

Nordea

Q3'24: Still significant upside in the shares

- Estimates largely unchanged for 2024e-26e
- 11% annual cash yields (incl. buybacks) in 2025e-26e
- We keep our BUY rating with a TP of SEK 156 (158)

Decent operating profit & share buybacks resumed

Nordea delivered stronger than expected Q3'24 operating profit driven by trading income and loan losses, while the most important income items – net interest income and net commission income – were in line. In terms of capital, the CET1 ratio stood at 15.8%, as expected, which leaves room for healthy capital repatriation. With the Norwegian regulatory issues out of the picture, Nordea therefore announced a share buyback program of EUR 250m (equivalent to <1% of the outstanding number of shares) to be executed between 21 October 2024 and 28 February 2025, which is one quarter earlier than expected. Nordea also raised its guidance for ROE in 2024 to >16% from the previous >15%, while the guidance for 2025 was unchanged (>15 ROE supported by a C/I ratio of 44%-46% and a net loan loss ratio around 10bp). We would not be surprised if reported loan losses remain lower than 10bp in Q4'24 and 2025-2026 supported by releases of the management overlay (EUR 435m).

Adj. net profit intact for 2024e-26e

We have marginally revised our operating profit and adjusted EPS numbers for 2024e-26e. Higher costs on the back of ever-increasing headcount (what does everybody do?) have been offset by higher income and lower loan losses. On capital, we have adapted our estimates to the announced share buyback program.

We keep our positive view

Despite the strong share price reaction (+6%), the absolute return case remains compelling at ~1.2x BV'24e considering ROEs of 15-16% in 2024e-26e, adj. P/E ratios of ~8x (2024e-26e) and total cash yields of 11% p.a. in 2025e-26e. We also expect Nordea to show relative NII and earnings resilience in the “falling rates environment”. We keep our positive view with a fine-tuned TP of SEK 156 (158).

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EURm	2022	2023	2024e	2025e	2026e
Total income	9,721	11,743	12,109	11,899	11,933
Total operating costs	-4,834	-5,238	-5,340	-5,420	-5,504
Operating profit	4,762	6,338	6,569	6,279	6,229
EPS adj.	1.09	1.40	1.46	1.41	1.43
BVPS	8.25	8.64	9.08	9.46	9.85
NAVPS	7.15	7.56	7.98	8.34	8.72
DPS	0.80	0.92	0.95	0.96	0.97
Total income growth (%)	1.0	20.8	3.1	-1.7	0.3
Total.op.costs (%)	4.0	8.4	1.9	1.5	1.6
Op. profit growth (%)	-3.5	33.1	3.7	-4.4	-0.8
C/I (%)	47.0	44.7	43.9	45.6	46.2
Loan losses (%)	0.03	0.05	0.06	0.06	0.06

Source: ABG Sundal Collier, Company Data

Reason: Post-results comment

BUY HOLD SELL

Financials

Estimate changes (%)

	2024e	2025e	2026e
Total income	0.7	0.3	0.4
Total op costs	-0.2	1.7	2.2
Operating profit	2.2	-0.2	-0.7
EPS adj.	2.2	0.0	-0.8

Source: ABG Sundal Collier

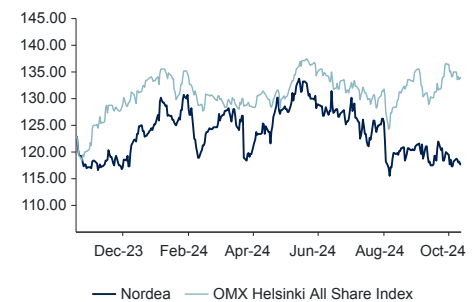
NDA.SE-SE/NDA SS

Share price (SEK)	16/10/2024	125.75
Target price	(158.0)	156.0

MCap (SEKm)	415,264
MCap (EURm)	38,638
No. of shares (m)	3,505.8
Free float (%)	90.4
Av. daily volume (k)	3,141

Next event Q4 Report 30 January 2025

Performance



	2024e	2025e	2026e
P/E adj. (x)	7.6	7.8	7.7
EPS adj. growth (%)	4.0	-3.6	1.8
P/BV (x)	1.22	1.17	1.12
BVPS growth (%)	5.1	4.2	4.0
P/NAV	1.38	1.32	1.27
NAVPS growth	5.6	4.5	4.5
Dividend yield (%)	8.6	8.7	8.8
ROE (%)	16.3	15.1	14.7
RONAV (%)	18.8	17.2	16.8
CET 1 ratio	16.2	15.9	15.8

