

Banks

**Key data**

Price (DKK)	188
Country	Denmark
Bloomberg	SPKSJF DC
Reuters	SPKSJF.CO
Free float	79.0%
Market cap (DKKm)	3,266
No. of shares (m)	17.4
Next event	Q4: 10-Feb

\* Price as at 15:00 CET on 7 November 2022

CEO	Lars Petersson
CFO	Jens Trane

Company description

Sparekassen Sjælland-Fyn A/S provides banking products and services in Denmark. Its products and services include net banking, commercial insurance, mobile banking, rental of commercial lease, financing, insurance and pension.

Ownership structure

Sydbank A/S	5.3%
AP Pension	5.3%
Købstædernes Forsikring	5.2%

Source: Company data

Estimate changes

	22E	23E	24E
NII	3.4%	16.0%	19.0%
PPP	3.9%	11.5%	14.3%
EPS (adj.)	-0.1%	13.1%	18.4%

Source: Danske Bank Equity Research estimates

Analyst(s)

Asbjørn Nicholas Mørk

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<https://research.danskebank.com>

Important disclosures and certifications are contained from page 12 of this report

# Sparekassen Sjælland-Fyn

## Hard work and rising rates is a strong combination

**Sparekassen Sjælland-Fyn delivered a solid Q3 with high activity and continued strong credit quality. The main focus, however, should be on 2023, where the prudent new strategy, strong operational momentum and rising interest rates add solid earnings momentum. We see a fair value range of DKK227-257/share or 21-37% above current levels.**

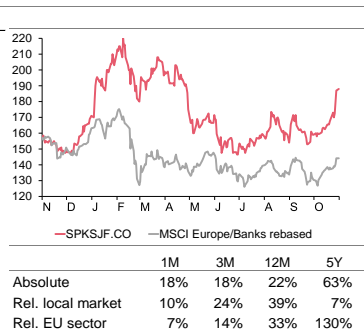
- Q3 22 a stepping stone towards 2023.** Q3 22 showed stable lending volumes q/q as mortgage refinancing activity in Totalkredit helped clients bring outstanding loans lower. Total business volumes however remained close to an all-time high at DKK60.6bn. NII was almost flat q/q as Sparekassen Sjælland-Fyn decided to overcompensate clients for the rate hike in July and remove negative deposit rates for core retail clients. This meant more attractive deposit pricing than peers and as a result, NII will see only minor short-term tailwinds. With rising Central Bank rates, however, we see good NII momentum into 2023. Underlying costs remain under control, and although inflation is having an impact, it is not concerning as NII tailwinds are substantial. Credit quality remained exceptionally strong with a record high 62% of total exposures within the FSA's best category '3/2a'.
- Self-made tailwinds add to market tailwinds.** Management's relentless focus on operational improvements is clearly paying off. The 'New Ways' strategy was successful and the new 'Towards New Goals' strategy for 2025-26 means that even without rising interest rates, Sparekassen Sjælland-Fyn should improve core earnings ahead. However, rates are on the rise, and we estimate a sizable top-line benefit already for 2023. While it is tempting to look in the rear mirror as Sparekassen Sjælland-Fyn more than doubled pre-provision profits in 2021 versus 2018, the main excitement is to be found looking through the front windscreen: we estimate 56% growth to core operations (NII+fee-costs) from 2021A to 2025E.
- Much higher estimates.** We lift 2023-24E EPS estimates by 13-18% based on higher NII and only partially offset by higher costs.
- Valuation.** SPKSJF trades at a P/E 2023E of 6.6x. We estimate a fair value range of DKK227-257/share, 21-37% above current share price.

Key financials

Year-end Dec (DKK)	2020	2021	2022E	2023E	2024E
NII (m)	557	582	662	802	839
Lending growth	-2.2%	1.0%	2.9%	2.0%	2.0%
Total revenues (m)	1,186	1,263	1,272	1,518	1,571
Pre-provision profits (PPP) (m)	368	484	445	659	693
PPP growth	38.0%	31.7%	-8.0%	47.9%	5.2%
Loan losses (m)	-161	24.8	26.2	-47.7	-68.1
PTP (m)	242	531	484	631	645
EPS (adj.)	9.58	22.7	20.6	28.3	30.3
DPS	0.00	6.00	6.00	6.00	6.00
Dividend yield		3.6%	3.2%	3.2%	3.2%
C/I	69.0%	61.7%	65.0%	56.6%	55.9%
PPP/avg. lending	3.04%	4.03%	3.64%	5.25%	5.41%
Loan loss ratio	1.33%	-0.21%	-0.21%	0.38%	0.53%
Equity tier-1 ratio	18.4	19.7	19.9	20.6	21.2
RoNTA	0.0%	0.0%	0.0%	0.0%	0.0%
P/E (adj.) (x)	9.4	7.3	9.1	6.6	6.2
P/NTA	0.54	0.86	0.92	0.82	0.74

Source: Company data, Danske Bank Equity Research estimates

Price performance



Source: FactSet

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*Investment case*

In our view, Sparekassen Sjælland-Fyn ticks all the boxes of a potentially attractive investment, diverging from the general earnings pressure that the sector is facing.

