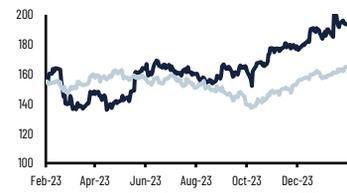


Share information



Ytd:	7.3%	1 year:	26.7%
1 month:	5.3%	3 year:	71.0%

Note: We apply the closing price from 19 February 2024. Index rebased to 19 February 2023. Source: Refinitiv

Financials

(DKKbn)	2022	2023	2024E**
Net interest income	25.1	35.0	
Total income	41.8	52.4	
Total costs	41.9*	25.4	26-26.5
Income before tax	-1.7*	26.7	
Net income	-4.6*	21.3	20-22
Shareholder's equity	160.3	175.7	
Deposits	1,170	1,137	
Total assets	3,790	3,771	

Note: *Includes provision for Estonia matter of DKK 13.8bn ** Company's own guidance. Source: Danske Bank

Valuation multiples

	2022	2023	2024E*
P/E (x)	N/A	7.3	7.7
P/B (x)	0.73	0.88	0.89
ROE (%)	-3.1	12.7	11.9
Dividend/share (ord.)	0.0	14.5	14.9
Dividend yield (%)	0.0	8.0	7.7
Adj. C/I ratio (%)**	63.4	48.5	46.1
Total capital ratio (%)	22.1	23.1	22.5
CET 1 Capital ratio (%)	17.8	18.8	19.7

Note: Multiples for 2022 and 2023 are based on historical numbers. Source: *Based on consensus analyst estimates from Refinitiv. **Adjusted for extraordinary items related to the Estonia matter.

Company description

Danske Bank is a leading Nordic bank and the largest bank in Denmark. The company provides a wide range of financial services, such as personal banking, corporate banking, wealth management, and insurance. Danske Bank operates five commercial business units, Personal Customers, Business Customers, Large Corporates & Institutions, Danica Pension, and Northern Ireland. Its largest geography is Denmark, with operations in Sweden, Norway, Finland, the UK and others.

Investment case

Danske Bank benefitted from stronger interest rates in 2023, growing net interest income (NII) by 39%, while stronger-than-expected economic conditions led to very limited impairments, leading to three guidance upgrades in 2023. Danske Bank expects continued growth in core income for 2024, guiding for a net profit of DKK 20-22bn (DKK 21.3bn in 2023), as interest rates remain elevated, and economic conditions supportive.

Danske Bank is focused on strengthening its position as a leading bank in the Nordics, particularly for business and institutional customers across Scandinavia following the settlement of the Estonia matter. Danske Bank can drive market share gains with its sharpened focus on specific customer segments, aspiring to be the leading business and institutional bank in the Nordics, and retain and grow its number of retail and private banking customers.

The higher rate environment supports the earnings outlook in 2024, and Danske Bank also looks to further close the valuation gap to its peers by delivering on its Forward '28 strategy. Its new 2026 financial targets are for an ROE of 13%, a C/I ratio around 45%, and a CET1 ratio >16%, while maintaining its dividend policy for 40-60% of net profit, with ambitions to pay total dividends ≥DKK 50bn 2023-2026, (30% of current market cap), DKK 12.5bn paid in 2023.

Risks in the economy remain in the market in 2024, and a "hard-landing" recession could lead to credit quality deterioration and greater-than-expected loan impairments in the medium term.

Key investment reasons

Higher interest rates can support net interest income in a higher-for-longer rate environment, as higher rates increase income from loans and deposits. The greater earnings level is the basis for cash redistribution as dividends/buybacks, with a dividend payout ratio of 59% and a total payout ratio, incl. buybacks, of 85% in 2023.

Danske Bank has traded at a relative discount to its peer group of large Nordic banks following a period of uncertainty and weaker earnings. Some of this gap has been closed as the share price has developed positively on strong results and the Forward '28 strategy. However, some discount on P/E and P/B can still be found.

Since 2017 a significant portion of management's time has been focused on resolving the Estonia matter and other remediation matters. The primary resolution may generate long-term benefits to shareholders resulting from efficiency and market share gains.

Key investment risks

As some G7 countries fall into technical recessions, there is a risk that a weaker economy than expected in 2024 would negatively affect credit quality and increase loan impairments above Danske Bank's projections in the medium term, negatively impacting earnings.

Danske Bank has a high cost/income (C/I) ratio relative to its peers. Analysts expect Danske's C/I ratio to be the highest of its peers FY 2024E (see peer group below). Lowering the C/I ratio to competitive levels may be challenging as Danske Bank's efforts to improve compliance may have permanently increased its cost base.

