28 April 2022

Commissioned research: BankNordik – Q1 2022 first impression: A solid start to the year

Marketing material commissioned by BankNordik

Q1 2022 PBLL came in at a solid DKK 49m, DKK 4m (9%) above our estimate, led by strong numbers across all income lines. Net interest income was stable q/q, but 3% above our estimate, as negative interest on deposits and a steady increase in lending offset margin pressure. Net fee income came in at DKK 22m, 6% ahead of our estimate. Also, insurance income was solid following last year's repricing efforts. On the negative side, BankNordik reported a miss on costs due to higher IT expenses. CET1 ratio came in at 23.8% in Q1 2022. We estimated 24%. Comments on asset quality is in focus amid the war in Ukraine. Although long-term implications of the war remain uncertain, loan loss reversals of DKK 10m contributed positively to the Q1 2022 result. Following solid profitability in Q1 2022, BankNordik now aims at the upper range of the previously communicated full-year guidance range (net profit DKK 130-160m), according to management. We estimate DKK ~144m and hence positive revisions are warranted. All in all, a strong start to the year, which lays a solid foundation for the ongoing capital repatriation efforts. The share should trade in-line or above peers following today's report.

Quarterly highlights

- Q1 2022 net interest income was DKK 66m, flat q/q but 3% above our estimate.
- Net fee and commission income came in at DKK 22m, DKK 1m (6%) ahead of our estimate, led by positive year-on-year development across most underlying fee lines.
- Solid repricing effects supported net insurance income, which came in DKK 3m (31%) ahead of our estimate.
- Operating cost amounted to DKK 61m, 7% above (thus, worse than) our estimate, due to a step-up in IT expenses.
- Although long-term implications of the war in Ukraine remain uncertain, asset quality remained solid. As so, net impairment charges contributed a DKK 10m reversal in Q1 2022. We estimated a DKK 3m loss. Still, however, BankNordik maintains its COVID-19-related management buffer of DKK 52m, which could be used to smooth out potential future losses.
- CET1 ratio was 23.8%, in line with our estimate.
- Good performance in Q1 2022 indicates full-year result in the upper end of current outlook range (net profit DKK 130-160m), according to BankNordik.

SUMMARY TABLE - KEY FIGURES

DKKm	2019	2020	2021	2022E	2023E	2024E
Total revenue	658	387	407	425	433	437
Total costs	473	237	236	232	232	232
LL-ratio	-1,06%	-0,06%	-1,01%	0,13%	0,32%	0,31%
PTP	261	207	340	178	177	181
RoE	9,7%	7,3%	12,7%	7,6%	8,6%	9,7%
RoTBV (adj)	10,3%	7,1%	9,2%	7,3%	8,3%	9,3%
P/E (adj)	4,8	9,0	6,8	8,7	8,2	7,1
P/BV	0,46	0,64	0,66	0,67	0,68	0,65
P/TBV	0,46	0,64	0,66	0,67	0,68	0,65
BIS III CT1-ratio	18,8%	22,6%	27,5%	23,2%	21,0%	19,7%
DPS (ord, DKK)	7,00	5,00	61,39	49,47	13,92	15,59
Dividend Yield	6,74%	6,42%	3,29%	43,69%	39,26%	11,05%
Total payout ratio	0,40	0,33	2,15	3,27	0,81	1,83

Source: Company data and Nordea estimates

BANKNORDIK: DEVIATION TABLE

	Actual	NDA	Deviation		Actual	q/q	Actual	y/y
DKKm	**Q1 22E**	**Q1 22E**	**vs. Actual**		**Q4 21**	**growth**	**Q1 21**	**growth**
Net interest income	66	64	2	3%	66	0%	64	4%
Net fee and commission income	22	21	1	6%	23	-2%	17	26%
Net insurance income	12	9	3	31%	6	-	7	67%
Other income	11	8	3	33%	8	39%	9	24%
Total Income	**110**	**102**	**8**	8%	**102**	8%	**97**	13%
Total Expenses	**61**	**57**	**4**	7%	**56**	8%	**59**	3%
Profit before loan losses	**49**	**45**	**4**	**9%**	**46**	**7%**	**38**	**28%**
Loan losses	10	-3	13	-	40	-75%	-3	-
Operating profit	**59**	**43**	**16**	**39%**	**86**	**-31%**	**35**	**69%**
Market value adjustments	2	-5	7	-	2	29%	-3	-
Non-recurring and industry solutions	0	0	0	-	6	-	77	-
Pre tax profit	**60**	**38**	**22**	**60%**	**94**	**-36%**	**118**	**-49%**
Discontinued operations before tax	0	0	0	-	0	-	9	-
Taxes	-12	-8	-4	60%	-17	-29%	-24	-50%
Net profit	**48**	**30**	**18**	**60%**	**77**	**-38%**	**94**	**-49%**
CET1 ratio	**23,8%**	**24,0%**	**-0,2 pp**		**23,8%**	**0,0 pp**	**31,0%**	**-7,2 pp**

Source: Company Data and Nordea estimates

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