

Banks

Key data

Price (DKK)*	99.0
Country	Denmark
Bloomberg	SPKSJF DC
Reuters	SPKSJF.CO
Free float	79.0%
Market cap (DKKm)	1,720
No. of shares (m)	17.4
Next event	Q1: 11-May

\* Price as at 14:35 CET on 11 February 2020

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 (10 February 2020)

Estimate changes

	20E	21E	22E
NII	-0.9%	-1.0%	1.8%
PPP	0.3%	-0.6%	3.7%
EPS (adj.)	-3.1%	-4.3%	1.3%

Source: Danske Bank Equity Research estimates

Analyst(s)

Asbjørn Nicholas Mørk

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Important disclosures and certifications are contained from page 14 of this report

# Sparekassen Sjælland-Fyn

## Now is the start

**Sparekassen Sjælland-Fyn delivered a solid Q4 19 with strong fee income and customer inflow, underlying cost control and good credit quality. Management is delivering in line with the 'New Ways' strategy and we see a continued pre-tax profit boost into 2020 and a 44% EPS lift by 2022E. The Lollands Bank stake is in a well run business and adds long-term M&A optionality. We lift our fair value range to DKK110-140, 10-40% upside.**

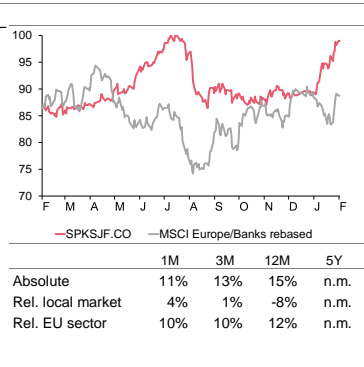
- **Solid end to a strong year.** Q4 19 was a step in the right direction towards 2022E, but one-off costs offset the fee income beat (versus our expectations). Very high customer inflow at Totalkredit (9.5%) and DLR (14%) continued. Costs were impacted by one-offs from Bankdata IT and amortisation of customer relations, but underlying costs improved as management is proactively adjusting the branch network to nurse costs. Credit quality remains high while the CET-1 capital position improved to 14% with a DKK3 DPS for 2019.
- **Lollands Bank position is in a solid business with M&A optionality long-term.** We estimate a 14-17% ongoing return on the invested capital in the Lollands Bank stake. We do not expect an actual acquisition, but we acknowledge the M&A optionality it brings.
- **Now is the start.** Management has spent most of 2019 paving the way for 2020 and beyond. Now the improvements should really begin to show. Despite DKK40-50m of extraordinary income in 2019 from elevated refinancing activity, Sparekassen Sjælland-Fyn still expects flat pre-tax profits in 2020. This even looks conservative. Material customer inflow, deposit and fee repricing and AuM growth supports income in 2020 above the official guidance. We estimate DKK281m of pre-tax for 2020E while we estimate a full 44% EPS growth from 2019A to 2022E. No other bank under our coverage is able to lift EPS as much in the same period.
- **Valuation.** Sparekassen Sjælland-Fyn is on the right path. However the P/E 2021E of 6.9x drops to just 6.5x post dividends. Our capital and risk-adjusted Gordon Growth model returns DKK113-137/share while value could grow to DKK191-227/share if management delivers fully on its 'New Ways' plans. We lift our fair value range to DKK110-140. This is 10-40% above the current share price.

### Key financials

Year-end Dec (DKK)	2018	2019	2020E	2021E	2022E
NII (m)	541	565	569	586	606
Lending growth	4.2%	0.4%	4.1%	4.1%	4.1%
Total revenues (m)	1,042	1,097	1,113	1,145	1,180
Pre-provision profits (PPP) (m)	227	267	306	342	391
PPP growth	-25.3%	17.3%	14.7%	11.8%	14.3%
Loan losses (m)	-4	-17	-29	-34	-41
PTP (m)	230	251	281	312	353
EPS (adj.)	7.51	12.0	12.5	14.4	15.5
DPS	2.50	3.00	3.00	3.25	3.50
Dividend yield	3.1%	3.3%	3.0%	3.3%	3.5%
C/I	78.2%	75.7%	72.5%	70.1%	66.9%
PPP/avg. lending	1.90%	2.19%	2.45%	2.63%	2.89%
Loan loss ratio	0.04%	0.14%	0.23%	0.26%	0.31%
Equity tier-1 ratio	15.1	16.2	16.2	16.3	16.5
RoNTA	0.0%	0.0%	0.0%	0.0%	0.0%
P/E (adj.) (x)	10.7	7.5	7.9	6.9	6.4
P/NTA	0.54	0.56	0.58	0.54	0.50

Source: Company data, Danske Bank Equity Research estimates

### Price performance



Source: FactSet

## Not for US distribution

### *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.

#### **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 50-70bp 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.

#### **NII pressure from competition**

Margin pressure and/or lower credit growth due to intensified competition, lower interest rate levels and lower general credit demand would be key risks in our view.

#### **A market switch to digital distribution channels**

Sparekassen Sjælland-Fyn has one of the largest physical distribution networks in Denmark relative to its total size. While we see it as a key asset today, changed customer behaviour and/or the emergence of new technology could leave Sparekassen Sjælland-Fyn with a costly and obsolete platform.

#### **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. At the same time, IT costs are rising, namely within Bankdata, where IT investments are rising. In 2018, the bank's IT costs to Bankdata rose by DKK18m, a development that was seen as unsatisfactory.

#### **A deterioration in credit quality**

Sparekassen Sjælland-Fyn has grown lending materially in recent years and from 2016-18 the bank attracted an accumulated 11% new customers. Higher growth and new customer inflow could potentially trigger excessive risk taking and as a result higher loan loss provisions. Considering the lending portfolio churn in the past decade to a more residentially dominated lending book, we are not concerned, however.