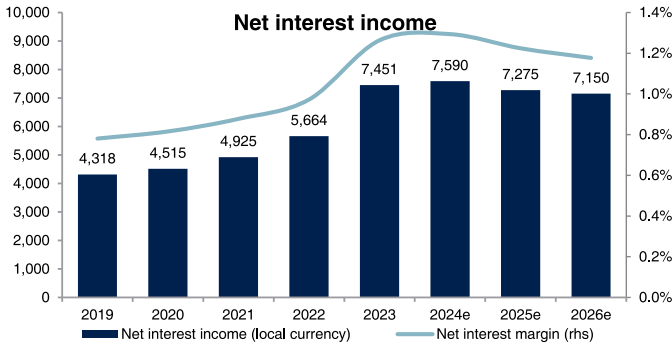
Company description

Nordea is the largest bank in the Nordics with significant presence in all Nordic countries. Although the lion's share of its earnings are derived from its Retail Banking operations, they are also present within Wholesale Banking, Life and Wealth Management.

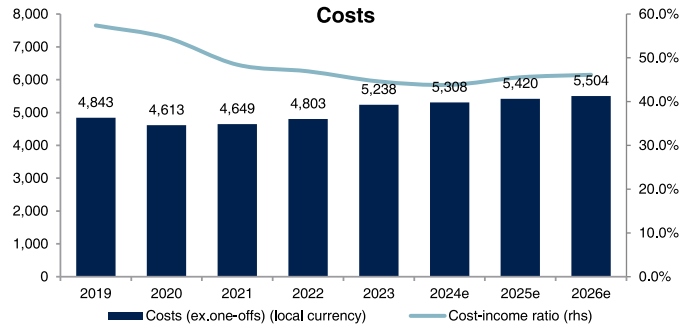
Sustainability information

Risks

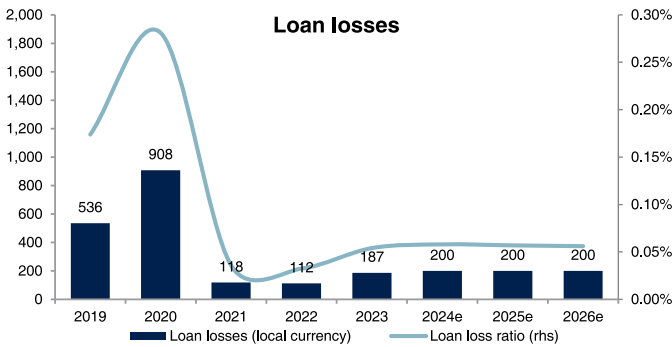
Weaker than expected asset quality in the Nordics, weaker than expected pre-provisioning earnings trend and regulation (capital requirements, taxes etc.).



