

Investor Presentation

BANKNORDIK

Solid operating profit in Q1 2016

28 April 2016

Árni Ellefsen, CEO

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Overview

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- **Financials**
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 - Capital ratios
 - Restructuring of subordinated capital
- **Long-term financial objectives**
- **Outlook 2016**
- **Appendices**



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- Retail banking
- Private banking
- Corporate banking
- Insurance

Highlights

– Guidance reconfirmed and new financial targets announced

Q1 2016 financial highlights (Q1 2015)*

- Operating income down 4.5% YoY to DKK 168m (DKK 176m)
- Operating costs fell 8% to DKK 117m (DKK 127m)
- Net loan impairment charges were a reversal of DKK 1m (DKK 20m)
- Operating profit amounted to DKK 50m (DKK 23m)
- Profit before tax fell to DKK 25m (DKK 61m)
- CET1 capital ratio of 14.4% at 31 March 2016
- 2020 targets: 10% ROE and 62% cost/income ratio

Q1 2016 operational highlights

- Vørður deal amended following an indication from the Icelandic central bank
- Corporate loan book in Denmark reduced by close to DKK 520m in Q1 2016
- Branch network in Jutland consolidated and reduced from six to four branches
- Centralisation of branch support expected to be completed in H1 2016.

**Operating figures are adjusted for discontinued operations related to Vørður*

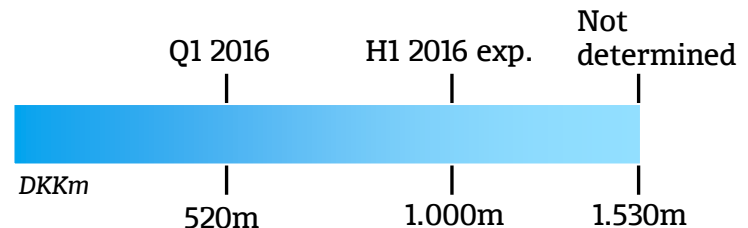
Update on the divestment of Vörður and the winding up of the Danish corporate activities

Divestment of Vörður



- Deal amended: 100% of the shares to be sold immediately - no splitting up – at an agreed price of ISK 5.3bn
- BankNordik expects a capital gain of approximately DKK 60m from the sale
- The extraordinary dividend payment related to the sale is expected to be not less than DKK 100m, corresponding to the increase in core equity
- The deal remains subject to the approval of the relevant Icelandic authorities.

Winding up of corporate activities in Denmark



- Danish corporate loan book reduced by close to DKK 520m in Q1 2016 as part of the winding up of the Danish corporate activities
- Two thirds of the DK corporate portfolio expected to be wound-up by July 2016.

Solid underlying performance in core activities

Q1 2016 vs. Q1 2015

- Interest income down DKK 7m owing to margin pressure and less income from the investment portfolio
- Fee income decreased DKK 10m due to overall low customer activity
- Operating costs fell DKK 10m, consistent with Group's refocusing
- Operating profit up DKK 27m
- Loans and advances down DKK 669m

Q1 2016 vs. Q4 2015

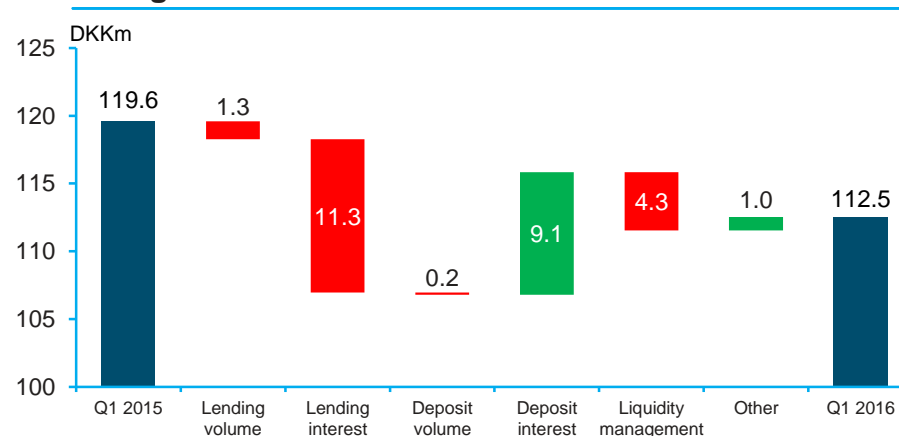
- Interest income up DKK 2m
- Fee income down DKK 7m
- Operating costs fell by DKK 5m
- Operating profit increased by DKK 14m
- Loans and advances down DKK 714m

DKKm	Q1 2016	Q1 2015	Index	Q1 2016	Q4 2015	Index
Net interest income	113	120	94	113	111	102
Net fee and commission income	45	55	82	45	52	87
Net insurance income	8	0		8	8	100
Other operating income*	2	2	100	2	4	50
Operating income	168	176	95	168	175	96
Operating costs	-117	-127	92	-117	-122	96
Sector costs	-1	-5	20	-1	-5	20
Profit before impairment charges	49	43	114	49	47	104
Impairment charges, net	1	-20		1	-11	
Operating profit	50	23	217	50	36	139
Impairment charges, intang. assets	0	0		0	-468	
Non-recurring items	-12	0		-12	-29	
Market value adjustments	-3	34		-3	-4	
Profit before tax, continuing	35	57	61	35	-465	
Profit before tax, discontinued (Vørður)	-10	4		-10	18	
Profit before tax, total	25	61	41	25	-447	
Loans and advances	9,961	10,630	94	9,961	10,675	93
Deposits and other debt	12,532	12,344	102	12,532	12,680	99
Operating cost / income, %	70	72		70	70	

