



Good performance in H1 2023

Guidance for 2023: net profit higher driven by rising market rates and as customers have proven resilient in the face of inflationary pressures

3 August 2023

Turið F. Arge, CEO

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Overview

- **Highlights of Q2 2023**
- **Financials**
 - Operating income
 - Insurance
 - Expenditures
 - Impairment charges
 - Capital ratios
 - Economic outlook
- **Appendices**



Highlights of Q2 2023

— Satisfactory developments in core banking operations

Operational and financial highlights

- Net interest income up by 11% QoQ and up by 26% YoY, driven by higher interest rates.
- Operating costs up by DKK 1m QoQ and DKK 4m YoY. Operating costs for Q2 were as expected.
- Non-recurring items of DKK 9m were due to changes in staff and management.
- Profit before tax up by 15% QoQ and up by 44% YoY.
- Outlook: Net profit guidance raised to DKK 235-265m (from DKK 210-240m) - Customers' resilience in the face of economic uncertainty and inflation has proven strong, leading to lower impairment levels than initially expected. The outlook for core operations has improved due to higher net interest income from higher policy and market rates.

Profit & Loss

<i>DKKm</i>	Q2 2023	Q1 2023	Index	H1 2023	H1 2022	Index
Net interest income	86	78	111	164	130	126
Net fee and commission income	19	21	88	40	43	93
Net insurance income	19	5	399	24	27	89
Other operating income	11	8	129	19	19	103
Operating income	135	112	120	247	219	113
Operating costs	-64	-63	101	-127	-123	104
Profit before impairment charges	71	49	145	119	96	125
Net impairment charges on loans	7	8	86	16	31	50
Operating profit	78	57	137	135	127	106
Non-recurring items	-6	-3	172	-9	0	
Investment portfolio earnings	15	22	68	37	-14	-253
Profit before tax	87	75	115	162	113	144
Tax	17	14	122	31	22	141
Net result	70	61	114	131	90	145

Key Metrics

<i>DKKbn</i>		Q2 2023	Q1 2023	Index	H1 2023	H1 2022	Index
Loans and advances		8.7	8.4	104	7.6	8.7	88
Deposits and other debt		8.4	8.5	99	7.4	8.4	88
Mortgage credit		2.6	2.6	97	2.6	2.6	102
	Target						
Operating cost / income, %	< 53.0	47.4	56.5		51.5	56.1	
CET1 capital ratio, %	20.0	22.1	21.0		22.1	23.3	
RoE, % (annualised)	> 12.0	16.8	14.3		14.9	9.6	
RoE, excl. one-offs, % (annualised)	> 12.0	17.9	14.9		15.8	9.6	
Combined ratio	85.0	76.4	113.3		94.6	87.7	

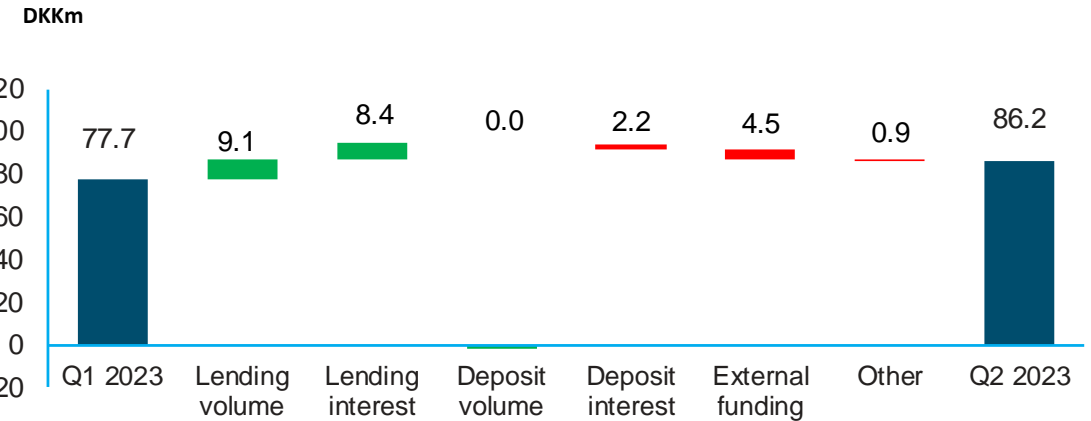
Operating income - Net interest income

- Lending and deposit rates higher

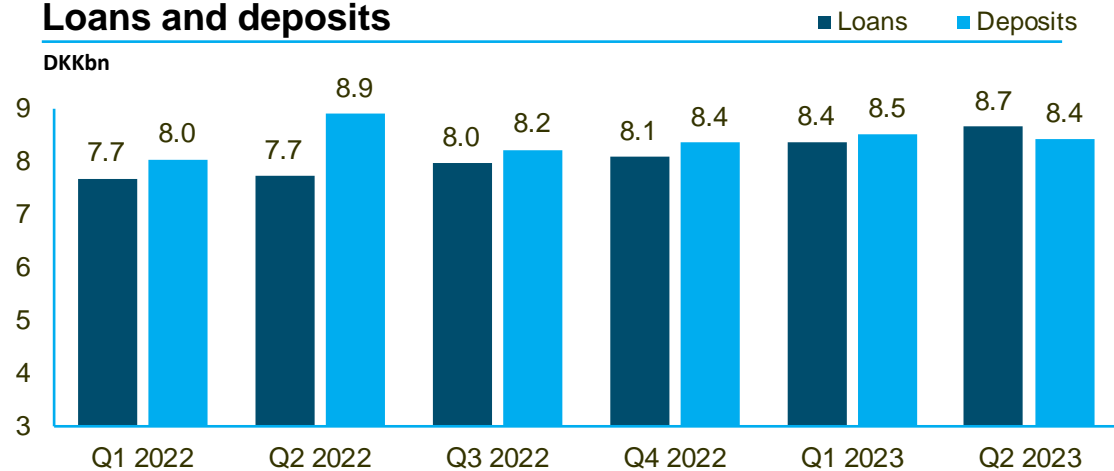
Comments

- Net interest income up by DKK 8.5m QoQ and by DKK 33.5m YoY.
- Increase in net interest income due to higher interest rates.
- Lending volumes up by DKK 301m QoQ and by DKK 931m YoY.
- Deposits down by DKK 97m QoQ and down by DKK 471m YoY. The YoY drop is primarily due to lower deposits from corporate customers in Greenland.