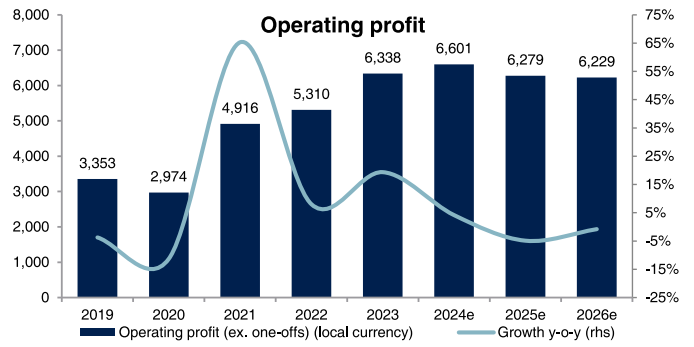
Source: Company data & ABGSC Research



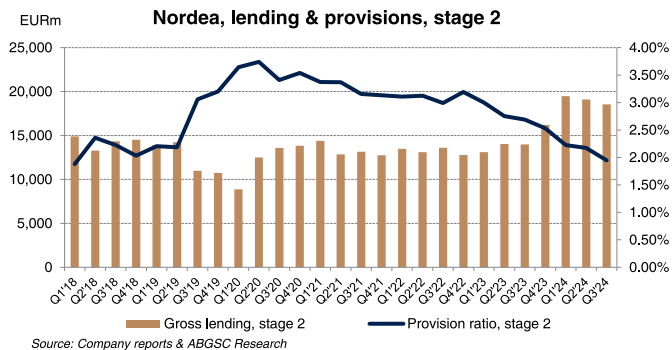
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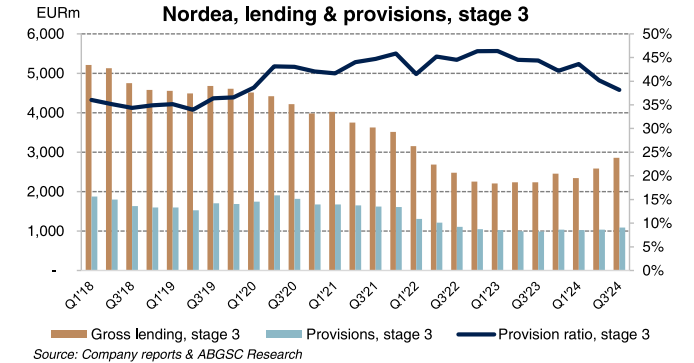
Source: Company data & ABGSC Research



Source: Company data & ABGSC Research



Source: Company reports & ABGSC Research



Source: Company reports & ABGSC Research

Q3'24: Outcome vs. Forecasts											
EURm	Outcome	ABGSC est.			Infront consensus			q-o-q		y-o-y	
	Q3'24e	Q3'24e	Deviation		Q3'24e	Deviation		Q2'24	growth	Q3'23	growth
Net interest income	1,882	1,875	7	0%	1,884	-2	0%	1,904	-1%	1,909	-1%
Net commission income	774	775	-1	0%	779	-5	-1%	795	-3%	742	4%
Trading income	284	235	49	21%	235	49	21%	247	15%	225	26%
Insurance	60	60	0	0%	59	1	1%	63	-5%	63	-5%
Other income	14	10	4	40%	14	0	2%	21	-33%	13	8%
Total income	3,014	2,955	59	2%	2,971	43	1%	3,030	-1%	2,952	2%
Personnel costs	-779	-771	-8	1%	-769	-10	1%	-761	2%	-729	7%
Other costs	-550	-575	25	-4%	-565	15	-3%	-517	6%	-465	18%
Total costs	-1,329	-1,346	17	-1%	-1,334	5	0%	-1,278	4%	-1,194	11%
Profit before loan losses	1,685	1,609	76	5%	1,637	48	3%	1,752	-4%	1,758	-4%
Loan losses	-52	-72	20	-28%	-76	24	-31%	-61	-15%	-33	58%
Other	1	4	-3	-75%	0	1	-	-7	-	0	-
Operating profit	1,634	1,541	93	6%	1,561	73	5%	1,684	-3%	1,725	-5%
Tax	-368	-349	-19	5%	-353	-15	4%	-381	-3%	-380	-3%
Other	0	0	0	-	0	0	-	0	-	0	-
Net profit	1,266	1,192	74	6%	1,208	58	5%	1,303	-3%	1,345	-6%
CET1 ratio	15.8%	15.8%	0.0%		15.7%			17.5%		16.3%	

