

Investor Presentation

BANKNORDIK

Interim Report Q1 2015:

Results in line with expectations

Janus Petersen, CEO

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Overview

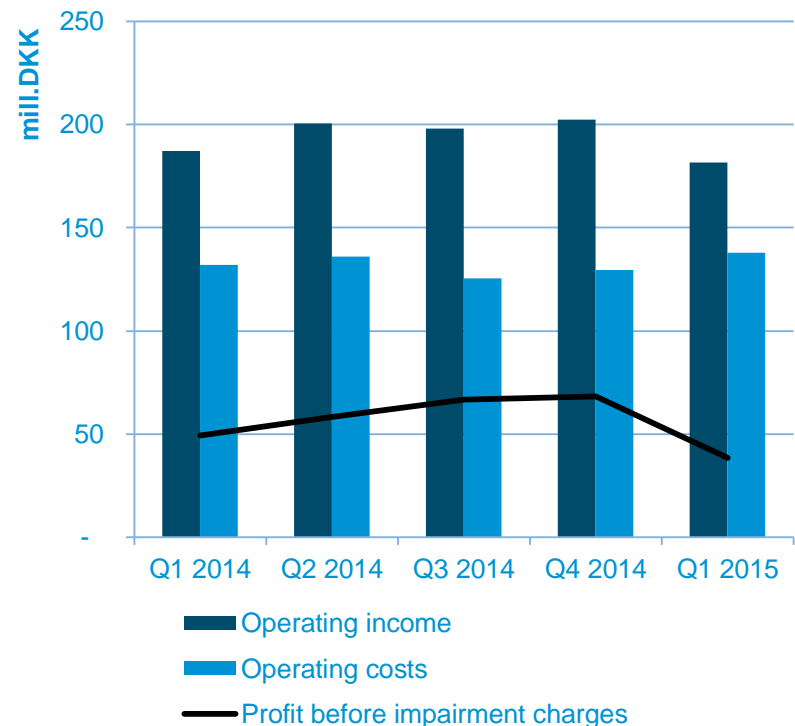
- Financial performance in Q1 explained
- Outlook for 2015
- Strategic focus outlined
 - Stringent segmentation ⇒ Improve income
 - Rationalisation continues ⇒ Cut costs
 - Solid and systematic credit policy ⇒ Low impairments
 - Optimise capital structure ⇒ Repay subordinated loans

Highlights Q1 2015:

Growth in lending and operating income from banking – but high claims in insurance

- Profit before Tax DKK 64m
- Insurance income, net DKK 1m (Q4: 21m)
- Operating income decreased to DKK 182m (Q4: 202m) due to insurance claims
- Operating costs increased to DKK 138m (Q4: 130m)
- Impairments decreased to DKK 20m (Q4: 29m)
- Profit before imp. & non-recur. DKK 39m (Q4: 68m) due to insurance claims
- Outlook for 2015 retained to be in the range of DKK 200-240m