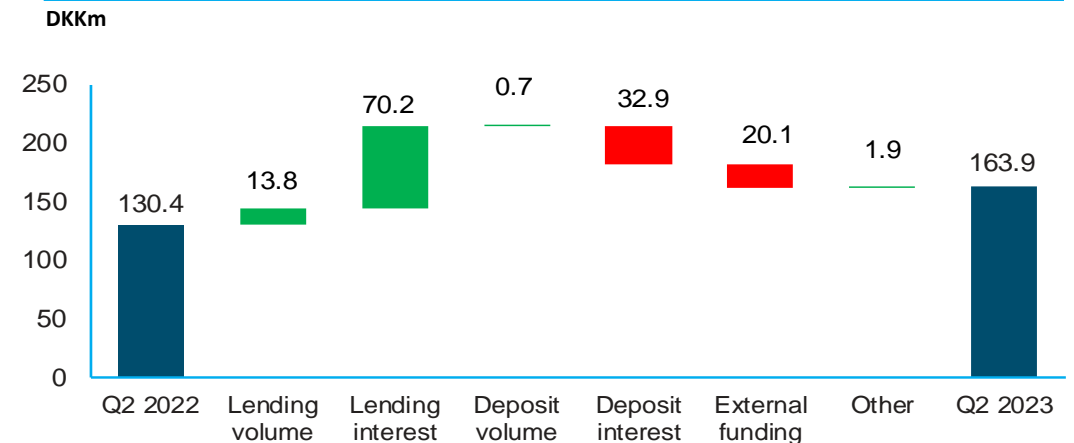
QoQ changes in net interest income



Loans and deposits



YoY changes in net interest income



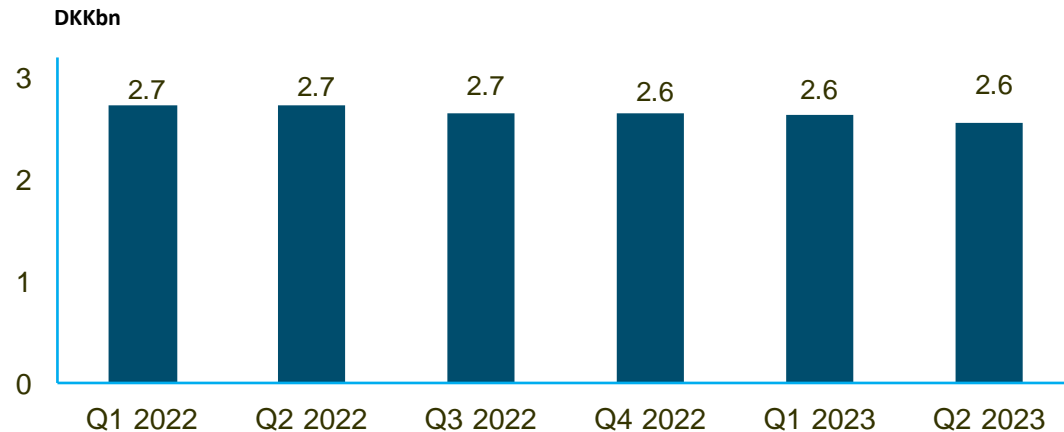
Operating income - Fee and commission income

- Drop in fee and commission income

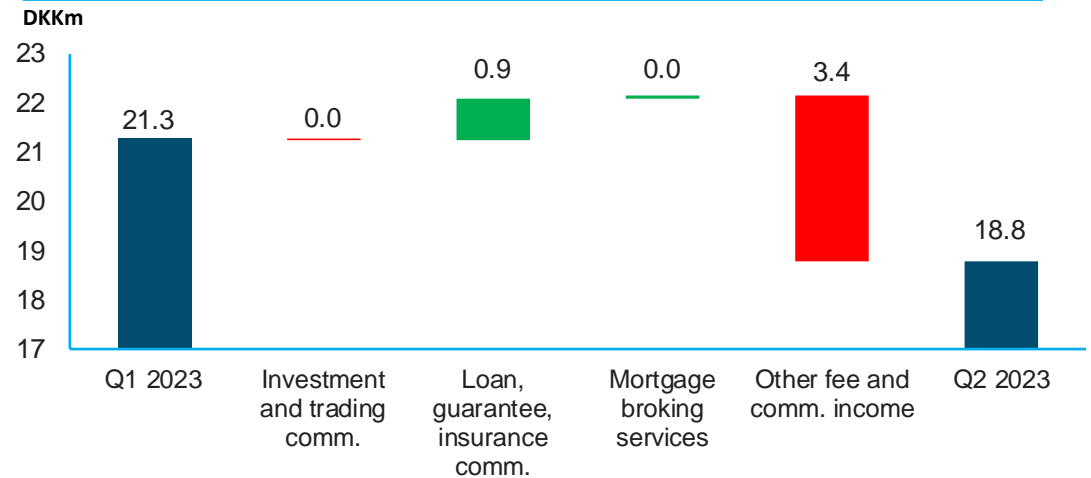
Comments

- Fee and commission income down by DKK 2.5m QoQ, due to adjustment of income carried out in Q2 related to Q1.
- Fee and commission income down by DKK 2.9m YoY due to lack of accrual in H1 2022.
- Mortgage-broking services down by DKK 67m QoQ and down by DKK 163m YoY.

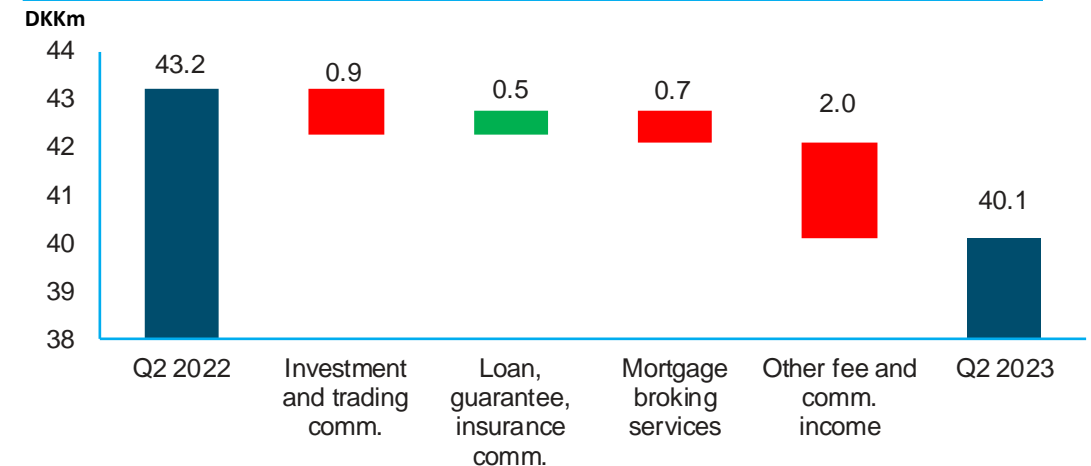
Mortgage-broking services



QoQ changes in fee and commission income



YoY changes in fee and commission income



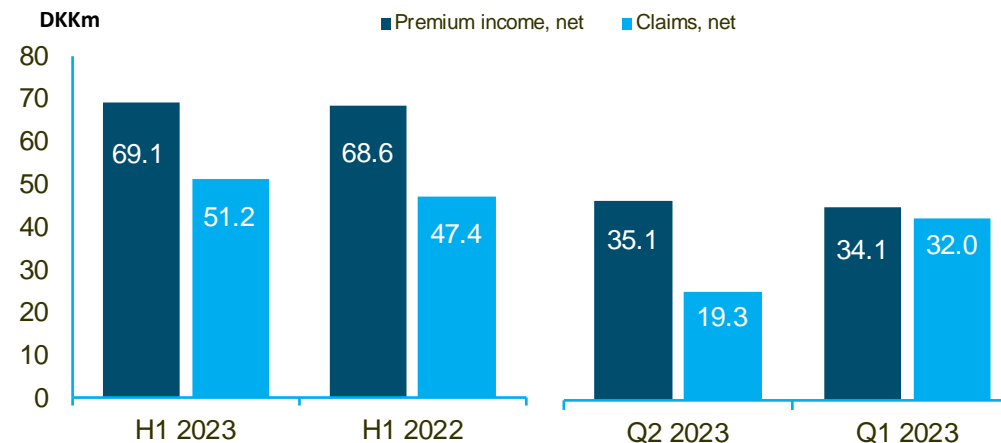
Insurance - Financial results for Trygd

- Satisfactory results for the first half of 2023 despite higher claims in the first quarter

