

Investor Presentation

BANKNORDIK

Annual Report 2014:

Customer focus paid off

Janus Petersen, CEO

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Overview

- Financial performance explained
- Outlook for 2015
- 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 AR 2014:

Growth in lending, but stiff competition

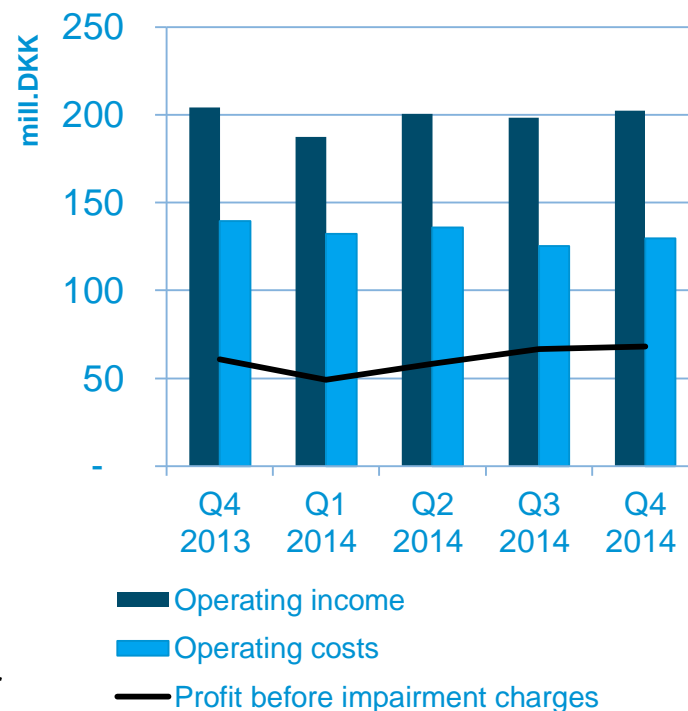
Highlights of the Year

- Profit before tax is negative DKK 92m
 - Main reason: Goodwill is written down for DKK 250m
- Operating profit improved to DKK 157m (2013: 107m)
- Operating income declined to DKK 789m (2013: 840m)
- Operating costs declined to DKK 523m (2013: 559m)
- Impairments declined to DKK 85m (2013: 148m)
- Outlook for 2015: In the range of DKK 200-240m

Highlights of Q4:

- Operating profit DKK decreased to DKK 39m (Q3: 50m)
- Operating income increased to DKK 202m (Q3: 198m)
- Operating costs increased to DKK 130m (Q3: 125m)
- Impairments increased to DKK 29m (Q3: 17m)
- Profit bef. imp. & non-recur. DKK 68m (Q3: 67m)
- Profit before impairments & non-recur. items DKK 242m for the full year – above the guided range of DKK 220-240m

