

Investor Presentation

BANKNORDIK

Satisfactory results in the first half of 2016

4 August 2016

Árni Ellefsen, CEO

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Overview

- **Highlights**
- **Update on strategic adjustments**
- **Financials**
 - Banking
 - Insurance
 - Expenditures
 - Impairment charges
- **Capital development**
 - Capital ratios
 - Restructuring of subordinated capital
- **Long-term financial objectives**
- **Outlook 2016**
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- Retail banking
- Private banking
- Corporate banking
- Insurance

Highlights

– Satisfactory performance in Q2 leads to narrowed guidance

H1 2016 financial highlights (H1 2015)*

- Operating income down 13% YoY to DKK 331m (DKK 379m)
- Operating costs fell 9% to DKK 232m (DKK 255m)
- Net loan impairment charges were a reversal of DKK 4m (DKK 15m)
- Operating profit amounted to DKK 101m (DKK 97m)
- Profit before tax increased to DKK 86m (DKK 73m)
- CET1 capital ratio of 15.1% at 30 June 2016

Q2 2016 operational highlights

- Vørður deal approved by Icelandic central bank and Icelandic FSA – awaiting approval from the competition authorities
- Corporate loan book in Denmark reduced by close to DKK 1 billion at 30 June 2016
- Share buy-back programme for 2016 of up to DKK 33m initiated in May
- Outstanding bonds redeemed and new subordinated bonds issued

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

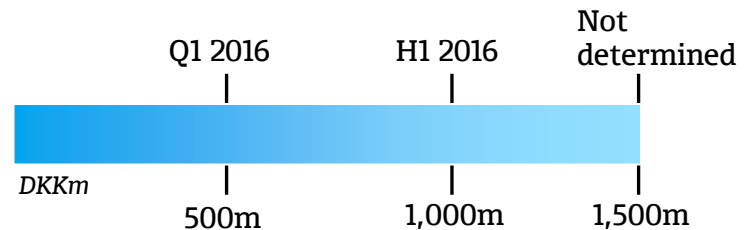
Update on the divestment of Vörður and the winding up of the Danish corporate activities

Divestment of Vörður



- Deal approved by the Icelandic central bank and the Icelandic FSA
- Awaiting approval from the Icelandic competition authorities
- Transaction expected to close in second half of 2016.

Winding up of corporate activities in Denmark



- Danish corporate loan book reduced by close to DKK 1 billion in book value at end of June 2016.

Satisfactory H1 2016 performance

H1 2016 vs. H1 2015

- Interest income down DKK 32m mainly from controlled run-off of corporate loans in Denmark, but also due to margin pressure
- Fee income DKK 26m lower due to normalisation of mortgage broking activity in 2016 as well as less income from corporate activities in Denmark
- Operating costs fell DKK 23m, consistent with Group's refocusing
- Operating profit up DKK 4m

Q2 2016 vs. Q1 2016

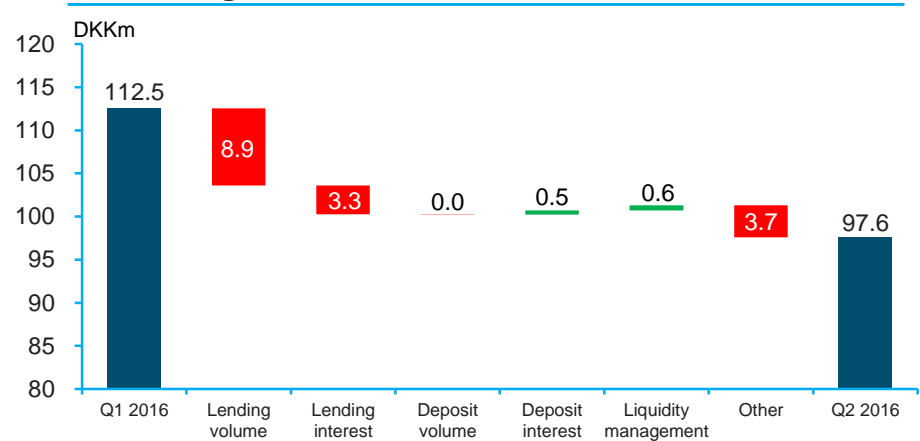
- Interest income down DKK 15m
- Fee income up DKK 6m
- Operating costs fell by DKK 2m
- Operating profit flat at DKK 50m
- Loans and advances down DKK 566m

DKKm	H1 2016	H1 2015	Index	Q2 2016	Q1 2016	Index
Net interest income	210	242	87	98	113	87
Net fee and commission income	96	122	79	51	45	113
Net insurance income	20	10	200	11	8	138
Other operating income*	5	5	100	3	2	150
Operating income	331	379	87	163	168	97
Operating costs	-232	-255	91	-115	-117	98
Sector costs	-2	-11	18	-1	-1	100
Profit before impairment charges	97	112	87	47	49	96
Impairment charges, net	4	-15		3	1	
Operating profit	101	97	104	50	50	100
Impairment charges, intang. assets	0	0		0	0	
Non-recurring items	-12	-14		0	-12	
Market value adjustments	7	-16		9	-3	
Profit before tax, continuing	95	67	142	60	35	171
Profit before tax, discontinued (Vørður)	-9	6		1	-10	
Profit before tax, total	86	73	118	61	25	244
Loans and advances	9.395	10.680	88	9.395	9.961	94
Deposits and other debt	12.949	12.836	101	12.949	12.532	103
Operating cost / income, %	70	67		70	70	