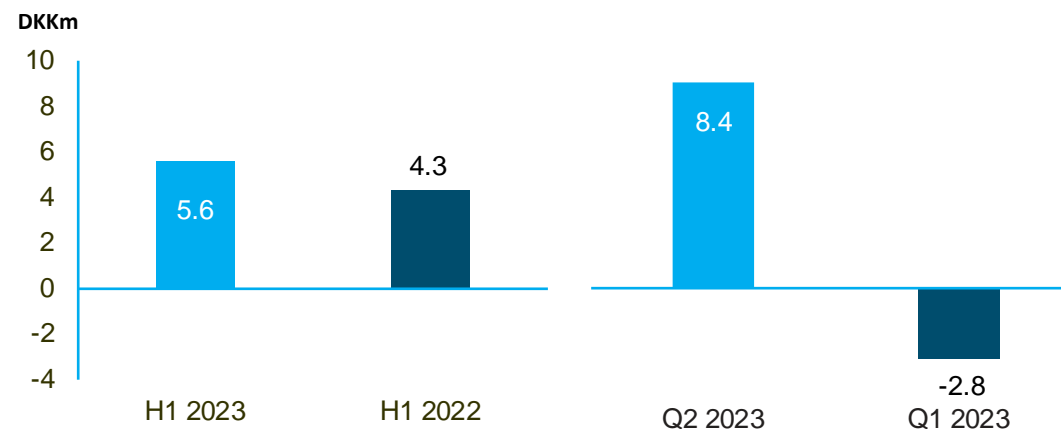
Comments

- Combined ratio of 76% in Q2 compared to 113% in Q1.
- Net premium income up by DKK 1.0m QoQ and up by DKK 0.5m YoY.
- Net claims down by DKK 12.7m QoQ and up by DKK 3.9m YoY.
- Profit before tax up by 11.2m QoQ and up by 1.3 m YoY.

Premiums and claims



Result before tax



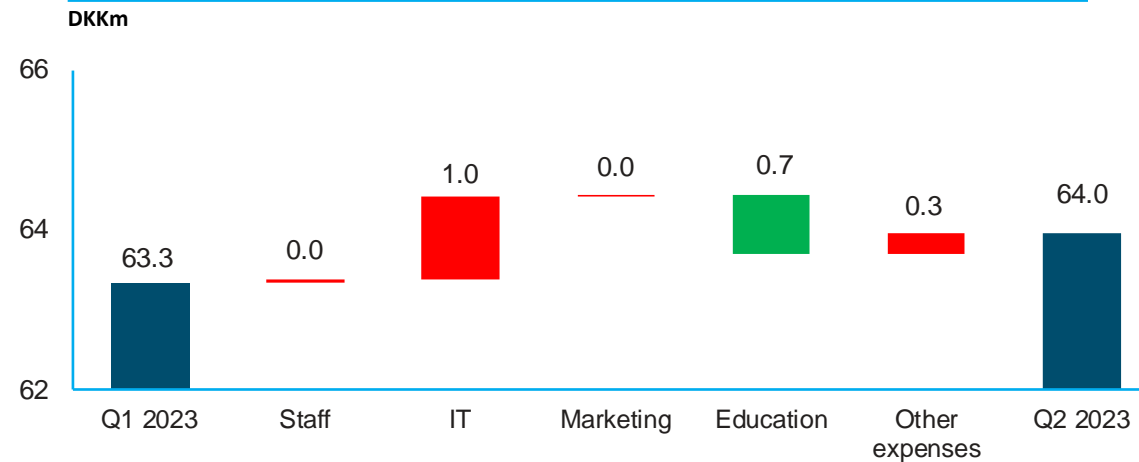
Operating costs

- Costs under pressure but cost discipline remains a focus area

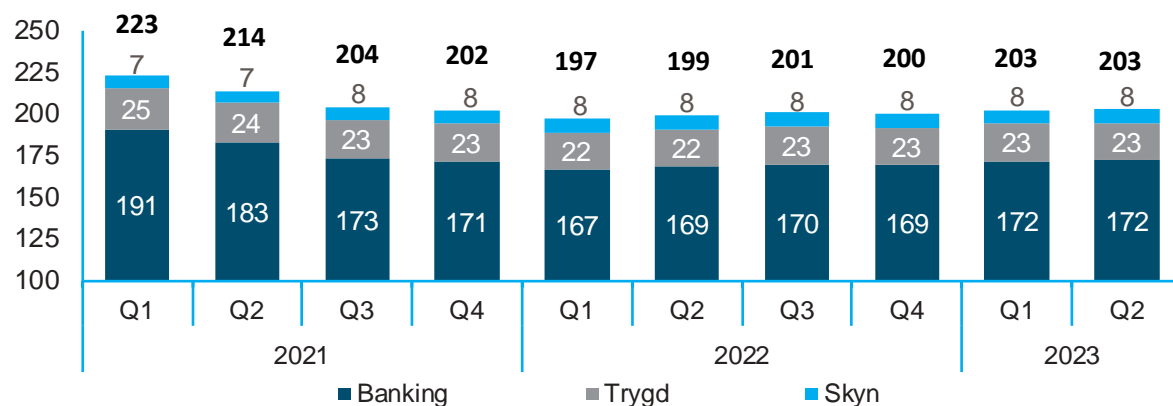
Comments

- Operating costs up by DKK 0.6m QoQ and up by DKK 4.4m YoY.
- Operating costs as expected for Q2.
- FTE flat compared to Q1 2023.
- Furthermore, non-recurring items of DKK 9m due to changes in staff and management.

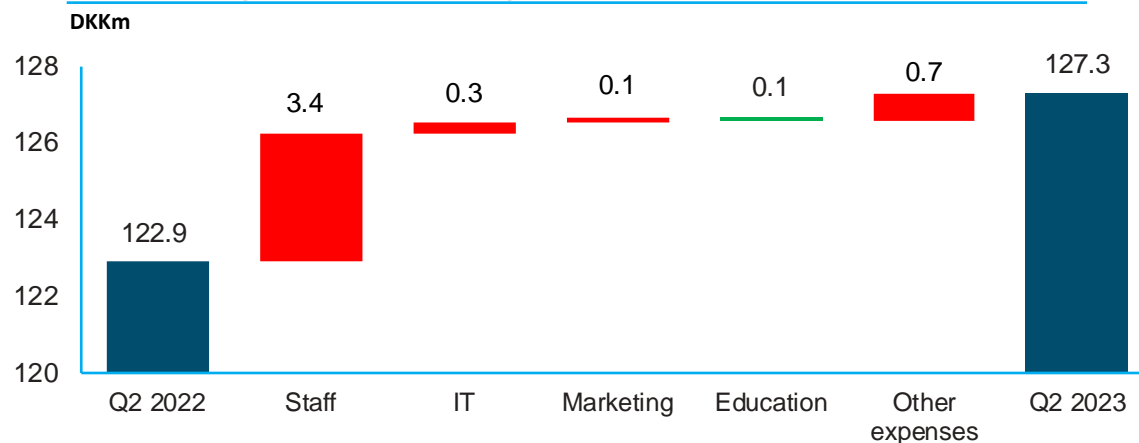
QoQ changes in operating costs



Average number of employees (FTE)



