25 February 2022

Commissioned research: BankNordik – Q4 2021 first impression: Case intact - DKK 386m dividend (DKK 40.2 per share) by March 2022

Marketing material commissioned by BankNordik

BankNordik's 2021 result was pre-announced and hence all focus on underlying profitability and the ongoing capital optimisation efforts. Q4 2021 PBLL came in DKK 46m, which was DKK 4m (8%) ahead of estimate. On the positive side, net fee income was up 44% y/y and 15% ahead of our estimate, as BankNordik saw strong effects from its ongoing repricing efforts. Also, operating costs was strong, DKK 3m below (better) that our estimate. On the negative side, however, insurance income was soft. The CET1 ratio came in at 23.8%, 3.1 pp below our estimate, as BankNordik now is deducting the remaining DKK 250m EO dividend from the sale of its Danish activities, which is expected to be paid out in March 2022. Together with the proposed ordinary dividend payment of DKK 136m, this corresponds to a payout yield of 28%, based on yesterday's closing price. All in all, a high quality report, which reaffirms the long-term profitability and capital repatriation story and warrants positive EPS revisions. The share is likely to trade above peers following today's report.

Quarterly highlights

- Q4 NII was DKK 66m, flat q/q and in line with our estimate, as total lending was roughly unchanged q/q.
- Fee and commission income was DKK 23m, DKK 3m (15%) ahead of our estimate, led by a positive development in all underlying fee lines.
- Q4 insurance income came in at DKK 6m, hence marking a weak year in terms of profitability, which has been challenged by several major events.
- Operating costs came in DKK 57m, down DKK 2m q/q and DKK 3m (5%) below our estimate.
- CET1 ratio was 23.8%.
- Management expects to recommend a dividend of DKK 386m (DKK 40.2 per share) to the shareholder annual general meeting on 25 March. The dividend consists of the remaining DKK 250m payout from the divestment of its Danish business and DKK 136m, which represents 50% of the net profit for 2021.

SUMMARY TABLE - KEY FIGURES

DKKm	2018	2019	2020	2021E	2022E	2023E
Total revenue	635	658	387	409	428	430
Total costs	457	473	237	240	233	233
LL-ratio	-1.14%	-1.06%	-0.06%	-1.12%	0.13%	0.32%
PTP	324	261	207	338	185	172
RoE	13.5%	9.7%	7.3%	12.5%	7.8%	8.3%
RoTBV (adj)	10.2%	10.3%	7.1%	9.3%	7.5%	8.0%
P/E (adj)	5.4	4.8	9.0	7.3	10.1	10.3
P/BV	0.52	0.46	0.64	0.71	0.81	0.84
P/TBV	0.52	0.46	0.64	0.72	0.81	0.84
BIS III CT1-ratio	17.6%	18.8%	22.6%	26.9%	23.1%	21.3%
DPS (ord, DKK)	7.32	7.00	5.00	61.25	49.74	13.41
Dividend Yield	3.77%	6.74%	6.42%	3.29%	40.29%	32.72%
Total payout ratio	0.27	0.40	0.33	2.17	3.17	0.82

Source: Company data and Nordea estimates

BANKNORDIK: DEVIATION TABLE

	Actual	NDA	Deviation		Actual	q/q	Actual	y/y
DKKm	**Q4 2021**	**Q4 21E**	**vs. Actual**		**Q3 21**	**growth**	**Q4 20**	**growth**
Net interest income	66	67	-1	-1%	66	-1%	65	1%
Net fee and commission income	23	20	3	15%	19	22%	16	44%
Net insurance income	6	9	-3	-33%	7	-12%	12	-48%
Other income	8	7	2	23%	8	-3%	8	4%
Total Income	**103**	**102**	**1**	1%	**100**	3%	**101**	2%
Total Expenses	**57**	**60**	**-3**	-5%	**59**	-4%	**62**	-8%
Profit before loan losses	**46**	**42**	**4**	**8%**	**41**	**12%**	**38**	**20%**
Loan losses	40	49	-9	-18%	13	-	10	-
Operating profit	**86**	**91**	**-5**	**-6%**	**54**	**59%**	**48**	**79%**
Market value adjustments	2	0	2	-	-2	-	1	67%
Non-recurring and industry solutions	6	0	6	-	2	-	0	-
Pre tax profit	**95**	**91**	**4**	**4%**	**54**	**75%**	**51**	**88%**
Discontinued operations before tax	0	0	0	-	0	-	1	-
Taxes	-17	-18	1	-7%	-11	50%	-7	-
Net profit	**78**	**73**	**5**	**7%**	**43**	**82%**	**43**	**80%**
CET1 ratio	**23.8%**	**26.9%**	**-3.1 pp**		**26.1%**	**-2.3 pp**	**22.6%**	**1.2 pp**

Source: Company Data and Nordea estimates

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