

The image shows the exterior of a modern building with a concrete facade and large glass windows. The sun is shining brightly from the upper left, creating a lens flare effect. On the concrete wall, there are three illuminated signs: 'BANKNORDIK' in large white letters with a blue underline, 'TRYGD' in white letters with a yellow underline, and 'SKYND' in white letters with a yellow underline. The glass windows reflect the sky and show some interior lights.

# Sound performance in Q3 2023

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

**BANKNORDIK**



# 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

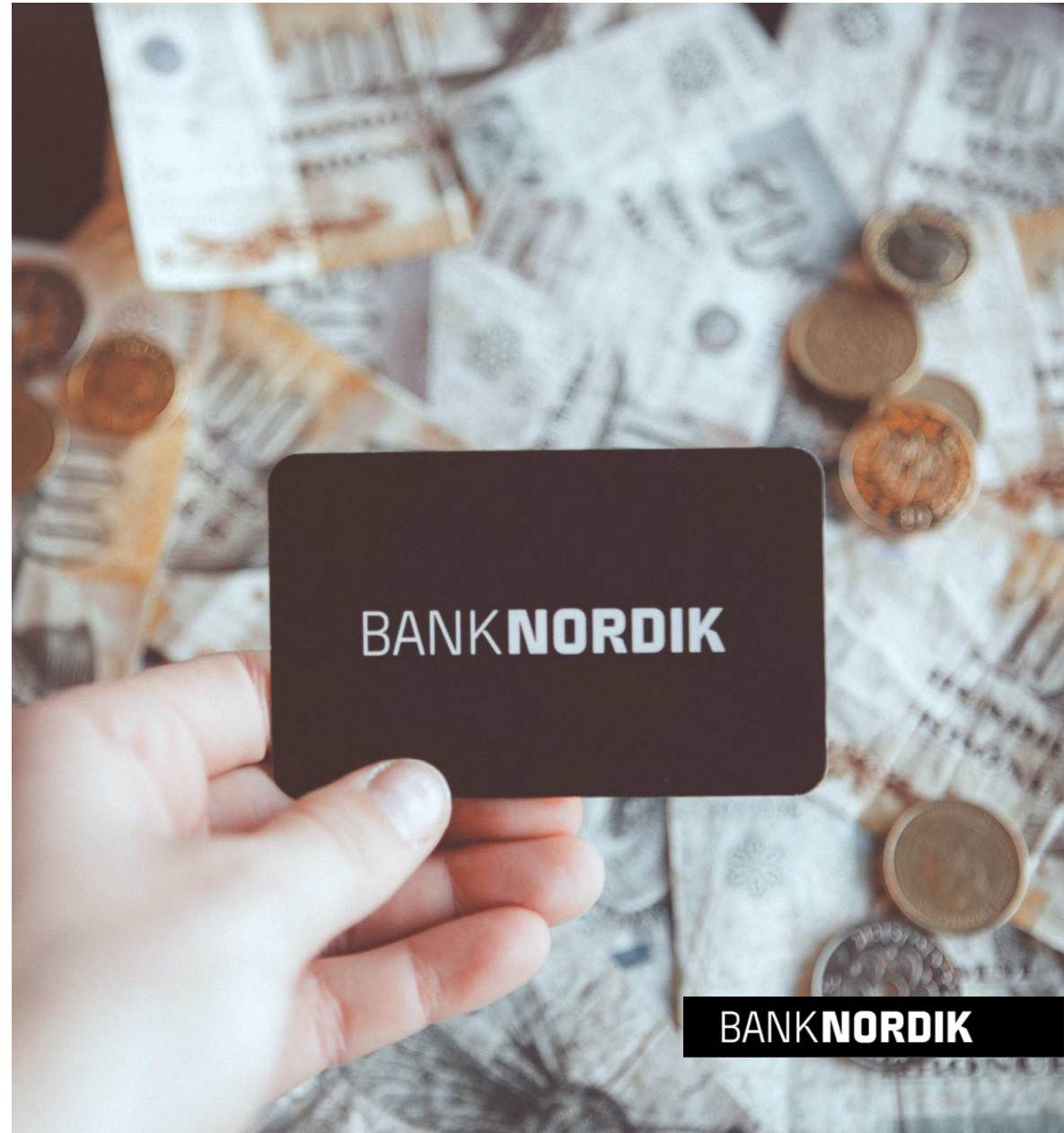
<i>DKKm</i>	Q3 2023	Q2 2023	Index	9M 2023	9M 2022	Index
Net interest income	96	86	111	260	197	132
Net fee and commission income	19	19	103	60	65	91
Net insurance income	24	19	123	48	38	126
Other operating income	9	11	84	28	29	96
<b>Operating income</b>	<b>148</b>	<b>135</b>	<b>110</b>	<b>395</b>	<b>330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

### 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
	<b>Target</b>					
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



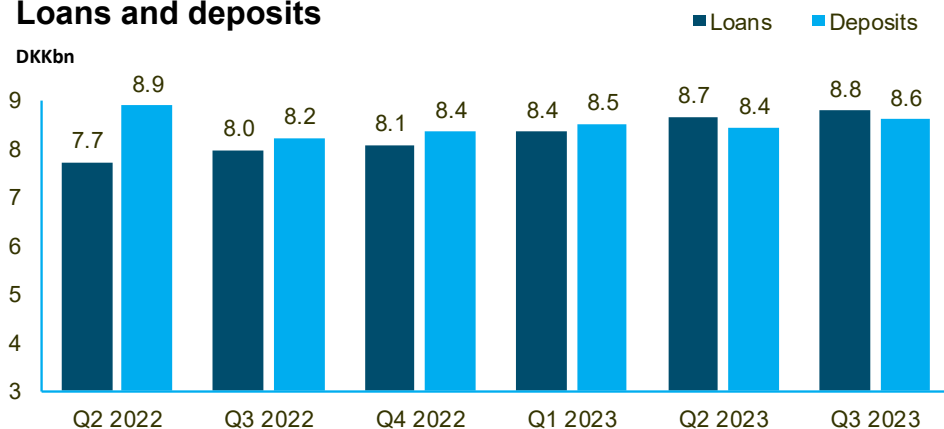
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# Operating income - Net interest income

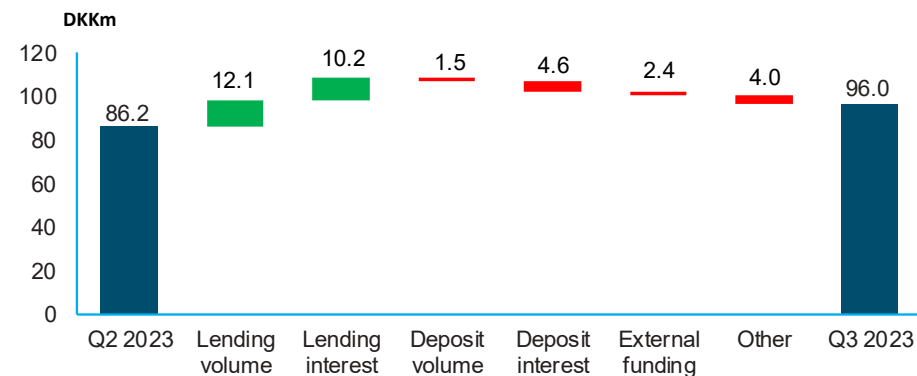
## Lending and deposit rates higher, as well as increase in total lending and deposit volumes

- 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.