Interest income affected by controlled run-off of corporate lending in Denmark

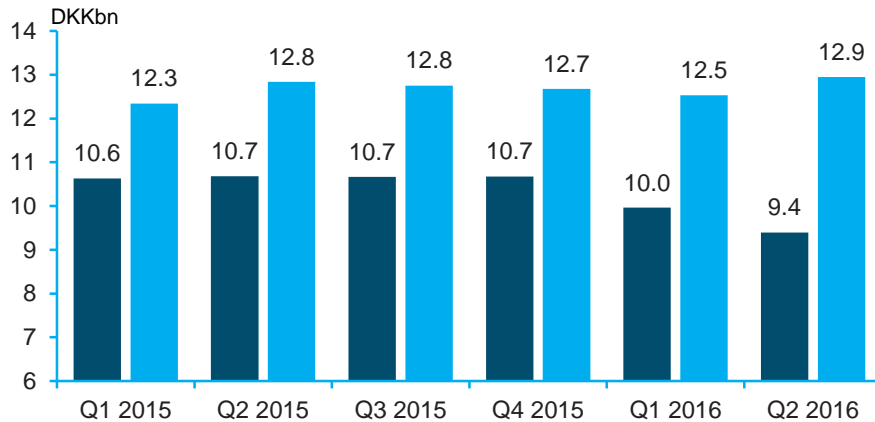
- Net interest income (NII) down DKK 15m from Q1 2016 to Q2 2016 and by DKK 32m from H1 2015 to H1 2016
- Drop in interest income mainly owing to the winding up of corporate activities in Denmark and continuous margin pressure
- Investment income decreased DKK 7m from H1 2015 to H1 2016 due to risk-off positioning
- Lending volumes down DKK 566m QoQ.

