

Investor Presentation

BANKNORDIK

Interim Report H1 2015:

Robust result with income growth

Janus Petersen, CEO

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Overview

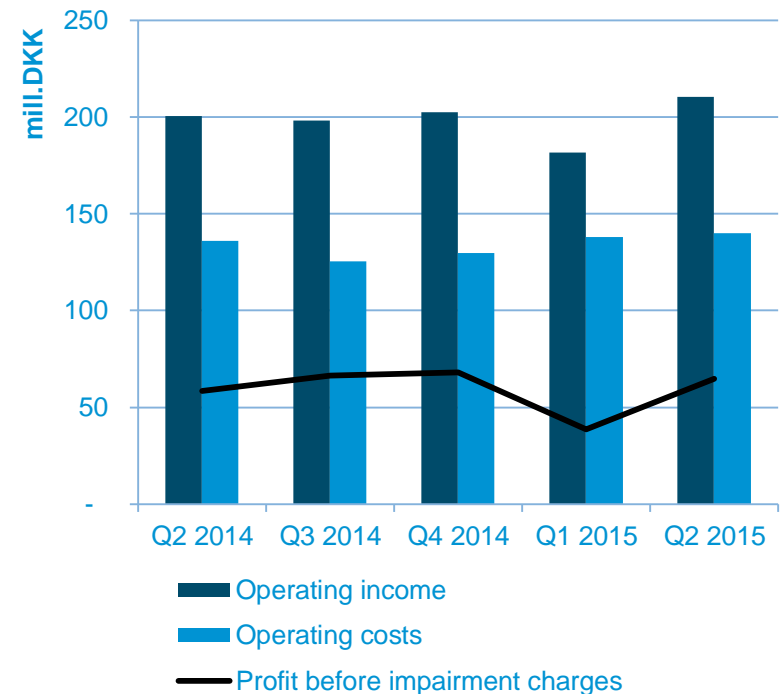
- Financial performance in Q2 explained
- Outlook for 2015
- Strategic focus outlined
 - Stringent segmentation ⇒ Improve income
 - Rationalisation continues ⇒ Cut costs
 - Solid and systematic credit policy ⇒ Low impairments
 - Optimise capital structure ⇒ Repay subordinated loans

Highlights Q2 2015:

Income growth driven by higher activity in mortgage lending and asset management

- Operating profit amount to DKK 70m
- Profit before tax DKK 15m – primarily explained by value adj. and one-offs
- Insurance income, net DKK 16m (Q1: 1m)
- Operating income increased to DKK 211m (Q1: 182m)
- Operating costs increased to DKK 140m (Q1: 138m)
- Impairments decreased to a reversal of DKK 5m (Q1: 20m)
- Profit before imp. & non-recur. DKK 65m (Q1: 39m)
- Outlook for 2015 retained to be in the range of DKK 200-240m

