Nordea

Commissioned Equity Research

Flash comment

15 December 2021

Commissioned research: BankNordik - 1 pp higher capital requirement will not affect capital repatriation

Marketing material commissioned by BankNordik

On Tuesday the Danish Systemic Risk Council announced an increase to the Faroese counter-cyclical buffer to 1% (0%). BankNordik's total CET 1-requirement including the 1 pp CcyB is ~12.3%, we estimate. BankNordik's new CET 1-target and our 2024E CET 1-ratio estimate of 20% is hence materially above the requirement including the new 1 pp buffer requirement. BankNordik's total MREL requirement will go to 30.6% (29.8%), we estimate. BankNordik's MREL capital was 33.1% including 9m21 profits but reduced by the ordinary 50% dividend payout and reduced by the DKK 450m special dividend already paid. That is, BankNordik's total MREL capital was 2.5 pp above the new requirement. BankNordik aims to have a 2 pp buffer to the MREL requirement. The new 1 pp buffer will be implemented from 31 March 2023. Based on BankNordik's strong capitalisation we do not expect the new 1 pp counter-cyclical buffer to impact our capital repatriation estimates but we still expect BankNordik to issue new SNP bonds as equity capital is repatriated to keep total capital above the MREL requirement. We expect BankNordik to repatriate DKK 985m (74% of Mcap) from 2021E to 2024E in dividends and share buybacks to reach a ~20% CET-1 ratio in 2024E.

SUMMARY TABLE - KEY FIGURES

DKKm	2018	2019	2020	2021E	2022E	2023E
Total revenue	635	658	387	411	424	432
Total costs	457	473	237	240	233	233
LL-ratio	-1.16%	-1.06%	-0.05%	-0.64%	0.20%	0.32%
PTP	324	261	207	300	176	174
RoE	13.5%	9.7%	7.3%	11.2%	7.9%	8.9%
RoTBV (adj)	10.2%	10.3%	7.1%	7.9%	7.6%	8.6%
P/E (adj)	5.4	4.8	9.0	8.5	9.9	9.0
P/BV	0.52	0.46	0.64	0.72	0.80	0.75
P/TBV	0.52	0.46	0.64	0.72	0.80	0.75
BIS III CT1-ratio	17.6%	18.8%	22.6%	26.6%	22.3%	20.6%
DPS (ord, DKK)	7.32	7.00	5.00	59.65	37.59	9.30
Dividend Yield (ord)	6.74%	6.42%	3.29%	39.51%	24.89%	6.16%
Total payout ratio	0.27	0.40	0.33	2.38	2.25	1.57

Source: Company data and Nordea estimates

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