

Sound performance

in Q3 2023

BANKNORDIK

TRYGD

SKYN

2 November 2023
Turið F Arge, CEO

BANKNORDIK

“The favourable performance was mainly driven by an increase in central bank and market rates, increases in both deposits and lending, the return on the investment portfolio and a good performance by the insurance business during the quarter. Furthermore, the customer portfolio maintained its sound credit quality despite a generally volatile economic environment of rising interest rates and high inflation.”

Turið F. Arge, CEO

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Overview

Q3 2023 highlights

Financials

- Operating income
- Insurance
- Expenditures
- Impairment charges
- Capital ratios

Economic outlook

Disclaimer

Appendices

Q3 2023 highlights

Satisfactory developments in core banking operations

- Net interest income up by 11% QoQ and up by 32% YoY, driven by higher interest rates.
- Net insurance income up by 23% QoQ and up by 26% YoY.
- Operating costs up by DKK 1m QoQ and DKK 7m YoY.
- Net impairment charges of DKK 0.5m QoQ and thereby no reversal for the first time since Q1 2021.
- Non-recurring items of DKK 9m were due to changes in staff and management.
- Profit before tax up by 24% QoQ and up by 98% YoY.
- Outlook: Net profit guidance DKK 260-290m.
- Customers' resilience has proven strong, in the face of economic uncertainty and inflation, leading to lower impairment levels than initially expected. We do, however, see fewer reversals of impairment charges on loans compared to 2023.

Profit & Loss

<i>DKKm</i>	Q3 2023	Q2 2023	Index	9M 2023	9M 2022	Index
Net interest income	96	86	111	260	197	132
Net fee and commission income	19	19	103	60	65	91
Net insurance income	24	19	123	48	38	126
Other operating income	9	11	84	28	29	96
Operating income	148	135	110	395	330	120
Operating costs	-65	-64	101	-192	-185	104
Profit before impairment charges	83	71	117	202	144	140
Net impairment charges on loans	0	7	-6	15	43	35
Operating profit	82	78	106	217	187	116
Non-recurring items	0	-6	0	-9	0	
Investment portfolio earnings	26	15	175	63	-50	224
Profit before tax	108	87	124	271	136	198
Tax	20	17	118	52	26	199
Net result	88	70	126	219	111	198

Key Metrics

<i>DKKbn</i>		Q3 2023	Q2 2023	Index	9M 2023	9M 2022	Index
Loans and advances		8.8	8.7	102	8.8	8.0	110
Deposits and other debt		8.6	8.4	102	8.6	8.2	105
Mortgage credit		2.6	2.6	102	2.6	2.7	99
	Target						
Operating cost / income, %	< 53.0	43.9	47.4		48.6	56.1	
CET1 capital ratio, %	20.0	21.8	22.1		21.8	22.9	
RoE, % (annualised)	> 12.0	20.2	16.8		16.2	7.8	
RoE, excl. one-offs, % (annualised)	> 12.0	20.2	17.9		16.8	7.8	
Combined ratio	85.0	66.8	76.4		84.9	87.7	

Financials

- Operating income - Net interest income
- Operating income – Fee and commission income
- Insurance – Financial results for Trygd
- Operating costs
- Impairment charges
- Capital position



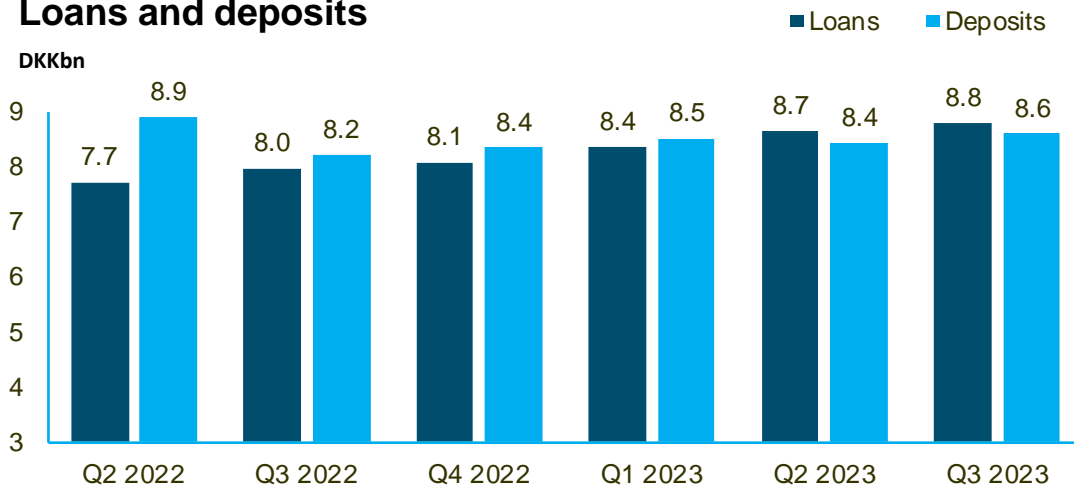
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Operating income - Net interest income

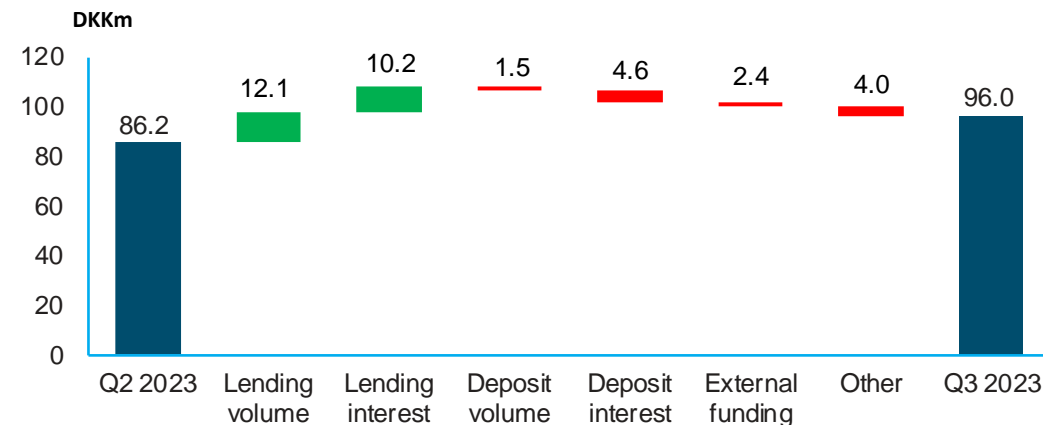
Lending and deposit rates higher, as well as increase in total lending and deposit volumes

- Net interest income up by DKK 9.8m QoQ and by DKK 62.8m YoY.
- Increase in net interest income due to higher interest rates and increase in total lending volume.
- Lending volumes up by DKK 135m QoQ and by DKK 813m YoY.
- Deposits up by DKK 175m QoQ and by DKK 376m YoY.

