27 February 2024

Commissioned research: BankNordik – 8% beat on net profit in Q4 but major disappointment on capital repatriation

Marketing material commissioned by BankNordik

Q4 NII came in strong, 3% ahead of our estimate while NCI came in slightly weaker, at DKK 17m versus our estimate at DKK 21m. Insurance income was in line with our estimate while costs came in 1% below (and thus better than) our estimate. Asset quality also remained strong in the quarter with BankNordik reporting only minor loan losses of DKK 5m. Additionally, market value adjustments were very strong in Q4, coming in at DKK 46m versus our estimate at DKK 26m. Thus, net profit ended 8% above our estimate at DKK 89m. On a negative note, BankNordik reported a significant miss to their own and our estimated payout ratio for 2023E, proposing a total dividend of only DKK 80m. This corresponds to a payout ratio of 26%, deviating materially from the bank's target payout ratio of 70%. The reason behind the weak proposed dividend is, according to the company, an ongoing consultation at the FSA on the status of the Faroese and Greenlandic property markets. However, BankNordik still maintains its 2024 target of reaching a CET1 ratio of 20% and states that in case of a negative outcome from the FSA assessment, it will manage its loan portfolio within a few months to be able to comply with the dividend policy going forward. The Faroese banks are currently displaying their views on why the Faroese and Greenlandic property markets are in fact well-developed and long-established which may ease the imposed increase in the risk-weighting of these assets and leave scope for additional payout in 2024E. Yet, we still expect the share to trade down 5-8% on the news of the weak dividend.

Quarterly highlights

- Net interest income was 3% above our estimate while NCI came in DKK 4m below our estimate. Meanwhile, income from the insurance business was in line with our estimate.
- Costs came in at DKK 65m, which was 1% better than our estimate
- Asset quality remained strong with loan losses of DKK 5m. Furthermore, market value adjustments beat our expectations significantly, coming in at DKK 46m versus our estimate at DKK 26m
- The CET1 ratio came in at 25.8% which was stronger than our estimate but caused by an ongoing FSA assessment which has led BankNordik to deviate significantly from its dividend policy. The assessment is expected to be finalized during H1 2024.

BANKNORDIK: DEVIATION TABLE

DKKm	Actual Q4 23	NDA Q4 23E	Deviation vs. Actual		Actual Q3 23	q/q growth	Actual Q4 22	y/y growth
Net interest income	100	97	3	3%	96	4%	72	38%
Net fee and commission income	17	21	-4	-20%	19	-12%	23	-26%
Net insurance income	12	12	0	0%	24	-49%	14	-15%
Other income	4	9	-5	-56%	9	-56%	7	-46%
Total Income	**133**	**139**	**-6**	-5%	**148**	-10%	**117**	14%
Total Expenses	**-65**	**-66**	**1**	-1%	**-65**	-1%	**-58**	12%
Profit before loan losses	**68**	**73**	**-5**	**-7%**	**83**	**-18%**	**59**	**16%**
Loan losses	-5	2	-7	-	0	-	3	-
Operating profit	**62**	**75**	**-13**	**-18%**	**82**	**-25%**	**62**	**0%**
Market value adjustments	46	26	20	75%	26	77%	8	-
Non-recurring and industry solutions	0	0	0	-	0	-	0	-
Pre tax profit	**109**	**102**	**7**	**7%**	**108**	**1%**	**70**	**55%**
Discontinued operations before tax	0	0	0	-	0	-	0	-
Taxes	-20	-19	-1	3%	-20	0%	-16	23%
Net profit	**89**	**82**	**7**	**8%**	**88**	**1%**	**54**	**65%**
CET1 ratio	**25.8%**	**21.2%**	**4.6 pp**		**21.8%**	**4.0 pp**	**21.6%**	**4.2 pp**

Source: Company Data and Nordea estimates

SUMMARY TABLE - KEY FIGURES

DKKm	2020	2021	2022	2023E	2024E	2025E
Total revenue	387	407	447	535	538	525
Total costs	237	236	244	259	257	256
LL-ratio	-0.06%	-1.01%	-0.59%	-0.20%	0.33%	0.27%
PTP	207	340	207	372	326	314
RoE	7.3%	12.7%	7.9%	16.4%	14.4%	14.2%
RoTBV (adj)	7.1%	9.2%	7.6%	16.1%	14.1%	13.9%
P/E (adj)	9.0	6.8	8.9	5.8	6.7	6.9
P/BV	0.64	0.66	0.72	0.93	0.96	0.97
P/TBV	0.64	0.66	0.72	0.93	0.96	0.97
BIS III CT1-ratio	22.6%	23.8%	21.6%	22.6%	21.5%	20.3%
DPS (ord, DKK)	52.14	40.33	26.12	33.02	31.45	28.22
Dividend Yield	0.00%	34.30%	28.70%	19.20%	18.34%	17.47%
Total payout ratio	3.03	1.42	1.64	1.05	1.14	1.06

Source: Company data and Nordea estimates

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