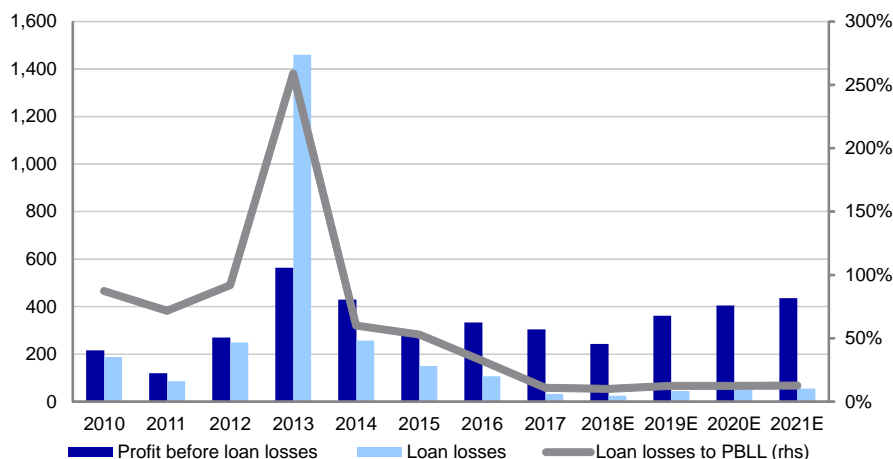


LOAN LOSSES AND PROFIT BEFORE LOAN LOSSES

We expect steady growth in PBILL, while loan losses should remain roughly flat in the coming years



Source: Company data and Nordea estimates

LOAN LOSS RATIO, ANNUAL

2018E-20E loan loss ratios 25-28 bp above peers'

	2011	2012	2013	2014	2015	2016	2017	2018E	2019E	2020E	2021E
Sparekassen Sjælland-Fyn	0.99%	2.30%	15.77%	2.36%	1.50%	1.10%	0.32%	0.21%	0.36%	0.37%	0.40%
Danske	0.78%	0.45%	0.26%	0.18%	0.00%	0.00%	-0.05%	-	-	-	-
Nordea	0.23%	0.27%	0.21%	0.16%	0.14%	0.15%	0.12%	-	-	-	-
Jyske	1.40%	1.70%	0.90%	1.76%	0.10%	-0.04%	-0.12%	-	-	-	-
Sydbank	1.64%	2.54%	2.73%	1.06%	0.46%	0.12%	-0.07%	-	-	-	-
Spar Nord	1.33%	1.90%	1.16%	1.46%	0.92%	0.74%	-0.11%	-	-	-	-
Ringkjøbing	0.98%	1.23%	0.97%	0.63%	0.39%	0.28%	0.06%	-	-	-	-
BankNordik	0.99%	0.97%	1.32%	0.82%	0.19%	-0.12%	-0.66%	-	-	-	-
Average, Danish peers	1.04%	1.42%	2.91%	1.05%	0.46%	0.28%	-0.06%	-0.04%	0.08%	0.11%	n.a.

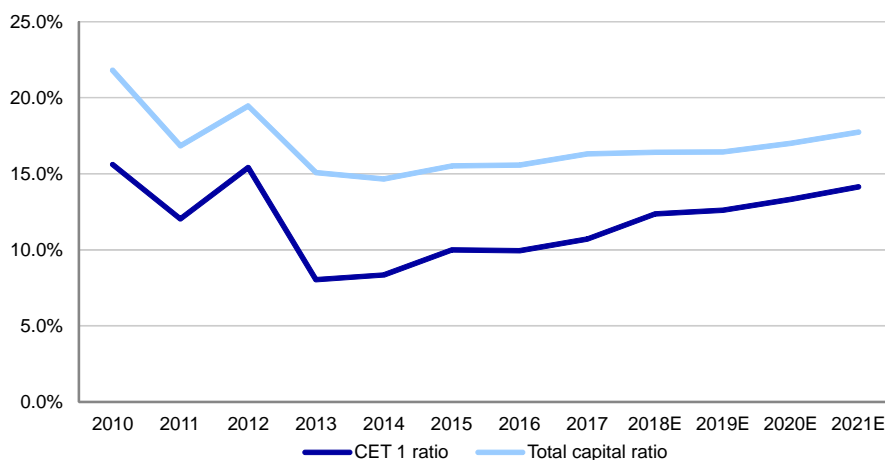
Source: Company data and Nordea estimates

