

Strong performance in Q1 - uncertain economic environment ahead

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“Although BankNordik's results in Q1 2020 were significantly impacted by the COVID-19 health crisis, several of the Bank's initiatives announced or executed in 2019 started to bear fruit. Interest income was up 4% on the first quarter in 2019, fee and commission income increased by 13%, and staff costs and administrative expenses were 10% lower. As such, the changes made have laid the foundation for a strengthened performance by the Bank in the years ahead. The pre tax loss of DKK 30m was mainly due to a discretionary impairment charge of DKK 25m, large fluctuations in the market value of the Bank's investment portfolio and high insurance claims” said BankNordik CEO, Árni Ellefsen.

“BankNordik expects the effects of the pandemic to be felt throughout 2020 and likely beyond. There is a large amount of uncertainty around the overall impact of the health crisis on the economies in which the Bank operates, but BankNordik is well positioned to meet these challenges. The bank is well capitalised with a solvency ratio of 23,4% and CET1 capital ratio of 19,8% at the end of Q1 2020. The Bank's core business has grown stronger, and our through-the-cycle approach to credit risk will benefit the Bank in the current uncertain economic environment,” said Mr. Ellefsen.

Highlights of BankNordik's interim report for the first quarter of 2020:

Q1 2020 vs. Q1 2019

- BankNordik reported operating profit before impairment charges of DKK 45m in Q1 2020 for a DKK 14m (46%) increase.
 - Net interest income increased by DKK 4m year-on-year, primarily due to the introduction of negative interest rates.
 - Fee and commission income was up by DKK 6m in Q1 2020 due to increased activity in the Markets segment.
 - Net insurance income was down by DKK 5m in Q1 2020 due to higher storm-related claims and increased travel cancellation claims caused by COVID-19.
- Other operating income was down by DKK 2m to DKK 9m year-on-year.
- Operating costs were down by DKK 11m to DKK 109m, mainly due to implementation of cost-cutting initiatives in Q4 2019.
- Net impairment charges amounted to DKK 24m in Q1 2020, compared to reversed net impairment charges of DKK 19m in Q1 2019.
- The net result before tax was a loss of DKK 30m in Q1 2020 compared to a profit of DKK 65m in Q1 2019.
 - Investment portfolio earnings amounted to a loss of DKK 51m in Q1 2020 compared to a gain of DKK 15m in Q1 2019.
- Bank lending volumes were down marginally by DKK 35m (0%) from DKK 10,006m at 31 March 2019 to DKK 9,971m at 31 March 2020.
- Mortgage lending volumes were up by DKK 533m (+4%) from DKK 12,477m at 31 March 2019 to DKK 13,010m at 31 March 2020
- Deposits fell by DKK 1.124m (-8%) from DKK 14,027m at 31 March 2019 to DKK 12,903m at 31 March 2020.

Q1 2020 vs. Q4 2019

- Operating profit before impairment charges was down by DKK 2m to 45m in Q1 2020, from DKK 47m in Q4 2019.
 - Net interest income was down marginally by DKK 1m in Q1 2020 compared to Q4 2019.
 - Fee and commission income was DKK 54m in Q1 2020, up DKK 5m from Q4 2019.
 - Net insurance income was DKK 4m in Q1 2020, down DKK 14m compared to the previous quarter, due to higher claims related to storm damage and travel insurances.
 - Other operating income was down by DKK 5m in Q1 2020.

- Operating costs decreased by DKK 8m QoQ.
- Net impairment charges amounted to DKK 24m in Q1 2020 compared to a reversal of DKK 25 in Q4 2019.
- BankNordik recorded a loss before tax of DKK 30m in Q1 2020 compared to a profit of DKK 59m in Q4 2019.
 - Investment portfolio earnings amounted to a loss of DKK 51m in Q1 2020 compared to a gain of DKK 1m in Q4 2019.

Capital ratios

At 31 March 2020 the group's total CET 1 capital ratio amounted to 19,8%, the core capital ratio amounted to 21,3% and the total capital ratio was 23,4%. The negative net result in Q1 2020 is included in the capital and solvency statement.

In respect of dividend for the financial year 2019, and as stated in announcement of March 24 2020, BankNordik's Board of Directors does not consider it responsible or appropriate to pay out dividends under the current uncertainty related the COVID-19 situation. The Board of Directors will, however, on a regular basis monitor the development and the consequences of the COVID-19 situation, and should the situation stabilise and improve during 2020, the Board of Directors will re-evaluate the appropriation of profit for the 2019 financial year, including the possibilities of paying dividend.

Outlook 2020

The uncertainty regarding the duration and extent of the COVID-19 situation makes it difficult to estimate the long term effects the situation on the Group's various business segments and financial performance.

Against this backdrop of substantial uncertainty, BankNordik on March 20 2020 decided to suspend the FY2020 guidance of net profit, previously expected in the range of DKK 100-150 million.

As a result of the unprecedented uncertainty surrounding the COVID-19 crisis, BankNordik has reviewed its expectations for the FY2020 period using scenario analysis based on current knowledge. Based on this analysis, the Bank now expects profit after tax for FY2020 to be in the range of DKK 30-80m. The guidance range is lowered by DKK 80 million (DKK 70 million after tax), which may be attributed as follows: DKK 40m due to impairments, DKK 15m due to investment portfolio losses and DKK 25m due to lower net insurance income.

Please note that this guidance is subject to a much higher degree of uncertainty than usual. In large part, it depends on how the COVID-19 crisis evolves going forward, as this in turn has a significant effect on e.g. loan impairment charges, market value adjustments and net insurance income.

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 16.9bn and 359 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	Q1 2020	Q1. 2019	2019	Q4. 2019	Q3 2019	Q2 2019	Q1 2019
Net interest income	88	84	337	87	83	83	84
Net fee and commission income	54	48	189	49	47	45	48
Income from insurance operations	4	9	52	14	15	15	9
Other operating income	9	11	49	14	13	11	11
Operating income	154	151	628	164	158	155	151
Operating costs	-109	-120	-472	-117	-116	-119	-120

Operating profit before impairment charges	45	31	155	47	42	35	31
Loan impairment charges, net	-24	19	105	25	9	53	19
Operating profit	22	50	260	71	51	88	50
Non-recurring items	0	0	-14	-13	0	0	0
Profit before value adjustments and tax	22	50	247	58	50	88	50
Investment portfolio earnings	-51	15	13	1	0	-2	15
Profit before tax	-30	65	260	59	50	86	65
Deposits, etc., DKKbn	12.9	14.0	14.4	14.4	13.5	14.1	14.0
Loans and advances, etc., DKKbn	10.0	10.0	9.9	9.9	10.0	10.1	10.0
Mortgage lending, DKKbn	13.0	12.5	13.0	13.0	12.9	12.6	12.5
Equity, DKKbn	2.1	2.0	2.1	2.1	2.1	2.0	2.0
Solvency ratio, %	23.4	19.2	22.3	22.3	21.0	19.6	19.2
Excess Liquidity relative to statutory requirement, %	159.4	221.5	215.7	215.7	225.1	238.3	221.5
Operating cost/income	70	79	75	71	73	77	79
Number of FTE, end of period	359	393	377	377	383	390	393

Further details are available in the interim report.

Attachments

- [BankNordik Q1 Report 2020.pdf](#)
- [BankNordik Q1 2020 IR presentation.pdf](#)