

Customer activity high in first quarter

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- Sale of Danish business finalised as planned

Announcement no. 10/2021

“We sold our Danish business effective 1 February, finalising the satisfactory agreement we entered into with Spar Nord in December of last year. The sales process proceeded as planned, and we expect the handover of the divested customer base to be completed by 19 June. Considering the reduced REA resulting from the sale, we expect to distribute DKK 700m in extraordinary dividends to our shareholders during 2021-2023, provided such payout would be in compliance with the regulatory guidelines in place at the time of distribution,” said BankNordik CEO Árni Ellefsen.

“Following the divestment, we’ve made changes to our group organisation in order to ensure that our operations remain cost efficient. Our focus going forward is to retain our strong market positions in the Faroese banking market and also to build profitable growth in Greenland and in our insurance business. We aim to do that by offering good customer experiences and competitive products. We saw high customer activity and rising income flows in both markets in the first quarter of the year, and we further developed our portfolio of green products intended to encourage and support our customers in making sustainable choices,” said Ellefsen.

Highlights of BankNordik's interim report for the three months to 31 March 2021:

Q1 2021 vs Q1 2020

- BankNordik reported operating profit before impairment of DKK 38m in Q1 2021, a DKK 10 million (+36%) improvement on Q1 2020.
 - Net interest income was up by DKK 1m in Q1 2021 compared with Q1 2020.
 - Fee and commission income was up by DKK 2m in Q1 2021 relative to Q1 2020.
 - Net income from insurance business was up by DKK 4m due to fewer claims in Q1 2021 than in Q1 2020.
- Other operating income was up by DKK 4m over Q1 2020 to DKK 9m in Q1 2021.
- Operating expenses amounted to DKK 59m in Q1 2021, which was in line with the Q1 2020 figure.
- Loan impairment charges amounted to DKK 3m in Q1 2021, against DKK 18m in Q1 2020. The Bank has chosen to maintain the level of provisions against future COVID-19-related losses at DKK 52m.
- Profit before tax from continuing operations was DKK 108 million in Q1 2021 against a loss of DKK 11m in Q1 2020.
- The Q1 2021 profit before tax from discontinued operations was DKK 9m against a loss of DKK 18 million in Q1 2020.
- The overall profit before tax was DKK 118m in Q1 2021 against a loss of DKK 30 million in Q1 2020.
 - The investment portfolio yielded a negative return of DKK 3m in Q1 2021, against a loss of DKK 21m in Q1 2020.
- Bank lending volumes were up marginally by DKK 35m (0%) from DKK 7,416m at 31 March 2020 to DKK 7,450m at 31 March 2021.
- Mortgage-broking volumes were up by DKK 318m (+15%) from DKK 2,057m at 31 March 2020 to DKK 2,443m at 31 March 2021.
- Deposits were up by DKK 67m (1%) from DKK 7,468m at 31 March 2020 to DKK 7,536m at 31 March 2021.

Q1 2021 vs Q4 2020

- Operating profit before impairment amounted to DKK 38m in Q1 2021, which was in line with the Q4 2020 figure.
 - Net interest income was slightly down, by DKK 1m, from Q4 2020 to DKK 64m in Q1 2021.
 - Fee and commission income amounted to DKK 17m in Q1 2021, up by DKK 1m over Q4 2020.
 - Net insurance income amounted to DKK 7m in Q1 2021, which was a DKK 4m decline quarter on quarter due to an increase in claims.
 - Other operating income was up by DKK 1m in Q1 2021.
 - Operating costs fell by DKK 3m quarter on quarter.
- Loan impairment charges amounted to DKK 3m in Q1 2021, against a DKK 10m reversal in Q4 2020. The Bank has chosen to maintain the level of provisions against future COVID-19-related losses at DKK 52m.
- Profit before tax from continuing operations was DKK 108m in Q1 2021 against DKK 49m in Q4 2020.
- The Q1 2021 profit before tax from discontinued operations was DKK 9m against DKK 1m in Q4 2020.
- The overall profit before tax was DKK 118m in Q1 2021 against DKK 51m in Q4 2020.

