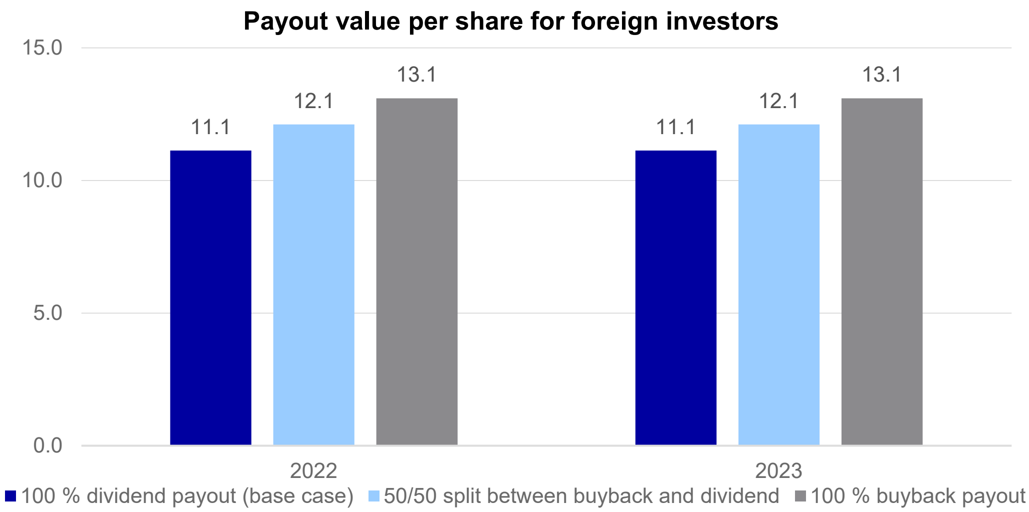
30 September 2021

Commissioned research: BankNordik – High capital repatriation but we had hoped for buybacks

Marketing material commissioned by BankNordik

Today, 30 September, BankNordik announced the agenda for its EGM regarding the DKK 700m capital distribution following the sale of its Danish activities to Spar Nord. In short, the Board of Directors proposed an EO dividend pay-out of DKK 46.8 per share, corresponding to a ~30% yield, which makes up the first DKK 450m tranche of the total capital distribution. BankNordik has previously flagged that they were considering distributing part of the capital by way of a share buyback, yet this was not the case. As discussed in our September 16 flash, we would have preferred to see BankNordik distribute the entire excess capital through buybacks in order to avoid the Faroese withholding tax of 15% on non-Faroese investors. We hence find today's announcement somewhat disappointing. A 100% share buyback would have implied a post-tax gain of DKK ~7 (4%) per share compared to the "only" dividend scenario. The remaining DKK 250m is set to be distributed in DKK 125m tranches between 2022-23, and the way of capital distribution remains undecided. BankNordik trades at a 2023E P/E of 11.7x but adjusted for the DKK 46.8 per share dividend it trades at 8.3x.



Source: Company data and Nordea estimates

SUMMARY TABLE - KEY FIGURES

DKKm	2018	2019	2020	2021E	2022E	2023E
Total revenue	635	658	387	411	421	428
Total costs	457	473	237	236	229	232
LL-ratio	-1.16%	-1.06%	-0.05%	-0.28%	0.19%	0.32%
PTP	324	261	207	273	177	171
RoE	13.5%	9.7%	7.3%	10.3%	7.4%	7.5%
RoTBV (adj)	10.2%	10.3%	7.1%	7.0%	7.1%	7.1%
P/E (adj)	5.4	4.8	9.0	10.3	11.2	11.7
P/BV	0.52	0.46	0.64	0.77	0.81	0.84
P/TBV	0.52	0.46	0.64	0.77	0.82	0.85
BIS III CT1-ratio	17.6%	18.8%	22.6%	29.2%	27.9%	26.7%
DPS (ord, DKK)	7.32	7.00	5.00	58.57	20.62	20.33
Dividend Yield	3.77%	6.74%	6.42%	3.29%	36.49%	12.85%
Total payout ratio	0.27	0.40	0.33	2.56	1.37	1.40

Source: Company data and Nordea estimates

Completion date: 30 Sep 2021, 16:59 CET

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