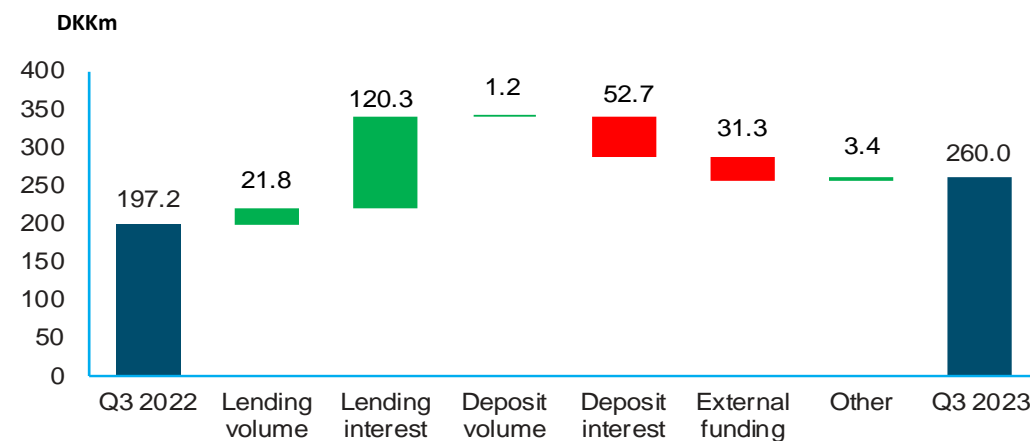
Loans and deposits



QoQ changes in net interest income



YoY changes in net interest income

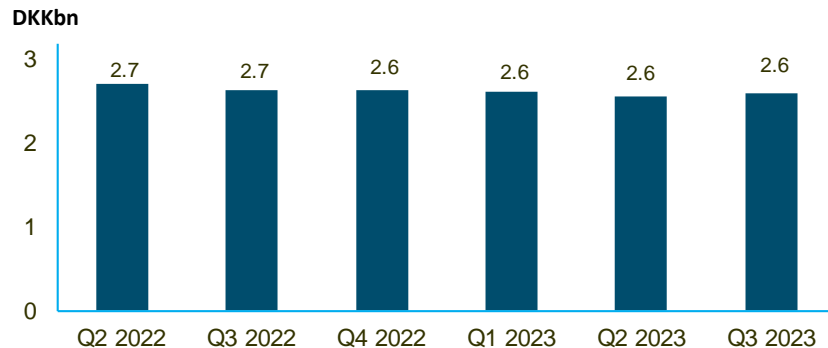


Operating income – Fee and commission income

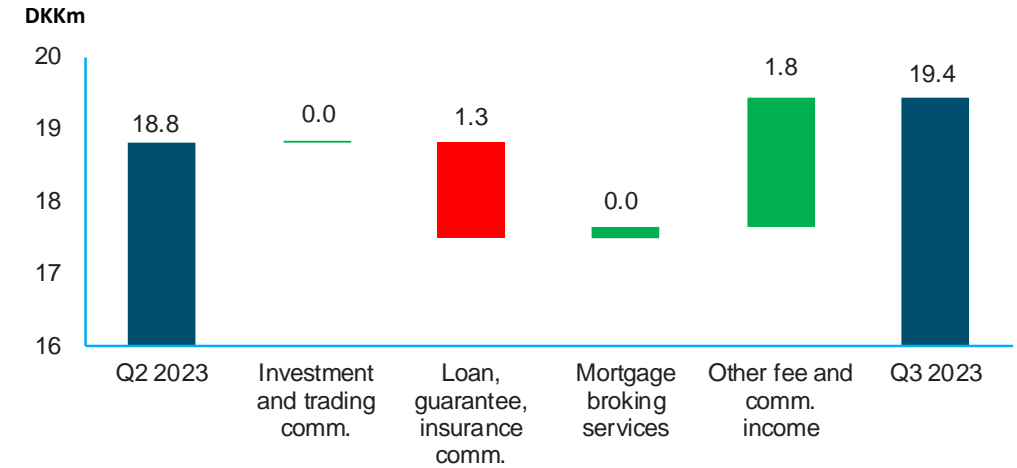
Decrease in fees from mortgage broking services and guarantees compared to 2022.

- Fee and commission income up by DKK 0.6m QoQ and down by DKK 5.7m YoY.
- Guarantee commissions down by DKK 1.3m QoQ and down by DKK 2.3m YoY, driven by a decrease in the total amount of guarantees as guarantees have been converted to loans.
- Insurance commissions down by DKK 0.2m QoQ and up by DKK 2.2m YoY.
- Mortgage-broking services up by DKK 48m QoQ and down by DKK 37m YoY. An increase in interest rates has led many customers to convert their mortgages to bank loans, affecting YoY performance.

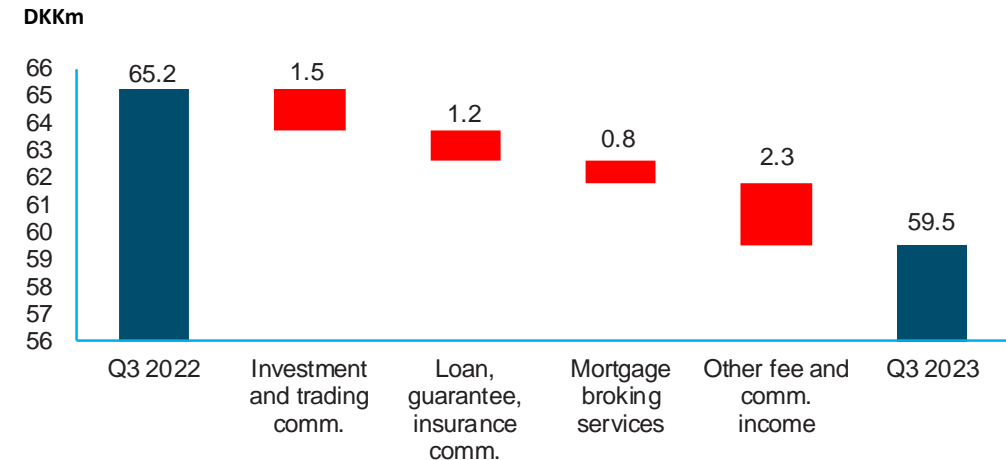
Mortgage-broking services



QoQ changes in fee and commission income



YoY changes in fee and commission income

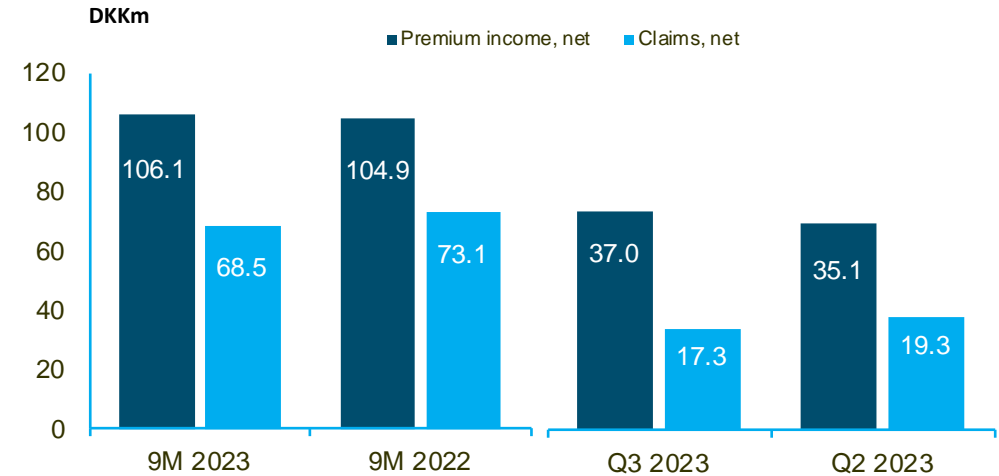


Insurance – Financial results for Trygd

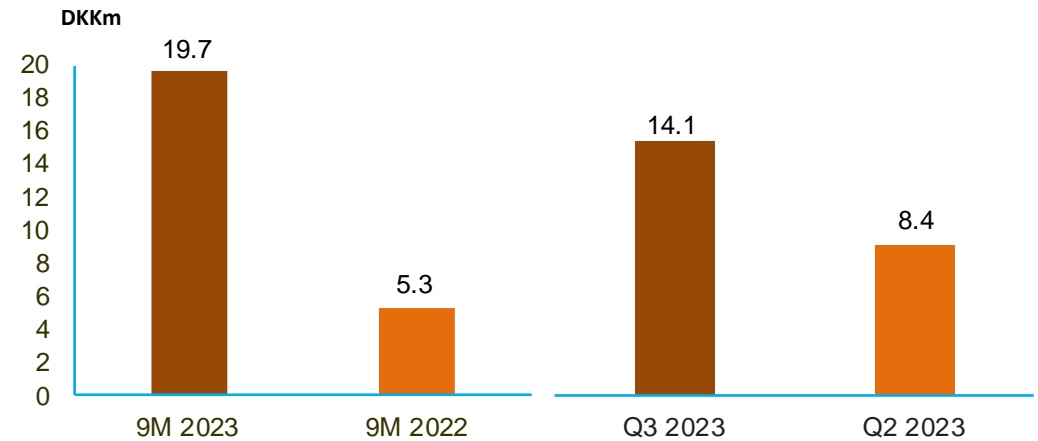
Good results primarily due to lower claims