Note: See research.nordea.com for detailed estimates on peers

Capital

Capital still on the low side but on track to improve

We estimate a 2021 CET1 ratio of 14.1%, up 2 pp from Q2 2018. Since 2013, when Sparekassen Sjælland-Fyn had massive loan losses, the bank has struggled with being somewhat undercapitalised. This triggered an IPO of the bank in December 2015 to bring in new capital, and in April 2018 it completed a rights issue to boost capital ratios. In its current strategy plan, 'New Ways', the bank targets a minimum CET1 ratio of 13% and a minimum total capital ratio of 17%. We expect both targets to be met in 2020. However, we also have the impression that these targets should really be considered minimum levels, and we believe management targets 15% and 20%, respectively.

CAPITAL RATIOS

Source: Company data and Nordea estimates

Sparekassen Sjælland-Fyn is less capitalised than Danish peers

When comparing Sparekassen Sjælland-Fyn with its Danish peers, it is clear that the bank is less capitalised than its peers. The CET1 ratio was 12.1% as of Q2 2018, 4.1 pp

above the minimum requirement but 90 bp below the bank's own minimum target according to its 'New Ways' strategy, and also ~4 pp below the average of its peers.

DANISH BANKS - BIS III/BRD IV MINIMUM REQUIREMENT

Q2 2018	Danske	Nordea	Jyske	Sydbank	Spar Nord	Ringkjøbing	BankNordik	Sparekassen Sjælland-Fyn
Pillar I								
Minimum CET 1	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
Capital conservation buffer	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Systemic risk buffer (P1)	3.0%	3.0%	1.5%	1.0%	0.0%	0.0%	3.8%	0.0%
Counter cyclical buffer	0.8%	0.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Minimum Pillar I CET 1	10.8%	10.6%	8.5%	8.0%	7.0%	7.0%	10.8%	7.0%
Pillar II								
Minimum CET 1 incl. Pillar 2	1.8%	6.8%	1.2%	1.8%	0.7%	0.7%	0.8%	1.0%
Minimum CET 1 incl. Pillar 2	12.6%	17.4%	9.7%	9.8%	7.7%	7.7%	11.6%	8.0%
Management buffer								
Other	1.9%	1.0%	5.3%	4.2%	5.8%	5.8%	5.4%	5.0%
Total minimum CET 1	14.5%	18.4%	15.0%	14.0%	13.5%	13.5%	17.0%	13.0%
Current CET 1 ratio	15.9%	19.9%	16.7%	15.5%	14.4%	15.1%	16.3%	12.1%
Excess/shortfall	1.4%	1.5%	1.7%	1.5%	0.9%	1.6%	-0.7%	-0.9%

Source: Company data and Nordea estimates

DANISH BANKS: BIS III/CRD IV CALCULATIONS

Local currency (m), Q2 2018	Danske	Nordea	Jyske	Sydbank	Spar Nord	Ringkjøbing	BankNordik	Sparekassen Sjælland-Fyn
BIS III/CRD IV								
T1	143,745	27,233	33,988	9,923	8,235	5,092	1,667	3,031
- Hybrids etc	23,524	2,819	3,027	968	839	0	0	855
CET 1	120,221	24,414	30,961	8,955	7,396	5,092	1,667	2,176
REA	753,986	122,568	184,963	57,729	51,493	33,784	10,219	18,009
Equity CET 1 ratio (BIS III)	15.9%	19.9%	16.7%	15.5%	14.4%	15.1%	16.3%	12.1%
REA/Net lending	43.4%	39.4%	42.9%	92.3%	134.3%	105.7%	104.9%	149.8%

