

## Core operations improved in Q3

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### Announcement no. 19/2022

“The positive trend of recent quarters in our core banking operations continued in the third quarter, and we’re pleased to note that our operating profit before impairment charges improved by 15% in the first nine months of the year. The third quarter was marked by a high level of customer activity, rising interest and fee income, reversed impairment charges and increased employee costs during a transition period. The positive developments in the insurance business were offset by a high claims-ratio for the quarter, but we continue to see good growth potential for the business area,” said BankNordik CEO Árni Ellefsen.

“The turbulence in the financial markets had a negative impact on our investment portfolio during the third quarter, and we responded in October by lowering our FY net profit guidance from DKK 160-190m to DKK 140-170m. We have a well-diversified and financially strong customer portfolio, but in light of the generally uncertain economic environment, we have decided to maintain the management estimated provision of DKK 52m,” said Ellefsen.

### Highlights of BankNordik's interim report for the three months to 30 September 2022:

#### Q3 2022 vs Q2 2022

- Operating profit before impairment charges amounted to DKK 48m in Q3 2022, which was on a level with the Q2 2022 figure.
  - Net interest income rose from DKK 65 million in Q2 to DKK 67 million in Q3.
  - Net fee and commission income amounted to DKK 22m in Q3, which was in line with the Q2 figure.
  - Net insurance income fell from DKK 15m in Q2 to DKK 11m in Q3.
  - Other operating income rose from DKK 9 million in Q2 to DKK 11 million in Q3.
  - Operating costs amounted to DKK 62m in Q3, which was in line with the Q2 figure.
- The management estimated provision of DKK 52m, which was originally made due to COVID-19, is maintained due to the turbulence in the financial markets and the increased economic uncertainty.
- Net impairment charges were a DKK 12m reversal in Q3, compared to a reversal of DKK 22m in Q2.
- The overall profit before tax for Q3 was DKK 24m, against DKK 54m in Q2.
  - The investment portfolio yielded a negative return of DKK 36m in Q3, against a DKK 16m loss in Q2.

#### 9M 2022 vs 9M 2021

- BankNordik recorded profit before impairment charges of DKK 144m for the 9M 2022 period, compared to DKK 125m in 9M 2021.
  - Net interest income amounted to DKK 197m in 9M 2022 against DKK 194m in 9M 2021.
  - Net fee and commission income amounted to DKK 65m in 9M 2022, compared to DKK 57m in 9M 2021.
  - Net insurance income was up by DKK 10m to DKK 38m for the 9M 2022 period from DKK 28m in 9M 2021.
- - Other operating income increased by DKK 3m to DKK 29m in 9M 2022 from DKK 26m in 9M 2021.
  - Operating costs rose from DKK 178 million in the 9M 2021 period to DKK 185 million in 9M 2022.
- Loan impairment charges were a DKK 43m net reversal for the 9M 2022 period, against a DKK 36m reversal in 9M 2021.
- The overall profit before tax was DKK 136m for the 9M 2022 period, against DKK 245m in 9M 2021.
  - The investment portfolio yielded a negative return of DKK 50m in 9M 2022, against a loss of DKK 9m in 9M 2021.
- Bank lending volumes were up by DKK 383m (5%) from DKK 7,594m at 30 September 2021 to DKK 7,977m at 30 September 2022.
- Mortgage-broking services were up by DKK 43m (+2%) from DKK 2,609m at 30 September 2021 to DKK 2,652m at 30 September 2022.
- Deposits were up by DKK 790m (11%) from DKK 7,435m at 30 September 2021 to DKK 8,225m at 30 September 2022.

## Capital ratios

At 30 September 2022, the Group had a CET 1 capital ratio of 22.9%, against 23.3% at 30 June 2022. The total capital ratio including MREL was 31.4% at 30 September 2022, against 32.0% at 30 June 2022.

## Guidance for 2022

On 17 October, the Bank lowered its net profit guidance for 2022 from the DKK 160-190m range to the DKK 140-170m range. The adjustment was driven by the impact the uncertainty currently prevailing in the financial markets has had on the Bank's market value adjustments. The guidance is subject to uncertainty, including impairment on loans and advances as well as macroeconomic developments in the markets in which the Group operates.

## For further information, please call:

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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 12.2bn and 201 employees. The Bank is subject to the supervision of the Danish Financial Supervisory Authority and is listed on Nasdaq Copenhagen.

