ABG SUNDAL COLLIER

Svenska Handelsbanken

Lost in the European ROE crowd

- No comprehensive ROE-enhancing plan in sight...
- ...which means that the underperformance should continue
- Down to HOLD (Buy) with a TP of SEK 104 (109)

An underperformer at least until we get a credible ROE plan

The stock should remain an underperformer at least until we get a credible ROE-enhancing plan that includes a strategic re-positioning/broadening of the loan book, cost-cutting, a streamlining of the capital position and a credible recovery/divestment plan for Norway. In addition, a share price-linked incentive scheme would not hurt. Although it would take time to reach acceptable ROE levels even with the measures we propose, they would at least give the market some hope.

Weak earnings growth & ROE in absolute and relative terms...

We have marginally revised our net earnings forecasts in this report. This means that our earnings scenario implies a CAGR'23-26e in adjusted EPS of -9%, which is the weakest in the sector (due to lower expected income growth and higher cost growth than the market). Consequently, we still expect Handelsbanken to have the lowest profitability among the Nordic large cap banks in 2025-26e. For the short term, it is also worth highlighting that we expect Handelsbanken will have the highest cost growth (+9%) and lowest operating profit growth (-13%) in the sector in 2024e.

...but a valuation in line with the sector - down to HOLD

As we do not expect a comprehensive ROE-enhancing plan anytime soon, while the ongoing cost-cutting measures are unlikely to show until next year and ROE should remain low/deteriorate vs. peers, we do not foresee any positive catalyst for the shares. With a valuation in line with the sector despite a weak profitability trend in absolute and relative terms and the main absolute attraction being the dividend yield (which will be paid in 10 months from now), we find it hard to justify a Buy rating from a six-month perspective. We therefore lower our rating to HOLD with a fine-tuned TP of SEK 104 (109).

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SEKm	2022	2023	2024e	2025e	2026e
Total income	50,374	62,251	60,180	56,945	56,219
Total operating costs	-21,212	-23,181	-25,325	-25,786	-26,151
Operating profit	26,828	36,325	31,594	28,520	27,495
EPS adj.	10.40	14.56	12.75	11.44	11.06
BVPS	97.99	103.57	105.14	106.51	106.48
NAVPS	93.75	99.25	100.79	102.23	102.19
DPS	8.00	13.00	10.00	11.00	11.50
Total income growth (%)	13.8	23.6	-3.3	-5.4	-1.3
Total.op.costs (%)	6.9	9.3	9.3	1.8	1.4
Op. profit growth (%)	14.3	35.4	-13.0	-9.7	-3.6
C/I (%)	42.7	37.3	42.1	45.3	46.5
Loan losses (%)	0.00	0.01	0.03	0.04	0.03

Source: ABG Sundal Collier, Company Data

Reasons:
In-depth research
Recommendation change

BUY **HOLD** SELL

Financials

Estimate changes (%)

	2024e	2025e	2026e
Total income	0.0	-0.1	-0.1
Total op costs	-0.3	-0.2	0.4
Operating profit	0.4	0.2	-0.3
EPS adj.	0.0	-0.1	-0.6

Source: ABG Sundal Collier

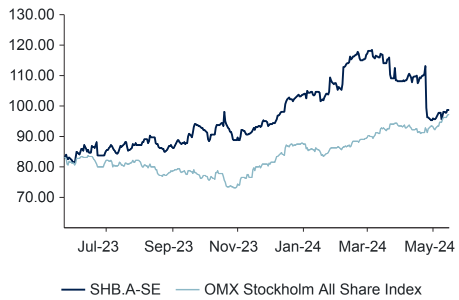
SHB.A-SE/SHBA SS

Share price (SEK)	20/5/2024	98.84
Target price	(109.0)	104.0

MCap (SEKm)	195,706
MCap (EURm)	16,805
No. of shares (m)	1,980.0
Free float (%)	74.3
Av. daily volume (k)	3,436

Next event Q2 Report 17 July 2024

Performance



	2024e	2025e	2026e
P/E adj. (x)	7.8	8.6	8.9
EPS adj. growth (%)	-12.4	-10.3	-3.4
P/BV (x)	0.94	0.93	0.93
BVPS growth (%)	1.5	1.3	-0.0
P/NAV	0.98	0.97	0.97
NAVPS growth	1.6	1.4	-0.0
Dividend yield (%)	10.1	11.1	11.6
ROE (%)	12.2	10.7	10.3
RONAV (%)	12.7	11.3	10.8
CET 1 ratio	18.9	18.8	18.2

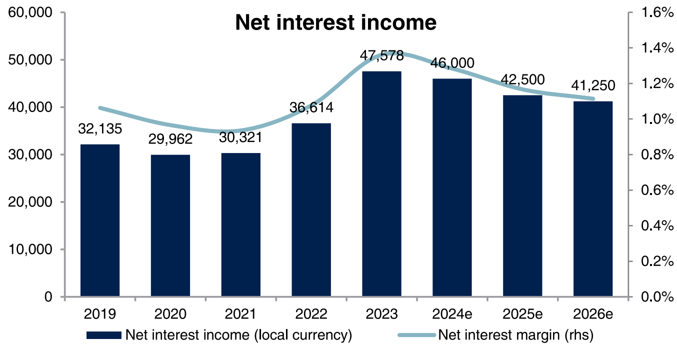
Company description

Handelsbanken is one of the four large banks in Sweden. Its operations are primarily based in Sweden, while it is also present in Norway, in the UK and in the Netherlands. While the lion's share of its profit is derived from its Swedish branch office operations, the contributions from the UK and Norway are meaningful.

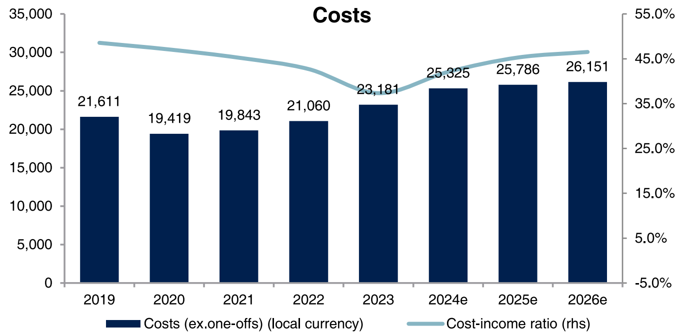
[Sustainability information]

Risks

Deteriorating asset quality, weaker than expected pre-provisioning earnings trend and regulation (capital requirements, taxes etc.).



Source: Company data & ABGSC Research



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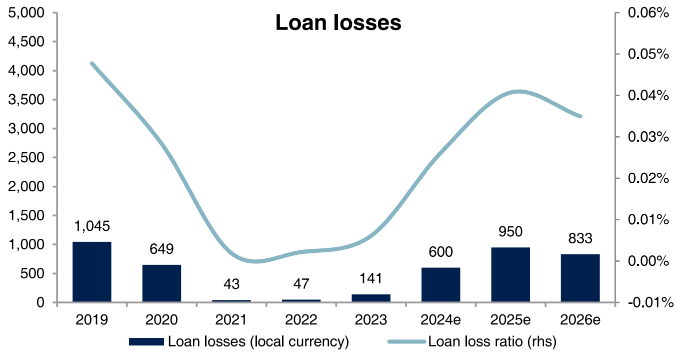

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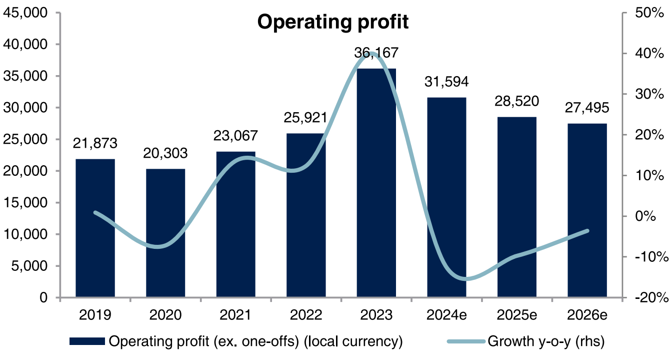

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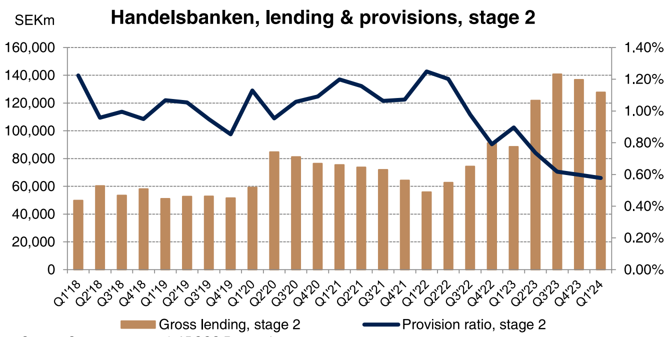

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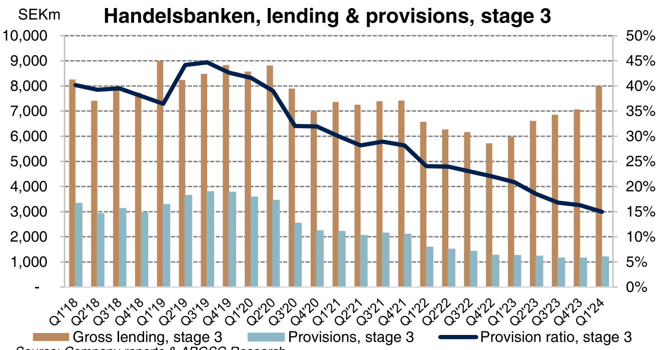


Source: Company reports & ABGSC Research

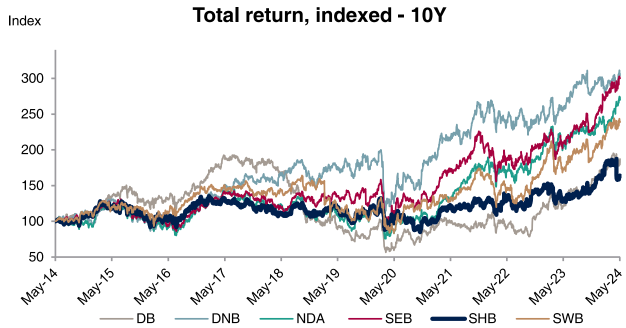
Contents

A ROE-enhancing plan needed

As we do not expect a comprehensive ROE-enhancing plan anytime soon, while the ongoing cost-cutting measures are unlikely to show until next year and ROE should remain low/deteriorate vs. peers, we do not foresee any positive catalyst for the shares. With a valuation in line with the sector despite a weak profitability trend in absolute and relative terms and the main absolute attraction being the dividend yield (which will be paid in 10 months from now), we find it hard to justify a Buy rating from a six-month perspective. We therefore lower our rating to HOLD with a fine-tuned TP of SEK 104 (109).

Investment case - down to HOLD, TP of SEK 104

It does not look like Handelsbanken will stand out vs. European peers in terms of profitability in 2025-26. This means that, after having lost out to its Nordic peers in terms of profitability since the global financial crisis (GFC)/Lehman crisis, Handelsbanken now also seems to be losing ground to the other European banks. Its standard defence is that its profitability looks satisfactory in "risk-adjusted terms", which provides little comfort for shareholders, as valuation tends to follow the actual profitability trend over time and the stock has underperformed in the last 10 years.



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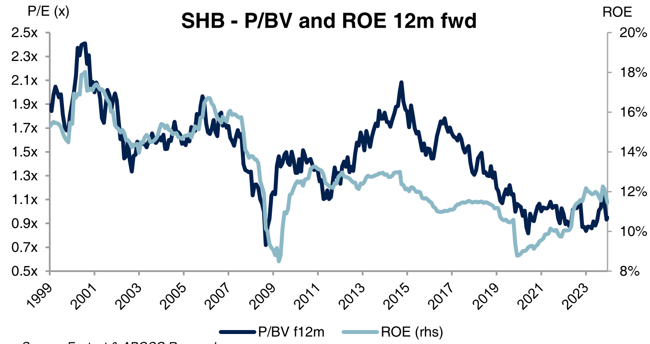


Source: Factset & ABGSC Research

A comprehensive ROE-enhancing plan is needed

For as long as the largest shareholder (Fredrik Lundberg through Industrivärden, Lundbergföretagen and the Lundberg family) does not seem to really care about relative profitability, we expect little to change fundamentally. There could be the occasional quarterly earnings beat/miss ruffling some feathers from time to time, but as the same people that have put Handelsbanken in its current position are the ones supposed to bring it out of it, credibility will remain low. In our view, the stock is likely remain an underperformer at least until we get a comprehensive ROE-enhancing plan and, preferably, one or more external change agents in place. The latter seemed to work in the turnaround situations in Swedbank, SEB and Nordea. The former would have to entail a combination of measures such as a strategic re-positioning/broadening of the loan book (10-year project), cost-cutting (3-year project), a streamlining of the capital position, partly through share buybacks (2-year project), and a credible plan (restructuring/divestment) for Norway (1-year project). Also, a share price-linked incentive scheme would not hurt now that the "real" Oktogonen is in run-off. Although it would take time to reach acceptable ROE levels even with the measures we propose, they would at least give the market some hope and, if well executed, improve profitability.

Earnings scenario intact - underperformance vs. the sector

We have marginally revised our operating profit and adjusted EPS forecasts in this report. This means that our earnings scenario implies a CAGR'23-26e in adjusted EPS of -9%, which is the weakest in the sector (due to lower expected income growth and higher cost growth than the market). Consequently, we still expect Handelsbanken to have the lowest profitability among the Nordic large cap banks in 2025-26e. For the short term, it is also worth highlighting that we expect Handelsbanken will have the highest cost growth (+9%) and lowest operating profit growth (-13%) in the sector in 2024e. See the appendix for more details.

We lower our rating to HOLD (Buy)

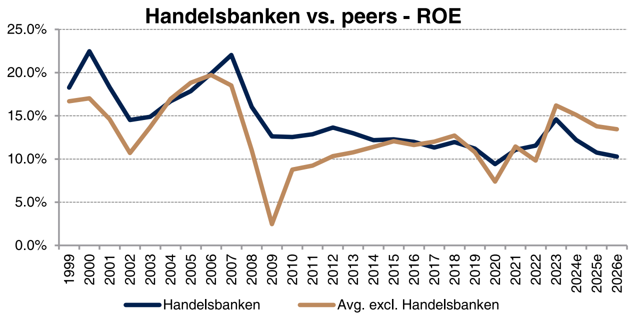
We do not expect a comprehensive, credible ROE-enhancing plan to be presented anytime soon (as it is not the Handelsbanken way to do so). Adding a weak expected earnings growth in absolute and relative terms, that any cost-cutting measures undertaken right now are unlikely to really show until next year and that the ROE should remain weak/deteriorate vs. peers, we do not foresee any short-term catalyst for a revaluation. With a valuation in line with the sector and the main absolute attraction being the dividend yield (which will be paid in 10 months from now), we find it hard to justify a Buy rating from a six-month perspective. We therefore lower our recommendation to HOLD with a fine-tuned TP of SEK 104 (109).