YoY changes in operating costs



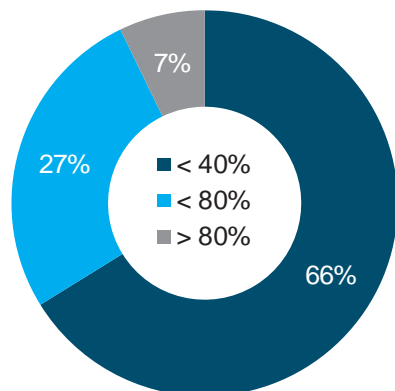
Impairment charges

- Reversal of impairment charges on well-collateralised loan portfolio

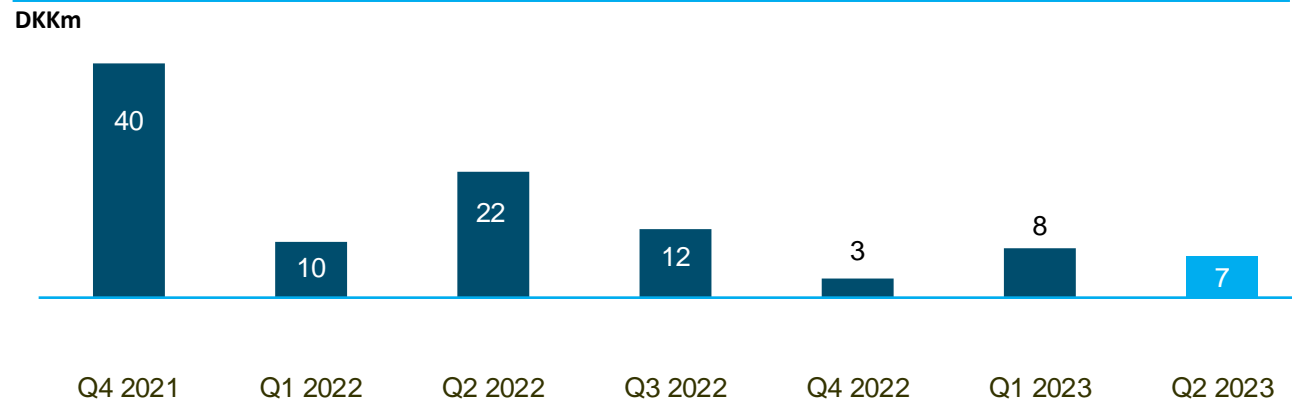
Comments

- Impairment charges were a net reversal of DKK 7m in Q2 2023.
- Discretionary management estimate of DKK 75m; DKK 10m higher than in Q1. Originally recognised in 2020 due to Covid. Covid-related uncertainty reduced, but the estimate has been reassessed and increased due to the uncertainty caused by the war in Ukraine and macroeconomic developments.
- BankNordik still expects to be able to keep impairments below the industry average going forward.
- Strong LTV ratios for housing loans.

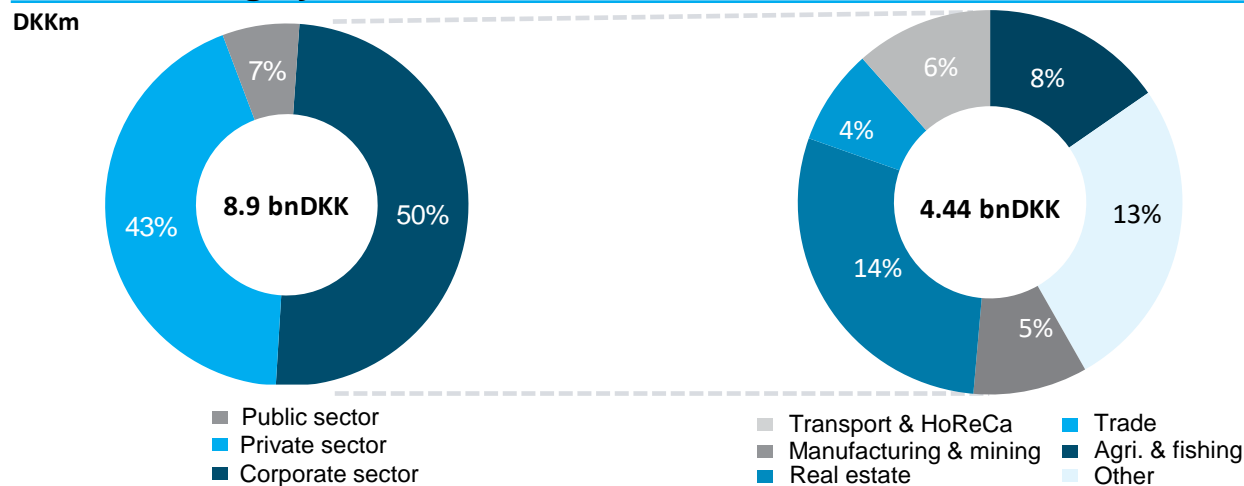
LTV for housing loans¹



Net impairment charges



Gross lending by sector



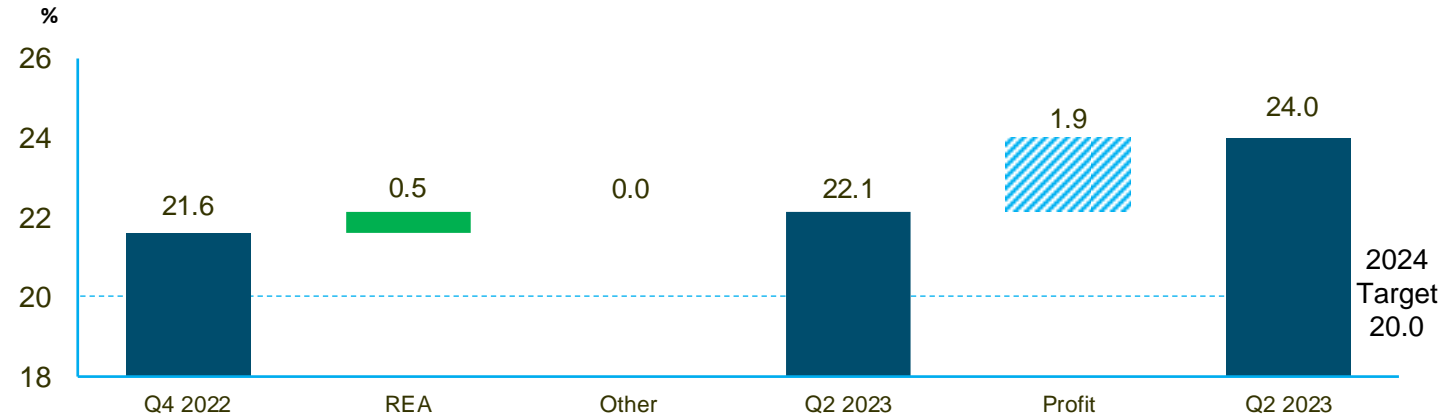
Capital position

- Strong capital ratios with focus on capital optimisation

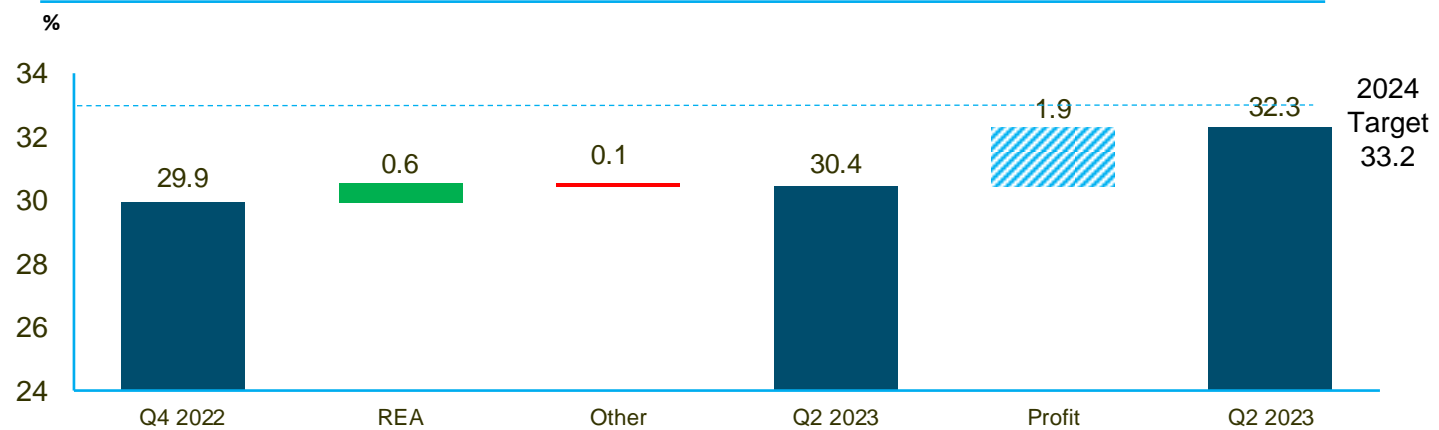
Comments

- CET1 ratio up by 0.5 pp and MREL capital ratio up by 0.5 pp in Q2 2023 compared to Q4 2022.
- REA decreased by 2.3 pp to DKK 7,029m compared to Q4 2022. Income legislation regarding SME exposure (185m) is now included 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