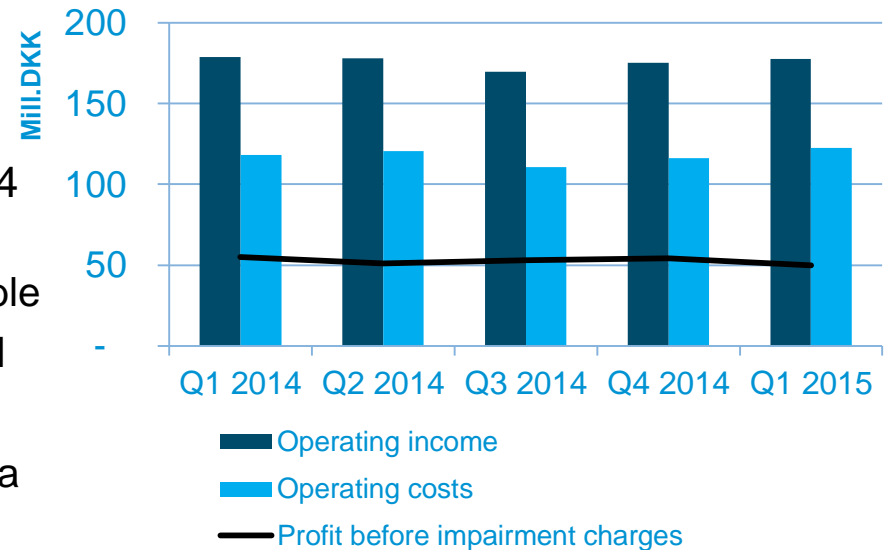
Profit, income & costs
Group



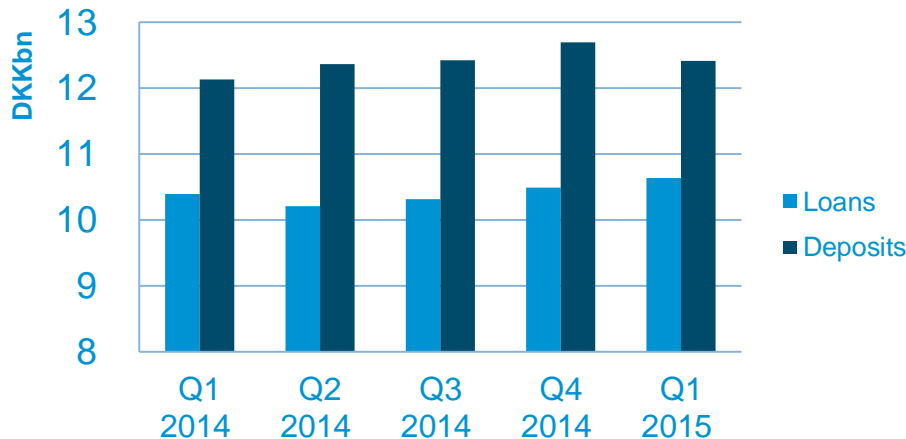
Banking: Lending growth and increased operating income

- Profit before impairments and non-recurring items DKK 50m (Q4 2014: 54m)
- Operating income increased to DKK 177m (Q4 2014: 175m)
 - Fee income increased interest - income stable
- Operating costs increased to DKK 122m in Q1
- Net impairments amounted to DKK 20m in Q1
 - Collective impairments and impairments on a single corporate customer