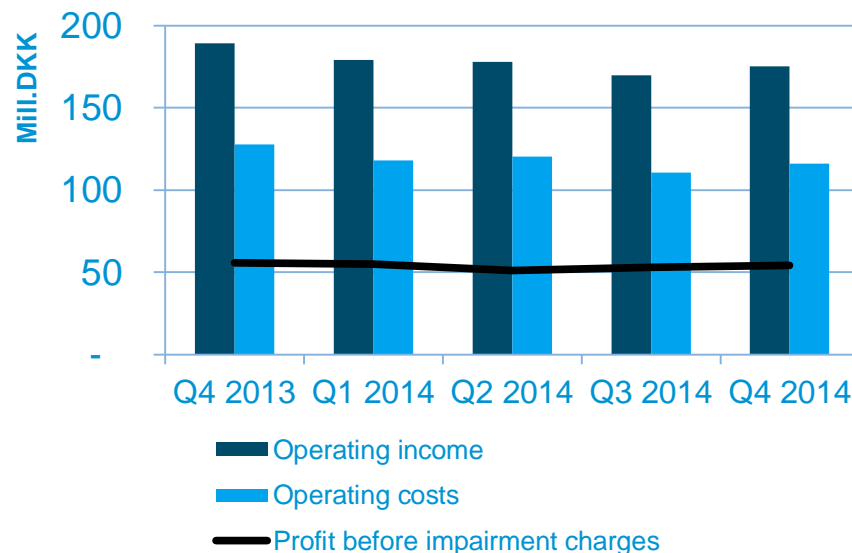
Profit, income & costs
Group



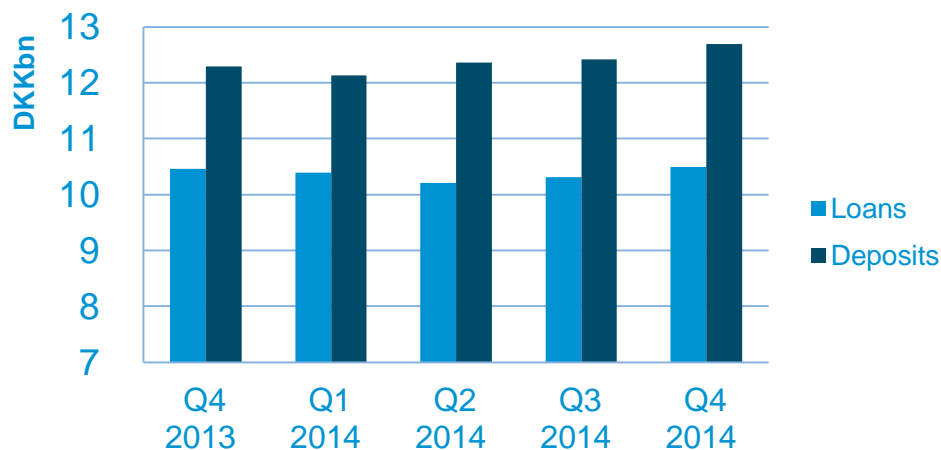
Banking: Lending growth, competitive pricing remains

- Profit before impairments and non-recurring items DKK 54m (Q3 2014: 53m)
- Operating income was stable
 - Lending increased driven by 6% growth in lending in Denmark
- Operating costs increased to DKK 116m in Q4
- Net impairments amounted to DKK 29m in Q4 and DKK 85m in total for 2014 in line with expectations

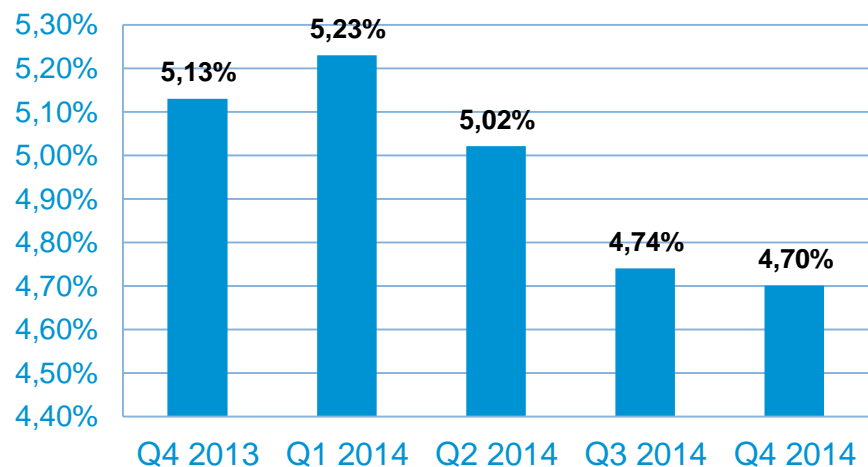
Profit, income & costs Banking



Loans & Deposits



Interest Margin



Write down of goodwill because of low interest rates

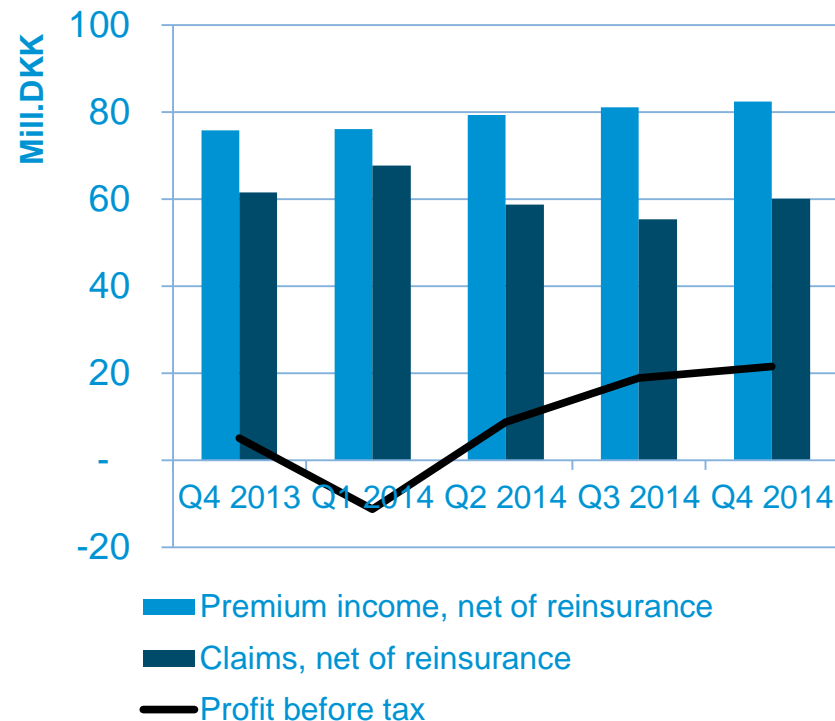
- As a result of an ordinary impairment test of goodwill the booked amount has been written down with a total of DKK 250m
- The main reason for the impairment is the very low level of interest rates
- The break-down on markets is shown in the table below
- Further details on sensitivity analysis are provided in the appendix