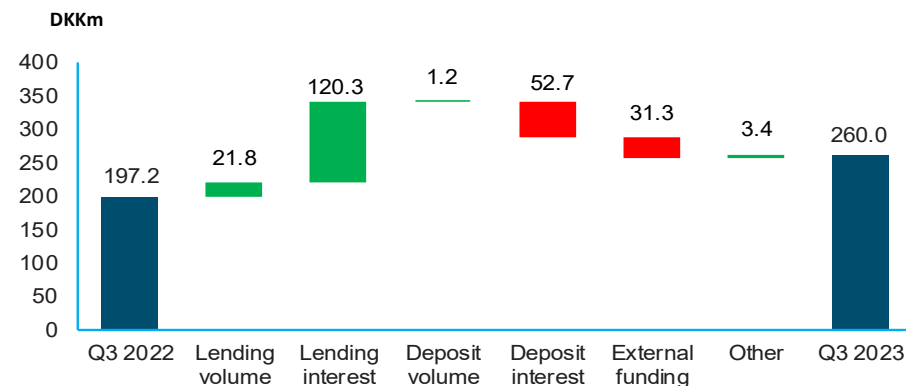
## Loans and deposits



## QoQ changes in net interest income



## YoY changes in net interest income

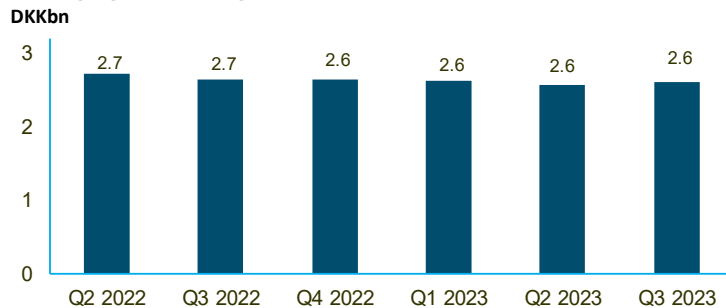


# Operating income – Fee and commission income

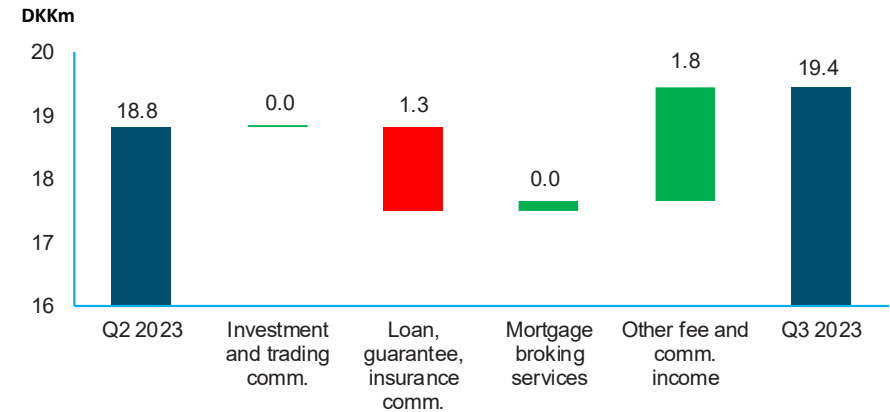
## Decrease in fees from mortgage broking services and guarantees compared to 2022.

- 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.