State of the nation

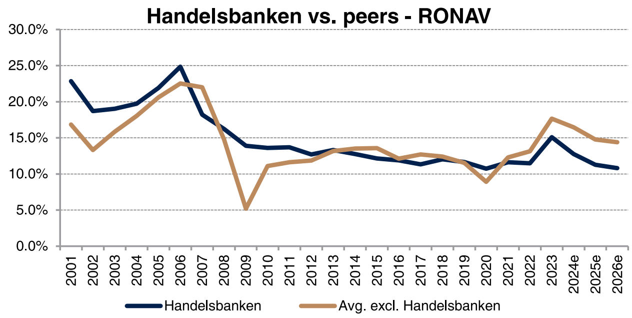
To attract investor interest, Handelsbanken must turn its deteriorating ROE trajectory vs. peers. In terms of the cost/income ratio, Handelsbanken has gone from having been superior (pre-GFC) to being on a par with the sector since the GFC up until now, when it looks like it is losing out. One reason is that its net interest margin again seems to be moving towards the low end of the sector (as it used to be the last time we had "normal" interest rates), with the difference that its competitors are more cost-efficient today than they used to be. Together with a low share of (capital-light) net commission income vs. total income and improving asset quality in the peer group, this means that Handelsbanken's low loan loss level does not translate into competitive profitability.

SHB's ROE has been deteriorating vs. peers since the GFC

Below, we illustrate Handelsbanken's profitability vs. peers in terms of return on equity (ROE) and return on net asset value (RONAV/ROTE). The latter means that we exclude intangibles and one-offs. The trend since the GFC is clear. While Handelsbanken has been on a deteriorating trend, the average of its Nordic peers has moved in the other direction so far. Paradoxically, the gap vs. peers has increased since rates started to increase, which is not entirely due to SEB and Swedbank having exposure to the Baltics.



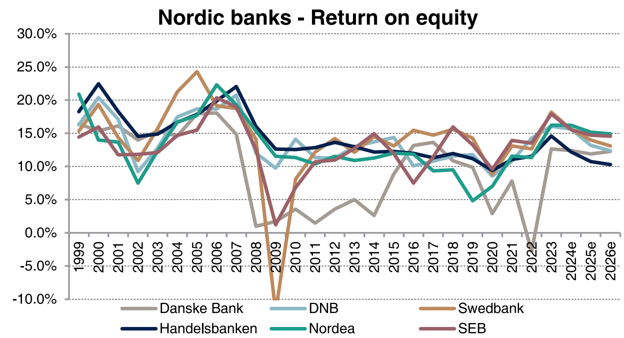
Source: Company reports & ABGSC Research



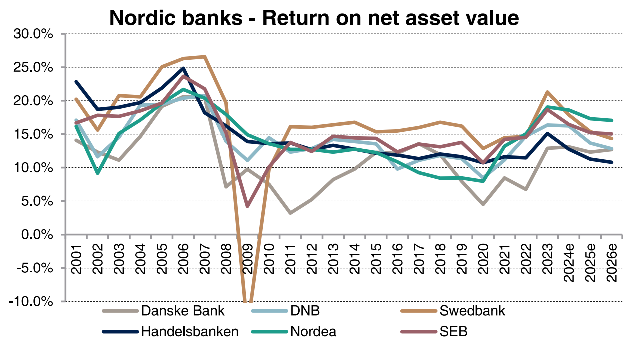
Source: Company reports & ABGSC Research

Becoming the least profitable bank in the Nordics

As illustrated below, it is not only the case that Handelsbanken has deteriorated vs. the average of its peers. It is also on its way towards becoming the least profitable bank in the Nordics.



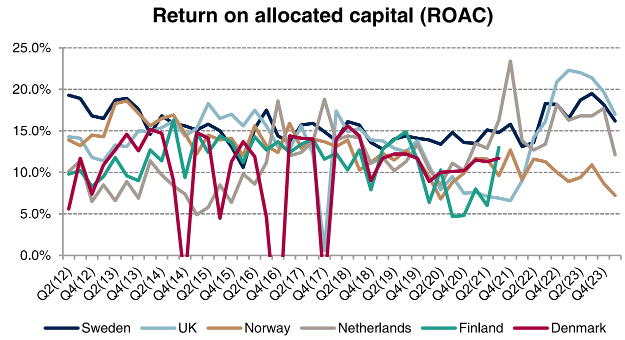
Source: Company reports, ABGSC Research



Source: Company reports, ABGSC Research

Norway looks like an underperformer

In terms of business areas, the left-hand chart below shows that Norway has been the clear underperformer in terms of profitability (ROAC) in the last couple of years, while profitability in the UK is up significantly since rates started to increase. In fact, it looks like only Handelsbanken Sweden and Handelsbanken UK have benefited from higher rates in terms of profitability (return on allocated capital), while Norway and the Netherlands have had weak recent trends. In the chart to the right, we illustrate why it was hard for the market to understand why Handelsbanken announced the divestment of the Danish and Finnish operations (in the autumn of 2021) while keeping the Norwegian business. The UK operations were also questioned. While profitability in the latter has improved significantly since then, Norway still looks like a drag on profitability.



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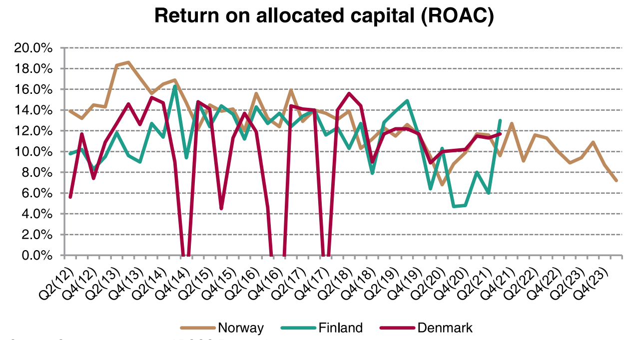
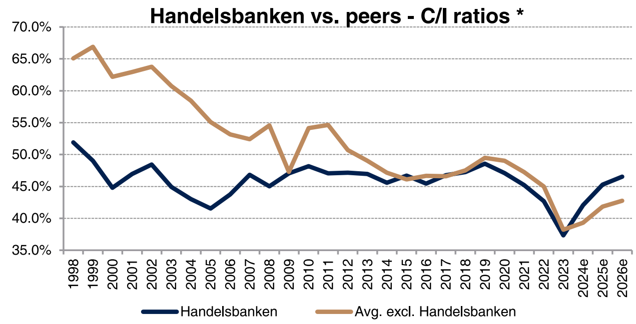


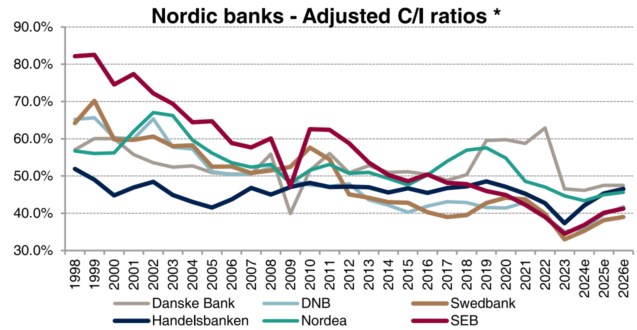
Source: Company reports & ABGSC Research

Losing out in terms of cost/income

Turning to cost efficiency, Handelsbanken used to be the star back in the day (until the GFC). During the last 10 years, however, it has lost its cost advantage, despite having a business structure that benefits the cost/income ratio vs. peers (i.e. a high proportion of net interest income relative to total income). With the ongoing operational deterioration vs. peers, it even looks like Handelsbanken will have one of the highest cost/income ratios in the sector from here.



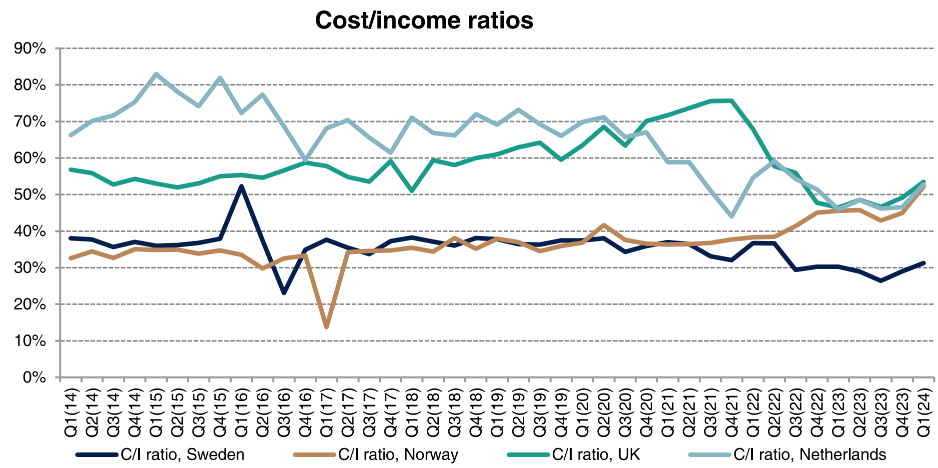
Source: Company reports & ABGSC Research   ** Excluding resolution fund fee & bank tax in Nordea*



Source: Company reports & ABGSC Research   ** Excluding resolution fund fee & bank tax in Nordea*

The cost/income ratio has deteriorated in Norway despite higher rates

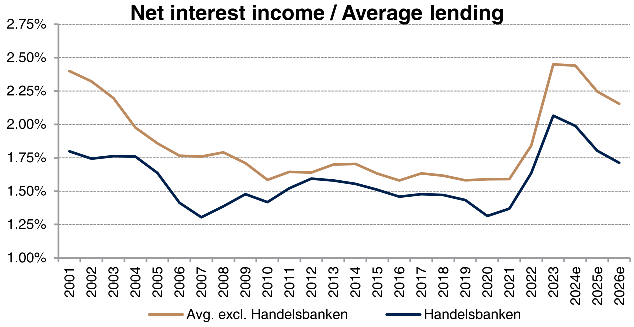
When assessing cost/income ratios in the various business areas, Sweden clearly outperforms, while it is interesting to note that cost/efficiency in Norway has even deteriorated since rates started to increase (partly due to IT investments). We also note that cost efficiency has deteriorated across the board in the last two quarters (i.e., since rates stabilised). This does not bode well for the coming years.



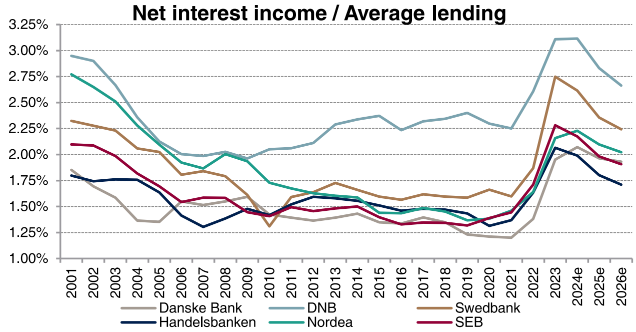
Source: Company reports & ABGSC Research

Towards the lowest net interest margin (NIM) in the sector

When it comes to net interest margins, we note that Handelsbanken has underperformed since rates started to increase. However, from a longer-term perspective, this looks like a normalisation vs. peers after the "zero interest rate era" rather than anything else (although of course the structures of the banks have changed over time).



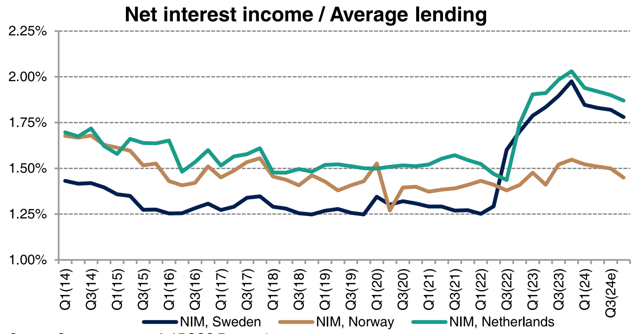
Source: Company reports & ABGSC Research



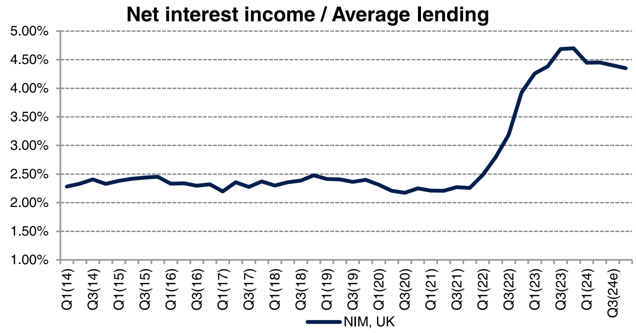
Source: Company reports & ABGSC Research

Norway also underperforming on the net interest margin

When assessing the various regions, we note that the net interest margins are up significantly since interest rates started to increase in all markets except Norway. The latter is primarily due to a very high loan/deposit ratio in an environment in which banks have generated net interest income improvements primarily from the deposit side rather than from lending. Although this could reverse somewhat in a normalising rate environment, competition is likely to remain high for lending. This means that Norway is likely to continue to underperform for Handelsbanken unless it can cut costs significantly.



Source: Company reports & ABGSC Research



Source: Company reports & ABGSC Research

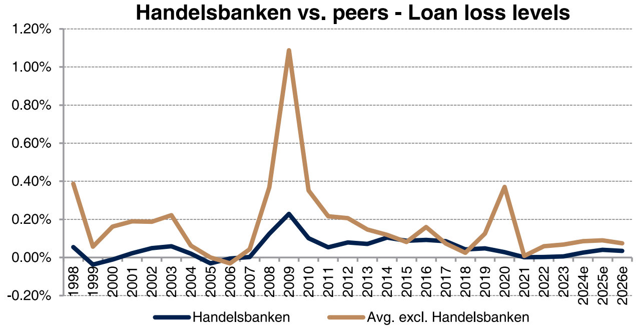
Loans vs. deposits

Q1'24	Sweden	UK	Norway	Netherlands	Other	Group*
Loan/deposit ratio	**188%**	**91%**	**345%**	**246%**	**22%**	**162%**
Lending vs. group	70%	10%	14%	4%	2%	**100%**
Deposits vs. group	60%	19%	6%	3%	12%	**100%**

Source: Company reports & ABGSC Research **Excluding Finland*

Low loan loss levels do not translate into high ROEs

Below, we illustrate Handelsbanken's reported loan loss levels vs. peers. It is still the case that Handelsbanken compares positively, which is partly due to a relatively large share of asset-backed lending. The flip side is a relatively low net interest margin, which is one reason why the low loan loss levels do not translate into competitive ROEs (another reason is a relatively low share of net commission income vs. total income, which we will come back to).



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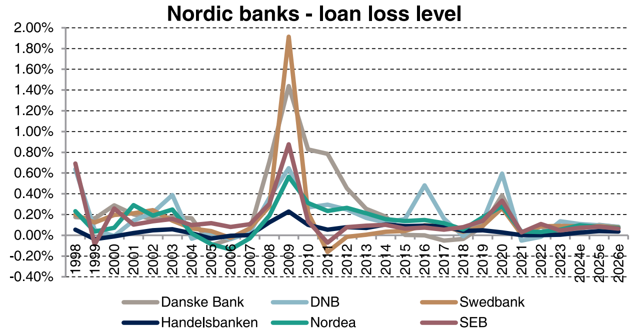


Source: Company reports & ABGSC Research

Balance sheet vs. profits

After the previous comparison of Handelsbanken vs. peers in terms of performance, it is interesting to look at how Handelsbanken differs structurally. In the table below, we compare balance sheet sizes with the earnings levels in the Nordic large cap. banks.