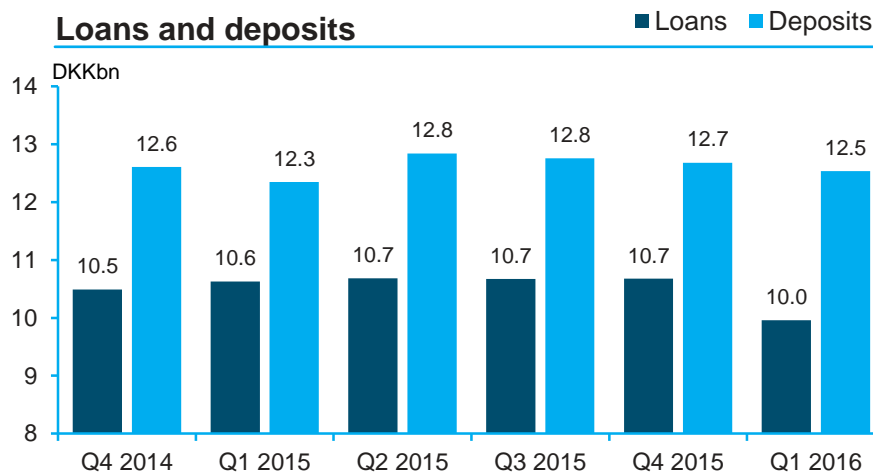
Interest income remains relatively stable

- Net interest income (NII) down DKK 7m from Q1 2015 to Q1 2016, mainly owing to margin pressure and less income from the investment portfolio
- NII increased DKK 2m from QoQ, affected by decreased deposit rates effective from 1 January 2016
- NII only marginally affected by the winding up of corporate activity in Denmark since most of the progress took place in the month of March
- Lending volumes down DKK 714m QoQ.

