

Positive developments in first half-year

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- Sale of Danish business finalised according to plan

Announcement no. 17/2021

“We’re delivering a positive performance for the first half-year, driven mainly by improved core earnings and good developments in the insurance business. Our customers have generally emerged from the coronavirus crisis in good shape, although a few industries remain challenged. I’m very pleased to announce that the IT migration of the customer base sold to Spar Nord was executed according to plan in June. As previously announced, we still expect to distribute DKK 700m in extraordinary dividends in relation to the divestment of the Danish business, including DKK 450m this year,” said BankNordik CEO Árni Ellefsen.

“In order to ensure that we will remain an efficient organisation and can keep costs at a reasonable level, we have reorganised our Group and implemented certain initiatives to enhance our earnings. We expect these steps will lift our consolidated profit by DKK 20–25m annually over the coming years. This will provide a good start for our strategic deliberations on how to enhance profitability in all business areas for the longer term,” said Mr Ellefsen.

Highlights of BankNordik’s interim report for the first six months of 2021:

Q2 2021 vs Q1 2021

- Operating profit before impairment charges increased from DKK 38m in Q1 2021 to DKK 47m in Q2 2021.
 - Net interest income was up by DKK 2m from DKK 64m in Q1 2021 to DKK 66m in Q2 2021.
 - Fee and commission income amounted to DKK 20m in Q2 2021, up by DKK 3m over Q1 2021.
 - Net insurance income amounted to DKK 14m in Q2 2021, double the amount recorded for the previous quarter due to fewer claims and improved operations.
 - Other operating income amounted to DKK 9m in Q2 2021, which was consistent with the Q1 figure.
 - Operating costs amounted to DKK 61m, for an increase of DKK 2m relative to Q1 2021.
- BankNordik maintains the management estimate of losses relating to COVID-19 at DKK 52m. Net impairment charges were a DKK 27m reversal in Q2 2021, compared to charges of DKK 3m in Q1 2021.
- Profit before tax from continuing operations was DKK 74m in Q2 2021 against DKK 108m in Q1 2021.
- The Q2 2021 profit before tax from discontinued operations was DKK 0m against DKK 9m in Q1 2021. The final disposal of the discontinued operations took place effective on 1 February 2021 on completion of the sales transaction.
- The overall profit before tax for Q2 2021 was DKK 74m, against DKK 118m in Q1 2021.
 - The investment portfolio yielded a negative return of DKK 4m in Q2 2021, against a loss of DKK 3m in Q1 2021.

H1 2021 vs. H1 2020

- BankNordik reported operating profit before impairment of DKK 85m for the H1 2021 period, a DKK 21m (+34%) improvement on H1 2020.
 - Net interest income was up by DKK 1m in H1 2021 compared with H1 2020.
 - Fee and commission income was up by DKK 9m in H1 2021 relative to H1 2020.
 - Net insurance income was up by DKK 6m in H1 2021 due to improved operations and fewer claims relative to H1 2020.
- Other operating income was up by DKK 7m over H1 2020 to DKK 18m in H1 2021.
- Operating costs amounted to DKK 120m in the H1 2021 period, an increase of DKK 2m over H1 2020.
- Loan impairment charges were a DKK23m net reversal for the H1 2021 period against a DKK 2m charge in H1 2020. BankNordik maintains the management estimate of losses relating to COVID-19 at DKK 52m.
- Profit before tax from continuing operations was DKK 182m in H1 2021 against DKK 55m in H1 2020.
- The H1 2021 profit before tax from discontinued operations was DKK 9m against DKK 18m in H1 2020.
- The overall profit before tax for H1 2021 was DKK 192m, against DKK 74m in H1 2020.
 - The investment portfolio yielded a negative return of DKK 7m in H1 2021 against a loss of DKK 7m in H1 2020.
- Bank lending volumes were up by DKK 107m (1%) from DKK 7,479m at 30 June 2020 to DKK 7,586m at 30 June 2021.

- Mortgage-broking volumes were up by DKK 381m (+18%) from DKK 2,121m at 30 June 2020 to DKK 2,502m at 30 June 2021.
- Deposits were up by DKK 79m (1%) from DKK 7,581m at 30 June 2020 to DKK 7,660m at 30 June 2021.

Capital ratios

At 30 June 2021, the Group had a CET1 capital ratio of 25.7% against 22.6% at 31 December 2020. The total capital ratio including MREL was 31.3% at 30 June 2021 against 26.4% at 31 December 2020.

