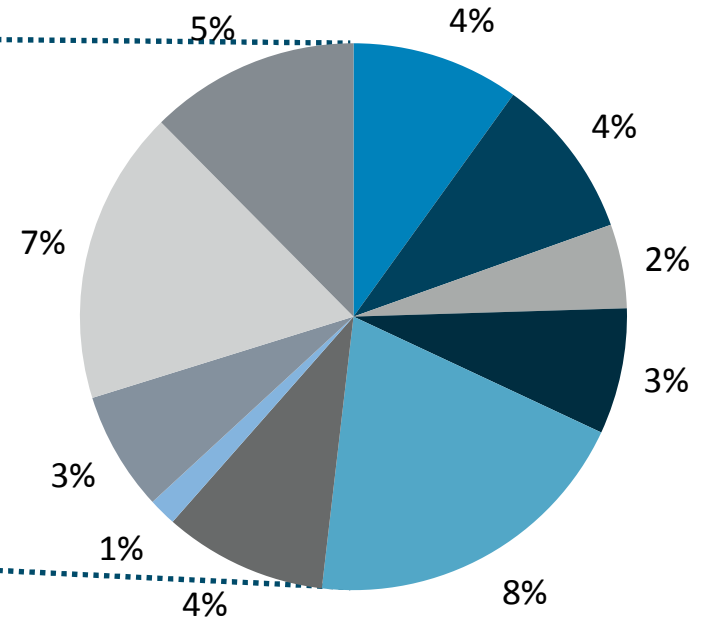
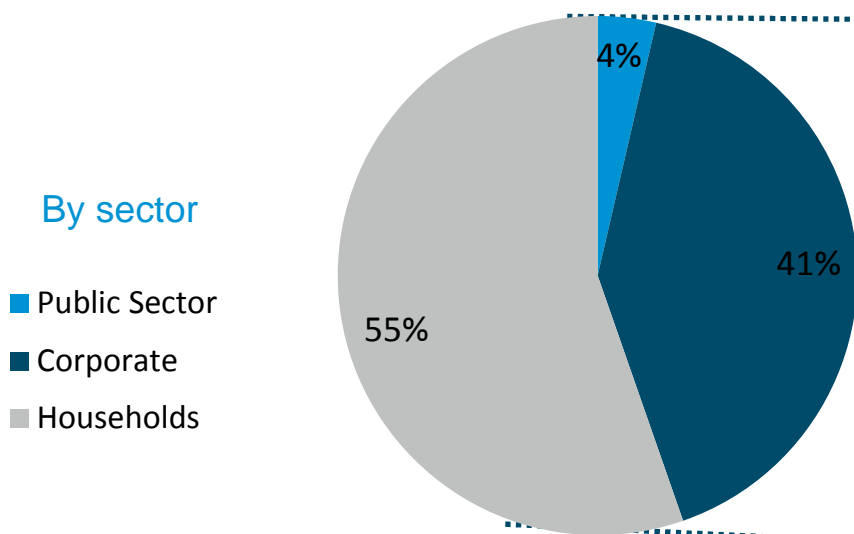
Strategic focus: Diversified loans and systematic credit policy

- Impairments in Q2 were as expected
- Well diversified loan portfolio
- Centralised organisation of credit process

Further break-down of the 41% to corporates:

- Agriculture, fisheries & aquaculture
- Industry
- Energy
- Construction
- Retailers & trade
- Transport, hotels & restaurants
- IT and communications
- Finance and insurance
- Real estate administration
- Other corporates

Break-down of loan book



New lending is primarily to low risk customers

- The credit classification of the loan portfolio is provided in an appendix
- Portfolio of loans with weaknesses has decreased. Especially large unsecured loans with weaknesses has dropped significantly
- A part of the larger loans with OEI migrates to portfolio with weaknesses

Strategic focus:

Effect on capital requirement from CRD IV

- Solvency ratio: 14.6% of RWA
- Current capital requirement: 8.9% of RWA
 - The Faroese Home Government and the Danish Government in February made an agreement to select BN as SIFI. Add-on capital requirement of 2.5%
 - CRD IV implies a capital preservation buffer of 2.5% and a potential counter-cyclical buffer of up to 2.5%
 - After CRD IV target a solvency covering all these requirements at year-end 2019
- After CRD IV implementation at year-end 2019: 13.9% of RWA
- Adjustments to capital:
 - 1.3% Deductions for insurance and limit for hybrid capital
 - + 0.5% Lower weights to SME exposures
- Treatment of subordinated debt:
 - Hybrid capital capped to 1.5%, currently 2.2%
 - Other subordinated debt capped to 2%, currently 2.4%

Capital plan to meet requirements

- Repaid remaining state hybrid capital of DKK 63m in Q2
- According to current capital plan the outstanding non-compliant capital of DKK 180m will be redeemed and partially refinanced with new issuance
 - The Faroese government in August 2014 announced that the regulation regarding SIFI and Solvency II will not be implemented before second half of 2015.
- SIFI requirement of 2.5 per cent of RWA is to be partially financed by retaining and later refinancing subordinated debt of up to 2% of RWA

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Questions?