The bank has a clear niche strategy from its physical presence, with strong 11% customer inflow in recent years and a better ability than peers in converting customer inflow into both business volumes and AUM growth. Its home market is less competitive and it benefits from Totalcredit's lower mortgage prices. A Bankdata setup makes it a potential takeover target, but with clear financial targets, management is keen to deliver stand-alone.

After the bank successfully delivered on its 'New Ways' strategy, in H1 22 it announced a new strategy for 2022-25 named 'Towards New Goals'. Strong delivery in recent years adds comfort in management and if Sparekassen Sjælland-Fyn delivers by 2025, we see strong additional upside.

**The new targets are:**

- Cost/income ratio below 50% by 2026
- ROE after tax of >10% for the period
- DPS equal to 25% of net profits with share buybacks on top
- A solvency capital ratio of at least 20% (21.9% at Q1 22)
- 4-8% annual growth to total business volumes.

*Valuation and methodology for deriving 12M target price*

We value Sparekassen Sjælland-Fyn using several valuation approaches including a Gordon Growth model where we value the bank based on its normalised profitability capacity. We apply 8.5-10.5% cost of capital and 55-75bp of normalised loan loss provisions to determine a fair value range.

*Risks***Macroeconomic exposures**

Like its peers, Sparekassen Sjælland-Fyn is exposed to macroeconomic developments, including economic activity and interest rate levels.

**Higher costs**

Management has a clear ambition of lowering costs in the coming years, while at the same time increasing business volumes and income. The bank has been able to lower full-time employees (FTEs) and hence costs in recent quarters, but general wage inflation and competition for key FTEs could drive costs higher.

**A deterioration in credit quality**

Sparekassen Sjælland-Fyn has grown lending in recent years. Higher growth and new customer inflow could potentially trigger excessive risk taking and as a result higher loan loss provisions. However, considering the lending portfolio churn in the past decade to a more residentially dominated lending book, we are not concerned.

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*NII outlook building momentum*

NII came in largely flat at DKK171m, especially adjusted for interest rate days.

Higher rates only had a very limited effect on NII for the quarter, as money-market rate loans are low and price adjustments have material delay too.

In addition, core bank lending rose just 0.4% q/q which, however, was understandable in the current market.

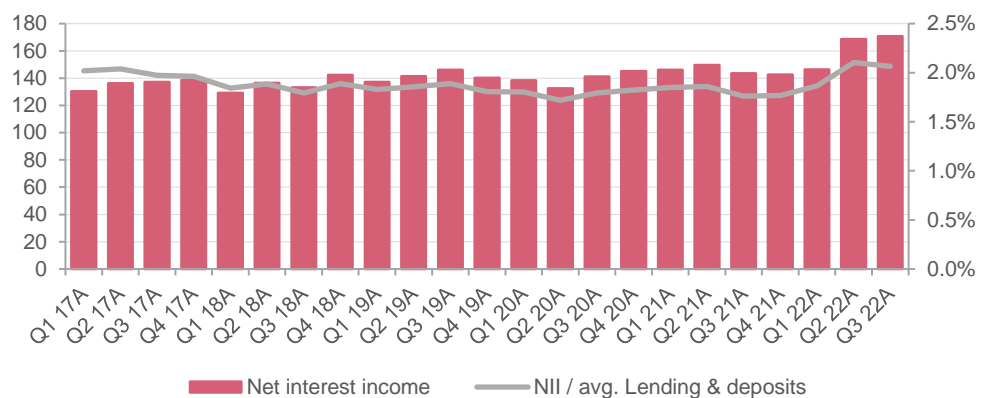
NII is unlikely to grow materially in Q4 22E for the same time-lag effects as described above. Looking into 2023, however, things are different. With materially rising rates, Sparekassen Sjælland-Fyn is now able to restore long-term prudent deposit margins. We estimate DKK80m of net NII tailwinds (DKK120m gross) which together with a higher return on liquidity should boost NII substantially in 2023.

In addition, customer inflow continues, which boosted Private Banking activities as well as off balance-sheet activities. Totalkredit lending rose 2.7% y/y though volumes fell 0.3% q/q, which is a result of high vertical mortgage refinancing activity, where customers reduce outstanding debt significantly. In this context, the y/y growth of 2.7% is impressive in our view.

