

14 June 2023

Commissioned research: BankNordik – DKK ~1.1bn in dividends since 2021 - we still estimate ~40% of current market cap to be distributed by 2024*Marketing material commissioned by BankNordik*

The BankNordik share is up by ~8% over the past week and ~24% YTD adjusted for the dividend payout in April. Despite recent strong performance, valuation is still low and BankNordik is currently trading at a 2025E capital adjusted P/E of ~3.2x, corresponding to a ~50% discount to its Danish peers. In addition to the low valuation, we believe the 2023 net profit guidance seems to be conservative given NII tailwinds from recent rate hikes. We also see upside to the bank's proposed 2024 targets and expect BankNordik to continue its solid capital distribution to shareholders to reach a CET1 ratio of 20%. From 2020 up until today, the total accumulated shareholder return on the BankNordik share has been ~116%, in which ~75% of market cap has been paid out to shareholders through dividends (DKK ~1.1bn). Despite this, we still estimate that ~40% of the bank's current market cap will be distributed by the end of 2024.

Guidance and targets seem cautious

For FY 2023, BankNordik currently guides for net profit in the range DKK 210-240m following a ~10% guidance upgrade ahead of the Q1 report in April. Meanwhile, we estimate net profit of DKK 253m for 2023E and hence see scope for another upgrade down the road. Moreover, in January when the 2023E guidance was announced, BankNordik revised its 2024 targets upwards. As the below table illustrates, we are already ahead of the targets on both ROE (13.3% vs 12%) and C/I (49% vs 53%) and thus, another upward revision of the targets does not seem unlikely.

Solid return to shareholders

BankNordik currently targets a CET1 ratio of 20% by 2024 and in order to reach this target, the bank is set to pay out a sizeable amount to shareholders. Since the 2020 annual report, BankNordik has already paid out more than DKK 1.1bn in dividends to its shareholders (~75% of market cap), and more is to come. To reach a CET1 ratio of 20%, we estimate that the bank will need to distribute ~40% of its current market cap to shareholders by the end of 2024. From 2020 and up until today, the total accumulated shareholder return in BankNordik has been ~116% and given the payout outlook, this upward trend is not expected to change anytime soon. Finally, once the 20% CET1 target is reached, a 70% payout ratio remains in place while more also seems to be achievable.

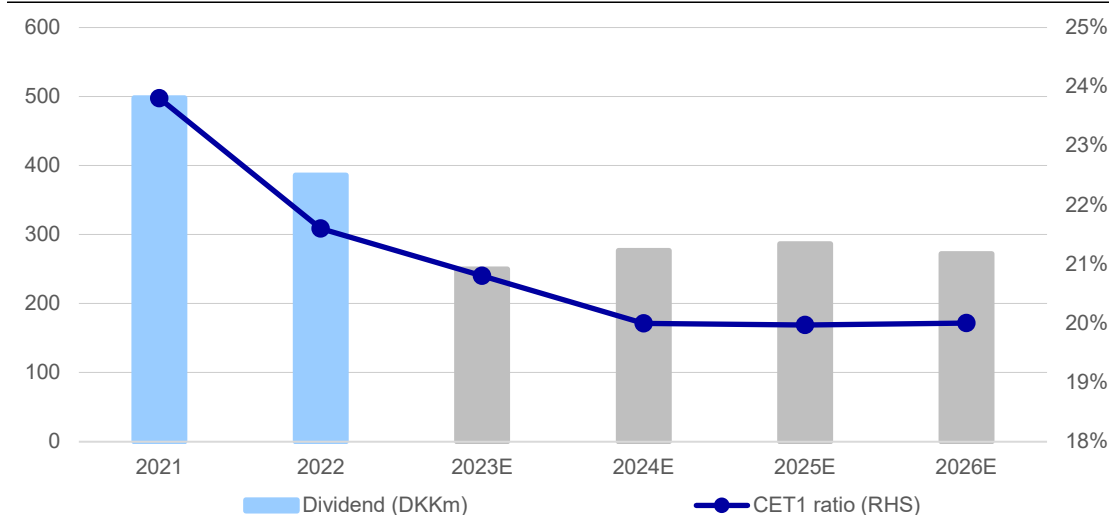
Cheapest bank in our Danish universe

BankNordik is currently trading at a 2025E capital adjusted P/E of ~3.2x, which puts the share at a ~50% discount to its Danish peers. We have a fair value range of DKK 245-299 for the BankNordik share.

NORDEA ESTIMATES VS BANKNORDIK TARGETS

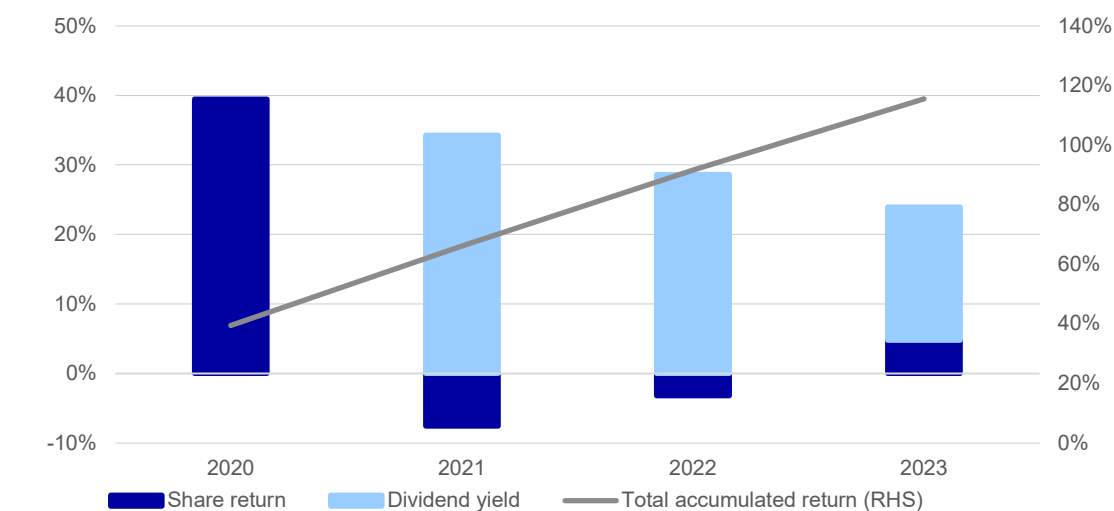
	Nda estimate	BankNordik target	Difference
Net profit 2023 guidance (DKKm)	253	210-240	12%
2024 targets			
ROE	13.30%	12%	10.8%
Cost/Income	49%	Below 53%	8%
CET1 ratio	20%	20%	-

TOTAL DIVIDEND IN YEAR PAID AND CET1 DEVELOPMENT



Source: Company data and Nordea estimates

TOTAL SHAREHOLDER RETURN, 2020-2023 YTD



Source: Company data and Nordea estimates

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Nordea analyst: Jakob Brink

Nordea Financials Team

Nordea | Investment Banking & Equities | Equity Research

Jakob Brink

jakob.brink@nordea.com, +45 55 47 84 98

Rickard Strand

rickard.strand@nordea.com, +46 73 504 36 63

Ulrik Årdal Zürcher

ulrik.ardal.zurcher@nordea.com, +47 24 01 02 76

David Johansson

david.johansson@nordea.com, +46 101 56 23 70

Anna Jul Bjørn

anna.jul.bjorn@nordea.com, +45 55 47 72 18

Nordea Danmark, filial af Nordea Bank Abp, Finland, Business ID 2858394-9, Patent and Registration Office, CVR no. 25992180, Copenhagen

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