QoQ changes in NII

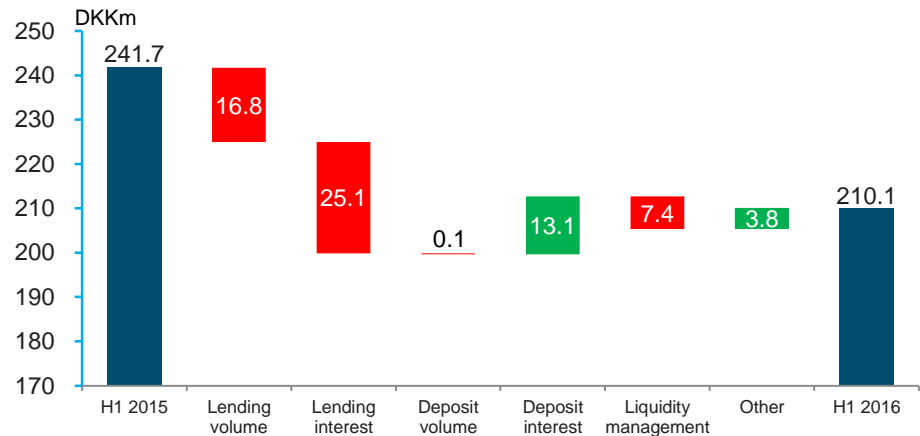


Loans and deposits

■ Loans ■ Deposits



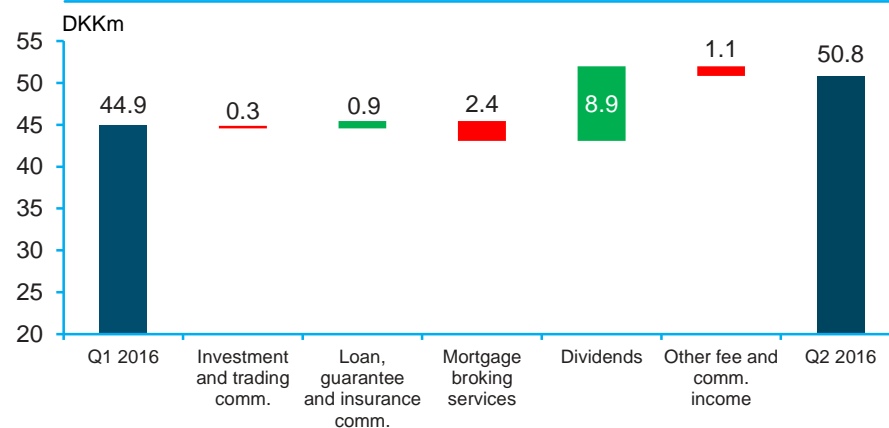
YoY changes in NII



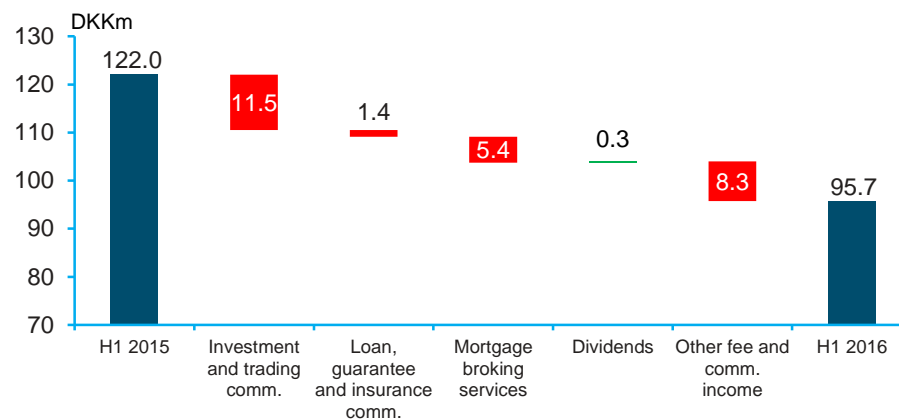
Customer activity down since H1 2015

- Net fee and commission income increased DKK 6m from Q1 2016 to Q2 2016 and fell DKK 26m from H1 2015 to H1 2016
- The QoQ increase in income was mainly due to dividend income from the investment portfolio
- The YoY fall in income was primarily related to:
 - Less asset management activity in H1 2016
 - Normalisation of mortgage broking activity 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

QoQ changes in fee and commission income

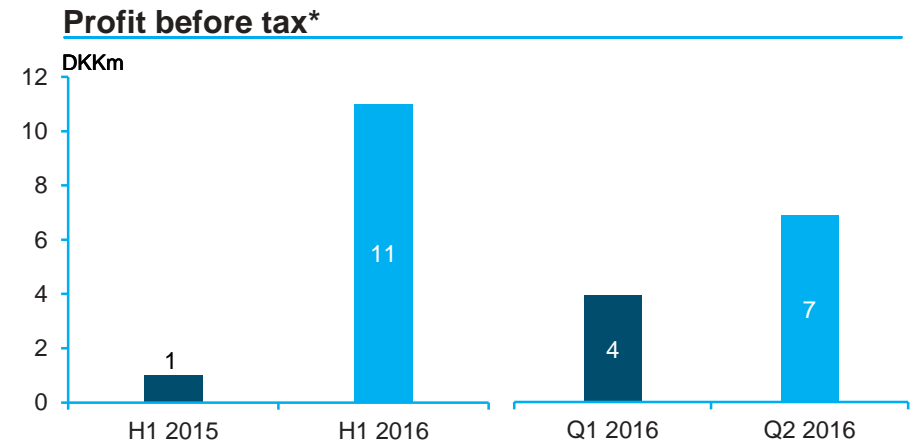
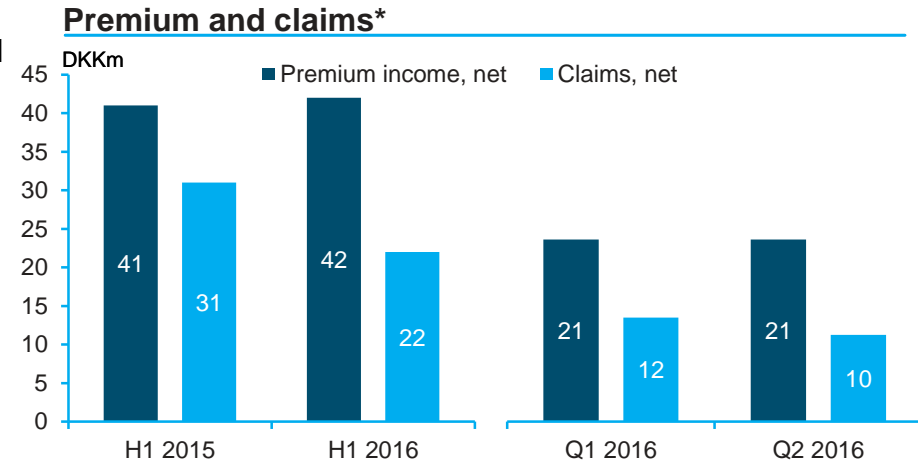


YoY changes in net fee and commission income



Insurance: Income higher, claims lower

- Net premium income up by DKK 1m in H1 2016 compared to H1 2015 and remained flat from Q1 2016 to Q2 2016
- Net claims down DKK 9m from H1 2015 to H1 2016 and down DKK 2m from Q1 2016 to Q2 2016
- Profit before tax of DKK 11m in H1 2016 relative to DKK 1m in H1 2015 and DKK 7m in Q2 2016 relative to DKK 4m in Q1 2016
- Market prices have stabilised in 2016 after a period of increased competition and relatively low claims.

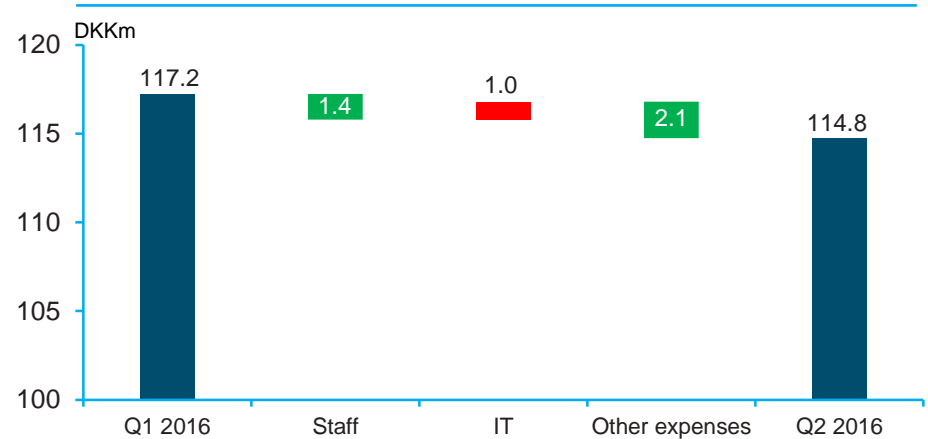


*Vørdur is excluded and figures relate to Trygd only.