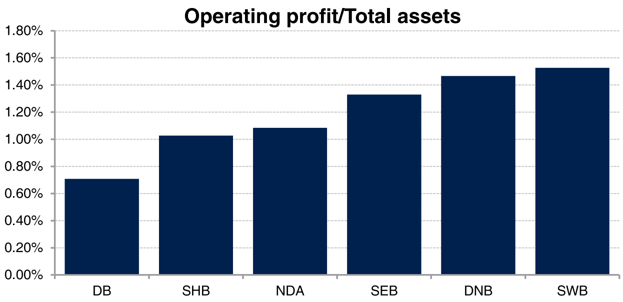
Balance sheet comparison

2023	DB	DNB	NDA	SEB	SHB	SWB
Local currency						
Total assets, group	3,770,981	3,439,724	584,702	3,608,218	3,537,792	2,855,519
Total lending, group	1,779,024	1,997,363	344,828	2,101,181	2,291,808	1,863,375
Operating profit, group	26,681	50,440	6,338	47,965	36,325	43,621
Net profit, group	21,261	38,166	4,909	38,117	29,109	34,124
Operating profit/total assets	**0.71%**	**1.47%**	**1.08%**	**1.33%**	**1.03%**	**1.53%**
Operating profit/total lending	**1.5%**	**2.5%**	**1.8%**	**2.3%**	**1.6%**	**2.3%**
ROE 2024e	**12.4%**	**15.6%**	**16.2%**	**15.6%**	**12.2%**	**15.6%**

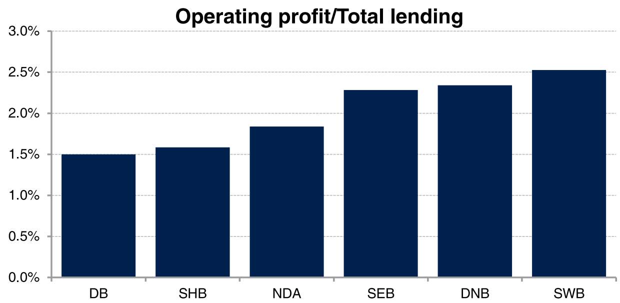
Source: Company reports & ABGSC Research

Low profit vs. balance sheet size in DB and SHB

We conclude that Handelsbanken has a relatively large balance sheet vs. operating profit, being second only to Danske Bank. This is one reason for Handelsbanken (and Danske Bank) comparing negatively in terms of profitability. A low operating profit vs. balance sheet size indicates a relatively high share of earnings being derived from the balance sheet (which consumes capital) as opposed to fee-based earnings with very little (if any) capital consumption.



Source: Company reports & ABGSC research



Source: Company reports & ABGSC research

SHB has a relatively low share of fee-based income

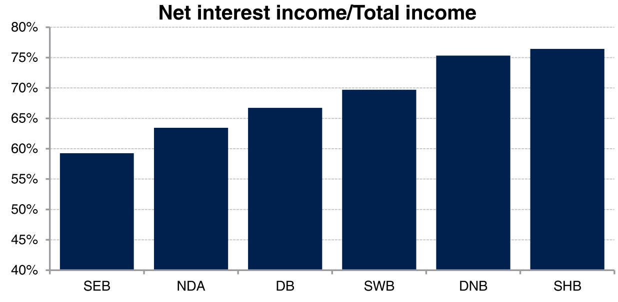
In the table below, we illustrate the share of net interest income and net commission income vs. total income. This matters because net commission income largely consists of low capital-consuming (high ROE) income, while net interest income has a higher capital consumption (lower ROE). While Handelsbanken has the highest share of net interest income vs. total income in the sector, it also has the second-lowest share of net commission income vs. total income. Although DNB has a lower share of the latter than Handelsbanken, it has a much higher net interest margin, which benefits ROE. The main reasons for Handelsbanken's low exposure to net commission income are the non-Swedish markets. In

Norway, the Netherlands and the UK, the shares of net commission income vs. total income were 12%, 9% and 7%, respectively, in 2023. This compares to 21% in Sweden.

Income structure

2023	DB	DNB	NDA	SEB	SHB	SWB
NII/total income	67%	75%	63%	59%	76%	70%
Net commission income/total income	25%	14%	26%	27%	18%	21%

Source: Company reports & ABGSC Research



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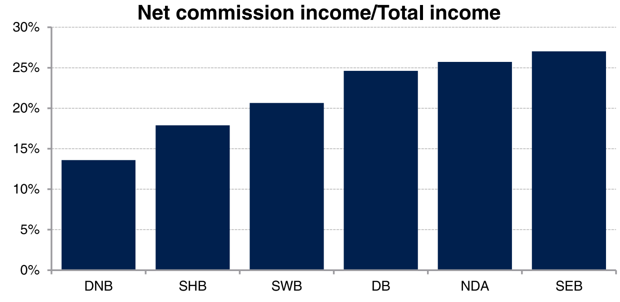


Source: Company reports & ABGSC research

90% of Handelsbanken's loan book is related to real estate...

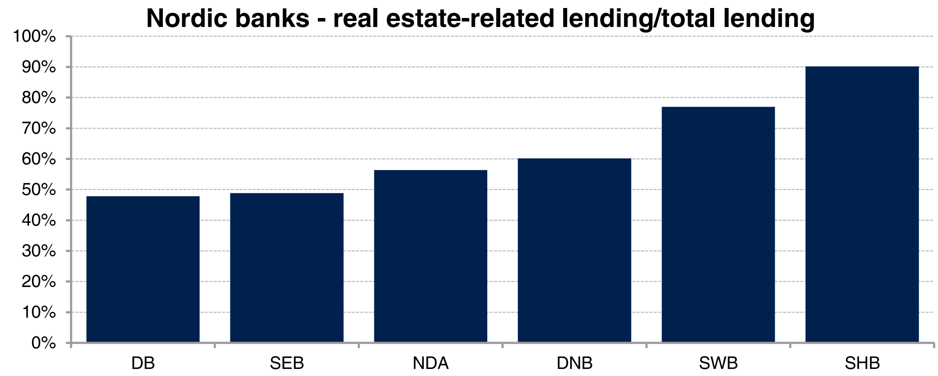
Turning to loan book composition, Handelsbanken's preference for asset-backed lending is clearly visible below. In addition to having the largest relative exposures to commercial real estate (including residential real estate) and housing associations, Handelsbanken also has the second-highest exposure to household mortgages. In total, 90% of Handelsbanken's loan book is related to real estate, which implies the most concentrated loan book in the sector. It also means that Handelsbanken has little exposure to companies outside the real estate segment, which implies little potential for ancillary (fee-generating) business from the corporate segment.

Loan book concentration, Nordic banks

Q1'24	DB	DNB	NDA	SEB	SHB	SWB
Household mortgages	28%	44%	43%	30%	48%	56%
Housing associations	8%	2%	4%	3%	12%	5%
Commercial real estate*	12%	14%	9%	16%	30%	16%
Real estate-related lending/total	**48%**	**60%**	**56%**	**49%**	**90%**	**77%**
Other corporates, fin. inst., public. etc.	46%	35%	36%	49%	8%	20%
Other household lending	6%	5%	8%	2%	1%	3%
Total lending, group	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Source: Company reports & ABGSC Research

** Residential & commercial*



Source: Company reports & ABGSC research

...which pretty much goes for all markets

Interestingly, Handelsbanken's relatively high exposure to real estate-related lending is not due to any particular region, which means that it is by design. Handelsbanken's management (and board) has deliberately built a bank with a high exposure to net interest income from asset-backed lending to keep loan losses close to zero, while they are not gearing up vs. peers in terms of capital. This is probably what lies behind management's comments about Handelsbanken's profitability being satisfactory in "risk-adjusted terms". The problem with the latter is that it does not matter for valuation unless there is a severe crisis (when you should not own banks anyway). Secondly, it does not square with Handelsbanken's ROE target of being better than the average of its peers.

Loan book concentration, SHB Group

Q1'24	Sweden	Norway	UK	NL
Household mortgages	56%	40%	28%	30%
Housing associations	14%	9%	0%	0%
Commercial real estate*	20%	42%	62%	68%
Real estate-related lending/total	**90%**	**91%**	**90%**	**98%**
Other corporates, fin. inst., public. etc.	9%	9%	9%	1%
Other household lending	1%	1%	1%	1%
Total lending	**100%**	**100%**	**100%**	**100%**

Source: Company reports & ABGSC Research **Residential & commercial*

No "quick fix" potential from financial engineering

Finally, when comparing balance sheet-related key ratios, we conclude that Handelsbanken seems to have a relatively large liquidity portfolio vs. total net cash outflows over a 30-day stressed period (indicated by the LCR). Otherwise, it does not stand out in terms of long-term funding position (indicated by the NSFR), while it has a slightly higher CET1 ratio than SEB (when adjusting for the AirPlus acquisition). Although Handelsbanken could streamline its CET1 ratio somewhat in relative terms, we see no major "quick fix" potential vs. peers in terms of financial engineering.

Balance sheet key ratios

Q1'24	DB	DNB	NDA*	SEB*	SHB	SWB
LCR	168%	139%	157%	126%	189%	180%
NSFR	125%	119%	120%	110%	123%	126%
Loan/deposit ratio	160%	128%	160%	113%	162%	148%
CET1 ratio, current	18.5%	19.0%	17.2%	18.9%	18.8%	19.3%
CET1 ratio requirement, current	14.4%	15.6%	12.1%	14.7%	14.8%	15.1%
Management buffer	4.1%	3.4%	5.1%	4.2%	4.0%	4.2%
Equity ratio, current	4.0%	5.3%	3.9%	4.2%	4.3%	5.4%
CET1 ratio, 2026e	16.3%	18.0%	15.9%	17.9%	18.2%	20.6%
CET1 ratio requirement, 2026e	14.6%	16.9%	13.7%	15.0%	15.2%	15.5%
Buffer	1.7%	1.0%	2.2%	2.9%	3.0%	5.1%
Equity ratio, 2026e	3.5%	5.1%	4.1%	4.6%	4.4%	6.3%

Source: Company reports & ABGSC Research **Around 40bp in CET1 ratio will disappear in 2024 due to pending acquisitions*

A more diversified fee income base in SHB...

In addition to having a relatively low share of net commission income (fee-based earnings) vs. total income, Handelsbanken has a relatively large concentration of net commission income. This goes hand in hand with having a highly concentrated loan book in the real estate segment. In fact, "mutual funds and custody" makes up more than 50% of total commission income. It looks like Nordea is at a similar level, which is not really the case, as Nordea (like Danske Bank and DNB) only shows net commission income numbers for each line (as opposed to (gross) commission income and costs in the Swedish banks). As the majority of commission costs is related to payments, this means that Nordea's share of asset management fees looks high vs. the Swedish banks in the table below. If we instead calculate net commission income for each line in Handelsbanken (i.e. show commission income less commission costs for each line), its share of net asset management fees vs. net commission income would be ~60%, which is the highest in the sector. This means that there should be potential for a more diversified fee income base in Handelsbanken, which probably requires a broadening of the (corporate) loan book (customer base).

Nordic Banks - Net commission income distribution

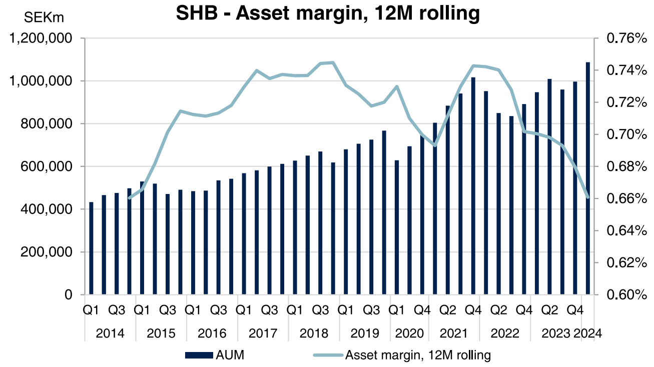
2024e	DB	DNB	SWB	SHB	NDA	SEB
Securities brokerage	18.0%	9.2%	3.0%	3.3%	6.8%	6.9%
Asset management	16.6%	22.0%	45.6%	54.9%	55.7%	38.4%
Corporate finance	10.4%	12.6%	n.a.	1.7%	n.a.	4.9%
Total	**45.0%**	**43.8%**	**48.5%**	**59.8%**	**62.5%**	**50.2%**
Payments	38.2%	20.5%	41.8%	22.7%	18.7%	27.8%
Lending	16.8%	n.a.	5.2%	9.0%	14.4%	14.1%
Insurance	0.0%	12.1%	1.5%	5.8%	4.8%	5.2%
Other	0.0%	23.6%	2.9%	2.7%	-0.3%	2.7%
Commission income	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
NCI % of total income	24.6%	13.6%	20.7%	17.9%	25.7%	27.0%
Capital market related income / total income						
	11%	**6%**	**16%**	**12%**	**16%**	**18%**

Source: ABGSC Research *Note: Net commission income in DNB, NDA and DB. Gross commission income in the other banks*

...would imply growth opportunities and lower volatility/risk

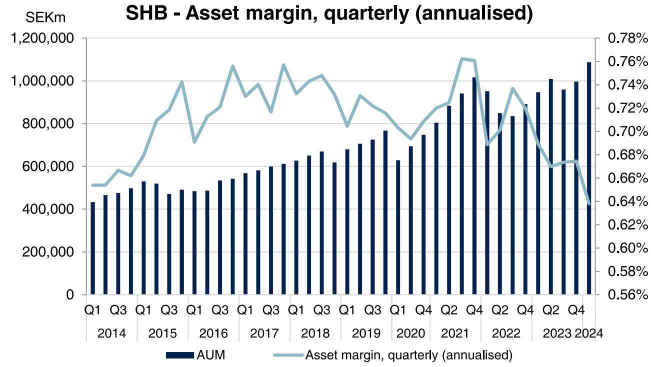
Although asset management fees are an attractive, capital-light source of income, Handelsbanken's high exposure to the segment makes it vulnerable to potentially adverse trends within asset management. For example, we note that Handelsbanken's asset management margin is on a declining trend, which implies that asset management fees have remained flat in the last five quarters despite an increase in assets under management. Asset management fees can also be quite volatile, as they vary with the trends in capital markets. Taken together, this is why it would be desirable not only from a volume point of view, but also from a diversification perspective, to have a broader fee income base.

SHB - Asset margin, 12M rolling



Source: Company reports & ABGSC Research

SHB - Asset margin, quarterly (annualised)



Source: Company reports & ABGSC Research

Suggested action

The stock is likely remain an underperformer at least until we get a credible ROE-enhancing plan and, preferably, one or more external change agents in place. The latter seemed to work in the turnarounds in Swedbank, SEB and Nordea. The former would have to entail a combination of measures such as a strategic re-positioning/ broadening of the loan book, cost-cutting, a streamlining of the capital position (preferably partly through share buybacks) and a credible plan (restructuring/ divestment) for Norway. Also, a share price-linked incentive scheme would not hurt now that the "real" Oktogonen is in run-off. Although it would take time to reach acceptable ROE levels even with the measures we propose, they would at least give the market some hope and, if well executed, improve profitability.

Several measures needed

Handelsbanken would have to undertake several measures to become credible when it comes to achieving competitive profitability. Such measures would take time and at least have to entail a combination of the following: a strategic re-positioning/broadening of the loan book (10-year project), cost-cutting (3-year project), a streamlining of the capital position, partly through buybacks (2-year project), and a credible plan (restructuring/ divestment) for Norway (1-year project). We also think that an incentive program linked to the share price would make sense as the "old" profit sharing foundation Oktogonen is in run-off.