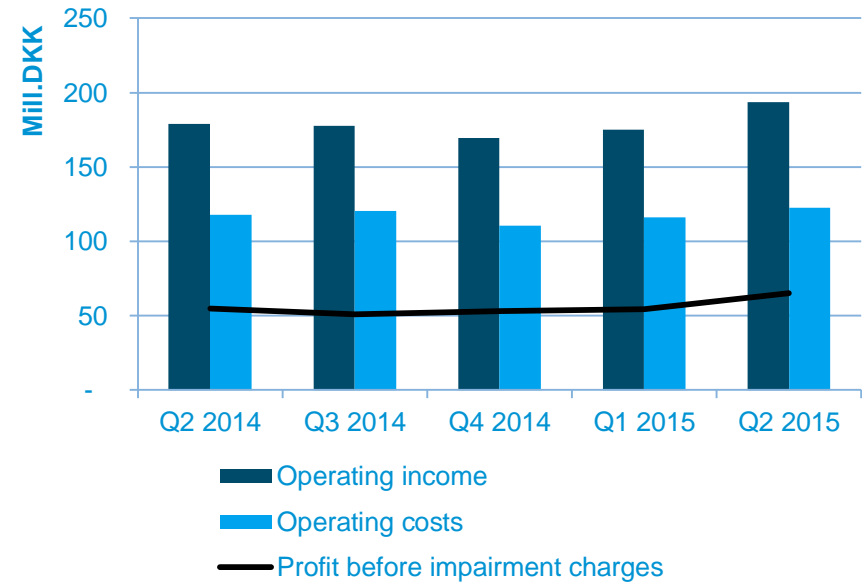
Profit, income & costs
Group



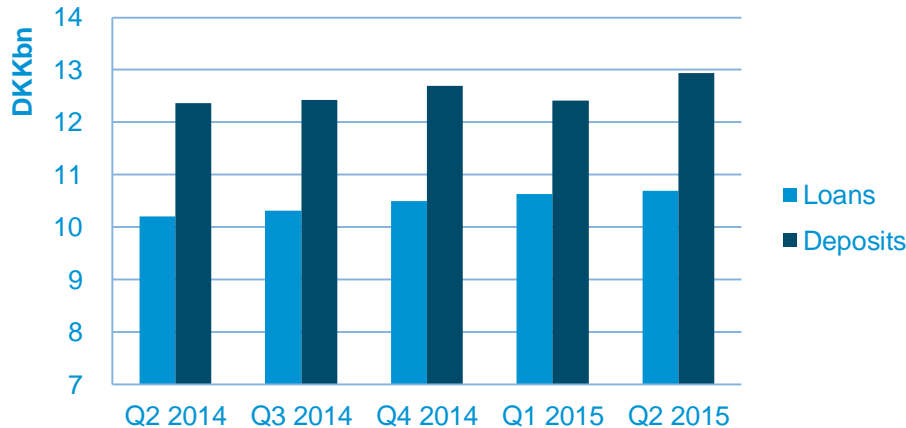
Banking: Lending growth and increased operating income

- Profit before impairments and non-recurring items DKK 65m (Q1 2015: 50m)
- Operating income increased to DKK 194m (Q1 2015: 177m)
 - Fee and interest income grew
- Operating costs increased to DKK 123m in Q2
- Impairment reversals of DKK 5m in Q2