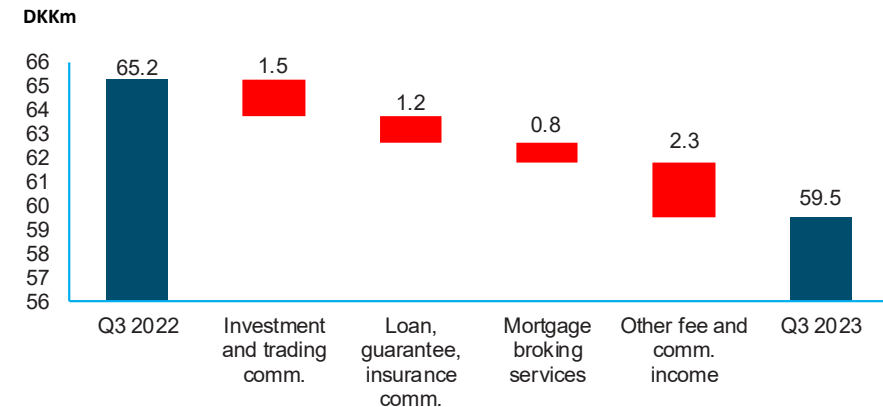
### Mortgage-broking services



### QoQ changes in fee and commission income



### YoY changes in fee and commission income

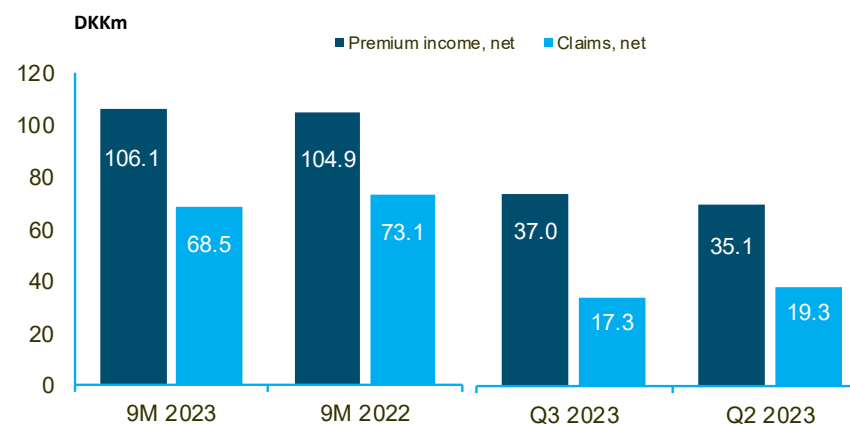


# Insurance – Financial results for Trygd

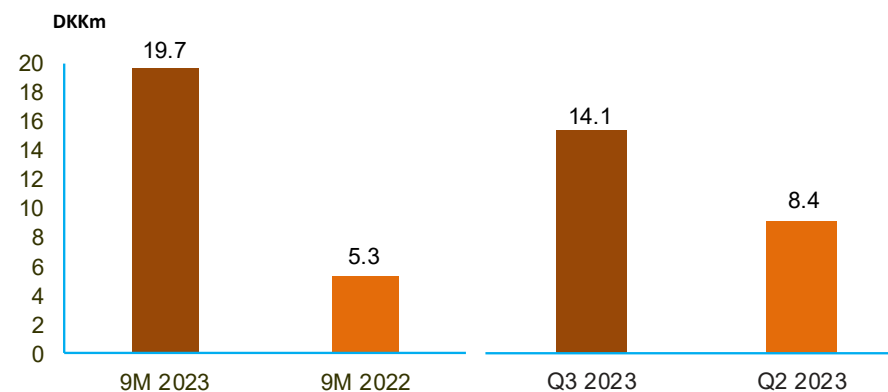
## Good results primarily due to lower claims

- 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



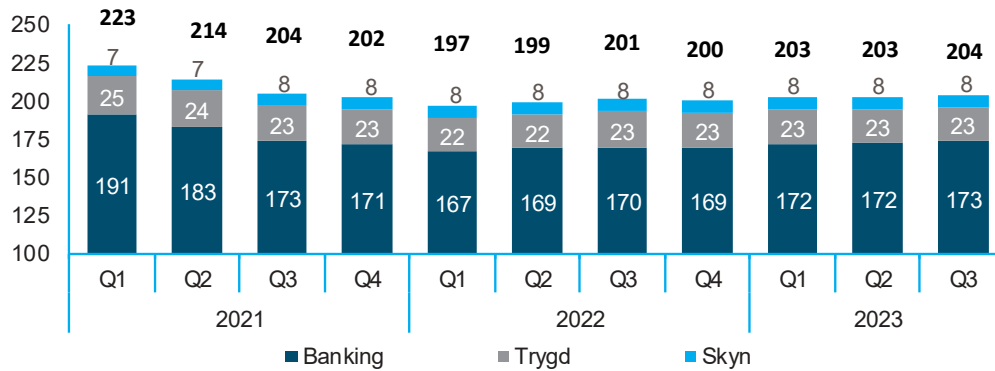


# Operating costs

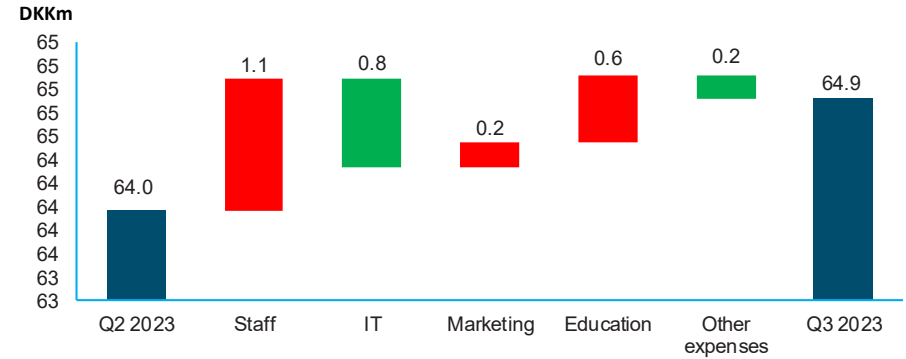
## Costs under pressure but cost discipline remains a focus area

- 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.

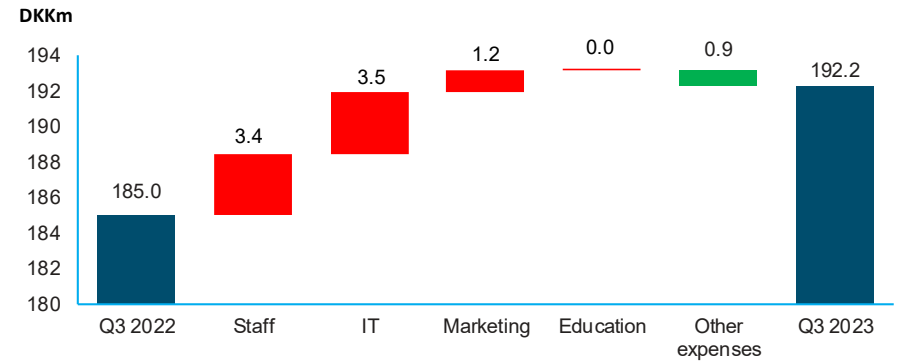
## Average number of employees (FTE)



## QoQ changes in operating costs



## QoQ changes in operating costs

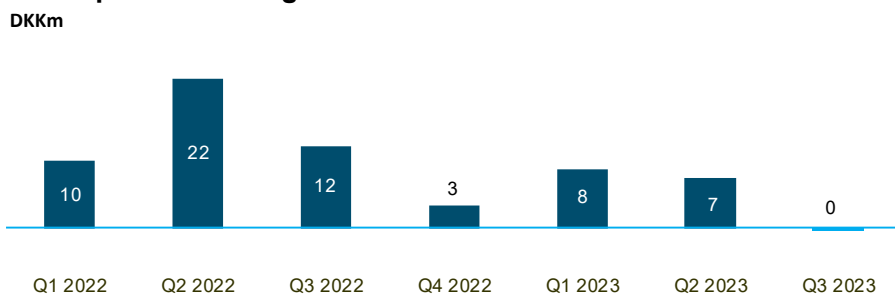


# Impairment charges

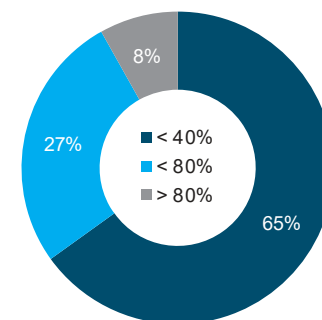
## Low impairment charges on diversified loan portfolio