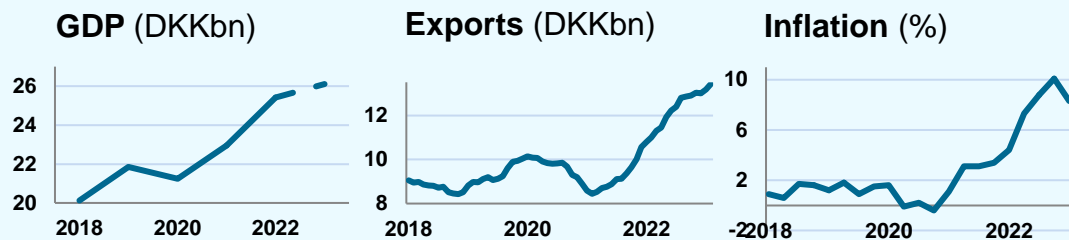
The Faroe Islands

Positive momentum

- Strong rebound after Covid
- GDP growth (nominal)
 - 2022: 10.8%
 - 2023: 2.7%
- Export up 20% in 1Q 2023 compared to 1Q 2022

Risk factors

- Inflation as high as in rest of Europe, 8.3% in Feb 2023
- Russia fisheries agreement extended through 2023



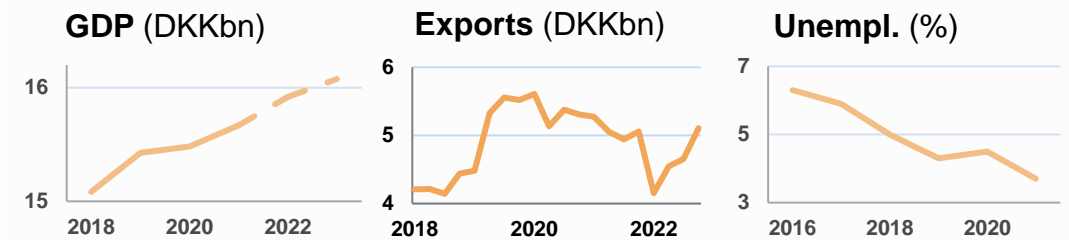
Greenland

Positive momentum

- Moderate, but positive growth in recent years – including in 2020
- GDP growth expectations (real)
 - 2022: 1.6%
 - 2023: 1.0%
- Inflation low: 3-4% in 2022

Risk factors

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



Questions?

Turið F. Arge, CEO



Appendices

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

Group

- Increased net profit

DKKm	Q2 2023	Q1 2023	Index	Q4 2022	Q3 2022	Q2 2022	H1 2023	H1 2022	Index
Net interest income	86	78	111	72	67	65	164	130	126
Net fee and commission income	19	21	88	23	22	22	40	43	93
Net insurance income	19	5	399	14	11	15	24	27	89
Other operating income (less reclassification)	11	8	129	8	11	9	19	19	103
Operating income	135	112	120	117	110	111	247	219	113
Operating costs ¹	-64	-63	101	-58	-62	-62	-127	-123	104
Sector costs	0	0		0	0	0	-1	-1	123
Profit before impairment charges	71	49	145	59	48	48	119	96	125
Impairment charges, net	7	8	86	3	12	22	16	31	
Operating profit	78	57	137	62	60	70	135	127	106
Non-recurring items ²	-6	-3		0	0	0	-9	0	
Profit before investment portfolio earnings and tax	72	54	135	62	60	70	126	127	99
Investment portfolio earnings ³	15	22		8	-36	-16	37	-14	
Profit before tax	87	75	115	70	24	54	162	113	144
Tax	17	14	122	16	4	10	31	22	141
Net profit	70	61	114	54	20	43	131	90	145
Operating cost/income, %	47	56		49	56	56	51	56	
Number of FTE, end of period	203	203	100	200	201	203	203	203	100

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	Q2 2023	Q1 2023	Index	Q4 2022	Q3 2022	Q2 2022	H1 2023	H1 2022	Index
Net interest income	86	78	111	72	67	65	164	130	126
Net fee and commission income	23	25	93	26	26	25	48	50	95
Other operating income	9	8	123	6	10	8	17	16	106
Operating income	118	110	108	105	102	97	228	196	116
Operating cost	-58	-58	99	-53	-57	-57	-116	-113	103
Sector costs	0	0		0	0	0	-1	-1	123
Profit before impairment charges	60	51	118	52	45	40	111	83	134
Impairment charges, net	7	8	86	3	12	22	16	31	
Operating profit	67	60	113	55	57	62	127	114	111
Non-recurring items	-6	-3		0	0	0	-9	0	
Profit before investment portfolio earnings and tax	62	56	110	55	57	62	118	114	103
Investment portfolio earnings	14	20		3	-32	-12	34	-9	
Profit before tax	76	76	100	58	25	50	152	105	
Loans and advances	8,655	8,354	104	8,083	7,977	7,724	8,655	7,724	112
Deposits and other debt	8,426	8,524	99	8,351	8,225	8,897	8,426	8,897	95
Mortgage credit	2,567	2,634	97	2,648	2,652	2,730	2,567	2,730	94
Operating cost/income, %	49	53		50	56	58	51	57	
Number of FTE, end of period	173	170	102	169	170	173	173	173	100

Personal Banking

- High income level compared to last year

DKK m	Q2 2023	Q1 2023	Index	Q4 2022	Q3 2022	Q2 2022	H1 2023	H1 2022	Index
Net interest income	35	36	99	35	34	33	71	67	106
Net fee and commission income	16	18	91	19	19	18	34	36	94
Other operating income	7	6	107	5	8	6	13	12	111
Operating income	58	60	97	60	60	57	118	115	103
Operating costs	-49	-47	104	-48	-49	-44	-96	-88	109
Sector costs	0	0		0	0	0	-1	0	
Profit before impairment charges	9	12	70	11	11	13	21	26	81
Impairment charges, net	1	5		-3	6	7	6	12	49
Operating profit	10	18	55	8	17	20	27	38	71
Non-recurring items	-5	-3		0	0	0	-8	0	
Profit before investment portfolio earnings and tax	5	15	34	8	17	20	20	38	51
Investment portfolio earnings	10	11	98	6	-23	-13	21	-11	
Profit before tax	15	25	61	14	-6	7	41	27	149
Loans and advances	3,771	3,673	103	3,645	3,626	3,576	3,771	3,576	105
Deposits and other debt	5,584	5,392	104	5,412	5,388	5,410	5,584	5,410	103
Mortgage credit	2,285	2,331	98	2,338	2,328	2,344	2,285	2,344	97
Number of FTE, end of period	74	74	100	71	74	76	74	76	97