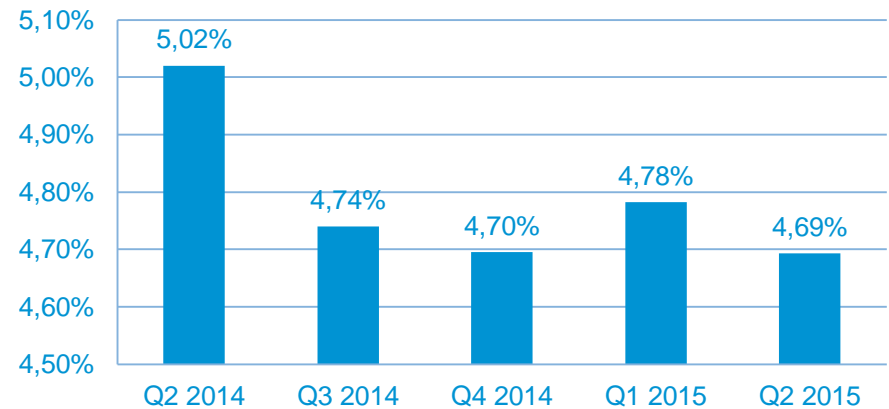
Profit, income & costs Banking



Loans & Deposits



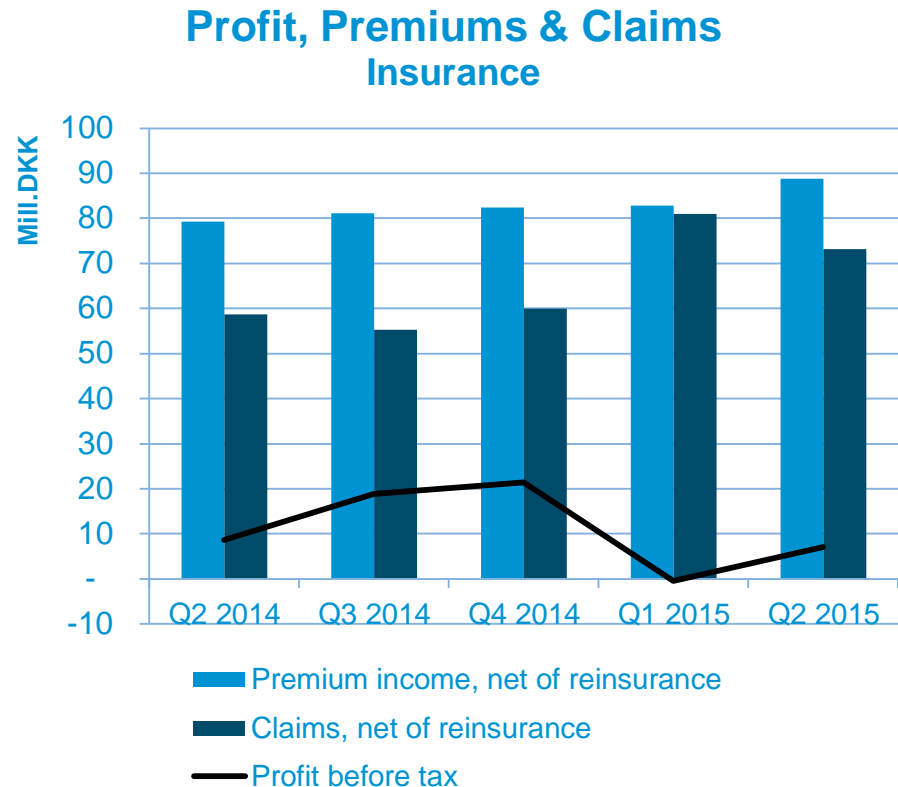
Interest Margin



Insurance:

Profitable with high premium income

- Profit before tax amounted to DKK 7m in Q2 2015 relative to DKK 9m in Q2 2014
- Premium income from insurance activities improved DKK 9m relative to Q2 2014 to DKK 89m in Q2 2015
- Claims were however DKK 14m higher in Q2 2015 relative to Q2 2014
- Investment income the amounted to DKK 8m in Q2 2015



Outlook for 2015:

Growth in volumes and fee income with continued 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 H1 this result amounted to DKK 103m.
- 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 for the full year are now expected to be at the same level as last year
- Impairments are expected to be significantly lower than 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 still attracts new retail customers
- Extremely low interest rates support growing activity in mortgage refinancing
 - Reflected in improved net fee income in Q2 2015
- Results of focused corporate customer acquisition continues to materialise

Strategic focus:

Cost efficiency remains on the agenda

- Constrained cost growth in banking and insurance
- Cost growth in Q2 is partly explained by one-offs in IT
- FTE in Banking has been reduced by 7% since Q1 2014
- Continue efforts to further improve efficiency

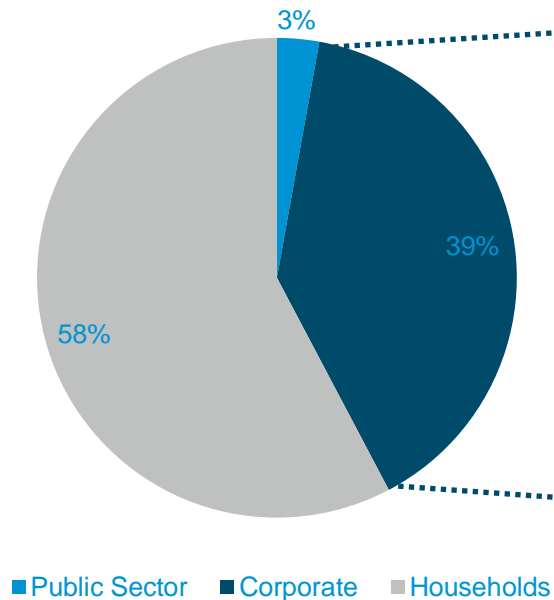
FTE

	H1 2015	H1 2014	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014
Banking	389	420	389	411	412	420	420	420
Insurance	96	86	96	88	88	89	86	86
Other	5	4	5	5	5	4	4	6
Group	490	510	490	504	506	513	510	512