- 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

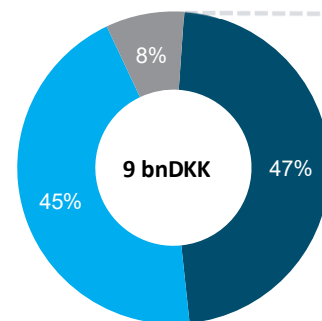


### LTV for housing loans<sup>1</sup>

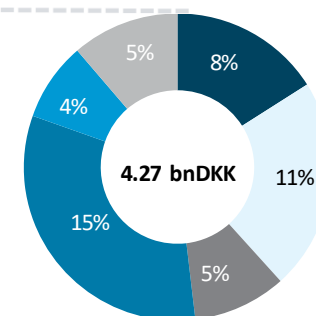


### Gross lending by sector

DKKbn



■ Public sector  
■ Private sector  
■ Corporate sector



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

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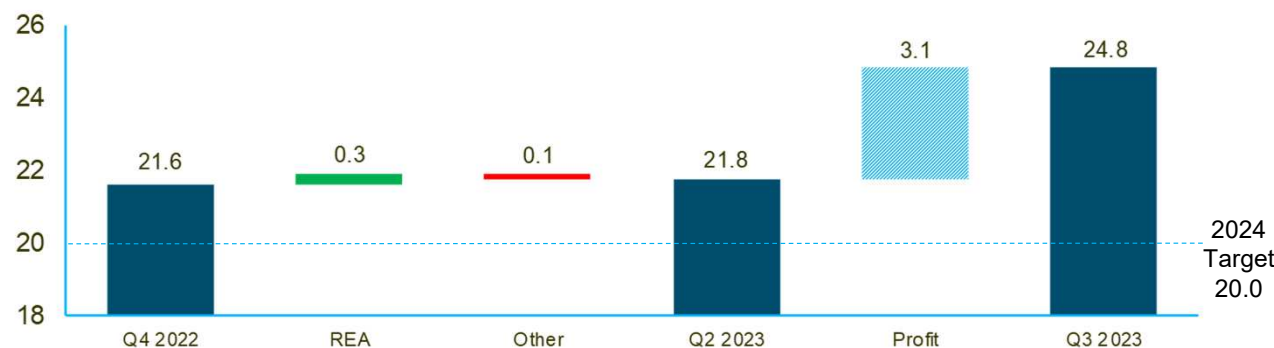
1) Lending for housing accounts for DKK 3.7bn of total retail lending of DKK 3.9bn

# Capital position

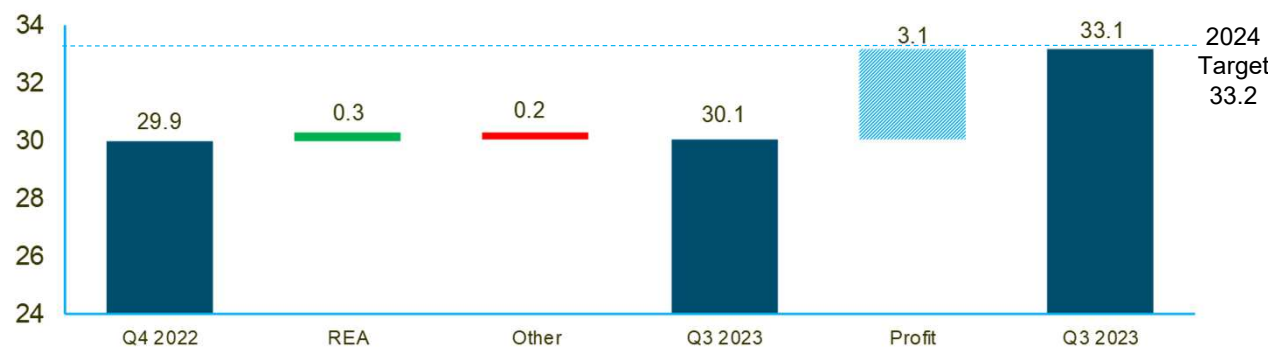
## Strong capital ratios with focus on capital optimisation

- 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





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## 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

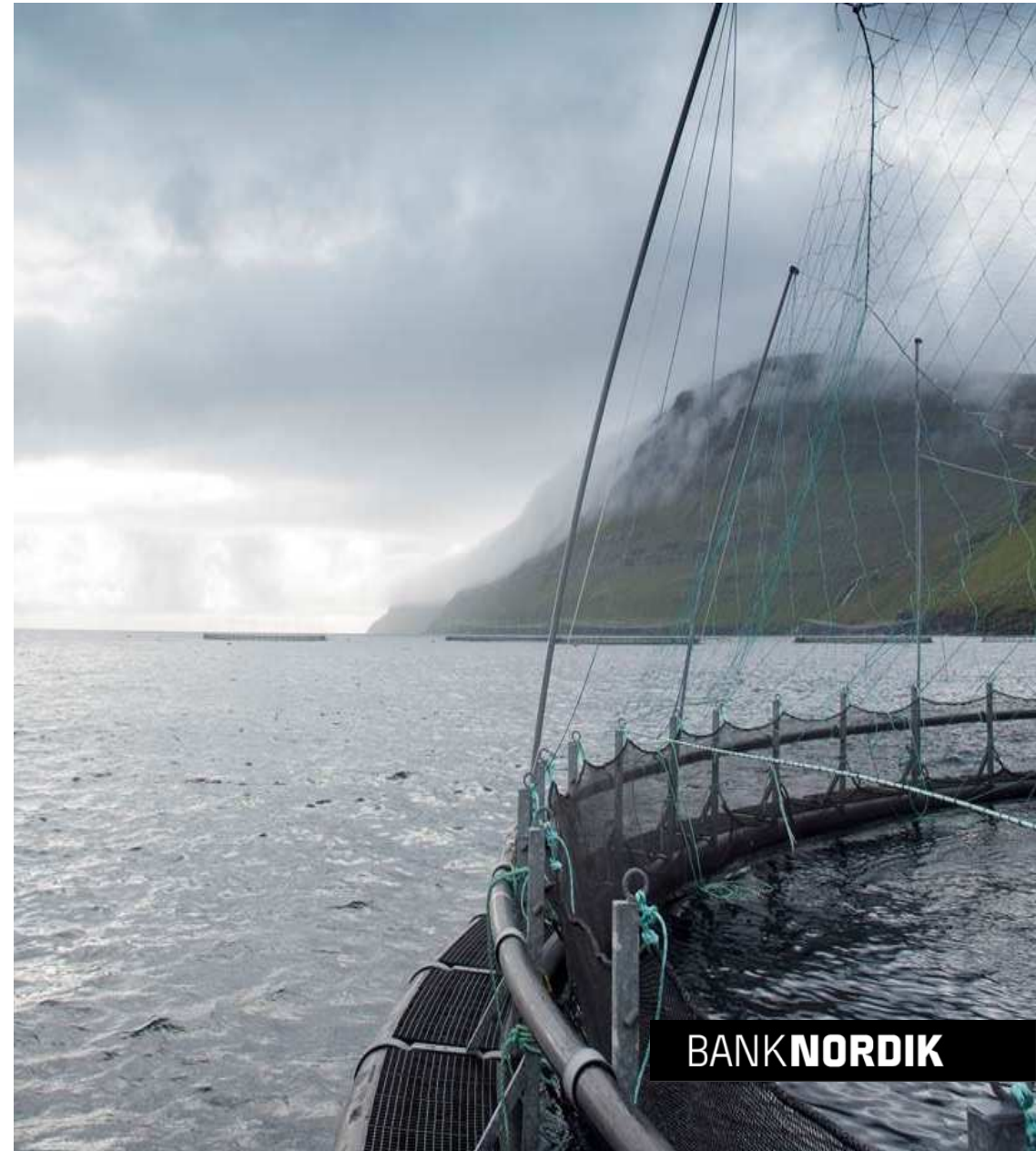
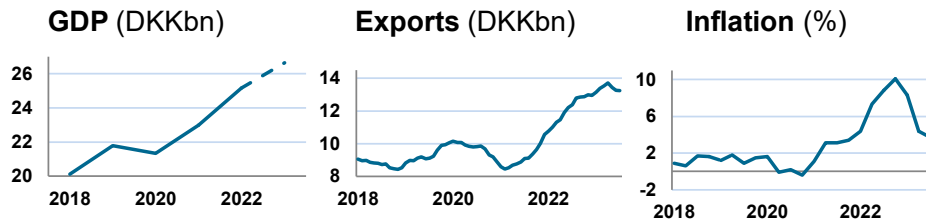
## Positive momentum and outlook, but with clear risk to the downside

