BANKNORDIK

BankNordik strengthens its strategic focus and introduces negative interest rates on retail deposits

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BankNordik introduces negative interest rates on retail deposits with effect from March 2020. In conjunction with other income enhancing and cost-cutting initiatives, these changes are expected to increase the Group's operating profit by approx. DKK 40m on an annual basis.

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As a result of persistent negative interest rates and an increasingly competitive business landscape, BankNordik has initiated several steps with the intent to increase revenues and reduce costs.

With effect from March 2020, a negative interest rate of -0.75% applies to all pension deposits (no minimum threshold value) and retail deposits exceeding DKK 500,000.

”Up to now we have gone out of our way to protect our retail customers from having to pay interest on their deposits. However, the current negative interest rate environment does not seem likely to change any time soon. We have therefore taken the difficult decision to impose negative interest rates on all pension deposits and retail deposits exceeding DKK 500,000. This decision is first and foremost based on the fact that BankNordik, as a responsible financial institution, cannot continue indefinitely to offer banking products to our customers at a loss,” said BankNordik CEO, Árni Ellefsen.

In addition, the negative interest rates introduced on corporate deposits in September 2019 have been further reduced with effect from November 2019. The impact of these changes will materialise in the Q4 2019 income statement.

In line with the strengthening of the Group's strategic focus, relevant changes will be made to the customer loyalty program with regards to structure and pricing. With effect from 1 April 2020, the loyalty program will be simplified to a two-tier program: Nordik+ and NordikPremium. Besides improving the customer experience and increasing the Group's revenue streams, these changes aim to ensure that the best prices and service will benefit customers using BankNordik as their primary banking connection.

Organisational adjustments to enhance efficiency

To strengthen the customer experience for the personal customer segment, BankNordik narrows its activities down to its most competitive areas of expertise.

“We are specialised in advising retail customers in the areas of home lending, retirement planning and investment management. Our branches will therefore narrow their focus on these three business areas, while customers with lower business volumes or less need for specialised advice will be serviced from a central advisory team going forward,” said Mr. Ellefsen.

Likewise, the Group will narrow its activities by discontinuing Private Banking services to new customers. Existing customers in the Private Banking segment will, however, continue to be serviced under the same exclusive terms and level of service as beforehand.

At last, BankNordik will consolidate its branch network by merging two branches in Denmark into the remaining network of branches, thereby creating stronger units more capable of delivering superior customer experiences.

The aforementioned measures to enhance revenues and reduce costs involve a cutback of 10 employees, while a number of vacant positions will not be filled. The combined effect equals a reduction of 25 FTE. As a result, non-recurring cost in the amount of DKK 12m will be recognised in the Q4 2019 income statement. In spite of this, management reconfirms its guidance for the FY2019 net profit to be in the range of DKK 170-210m.

As stated above, these measures will improve the Group's operating profit by around DKK 40m on an annual basis. This estimate takes into consideration the previously applied negative interest rates on corporate deposits as introduced in September 2019 and further lowered in November 2019, as well as an expected lowering of interest rates on selected retail loans with effect from Q1 2020.

With regards to the low interest rate environment, changed business conditions for the banking industry in general, stricter capital requirements, as well as the measures described above, BankNordik will reassess its 2020 financial targets in the near future. The revised capital ratios, cost/income, and return on equity targets will be laid out in the annual report for 2019.

Further information:

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BankNordik has banking activities in Denmark, 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 17.7bn and 383 employees. The Bank is subject to the supervision of the Danish Financial Supervisory Authority and is listed on Nasdaq Copenhagen.