- Combined ratio of 85% in Q1-Q3 2023 compared to 88% Q1-Q3 2022.
- Net premium income up by DKK 1.9m QoQ and up by DKK 1.2m YoY.
- Net claims down by DKK 2.0m QoQ and down by DKK 4.5m YoY.
- Profit before tax up by DKK 5.7m QoQ and up by DKK 14.4 m YoY.

Premiums and claims



Result before tax

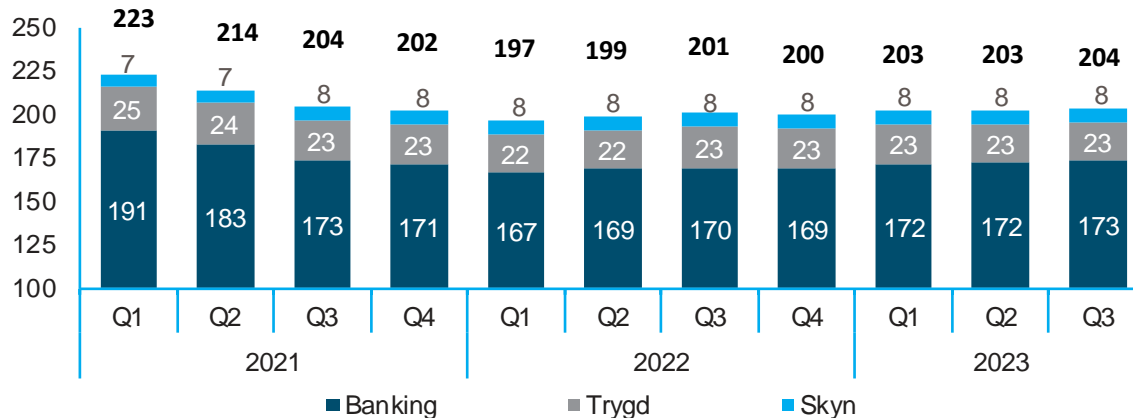


Operating costs

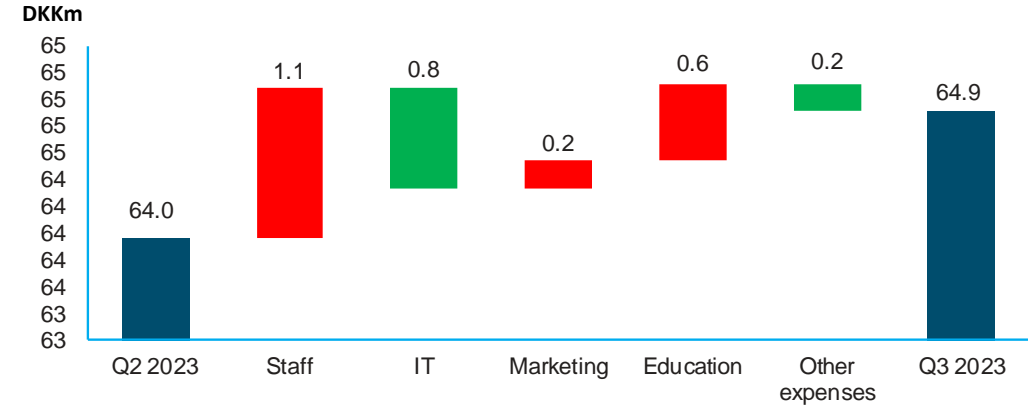
Costs under pressure but cost discipline remains a focus area

- Operating costs up by DKK 1.0m QoQ and up by DKK 7.2m YoY.
- Average FTE up by 1 compared to Q2 2023.
- Furthermore, non-recurring items of DKK 9m due to changes in staff and management.

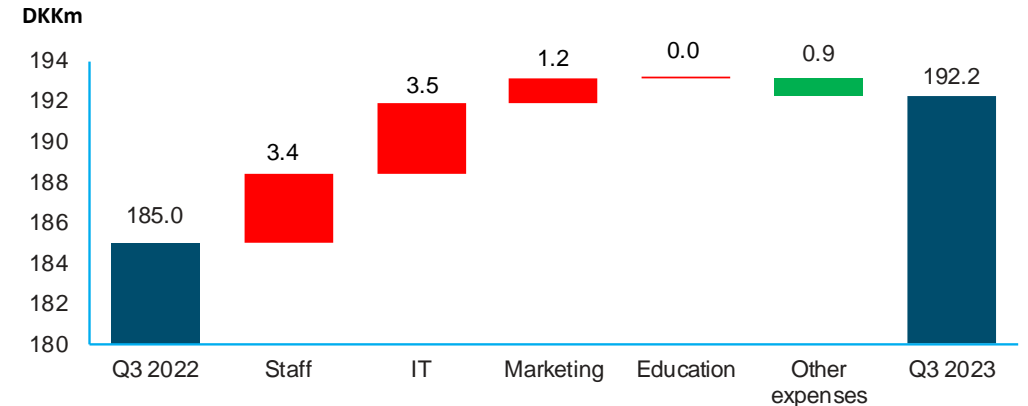
Average number of employees (FTE)



QoQ changes in operating costs



QoQ changes in operating costs



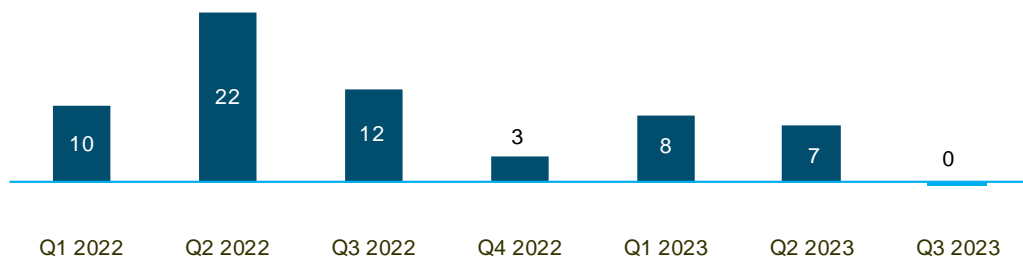
Impairment charges

Low impairment charges on diversified loan portfolio

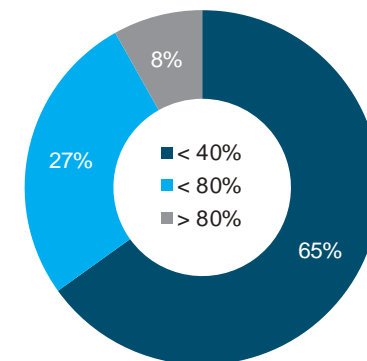
- Net impairment charges of DKK 0.5m in Q3 2023, making this item an expense for the first time since Q1 2021.
- Discretionary management estimate of DKK 75m. Originally recognised in 2020 due to Covid. Covid-related uncertainty reduced, but the estimate has been retained due to the uncertainty caused by the war in Ukraine and macroeconomic developments.
- Strong LTV ratios for housing loans. 92% of total housing loans below LTV of 80% and 65% below LTV of 40%.