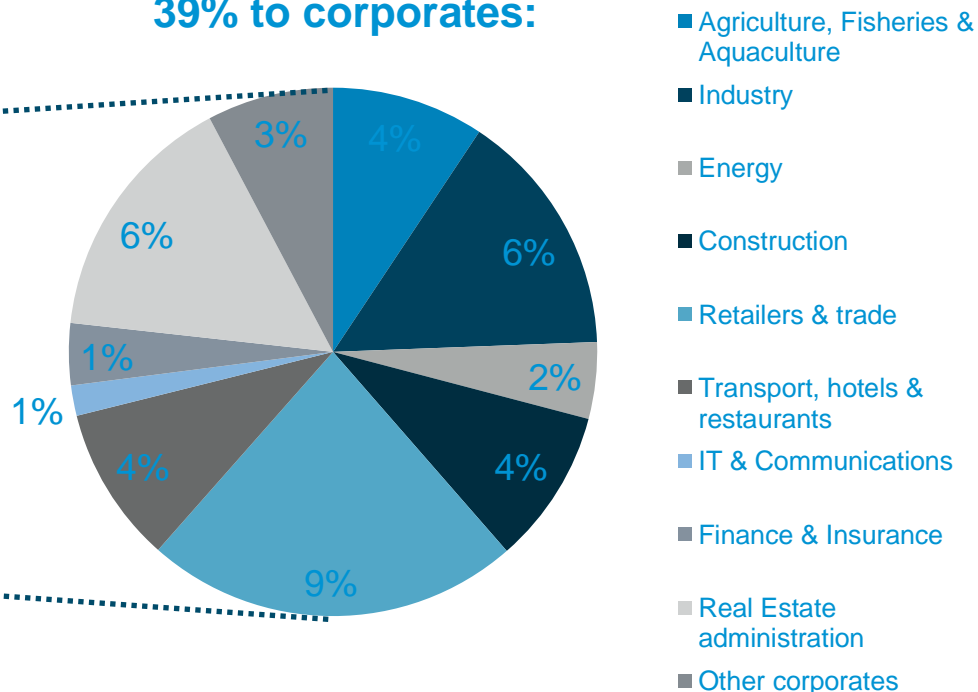
Strategic focus: Diversified loans and systematic credit policy

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

Break-down of loan book:



Further break-down of the 39% to corporates:



Strategic focus:

Optimising capital structure

- Core capital ratio excl. hybrid: 12.2% (2014: 11.8%)
- Solvency ratio: 15.0% of RWA
- Current capital requirement: 8.9 % of RWA
- CRD IV is implemented in 2015 with full effect from 2019
- Target for 2019 of 13% in core capital ratio excl. hybrid and a solvency ratio of 16.5%
- Hybrid and subordinated debt expected to amount to approximately 3.5% 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

Income statement, Group								
DKKm	H1 2015	H1 2014	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014
Net interest income	253	258	127	126	125	125	126	133
Net fee and commission income	118	94	64	53	52	45	50	44
Net insurance income	17	28	16	1	22	26	20	8
Other operating income*	5	8	3	2	3	3	4	3
Operating income	392	388	211	182	202	198	201	187
Operating costs	-278	-268	-140	-138	-130	-125	-136	-132
Sector costs	-11	-12	-6	-5	-5	-6	-6	-6
Profit before impairment charges	103	108	65	39	68	67	58	49
Impairment charges	-22	-54	0	-22	-34	-22	-24	-30
Reversals of acquired OEI impairments	7	14	5	2	6	6	6	9
Impairment charges, net	-15	-40	5	-20	-29	-17	-19	-21
Operating profit	88	68	70	18	39	50	40	28
Impairment charges, intangible assets	0	0	0	0	-250	0	0	0
Non-recurring items	-14	-1	-14	0	-12	0	1	-2
Profit before value adjustments and tax	74	67	56	18	-222	50	41	26
Market value adjustments*, **	5	17	-40	46	-4	-1	13	4
Profit before tax	79	85	15	64	-226	49	54	31
Operating cost/income, %	71	69	67	76	64	62	66	70
Number of FTE, end of period	490	510	490	504	506	513	510	512

*DKK 5.3m restated from Other operating income to market value adjustments in H1 2014 relating to the reclassification of dividend value adjustments in the subsidiary Vörður.

