

Satisfactory Q1 financial results

2.5.2024 08:00:01 CEST | BankNordik | Interim report (Q1 and Q3)

Announcement no. 8/2024

“We delivered a generally positive performance for the first three months of 2024. Our profit before tax of DKK 70m was largely in line with the figure for the first quarter of last year. In addition to the favourable interest rate environment and the return on our own portfolio, the satisfactory performance was based on a sound balance between income and costs. Our income improved slightly, driven by an increase in business activity (both deposits and lending improving), while costs were in line with the previous quarterly periods.

Despite the positive trends, the first quarter was also marked by an increase in impairment charges compared to recent years. As previously announced, impairment charges are expected to return to a more normalised level in 2024 than what we have witnessed in recent years. However, the impairment charges taken previously do not imply that our customers generally are facing challenges, and they continue to display credit robustness. Nor have the impairment charges affected our previous full-year guidance for net profit of DKK 225-255m,” says CEO Turið F. Arge.

Highlights of Føroya Banki's interim report for the three months to 31 March 2024:

Q1 2024 vs Q1 2023

- Profit before impairment charges increased from DKK 49m in Q1 2023 to DKK 70m in Q1 2024.
 - Net interest income rose from DKK 78m in Q1 2023 to DKK 92m in Q1 2024.
 - Fee and commission income amounted to DKK 19m in Q1 2024, DKK 2m less than in Q1 2023. Net insurance income amounted to DKK 12m in Q1 2024, a DKK 7m increase relative to Q1 2023.
 - Other operating income amounted to DKK 11m in Q1 2024, which was DKK 3m higher than the Q1 2023 figure.
 - Operating costs amounted to DKK 64m in Q1 2024, which was a DKK 1m increase relative to Q1 2023.
- Non-recurring items amounted to DKK 0m in Q1 2024 against DKK 3m in Q1 2023.
- Impairment charges net amounted to DKK 23m in Q1 2024, compared with a DKK 8m net reversal in Q1 2023.
- The overall profit before tax for Q1 2024 was DKK 70m against DKK 75m for Q1 2023.
 - The investment portfolio yielded a return of DKK 23m in Q1 2024, against DKK 22m in Q1 2023.

Q1 2024 vs Q4 2023

- Føroya Banki reported profit before impairment charges of DKK 70m in Q1 2024, an increase of DKK 3m from Q4 2023.
 - Net interest income amounted to DKK 92m in Q1 2024, which was a DKK 7m reduction compared to Q4 2023.
 - Fee and commission income increased by DKK 2m to DKK 19m in Q1 2024 from DKK 17m in Q4 2023.
 - Net insurance income was flat at DKK 12m in Q1 2024 compared to Q4 2023.
- - Other operating income amounted to DKK 11m in Q1 2024, which was a DKK 7m increase relative to Q4 2023.
 - Operating costs for Q1 2024 amounted to DKK 64m, which was a DKK 1m decrease relative to Q4 2023.
- Non-recurring items amounted to DKK 0m in both Q1 2024 and Q4 2023.
- Loan impairment charges net were DKK 23m for the Q1 2024 period against DKK 5m in Q4 2023.
- The overall profit before tax for Q1 2024 was DKK 70m against DKK 109m in Q4 2023.
 - The investment portfolio yielded a return of DKK 23m in Q1 2024, against DKK 46m in the preceding quarter.
- Bank lending volumes were relatively flat at DKK 8,883m at 31 December 2023 compared to DKK 8,915m at 31 March 2024.
- Brokered mortgage-credit was up by 1% from DKK 2,599m at 31 December 2023 to DKK 2,621m at 31 March 2024.
- Deposits were up by 3% from DKK 8,710m at 31 December 2023 to DKK 8,930m at 31 March 2024.

Capital ratios

At 31 March 2024, the Group had a CET 1 capital ratio of 25.0%, against 25.8% at 31 December 2023. The total capital ratio

including MREL was 39.9% at 31 March 2024 against 41.1% at 31 December 2023. The net profit of DKK 55.0m is not included in the capital ratios.

Guidance for 2024

The Group reconfirms the 2024 net profit guidance of DKK 225-255m originally stated in the Annual Report 2023. The guidance is generally subject to uncertainty and will, amongst other things, depend on economic developments, loan impairment charges and market value adjustments.