- The investment portfolio yielded a negative return of DKK 3m in Q1 2021, against a gain of DKK 1m in Q4 2020.

Capital ratios

At 31 March 2021, the Group had a CET1 capital ratio of 31.0% against 22.6% at 31 December 2020. The core capital ratio was 33.1% at 31 March 2021 against 24.1% at 31 December 2020. The total capital ratio was 36.2% at 31 March 2021 against 26.4% at 31 December 2020.

As previously announced, the divestment of the Danish business and the reduced REA derived from the transaction is expected to result in extraordinary distributions to the shareholders totalling DKK 700m (equal to DKK 73 per share). The first DKK 450m of this amount is expected to be distributed in 2021, while the remaining DKK 250m is expected to be distributed in 2022 and 2023, provided such payout would be in compliance with the regulatory guidelines at the time of distribution.

Guidance for 2021

BankNordik expects a moderate increase in its mortgage-broking services and in lending to both personal and commercial customers. A moderate increase in fee and commission income is also expected as well as a continuing increase in income from insurance operations, although the claims experience may vary significantly from one year to the next. Operating costs are expected to remain at the 2020 level and impairment charges are expected to remain at a low level.

Management expects a net profit in the DKK 150-200m range (2020: DKK 166m).

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

For additional information, please contact:

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BankNordik 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 12bn and 218 employees. The Bank is subject to the supervision of the Danish Financial Supervisory Authority and is listed on Nasdaq Copenhagen.

Appendix: Q1 2021 financial highlights and comparative figures

Highlights and ratios

DKKm	Q1 2021	Q1 2020	Index 21/20	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020
Net interest income	64	63	101	64	65	65	65	63
Net fee and commission income	17	16	111	17	16	15	13	16
Net insurance income	7	4	203	7	12	18	12	4
Other operating income (less reclassification)	9	5	169	9	8	6	5	5
Operating income	97	87	111	97	101	104	95	87
Operating costs	-59	-59	99	-59	-62	-57	-59	-59
Sector costs	0	0		0	0	0	0	0
Profit before impairment charges	38	28	136	38	38	47	36	28
Impairment charges, net	-3	-18	19	-3	10	-2	16	-18
Operating profit	35	10	347	35	48	44	52	10
Non-recurring items	77	0		77	0	0	0	0
Profit before investment portfolio earnings and tax	111	10	1.109	111	48	44	52	10
Investment portfolio earnings	-3	-21	14	-3	1	3	15	-21
Profit before tax, continuing operations	108	-11	-957	108	49	48	66	-11

Profit before tax, discontinued operations	9	-18	<i>-51</i>	9	1	35	37	-18
Profit before tax, total	118	-30	<i>-397</i>	118	51	82	103	-30
Tax	24	-5	<i>-442</i>	24	7	17	21	-5
Net profit	94	-24	<i>-387</i>	94	43	65	82	-24
Loans and advances	7.450	7.416	<i>100</i>	7.450	7.608	7.501	7.479	7.416
Deposits and other debt	7.536	7.468	<i>101</i>	7.536	7.756	7.531	7.581	7.468
Mortgage credit	2.443	2.057	<i>119</i>	2.443	2.375	2.284	2.121	2.057
Equity	2.313	2.087	<i>111</i>	2.313	2.271	2.230	2.167	2.087
Total capital ratio, %	36,2	23,4		36,2	26,4	24,9	24,0	23,4
Core capital ratio, %	33,1	21,3		33,1	24,1	22,6	21,8	21,3
CET 1 capital, %	31,0	19,8		31,0	22,6	21,1	20,3	19,8
Liquidity Coverage Ratio (LCR), %	211,7	177,7		211,7	231,1	227,3	232,6	177,7
Operating cost/income, %	60	68		60	62	55	62	68
Number of FTE, end of period	218	228	<i>96</i>	218	228	232	228	228

Further details are available in the interim report.

Attachments

- [Interim Report Q1 2021.docx](#)
- [IR presentation Q1 2021.pdf](#)