Handelsbanken - Potential ROE enhancing measures

Measure	Timing	Importance*	Credibility**	Comment
1. Broadening of the loan book/customer base	10-year project	5	3	Key for changing the structural ROE level of the bank
2. Cost-cutting	3-year project	5	4	Important for getting a tangible mid-term impact
3. Streamlining of capital position	2-year project	3	3	No reason to have a higher mgmt buffer than peers. Dividends+buybacks
4. Credible plan for Norway	1-year project	4	2	Should at least be restructured and preferably divested
5. Share based incentive program	1-year project	4	1	Aligning interests between regions, employees & shareholders

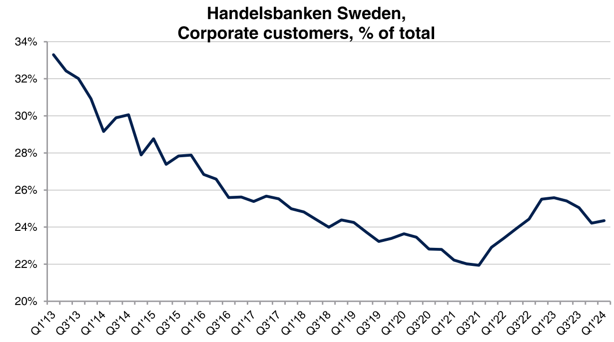
Source: ABGSC Research

**Importance of the measure on a scale 1-5, **Likelihood of happening on a scale 1-5*

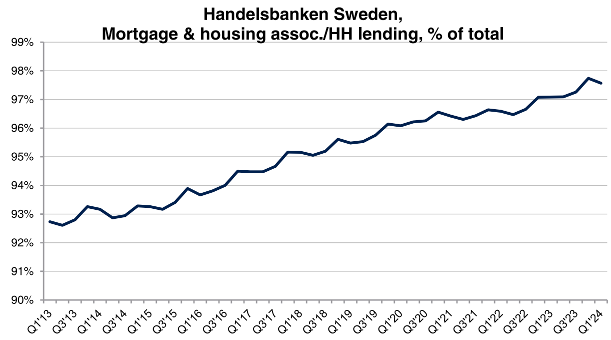
1. Strategic re-positioning/broadening the loan book

When examining Handelsbanken Sweden (70% of total lending), in the last 10 years the exposure to private customers has increased, while the corporate exposure has decreased. We also note that the share of asset-backed lending (household mortgages, housing associations and commercial real estate) has increased both in the private and corporate customer segments. The result is a low risk/low profitability bank. For profitability (NIM/ROE) to increase in the loan book, we believe that Handelsbanken would have to increase its corporate exposure to the SME (small & medium-sized enterprises) segment. If Handelsbanken believes in its superior underwriting skills, we do not understand why it primarily lends to the lowest risk (asset-backed) segments in the market. In our view, Handelsbanken should be able to increase its risk tolerance (by embracing SMEs) and reap better returns with acceptable risk. Such a move would most likely also result in increased (capital-light) fee income (net commission income), which would further boost profitability. The main caveat is that it most likely would take around 10 years before such a strategic re-positioning would have any significant impact on profitability. It should therefore start sooner rather than later.

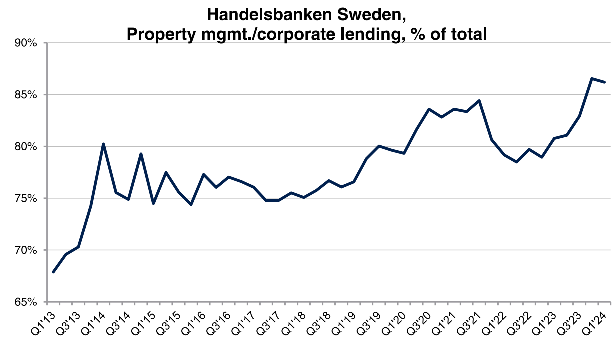
Source: Company reports & ABGSC Research



Source: Company reports & ABGSC Research



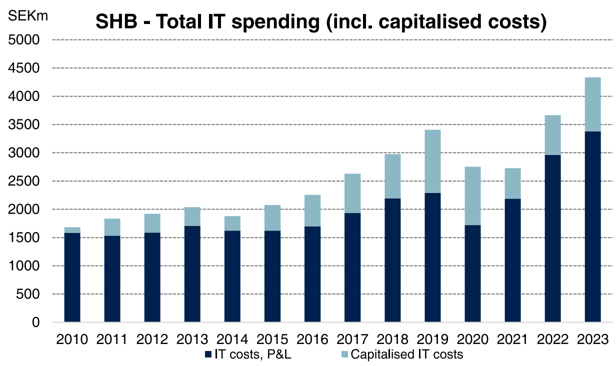
Source: Company reports & ABGSC Research



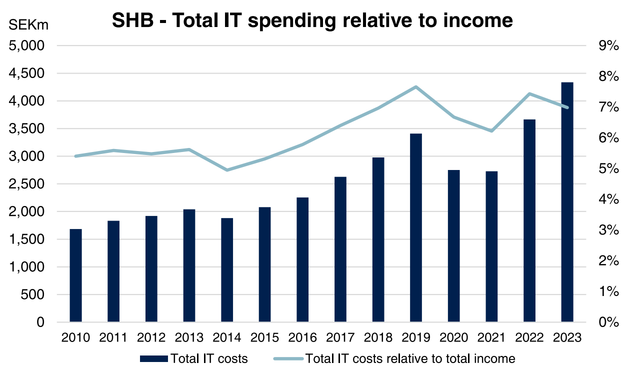
Source: Company reports & ABGSC Research

2 & 3. Cost-cutting & streamlining the capital position

A classic way to boost profitability is to cut costs. For any cost-cutting measures to have a lasting effect, we first and foremost think that headcount has to be reduced, while the next step is to hold back on IT expenditure. While the latter is challenging in the current environment, it is less important than headcount reduction, which is illustrated in the table on the next page. For Handelsbanken, around 60% of the cost base is staff costs, while IT costs have increased to around 15% of the cost base in the last two years. Although the actual share of IT expenditure is larger than it looks in the table (as some of it is capitalised and there are IT-related costs included in purchased services and staff costs), it does not change the fact that headcount must come down for any cost-cutting measures to be credible. That said, there could be some potential in restricting IT investments in the mid-term after the sharp increase in the last couple of years (see the charts below).



Source: Company reports & ABGSC Research



Source: Company reports & ABGSC Research

Base case (current scenario)

In our base case (current scenario) below, we assume an average headcount growth of 6% in 2024, which is the same as in 2023. This can be compared to the y-o-y growth in Q1'24 of 8%. As we already factor in that Handelsbanken will undertake efficiency-enhancing measures in our forecast period, we anticipate average headcount growth of 1% in 2025 and 0% in 2026. While the underlying cost per employee should increase significantly y-o-y in 2024 judging by the Q1'24 report (partly due to higher pension costs), we pencil in wage inflation of 2% p.a. in 2025-26. In terms of staff costs, we also project gradually falling provisions to the profit sharing scheme Oktogonen as the board should not be pleased with Handelsbanken's relative performance. For other costs, we project 6% growth y-o-y in 2024 vs. 11% y-o-y in Q1'24. In 2025-26, we assume growth in other costs of 1% per year. We expect depreciation (& amortisation) will stay rather flat at ~SEK 1.8bn per year in 2025-26. In total, our base case cost scenario implies growth of 9% in 2024, 2% in 2025 and 1% in 2026.

Cost analysis - base case

SEKm	2021	2022	2023	2024e	2025e	2026e
Staff costs	**-12,452**	**-13,040**	**-13,642**	**-15,210**	**-15,579**	**-15,838**
Average headcount*	11,029	10,865	11,533	12,221	12,343	12,343
Oktogonen	-69	-249	-285	-233	-150	-100
Cost per employee	-1.123	-1.177	-1.158	-1.226	-1.250	-1.275
Other costs	**-5,577**	**-6,526**	**-7,796**	**-8,301**	**-8,384**	**-8,500**
Property & premises	-545	-599	-686	-728	-743	-757
IT related expenses	-2,188	-2,963	-3,379	-3,655	-3,765	-3,840
Communication	-257	-255	-284	-291	-294	-297
Travel & marketing	-128	-236	-299	-307	-313	-319
Purchased services	-1,884	-1,836	-2,355	-2,400	-2,333	-2,333
Supplies	-140	-170	-188	-189	-191	-193
Other expenses	-435	-467	-605	-731	-746	-761
Depreciation	**-1,814**	**-1,646**	**-1,743**	**-1,814**	**-1,823**	**-1,814**
Intangible assets, IT	-894	-633	-682	-711	-700	-670
Intangible assets, other	-50	-30	-70	-72	-72	-72
Tangible assets	-870	-983	-991	-1,031	-1,051	-1,072
TOTAL COSTS	**-19,843**	**-21,212**	**-23,181**	**-25,325**	**-25,786**	**-26,151**
Staff costs/total	63%	61%	59%	60%	60%	61%
IT costs/total	11%	14%	15%	14%	15%	15%
Purchased services	9%	9%	10%	9%	9%	9%
Staff, IT & consultants (purchased services)/total	**83%**	**84%**	**84%**	**84%**	**84%**	**84%**

Source: Company reports & ABGSC Research

** Excluding Finland, which is accounted for in discontinued operations*

Bull case (optimistic scenario)

In our bull case for staff costs, illustrated below, we assume average headcount growth of 5% in 2024 and a headcount reduction of 3% p.a. in 2025-26. We also anticipate staff cost inflation (including pension costs) of 5% in 2024 and 2% p.a. in 2025-26. Finally, we pencil in no more provisions for the profit sharing scheme Oktogonen after 2024e. We expect other costs will grow by 4% in 2024 and fall by 2% p.a. in 2025-26 compared to growth of 17% in 2022 and 19% in 2023. We expect depreciation (& amortisation) of intangibles will stay rather flat at the 2023 level in 2024-26e. In total, our bull case cost scenario implies growth of 7% in 2024, -2% in 2025 and -2% in 2026.

Cost analysis - bull case						
SEKm	2021	2022	2023	2024e	2025e	2026e
Staff costs	**-12,452**	**-13,040**	**-13,642**	**-14,959**	**-14,570**	**-14,416**
Average headcount*	11,029	10,865	11,533	12,110	11,747	11,394
Oktogonen	-69	-249	-285	-233	0	0
Cost per employee	-1.123	-1.177	-1.158	-1.216	-1.240	-1.265
Other costs	**-5,577**	**-6,526**	**-7,796**	**-8,087**	**-7,889**	**-7,490**
Property & premises	-545	-599	-686	-720	-735	-749
IT related expenses	-2,188	-2,963	-3,379	-3,616	-3,543	-3,313
Communication	-257	-255	-284	-287	-290	-293
Travel & marketing	-128	-236	-299	-305	-308	-311
Purchased services	-1,884	-1,836	-2,355	-2,304	-2,189	-2,036
Supplies	-140	-170	-188	-190	-192	-194
Other expenses	-435	-467	-605	-666	-632	-594
Depreciation	**-1,814**	**-1,646**	**-1,743**	**-1,772**	**-1,757**	**-1,730**
Intangible assets, IT	-894	-633	-682	-711	-696	-669
Intangible assets, other	-50	-30	-70	-70	-70	-70
Tangible assets	-870	-983	-991	-991	-991	-991
TOTAL COSTS	**-19,843**	**-21,212**	**-23,181**	**-24,818**	**-24,216**	**-23,635**
Staff costs/total	63%	61%	59%	60%	60%	61%
IT costs/total	11%	14%	15%	14%	15%	15%
Purchased services	9%	9%	10%	9%	9%	9%
Staff, IT & consultants(purchased services)/total	**83%**	**84%**	**84%**	**84%**	**84%**	**84%**

Source: Company reports & ABGSC Research

** Excluding Finland, which is accounted for in discontinued operations*

100bp ROE uplift until 2026e through cost-cutting and capital optimisation

As illustrated below, our bull case cost scenario implies 6-10% lower costs in 2025e-26e than our current scenario (base case), which, all else equal, would result in 5-9% higher net profit in 2025e-26e. If we keep the dividend payout ratio unchanged, which implies an unchanged capital structure (CET1 ratio), our bull case cost scenario would imply a 60-80bp higher ROE than in our base case in 2025e-26e. If we assume that Handelsbanken also "optimises" its capital structure (preferably through a mix of dividends and share buybacks) towards a 3% management buffer in 2025e and 2% in 2026e, ROE would increase by another ~20bp in 2026e. This means that Handelsbanken could increase its ROE in 2026e by ~100bp (to 11.3%) through extensive efficiency-enhancing measures and calibrating its capital structure towards a management buffer of 2% vs. the minimum capital requirement from the Swedish SFA. This would be in the middle of its management buffer target range of 100-300bp and well below its current management buffer of 400bp. Although this would be value-enhancing, we note that Handelsbanken would remain the least profitable large cap bank in the Nordics in 2026e, even with an 11.3% ROE (see page 25 with our peer group valuation table for an ROE comparison with peers). This means that not even extensive efficiency enhancing measures together with an optimisation of the capital structure would be enough to achieve a competitive ROE. Additional measures, such as a strategic re-positioning towards the SME segment (as discussed above) and potentially structural measures (a divestment of Norway?) would also be necessary.

Cost scenario analysis

SEKm	2021	2022	2023	2024e	2025e	2026e
Total costs, base case	-19,843	-21,212	-23,181	-25,325	-25,786	-26,151
Growth		*7%*	*9%*	*9%*	*2%*	*1%*
Total costs bull case				-24,818	-24,216	-23,635
Growth				*7%*	*-2%*	*-2%*
Cost reduction bull vs. base case				**-2%**	**-6%**	**-10%**
Net profit, base case	19,527	21,676	29,109	25,220	22,522	21,699
Growth		*11%*	*34%*	*-13%*	*-11%*	*-4%*
Net profit, bull case				25,611	23,731	23,638
Growth				*-12%*	*-7%*	*0%*
Net profit bull case vs. base case				**2%**	**5%**	**9%**
Return on equity, base case	11.1%	11.5%	14.6%	12.2%	10.7%	10.3%
Return on equity, bull case*				12.4%	11.3%	11.1%
Return on equity, bull case**				12.4%	11.3%	11.3%

Source: Company reports & ABGSC Research

**Unchanged capital structure, **Optimised capital structure (3%mgmt buffer in '25e & 2%in '26e)*

4. A credible plan needed for Norway (divestment?)

Norway stands out as the main profitability drag on the group, although the ROAC is below the group average also in the Netherlands. While there are no major differences between the UK, Norway and the Netherlands in terms of cost/income ratios, the UK business benefited from its balance sheet structure (loan/deposit ratio) vs. the other two countries when short-term interest rates increased, as the lion's share of the net interest income uplift came from deposits rather than lending. Although it will be interesting to see how this plays out when interest rates fall, the competitive pressure is likely to remain high on the lending side. This means that Norway is unlikely to reach a competitive profitability with its current scale and structure (high loan/deposit ratio, high concentration in the loan book and low share of net commission income vs. total income (12% in 2023)) unless it can cut costs significantly. It would therefore make sense to divest it and repatriate the cash to shareholders on the same grounds as Denmark and Finland were put up for sale (too low profitability vs. the investment need). If not, Handelsbanken would have to come up with a credible ROAC-enhancing plan for Norway.