**Incl. Net income from investment activities

Banking

DKKm	H1 2015	H1 2014	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014
Net interest income	247	252	125	122	122	122	122	130
Net fees, commission income & dividends	122	99	67	55	51	46	52	47
Other operating income	2	5	2	0	3	2	3	2
Operating income	371	357	194	177	175	170	178	179
Operating cost	-245	-238	-123	-122	-116	-110	-120	-118
Sector costs	-11	-12	-6	-5	-5	-6	-6	-6
Profit before impairment charges	115	106	65	50	54	53	51	55
Impairment charges, net	-15	-40	5	-20	-29	-17	-19	-21
Operating profit	100	66	70	30	26	36	33	34
Impairment charges, intangible assets	0	0	0	0	-250	0	0	0
Non-recurring items	-14	-1	-14	0	-12	0	1	-2
Profit before value adjustments and tax	86	65	56	30	-236	36	34	32
Market value adjustments	-13	28	-47	34	-11	-7	11	17
Profit before tax	73	93	9	64	-247	29	45	48
Loans and advances	10.687	10.207	10.687	10.633	10.492	10.315	10.207	10.392
Deposits and other debt	12.935	12.364	12.935	12.411	12.690	12.421	12.364	12.132
Operating cost/income, %	66	67	63	69	66	65	68	66
Number of FTE, end of period	389	420	389	411	412	420	420	420

Banking, Faroe Islands

DKKm	H1 2015	H1 2014	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014
Net interest income	117	107	59	58	53	52	51	56
Net fees, commission income & dividends	31	34	18	13	14	13	20	14
Other operating income	1	3	1	0	2	2	1	2
Total Operating income	149	144	77	71	70	67	72	72
Operating cost	-92	-85	-48	-44	-42	-41	-43	-42
Sector costs	-4	-5	-2	-2	-2	-3	-2	-3
Profit before impairment charges	52	54	27	26	27	23	27	27
Impairment charges, net	2	-24	1	1	-8	-11	-7	-17
Operating profit	54	30	28	26	18	13	20	10
Non-recurring items	-1	-4	-1	0	-5	0	-2	-2
Profit before value adjustments and tax	53	26	27	26	14	13	19	8
Market value adjustments	-13	28	-47	34	-11	-7	11	17
Profit before tax	40	54	-20	60	2	6	29	24
Loans and advances	5.841	5.763	5.841	5.800	5.707	5.727	5.763	5.759
Deposits and other debt	5.782	5.337	5.782	5.646	5.847	5.572	5.337	5.295
Operating cost/income, %	62	59	63	61	60	61	59	58
Number of FTE, end of period	160	166	160	159	158	167	166	163

Banking, Denmark

DKKmn	H1 2015	H1 2014	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014
Net interest income	114	126	58	56	61	62	62	64
Net fees, commission income & dividends	86	61	46	40	34	31	30	31
Other operating income	0	1	1	0	0	-1	1	0
Total Operating income	200	188	105	96	95	92	94	95
Operating cost	-139	-140	-68	-72	-68	-63	-70	-69
Sector costs	-7	-6	-3	-3	-3	-3	-3	-3
Profit before impairment charges	54	42	34	21	24	26	20	22
Impairment charges	-23	-26	-1	-22	-24	-11	-16	-10
Reversals of acquired OEI impairments	7	14	4	2	6	5	6	9
Impairment charges, net	-17	-12	4	-20	-18	-6	-10	-2
Operating profit	38	31	37	0	5	20	10	20
Impairment charges, intangible assets	0	0	0	0	-200	0	0	0
Non-recurring items	-13	3	-13	0	-7	0	3	0
Profit before value adjustments and tax	25	34	24	0	-202	20	13	20
Market value adjustments	0	0	0	0	0	0	0	0
Profit before tax	25	34	24	0	-202	20	13	20
Loans and advances	4.157	3.707	4.157	4.167	4.130	3.882	3.707	3.892
Deposits and other debt	6.682	6.501	6.682	6.318	6.376	6.371	6.501	6.407
Operating cost/income, %	70	74	65	75	72	68	75	73
Number of FTE, end of period	211	236	211	233	234	232	236	238