Structural risks exist within banking, highlighted by bank closures in the US and Europe in 2023. Risks relating to poor asset-liability management, liquidity, solvency, and others can potentially arise to a greater or lesser extent at most banks and are not specific to Danske Bank.

Peer group

Bank	Share price	MCAP EUR (bn)	Ytd Return	1-year Return	P/B 2023A	P/B 2024E	P/B 2025E	P/E 2023A	P/E 2024E	P/E 2025E	ROE 2023A	ROE 2024E	ROE 2025E	Div. Yield 2024E	C/I 2024E
Danske Bank A/S	DKK 194	22.4	7.3%	26.7%	0.88	0.89	0.85	7.3	7.7	7.4	12.7	11.9	11.7	7.7%	46.1%
DNB Bank ASA	NOK 205	27.6	-4.3%	4.5%	1.34	1.21	1.16	8.6	8.3	8.7	15.9	14.7	13.7	8.0%	35.8%
Nordea Bank Abp	EUR 10.7	37.8	-1.1%	-3.2%	1.30	1.17	1.12	8.2	7.6	7.5	16.1	16.1	15.4	8.8%	43.6%
Skandinaviska Enskilda Banken AB	SEK 149	28.1	9.6%	18.9%	1.30	1.36	1.32	7.7	9.2	9.2	15.2	15.0	14.3	7.9%	37.5%
Svenska Handelsbanken AB	SEK 122	21.3	12.8%	14.5%	1.06	1.17	1.16	7.8	9.4	10.4	N/A	12.4	11.1	8.6%	39.9%
Swedbank AB	SEK 214	21.3	7.4%	4.7%	1.15	1.15	1.11	6.7	7.5	7.9	18.3	15.3	14.3	8.7%	35.2%
Simple Average			5.3%	11.0%	1.17	1.16	1.12	7.7	8.3	8.5	16.4	14.2	13.4	8.2%	39.7%
Median			7.4%	9.6%	1.22	1.17	1.14	7.7	8.0	8.3	16.0	14.9	14.0	8.3%	38.7%

Disclaimer: HCA Analyst Rasmus Køjborg owns shares in Nordea

Source: Refinitiv, data pr. 19/02/2024

Peer Group Selection: Danske Bank's peer group consists of other large-cap Nordic banks with cross-border activities, reflecting a similar business model and market structure to Danske Bank.

Nordea: is a Nordic financial services group with headquarters in Helsinki, Finland. It is the largest financial services group in the Nordics, with employees in around 20 countries. Nordea offers a wide range of financial products and services, including retail banking, corporate banking asset management, and life insurance.

DNB Bank: is a Norwegian financial services group with headquarters in Oslo, Norway. It is the largest financial services group in Norway and has a strong presence in the Nordic region. DNB Bank provides a wide range of financial products and services, including retail banking, corporate banking asset management, and life insurance.

Skandinaviska Enskilda Banken (SEB): is a Swedish financial services group with headquarters in Stockholm, Sweden. It is one of the largest banks in the Nordic region, also operating in Germany and the Baltics. SEB provides a wide range of financial products and services, including retail banking, corporate banking asset management, and life insurance.

Svenska Handelsbanken: is a Swedish financial services group headquartered in Stockholm, Sweden. It is one of the largest banks in the Nordic region, also operating in the UK. It provides a wide range of financial products and services, including retail banking, corporate banking asset management, and life insurance.

Swedbank: is a Swedish financial services group headquartered in Stockholm, Sweden. It is one of the largest banks in the Nordics, also operating in the Baltics. Swedbank's business segments include Retail Banking, Corporate Banking, and Asset Management & Insurance.

Estimates and assumptions: Some of the data in the peer group has not been calculated by HC Andersen Capital but is instead consensus analyst estimates from Refinitiv. HC Andersen Capital assumes no responsibility for the correctness of the numbers in the peer group; however, considers Refinitiv a credible source of information.

5-year share price development vs Nordic Bank & Insurance index and Euro Stoxx600 Banks index (rebased to 31.10.2018)



Market Development: For perspective, we compare Danske Bank with two indexes, the Nasdaq OMX Nordic Bank & Insurance index, and the Euro Stoxx 600 Banks index, showing the bank's share price development against two benchmark indexes. The chart showcases some years of underperformance, however, since 2022, Danske Bank's share price has performed more in line with the benchmarks.