Key data - regions

Q1'24	Sweden	UK	Norway	Netherlands	Group*
Net interest margin	1.85%	4.45%	1.52%	1.94%	**2.02%**
Cost/income ratio	31%	53%	52%	53%	**42%**
Return on allocated capital (ROAC/ROE)	16.2%	17.0%	7.2%	12.1%	**13.4%**
Loan/deposit ratio	188%	91%	345%	246%	**162%**
Allocated capital/lending	8%	11%	7%	6%	**8%**
Lending vs. group	70%	10%	14%	4%	**100%**
Net profit vs. group	77%	17%	6%	3%	**100%**

Source: Company reports & ABGSC Research

** Excluding Finland*

SWE & the UK outperform, while NW and the NL underperform

In the table below, we illustrate the full breakdown of group ROE in the Q1'24 report based on Handelsbanken's capital allocation. We cannot adjust the latter, as Handelsbanken does not disclose risk-weighted assets per region. As mentioned, the Swedish and UK markets deliver returns above the group average, while Norway and the Netherlands underperform. When it comes to Capital Markets, much of the income is allocated to the geographical regions, which means that its underperformance does not really count.

Profitability breakdown, Q1'24 (current)

SEKm

Q1'24	Lending	Allocated capital**	Capital/ lending	Cost/ Income	Net profit	ROAC/ROE
Sweden	1,598,000	127,594	8%	31%	5,094	16.2%
UK	241,000	26,415	11%	53%	1,111	17.0%
Norway	317,000	23,667	7%	52%	426	7.2%
Netherlands	101,000	5,691	6%	53%	172	12.1%
Capital Markets	22,000	2,249	10%	87%	-47	-7.9%
Other*	163,000	3,946	2%	n.m.	-152	-4.5%
Group	**2,442,000**	**189,562**	**8%**	**42%**	**6,603**	**13.4%**

Source: Company reports & ABGSC Research

** Including Finland, which is to be divested, **Shareholder's equity for the group*

Maximum 80bp ROE uplift from divesting Norway

Considering the weak profitability in the Norwegian operations, even with current interest rates, it would make sense to at least consider divesting it. Besides Nordea, the Norwegian savings banks could be interested. DNB would probably feel restricted due to its size.
In the table below, we have removed the allocated capital to and net profit contribution from Norway to illustrate how group ROE would be impacted (in a simplified way) if the Norwegian operations were divested and the capital repatriated to shareholders. All else equal, the ROE impact would have been 80bp as of Q1'24, while the freed-up capital would have been ~SEK 24bn. This corresponds to 12% of market cap. However, in reality, we doubt that the impact on profitability would be as large as indicated below. The reasons are that Handelsbanken has proven unwilling to repatriate all excess cash to shareholders, while it is also likely that some central costs allocated to the Norwegian operations in the business area accounting would remain at the group level even after a divestment.

Profitability breakdown, Q1'24 (excluding Norway)

SEKm

Q1'24	Lending	Allocated capital	Capital/ lending	Cost/ Income	Net profit	ROAC/ROE
Sweden	1,598,000	127,594	8%	31%	5,094	16.2%
UK	241,000	26,415	11%	53%	1,111	17.0%
Netherlands	101,000	5,691	6%	53%	172	12.1%
Capital Markets	22,000	2,249	10%	87%	-47	-7.9%
Other*	163,000	3,946	2%	n.m.	-152	-4.5%
Group	**2,125,000**	**165,895**	**8%**	**41%**	**6,177**	**14.2%**

Source: Company reports & ABGSC Research

** Including Finland, which is to be divested*

Cost-cutting & structural measures (Norway) not enough...

When adding up the potential impact of efficiency-enhancing measures (implying 10% lower costs in 2026 than in our current scenario), capital optimisation and a divestment of the Norwegian operations, we end up with an ROE uplift of 180bp. This would put Handelsbanken on a par with Danske Bank and DNB in 2026e, but below its Swedish peers and Nordea. A further ROE uplift would take time, as it most likely would require a strategic re-positioning (as discussed earlier). We also think that the actual impact of cost management, capital optimisation and a potential divestment of Norway would be smaller than indicated by our calculations above, as the cost measures look quite drastic, while we do not pencil in any impact on the income side. We also think that the profitability impact of a divestment of the Norwegian operations would be lower than indicated, as some central costs being allocated to the Norwegian operations would most likely stay with the group, while the capital repatriation could surprise negatively.

...while the ROE impact from the Finnish deal is unclear

Finally, the ROE impact of the divestment of parts of Handelsbanken's Finnish operations in H2'24 is unclear. However, as the transaction entails ~30% of the loan book and ~50% of risk-weighted assets, it is again the case that some net profit in the discontinued operations will disappear, which requires strict capital discipline for the ROE impact not to be negative.

With the capital management in conjunction with the divestment of the Danish operations in mind, this worries us a bit.

Non-existent loan losses would not have a material impact on ROE'26e

Our current earnings scenario implies loan loss levels (reported net loan losses/lending, starting balance) of 3bp in 2024e, 4bp in 2025e and 3bp in 2026e. If we instead would assume zero reported loan losses in 2026e, our expected ROE would increase by ~30bp, which is negligible.

5. Share-based incentive program

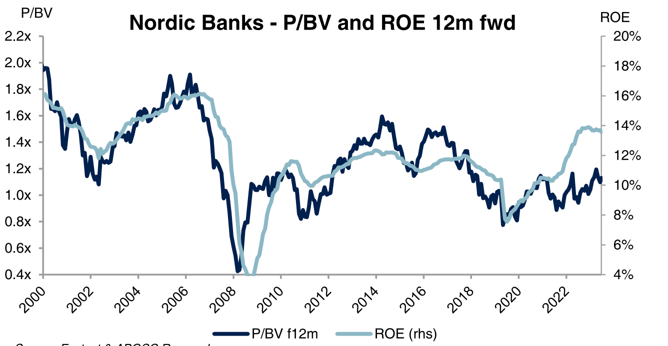
The profit-sharing foundation Oktogonen (which owns 8% of Handelsbanken) used to be the cornerstone of the Handelsbanken model. When Handelsbanken's return on equity exceeded the average of its peers, a provision was made to the Oktogonen foundation, which primarily invested in Handelsbanken shares. All employees received an equal allocation. This meant that the interests of employees and shareholders were aligned. However, soon after the current largest shareholder (Fredrik Lundberg through Industrivärden, Lundbergföretagen and family holdings) took control of Handelsbanken, the Oktogonen foundation was put in run-off. Although Handelsbanken still allocates money to "Oktogonen" in its accounts, it is now a profit-sharing scheme distributed annually to employees, which is not what it used to be. It is also far from clear-cut what the actual criteria for a provision are (as it is discretionary and up to the board) although they formally are unchanged (higher ROE than the average of its peers). For example, Handelsbanken made an allocation to the scheme in Q1'24 although few people outside Handelsbanken would claim that it is outperforming in terms of profitability. Such an opaque profit-sharing scheme does not work as an incentive. Instead, we think that an incentive program linked to the Handelsbanken shares (at least for middle management and up) would make sense to increase private ownership/skin in the game. After all, such programs seem to have contributed to the profitability-enhancing journeys in Nordea and SEB.

Valuation

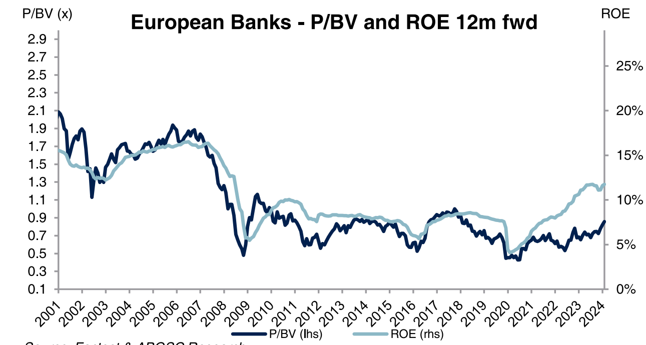
The only way to sustainably drive valuation in a bank is to improve profitability. Handelsbanken has an expected profitability (ROE) largely in line with the European average, while it is valued at a premium. It is therefore hard to attract any broader investor interest at the current levels without having a credible ROE-enhancing plan. Relative risk levels matter significantly less than relative ROEs for valuation, especially in a buoyant/normal environment. In a Nordic context, Handelsbanken is valued in line with the sector, while it has a deteriorating ROE trend vs. peers and the lowest expected net earnings growth (CAGR) in 2023-26e. It should therefore be valued at a discount vs. the sector rather than anything else, at least until an ROE turnaround vs. peers looks likely.

Banks get the valuation they deserve...

The beauty of banks is that they get the valuation they deserve over time based on expected profitability. This means that there is usually a strong correlation between P/BV (P/NAV) multiples and expected returns regardless of regions, as illustrated below. Therefore, the only way for a CEO to get a higher valuation is to increase the sustainable return on shareholder's equity with an acceptable risk level.



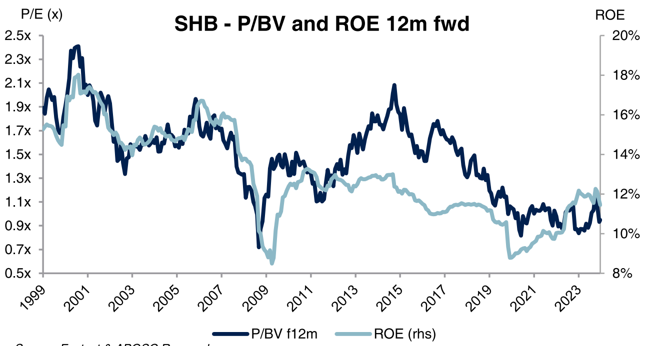
Source: Factset & ABGSC Research



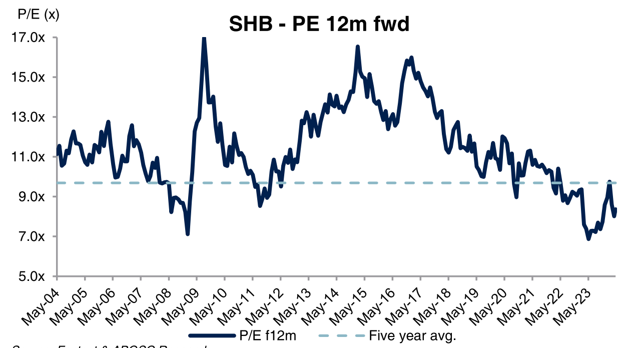
Source: Factset & ABGSC Research

...based on return on equity

Turning to Handelsbanken, the valuation overshot after the GFC/Lehman crisis, primarily on hopes of the new markets (the UK and the Netherlands) eventually propelling earnings growth and profitability. When this did not materialise, the valuation premium gradually disappeared despite Handelsbanken being perceived as a high quality/low-risk institution. Again, this confirms that the only way to sustainably drive valuation in absolute and relative terms in a bank is to improve profitability.



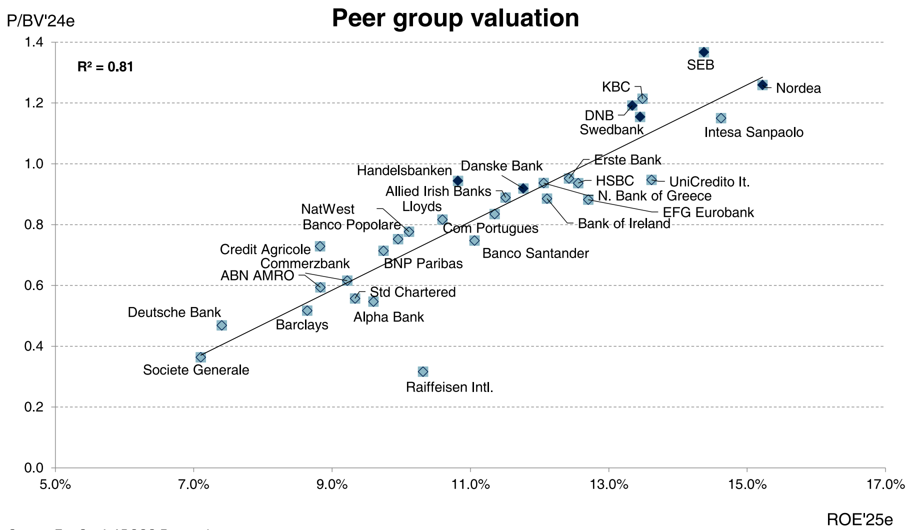
Source: Factset & ABGSC Research



Source: Factset & ABGSC Research

SHB at a premium vs. European peers (P/BV vs. ROE)

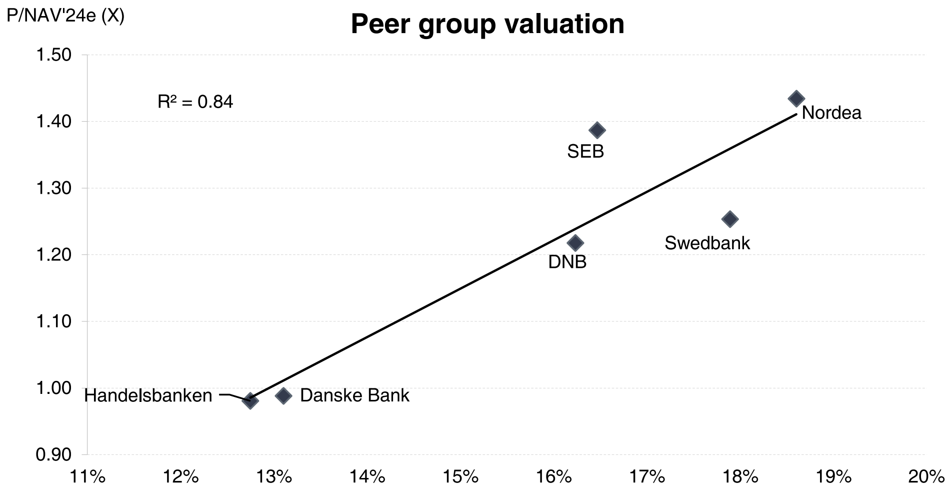
Handelsbanken has an expected profitability (ROE) largely in line with the European average, while it is valued at a premium (above the regression line). It is therefore hard to attract any broader investor interest at the current levels without having a credible ROE-enhancing plan. Although one could argue that SEB and to some extent DNB and Swedbank are also trading above the regression line, they have relatively high ROE levels, which give strategic advantages in terms of growth opportunities and financial flexibility.



Source: FactSet & ABGSC Research

SHB in line with Nordic peers (P/NAV vs. RONAV)...

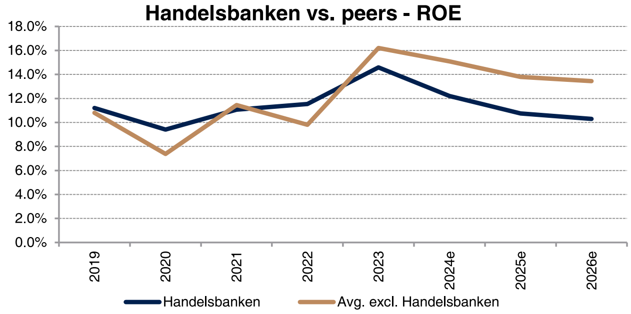
When assessing P/NAV'24e (tangible book value) vs. RONAV'25e (return on tangible book value) base on our estimates, we conclude that Handelsbanken is projected to be the least profitable bank in the sector in 2025, while being valued in line with the regression line. This means Handelsbanken is trading in line with its Nordic peer group based on expected profitability despite the share price depreciation following the Q1'24 report (which wiped out the valuation premium).