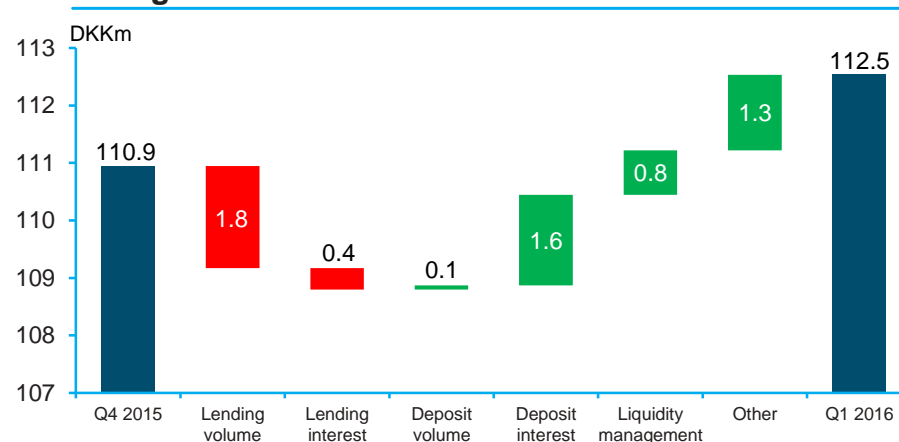
Changes in NII from Q1 2015 to Q1 2016



Loans and deposits



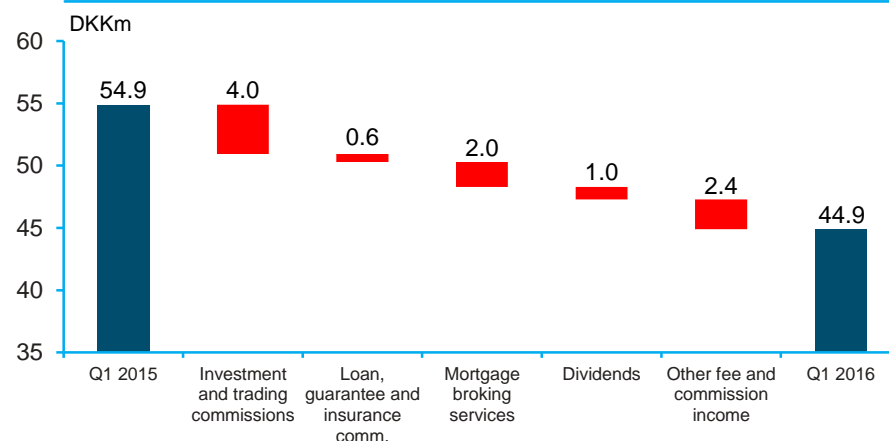
Changes in NII from Q4 2015 to Q1 2016



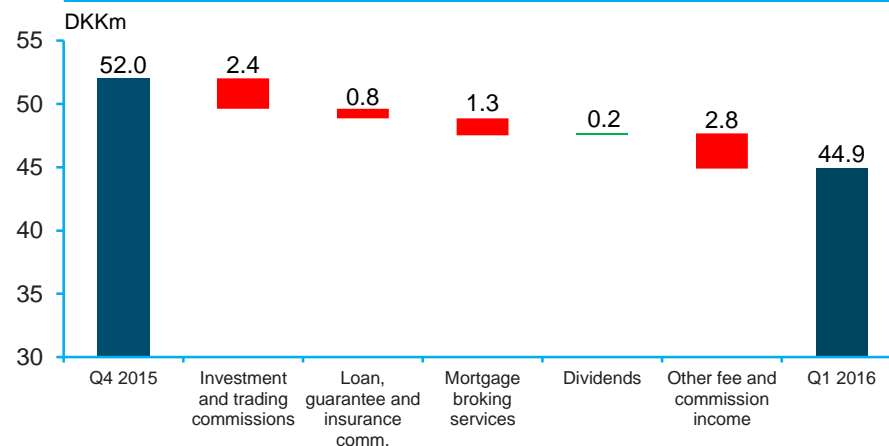
Notably reduced fee and commission income

- Net fee and commission income fell by DKK 10m from Q1 2015 to Q1 2016 and by DKK 7m from Q4 2015 to Q1 2016
- Weak asset management activity amid fragile financial markets in Q1 2016
- Income from mortgage broking services has pulled back to normal levels after a period of high remortgaging activity in 2015
- Gradual reduction in fee and commission income from corporate operations in Denmark consistent with the controlled run-off
- Low overall customer activity in Q1 2016.

YoY changes in fee and commission income



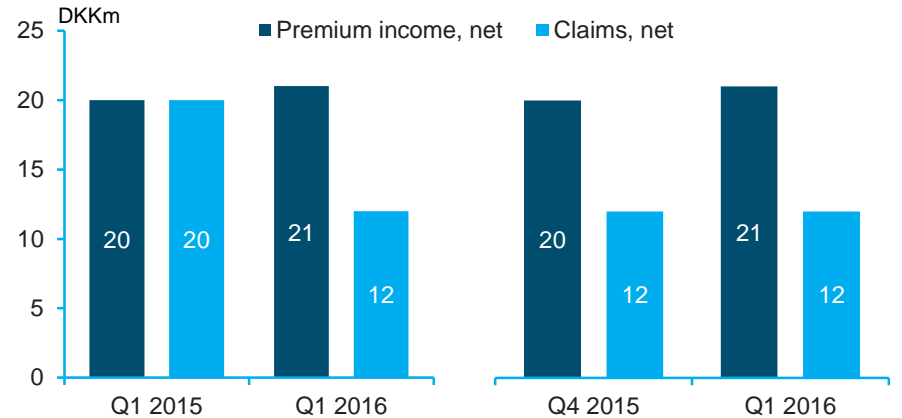
QoQ changes in fee and commission income



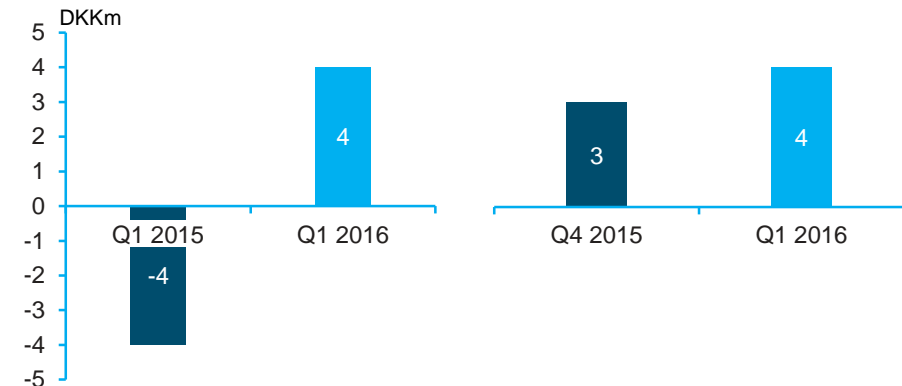
Insurance: Good start to the year

- Net premium income up by DKK 1m in Q1 2016 compared to both Q1 2015 and Q4 2015
- Net claims down DKK 8m from Q1 2015 to Q1 2016 and remained flat from Q4 2015 to Q1 2016
- Profit before tax of DKK 4m in Q1 2016 relative to a DKK 4m loss in Q1 2015 and a DKK 3m profit in Q4 2015
- The Bank's customer loyalty programme has supported the sale of insurance products, partially compensating for reduced prices in the market.

