Nordic Banks Weekly Wrap

AL Sydbank (OW) delivered solid Q2 earnings trends, but we deem the Q2 report to be overall slightly credit negative due to some less positive asset quality trends. Core earnings came out 2% better than company-collected consensus had pencilled in and AL Sydbank seems well on track with the integration process. Meanwhile, loan losses picked up, and asset quality seemingly deteriorated, with the stage 3 ratio ticking up meaningfully. At the same time, AL Sydbank points to the development within pig farming as source of uncertainty in terms of its 2026FY financial guidance (which was slightly raised during Q2). Pig farmers make up c.1% of AL Sydbank's on-balance sheet lending. See our post results note *here*.

Both SEB (UW) and Swedbank (UW) released new economic forecasts for the global and local economies. At a high level, neither contain any meaningful changes to growth estimates. As such, the impact on the banks' IFRS 9 models from the updated macro projections seem unlikely to be a meaningful driver of macro-based provisioning needs in Q3.

S&P revised its industry risk score for Danish banks from previously 4 to now 3, which in turn led to a rise in the Danish BICRA from 3 to 2. The revision reflects a combination of continuous improvements in the Danish banking regulation and supervision together with a proven funding model, a strong economy and fiscal discipline that will preserve financial stability, according to S&P. With the BICRA acting as the starting point for bank ratings, a higher BICRA will also (all else equal) factor directly into bank ratings. In this case, however, various other adjustments were made to the individual banks, which means actual rating action was quite limited. For Nykredit (MW), this translated into higher instrument ratings on its SNP instruments (to A-), T2 (to BBB+) and AT1 (to BBB-). For Jyske Bank (OW) there was no rating impact as S&P implemented a 1-notch negative CRA adjustment due to its high geographical concentration. For DLR (MW) the ICR was raised to A. For Danske Bank (NR), the outlook was revised from stable to positive. For Danske Bank, S&P has implemented a negative 1-notch CRA adjustment, which counteracts the BICRA raise.

Swedish aggregate lending volumes rose 0.2% m/m in July, with households the main driver. From a seasonal perspective, corporate volume growth of 0.2% is, however, relatively high as there tends to be very little corporate lending growth in Q3. **The same dynamics were at play in Denmark**, with aggregate lending volumes rising 0.4% m/m, exclusively driven by household lending while corporate lending growth was zero. Meanwhile, July is typically a month when corporate debt declines and in this light corporate loan demand also seems to have been stronger than usual in July. However, in the case of Denmark, household loan growth was also unusually strong.

Key points

	Level	1w chg	Duration*
Main	51	-1	5.1
Xover	247	-7	5.1
iTraxx SrFin	54	-1	5.1
iTraxx SubFin	87	-1	5.1
IG (OAS to swap)	63	0	4.6
HY (OAS to swap)	266	0	3.2
Nordic banks			
PS	36	-1	3.4
SNP	46	0	3.6
T2	82	0	3.6
AT1	208	-8	4.1
European banks			
PS	38	0	3.1
SNP	62	1	4.2
T2	91	1	3.3
AT1	235	-5	4.8

* Yrs to maturity for CDS indices. Yrs to workout for Nordic bank bonds. Modified duration for IG/HY