With the above non-balance-sheet volumes in mind, total core lending was flat in Q3 22 versus Q2 22, though it showed 2% growth y/y.

We now estimate NII to grow to DKK0.8bn in 2023E, a material increase versus the DKK582m in 2021A.

Chart 1. Net interest income and margin development (DKKm)



Source: Company data, Danske Bank Equity Research estimates

*Fee income continues to be strong*

Fee and commission income came in at DKK163m, including dividend income. This is solid, compared to previous years and the strong delivery continues with 7% growth compared to Q3 21.

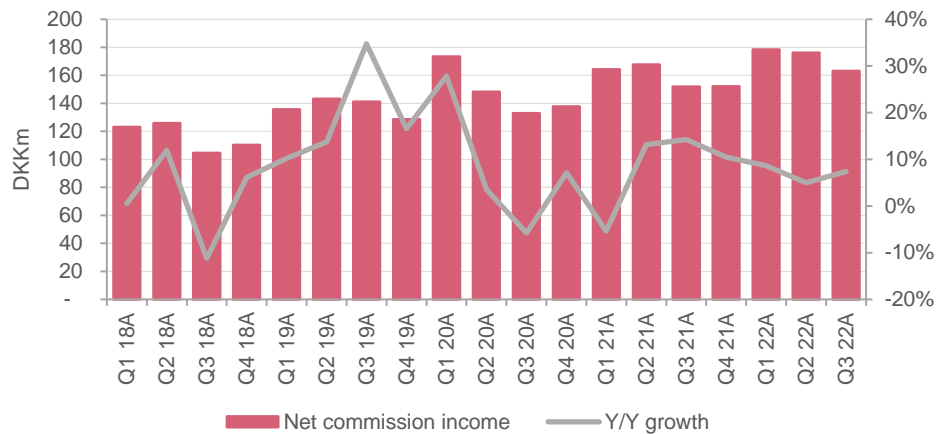
Remortgaging and lending fees rose 8% y/y as customers refinanced mortgages while payment fees rose 15% on the back of higher travel activity.

We also note that 'other' fee income continues to grow, as Sparekassen Sjælland-Fyn is successful in distributing insurance and pension product sales.

The 2022 fee income outlook is promising in our view and we expect additional tailwinds for 2023 despite some potential headwinds if mortgage refinancing activity slows.

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Chart 2. Net fee and commission income, quarterly



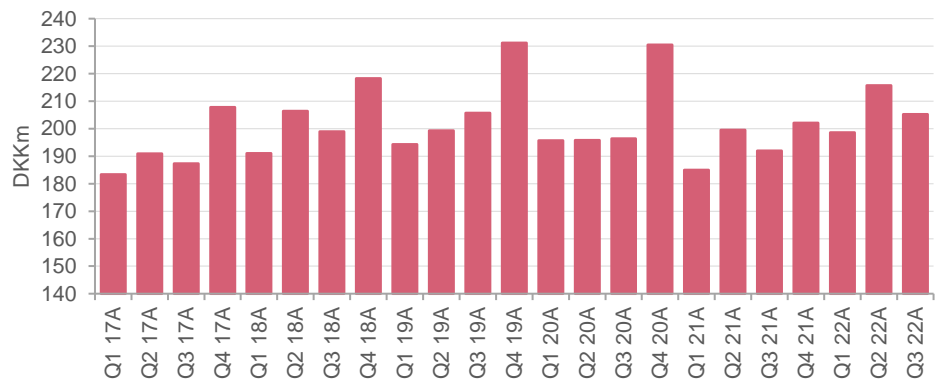
Source: Company data, Danske Bank Equity Research

Costs higher due to one-offs but underlying cost outlook strong

Total costs were DKK205m in Q3 22, up 7% y/y. Q/Q costs were lower as total costs in Q2 22 at DKK216m were high, caused by one-off staff compensation as well as costs related to implementation of the new strategy for 2026.

Sparekassen Sjælland-Fyn has clearly delivered on the cost plans in the New Ways strategy and we expect this cost focus to continue. We note that management still targets a cost/income ratio of 50% by end 2025 for the fiscal year 2026.