Net impairment charges

DKKm

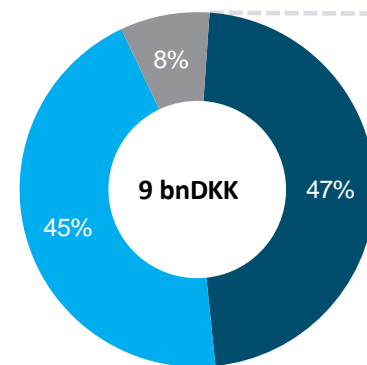


LTV for housing loans¹

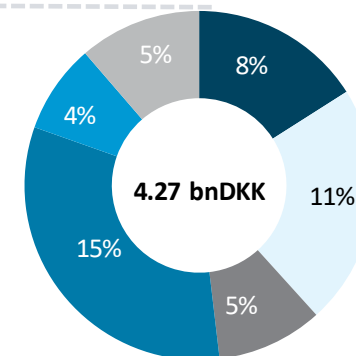


Gross lending by sector

DKKbn



■ Public sector
■ Private sector
■ Corporate sector



■ Agri. & fishing
■ Transport & HoReCa
■ Trade
■ Real estate
■ Manufacturing & mining
■ Other

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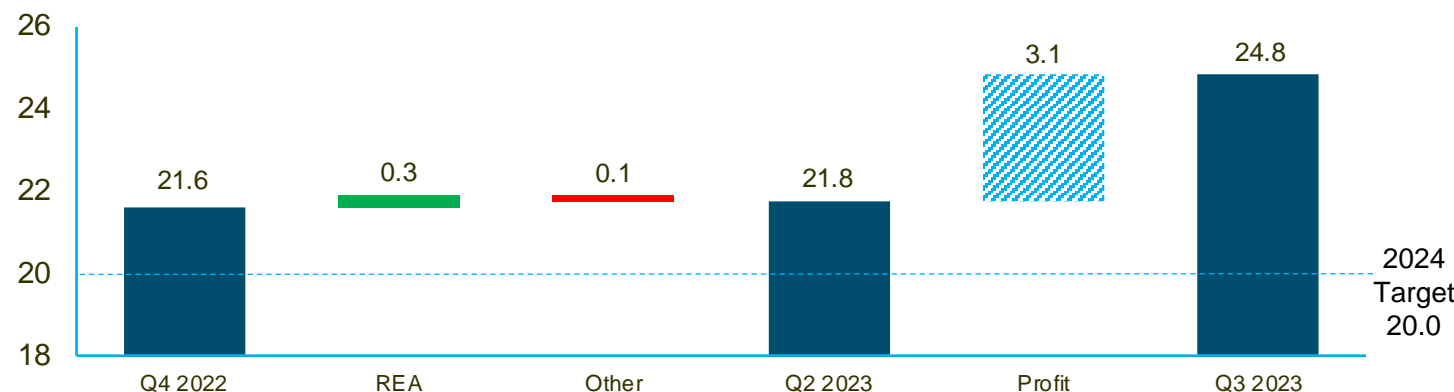
1) Lending for housing accounts for DKK 3.7bn of total retail lending of DKK 3.9bn

Capital position

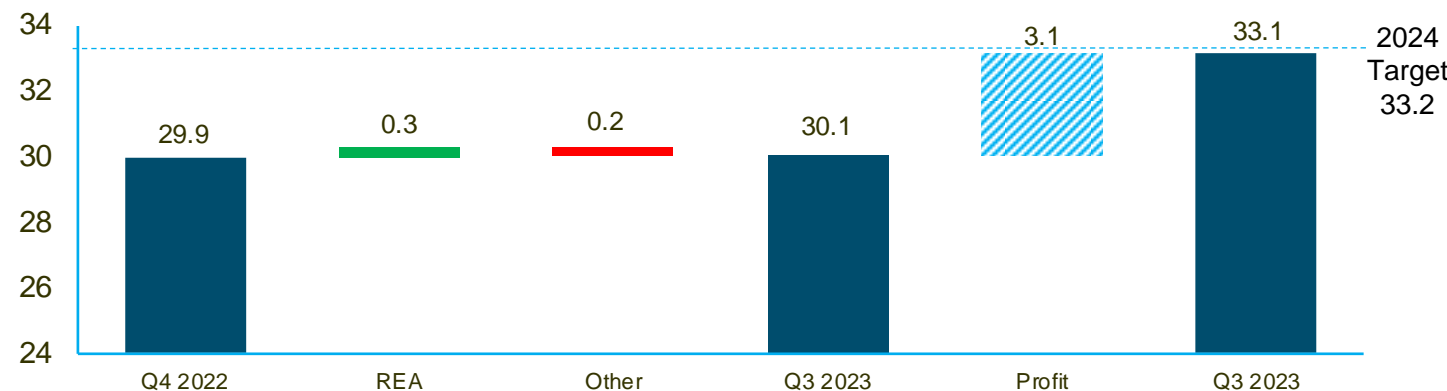
Strong capital ratios with focus on capital optimisation

- CET1 ratio up by 0.1 pp and MREL capital ratio up by 0.2 pp in Q3 2023 compared to Q4 2022.
- REA down by 1.2 pp to DKK 7,106m compared to Q4 2022. New legislation regarding SME exposure (185m) is now reflected in the numbers.
- Year-to-date net profit is not reflected in CET1 ratio and MREL capital ratio, but the light blue area of the chart shows the effect on the ratio if it were included.
- Due to the continuous focus on optimising its capital structure and liquidity, BankNordik plans to continue issuing senior non-preferred (T3) and/or senior preferred loan capital in 2023.

Changes in CET1 ratio



Changes in MREL Capital Ratio





Economic outlook

- Positive momentum and outlook, but with different and idiosyncratic downside risks
- Faroese economic outlook: Positive momentum and outlook, but with clear risk to the downside
- The Greenlandic economy: Growth level moderate, but exports lagging and labour market seeing bottlenecks

Faroese economic outlook

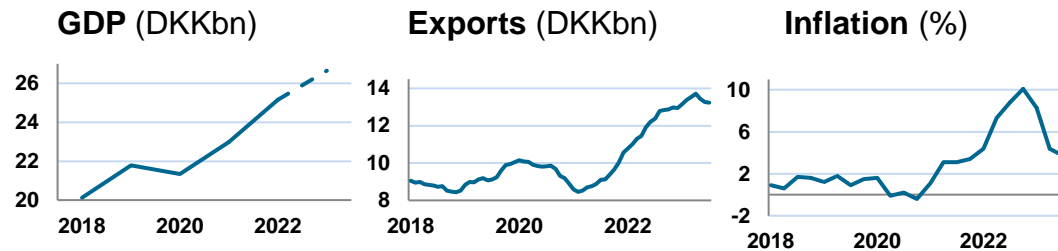
Positive momentum and outlook, but with clear risk to the downside

Positive momentum

- Strong rebound after Covid
- GDP growth (nominal)
 - 2022: 8.1%
 - 2023: 5.9%
- Export increased by 7% in the 12 months to July 2023

Risk factors

- Inflation high, but decreasing - 3.7% in August 2023.
- Russia fisheries agreement extended through 2023.





