

26 February 2025

Commissioned research: Føroya Banki – Soft Q4 2024 result but significant capital distribution

Marketing material commissioned by Føroya Banki

Q4 profit before loan losses came in at DKK 46m, DKK 8m (6%) below our estimate. This was mainly due to net interest income being DKK 7m below our estimate, driven by margin pressures and muted lending growth in Greenland, as well as higher funding costs during the quarter. Net insurance income was similarly DKK 2m (13%) below our estimate, as a result of increased claims. Net fee and commission income was roughly in line with our estimate, while costs were DKK 3m higher than our estimate. However, both operating and net profit landed in line with our estimates due to loan loss reversals of DKK 11m. We had expected DKK 0m. As expected, Føroya Banki proposed a total dividend payout of DKK 350m to compensate for the amount the bank withheld last year amid uncertainty concerning the impact on REA from Faroese and Greenlandic real estate exposures. The bank confirmed a continuance of its targeted payout ratio of 70%. Finally, the CET1 ratio was 23.8%, slightly below our estimate of 24.2%. The 2025 net profit guidance of DKK 210-240m was reiterated. We estimate DKK 218m.

Quarterly highlights

- Net interest income was DKK 78m, DKK 7m (8%) below our estimate, reflecting margin pressures and muted lending growth in Greenland.
- Net fee and commission income came in at DKK 19m, DKK 1m (7%) above our estimate.
- Net insurance income was DKK 10m, DKK 2m below our estimate as a result of elevated claims.
- Costs were DKK 71m, DKK 3m above our estimate led by increased staff and IT-costs.
- Asset quality remains solid. The bank booked loan loss reversals of DKK 11m during Q4. We had expected DKK 0m.
- The CET1 ratio was 23.8%, 0.4 pp below our estimate.

Q4 2024 RESULTS VS. OUR ESTIMATES

	Actual	NDA	Deviation		Actual	q/q	Actual	y/y
DKKmn	Q4 24	Q4 24E	vs. Actual		Q3 24	growth	Q4 23	growth
Net interest income	78	85	-7	-8%	87	-10%	100	-22%
Net fee and commission income	19	18	1	7%	18	5%	17	9%
Net insurance income	10	12	-2	-13%	20	-47%	12	-14%
Other income	9	10	-1	-6%	10	-10%	4	-
Total Income	117	124	-8	-6%	135	-13%	133	-12%
Total Expenses	-72	-69	-3	4%	-69	5%	-65	10%
Profit before loan losses	46	55	-9	-17%	66	-30%	68	-32%
Loan losses	11	0	11	-	6	96%	-5	-
Operating profit	57	55	2	3%	72	-21%	62	-9%
Earnings from investment portfolio	31	33	-2	-6%	48	-35%	46	-33%
Non-recurring and industry solutions	0	0	0	-	0	-	0	-
Pre tax profit	88	88	0	0%	120	-27%	109	-19%
Discontinued operations before tax	0	0	0	-	0	-	0	-
Taxes	-15	-17	1	-8%	-23	-34%	-20	-24%
Net profit	72	72	0	0%	96	-25%	89	-18%
CET1 ratio	23.8%	24.2%	-0.4 pp		25.1%	-1.3 pp	25.8%	-2.0 pp

Source: Company data and Nordea estimates

SUMMARY TABLE - KEY FIGURES

DKKmn	2021	2022	2023	2024E	2025E	2026E
Total revenue	407.1	447.2	528.3	525.7	498.8	511.8
Total costs	236.1	244.1	259.0	270.7	274.7	277.5
LL-ratio	-0.01	-0.01	0.00	0.00	0.00	0.00
PTP	339.5	207.2	379.3	383.4	269.1	274.3
RoE	12.7%	7.91%	16.8%	15.8%	10.9%	11.4%
RoTBV	9.18%	7.63%	16.5%	15.6%	10.9%	11.5%
P/E (adj)	6.80	8.87	5.22	5.67	7.95	7.80
P/BV	66.1%	71.7%	85.1%	83.5%	89.2%	89.0%
P/TBV	0.66	0.72	0.85	0.84	0.90	0.89
BIS III CT1-ratio	23.8%	21.6%	25.8%	24.2%	23.3%	23.3%
DPS (ord. SEK)	40.3	26.1	8.36	36.7	22.7	16.2
Dividend yield (ord)	28.7%	19.2%	5.08%	20.3%	12.6%	8.98%
Total payout ratio	1.42	1.64	0.26	1.14	1.00	0.70

Source: Company data and Nordea estimates

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