Chart 3. Cost development, quarterly



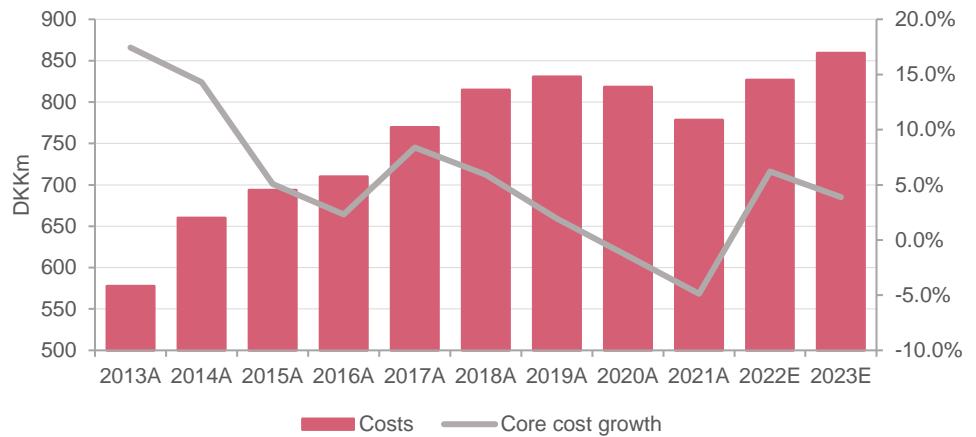
Source: Company data, Danske Bank Equity Research

Given inflation and rising credit demand, we argue that rising costs are expected. We prefer banks to invest in income growth when prudent and in this case, we see good arguments for investing further. After all, few banks have done as much as Sparekassen Sjælland-Fyn in recent years when it comes to managing income and costs simultaneously.

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Chart 4. Cost development, annually



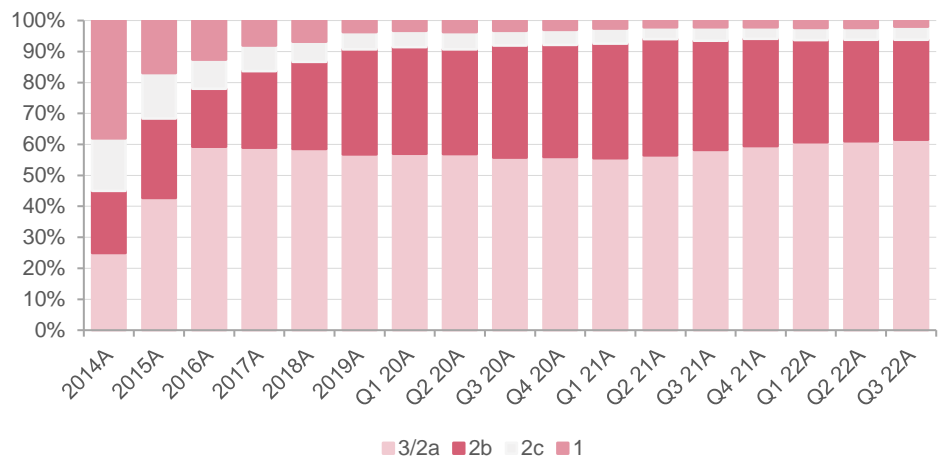
Source: Company data, Danske Bank Equity Research estimates

Credit quality remains very strong

Sparekassen Sjælland-Fyn booked DKK5m of net loan loss provisions in Q3 22. The credit quality continues to look very strong and management continues to add to the management provision buffer.

Measured on the FSA’s rating scale, category ‘3’ and ‘2a’ make up 62% of the total lending book, which is the highest ever recorded as was the case in Q1 22. We note that employment remains high in the bank’s home markets and that economic activity continues to be supportive too.

Chart 5. Lending book composition by Danish FSA criteria



Source: Company data, Danske Bank Equity Research

Capital position very solid

The CET-1 stood at 16.4% for Q3 22, while the solvency capital ratio was 22.3%. The new strategy includes a target of >20% solvency.

As a result, we argue that capital distribution should be on the rise in coming years. We expect Sparekassen Sjælland-Fyn to maintain the annual DPS level of DKK6/share while share buybacks are likely on top. We estimate DKK100m of annual buybacks for 2023 (announced at

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the 2022 annual report), growing to DKK150m in coming years. This brings the total payout ratio to 45-56%.

*2022 guidance looks manageable - more to come in 2023*

Based on a strong Q3 22, Sparekassen Sjælland-Fyn lifted the bottom-range of the 2022 guidance and now expects a pre-tax profit of DKK450-510m (DKK425-510m). As this is not the first time the bank is raising guidance, it conforms to management's conservative budgeting in our view.

We expect both NII and fee income to improve in 2022, due to solid customer inflow and rising like-for-like credit demand. Rising interest rates are only set to have a limited positive effect on 2022E NII as the bank more than passed through rising rates to depositors in July. However, we see strong tailwinds for 2023.