### 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**

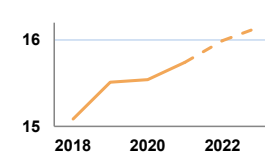
### Positive momentum

- 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

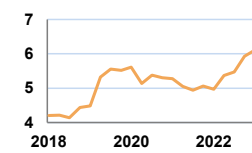
### Risk factors

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

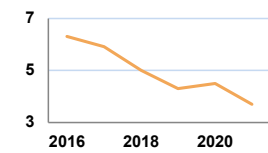
**GDP (DKKbn)**



**Exports (DKKbn)**



**Unempl. (%)**



# Questions?

Turið F. Arge, CEO

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# Disclaimer

- This presentation contains statements regarding future results, which are subject to risks and uncertainties. Consequently, actual results may differ significantly from the results indicated or implied in these statements.
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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



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# 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
<b>Operating income</b>	<b>148</b>	<b>135</b>	<b>110</b>	<b>112</b>	<b>117</b>	<b>110</b>	<b>395</b>	<b>330</b>	<b>120</b>
Operating costs <sup>1</sup>	-65	-64	101	-63	-58	-62	-192	-185	104
Sector costs	0	0		0	0	0	-1	-1	134
<b>Profit before impairment charges</b>	<b>83</b>	<b>71</b>	<b>117</b>	<b>49</b>	<b>59</b>	<b>48</b>	<b>202</b>	<b>144</b>	<b>140</b>
Impairment charges, net	0	7	-6	8	3	12	15	43	
<b>Operating profit</b>	<b>82</b>	<b>78</b>	<b>106</b>	<b>57</b>	<b>62</b>	<b>60</b>	<b>217</b>	<b>187</b>	<b>116</b>
Non-recurring items <sup>2</sup>	0	-6		-3	0	0	-9	0	
<b>Profit before investment portfolio earnings and tax</b>	<b>82</b>	<b>72</b>	<b>114</b>	<b>54</b>	<b>62</b>	<b>60</b>	<b>208</b>	<b>187</b>	<b>111</b>
Investment portfolio earnings <sup>3</sup>	26	15		22	8	-36	63	-50	
<b>Profit before tax</b>	<b>108</b>	<b>87</b>	<b>124</b>	<b>75</b>	<b>70</b>	<b>24</b>	<b>271</b>	<b>136</b>	<b>198</b>
<b>Tax</b>	<b>20</b>	<b>17</b>	<b>118</b>	<b>14</b>	<b>16</b>	<b>4</b>	<b>52</b>	<b>26</b>	<b>199</b>
<b>Net profit</b>	<b>88</b>	<b>70</b>	<b>126</b>	<b>61</b>	<b>54</b>	<b>20</b>	<b>219</b>	<b>111</b>	<b>198</b>
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