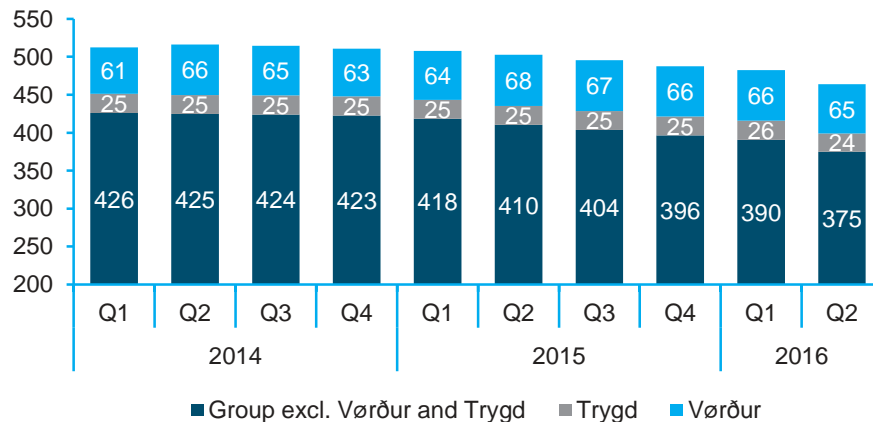
Operating expenses decline as BankNordik refocuses core activities

- Operating costs fell DKK 2m from Q1 2016 to Q2 2016 and DKK 23m from H1 2015 to H1 2016
- Q2 2016 negatively affected by discontinuing costs related to the centralisation of branch support in the Faroe Islands
- Staff costs notably down YoY mainly due to the winding-up of corporate activities in Denmark
- DKK 6m in amortisation of intangible assets related to customer relations discontinued – fully written off in Q4 2015

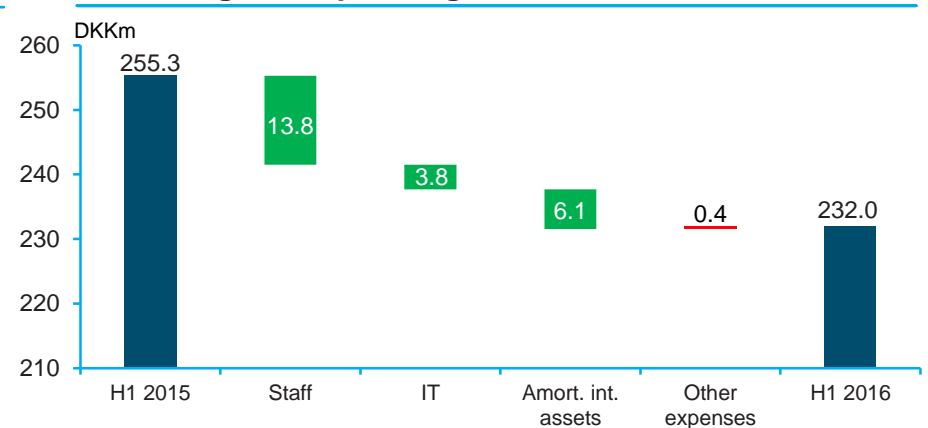
QoQ changes in operating costs



Average number of employees (FTE)



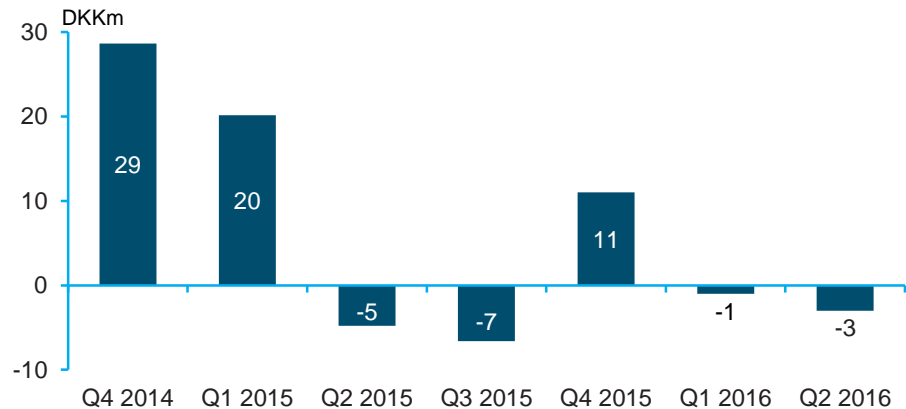
YoY changes in operating costs



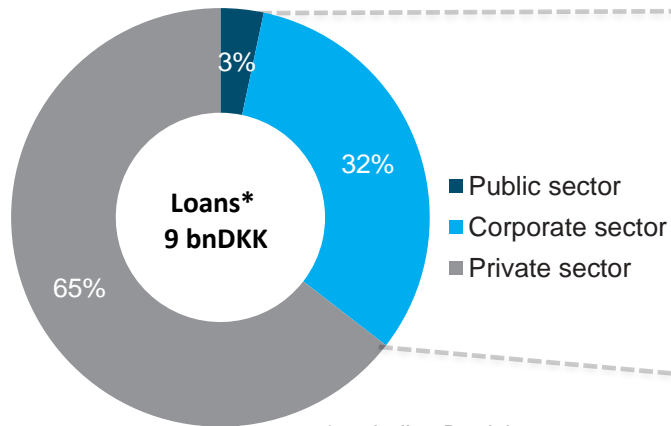
Continuing net reversals of impairment charges reflect firm credit policy guidelines