	Denmark	Greenland	Iceland
Booked value 2014 before test	609m	121m	47
Write down	-200m	-50m	0
Booked value after test	409m	71m	47

Yet another profitable quarter in insurance

- Profit before tax amounted to DKK 21m in Q4 2014 relative to DKK 5m in Q4 2013
- Premium income from insurance activities improved relative to last year
- Claims were lower in Q4 2014
- Investment income was significantly better than last year
- The 20% reduction in prices on the Faroes dampens profits going forward, but Trygd continues to gain market share

Profit, Premiums & Claims Insurance



Outlook for 2015:

Growth in volumes with pressure on interest margin

- 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 2015. In 2014 this result amounted to DKK 242m.
- Volumes are expected to increase somewhat in 2015
- Interest margins are expected to decrease somewhat in 2015
- Fee income is expected to increase relative to 2014
- Costs continue the downward trend
- Impairments are expected to be stable relative to those in 2014

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
- Corporate customer acquisition strengthened
- This year has seen a pick-up in selling pension savings solution and mortgage financing
 - Reflected in improved net fee income in Q4 2014

Strategic focus:

Cost efficiency remains on the agenda

- Rationalisations in Banking, while insurance has constrained cost growth
- FTE in Banking has been reduced by 4% since Q4 2013
- Staff and administrative costs in banking reduced 7% in 2014 relative to 2013
- Continue efforts to further improve efficiency

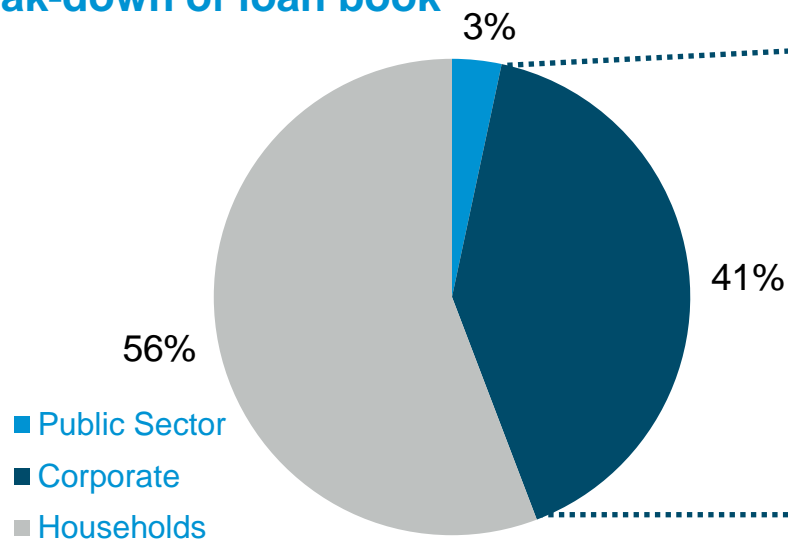
	2014	2013	Change
Banking	412	431	-4%
Insurance	88	87	2%
Other	5	5	0%
Group	506	523	-3%

Banking, DKK mill.	2014	2013	Change
Total staff costs	277	295	-6%
Total adm. expenses	458	492	-7%
Total staff costs and adm. expenses	735	787	-7%

