

03 November 2022

Commissioned research: BankNordik – Reversals and costs were higher than expected in Q3

Marketing material commissioned by BankNordik

Both NII and NCI came in slightly better than expected in Q3. NII was 1% above our estimate while NCI landed 3% ahead of our estimate. Moreover, asset quality remained strong in the quarter with reversals coming in at DKK 12m versus our estimate of DKK 3m. Meanwhile, costs came in 5% above our estimate, led by increased employee costs during a period of transition. As expected, the investment portfolio was negatively impacted by the current market turbulence. Finally, net profit came in at DKK 20m, in line with our estimate. The Q3 report will not cause us to make any significant estimate revisions for the remainder of 2022. However, further rate hikes since our last report will likely lead to positive EPS revisions of 3-5% for 2023E-24E. We expect the BankNordik share to trade roughly flat today.

Quarterly highlights

- NII was 1% above our estimate in Q3, driven by lending growth of 3% q/q and gains from higher interest rates. Moreover, NCI was 3% above our estimate, led by better-than-expected income from securities trading, loan commissions and other fees.
- Costs were DKK 62m in the quarter which was 5% higher than our estimate and caused by increased employee costs during a transition period
- Asset quality remained strong with reversals coming in at DKK 12m versus our estimate of DKK 3m
- The investment portfolio was negatively impacted by market turbulence as expected and thus came in at DKK -36m
- The CET-1 ratio came in at 22.9%, 30 bp below our estimate

BANKNORDIK: DEVIATION TABLE

DKKm	Actual	NDA	Deviation		Actual	q/q	Actual	y/y	
	Q3 22E	Q3 22E	vs. Actual		Q2 22	growth	Q3 21	growth	
Net interest income	67	66	1	1%	65	3%	65	3%	
Net fee and commission income	22	21	1	3%	22	2%	19	16%	
Net insurance income	11	16	-5	-32%	15	-28%	7	61%	
Other income	11	8	3	33%	9	22%	8	33%	
Total income	110	112	-2	-2%	111	-1%	99	11%	
Total Expenses	62	59	3	5%	63	-1%	59	5%	
Profit before loan losses	48	53	-5	-9%	48	0%	40	21%	
Loan losses	12	3	9	-	22	-45%	13	-7%	
Operating profit	60	56	4	8%	70	-14%	53	14%	
Market value adjustments	-36	-31	-5	17%	-16	-	-1	-	
Non-recurring and industry solutions	0	0	0	-	0	-	2	-	
Pre tax profit	24	25	-1	-4%	54	-55%	53	-55%	
Discontinued operations before tax	0	0	0	-	0	-	0	-	
Taxes	-4	-5	1	-16%	-10	-60%	-11	-64%	
Net profit	20	20	0	-1%	43	-53%	42	-53%	
CET1 ratio	22.9%	23.2%	-0.3 pp		23.3%	-0.4 pp		26.1%	-3.2 pp

Source: Company Data and Nordea estimates

SUMMARY TABLE - KEY FIGURES

DKKm	2019	2020	2021	2022E	2023E	2024E
Total revenue	658	387	407	442	443	444
Total costs	473	237	236	241	242	245
LL-ratio	-1.06%	-0.06%	-1.01%	-0.47%	0.38%	0.45%
PTP	261	207	340	201	208	201
RoE	9.7%	7.3%	12.7%	8.4%	10.1%	11.0%
RoTBV (adj)	10.3%	7.1%	9.2%	8.2%	9.7%	10.6%
P/E (adj)	4.8	9.0	6.8	7.3	6.5	5.6
P/BV	0.46	0.64	0.66	0.63	0.62	0.57
P/TBV	0.46	0.64	0.66	0.64	0.62	0.57
BIS III CT1-ratio	18.8%	22.6%	27.5%	22.9%	21.6%	19.9%
DPS (ord, DKK)	7.00	5.00	61.39	50.38	16.24	18.72
Dividend Yield	6.74%	6.42%	3.29%	43.69%	41.99%	13.54%
Total payout ratio	0.40	0.33	2.15	2.97	0.77	2.01

Source: Company data and Nordea estimates

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