

31 October 2024

Commissioned research: Føroya Banki - Q3 continuing trends from Q2

Marketing material commissioned by Føroya Banki

Q3 2024 profit before loan losses came in at DKK 66m, DKK 7m (10%) below our estimate. This was mainly due to fee income being DKK 3m below our estimate, driven by misses on securities trading and custody accounts, as well as credit transfers. NII was similarly DKK 2m below our estimate, as a result of limited lending growth. Net insurance income was in line with our estimate, while costs were DKK 1m higher than our estimate. Meanwhile, both loan losses and market value adjustments were significantly better than our estimate, hence Q3 2024 net profit ended at DKK 96m, DKK 7m (8%) better than our estimate. As expected, Q3 saw no dividend announcements. We estimate 2024 dividends of DKK ~400m (of which: DKK 200m as extraordinary dividends), reflecting Føroya Banki's 2026 strategy target of lowering its CET1 ratio to ~23%. Finally, the CET1 ratio was 25.1%, in line with our estimate. The 2024 net profit guidance of DKK 275-300m was reiterated once more, but noted to be subject to slight uncertainty regarding impairment charges, market value adjustments and macroeconomic developments. We estimate DKK 290m.

Quarterly highlights

- Net interest income was DKK 87m, DKK 2m (2%) below our estimate, reflecting lower lending growth.
- Net fee and commission income came in at DKK 18m, DKK 3m (13%) below our estimate. This was mainly due to lower income securities trading and custody accounts, loan commissions, credit transfers.
- Net insurance income was DKK 20m, in line with our estimate.
- Costs were DKK 68m, DKK 1m above our estimate.
- Asset quality remains solid. The bank booked loan loss reversals of DKK 6m during Q3, DKK 7m better than our estimate.
- The CET1 ratio was 25.1%, in line with our estimate.

FØROYA BANKI: DEVIATION TABLE

	Actual	NDA	Deviation		Actual	q/q	Actual	y/y
DKKm	Q3 24	Q3 24E	vs. Actual		Q2 24	growth	Q3 23	growth
Net interest income	87	89	-2	-2%	90	-3%	96	-9%
Net fee and commission income	18	21	-3	-13%	17	6%	19	-7%
Net insurance income	20	20	0	0%	15	35%	24	-15%
Other income	10	11	-1	-9%	10	-3%	9	11%
Total Income	135	140	-5	-4%	132	3%	148	-9%
Total Expenses	-68	-67	-1	1%	-68	0%	-65	4%
Profit before loan losses	66	73	-7	-10%	63	4%	83	-20%
Loan losses	6	-1	7	-	7	-12%	0	-
Operating profit	72	72	0	0%	70	3%	82	-12%
Earnings from investment portfolio	48	38	10	26%	35	36%	26	85%
Non-recurring and industry solutions	0	0	0	-	0	-	0	-
Pre tax profit	119	110	9	8%	105	13%	108	10%
Discontinued operations before tax	0	0	0	-	0	-	0	-
Taxes	-23	-21	-2	10%	-18	25%	-20	15%
Net profit	96	89	7	8%	87	10%	88	9%
CET1 ratio	25.1%	25.1%	0.0 pp		25.6%	-0.5 pp	21.8%	3.3 pp

Source: Company Data and Nordea estimates

SUMMARY TABLE - KEY FIGURES

DKKm	2021	2022	2023	2024E	2025E	2026E
Total revenue	407	447	528	531	506	496
Total costs	236	244	259	267	264	259
LL-ratio	-1.01%	-0.59%	-0.12%	0.26%	0.37%	0.41%
PTP	340	207	379	358	292	272
RoE	12.7%	7.9%	16.8%	14.8%	12.0%	11.6%
RoTBV (adj)	9.2%	7.6%	16.5%	14.6%	11.8%	11.3%
P/E (adj)	6.8	8.9	5.2	5.5	6.7	7.2
P/BV	0.66	0.72	0.85	0.76	0.82	0.80
P/TBV	0.66	0.72	0.85	0.76	0.83	0.81
BIS III CT1-ratio	23.8%	21.6%	25.8%	23.1%	23.2%	23.2%
DPS (ord, DKK)	40.33	26.12	8.36	42.06	17.27	16.10
Dividend Yield	34.30%	28.70%	19.20%	5.08%	25.96%	10.66%
Total payout ratio	1.42	1.64	0.26	1.39	0.70	0.70

Source: Company data and Nordea estimates

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