Premium and claims*



Profit before tax*

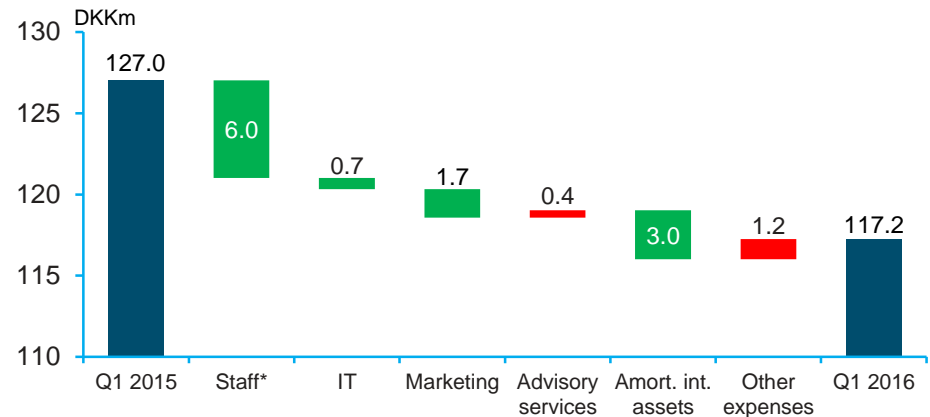


*Vørður is excluded and figures relate to Trygd only.

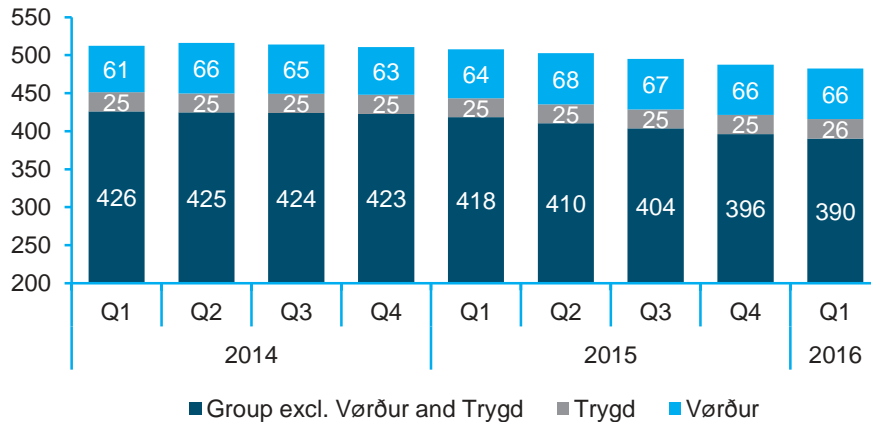
Cost base down 8% as BankNordik refocuses core activities

- Operating costs fell DKK 10m from Q1 2015 to Q1 2016 and DKK 5m from Q1 2015 to Q4 2016
- Staff costs significantly down on YoY basis
- DKK 3m in quarterly amortisation of intangible assets related to customer relations discontinued when it was fully written off in Q4 2015
- The use of advisory services reduced in Q1 2016 compared to previous quarters

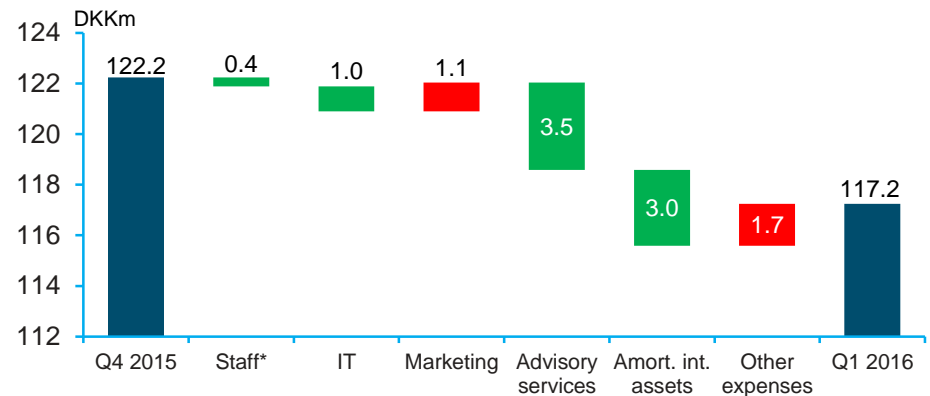
Cost development from Q1 2015 to Q1 2016



Average number of employees (FTE)



Cost development from Q4 2015 to Q1 2016

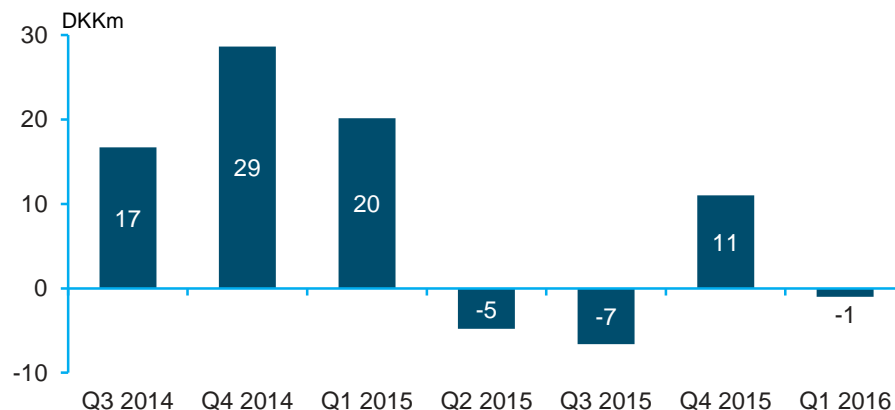


*Staff figure excludes severance payments related to recent organisational adjustments