- In Q2 2016 net impairment charges were a reversal of DKK 3m compared to a reversal of DKK 1m in Q1 2016 and DKK 5m in Q2 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 6% of the loan portfolio, excluding the Danish corporate portfolio

Net impairment charges

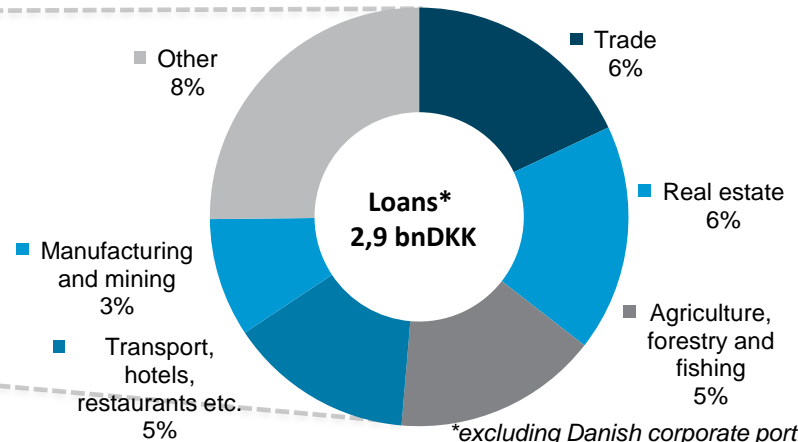


Loans by sector



*excluding Danish corporate portfolio

Corporate sector break-down

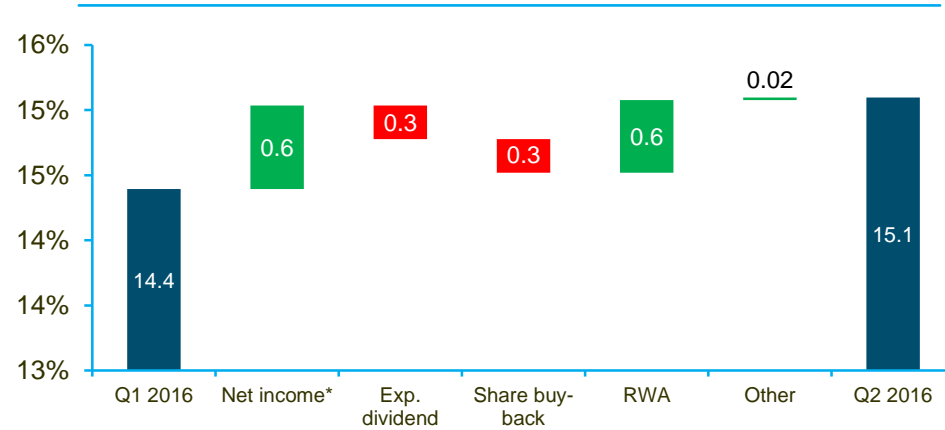


*excluding Danish corporate portfolio

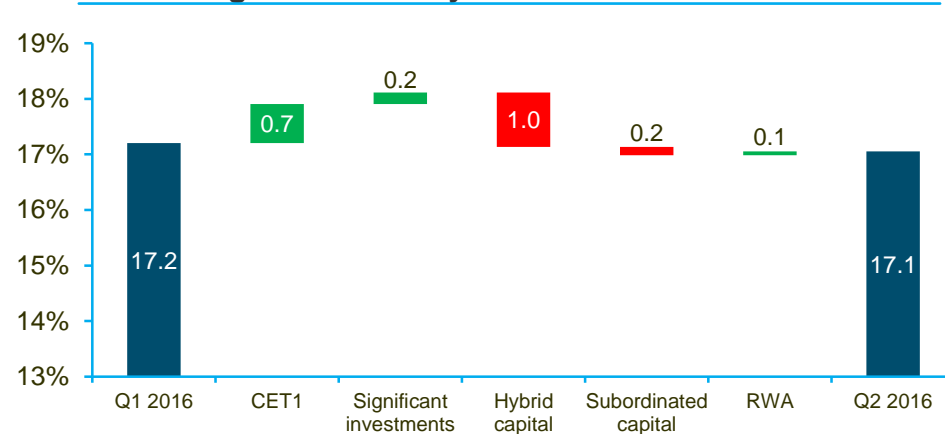
Lower RWA and restructured subordinated capital affect capital ratios

- At 30 June 2016, the Bank had a CET1 capital ratio of 15.1%, a 0.7 percentage point increase from 31 March 2016
- Solvency fell 0.1% during the same period
- The increase in CET1 was mainly attributable to net income and lower RWA related to the winding-up of corporate activities in Denmark
- The decrease in solvency was due to the redemption of outstanding hybrid and subordinated bonds on the 24th of June 2016 and the concurrent issue of new CRD IV compliant debt
- BankNordik currently meets its long-term capital ratio targets of 13% CET1 and 16.5% solvency