Source: Company data, ABGSC forecasts, Infront consensus

Forecast revisions (excluding the Norwegian acquisition, but including the restructuring costs for it in 2024e)												
EURm	New forecasts			Old forecasts			Diff					
	2024e	2025e	2026e	2024e	2025e	2026e	2024e	2025e	2026e			
Net interest income	7,590	7,275	7,150	7,575	7,275	7,150	15	0%	0	0%	0	0%
Net commission income	3,150	3,288	3,421	3,143	3,276	3,405	7	0%	13	0%	16	0%
Trading income	1,075	1,050	1,071	1,025	1,025	1,046	50	5%	25	2%	26	2%
Insurance	230	235	239	230	235	239	0	0%	0	0%	0	0%
Other income	64	51	52	57	48	49	7	12%	3	6%	3	6%
Total income	12,109	11,899	11,933	12,030	11,858	11,889	79	1%	41	0%	44	0%
Personnel costs	-3,084	-3,216	-3,296	-3,063	-3,138	-3,192	-21	1%	-78	2%	-104	3%
Other costs	-2,256	-2,204	-2,208	-2,289	-2,189	-2,194	33	-1%	-15	1%	-14	1%
Total costs	-5,340	-5,420	-5,504	-5,352	-5,327	-5,386	12	0%	-93	2%	-118	2%
Profit before loan losses	6,769	6,479	6,429	6,678	6,531	6,502	91	1%	-52	-1%	-74	-1%
Loan losses	-200	-200	-200	-250	-240	-230	50	-20%	40	-17%	30	-13%
Operating profit	6,569	6,279	6,229	6,428	6,291	6,273	141	2%	-12	0%	-44	-1%
Tax	-1,486	-1,413	-1,401	-1,452	-1,416	-1,411	-34	2%	3	0%	10	-1%
Net profit	5,057	4,840	4,801	4,951	4,850	4,835	107	2%	-10	0%	-34	-1%
<i>Adjusted net profit</i>	<i>5,117</i>	<i>4,863</i>	<i>4,850</i>	<i>5,010</i>	<i>4,872</i>	<i>4,884</i>	<i>107</i>	<i>2%</i>	<i>-10</i>	<i>0%</i>	<i>-34</i>	<i>-1%</i>
<i>Number of shares*, YE</i>	<i>3,495</i>	<i>3,421</i>	<i>3,352</i>	<i>3,506</i>	<i>3,423</i>	<i>3,346</i>	<i>-11</i>	<i>0%</i>	<i>-2</i>	<i>0%</i>	<i>7</i>	<i>0%</i>
<i>Share buybacks</i>	<i>353</i>	<i>875</i>	<i>875</i>	<i>228</i>	<i>1,000</i>	<i>1,000</i>	<i>125</i>	<i>55%</i>	<i>-125</i>	<i>-13%</i>	<i>-125</i>	<i>-13%</i>
<i>EPS</i>	<i>1.44</i>	<i>1.40</i>	<i>1.42</i>	<i>1.41</i>	<i>1.40</i>	<i>1.43</i>	<i>0.03</i>	<i>2%</i>	<i>0.00</i>	<i>0%</i>	<i>-0.01</i>	<i>-1%</i>
<i>Adjusted EPS</i>	<i>1.46</i>	<i>1.41</i>	<i>1.43</i>	<i>1.43</i>	<i>1.41</i>	<i>1.44</i>	<i>0.03</i>	<i>2%</i>	<i>0.00</i>	<i>0%</i>	<i>-0.01</i>	<i>-1%</i>
<i>DPS</i>	<i>0.95</i>	<i>0.96</i>	<i>0.97</i>	<i>0.95</i>	<i>0.99</i>	<i>1.01</i>	<i>0.00</i>	<i>0%</i>	<i>-0.02</i>	<i>-2%</i>	<i>-0.04</i>	<i>-4%</i>