The Greenlandic economy

Growth level moderate, but exports lagging and labour market seeing bottlenecks

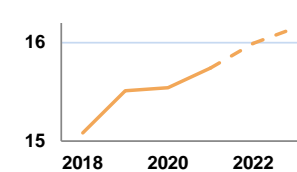
Positive momentum

- Moderate, but growth in recent years – including in 2022
- GDP growth expectations (real)
 - 2022: 1.6%
 - 2023: 1.0%
- Inflation low: c. 3% in 2022

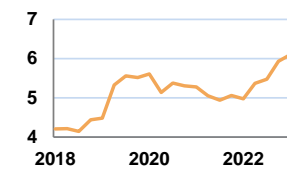
Risk factors

- Exports below pre-Covid peak, but strong recent growth
- Bottlenecks in labour market and structural unemployment

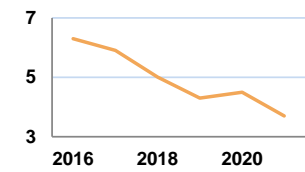
GDP (DKKbn)



Exports (DKKbn)



Unempl. (%)



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Questions?

Turiõ F. Arge, CEO

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Appendices

- Group
- Banking
- Personal Banking
- Corporate Banking
- Banking – Faroe Islands
- Banking – Greenland
- Insurance – Trygd
- Equity Story
- Developments in business volumes
- Credit quality of loan portfolio
- The Faroese economy
- The Greenlandic economy



Group

- Increased net profit

DKKm	Q3 2023	Q2 2023	Index	Q1 2023	Q4 2022	Q3 2022	Q1-Q3 2023	Q1-Q3 2022	Index
Net interest income	96	86	111	78	72	67	260	197	132
Net fee and commission income	19	19	103	21	23	22	60	65	91
Net insurance income	24	19	123	5	14	11	48	38	126
Other operating income (less reclassification)	9	11	84	8	8	11	28	29	96
Operating income	148	135	110	112	117	110	395	330	120
Operating costs ¹	-65	-64	101	-63	-58	-62	-192	-185	104
Sector costs	0	0		0	0	0	-1	-1	134
Profit before impairment charges	83	71	117	49	59	48	202	144	140
Impairment charges, net	0	7	-6	8	3	12	15	43	
Operating profit	82	78	106	57	62	60	217	187	116
Non-recurring items ²	0	-6		-3	0	0	-9	0	
Profit before investment portfolio earnings and tax	82	72	114	54	62	60	208	187	111
Investment portfolio earnings ³	26	15		22	8	-36	63	-50	
Profit before tax	108	87	124	75	70	24	271	136	198
Tax	20	17	118	14	16	4	52	26	199
Net profit	88	70	126	61	54	20	219	111	198
Operating cost/income, %	44	47		56	49	56	49	56	
Number of FTE, end of period	207	203	102	203	200	201	207	201	103

1 Comprises staff costs, administrative expenses and amortisation, depreciation and impairment charges (less reclassification to non-recurring items).

2 Reclassified from Other operating income, Staff costs and administrative expenses and from Amortisation, depreciation and impairment charges.

3 Incl. net income from investments accounted for under the equity method (excl. sector shares).

Banking

- Interest rate increases reflected in higher operating income

DKKm	Q3 2023	Q2 2023	Index	Q1 2023	Q4 2022	Q3 2022	Q1-Q3 2023	Q1-Q3 2022	Index
Net interest income	96	86	111	78	72	67	260	197	132
Net fee and commission income	23	23	102	25	26	26	71	75	94
Other operating income	8	9	87	8	6	10	25	26	95
Operating income	127	118	108	110	105	102	356	299	119
Operating cost	-59	-58	102	-58	-53	-57	-175	-170	103
Sector costs	0	0		0	0	0	-1	-1	134
Profit before impairment charges	68	60	113	51	52	45	180	128	141
Impairment charges, net	0	7	-6	8	3	12	15	43	
Operating profit	68	67	101	60	55	57	195	171	114
Non-recurring items	0	-6		-3	0	0	-9	0	
Profit before investment portfolio earnings and tax	68	62	110	56	55	57	186	171	109
Investment portfolio earnings	24	14		20	3	-32	58	-41	
Profit before tax	92	76	120	76	58	25	244	130	
Loans and advances	8,790	8,655	102	8,354	8,083	7,977	8,790	7,977	110
Deposits and other debt	8,602	8,426	102	8,524	8,351	8,225	8,602	8,225	105
Mortgage credit	2,615	2,567	102	2,634	2,648	2,652	2,615	2,652	99
Operating cost/income, %	46	49		53	50	56	49	57	
Number of FTE, end of period	176	173	102	172	169	170	176	170	104

Personal Banking

- High income level compared to last year

DKKm	Q3 2023	Q2 2023	Index	Q1 2023	Q4 2022	Q3 2022	Q1-Q3 2023	Q1-Q3 2022	Index
Net interest income	60	48	124	43	35	34	151	101	150
Net fee and commission income	18	16	114	18	19	19	52	54	96
Other operating income	5	7	79	6	5	8	18	20	94
Operating income	84	71	117	67	60	60	222	175	127
Operating costs	-51	-49	103	-47	-48	-49	-147	-137	107
Sector costs	0	0		0	0	0	-1	-1	
Profit before impairment charges	32	22	149	20	11	11	74	37	199
Impairment charges, net	1	1		5	-3	6	7	18	39
Operating profit	33	23	148	25	8	17	81	55	146
Non-recurring items	0	-5		-3	0	0	-8	0	
Profit before investment portfolio earnings and tax	33	18	187	22	8	17	73	55	132
Investment portfolio earnings	17	10	166	11	6	-23	38	-34	
Profit before tax	51	28	179	33	14	-6	112	21	520
Loans and advances	3,859	3,771	102	3,673	3,645	3,626	3,859	3,626	106
Deposits and other debt	5,678	5,584	102	5,392	5,412	5,388	5,678	5,388	105
Mortgage credit	2,203	2,285	96	2,331	2,338	2,328	2,203	2,328	95
Number of FTE, end of period	82	74	110	74	71	74	82	74	110

Corporate Banking

- High interest income due to interest rate hikes

DKKm	Q3 2023	Q2 2023	Index	Q1 2023	Q4 2022	Q3 2022	Q1-Q3 2023	Q1-Q3 2022	Index
Net interest income	36	38	95	35	37	33	109	96	113
Net fee and commission income	5	7	73	7	7	7	19	21	89
Other operating income	3	2	109	1	1	2	6	6	100
Operating income	44	47	93	43	45	42	134	124	108
Operating costs	-8	-8	91	-6	-3	-9	-22	-29	78
Sector costs	0	0		0	0	0	0	0	
Profit before impairment charges	36	39	93	36	42	33	111	95	117
Impairment charges, net	-2	6	-25	3	6	6	8	25	32
Operating profit	34	45	77	40	48	38	119	120	100
Non-recurring items	0	-1		0	0	0	-1	0	
Profit before investment portfolio earnings and tax	34	44	78	39	48	38	118	120	98
Investment portfolio earnings	7	4		4	-3	-9	15	-13	
Profit before tax	41	48	86	44	46	29	133	107	124
Loans and advances	4,932	4,884	101	4,681	4,438	4,351	4,932	4,351	113
Deposits and other debt	2,924	2,824	104	3,132	2,939	2,837	2,924	2,837	103
Mortgage credit	412	282	146	302	310	324	412	324	127
Number of FTE, end of period	15	15	100	15	15	15	15	15	100