DKKmn	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
<b>Operating income</b>	<b>127</b>	<b>118</b>	<b>108</b>	<b>110</b>	<b>105</b>	<b>102</b>	<b>356</b>	<b>299</b>	<b>119</b>
Operating cost	-59	-58	102	-58	-53	-57	-175	-170	103
Sector costs	0	0		0	0	0	-1	-1	134
<b>Profit before impairment charges</b>	<b>68</b>	<b>60</b>	<b>113</b>	<b>51</b>	<b>52</b>	<b>45</b>	<b>180</b>	<b>128</b>	<b>141</b>
Impairment charges, net	0	7	-6	8	3	12	15	43	
<b>Operating profit</b>	<b>68</b>	<b>67</b>	<b>101</b>	<b>60</b>	<b>55</b>	<b>57</b>	<b>195</b>	<b>171</b>	<b>114</b>
Non-recurring items	0	-6		-3	0	0	-9	0	
<b>Profit before investment portfolio earnings and tax</b>	<b>68</b>	<b>62</b>	<b>110</b>	<b>56</b>	<b>55</b>	<b>57</b>	<b>186</b>	<b>171</b>	<b>109</b>
Investment portfolio earnings	24	14		20	3	-32	58	-41	
<b>Profit before tax</b>	<b>92</b>	<b>76</b>	<b>120</b>	<b>76</b>	<b>58</b>	<b>25</b>	<b>244</b>	<b>130</b>	
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
<b>Operating income</b>	<b>84</b>	<b>71</b>	<b>117</b>	<b>67</b>	<b>60</b>	<b>60</b>	<b>222</b>	<b>175</b>	<b>127</b>
Operating costs	-51	-49	103	-47	-48	-49	-147	-137	107
Sector costs	0	0		0	0	0	-1	-1	
<b>Profit before impairment charges</b>	<b>32</b>	<b>22</b>	<b>149</b>	<b>20</b>	<b>11</b>	<b>11</b>	<b>74</b>	<b>37</b>	<b>199</b>
Impairment charges, net	1	1		5	-3	6	7	18	39
<b>Operating profit</b>	<b>33</b>	<b>23</b>	<b>148</b>	<b>25</b>	<b>8</b>	<b>17</b>	<b>81</b>	<b>55</b>	<b>146</b>
Non-recurring items	0	-5		-3	0	0	-8	0	
<b>Profit before investment portfolio earnings and tax</b>	<b>33</b>	<b>18</b>	<b>187</b>	<b>22</b>	<b>8</b>	<b>17</b>	<b>73</b>	<b>55</b>	<b>132</b>
Investment portfolio earnings	17	10	166	11	6	-23	38	-34	
<b>Profit before tax</b>	<b>51</b>	<b>28</b>	<b>179</b>	<b>33</b>	<b>14</b>	<b>-6</b>	<b>112</b>	<b>21</b>	<b>520</b>
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
<b>Operating income</b>	<b>44</b>	<b>47</b>	<b>93</b>	<b>43</b>	<b>45</b>	<b>42</b>	<b>134</b>	<b>124</b>	<b>108</b>
Operating costs	-8	-8	91	-6	-3	-9	-22	-29	78
Sector costs	0	0		0	0	0	0	0	
<b>Profit before impairment charges</b>	<b>36</b>	<b>39</b>	<b>93</b>	<b>36</b>	<b>42</b>	<b>33</b>	<b>111</b>	<b>95</b>	<b>117</b>
Impairment charges, net	-2	6	-25	3	6	6	8	25	32
<b>Operating profit</b>	<b>34</b>	<b>45</b>	<b>77</b>	<b>40</b>	<b>48</b>	<b>38</b>	<b>119</b>	<b>120</b>	<b>100</b>
Non-recurring items	0	-1		0	0	0	-1	0	
<b>Profit before investment portfolio earnings and tax</b>	<b>34</b>	<b>44</b>	<b>78</b>	<b>39</b>	<b>48</b>	<b>38</b>	<b>118</b>	<b>120</b>	<b>98</b>
Investment portfolio earnings	7	4		4	-3	-9	15	-13	
<b>Profit before tax</b>	<b>41</b>	<b>48</b>	<b>86</b>	<b>44</b>	<b>46</b>	<b>29</b>	<b>133</b>	<b>107</b>	<b>124</b>
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
<b>Total Operating income</b>	<b>105</b>	<b>101</b>	<b>104</b>	<b>94</b>	<b>86</b>	<b>86</b>	<b>300</b>	<b>248</b>	<b>121</b>
Operating cost	-50	-48	105	-49	-45	-50	-147	-143	102
Sector costs	0	0		0	0	0	-1	-1	134
<b>Profit before impairment charges</b>	<b>54</b>	<b>53</b>	<b>103</b>	<b>45</b>	<b>40</b>	<b>35</b>	<b>152</b>	<b>103</b>	<b>147</b>
Impairment charges, net	1	-1	-116	15	-9	12	15	18	
<b>Operating profit</b>	<b>56</b>	<b>52</b>	<b>108</b>	<b>60</b>	<b>32</b>	<b>47</b>	<b>167</b>	<b>122</b>	<b>138</b>
Non-recurring items	0	-6		-3	0	0	-9	0	
<b>Profit before investment portfolio earnings and tax</b>	<b>56</b>	<b>46</b>	<b>121</b>	<b>56</b>	<b>32</b>	<b>47</b>	<b>158</b>	<b>122</b>	<b>130</b>
Investment portfolio earnings	18	11		16	2	-25	45	-32	
<b>Profit before tax</b>	<b>73</b>	<b>57</b>	<b>129</b>	<b>73</b>	<b>33</b>	<b>22</b>	<b>203</b>	<b>90</b>	<b>226</b>
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
<b>Total Operating income</b>	<b>22</b>	<b>17</b>	<b>131</b>	<b>15</b>	<b>18</b>	<b>17</b>	<b>54</b>	<b>51</b>	<b>106</b>
Operating cost	-8	-10	85	-9	-7	-8	-27	-27	100
Sector costs	0	0		0	0	0	0	0	
<b>Profit before impairment charges</b>	<b>14</b>	<b>7</b>	<b>193</b>	<b>6</b>	<b>11</b>	<b>9</b>	<b>27</b>	<b>24</b>	<b>112</b>
Impairment charges, net	-3	-2		-7	12	0	-11	5	
<b>Operating profit</b>	<b>11</b>	<b>5</b>	<b>198</b>	<b>-1</b>	<b>23</b>	<b>8</b>	<b>16</b>	<b>29</b>	<b>53</b>
Non-recurring items	0	0		0	0	0	0	0	
<b>Profit before investment portfolio earnings and tax</b>	<b>11</b>	<b>5</b>	<b>198</b>	<b>-1</b>	<b>23</b>	<b>8</b>	<b>16</b>	<b>29</b>	<b>53</b>
Investment portfolio earnings	5	3		3	1	-6	12	-8	
<b>Profit before tax</b>	<b>16</b>	<b>9</b>	<b>186</b>	<b>3</b>	<b>25</b>	<b>3</b>	<b>27</b>	<b>21</b>	<b>129</b>
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
<b>Net insurance income</b>	<b>20</b>	<b>16</b>	<b>125</b>	<b>2</b>	<b>12</b>	<b>11</b>	<b>38</b>	<b>32</b>	<b>118</b>
Net income from investment activities	2	0	1484	2	4	-3	4	-8	
<b>Operating income</b>	<b>22</b>	<b>16</b>	<b>135</b>	<b>4</b>	<b>16</b>	<b>7</b>	<b>41</b>	<b>24</b>	<b>170</b>
Operating cost	-7	-8	99	-7	-6	-6	-22	-19	114
<b>Profit before tax</b>	<b>14</b>	<b>8</b>	<b>168</b>	<b>-3</b>	<b>10</b>	<b>1</b>	<b>20</b>	<b>5</b>	
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