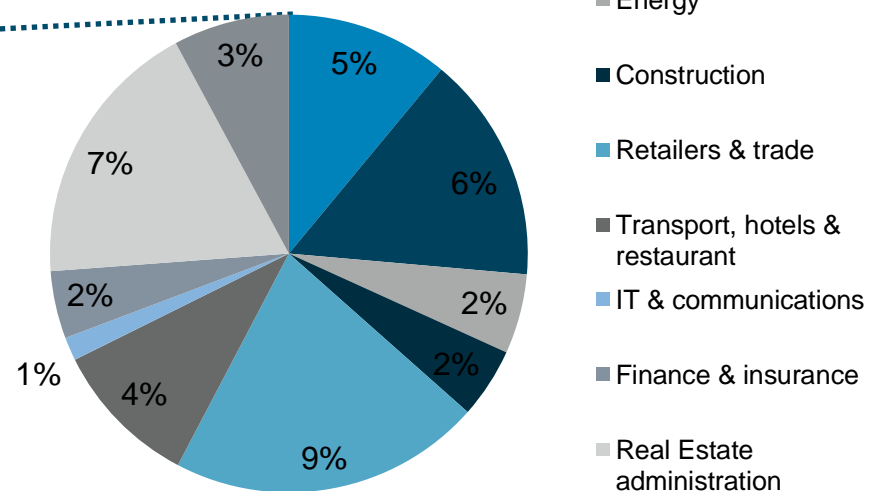
Strategic focus: Diversified loans and systematic credit policy

- Impairments in Q4 were as expected
- Well diversified loan portfolio
- Centralised organisation of credit process

Break-down of loan book



Further break-down of the 41% to corporates:



Strategic focus:

Optimising capital structure

- Core capital ratio excl. hybrid: 11.8% (2013: 11.1%)
- Solvency ratio: 14.8% of RWA
- Current capital requirement: 9.0% of RWA
- CRD IV is expected to be implemented in 2015 with full effect from 2019
- After CRD IV implementation and SIFI add-on at year-end 2019: 14.0% of RWA
 - Add to this the business cycle buffer of 0.0-2.5%
- Target to cover the 14.0% requirement in 2019 by pure equity
- Hybrid and subordinated debt expected to amount to 2-3% of RWA
- Net effect of CRD IV is minimal

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	2014	2013	Index 14/13	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013
Net interest income	508	574	89	125	125	126	133	133
Net fee and commission income	190	182	105	52	45	50	44	52
Net insurance income	76	69	110	22	26	20	8	14
Other operating income*	14	15	95	3	3	4	3	5
Operating income	789	840	94	202	198	201	187	204
Operating costs	-523	-559	94	-130	-125	-136	-132	-139
Sector costs	-23	-26	88	-5	-6	-6	-6	-4
Profit before impairment charges	242	255	95	68	67	58	49	61
Impairment charges	-111	-178	62	-34	-22	-24	-30	-46
Reversals of acquired OEI impairments	26	31	85	6	6	6	9	4
Impairment charges, net	-85	-148	58	-29	-17	-19	-21	-42
Operating profit	157	107	147	39	50	40	28	19
Impairment charges, intangible assets	-250	0		-250	0	0	0	0
Non-recurring items	-13	-11	118	-12	0	1	-2	-19
Profit before value adjustments and tax	-105	96	109	-222	50	41	26	0
Market value adjustments*, **	13	17	75	-4	-1	13	4	-9
Profit before tax	-92	114	81	-226	49	54	31	-9
Operating cost/income, %	66	67		64	62	66	70	68
Number of FTE, end of period	506	523	97	506	513	510	512	523

*DKK 6.3m restated from Other operating income to market value adjustments in 2013 relating to reclassification of dividends to value adjustments in subsidiary Vørður.

**Incl. Net income from investment activities

Banking

DKKmn	2014	2013	Index 14/13	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013
Net interest income	496	562	88	122	122	122	130	130
Net fees, commission income & dividends	196	189	104	51	46	52	47	54
Other operating income	10	12	82	3	2	3	2	5
Operating income	701	763	92	175	170	178	179	189
Operating cost	-465	-505	92	-116	-110	-120	-118	-128
Sector costs	-23	-26	88	-5	-6	-6	-6	-6
Profit before impairment charges	213	231	92	54	53	51	55	56
Impairment charges	-111	-178	62	-34	-22	-24	-30	-46
Reversals of acquired OEI impairments	26	31	85	6	6	6	9	4
Impairment charges, net	-85	-148	58	-29	-17	-19	-21	-41
Operating profit	128	84	153	26	36	33	34	14
Impairment charges, intangible assets	-250	0		-250	0	0	0	0
Non-recurring items	-13	-11	118	-12	0	1	-2	-19
Profit before value adjustments and tax	-135	73	184	-236	36	34	32	-5
Market value adjustments	9	12	81	-11	-7	11	17	-6
Profit before tax	-125	85	148	-247	29	45	48	-10
Loans and advances	10.492	10.460	100	10.492	10.315	10.207	10.392	10.460
Deposits and other debt	12.690	12.285	103	12.690	12.421	12.364	12.132	12.285
Operating cost/income, %	66	66		66	65	68	66	67
Number of FTE, end of period	412	431	96	412	420	420	420	431