Source: ABGSC forecasts

* Number of shares outstanding

Nordea - Income statement, quarterly								
EURm	Q1'23	Q2'23	Q3'23	Q4'23	Q1'24	Q2'24	Q3'24	Q4'24e
Net interest income	1,765	1,831	1,909	1,946	1,954	1,904	1,882	1,851
Net commission income	765	751	742	763	763	795	774	818
Trading income	345	290	225	154	291	247	284	253
Insurance	46	68	63	40	61	63	60	46
Other income	0	15	13	12	16	21	14	13
Total income	2,921	2,955	2,952	2,915	3,085	3,030	3,014	2,981
Personnel costs	-719	-725	-729	-735	-749	-761	-779	-795
Other costs	-703	-480	-465	-682	-540	-517	-550	-649
Total costs	-1,422	-1,205	-1,194	-1,417	-1,289	-1,278	-1,329	-1,444
Profit before loan losses	1,499	1,750	1,758	1,498	1,796	1,752	1,685	1,537
Loan losses	-21	-38	-33	-95	-29	-61	-52	-58
Other	2	6	0	12	-4	-7	1	10
Operating profit	1,480	1,718	1,725	1,415	1,763	1,684	1,634	1,489
Tax	-332	-383	-380	-309	-402	-381	-368	-335
Other	-25	0	0	0	-26	0	0	0
Net profit	1,123	1,335	1,345	1,106	1,335	1,303	1,266	1,154
Tax rate	22%	22%	22%	22%	23%	23%	23%	23%
EPS	0.31	0.37	0.38	0.31	0.38	0.37	0.36	0.33
Adjusted net profit	1,121	1,330	1,337	1,238	1,343	1,311	1,314	1,150
Adjusted EPS	0.31	0.37	0.37	0.35	0.38	0.37	0.37	0.33
Key balance sheet data								
EURm	Q1'23	Q2'23	Q3'23	Q4'23	Q1'24	Q2'24	Q3'24	Q4'24e
Lending, net	339,746	339,980	343,292	344,828	346,216	346,894	348,896	351,368
Goodwill & other intangibles	3,923	3,905	3,958	3,826	3,785	3,840	3,840	3,839
Total assets	604,125	602,351	609,824	584,702	604,904	606,828	617,415	588,637
Shareholders' equity	27,439	28,335	29,620	30,475	28,144	29,607	30,704	31,733
Net asset value	23,516	24,430	25,662	26,649	24,359	25,767	26,864	27,895
Capital adequacy								
EURm	Q1'23	Q2'23	Q3'23	Q4'23	Q1'24	Q2'24	Q3'24	Q4'24e
Tier 1 capital, excl. hybrids	22,279	22,393	23,004	23,645	23,798	24,315	24,316	24,648
Tier 1 capital, reported	25,514	25,626	26,318	26,845	27,061	27,602	28,225	28,557
Capital base	28,542	28,643	29,164	30,815	31,021	32,008	32,083	32,415
Risk exposure amount (BIS II/III)	141,976	140,023	140,925	138,719	138,579	139,333	153,691	152,154
Asset quality								
EURm	Q1'23	Q2'23	Q3'23	Q4'23	Q1'24	Q2'24	Q3'24	Q4'24e
Problem loans, gross	2,206	2,238	2,234	2,457	2,343	2,585	2,857	2,942
Provisions	-1,642	-1,596	-1,591	-1,653	-1,636	-1,644	-1,635	-1,638
Problem loans, net	564	642	643	804	707	941	1,222	1,304
Key figures								
	Q1'23	Q2'23	Q3'23	Q4'23	Q1'24	Q2'24	Q3'24	Q4'24e
Profitability								
Net interest margin	1.18%	1.21%	1.26%	1.30%	1.31%	1.26%	1.23%	1.23%
ROE	15.61%	19.15%	18.57%	14.72%	18.22%	18.05%	16.79%	14.79%
RONAV	18.07%	22.18%	21.36%	18.93%	21.06%	20.92%	19.98%	16.80%
ROREA	3.13%	3.79%	3.83%	3.16%	3.85%	3.75%	3.46%	3.02%
Efficiency								
Adj. cost/income ratio	49%	41%	40%	49%	42%	42%	43%	48%
Adj. cost/assets	0.95%	0.80%	0.79%	0.95%	0.87%	0.84%	0.85%	0.96%
Financial position								
Lending/deposits	156%	156%	160%	164%	160%	155%	157%	167%
REA/total assets	24%	23%	23%	24%	23%	23%	25%	26%
Tier 1 ratio, core	15.7%	16.0%	16.3%	17.0%	17.2%	17.5%	15.8%	16.2%
Tier 1 ratio, reported	18.0%	18.3%	18.7%	19.4%	19.5%	19.8%	18.4%	18.8%
Capital adequacy	20.1%	20.5%	20.7%	22.2%	22.4%	23.0%	20.9%	21.3%
Equity ratio, core	3.7%	3.7%	3.8%	4.0%	3.9%	4.0%	3.9%	4.2%
Asset quality								
Problem loans, gross/lending	0.65%	0.66%	0.65%	0.71%	0.67%	0.74%	0.82%	0.83%
Problem loans, net/lending	0.17%	0.19%	0.19%	0.23%	0.20%	0.27%	0.35%	0.37%
Provision ratio	74.4%	71.3%	71.2%	67.3%	69.8%	63.6%	57.2%	55.7%
Loan losses, net/lending	0.02%	0.04%	0.04%	0.11%	0.03%	0.07%	0.06%	0.07%