Banking – Faroe Islands

- Steady improvement in operating profit

DKKm	Q3 2023	Q2 2023	Index	Q1 2023	Q4 2022	Q3 2022	Q1-Q3 2023	Q1-Q3 2022	Index
Net interest income	80	74	108	67	60	55	221	161	137
Net fee and commission income	19	19	99	21	22	22	60	64	93
Other operating income	6	8	73	6	4	9	20	22	91
Total Operating income	105	101	104	94	86	86	300	248	121
Operating cost	-50	-48	105	-49	-45	-50	-147	-143	102
Sector costs	0	0		0	0	0	-1	-1	134
Profit before impairment charges	54	53	103	45	40	35	152	103	147
Impairment charges, net	1	-1	-116	15	-9	12	15	18	
Operating profit	56	52	108	60	32	47	167	122	138
Non-recurring items	0	-6		-3	0	0	-9	0	
Profit before investment portfolio earnings and tax	56	46	121	56	32	47	158	122	130
Investment portfolio earnings	18	11		16	2	-25	45	-32	
Profit before tax	73	57	129	73	33	22	203	90	226
Loans and advances	7,365	7,248	102	6,971	6,833	6,780	7,365	6,780	109
Deposits and other debt	7,565	7,734	98	7,803	7,791	7,592	7,565	7,592	100
Mortgage credit	1,676	1,723	97	1,756	1,771	1,777	1,676	1,777	94
Operating cost/income, %	48	50		54	53	59	49	58	
Number of FTE, end of period	157	156	101	155	152	152	157	152	103

Banking – Greenland

- Interest rate increasing reflected in higher operating income

DKKm	Q3 2023	Q2 2023	Index	Q1 2023	Q4 2022	Q3 2022	Q1-Q3 2023	Q1-Q3 2022	Index
Net interest income	16	12	132	11	13	12	39	36	108
Net fee and commission income	4	3	115	3	4	4	10	11	94
Other operating income	2	1	161	1	1	2	4	4	118
Total Operating income	22	17	131	15	18	17	54	51	106
Operating cost	-8	-10	85	-9	-7	-8	-27	-27	100
Sector costs	0	0		0	0	0	0	0	
Profit before impairment charges	14	7	193	6	11	9	27	24	112
Impairment charges, net	-3	-2		-7	12	0	-11	5	
Operating profit	11	5	198	-1	23	8	16	29	53
Non-recurring items	0	0		0	0	0	0	0	
Profit before investment portfolio earnings and tax	11	5	198	-1	23	8	16	29	53
Investment portfolio earnings	5	3		3	1	-6	12	-8	
Profit before tax	16	9	186	3	25	3	27	21	129
Loans and advances	1,425	1,397	102	1,372	1,243	1,187	1,425	1,187	120
Deposits and other debt	1,025	687	149	717	544	616	1,025	616	166
Mortgage credit	929	833	112	866	860	846	929	846	110
Operating cost/income, %	37	45		50	39	47	50	53	
Number of FTE, end of period	19	17	113	17	17	17	19	17	110

Trygd

- Profit before tax improved primarily due to lower claims

DKKm	Q3 2023	Q2 2023	Index	Q1 2023	Q4 2022	Q3 2022	Q1-Q3 2023	Q1-Q3 2022	Index
Premium income, net of reinsurance	37	35	106	34	36	36	106	105	101
Claims, net of reinsurance	-17	-19	90	-32	-24	-26	-69	-73	94
Net insurance income	20	16	125	2	12	11	38	32	118
Net income from investment activities	2	0	1484	2	4	-3	4	-8	
Operating income	22	16	135	4	16	7	41	24	170
Operating cost	-7	-8	99	-7	-6	-6	-22	-19	114
Profit before tax	14	8	168	-3	10	1	20	5	
Combined ratio	67	76		113	85	88	85	88	
Claims ratio	47	55		94	68	71	65	70	
Number of FTE, end of period	23	22	104	23	23	23	23	23	100

Equity Story



Focus on improving the digital customer experience and on more efficient operations

- Banking operations firmly anchored in the Faroes – continued profitable growth in Greenland and in P&I business
- A significant player in two attractive markets within financing, insurance, investing and pensions
- Strategic focus:
 - deliver digital end-to-end customer experience with the customer in control and always able to request personalised advice
 - develop an efficient organisation through digitalisation and automation
- Low-risk loan portfolio with limited exposure to historically risky sectors
- Capital resources aligned with targets
- A competitive banking group contributing to sustainable societies

Targets

Customers

- Relational NPS > 40 at branches and in corporate departments
- Relational NPS > 15 in Customer Service and in Banking for young people
- Transactional NPS > 90

Employees

- Employee satisfaction score > 80
- Employee turnover < 7% p.a.
- Gender overrepresentation of not more than 60% among managers and in all departments

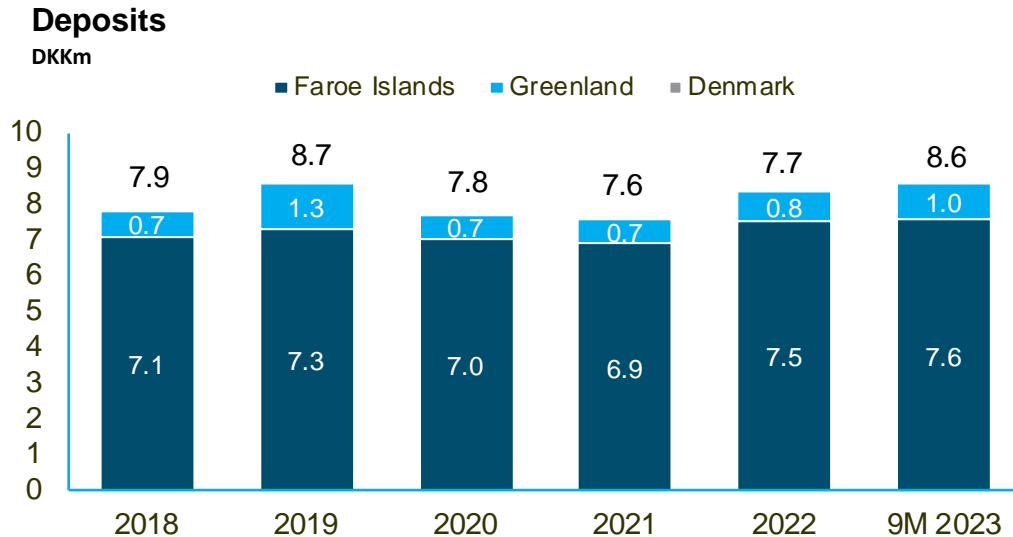
Shareholders

- ROE > 12% p.a.
- C/I < 53%
- Dividend payout ratio 70%
- Share buybacks
- CET 1 ratio 20.0%
- MREL capital: 2 pp above requirement
- Combined ratio 85%