Janus Petersen, CEO

Árni Ellefsen, CFO

Appendices

- Group
- Banking
- Faroe Islands
- Denmark
- Greenland
- Trygd
- Vørður
- Number of full time employees in Group
- Credit quality of the loan portfolio

Group

DKKm	H1 2014	H1 2013	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013
Net interest income	258	298	126	133	133	143	151
Net fee and commission income	101	92	54	46	53	43	48
Net insurance income	28	40	20	8	14	15	29
Other operating income	8	6	4	3	5	3	4
Operating income	395	436	205	190	206	204	231
Operating costs	-268	-282	-136	-132	-139	-136	-142
Sector costs	-12	-16	-6	-6	-4	-4	-8
Profit before impairment charges	114	137	62	52	62	63	82
Impairment charges	-54	-93	-24	-30	-46	-40	-29
Reversals of acquired OEI impairments	14	17	6	9	4	8	9
Impairment charges, net	-40	-75	-19	-21	-42	-32	-20
Operating profit	75	62	44	31	20	31	62
Non-recurring items	-1	8	1	-2	-19	0	17
Profit before value adjustments and tax	74	70	45	29	1	31	79
Market value adjustments*	11	6	9	2	-10	16	-16
Profit before tax	85	77	54	31	-9	47	63
Operating cost/income, %	68%	65%	66%	70%	68%	67%	61%
Number of FTE, end of period	510	538	510	512	523	530	538

Banking

DKKm	H1 2014	H1 2013	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013
Net interest income	252	292	122	130	130	140	148
Net fees, commission income & dividends	99	92	52	47	54	43	47
Other operating income	5	4	3	2	5	3	3
Operating income	357	388	178	179	189	186	198
Operating cost	-238	-255	-120	-118	-128	-122	-127
Sector costs	-12	-16	-6	-6	-6	-4	-8
Profit before impairment charges	106	117	51	55	56	59	63
Impairment charges	-54	-93	-24	-30	-46	-40	-29
Reversals of acquired OEI impairments	14	17	6	9	4	8	9
Impairment charges, net	-40	-75	-19	-21	-41	-32	-20
Operating profit	66	41	33	34	14	27	43
Non-recurring items	-1	8	1	-2	-19	0	17
Profit before value adjustments and tax	65	49	34	32	-5	27	61
Market value adjustments	28	6	11	17	-6	11	-8
Profit before tax	93	55	45	48	-10	38	53
Loans and advances	10.207	10.750	10.207	10.392	10.460	10.587	10.750
Deposits and other debt	12.364	12.437	12.364	12.132	12.285	12.108	12.437
Operating cost/income, %	67%	66%	68%	66%	67%	66%	64%
Number of FTE, end of period	420	451	420	420	431	440	451

Banking, Faroe Islands

DKKm	H1 2014	H1 2013	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013
Net interest income	107	137	51	56	59	62	71
Net fees, commission income & dividends	34	29	20	14	20	13	17
Other operating income	3	3	1	2	4	2	2
Total Operating income	144	168	72	72	83	76	90
Operating cost	-85	-91	-43	-42	-50	-44	-45
Sector costs	-5	-7	-2	-3	-2	-2	-3
Profit before impairment charges	54	71	27	27	30	31	41
Impairment charges, net	-24	-22	-7	-17	-22	-11	-6
Operating profit	30	49	20	10	8	20	35
Non-recurring items	-4	16	-2	-2	-19	0	17
Profit before value adjustments and tax	26	65	19	8	-11	20	52
Market value adjustments	28	6	11	17	-6	11	-8
Profit before tax	54	71	29	24	-17	31	45
Loans and advances	5.763	5.982	5.763	5.759	5.813	5.904	5.982
Deposits and other debt	5.337	5.154	5.337	5.295	5.311	4.996	5.154
Operating cost/income, %	59%	54%	59%	58%	61%	57%	51%
Number of FTE, end of period	166	176	166	163	169	173	176