Banking, Faroe Islands

DKKm	2014	2013	Index 14/13	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013
Net interest income	212	257	82	53	52	51	56	59
Net fees, commission income & dividends	61	62	100	14	13	20	14	20
Other operating income	8	9	85	2	2	1	2	4
Total Operating income	281	327	86	70	67	72	72	83
Operating cost	-167	-185	91	-42	-41	-43	-42	-50
Sector costs	-10	-11	90	-2	-3	-2	-3	-2
Profit before impairment charges	104	132	79	27	23	27	27	30
Impairment charges, net	-43	-55	77	-8	-11	-7	-17	-22
Operating profit	61	76	80	18	13	20	10	8
Non-recurring items	-8	-3	293	-5	0	-2	-2	-19
Profit before value adjustments and tax	53	74	71	14	13	19	8	-11
Market value adjustments	9	12	81	-11	-7	11	17	-6
Profit before tax	62	85	73	2	6	29	24	-17
Loans and advances	5.707	5.813	98	5.707	5.727	5.763	5.759	5.813
Deposits and other debt	5.847	5.311	110	5.847	5.572	5.337	5.295	5.311
Operating cost/income, %	60	56		60	61	59	58	61
Number of FTE, end of period	158	169	94	158	167	166	163	169

Banking, Denmark

DKKm	2014	2013	Index 14/13	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013
Net interest income	249	266	94	61	62	62	64	61
Net fees, commission income & dividends	125	118	106	34	31	30	31	32
Other operating income	1	2	41	0	-1	1	0	0
Total Operating income	375	385	97	95	92	94	95	94
Operating cost	-271	-290	93	-68	-63	-70	-69	-68
Sector costs	-12	-14	88	-3	-3	-3	-3	-3
Profit before impairment charges	92	81	114	24	26	20	22	22
Impairment charges	-61	-115	53	-24	-11	-16	-10	-24
Reversals of acquired OEI impairments	25	31	82	6	5	6	9	4
Impairment charges, net	-36	-84	43	-18	-6	-10	-2	-19
Operating profit	56	-4	1.590	5	20	10	20	3
Impairment charges, intangible assets	-200	0		-200	0	0	0	0
Non-recurring items	-4	-8	55	-7	0	3	0	0
Profit before value adjustments and tax	-148	-11	1.301	-202	20	13	20	4
Market value adjustments	0	0	-	0	0	0	0	0
Profit before tax	-148	-11	1.301	-202	20	13	20	4
Loans and advances	4.130	3.827	108	4.130	3.882	3.707	3.892	3.827
Deposits and other debt	6.376	6.541	97	6.376	6.371	6.501	6.407	6.541
Operating cost/income, %	72	75		72	68	75	73	73
Number of FTE, end of period	234	248	94	234	232	236	238	248

Banking, Greenland

DKKm	2014	2013	Index 14/13	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013
Net interest income	35	39	89	8	8	9	10	10
Net fees, commission income & dividends	9	10	96	2	2	2	3	2
Other operating income	1	1	106	0	0	0	0	0
Total Operating income	45	50	91	10	11	11	13	13
Operating cost	-27	-30	90	-6	-7	-7	-7	-9
Sector costs	-1	-1	67	0	0	0	0	0
Profit before impairment charges	18	19	93	4	4	4	6	4
Impairment charges, net	-6	-8	76	-2	0	-2	-2	0
Operating profit	11	11	107	2	4	2	3	4
Impairment charges, intangible assets	-50	0		-50	0	0	0	0
Non-recurring items	0	0	-	0	0	0	0	0
Profit before value adjustments and tax	-39	11	360	-48	4	2	3	4
Market value adjustments	0	0	-	0	0	0	0	0
Profit before tax	-39	11	360	-48	4	2	3	4
Loans and advances	654	821	80	654	705	736	741	821
Deposits and other debt	467	433	108	467	478	526	429	433
Operating cost/income, %	59	60	99	57	64	62	54	69
Number of FTE, end of period	20	19	107	20	21	18	19	19