Source: Company data, ABGSC forecasts

Income statement (EURm)	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
Net interest income	4,666	4,491	4,318	4,515	4,925	5,664	7,451	7,590	7,275	7,150
Net commission income	3,369	2,993	3,011	2,959	3,495	3,186	3,021	3,150	3,288	3,421
Trading income	1,328	1,088	1,012	900	1,119	623	1,014	1,075	1,050	1,071
Insurance income	0	0	0	0	0	173	217	230	235	239
Other operating income	106	600	282	92	81	75	40	64	51	52
Total income	9,469	9,172	8,623	8,466	9,620	9,721	11,743	12,109	11,899	11,933
Personnel costs	-3,212	-2,998	-3,017	-2,752	-2,759	-2,793	-2,908	-3,084	-3,216	-3,296
Other operating costs	-1,890	-1,873	-2,969	-1,891	-1,890	-2,041	-2,330	-2,256	-2,204	-2,208
Total operating costs	-5,102	-4,871	-5,986	-4,643	-4,649	-4,834	-5,238	-5,340	-5,420	-5,504
Profit before loan losses	4,367	4,301	2,637	3,823	4,971	4,887	6,505	6,769	6,479	6,429
Loan losses	-369	-173	-536	-908	-118	-112	-187	-200	-200	-200
Investment portfolio	-	-	-	-	-	-	-	-	-	-
Other items	0	-175	12	48	83	-13	20	0	0	0
Operating profit	3,998	3,953	2,113	2,963	4,936	4,762	6,338	6,569	6,279	6,229
Tax	-950	-872	-571	-698	-1,105	-1,175	-1,404	-1,486	-1,413	-1,401
Other items after tax	-17	-11	-23	-27	-26	-24	-25	-26	-26	-26
Net profit	3,031	3,070	1,519	2,238	3,805	3,563	4,909	5,057	4,840	4,801
Tax rate (%)	23.8	22.1	27.0	23.6	22.4	24.7	22.2	22.6	22.5	22.5
EPS	0.75	0.76	0.38	0.55	0.95	0.94	1.37	1.44	1.40	1.42
Net profit adj.	2,638	2,382	2,335	2,240	3,844	4,136	5,025	5,117	4,863	4,850
EPS adj.	0.65	0.59	0.58	0.55	0.96	1.09	1.40	1.46	1.41	1.43
Key balance sheet data	-	-	-	-	-	-	-	-	-	-
Net lending	310,158	308,304	323,091	329,765	345,050	345,743	344,828	351,368	356,798	365,647
Goodwill and intangibles	3,983	4,035	3,695	3,771	3,784	4,005	3,826	3,839	3,832	3,791
Total assets	581,612	551,408	554,848	552,160	570,353	594,729	584,702	588,637	599,896	615,196
Shareholders equity	32,398	32,145	30,740	32,983	32,744	30,096	30,475	31,733	32,374	33,010
Net asset value	28,415	28,110	27,045	29,212	28,960	26,091	26,649	27,895	28,542	29,219
Capital adequacy	-	-	-	-	-	-	-	-	-	-
Tier 1 capital, excl. hybrids	24,515	24,134	24,421	26,553	25,880	23,872	23,645	24,648	25,328	26,032
Tier 1 capital, reported	28,008	26,984	27,518	29,141	29,012	27,154	26,845	28,557	29,237	29,941
Capital base	31,747	31,028	31,236	31,801	32,275	30,213	30,815	32,415	33,095	33,799
Risk exposure amount (BIS II)	125,779	155,886	150,215	155,440	151,906	145,299	138,719	152,154	159,572	165,180
Asset quality	-	-	-	-	-	-	-	-	-	-
Problem loans, gross	6,068	4,581	4,610	3,979	3,512	2,255	2,457	2,942	2,848	2,781
Provisions for problem loans	-2,333	-2,040	-2,184	-2,448	-2,206	-1,673	-1,653	-1,638	-1,555	-1,494
Problem loans, net	3,735	2,541	2,426	1,531	1,306	582	804	1,304	1,292	1,287
Key figures	-	-	-	-	-	-	-	-	-	-
Profitability	-	-	-	-	-	-	-	-	-	-
Net interest margin (%)	0.78	0.79	0.78	0.82	0.88	0.97	1.26	1.29	1.22	1.18
ROE (%)	9.4	9.5	4.8	7.0	11.6	11.3	16.2	16.3	15.1	14.7
RONAV (%)	9.3	8.4	8.5	8.0	13.2	15.0	19.1	18.8	17.2	16.8
ROREA (%)	2.3	2.2	1.0	1.5	2.5	2.4	3.5	3.5	3.1	3.0
Cost efficiency	-	-	-	-	-	-	-	-	-	-
Cost/income Core (%)	53.9	56.9	57.6	54.8	48.6	47.0	44.7	43.9	45.6	46.2
Costs/assets Core (%)	0.85	0.86	0.88	0.83	0.83	0.82	0.89	0.90	0.91	0.91
Financial position	-	-	-	-	-	-	-	-	-	-
Net lending/deposits (%)	179.9	186.9	191.5	179.8	167.7	159.0	164.2	166.6	166.1	165.8
REA/assets (%)	21.6	28.3	27.1	28.2	26.6	24.4	23.7	25.8	26.6	26.9
Common equity tier 1 ratio (%)	19.5	15.5	16.3	17.1	17.0	16.4	17.0	16.2	15.9	15.8
Tier 1 ratio, reported (%)	22.3	17.3	18.3	18.7	19.1	18.7	19.4	18.8	18.3	18.1
Capital adequacy (%)	25.2	19.9	20.8	20.5	21.2	20.8	22.2	21.3	20.7	20.5
Equity ratio Core (%)	4.2	4.4	4.4	4.8	4.5	4.0	4.0	4.2	4.2	4.2
Asset quality	-	-	-	-	-	-	-	-	-	-
Problem loans, gross/lending (%)	2.0	1.5	1.4	1.2	1.0	0.7	0.7	0.8	0.8	0.8
Problem loans, net/lending (%)	1.2	0.8	0.8	0.5	0.4	0.2	0.2	0.4	0.4	0.4
Provision ratio (%)	38.4	44.5	47.4	61.5	62.8	74.2	67.3	55.7	54.6	53.7
Loan losses, net/lending (%)	0.12	0.06	0.17	0.28	0.04	0.03	0.05	0.06	0.06	0.06