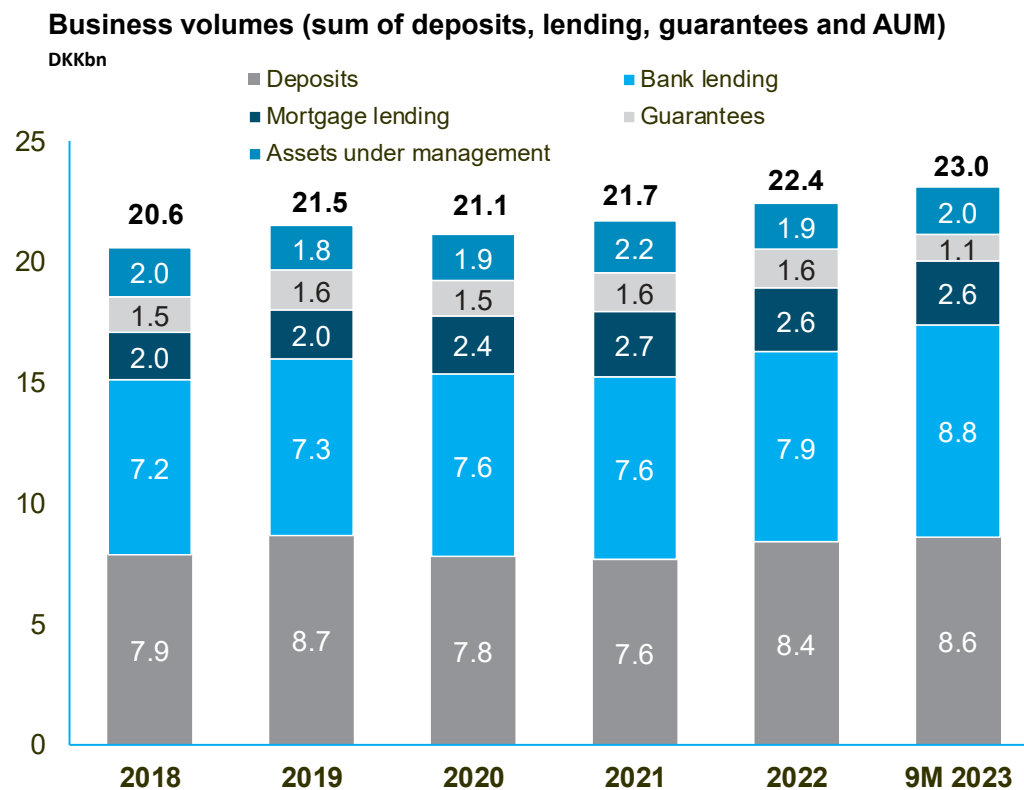
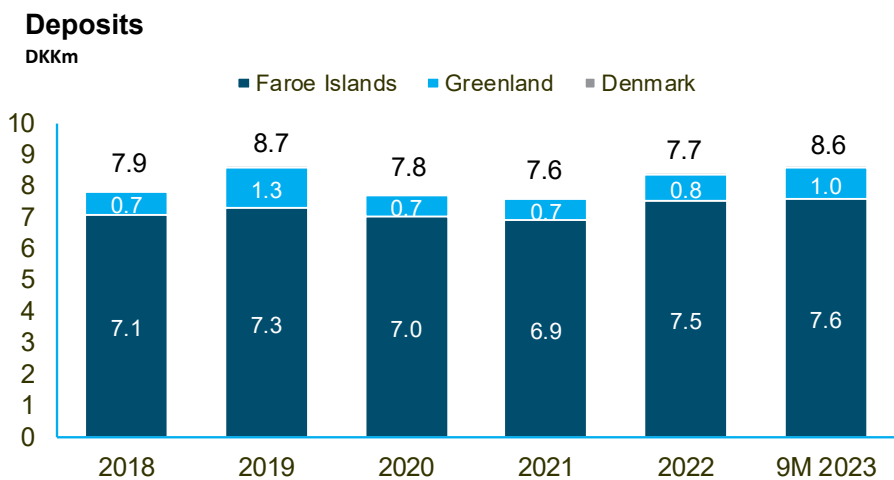
## Targets

Customers	Employees	Shareholders
<ul style="list-style-type: none"><li>- Relational NPS &gt; 40 at branches and in corporate departments</li><li>- Relational NPS &gt; 15 in Customer Service and in Banking for young people</li><li>- Transactional NPS &gt; 90</li></ul>	<ul style="list-style-type: none"><li>- Employee satisfaction score &gt; 80</li><li>- Employee turnover &lt; 7% p.a.</li><li>- Gender overrepresentation of not more than 60% among managers and in all departments</li></ul>	<ul style="list-style-type: none"><li>- ROE &gt; 12% p.a.</li><li>- C/I &lt; 53%</li><li>- Dividend payout ratio 70%</li><li>- Share buybacks</li><li>- CET 1 ratio 20.0%</li><li>- MREL capital: 2 pp above requirement</li><li>- Combined ratio 85%</li></ul>

# Developments in business volumes

## Increased activity in most areas drives up total business volume

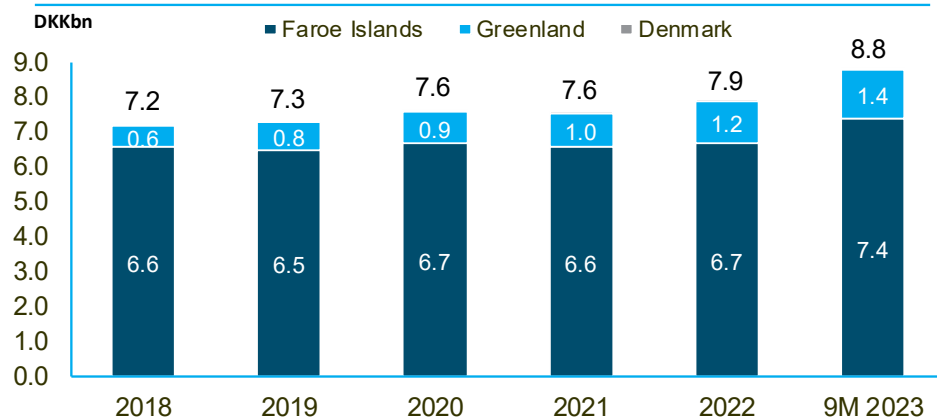
- Total bank lending and deposits increased
- Total guarantees and mortgage lending decreased