In order to cover the MREL add-on, which is being phased in over the coming years, BankNordik issued senior non-preferred debt of DKK 150m on 18 June 2021. As part of the ongoing efforts to optimise its capital structure, BankNordik issued a new subordinated (Tier 2) loan of DKK 100m on 24 June 2021 while at the same time redeeming existing loans for a total of DKK 225m.

Extraordinary dividends following the sale of the Danish business

BankNordik continues to expect the divestment of the Danish business and the resulting reduced REA will lead to extraordinary distributions to the shareholders totalling DKK 700m (equal to DKK 73 per share). The Bank intends to distribute DKK 450m of the amount during 2021.

An extraordinary general meeting will be called prior to the expected distribution of DKK 450m this year. On that occasion, the Bank expects to announce whether part of the amount will be distributed by way of a share buyback. The extraordinary general meeting is expected to be called by the end of Q3 2021.

Guidance for 2021

BankNordik expects a moderate increase in its mortgage-broking services and in lending to both personal and commercial customers. In addition, the Bank has launched initiatives expected to lead to an increase in fee and commission income in the second half of 2021 and the following years. Income from insurance operations is expected to continue to grow, always subject to the level of claims. Operating costs are expected to be marginally lower than the 2020 level and impairment charges are expected to remain at a low level. At the beginning of the year, management guided for FY 2021 net profit in the DKK 100–150m range (2020: DKK 166m). On 19 July, the Bank adjusted its guidance for FY 2021 net profit to the DKK 190–220m range.

The guidance is subject to uncertainty and will, amongst other things, depend on economic conditions, developments in the COVID-19 situation in the Group's markets, loan impairments and market value adjustments.

For further 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 195 employees. The Bank is subject to the supervision of the Danish Financial Supervisory Authority and is listed on Nasdaq Copenhagen.

Appendix: H1 2021 financial highlights and comparative figures

Highlights and ratios

DKKm	H1 2021	H1 2020	Index 21/20	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020
Net interest income	129	128	101	66	64	65	65	65
Net fee and commission income	38	29	130	20	17	16	15	13
Income from insurance operations	21	15	139	14	7	12	18	12
Other operating income	18	11	169	9	9	8	6	5
Operating income	206	183	113	109	97	101	104	95
Operating costs	-120	-118	101	-61	-59	-62	-57	-59
Sector costs	-1	0		0	0	0	0	0
Operating profit before impairment charges	85	64	134	47	38	38	47	36

Impairment charges, net	23	-2		27	-3	10	-2	16
Operating profit	109	62	<i>177</i>	74	35	48	44	52
Non-recurring items	81	0		4	77	0	0	0
Profit before investment portfolio earnings and tax	190	62	<i>308</i>	78	111	48	44	52
Investment portfolio earnings	-7	-7	<i>112</i>	-4	-3	1	3	15
Profit/loss before tax, continuing activities	182	55	<i>331</i>	74	108	49	48	66
Profit before tax, discontinued operations	9	18	<i>51</i>	0	9	1	35	37
Profit before tax, total	192	74	<i>261</i>	74	118	51	82	103
Tax	39	16	<i>250</i>	15	24	7	17	21
Profit/loss after tax	153	58	<i>263</i>	59	94	43	65	82
Loans and advances	7,586	7,479	<i>101</i>	7,586	7,450	7,608	7,501	7,479
Deposits	7,660	7,581	<i>101</i>	7,660	7,536	7,756	7,531	7,581
Mortgage lending	2,502	2,121	<i>118</i>	2,502	2,443	2,375	2,284	2,121
Shareholders' equity	2,369	2,167	<i>109</i>	2,369	2,313	2,271	2,230	2,167
Total capital ratio, including MREL capital, %	31.3	24.0		31.3	36.2	26.4	24.9	24.0
CET1 capital ratio	25.7	20.3		25.7	31.0	22.6	21.1	20.3
Return on equity, % p.a.	10.1	4.7		9.7	7.4	7.5	8.1	11.4
Return on equity excluding non-recurring items, % p.a.	7.0	4.1		9.5	4.4	7.5	6.8	10.0
Liquidity Coverage Ratio (LCR), %	202.5	232.6		202.5	211.7	231.1	227.3	232.6
Cost/income ratio	58	65		56	60	62	55	62
Number of FTE, end of period	195	228	<i>86</i>	195	218	228	232	228

Further details are available in the interim report.

Attachments

- [Interim Report H1 2021.pdf](#)
- [IR presentation Q2 2021.pdf](#)