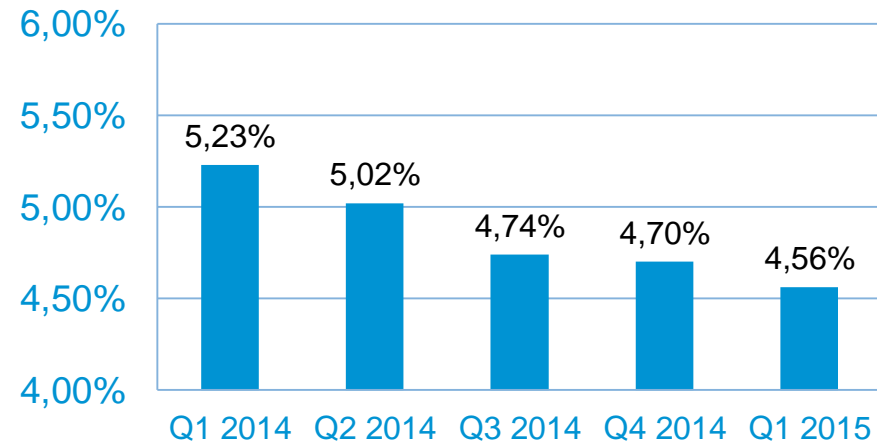
Profit, income & costs Banking



Loans & Deposits

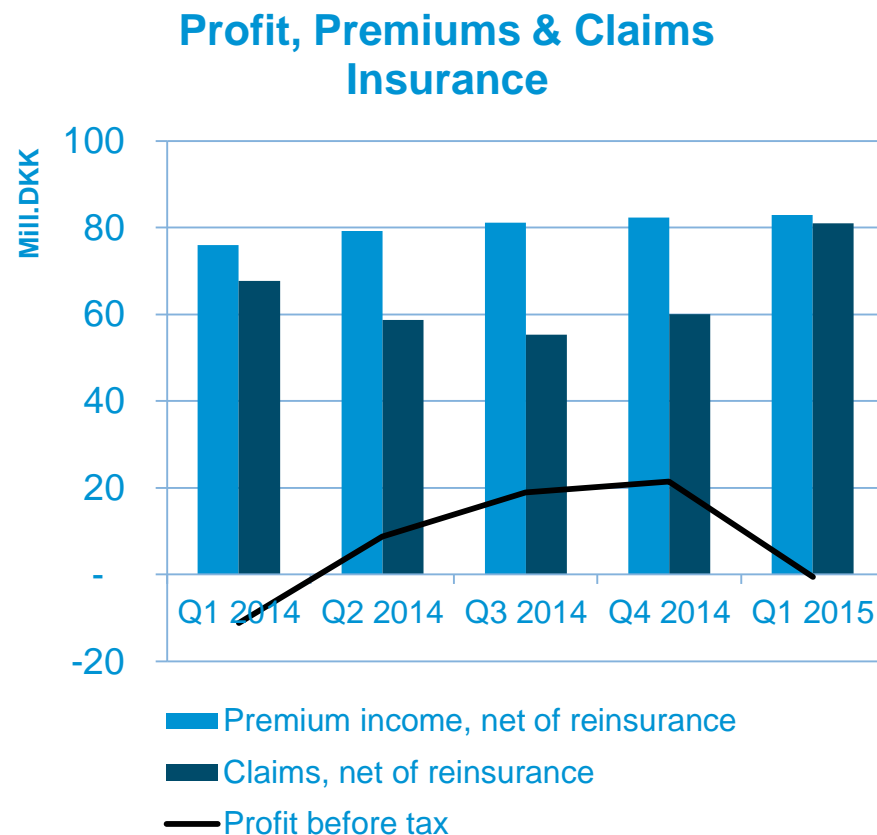


Interest Margin



Insurance: High claims ratio is matched by high investment income resulting in a small deficit

- Profit before tax was negative with DKK -1m in Q4 2014 relative to DKK 21m in Q4 2014
- Premium income from insurance activities improved DKK 1m relative to Q4 2014
- Claims were however DKK 21m higher in Q1 2015 relative to Q4 2014 driven by harsh winter in Iceland
- Investment income the same as in Q4 2014, a profit of DKK 13m



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 Q1 this result amounted to DKK 39m.
- 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 – higher in Q1
- Costs for the full year are expected to be lower than last year – higher in Q1
- Impairments are expected to be stable relative to those in 2014 – lower in Q1

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 has been well received by customers
- Results of strengthened corporate customer acquisition continues to materialise
- Extremely low interest rates support growing activity in mortgage refinancing
 - Reflected in improved net fee income in Q1 2015

Strategic focus:

Cost efficiency remains on the agenda

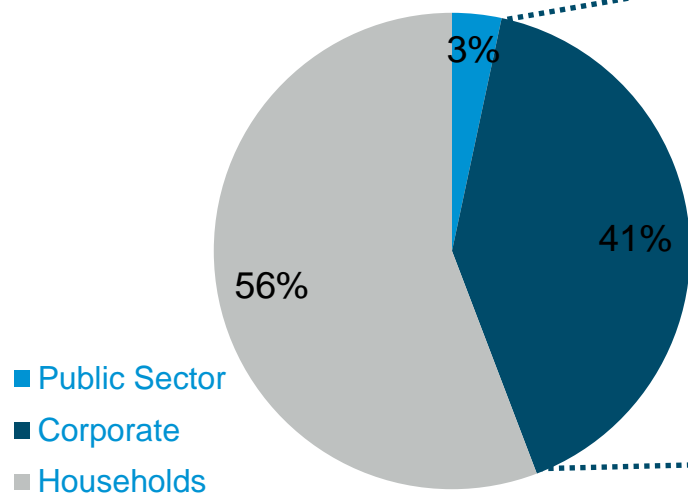
- Constrained cost growth in banking and insurance
- Cost growth in Q1 is partly explained by one-offs in marketing
- FTE in Banking has been reduced by 2% since Q1 2014
- Continue efforts to further improve efficiency

FTE	Index							Change
	Q1 2015	Q4 2014	14/13	Q4 2014	Q3 2014	Q2 2014	Q1 2014	
Banking	411	412	100	412	420	420	420	-2%
Insurance	88	87	102	88	89	86	86	3%
Other	5	6	79	5	4	4	6	-17%
Group	504	506	100	506	513	510	512	-1%