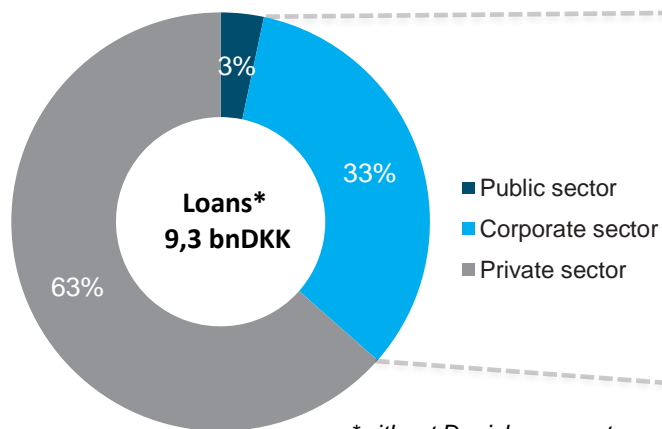
Net impairment charges on loans remain low

- In Q1 2016 net impairment charges were a reversal of DKK 1m compared to DKK 11m in Q4 2015 and DKK 20m in Q1 2015
- Close to two thirds of the loan portfolio, excluding the Danish corporate portfolio, allocated to the private sector
- No individual corporate sector accounted for more than 8% of the loan portfolio, excluding the Danish corporate portfolio

Net impairment charges

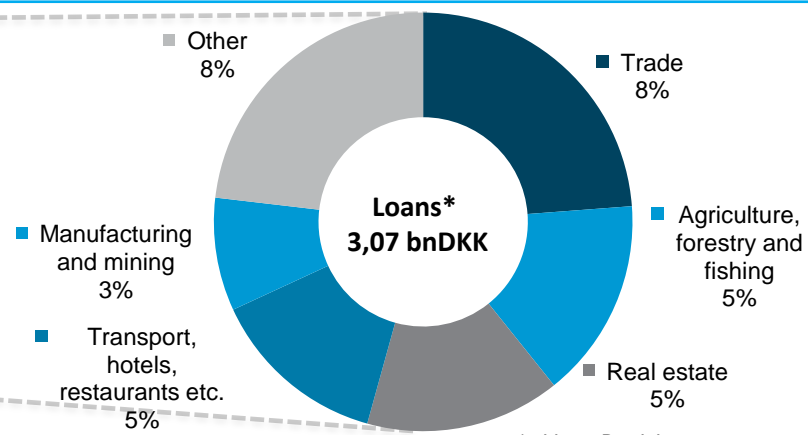


Loans by sector



*without Danish corporate portfolio

Corporate sector break-down

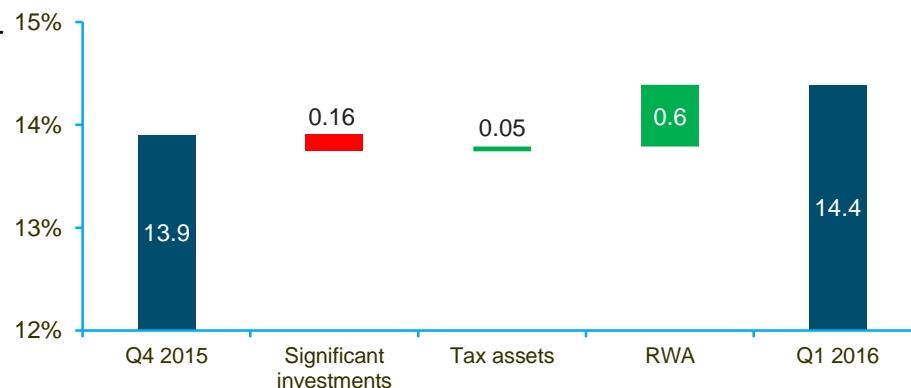


*without Danish corporate portfolio

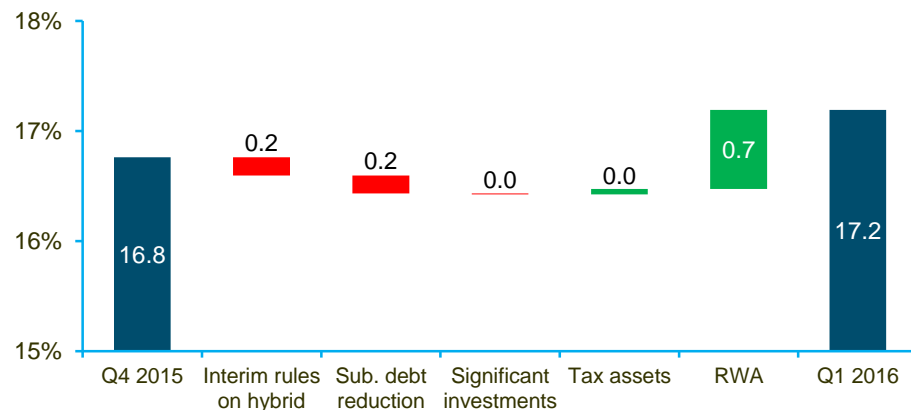
Capital levels increase as corporate loan book in Denmark is reduced

- At 31 March 2016, the Bank had a CET1 capital ratio of 14.4%, a 0.5 percentage point increase from 31 December 2015
- The increase in capital levels from Q4 2015 to Q1 2016 mainly attributable to lower RWA relating to the winding up of corporate activities in Denmark
- BankNordik is currently meeting its long-term capital ratio targets of 13% CET1 and 16.5% solvency.

