

**Analysts**

**Martin Birk**  
 (45) 3328 3316  
 martin.birk@seb.dk

US Investors must contact SEB Securities, Inc. at  
 SEBSIEquities@sebnyc.com with any questions.

## NII utopia

Danish bank CEOs need to pinch themselves to see whether this Goldilocks scenario is utopia or reality. Loan-to-deposit ratios (LDRs) are too low to justify the high net interest margins (NIMs). The good news is that it remains a “prisoner’s dilemma”, causing the sector to stay disciplined. High NIMs are prompting a record payout season and 2024 could be the second-strongest earnings year on record. Our top picks are DDB, RILBA, SPNO, SYDB and JYSK.

### NII is a “prisoner’s dilemma”

Danish banks have posted the highest y/y net interest income (NII) growth rates in the European peer group so far in 2023. Rising deposit margins combined with low LDRs have proven to be the ultimate cocktail for success. Exploring the correlation between NIM and LDR shows average downside to sector NII of 15%, but returning to the 20-year historical correlation is a prisoner’s dilemma: banks are collectively worse off if they start to compete for deposits and for once, the sector seems to be maintaining its discipline.

### Normalising NII

When NII starts to normalise, we think the banks with the lowest corporate deposits, the highest retail loans and the smallest share of non-money market rate loans will be the most resilient. Danske Bank appears susceptible to deposit betas, but it also has large repricing potential. Ringkjøbing Landbobank is the least prone to deposit betas but it has significant repricing potential. Sydbank has the smallest repricing potential and remains the most prone to deposit betas.

### Payout season and strong 2024 coming up

Next up for the Danish banks is payout season, which we remain bullish about. The 2023 payout is likely to be a record for Danish banks, but 2024 should be second-best, cementing the benign outlook for the banks. Our top picks are Danske Bank, Ringkjøbing Landbobank, Spar Nord, Sydbank, Jyske Bank

## Recommendation overview

|  | Danske Bank | Jyske Bank | Sydbank | Spar Nord Bank | Ringkjøbing Landbobank | Danish peer group* | Nordic peer group** | European peer group *** |
|--|-------------|------------|---------|----------------|------------------------|--------------------|---------------------|-------------------------|
| <b>Recommendation</b>                    | Buy         | Buy        | Buy     | Buy            | Buy                    | na                 | na                  | na                      |
| <b>Share price****</b>                   | 176         | 474        | 297     | 103            | 934                    | na                 | na                  | na                      |
| <b>Target price</b>                      | 230         | 560        | 380     | 150            | 1250                   | na                 | na                  | na                      |
| <i>Upside/(downside) to target price</i> | 31%         | 18%        | 28%     | 46%            | 34%                    | n.a.               | n.a.                | n.a.                    |
| <b>Performance</b>                       |             |            |         |                |                        |                    |                     |                         |
| <b>1W %</b>                              | -1%         | -1%        | -1%     | -1%            | -2%                    | -1%                | -1%                 | 2%                      |
| <b>3M %</b>                              | 14%         | -3%        | -8%     | -2%            | -8%                    | -1%                | 3%                  | 4%                      |
| <b>12M %</b>                             | 42%         | 9%         | 17%     | 2%             | 5%                     | 15%                | 16%                 | 28%                     |
| <b>YTD %</b>                             | 33%         | 5%         | 7%      | 1%             | -1%                    | 9%                 | 14%                 | 24%                     |
| <b>2023 cons. adj. EPS change YTD %</b>  | 37%         | 51%        | 58%     | 71%            | 17%                    | 47%                | 29%                 | 25%                     |
| <b>YTD perf. less YTD EPS revision %</b> | -4%         | -46%       | -51%    | -70%           | -17%                   | -38%               | -15%                | -1%                     |
| <b>2023 adj. P/E (SEB)</b>               | 7.3 x       | 5.6 x      | 5.3 x   | 5.0 x          | 12.1 x                 | 7.2 x              | 6.9 x               |                         |
| <b>2023 adj. P/E (consensus)</b>         | 7.4 x       | 5.7 x      | 5.2 x   | 5.2 x          | 12.0 x                 | 7.1 x              | 7.2 x               | 7.2 x                   |
| <b>2024 adj. P/E (SEB)</b>               | 6.7 x       | 5.7 x      | 5.8 x   | 5.4 x          | 10.9 x                 | 7.5 x              | 7.6 x               |                         |
| <b>2024 adj. P/E (consensus)</b>         | 7.2 x       | 6.0 x      | 5.6 x   | 5.8 x          | 11.0 x                 | 7.1 x              | 7.5 x               | 6.4 x                   |
| <b>2025 adj. P/E (SEB)</b>               | 6.2 x       | 6.1 x      | 6.3 x   | 5.8 x          | 10.8 x                 | 7.5 x              | 7.6 x               |                         |
| <b>2025 adj. P/E (consensus)</b>         | 6.9 x       | 5.8 x      | 5.5 x   | 6.3 x          | 10.3 x                 | 7.0 x              | 7.6 x               | 5.7 x                   |

\* Danske Bank, Jyske Bank, Sydbank, Spar Nord, Ringkjøbing Landbobank;

\*\* Danske Bank, DNB, Handelsbanken, Nordea, Swedbank;

\*\*\* ABN Amro, Commerzbank, Barclays, BBVA, BNP Paribas, Credit Agricole, Deutsche bank, Erste, HSBC, ING, Intesa, KBC, Lloyds, RBS, Santander, SocGen, UBS, UniCredit;

\*\*\*\* share prices as of 1 December 2023

Source: SEB

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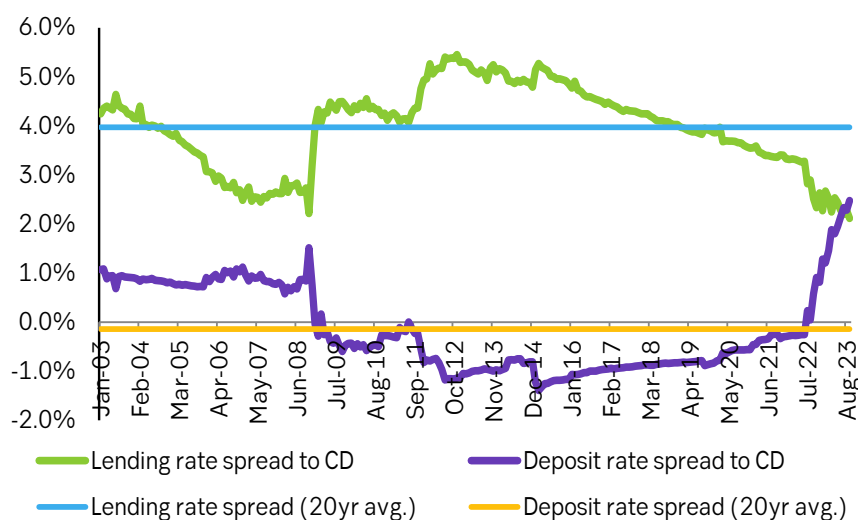
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# Summary

## NII is a “prisoner’s dilemma”

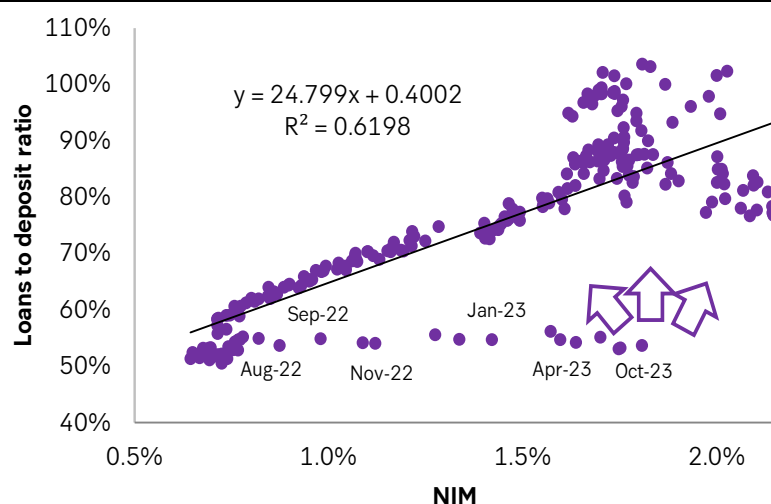
The Danish banks are NII winners when measured on y/y growth rates compared with European peers. The current increase in net Interest Income (NII) is thanks to a highly elevated deposit margin and balance sheets benefiting from historically low LDRs. Conversely, lending margins remain at record lows, but the overall net effect is strictly positive for the banks. Consequently, the CEOs of the Danish banks might be pinching themselves to ascertain whether this Goldilocks scenario is utopia or reality.

### Over-earnings on deposits, under-earning on lending



Source: SEB, Danish central bank

From the perspective of sector statistics over the past 20 years, the 84% correlation between LDR and NIM has broken, leaving Danish banks in uncharted territory. A return to the historical correlation could prompt a landslide in NIM, significant loan growth, or large deposit drawdowns. While we consider all scenarios likely (and the truth could well be somewhere in between), we see more downside to sector NII than upside. In fact, in most of our scenarios, we note downside to the current sector NII averaging c. 15% when considering all the scenarios outlined in our NII analysis.

**Return to historical correlation?**

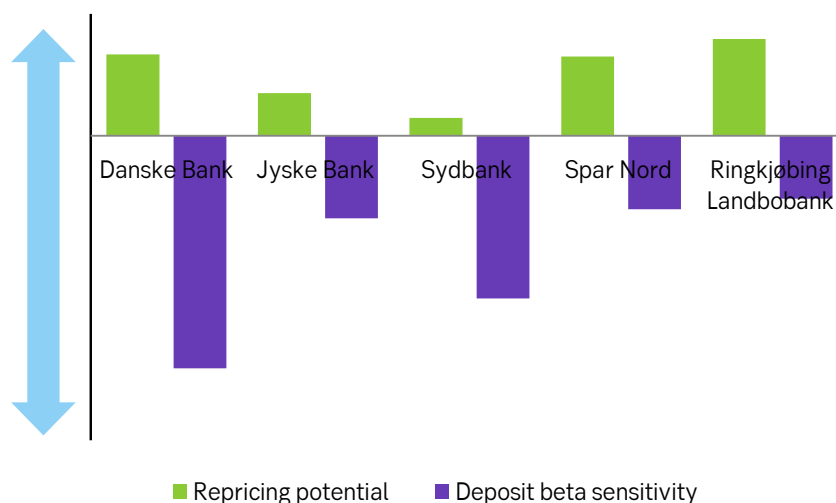
Source: SEB, Danish central bank

A similar analysis could have been made in January 2023 or in November 2022, potentially causing us to have missed the largest NII uptick for the Danish banks. We believe that the banks will eventually return to the historical LDR-NIM correlation, but at present we have a prisoner's dilemma (i.e., the banks are collectively worse off if they start to compete for deposits). The question is whether this historically undisciplined sector has become disciplined. We are not sure, but it is certain that deposit beta remains surprisingly low, paving the way for continued elevated NII numbers in 2024 and in 2025.

## Which bank is most resilient?

In assessing resiliency, we focus on the banks with the most significant repricing potential, considering those with large retail lending exposure and non-dependency on money market rate lending to have the most significant delta ahead. Additionally, when gauging deposit beta sensitivity, our starting point is the liquidity coverage ratio (LCR) disclosures, which provide a granular approach to different types of deposits. In conclusion, we see Danske Bank as vulnerable to deposit betas, but it also has significant repricing potential. Ringkjøbing Landbobank is the least prone to deposit betas but it also has significant repricing potential. Sydbank's repricing potential appears to be exhausted, but its relative share of corporate deposits makes it susceptible to deposit betas.

### Danish banks: NII resiliency

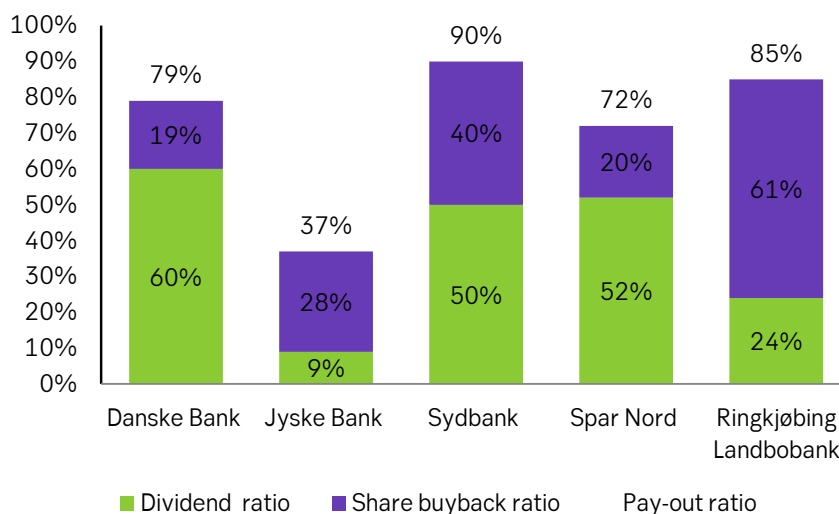


Source: SEB

## Payout season approaching

While we wait for the NII story to unfold, the next trigger for the Danish banks is payout season. The story of Q2/23 involved the banks talking up payout ratios, while the story of Q3/23 was the banks collectively talking them down, despite Q3 reports largely surpassing consensus expectations and featuring upbeat comments regarding credit quality. We anticipate aggressive payout ratios, as banks fear "trapped" excess capital due to a 100% payout ceiling and simply because we think it is a mathematical consequence of the sector's margin expansion journey. Even after payouts, banks remain extremely well capitalised (i.e., in the best positions they have ever been). The average common equity tier 1 (CET1) buffer to the CET1 target for 2023E-25E is 3.7pp for the Danish sector, with Jyske Bank at the low end with 1.4pp and Sydbank at the high end with 5.5pp.

### Danish banks: FY/23E payouts

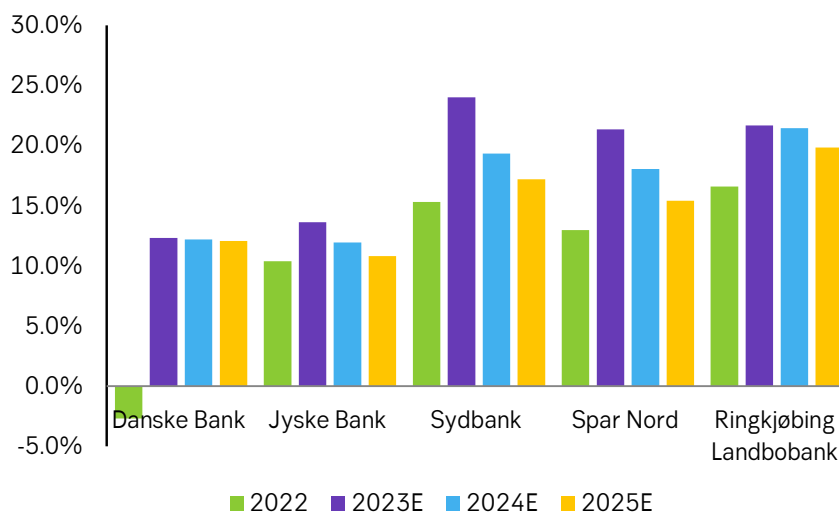


Source: SEB,

## 2024 to outpace market expectations

While serious growth rates in NII appear to be in the past, we anticipate that banks will move towards flattish growth rates in 2024, with the exact outcome being influenced by accounting principles and any impact on credit quality. We expect 2023 to be a record year in terms of net profit for all the Danish banks under our coverage, but 2024 is poised to be the second-best year on aggregate, adding renewed upsides to payout ratios and making 2024 another bright year in terms of ROE performance.

### Danish banks: ROE outlook



Source: Company data, SEB estimates

# Peak NII, or more to come?

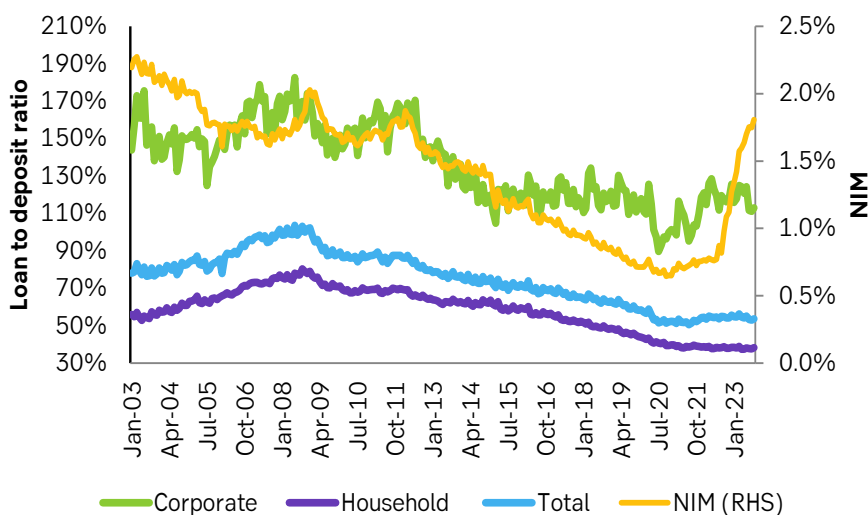
## Exploring NII

In the traditional banking model, the principle of maturity transformation is the core revenue driver. Banks acquire deposits at the short end of the yield curve and lend out money at the far end, exploiting the embedded concavity of the yield curve. While the vast majority of NII for Danish banks still originates from the principle of maturity transformation, other components such as income from bonds, demand for equity, funding costs, and changes to balance sheets have become increasingly important NII drivers. This has created the perfect NII storm in the rapidly rising interest rate environment.

The Danish central bank (Nationalbanken) publishes monthly volume and margin data from Danish banks. The data are presented as customer prices (i.e., what deposit holders are paid at the end of the month and what borrowers are charged). While the data do not provide the complete truth for unlocking NII, they do offer general indications of the state of NII and its outlook, in our opinion.

Our starting point is Danish lending and deposit volumes in DKK, excluding other FX-denominated loans as well as international lending by both Danish and international banks. In our view, the most significant structural change to NII over the past 20 years is the composition of the banks' balance sheets. In 2008, LDR on aggregate topped 100%, but by H1/23, it stood at 54%. This shift has been driven by minimal growth in lending during the period and a substantial build-up in deposits.

### 20-year LDR and NIM



Source: SEB, Danish central bank

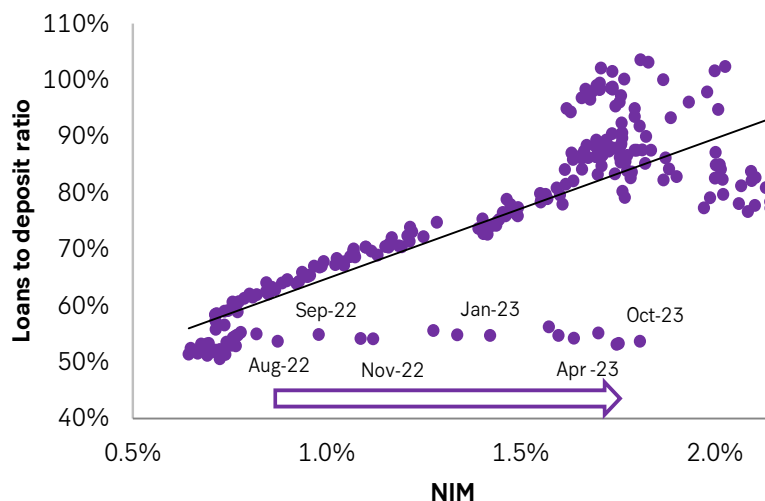
In our scenario, we calculate NIM as follows:

$$NIM = \frac{\text{Interest income} - \text{interest expense} + \text{return on surplus deposits}}{\text{loans} + \text{deposits} + \text{deposit surplus}}$$

Where the return on surplus deposits is equal to the Nationalbankens certificate of deposit (CD) rate, if LDR exceeds 100%, the Nationalbankens' CD rate is assumed to be the funding costs for simplicity.

We note a strong correlation between NIM and the LDR. A low LDR triggers a low NIM, while a high LDR allows for a high NIM. Our simple regression suggests that 71% of the change in NIM is caused by changes in low LDRs, equivalent to a correlation coefficient of 84%. This indicates a strong positive relationship when excluding the recent 12 months from our more than 20-year dataset.

#### Deposits trigger structurally higher NIM - or do they?



Source: SEB, Danish central bank

However, the correlation has been extremely poor in the latter part of 2022 and 2023, primarily because the return on surplus deposits has spiked. We believe there are many possible outcomes, and the direction of the causal relationships is not entirely clear to us. Bears are likely to argue that NIM will decrease due to a collapse of deposit margins. We see this as a fair argument, although we have yet to see it reflected in the numbers. On the other hand, bulls will contend that a higher NIM implies higher inflation, which will drive up the LDR and return NIM to its historical trendline. This, too, is a fair argument, and perhaps the truth lies somewhere in between.

## Last time CD rates were 3.6%

Another approach to examining the topic is to consider the last time when Danish CD rates were at 3.6% (the current central bank CD rate and the market-expected "peak" rate), and at an all-time high (ATH). We calculate a sector NII, with the NII being equivalent to the numerator in the formula indicated above. We identify periods in our more than 20-year dataset when CD rates were comparable to the current CD rate.

## Sector NII versus history

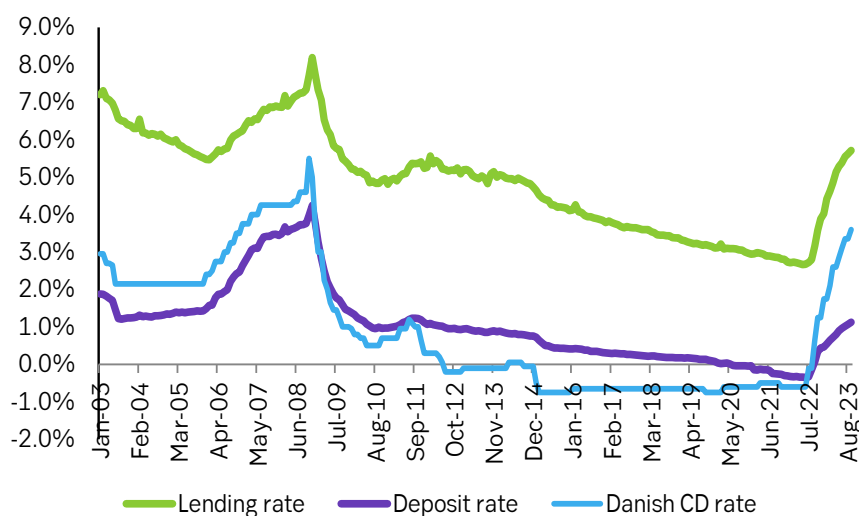
|   | Current       | 3.6% regime   |                   | ATH            |
|---|---------------|---------------|-------------------|----------------|
|   |               | Oct-Dec 2006  | Nov 2008-Feb 2009 | September 2008 |
| <u>Sentiment</u>  | <u>Cut</u>    | <u>Hike</u>   | <u>Cut</u>        | <u>Hike</u>    |
| Certificates of deposit rate                              | 3.6%          | 3.6%          | 3.7%              | 5.5%           |
| Corporate loan rate                                       | 5.7%          | 5.2%          | 6.8%              | 6.9%           |
| Household loan rate                                       | 5.7%          | 6.9%          | 8.1%              | 8.3%           |
| Corporate deposit rate                                    | 1.5%          | 2.9%          | 3.9%              | 4.4%           |
| Household deposit rate                                    | 1.0%          | 2.4%          | 3.4%              | 3.8%           |
| <b>Current balance sheet</b>                              |               |               |                   |                |
| Implied NIM   | 1.8%          | 1.2%          | 1.1%              | 1.4%           |
| <b>Implied sector NII</b>                                 | <b>55,148</b> | <b>38,080</b> | <b>34,400</b>     | <b>41,631</b>  |
| Upside from "Current"                                     |               | -31%          | -38%              | -25%           |
| Loan to deposit ratio                                     | 55%           | 55%           | 55%               | 55%            |
| <b>Applying historical NIM and loans to deposit ratio</b> |               |               |                   |                |
| Historical NIM  | 1.8%          | 1.8%          | 2.0%              | 1.9%           |
| <b>NII from historical NIM</b>                            | <b>55,148</b> | <b>53,990</b> | <b>61,151</b>     | <b>56,971</b>  |
| Upside from "Current"                                     |               | -2%           | 11%               | 3%             |
| Loan to deposit ratio                                     | 55%           | 94%           | 99%               | 100%           |

Source: SEB, Danish central bank

In our 20-year dataset, we identify two periods when CD rates were at 3.6%. The average downside to sector NII, measured based on the sector's current balance sheet composition, is 35%. However, when measured by historical balance sheet composition (i.e., a higher LDR), the average upside is 6%. Assuming Danish CD rates will follow the forward curve of the European Central Bank (ECB), the current 3.6% represents the peak. We repeat the analysis for when the CD peaked in September 2008, suggesting 25% downside measured on the sector's current balance sheet composition and 3% upside measured on historical balance sheet composition.

We believe it is reasonable to assume that LDRs are influenced by the balance sheet on which they operate. Therefore, the "current balance sheet" scenario might underestimate the sector's NII potential. On the other hand, assuming historical NIM, as done in the "Applying historical NIM and LDR" scenario, may be unfair. Thus, the truth likely lies somewhere in between. Averaging all scenarios suggests 15% downside to sector NII.

## Lending, deposit and Danish CD rates

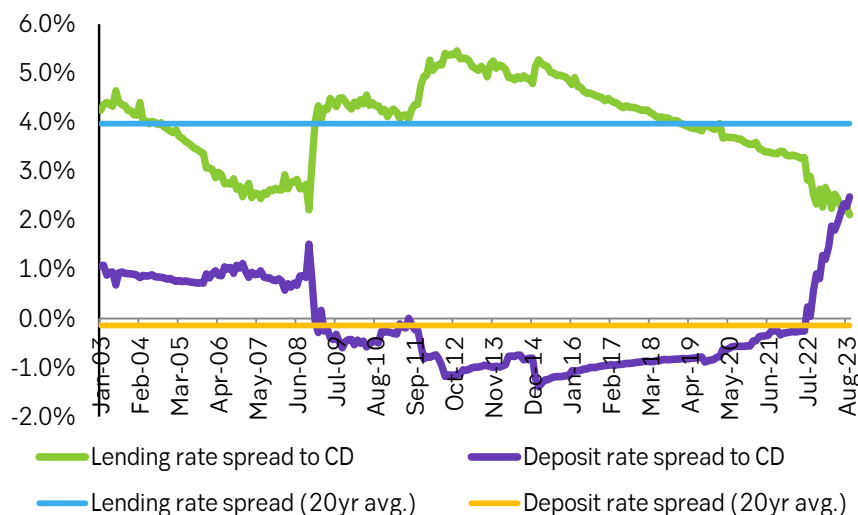


Source: SEB, Danish central bank

From an historical perspective, Danish banks have been over-earning on deposits while under-earning on lending. Interestingly, the rapid rise in rates has led to a decline in lending margins (i.e., lending rates growing less than CD rates) for many institutions. This might seem counterintuitive, but the simple explanation is that banks have been slow to pass on the higher lending rates to customers. The low LDRs incentivise banks not to challenge customers on lending margins at the expense of deposit margins.

