

Strong performance in 2023

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“Tailwinds and positive developments are the key words to describe virtually all aspects of the BankNordik Group’s business in 2023. We are pleased to report a satisfactory profit after tax for 2023 of DKK 308m backed by an 18% year-on-year improvement in our core operating income.

The sound results were driven mainly by the favourable interest rate environment, an improved balance of income and costs, the return on our own portfolio and the continued solid performance of the customer portfolio. On the other hand, 2023 was also a year of high, albeit subsiding, inflation, soaring interest rates and geopolitical tensions, resulting in sustained general economic uncertainty, which caused us to raise the management estimate.

Our outlook for 2024 is positive, however. Despite the higher management estimate, we reversed impairment charges overall for 2023, which shows that we have a strong credit portfolio and are well positioned for 2024. However, we expect to see rising impairment charges in 2024 compared with the reversals we have witnessed in recent years,” said BankNordik CEO Turið F. Arge.

At the upcoming annual general meeting, the Board of Directors will propose a total dividend distribution of DKK 80m for 2023 (or DKK 8.33 per share) to the shareholders. The dividend distribution corresponds to 26% of the net profit for the year and thus deviates from the dividend policy of distributing 70% of the net profit. The reason for the deviation is an ongoing consultation in connection with the FSA's preliminary assessment that it cannot be established that there is a well-developed and established residential and commercial property market in the Faroe Islands and in Greenland. The consultation may result in an increased risk weighting of exposures of Faroese and Greenlandic banks secured against residential and commercial properties, which may adversely affect total capital. The Bank expects the issue to be resolved during the first half.

The Bank maintains the announced financial targets for 2024: ROE >12%, cost/income <53% and CET1 capital of 20%.

Highlights of BankNordik's annual report for 2023:

Q4 2023 relative to Q3 2023

- Operating profit before impairment charges decreased from DKK 83m in Q3 2023 to DKK 68m in Q4 2023.
 - Net interest income amounted to DKK 100m in Q4 2023, up by DKK 4m over Q3 2023.
 - Fee and commission income was down by DKK 2m from DKK 19m in Q3 2023 to DKK 17m in Q4 2023.
 - Net insurance income amounted to DKK 12m in Q4 2023, which was a DKK 11m decrease quarter on quarter.
 - Other operating income amounted to DKK 4m in Q4 2023, which was DKK 5m less than the Q3 figure.
 - Operating costs amounted to DKK 65m in Q4, flat compared to Q3 2023.
- Impairment charges were DKK 5m in Q4 2023, compared to DKK 0m in Q3 2023.
 - The investment portfolio yielded a gain of DKK 46m in Q4 2023, against a gain of DKK 26m in Q3 2023.
- The overall profit before tax for Q4 2023 was DKK 109m, against DKK 108m in Q3 2023.

Q1-Q4 2023 vs Q1-Q4 2022

- BankNordik reported operating profit before impairment charges of DKK 269m for Q1-Q4 2023, a DKK 67m (+33%) improvement on Q1-Q4 2022.
 - Net interest income was up by DKK 90m to DKK 360m in Q1-Q4 2023 compared to DKK 270m in Q1-Q4 2022.
 - Fee and commission income was down by DKK 11m to DKK 77m in Q1-Q4 2023 from DKK 88m in Q1-Q4 2022.
 - Net insurance income was up by DKK 8m in Q1-Q4 2023 to DKK 60m relative to Q1-Q4 2022 as premium income, net grew compared to claims.
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- Other operating income was down by DKK 5m to DKK 32m in the Q1-Q4 2023 period compared to Q1-Q4 2022.
- Operating costs amounted to DKK 257m in Q1-Q4 2023, an increase of DKK 14m over Q1-Q4 2022.
- Impairment charges were a net reversal of DKK 10m in Q1-Q4 2023, compared to a DKK 47m net reversal in Q1-Q4 2022. BankNordik has raised the management estimated provision from DKK 56m to DKK 100m due to the general economic uncertainty.
- The investment portfolio yielded a gain of DKK 109m in Q1-Q4 2023 against a loss of DKK 43m in Q1-Q4 2022.
- The overall profit before tax was DKK 379m in Q1-Q4 2023 against DKK 207m in Q1-Q4 2022.
- Bank lending volumes were up by 10% from DKK 8,083m at 31 December 2022 to DKK 8,883m at 31 December 2023.
- Mortgage broking services fell from DKK 2,648m at 31 December 2022 to DKK 2,599m at 31 December 2023.
- Deposits were up by 4% from DKK 8,351m at 31 December 2022 to DKK 8,710m at 31 December 2023.