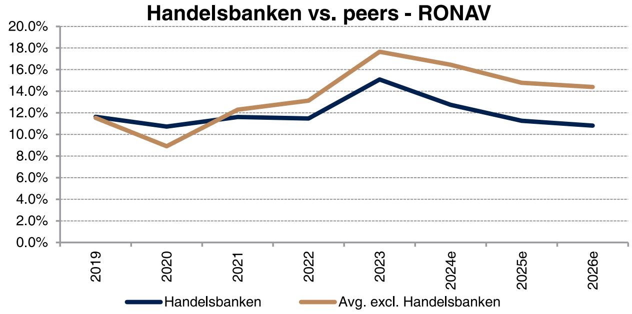
Source: ABGSC Research

...but will it last?

Considering our expected profitability trend vs. peers, we would, however, argue that Handelsbanken should be valued at a discount, at least until it comes up with a credible ROE-enhancing plan.



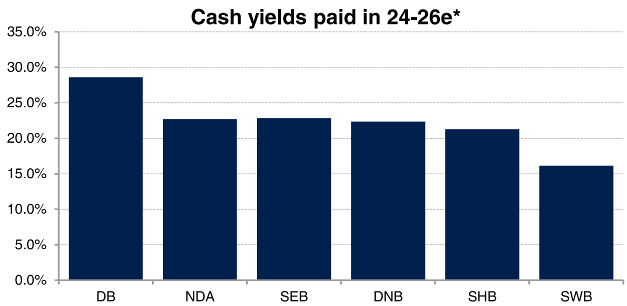
Source: Company reports & ABGSC Research



Source: Company reports & ABGSC Research

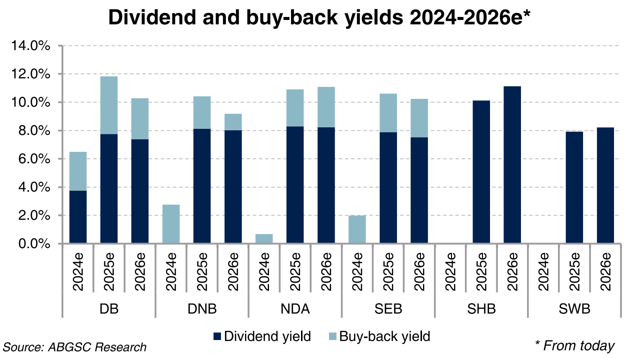
SHB does not stand out in terms of cash yields

In the charts below, we illustrate the aggregated cash yields to shareholders in 2024-26. This includes the remaining share buybacks and dividends (Danske Bank only) for 2024 and the dividends for 2024 and 2025, which will be distributed in 2025 and 2026. Although Handelsbanken does not stand out versus peers in terms of expected capital repatriation to shareholders from now in 2024-26, the absolute returns should still be attractive. However, it is around 10 months until the next dividend payment.



Source: ABGSC research

* From today



Source: ABGSC Research

* From today

Reasonable assumed capital structure vs. peers

A relevant question when it comes to profitability and capital repatriation is whether we unrealistically punish Handelsbanken vs. peers in terms of capital structure. As illustrated below, the answer is no. We anticipate that Handelsbanken will be at a CET1 capital buffer of 400bp at year-end 2024 vs. its short-term management buffer target of 400bp until Q3'24. Then we pencil in that Handelsbanken will go to 300bp by the end of 2026 (i.e., the upper end of its long-term management buffer target) compared to SEB at 290bp (250bp after the consolidation of AirPlus). Based on its previous behaviour, it is reasonable to expect Handelsbanken will stay somewhat above SEB by the end of 2026. It is unclear where Swedbank will end up considering that it is keeping a large management buffer while it waits for a potential fine from US authorities; however, management seems to be aiming for 200bp at the end of the day.

Estimated management buffer levels in 2024-26e						
	DB	DNB	NDA*	SEB*	SHB	SWB
CET1 ratio (2024e)	18.4%	18.1%	16.4%	18.5%	18.9%	19.7%
CET1 ratio (2025e)	16.9%	18.0%	15.8%	18.1%	18.8%	20.0%
CET1 ratio (2026e)	16.3%	18.0%	15.9%	17.9%	18.2%	20.6%
Local FSA CET1 ratio requirement (2024e)	14.5%	16.9%	13.6%	14.7%	14.9%	15.1%
Local FSA CET1 ratio requirement (2025e)	14.6%	16.9%	13.7%	15.0%	15.2%	15.5%
Local FSA CET1 ratio requirement (2026e)	14.6%	16.9%	13.7%	15.0%	15.2%	15.5%
Buffer to the min. local FSA requirement (2024e)	**4.0%**	**1.2%**	**2.8%**	**3.8%**	**4.0%**	**4.5%**
Buffer to the min. local FSA requirement (2025e)	**2.3%**	**1.1%**	**2.0%**	**3.1%**	**3.6%**	**4.5%**
Buffer to the min. local FSA requirement (2026e)	**1.7%**	**1.0%**	**2.2%**	**2.9%**	**3.0%**	**5.1%**
Management buffer targets	>16%	>16.9%	150bps	100-300bps	100-300bps	100-300bps

Source: SFSA, DFSA, NFSA, company reports & ABGSC Research **Around 40bp will disappear in 2024 due to pending acquisitions*

SHB has the lowest risk level at the expense of a low ROE

Handelsbanken still has the highest (average) credit rating in the sector (together with DNB, although it is not rated by Fitch). This is most likely due to its low loan loss provisions versus peers over time. One could argue that the low loan loss level is primarily due to the balance sheet structure and strategic direction, which also results in a low ROE and thereby a low valuation. As profitability is more important than the perceived risk level/rating for valuation unless there is a crisis, we would prefer being invested in high ROE/medium risk rather than low ROE/low risk banks when invested (unless there is a profitability journey to be made or huge mispricing somewhere). Otherwise, we note that the (small) rating differences between the banks do not seem to matter much when it comes to relative funding costs unless there is a crisis (and no support from central banks). We also think that the ratings are likely to harmonise further with smaller differences between reported loan loss levels in the banks since the GFC.

Nordic banks - ratings						
Moody's	**Danske**	**DNB**	**Nordea**	**SEB**	**SHB**	**Swedbank**
Aaa						
Aa1						
Aa2		Positive			Negative	
Aa3			Stable	Positive		Stable
A1	Positive					
A2						
A3						
S&P	**Danske**	**DNB**	**Nordea**	**SEB**	**SHB**	**Swedbank**
AAA						
AA+						
AA						
AA-		Stable	Stable		Stable	
A+	Stable			Stable		Stable
A						
A-						
Fitch	**Danske**	**DNB**	**Nordea**	**SEB**	**SHB**	**Swedbank**
AAA						
AA+						
AA					Stable	
AA-			Stable	Stable		Stable
A+	Stable					
A						
A-						

Source: S&P, Fitch and Moody's

Appendix - Earnings growth trends

Growth trends (y-o-y)*

	Danske Bank			DNB			Handelsbanken			Nordea			SEB			Swedbank			CAGR	CAGR
	2024e	2025e	2026e	2024e	2025e	2026e	2024e	2025e	2026e	2024e	2025e	2026e	2024e	2025e	2026e	2024e	2025e	2026e	2023-2026e	2024-2026e
Net interest income	5%	-6%	0%	2%	-7%	-4%	-3%	-8%	-3%	4%	-5%	-2%	-3%	-7%	-2%	-4%	-8%	-3%	-3%	-4%
Net commission income	13%	5%	3%	2%	3%	3%	3%	4%	4%	3%	4%	4%	6%	4%	4%	8%	4%	4%	4%	4%
Trading income	27%	0%	2%	-29%	-14%	4%	-21%	-10%	2%	-1%	0%	2%	-2%	-11%	2%	-19%	-4%	2%	-3%	-2%
Total income	**5%**	**-3%**	**1%**	**1%**	**-6%**	**-2%**	**-3%**	**-5%**	**-1%**	**3%**	**-2%**	**0%**	**0%**	**-4%**	**1%**	**-2%**	**-5%**	**-1%**	**-1%**	**-2%**
Total operating costs	4%	0%	1%	4%	4%	3%	9%	2%	1%	0%	2%	2%	6%	4%	3%	5%	3%	2%	3%	2%
Profit before loan losses	**6%**	**-5%**	**1%**	**-1%**	**-11%**	**-5%**	**-10%**	**-11%**	**-4%**	**6%**	**-5%**	**-1%**	**-4%**	**-9%**	**-1%**	**-6%**	**-9%**	**-2%**	**-4%**	**-5%**
Loan losses, net	330%	53%	-18%	-17%	-10%	-14%	325%	58%	-12%	80%	-16%	-12%	56%	17%	-20%	-4%	5%	-12%	9%	-5%
Operating profit	**3%**	**-7%**	**2%**	**0%**	**-11%**	**-5%**	**-13%**	**-10%**	**-4%**	**3%**	**-4%**	**0%**	**-6%**	**-7%**	**-1%**	**-7%**	**-8%**	**-2%**	**-4%**	**-4%**
Net profit	**6%**	**-7%**	**2%**	**3%**	**-14%**	**-5%**	**-12%**	**-10%**	**-3%**	**1%**	**-4%**	**0%**	**-7%**	**-6%**	**-1%**	**-6%**	**-8%**	**-2%**	**-4%**	**-5%**
Adjusted EPS	8%	-3%	6%	7%	-12%	-3%	-12%	-10%	-3%	3%	-2%	3%	-4%	-4%	2%	-6%	-8%	-2%		

Source: ABGSC Research

*excluding EO items and writedowns on intangible assets

Growth trends (CAGR) *

	Danske Bank		DNB		Handelsbanken		Nordea		SEB		Swedbank		CAGR	CAGR
	CAGR	CAGR	CAGR	CAGR	CAGR	CAGR	CAGR	CAGR	CAGR	CAGR	CAGR	CAGR	2023-26e	2024-26e
	2023-26e	2024-26e	2023-26e	2024-26e	2023-26e	2024-26e	2023-26e	2024-26e	2023-26e	2024-26e	2023-26e	2024-26e		
Net interest income	-1%	-3%	-3%	-6%	-5%	-5%	-1%	-3%	-4%	-4%	-5%	-6%	-3%	-4%
Net commission income	7%	4%	3%	3%	4%	4%	3%	4%	5%	4%	5%	4%	4%	4%
Trading income	9%	1%	-14%	-5%	-10%	-4%	0%	1%	-4%	-5%	-8%	-1%	-3%	-2%
Total income	**1%**	**-1%**	**-2%**	**-4%**	**-3%**	**-3%**	**0%**	**-1%**	**-1%**	**-2%**	**-3%**	**-3%**	**-1%**	**-2%**
Total operating costs	2%	1%	4%	3%	4%	2%	1%	2%	5%	4%	3%	2%	3%	2%
Profit before loan losses	**1%**	**-2%**	**-6%**	**-8%**	**-8%**	**-7%**	**0%**	**-3%**	**-5%**	**-5%**	**-6%**	**-6%**	**-4%**	**-5%**
Loan losses, net	75%	12%	-14%	-12%	81%	18%	10%	-14%	14%	-3%	-4%	-4%	9%	-5%
Operating profit	**-1%**	**-3%**	**-5%**	**-8%**	**-9%**	**-7%**	**-1%**	**-2%**	**-5%**	**-4%**	**-6%**	**-5%**	**-4%**	**-4%**
Net profit	**0%**	**-3%**	**-6%**	**-10%**	**-9%**	**-7%**	**-1%**	**-2%**	**-5%**	**-3%**	**-5%**	**-5%**	**-4%**	**-5%**
Adjusted EPS	3%	1%	-3%	-8%	-9%	-7%	1%	0%	-2%	-1%	-5%	-5%		

Source: ABGSC Research

*excluding EO items and writedowns on intangible assets

Nordic banks - Peer group valuation

May 20, 2024				Target	Mcap	Adj. EPS*			Normalised EPS**			PBLL per share		
Local curr.		Rec	Price	Price	EURm	24e	25e	26e	24e	25e	26e	24e	25e	26e
Danske Bank	DANSKE.CO	Hold	201.1	210	23,078	26.2	25.3	26.8	22.6	22.1	23.0	35.7	35.3	37.1
DNB	DNB.OL	Hold	203.4	207	26,235	25.9	22.9	22.1	24.9	21.7	20.7	34.1	31.4	30.2
Nordea	NDA.ST	Buy	133.3	152	40,129	1.44	1.41	1.45	1.36	1.31	1.34	2.0	1.9	1.9
SEB	SEBa.ST	Buy	152.1	162	26,889	17.6	16.9	17.3	16.9	16.3	16.5	24.5	22.8	23.1
Handelsbanken	SHBa.ST	Hold	98.8	104	16,805	12.8	11.4	11.1	12.1	10.9	10.4	17.6	15.7	15.2
Swedbank	SWEDa.ST	Buy	218.4	253	21,094	29.9	27.6	27.1	28.3	26.1	25.4	41.1	37.4	36.6
Nordics, aggr.					**154,230**									

May 20, 2024		P/E adj.* (X)			P/E Normalised (X)**			P/PBLL (X)			P/E Consensus (X)		
Local curr.		24e	25e	26e	24e	25e	26e	24e	25e	26e	24e	25e	26e
Danske Bank	DANSKE.CO	7.7	7.9	7.5	8.9	9.1	8.8	5.6	5.7	5.4	7.9	7.7	7.5
DNB	DNB.OL	7.8	8.9	9.2	8.2	9.4	9.8	6.0	6.5	6.7	8.0	8.4	8.4
Nordea	NDA.ST	7.9	8.1	7.9	8.4	8.7	8.6	5.8	6.0	5.9	7.9	8.0	7.9
SEB	SEBa.ST	8.7	9.0	8.8	9.0	9.3	9.2	6.2	6.7	6.6	9.0	9.1	8.9
Handelsbanken	SHBa.ST	7.8	8.6	8.9	8.2	9.1	9.5	5.6	6.3	6.5	7.9	8.6	8.6
Swedbank	SWEDa.ST	7.3	7.9	8.1	7.7	8.4	8.6	5.3	5.8	6.0	7.7	8.0	8.0
Nordics, avg.		**7.9**	**8.4**	**8.4**	**8.4**	**9.0**	**9.1**	**5.8**	**6.2**	**6.2**	**8.1**	**8.3**	**8.2**

May 20, 2024		P/BV (X)			P/NAV (X)			ROE			RONAV		
Local curr.		24e	25e	26e	24e	25e	26e	24e	25e	26e	24e	25e	26e
Danske Bank	DANSKE.CO	0.95	0.93	0.91	0.99	0.97	0.94	12.4%	11.9%	12.3%	13.1%	12.3%	12.7%
DNB	DNB.OL	1.17	1.13	1.10	1.22	1.18	1.15	15.6%	13.2%	12.4%	16.2%	13.7%	12.8%
Nordea	NDA.ST	1.26	1.21	1.17	1.43	1.38	1.32	16.2%	15.2%	14.9%	18.6%	17.3%	17.1%
SEB	SEBa.ST	1.34	1.31	1.26	1.39	1.35	1.30	15.6%	14.7%	14.6%	16.5%	15.2%	15.1%
Handelsbanken	SHBa.ST	0.94	0.93	0.93	0.98	0.97	0.97	12.2%	10.7%	10.3%	12.7%	11.3%	10.8%
Swedbank	SWEDa.ST	1.14	1.08	1.03	1.25	1.19	1.13	15.6%	14.0%	13.1%	17.9%	15.4%	14.4%
Nordics, avg.		**1.13**	**1.10**	**1.07**	**1.21**	**1.17**	**1.14**	**14.6%**	**13.3%**	**12.9%**	**15.8%**	**14.2%**	**13.8%**

