

26 March 2021

## Chairman's adress on the AGM 2021

### Focus and competitiveness

2020 has been an unusual year. The year has been impacted by the Covid-19 pandemic, and it is unlikely that anyone knew exactly how it would affect us.

We reacted immediately by offering our personal and corporate customers payment deferrals when the pandemic hit, and many customers took up the offer. Now that 2020 has passed, we see that even though some sectors are still under pressure, e.g. the tourism sector, 2020 was a satisfactory year for BankNordik

Profit after tax came in at DKK 165m – DKK 17 per share, which is a good result. We recommend that the AGM approves an ordinary dividend of 30% of the profit after tax – or DKK 5 per share.

The overarching, global risks potentially impacting BankNordik are similar to what we saw a year ago, although most risks are to some extent affected by the COVID-19 situation. The threat of cybercrime, for example, remains elevated. Sustainability is climbing up the global agenda, including for many of the Faroe Islands' and Greenland's export partners. This means that sustainable management of fish stocks is becoming more important, as it results in better export prices. Therefore, BankNordik is increasingly focusing on sustainability.

Unemployment in the Faroe Islands is generally at a lower level than in Greenland. Before COVID-19, unemployment was below 1%, and it never reached 2% in 2020, instead falling back to 1,3% in October where it has remained since. Greenland has long worked to increase the educational attainment of its population, as it increases structural unemployment. And although unemployment has fallen significantly in recent years, structural unemployment remains high and is largely concentrated in the portion of the population with only a primary school education as well as in provincial towns.

BankNordik now operates in two markets where the demand for finance has increased over the past years. Lending to personal customers has grown steadily over the past four years at average rates of around 2.5% in Greenland and just over 3% in the Faroe Islands. Demand for finance from corporate customers is more volatile, but the growth rate in overall commercial lending has been higher than lending to personal customers. As such, BankNordik is optimistic that sticking to its current strategic focus of

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securing profitable growth in Greenland and maintaining market share in the Faroe Islands will allow the Group to remain sustainably profitable going forward.

When talking about performance and results, it is important to keep in mind the role that BankNordik plays in society.

For more than 100 years, we have helped individuals and companies realise their dreams and ensure economic stability and growth while emphasising value creation in the societies in which we operate. In this context, it is worth mentioning that in 2020 we have supported the Faroese Research Council with DKK 1m. We want to lift our 100-year heritage by continuing to make a difference for our customers, staff and the societies in which we operate. In this respect, we want to focus on 5 of the UN's 17 Sustainable Development Goals.

We will do our part to support the sustainable development of our society and economy. One way of doing this is by offering our customers green alternatives. As part of our 2020 Annual Report, we also present how we are doing in terms of protecting the environment and meeting our social responsibility with standardized ESG KPIs for the first time.

2020 wasn't just unusual in terms of events outside BankNordik. This year, the board of directors has made important decisions, which have changed the Group significantly.

In December, we sold BankNordik's Danish business to Spar Nord for the carrying value as well as a goodwill amount of DKK 255m. This means that we released capital and that we will realise an extraordinary profit in 2021 of between DKK 70m and 90m.

We are pleased with the agreement reached with Spar Nord, which means that our CET1 ratio and our total capital ratio increase by an excess cover of DKK 700m compared to our target ratio of 23%. Therefore, we expect to pay an extraordinary dividend of DKK 450 this year and the remaining DKK 250m in 2022 and 2023 if all goes according to plan and the Danish FSA gives the bank permission to pay out the planned extraordinary dividend.

Selling the bank's Danish business was an important decision. It was a decision that meant we had to part ways with 140 highly competent staff members who together with the Bank's management have built up the business that we now have sold at a good price. Now we can look forward with revised goals in mind. BankNordik is now 100% focused on the Faroese and Greenlandic markets where we are in a strong position.

We will continue the work of creating value for customers, staff and shareholders, focusing on the markets where our position is strongest and where we are part of advancing society. We will continue to aim to create the best

possible customer experiences whilst maintaining a responsible credit policy with a strong focus on cost discipline and quality assurance. Our insurance activity is also growing steadily, and we are looking at ways to further improve growth in this area.

Competitiveness is crucial. Competition in the banking market is fierce with competition in both the commercial and technological areas.

A new internet banking platform will be released this year, which represents a step towards making it easier to be a BankNordik customer. We want to offer an end to end digital service where the customer is able to choose the services or seek the advice he or she needs. We are also working to make our processes as efficient as possible with automation and robotics. The aim is to grow sustainably while improving security.

I will now outline the Bank's remuneration policy and how the policy has been implemented in the previous financial year. The board has not made adjustment to the remuneration policy since it was approved by at last year's AGM.

The Bank's board of directors receive fixed fee, and as such the board does not receive any variable or result-contingent payment. Setting the board fee for 2021 is a separate agenda point of this general meeting.

According to the remuneration policy, the Group's management, except for the Credit Officer, may, in addition to their fixed salary, be awarded variable pay of up to 25% of their annual fixed salary, excluding pension contribution.