Source: ABG Sundal Collier, Company Data

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HOLD	29.54%	4%	3.67%	
SELL	4.07%	0%	0.00%	

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Stock price, company ratings and target price history

Company: Nordea

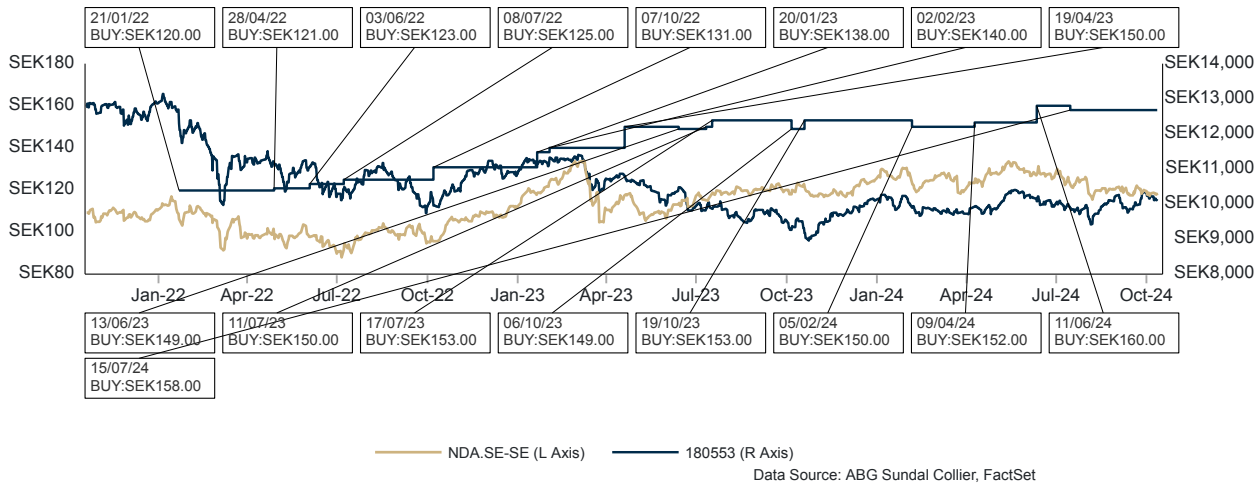
Currency: SEK

Current Recommendation: BUY

Date: 16/10/2024

Current Target price: 156.0

Current Share price: 125.75



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Production of recommendation: 10/17/2024 21:49.

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