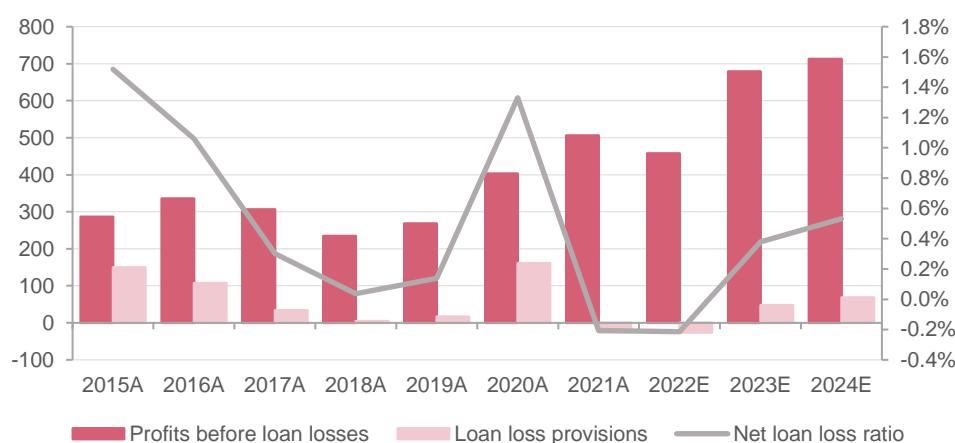
We estimate DKK484m of pre-tax profits for 2022E

*Rising core earnings remain key - rising rate adds further support*

In our view the Sparekassen Sjælland-Fyn investment case revolves around low valuation combined with substantial improvements to core earnings and profits in coming years. Very few banks have been able to deliver similar improvements to core operations and the combined improvement since 2018 is impressive.

With the new strategy for 2025-26, we expect the bank to continue to demonstrate positive jaws on income versus costs. In our view it is key that management has set its own independent strategy for future profitability improvements and does not simply rely on rising rates to benefit. That said, we see rising rates adding income tailwinds on top of the underlying management improvements delivered. The combination of the two is important and as a result we estimate pre-tax ROE of 15.5% on average for 2023-25E.

Chart 6. Core earnings development (DKKm)



Source: Company data, Danske Bank Equity Research estimates

*Fair value range slightly higher at DKK227-257*

Our capital- and risk-adjusted Gordon Growth model returns a fair value range of DKK227-257/share with a mid-range at DKK252. This is 21-37% above current share price. In the range, we apply a cost of capital range of 10.5-11.5% and 70-90bp of normalised loan losses.

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Table 1. Sparekassen Sjælland-Fyn Gordon Growth valuation range

		Normalised loan loss ratio						
		0.50%	0.60%	0.70%	0.80%	0.90%	1.00%	1.10%
Cost of Equity	9.5%	295	289	283	277	271	265	259
	10.0%	281	275	269	264	258	252	247
	10.5%	268	263	257	252	247	241	236
	11.0%	257	252	247	241	236	231	226
	11.5%	247	242	237	232	227	222	217
	12.0%	237	232	228	223	218	213	209
	12.5%	228	224	219	215	210	206	201

		Upside/downside vs. current share price						
		0.50%	0.60%	0.70%	0.80%	0.90%	1.00%	1.10%
Cost of Equity	9.5%	57%	54%	50%	47%	44%	41%	38%
	10.0%	49%	46%	43%	40%	37%	34%	31%
	10.5%	43%	40%	37%	34%	31%	28%	25%
	11.0%	37%	34%	31%	28%	26%	23%	20%
	11.5%	31%	29%	26%	23%	21%	18%	15%
	12.0%	26%	24%	21%	19%	16%	13%	11%
	12.5%	21%	19%	17%	14%	12%	9%	7%

Note: Prices as at 15:00 CET on 7 November 2022

Source: Danske Bank Equity Research estimates.