Source: Company data and Nordea estimates

High REA to lending is partly to blame for weak capital

As of Q2 2018, Sparekassen Sjælland-Fyn had 150% REA to lending

The relatively high REA (risk exposure amount) to lending ratio compared with peers also explains some of the difference in capital ratios, as it was ~15 pp higher than Spar Nord's in Q2 2018 (in the quarter, Spar Nord had the second-highest REA to lending ratio of the Danish banks we cover). We believe management will focus mainly on the cost/income efficiencies under the current strategy plan, but we would not be surprised if it also looks at capital optimisation at a later stage. If Sparekassen Sjælland-Fyn were to reduce the REA to lending ratio to the same level as Spar Nord in 2020E, this would lift the CET1 ratio by 1.1 pp.

REA TO LENDING

	2011	2012	2013	2014	2015	2016	2017	2018E	2019E	2020E	2021E
Sparekassen Sjælland-Fyn	142%	137%	130%	145%	151%	151%	145%	148%	147%	146%	146%
Danske	53%	56%	57%	55%	52%	49%	44%	-	-	-	-
Nordea	83%	77%	76%	42%	42%	42%	41%	-	-	-	-
Jyske	100%	102%	100%	52%	50%	47%	45%	-	-	-	-
Sydbank	103%	104%	107%	106%	91%	82%	92%	-	-	-	-
Spar Nord	135%	133%	126%	143%	143%	135%	133%	-	-	-	-
Ringkjøbing	103%	107%	107%	103%	101%	105%	102%	-	-	-	-
BankNordik	105%	105%	110%	114%	107%	107%	104%	-	-	-	-
Average, Danish peers	103%	103%	102%	95%	92%	90%	88%	89%	88%	87%	n.a.

Source: Company data and Nordea estimates

Note: See research.nordea.com for detailed estimates on peers

In 2018E-20E, REA to lending is ~60% higher than for Danish peers on average

Our estimates versus 'New Ways' financial objectives

We consider management's financial targets ambitious and our estimates are less aggressive than the targets. For example, even though we pencil in a 2017-21 total income CAGR of ~5%, this is not enough to bring the income/cost ratio up to the targeted level. On the cost side, we argue that IT costs are to some extent out of management's hands due to the Bankdata and Totalkredit collaboration, and hence we do not anticipate any significant cost cuts.

FINANCIAL OBJECTIVES OVERVIEW

		2021 targets	Current (Q2 18)	2021 Nordea estimate
Increased efficiency	Staff and administrative costs of 1.75% our business volume		2.13%	1.95%
Solid profitability	ROE after tax* of 9-11%		6.17%	9.03%
High income/cost ratio DKK	Income/cost ratio of at least 1.7		1.29	1.48
A robust foundation (part 1)	CET1 ratio of at least 13%		12.4%	14.1%
A robust foundation (part 2)	Total capital ratio of at least 17%		16.4%	17.7%

Source: Company data and Nordea estimates

What is needed to reach the targets?

For all management's targets to be reached by 2021 at the latest, the following estimate changes would be necessary:

1) We would need to lift lending growth to 10% for every year in the period 2018E-21E, from 9%, 7%, 4% and 3%, respectively. In a positive scenario, this could happen if the branch network turns out to be an even larger competitive advantage than we expect.

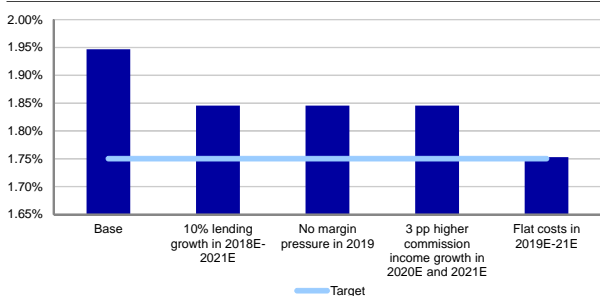
2) We would need to remove all interest margin pressure in 2019E. In our base case, we argue that there continues to be underlying pressure on margins due to competition and lower interest rates on new lending compared with the back book. However, in a positive scenario, competition might ease for Sparekassen Sjælland-Fyn as the maturing branch network enables it to implement higher prices.