QoQ changes in CET1 ratio



QoQ changes in solvency



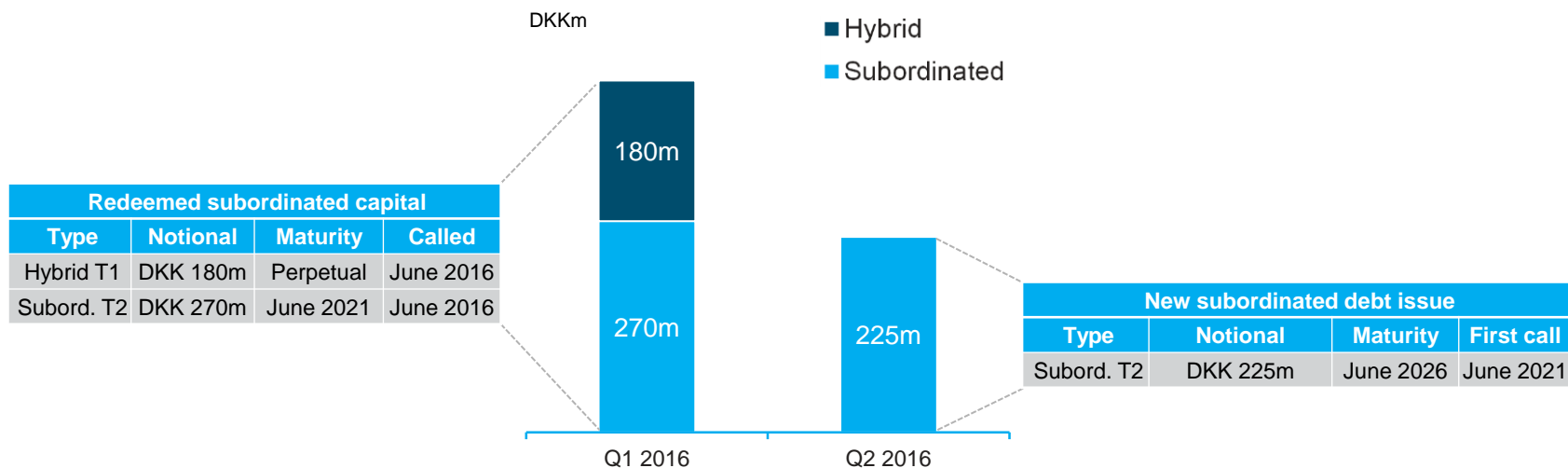
*Net income for H1 2016 (Q1 2016 was not included in previous quarter)

Outstanding bonds redeemed and new subordinated bonds issued

Upcoming interest expense savings through restructured subordinated capital

- On 24 June 2016, BankNordik redeemed its outstanding hybrid and subordinated debt for a total value of DKK 450m, while at the same time issuing DKK 225m in new CRD IV compliant tier 2 capital
- The coupon of the new subordinated debt is 5.0785% p.a. for the first 5 years, based on the 5-year fixed Danish swap rate plus a margin of 4.75% p.a.
- The net annual interest expense savings resulting from the transaction will amount to approximately DKK 20m

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 H1 2016, ROE was affected by:
 - DKK 9m loss before tax related to Vørður
 - Non-recurring items related to redundancies
 - Low impairment charges





Progress

Key metrics	2015	H1 2016	2020 target
Return on equity	6.3%*	8.5%**	10%
Cost/income ratio	68%	70%	62%
CET1 capital ratio	13.9%	15.1%	13%
Total capital ratio	16.8%	17.1%	16.5%

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

Outlook for 2016

Expectations for 2016 strongly 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 160-190m in 2016 (H1 2016: 97m)	

**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	H1 2016	H1 2015	Index 16/15	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Net interest income	210	242	87	98	113	111	116	122	120
Net fee and commission income	96	122	78	51	45	52	52	67	55
Net insurance income	20	10	203	11	8	8	10	10	0
Other operating income	5	5	97	3	2	4	2	3	2
Operating income	331	379	87	163	168	175	180	203	176
Operating costs	-232	-255	91	-115	-117	-122	-122	-128	-127
Sector costs	-2	-11	20	-1	-1	-5	-5	-6	-5
Profit before impairment charges	97	112	86	47	49	47	54	69	43
Impairment charges	-10	-22	44	-10	-3	-26	-12	0	-22
Reversals of acquired OEI impairments	14	7	202	14	3	15	18	5	2
Impairment charges, net	4	-15		3	1	-11	7	5	-20
Operating profit	101	97	104	50	50	36	60	74	23
Impairment charges, intangible assets	0	0		0	0	-468	0	0	0
Non-recurring items	-12	-14		0	-12	-29	-11	-14	0
Profit before value adjustments and tax	88	83	106	50	38	-461	49	60	23
Market value adjustments*	7	-16		9	-3	-4	-20	-50	34
Profit before tax, continuing operations	95	67	141	60	35	-465	29	10	57
Profit before tax, discontinued operations (Vörður)	-9	6		1	-10	18	13	2	4
Profit before tax, total	86	73	117	61	25	-447	42	12	61
Operating cost/income, %	70	67		70	70	70	67	63	72
Number of FTE, end of period (incl. Vörður)	464	490	95	464	477	459	478	490	504