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*Another step along the New Ways*

Sparekassen Sjælland-Fyn's Q4 19 in our view was another step along the New Ways strategy. This was a generally benign Q4 19 report with strong fee income momentum, caused especially by high mortgage refinancing activity and continued customer inflow topped with fee repricing.

The strong fee income, however, was offset by one-off costs in the quarter, related to amortisation of intangible assets as well as one-off IT costs within Bankdata. Both should be one-offs, while structural cost initiatives from 2019 should continue to deliver lower costs in 2020.

Credit quality remains robust with declining exposure towards high-risk customers while loan loss provisions remain at a low level.

The CET-1 capital position improved to 14.0% after FY 2019 earning consolidation and lower REA (risk exposure amount). As a result, Sparekasse Sjælland-Fyn announced a DKK3 DPS for 2019.

Most importantly, however, Q4 19 confirmed that Sparekassen Sjælland-Fyn is making good progress with its 2022 New Ways strategy. Softer than expected 2020 net profits guidance in our view reflects conservatism around further deposit repricing and AUM inflow, as well as a fee income boost from repricing measures. We expect Sparekasse Sjælland-Fyn to beat its initial 2020 pre-tax guidance of DKK230-270m and we pencil in DKK281m.

*Table 1. Sparekassen Sjælland-Fyn Q4 19 deviation table*

DKKm	Q4 19A	Q4 18A	Y/Y	Q3 19A	Q/Q	Q4 19E	Diff	%
Net interest income	140	142	-1%	146	-4%	142	-1	-1%
Net commission income	142	110	29%	127	12%	122	21	17%
NII and net fee income	283	253	12%	273	3%	263	19	7%
Core capital gains	1	-13	-112%	-20	-107%	7	-6	-
Other income	4	3	23%	5	-20%	7	-3	-40%
Total core income	288	243	19%	258	12%	277	11	4%
Core banking costs	-231	-218	6%	-206	12%	-216	-15	7%
Profits, associated companies	1	7	-	1	-	1	0	-
Profits before loan losses	59	32	85%	53	10%	63	-4	-6%
Loan loss provisions	-1	7	-111%	-5	-86%	-5	4	-85%
Core earnings after loan losses	58	38	52%	48	21%	58	0	0%
Net Extraordinary	0	0		0		0		
Pretax profits	58	38		48		58	0	0%
Tax	-2	-4	-42%	-4	-46%	-6	4	-65%
Net profits before AT-1 costs	56	35	61%	44	27%	52	4	7%
Minority interests / AT-1	-6	-10	n.a.	-6	n.a.	-6	-0	n.a.
Net profits	50	24	105%	38	31%	46	4	8%
Pre-provision profits excluding	287	256	12%	278	3%	270	16	6%
EPS, net profits	2.86	1.40	105%	2.18	31%	2.65	0.21	8%
Tier-1 ratio	16.2%	15.1%	7%	14.2%	14%	15.4%	0.8%	5%
CET-1 ratio	14.0%	13.0%	8%	12.1%	15%	13.3%	0.7%	5%
Lending	12,217	12,174	0%	12,416	-2%	12,509	-292	-2%
Loan loss ratio, lending + guarantees	0.01%	-0.15%	-110%	0.11%	-86%	0.10%	-0.09%	
Cost/income	80%	90%	-9.7%	80%	0%	78%	2.2%	
REA	17,343	17,639	-2%	18,381	-6%	17,830	-487	-3%

*Note: per share data in DKK*

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

*Not for US distribution*

**NII under organic pressure, but measures kick in from Q1 20**

NII fell 1% y/y and 4% q/q to DKK140m caused by lower lending volumes, lending margin pressure and less temporary NII from mortgage refinancing. This was DKK2m (1%) lower than we had expected.

Bank lending was flat y/y but down 2% q/q. Q4 19 saw some negative bank volume trends owing to construction loans being redeemed as well as cannibalisation from very strong mortgage volume growth.

Totalcredit lending rose 9.5% y/y and 2.5% q/q to DKK29.8bn. DLR's loans also rose a full 13.9% y/y and 3.2% q/q and stood at DKK10.3bn. In 2019 guarantee commission from mortgage distribution increased by DKK12.3m.

With the above non-balance sheet volumes in mind, total core lending grew 8% in 2019 to DKK52.3bn.

We note that the average lending rate (including negative corporate deposit rates) was flat in Q4 19 at 4.44%, while deposit rates paid to customers (excluding negative corporate deposit rates) fell 1bp from 7bp to 6bp. Both are comforting in terms of delivering stable margins looking ahead. Note that residential deposit repricing measures did not benefit NII in Q4 19, but will impact from mid-January.

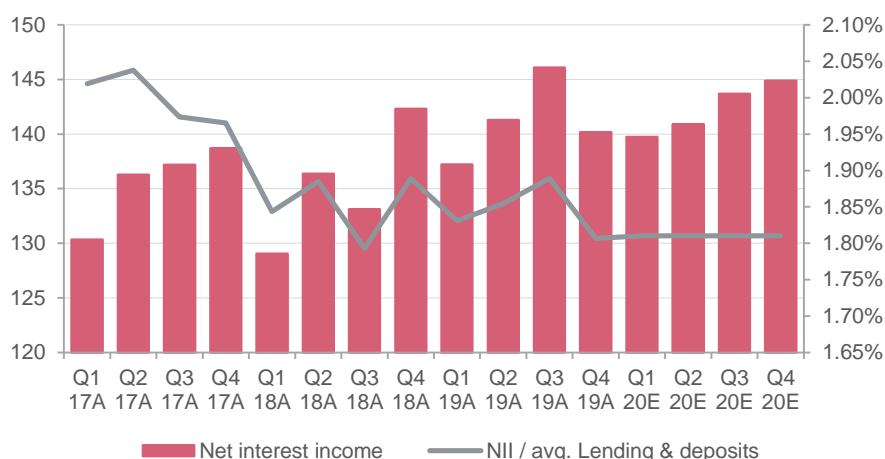
**We expect deposit repricing ahead to lift NII further**

Sparekassen Sjælland-Fyn has so far introduced negative residential deposit rates only to non-core customers. We expect the bank to introduce further negative deposit measures, e.g. with a DKK750,000 or a DKK250,000 hurdle rate. We estimate this would lift NII by DKK20-40m/annually.