Banking, Denmark

DKKmn	H1 2014	H1 2013	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013
Net interest income	126	136	62	64	61	68	68
Net fees, commission income & dividends	61	58	30	31	32	28	28
Other operating income	1	1	1	0	0	0	1
Total Operating income	188	195	94	95	94	97	97
Operating cost	-140	-150	-70	-69	-68	-72	-75
Sector costs	-6	-9	-3	-3	-3	-2	-4
Profit before impairment charges	42	36	20	22	22	23	17
Impairment charges	-26	-64	-16	-10	-24	-27	-22
Reversals of acquired OEI impairments	14	17	6	9	4	8	9
Impairment charges, net	-12	-47	-10	-2	-19	-19	-12
Operating profit	31	-11	10	20	3	3	5
Non-recurring items	3	-8	3	0	0	0	0
Profit before value adjustments and tax	34	-19	13	20	4	3	5
Market value adjustments	0	0	0	0	0	0	0
Profit before tax	34	-19	13	20	4	3	5
Loans and advances	3.707	4.056	3.707	3.892	3.827	3.878	3.964
Deposits and other debt	6.501	7.055	6.501	6.407	6.541	6.658	6.826
Operating cost/income, %	74%	77%	75%	73%	73%	74%	78%
Number of FTE, end of period	236	254	236	238	248	247	254

Banking, Greenland

DKKm	H1 2014	H1 2013	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013
Net interest income	19	19	9	10	10	10	9
Net fees, commission income & dividends	5	5	2	3	2	2	3
Other operating income	1	1	0	0	0	0	0
Total Operating income	24	25	11	13	13	12	12
Operating cost	-14	-14	-7	-7	-9	-7	-6
Sector costs	-1	-1	0	0	0	0	0
Profit before impairment charges	10	10	4	6	4	5	5
Impairment charges, net	-4	-6	-2	-2	0	-2	-2
Operating profit	6	4	2	3	4	3	4
Non-recurring items	0	0	0	0	0	0	0
Profit before value adjustments and tax	6	4	2	3	4	3	4
Market value adjustments	0	0	0	0	0	0	0
Profit before tax	6	4	2	3	4	3	4
Loans and advances	736	794	736	741	821	806	804
Deposits and other debt	526	553	526	429	433	454	456
Operating cost/income, %	58%	57%	62%	54%	69%	55%	53%
Number of FTE, end of period	18	21	18	19	19	20	21

Insurance, Trygd in the Faroe Islands

DKKm	H1 2014	H1 2013	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013
Premium income, net of reinsurance	39	42	20	19	19	19	21
Claims, net of reinsurance	-28	-21	-15	-13	-25	-14	-9
Net insurance income	11	21	5	6	-5	5	12
Net income from investment activities	2	0	1	1	1	0	0
Operating income	14	22	6	8	-5	5	12
Operating cost	-9	-8	-5	-4	-4	-4	-4
Profit before tax	5	13	1	3	-9	1	7
Combined ratio	94%	69%	99%	89%	150%	96%	65%
Claims ratio	71%	49%	75%	67%	129%	73%	45%
Number of FTE, end of period	25	23	25	25	26	26	23

Insurance, Vörður in Iceland

DKKm	H1 2014	H1 2013	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013
Premium income, net of reinsurance	116	103	60	57	57	56	55
Claims, net of reinsurance	-99	-83	-44	-55	-37	-46	-38
Net insurance income	18	20	16	2	20	10	17
Net income from investment activities	-4	7	2	-7	2	7	-4
Operating income	13	26	18	-5	22	17	13
Operating cost	-20	-19	-11	-10	-8	-9	-10
Profit before tax	-7	8	7	-15	14	8	3
Combined ratio	102%	99%	91%	114%	79%	98%	86%
Claims ratio	85%	81%	74%	97%	65%	82%	69%
Number of FTE, end of period	61	58	61	61	61	59	58

Number of full-time employees, end of period

	H1 2014	H1 2013	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013
Banking	420	451	420	420	431	440	451
Insurance	86	81	86	86	87	85	81
Other	4	6	4	6	5	5	6
Group	510	538	510	512	523	530	538

Credit quality of the loan portfolio

- Credit classification according to the Danish FSA's method

	Q1 2014			Q2 2014		
	<7.5 mDKK	> 7.5 mDKK	Total	<7.5 mDKK	> 7.5 mDKK	Total
Portfolio without weakness	4.291	3.224	7.515	4.001	3.115	7.116
Portfolio with some weakness	3.552	1.445	4.997	3.421	1.453	4.874
Portfolio with weakness	492	36	528	460	116	577
- here of unsecured	289	17	306	257	58	315
Portfolio with OEI	1.109	708	1.817	1.099	648	1.746
- here of unsecured	758	353	1.111	753	351	1.104
- impairments	348	110	458	360	115	475
Portfolio without individual classification	1.147	9	1.156	1.022	29	1.050
Total	10.591	5.422	16.013	10.003	5.360	15.363