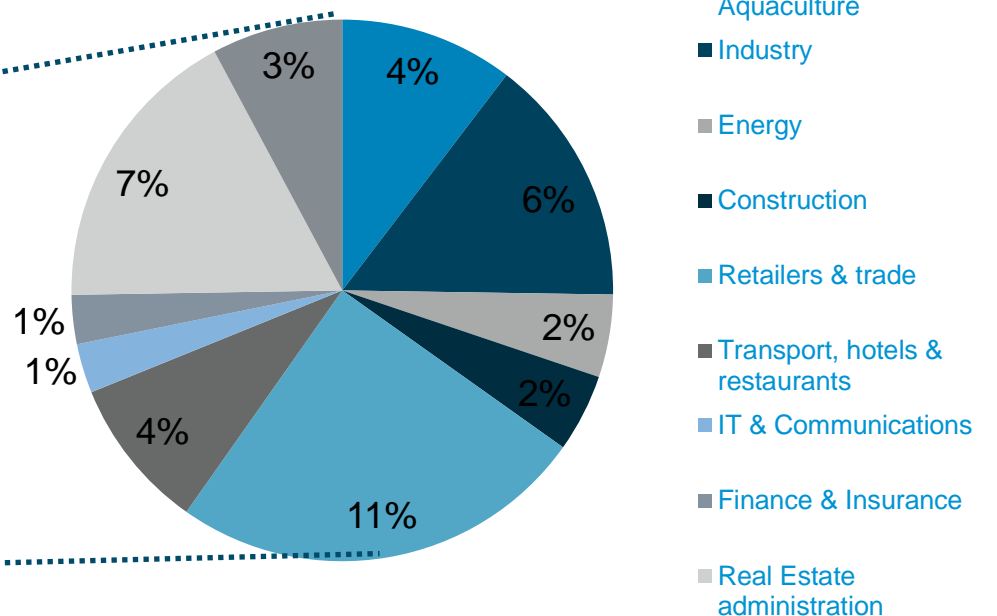
Strategic focus: Diversified loans and systematic credit policy

- Impairments in Q1 were in line with expectations, but explained by impairments on a single corporate customer in Denmark
- 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: 11.7% (2014: 11.8%)
- Solvency ratio: 14.6% of RWA
- Current capital requirement: 8.9 % 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	<i>Index</i>						
	Q1 2015	Q4 2014	15/14	Q4 2014	Q3 2014	Q2 2014	Q1 2014
Net interest income	126	125	100	125	125	126	133
Net fee and commission income	53	52	103	52	45	50	44
Net insurance income	1	22	6	22	26	20	8
Other operating income*	2	3	51	3	3	4	3
Operating income	182	202	90	202	198	201	187
Operating costs	-138	-130	106	-130	-125	-136	-132
Sector costs	-5	-5	112	-5	-6	-6	-6
Profit before impairment charges	39	68	57	68	67	58	49
Impairment charges	-22	-34	65	-34	-22	-24	-30
Reversals of acquired OEI impairments	2	6	38	6	6	6	9
Impairment charges, net	-20	-29	70	-29	-17	-19	-21
Operating profit	18	39	47	39	50	40	28
Impairment charges, intangible assets	0	-250		-250	0	0	0
Non-recurring items	0	-12	-	-12	0	1	-2
Profit before value adjustments and tax	18	-222	8	-222	50	41	26
Market value adjustments*, **	46	-4	-	-4	-1	13	4
Profit before tax	64	-226	28	-226	49	54	31
Operating cost/income, %	76	64		64	62	66	70
Number of FTE, end of period	504	506	100	506	513	510	512

*DKK 2.7m restated from Other operating income to market value adjustments in Q1 2014 relating to the reclassification of dividends to value adjustments in the subsidiary Vørður.