In addition, Sparekassen Sjælland-Fyn has room in our view for further corporate deposit repricing.

We expect largely flat NII in Q1 20 despite two fewer interest days, but expect NII to pick up during 2020.

Chart 1. Net interest income and margin development



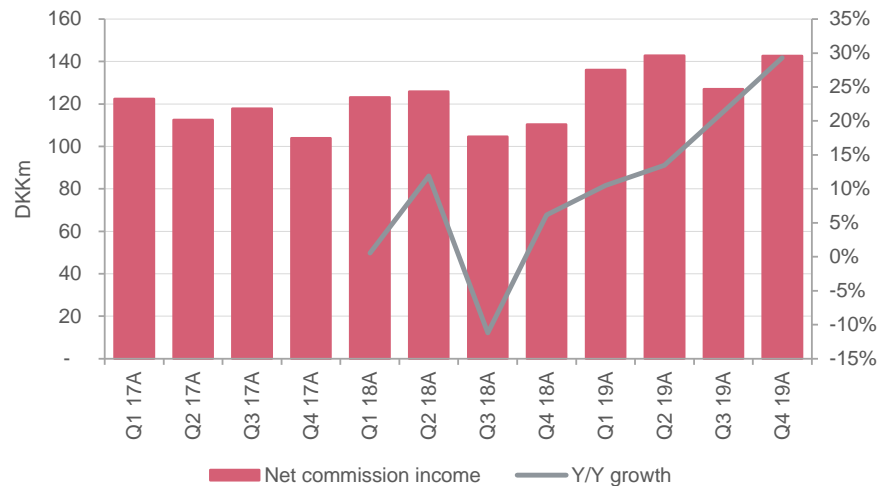
Source: Company data, Danske Bank Equity Research estimates

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*Strong fee income and outlook remains solid*

Fee and commission income came in at DKK142m, which was well above our expectations. The main driver was higher mortgage activity, including remortgaging activity, but also continued customer inflow and repricing measures carried out in 2019.

Chart 2. Net fee and commission income, quarterly

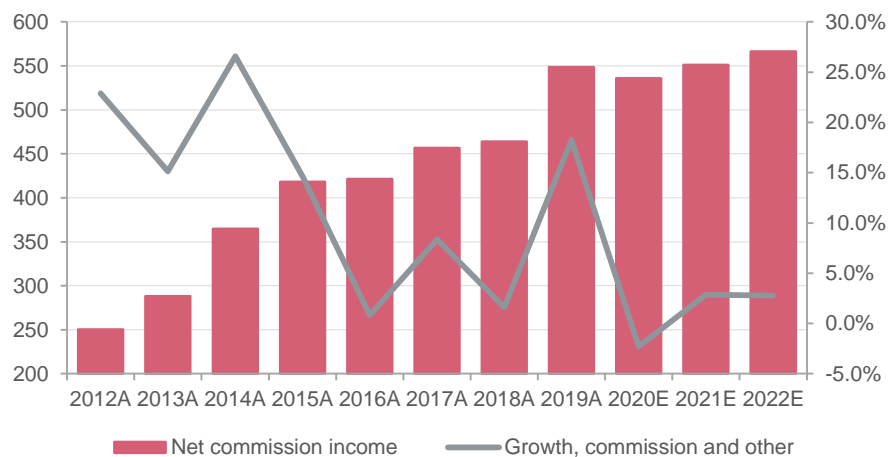


Source: Company data, Danske Bank Equity Research

In total we estimate that 2019 fee income has benefited by DKK35m from unusually high mortgage refinancing activity. This will cause lower fee income in 2020 all things being equal. However, general fee repricing as well as rising AUM should partially offset this.

On top, we note that with 9.5% higher Totalkredit volumes and 13.9% higher DLR volumes in 2019, we expect higher guarantee commission in 2020 despite lower average margins.

Chart 4. Net fee and commission income, annually



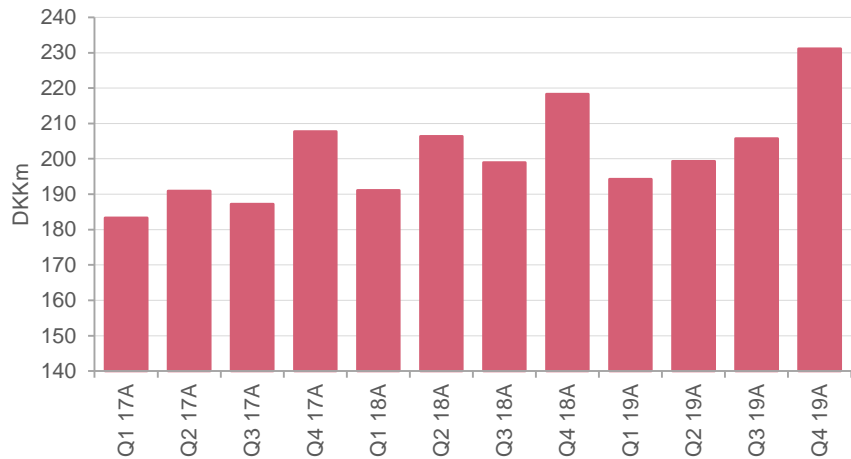
Source: Company data, Danske Bank Equity Research estimates

*Full control over costs still*

Costs came in at DKK231m in Q4 19, which was higher than we had expected. However, Sparekassen Sjælland-Fyn has written down DKK21.6m of customer relations acquired in 2011 from Max Bank. In Q4 19 the bank also booked DKK11.5m of one-off costs from Bankdata (KAMP). Underlying costs remain under control.

