

2 May 2024

Commissioned research: Føroya Banki – 2024 starts with a mixed bag

Marketing material commissioned by Føroya Banki

Q1 2024 profit before loan losses came in at DKK 70m, DKK 4m (6%) ahead of our estimate. Net interest income was however DKK 5m (5%) below our estimate due to higher funding costs and slightly more margin pressure than estimated. On the other hand, net insurance income and other income was DKK 3m and DKK 5m ahead of our estimates, respectively. Net fee income and costs were roughly in line with our estimate. Loan losses came in at DKK 23m, well above our estimate of DKK 7m, this is driven by a few corporate clients in Greenland, and the bank expects loan losses at a normalised level of approximately DKK ~40m in 2024, roughly in line with our current 2024 estimate. The 2024 net profit guidance of DKK 225-255m was reiterated. We expect the share will underperform by few percentage-points today amid the weaker net interest income.

Quarterly highlights

- Net interest income was DKK 92m, DKK 5m (5%) below our estimate, mainly led by higher funding costs, as we now see the full impact of the recent SNP issue.
- Net fee income was DKK 19m, roughly in line with our estimate of DKK 20m.
- Net insurance income came in DKK 12m, DKK 3m ahead of our estimate led by solid y/y premium growth.
- Costs came in at DKK 64m, a tad (DKK 1m) better than our estimate.
- Asset quality remains solid overall, with reversals of DKK 5m in the private segment. The corporate segment was, however, burdened by higher than expected loan losses in the quarter from a few corporate clients in Greenland. This led to Q1 loan losses of DKK 23m, DKK 16m above our estimate. The bank, however, highlights that 2024 loan losses is still expected to be on a normalised level of DKK ~40m. We estimate DKK 39m.
- The CET 1 ratio was 25.0%, 50 bp below our estimate, due to slightly higher REA than estimated.

DKKm	Actual	NDA	Deviation		Actual	q/q	Actual	y/y
	Q1 24	Q1 24E	vs. Actual		Q4 23	growth	Q1 23	growth
Net interest income	92	97	-5	-5%	100	-8%	78	18%
Net fee and commission income	19	20	-1	-3%	17	9%	21	-11%
Net insurance income	12	9	3	33%	12	-1%	5	-
Other income	11	6	5	83%	4	-	8	32%
Total Income	135	131	4	3%	133	1%	112	20%
Total Expenses	-64	-65	1	-2%	-65	-2%	-64	1%
Profit before loan losses	70	66	4	6%	68	4%	49	44%
Loan losses	-23	-7	-16	-	-5	-	8	-
Operating profit	47	59	-12	-20%	62	-25%	57	-17%
Market value adjustments	23	28	-5	-18%	46	-50%	22	5%
Non-recurring and industry solutions	0	0	0	-	0	-	-3	-
Pre tax profit	70	87	-17	-19%	109	-36%	75	-7%
Discontinued operations before tax	0	0	0	-	0	-	0	-
Taxes	-15	-16	1	-9%	-20	-26%	-14	6%
Net profit	55	70	-15	-22%	89	-38%	61	-10%
CET1 ratio	25.0%	25.5%	-0.5 pp		25.8%	-0.8 pp	21.0%	4.0 pp

Source: Company Data and Nordea estimates

SUMMARY TABLE - KEY FIGURES

DKKm	2021	2022	2023	2024E	2025E	2026E
Total revenue	407	447	528	541	530	517
Total costs	236	244	259	263	261	258
LL-ratio	-1.01%	-0.59%	-0.12%	0.43%	0.38%	0.37%
PTP	340	207	379	330	314	294
RoE	12.7%	7.9%	16.8%	13.8%	13.2%	12.9%
RoTBV (adj)	9.2%	7.6%	16.5%	13.5%	12.9%	12.6%
P/E (adj)	6.8	8.9	5.2	5.8	6.1	6.5
P/BV	0.66	0.72	0.85	0.75	0.83	0.81
P/TBV	0.66	0.72	0.85	0.75	0.83	0.81
BIS III CT1-ratio	23.8%	21.6%	25.8%	20.5%	20.2%	20.3%
DPS (ord, DKK)	40.33	26.12	8.36	44.08	20.70	19.52
Dividend Yield	34.30%	28.70%	19.20%	5.08%	27.81%	13.06%
Total payout ratio	1.42	1.64	0.26	1.58	0.78	0.78

Source: Company data and Nordea estimates

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