Change in CET1 ratio from Q4 2015 to Q1 2016



Change in solvency from Q4 2015 to Q1 2016

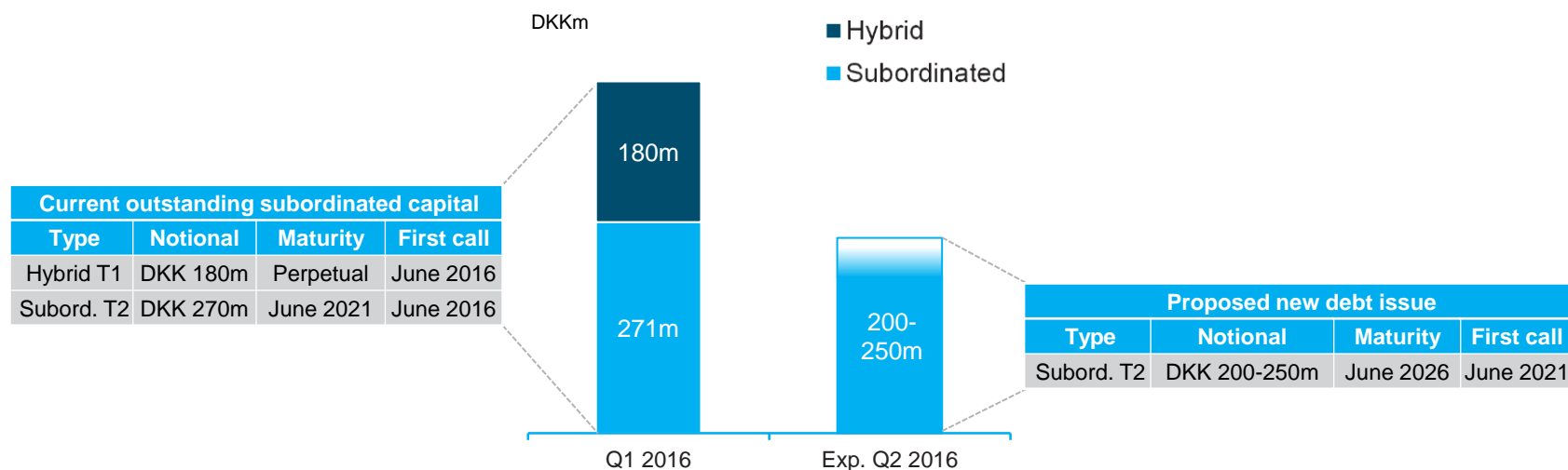


Restructuring of subordinated capital

Potential issue of new Tier 2 capital

- BankNordik has initiated a process to explore the possibility of raising DKK 200-250m in new CRD IV compliant Tier 2 capital
- This is in conjunction with the planned repayment of BankNordik's current outstanding Tier 1 and Tier 2 capital during 2016
- BankNordik has engaged ABG Sundal Collier as its financial advisers to explore the possibilities.

Subordinated capital



Long-term financial objectives

2020 financial objectives

- The Group targets 10% ROE and 62% cost/income by 2020
- BankNordik's long-term capital ratio targets have been met
- In Q1 2016, ROE was affected by:
 - Extraordinarily low impairment charges
 - DKK 10m loss before tax related to Vørður
 - Non-recurring items related to redundancies





Progress

Key metrics	2015	Q1 2016	2020 target
Return on equity*	6.3%	4.9%**	10%
Cost/income ratio	68%	70%	62%
CET1 capital ratio	13.9%	14.4%	13%
Total capital ratio	16.8%	17.2%	16.5%

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

Outlook for 2016

Expectations for 2016 very much determined by the winding up of the corporate loan portfolio in Denmark

Net Interest income  (2015: 469m)	Operating expenses  (2015: 499m)
Fees and commissions  (2015: 226m)	Net impairment charges  (2015: 20m)
Profit before impairment charges* DKK 150-190m in 2016 (Q1 2016: 49m)	