3) We would need to lift 2020E and 2021E commission income growth by 3 pp to 8% and 6%, respectively. Higher customer inflow in the newly opened branches plus a larger positive impact from price increases could trigger higher growth.

4) We would have to assume costs staying flat in 2019E-21E at DKK 743m instead of increasing to DKK 752m, DKK 771m, and , DKK 783m respectively. Sparekassen Sjælland-Fyn's cost efficiency is significantly weaker than peers' and a greater focus on keeping costs down could bring costs down further than our current estimate.

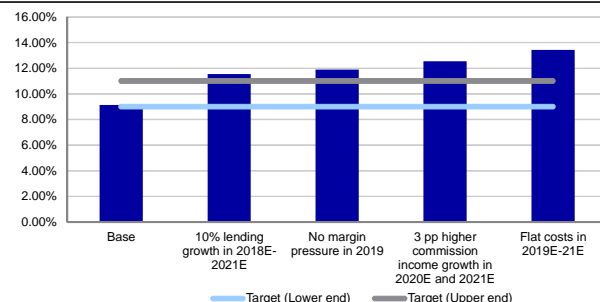
By making these adjustments, all four financial objectives would be met by 2021.

STAFF AND ADM. COSTS OF 1.75% OF BUSINESS VOLUME



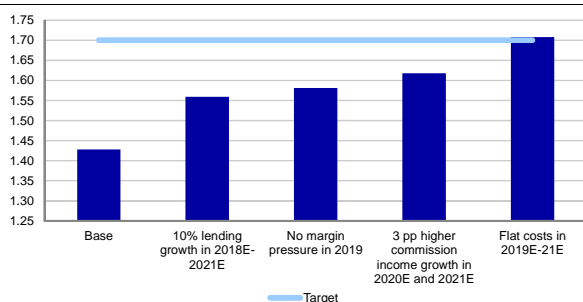
Source: Company data and Nordea estimates

ROE AFTER NORMALISED TAX OF 9-11%



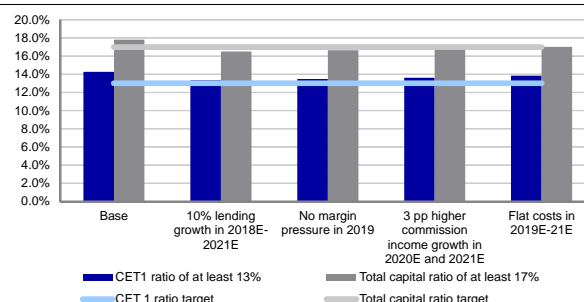
Source: Company data and Nordea estimates

INCOME/COST RATIO OF AT LEAST 1.7



Source: Company data and Nordea estimates

CAPITAL RATIOS OF 13% AND 17%



Source: Company data and Nordea estimates

MANAGEMENT SCENARIO: FINANCIAL TARGETS

		2021 targets	Current (Q2 18)	2021 estimate
Increased efficiency	Staff and administrative costs of 1.75% our business volume		2.13%	1.75%
Solid profitability		ROE after tax* of 9-11%	6.17%	13.30%
High income/cost ratio DKK		Income/cost ratio of at least 1.7	1.29	1.77
A robust foundation (part 1)		CET1 ratio of at least 13%	12.1%	13.6%
A robust foundation (part 2)		Total capital ratio of at least 17%	16.1%	16.8%