Capital ratios

At 31 December 2023, the Group had a CET 1 capital ratio of 25.8%, against 21.4% at 31 December 2022. The total capital ratio including MREL was 41.2% at 31 December 2023 against 29.7% at 31 December 2022.

Guidance for 2024

BankNordik's management is guiding for FY 2024 net profit in the DKK 225-255m range (FY 2023: DKK 308m). The guidance is subject to uncertainty and will, amongst other things, depend on economic conditions, developments in the Group's markets, loan impairments and market value adjustments.

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 12.9bn and 207 employees. The Bank is subject to the supervision of the Danish Financial Supervisory Authority and is listed on Nasdaq Copenhagen.

Appendix: Q1-Q4 2023 financial highlights and comparative figures

DKKm	Q4 2023	Q3 2023	Index	Q2 2023	Q1 2023	Q4 2022	2023	2022	Index
Net interest income	100	96	104	86	78	72	360	270	133
Net fee and commission income	17	19	90	19	21	23	77	88	87
Net insurance income	12	24	51	19	5	14	60	52	115
Other operating income (less reclassification)	4	9	42	11	8	8	32	37	87
Operating income	133	148	90	135	112	117	528	447	118
Operating costs	-65	-65	100	-64	-63	-58	-257	-243	106
Sector costs	0	0		0	0	0	-2	-1	
Profit before impairment charges	68	83	82	71	49	59	269	202	133
Impairment charges, net	-5	0		7	8	3	10	47	22
Operating profit	62	82	76	78	57	62	279	249	112
Non-recurring items	0	0		-6	-3	0	-9	0	
Profit before investment portfolio earnings and tax	62	82	76	72	54	62	270	249	109
Investment portfolio earnings	46	26	179	15	22	8	109	-43	-256
Profit before tax	109	108	101	87	75	70	379	207	184

Tax	20	20	100	17	14	16	72	42	170
Net profit	89	88	101	70	61	54	308	164	187
Loans and advances	8.883	8.790	101	8.655	8.354	8.083	8.883	8.083	110
Deposits and other debt	8.710	8.602	101	8.426	8.524	8.351	8.710	8.351	104
Mortgage credit	2.599	2.615	99	2.567	2.634	2.648	2.599	2.648	98
Equity	1.851	1.762	105	1.676	1.608	1.799	1.851	1.799	103
Total capital ratio, incl. MREL capital, %	41,1	29,9		30,2	28,9	29,7	41,1	29,7	
CET 1 capital, %	25,8	21,5		21,8	20,8	21,4	25,8	21,4	
ROE, %	19,6	20,5		21,2	17,7	12,1	16,9	8,6	
ROE, excl. one-offs, %	19,6	20,5		22,6	18,5	12,1	17,3	8,6	
Liquidity Coverage Ratio (LCR), %	228,2	196,6		183,7	220,0	225,2	228,2	225,2	
Operating cost/income, %	49	44		47	56	49	49	54	
Number of FTE, end of period	207	207	100	203	203	200	207	200	104

Further details are available in the annual report.

Attachments

- [Annual Report 2023.pdf](#)
- [IR presentation Q4 2023.pdf](#)
- [Risk Management Report 2023.pdf](#)
- [banknordik-2023-12-31-en.zip](#)