Banking, Greenland

DKKmn	H1 2015	H1 2014	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014
Net interest income	16	19	9	8	8	8	9	10
Net fees, commission income & dividends	5	5	3	2	2	2	2	3
Other operating income	1	1	0	0	0	0	0	0
Total Operating income	22	24	12	11	10	11	11	13
Operating cost	-14	-14	-7	-7	-6	-7	-7	-7
Sector costs	0	-1	0	0	0	0	0	0
Profit before impairment charges	8	10	5	3	4	4	4	6
Impairment charges, net	0	-4	0	-1	-2	0	-2	-2
Operating profit	8	6	5	3	2	4	2	3
Impairment charges, intangible assets	0	0	0	0	-50	0	0	0
Non-recurring items	0	0	0	0	0	0	0	0
Profit before value adjustments and tax	8	6	5	3	-48	4	2	3
Market value adjustments	0	0	0	0	0	0	0	0
Profit before tax	8	6	5	3	-48	4	2	3
Loans and advances	689	736	689	666	654	705	736	741
Deposits and other debt	470	526	470	447	467	478	526	429
Operating cost/income, %	61	58	56	66	57	64	62	54
Number of FTE, end of period	18	18	18	19	20	21	18	19

Insurance

DKKm	H1 2015	H1 2014	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014
Premium income, net of reinsurance	172	155	89	83	82	81	79	76
Claims, net of reinsurance	-154	-126	-73	-81	-60	-55	-59	-68
Net insurance income	18	29	16	2	22	26	21	8
Net income from investment activities	21	-2	8	13	13	8	3	-5
Operating income	39	27	24	15	35	33	24	3
Operating cost	-32	-29	-17	-15	-14	-14	-15	-14
Profit before tax	7	-3	7	-1	21	19	9	-11
Combined ratio	109	100	101	116	89	86	93	108
Claims ratio	90	81	82	98	73	68	74	89
Number of FTE, end of period	96	86	96	88	88	89	86	86

Insurance, Trygd in the Faroe Islands

DKKmn	H1 2015	H1 2014	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014
Premium income, net of reinsurance	41	39	21	20	20	20	20	19
Claims, net of reinsurance	-31	-28	-11	-20	-14	-7	-15	-13
Net insurance income	10	11	10	0	6	13	5	6
Net income from investment activities	0	2	-1	0	0	1	1	1
Operating income	10	14	10	1	6	13	6	8
Operating cost	-9	-9	-5	-5	-4	-5	-5	-4
Profit before tax	1	5	5	-4	2	9	1	3
Combined ratio	97	94	73	123	89	61	99	89
Claims ratio	74	71	51	99	68	37	75	67
Number of FTE, end of period	25	25	25	25	25	26	25	25

Insurance, Vörður in Iceland

DKKm	H1 2015	H1 2014	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014
Premium income, net of reinsurance	131	116	68	63	62	61	60	57
Claims, net of reinsurance	-124	-99	-62	-61	-46	-48	-44	-55
Net insurance income	7	18	5	2	16	13	16	2
Net income from investment activities	22	-4	9	13	13	7	2	-7
Operating income	29	13	14	14	29	20	18	-5
Operating cost	-23	-20	-12	-11	-9	-10	-11	-10
Profit before tax	6	-7	2	4	19	10	7	-15
Combined ratio	112	102	110	114	90	94	91	114
Claims ratio	95	85	92	97	74	78	74	97
Number of FTE, end of period	71	61	71	63	63	63	61	61

Number of full-time employees, end of period

	H1 2015	H1 2014	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014
Banking	389	420	389	411	412	420	420	420
Insurance	96	86	96	88	88	89	86	86
Other	5	4	5	5	5	4	4	6
Group	490	510	490	504	506	513	510	512

Credit quality of the loan portfolio

- Credit classification according to the Danish FSA's method

	Q1 2015			Q2 2015			Changes
	<7.5 mDKK	> 7.5 mDKK	Total	<7.5 mDKK	> 7.5 mDKK	Total	
Portfolio without weakness	4.560	2.781	7.341	4.460	3.139	7.599	258
Portfolio with some weakness	3.894	2.028	5.922	4.148	1.899	6.046	125
Portfolio with weakness	425	290	716	413	295	708	- 7
- here of unsecured	221	105	326	222	93	315	- 11
Portfolio with OEI	1.123	652	1.774	1.109	657	1.766	- 9
- here of unsecured	776	342	1.118	763	320	1.082	- 35
- impairments	426	193	619	424	181	605	- 15
Portfolio without indiv. classification	646	19	665	542	-	542	- 123
Total	10.649	5.770	16.418	10.672	5.990	16.662	243