Source: Bloomberg, Danske Bank Credit Research

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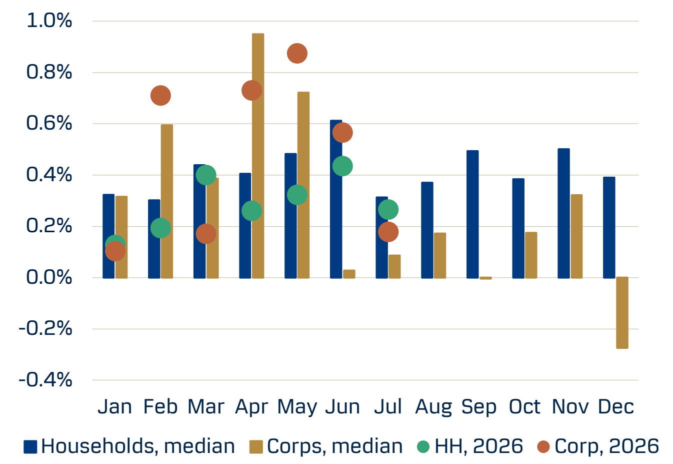
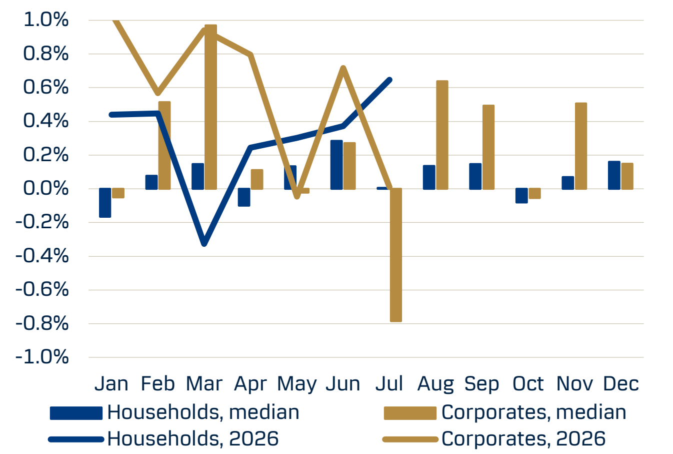
Chart 1. Swedish aggregate lending volume growth



Source: Statistics Sweden, Danske Bank Credit Research

Chart 2. Danish aggregate lending volume growth



Source: Central Bank of Denmark, Danske Bank Credit Research

Table 1. Recent Nordic EUR BM transactions

Date	Ticker	Payment rank	Tenor	Currency	Amount (m)	IPT	Final spread*	IPT -> Final	Over-subscription	Current spread	Performance (bp)
18-Mar	DANBNK	Jr Subordinated	PerpNC7	USD	500	7.188	6.6	59	3.6x	238	-17
13-Apr	SRBANK	Sr Non Preferred	6NC5	EUR	500	117.5	88	30	5.2x	74	-14
15-Apr	NYKRE	Sr Non Preferred	5.8y	EUR	750	120	92	28	3.1x	78	-14
22-Apr	NDAFH	Sr Preferred	5y	EUR	1000	75	48	27	2x	43	-5
22-Apr	SHBASS	Sr Non Preferred	7y	EUR	1000	102.5	73	30	2.2x	67	-6
22-Apr	JYBC	Sr Non Preferred	6.2NC5.2	EUR	500	120	90	30	6.6x	74	-16
28-Apr	LFBANK	Sr Preferred	5y	EUR	500	85	57	28	2.6x	49	-8
29-Apr	SEB	Sr Preferred	5y	EUR	1000	75	50	25	1.5x	41	-9
05-May	LANBNN	Sr Preferred	5y	EUR	300	143	110	33	5.5x	92	-18
06-May	SBNOR	Sr Preferred	5y	EUR	500	83	58	25	1.7x	51	-7
07-May	OPBANK	Sr Preferred	5y	EUR	500	75	50	25	2.5x	43	-7
07-May	ARION	Sr Preferred	3.5y	EUR	300	123	88	35	8x	66	-22
21-May	SYDBDC	Sr Non Preferred	5NC4	EUR	500	105	80	25	1.4x	67	-13
21-May	DNBNO	Sr Non Preferred	6NC5	EUR	750	95	70	25	1.7x	66	-4
26-May	SEB	Jr Subordinated	PerpNC8	USD	600	7.31	6.86	56	5.8x	274	-11
09-Jun	NDAFH	Subordinated	10NC5	EUR	500	125	98	27	3.8x	95	-3
09-Jun	DNBNO	Sr Preferred	5NC4	EUR	750	73	47	26	2.3x	43	-4
10-Jun	MINGNO	Sr Preferred	5y	EUR	500	83	57	26	2x	45	-12
17-Jun	NYKRE	Sr Non Preferred	7.25y	EUR	750	125	100	25	2.7x	93	-7
11-Aug	SEB	Subordinated	11NC6	EUR	500	130	100	30	3x	99	-1
12-Aug	SWEDA	Sr Preferred	5y	EUR	1000	75	47	28	2.3x	43	-4
17-Aug	NDAFH	Sr Preferred	7y	EUR	750	80	55	25	1.6x	54	-1
18-Aug	SRBANK	Sr Preferred	5y	EUR	500	78	50	28	1.8x	48	-2

Source: Company data, Danske Bank Credit Research

** Yield for AT1s*

Danske Bank – Credit research platform

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