*Incl. Net income from investment activities

Banking

Income statement, Banking

DKKm	H1 2016	H1 2015	Index 16/15	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Net interest income	210	241	87	97	112	111	116	122	119
Net fees, commission income & dividends	98	122	81	52	46	52	52	67	55
Other operating income	2	2	119	2	1	2	1	2	0
Operating income	310	365	85	151	159	164	168	190	174
Operating cost	-223	-245	91	-110	-113	-115	-115	-123	-122
Sector costs	-2	-11	20	-1	-1	-5	-5	-6	-5
Profit before impairment charges	85	109	78	40	45	44	48	62	47
Impairment charges	-10	-22	44	-7	-3	-26	-12	0	-22
Reversals of acquired OEI impairments	14	7	202	10	3	15	18	5	2
Impairment charges, net	4	-15		3	1	-11	7	5	-20
Operating profit	88	93	95	43	45	33	55	67	26
Impairment charges, intangible assets	0	0		0	0	-468	0	0	0
Non-recurring items	-12	-14		0	-12	-29	-11	-14	0
Profit before value adjustments and tax	76	80	96	43	33	-464	44	53	26
Market value adjustments	10	-13		12	-3	-5	-19	-47	34
Profit before tax	86	67	129	55	30	-469	24	6	61
Loans and advances	9.395	10.680	88	9.395	9.961	10.675	10.669	10.680	10.630
Deposits and other debt	13.006	12.935	101	13.006	12.589	12.739	12.829	12.935	12.411
Operating cost/income, %	72	67		73	71	70	68	64	70
Number of FTE, end of period	370	389	95	370	381	363	383	389	411

Personal Banking

Income statement, Personal banking

DKKm	H1 2016	H1 2015	Index 16/15	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Net interest income	138	148	93	68	70	76	81	75	73
Net fees, commission income & dividends	72	99	73	36	36	48	38	55	44
Other operating income	-1	-1	136	-2	0	1	1	-1	0
Operating income	209	246	85	103	106	125	120	128	118
Operating cost	-83	-88	94	-45	-38	-40	-45	-44	-44
Sector costs	-2	-8	20	-1	-1	-4	-3	-4	-4
Profit before impairment charges	125	150	83	57	68	82	72	79	70
Impairment charges	7	-2		8	-1	-7	0	3	-5
Reversals of acquired OEI impairments	7	5	157	6	2	1	2	4	1
Impairment charges, net	14	3		14	1	-5	2	7	-4
Operating profit	139	153	91	71	68	76	74	86	67
Impairment charges, intangible assets	0	0		0	0	0	0	0	0
Non-recurring items	-2	-4		0	-2	-7	0	-4	0
Profit before value adjustments and tax	138	149	93	71	67	69	74	82	67
Market value adjustments	0	0		0	0	0	0	0	0
Profit before tax	138	149	93	71	67	69	74	82	67
Loans and advances	5.716	5.943	96	5.716	5.766	5.961	5.984	5.943	5.898
Deposits and other debt	9.742	9.691	101	9.742	9.382	9.534	9.441	9.691	9.140
Operating cost/income, %	40	36		44	36	32	37	35	37
Number of FTE, end of period	134	146	92	134	133	129	126	146	133

Corporate Banking

Income statement, Corporate Banking

DKKm	H1 2016	H1 2015	Index 16/15	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Net interest income	81	96	84	36	45	47	53	49	47
Net fees, commission income & dividends	8	10	77	4	4	4	6	5	5
Other operating income	0	0	28	0	0	0	0	0	0
Operating income	89	106	84	40	49	51	59	54	52
Operating cost	-10	-17	61	-4	-6	-8	-8	-9	-8
Sector costs	-1	-3	20	0	0	-1	-2	-1	-1
Profit before impairment charges	78	87	90	36	42	42	50	44	42
Impairment charges	-16	-18	87	-16	0	5	-7	-6	-13
Reversals of acquired OEI impairments	5	2	278	5	1	11	16	1	1
Impairment charges, net	-10	-16	65	-11	1	16	9	-5	-11
Operating profit	68	70	96	24	43	58	58	39	31
Impairment charges, intangible assets	0	0		0	0	0	0	0	0
Non-recurring items	0	0		0	0	0	0	0	0
Profit before value adjustments and tax	68	70	96	24	43	58	58	39	31
Market value adjustments	0	0		0	0	0	0	0	0
Profit before tax	68	70	96	24	43	58	58	39	31
Loans and advances	3.678	4.743	78	3.678	4.195	4.924	4.685	4.743	4.714
Deposits and other debt	3.264	3.243	101	3.264	3.207	3.170	3.388	3.244	3.271
Operating cost/income, %	12	16		10	13	17	13	16	16
Number of FTE, end of period	13	29	45	13	14	20	29	29	33

Banking, Faroe Islands

Income statement, Faroe Islands

DKKm	H1 2016	H1 2015	Index 16/15	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Net interest income	102	111	92	47	55	48	50	56	55
Net fees, commission income & dividends	29	31	95	17	12	13	14	18	13
Other operating income	1	1	150	1	1	1	0	1	0
Total Operating income	132	142	93	64	68	62	64	74	68
Operating cost	-87	-92	94	-43	-44	-49	-45	-48	-44
Sector costs	-1	-4	19	0	0	-2	-1	-2	-2
Profit before impairment charges	45	46	97	21	24	11	17	24	23
Impairment charges	-1	2	84	-7	5	-11	-14	1	1
Reversals of acquired OEI impairments	0	0		0	0	0	0	0	0
Impairment charges, net	-1	2	84	-7	5	-11	-14	1	1
Operating profit	44	48	91	14	29	1	3	25	23
Non-recurring items	0	-1		0	0	-22	-11	-1	0
Profit before value adjustments and tax	44	47	93	14	29	-21	-8	24	23
Market value adjustments	10	-13	74	12	-3	-5	-19	-47	34
Profit before tax	53	34	156	26	27	-26	-27	-23	57
Loans and advances	5.843	5.834	100	5.843	5.810	5.936	5.781	5.834	5.797
Deposits and other debt	6.179	5.782	107	6.179	5.810	5.656	5.814	5.782	5.646
Operating cost/income, %	66	65		67	64	79	70	65	64
Number of FTE, end of period	171	160	107	171	169	154	154	160	159

