

5 August 2025

Commissioned research: Føroya Banki – Very strong Q2 2025 results led by strong lending growth

Marketing material commissioned by Føroya Banki

Q2 pre-tax profit came in at DKK 115m, DKK 19m (20%) above our estimate. This was mainly due to net interest income being DKK 9m (12%) above our estimate due to strong lending growth of ~5% q/q. Net insurance income also came in DKK 8m (42%) above our estimate, driven by a very benign claims trend in Q2, as well as higher premium income. Other operating income was DKK 13m above our estimate of DKK 11m due to extraordinary income from ownership of sector companies and the sale of one of the bank's branch offices. Costs were DKK 4m (5%) below our estimate, supported by fewer other expenses and a general strong cost focus. Loan losses in Q2 amounted to DKK 2m, broadly in line with our estimate of DKK 0m. Finally, the CET1 ratio was 22.7%, 50bp below our estimate due to the strong lending growth during the quarter. Given the very strong Q2 2025 result, we find it likely that consensus 2025 net profit could move up to the high-end of the 2025E net profit guidance of DKK 235-265m.

Quarterly highlights

- Net interest income was DKK 84m, DKK 9m (12%) above our estimate, mainly led by strong support from lending volumes. Lending growth was ~5% q/q.
- Net fee and commission income came in at DKK 19m, broadly in line with our estimate of DKK 18m.
- Net insurance income was DKK 27m, DKK 8m (42%) above our estimate. This was driven by favourable weather conditions and a general benign claims trends during Q2. Insurance premiums also grew ~4% q/q in Q2.
- Costs were DKK 68m, DKK 4m below our estimate, leaving the costs broadly flat y/y in Q2.
- The bank reported loan losses of DKK 2m during Q2, roughly on par with our estimate of DKK 0m
- The CET1 ratio was 22.7%, 50bp below our estimate amid the strong lending growth during the quarter.

Q1 2025 RESULTS VS. OUR ESTIMATES

	Actual	NDA	Deviation		Actual	q/q	Actual	y/y
DKKm	Q2 25	Q2 25E	vs. Actual		Q1 25	growth	Q1 24	growth
Net interest income	84	75	9	12%	76	10%	92	-9%
Net fee and commission income	19	18	1	7%	20	-5%	19	-2%
Net insurance income	27	19	8	42%	16	74%	12	-
Other income	24	11	13	-	13	84%	11	-
Total Income	154	123	31	25%	125	23%	135	14%
Total Expenses	-68	-72	4	-5%	-69	-1%	-65	5%
Profit before loan losses	86	51	35	68%	56	54%	70	23%
Loan losses	-2	0	-2	-	-5	-61%	-23	-91%
Operating profit	84	51	33	64%	51	65%	47	77%
Earnings from investment portfolio	30	40	-10	-25%	25	21%	23	32%
Non-recurring and industry solutions	0	5	-5	-	0	-	0	-
Pre tax profit	115	96	19	20%	76	52%	70	64%
Discontinued operations before tax	0	0	0	-	0	-	0	-
Taxes	-21	-18	-3	17%	-15	46%	-15	43%
Net profit	93	78	15	19%	61	52%	55	69%
CET1 ratio	22.7%	23.2%	-0.5 pp		23.6%	-0.9 pp	25.0%	-2.3 pp

Source: Company data and Nordea estimates

SUMMARY TABLE - KEY FIGURES

DKKm	2021	2022	2023	2024	2025E	2026E	2027E
Total revenue	407	447	528	502	490	496	511
Total costs	236	244	259	273	286	289	291
Loan loss ratio	-1.01%	-0.59%	-0.12%	-0.01%	0.19%	0.32%	0.40%
PTP	340	207	379	366	302	264	267
RoE	12.7%	7.91%	16.8%	15.0%	12.1%	10.8%	10.7%
RoTBV	9.18%	7.63%	16.5%	14.8%	11.8%	10.5%	10.4%
P/E (adj.)	6.80	8.87	5.22	5.35	7.68	8.82	8.71
P/BV	66.1%	71.7%	85.1%	74.7%	92.9%	91.4%	88.8%
P/TBV	0.66	0.72	0.85	0.75	0.93	0.92	0.89
BIS III CT1 ratio	23.8%	21.6%	25.8%	23.8%	23.6%	23.5%	23.4%
DPS (ord. DKK)	40.3	26.1	8.36	36.6	17.9	15.6	15.8
Dividend yield (ord.)	28.7%	19.2%	5.08%	22.6%	9.39%	8.21%	8.31%
Total payout ratio	1.42	1.64	0.26	1.19	0.70	0.70	0.70

Source: Company data and Nordea estimates

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