**Incl. Net income from investment activities

Banking

DKKm	<i>Index</i>						
	Q1 2015	Q4 2014	14/13	Q4 2014	Q3 2014	Q2 2014	Q1 2014
Net interest income	122	122	100	122	122	122	130
Net fees, commission income & dividends	55	51	108	51	46	52	47
Other operating income	0	3	12	3	2	3	2
Operating income	177	175	101	175	170	178	179
Operating cost	-122	-116	106	-116	-110	-120	-118
Sector costs	-5	-5	112	-5	-6	-6	-6
Profit before impairment charges	50	54	92	54	53	51	55
Impairment charges	-22	-34	65	-34	-22	-24	-30
Reversals of acquired OEI impairments	2	6	38	6	6	6	9
Impairment charges, net	-20	-29	70	-29	-17	-19	-21
Operating profit	30	26	116	26	36	33	34
Impairment charges, intangible assets	0	-250		-250	0	0	0
Non-recurring items	0	-12	-	-12	0	1	-2
Profit before value adjustments and tax	30	-236	13	-236	36	34	32
Market value adjustments	34	-11	301	-11	-7	11	17
Profit before tax	64	-247	26	-247	29	45	48
Loans and advances	10.633	10.492	101	10.492	10.315	10.207	10.392
Deposits and other debt	12.411	12.690	98	12.690	12.421	12.364	12.132
Operating cost/income, %	69	66		66	65	68	66
Number of FTE, end of period	411	412	100	412	420	420	420

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Banking, Faroe Islands

DKKm	Q1 2015	Q4 2014	Index		Q3 2014	Q2 2014	Q1 2014
			14/13	Q4 2014			
Net interest income	58	53	109	53	52	51	56
Net fees, commission income & dividends	13	14	89	14	13	20	14
Other operating income	0	2	4	2	2	1	2
Total Operating income	71	70	102	70	67	72	72
Operating cost	-44	-42	104	-42	-41	-43	-42
Sector costs	-2	-2	118	-2	-3	-2	-3
Profit before impairment charges	26	27	97	27	23	27	27
Impairment charges, net	1	-8	7	-8	-11	-7	-17
Operating profit	26	18	143	18	13	20	10
Non-recurring items	0	-5	-	-5	0	-2	-2
Profit before value adjustments and tax	26	14	192	14	13	19	8
Market value adjustments	34	-11	301	-11	-7	11	17
Profit before tax	60	2	2.524	2	6	29	24
Loans and advances	5.800	5.707	102	5.707	5.727	5.763	5.759
Deposits and other debt	5.646	5.847	97	5.847	5.572	5.337	5.295
Operating cost/income, %	61	60		60	61	59	58
Number of FTE, end of period	159	158	100	158	167	166	163

Banking, Denmark

DKKm	Q1 2015	Q4 2014	<i>Index</i>				
			14/13	Q4 2014	Q3 2014	Q2 2014	Q1 2014
Net interest income	56	61	93	61	62	62	64
Net fees, commission income & dividends	40	34	116	34	31	30	31
Other operating income	0	0	876	0	-1	1	0
Total Operating income	96	95	101	95	92	94	95
Operating cost	-72	-68	105	-68	-63	-70	-69
Sector costs	-3	-3	110	-3	-3	-3	-3
Profit before impairment charges	21	24	88	24	26	20	22
Impairment charges	-22	-24	93	-24	-11	-16	-10
Reversals of acquired OEI impairments	2	6	38	6	5	6	9
Impairment charges, net	-20	-18	111	-18	-6	-10	-2
Operating profit	0	5	8	5	20	10	20
Impairment charges, intangible assets	0	-200		-200	0	0	0
Non-recurring items	0	-7	-	-7	0	3	0
Profit before value adjustments and tax	0	-202	0	-202	20	13	20
Market value adjustments	0	0	-	0	0	0	0
Profit before tax	0	-202	0	-202	20	13	20
Loans and advances	4.167	4.130	101	4.130	3.882	3.707	3.892
Deposits and other debt	6.318	6.376	99	6.376	6.371	6.501	6.407
Operating cost/income, %	75	72		72	68	75	73
Number of FTE, end of period	233	234	100	234	232	236	238