Source: Company data and Nordea estimates

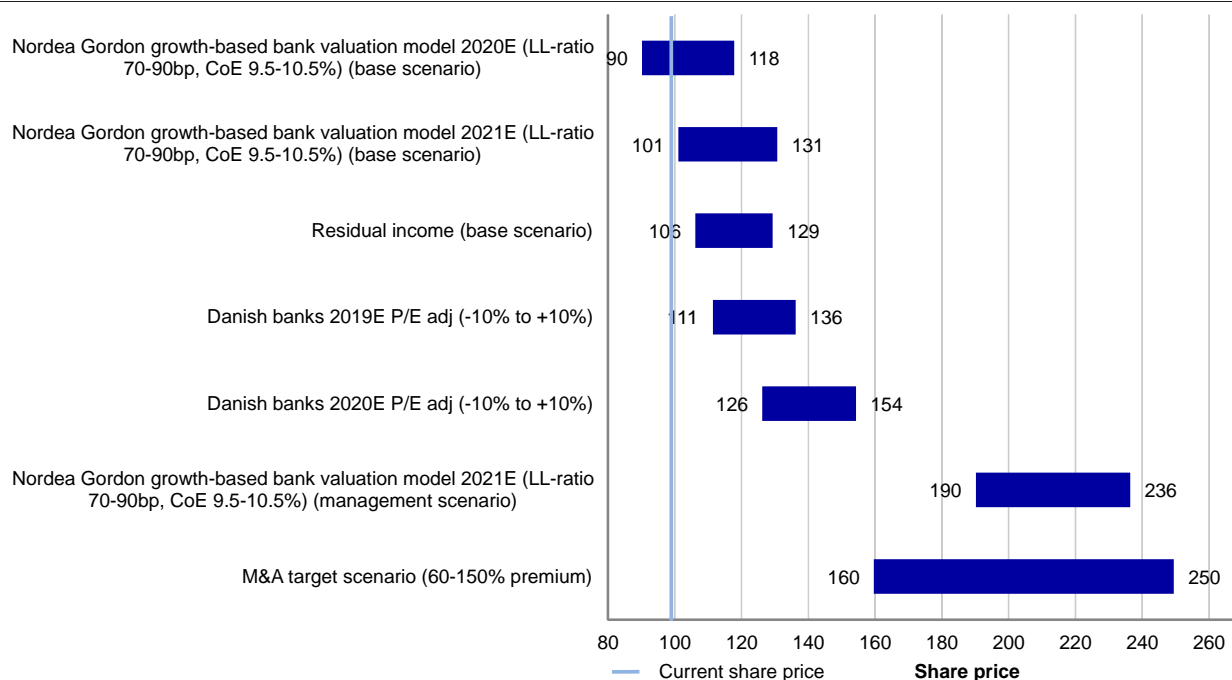
Valuation

Sparekassen Sjælland-Fyn trades at a 2019E adjusted P/E of 7.5x, 19% below Danish peers. In our base-case scenario, we arrive at a fair value range of DKK 90-131. In a scenario in which Sparekassen Sjælland-Fyn achieves all of its financial targets, we estimate a fair value range of 190-236. Furthermore, we argue that we could see an offer price of DKK 160-250 per share in an M&A scenario, as described in the section "A potential M&A target".

Fair value range of DKK 90-131 in base-case scenario

Applying different valuation approaches, including our own Nordea Gordon growth-based bank valuation model, to our base-case scenario estimates, we derive a fair value range of DKK 90-131 per share. If the bank were to trade at +/- 10% of the average 2019E and 2020E adjusted P/E multiples of the Danish banks under our independent equity coverage, we calculate that the fair value range would be DKK 111-154 per share. If Sparekassen Sjælland-Fyn reaches all of its financial targets, our Gordon growth-based bank valuation model implies that a fair value range would be DKK 191-238. Lastly, we believe the bank could be a potential acquisition target owing to its geographic presence (please see the 'A potential M&A target' section for more details). In an acquisition scenario, we would expect a takeover premium between 60% and 150%, which corresponds to an offer price of DKK 160-250.