Over the past 20 years, average lending rates have been 4pp higher than the Danish CD rate, while deposit rates have been 0.2pp lower than the Danish CD rate. Currently, deposit rates are 2.5pp higher than the Danish CD rate, and lending rates are only 2.1pp higher than the CD rate. Both differentials are records in our 20-year dataset. This implies that Danish banks have never been over-earning on deposits as much as they currently are, but at the same time, they have never been under-earning on the lending side to this extent.

### Over-earning on deposits, under-earning on lending



Source: SEB, Danish central bank

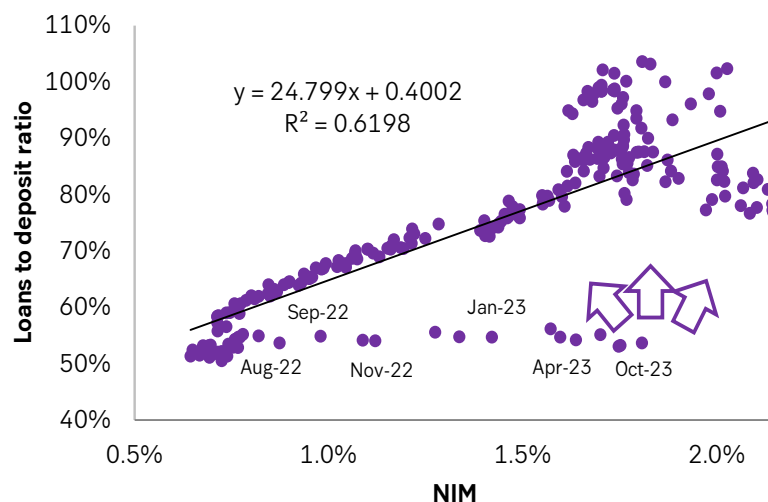
We anticipate a normalisation for both the lending and deposit sides as time progresses. Banks are beginning to offer positive interest rates on demand deposits for retail clients, and corporate clients are experiencing a gradual normalisation of rates. However, the final piece to the puzzle will be determined by how disciplined banks are. Price discipline has never been a mastered discipline for banks, but over the last decade, banks have undergone changes. With a doubling of sector equity over the past 15 years, a deposit-heavy balance sheet, and an economic outlook that could entail both cost increases and loan losses, we believe banks have an incentive to exercise restraint as much as possible on deposits while repricing the lending book.

## NIM stabilisation or Goldilocks scenario?

We believe it is noteworthy that for every basis point (bp) banks concede on the deposit side, they need to reprice the asset side by 1.5bp. This varies among banks, with some requiring more and others less. This might explain why the sector has opted for record-high deposit margins at the expense of lending margins. The positive aspect is that banks are currently highly liquid, with no liquidity shortages, which diminishes the incentive to compete aggressively on deposits.

For banks to return to the historical LDR-NIM correlation, we see two potential pathways: a meltdown in NIM, reverting to a negative rate environment, or a stabilisation of the LDR. This stabilisation could occur by reducing deposits from clients drawing down deposit balances, by experiencing loan growth, or a combination of the two. We consider a NIM meltdown to be unrealistic, as consensus is leaning towards a higher-for-longer interest rate scenario, implying sustained inflation and subsequently increased lending growth. This aligns with our Goldilocks scenario (i.e., a gradual shift from deposit surplus to loan growth, while NIM stabilises). However, we think a combination of both scenarios, with a stabilising NIM and a stabilising LDR, is a fair assumption.

#### Return to historical correlation?



Source: SEB, Danish central bank

We assume a return to the previous LDR-NIM correlation through three scenarios:

- **Upwards move to the trendline (Scenario 1):** This involves adjusting parameters to move towards the historical trendline, possibly by increasing lending or reducing deposits. The aim is to stabilise the LDR while adjusting current margins to align with historical margins and stabilise NIM.
- **Leftwards move to the trendline (Scenario 2):** In this scenario, adjustments are made to move towards the historical trendline, potentially by reducing deposits. The goal is to stabilise the LDR while aligning current margins with historical margins to stabilise NIM.
- **Rightwards move to the trendline (Scenario 3):** This scenario involves parameter adjustments to move towards the historical trendline, possibly by increasing lending. The objective is to stabilise the LDR while adjusting current margins to match historical margins and stabilise NIM.

Each scenario considers a combination of reducing deposits or increasing lending, along with margin adjustments, to achieve a stabilisation of the LDR and NIM in line with historical trends.

**NIM stabilisation or goldilocks scenario? Back to historical correlations (DKKm)**

|                        | Current       | Loan growth       | Deposit reduction | Loan growth + historical margins | Deposit reduction + historical margins |
|------------------------|---------------|-------------------|-------------------|----------------------------------|--|
|                        |               | <b>Scenario 1</b> |                   |                                  |  |
| Loans to deposit ratio | 53.7%         | 84.8%             | 84.8%             | 84.8%                            | 84.8%                                  |
| <b>Sector NII</b>      | <b>55,148</b> | <b>65,194</b>     | <b>41,264</b>     | <b>60,556</b>                    | <b>38,328</b>                          |
| <i>Upside</i>          |               | 18%               | -25%              | 10%                              | -31%                                   |
|                        |               | <b>Scenario 2</b> |                   |                                  |  |
| Loans to deposit ratio |               | 74.8%             | 74.8%             | 74.8%                            | 74.8%                                  |
| <b>Sector NII</b>      |               | <b>61,968</b>     | <b>44,463</b>     | <b>56,988</b>                    | <b>40,889</b>                          |
| <i>Upside</i>          |               | 12%               | -19%              | 3%                               | -26%                                   |
|                        |               | <b>Scenario 3</b> |                   |                                  |  |
| Loans to deposit ratio |               | 94.8%             | 94.8%             | 94.8%                            | 94.8%                                  |
| <b>Sector NII</b>      |               | <b>68,421</b>     | <b>38,739</b>     | <b>53,522</b>                    | <b>30,303</b>                          |
| <i>Upside</i>          |               | 24%               | -30%              | -3%                              | -45%                                   |

Source: SEB, Danish Central bank

The starting point is our implicit sector NII. In total, we generate 12 scenarios. In five of these scenarios, there is upside to NII, while in the other seven, there is downside. However, the average signals 9% downside.

Adjusting to a new LDR also triggers a change in margins, as competitive dynamics shift. If banks can convert their deposit surplus to loan growth, we believe they would be entering or continuing their Goldilocks scenarios. This is illustrated in our "loan growth + historical margins" scenario. However, this calculation is highly sensitive to deposit reductions, and it does not take much of a reduction in deposits, combined with historical deposit margins (3% at a 95% LDR), before the calculation turns strictly negative for sector NII.

We are cautious that banks may be approaching or already be at peak NII, as our calculations suggest significant downside if the correlations hold. However, looking back 12 months, similar conclusions could have been drawn, leading to a potential missed opportunity during the biggest pick-up in NII in modern Danish banking history. While we anticipate NII eventually normalises to the correlation, we believe it will happen at a much slower pace than we originally anticipated, as evidenced by the past 12 months. All else being equal, this leaves the Danish banks in the current Goldilocks scenario for some time, meaning that NII should decrease at a much slower pace than we initially expected.

## Rates are down 100bp – what then?

Central bank rates seem to have peaked across most of the globe, and as we approach a sentiment favoring rate cuts, it is fair to contemplate how sector NII might fare in an environment where interest rates are 100 bps lower. In our 20-year dataset, we identify three periods with central bank rates at 2.6%. While there is downside to NII as measured by the current balance sheets, the average upside to our current calculated sector NII is 10% when we adjust for the LDR, as we noted in the former section that NII and LDR have a good correlation.

**Sector NII versus 100bp lower CD rates**

|   | Current       | March-May 2003 | 2.6% regime         |                     |
|---|---------------|----------------|---------------------|---------------------|
|   |               |                | February-March 2006 | February-March 2009 |
| <b>Sentiment</b>  | <b>Cut</b>    | <b>Cut</b>     | <b>Hike</b>         | <b>Cut</b>          |
| Certificates of deposit rate                              | 3.6%          | 2.68%          | 2.63%               | 2.6%                |
| Corporate loan rate                                       | 5.7%          | 5.69%          | 4.57%               | 6.1%                |
| Household loan rate                                       | 5.7%          | 8.25%          | 6.33%               | 7.3%                |
| Corporate deposit rate                                    | 1.5%          | 2.21%          | 2.04%               | 2.9%                |
| Household deposit rate                                    | 1.0%          | 1.63%          | 1.56%               | 2.6%                |
| <b>Current balance sheet</b>                              |               |                |                     |                     |
| Implied NIM   | 1.8%          | 1.7%           | 1.3%                | 1.1%                |
| <b>Implied sector NII</b>                                 | <b>55,148</b> | <b>50,824</b>  | <b>38,891</b>       | <b>33,499</b>       |
| <i>Upside from "Current"</i>                              |               | -8%            | -29%                | -39%                |
| Loan to deposit ratio                                     | 55%           | 55%            | 55%                 | 55%                 |
| <b>Applying historical NIM and loans to deposit ratio</b> |               |                |                     |                     |
| Historical NIM  | 1.8%          | 2.2%           | 1.8%                | 2.0%                |
| <b>NII from historical NIM</b>                            | <b>55,148</b> | <b>67,369</b>  | <b>53,907</b>       | <b>60,150</b>       |
| <i>Upside from "Current"</i>                              |               | 22%            | -2%                 | 9%                  |
| Loan to deposit ratio                                     | 55%           | 80%            | 88%                 | 95%                 |

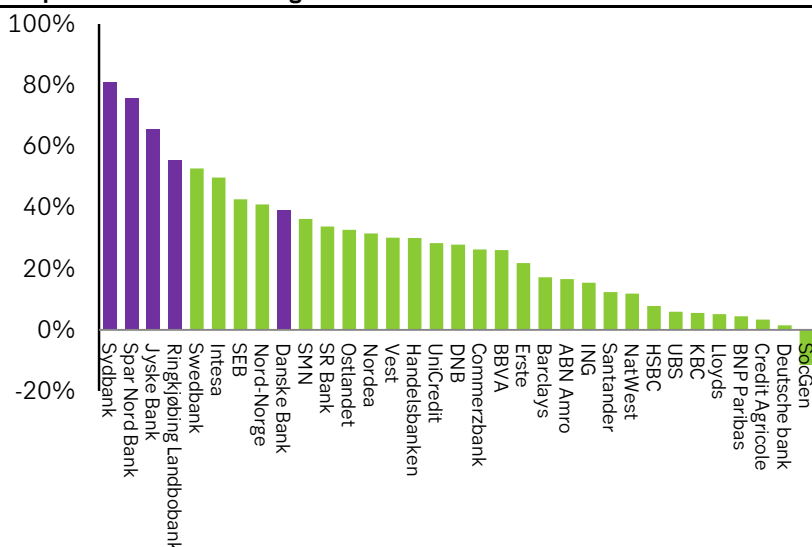
Source: SEB, Danish central bank

# How are the banks affected?

## Danish Banks are the NII winners

If we focus on the Danish banks, we note that they have experienced the most substantial y/y NII growth among the Danish financials. We attribute this to their notably low LDRs within our European peer group. Although NII growth has been strong in 2023, consensus and SEB project, on a sector basis, relatively flat y/y NII development into 2024. This projection is supported by accounting principles and the continuation of low deposit betas, both of which contribute to a favourable NII performance.

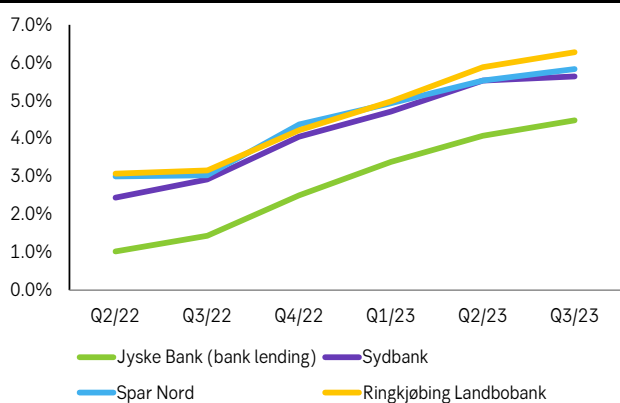
European banks: 2023E NII growth



Source: Factset

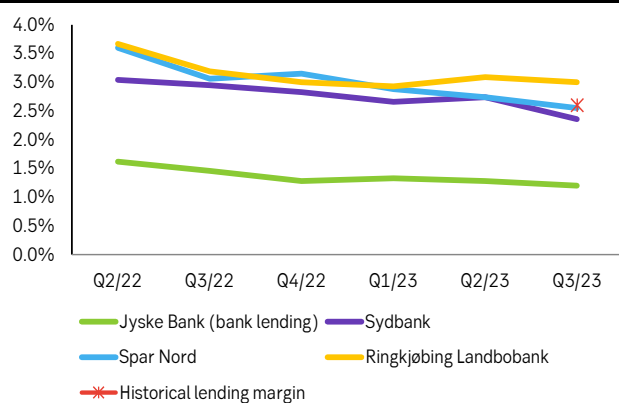
Examining lending prices for the Danish banks (excluding Danske Bank, as it does not publish this data on a quarterly basis), there has been an uptick over H2/22 and into 2023. However, when subtracting the Danish CD rate, we note a squeeze in lending margins. Comparing this situation to the last instance when CD rates were at 3.6%, the lending margin aligns with our expectations, acknowledging that it was also at an all-time low compared to the CD rate at that time.

Danish banks: Lending prices



Source: SEB, company data

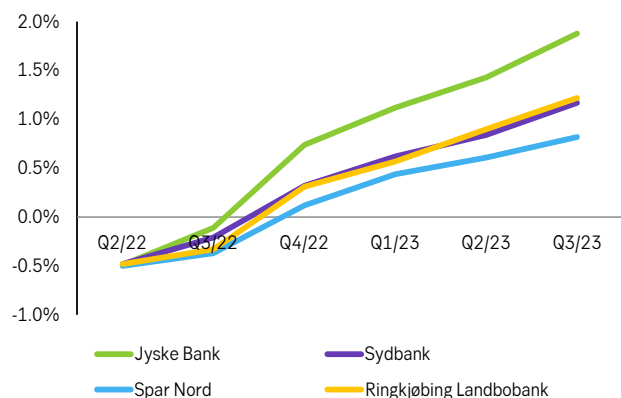
Danish banks: Lending margins



Source: SEB, company data

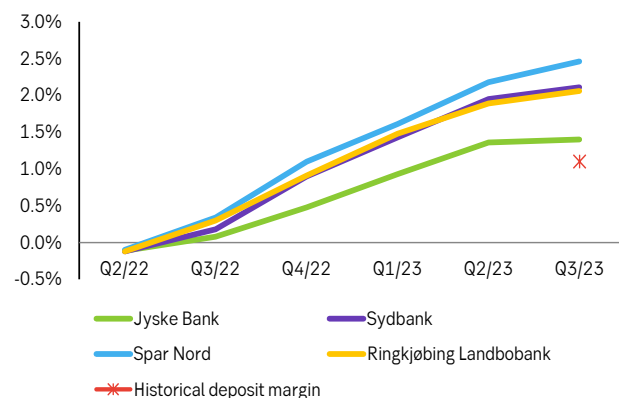
However, on the deposit side, while Danish banks have seen only a modest rise in deposit prices they have enjoyed a substantial increase in deposit margins. The deposit margin is notably higher than the sector experienced the last time CD rates were at 3.6%.

Danish banks: Deposit prices



Source: SEB, company data

Danish banks: Deposit margins



Source: SEB, company data

While historical deposit and lending margins appear to contradict our thesis of "under-earning on lending and over-earning on deposits," we believe that much of this discrepancy can be attributed to the "point-in-time" comparison versus the 20-year average. Additionally, this overlooks the correlation with LDRs, which plays a significant role in understanding the dynamics of deposit and lending margins.

## Loan book repricing potential

We consider two key attributes crucial for assessing the ability to reprice the loan book.

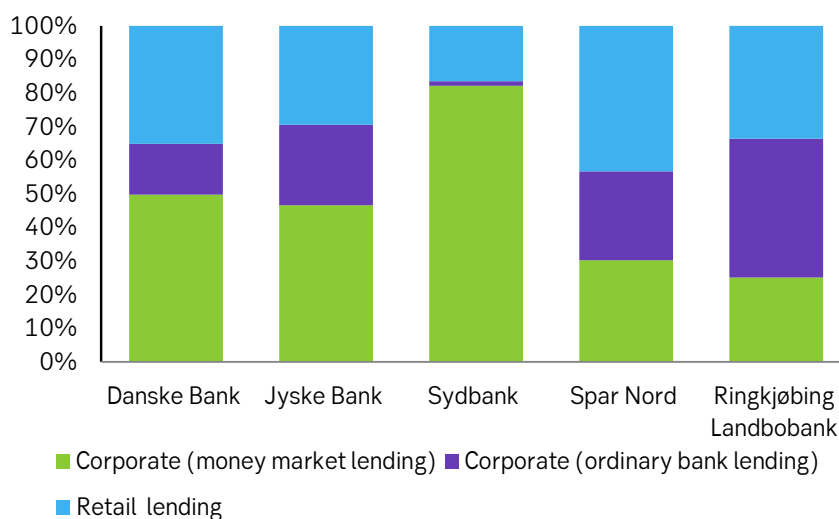
- **Retail lending exposure.** The thesis here is that Danish banks still have repricing potential on their retail loans, as they have held back to enjoy the continued high deposit rates. Over time, as deposit rates continue to rise, we expect banks to benefit from this repricing potential.
- **Share of loans anchored to a money market rate.** The importance of this lies in the fact that loans linked to a money market rate have already undergone repricing through increased money market rates. While it is possible to adjust the margin on top of the money market rates, discussions with clients about additional hikes may be challenging as the clients have already felt the impact from money markets.

Analysing the total loan book composition, we note that Sydbank has, by far, the highest relative share of corporate lending linked to a money market rate. This implies that Sydbank's loan book repricing potential is among the least favourable in the Danish banking landscape. Conversely, small Danish banks such as Spar Nord and Ringkjøbing Landbobank, which have a relatively high share of retail loans and relatively few money market products, may have better loan-book-repricing potential.

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**Danish banks: Loan book composition ex. mortgage Q3/23**


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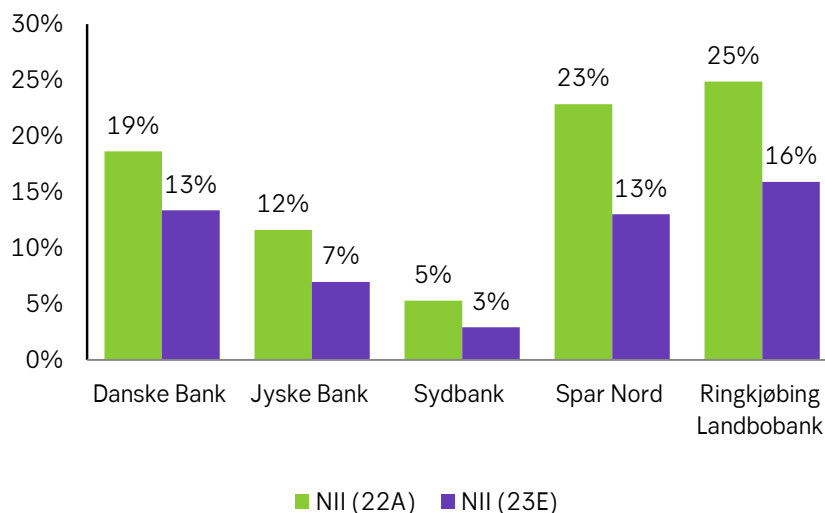
Source: SEB, company data

If we focus on the assumption that money market loans have exhausted their repricing potential, leaving only ordinary bank lending open to repricing, the analysis reveals that Danske Bank, Ringkjøbing Landbobank, and Spar Nord have significant potential going forward. Although our calculations are somewhat static, we recognise that the true conclusions might be more dynamic. Some repricing of ordinary bank loans may have already occurred, and certain banks might have been more proactive in this regard. However, during the latter part of H1/23 and all of H2/23 thus far, Danish banks have seemingly been hesitant to engage in discretionary repricing. We anticipate this lag will be compensated for in the future.

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**Danish banks: Repricing potential as percent of NII per 100bp**


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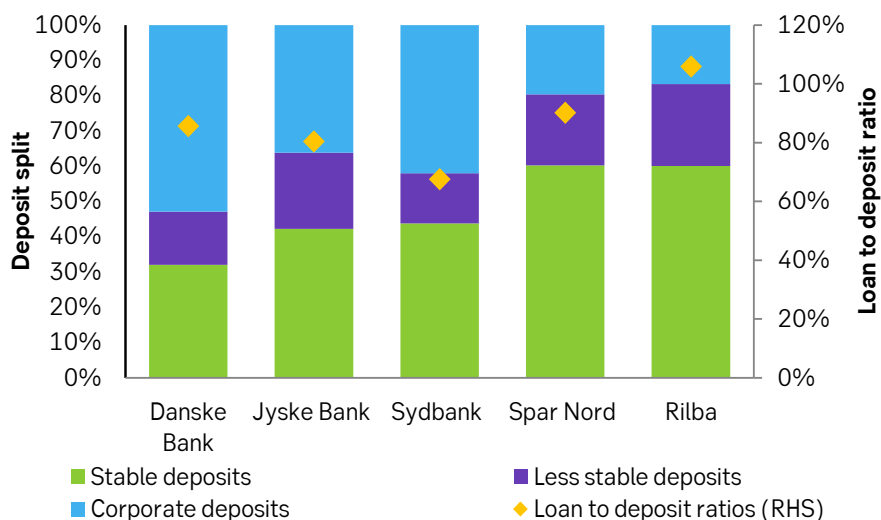
Source: Company data, SEB estimates

## LCR disclosure as measure of deposit beta

Another method of assessing deposit beta, defined as the extent to which the bank will pass on CD rates to customers, involves examining the details of the liquidity coverage ratio (LCR). The LCR, a liquidity risk management standard, requires banks to maintain enough high-quality liquid assets (HQLA), such as short-term government debt, to cover a 30-day cash outflow period under stress. Banks must hold HQLA equivalent to at least 100% of projected cash outflows during stress scenarios. In projecting cash outflows, banks include a breakdown of deposits into stable, less stable, and non-operational.

While these figures are averages and may not be directly comparable with reported figures, they provide a good indication of which deposits are subject to a high deposit beta, requiring the bank to pass on CD rates at the expense of deposit margins. Also, we exclude term deposits longer than 30 days but make adjustments to assess relative betas. The definition of stable deposits largely encompasses household and small and medium-sized enterprise (SME) deposits covered by the deposit guarantee scheme, while less-stable deposits include household and SME deposits exceeding the deposit guarantee threshold (EUR 100,000), and non-operational deposits pertain to corporate deposits.

### LCR disclosure as a measure of deposit beta



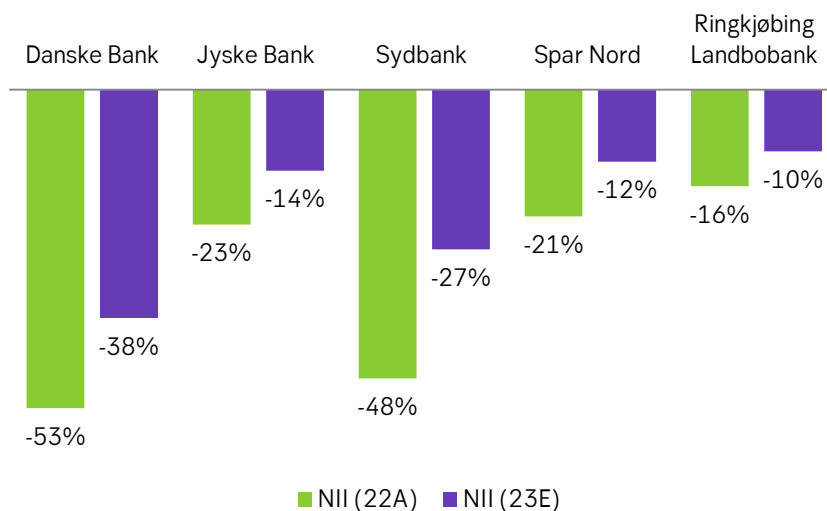
Source: SEB, company data

The assumption here is that stable deposits are the least susceptible to repricing, less-stable deposits are somewhat more prone to deposit repricing, and corporate deposits are highly prone to deposit repricing. This analogy aligns with feedback gathered from discussions with banks. Analysing the data, we find that Ringkjøbing Landbobank and Spar Nord have the highest relative base of stable deposits compared to their entire deposit bases, while Danske Bank has the lowest due to its significant corporate exposure.

Another approach to this topic is to examine the relative impact on NII from pure deposit betas. Assuming, for the sake of simplicity, that stable deposit holders are paid 0.25%, corporate deposits are paid 1.6% (the current average rate according to the Danish central bank), and less-stable deposits are paid 0.8%, we note that Danske Bank and Sydbank are the most vulnerable due to their high deposit betas. On the other hand, Spar Nord and Ringkjøbing Landbobank are the least affected.

While the NII downsides are substantial, it is important to note that the purpose is not to suggest a 38% NII downside potential for Danske Bank, but rather to indicate the general direction. The banks most prone to a lack of deposit pricing discipline appear to be Danske Bank and Sydbank, while Spar Nord and Ringkjøbing Landbobank seem to be the least affected.