Corporate Banking

- High interest income due to interest rate hikes

DKKm	Q2 2023	Q1 2023	Index	Q4 2022	Q3 2022	Q2 2022	H1 2023	H1 2022	Index
Net interest income	51	42	122	37	33	32	93	63	146
Net fee and commission income	7	7	97	7	7	7	14	14	98
Other operating income	2	1	211	1	2	2	4	4	90
Operating income	60	50	120	45	42	41	110	82	135
Operating costs	-8	-6	137	-3	-9	-7	-15	-19	76
Sector costs	0	0		0	0	0	0	0	
Profit before impairment charges	51	44	118	42	33	33	95	62	153
Impairment charges, net	6	3	188	6	6	14	10	19	50
Operating profit	58	47	123	48	38	47	105	81	129
Non-recurring items	-1	0		0	0	0	-1	0	
Profit before investment portfolio earnings and tax	57	47	122	48	38	47	103	81	127
Investment portfolio earnings	4	4		-3	-9	-5	8	-4	
Profit before tax	61	51	120	46	29	42	112	78	144
Loans and advances	4,884	4,681	104	4,438	4,351	4,148	4,884	4,148	118
Deposits and other debt	2,824	3,132	90	2,939	2,837	3,487	2,824	3,487	81
Mortgage credit	282	302	93	310	324	382	282	382	74
Number of FTE, end of period	15	15	100	15	15	15	15	15	100

Banking – Faroe Islands

- Steady improvement in operating profit

DKKm	Q2 2023	Q1 2023	Index	Q4 2022	Q3 2022	Q2 2022	H1 2023	H1 2022	Index
Net interest income	69	64	109	60	55	52	133	106	126
Net fee and commission income	19	21	92	22	22	22	40	43	95
Other operating income	8	6	122	4	9	6	14	13	105
Total Operating income	96	91	106	86	86	80	188	162	116
Operating cost	-48	-49	97	-45	-50	-47	-97	-93	104
Sector costs	0	0		0	0	0	-1	-1	123
Profit before impairment charges	48	42	116	40	35	33	90	68	132
Impairment charges, net	-1	15	-8	-9	12	4	14	6	
Operating profit	47	57	83	32	47	37	104	75	139
Non-recurring items	-6	-3		0	0	0	-9	0	
Profit before investment portfolio earnings and tax	41	53	78	32	47	37	95	75	127
Investment portfolio earnings	11	16		2	-25	-9	27	-7	
Profit before tax	52	69	75	33	22	28	122	68	179
Loans and advances	7,248	6,971	104	6,833	6,780	6,577	7,248	6,577	110
Deposits and other debt	7,734	7,803	99	7,791	7,592	7,532	7,734	7,532	103
Mortgage credit	1,723	1,756	98	1,771	1,777	1,776	1,723	1,776	97
Operating cost/income, %	50	54		53	59	59	52	58	
Number of FTE, end of period	156	155	101	152	152	156	156	156	100

Banking – Greenland

- Interest rate increases reflected in higher operating income

DKKm	Q2 2023	Q1 2023	Index	Q4 2022	Q3 2022	Q2 2022	H1 2023	H1 2022	Index
Net interest income	17	14	120	13	12	13	31	25	125
Net fee and commission income	3	3	103	4	4	4	7	7	91
Other operating income	1	1	128	1	2	1	2	2	105
Total Operating income	21	18	117	18	17	17	40	34	117
Operating cost	-10	-9	105	-7	-8	-10	-19	-19	98
Sector costs	0	0		0	0	0	0	0	
Profit before impairment charges	12	9	129	11	9	8	21	15	141
Impairment charges, net	-2	-7		12	0	2	-8	6	
Operating profit	10	3	387	23	8	10	13	21	62
Non-recurring items	0	0		0	0	0	0	0	
Profit before investment portfolio earnings and tax	10	3	387	23	8	10	13	21	62
Investment portfolio earnings	3	3		1	-6	-3	6	-2	
Profit before tax	13	6	232	25	3	7	19	18	105
Loans and advances	1,397	1,372	102	1,243	1,187	1,138	1,397	1,138	123
Deposits and other debt	687	717	96	544	616	1,352	687	1,352	51
Mortgage credit	833	866	96	860	846	866	833	866	96
Operating cost/income, %	45	50		39	47	56	47	56	
Number of FTE, end of period	17	17	97	17	17	17	17	17	99

DKKm	Q2 2023	Q1 2023	Index	Q4 2022	Q3 2022	Q2 2022	H1 2023	H1 2022	Index
Premium income, net of reinsurance	35	34	103	36	36	35	69	69	101
Claims, net of reinsurance	-19	-32	60	-24	-26	-23	-51	-47	108
Net insurance income	16	2	744	12	11	12	18	21	84
Net income from investment activities	0	2	7	4	-3	-3	2	-4	
Operating income	16	4	414	16	7	9	20	17	116
Operating cost	-8	-7	113	-6	-6	-6	-14	-13	111
Profit before tax	8	-3	-297	10	1	3	6	4	
Combined ratio	76	113		85	88	83	95	88	
Claims ratio	55	94		68	71	65	74	69	
Number of FTE, end of period	22	23	98	23	23	23	22	23	99

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

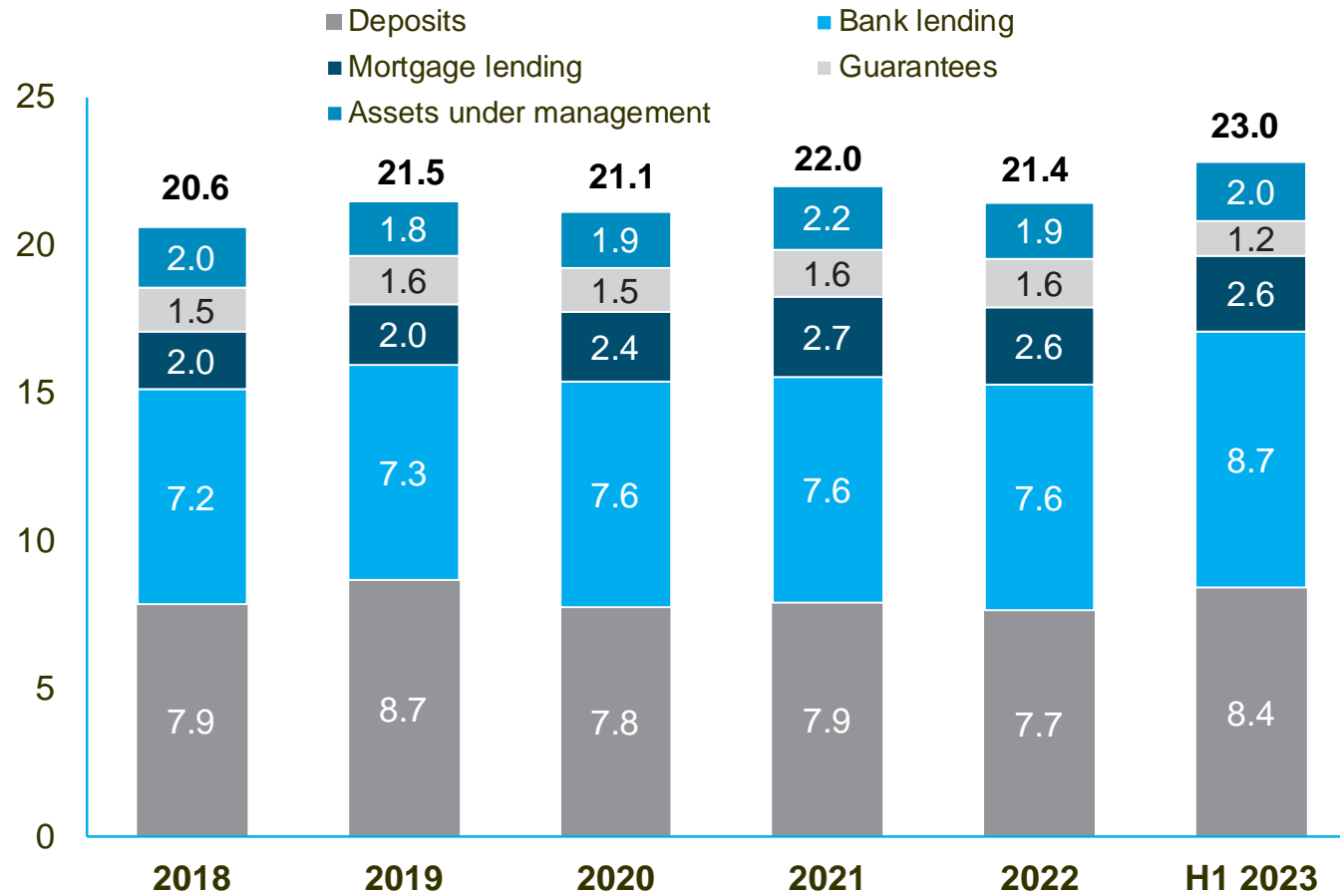
- ROE > 12% p.a.
- C/I < 53%
- Dividend payout ratio 70%
- Share buybacks
- CET 1 ratio 20.0%
- MREL capital: 2 pp above requirement
- Combined ratio 85%