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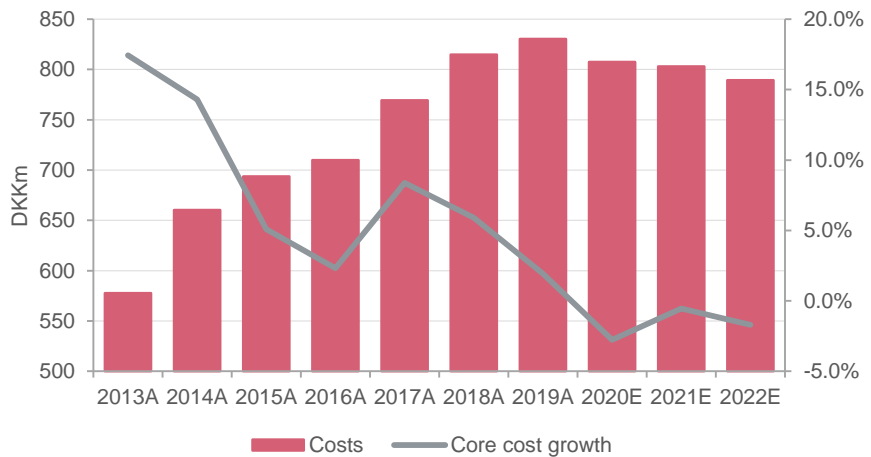
Chart 5. Cost development, quarterly



Source: Company data, Danske Bank Equity Research

Branch closures in Q4 19 should leave DKK10m of cost tailwinds going into 2020E. In addition, a generally continued cost focus, should see staff costs continue slightly lower in 2020. We estimate total reported costs (including amortisation and depreciation) of DKK807m in 2020E, down 3% versus 2019.

Chart 6. Cost development, annually



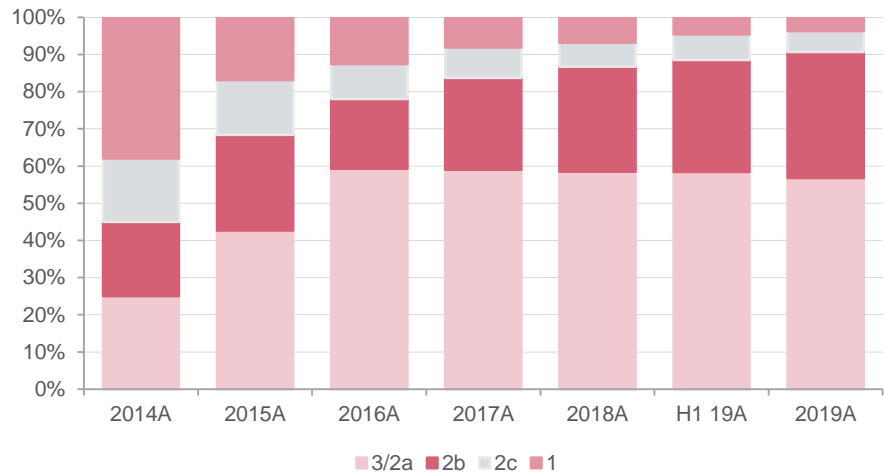
Source: Company data, Danske Bank Equity Research estimates

### Credit quality still benign

Loan loss provisions were only DKK1m (1bp) in Q4 19, which was better than expected. General credit quality remained strong in the quarter with largely positive risk migration measured on the FSA's rating scale. Category '3' and '2a' make up 57% of the total lending book and including '2b' the total relative share is 91% compared to 87% at YE 2018.

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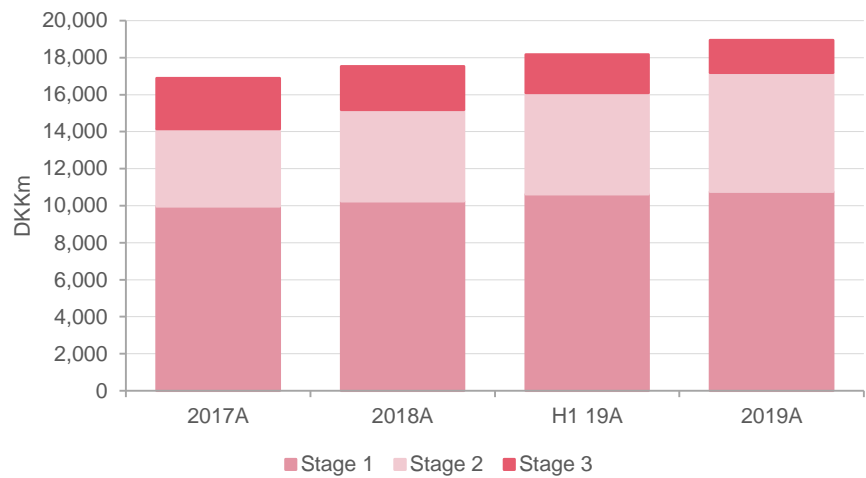
Chart 7. Lending book composition by Danish FSA criteria



Source: Company data, Danske Bank Equity Research

The most risky exposures, Stage 3, fell to DKK1.8bn from DKK2.1bn in Q2 19 and DKK2.3bn at YE 2018.

