

27 April 2023

Commissioned research: BankNordik – Q1 net profit came in 7% above our estimate led by continued solid asset quality

Marketing material commissioned by BankNordik

Q1 NII came in 1% above our estimate at DKK 78m while NCI came in at DKK 21m versus our estimate at DKK 23m. Moreover, costs came in 4% above (and thus worse than) our estimate. On asset quality, BankNordik reported a solid DKK 8m in reversals whereas we expected loan losses of DKK 2m. Additionally, market value adjustments came in at DKK 22m versus our estimate of DKK 16m. Hence, net profit for Q1 came in DKK 7% above our estimate. BankNordik also reported an increase in the management estimated provision from DKK 56m to DKK 65m due to the uncertain economic environment. Finally, the CET1 ratio came in at 21.0% compared to our estimate of 22.3% due to temporary deduction of the full Q1 net profit. We are likely to make minor EPS revisions in light of the report and expect the share to be slightly up today.

Quarterly highlights

- Net interest income was 1% above our estimate while NCI came in DKK 2m below our estimate. All fee lines except for securities trading and other fees developed positively y/y.
- Costs came in at DKK 63m which was 4% above our estimate.
- Asset quality remained very strong with reversals of DKK 8m versus our estimate of DKK 2m in losses. This line also included an increase in the management buffer of DKK 9m, hence signalling very strong underlying asset quality.
- The CET1 ratio was 21.0% which was 1.3 pp weaker than our estimate. The miss was driven by higher REA as well as a full deduction of the Q1 net profit which we had not included. This does not impact our end 2023E CET1 ratio expectation.

BANKNORDIK: DEVIATION TABLE

DKKm	Actual	NDA	Deviation		Actual	q/q	Actual	y/y
	Q1 23	Q1 23E	vs. Actual		Q4 22	growth	Q1 22	growth
Net interest income	78	77	1	1%	72	8%	66	19%
Net fee and commission income	21	23	-2	-9%	23	-8%	22	-2%
Net insurance income	5	6	-1	-17%	14	-65%	12	-57%
Other income	8	10	-2	-20%	7	7%	11	-30%
Total Income	112	116	-4	-4%	117	-4%	110	2%
Total Expenses	-63	-60	-3	4%	-58	9%	-61	3%
Profit before loan losses	49	56	-7	-13%	59	-17%	49	0%
Loan losses	8	-2	10	-	3	-	10	-18%
Operating profit	57	54	3	5%	62	-8%	59	-3%
Market value adjustments	22	16	6	35%	8	-	1	-
Non-recurring and industry solutions	-3	0	-3	-	0	-	0	-
Pre tax profit	75	70	5	7%	70	7%	60	25%
Discontinued operations before tax	0	0	0	-	0	-	0	-
Taxes	-14	-13	-1	5%	-16	-14%	-12	18%
Net profit	61	57	4	7%	54	13%	48	26%
CET1 ratio	21.0%	22.3%	-1.3 pp		21.6%	-0.6 pp	23.8%	-2.8 pp

Source: Company Data and Nordea estimates

SUMMARY TABLE - KEY FIGURES

DKKm	2020	2021	2022	2023E	2024E	2025E
Total revenue	387	407	448	501	512	515
Total costs	237	236	244	249	248	245
LL-ratio	-0.06%	-1.01%	-0.59%	0.38%	0.48%	0.41%
PTP	207	340	208	302	304	312
RoE	7.3%	12.7%	8.5%	13.5%	13.8%	14.6%
RoTBV (adj)	7.1%	9.2%	8.3%	13.2%	13.5%	14.3%
P/E (adj)	9.0	6.8	8.2	6.0	5.9	5.7
P/BV	0.64	0.66	0.71	0.79	0.80	0.82
P/TBV	0.64	0.66	0.72	0.79	0.80	0.82
BIS III CT1-ratio	22.6%	27.5%	21.6%	21.1%	20.2%	20.2%
DPS (ord, DKK)	5.00	61.39	52.38	28.38	30.41	29.10
Dividend Yield	6.42%	3.29%	43.69%	38.51%	19.05%	20.41%
Total payout ratio	0.33	2.15	3.04	1.11	1.17	1.14

Source: Company data and Nordea estimates

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