**Deposit beta winners and losers**

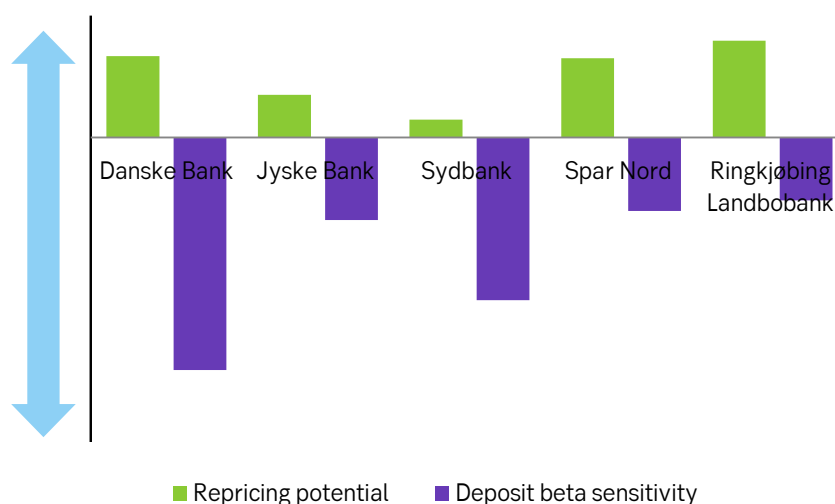


Source: Company data, SEB estimates

**Which bank is most resilient?**

While our analysis may not provide a definitive answer (as such an analysis might be inherently challenging), it does offer a strong directional insight into how Danish banks are positioned relative to an environment of increasing deposit rates and the extent to which this can be offset on the asset side through discretionary repricing. Danske Bank appears most susceptible to deposit betas, but it also appears to possess the largest repricing potential among the Danish banks. On the other hand, Ringkjøbing Landbobank seems to be the least prone to deposit betas but has a significant repricing potential. In the case of Sydbank, the repricing potential appears to be exhausted, but its relative share of corporate deposits makes it susceptible to deposit betas.

**Danish banks: NII resiliency**



Source: SEB

# The trends for Q3 and onward

## Heatmap

Q3 was a testament to the strength of Danish banks. The average total income for these banks exceeded consensus expectations by 3%. This was driven primarily by notable NII beats, a fee line that showed a comeback after subdued activity in 2023, and a trading line that exhibited volatility. Costs appeared to be in line with consensus expectations. Additionally, credit quality remained benign, resulting in loan impairment charges performing significantly better than consensus had projected. While these figures might seem relatively small in the grand scheme of things, they contributed to the banks' profitability in Q3. On average, pre-tax profit (PTP) was 8% above consensus expectations, with Ringkjøbing Landbobank the only bank falling slightly short, mainly due to its slightly weaker NII.

### Q3 financial results heatmap: Realised versus consensus

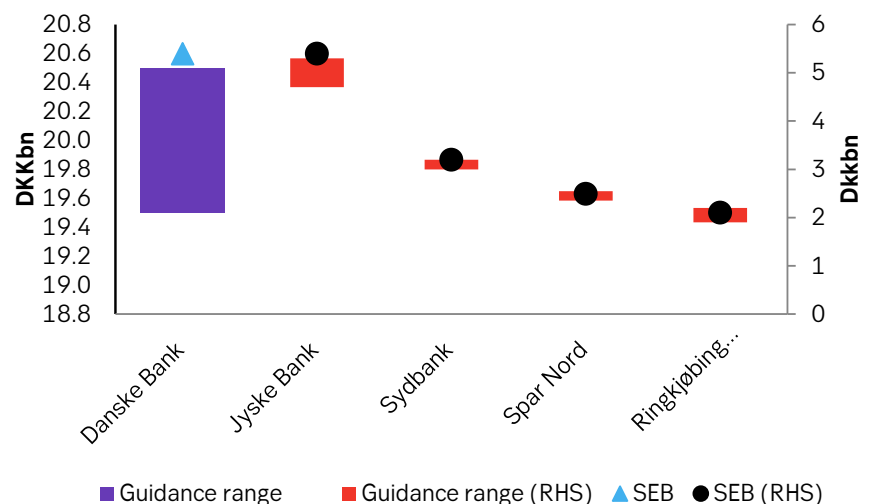
|              | Danske Bank | Jyske Bank | Sydbank | Spar Nord | Ringkjøbing Landbobank | Average |
|--------------|-------------|------------|---------|-----------|------------------------|---------|
| NII          | 2%          | 0%         | 2%      | 2%        | -1%                    | 1%      |
| NCI          | 3%          | 4%         | 0%      | -8%       | -2%                    | -1%     |
| Trading      | -39%        | 221%       | -16%    | 2%        | 7%                     | 35%     |
| Total income | 2%          | 10%        | 1%      | 0%        | 0%                     | 3%      |
| Cost         | 0%          | 0%         | 3%      | -3%       | -1%                    | 0%      |
| PPP          | 6%          | 18%        | 3%      | -2%       | 0%                     | 5%      |
| LIC          | 12%         | 125%       | 350%    | 2500%     | 0%                     | 597%    |
| PTP          | 10%         | 27%        | 6%      | 1%        | -3%                    | 8%      |

Source: SEB, Company data

## Profit upgrades could still be in the air

Propelled by rising interest rates and surprisingly resilient deposit betas, 2023 was a profit upgrade bonanza for Danish banks, causing NII to soar. As we approach the year-end, we would not find it surprising to see additional profit upgrades from these banks. While earlier upgrades were primarily NII-driven, this time we anticipate lower-quality lines such as trading and ongoing positive trends in loan impairment charges to be the driving forces behind the upgrades.

### Profit upgrades in the air before YE/23



Source: SEB, company data

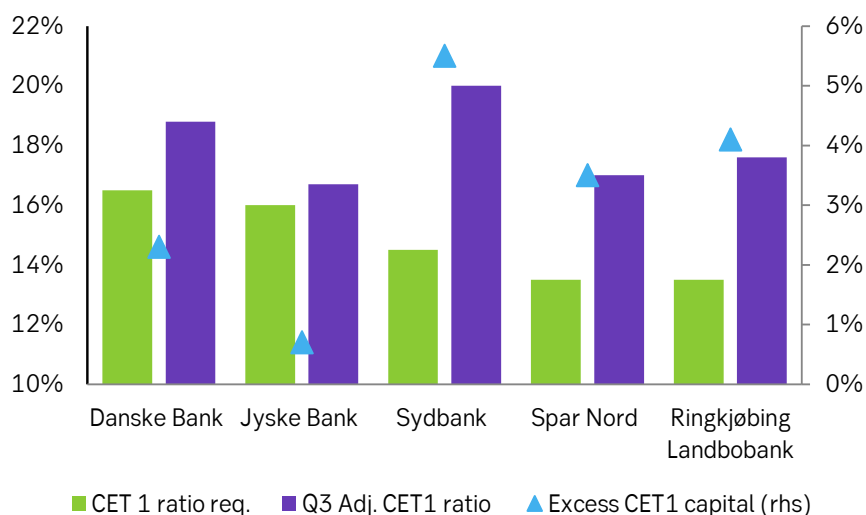
Profit upgrades for the banks under our coverage appear to be in the air due to following reasons.

- **Danske Bank** raised the low end of its net profit guidance range alongside its Q3 report, from DKK 18.5-20.5bn to DKK 19.5-20.5bn, still saying it expects loan losses to be no greater than DKK 1bn for FY/23. We have a hard time seeing a loan loss of DKK 0.7bn in Q4, which would mean that loan losses would double from Q3. We estimate a net profit of DKK 20.6bn for 2023, driven by a continued pick-up in NII, healthy fees, costs in line with guidance and finally loan losses in line with those in Q3.
- **Jyske Bank** maintained its guidance in connection with its Q3 report but pointed to the high end of its DKK 4.7-5.3bn net profit guidance interval. However, we could see net profit slightly above the bank's guidance range, thus we estimate net profit at DKK 5.4bn for 2023.
- **Sydbank** raised the low end of its net profit guidance range by DKK 100m, to DKK 3-3.2bn, for FY/23. We are at DKK 3.2bn but note that the bank's credit quality has been substantially better than market expectations throughout the year.
- **Spar Nord** expects to realise net profit of DKK 2.35-2.55bn for FY/23. We are DKK 2.49bn, thus near the top end of its guidance range.
- **Ringkjøbing Landbobank** expects net profit for 2023 to be DKK 1.9-2.3bn. We are at DKK 2.1bn, thus in the middle of the bank's range.

## Payout season is coming up

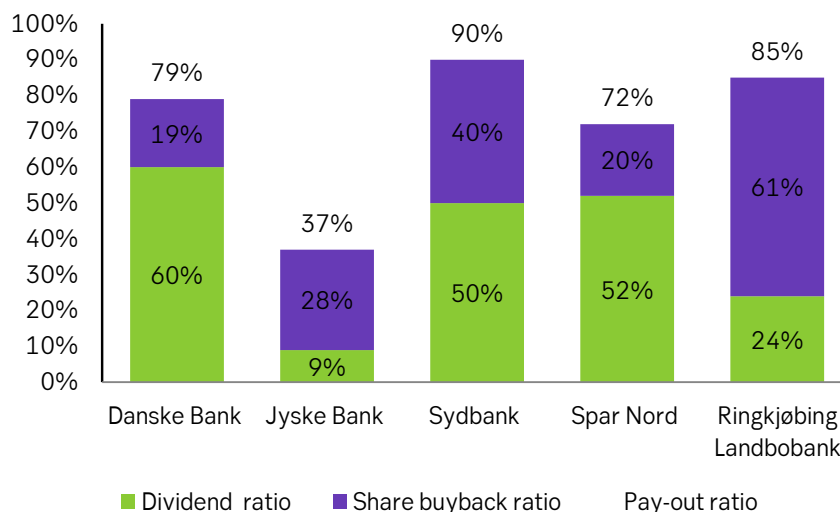
While Q3 has shown positive estimate trends with clear signals that 2024 is likely to surpass market expectations, a shared negative sentiment among the banks under our coverage is the cautious outlook for payout ratios. The banks have cited increased regulatory attention, marking a shift from Q2/23 when discussions were centred on raising expectations. The trigger for this change is unclear, whether it is the initial regulator dialogue preceding share buy-back applications due in November or uncertainty in the macroeconomic environment. Despite the regulatory caution regarding payout ratios, the reported numbers from Danish banks suggest an upward trajectory.

Looking at excess capital, CET1 ratios relative to their target ranges are at an all-time high, indicating a robust capital buffer. Furthermore, most banks have not witnessed significant growth in risk exposure amount (REA) in 2023 but have grown through margin expansion, which does not tie up additional capital. Consensus estimates only anticipate marginal increases in REA as credit demand in the current high-interest environment is expected to remain subdued. As of end-Q3/23, the average CET1 excess capital was 3.2%, considering adjustments to CET1 ratios for banks not adding quarterly profits to their CET1 capital. Sydbank is identified as the most overcapitalised, while Jyske Bank is the least overcapitalised, due to its utilisation of "Basel IV" savings on the purchase of Svenska Handelsbanken DK.

**Excess capital in the Danish banks**

Source: SEB, company data

We assume aggressive payout ratios for Danish banks, considering it a mathematical consequence of running their businesses. With every 5-7pp increase in equity, we estimate a 1pp drop in ROE. Given that the Danish Financial Supervisory Authority (FSA) has set a glass ceiling for payouts at 100%, which can only be broken in exceptional circumstances, we believe it is crucial for Danish banks to accelerate their payout strategies when feasible. Otherwise, they risk being burdened with trapped excess capital that cannot be distributed.

**Danish banks: FY/23E payouts**

Source: Company data, SEB estimates

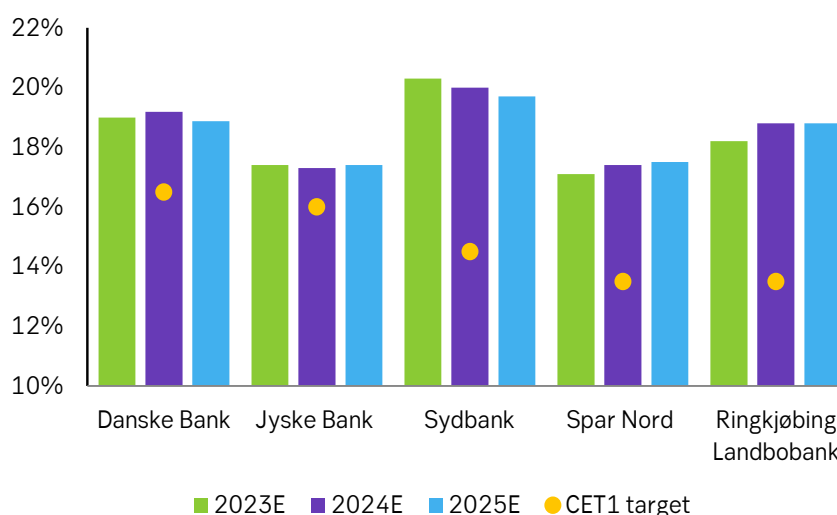
Looking at the individual banks, we see a number of caveats. The above chart includes capital already distributed based on the earnings year 2023,

- Danske Bank.** Danske Bank had a 60% dividend payout for H1/23. We think H2/23 means another 60% dividend. At Q2, Danske Bank started to open the door to share buy-backs, a door that was firmly shut in Q3. The CFO hinted at a 100%+ payout ratio as being a viable solution to Danske Bank's rapidly growing excess capital. We need to see this before we believe it and think a much better and more viable solution is a DKK 4bn share buy-back announcement with the FY/23 report that would commence sometime in spring or early summer 2024.

- **Jyske Bank.** The bank has already paid a DKK500m dividend, but we expect it to announce share buy-back of DKK 1.5bn in connection with its FY/23 report. Otherwise, it will breach the upper end of its CET1 interval.
- **Sydbank.** The bank is capitalised at close to 6% of its CET1 requirement and still talking about filling up its tier 2 bucket. While management is trying to talk payouts down, we think a 90% payout ratio for 2023 still looks conservative in the light of its excess capitalisation.
- **Spar Nord.** The bank has a payout policy of 40-60%, but it seems as if there is an acknowledgment of the policy being higher in the current year. We estimate 72% by factoring in a DKK 500m share buy-back.
- **Ringkjøbing Landbobank.** During the course of 2023 the CEO started talking about a 66% payout ratio, then a 70%+ payout ratio and does not seem to refute a 80%+ payout ratio but he has said that we should not expect a 100% payout ratio. We estimate 85% and think the main question is the split between share buy-backs and dividends.

Despite the aggressive payout ratios (and an argument for why we think they are realistic) is that the banks remain extremely well capitalised. The average CET1 buffer to CET1 targets during 2023E-25E is 3.7pp for the Danish sector, with Jyske Bank at the low end (1.4pp) and Sydbank at the high end (5.5pp).

#### Danish banks: CET1 ratios



Source: Company data, SEB estimates

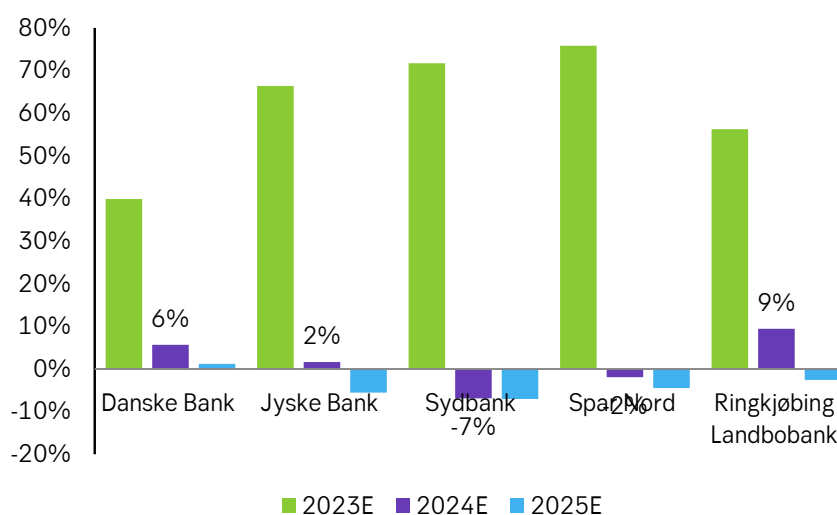
## NII peak is here for some

We believe the net interest income (NII) peak has been reached for some banks (Sydbank and Spar Nord), while we expect others to continue growing their NII (Danske Bank, Jyske Bank, and Ringkjøbing Landbobank). We anticipate NII to perform surprisingly well for all banks next year, considering that deposit migration stalled in Q3 and the interest rate outlook remains favourable.

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**Danish banks: NII outlook**


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Source: Company data, SEB estimates

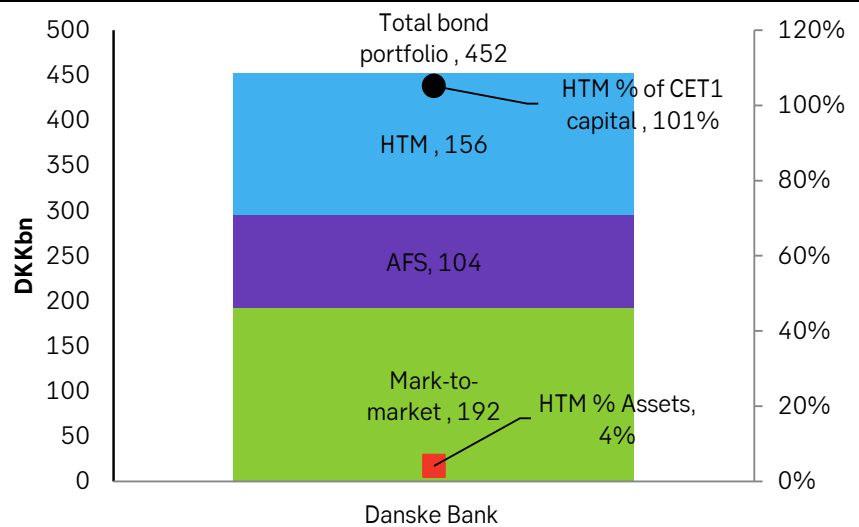
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That said, accounting principles remain the key to unlocking NII growth next year. NII accounting is founded on three key principles:

- **Hold-to-maturity (HTM):** The bank only books the running coupon and does not make any fair value adjustments, thus protecting the P&L, balance sheet, and capital from volatility caused by changes in interest rates and valuations. In an increasing rate environment, the bank will not receive the net Interest Income (NII) benefit until the bonds mature and are reinvested in higher-coupon bonds.
- **Available-for-sale (AFS):** The available-for-sale accounting principle is similar to the hold-to-maturity principle, with the main difference being that valuation adjustments are taken through other comprehensive income, affecting the balance sheet and capital but not the P&L.
- **Mark-to-market:** The last accounting principle in which everything is booked at fair value. The advantage of using this accounting principle is that the bank receives an immediate NII benefit, as the yield-to-maturity (YTM) on the underlying bonds increases as negative fair value adjustments are booked on its trading line, an effect that is reversed.

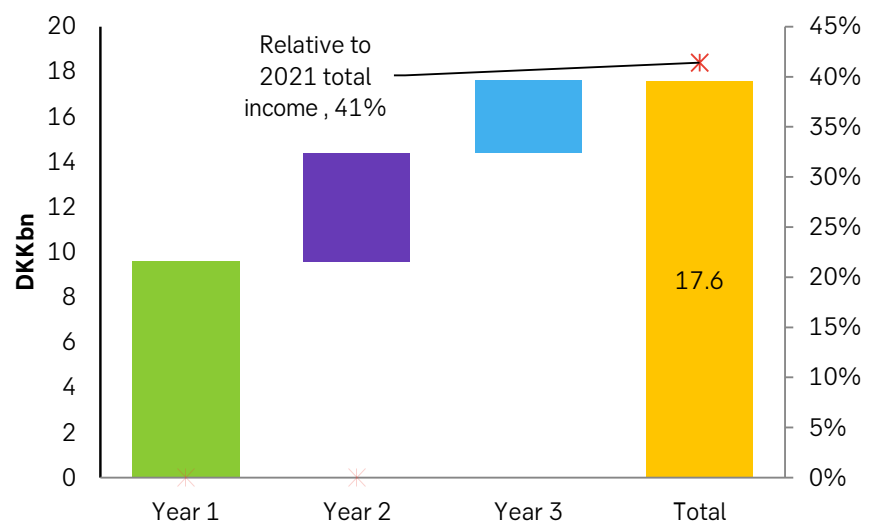
When we look at the five banks, we see two categories: Danske Bank and Jyske Bank benefiting from their HTM and AFS portfolios, while Sydbank, Spar Nord and Ringkjøbing Landbobank are all mark-to-market banks.

Alongside Danske Bank's Q3/23 numbers, it provided an updated interest rate sensitivity analysis showing that a 25bp rate change impacted NII by DKK 600m in year one, DKK 300m in year two and DKK 200m in year three; the impacts in years two and three are mainly due to its HTM and AFS portfolios being rolled and reinvested in higher yielding bonds. Looking at its total bond portfolio of DKK 452bn, Danske Bank has roughly DKK 260bn in HTM and AFS assets with an average duration of just above three years.

**Danske Bank: Bond portfolio split**

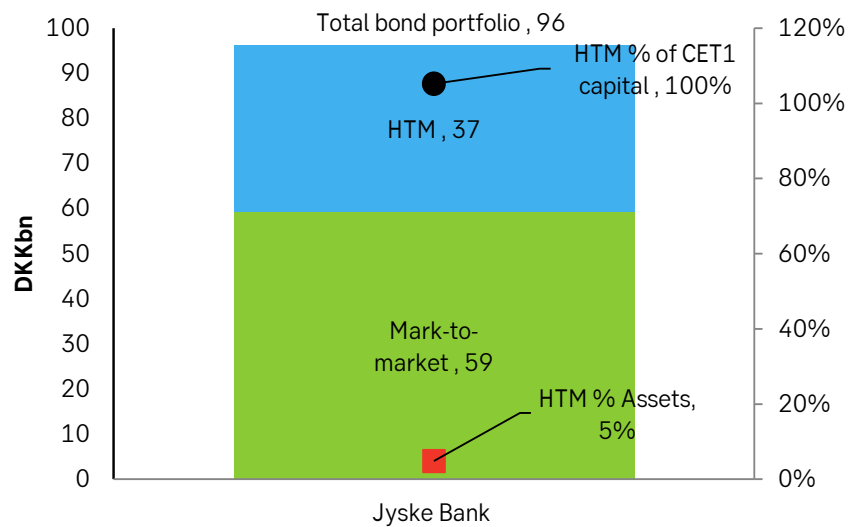
Source: SEB, company data

Based on 16 rate increases by the ECB (from 0% to 4%), the incremental NII pick up is DKK 17.6bn over three years, which is in line with our NII expectations versus before interest rates started to rise.

**Danske Bank: NII sensitivity**

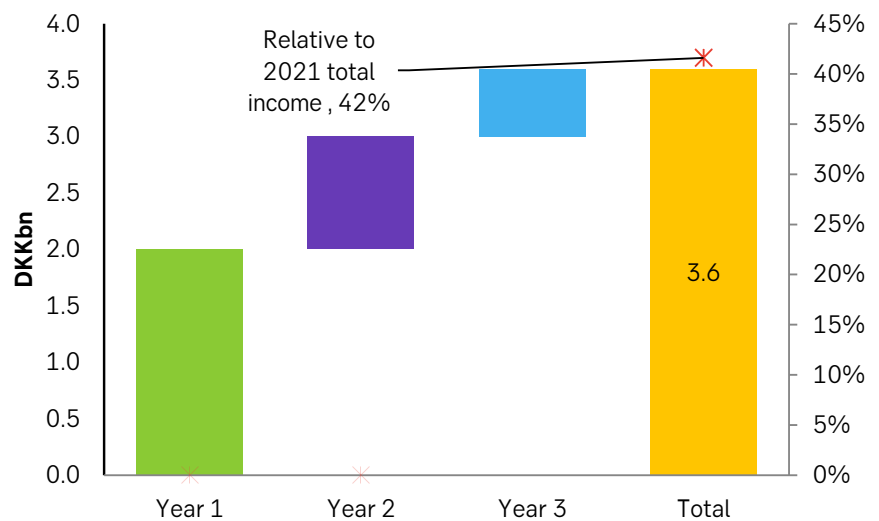
Source: SEB, company data

Jyske Bank has a DKK 96bn bond portfolio, of which DKK 37bn is in HTM assets; the balance is in mark-to-market assets. Jyske Bank says its duration is 2-7 years, which leads us to guesstimate 3-3.5 years, in line with peers.

**Jyske Bank: Bond portfolio split**

Source: SEB, company data

Jyske Bank says it has an NII sensitivity of DKK 500m for every 100bp increase in interest rates. It does not specify its interest rate sensitivity beyond year one, but approximating it with Danske Bank's sensitivity suggests a DKK 3.6bn NII pick up over three years, which is also well in line with our estimate.

**Jyske Bank: NII sensitivity**

Source: SEB, company data

When considering the three other banks, Sydbank, Spar Nord, and Ringkjøbing Landbobank, all of them operate as 100% mark-to-market banks.

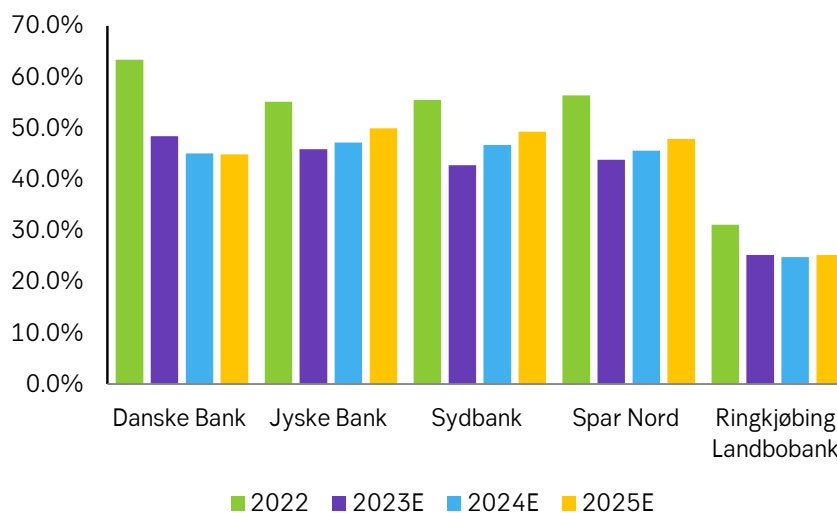
Consequently, in the broader sector outlook, we anticipate that Sydbank will experience the most significant impact on net interest income (NII) growth, due to its 100% mark-to-market nature. The dynamic is further exacerbated by more than DKK 60bn of corporate lending tied to 3M CIBOR. This structure results in corporate lending interest rates being affected by higher 3M CIBOR rates, with a symmetrical impact when money market rates start to decline. Sydbank captures all the benefits upfront but lacks mitigating factors as rates decline. Spar Nord, very similar to Sydbank, has the distinction of being less exposed to 3M CIBOR products, primarily due to its significant focus on retail banking. Ringkjøbing Landbobank, also a 100% mark-to-market bank, fixes money market rates only at the beginning of the quarter. Consequently, the bank lags its peers by one quarter in its NII evolution. However, combined with higher-than-peer loan growth, it positions Ringkjøbing Landbobank for continued expansion in loans and deposits in 2024.