Developments in business volumes

- Increased activity in all business areas drives up total business volume

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

DKKbn

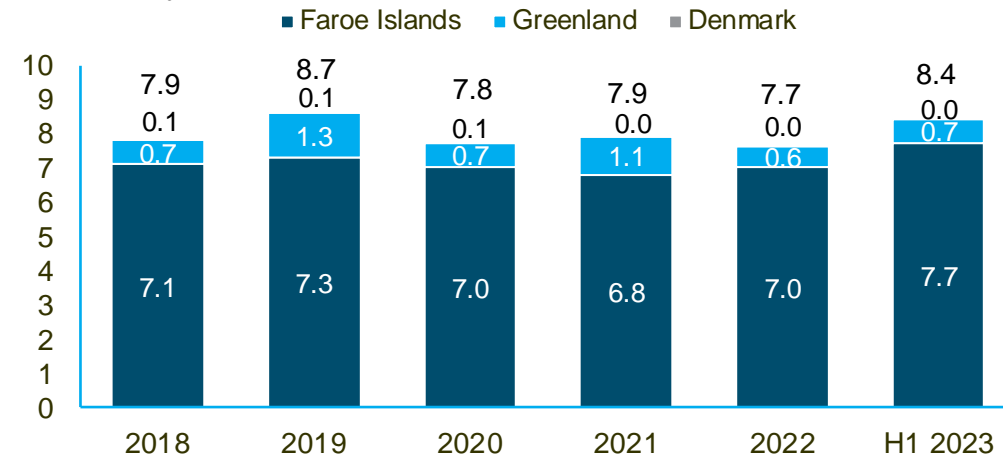


Comments

- Increase in bank lending for real estate

Deposits

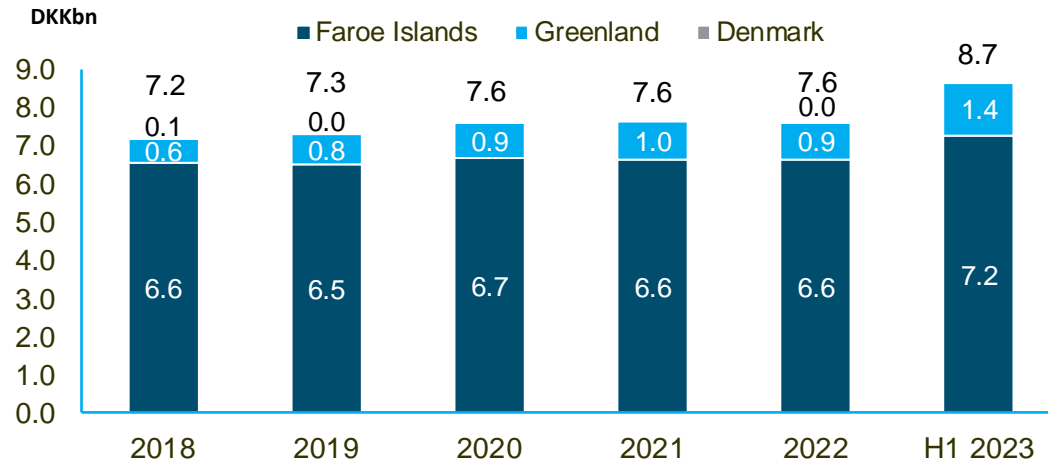
DKKbn



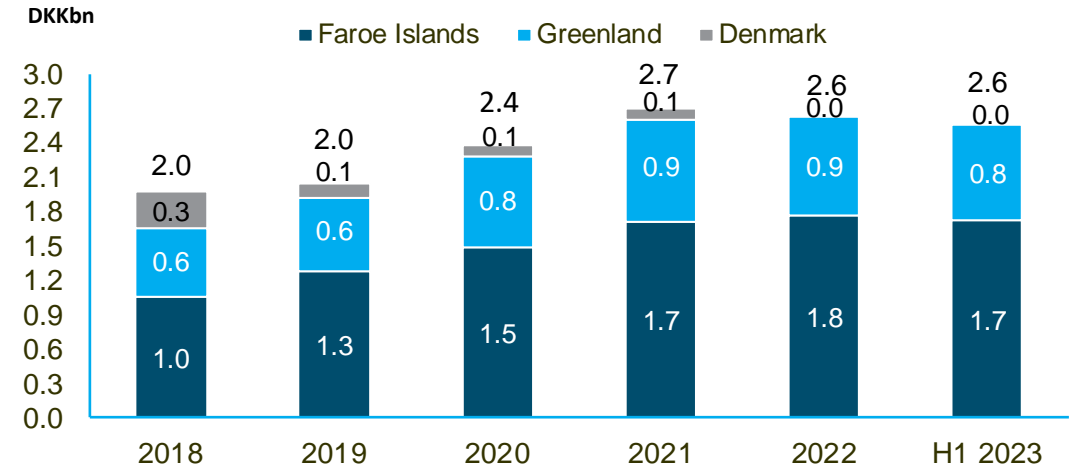
Developments in business volumes

- Growth in line with markets

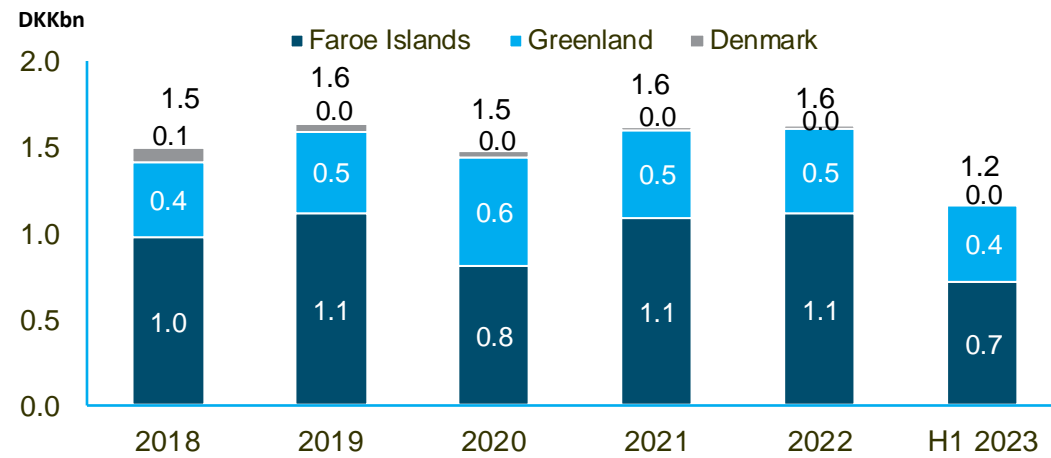
Bank lending



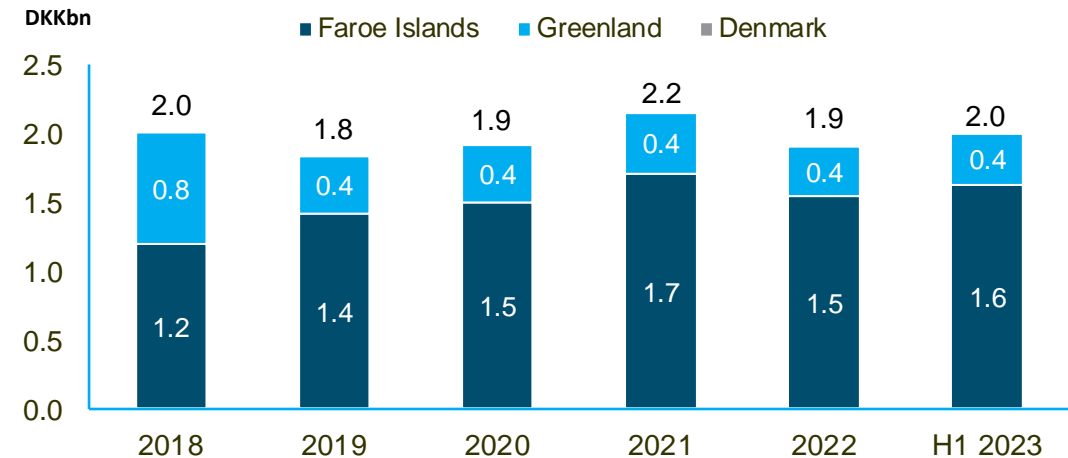
Mortgages



Guarantees



Assets under management



Credit quality of the loan portfolio

- Still a solid loan portfolio

Credit classification according to the Danish FSA's method

	Q1 2023			Q2 2023			Change
	<7.5 DKKm	>7.5 DKKm	Total	<7.5 DKKm	>7.5 DKKm	Total	
Portfolio without weakness	1,543	3,849	5,391	2,388	4,255	6,643	1,252
Portfolio with some weakness	3,404	2,341	5,745	2,619	2,051	4,670	-1,075
Portfolio with weakness	86		86	83		83	-4
- of which unsecured	10		10	8		8	-2
- impairments	8		8	6		6	-2
Portfolio with OIE	161	161	322	158	127	286	-36
- of which unsecured	33	72	105	32	62	94	-11
- impairments	31	44	75	33	35	68	-8
Portfolio w/o individual classification	31	192	224	23	102	125	-98
Total	5,225	6,543	11,768	5,272	6,535	11,807	39

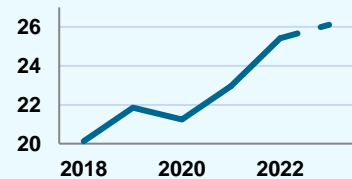
Total loan portfolio (gross exposure) includes