Chart 8. Gross credit exposure by credit stage



Source: Company data, Danske Bank Equity Research

Sparekassen Sjælland-Fyn expects 2020 loan loss provisions to remain low albeit slightly higher than in 2019. Loan loss provisions guidance is subject to whether Danish pork production is impacted by African Swine fever.

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*Capital position improved – Lollands Bank stake has limited effect*

The CET-1 improved to 14.0% in Q4 19. Consolidated earnings and lower REA boosted capital. As a result, a DKK3 DPS was announced.

We estimate that the acquisition of a 5-9.99% stake in Lollands Bank will cut 20bp from the CET-1 ratio in Q1 20, as a direct capital deduction in the CET-1 capital base. However, this still translates to an attractive 14-17% ongoing return on investment.

*New 2020 guidance looks conservative*

Sparekassen Sjælland-Fyn guides for 2020 pre-tax profits of DKK230-270m. To us the guidance looks conservative and does not include further deposit repricing, material AuM inflow or generally higher fee income from repricing. Also, guidance does not include the impact of the acquired stake in Lollands Bank, which we estimate will contribute DKK5-6m/year.

We estimate DKK281m of pre-tax profits for 2020E, hence we are slightly above the high end of the company's guidance.

*Slight positive estimate changes*

We make slight negative estimate revisions on the back of the Q4 19 report. We lower net profit estimates by c.2% and lower EPS slightly more as we now do not expect any buybacks for 2020 (previously DKK50m). We have, however, increased DPS estimates. We increase EPS by 1.9-3.5% for 2020E and 2021E.

Table 2. Estimate changes

DKKm	2019A			2020E			2021E		
	Old	New	Chg.	Old	New	Chg.	Old	New	Chg.
Net interest income	566	565	-0.3%	575	569	-0.9%	591	586	-1.0%
Net commission income	527	549	4.0%	518	536	3.4%	534	551	3.2%
NII and net fee income	1,094	1,113	1.8%	1,093	1,105	1.1%	1,125	1,137	1.0%
Core capital gains	-38	-44	-13.2%	-8	-12	-50.0%	-8	-12	-50.0%
Other income	30	27	-8.1%	20	20	0.0%	20	20	0.0%
Total core income	1,085	1,097	1.1%	1,105	1,113	0.7%	1,137	1,145	0.7%
Core banking costs	-815	-830	-1.9%	-800	-807	-0.9%	-793	-803	-1.2%
Profits before loan losses	272	268	-1.4%	309	310	0.3%	348	346	-0.6%
Loan loss provisions	-21	-17	-19.8%	-23	-29	-23.5%	-30	-34	-12.0%
Core earnings after loan losses	251	251	0.2%	285	281	-1.6%	317	312	-1.8%
Net Extraordinary	0	0	-	0	0	-	0	0	-
Pretax profits	251	251	0.2%	285	281	-1.6%	317	312	-1.8%
Tax	-29	-25	-14.4%	-34	-34	-1.6%	-48	-47	-1.8%
Net profits before AT-1 costs	222	227	2.1%	251	247	-1.6%	270	265	-1.8%
Minority interests / AT-1	-24	-24	0.7%	-24	-24	0.0%	-24	-24	0.0%
Net profits	198	202	2.2%	227	223	-1.8%	246	241	-1.9%
Normalised profits	188	208	10.7%	221	218	-1.6%	246	243	-1.5%
EPS, net profits	11.39	11.64	2.2%	13.26	12.84	-3.2%	14.98	14.27	-4.7%
EPS, adj.	10.80	11.95	10.7%	12.93	12.53	-3.1%	15.02	14.38	-4.3%
Dividend per share	2.60	3.00	15.4%	2.90	3.00	3.4%	2.90	3.25	12.1%
Share buy back, DKKm	0	0	-	50	0	-	50	50	0.0%
Total cash distribution (div + buybacks)	45	52	15.4%	100	52	-47.7%	98	105	7.5%
CET-1 ratio	13.3%	14.0%	0.7%	13.5%	14.1%	0.6%	13.8%	14.3%	0.5%
Lending	12,509	12,217	-2.3%	13,017	12,713	-2.3%	13,546	13,230	-2.3%
No. of shares, year-end	17.4	17.4	0.0%	16.9	17.4	3.0%	16.4	16.9	2.9%

Note: per share data in DKK

Source: Danske Bank Equity Research estimates

*Not for US distribution*

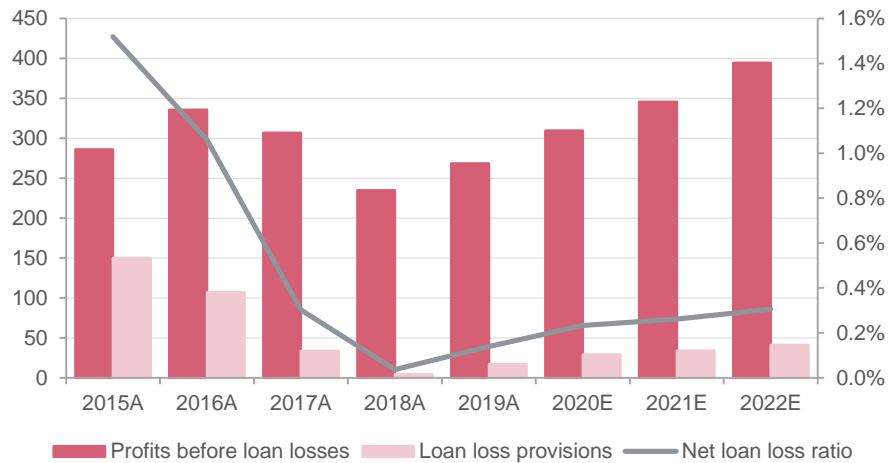


*Material improvements by 2022*

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.