Returning to Danske Bank and Jyske Bank, as previously mentioned, the different NII accounting principles are the key factors contributing to our expectations of 6% and 2% NII growth respectively next year.

## 2024 looks set to be another strong year

2024 is shaping up to be much brighter than the market discounted just six months ago, in our view. Although we anticipate a significant flattening of y/y earnings growth, we believe it will remain broadly flat and will not decline by as much as the market previously feared. As a result, we expect Danish banks to report flattish cost-to-income ratios y/y.

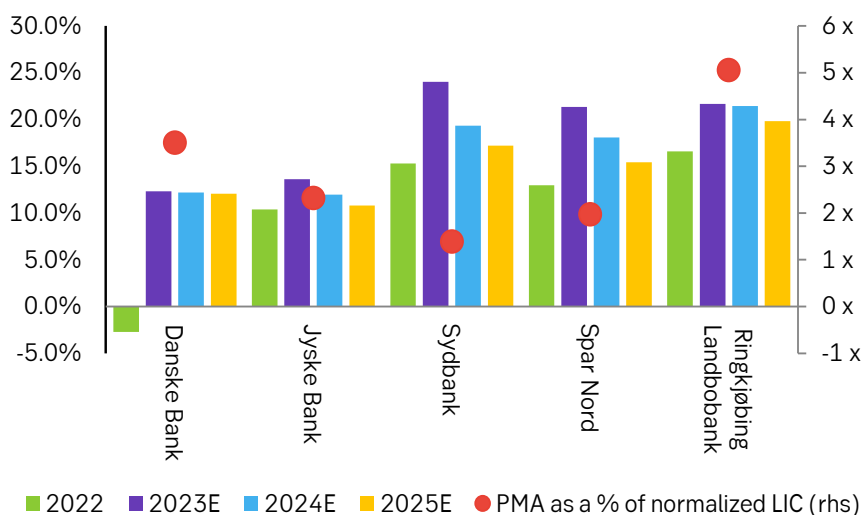
**Danish banks: Cost-to-income ratios**



Source: Company data, SEB estimates

Furthermore, benign credit quality towards the year-end and management comments indicate that loan losses will be low in H1/24, which serves as a potential boost to profits heading into 2024. Danske Bank has been the only bank to argue for higher loan losses, but its numbers align with the other Danish banks, suggesting continued benign asset quality. Additionally, Danish banks all carry sizeable post-model adjustments (PMA), which we believe will provide some protection to their P&Ls if the credit quality outlook were to deteriorate.

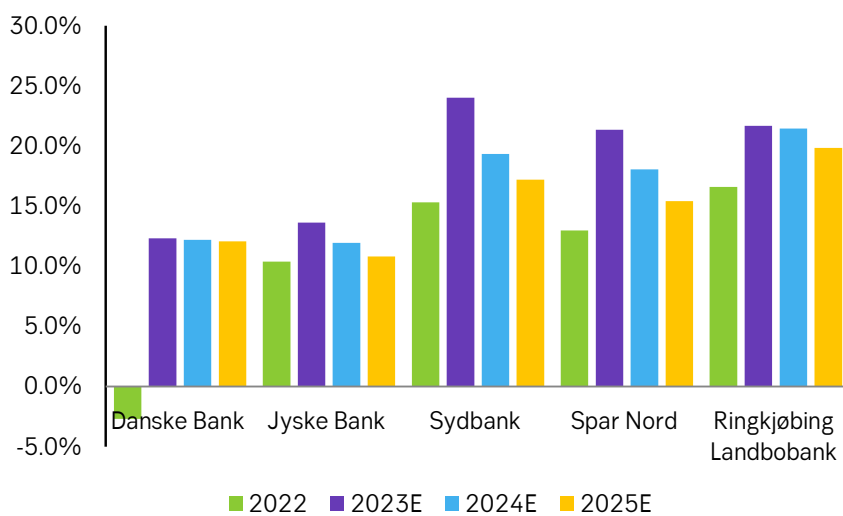
**Danish banks: Loan loss ratios look set to stay low**



Source: Company data, SEB estimates

Consequently, we also anticipate return on equity (ROE) remaining high and structurally higher than in the past decade. While we still expect the pure banks to deliver the highest ROEs, there could be some impact on ROE from excess capital being too high for an extended period.

**Danish banks: ROE outlook**

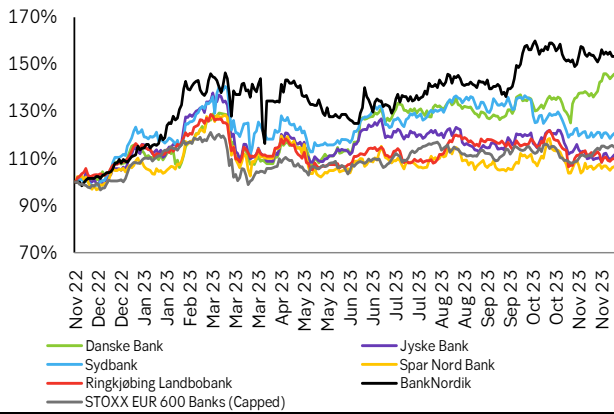


Source: Company data, SEB estimates

# Charts

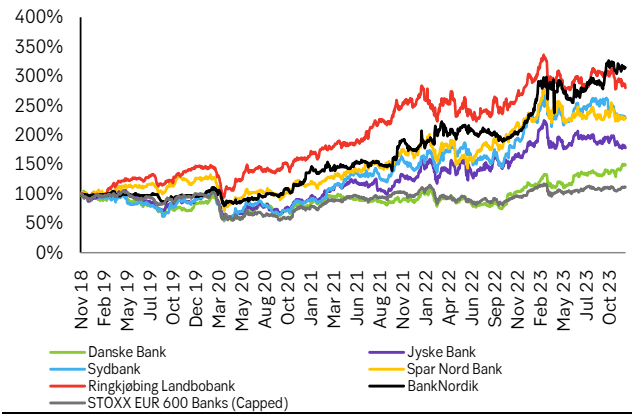
## Performance

**Danish banks: 1 Y relative performance**



Source: SEB, FactSet

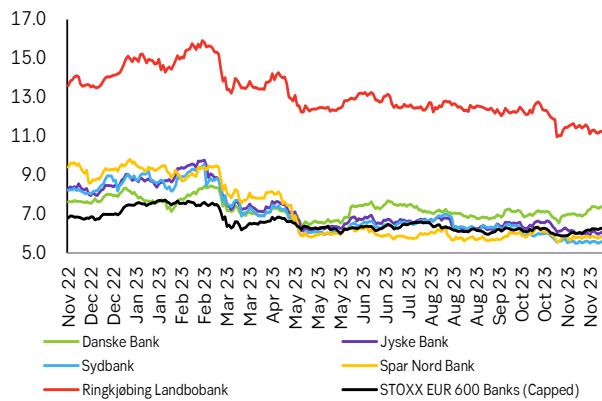
**Danish banks: 5 Y relative performance**



Source: SEB, FactSet

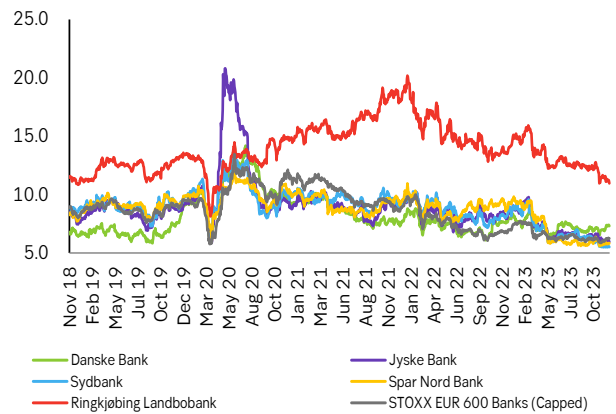
## P/E

**Danish banks: 1 Y 12M fwd P/E**



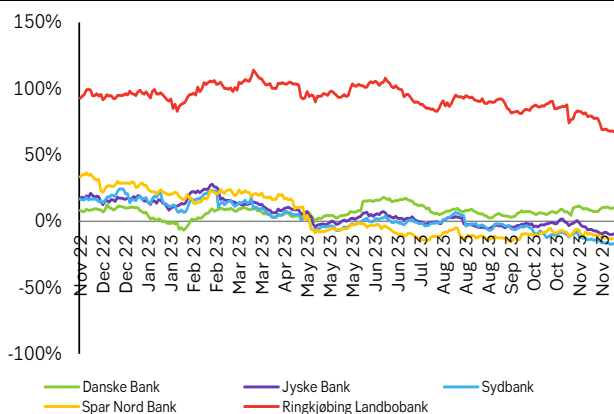
Source: SEB, FactSet

**Danish banks: 5 Y 12M fwd P/E**



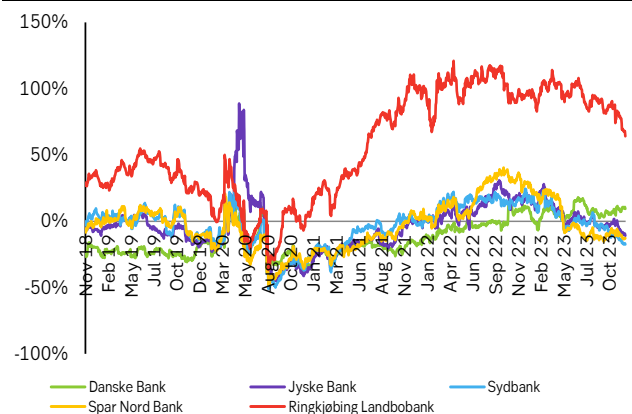
Source: SEB, FactSet

**Danish banks: 1 Y 12M fwd P/E premium to EUR peers**



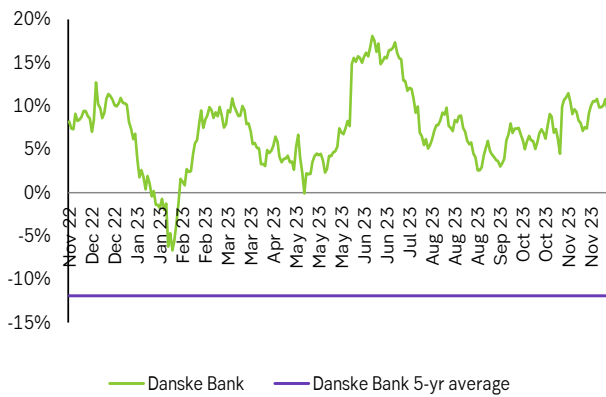
Source: SEB, FactSet

**Danish banks: 5 Y 12M fwd P/E premium to EUR peers**



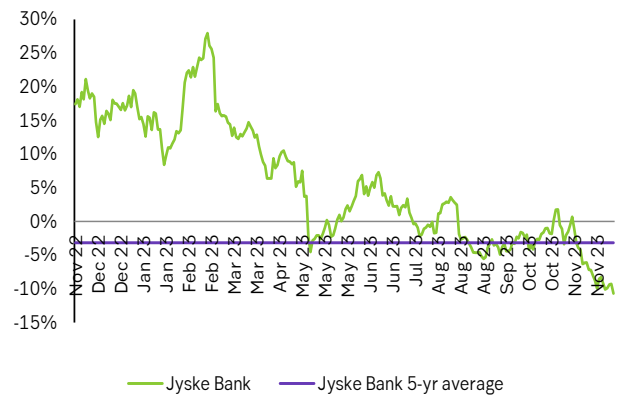
Source: SEB, FactSet

**Danske Bank: 12M fwd P/E premium to EUR peers**



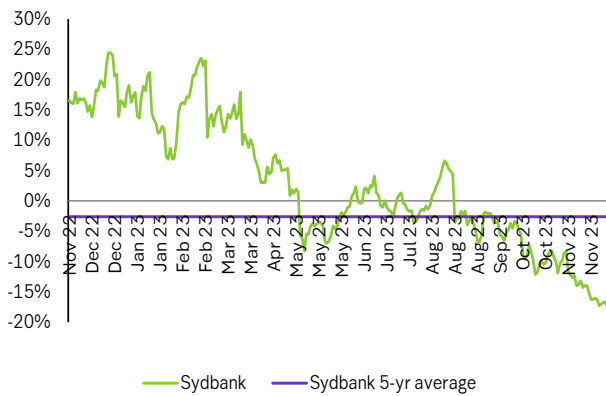
Source: SEB, FactSet

**Jyske Bank: 12M fwd P/E premium to EUR peers**



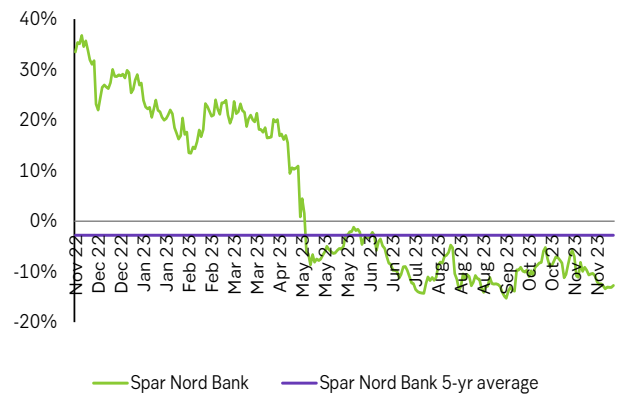
Source: SEB, FactSet

**Sydbank: 12M fwd P/E premium to EUR peers**



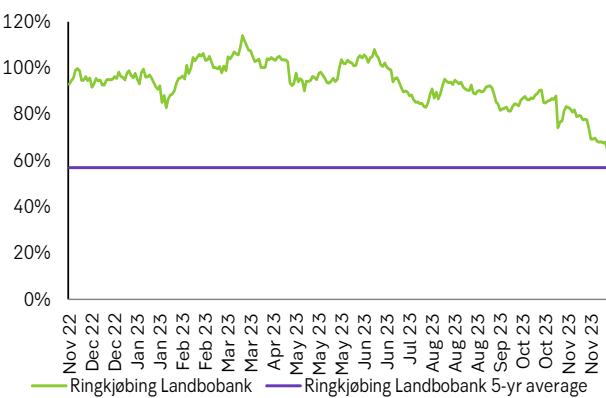
Source: SEB, FactSet

**Spar Nord: 12M fwd P/E premium to EUR peers**



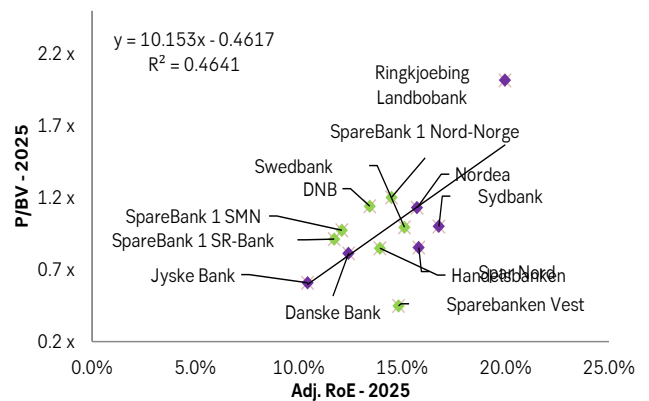
Source: SEB, FactSet

**Ringkjøbing Landbobank: 12M fwd P/E premium to EUR**



Source: SEB, FactSet

**Nordic banks peer group**



Source: SEB, FactSet

# Peer group

## Danish banks (data as at 1 December 2023)

|                           | Mkt cap<br>(DKKm) | Adj. P/E     |              |              | P/BV         |              |              | Adj. ROE     |              |              | Dividend yield (%) |             |             | CET1 ratio   |              |              |
|---------------------------|-------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------------|-------------|-------------|--------------|--------------|--------------|
|                           |                   | 2023E        | 2024E        | 2025E        | 2023E        | 2024E        | 2025E        | 2023E        | 2024E        | 2025E        | 2023E              | 2024E       | 2025E       | 2023E        | 2024E        | 2025E        |
| Danske Bank               | 151,313           | 7.3 x        | 6.6 x        | 6.1 x        | 0.9 x        | 0.8 x        | 0.8 x        | 12.8%        | 12.5%        | 12.4%        | 8.1%               | 9.0%        | 9.8%        | 18.8%*       | 18.7%*       | 18.1%*       |
| Jyske Bank                | 30,054            | 5.5 x        | 5.6 x        | 6.0 x        | 0.7 x        | 0.6 x        | 0.6 x        | 13.7%        | 11.9%        | 10.4%        | 1.7%               | 7.3%        | 7.6%        | 16.8%*       | 17.0%*       | 17.2%*       |
| Ringkjøbing<br>Landbobank | 25,457            | 11.8 x       | 10.7 x       | 10.5 x       | 2.4 x        | 2.2 x        | 2.0 x        | 21.8%        | 21.6%        | 20.0%        | 2.0%               | 2.1%        | 2.2%        | 18.2%*       | 18.1%*       | 18.5%*       |
| Spar Nord Bank            | 12,529            | 5.0 x        | 5.4 x        | 5.8 x        | 1.0 x        | 0.9 x        | 0.9 x        | 21.7%        | 18.5%        | 15.8%        | 10.6%              | 9.6%        | 8.7%        | 17.9%*       | 18.7%*       | 21.0%*       |
| Sydbank                   | 16,747            | 5.2 x        | 5.7 x        | 6.2 x        | 1.2 x        | 1.1 x        | 1.0 x        | 23.4%        | 18.9%        | 16.8%        | 9.7%               | 8.8%        | 8.4%        | 18.6%*       | 18.4%*       | 18.7%*       |
| <b>Simple average</b>     |                   | <b>6.9 x</b> | <b>6.8 x</b> | <b>6.9 x</b> | <b>1.2 x</b> | <b>1.1 x</b> | <b>1.1 x</b> | <b>18.7%</b> | <b>16.7%</b> | <b>15.1%</b> | <b>6.4%</b>        | <b>7.3%</b> | <b>7.3%</b> | <b>18.0%</b> | <b>18.2%</b> | <b>18.7%</b> |
| <b>Median</b>             |                   | <b>5.5 x</b> | <b>5.7 x</b> | <b>6.1 x</b> | <b>1.0 x</b> | <b>0.9 x</b> | <b>0.9 x</b> | <b>21.7%</b> | <b>18.5%</b> | <b>15.8%</b> | <b>8.1%</b>        | <b>8.8%</b> | <b>8.4%</b> | <b>18.2%</b> | <b>18.4%</b> | <b>18.5%</b> |

\* Consensus estimates

Source: SEB, FactSet

## European banks (data as at 1 December 2023)

|                                 | Mkt cap<br>(DKKm) | Adj. P/E     |              |              | P/BV         |              |              | Adj. ROE     |              |              | Dividend yield (%) |             |              | CET1 ratio   |              |              |
|---------------------------------|-------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------------|-------------|--------------|--------------|--------------|--------------|
|                                 |                   | 2023E        | 2024E        | 2025E        | 2023E        | 2024E        | 2025E        | 2023E        | 2024E        | 2025E        | 2023E              | 2024E       | 2025E        | 2023E        | 2024E        | 2025E        |
| Danske Bank                     | 151,313           | 7.3 x        | 6.6 x        | 6.1 x        | 0.9 x        | 0.8 x        | 0.8 x        | 12.8%        | 12.5%        | 12.4%        | 8.1%               | 9.0%        | 9.8%         | 18.8%*       | 18.7%*       | 18.1%*       |
| Nordea                          | 271,624           | 7.1 x        | 7.3 x        | 7.3 x        | 1.2 x        | 1.1 x        | 1.1 x        | 16.5%        | 15.8%        | 15.7%        | 9.7%               | 9.5%        | 9.5%         | 16.5%*       | 16.6%*       | 16.4%*       |
| DNB                             | 202,325           | 8.2 x        | 8.8 x        | 8.7 x        | 1.3 x        | 1.2 x        | 1.1 x        | 15.9%        | 13.8%        | 13.4%        | 6.8%               | 7.0%        | 7.0%         | 18.6%*       | 18.8%*       | 18.9%*       |
| SEB                             | 176,222           | 9.2 x*       | 7.0 x*       | 7.8 x*       | 1.2 x*       | 1.2 x*       | 1.1 x*       | 13.0%*       | 16.9%*       | 14.5%*       | 5.6%*              | 7.7%*       | 7.5%*        | 19.2%*       | 19.4%*       | 19.4%*       |
| Swedbank                        | 142,065           | 6.4 x        | 6.7 x        | 6.8 x        | 1.1 x        | 1.1 x        | 1.0 x        | 18.1%        | 15.8%        | 15.1%        | 8.3%               | 8.8%        | 10.2%        | 18.7%*       | 19.2%*       | 19.4%*       |
| Handelsbanken                   | 128,776           | 7.2 x        | 7.8 x        | 6.2 x        | 0.9 x        | 0.9 x        | 0.8 x        | 13.4%        | 11.6%        | 13.9%        | 10.1%              | 9.1%        | 16.1%        | 19.3%*       | 19.5%*       | 19.5%*       |
| BNP Paribas                     | 483,237           | 6.8 x*       | 6.9 x*       | 6.1 x*       | 0.6 x*       | 0.6 x*       | 0.6 x*       | 8.7%*        | 8.9%*        | 9.4%*        | 7.3%*              | 7.9%*       | 8.3%*        | 13.2%*       | 13.2%*       | 12.9%*       |
| SocGen                          | 134,802           | 3.8 x*       | 5.8 x*       | 4.5 x*       | 0.3 x*       | 0.3 x*       | 0.3 x*       | 8.7%*        | 5.0%*        | 6.3%*        | 7.3%*              | 5.2%*       | 6.2%*        | 13.1%*       | 13.2%*       | 12.8%*       |
| Deutsche bank                   | 168,708           | 6.2 x*       | 5.6 x*       | 5.2 x*       | 0.4 x*       | 0.4 x*       | 0.3 x*       | 5.8%*        | 6.4%*        | 6.4%*        | 3.0%*              | 4.0%*       | 5.9%*        | 13.6%*       | 13.8%*       | 13.7%*       |
| Commerzbank                     | 103,479           | 7.1 x*       | 6.1 x*       | 5.3 x*       | 0.4 x*       | 0.5 x*       | 0.4 x*       | 5.7%*        | 7.9%*        | 8.2%*        | 2.3%*              | 3.5%*       | 5.4%*        | 14.6%*       | 14.6%*       | 14.5%*       |
| Barclays                        | 181,894           | 4.7 x*       | 4.5 x*       | 4.4 x*       | 0.4 x*       | 0.4 x*       | 0.3 x*       | 8.7%*        | 8.0%*        | 7.7%*        | 4.6%*              | 6.1%*       | 6.9%*        | 13.9%*       | 13.9%*       | 13.8%*       |
| NatWest                         | 154,081           | 7.3 x*       | 4.8 x*       | 5.3 x*       | 0.8 x*       | 0.6 x*       | 0.5 x*       | 9.9%*        | 11.6%*       | 9.5%*        | 11.9%*             | 8.1%*       | 7.7%*        | 13.4%*       | 13.3%*       | 13.2%*       |
| HSBC                            | 1,013,211         | 8.5 x*       | 5.9 x*       | 5.9 x*       | 0.7 x*       | 0.9 x*       | 0.8 x*       | 8.4%*        | 14.8%*       | 13.8%*       | 5.1%*              | 8.4%*       | 10.6%*       | 14.4%*       | 14.8%*       | 14.5%*       |
| Santander                       | 456,085           | 5.2 x*       | 6.0 x*       | 5.6 x*       | 0.5 x*       | 0.6 x*       | 0.6 x*       | 9.8%*        | 10.3%*       | 10.3%*       | 4.5%*              | 5.2%*       | 5.9%*        | 12.5%*       | 12.7%*       | 12.7%*       |
| Erste                           | 115,658           | 6.2 x*       | 5.6 x*       | 5.9 x*       | 0.7 x*       | 0.8 x*       | 0.7 x*       | 11.8%*       | 14.3%*       | 12.4%*       | 6.4%*              | 7.1%*       | 7.8%*        | 14.9%*       | 15.3%*       | 15.6%*       |
| KBC                             | 162,307           | 8.8 x*       | 6.7 x*       | 7.4 x*       | 1.3 x*       | 1.0 x*       | 0.9 x*       | 14.5%*       | 14.5%*       | 13.1%*       | 6.7%*              | 8.6%*       | 9.2%*        | 15.0%*       | 15.1%*       | 15.1%*       |
| BBVA                            | 381,907           | 5.4 x*       | 6.8 x*       | 6.7 x*       | 0.7 x*       | 1.0 x*       | 1.0 x*       | 13.7%*       | 15.2%*       | 14.5%*       | 7.8%*              | 7.1%*       | 7.3%*        | 12.7%*       | 12.9%*       | 12.9%*       |
| Intesa                          | 357,775           | 9.1 x*       | 6.4 x*       | 6.1 x*       | 0.7 x*       | 0.8 x*       | 0.8 x*       | 7.9%*        | 13.1%*       | 13.2%*       | 7.7%*              | 11.2%*      | 11.7%*       | 13.9%*       | 14.0%*       | 14.2%*       |
| UniCredit                       | 329,413           | 4.7 x*       | 5.8 x*       | 5.6 x*       | 0.4 x*       | 0.7 x*       | 0.7 x*       | 8.3%*        | 12.5%*       | 11.6%*       | 7.3%*              | 5.9%*       | 6.7%*        | 16.2%*       | 16.2%*       | 16.1%*       |
| Credit Agricole                 | 267,363           | 5.8 x*       | 6.6 x*       | 6.5 x*       | 0.5 x*       | 0.5 x*       | 0.5 x*       | 8.4%*        | 7.8%*        | 7.5%*        | 10.6%*             | 7.8%*       | 7.6%*        | 11.6%*       | 11.5%*       | 11.9%*       |
| Lloyds                          | 232,341           | 6.3 x*       | 5.7 x*       | 5.9 x*       | 0.7 x*       | 0.7 x*       | 0.6 x*       | 11.5%*       | 12.2%*       | 10.6%*       | 5.3%*              | 6.4%*       | 7.3%*        | 14.3%*       | 14.1%*       | 14.1%*       |
| UBS                             | 620,923           | 9.0 x*       | 25.3 x*      | 15.0 x*      | 1.0 x*       | 1.0 x*       | 1.0 x*       | 12.4%*       | 4.0%*        | 6.0%*        | 3.0%*              | 2.2%*       | 2.3%*        | 14.3%*       | 14.7%*       | 15.0%*       |
| ING                             | 341,399           | 10.5 x*      | 6.2 x*       | 6.6 x*       | 0.8 x*       | 0.9 x*       | 0.8 x*       | 7.1%*        | 13.8%*       | 12.2%*       | 6.5%*              | 8.1%*       | 8.0%*        | 14.7%*       | 14.0%*       | 13.4%*       |
| ABN Amro                        | 40,561            | 6.5 x*       | 4.5 x*       | 5.4 x*       | 0.6 x*       | 0.5 x*       | 0.5 x*       | 8.5%*        | 11.4%*       | 8.8%*        | 7.6%*              | 11.2%*      | 9.2%*        | 14.7%*       | 14.6%*       | 14.6%*       |
| <b>Average (Nordic Banks)</b>   |                   | <b>7.2 x</b> | <b>7.5 x</b> | <b>7.1 x</b> | <b>1.1 x</b> | <b>1.0 x</b> | <b>1.0 x</b> | <b>15.6%</b> | <b>14.0%</b> | <b>14.1%</b> | <b>8.5%</b>        | <b>8.5%</b> | <b>10.1%</b> | <b>18.5%</b> | <b>18.7%</b> | <b>18.6%</b> |
| <b>Average (European banks)</b> |                   | <b>7.0 x</b> | <b>6.6 x</b> | <b>6.0 x</b> | <b>0.8 x</b> | <b>0.7 x</b> | <b>0.7 x</b> | <b>11.9%</b> | <b>11.1%</b> | <b>11.2%</b> | <b>7.3%</b>        | <b>7.7%</b> | <b>8.6%</b>  | <b>15.1%</b> | <b>15.2%</b> | <b>15.1%</b> |
| <b>Median</b>                   |                   | <b>6.3 x</b> | <b>6.1 x</b> | <b>5.9 x</b> | <b>0.8 x</b> | <b>0.8 x</b> | <b>0.7 x</b> | <b>12.6%</b> | <b>11.6%</b> | <b>11.1%</b> | <b>7.7%</b>        | <b>7.7%</b> | <b>8.2%</b>  | <b>14.5%</b> | <b>14.6%</b> | <b>14.5%</b> |