Developments in business volumes

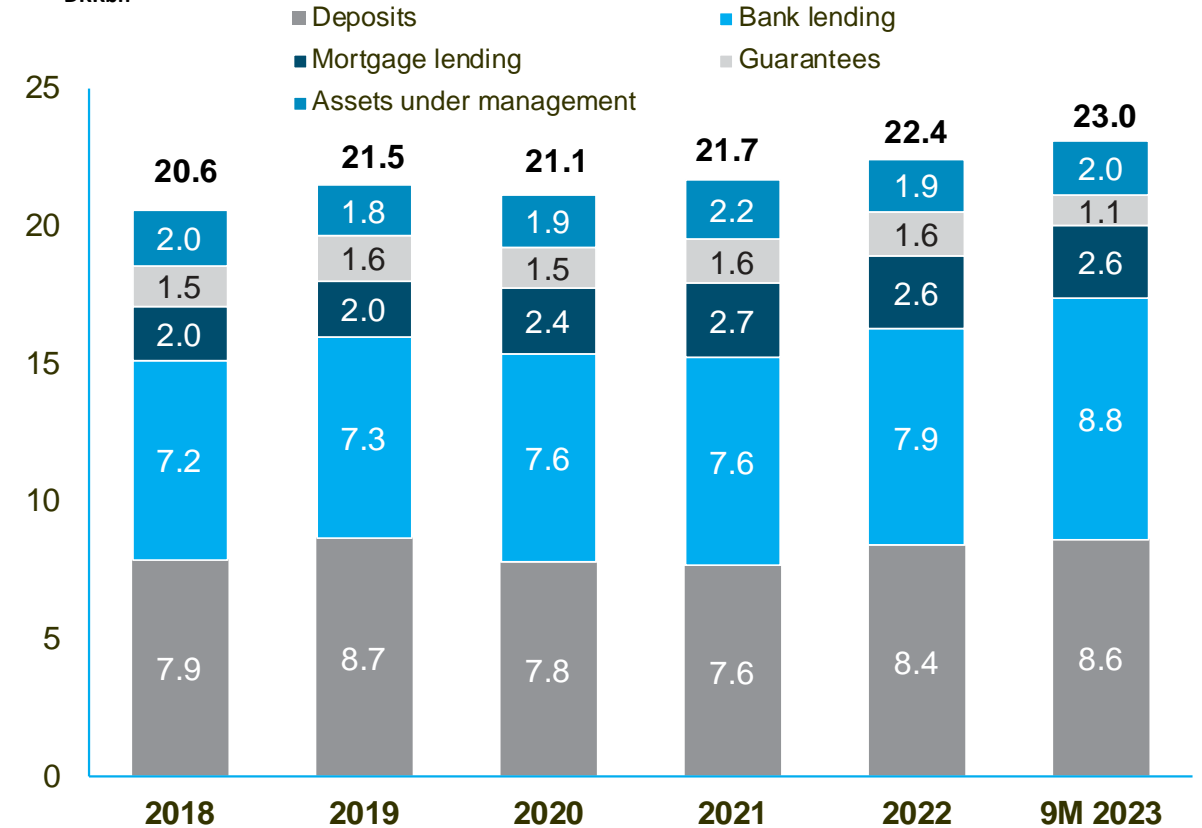
Increased activity in most areas drives up total business volume

- Total bank lending and deposits increased
- Total guarantees and mortgage lending decreased



Business volumes (sum of deposits, lending, guarantees and AUM)

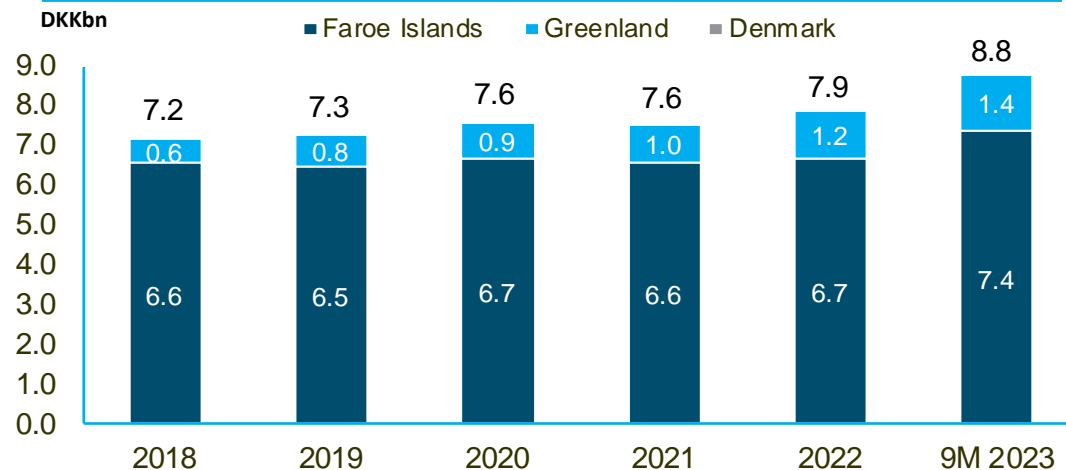
DKKbn



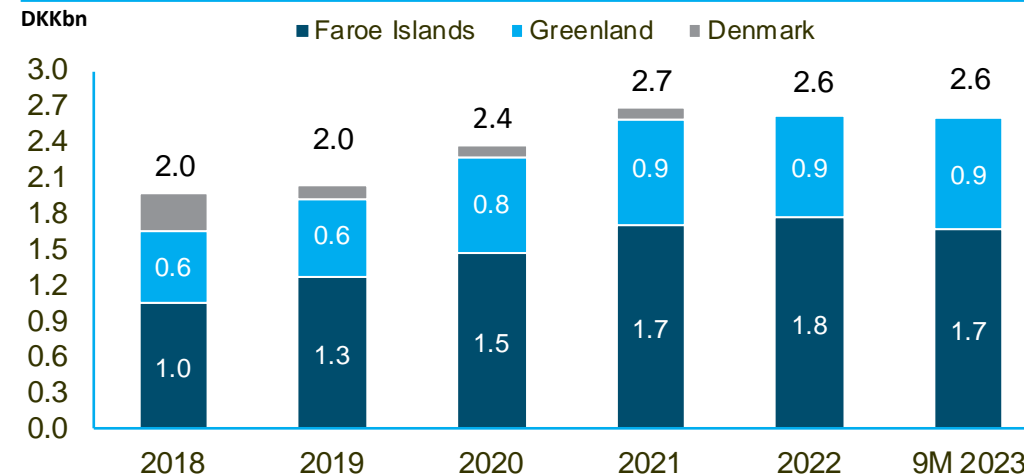
Developments in business volumes

- Growth in line with markets

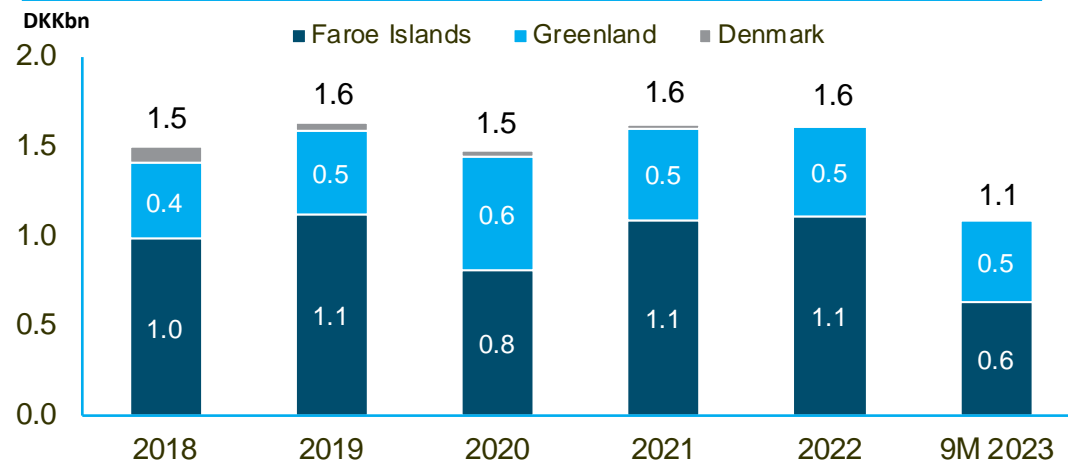
Bank lending



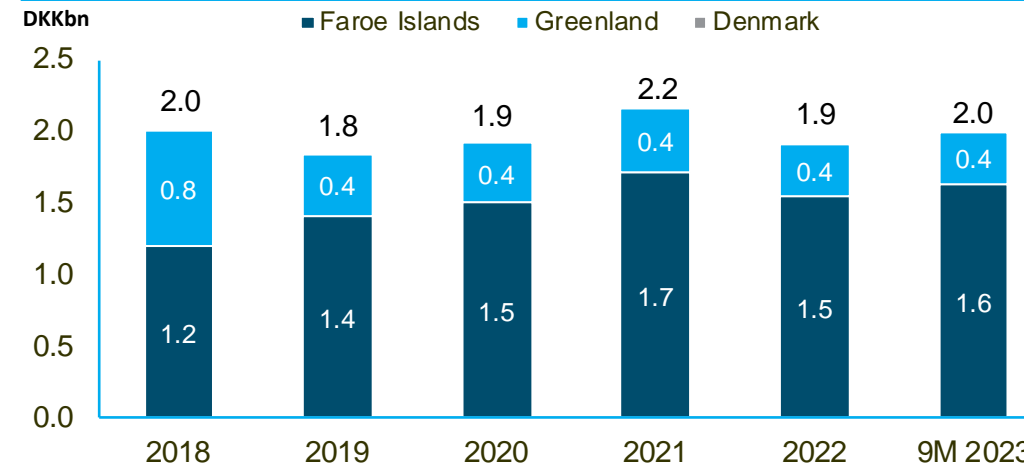
Mortgages



Guarantees



Assets under management



BANKNORDIK

Credit quality of the loan portfolio

- Slightly decrease in strong exposures and a slightly increase in portfolio with some weakness. Still a solid loan portfolio.