**Guidance is provided on profit before impairment charges, non-recurring items, value adjustments and tax*



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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				<i>Index</i>					
	Q1 2016	Q1 2015	16/15	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014
Net interest income	113	120	94	113	111	116	122	120	122
Net fee and commission income	45	55	82	45	52	52	67	55	51
Net insurance income	8	0		8	8	10	10	0	6
Other operating income	2	2	113	2	4	2	3	2	3
Operating income	168	176	95	168	175	180	203	176	183
Operating costs	-117	-127	92,2	-117	-122	-122	-128	-127	-120
Sector costs	-1	-5	20	-1	-5	-5	-6	-5	-5
Profit before impairment charges	49	43	114	49	47	54	69	43	58
Impairment charges, net	1	-20		1	-11	7	5	-20	-29
Operating profit	50	23	216	50	36	60	74	23	29
Impairment charges, intangible assets	0	0		0	-468	0	0	0	-250
Non-recurring items	-12	0		-12	-29	-11	-14	0	-12
Profit before value adjustments and tax	38	23	163	38	-461	49	60	23	-233
Market value adjustments*	-3	34		-3	-4	-20	-50	34	-13
Profit before tax, continuing operations	35	57	61	35	-465	29	10	57	-245
Profit before tax, discontinued operations (Vörður)	-10	4		-10	18	13	2	4	19
Profit before tax, total	25	61	40	25	-447	42	12	61	-226
Operating cost/income, %	70	72		70	70	67	63	72	66
Number of FTE, end of period (incl. Vörður)	464	504	92	464	446	478	490	504	506

*Incl. Net income from investment activities

Banking

Income statement, Banking

DKKm	<i>Index</i>								
	Q1 2016	Q1 2015	16/15	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014
Net interest income	112	119	94	112	111	116	122	119	122
Net fees, commission income & dividends	46	55	84	46	52	52	67	55	51
Other operating income	1	0	246	1	2	1	2	0	3
Operating income	159	174	91	159	164	168	190	174	175
Operating cost	-113	-122	93	-113	-115	-115	-123	-122	-116
Sector costs	-1	-5	20	-1	-5	-5	-6	-5	-5
Profit before impairment charges	45	47	96	45	44	48	62	47	54
Impairment charges	-3	-22	12	-3	-26	-12	0	-22	-34
Reversals of acquired OEI impairments	3	2	146	3	15	18	5	2	6
Impairment charges, net	1	-20		1	-11	7	5	-20	-29
Operating profit	45	26	171	45	33	55	67	26	26
Impairment charges, intangible assets	0	0		0	-468	0	0	0	-250
Non-recurring items	-12	0		-12	-29	-11	-14	0	-12
Profit before value adjustments and tax	33	26	125	33	-464	44	53	26	-236
Market value adjustments	-3	34		-3	-5	-19	-47	34	-11
Profit before tax	30	61	50	30	-469	24	6	61	-247
Loans and advances	9.961	10.630	94	9.961	10.675	10.669	10.680	10.630	10.492
Deposits and other debt	12.589	12.411	101	12.589	12.739	12.829	12.935	12.411	12.690
Operating cost/income, %	71	70		71	70	68	64	70	66
Number of FTE, end of period	381	411	93	381	363	383	389	411	412

Personal Banking

Income statement, Personal Banking

DKKm	Q1 2016	Q1 2015	Index 16/15	2015
Net interest income	70	73	96	305
Net fees, commission income & dividends	36	44	81	186
Other operating income	0	0	61	10
Operating income	106	118	90	500
Operating cost	-38	-44	86	-242
Sector costs	-1	-4	20	-16
Profit before impairment charges	68	70	96	242
Impairment charges, net	1	-4		-9
Operating profit	68	67	103	233
Impairment charges, intangible assets	0	0		0
Non-recurring items	-2	0		-11
Profit before value adjustments and tax	67	67	100	222
Market value adjustments	0	0		0
Profit before tax	67	67	100	222
Loans and advances	5,766	5,898	98	5,961
Deposits and other debt	9,382	9,140	103	9,534
Operating cost/income, %	36	37		48
Number of FTE, end of period	133	133		129

Corporate Banking

Income statement, Corporate Banking

DKKm	Q1 2016	Q1 2015	Index 16/15	2015
Net interest income	45	47	96	196
Net fees, commission income & dividends	4	5	84	20
Other operating income	0	0	21	28
Operating income	49	52	95	244
Operating cost	-6	-8	80	-27
Sector costs	0	-1	19	-5
Profit before impairment charges	42	42	100	212
Impairment charges, net	1	-11		-20
Operating profit	43	31	140	193
Impairment charges, intangible assets	0	0		0
Non-recurring items	0	0		-6
Profit before value adjustments and tax	43	31	140	187
Market value adjustments	0	0		0
Profit before tax	43	31	140	187
Loans and advances	4,195	4,714	89	4,924
Deposits and other debt	3,207	3,271	98	3,170
Operating cost/income, %	13	16		11
Number of FTE, end of period	14	33		20

Banking, Faroe Islands

Income statement, Faroe Islands

DKKm				<i>Index</i>					
	Q1 2016	Q1 2015	16/15	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014
Net interest income	55	55	100	55	48	50	56	55	53
Net fees, commission income & dividends	12	13	96	12	13	14	18	13	14
Other operating income	1	0		1	1	0	1	0	2
Total Operating income	68	68	100	68	62	64	74	68	70
Operating cost	-44	-44	100	-44	-49	-45	-48	-44	-42
Sector costs	0	-2	19	0	-2	-1	-2	-2	-2
Profit before impairment charges	24	23	106	24	11	17	24	23	27
Impairment charges, net	5	1		5	-11	-14	1	1	-8
Operating profit	29	23	127	29	1	3	25	23	18
Non-recurring items	0	0		0	-22	-11	-1	0	-5
Profit before value adjustments and tax	29	23	127	29	-21	-8	24	23	14
Market value adjustments	-3	34	8	-3	-5	-19	-47	34	-11
Profit before tax	27	57	47	27	-26	-27	-23	57	2
Loans and advances	5.810	5.797	100	5.810	5.936	5.781	5.834	5.797	5.707
Deposits and other debt	5.810	5.646	103	5.810	5.656	5.814	5.782	5.646	5.847
Operating cost/income, %	64	64		64	79	70	65	64	60
Number of FTE, end of period	169	159	106	169	154	154	160	159	158