\* Consensus estimates

Source: SEB, FactSet

# Appendix – Company profiles

## Banks

Denmark

## Danske Bank

Buy

Analyst: Martin Birk

Tel: (45) 3328 3316

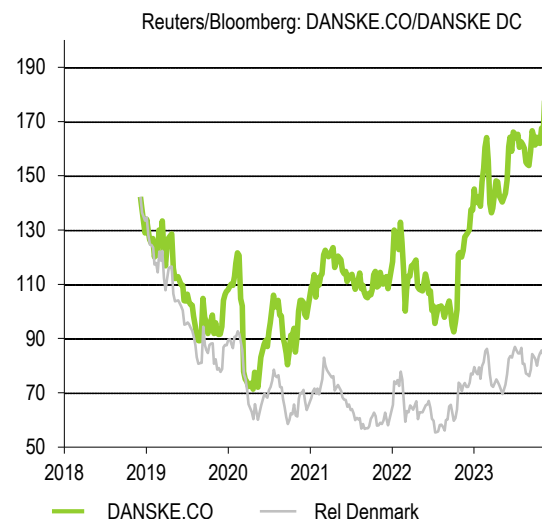
e-mail: martin.birk@seb.dk

DKK 177.2

Target price: DKK 230

| Estimates (DKK)                |         |        |        |        |
|--------------------------------|---------|--------|--------|--------|
| (Y/end 31-Dec)                 | 2022    | 2023E  | 2024E  | 2025E  |
| Revenues (m)                   | 41,788  | 52,516 | 56,202 | 57,444 |
| PTP (m)                        | (1,699) | 26,335 | 28,783 | 29,528 |
| EPS (reported)                 | (5.21)  | 23.9   | 25.9   | 27.9   |
| EPS (adjusted)                 | 12.0    | 24.2   | 26.6   | 28.7   |
| DPS                            | 0.0     | 14.3   | 15.7   | 17.2   |
| Revenue growth (%)             | (1.7)   | 25.7   | 7.0    | 2.2    |
| PTP growth (%)                 | n.a.    | n.a.   | 9.3    | 2.6    |
| EPS (adjusted) gr. (%)         | (20.0)  | 101.0  | 9.9    | 7.9    |
| Net loans growth (%)           | (1.8)   | (0.6)  | 2.3    | 2.3    |
| Net interest margin (%)        | 0.65    | 0.92   | 0.96   | 0.95   |
| Gross imp. loans / lending (%) | 0.4     | 0.0    | 0.0    | 0.0    |
| Reserves/Gross imp. loans (%)  | (193)   | n.a.   | n.a.   | n.a.   |
| Losses/Loans (%)               | 0.08    | 0.03   | 0.10   | 0.10   |
| Tier 1 ratio                   | 19.6    | 20.8   | 21.0   | 20.6   |
| Valuation                      |         |        |        |        |
| PER (adjusted)                 | 14.7    | 7.3    | 6.7    | 6.2    |
| Yield (%)                      | 0.0     | 8.1    | 8.9    | 9.7    |
| P/BV (x)                       | 0.95    | 0.88   | 0.82   | 0.82   |
| P/Tangible Equity (x)          | 1.00    | 0.91   | 0.85   | 0.85   |
| RoE (%)                        | (2.8)   | 12.3   | 12.2   | 12.1   |
| Return on tangible equity (%)  | 6.6     | 13.3   | 12.9   | 12.8   |

| Key data (2023E)  |         |                       |          |
|-------------------|---------|-----------------------|----------|
| Market cap (USDm) | 22,311  | Shares outstand. (m)  | 862.18   |
| Market cap (DKKm) | 152,779 | Shares fully dil. (m) | 862.18   |
| Equity (DKKm)     | 173,740 | Avg volume (000s)     | 1,554.40 |
| Capital ratio (%) | 23.3    | Free float (%)        | 80       |



| Performance data              | 12m High/Low | 180/127 |
|-------------------------------|--------------|---------|
| Absolute (%)                  | -1M          | -3M     |
| Relative to local index (%)   | 5.9          | 14.9    |
| Relative to Europe, ex UK (%) | 2.1          | 13.8    |
| Relative to sector (%)        | (3.9)        | 12.7    |
|                               | (4.6)        | 8.9     |

## Case

Danske Bank is priced on a 25% P/E (2024E) discount to its Nordic peer group, which makes the shares attractive, in our view. Following the launch of its new strategy, Danske Bank targets significant improvement towards 2026 which, in combination with an attractive capital return story, is the key to our Buy case.

## Valuation

We value Danske Bank using an excess return/dividend valuation methodology. In our valuation, we assume a cost of equity of 11.5% and a steady-state growth rate of 2%. Our terminal value is based on the average of our 2025 forecast and a long-term loan loss ratio of 12bp.

## Risks to target price

Our main concern is a sharp central bank pivot leading to pressure on NII and large loan losses.

## Description

Danske Bank is one of the six largest Nordic banks and the largest bank in Denmark. Denmark accounts for 60% of Danske Bank's loan book. Danske Bank comes from a stream of M&A starting in 1990 (Handelsbanken and Provinsbanken) followed by Swedish and Norwegian acquisitions in 1997 and 1999. In Denmark, BG Bank/Realkredit Danmark was acquired in 2001, and operations in Ireland and Northern Ireland were acquired in 2004. In 2006, the acquisition of Sampo Bank took place. In 2018, Danske Bank was hit by a major AML scandal related to its Estonian activities, which was settled for USD 2bn in late 2022.

**Profit & loss statement**

| (DKKm)                              | 2013            | 2014            | 2015            | 2016            | 2017            | 2018            | 2019            | 2020            | 2021            | 2022            | 2023E           | 2024E           | 2025E           |
|-------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Net interest income                 | 22,076          | 22,313          | 21,402          | 22,492          | 23,807          | 23,572          | 22,101          | 22,155          | 21,920          | 25,108          | 35,119          | 37,096          | 37,538          |
| Net commissions                     | 9,469           | 11,156          | 15,020          | 14,469          | 15,664          | 15,404          | 12,635          | 12,217          | 13,522          | 12,590          | 11,698          | 12,751          | 12,836          |
| Trading income                      | 5,799           | 6,693           | 6,848           | 7,858           | 7,088           | 4,675           | 4,351           | 4,297           | 4,180           | 1,875           | 3,846           | 3,776           | 4,477           |
| Result from insurance operations    | 1,088           | 2,496           | 0               | 0               | 0               | 0               | 2,387           | 1,668           | 2,088           | 278             | 1,323           | 1,600           | 1,600           |
| Other income                        | 1,308           | 1,344           | 2,343           | 3,139           | 1,591           | 716             | 1,058           | 595             | 797             | 1,937           | 529             | 978             | 994             |
| <b>Total income</b>                 | <b>39,740</b>   | <b>44,002</b>   | <b>45,613</b>   | <b>47,958</b>   | <b>48,150</b>   | <b>44,367</b>   | <b>42,532</b>   | <b>40,932</b>   | <b>42,507</b>   | <b>41,788</b>   | <b>52,516</b>   | <b>56,202</b>   | <b>57,444</b>   |
| Personnel expenses                  | (14,078)        | (13,777)        | (14,014)        | (14,036)        | (13,834)        | (14,364)        | (15,320)        | (15,850)        | (15,606)        | (15,483)        | (15,418)        | (14,968)        | (15,392)        |
| Other expenses                      | (9,716)         | (8,864)         | (9,223)         | (8,605)         | (8,886)         | (10,647)        | (10,972)        | (10,797)        | (10,056)        | (10,996)        | (10,000)        | (10,352)        | (10,375)        |
| <b>Total non-interest expenses</b>  | <b>(23,794)</b> | <b>(22,641)</b> | <b>(23,237)</b> | <b>(22,641)</b> | <b>(22,720)</b> | <b>(25,011)</b> | <b>(26,292)</b> | <b>(26,647)</b> | <b>(25,662)</b> | <b>(26,479)</b> | <b>(25,418)</b> | <b>(25,320)</b> | <b>(25,767)</b> |
| <b>Profit before credit losses</b>  | <b>15,946</b>   | <b>21,361</b>   | <b>22,376</b>   | <b>25,317</b>   | <b>25,430</b>   | <b>19,356</b>   | <b>16,240</b>   | <b>14,285</b>   | <b>16,845</b>   | <b>15,309</b>   | <b>27,098</b>   | <b>30,882</b>   | <b>31,677</b>   |
| Credit losses                       | (4,111)         | (2,788)         | (58)            | 4               | 873             | 650             | (1,516)         | (7,000)         | (347)           | (1,568)         | (702)           | (2,079)         | (2,130)         |
| Net capital gains (losses)          | (1,776)         | (10,602)        | (4,555)         | 36              | (11)            | (282)           | (2,095)         | (975)           | (2)             | (15,440)        | (60)            | (20)            | (20)            |
| <b>Pre-tax profit</b>               | <b>10,059</b>   | <b>7,971</b>    | <b>17,763</b>   | <b>25,357</b>   | <b>26,292</b>   | <b>19,724</b>   | <b>12,629</b>   | <b>6,310</b>    | <b>16,497</b>   | <b>(1,699)</b>  | <b>26,335</b>   | <b>28,783</b>   | <b>29,528</b>   |
| Taxes                               | (2,944)         | (4,021)         | (4,639)         | (5,499)         | (5,389)         | (4,721)         | 1,249           | (1,714)         | (3,651)         | (2,784)         | (5,741)         | (6,908)         | (7,087)         |
| Other items                         | 0               | (259)           | (607)           | (663)           | (786)           | (781)           | (787)           | (551)           | (451)           | (86)            | 0               | 0               | 0               |
| <b>Net profit</b>                   | <b>7,115</b>    | <b>3,691</b>    | <b>12,517</b>   | <b>19,195</b>   | <b>20,117</b>   | <b>14,222</b>   | <b>13,091</b>   | <b>4,045</b>    | <b>12,395</b>   | <b>(4,569)</b>  | <b>20,594</b>   | <b>21,875</b>   | <b>22,441</b>   |
| Net interest margin                 | 0.66            | 0.67            | 0.63            | 0.66            | 0.68            | 0.66            | 0.60            | 0.56            | 0.54            | 0.65            | 0.92            | 0.96            | 0.95            |
| Cost/income ratio                   | 59.9            | 51.5            | 50.9            | 47.2            | 47.2            | 56.4            | 61.8            | 65.1            | 60.4            | 63.4            | 48.4            | 45.1            | 44.9            |
| Credit losses/loans                 | 0.22            | 0.15            | 0.00            | (0.00)          | (0.04)          | (0.03)          | 0.07            | 0.33            | 0.02            | 0.08            | 0.03            | 0.10            | 0.10            |
| ROE                                 | 5.0             | 2.5             | 8.5             | 12.7            | 13.1            | 9.4             | 8.6             | 2.6             | 7.5             | (2.8)           | 12.3            | 12.2            | 12.1            |
| <b>Growth rates y-o-y (%)</b>       |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| Total income                        | (13.0)          | 10.7            | 3.7             | 5.1             | 0.4             | (7.9)           | (4.1)           | (3.8)           | 3.8             | (1.7)           | 25.7            | 7.0             | 2.2             |
| Profit before credit losses         | (24.1)          | 34.0            | 4.8             | 13.1            | 0.4             | (23.9)          | (16.1)          | (12.0)          | 17.9            | (9.1)           | 77.0            | 14.0            | 2.6             |
| Pre-tax profit                      | 17.8            | (20.8)          | 122.8           | 42.8            | 3.7             | (25.0)          | (36.0)          | (50.0)          | 161.4           | 0.0             | 0.0             | 9.3             | 2.6             |
| <b>Key ratios</b>                   |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| Tier 1 ratio                        | 19.0            | 15.2            | 18.1            | 19.6            | 21.9            | 22.0            | 22.3            | 21.6            | 20.6            | 19.6            | 20.8            | 21.0            | 20.6            |
| Capital ratio                       | 21.4            | 17.1            | 20.2            | 21.7            | 24.5            | 23.3            | 24.6            | 24.1            | 23.0            | 22.1            | 23.3            | 23.4            | 23.0            |
| Net non-performing loans            | 105,800         | 96,918          | 78,002          | 65,455          | 53,025          | 48,972          | 53,517          | 51,929          | 30,314          | 25,629          | 16,761          | 16,761          | 16,761          |
| Acc provisions % of gross non-perf. | n.a.            | n.a.            | n.a.            | n.a.            | n.a.            | n.a.            | n.a.            | n.a.            | n.a.            | n.a.            | n.a.            | n.a.            | n.a.            |
| Net non-performing % of net loans   | 5.7             | 5.2             | 4.3             | 3.4             | 2.7             | 2.3             | 2.5             | 2.5             | 1.5             | 1.2             | 0.8             | 0.8             | 0.8             |
| Net non-performing % of equity      | 72.6            | 66.1            | 52.2            | 43.0            | 34.5            | 32.9            | 34.2            | 32.4            | 17.7            | 16.0            | 9.6             | 9.0             | 9.0             |
| Average number of employees         | 0               | 0               | 0               | 0               | 0               | 0               | 0               | 0               | 0               | 0               | 0               | 0               | 0               |
| Personnel expenses/employee         | 0               | 0               | 0               | 0               | 0               | 0               | 0               | 0               | 0               | 0               | 0               | 0               | 0               |
| Income/employee                     | n.a.            | n.a.            | n.a.            | n.a.            | n.a.            | n.a.            | n.a.            | n.a.            | n.a.            | n.a.            | n.a.            | n.a.            | n.a.            |
| Adjusted net profit                 | 8,513           | 22,497          | 19,995          | 17,930          | 20,273          | 16,775          | 13,115          | 6,512           | 13,380          | 10,437          | 21,361          | 22,466          | 23,047          |
| Adjusted equity                     | 125,016         | 135,455         | 143,008         | 145,482         | 146,739         | 137,752         | 147,104         | 151,384         | 162,388         | 153,516         | 167,671         | 179,295         | 180,111         |
| Return on Adjusted equity           | 6.0             | 15.2            | 13.1            | 11.4            | 12.7            | 10.6            | 8.1             | 3.8             | 7.8             | 6.2             | 12.8            | 12.5            | 12.4            |

**Balance sheet**

| (DKKm)                              | 2013             | 2014             | 2015             | 2016             | 2017             | 2018             | 2019             | 2020             | 2021             | 2022             | 2023E            | 2024E            | 2025E            |
|-------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Cash & financial institutions       | 97,435           | 97,662           | 152,058          | 253,755          | 360,449          | 210,234          | 180,612          | 352,068          | 326,807          | 198,483          | 302,310          | 303,496          | 304,686          |
| Securities                          | 857,639          | 664,065          | 559,308          | 526,581          | 517,019          | 447,961          | 486,206          | 600,148          | 552,790          | 511,289          | 463,442          | 465,299          | 467,163          |
| Net loans                           | 1,852,852        | 1,853,824        | 1,825,687        | 1,933,629        | 1,951,563        | 2,085,800        | 2,168,017        | 2,096,009        | 2,088,327        | 2,051,707        | 2,040,315        | 2,086,868        | 2,135,090        |
| Other assets                        | 419,131          | 837,465          | 755,825          | 769,705          | 710,497          | 834,472          | 926,215          | 1,061,006        | 967,911          | 1,001,520        | 1,041,892        | 1,059,149        | 1,064,853        |
| Deposits from fin. institutions     | 2,579,998        | 1,464,589        | 1,159,878        | 1,231,959        | 1,176,065        | 1,351,287        | 1,370,230        | 1,528,503        | 1,368,892        | 1,382,771        | 1,411,337        | 1,429,598        | 1,448,155        |
| Deposits from customers             | 435,183          | 849,874          | 913,720          | 965,853          | 1,031,753        | 992,335          | 1,074,402        | 1,276,078        | 1,244,620        | 1,236,604        | 1,196,812        | 1,220,929        | 1,245,531        |
| Bond borrowing                      | 66,219           | 986,172          | 1,058,450        | 1,119,244        | 1,163,455        | 1,071,569        | 1,145,910        | 1,135,971        | 1,145,619        | 983,306          | 1,066,070        | 1,078,920        | 1,091,926        |
| Equity                              | 145,657          | 152,381          | 160,830          | 166,614          | 168,255          | 163,276          | 170,508          | 168,679          | 176,704          | 160,318          | 173,740          | 185,364          | 186,180          |
| <b>Total liabilities and equity</b> | <b>3,227,057</b> | <b>3,453,016</b> | <b>3,292,878</b> | <b>3,483,670</b> | <b>3,539,528</b> | <b>3,578,467</b> | <b>3,761,050</b> | <b>4,109,231</b> | <b>3,935,835</b> | <b>3,762,999</b> | <b>3,847,959</b> | <b>3,914,810</b> | <b>3,971,791</b> |
| Risk-weighted assets                | 852,250          | 864,524          | 830,403          | 815,248          | 753,409          | 748,104          | 767,177          | 784,184          | 860,173          | 838,193          | 824,875          | 841,051          | 857,838          |
| Loans/assets (%)                    | 57.4             | 53.7             | 55.4             | 55.5             | 55.1             | 58.3             | 57.6             | 51.0             | 53.1             | 54.5             | 53.0             | 53.3             | 53.8             |
| Loan growth y-o-y                   | (2.2)            | 0.1              | (1.5)            | 5.9              | 0.9              | 6.9              | 3.9              | (3.3)            | (0.4)            | (1.8)            | (0.6)            | 2.3              | 2.3              |
| Deposits/loans (%)                  | 23.5             | 45.8             | 50.0             | 50.0             | 52.9             | 47.6             | 49.6             | 60.9             | 59.6             | 60.3             | 58.7             | 58.5             | 58.3             |

**Valuation**

| (DKKm)                         | 2013    | 2014    | 2015    | 2016  | 2017  | 2018  | 2019  | 2020  | 2021  | 2022   | 2023E | 2024E | 2025E |
|--------------------------------|---------|---------|---------|-------|-------|-------|-------|-------|-------|--------|-------|-------|-------|
| No of shares, fully dil. (y/e) | 1,000.4 | 1,008.6 | 1,008.6 | 983.7 | 936.8 | 896.0 | 862.2 | 862.2 | 862.2 | 862.2  | 862.2 | 862.2 | 862.2 |
| Share price, y/e               | 124.4   | 167.4   | 185.2   | 214.2 | 241.6 | 128.9 | 107.8 | 100.7 | 113.0 | 137.3  | 177.2 | 177.2 | 177.2 |
| EPS (reported)                 | 7.11    | 3.95    | 13.3    | 20.7  | 22.4  | 17.2  | 17.1  | 5.37  | 15.0  | (5.21) | 23.9  | 25.9  | 27.9  |
| EPS (adjusted)                 | 8.51    | 23.0    | 19.9    | 18.0  | 21.3  | 18.3  | 14.4  | 6.96  | 15.1  | 12.0   | 24.2  | 26.6  | 28.7  |
| Dividend/share                 | 2.0     | 5.5     | 8.0     | 9.0   | 10.0  | 8.5   | 0.0   | 2.0   | 2.0   | 0.0    | 14.3  | 15.7  | 17.2  |
| Book value/share               | 146     | 145     | 148     | 155   | 164   | 166   | 181   | 186   | 199   | 186    | 202   | 215   | 216   |
| Adjusted equity/share          | 125     | 134     | 142     | 148   | 157   | 154   | 171   | 176   | 188   | 178    | 194   | 208   | 209   |
| PER (adjusted)                 | 14.6    | 7.3     | 9.3     | 11.9  | 11.4  | 7.0   | 7.5   | 14.5  | 7.5   | 11.4   | 7.3   | 6.7   | 6.2   |
| Price/Book value (y/e)         | 0.85    | 1.15    | 1.25    | 1.38  | 1.47  | 0.78  | 0.59  | 0.54  | 0.57  | 0.74   | 0.88  | 0.82  | 0.82  |
| Price/Adj equity per share     | 1.00    | 1.25    | 1.31    | 1.45  | 1.54  | 0.84  | 0.63  | 0.57  | 0.60  | 0.77   | 0.91  | 0.85  | 0.85  |
| Return on equity (%)           | 5.0     | 2.5     | 8.5     | 12.7  | 13.1  | 9.4   | 8.6   | 2.6   | 7.5   | (2.8)  | 12.3  | 12.2  | 12.1  |
| Adjusted return on equity (%)  | 6.0     | 15.2    | 13.1    | 11.4  | 12.7  | 10.6  | 8.1   | 3.8   | 7.8   | 6.2    | 12.8  | 12.5  | 12.4  |

**Main shareholders**

| Name                            | (%) | Votes | Capital |
|---------------------------------|-----|-------|---------|
| AP Møller Group and foundations |     | 20.0  | 20.0    |
|                                 |     | 0.0   | 0.0     |
|                                 |     | 0.0   | 0.0     |

**Management**

| Title | Name                 |
|-------|----------------------|
| COB   | Martin Blessing      |
| CEO   | Carsten Rasch Egeris |
| CFO   | Stephan Engels       |

**Company information**

| Contact      |                   |
|--------------|-------------------|
| Internet     | www.danskebank.dk |
| Phone number | (45) 3344 0000    |
| Fax number   | (45) 3344 1708    |

## Banks

Denmark

## Jyske Bank

Buy

Analyst: Martin Birk

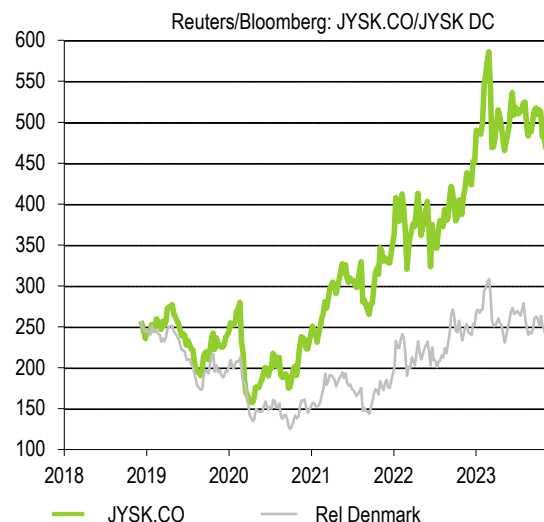
DKK 474

Tel: (45) 3328 3316

e-mail: martin.birk@seb.dk

Target price: DKK 560

| Estimates (DKK)                |        |        |        |        |
|--------------------------------|--------|--------|--------|--------|
| (Y/end 31-Dec)                 | 2022   | 2023E  | 2024E  | 2025E  |
| Revenues (m)                   | 9,106  | 13,776 | 13,686 | 13,245 |
| PTP (m)                        | 4,557  | 7,295  | 6,921  | 6,315  |
| EPS (reported)                 | 54.1   | 82.2   | 80.5   | 78.0   |
| EPS (adjusted)                 | 55.7   | 85.2   | 82.8   | 78.0   |
| DPS                            | 0.0    | 7.78   | 33.9   | 35.3   |
| Revenue growth (%)             | 5.2    | 51.3   | (0.7)  | (3.2)  |
| PTP growth (%)                 | 13.2   | 60.1   | (5.1)  | (8.8)  |
| EPS (adjusted) gr. (%)         | 22.4   | 53.0   | (2.9)  | (5.7)  |
| Net loans growth (%)           | 11.6   | (0.4)  | 0.8    | 0.8    |
| Net interest margin (%)        | 0.84   | 1.29   | 1.27   | 1.17   |
| Gross imp. loans / lending (%) | 1.7    | 0.9    | 0.9    | 0.9    |
| Reserves/Gross imp. loans (%)  | (26)   | (94)   | (93)   | (92)   |
| Losses/Loans (%)               | (0.11) | 0.03   | 0.07   | 0.07   |
| Tier 1 ratio                   | 18.2   | 20.3   | 20.2   | 20.3   |
| Valuation                      |        |        |        |        |
| PER (adjusted)                 | 8.5    | 5.6    | 5.7    | 6.1    |
| Yield (%)                      | 0.0    | 1.6    | 7.2    | 7.5    |
| P/BV (x)                       | 0.82   | 0.71   | 0.65   | 0.62   |
| P/Tangible Equity (x)          | 0.82   | 0.77   | 0.70   | 0.67   |
| RoE (%)                        | 10.0   | 13.2   | 11.6   | 10.4   |
| Return on tangible equity (%)  | 10.1   | 14.9   | 12.9   | 11.3   |



| Key data (2023E)  |        | Performance data      |        |                               |           |           |            |
|-------------------|--------|-----------------------|--------|-------------------------------|-----------|-----------|------------|
| Market cap (USDm) | 4,083  | Shares outstand. (m)  | 64.26  | Absolute (%)                  | -1M (2.6) | -3M (3.3) | -12M (8.8) |
| Market cap (DKKm) | 27,960 | Shares fully dil. (m) | 64.26  | Relative to local index (%)   | (6.1)     | (4.3)     | (4.7)      |
| Equity (DKKm)     | 42,662 | Avg volume (000s)     | 134.16 | Relative to Europe, ex UK (%) | (11.7)    | (5.2)     | (1.4)      |
| Capital ratio (%) | 23.1   | Free float (%)        | 75     | Relative to sector (%)        | (10.9)    | (7.5)     | 1.5        |

## Case

We have a BUY recommendation on Jyske Bank. Higher interest rates have propelled Jyske Banks ROE structurally higher, which leaves a very attractive capital return story in our view.