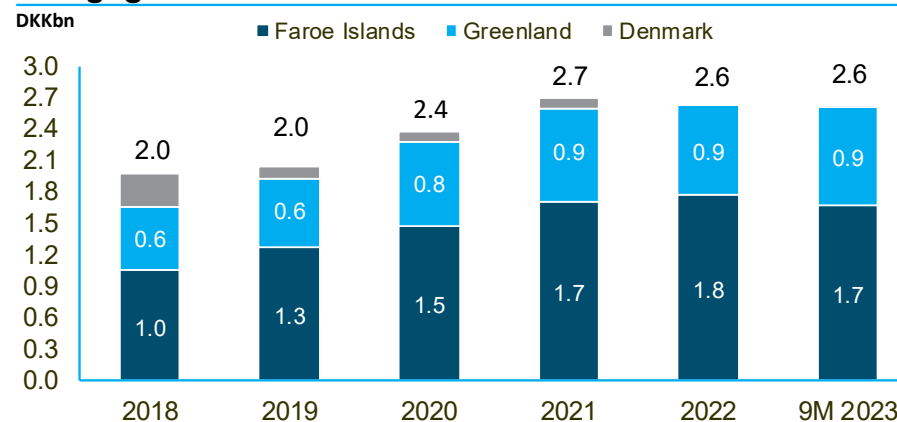
# Developments in business volumes

- Growth in line with markets

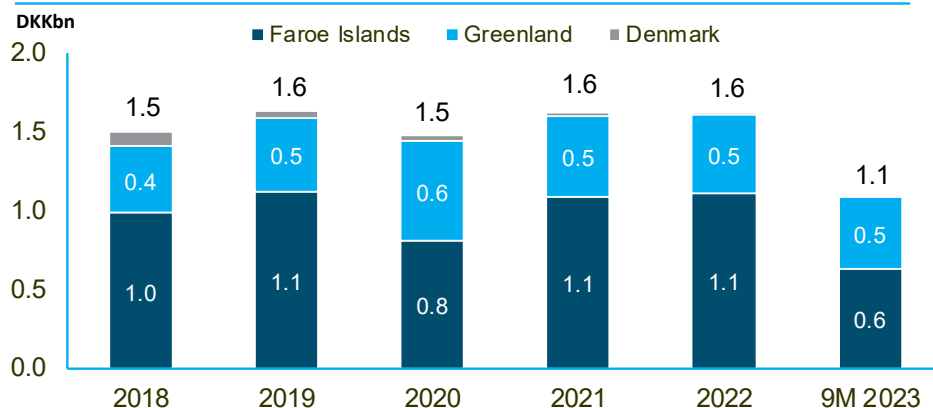
## Bank lending



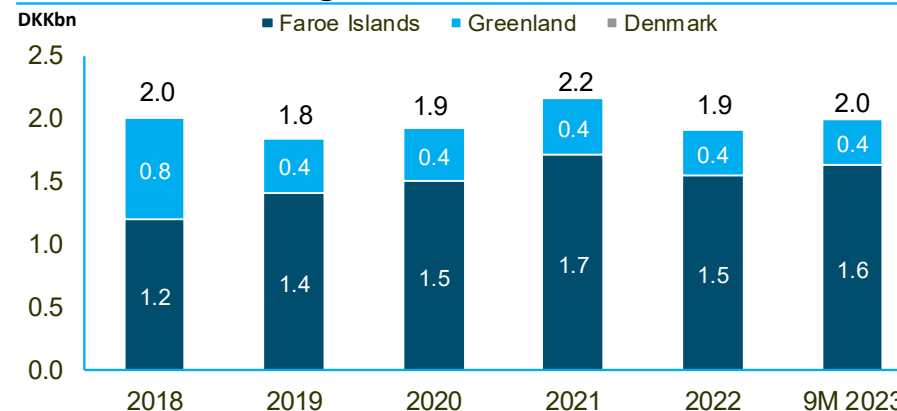
## Mortgages



## Guarantees



## Assets under management



**BANKNORDIK**

Divested activities eliminated from the figures above

## 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
<b>Total</b>	<b>5,272</b>	<b>6,535</b>	<b>11,807</b>	<b>5,368</b>	<b>6,574</b>	<b>11,942</b>	<b>135</b>

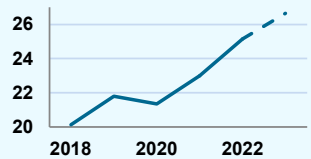
#### Total loan portfolio (gross exposure) includes

- Loans and advances
- Credits
- Unused credits
- Guarantees

# Faroese economic outlook

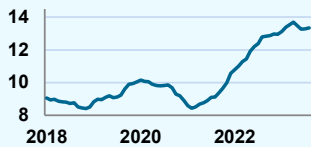
- Positive momentum and outlook, but with clear risk to the downside.

## Strong growth momentum



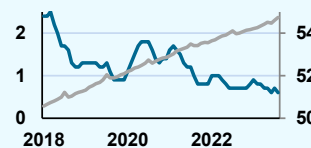
### GDP

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



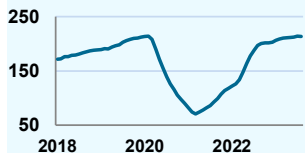
### Exports

- 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

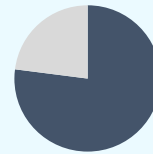
- Unemployment rate low at 0.6% in August 2023
- Population grown c. 4,000 in 5 years



### Tourism rebounding

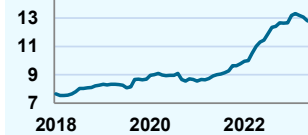
- 2023 on level similar to 2019
- Contribution to economy growing rapidly

## Downside risks



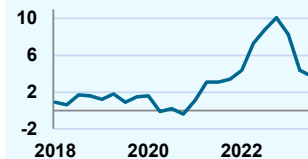
### Relations with Russia

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

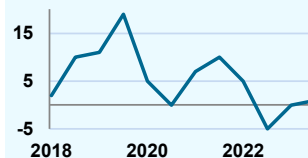


### Imports

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



- Global inflationary trend clearly seen in the Faroese economy



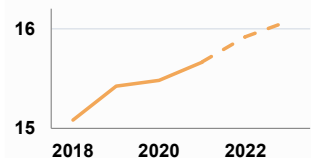
### Consumer confidence

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

# The Greenlandic economy

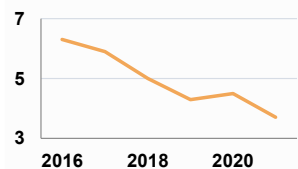
- Growth level moderate, but exports lagging and labour market seeing bottlenecks.

## Moderate growth momentum



### GDP

- Growth moderate, but positive in recent years
- Slight growth seen even in 2020
- Stabilised by Danish block grant, which comprises around a quarter of GDP



### Decreasing unemployment

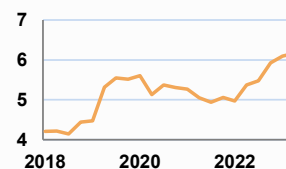
- Unemployment historically low at less than 4% with university educated at 0.3%
- Unemployment is down across all groups, but much higher outside of larger towns and for people with less education

### Airport capacity

- Two new airports set to open in 2024
- Will lead to massive increase in ease and consistency of travel to Greenland

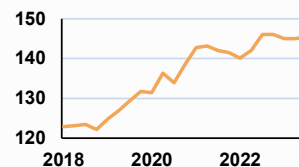


## Downside risks and structural challenges



### Trade

- Exports on good upward trajectory with 12m year-on-year growth of 15%
- Prices for fish products generally up, resulting in higher export values
- Balance of trade remains negative



### Retail sales

- Retail sales continue to rise and are now at their highest-ever level

### Educational attainment

- 58% of population only have lower secondary education, with unemployment at 6.2% for group
- Economic outcome for this group is far worse than for the better educated

