

Strong customer activity and satisfying financial results in 2019

27.2.2020 08:00:00 CET | BankNordik | Annual Financial Report

Announcement no. 3/2020

“Overall 2019 was a content year for the group and we are pleased to deliver a satisfying result in the upper end of the guidance. Even though our top line was challenged by enduring interest margin compression we were able to attract new business and build volumes. Furthermore the result is driven by a significant reversal of impairment charges reflecting the current economic prosperity and the sound quality of our credit portfolio, “ said BankNordik CEO, Árni Ellefsen.

“In addition to our continued strategic focus on building a customer-centred bank by strengthening our relationships and enhancing the customer experience, we have implemented strategic revenue enhancing and cost reducing measures with the intent to increase future revenues and reduce costs. With the implementation of these measures we have strengthened our strategic focus and are well-positioned to attract new business, “ said Mr. Ellefsen.

Highlights of BankNordik's annual financial results for 2019:

2019 results vs. 2018 results

- BankNordik reported operating profit of DKK 289m in 2019, flat compared to 2018.
 - Net interest income was down by DKK 7m year-on-year due to tighter interest margins.
 - Fee and commission income was up by DKK 17m in 2019, mainly due to increased customer activity.
 - Net insurance income was up by DKK 9m in 2019 compared to 2018.
 - Operating costs were up by DKK 16m to DKK 472m mainly due to cost inflation and increased IT costs.
 - BankNordik reversed DKK 105m in net impairment charges in 2019 compared to DKK 111m in 2018.
- Profit before tax was DKK 260m in 2019 compared to DKK 323m in 2018.
 - Non-recurring items amounted to an expense of DKK 14m in 2019 compared to an income of DKK 72m in 2018. Non-recurring items include severance pay related to organisational adjustments.
 - Value adjustments amounted to a loss of DKK 16m in 2019 compared to a loss of DKK 38m in 2018.
- Lending volumes were down by DKK 48m (0%) from DKK 9,956m at 31 December 2018 to DKK 9,909m at 31 December 2019.
- Mortgage loan portfolio were up by DKK 722m (+6%) from DKK 12.238m at 31 December 2018 to DKK 12.960m at 31 December 2019
- Deposits increased by DKK 935m from DKK 13,432m at 31 December 2018 to DKK 14,368m at 31 December 2019.

Q4 2019 vs. Q3 2019

- Operating profit increased to DKK 79m in Q4 2019 from DKK 58m in Q3 2019.
 - Net interest income were up by DKK 4m in Q4 2019 compared to Q3 2018, due to introduction of negative interest rates on corporate deposits.
 - Fee and commission income was DKK 49m in Q4 2019, up DKK 2m from Q3 2019.
 - Net insurance income was DKK 14m in Q4 2019, down DKK 1m compared to the previous quarter.
 - Other operating income were up DKK 1m in Q4 2019.
 - Operating costs increased by DKK 1m QoQ
 - Net impairment charges were an DKK 25m reversal in Q4 2019 compared to a reversal of DKK 9m in Q3 2019.
- BankNordik recorded profit before tax of DKK 59m in Q4 2019 compared to a profit of DKK 50m in Q3 2019.
 - DKK 6.8m severance pay related to organisational adjustments and DKK 3.5m relating to development of a digital signature was recognised as non-recurring costs in Q4 2019.
 - Value adjustments amounted to a loss of DKK 6m in Q4 2019 compared to a loss of DKK 8m in Q3 2019.

Capital ratios

The Group's CET1 capital ratio was up by 1.1 of a percentage point year-on-year to stand at 18.8% at 31 December 2019. The total capital ratio increased to 22.3% at 31 December 2019 from 19.8% at 31 December 2018.

Return on capital

BankNordik's net income amounted to DKK 207m in 2019, of which DKK 67.2m (DKK 7 per share) will be proposed distributed as dividends.

In addition to dividends, the Group bought back 61,114 shares in 2019 at an aggregate transactional value of DKK 6.7m and an average purchase price of DKK 111.08 per share. By comparison, the Group's book value per share was DKK 221.6 at year-end 2019.

Accounting for both dividends and share buybacks, the Group's payout ratio for 2019 is expected to be 36%.

Outlook

In 2020, BankNordik expects a continuous increase in mortgage and corporate lending volumes. Fee and commission income is expected to increase moderately in line with higher customer activity and resegmentation of the retail portfolio. Likewise, net insurance income is expected to continue its growth trajectory, although claims vary widely from one year to the next. Operating costs are expected to decrease abstemiously compared to 2019 and impairment charges on loans and advances are expected to remain low in 2020.

Management at BankNordik expects net profit to be in the range of DKK 100-150m (2019: DKK 207m).

This guidance is generally subject to uncertainty and will, amongst other things, depend on economic conditions, loan impairments and market value adjustments.

Strategic financial targets

Subject to challenging market conditions and exaggerated capital requirements BankNordik has adjusted the strategic financial targets. The Group's targeted CET1 capital ratio is 18,5% (18,8% at 31 december 2019) and the targeted total capital ratio is 22,0% (22,3% at 31 december 2019).

The future targeted after tax ROE is in the range of 6%-8% (2019: 10,1%).

For additional information, please contact:

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BankNordik has banking activities in Denmark, 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 18.2bn and 377 employees. The Bank is subject to the supervision of the Danish Financial Supervisory Authority and is listed on Nasdaq Copenhagen.

Appendix: Financial highlights and comparative figures are provided below.

Financial highlights

DKK million	2019	2018	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018
Net interest income	367	374	95	90	90	91	92
Net fee and commission income	189	172	49	47	45	48	42
Income from insurance operations	52	44	14	15	15	9	13
Other operating income	49	45	14	13	11	11	9
Operating income*	638	635	171	165	163	158	156
Operating costs*	-472	-456	-117	-116	-119	-120	-115
Sector costs, etc.	-1	-1	0	0	0	0	0

Operating profit before impairment charges*	185	179	54	49	43	38	42
Loan impairment charges, net	105	111	25	9	53	19	18
Operating profit*	289	289	79	58	96	57	60
Non-recurring items	-14	72	-13	0	0	0	-10
Profit before value adjustments and tax	276	361	65	58	96	57	50
Value adjustments	-16	-38	-6	-8	-10	8	-12
Profit/loss before tax	260	323	59	50	86	65	38
Deposits, etc. DKKbn	14.4	13.4	14.4	13.5	14.1	14.0	13.4
Loans and advances, etc. DKKbn	9.9	10.0	9.9	10.0	10.1	10.0	10.0
Equity, DKKbn	2.1	2.0	2.1	2.1	2.0	2.0	2.0
Solvency ratio	22.3%	19.8%	22.3%	21.0%	19.6%	19.2%	19.8%
Excess liquidity relative to statutory requirement	215,7%	212,5%	215,7%	225,1%	238,3%	221,5%	212,5%
Operating cost/income	72%	72%	68%	70%	73%	76%	73%
Number of FTE, end of period	377	393	377	383	390	393	393

* Excluding non-recurring items and value adjustments.

Further details are available in the interim report.

Attachments

- [BankNordik Annual Report 2019.pdf](#)
- [Q4 2019 IR presentation.pdf](#)
- [BankNordik Risk Management Report 2019.pdf](#)