The bank is well on its way and management is rigorously chasing the 2020 financial targets set out in the New Ways strategy. Even though we do not expect the bank to deliver fully on its plan, we still estimate material earnings improvements in the period.

Chart 9. Core earnings development

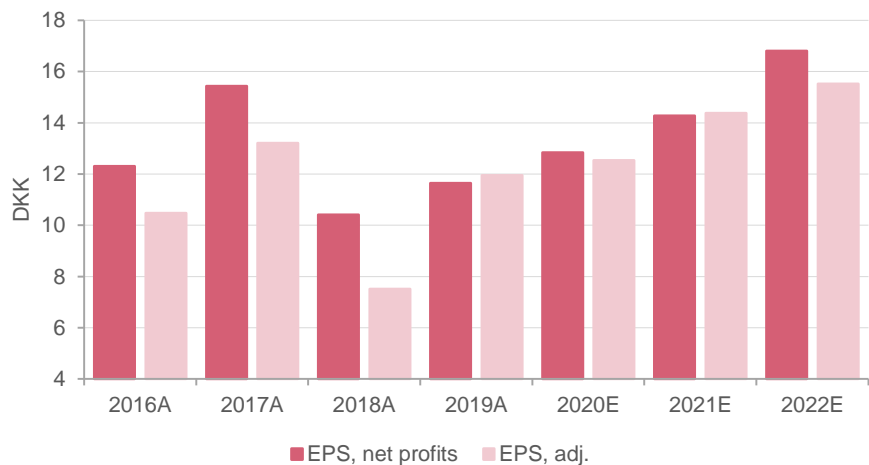


Source: Company data, Danske Bank Equity Research estimates

We see the Q4 19 results as confirming our medium-term estimates. We estimate a material 44% growth to EPS from 2019 until 2022E.

On our estimates, Sparekassen Sjælland-Fyn will improve profitability materially in the period but will still miss its New Ways financial targets. In our view, however, less will be sufficient.

Chart 10. EPS development



Source: Company data, Danske Bank Equity Research estimates

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*Higher fair value range of DKK110-140; 10-40% above the current price*

Our capital- and risk-adjusted Gordon Growth model returns a fair value range of DKK113-137/share. This is 14-39% above current share price. In the range, we apply a cost of capital range of 9.5-10.5% and 50-70bp of normalised loan losses.

Table 3. Sparekassen Sjælland-Fyn Gordon's Growth valuation range

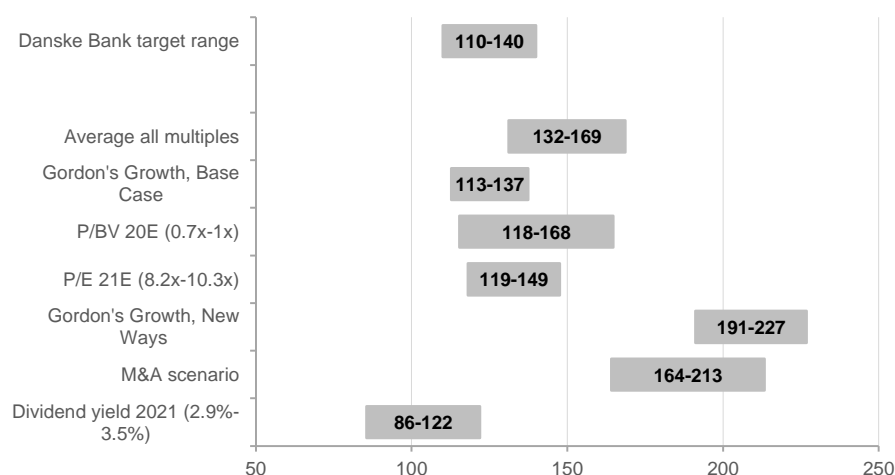
Cost of Equity	Normalised loan loss ratio						
	0.30%	0.40%	0.50%	0.60%	0.70%	0.80%	0.90%
8.5%	169	161	153	145	137	129	121
9.0%	159	152	145	137	130	122	115
9.5%	151	144	137	130	123	116	109
10.0%	144	138	131	124	118	111	105
10.5%	138	132	125	119	113	106	100
11.0%	132	126	120	114	108	102	96
11.5%	127	121	115	110	104	98	93

Cost of Equity	Upside/downside vs. current share price						
	0.30%	0.40%	0.50%	0.60%	0.70%	0.80%	0.90%
8.5%	70%	62%	54%	46%	38%	30%	22%
9.0%	61%	54%	46%	39%	31%	24%	16%
9.5%	53%	46%	39%	32%	25%	18%	11%
10.0%	46%	39%	32%	26%	19%	12%	6%
10.5%	39%	33%	27%	20%	14%	8%	1%
11.0%	33%	27%	21%	15%	9%	3%	-3%
11.5%	28%	22%	17%	11%	5%	-1%	-6%

Source: Danske Bank Equity Research estimates

Our various valuation models indicate a fair value ranging from DKK86 to DKK227. Our price target range is DKK110-140, which is 10-40% above current share price.