**Table 2. Sparekassen Sjælland-Fyn, interim data**

<b>DKKm</b>	<b>Q1 21A</b>	<b>Q2 21A</b>	<b>Q3 21A</b>	<b>Q4 21A</b>	<b>Q1 22A</b>	<b>Q2 22A</b>	<b>Q3 22A</b>	<b>Q4 22E</b>
Net interest income	146	150	143	143	146	169	171	176
Net commission income	164	168	152	152	178	176	163	157
NII and net fee income	310	317	295	295	325	345	334	334
Core capital gains	13	-4	13	8	-36	-60	12	2
Other income	3	4	4	4	3	5	4	5
<b>Total core income</b>	<b>327</b>	<b>317</b>	<b>312</b>	<b>307</b>	<b>292</b>	<b>289</b>	<b>350</b>	<b>341</b>
Core banking costs	-185	-200	-192	-202	-199	-216	-205	-207
Profits, associated companies	5	4	9	4	5	6	-3	4
Profits before loan losses	147	121	129	109	98	80	142	137
Loan loss provisions	15	19	-10	1	3	32	-5	-5
Core earnings after loan losses	162	140	119	110	101	112	138	133
Net Extraordinary	0	0	0	0	0	0	0	0
Pretax profits	162	140	119	110	101	112	138	133
Tax	-18	-30	-21	-18	-18	-25	-31	-20
Net profits before AT-1 costs	144	109	99	92	82	88	106	113
Minority interests / AT-1	-6	-6	-6	-6	-6	-6	-6	-6
Net profits	138	103	92	86	76	82	100	107
Normalised profits	122	105	88	81	74	82	103	99
EPS, net profits	7.9	5.9	5.3	4.9	4.4	4.7	5.8	6.1
EPS, adj.	7.0	6.0	5.1	4.7	4.3	4.7	5.9	5.7
BV/Share	181	186	191	196	197	199	203	209
NTA/share	175	181	186	191	191	194	198	204
No. of shares, year-end	17.4	17.4	17.4	17.4	17.4	17.4	17.4	17.4
No. of shares, average	17.4	17.4	17.4	17.4	17.4	17.4	17.4	17.4
Tier-1 ratio	16.8%	16.9%	17.3%	19.7%	18.4%	18.7%	18.6%	19.9%
CET-1 ratio	14.7%	14.8%	15.1%	17.5%	16.2%	16.5%	16.4%	17.7%
RoNAV	18.8%	13.4%	11.5%	10.4%	9.3%	9.8%	11.7%	12.1%
Return on Equity	18.2%	13.0%	11.2%	10.1%	9.1%	9.5%	11.4%	11.8%
Return on Equity, before tax	21.4%	17.6%	14.4%	13.0%	12.0%	13.1%	15.6%	14.7%
Cost/Income ratio	57%	63%	61%	66%	68%	75%	59%	61%
Lending	12,344	12,194	12,117	12,067	11,924	12,277	12,324	12,417
NII / avg. Lending & deposits	1.85%	1.86%	1.76%	1.77%	1.87%	2.10%	2.07%	2.11%
Loan loss ratio, lending +guarantees	-0.31%	-0.36%	0.20%	-0.02%	-0.06%	-0.68%	0.10%	0.10%
REA	17,896	17,763	17,105	17,017	17,310	17,029	16,824	16,951
Buyback announcement, next year					0	0	0	0
Dividend per share					0.0	0.0	0.0	0.0
Total cash distribution (div +buybacks completed in the year)					0	0	0	0
Total pay-out-ratio (incl. buyback)					0%	0%	0%	0%

*Note: per share data in DKK*
*Source: Company data, Danske Bank Equity Research estimates*
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**Table 3. Sparekassen Sjælland-Fyn, annual data**

<b>DKKm</b>	<b>2018A</b>	<b>2019A</b>	<b>2020A</b>	<b>2021A</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
Net interest income	541	565	557	582	662	802	839	856
Net commission income	464	549	592	636	675	688	703	719
NII and net fee income	1,005	1,113	1,149	1,218	1,337	1,490	1,543	1,575
Core capital gains	21	-44	16	30	-81	8	8	8
Other income	16	27	21	16	17	20	20	20
Total core income	1,042	1,097	1,186	1,263	1,272	1,518	1,571	1,604
Core banking costs	-815	-830	-818	-779	-827	-859	-878	-891
Profits, associated companies	8	2	35	22	12	20	20	20
Profits before loan losses	235	268	403	506	457	679	713	732
Loan loss provisions	-4	-17	-161	25	26	-48	-68	-69
Core earnings after loan losses	230	251	242	531	484	631	645	663
Net Extraordinary	0	0	0	0	0	0	0	0
Pretax profits	230	251	242	531	484	631	645	663
Tax	-22	-25	-13	-87	-94	-126	-129	-146
Net profits before AT-1 costs	208	227	229	444	389	505	516	517
Minority interests / AT-1	-60	-24	-24	-25	-24	-24	-24	-24
Net profits	148	202	204	419	365	481	492	493
Normalised profits	107	208	167	395	357	474	486	500
EPS, net profits	10.4	11.6	11.8	24.1	21.0	28.7	30.7	32.3
EPS, adj.	7.5	12.0	9.6	22.7	20.6	28.3	30.3	32.8
BV/Share	155	164	172	196	209	233	260	290
NTA/share	148	159	167	191	204	228	255	284
No. of shares, year-end	17.4	17.4	17.4	17.4	17.4	16.7	16.0	15.3
No. of shares, average	14.2	17.4	17.4	17.4	17.4	16.7	16.0	15.3
Tier-1 ratio	15.1%	16.2%	18.4%	19.7%	19.9%	20.6%	21.2%	21.8%
CET-1 ratio	13.0%	14.0%	16.1%	17.5%	17.7%	18.4%	19.1%	19.8%
RoNAV	6.4%	7.6%	7.2%	13.5%	10.6%	13.1%	12.4%	11.7%
Return on Equity	6.0%	7.3%	7.0%	13.1%	10.4%	12.8%	12.2%	11.5%
Return on Equity, before tax	8.5%	8.8%	8.1%	15.6%	13.3%	16.1%	15.4%	15.0%
Cost/Income ratio	78%	76%	69%	62%	65%	57%	56%	56%
Lending	12,174	12,217	11,951	12,067	12,417	12,667	12,922	13,183
NII / avg. Lending & deposits	1.84%	1.84%	1.77%	1.82%	2.03%	2.39%	2.45%	2.45%
Loan loss ratio, lending +guarantees	0.03%	0.09%	0.84%	-0.13%	-0.14%	0.25%	0.35%	0.35%
REA	17,639	17,343	16,799	17,017	16,951	17,465	17,995	18,541
Buyback announcement, next year	0	0	0	0	100	125	150	150
Dividend per share	2.5	3.0	0.0	6.0	6.0	6.0	6.0	6.0
Total cash distribution (div +buybacks com)	43	52	0	104	104	200	221	242
Total pay-out-ratio (incl. buyback)	29%	26%	0%	25%	56%	47%	50%	49%