May 20, 2024		Dividend Yield			T1 ratio, reported			T1 ratio, core			Perf. (Div. Adj.)		
Local curr.		24e	25e	26e	24e	25e	26e	24e	25e	26e	-1m	-3m	-12m
Danske Bank	DANSKE.CO	7.5%	8.0%	8.5%	19.7%	18.1%	16.9%	18.4%	16.9%	16.3%	0%	8%	54%
DNB	DNB.OL	8.4%	8.5%	8.6%	20.2%	20.0%	19.9%	18.1%	18.0%	18.0%	4%	7%	19%
Nordea	NDA.ST	8.3%	8.5%	8.9%	18.6%	17.8%	18.0%	16.4%	15.8%	15.9%	8%	17%	34%
SEB	SEBa.ST	8.1%	7.9%	7.7%	20.1%	19.7%	19.4%	18.5%	18.1%	17.9%	6%	7%	43%
Handelsbanken	SHBa.ST	10.1%	11.1%	11.6%	20.1%	20.0%	19.4%	18.9%	18.8%	18.2%	-9%	-10%	28%
Swedbank	SWEDa.ST	7.9%	8.2%	8.1%	21.5%	21.8%	22.3%	19.7%	20.0%	20.6%	3%	7%	38%
Nordics, avg.		**8.4%**	**8.7%**	**8.9%**	**20.0%**	**19.6%**	**19.3%**	**18.3%**	**17.9%**	**17.8%**	**2%**	**7%**	**37%**

Source: ABGSC forecasts, Infront consensus, Refinitiv

**Adjusted for amortisation of intangible assets and extraordinary items, ** Normalised loan losses*

European Banks - Peer group valuation (consensus)

May 19, 2024		Mcap	P/E		EPS gr.		EPS rev '24e		P/BV		RoE		Div. yield		Performance	
EUR	Cntry	EURm	24e	25e	24e	25e	-1m	-6m	24e	25e	24e	25e	24e	25e	-3m	-1y
Danske Bank	DK	23,237	7.9	7.8	3%	4%	-1%	6%	0.92	0.88	12%	12%	7%	8%	4%	42%
DNB	NO	26,970	8.2	8.8	-2%	-7%	2%	2%	1.19	1.16	15%	13%	8%	8%	-4%	10%
Nordea	SE	40,127	7.9	8.2	5%	-2%	3%	1%	1.26	1.21	16%	15%	8%	8%	4%	20%
SEB	SE	27,949	9.1	9.4	-10%	-4%	3%	5%	1.37	1.33	15%	14%	8%	6%	-4%	29%
SHB	SE	16,875	8.0	8.9	-14%	-8%	-3%	2%	0.94	0.93	12%	11%	10%	10%	-18%	17%
Swedbank	SE	21,230	7.9	8.3	-10%	-7%	0%	-2%	1.15	1.10	15%	13%	8%	8%	-3%	26%
Nordic avg.		**26,065**	**8.2**	**8.5**	**-5%**	**-4%**	**1%**	**2%**	**1.14**	**1.10**	**14%**	**13%**	**8%**	**8%**	**-4%**	**24%**
Barclays	GB	37,907	7.0	5.6	17%	21%	2%	-1%	0.52	0.47	8%	9%	4%	4%	48%	41%
HSBC	GB	153,005	7.1	7.3	7%	0%	-1%	-5%	0.94	0.89	13%	13%	9%	7%	9%	17%
Lloyds	GB	40,842	8.8	7.5	-15%	17%	-2%	-8%	0.82	0.75	10%	11%	5%	6%	28%	22%
NatWest	GB	32,686	7.9	7.3	-15%	7%	3%	5%	0.78	0.71	10%	10%	5%	6%	40%	22%
Std Chartered	GB	23,530	6.6	5.8	17%	15%	1%	-5%	0.56	0.50	9%	9%	3%	4%	31%	27%
Allied Irish Banks	IE	12,417	6.9	7.5	-2%	-7%	4%	7%	0.89	0.83	13%	12%	6%	6%	26%	29%
Bank of Ireland	IE	10,722	6.9	7.1	7%	-2%	1%	-5%	0.89	0.83	13%	12%	6%	6%	23%	13%
UK/IE avg.		**44,444**	**7.3**	**6.9**	**2%**	**7%**	**1%**	**-2%**	**0.77**	**0.71**	**11%**	**11%**	**6%**	**6%**	**29%**	**24%**
BNP Paribas	FR	81,769	7.9	7.1	19%	10%	5%	-2%	0.71	0.67	9%	10%	6%	7%	33%	23%
Credit Agricole	FR	47,930	8.4	8.1	5%	4%	3%	5%	0.73	0.70	9%	9%	6%	7%	30%	35%
Societe Generale	FR	21,865	6.2	5.1	N.m.	25%	3%	-13%	0.36	0.34	6%	7%	3%	5%	24%	21%
France avg.		**50,521**	**7.5**	**6.7**	**12%**	**13%**	**4%**	**-3%**	**0.60**	**0.57**	**8%**	**9%**	**5%**	**6%**	**29%**	**27%**
Commerzbank	DE	18,321	7.7	6.6	15%	27%	0%	-6%	0.62	0.56	8%	9%	3%	4%	43%	63%
Deutsche Bank	DE	31,189	7.1	6.0	8%	17%	5%	3%	0.47	0.44	7%	7%	4%	6%	30%	61%
Germany avg.		**24,755**	**7.4**	**6.3**	**11%**	**22%**	**2%**	**-1%**	**0.54**	**0.50**	**7%**	**8%**	**4%**	**5%**	**37%**	**62%**
Erste Bank	AT	20,002	7.4	7.5	-5%	0%	4%	2%	0.95	0.88	14%	12%	6%	6%	21%	54%
Raiffeisen Intl.	AT	5,786	3.1	3.1	-19%	6%	8%	12%	0.32	0.30	10%	10%	7%	9%	-12%	25%
ABN AMRO	NL	13,685	6.6	6.7	-20%	2%	3%	2%	0.59	0.55	9%	9%	8%	8%	6%	10%
KBC	BE	28,577	9.0	8.8	-3%	0%	2%	6%	1.21	1.16	14%	13%	7%	7%	9%	18%
AT/Benelux avg.		**15,378**	**6.5**	**6.5**	**-12%**	**2%**	**4%**	**5%**	**0.77**	**0.72**	**12%**	**11%**	**7%**	**7%**	**6%**	**27%**
Alpha Bank	GR	4,023	5.8	5.6	-6%	3%	0%	2%	0.55	0.51	10%	10%	6%	8%	2%	43%
EFG Eurobank	GR	7,834	6.4	6.8	8%	-6%	5%	12%	0.88	0.82	15%	13%	5%	6%	11%	47%
N. Bank of Greece	GR	7,737	6.8	7.4	2%	-8%	1%	12%	0.94	0.89	14%	12%	5%	7%	18%	57%
Banco Popolare	IT	10,182	7.1	7.7	13%	-3%	5%	5%	0.75	0.74	11%	10%	11%	9%	37%	74%
Intesa Sanpaolo	IT	68,908	8.1	7.7	12%	6%	2%	6%	1.15	1.10	14%	15%	9%	9%	33%	57%
UniCredito It.	IT	61,017	6.9	6.6	11%	5%	3%	14%	0.95	0.86	14%	14%	6%	7%	22%	92%
Com Portugues	PT	5,349	7.0	6.6	-11%	0%	0%	0%	0.83	0.77	12%	11%	7%	8%	33%	55%
Banco Santander	ES	76,920	6.8	6.4	11%	4%	3%	6%	0.75	0.69	12%	11%	4%	4%	32%	54%
BBVA	ES	58,496	6.7	6.7	12%	1%	4%	14%	1.04	0.97	16%	15%	7%	7%	11%	57%
Akbank	TR	9,336	4.7	3.1	-3%	39%	-1%	-6%	1.21	0.83	28%	29%	3%	5%	44%	146%
Is Bank	TR	11,579	4.3	3.0	N.m.	42%	11%	50%	1.16	0.82	32%	33%	3%	5%	26%	102%
Turkiye Garanti	TR	11,287	4.4	3.0	0%	49%	17%	10%					3%	4%	35%	118%
South Eur. avg.		**27,722**	**6.3**	**6.0**	**4%**	**10%**	**4%**	**10%**	**0.90**	**0.80**	**16%**	**15%**	**6%**	**7%**	**27%**	**80%**
Europe Banks			**7.0**	**6.7**	**1%**	**7%**	**3%**	**4%**	**0.86**	**0.79**	**13%**	**12%**	**6%**	**7%**	**21%**	**47%**

Source: Factset

Forecast revisions												
	New forecasts			Old forecasts			Diff					
SEKm	**2024e**	**2025e**	**2026e**	**2024e**	**2025e**	**2026e**	**2024e**		**2025e**		**2026e**	
Net interest income	46,000	42,500	41,250	46,000	42,500	41,250	0	0%	0	0%	0	0%
Net commission income	11,458	11,917	12,391	11,458	11,917	12,391	0	0%	0	0%	0	0%
Trading income	2,100	1,900	1,938	2,100	1,950	1,989	0	0%	-50	-3%	-51	-3%
Insurance	350	350	357	350	350	357	0	0%	0	0%	0	0%
Other income	272	277	283	272	277	283	0	0%	0	0%	0	0%
Total income	**60,180**	**56,945**	**56,219**	**60,180**	**56,995**	**56,270**	**0**	**0%**	**-50**	**0%**	**-51**	**0%**
Personnel costs**	-15,210	-15,579	-15,838	-15,223	-15,573	-15,704	12	0%	-6	0%	-134	1%
Other costs	-10,115	-10,207	-10,314	-10,177	-10,270	-10,345	62	-1%	63	-1%	31	0%
Total costs	**-25,325**	**-25,786**	**-26,151**	**-25,400**	**-25,842**	**-26,049**	**74**	**0%**	**56**	**0%**	**-103**	**0%**
Profit before loan losses	**34,855**	**31,159**	**30,067**	**34,780**	**31,152**	**30,221**	**74**	**0%**	**6**	**0%**	**-154**	**-1%**
Loan losses	-600	-950	-833	-650	-1,000	-900	50	-8%	50	-5%	68	-8%
Other	-2,661	-1,689	-1,740	-2,661	-1,689	-1,740	0	0%	0	0%	0	0%
Operating profit	**31,594**	**28,520**	**27,495**	**31,470**	**28,463**	**27,581**	**124**	**0%**	**56**	**0%**	**-86**	**0%**
Tax	-7,239	-6,545	-6,310	-7,211	-6,532	-6,330	-29	0%	-13	0%	20	0%
Other (disc. operations)	865	547	515	949	613	583	-84	-9%	-66	-11%	-68	-12%
Net profit	**25,220**	**22,522**	**21,699**	**25,208**	**22,544**	**21,834**	**12**	**0%**	**-22**	**0%**	**-134**	**-1%**
Adjusted net profit	*25,248*	*22,658*	*21,892*	*25,236*	*22,681*	*22,026*	*12*	*0%*	*-22*	*0%*	*-134*	*-1%*
Number of shares (m), YE*	*1,980*	*1,980*	*1,980*	*1,980*	*1,980*	*1,980*	*0*	*0%*	*0*	*0%*	*0*	*0%*
Share buybacks	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*n.a.*	*0*	*n.a.*	*0*	*n.a.*
EPS	*12.7*	*11.4*	*11.0*	*12.7*	*11.4*	*11.0*	*0.0*	*0%*	*0.0*	*0%*	*-0.1*	*-1%*
Adjusted EPS	*12.8*	*11.4*	*11.1*	*12.7*	*11.5*	*11.1*	*0.0*	*0%*	*0.0*	*0%*	*-0.1*	*-1%*
DPS	*10.0*	*11.0*	*11.5*	*10.0*	*11.0*	*11.5*	*0.00*	*0%*	*0.00*	*0%*	*0.00*	*0%*

Source: ABGSC forecasts .

** N:o of shares outstanding*

*** Oktogonen SEK 233m in 2024e, SEK 150m in 2025e and SEK 100m for 2026e*

ABGSC vs. Infront consensus												
	ABGSC			Infront consensus			Diff					
SEKm	**2024e**	**2025e**	**2026e**	**2024e**	**2025e**	**2026e**	**2024e**		**2025e**		**2026e**	
Net interest income	46,000	42,500	41,250	45,389	43,435	43,097	611	1%	-935	-2%	-1,847	-4%
Net commission income	11,458	11,917	12,391	11,465	12,078	12,609	-7	0%	-161	-1%	-218	-2%
Trading income	2,100	1,900	1,938	2,117	1,875	1,885	-17	-1%	25	1%	53	3%
Insurance	350	350	357	440	416	430	-90	-20%	-66	-16%	-73	-17%
Other income	272	277	283	257	223	278	15	6%	54	24%	5	2%
Total income	**60,180**	**56,945**	**56,219**	**59,668**	**58,027**	**58,299**	**512**	**1%**	**-1,082**	**-2%**	**-2,080**	**-4%**
Personnel costs	-15,210	-15,579	-15,838	-14,999	-15,267	-15,619	-211	1%	-312	2%	-219	1%
Other costs	-10,115	-10,207	-10,314	-10,288	-10,471	-10,675	173	-2%	264	-3%	361	-3%
Total costs	**-25,325**	**-25,786**	**-26,151**	**-25,287**	**-25,738**	**-26,294**	**-38**	**0%**	**-48**	**0%**	**143**	**-1%**
Profit before loan losses	**34,855**	**31,159**	**30,067**	**34,381**	**32,289**	**32,005**	**474**	**1%**	**-1,130**	**-4%**	**-1,938**	**-6%**
Loan losses	-600	-950	-833	-861	-1,361	-1,224	261	-30%	411	-30%	391	-32%
Other	-2,661	-1,689	-1,740	-2,653	-2,121	-2,038	-8	0%	432	-20%	298	-15%
Operating profit	**31,594**	**28,520**	**27,495**	**30,867**	**28,807**	**28,743**	**727**	**2%**	**-287**	**-1%**	**-1,248**	**-4%**
Tax	-7,239	-6,545	-6,310	-6,920	-6,539	-6,442	-319	5%	-6	0%	132	-2%
Other (disc. operations)	865	547	515	860	516	481	5	1%	31	6%	34	7%
Net profit	**25,220**	**22,522**	**21,699**	**24,807**	**22,784**	**22,782**	**413**	**2%**	**-262**	**-1%**	**-1,083**	**-5%**
EPS	**12.74**	**11.37**	**10.96**	**12.50**	**11.50**	**11.50**	**0.2**	**2%**	**-0.1**	**-1%**	**-0.5**	**-5%**
DPS	**10.00**	**11.00**	**11.50**	**11.20**	**11.80**	**11.00**	**-1.20**	**-11%**	**-0.80**	**-7%**	**0.50**	**5%**
CET1 ratio	**18.9%**	**18.8%**	**18.2%**	**18.9%**	**18.4%**	**18.0%**						