Chart 11. Sparekassen Sjælland-Fyn fair value



Source: Danske Bank Equity Research estimates

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**Table 4. Sparekassen Sjælland-Fyn, interim and annual data**

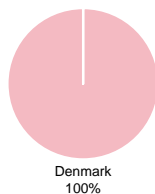
DKKm	Q1 18A	Q2 18A	Q3 18A	Q4 18A	Q1 19A	Q2 19A	Q3 19A	Q4 19A	2017A	2018A	2019A	2020E	2021E	2022E
Net interest income	129	136	133	142	137	141	146	140	542	541	565	569	586	606
Net commission income	123	126	105	110	136	143	127	143	457	464	549	536	551	566
NII and net fee income	252	262	238	253	273	284	273	283	999	1005	1113	1105	1137	1172
Core capital gains	29	-21	25	-13	-1	-24	-20	2	43	21	-44	-12	-12	-12
Other income	4	4	5	3	9	9	5	5	31	16	27	20	20	20
Total core income	285	245	268	243	281	269	258	289	1073	1042	1097	1113	1145	1180
Core banking costs	-191	-206	-199	-218	-194	-199	-206	-231	-769	-815	-830	-807	-803	-789
Profits, associated companies	1	1	-1	7	1	-0	1	1	3	8	2	4	4	4
Profits before loan losses	95	40	68	32	87	69	53	59	307	235	268	310	346	395
Loan loss provisions	-12	8	-6	7	-9	-2	-5	-1	-33	-4	-17	-29	-34	-41
Core earnings after loan losses	83	48	62	38	79	67	48	58	273	230	251	281	312	353
Net Extraordinary	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Pretax profits	83	48	62	38	79	67	48	58	273	230	251	281	312	353
Tax	-2	-12	-4	-4	-7	-12	-4	-2	-16	-22	-25	-34	-47	-53
Net profits before AT-1 costs	80	36	58	35	71	55	44	57	257	208	227	247	265	300
Minority interests / AT-1	-15	-15	-20	-10	-6	-6	-6	-6	-56	-60	-24	-24	-24	-24
Net profits	65	20	38	24	65	49	38	50	201	148	202	223	241	276
Normalised profits	26	26	32	23	60	50	35	65	172	107	208	218	243	255
EPS, net profits	4.96	1.33	2.19	1.40	3.76	2.80	2.18	2.90	15.44	10.42	11.64	12.84	14.27	16.80
EPS, adj.	1.97	1.67	1.86	1.32	3.43	2.86	2.00	3.73	13.21	7.51	11.95	12.53	14.38	15.53
BV/Share	165.3	161.7	163.9	165.2	166.6	169.4	161.2	164.1	169.2	165.2	164.1	174.0	187.2	202.6
NTA/share	155.1	144.2	146.5	148.0	149.6	152.5	154.6	158.9	158.7	148.0	158.9	169.8	184.1	199.5
No. of shares, year-end	13.2	17.4	17.4	17.4	17.4	17.4	17.4	17.4	13.2	17.4	17.4	17.4	16.9	16.4
No. of shares, average	13.2	15.3	17.4	17.4	17.4	17.4	17.4	17.4	13.0	14.2	17.4	17.4	16.9	16.4
Tier-1 ratio	13.7%	16.8%	14.4%	15.1%	14.5%	13.9%	14.2%	16.2%	14.0%	15.1%	16.2%	16.2%	16.3%	16.5%
CET-1 ratio	10.2%	12.1%	12.5%	13.0%	12.4%	11.9%	12.1%	14.0%	10.7%	13.0%	14.0%	14.1%	14.3%	14.5%
RoNAV	12.8%	3.6%	6.0%	3.8%	10.2%	7.4%	5.6%	7.3%	10.0%	6.4%	7.6%	7.8%	8.0%	8.6%
Return on Equity	12.0%	3.4%	5.7%	3.6%	9.8%	7.1%	5.4%	7.1%	9.4%	6.0%	7.3%	7.6%	7.8%	8.5%
Lending	11,665	12,022	12,014	12,174	12,247	12,369	12,416	12,217	11,681	12,174	12,217	12,713	13,230	13,767
NII / avg. Lending & deposits	184%	188%	179%	189%	183%	185%	189%	181%	199%	184%	184%	181%	180%	180%
Loan loss ratio, lending +guarantees	0.30%	-0.18%	0.15%	-0.15%	0.20%	0.05%	0.11%	0.01%	0.21%	0.03%	0.09%	0.15%	0.17%	0.20%
REA	16,686	18,009	17,193	17,639	18,101	18,843	18,381	17,343	16,973	17,639	17,343	17,869	18,411	18,970
Buyback announcement, next year					0	0	0	0	0	0	0	50	50	75
Dividend per share					0.0	0.0	0.0	0.0	0.0	2.5	3.0	3.0	3.3	3.5
Total cash distribution (div +buybacks completed in the year)					0	0	0	0	0	43	52	52	105	108
Total pay-out-ratio (incl. buyback)					0%	0%	0%	0%	0%	29%	26%	46%	44%	48%

Note: per share data in DKK

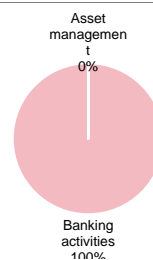
Source: Company data, Danske Bank Equity Research

## Company summary

### Income breakdown by geographical area



### Income breakdown by segment



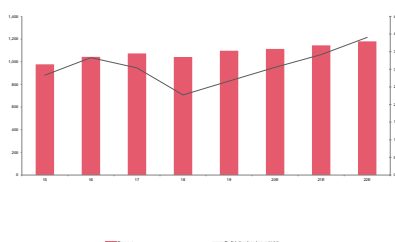
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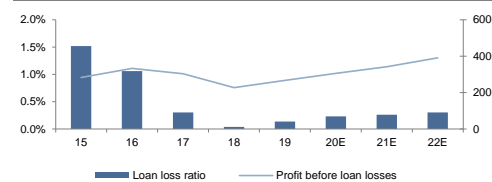
### Main shareholders