Insurance, Trygd in the Faroe Islands

DKKm	2014	2013	Index 14/13	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013
Premium income, net of reinsurance	79	81	98	20	20	20	19	19
Claims, net of reinsurance	-49	-60	82	-14	-7	-15	-13	-25
Net insurance income	30	21	143	6	13	5	6	-5
Net income from investment activities	3	1	217	0	1	1	1	1
Operating income	33	23	147	6	13	6	8	-5
Operating cost	-18	-17	107	-4	-5	-5	-4	-4
Profit before tax	15	6	265	2	9	1	3	-9
Combined ratio	84	95		89	61	99	89	150
Claims ratio	62	74		68	37	75	67	129
Number of FTE, end of period	25	26	96	25	26	25	25	26

Insurance, Vörður in Iceland

DKKm	2014	2013	Index 14/13	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013
Premium income, net of reinsurance	239	216	111	62	61	60	57	57
Claims, net of reinsurance	-193	-166	116	-46	-48	-44	-55	-37
Net insurance income	47	49	95	16	13	16	2	20
Net income from investment activities	15	15	102	13	7	2	-7	2
Operating income	62	64	97	29	20	18	-5	22
Operating cost	-39	-36	111	-9	-10	-11	-10	-8
Profit before tax	22	29	79	19	10	7	-15	14
Combined ratio	97	94		90	94	91	114	79
Claims ratio	80	77		74	78	74	97	65
Number of FTE, end of period	63	61	104	63	63	61	61	61

Number of full-time employees, end of period

	2014	2013	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013
Banking	412	431	412	420	420	420	431
Insurance	88	87	88	89	86	86	87
Other	5	5	5	4	4	6	5
Group	506	523	506	513	510	512	523

Credit quality of the loan portfolio

- Credit classification according to the Danish FSA's method

	2013			2014		
	<7.5 mDKK	> 7.5 mDKK	Total	<7.5 mDKK	> 7.5 mDKK	Total
Portfolio without weakness	4.140	3.029	7.168	4.679	2.781	7.107
Portfolio with some weakness	3.527	1.338	4.865	3.777	2.031	5.029
Portfolio with weakness	483	194	677	427	200	617
- here of unsecured	275	73	347	227	96	319
Portfolio with OEI	1.194	659	1.852	1.164	609	1.698
- here of unsecured	799	355	1.153	784	326	1.078
- impairments	338	153	491	428	164	483
Portfolio without individual classi	1.351	-	1.351	743	12	897
Total	10.694	5.220	15.913	10.791	5.632	15.348

Impairment test of goodwill

	Denmark	Greenland	Iceland
Booked value 2014 before test	609m	121m	47m
Write down	-200m	-50m	0
Booked value after test	409m	71m	47m

Details of impairment test

Carrying amount	Denmark	Greenland	Iceland
Goodwill - branches	340m	63m	
Goodwill - customer relations	69m	8m	
Goodwill - Vörður			49m

	Denmark	Greenland	Iceland
Budgeting period	5 years	5 years	3 years
Required rate of return after tax	8.00	8.00	13.29
Long-term growth rate	2%	2%	3%
NPV, budgeting period	150m	32m	57m
NPV, terminal period	747m	131m	132m

Sensitivity to changes in economic assumptions

Denmark

Key assumptions	Change	Effect on NPV
Internal interest rate	+/- 0.5%	95m
Interest margin	+/- 0.1%	63m
Impairments on loans and advances	+/- 0.1%	61m

Other assumptions	Change	Effect on NPV
Fees, net	+/- 1m	12m
Costs	+/- 1m	12m
Loans and advances	+/- 50m	27m
Long-term growth rate	+/- 0.1%	13m
Discount rate	+/- 0.1%	23m

Sensitivity to changes in economic assumptions Greenland

Key assumptions	Change	Effect on NPV
Internal interest rate	+/- 0.5%	15m
Interest margin	+/- 0.1%	9m
Impairments on loans and advances	+/- 0.1%	9m

Other assumptions	Change	Effect on NPV
Fees, net	+/- 1m	10m
Costs	+/- 1m	10m
Loans and advances	+/- 50m	14m
Long-term growth rate	+/- 0.1%	2m
Discount rate	+/- 0.1%	4m

Sensitivity to changes in economic assumptions Iceland

Basic assumptions	Change	Effect on NPV
Fees, net	+/- 1m	7m
Insurance activities, net	+/- 1m	7m
Long-term growth rate	+/- 0.1%	2m
Discount rate	+/- 0.1%	2m