## Appendix: Q3 2022 financial highlights and comparative figures

### Highlights and ratios

| DKKm  | Q3<br>2022 | Q2<br>2022 | Index | Q1<br>2022 | Q4<br>2021 | Q3<br>2021 | Q1-Q3<br>2022 | Q1 - Q3<br>2021 | Index |
|---|------------|------------|-------|------------|------------|------------|---------------|-----------------|-------|
| Net interest income                                 | 67         | 65         | 103   | 66         | 66         | 65         | 197           | 194             | 102   |
| Net fee and commission income                       | 22         | 22         | 102   | 22         | 23         | 19         | 65            | 57              | 115   |
| Net insurance income                                | 11         | 15         | 71    | 12         | 6          | 7          | 38            | 28              | 135   |
| Other operating income (less reclassification)      | 11         | 9          | 123   | 10         | 8          | 8          | 29            | 26              | 112   |
| Operating income                                    | 110        | 111        | 100   | 109        | 103        | 99         | 330           | 305             | 108   |
| Operating costs                                     | -62        | -62        | 100   | -61        | -57        | -59        | -185          | -178            | 104   |
| Sector costs  | 0          | 0          |       | 0          | 0          | 0          | -1            | -1              |       |
| Profit before impairment charges                    | 48         | 48         | 100   | 48         | 46         | 40         | 144           | 125             | 115   |
| Impairment charges, net                             | 12         | 22         | 54    | 10         | 40         | 13         | 43            | 36              | 119   |
| Operating profit                                    | 60         | 70         | 86    | 57         | 86         | 53         | 187           | 161             | 116   |
| Non-recurring items                                 | 0          | 0          |       | 0          | 6          | 2          | 0             | 82              |       |
| Profit before investment portfolio earnings and tax | 60         | 70         | 86    | 57         | 93         | 54         | 187           | 244             | 77    |
| Investment portfolio earnings                       | -36        | -16        | 223   | 2          | 2          | -1         | -50           | -9              | 592   |
| Profit before tax, continuing operations            | 24         | 54         | 45    | 59         | 95         | 53         | 136           | 235             | 58    |
| Profit before tax, discontinued operations          | 0          | 0          |       | 0          | 0          | 0          | 0             | 9               | -     |
| Profit before tax, total                            | 24         | 54         | 45    | 59         | 95         | 53         | 136           | 245             | 56    |
| Tax   | 4          | 10         | 36    | 12         | 17         | 11         | 26            | 50              | 52    |

|  |       |       |     |       |       |       |       |       |     |
|--|-------|-------|-----|-------|-------|-------|-------|-------|-----|
| Net profit                                 | 20    | 43    | 47  | 47    | 78    | 41    | 111   | 194   | 57  |
| Loans and advances                         | 7.977 | 7.724 | 103 | 7.684 | 7.624 | 7.594 | 7.977 | 7.594 | 105 |
| Deposits and other debt                    | 8.225 | 8.897 | 92  | 8.047 | 7.914 | 7.435 | 8.225 | 7.435 | 111 |
| Mortgage credit                            | 2.652 | 2.730 | 97  | 2.727 | 2.657 | 2.609 | 2.652 | 2.609 | 102 |
| Equity                                     | 1.756 | 1.737 | 101 | 1.697 | 2.036 | 2.410 | 1.756 | 2.410 | 73  |
| Total capital ratio, incl. MREL capital, % | 31,4  | 32,0  |     | 32,9  | 29,6  | 31,7  | 31,4  | 31,7  |     |
| CET 1 capital, %                           | 22,9  | 23,3  |     | 23,8  | 23,8  | 26,1  | 22,9  | 26,1  |     |
| ROE, %                                     | 4,6   | 10,1  |     | 10,1  | 13,3  | 6,9   | 7,8   | 10,0  |     |
| ROE, excl. one-offs, %                     | 4,6   | 10,1  |     | 10,1  | 13,1  | 6,8   | 7,8   | 6,9   |     |
| Liquidity Coverage Ratio (LCR), %          | 225,8 | 223,4 |     | 198,4 | 191,4 | 185,9 | 225,8 | 185,9 |     |
| Operating cost/income, %                   | 56    | 56    |     | 56    | 55    | 59    | 56    | 59    |     |
| Number of FTE, end of period               | 201   | 203   | 99  | 199   | 195   | 199   | 201   | 199   | 101 |

## Attachments

- [IR presentation Q3 2022.pdf](#)
- [Interim Report Q3 2022.pdf](#)