## Valuation

We apply a Gordon growth valuation for Jyske Bank, which is based on a 11.25% return requirement and a terminal value based on our 2025 forecast and an adjusted forecast where we apply our 15bp long-term loan loss assumption.

## Risks to target price

The key upside risk to our valuation is a higher synergy potential from the Svenska Handelsbanken acquisition and a subsequent faster build-up for CET1 capital allowing for bigger and faster capital distribution than we expect. The key downside risk is execution risk relating to the acquisition and/or macroeconomic setback triggering elevated loan losses and slow total income generation.

## Description

Jyske Bank is the third-largest bank in Denmark and, after the acquisition of BRF in 2014, the fourth-largest mortgage lender. The bank's historical base was established in 1967 via the merger of four regional banks in the mid-Jutland area. Following another merger in 1981, Jyske Bank achieved nationwide coverage. In 2014, Jyske Bank bought BRF Kredit effectively making it a full-service bank and one of only four Danish mortgage providers. In 2022, Jyske Bank bought the Danish activities of Svenska Handelsbanken for a total consideration of DKK 7.5bn.

**Profit & loss statement**

| (DKKm)                              | 2013           | 2014           | 2015           | 2016           | 2017           | 2018           | 2019           | 2020           | 2021           | 2022           | 2023E          | 2024E          | 2025E          |
|-------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Net interest income                 | 4,438          | 5,315          | 5,886          | 5,686          | 5,586          | 5,504          | 5,152          | 4,966          | 4,973          | 5,856          | 9,746          | 9,903          | 9,354          |
| Net commissions                     | 1,731          | 1,761          | 1,834          | 1,654          | 2,046          | 1,973          | 2,311          | 2,091          | 2,308          | 2,529          | 2,511          | 2,817          | 2,880          |
| Trading income                      | 410            | (42)           | 381            | 781            | 577            | (23)           | 342            | 685            | 940            | 139            | 1,002          | 526            | 533            |
| Result from insurance operations    | 0              | 0              | 0              | 0              | 0              | 0              | 0              | 0              | 0              | 0              | 0              | 0              | 0              |
| Other income                        | 626            | 3,152          | 332            | 301            | 153            | 544            | 255            | 240            | 431            | 582            | 518            | 440            | 477            |
| <b>Total income</b>                 | <b>7,205</b>   | <b>10,186</b>  | <b>8,433</b>   | <b>8,422</b>   | <b>8,362</b>   | <b>7,998</b>   | <b>8,060</b>   | <b>7,982</b>   | <b>8,652</b>   | <b>9,106</b>   | <b>13,776</b>  | <b>13,686</b>  | <b>13,245</b>  |
| Personnel expenses                  | 0              | (3,020)        | (3,052)        | (3,004)        | (3,130)        | (2,992)        | (3,066)        | (2,981)        | (2,883)        | (2,996)        | (3,547)        | (3,725)        | (3,911)        |
| Other expenses                      | (4,469)        | (2,211)        | (2,270)        | (2,104)        | (2,244)        | (1,904)        | (1,963)        | (2,021)        | (2,027)        | (2,027)        | (2,768)        | (2,730)        | (2,702)        |
| <b>Total non-interest expenses</b>  | <b>(4,469)</b> | <b>(5,231)</b> | <b>(5,322)</b> | <b>(5,108)</b> | <b>(5,374)</b> | <b>(4,896)</b> | <b>(5,029)</b> | <b>(4,848)</b> | <b>(4,904)</b> | <b>(5,023)</b> | <b>(6,315)</b> | <b>(6,455)</b> | <b>(6,613)</b> |
| <b>Profit before credit losses</b>  | <b>2,736</b>   | <b>4,955</b>   | <b>3,111</b>   | <b>3,314</b>   | <b>2,988</b>   | <b>3,102</b>   | <b>3,031</b>   | <b>3,134</b>   | <b>3,748</b>   | <b>4,083</b>   | <b>7,461</b>   | <b>7,231</b>   | <b>6,632</b>   |
| Credit losses                       | (930)          | (1,953)        | (347)          | 149            | 453            | (468)          | 101            | (968)          | 218            | 605            | (188)          | (370)          | (377)          |
| Net capital gains (losses)          | 495            | 101            | 440            | 504            | 562            | 505            | (53)           | (56)           | 61             | (131)          | 22             | 60             | 60             |
| <b>Pre-tax profit</b>               | <b>2,301</b>   | <b>3,103</b>   | <b>3,204</b>   | <b>3,967</b>   | <b>4,003</b>   | <b>3,139</b>   | <b>3,079</b>   | <b>2,110</b>   | <b>4,027</b>   | <b>4,557</b>   | <b>7,295</b>   | <b>6,921</b>   | <b>6,315</b>   |
| Taxes                               | (493)          | (14)           | (728)          | (790)          | (859)          | (640)          | (639)          | (501)          | (851)          | (805)          | (1,849)        | (1,800)        | (1,642)        |
| Other items                         | (1)            | 0              | 0              | (23)           | (92)           | (127)          | (156)          | (176)          | (147)          | (147)          | (161)          | (164)          | (164)          |
| <b>Net profit</b>                   | <b>1,807</b>   | <b>3,089</b>   | <b>2,476</b>   | <b>3,154</b>   | <b>3,052</b>   | <b>2,372</b>   | <b>2,284</b>   | <b>1,441</b>   | <b>3,000</b>   | <b>3,605</b>   | <b>5,285</b>   | <b>4,958</b>   | <b>4,509</b>   |
| Net interest margin                 | 0.18           | 1.32           | 1.08           | 1.01           | 0.94           | 0.92           | 0.82           | 0.75           | 0.75           | 0.84           | 1.29           | 1.27           | 1.17           |
| Cost/income ratio                   | 62.0           | 51.4           | 63.1           | 60.7           | 64.3           | 61.2           | 62.4           | 60.7           | 56.7           | 55.2           | 45.8           | 47.2           | 49.9           |
| Credit losses/loans                 | 0.71           | 0.54           | 0.09           | (0.04)         | (0.10)         | 0.10           | (0.02)         | 0.20           | (0.04)         | (0.11)         | 0.03           | 0.07           | 0.07           |
| ROE                                 | 1.7            | 13.7           | 8.6            | 10.3           | 9.7            | 7.4            | 7.1            | 4.4            | 8.8            | 10.0           | 13.2           | 11.6           | 10.4           |
| <b>Growth rates y-o-y (%)</b>       |                |                |                |                |                |                |                |                |                |                |                |                |                |
| Total income                        | 8.6            | 41.4           | (17.2)         | (0.1)          | (0.7)          | (4.4)          | 0.8            | (1.0)          | 8.4            | 5.2            | 51.3           | (0.7)          | (3.2)          |
| Profit before credit losses         | 14.3           | 81.1           | (37.2)         | 6.5            | (9.8)          | 3.8            | (2.3)          | 3.4            | 19.6           | 8.9            | 82.7           | (3.1)          | (8.3)          |
| Pre-tax profit                      | 170.4          | 34.9           | 3.3            | 23.8           | 0.9            | (21.6)         | (1.9)          | (31.5)         | 90.9           | 13.2           | 60.1           | (5.1)          | (8.8)          |
| <b>Key ratios</b>                   |                |                |                |                |                |                |                |                |                |                |                |                |                |
| Tier 1 ratio                        | 15.9           | 15.9           | 16.5           | 18.5           | 19.4           | 19.4           | 21.2           | 21.8           | 21.8           | 18.2           | 20.3           | 20.2           | 20.3           |
| Capital ratio                       | 16.0           | 16.6           | 17.0           | 19.1           | 21.2           | 21.4           | 23.3           | 24.7           | 24.6           | 21.0           | 23.1           | 23.0           | 23.0           |
| Net non-performing loans            | 15,442         | 37,162         | 28,666         | 26,123         | 21,404         | 14,080         | 12,619         | 11,024         | 11,265         | 11,686         | 9,871          | 9,915          | 9,960          |
| Acc provisions % of gross non-perf. | n.a.           | n.a.           | n.a.           | n.a.           | n.a.           | n.a.           | n.a.           | n.a.           | n.a.           | n.a.           | n.a.           | n.a.           | n.a.           |
| Net non-performing % of net loans   | 11.8           | 10.3           | 7.2            | 6.2            | 4.8            | 3.0            | 2.6            | 2.2            | 2.3            | 2.2            | 1.8            | 1.8            | 1.8            |
| Net non-performing % of equity      | 88.5           | 134.8          | 95.4           | 84.2           | 66.8           | 44.3           | 38.9           | 33.1           | 32.3           | 31.3           | 23.1           | 23.0           | 22.9           |
| Average number of employees         | 0              | 0              | 0              | 0              | 0              | 0              | 0              | 0              | 0              | 0              | 0              | 0              | 0              |
| Personnel expenses/employee         | 0              | 0              | 0              | 0              | 0              | 0              | 0              | 0              | 0              | 0              | 0              | 0              | 0              |
| Income/employee                     | n.a.           | n.a.           | n.a.           | n.a.           | n.a.           | n.a.           | n.a.           | n.a.           | n.a.           | n.a.           | n.a.           | n.a.           | n.a.           |
| Adjusted net profit                 | 1,808          | 3,089          | 2,476          | 3,177          | 3,117          | 2,638          | 2,313          | 1,641          | 3,410          | 3,807          | 5,638          | 5,255          | 4,673          |
| Adjusted equity                     | 17,375         | 27,448         | 29,952         | 30,967         | 32,010         | 31,781         | 32,452         | 33,325         | 34,911         | 37,323         | 39,371         | 39,743         | 40,166         |
| Return on Adjusted equity           | 1.7            | 13.7           | 8.6            | 10.3           | 9.6            | 7.9            | 6.7            | 4.5            | 9.5            | 10.1           | 13.7           | 11.9           | 10.4           |

**Balance sheet**

| (DKKm)                              | 2013           | 2014           | 2015           | 2016           | 2017           | 2018           | 2019           | 2020           | 2021           | 2022           | 2023E          | 2024E          | 2025E          |
|-------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Cash & financial institutions       | 17,570         | 1,850          | 2,825          | 2,068          | 19,347         | 6,081          | 9,889          | 34,951         | 30,685         | 58,819         | 72,387         | 72,387         | 72,387         |
| Securities                          | 72,548         | 89,337         | 72,481         | 85,719         | 74,126         | 79,784         | 89,469         | 90,460         | 82,955         | 95,165         | 90,723         | 92,551         | 94,416         |
| Net loans                           | 131,378        | 361,799        | 396,176        | 422,445        | 447,673        | 462,797        | 485,892        | 491,379        | 485,214        | 541,680        | 539,521        | 543,776        | 548,125        |
| Other assets                        | 40,508         | 88,693         | 71,917         | 76,471         | 56,294         | 51,285         | 64,488         | 55,858         | 48,268         | 54,333         | 63,637         | 79,997         | 96,981         |
| Deposits from fin. institutions     | 89,095         | 128,968        | 104,971        | 97,755         | 81,343         | 70,116         | 91,724         | 99,030         | 73,874         | 100,719        | 100,469        | 102,466        | 104,516        |
| Deposits from customers             | 126,021        | 133,198        | 128,995        | 134,194        | 139,972        | 135,736        | 126,711        | 127,461        | 121,518        | 189,063        | 196,462        | 202,825        | 209,394        |
| Bond borrowing                      | 29,409         | 251,952        | 279,393        | 322,240        | 341,521        | 359,763        | 395,593        | 409,525        | 413,464        | 419,591        | 423,387        | 437,099        | 451,255        |
| Equity                              | 17,479         | 27,561         | 30,040         | 32,514         | 34,604         | 34,332         | 35,710         | 36,632         | 38,266         | 40,624         | 45,950         | 46,322         | 46,745         |
| <b>Total liabilities and equity</b> | <b>262,004</b> | <b>541,679</b> | <b>543,399</b> | <b>586,703</b> | <b>597,440</b> | <b>599,947</b> | <b>649,738</b> | <b>672,648</b> | <b>647,122</b> | <b>749,997</b> | <b>766,269</b> | <b>788,712</b> | <b>811,909</b> |
| Risk-weighted assets                | 111,276        | 176,433        | 176,904        | 182,195        | 187,998        | 188,433        | 181,448        | 179,426        | 188,181        | 220,921        | 220,290        | 223,146        | 224,792        |
| Loans/assets (%)                    | 50.1           | 66.8           | 72.9           | 72.0           | 74.9           | 77.1           | 74.8           | 73.1           | 75.0           | 72.2           | 70.4           | 68.9           | 67.5           |
| Loan growth y-o-y                   | 10.8           | 175.4          | 9.5            | 6.6            | 6.0            | 3.4            | 5.0            | 1.1            | (1.3)          | 11.6           | (0.4)          | 0.8            | 0.8            |
| Deposits/loans (%)                  | 95.9           | 36.8           | 32.6           | 31.8           | 31.3           | 29.3           | 26.1           | 25.9           | 25.0           | 34.9           | 36.4           | 37.3           | 38.2           |

**Valuation**

| (DKKm)                         | 2013  | 2014  | 2015  | 2016  | 2017  | 2018  | 2019  | 2020  | 2021  | 2022  | 2023E | 2024E | 2025E |
|--------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| No of shares, fully dil. (y/e) | 71.2  | 95.0  | 94.7  | 89.2  | 85.7  | 81.5  | 74.8  | 72.6  | 68.9  | 64.3  | 64.3  | 59.0  | 56.6  |
| Share price, y/e               | 292.5 | 312.8 | 312.1 | 336.7 | 353.2 | 235.2 | 243.1 | 233.1 | 337.0 | 451.3 | 474.0 | 474.0 | 474.0 |
| EPS (reported)                 | 25.4  | 37.2  | 26.1  | 34.3  | 34.9  | 28.4  | 29.2  | 19.6  | 42.4  | 54.1  | 82.2  | 80.5  | 78.0  |
| EPS (adjusted)                 | 25.4  | 32.5  | 26.1  | 34.2  | 34.4  | 29.8  | 27.4  | 20.2  | 45.5  | 55.7  | 85.2  | 82.8  | 78.0  |
| Dividend/share                 | 0.0   | 0.0   | 5.28  | 5.61  | 11.7  | 12.4  | 0.0   | 0.0   | 0.0   | 0.0   | 7.78  | 33.9  | 35.3  |
| Book value/share               | 245   | 290   | 317   | 348   | 374   | 390   | 434   | 459   | 507   | 581   | 664   | 730   | 768   |
| Adjusted equity/share          | 244   | 289   | 316   | 347   | 373   | 390   | 434   | 459   | 507   | 581   | 613   | 674   | 710   |
| PER (adjusted)                 | 11.5  | 9.6   | 12.0  | 9.9   | 10.3  | 7.9   | 8.9   | 11.5  | 7.4   | 8.1   | 5.6   | 5.7   | 6.1   |
| Price/Book value (y/e)         | 1.19  | 1.08  | 0.98  | 0.97  | 0.95  | 0.60  | 0.56  | 0.51  | 0.67  | 0.78  | 0.71  | 0.65  | 0.62  |
| Price/Adj equity per share     | 1.20  | 1.08  | 0.99  | 0.97  | 0.95  | 0.60  | 0.56  | 0.51  | 0.67  | 0.78  | 0.77  | 0.70  | 0.67  |
| Return on equity (%)           | 1.7   | 13.7  | 8.6   | 10.3  | 9.7   | 7.4   | 7.1   | 4.4   | 8.8   | 10.0  | 13.2  | 11.6  | 10.4  |
| Adjusted return on equity (%)  | 1.7   | 13.7  | 8.6   | 10.3  | 9.6   | 7.9   | 6.7   | 4.5   | 9.5   | 10.1  | 13.7  | 11.9  | 10.4  |

**Main shareholders**

| Name        | (%) | Votes | Capital |
|-------------|-----|-------|---------|
| BRF Holding |     | 0.0   | 26.2    |
|             |     | 0.0   | 0.0     |
|             |     | 0.0   | 0.0     |

**Management**

| Title | Name                   |
|-------|------------------------|
| COB   | Kurt Bligaard Pedersen |
| CEO   | Anders Dam             |
| CFO   | Birger Kragh Nielsen   |

**Company information**

| Contact      |                  |
|--------------|------------------|
| Internet     | www.jyskebank.dk |
| Phone number | (45) 89 22 22 22 |
| Fax number   |                  |

## Banks

Denmark

# Ringkjøbing Landbobank

Buy

Analyst: Martin Birk

DKK 950

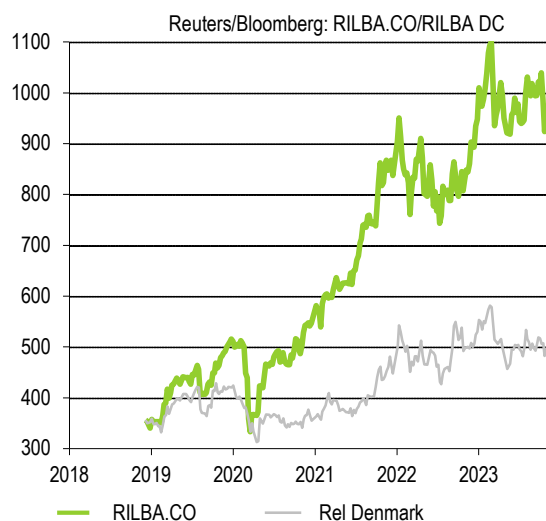
Tel: (45) 3328 3316

e-mail: martin.birk@seb.dk

Target price: DKK 1250

## Estimates (DKK)

| (Y/end 31-Dec)                 | 2022  | 2023E | 2024E | 2025E |
|--------------------------------|-------|-------|-------|-------|
| Revenues (m)                   | 2,862 | 3,803 | 4,098 | 4,034 |
| PTP (m)                        | 1,880 | 2,791 | 2,968 | 2,852 |
| EPS (reported)                 | 53.5  | 78.2  | 86.4  | 87.3  |
| EPS (adjusted)                 | 54.2  | 78.8  | 86.9  | 87.9  |
| DPS                            | 7.0   | 18.7  | 19.6  | 20.7  |
| Revenue growth (%)             | 17.6  | 32.9  | 7.8   | (1.6) |
| PTP growth (%)                 | 22.2  | 48.4  | 6.3   | (3.9) |
| EPS (adjusted) gr. (%)         | 25.3  | 45.2  | 10.4  | 1.1   |
| Net loans growth (%)           | 17.4  | 4.6   | 2.2   | 4.1   |
| Net interest margin (%)        | 2.59  | 3.66  | 3.76  | 3.48  |
| Gross imp. loans / lending (%) | 0.0   | 0.0   | 0.0   | 0.0   |
| Reserves/Gross imp. loans (%)  | n.a.  | n.a.  | n.a.  | n.a.  |
| Losses/Loans (%)               | 0.00  | 0.00  | 0.22  | 0.31  |
| Tier 1 ratio                   | 17.4  | 18.2  | 18.8  | 18.8  |
| <b>Valuation</b>               |       |       |       |       |
| PER (adjusted)                 | 17.5  | 12.1  | 10.9  | 10.8  |
| Yield (%)                      | 0.7   | 2.0   | 2.1   | 2.2   |
| P/BV (x)                       | 2.82  | 2.47  | 2.25  | 2.07  |
| P/Tangible Equity (x)          | 3.17  | 2.74  | 2.49  | 2.28  |
| RoE (%)                        | 16.6  | 21.7  | 21.4  | 19.8  |
| Return on tangible equity (%)  | 19.1  | 24    | 24    | 22    |



## Key data (2023E)

|                   |        |                       |       |
|-------------------|--------|-----------------------|-------|
| Market cap (USDm) | 3,534  | Shares outstand. (m)  | 26.75 |
| Market cap (DKKm) | 24,200 | Shares fully dil. (m) | 26.75 |
| Equity (DKKm)     | 10,289 | Avg volume (000s)     | 30.87 |
| Capital ratio (%) | 22.2   | Free float (%)        | 100   |

## Performance data

|                               | -1M    | -3M    | -12M  |
|-------------------------------|--------|--------|-------|
| Absolute (%)                  | (1.1)  | (6.7)  | 5.7   |
| Relative to local index (%)   | (4.7)  | (7.6)  | (7.5) |
| Relative to Europe, ex UK (%) | (10.3) | (8.5)  | (4.2) |
| Relative to sector (%)        | (9.5)  | (10.7) | (1.5) |

## Case

Rilba is the most efficient bank in Europe delivering consistent cost to income ratios of 30% and below. While its valuation is rich, we argue that Rilba will offer more or the same in the coming years: P&L and balance sheet growth above peers, with a focus on driving ROE higher and cost to income lower, which will continue to underpin the investment case and drive the share price higher, in our view. Rilba is likely to outperform peers due to its perceived quality in a downturn.

## Valuation

We value Ringkjøbing Landbobank using an excess return/dividend valuation methodology, where we assume a cost of equity of 7.25%, a steady growth rate of 2% and a terminal value based on a normalised loan loss ratio assumption of 50bp.

## Risks to target price

A steep increase in loan losses, sudden deviation from its current track record of continued y/y improvements in its cost to income ratio or change of CEO are key downside risks.

## Description

Ringkjøbing Landbobank is a local bank which has expanded in four phases from its foothold in the Ringkjøbing area, where its market share is around 50%. First, it entered neighbouring larger cities - Herning (1995), Holstebro (1997) and Viborg (2001). Second, it launched niche concepts - in 1995, it set up an organisation targeting clients outside its home market. Third, it targeted private banking, with focused branches established in Copenhagen/Holte (2010), Aarhus (2014) and Vejle (2016). The Herning branch has a private banking setup as well, giving it five locations including the head office in Ringkjøbing. The fourth step was the acquisition of Nordjyske Bank in June 2017, giving it a solid market position in Northern Jutland. Finally, in recent years (2021 and 2022), it has added to its private banking franchise by acquiring the private banking portfolios of BIL Danmark and SEB Private Banking DK.

**Profit & loss statement**

| (DKKm)                              | 2013         | 2014         | 2015         | 2016         | 2017         | 2018         | 2019         | 2020         | 2021         | 2022         | 2023E        | 2024E          | 2025E          |
|-------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|----------------|----------------|
| Net interest income                 | 615          | 635          | 638          | 665          | 643          | 1,147        | 1,173        | 1,256        | 1,343        | 1,677        | 2,621        | 2,869          | 2,795          |
| Net commissions                     | 199          | 193          | 212          | 214          | 215          | 569          | 626          | 591          | 677          | 784          | 770          | 842            | 852            |
| Trading income                      | 13           | 26           | 36           | 39           | 71           | 160          | 145          | 151          | 179          | 169          | 178          | 178            | 178            |
| Result from insurance operations    | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0              | 0              |
| Other income                        | 3            | 54           | 69           | 64           | 91           | 125          | 173          | 181          | 234          | 232          | 233          | 208            | 208            |
| <b>Total income</b>                 | <b>829</b>   | <b>907</b>   | <b>955</b>   | <b>983</b>   | <b>1,019</b> | <b>2,001</b> | <b>2,117</b> | <b>2,179</b> | <b>2,433</b> | <b>2,862</b> | <b>3,803</b> | <b>4,098</b>   | <b>4,034</b>   |
| Personnel expenses                  | 0            | (162)        | (172)        | (178)        | (191)        | (367)        | (476)        | (474)        | (473)        | (577)        | (549)        | (583)          | (583)          |
| Other expenses                      | (257)        | (136)        | (134)        | (140)        | (143)        | (499)        | (329)        | (315)        | (344)        | (314)        | (409)        | (434)          | (434)          |
| <b>Total non-interest expenses</b>  | <b>(257)</b> | <b>(298)</b> | <b>(306)</b> | <b>(318)</b> | <b>(334)</b> | <b>(866)</b> | <b>(805)</b> | <b>(788)</b> | <b>(817)</b> | <b>(891)</b> | <b>(959)</b> | <b>(1,016)</b> | <b>(1,016)</b> |
| <b>Profit before credit losses</b>  | <b>573</b>   | <b>609</b>   | <b>648</b>   | <b>665</b>   | <b>685</b>   | <b>1,135</b> | <b>1,312</b> | <b>1,391</b> | <b>1,616</b> | <b>1,971</b> | <b>2,845</b> | <b>3,082</b>   | <b>3,018</b>   |
| Credit losses                       | (120)        | (87)         | (60)         | (48)         | (10)         | (43)         | (100)        | (223)        | (68)         | (2)          | (3)          | (115)          | (166)          |
| Net capital gains (losses)          | 20           | 65           | 0            | 45           | 60           | (139)        | 34           | (24)         | (10)         | (89)         | (51)         | 0              | 0              |
| <b>Pre-tax profit</b>               | <b>472</b>   | <b>587</b>   | <b>588</b>   | <b>662</b>   | <b>735</b>   | <b>953</b>   | <b>1,246</b> | <b>1,144</b> | <b>1,538</b> | <b>1,880</b> | <b>2,791</b> | <b>2,968</b>   | <b>2,852</b>   |
| Taxes                               | (114)        | (141)        | (130)        | (122)        | (146)        | (174)        | (267)        | (225)        | (309)        | (385)        | (668)        | (712)          | (685)          |
| Other items                         | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0              | 0              |
| <b>Net profit</b>                   | <b>358</b>   | <b>446</b>   | <b>459</b>   | <b>540</b>   | <b>589</b>   | <b>779</b>   | <b>979</b>   | <b>919</b>   | <b>1,229</b> | <b>1,495</b> | <b>2,123</b> | <b>2,255</b>   | <b>2,168</b>   |
| Net interest margin                 | 3.30         | 3.11         | 2.92         | 2.85         | 2.57         | 3.04         | 2.29         | 2.33         | 2.33         | 2.59         | 3.66         | 3.76           | 3.48           |
| Cost/income ratio                   | 31.0         | 32.9         | 32.1         | 32.3         | 32.8         | 43.3         | 38.0         | 36.2         | 33.6         | 31.1         | 25.2         | 24.8           | 25.2           |
| Credit losses/loans                 | 0.87         | 0.56         | 0.35         | 0.28         | 0.05         | 0.13         | 0.28         | 0.62         | 0.17         | 0.00         | 0.00         | 0.22           | 0.31           |
| ROE                                 | 12.8         | 14.9         | 14.3         | 15.8         | 16.0         | 14.1         | 13.2         | 11.7         | 14.6         | 16.6         | 21.7         | 21.4           | 19.8           |
| <b>Growth rates y-o-y (%)</b>       |              |              |              |              |              |              |              |              |              |              |              |                |                |
| Total income                        | 1.5          | 9.4          | 5.2          | 3.0          | 3.7          | 96.2         | 5.8          | 2.9          | 11.7         | 17.6         | 32.9         | 7.8            | (1.6)          |
| Profit before credit losses         | 1.8          | 6.4          | 6.4          | 2.6          | 3.0          | 65.6         | 15.6         | 6.0          | 16.2         | 21.9         | 44.3         | 8.3            | (2.1)          |
| Pre-tax profit                      | 5.3          | 24.4         | 0.2          | 12.5         | 11.1         | 29.6         | 30.8         | (8.2)        | 34.5         | 22.2         | 48.4         | 6.3            | (3.9)          |
| <b>Key ratios</b>                   |              |              |              |              |              |              |              |              |              |              |              |                |                |
| Tier 1 ratio                        | 19.2         | 17.5         | 17.1         | 16.9         | 16.5         | 15.0         | 15.0         | 17.5         | 17.6         | 17.4         | 18.2         | 18.8           | 18.8           |
| Capital ratio                       | 20.0         | 17.5         | 18.8         | 18.3         | 17.8         | 18.8         | 20.3         | 21.1         | 22.3         | 21.6         | 22.2         | 22.7           | 22.6           |
| Net non-performing loans            | 2,196        | 2,237        | 2,176        | 2,016        | 1,783        | 1,967        | 1,951        | 1,957        | 2,093        | 2,302        | 2,358        | 2,358          | 2,358          |
| Acc provisions % of gross non-perf. | n.a.         | n.a.         | n.a.         | n.a.         | n.a.         | n.a.         | n.a.         | n.a.         | n.a.         | n.a.         | n.a.         | n.a.           | n.a.           |
| Net non-performing % of net loans   | 15.9         | 14.4         | 12.6         | 11.5         | 9.2          | 5.9          | 5.5          | 5.4          | 5.1          | 4.8          | 4.7          | 4.6            | 4.4            |
| Net non-performing % of equity      | 75.7         | 72.2         | 66.0         | 56.7         | 46.7         | 27.4         | 25.6         | 24.0         | 24.0         | 24.8         | 22.9         | 21.9           | 21.2           |
| Average number of employees         | 251          | 257          | 269          | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0              | 0              |
| Personnel expenses/employee         | 0            | (630)        | (639)        | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0              | 0              |
| Income/employee                     | 3,305        | 3,530        | 3,548        | n.a.         | n.a.         | n.a.         | n.a.         | n.a.         | n.a.         | n.a.         | n.a.         | n.a.           | n.a.           |
| Adjusted net profit                 | 354          | 339          | 459          | 540          | 589          | 967          | 987          | 931          | 1,243        | 1,517        | 2,138        | 2,270          | 2,182          |
| Adjusted equity                     | 2,901        | 3,011        | 3,224        | 3,526        | 3,788        | 6,124        | 6,560        | 7,111        | 7,660        | 8,252        | 9,261        | 9,716          | 10,084         |
| Return on Adjusted equity           | 12.7         | 11.3         | 14.3         | 15.8         | 16.0         | 17.6         | 13.3         | 11.8         | 14.7         | 16.8         | 21.8         | 21.6           | 20.0           |