Source: Infront consensus, ABGSC forecasts

Handelsbanken - Income statement, quarterly								
SEKm	**Q1'23**	**Q2'23**	**Q3'23**	**Q4'23**	**Q1'24**	**Q2'24e**	**Q3'24e**	**Q4'24e**
Net interest income	11,485	11,687	12,184	12,222	11,587	11,525	11,525	11,363
Net commission income	2,766	2,761	2,812	2,800	2,754	2,891	2,867	2,946
Trading income	602	393	1,087	579	750	500	400	450
Insurance	91	116	79	207	125	80	65	80
Other income	42	208	81	48	102	51	35	84
Total income	**14,986**	**15,165**	**16,243**	**15,856**	**15,318**	**15,046**	**14,892**	**14,923**
Personnel costs	-3,470	-3,259	-3,382	-3,531	-3,935	-3,777	-3,719	-3,779
Other costs	-2,306	-2,374	-2,305	-2,554	-2,535	-2,576	-2,412	-2,592
Total costs	**-5,776**	**-5,633**	**-5,687**	**-6,085**	**-6,470**	**-6,353**	**-6,131**	**-6,371**
Profit before loan losses	**9,210**	**9,532**	**10,556**	**9,771**	**8,848**	**8,693**	**8,761**	**8,552**
Loan losses	-30	-58	-1	-52	95	-179	-229	-287
Other	-664	-632	-650	-658	-676	-662	-662	-661
Operating profit	**8,516**	**8,842**	**9,905**	**9,061**	**8,267**	**7,852**	**7,871**	**7,604**
Tax	-1,934	-2,066	-2,324	-2,093	-1,874	-1,806	-1,810	-1,749
Other	231	329	367	274	210	225	210	220
Net profit	**6,813**	**7,105**	**7,948**	**7,242**	**6,603**	**6,271**	**6,270**	**6,075**
Tax rate	23%	23%	23%	23%	23%	23%	23%	23%
EPS	**3.4**	**3.6**	**4.0**	**3.7**	**3.3**	**3.2**	**3.2**	**3.1**
Adjusted net profit	*6,755*	*6,945*	*7,954*	*7,178*	*6,611*	*6,276*	*6,281*	*6,080*
Adjusted EPS	*3.4*	*3.5*	*4.0*	*3.6*	*3.3*	*3.2*	*3.2*	*3.1*
Key balance sheet data								
SEKm	**Q1'23**	**Q2'23**	**Q3'23**	**Q4'23**	**Q1'24**	**Q2'24e**	**Q3'24e**	**Q4'24e**
Lending, net	2,306,742	2,335,959	2,330,086	2,291,808	2,297,097	2,303,610	2,315,178	2,333,607
Goodwill & other intangibles	8,426	8,553	8,530	8,567	8,603	8,606	8,609	8,612
Total assets	3,602,079	3,755,442	3,679,330	3,537,792	3,756,288	3,756,288	3,756,288	3,630,347
Shareholders' equity	184,871	196,284	203,744	205,077	189,562	195,833	202,104	208,179
Net asset value	176,445	187,731	195,214	196,510	180,959	187,227	193,495	199,567
Capital adequacy								
SEKm	**Q1'23**	**Q2'23**	**Q3'23**	**Q4'23**	**Q1'24**	**Q2'24e**	**Q3'24e**	**Q4'24e**
Tier 1 capital, excl. hybrids	160,582	166,003	168,147	157,577	162,647	162,641	163,304	163,935
Tier 1 capital, reported	176,038	182,123	184,438	172,603	173,274	173,268	173,931	174,562
Capital base	195,398	202,556	212,975	200,082	193,227	193,220	193,883	194,514
Risk exposure amount (BIS II/III)	827,075	837,505	868,888	836,790	863,310	863,310	868,835	868,835
Asset quality								
SEKm	**Q1'23**	**Q2'23**	**Q3'23**	**Q4'23**	**Q1'24**	**Q2'24e**	**Q3'24e**	**Q4'24e**
Problem loans, gross	5,985	6,612	6,851	7,064	7,999	8,345	8,827	9,319
Provisions	-2,508	-2,579	-2,487	-2,400	-2,322	-2,484	-2,700	-2,965
Problem loans, net	3,477	4,033	4,364	4,664	5,677	5,861	6,126	6,353
Key figures								
	Q1'23	**Q2'23**	**Q3'23**	**Q4'23**	**Q1'24**	**Q2'24e**	**Q3'24e**	**Q4'24e**
Profitability								
Net interest margin	1.30%	1.27%	1.31%	1.35%	1.27%	1.23%	1.23%	1.23%
ROE	14.39%	14.91%	15.89%	14.17%	13.39%	13.02%	12.61%	11.85%
RONAV	14.93%	15.26%	16.62%	14.66%	14.01%	13.64%	13.20%	12.37%
RORWA	3.33%	3.41%	3.73%	3.40%	3.11%	2.91%	2.90%	2.80%
Efficiency								
Adj. cost/income ratio	39%	38%	35%	38%	42%	42%	41%	43%
Adj. cost/assets	0.65%	0.61%	0.61%	0.67%	0.71%	0.68%	0.65%	0.69%
Financial position								
Lending/deposits	161%	163%	170%	176%	162%	161%	162%	181%
REA/total assets	23%	22%	24%	24%	23%	23%	23%	24%
Tier 1 ratio, core	19.4%	19.8%	19.4%	18.8%	18.8%	18.8%	18.8%	18.9%
Tier 1 ratio, reported	21.3%	21.7%	21.2%	20.6%	20.1%	20.1%	20.0%	20.1%
Capital adequacy	23.6%	24.2%	24.5%	23.9%	22.4%	22.4%	22.3%	22.4%
Equity ratio, core	4.5%	4.4%	4.6%	4.5%	4.3%	4.3%	4.3%	4.5%
Asset quality								
Problem loans, gross/lending	0.26%	0.28%	0.29%	0.31%	0.35%	0.36%	0.38%	0.40%
Problem loans, net/lending	0.15%	0.17%	0.19%	0.20%	0.25%	0.25%	0.26%	0.27%
Provision ratio	41.9%	39.0%	36.3%	34.0%	29.0%	29.8%	30.6%	31.8%
Loan losses, net/lending	0.01%	0.01%	0.00%	0.01%	-0.02%	0.03%	0.04%	0.05%

Source: Company data, ABGSC forecasts

Income statement (SEKm)	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
Net interest income	29,766	31,286	32,135	29,962	30,321	36,614	47,578	46,000	42,500	41,250
Net commission income	9,718	10,247	10,697	9,670	11,458	10,981	11,140	11,458	11,917	12,391
Trading income	1,271	908	1,299	1,217	1,699	1,540	2,661	2,100	1,900	1,938
Insurance income	142	106	145	194	179	-11	493	350	350	357
Other operating income	777	1,223	288	208	620	1,250	379	272	277	283
Total income	**41,674**	**43,770**	**44,564**	**41,251**	**44,277**	**50,374**	**62,251**	**60,180**	**56,945**	**56,219**
Personnel costs	-12,472	-13,465	-13,549	-13,907	-12,452	-13,040	-13,642	-15,210	-15,579	-15,838
Other operating costs	-6,508	-7,425	-8,194	-7,020	-7,391	-8,172	-9,539	-10,115	-10,207	-10,314
Total operating costs	**-18,980**	**-20,890**	**-21,743**	**-20,927**	**-19,843**	**-21,212**	**-23,181**	**-25,325**	**-25,786**	**-26,151**
Profit before loan losses	**22,694**	**22,880**	**22,821**	**20,324**	**24,434**	**29,162**	**39,070**	**34,855**	**31,159**	**30,067**
Loan losses	-1,683	-881	-1,045	-649	-43	-47	-141	-600	-950	-833
Investment portfolio	-	-	-	-	-	-	-	-	-	-
Other items	14	14	20	-880	-916	-2,287	-2,604	-2,661	-1,689	-1,740
Operating profit	**21,025**	**22,013**	**21,796**	**18,795**	**23,475**	**26,828**	**36,325**	**31,594**	**28,520**	**27,495**
Tax	-4,923	-4,656	-4,871	-4,240	-4,627	-5,431	-8,417	-7,239	-6,545	-6,310
Other items after tax	-3	-3	-3	1,028	679	279	1,201	865	547	515
Net profit	**16,099**	**17,354**	**16,922**	**15,583**	**19,527**	**21,676**	**29,109**	**25,220**	**22,522**	**21,699**
Tax rate (%)	23.4	21.2	22.3	22.6	19.7	20.2	23.2	22.9	23.0	23.0
EPS	8.16	8.78	8.62	7.87	9.86	10.95	14.70	12.74	11.37	10.96
Net profit adj.	15,010	16,240	16,502	16,567	19,369	20,598	28,833	25,248	22,658	21,892
EPS adj.	7.61	8.22	8.41	8.37	9.78	10.40	14.56	12.75	11.44	11.06
Key balance sheet data	-	-	-	-	-	-	-	-	-	-
Net lending	2,065,761	2,189,092	2,292,603	2,269,612	2,163,135	2,315,818	2,291,808	2,333,607	2,382,258	2,439,536
Goodwill and intangibles	9,861	10,455	11,185	11,330	8,302	8,402	8,567	8,612	8,486	8,486
Total assets	2,766,977	2,978,174	3,069,667	3,135,288	3,346,764	3,453,718	3,537,792	3,630,347	3,657,055	3,748,409
Shareholders equity	141,593	142,249	159,824	171,464	181,706	194,021	205,077	208,179	210,901	210,825
Net asset value	131,732	131,794	148,639	160,134	173,404	185,619	196,510	199,567	202,415	202,339
Capital adequacy	-	-	-	-	-	-	-	-	-	-
Tier 1 capital, excl. hybrids	115,753	118,810	132,731	146,160	149,709	158,551	157,577	163,935	164,806	163,736
Tier 1 capital, reported	127,499	131,463	148,550	158,332	163,222	174,134	172,603	174,562	175,433	174,363
Capital base	144,115	148,659	166,060	175,245	180,458	193,186	200,082	194,514	195,385	194,315
Risk exposure amount (BIS II)	509,032	707,579	716,462	721,403	773,158	810,144	836,790	868,835	877,693	899,618
Asset quality	-	-	-	-	-	-	-	-	-	-
Problem loans, gross	7,944	7,731	8,831	7,002	7,421	5,716	7,064	9,319	9,319	9,122
Provisions for problem loans	-5,159	-3,813	-4,574	-3,467	-3,185	-2,459	-2,400	-2,965	-3,467	-3,765
Problem loans, net	2,785	3,918	4,257	3,535	4,236	3,257	4,664	6,353	5,852	5,357
Key figures	-	-	-	-	-	-	-	-	-	-
Profitability	-	-	-	-	-	-	-	-	-	-
Net interest margin (%)	*1.10*	*1.09*	*1.06*	*0.97*	*0.94*	*1.08*	*1.36*	*1.28*	*1.17*	*1.11*
ROE (%)	*11.3*	*12.0*	*11.2*	*9.4*	*11.1*	*11.5*	*14.6*	*12.2*	*10.7*	*10.3*
RONAV (%)	*11.3*	*12.0*	*11.6*	*10.7*	*11.6*	*11.5*	*15.1*	*12.7*	*11.3*	*10.8*
ROREA (%)	*3.3*	*2.9*	*2.4*	*2.2*	*2.6*	*2.7*	*3.5*	*3.0*	*2.6*	*2.4*
Cost efficiency	-	-	-	-	-	-	-	-	-	-
Cost/income Core (%)	*46.8*	*47.2*	*48.6*	*47.1*	*45.2*	*42.7*	*37.3*	*42.1*	*45.3*	*46.5*
Costs/assets Core (%)	*0.71*	*0.70*	*0.71*	*0.63*	*0.61*	*0.62*	*0.66*	*0.71*	*0.71*	*0.71*
Financial position	-	-	-	-	-	-	-	-	-	-
Net lending/deposits (%)	*219.3*	*217.1*	*205.1*	*184.6*	*168.1*	*175.6*	*176.5*	*176.3*	*176.4*	*176.5*
REA/assets (%)	*18.4*	*23.8*	*23.3*	*23.0*	*23.1*	*23.5*	*23.7*	*23.9*	*24.0*	*24.0*
Common equity tier 1 ratio (%)	*22.7*	*16.8*	*18.5*	*20.3*	*19.4*	*19.6*	*18.8*	*18.9*	*18.8*	*18.2*
Tier 1 ratio, reported (%)	*25.0*	*18.6*	*20.7*	*21.9*	*21.1*	*21.5*	*20.6*	*20.1*	*20.0*	*19.4*
Capital adequacy (%)	*28.3*	*21.0*	*23.2*	*24.3*	*23.3*	*23.8*	*23.9*	*22.4*	*22.3*	*21.6*
Equity ratio Core (%)	*4.2*	*4.0*	*4.3*	*4.7*	*4.5*	*4.6*	*4.5*	*4.5*	*4.5*	*4.4*
Asset quality	-	-	-	-	-	-	-	-	-	-
Problem loans, gross/lending (%)	*0.4*	*0.4*	*0.4*	*0.3*	*0.3*	*0.2*	*0.3*	*0.4*	*0.4*	*0.4*
Problem loans, net/lending (%)	*0.1*	*0.2*	*0.2*	*0.2*	*0.2*	*0.1*	*0.2*	*0.3*	*0.2*	*0.2*
Provision ratio (%)	*64.9*	*49.3*	*51.8*	*49.5*	*42.9*	*43.0*	*34.0*	*31.8*	*37.2*	*41.3*
Loan losses, net/lending (%)	*0.09*	*0.04*	*0.05*	*0.03*	*0.00*	*0.00*	*0.01*	*0.03*	*0.04*	*0.03*

Source: ABG Sundal Collier, Company Data

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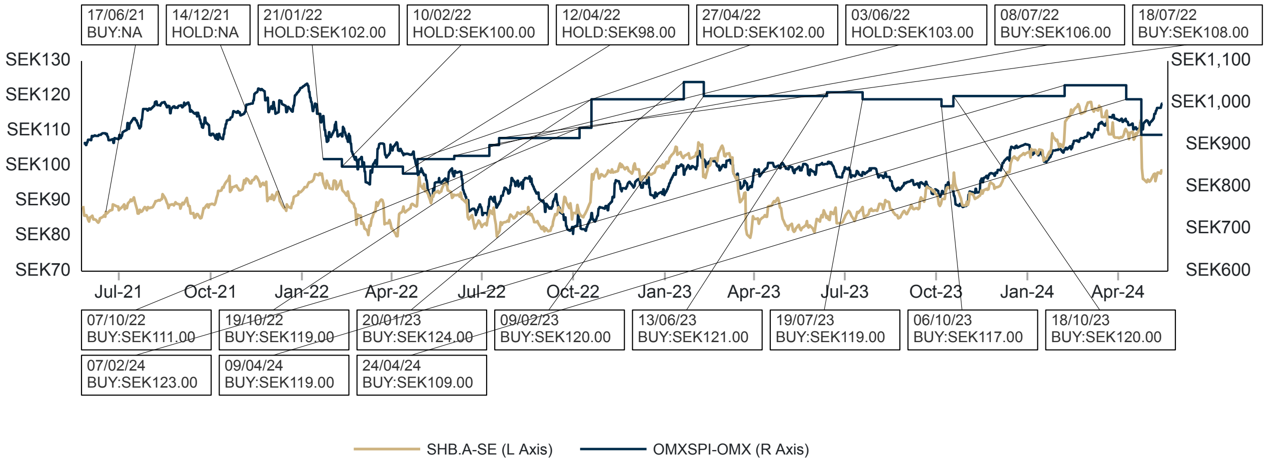
Company: Svenska Handelsbanken **Currency:** SEK **Current Recommandation:** HOLD

Date: 20/5/2024 **Current Target price:** 104.0

Current Share price: 98.84



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