Banking, Denmark

Income statement, Denmark

DKKm	H1 2016	H1 2015	Index 16/15	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Net interest income	90	114	79	41	49	54	57	58	56
Net fees, commission income & dividends	65	86	75	33	32	36	36	46	40
Other operating income	1	0	172	1	0	1	0	1	0
Total Operating income	155	200	78	75	80	91	93	105	96
Operating cost	-124	-139	89	-60	-64	-60	-64	-68	-72
Sector costs	-1	-7	20	-1	-1	-3	-3	-3	-3
Profit before impairment charges	30	54	55	14	16	28	26	34	21
Impairment charges	-8	-23	35	0	-8	-16	8	-1	-22
Reversals of acquired OEI impairments	14	7	205	10	3	15	18	4	2
Impairment charges, net	5	-17	32	10	-5	-1	26	4	-20
Operating profit	35	38	94	24	11	27	52	37	0
Impairment charges, intangible assets	0	0		0	0	-398	0	0	0
Non-recurring items	-12	-13	94	0	-12	-7	0	-13	0
Profit before value adjustments and tax	23	25	93	24	-1	-379	52	24	0
Market value adjustments	0	0		0	0	0	0	0	0
Profit before tax	23	25	93	24	-1	-379	52	24	0
Loans and advances	2.886	4.157	69	2.886	3.422	4.098	4.213	4.157	4.167
Deposits and other debt	6.195	6.682	93	6.195	6.197	6.559	6.543	6.682	6.318
Operating cost/income, %	80	70		80	79	66	69	65	75
Number of FTE, end of period	182	211	86	182	196	194	213	211	233

Banking, Greenland

Income statement, Greenland

DKKm	H1 2016	H1 2015	Index 16/15	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Net interest income	18	16	110	9	9	9	9	9	8
Net fees, commission income & dividends	4	5	83	2	2	3	3	3	2
Other operating income	0	1	34	0	0	0	0	0	0
Total Operating income	23	22	101	12	11	12	11	12	11
Operating cost	-13	-14	94	-7	-6	-7	-6	-7	-7
Sector costs	0	0	27	0	0	0	0	0	0
Profit before impairment charges	10	8	118	5	5	5	5	5	3
Impairment charges, net	0	0	26	0	0	1	-6	0	-1
Operating profit	10	8	122	4	5	5	-1	5	3
Impairment charges, intangible assets	0	0		0	0	-70	0	0	0
Non-recurring items	0	0		0	0	0	0	0	0
Profit before value adjustments and tax	10	8	122	4	5	-64	-1	5	3
Market value adjustments	0	0		0	0	0	0	0	0
Profit before tax	10	8	122	4	5	-64	-1	5	3
Loans and advances	666	689	97	666	729	641	674	689	666
Deposits and other debt	632	470	134	632	582	524	472	470	447
Operating cost/income, %	56	61		59	53	57	54	56	66
Number of FTE, end of period	16	18	89	16	16	15	16	18	19

Insurance, Trygd

Income statement, Trygd

DKKm	H1 2016	H1 2015	Index 16/15	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Premium income, net of reinsurance	42	41	103	21	21	20	21	21	20
Claims, net of reinsurance	-22	-31	71	-10	-12	-12	-11	-11	-20
Net insurance income	21	10	196	12	9	8	10	10	0
Net income from investment activities	-2	0		-1	-1	0	0	-1	0
Operating income	19	10	187	11	8	8	10	10	1
Operating cost	-8	-9	82	-4	-4	-5	-6	-5	-5
Profit before tax	11	1		7	4	3	4	5	-4
Combined ratio	70	97		64	75	88	79	73	123
Claims ratio	51	74		46	57	61	51	51	99
Number of FTE, end of period	23	25	92	23	25	25	25	25	25

Credit quality of the loan portfolio

Credit classification according to the Danish FSA's method

	Q1 2016			Q2 2016			Change
	<7.5 DKKm	>7.5 DKKm	Total	<7.5 DKKm	>7.5 DKKm	Total	
Portfolio without weakness	3.682	3.211	6.892	3.632	2.646	6.278	-614
Portfolio with some weakness	4.572	1.557	6.129	4.743	1.194	5.937	-192
Portfolio with weakness	424	132	556	428	138	566	10
- of which unsecured	203	58	261	194	40	234	-27
Portfolio with OIE	958	747	1.704	945	789	1.733	29
- of which unsecured	631	359	990	608	431	1.039	49
- impairments	397	218	615	409	221	630	15
Portfolio without individ. classification	435	36	471	252	18	271	-201
Total	10.070	5.682	15.752	10.000	4.785	14.784	-968