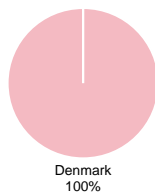
Note: per share data in DKK

Source: Company data, Danske Bank Equity Research estimates

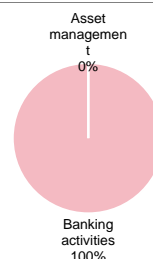
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## Company summary

### Income breakdown by geographical area



### Income breakdown by segment



### Company information

Sparekassen Sjælland-Fyn  
 Isefjord Allé 5, 3200 Holbæk  
 Denmark  
 www.spks.dk

### Main shareholders

Name	Votes (%)	Capital (%)
Sydbank A/S	0.1%	5.3%
AP Pension	0.1%	5.3%
Købstædemes Forsikring	0.1%	5.2%

Source: FactSet, Company data, Danske Bank Equity Research estimates

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## Summary tables

### INCOME STATEMENT

Year end Dec, DKKm	2014	2015	2016	2017	2018	2019	2020	2021	2022E	2023E
Net interest income	654	602	551	542	541	565	557	582	662	802
Commissions	365	418	421	457	464	549	592	636	675	688
<b>Total revenues</b>	<b>1,090</b>	<b>977</b>	<b>1,043</b>	<b>1,073</b>	<b>1,042</b>	<b>1,097</b>	<b>1,186</b>	<b>1,263</b>	<b>1,272</b>	<b>1,518</b>
Costs	-660	-694	-710	-769	-815	-830	-818	-779	-827	-859
<b>Pre-provision profits (PPP)</b>	<b>429</b>	<b>283</b>	<b>333</b>	<b>304</b>	<b>227</b>	<b>267</b>	<b>368</b>	<b>484</b>	<b>445</b>	<b>659</b>
Loan losses	-257	-150	-107	-33.4	-4.4	-16.9	-161	24.8	26.2	-47.7
<b>Pre-tax profit</b>	<b>176</b>	<b>136</b>	<b>228</b>	<b>273</b>	<b>230</b>	<b>251</b>	<b>242</b>	<b>531</b>	<b>484</b>	<b>631</b>
<b>Net profit</b>	<b>120</b>	<b>83.9</b>	<b>159</b>	<b>201</b>	<b>148</b>	<b>202</b>	<b>204</b>	<b>419</b>	<b>365</b>	<b>481</b>
<b>Net profit (adj.)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