Banking, Denmark

Income statement, Denmark

DKKm				<i>Index</i>					
	Q1 2016	Q1 2015	16/15	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014
Net interest income	49	56	87	49	54	57	58	56	61
Net fees, commission income & dividends	32	40	80	32	36	36	46	40	34
Other operating income	0	0	124	0	1	0	1	0	0
Total Operating income	80	96	84	80	91	93	105	96	95
Operating cost	-64	-72	89	-64	-60	-64	-68	-72	-68
Sector costs	-1	-3	20	-1	-3	-3	-3	-3	-3
Profit before impairment charges	16	21	77	16	28	26	34	21	24
Impairment charges, net	-5	-20	24	-5	-1	26	4	-20	-18
Operating profit	11	0		11	27	52	37	0	5
Impairment charges, intangible assets	0	0		0	-398	0	0	0	-200
Non-recurring items	-12	0		-12	-7	0	-13	0	-7
Profit before value adjustments and tax	-1	0		-1	-379	52	24	0	-202
Market value adjustments	0	0		0	0	0	0	0	0
Profit before tax	-1	0		-1	-379	52	24	0	-202
Loans and advances	3.422	4.167	82	3.422	4.098	4.213	4.157	4.167	4.130
Deposits and other debt	6.197	6.318	98	6.197	6.559	6.543	6.682	6.318	6.376
Operating cost/income, %	79	75		79	66	69	65	75	72
Number of FTE, end of period	196	233	84	196	194	213	211	233	234

Banking, Greenland

Income statement, Greenland

DKKm				<i>Index</i>					
	Q1 2016	Q1 2015	16/15	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014
Net interest income	9	8	110	9	9	9	9	8	8
Net fees, commission income & dividends	2	2	88	2	3	3	3	2	2
Other operating income	0	0	62	0	0	0	0	0	0
Total Operating income	11	11	103	11	12	11	12	11	10
Operating cost	-6	-7	84	-6	-7	-6	-7	-7	-6
Sector costs	0	0	25	0	0	0	0	0	0
Profit before impairment charges	5	3	148	5	5	5	5	3	4
Impairment charges, net	0	-1	20	0	1	-6	0	-1	-2
Operating profit	5	3	178	5	5	-1	5	3	2
Impairment charges, intangible assets	0	0		0	-70	0	0	0	-50
Non-recurring items	0	0		0	0	0	0	0	0
Profit before value adjustments and tax	5	3	178	5	-64	-1	5	3	-48
Market value adjustments	0	0		0	0	0	0	0	0
Profit before tax	5	3	178	5	-64	-1	5	3	-48
Loans and advances	729	666	109	729	641	674	689	666	654
Deposits and other debt	582	447	130	582	524	472	470	447	467
Operating cost/income, %	53	66		53	57	54	56	66	57
Number of FTE, end of period	16	19	84	16	15	16	18	19	20

Insurance, Trygd

Income statement, Trygd

DKKm				<i>Index</i>					
	Q1 2016	Q1 2015	16/15	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014
Premium income, net of reinsurance	21	20	105	21	20	21	21	20	20
Claims, net of reinsurance	-12	-20	60	-12	-12	-11	-11	-20	-14
Net insurance income	9	0		9	8	10	10	0	6
Net income from investment activities	-1	0		-1	0	0	-1	0	0
Operating income	8	1		8	8	10	10	1	6
Operating cost	-4	-5	78	-4	-5	-6	-5	-5	-4
Profit before tax	4	-4		4	3	4	5	-4	2
Combined ratio	75	123		75	88	79	73	123	89
Claims ratio	57	99		57	61	51	51	99	68
Number of FTE, end of period	25	25	100	25	25	25	25	25	25

Credit quality of the loan portfolio

Credit classification according to the Danish FSA's method

	Q4 2015			Q1 2016			Change
	<7.5 DKKm	>7.5 DKKm	Total	<7.5 DKKm	>7.5 DKKm	Total	
Portfolio without weakness	4.679	2.781	7.460	3.682	3.211	6.892	-568
Portfolio with some weakness	3.777	2.031	5.808	4.572	1.557	6.129	321
Portfolio with weakness	427	200	627	424	132	556	-72
- here of unsecured	227	96	323	203	58	261	-61
Portfolio with OIE	1.164	609	1.773	958	747	1.704	-69
- here of unsecured	784	326	1.110	631	359	990	-120
- impairments	428	164	591	397	218	615	24
Portfolio without individ. classification	743	12	755	435	36	471	-284
Total	10.791	5.632	16.423	10.070	5.682	15.752	-671