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

### Revenue and profit before loan losses (DKKm)



### Loan loss ratio and profit before loan losses (DKKm)



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

**Summary tables**
**INCOME STATEMENT**

Year end Dec, DKKm	2013	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E
Net interest income	511	654	602	551	542	541	565	569	586	606
Commissions	288	365	418	421	457	464	549	536	551	566
<b>Total revenues</b>	<b>1,141</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>1,113</b>	<b>1,145</b>	<b>1,180</b>
Costs	-578	-660	-694	-710	-769	-815	-830	-807	-803	-789
<b>Pre-provision profits (PPP)</b>	<b>564</b>	<b>429</b>	<b>283</b>	<b>333</b>	<b>304</b>	<b>227</b>	<b>267</b>	<b>306</b>	<b>342</b>	<b>391</b>
Loan losses	-1,460	-257	-150	-107	-33	-4	-17	-29	-34	-41
<b>Pre-tax profit</b>	<b>-895</b>	<b>176</b>	<b>136</b>	<b>228</b>	<b>273</b>	<b>230</b>	<b>251</b>	<b>281</b>	<b>312</b>	<b>353</b>
<b>Net profit</b>	<b>-743</b>	<b>120</b>	<b>84</b>	<b>159</b>	<b>201</b>	<b>148</b>	<b>202</b>	<b>223</b>	<b>241</b>	<b>276</b>
<b>Net profit (adj.)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**BALANCE SHEET**

DKKm	2013	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E
Lending	10,906	9,981	9,763	10,474	11,681	12,174	12,217	12,713	13,230	13,767
Other interest bearing assets	6,975	7,423	6,866	7,209	7,127	8,442	9,573	9,766	9,963	10,164
Goodwill	186	174	162	150	138	125	91	71	51	51
<b>Total assets</b>	<b>20,099</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>26,088</b>	<b>26,842</b>	<b>27,642</b>
Deposits from public	15,723	15,315	14,633	15,647	16,589	18,223	18,700	19,267	19,851	20,454
Wholesale funding	234	4	0	0	0	0	0	0	0	0
Subordinated debt	1,282	596	465	466	403	454	673	687	701	715
Equity	1,529	1,631	1,939	2,058	2,228	2,697	2,851	3,022	3,161	3,333
<b>NTA</b>	<b>1,343</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>2,951</b>	<b>3,110</b>	<b>3,281</b>

**PER SHARE DATA**

	2013	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E
No. of shares, fully diluted YE (m)	0.0	0.0	12.9	12.9	13.2	17.4	17.4	17.4	16.9	16.4
No. of shares, fully diluted avg. (m)	0.0	0.0	12.9	12.9	13.0	14.2	17.4	17.4	16.9	16.4
EPS (reported) (DKK)			6.48	12.3	15.4	10.4	11.6	12.8	14.3	16.8
EPS (adj.) (DKK)			4.34	10.5	13.2	7.51	12.0	12.5	14.4	15.5
DPS (DKK)	0.00	0.00	3.00	3.10	0.00	2.50	3.00	3.00	3.25	3.50
Book value per share (DKK)			150	159	169	155	164	174	187	203

**MARGINS AND GROWTH**

	2013	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E
C/I, adjusted	50.6%	60.6%	71.0%	68.1%	71.7%	78.2%	75.7%	72.5%	70.1%	66.9%
NII/avg. lending	5.1%	6.3%	6.1%	5.4%	4.9%	4.5%	4.6%	4.6%	4.5%	4.5%
Loan loss ratio	14.5%	2.46%	1.52%	1.06%	0.30%	0.04%	0.14%	0.23%	0.26%	0.31%
NII growth	4.1%	28.0%	-8.0%	-8.5%	-1.6%	-0.3%	4.4%	0.8%	2.9%	3.4%
Revenue growth	49.8%	-4.5%	-10.3%	6.7%	2.9%	-2.9%	5.3%	1.5%	2.8%	3.1%
Cost growth	-17.4%	-14.3%	-5.1%	-2.3%	-8.4%	-5.9%	-1.9%	2.8%	0.6%	1.7%
PPP growth	108.6%	-23.8%	-34.0%	17.5%	-8.8%	-25.3%	17.3%	14.7%	11.8%	14.3%
RWA growth	11.6%	1.8%	1.8%	7.7%	7.0%	3.9%	-1.7%	3.0%	3.0%	3.0%

**PROFITABILITY**

	2013	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E
RoE, reported profits	-39.7%	7.6%	4.7%	8.0%	9.4%	6.0%	7.3%	7.6%	7.9%	8.6%
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	8.0%	8.3%	10.0%	9.9%	10.7%	13.0%	14.0%	14.1%	14.3%	14.5%
Equity tier-1	12.7%	11.6%	13.0%	12.9%	14.0%	15.1%	16.2%	16.2%	16.3%	16.5%
RWA	14.203	14,459	14,721	15,858	16,973	17,639	17,343	17,869	18,411	18,970

**VALUATION**

	2013	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E
Share price (DKK)			97.3	106	114	80.4	89.6	99.0	99.0	99.0
Market cap (DKKm)			1,260	1,376	1,497	1,397	1,557	1,720	1,672	1,628
P/E (reported) (x)			15.0	8.6	7.4	7.7	7.7	7.7	6.9	5.9
P/E (adj.) (x)			22.4	10.1	8.6	10.7	7.5	7.9	6.9	6.4
P/BV (x)			0.65	0.67	0.67	0.52	0.55	0.57	0.53	0.49
P/NTA (x)			0.71	0.72	0.72	0.54	0.56	0.58	0.54	0.50
Dividend yield			3.1%	2.9%		3.1%	3.3%	3.0%	3.3%	3.5%
Total yield (incl. buybacks)			3.1%	2.9%		3.1%	3.3%	3.0%	6.3%	6.6%

Source: Company data, Danske Bank Equity Research estimates

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