**Balance sheet**

| (DKKm)                              | 2013          | 2014          | 2015          | 2016          | 2017          | 2018          | 2019          | 2020          | 2021          | 2022          | 2023E         | 2024E         | 2025E         |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Cash & financial institutions       | 480           | 191           | 332           | 284           | 308           | 658           | 685           | 659           | 3,459         | 4,750         | 5,224         | 5,224         | 5,224         |
| Securities                          | 0             | 4,943         | 3,582         | 3,974         | 4,574         | 6,894         | 8,064         | 8,023         | 8,211         | 8,108         | 10,587        | 11,237        | 11,926        |
| Net loans                           | 13,849        | 15,507        | 17,300        | 17,481        | 19,351        | 33,350        | 35,465        | 36,241        | 41,179        | 48,342        | 50,581        | 51,698        | 53,797        |
| Other assets                        | 5,254         | 597           | 1,170         | 2,518         | 1,564         | 8,748         | 8,726         | 9,939         | 7,507         | 7,780         | 7,954         | 10,151        | 11,454        |
| Deposits from fin. institutions     | 1,947         | 2,453         | 2,101         | 2,091         | 2,196         | 4,041         | 4,990         | 4,716         | 4,933         | 6,730         | 6,080         | 6,361         | 6,659         |
| Deposits from customers             | 14,114        | 15,450        | 16,987        | 18,314        | 19,110        | 36,993        | 38,128        | 39,639        | 43,740        | 48,700        | 52,918        | 55,835        | 58,930        |
| Bond borrowing                      | 621           | 236           | 0             | 297           | 673           | 1,428         | 2,213         | 2,362         | 2,961         | 4,255         | 5,060         | 5,370         | 5,700         |
| Equity                              | 2,901         | 3,099         | 3,296         | 3,555         | 3,817         | 7,189         | 7,610         | 8,146         | 8,723         | 9,295         | 10,289        | 10,745        | 11,112        |
| <b>Total liabilities and equity</b> | <b>19,583</b> | <b>21,238</b> | <b>22,384</b> | <b>24,258</b> | <b>25,796</b> | <b>49,651</b> | <b>52,941</b> | <b>54,862</b> | <b>60,357</b> | <b>68,980</b> | <b>74,347</b> | <b>78,310</b> | <b>82,401</b> |
| Risk-weighted assets                | 14,869        | 15,911        | 17,464        | 18,319        | 19,708        | 36,349        | 41,223        | 41,561        | 43,285        | 46,855        | 48,558        | 49,492        | 51,249        |
| Loans/assets (%)                    | 70.7          | 73.0          | 77.3          | 72.1          | 75.0          | 67.2          | 67.0          | 66.1          | 68.2          | 70.1          | 68.0          | 66.0          | 65.3          |
| Loan growth y-o-y                   | 11.5          | 12.0          | 11.6          | 1.0           | 10.7          | 72.3          | 6.3           | 2.2           | 13.6          | 17.4          | 4.6           | 2.2           | 4.1           |
| Deposits/loans (%)                  | 101.9         | 99.6          | 98.2          | 104.8         | 98.8          | 110.9         | 107.5         | 109.4         | 106.2         | 100.7         | 104.6         | 108.0         | 109.5         |

**Valuation**

| (DKKm)                         | 2013  | 2014  | 2015  | 2016  | 2017  | 2018  | 2019  | 2020  | 2021  | 2022  | 2023E | 2024E | 2025E |
|--------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| No of shares, fully dil. (y/e) | 23.9  | 23.4  | 22.9  | 22.4  | 21.8  | 29.9  | 29.2  | 29.1  | 28.4  | 27.5  | 26.7  | 25.5  | 24.2  |
| Share price, y/e               | 219.8 | 230.4 | 300.0 | 292.6 | 321.5 | 340.0 | 514.0 | 554.0 | 878.0 | 948.0 | 950.0 | 950.0 | 950.0 |
| EPS (reported)                 | 14.9  | 18.9  | 19.9  | 23.9  | 26.7  | 30.1  | 33.1  | 31.5  | 42.8  | 53.5  | 78.2  | 86.4  | 87.3  |
| EPS (adjusted)                 | 14.7  | 14.3  | 19.9  | 23.9  | 26.7  | 37.4  | 33.4  | 32.0  | 43.3  | 54.2  | 78.8  | 86.9  | 87.9  |
| Dividend/share                 | 5.0   | 5.2   | 6.0   | 7.2   | 9.0   | 10.0  | 11.0  | 7.0   | 7.0   | 7.0   | 18.7  | 19.6  | 20.7  |
| Book value/share               | 121   | 133   | 144   | 159   | 175   | 240   | 260   | 280   | 307   | 337   | 385   | 422   | 459   |
| Adjusted equity/share          | 121   | 129   | 141   | 158   | 174   | 205   | 224   | 245   | 270   | 300   | 346   | 381   | 417   |
| PER (adjusted)                 | 14.9  | 16.1  | 15.1  | 12.3  | 12.1  | 9.1   | 15.4  | 17.3  | 20.3  | 17.5  | 12.1  | 10.9  | 10.8  |
| Price/Book value (y/e)         | 1.81  | 1.74  | 2.08  | 1.84  | 1.84  | 1.41  | 1.97  | 1.98  | 2.86  | 2.81  | 2.47  | 2.25  | 2.07  |
| Price/Adj equity per share     | 1.81  | 1.79  | 2.13  | 1.85  | 1.85  | 1.66  | 2.29  | 2.26  | 3.25  | 3.16  | 2.74  | 2.49  | 2.28  |
| Return on equity (%)           | 12.8  | 14.9  | 14.3  | 15.8  | 16.0  | 14.1  | 13.2  | 11.7  | 14.6  | 16.6  | 21.7  | 21.4  | 19.8  |
| Adjusted return on equity (%)  | 12.7  | 11.3  | 14.3  | 15.8  | 16.0  | 17.6  | 13.3  | 11.8  | 14.7  | 16.8  | 21.8  | 21.6  | 20.0  |

**Main shareholders**

| Name                          | (%) | Votes | Capital |
|-------------------------------|-----|-------|---------|
| Liontrust Investment Partners |     | 0.0   | 6.1     |
| ATP                           |     | 0.0   | 5.1     |
|                               |     | 0.0   | 0.0     |

**Management**

| Title | Name            |
|-------|-----------------|
| COB   | Martin Pedersen |
| CEO   | John Fisker     |
| CFO   |                 |

**Company information**

| Contact      |                     |
|--------------|---------------------|
| Internet     | www.landbobanken.dk |
| Phone number | +45 97 32 11 66     |
| Fax number   | +45 76 24 49 13     |

## Banks

Denmark

## Spar Nord Bank

Buy

Analyst: Martin Birk

Tel: (45) 3328 3316

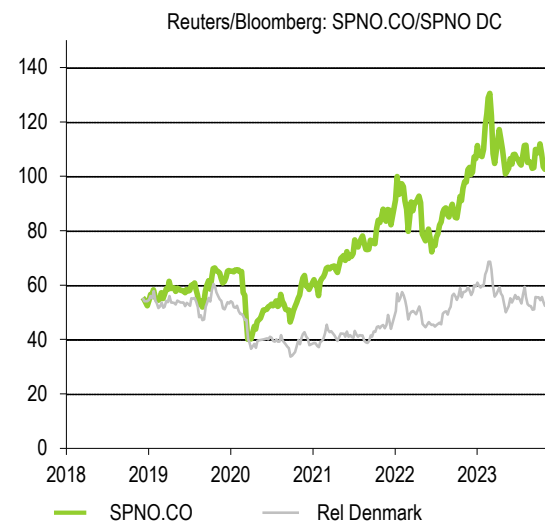
e-mail: martin.birk@seb.dk

DKK 104.1

Target price: DKK 150

| Estimates (DKK)                |       |        |       |        |
|--------------------------------|-------|--------|-------|--------|
| (Y/end 31-Dec)                 | 2022  | 2023E  | 2024E | 2025E  |
| Revenues (m)                   | 4,149 | 5,722  | 5,655 | 5,554  |
| PTP (m)                        | 1,732 | 3,237  | 2,925 | 2,611  |
| EPS (reported)                 | 11.7  | 20.9   | 19.4  | 18.0   |
| EPS (adjusted)                 | 11.7  | 20.9   | 19.4  | 18.0   |
| DPS                            | 4.5   | 11.0   | 10.0  | 9.0    |
| Revenue growth (%)             | 8.6   | 37.9   | (1.2) | (1.8)  |
| PTP growth (%)                 | (5.8) | 86.9   | (9.6) | (10.7) |
| EPS (adjusted) gr. (%)         | 1.2   | 79.0   | (7.2) | (7.0)  |
| Net loans growth (%)           | 6.2   | 1.2    | 4.2   | 4.2    |
| Net interest margin (%)        | 1.67  | 2.81   | 2.69  | 2.52   |
| Gross imp. loans / lending (%) | 2.4   | 2.2    | 2.2   | 2.2    |
| Reserves/Gross imp. loans (%)  | (102) | (114)  | (109) | (104)  |
| Losses/Loans (%)               | 0.12  | (0.03) | 0.22  | 0.39   |
| Tier 1 ratio                   | 22.4  | 21.6   | 21.7  | 21.7   |
| Valuation                      |       |        |       |        |
| PER (adjusted)                 | 8.9   | 5.0    | 5.4   | 5.8    |
| Yield (%)                      | 4.3   | 10.6   | 9.6   | 8.6    |
| P/BV (x)                       | 1.11  | 1.01   | 0.93  | 0.85   |
| P/Tangible Equity (x)          | 1.16  | 1.05   | 0.96  | 0.88   |
| RoE (%)                        | 13.4  | 21.7   | 18.5  | 15.8   |
| Return on tangible equity (%)  | 14.0  | 23     | 19.1  | 16.3   |

| Key data (2023E)  |        |                       |        |
|-------------------|--------|-----------------------|--------|
| Market cap (USDm) | 1,718  | Shares outstand. (m)  | 117.60 |
| Market cap (DKKm) | 11,765 | Shares fully dil. (m) | 117.60 |
| Equity (DKKm)     | 12,080 | Avg volume (000s)     | 110.75 |
| Capital ratio (%) | 24.1   | Free float (%)        | 72     |



| Performance data              |  | -1M    | -3M   | -12M   |
|-------------------------------|--|--------|-------|--------|
| Absolute (%)                  |  | (0.8)  | (0.9) | (0.7)  |
| Relative to local index (%)   |  | (4.4)  | (1.8) | (13.0) |
| Relative to Europe, ex UK (%) |  | (10.0) | (2.8) | (10.0) |
| Relative to sector (%)        |  | (9.2)  | (5.1) | (7.4)  |

## Case

We believe Spar Nord provides excellent exposure to the current interest rate cycle because its large excess deposit base combined with above-industry loan growth should give a significant boost to its PTP in 2023 and 2024.

## Valuation

We apply a dividend discount model to determine fair value for Spar Nord, which is based on an 11% return requirement and a terminal value based on our 2025 forecast adjusted for our 50bp long-term loan losses assumption.

## Risks to target price

We see a fast pivot of western central banks in combination with a severe recession as the main risk because this would cause cuts to NII estimates and increase loan losses.

## Description

Spar Nord Bank is a medium-sized Danish full-service retail-oriented bank with a focus on retail and SME. During the 2000s, Spar Nord expanded nationally from its northern Jutland stronghold through greenfield establishments and through the acquisition of Spar Bank. In total, 51 branches have been opened or acquired while 66 branches have been closed. Today Spar Nord has 50 branches. The Northern Jutland network was reduced from 63 branches in 2001 to 27, and accounts for 60% of business volume. Spar Nord's market share in Northern Jutland is 32% and nationwide 4%, according to the bank. In 2021, Spar Nord bought the Danish part of BankNordik.

**Profit & loss statement**

| (DKKm)                              | 2013           | 2014           | 2015           | 2016           | 2017           | 2018           | 2019           | 2020           | 2021           | 2022           | 2023E          | 2024E          | 2025E          |
|-------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Net interest income                 | 1,849          | 1,800          | 1,727          | 1,621          | 1,546          | 1,549          | 1,573          | 1,584          | 1,736          | 2,013          | 3,537          | 3,473          | 3,318          |
| Net commissions                     | 723            | 863            | 1,030          | 1,053          | 1,116          | 1,128          | 1,226          | 1,237          | 1,541          | 1,689          | 1,515          | 1,661          | 1,703          |
| Trading income                      | 201            | 380            | 507            | 434            | 404            | 268            | 380            | 433            | 408            | 324            | 521            | 413            | 425            |
| Result from insurance operations    | 0              | 0              | 0              | 0              | 0              | 0              | 0              | 0              | 0              | 0              | 0              | 0              | 0              |
| Other income                        | 99             | 160            | 66             | 59             | 83             | 244            | 161            | 72             | 134            | 123            | 149            | 108            | 108            |
| <b>Total income</b>                 | <b>2,872</b>   | <b>3,202</b>   | <b>3,331</b>   | <b>3,167</b>   | <b>3,149</b>   | <b>3,189</b>   | <b>3,340</b>   | <b>3,326</b>   | <b>3,819</b>   | <b>4,149</b>   | <b>5,722</b>   | <b>5,655</b>   | <b>5,554</b>   |
| Personnel expenses                  | 0              | (1,053)        | (1,098)        | (1,142)        | (1,165)        | (1,153)        | (1,218)        | (1,294)        | (1,294)        | (1,385)        | (1,479)        | (1,544)        | (1,616)        |
| Other expenses                      | (1,741)        | (869)          | (745)          | (754)          | (772)          | (770)          | (797)          | (806)          | (806)          | (954)          | (1,028)        | (1,034)        | (1,042)        |
| <b>Total non-interest expenses</b>  | <b>(1,741)</b> | <b>(1,922)</b> | <b>(1,843)</b> | <b>(1,896)</b> | <b>(1,937)</b> | <b>(1,923)</b> | <b>(2,015)</b> | <b>(2,100)</b> | <b>(2,100)</b> | <b>(2,339)</b> | <b>(2,507)</b> | <b>(2,577)</b> | <b>(2,658)</b> |
| <b>Profit before credit losses</b>  | <b>1,131</b>   | <b>1,280</b>   | <b>1,488</b>   | <b>1,271</b>   | <b>1,212</b>   | <b>1,266</b>   | <b>1,325</b>   | <b>1,226</b>   | <b>1,719</b>   | <b>1,810</b>   | <b>3,215</b>   | <b>3,077</b>   | <b>2,896</b>   |
| Credit losses                       | (405)          | (493)          | (316)          | (243)          | 37             | (172)          | (22)           | (309)          | 120            | (78)           | 22             | (153)          | (284)          |
| Net capital gains (losses)          | (56)           | 21             | 0              | 0              | 0              | 0              | 0              | 0              | 0              | 0              | 0              | 0              | 0              |
| <b>Pre-tax profit</b>               | <b>670</b>     | <b>807</b>     | <b>1,172</b>   | <b>1,028</b>   | <b>1,249</b>   | <b>1,094</b>   | <b>1,303</b>   | <b>917</b>     | <b>1,839</b>   | <b>1,732</b>   | <b>3,237</b>   | <b>2,925</b>   | <b>2,611</b>   |
| Taxes                               | (133)          | (91)           | (177)          | (190)          | (262)          | (174)          | (243)          | (181)          | (333)          | (304)          | (747)          | (687)          | (614)          |
| Other items                         | 0              | 0              | 14             | 26             | 49             | 49             | 48             | 49             | 61             | 48             | 48             | 48             | 48             |
| <b>Net profit</b>                   | <b>536</b>     | <b>716</b>     | <b>1,009</b>   | <b>864</b>     | <b>1,036</b>   | <b>969</b>     | <b>1,109</b>   | <b>785</b>     | <b>1,567</b>   | <b>1,476</b>   | <b>2,538</b>   | <b>2,286</b>   | <b>2,046</b>   |
| Net interest margin                 | 2.41           | 2.35           | 2.23           | 2.09           | 1.95           | 1.90           | 1.79           | 1.62           | 1.59           | 1.67           | 2.81           | 2.69           | 2.52           |
| Cost/income ratio                   | 60.6           | 60.0           | 55.3           | 59.9           | 61.5           | 60.3           | 60.3           | 63.1           | 55.0           | 56.4           | 43.8           | 45.6           | 47.9           |
| Credit losses/loans                 | 0.94           | 1.37           | 0.83           | 0.59           | (0.08)         | 0.39           | 0.04           | 0.59           | (0.19)         | 0.12           | (0.03)         | 0.22           | 0.39           |
| ROE                                 | 8.6            | 10.6           | 13.9           | 11.3           | 13.1           | 11.7           | 12.8           | 8.5            | 15.4           | 13.4           | 21.7           | 18.5           | 15.8           |
| <b>Growth rates y-o-y (%)</b>       |                |                |                |                |                |                |                |                |                |                |                |                |                |
| Total income                        | 20.8           | 11.5           | 4.0            | (4.9)          | (0.6)          | 1.3            | 4.7            | (0.4)          | 14.8           | 8.6            | 37.9           | (1.2)          | (1.8)          |
| Profit before credit losses         | 29.0           | 13.2           | 16.3           | (14.6)         | (4.6)          | 4.4            | 4.7            | (7.4)          | 40.2           | 5.3            | 77.6           | (4.3)          | (5.9)          |
| Pre-tax profit                      | 130.8          | 20.6           | 45.2           | (12.3)         | 21.5           | (12.4)         | 19.2           | (29.6)         | 100.5          | (5.8)          | 86.9           | (9.6)          | (10.7)         |
| <b>Key ratios</b>                   |                |                |                |                |                |                |                |                |                |                |                |                |                |
| Tier 1 ratio                        | 17.4           | 13.3           | 15.8           | 17.5           | 17.7           | 17.2           | 17.7           | 20.0           | 21.0           | 22.4           | 21.6           | 21.7           | 21.7           |
| Capital ratio                       | 19.4           | 15.0           | 17.9           | 19.6           | 19.9           | 19.6           | 20.0           | 22.4           | 23.5           | 24.9           | 24.1           | 24.1           | 23.9           |
| Net non-performing loans            | 5,597          | 5,848          | 5,350          | 5,550          | 4,486          | 5,245          | 3,507          | 3,590          | 3,409          | 3,292          | 3,211          | 3,282          | 3,357          |
| Acc provisions % of gross non-perf. | n.a.           | n.a.           | n.a.           | n.a.           | n.a.           | n.a.           | n.a.           | n.a.           | n.a.           | n.a.           | n.a.           | n.a.           | n.a.           |
| Net non-performing % of net loans   | 14.9           | 16.3           | 14.1           | 13.4           | 9.6            | 11.8           | 6.8            | 6.9            | 5.5            | 5.0            | 4.8            | 4.7            | 4.6            |
| Net non-performing % of equity      | 85.7           | 83.2           | 71.6           | 71.5           | 55.3           | 62.6           | 39.4           | 37.4           | 31.8           | 29.2           | 26.6           | 25.9           | 25.4           |
| Average number of employees         | 0              | 0              | 0              | 0              | 0              | 0              | 0              | 0              | 0              | 0              | 0              | 0              | 0              |
| Personnel expenses/employee         | 0              | 0              | 0              | 0              | 0              | 0              | 0              | 0              | 0              | 0              | 0              | 0              | 0              |
| Income/employee                     | n.a.           | n.a.           | n.a.           | n.a.           | n.a.           | n.a.           | n.a.           | n.a.           | n.a.           | n.a.           | n.a.           | n.a.           | n.a.           |
| Adjusted net profit                 | 542            | 661            | 804            | 876            | 1,027          | 728            | 1,007          | 755            | 1,418          | 1,428          | 2,490          | 2,238          | 1,998          |
| Adjusted equity                     | 6,319          | 6,697          | 7,163          | 7,552          | 7,885          | 8,202          | 8,727          | 9,425          | 10,298         | 10,851         | 11,665         | 12,273         | 12,795         |
| Return on Adjusted equity           | 8.7            | 9.7            | 11.3           | 11.8           | 13.5           | 9.4            | 12.2           | 8.7            | 14.6           | 13.4           | 21.7           | 18.5           | 15.8           |

**Balance sheet**

| (DKKm)                              | 2013          | 2014          | 2015          | 2016          | 2017          | 2018          | 2019          | 2020           | 2021           | 2022           | 2023E          | 2024E          | 2025E          |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Cash & financial institutions       | 3,539         | 986           | 610           | 595           | 1,298         | 1,029         | 1,152         | 1,126          | 1,855          | 1,893          | 37             | 37             | 37             |
| Securities                          | 18,810        | 21,651        | 17,712        | 16,493        | 12,464        | 17,928        | 18,238        | 23,436         | 20,962         | 27,156         | 31,718         | 31,845         | 31,972         |
| Net loans                           | 37,648        | 35,948        | 38,039        | 41,346        | 46,747        | 44,330        | 51,312        | 52,313         | 61,936         | 65,806         | 66,604         | 69,382         | 72,295         |
| Other assets                        | 14,608        | 20,241        | 19,996        | 20,039        | 19,857        | 19,506        | 22,411        | 25,203         | 31,782         | 29,081         | 29,144         | 28,986         | 28,650         |
| Deposits from fin. institutions     | 23,239        | 18,680        | 10,724        | 8,841         | 7,301         | 8,007         | 10,113        | 10,137         | 10,458         | 10,680         | 10,747         | 10,931         | 11,119         |
| Deposits from customers             | 41,831        | 53,090        | 57,746        | 61,007        | 64,091        | 65,545        | 70,602        | 78,880         | 89,308         | 94,571         | 97,022         | 98,977         | 100,971        |
| Bond borrowing                      | 3,002         | 23            | 0             | 0             | 0             | 0             | 2,637         | 2,670          | 4,845          | 6,216          | 6,459          | 6,459          | 6,459          |
| Equity                              | 6,533         | 7,033         | 7,887         | 8,627         | 8,975         | 9,241         | 9,761         | 10,390         | 11,924         | 12,469         | 13,275         | 13,883         | 14,405         |
| <b>Total liabilities and equity</b> | <b>74,605</b> | <b>78,826</b> | <b>76,357</b> | <b>78,474</b> | <b>80,367</b> | <b>82,793</b> | <b>93,113</b> | <b>102,077</b> | <b>116,535</b> | <b>123,936</b> | <b>127,503</b> | <b>130,249</b> | <b>132,954</b> |
| Risk-weighted assets                | 42,697        | 49,005        | 46,500        | 47,486        | 49,546        | 53,858        | 55,963        | 54,865         | 60,551         | 60,463         | 61,917         | 64,383         | 66,971         |
| Loans/assets (%)                    | 50.5          | 45.6          | 49.8          | 52.7          | 58.2          | 53.5          | 55.1          | 51.2           | 53.1           | 53.1           | 52.2           | 53.3           | 54.4           |
| Loan growth y-o-y                   | (3.6)         | (4.5)         | 5.8           | 8.7           | 13.1          | (5.2)         | 15.8          | 2.0            | 18.4           | 6.2            | 1.2            | 4.2            | 4.2            |
| Deposits/loans (%)                  | 111.1         | 147.7         | 151.8         | 147.5         | 137.1         | 147.9         | 137.6         | 150.8          | 144.2          | 143.7          | 145.7          | 142.7          | 139.7          |