Credit classification according to the Danish FSA's method

	Q2 2023			Q3 2023			Change
	<7.5 DKKm	>7.5 DKKm	Total	<7.5 DKKm	>7.5 DKKm	Total	
Portfolio without weakness	2,388	4,255	6,643	2,437	4,087	6,525	-119
Portfolio with some weakness	2,619	2,051	4,670	2,677	2,185	4,862	192
Portfolio with weakness	83		83	80	76	156	74
- of which unsecured	8		8	7	13	20	11
- impairments	6		6	6	7	13	7
Portfolio with OIE	158	127	286	148	126	273	-13
- of which unsecured	32	62	94	32	61	93	-1
- impairments	33	35	68	32	33	64	-3
Portfolio w/o individual classification	23	102	125	26	100	126	1
Total	5,272	6,535	11,807	5,368	6,574	11,942	135

Total loan portfolio (gross exposure) includes

- Loans and advances
- Credits
- Unused credits
- Guarantees

Faroese economic outlook

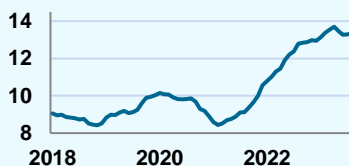
- Positive momentum and outlook, but with clear risk to the downside.

Strong growth momentum



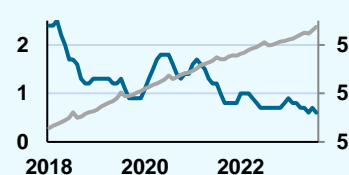
GDP

- Strong rebound after Covid-19
- GDP growth in 2022: 8.1%
- Estimated growth in 2023: 5.9%



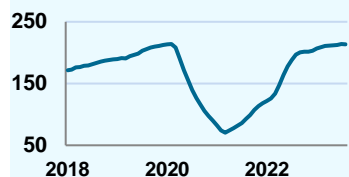
Exports

- Export stays at a record high level
- Export up 7%, compared to previous 12m period. 7% higher than previous record



Low unemployment and population growth

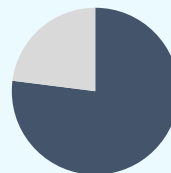
- Unemployment rate low at 0.6% in August 2023
- Population grown c. 4,000 in 5 years



Tourism rebounding

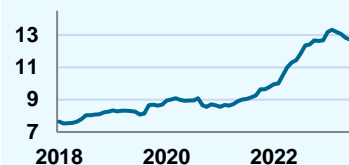
- 2023 on level similar to 2019
- Contribution to economy growing rapidly

Downside risks



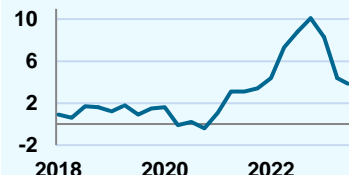
Relations with Russia

- Largest export partner at 23% in 2021; fallen to 10% Jan – Aug 2023
- Fisheries agreement in the Barents sea extended through 2023, outlook uncertain

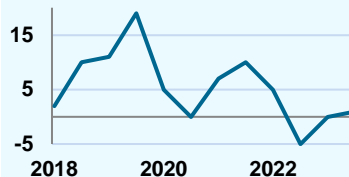


Imports

- Growth in imports has levelled off
- Positive balance of trade



- Global inflationary trend clearly seen in the Faroese economy



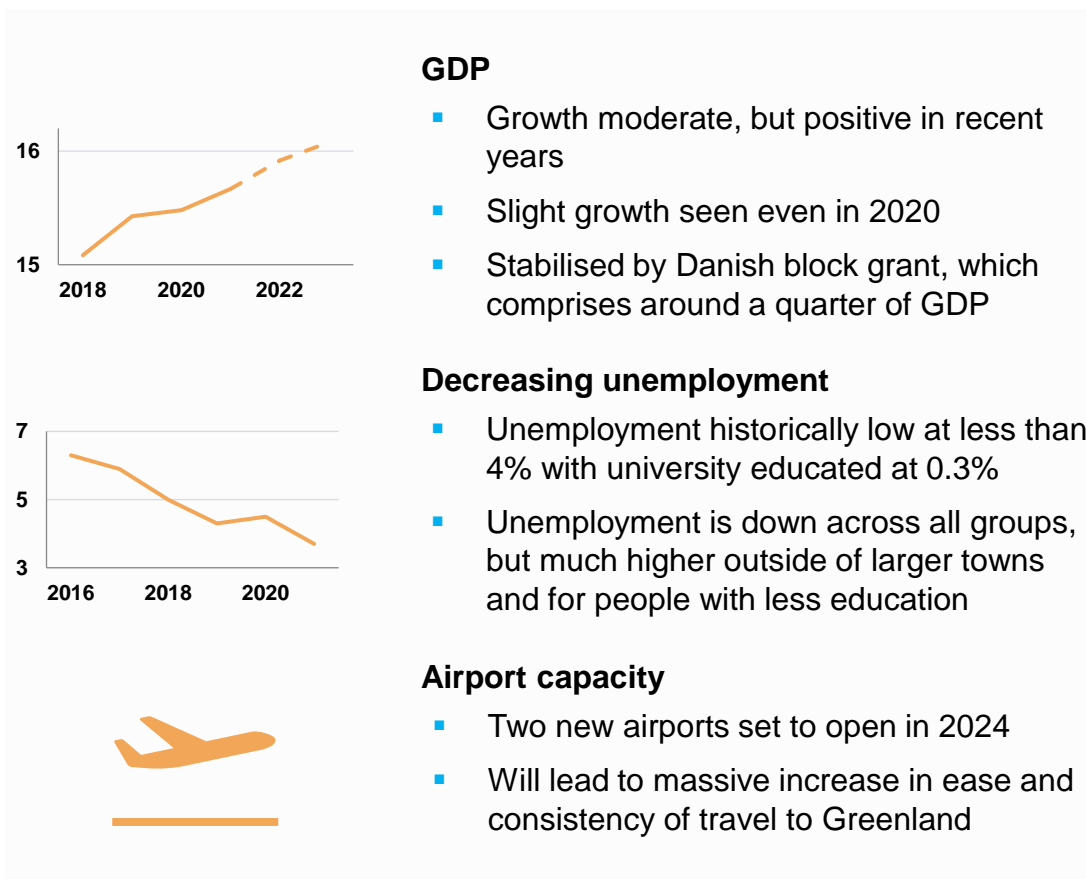
Consumer confidence

- Consumer confidence remains low along with outlook in the trade sector
- Overall business confidence falling, although construction remains high

The Greenlandic economy

- Growth level moderate, but exports lagging and labour market seeing bottlenecks.

Moderate growth momentum



Downside risks and structural challenges