- Loans and advances
- Credits
- Unused credits
- Guarantees

The Faroese economic outlook

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

Strong growth momentum



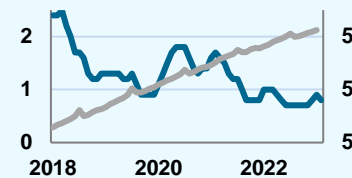
GDP

- Strong rebound after Covid-19
- Growth estimate for 2022: 10.8% in *nominal* GDP growth (real growth 3.1%)



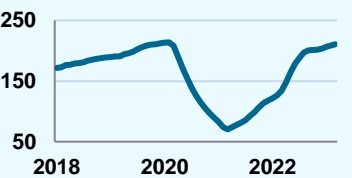
Exports

- Highest ever 12-month level in Apr 2023
- 37% above previous peak (Jan 2020)



Low unemployment and population growth

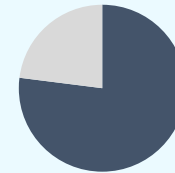
- Unemployment rate low at 0.6% in May 2023
- Population grown c. 4,000 in 5 years



Tourism rebounding

- 2022 on similar level to 2019
- Contribution to economy growing rapidly

Downside risks



Relations with Russia

- Largest export partner at 23% in 2021; fallen to 8% Mar 2022 – Feb 2023
- Fisheries agreement in the Barents sea extended through 2023, outlook uncertain



Imports

- Imports growing faster than exports
- Positive balance of trade, albeit at less than half of its post-pandemic peak



Inflation

- Global inflationary trend clearly seen in the Faroese economy



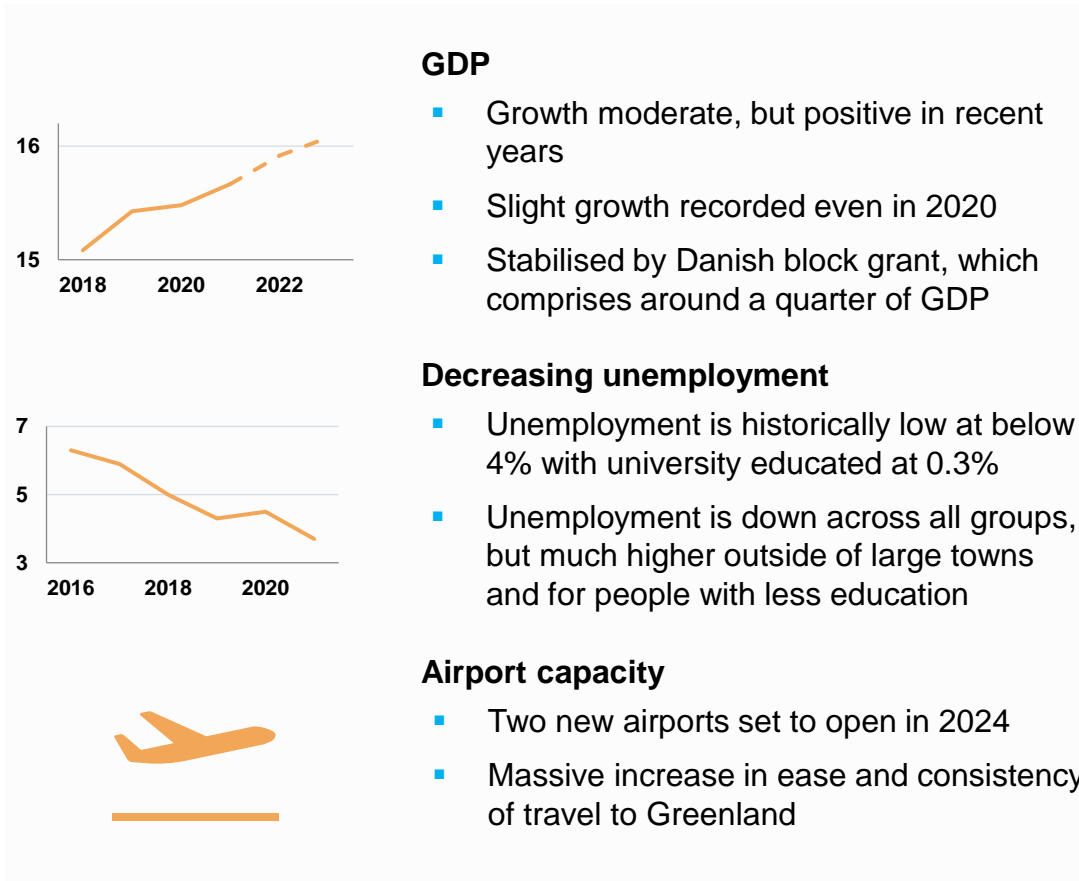
Consumer confidence

- Consumer confidence remains low along with outlook in the trade sector
- Business confidence overall 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