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Banking, Greenland

DKKm	<i>Index</i>						
	Q1 2015	Q4 2014	14/13	Q4 2014	Q3 2014	Q2 2014	Q1 2014
Net interest income	8	8	102	8	8	9	10
Net fees, commission income & dividends	2	2	110	2	2	2	3
Other operating income	0	0	103	0	0	0	0
Total Operating income	11	10	104	10	11	11	13
Operating cost	-7	-6	119	-6	-7	-7	-7
Sector costs	0	0	107	0	0	0	0
Profit before impairment charges	3	4	83	4	4	4	6
Impairment charges, net	-1	-2	24	-2	0	-2	-2
Operating profit	3	2	150	2	4	2	3
Impairment charges, intangible assets	0	-50		-50	0	0	0
Non-recurring items	0	0	-	0	0	0	0
Profit before value adjustments and tax	3	-48	6	-48	4	2	3
Market value adjustments	0	0	-	0	0	0	0
Profit before tax	3	-48	6	-48	4	2	3
Loans and advances	666	654	102	654	705	736	741
Deposits and other debt	447	467	96	467	478	526	429
Operating cost/income, %	66	57	114	57	64	62	54
Number of FTE, end of period	19	20	94	20	21	18	19

Insurance

DKK ^m	<i>Index</i>						
	Q1 2015	Q1 2014	14/13	Q4 2014	Q3 2014	Q2 2014	Q1 2014
Premium income, net of reinsurance	83	76	109	82	81	79	76
Claims, net of reinsurance	-81	-68	120	-60	-55	-59	-68
Net insurance income	2	8	23	22	26	21	8
Net income from investment activities	13	-5	238	13	8	3	-5
Operating income	15	3	521	35	33	24	3
Operating cost	-15	-14	110	-14	-14	-15	-14
Profit before tax	-1	-11	4	21	19	9	-11
Combined ratio	116	108		89	86	93	108
Claims ratio	98	89		73	68	74	89
Number of FTE, end of period	88	87	102	88	89	86	86

Insurance, Trygd in the Faroe Islands

DKKm	<i>Index</i>						
	Q1 2015	Q1 2014	14/13	Q4 2014	Q3 2014	Q2 2014	Q1 2014
Premium income, net of reinsurance	20	19	103	20	20	20	19
Claims, net of reinsurance	-20	-13	152	-14	-7	-15	-13
Net insurance income	0	6	3	6	13	5	6
Net income from investment activities	0	1	27	0	1	1	1
Operating income	1	8	7	6	13	6	8
Operating cost	-5	-4	112	-4	-5	-5	-4
Profit before tax	-4	3	127	2	9	1	3
Combined ratio	123	89		89	61	99	89
Claims ratio	99	67		68	37	75	67
Number of FTE, end of period	25	26	96	25	26	25	25

Insurance, Vörður in Iceland

DKKm	<i>Index</i>						
	Q1 2015	Q1 2014	14/13	Q4 2014	Q3 2014	Q2 2014	Q1 2014
Premium income, net of reinsurance	63	57	111	62	61	60	57
Claims, net of reinsurance	-61	-55	112	-46	-48	-44	-55
Net insurance income	2	2	87	16	13	16	2
Net income from investment activities	13	-7	191	13	7	2	-7
Operating income	14	-5	305	29	20	18	-5
Operating cost	-11	-10	109	-9	-10	-11	-10
Profit before tax	4	-15	26	19	10	7	-15
Combined ratio	114	114		90	94	91	114
Claims ratio	97	97		74	78	74	97
Number of FTE, end of period	63	61	104	63	63	61	61

Number of full-time employees, end of period

	Index						
	Q1 2015	Q1 2014	14/13	Q4 2014	Q3 2014	Q2 2014	Q1 2014
Banking	411	431	95	412	420	420	420
Insurance	88	87	102	88	89	86	86
Other	5	5	100	5	4	4	6
Group	504	523	96	506	513	510	512

Credit quality of the loan portfolio

- Credit classification according to the Danish FSA's method

	Q4 2014			Q1 2015			Changes
	<7.5 mDKK	> 7.5 mDKK	Total	<7.5 mDKK	> 7.5 mDKK	Total	
Portfolio without weakness	4.679	2.781	7.460	4.560	2.781	7.341	- 119
Portfolio with some weakness	3.777	2.031	5.808	3.894	2.028	5.922	114
Portfolio with weakness	427	200	627	425	290	716	89
- here of unsecured	227	96	323	221	105	326	4
Portfolio with OEI	1.164	609	1.773	1.123	652	1.774	2
- here of unsecured	784	326	1.110	776	342	1.118	8
- impairments	428	164	591	426	193	619	28
Portfolio without indiv. classification	743	12	755	646	19	665	- 90
Total	10.791	5.632	16.423	10.649	5.770	16.418	- 5