For the 2020 financial year, the board has decided to award the Group's management variable pay of 15% of their fixed annual salary. The awarded amounts are described in the Group's annual report for 2020.

The Bank's Chief Executive officer has been awarded a variable pay amount of DKK 397,500 before tax, whilst the other members of the Group's management have been awarded DKK 228,960 before tax. The board has decided that from 1 January 2021, the Group's management's pay package shall not include a variable or results-based element.

Before I conclude, it is important to take a moment to look at how the market sees us.

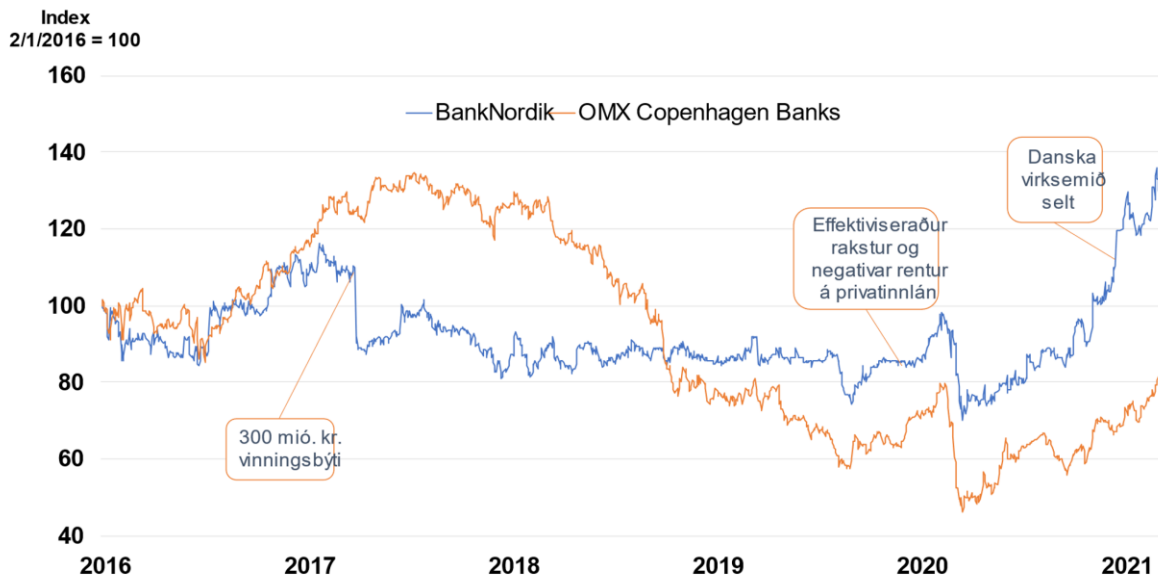
After the sale of the bank's Danish business and the announcement of the extraordinary dividend, BankNordik's share price was at its highest level since 2008.

## BankNordik-partabrævið 2008-2020



This is a positive development, which the board of directors have been pleased to see in the previous year. Compared to the Danish banking index on OMX Copenhagen, BankNordik has outperformed the index over the last few years. Even though some banks have performed particularly well and others particularly poorly, the last few years have not shown any particular progress in the share price of banks listed on OMX Copenhagen.

## BankNordik og danskir bankar



### Competitiveness is key

Efficient operations are a key part of becoming competitive. Competitiveness is a constant requirement for a company like BankNordik. We know where our competition is coming from today, but this picture is constantly evolving in a world where the banking market is becoming more and more globalised. We know who our competitors are today, but things can change significantly, so no one can be certain of who they will be in the future.

The only way to ensure our position in the market is a constant focus on competitiveness and efficiency so that we can offer our customers the best service at the best price.

This means that we need to continue setting ambitious targets for ourselves.

Following the sale of the bank's Danish business, which altered the Bank's ratio of corporate and personal customers, we have adjusted our targets for return on equity (ROE), cost/income and dividends.

Before last year's AGM, BankNordik aimed for a ROE of 6-8%, C/I of 67% and a dividend of between 20% of 40%.

## Fíggarligir málsetningar

2020	2021
Eiginpeningsavkast (ROE): 6-8%	Eiginpeningsavkast (ROE): $\geq 8\%$
Cost/Income: 67%	Cost/Income: $\leq 55\%$
Vinningsbýti: 20-40%	Vinningsbýti: 50%

I am pleased to be able to stand here a year later as chairman and say that we have adjusted our targets to ROE>8%, C/ I  $\leq 55\%$  and a dividend of 50%.

We aim to be the most competitive financial group in the markets in which we operate. Being competitive results in customer satisfaction, employee engagement and pleased shareholders.

We are well-equipped to meet the challenges of a new and exciting year with a more streamlined organisation as well as competent and engaged employees who will continue to create good results.

Finally, I would like to thank our customers, our capable colleagues and our shareholders for a good year.

Our ultimate goal is to ensure that it is good to be a BankNordik customer, good to be a BankNordik employee and good to be a BankNordik shareholder.

Thank you.