### BALANCE SHEET

DKKk	2014	2015	2016	2017	2018	2019	2020	2021	2022E	2023E
Lending	9,981	9,763	10,474	11,681	12,174	12,217	11,951	12,067	12,417	12,667
Other interest bearing assets	7,423	6,866	7,209	7,127	8,442	9,573	11,444	11,517	12,062	12,305
Goodwill	174	162	150	138	125	91.3	91.3	91.2	91.2	91.2
<b>Total assets</b>	<b>19,322</b>	<b>18,730</b>	<b>19,859</b>	<b>21,487</b>	<b>23,857</b>	<b>25,359</b>	<b>27,266</b>	<b>28,001</b>	<b>28,699</b>	<b>29,438</b>
Deposits from public	15,315	14,633	15,647	16,589	18,223	18,700	20,001	19,766	20,820	21,240
Wholesale funding	4.1	0.0	0.0	0.0	0.0	0.0	199	378	380	388
Subordinated debt	596	465	466	403	454	673	570	670	624	637
Equity	1,631	1,939	2,058	2,228	2,697	2,851	2,996	3,410	3,632	3,908
<b>NTA</b>	<b>1,457</b>	<b>1,778</b>	<b>1,908</b>	<b>2,090</b>	<b>2,572</b>	<b>2,760</b>	<b>2,905</b>	<b>3,318</b>	<b>3,540</b>	<b>3,817</b>

### PER SHARE DATA

	2014	2015	2016	2017	2018	2019	2020	2021	2022E	2023E
No. of shares, fully diluted YE (m)	0.0	12.9	12.9	13.2	17.4	17.4	17.4	17.4	17.4	16.7
No. of shares, fully diluted avg. (m)	0.0	12.9	12.9	13.0	14.2	17.4	17.4	17.4	17.4	16.7
EPS (reported) (DKK)		6.48	12.3	15.4	10.4	11.6	11.8	24.1	21.0	28.7
EPS (adj.) (DKK)		4.34	10.5	13.2	7.51	12.0	9.58	22.7	20.6	28.3
DPS (DKK)	0.00	3.00	3.10	0.00	2.50	3.00	0.00	6.00	6.00	6.00
Book value per share (DKK)		150	159	169	155	164	172	196	209	233

### MARGINS AND GROWTH

	2015	2016	2017	2018	2019	2020	2021	2022E	2023E	2024E
C/I, adjusted	71.0%	68.1%	71.7%	78.2%	75.7%	69.0%	61.7%	65.0%	56.6%	55.9%
NI/avg. lending	6.1%	5.4%	4.9%	4.5%	4.6%	4.6%	4.8%	5.4%	6.4%	6.6%
Loan loss ratio	1.52%	1.06%	0.30%	0.04%	0.14%	1.33%	-0.21%	-0.21%	0.38%	0.53%
NI growth	-8.0%	-8.5%	-1.6%	-0.3%	4.4%	-1.4%	4.4%	13.8%	21.2%	4.7%
Revenue growth	-10.3%	6.7%	2.9%	-2.9%	5.3%	8.1%	6.5%	0.7%	19.3%	3.5%
Cost growth	-5.1%	-2.3%	-8.4%	-5.9%	-1.9%	1.5%	4.9%	-6.2%	-3.9%	-2.2%
PPP growth	-34.0%	17.5%	-8.8%	-25.3%	17.3%	38.0%	31.7%	-8.0%	47.9%	5.2%
RWA growth	1.8%	7.7%	7.0%	3.9%	-1.7%	-3.1%	1.3%	-0.4%	3.0%	3.0%

### PROFITABILITY

	2014	2015	2016	2017	2018	2019	2020	2021	2022E	2023E
RoE, reported profits	7.6%	4.7%	8.0%	9.4%	6.0%	7.3%	7.0%	13.1%	10.4%	12.9%
RoNTA, adj. profits	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Tier-1	8.3%	10.0%	9.9%	10.7%	13.0%	14.0%	16.1%	17.5%	17.7%	18.4%
Equity tier-1	11.6%	13.0%	12.9%	14.0%	15.1%	16.2%	18.4%	19.7%	19.9%	20.6%
RWA	14,459	14,721	15,858	16,973	17,639	17,343	16,799	17,017	16,951	17,465

### VALUATION

	2014	2015	2016	2017	2018	2019	2020	2021	2022E	2023E
Share price (DKK)		97.3	106	114	80.4	89.6	90.0	165	188	188
Market cap (DKKk)		1,260	1,376	1,497	1,397	1,557	1,564	2,867	3,266	3,149
P/E (reported) (x)		15.0	8.6	7.4	7.7	7.7	7.7	6.8	9.0	6.5
P/E (adj.) (x)		22.4	10.1	8.6	10.7	7.5	9.4	7.3	9.1	6.6
P/BV (x)		0.65	0.67	0.67	0.52	0.55	0.52	0.84	0.90	0.81
P/NTA (x)		0.71	0.72	0.72	0.54	0.56	0.54	0.86	0.92	0.82
Dividend yield		3.1%	2.9%		3.1%	3.3%		3.6%	3.2%	3.2%
Total yield (incl. buybacks)		3.1%	2.9%		3.1%	3.3%		3.6%	3.2%	6.4%

Source: Company data, Danske Bank Equity Research estimates

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