**Valuation**

| (DKKm)                         | 2013  | 2014  | 2015  | 2016  | 2017  | 2018  | 2019  | 2020  | 2021  | 2022  | 2023E | 2024E | 2025E |
|--------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| No of shares, fully dil. (y/e) | 125.3 | 125.4 | 125.4 | 121.9 | 123.0 | 123.0 | 122.9 | 122.9 | 123.0 | 120.7 | 117.6 | 113.0 | 108.4 |
| Share price, y/e               | 49.2  | 58.0  | 61.0  | 81.0  | 72.1  | 52.3  | 64.7  | 59.8  | 83.6  | 106.4 | 104.1 | 104.1 | 104.1 |
| EPS (reported)                 | 4.29  | 4.89  | 7.15  | 6.77  | 8.04  | 7.48  | 8.63  | 5.99  | 11.3  | 11.7  | 20.9  | 19.4  | 18.0  |
| EPS (adjusted)                 | 4.34  | 4.06  | 5.58  | 7.07  | 8.35  | 5.85  | 8.18  | 6.14  | 11.5  | 11.7  | 20.9  | 19.4  | 18.0  |
| Dividend/share                 | 1.0   | 1.6   | 5.0   | 5.0   | 3.5   | 3.5   | 3.5   | 1.5   | 5.0   | 4.5   | 11.0  | 10.0  | 9.0   |
| Book value/share               | 52    | 56    | 60    | 64    | 66    | 68    | 72    | 78    | 87    | 93    | 103   | 112   | 122   |
| Adjusted equity/share          | 50    | 53    | 57    | 62    | 64    | 67    | 71    | 77    | 84    | 90    | 99    | 109   | 118   |
| PER (adjusted)                 | 11.3  | 14.3  | 10.9  | 11.5  | 8.6   | 8.9   | 7.9   | 9.7   | 7.2   | 9.1   | 5.0   | 5.4   | 5.8   |
| Price/Book value (y/e)         | 0.94  | 1.03  | 1.02  | 1.27  | 1.09  | 0.77  | 0.89  | 0.77  | 0.96  | 1.14  | 1.01  | 0.93  | 0.85  |
| Price/Adj equity per share     | 0.98  | 1.09  | 1.07  | 1.31  | 1.12  | 0.78  | 0.91  | 0.78  | 1.00  | 1.18  | 1.05  | 0.96  | 0.88  |
| Return on equity (%)           | 8.6   | 10.6  | 13.9  | 11.3  | 13.1  | 11.7  | 12.8  | 8.5   | 15.4  | 13.4  | 21.7  | 18.5  | 15.8  |
| Adjusted return on equity (%)  | 8.7   | 9.7   | 11.3  | 11.8  | 13.5  | 9.4   | 12.2  | 8.7   | 14.6  | 13.4  | 21.7  | 18.5  | 15.8  |

**Main shareholders**

| Name                 | (%) | Votes | Capital | Management | Name             | Company information          |
|----------------------|-----|-------|---------|------------|------------------|------------------------------|
| Spar Nord Foundation |     | 18.5  | 18.5    | COB        | Kjeld Johannesen | Internet www.sparnord.dk     |
| Nykredit             |     | 11.1  | 11.1    | CEO        | Lasse Nyby       | Phone number +45 39 34 40 00 |
|                      |     | 0.0   | 0.0     | CFO        |                  | Fax number +45 96 34 45 60   |

## Banks

Denmark

## Sydbank

Buy

Analyst: Martin Birk

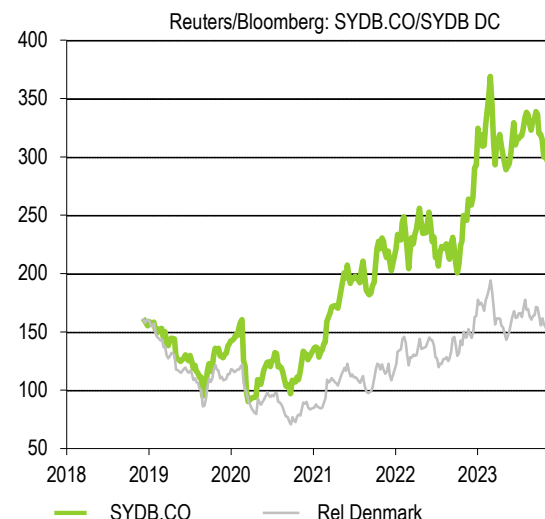
Tel: (45) 3328 3316

e-mail: martin.birk@seb.dk

DKK 300.8

Target price: DKK 380

| Estimates (DKK)                |        |        |        |        |
|--------------------------------|--------|--------|--------|--------|
| (Y/end 31-Dec)                 | 2022   | 2023E  | 2024E  | 2025E  |
| Revenues (m)                   | 5,478  | 7,323  | 7,033  | 6,812  |
| PTP (m)                        | 2,419  | 4,236  | 3,662  | 3,279  |
| EPS (reported)                 | 32.0   | 55.6   | 49.3   | 47.2   |
| EPS (adjusted)                 | 32.0   | 57.2   | 51.9   | 47.9   |
| DPS                            | 4.3    | 28.6   | 26.0   | 24.8   |
| Revenue growth (%)             | 15.9   | 33.7   | (4.0)  | (3.1)  |
| PTP growth (%)                 | 37.1   | 75.1   | (13.6) | (10.5) |
| EPS (adjusted) gr. (%)         | 24.8   | 78.6   | (9.3)  | (7.6)  |
| Net loans growth (%)           | 0.6    | (1.2)  | 2.6    | 3.5    |
| Net interest margin (%)        | 1.42   | 2.45   | 2.24   | 2.05   |
| Gross imp. loans / lending (%) | 1.5    | 1.6    | 1.6    | 1.6    |
| Reserves/Gross imp. loans (%)  | (149)  | (146)  | (142)  | (137)  |
| Losses/Loans (%)               | (0.12) | (0.02) | 0.11   | 0.21   |
| Tier 1 ratio                   | 20.2   | 22.9   | 22.5   | 22.2   |
| <b>Valuation</b>               |        |        |        |        |
| PER (adjusted)                 | 9.4    | 5.3    | 5.8    | 6.3    |
| Yield (%)                      | 1.4    | 9.5    | 8.6    | 8.2    |
| P/BV (x)                       | 1.33   | 1.18   | 1.09   | 1.02   |
| P/Tangible Equity (x)          | 1.37   | 1.21   | 1.12   | 1.04   |
| RoE (%)                        | 14.7   | 23.1   | 18.6   | 16.5   |
| Return on tangible equity (%)  | 15.1   | 24     | 19.3   | 17.2   |



| Key data (2023E)  |        | Performance data      |        |                               |       |        |       |
|-------------------|--------|-----------------------|--------|-------------------------------|-------|--------|-------|
| Market cap (USDm) | 2,313  | Shares outstand. (m)  | 56.53  | -1M                           | -3M   | -12M   |       |
| Market cap (DKKm) | 15,841 | Shares fully dil. (m) | 56.53  | Absolute (%)                  | 0.9   | (6.8)  | 12.7  |
| Equity (DKKm)     | 14,443 | Avg volume (000s)     | 126.69 | Relative to local index (%)   | (2.7) | (7.7)  | (1.3) |
| Capital ratio (%) | 23.9   | Free float (%)        | 100    | Relative to Europe, ex UK (%) | (8.5) | (8.6)  | 2.2   |
|                   |        |                       |        | Relative to sector (%)        | (7.6) | (10.8) | 5.1   |

## Case

The bank has a disproportionately high exposure to corporate lending and is therefore well positioned to benefit from the current high growth in bank lending and subsequent large multiple expansion. We see a disciplined approach to deposit pricing as key to unlocking future value. A 9% total yield for 2023E adds to the investment case.

## Valuation

We apply a Gordon growth valuation to Sydbank, which assumes an 11% return requirement and a terminal value based on the average of our 2025 forecast and a forecast adjusted for our assumption of a long-term loan loss of 50bp.

## Risks to target price

The key risk in our view is the development of corporate credits (volume and quality), as Sydbank is heavily exposed to corporate lending, especially to the SME segment. Any material macroeconomic setback is also a risk.

## Description

Sydbank is Denmark's fourth-largest bank after Danske Bank, Nordea and Jyske Bank. Sydbank has 5-6% market share in private clients and 10-11% in SMEs. Using acquisitions, Sydbank has built a nationwide presence with the strongest market position in southern Jutland and a good foothold in Aarhus and Copenhagen. In northern Germany, Sydbank has three branches, which accounted for 5% of revenues in 2021.

**Profit & loss statement**

| (DKKm)                              | 2013           | 2014           | 2015           | 2016           | 2017           | 2018           | 2019           | 2020           | 2021           | 2022           | 2023E          | 2024E          | 2025E          |
|-------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Net interest income                 | 2,568          | 2,521          | 2,404          | 2,323          | 1,993          | 1,775          | 1,483          | 1,476          | 1,776          | 2,461          | 4,450          | 4,156          | 3,865          |
| Net commissions                     | 1,490          | 1,798          | 1,925          | 1,875          | 2,174          | 2,176          | 2,172          | 2,194          | 2,660          | 2,733          | 2,578          | 2,657          | 2,728          |
| Trading income                      | 229            | 196            | 215            | 237            | 233            | 138            | 224            | 278            | 291            | 284            | 295            | 220            | 220            |
| Result from insurance operations    | 0              | 0              | 0              | 0              | 0              | 0              | 0              | 0              | 0              | 0              | 0              | 0              | 0              |
| Other income                        | 0              | 0              | 0              | 0              | 0              | 0              | 0              | 0              | 0              | 0              | 0              | (0)            | 0              |
| <b>Total income</b>                 | <b>4,287</b>   | <b>4,515</b>   | <b>4,544</b>   | <b>4,435</b>   | <b>4,400</b>   | <b>4,089</b>   | <b>3,879</b>   | <b>3,948</b>   | <b>4,727</b>   | <b>5,478</b>   | <b>7,323</b>   | <b>7,033</b>   | <b>6,812</b>   |
| Personnel expenses                  | 0              | (1,564)        | (1,552)        | (1,519)        | (1,561)        | (1,638)        | (1,665)        | (1,594)        | (1,846)        | (1,756)        | (1,843)        | (1,906)        | (1,941)        |
| Other expenses                      | (2,514)        | (1,055)        | (1,123)        | (1,071)        | (1,076)        | (1,084)        | (1,118)        | (1,180)        | (1,331)        | (1,270)        | (1,287)        | (1,380)        | (1,416)        |
| <b>Total non-interest expenses</b>  | <b>(2,514)</b> | <b>(2,619)</b> | <b>(2,675)</b> | <b>(2,590)</b> | <b>(2,637)</b> | <b>(2,722)</b> | <b>(2,783)</b> | <b>(2,774)</b> | <b>(3,177)</b> | <b>(3,026)</b> | <b>(3,129)</b> | <b>(3,286)</b> | <b>(3,357)</b> |
| <b>Profit before credit losses</b>  | <b>1,773</b>   | <b>1,896</b>   | <b>1,869</b>   | <b>1,845</b>   | <b>1,763</b>   | <b>1,367</b>   | <b>1,096</b>   | <b>1,174</b>   | <b>1,550</b>   | <b>2,452</b>   | <b>4,193</b>   | <b>3,747</b>   | <b>3,455</b>   |
| Credit losses                       | (1,861)        | (707)          | (316)          | (87)           | 51             | 122            | 97             | (47)           | 415            | 99             | 19             | (96)           | (187)          |
| Net capital gains (losses)          | 259            | 140            | (80)           | 111            | 142            | (69)           | (112)          | (106)          | (201)          | (132)          | 24             | 10             | 10             |
| <b>Pre-tax profit</b>               | <b>171</b>     | <b>1,329</b>   | <b>1,473</b>   | <b>1,869</b>   | <b>1,956</b>   | <b>1,420</b>   | <b>1,081</b>   | <b>1,021</b>   | <b>1,764</b>   | <b>2,419</b>   | <b>4,236</b>   | <b>3,662</b>   | <b>3,279</b>   |
| Taxes                               | 16             | (277)          | (325)          | (397)          | (425)          | (264)          | (228)          | (222)          | (353)          | (504)          | (1,001)        | (928)          | (832)          |
| Other items                         | 0              | 0              | 0              | 0              | 0              | (23)           | (39)           | (39)           | (39)           | (39)           | (39)           | (40)           | (40)           |
| <b>Net profit</b>                   | <b>187</b>     | <b>1,052</b>   | <b>1,148</b>   | <b>1,472</b>   | <b>1,531</b>   | <b>1,133</b>   | <b>814</b>     | <b>760</b>     | <b>1,372</b>   | <b>1,876</b>   | <b>3,196</b>   | <b>2,694</b>   | <b>2,406</b>   |
| Net interest margin                 | 1.71           | 1.68           | 1.63           | 1.61           | 1.40           | 1.27           | 1.03           | 0.94           | 1.06           | 1.42           | 2.45           | 2.24           | 2.05           |
| Cost/income ratio                   | 58.6           | 58.0           | 58.9           | 58.4           | 59.9           | 66.6           | 71.7           | 70.3           | 67.2           | 55.2           | 42.7           | 46.7           | 49.3           |
| Credit losses/loans                 | 2.60           | 0.94           | 0.37           | 0.10           | (0.07)         | (0.18)         | (0.13)         | 0.06           | (0.49)         | (0.12)         | (0.02)         | 0.11           | 0.21           |
| ROE                                 | 1.8            | 9.8            | 10.1           | 12.7           | 12.9           | 9.9            | 7.4            | 6.7            | 11.4           | 14.7           | 23.1           | 18.6           | 16.5           |
| <b>Growth rates y-o-y (%)</b>       |                |                |                |                |                |                |                |                |                |                |                |                |                |
| Total income                        | (5.8)          | 5.3            | 0.6            | (2.4)          | (0.8)          | (7.1)          | (5.1)          | 1.8            | 19.7           | 15.9           | 33.7           | (4.0)          | (3.1)          |
| Profit before credit losses         | (10.8)         | 6.9            | (1.4)          | (1.3)          | (4.4)          | (22.5)         | (19.8)         | 7.1            | 32.0           | 58.2           | 71.0           | (10.6)         | (7.8)          |
| Pre-tax profit                      | (72.6)         | 677.2          | 10.8           | 26.9           | 4.7            | (27.4)         | (23.9)         | (5.6)          | 72.8           | 37.1           | 75.1           | (13.6)         | (10.5)         |
| <b>Key ratios</b>                   |                |                |                |                |                |                |                |                |                |                |                |                |                |
| Tier 1 ratio                        | 15.3           | 15.5           | 15.9           | 17.4           | 17.7           | 20.4           | 20.9           | 21.9           | 20.7           | 20.2           | 22.9           | 22.5           | 22.2           |
| Capital ratio                       | 15.7           | 16.0           | 17.6           | 19.2           | 20.8           | 23.7           | 24.3           | 25.4           | 24.2           | 23.3           | 23.9           | 23.6           | 23.2           |
| Net non-performing loans            | 11,171         | 11,276         | 10,455         | 8,151          | 7,054          | 5,831          | 4,257          | 4,271          | 3,748          | 3,225          | 3,317          | 3,356          | 3,411          |
| Acc provisions % of gross non-perf. | n.a.           | n.a.           | n.a.           | n.a.           | n.a.           | n.a.           | n.a.           | n.a.           | n.a.           | n.a.           | n.a.           | n.a.           | n.a.           |
| Net non-performing % of net loans   | 15.6           | 15.0           | 12.4           | 9.8            | 10.1           | 8.6            | 5.8            | 5.5            | 4.5            | 3.8            | 4.0            | 3.9            | 3.8            |
| Net non-performing % of equity      | 109.1          | 99.7           | 91.5           | 69.3           | 59.1           | 53.4           | 38.7           | 36.5           | 30.2           | 24.5           | 23.0           | 23.1           | 23.3           |
| Average number of employees         | 0              | 0              | 0              | 0              | 0              | 0              | 0              | 0              | 0              | 0              | 0              | 0              | 0              |
| Personnel expenses/employee         | 0              | 0              | 0              | 0              | 0              | 0              | 0              | 0              | 0              | 0              | 0              | 0              | 0              |
| Income/employee                     | n.a.           | n.a.           | n.a.           | n.a.           | n.a.           | n.a.           | n.a.           | n.a.           | n.a.           | n.a.           | n.a.           | n.a.           | n.a.           |
| Adjusted net profit                 | 188            | 1,034          | 1,148          | 1,460          | 1,562          | 1,109          | 893            | 858            | 1,555          | 1,908          | 3,273          | 2,771          | 2,484          |
| Adjusted equity                     | 9,882          | 10,833         | 10,835         | 11,386         | 11,570         | 10,663         | 10,757         | 11,267         | 12,008         | 12,821         | 14,103         | 14,170         | 14,293         |
| Return on Adjusted equity           | 1.9            | 9.6            | 10.1           | 12.6           | 13.2           | 9.5            | 7.8            | 7.2            | 12.6           | 14.6           | 23.4           | 18.9           | 16.8           |

**Balance sheet**

| (DKKm)                              | 2013           | 2014           | 2015           | 2016           | 2017           | 2018           | 2019           | 2020           | 2021           | 2022           | 2023E          | 2024E          | 2025E          |
|-------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Cash & financial institutions       | 11,650         | 9,594          | 4,274          | 6,981          | 12,479         | 13,696         | 8,863          | 14,428         | 16,918         | 21,959         | 22,497         | 22,950         | 23,413         |
| Securities                          | 38,819         | 37,725         | 28,098         | 28,169         | 27,978         | 31,864         | 34,568         | 39,351         | 31,493         | 33,597         | 33,250         | 33,920         | 34,604         |
| Net loans                           | 71,477         | 75,342         | 84,458         | 83,283         | 69,560         | 67,493         | 73,156         | 78,190         | 83,959         | 84,423         | 83,405         | 85,602         | 88,634         |
| Other assets                        | 25,946         | 29,655         | 25,912         | 28,253         | 28,477         | 27,461         | 31,151         | 33,831         | 35,815         | 39,339         | 44,421         | 44,559         | 44,965         |
| Deposits from fin. institutions     | 59,369         | 55,147         | 38,588         | 38,569         | 26,075         | 23,681         | 27,589         | 31,495         | 28,966         | 23,997         | 24,422         | 24,914         | 25,416         |
| Deposits from customers             | 70,027         | 82,117         | 89,000         | 92,646         | 96,771         | 101,445        | 100,918        | 112,236        | 112,694        | 128,098        | 130,640        | 133,273        | 135,958        |
| Bond borrowing                      | 8,259          | 3,741          | 3,727          | 3,714          | 3,722          | 3,706          | 7,437          | 9,563          | 13,313         | 13,242         | 13,280         | 13,548         | 13,821         |
| Equity                              | 10,237         | 11,311         | 11,427         | 11,757         | 11,926         | 11,682         | 11,794         | 12,506         | 13,212         | 13,981         | 15,231         | 15,298         | 15,421         |
| <b>Total liabilities and equity</b> | <b>147,892</b> | <b>152,316</b> | <b>142,742</b> | <b>146,686</b> | <b>138,494</b> | <b>140,514</b> | <b>147,738</b> | <b>165,800</b> | <b>168,185</b> | <b>179,318</b> | <b>183,573</b> | <b>187,032</b> | <b>190,616</b> |
| Risk-weighted assets                | 72,749         | 72,467         | 67,955         | 63,607         | 58,889         | 55,402         | 55,160         | 54,040         | 57,415         | 60,472         | 59,162         | 60,317         | 61,912         |
| Loans/assets (%)                    | 48.3           | 49.5           | 59.2           | 56.8           | 50.2           | 48.0           | 49.5           | 47.2           | 49.9           | 47.1           | 45.4           | 45.8           | 46.5           |
| Loan growth y-o-y                   | (3.7)          | 5.4            | 12.1           | (1.4)          | (16.5)         | (3.0)          | 8.4            | 6.9            | 7.4            | 0.6            | (1.2)          | 2.6            | 3.5            |
| Deposits/loans (%)                  | 98.0           | 109.0          | 105.4          | 111.2          | 139.1          | 150.3          | 137.9          | 143.5          | 134.2          | 151.7          | 156.6          | 155.7          | 153.4          |

**Valuation**

| (DKKm)                         | 2013  | 2014  | 2015  | 2016  | 2017  | 2018  | 2019  | 2020  | 2021  | 2022  | 2023E | 2024E | 2025E |
|--------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| No of shares, fully dil. (y/e) | 73.3  | 73.4  | 71.3  | 69.5  | 66.9  | 61.0  | 59.3  | 59.1  | 59.1  | 58.3  | 56.5  | 52.7  | 49.4  |
| Share price, y/e               | 144.0 | 190.2 | 221.8 | 219.2 | 249.9 | 155.1 | 139.8 | 134.5 | 206.8 | 292.6 | 300.8 | 300.8 | 300.8 |
| EPS (reported)                 | 2.56  | 14.3  | 15.9  | 20.9  | 22.4  | 17.7  | 13.5  | 12.8  | 23.2  | 32.0  | 55.6  | 49.3  | 47.2  |
| EPS (adjusted)                 | 2.57  | 14.1  | 16.1  | 21.0  | 23.4  | 17.8  | 14.4  | 13.9  | 25.7  | 32.0  | 57.2  | 51.9  | 47.9  |
| Dividend/share                 | 0.0   | 7.08  | 11.1  | 10.5  | 11.3  | 9.36  | 5.7   | 4.23  | 8.48  | 4.3   | 28.6  | 26.0  | 24.8  |
| Book value/share               | 140   | 154   | 160   | 169   | 178   | 179   | 185   | 198   | 210   | 226   | 256   | 276   | 296   |
| Adjusted equity/share          | 135   | 148   | 152   | 164   | 173   | 175   | 181   | 191   | 203   | 220   | 249   | 269   | 289   |
| PER (adjusted)                 | 56.1  | 13.5  | 13.8  | 10.4  | 10.7  | 8.7   | 9.7   | 9.7   | 8.1   | 9.1   | 5.3   | 5.8   | 6.3   |
| Price/Book value (y/e)         | 1.03  | 1.23  | 1.38  | 1.30  | 1.40  | 0.87  | 0.75  | 0.68  | 0.98  | 1.29  | 1.18  | 1.09  | 1.02  |
| Price/Adj equity per share     | 1.07  | 1.29  | 1.46  | 1.34  | 1.44  | 0.89  | 0.77  | 0.71  | 1.02  | 1.33  | 1.21  | 1.12  | 1.04  |
| Return on equity (%)           | 1.8   | 9.8   | 10.1  | 12.7  | 12.9  | 9.9   | 7.4   | 6.7   | 11.4  | 14.7  | 23.1  | 18.6  | 16.5  |
| Adjusted return on equity (%)  | 1.9   | 9.6   | 10.1  | 12.6  | 13.2  | 9.5   | 7.8   | 7.2   | 12.6  | 14.6  | 23.4  | 18.9  | 16.8  |

**Main shareholders**

| Name                     | (%) | Votes | Capital | Management | Company information |
|--------------------------|-----|-------|---------|------------|---------------------|
| Dimensional Holdings Inc |     | 5.0   | 5.0     | Title      | Contact             |
| 0                        |     | 0.0   | 0.1     | COB        | Internet            |
|                          |     | 0.0   | 0.0     | CEO        | Phone number        |
|                          |     |       |         | CFO        | Fax number          |
|                          |     |       |         |            | www.sydbank.dk      |
|                          |     |       |         |            | (45) 36 36 36       |
|                          |     |       |         |            | (45) 36 35 36       |

# Target prices and risks

## Target price definition and associated risks

Our target price is the analyst's assessment of what total return an investor should expect over the coming six to 12 months. The target is based on fundamental equity research and other factors at the analyst's discretion. Please refer to published reports on the individual companies for a detailed description of the target price methodology.

## Risk levels

The risk level is the analyst's view of the uncertainty in the earnings forecasts based on an assessment of the company's business model, operating risk as well as financial risk. We use two risk levels with the following explanations:

- **Normal risk:** All forecasts involve uncertainty and we view companies in this risk level to have normal forecast risks
- **High risk:** The earnings forecasts are more uncertain than for an average instrument due to business model, operating risk, financial risk or any other reason at the analyst's discretion. All instruments with shorter track record than 12 months as a listed company are by definition classified as high risk according to SEB.

**Authors' statement of independence (Analyst Certification)**

We, the authors of this report, hereby confirm that notwithstanding the existence of any potential conflicts of interest referred to herein, the views expressed in this report accurately reflect our personal views about the companies and securities covered. We further confirm that we have not been, nor are or will be, receiving direct or indirect compensation in exchange for expressing any of the views or the specific recommendation contained in the report. We are not registered or qualified as research analysts, representatives or associated persons under the rules of any US exchange, regulatory organization or State.

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**SEB's standardised recommendation structure**

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|             | <b>Consolidated distribution<br/>as per 30 Sep 2023 (%)</b> | <b>Clients to whom SEB has provided<br/>material investment services, last 12M (%)</b> | <b>Clients from whom SEB has received<br/>investment banking income, last 12M (%)</b> |
|-------------|---|--|---|
| <b>Buy</b>  | 68.0  | 19.9   | 17.1  |
| <b>Hold</b> | 27.2  | 7.0  | 5.7   |
| <b>Sell</b> | 4.8   | 0.9  | 0.6   |

Buy Attractive risk/reward - at least 10% upside to target price.

Hold Fairly valued – the security / instrument is trading close to target price.

Sell Unattractive risk/reward - security / instrument is trading above target price.

Unrated Company not covered, or we are not allowed to have a recommendation for compliance reasons

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**Copenhagen**

Bernstorffsgade 50  
P.O. Box 100  
DK-1577 Copenhagen V

Telephone: (45) 3328 2828

**Frankfurt**

Stephanstrasse 14-16  
D-60313 Frankfurt am Main

Telephone: (49) 69 9727 7740

**Helsinki**

Eteläesplanadi 18  
P.O. Box 630  
FIN-00101 Helsinki

Telephone: (358) 9 616 28700

**Hong Kong**

17/F Jardine House  
1 Connaught Place  
Central, Hong Kong Island  
Hong Kong

Telephone: (852) 3919 2600

**London**

One Carter Lane  
London, EC4V 5AN

Telephone: (44) 20 7246 4000

**New York**

245 Park Avenue, 33rd Floor  
New York  
NY 10167

Telephone: (1) 212 692 4760

**Oslo**

Filipstad Brygge 1,  
P.O. Box 1363 Vika  
NO-0113 Oslo

Telephone: (47) 2100 8500

**Stockholm**

Kungsträdgårdsgatan 8  
S-106 40 Stockholm

Telephone: (46) 8 522 29500

**Tallinn**

Tornimäe 2  
EE-Tallinn 15010

Telephone: (372) 665 7762