VALUATION APPROACHES AND FAIR VALUE RANGES



Source: Company data and Nordea estimates

Nordea Gordon growth-based bank valuation model

Our preferred valuation model is the Nordea Gordon growth-based bank valuation model. The model is built on calculating the warranted P/CET1 capital given the adjusted return on CET1 capital. The profit is adjusted for one-off items and the interest expense on AT1 capital, and we normalise both the tax rate and the loan loss ratio. For the Danish banks under our independent equity coverage, we base the model on our 2020 estimates. A similar approach on Sparekassen Sjælland-Fyn produces a fair value range of DKK 90-118 per share assuming a cost of equity of 9.5-10.5% and a normalised loan loss ratio of 70-90 bp. However, we note that basing valuation on 2020 estimates might not mirror the underlying value properly, as 2021 is the last year of Sparekassen Sjælland-Fyn's strategic plan. Accordingly, we choose to include a similar model based on our 2021 estimates. This model produces a fair value range of DKK 101-131 per share; as we would expect, this is DKK 11-13 (~11%) above the valuation based on 2020 estimates, as we now include profitability-enhancing initiatives in 2021.

GORDON GROWTH MODEL – BASE CASE 2020E (COE=10%, NORMALISED LL-RATIO=80 bp)

DKKm	Sparekassen Sjælland-Fyn
Q2 18	
CET1 capital	2,176
Reversal of dividend deduction	101
Adjusted CET1 capital	2,276
Number of shares	17
Adjusted CET1 capital per share	131
Current share price	99.8
Adj. P/CET1	0.76
Valuation assumptions:	
Adjusted profit calculations:	
Loss ratio 2020E	0.37%
Norm loss ratio	0.80%
Lending 2019E	13,373
Adj. net profit 2020	219
Average CET1 capital 2020	2,585
Gordon growth model assumptions	
Adj. return on CET1 2020	8.5%
Long-term growth	2.5%
Cost of equity	10.00%
Warranted P/CET1 2020	0.80
Fair value, now excl capital distribution	1,644
Discounted value, capital distribution	80
Fair value of tax asset	65
Total fair value today	1,789
Total fair value today, per share	103
Upside/downside	3%
Published fair value, per share	
Justified P/TBV	0.54
- RoTBV 2020	7.1%
Justified P/BV	0.54
- RoE 2020	7.1%

Source: Company data and Nordea estimates

GORDON GROWTH MODEL SENSITIVITY – BASE-CASE SCENARIO 2020E

		Normalised loan loss ratio						
		-0.50%	-0.60%	-0.70%	-0.80%	-0.90%	-1.00%	-1.10%
COE	8.50%	155	147	139	131	122	114	106
	9.00%	143	135	128	120	112	105	97
	9.50%	132	125	118	111	104	97	90
	10.00%	122	116	109	103	97	90	84
	10.50%	114	108	102	96	90	84	78
	11.00%	107	101	96	90	84	79	73
	11.50%	100	95	90	85	79	74	69

Source: Company data and Nordea estimates

GORDON GROWTH MODEL – BASE CASE 2021E (COE=10%, NORMALISED LL-RATIO=80 bp)

DKKm	Sparekassen Sjælland-Fyn
Q2 18	
CET1 capital	2,176
Reversal of dividend deduction	101
Adjusted CET1 capital	2,276
Number of shares	17
Adjusted CET1 capital per share	131
Current share price	99.8
Adj. P/CET1	0.76
Valuation assumptions:	
Adjusted profit calculations:	
Loss ratio 2021E	0.40%
Norm loss ratio	0.80%
Lending 2020E	13,908
Adj. net profit 2021	239
Average CET1 capital 2021	2,825
Gordon growth model assumptions	
Adj. return on CET1 2021	8.5%
Long-term growth	2.5%
Cost of equity	10.00%
Warranted P/CET1 2021	0.79
Fair value, now excl capital distribution	1,796
Discounted value, capital distribution	135
Fair value of tax asset	65
Total fair value today	1,995
Total fair value today, per share	115
Upside/downside	15%
Published fair value, per share	
Justified P/TBV	0.61
- RoTBV 2020	7.1%
Justified P/BV	0.61
- RoE 2020	7.1%

