

15 May 2012

Good Q1 performance for BankNordik as expected

Improved income and slightly lower costs doubled operating profit, compared to previous quarter, to DKK 70m before impairment charges and non-recurring costs.

BankNordik maintains positive guidance for 2012 overall.

BankNordik generated net operating income of DKK 223m in Q1 2012, up from DKK 192m in the previous quarter, which was affected by powerful windstorms in the Faroes in November and December.

As planned, costs were reduced slightly, ending at DKK 153m relative to DKK 157m in the preceding quarter.

Operating profit before impairment charges doubled to DKK 70m in Q1 2012 from DKK 35m in Q4 2011 (adjusted for non-recurring items).

Net loan impairment charges amounted to DKK 22m, a substantial improvement from Q4 2011 and in line with expectations. This brought the operating profit to DKK 48m before non-recurring items, compared to a DKK 2m loss in the preceding quarter.

“We are very pleased to report improvements in both income and profit, especially given the current economic environment as well as the extensive in-house integration of the activities acquired from Amagerbanken. That bodes well for 2012 and especially onwards,” says BankNordik CEO Janus Petersen.

The Q1 financial statements carried non-recurring costs for integration and restructuring of DKK 48m.

Backed by equity of DKK 2.0bn and subordinated debt of DKK 0.8bn, BankNordik had a solvency ratio of 14.9% at 31 March 2012, as compared with the solvency requirement of 9.2%. BankNordik's policy is to retain a high solvency ratio at significantly above the required level. The same applies to the liquidity coverage, which was more than twice the required level.

Consolidation after strong growth

BankNordik acquired considerable operations from Sparbank in 2010 as well as the healthy parts of Amagerbanken in 2011. This meant that in terms of deposits, the Bank's operations more than doubled in the two years.

P/F BankNordik

Húsagøta 3
P.O. Box 3048
FO-110 Tórshavn
Faroe Islands

Tel (+298) 330 330
www.banknordik.fo

The last major steps to consolidate the IT systems were taken in February and March after a period of thorough planning in the preceding months. The preparations and conversion have strained the organisation, but the changes are of strategic importance in respect of the continual development of customer service and the ongoing efforts to enhance efficiency. Both are important objectives for BankNordik. In addition, branches in Denmark and in Greenland were merged, while also reducing the headcount.

“We've invested a lot of effort in getting things in order. In particular, it was very important to us that our customers felt the effect as little as possible,” says Janus Petersen, CEO of BankNordik.

“Looking ahead, these big and very important steps have enabled us to offer better customer service and to continue the Bank's healthy development based on our strategy of proximity to our customers, tight risk management and profitability in all operations”, says Janus Petersen.

Forecasting an improved performance

BankNordik continues to expect a profit of DKK 100-170m in 2012 before sector costs and adjustments (2011: DKK 50m).

“Our biggest assignment this year will be to streamline activities, so we can lift our efficiency. At the same time, we must maintain the close contact to our customers that we're known for, and we must grow our business from the new, broader platform we've built over the past couple of years,” said Janus Petersen.

BankNordik's consolidated financial highlights

DKKm	Q1 11	Q2 11	Q3 11	Q4 11	Q1 2012	2011
Operating income*	157	173	232	192	223	735
Profit before impairment charges*	54	66	80	35	70	235
Impairment charges	-24	-8	-17	-37	-22	101
Operating profit*	31	58	63	-2	48	134
Non-recurring items	-20	-35	-33	-31	-37	-103
Profit before tax	10	23	30	-33	11	31
Deposits, etc.	8,943	8,740	13,955	13,032	13,088	13,032
Loans and advances, etc.	8,376	8,446	11,949	11,769	11,376	11,769
Deposit surplus	567	294	2,006	1,263	1,712	1,263
Total assets	13,502	13,289	18,902	17,096	17,897	17,086
Equity	1,977	1,993	2,017	1,958	1,963	1,958
Solvency ratio	17.1%	20.3%	15.0%	15.6%	14.9%	15.6%
Excess cover relative to statutory liquidity requirements	163%	111%	149%	115%	169%	115%

* Adjusted for non-recurring items

Further details are available in the Q1 interim report.

Conference call and webcast today at 11.00 AM (CET)

BankNordik will review the financial results today at 11.00 (CET) at its customary conference call for analysts and investors. The conference call will be webcast on BankNordik's website, www.banknordik.fo.

The dial-in number for the conference call is **(+45) 32 71 47 67**. Participants are kindly asked to call in a few minutes before the conference begins.

For further information, please contact:

Janus Petersen, CEO, tel. (+298) 330 340
Árni Ellefsen, CFO, tel. (+298) 330 348
Chief Investor Relations Officer

BankNordik was founded more than 100 years ago in the Faroe Islands. The Group has banking activities in Denmark, Greenland and the Faroe Islands and insurance activities in the Faroe Islands and Iceland. The Group has 180,000 customers, total assets of DKK 18bn and 580 employees. The Bank is subject to the supervision of the Danish Financial Supervisory Authority and is listed on NASDAQ OMX.