For further information, please call:

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Føroya Banki has banking activities in Greenland and the Faroe Islands and insurance activities in the Faroe Islands. Founded in the Faroe Islands more than a century ago, the Group has total assets of DKK 13.4bn and 209 employees. The Bank is subject to the supervision of the Danish Financial Supervisory Authority and is listed on Nasdaq Copenhagen.

Appendix: Q1 2024 financial highlights and comparative figures

| Highlights and ratios | | | | | | | | | |
|---|---------|---------|-------|---------|---------|---------|---------|---------|-------|
| DKKm | Q1 2024 | Q4 2023 | Index | Q3 2023 | Q2 2023 | Q1 2023 | Q1 2024 | Q1 2023 | Index |
| Net interest income | 92 | 100 | 93 | 96 | 86 | 78 | 92 | 78 | 119 |
| Net fee and commission income | 19 | 17 | 111 | 19 | 19 | 21 | 19 | 21 | 91 |
| Net insurance income | 12 | 12 | 98 | 24 | 19 | 5 | 12 | 5 | 246 |
| Other operating income (less reclassification) | 11 | 4 | 289 | 9 | 11 | 8 | 11 | 8 | 133 |
| Operating income | 135 | 133 | 101 | 148 | 135 | 112 | 135 | 112 | 120 |
| Operating costs | -64 | -65 | 99 | -65 | -64 | -63 | -64 | -63 | 101 |
| Sector costs | 0 | 0 | | 0 | 0 | 0 | 0 | 0 | |
| Profit before impairment charges | 70 | 68 | 104 | 83 | 71 | 49 | 70 | 49 | 144 |
| Impairment charges, net | -23 | -5 | 447 | 0 | 7 | 8 | -23 | 8 | -271 |
| Operating profit | 47 | 62 | 76 | 82 | 78 | 57 | 47 | 57 | 83 |
| Non-recurring items | 0 | 0 | | 0 | -6 | -3 | 0 | -3 | |
| Profit before investment portfolio earnings and tax | 47 | 62 | 76 | 82 | 72 | 54 | 47 | 54 | 88 |
| Investment portfolio earnings | 23 | 46 | 49 | 26 | 15 | 22 | 23 | 22 | 104 |
| Profit before tax | 70 | 109 | 64 | 108 | 87 | 75 | 70 | 75 | 93 |
| Tax | 15 | 20 | 74 | 20 | 17 | 14 | 15 | 14 | 107 |
| Net profit | 55 | 89 | 62 | 88 | 70 | 61 | 55 | 61 | 90 |
| Loans and advances | 8.915 | 8.883 | 100 | 8.790 | 8.655 | 8.354 | 8.915 | 8.354 | 107 |

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|--|-------|-------|-----|-------|-------|-------|-------|-------|-----|
| Deposits and other debt | 8.930 | 8.710 | 103 | 8.602 | 8.426 | 8.524 | 8.930 | 8.524 | 105 |
| Mortgage credit | 2.621 | 2.599 | 101 | 2.615 | 2.567 | 2.634 | 2.621 | 2.634 | 100 |
| Equity | 1.824 | 1.851 | 99 | 1.762 | 1.676 | 1.608 | 1.824 | 1.608 | 113 |
| Total capital ratio, incl. MREL capital, % | 39,9 | 41,1 | | 29,9 | 30,2 | 28,9 | 39,9 | 28,9 | |
| CET 1 capital, % | 25,0 | 25,8 | | 21,5 | 21,8 | 20,8 | 25,0 | 20,8 | |
| ROE, % | 12,0 | 19,6 | | 25,2 | 21,2 | 17,7 | 12,0 | 14,4 | |
| ROE, excl. one-offs, % | 12,0 | 19,6 | | 25,2 | 22,6 | 18,5 | 12,0 | 15,0 | |
| Liquidity Coverage Ratio (LCR), % | 283,6 | 228,2 | | 196,6 | 183,7 | 220,0 | 283,6 | 220,0 | |
| Operating cost/income, % | 48 | 49 | | 44 | 47 | 56 | 48 | 56 | |
| Number of FTE, end of period | 209 | 207 | 101 | 207 | 203 | 203 | 209 | 203 | 103 |

Attachments

- [Interim Report_Q1 2024.pdf](#)
- [Q1 2024_IR-presentation.pdf](#)