Source: Company data and Nordea estimates

GORDON GROWTH MODEL SENSITIVITY - BASE-CASE SCENARIO 2021E

		Normalised loan loss ratio						
		-0.50%	-0.60%	-0.70%	-0.80%	-0.90%	-1.00%	-1.10%
COE	8.50%	171	162	154	145	137	128	119
	9.00%	157	149	141	134	126	118	110
	9.50%	145	138	131	124	116	109	102
	10.00%	135	128	122	115	108	102	95
	10.50%	126	120	113	107	101	95	89
	11.00%	118	112	106	101	95	89	83
	11.50%	111	105	100	95	89	84	79

Source: Company data and Nordea estimates

Residual income model

Another commonly used valuation approach for banks is the residual income model. The starting point of the residual income model is the current CET1 capital adjusted for the capital deduction on YTD profits. We then deduct the cost of the capital employed, ie cost of equity multiplied with CET1 at the start of the year, from future profits for shareholders, and lastly we discount it by the cost of equity to derive the present value. Using the residual income model for our base-case scenario, we derive a fair value range of DKK 106-129 per share.

RESIDUAL INCOME ASSUMPTIONS – BASE CASE

CoE	10%
Long-term growth	2.5%
2022E-25E Medium-term growth	3.5%
Payout ratio from 2022E	40%
Normalised LL-ratio from 2022E	0.80%
Effective tax rate 2022E-24E	9.0%
Effective tax rate 2025E	9.4%

Source: Company data and Nordea estimates

RESIDUAL INCOME MODEL – BASE CASE

DKKm	Q3-Q4 2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E
Adjusted net income	59	270	306	329	309	320	331	341	301
Adjusted CET1 (Start of year)	2,276	2,285	2,469	2,701	2,950	3,135	3,327	3,526	3,730
Cost of equity	10%	10%	10%	10%	10%	10%	10%	10%	10%
Cost of the capital employed	-114	-228	-247	-270	-295	-314	-333	-353	-373
Residual Income (RI)	-55	42	60	59	14	6	-2	-11	-72
PV (RI)	-53	37	48	43	9	4	-1	-6	
Terminal value									-719
PV (Terminal value)									-325
Q2 Adjusted CET1	2,276								
PV (RI)	82								
PV (Terminal value)	-325								
Equity value	2,033								
Number of shares (m)	17.37								
Fair value per share (DKK)	117								

Source: Company data and Nordea estimates

RESIDUAL INCOME MODEL SENSITIVITY

		Normalised loan loss ratio						
		0.50%	0.60%	0.70%	0.80%	0.90%	1.00%	1.10%
COE	8.50%	159	154	149	144	138	133	128
	9.00%	148	143	139	134	129	124	119
	9.50%	138	134	129	125	120	116	112
	10.00%	129	125	121	117	113	109	105
	10.50%	121	118	114	110	106	102	98
	11.00%	114	111	107	104	100	96	93
	11.50%	108	105	101	98	95	91	88

Source: Company data and Nordea estimates

Fair value of DKK 190-236 if financial targets are met

If we apply our Nordea Gordon growth-based bank valuation model to a scenario where Sparekassen Sjælland-Fyn achieves its ambitious financial targets in 2021, we arrive at a fair value range of DKK 190-236 per share.

GORDON GROWTH MODEL – MANAGEMENT SCENARIO 2021E (COE=10%, NORMALISED LL-RATIO=80 bp)

DKKm	Sparekassen Sjælland-Fyn
Q2 18	
CET1 capital	2,176
Reversal of dividend deduction	101
Adjusted CET1 capital	2,276
Number of shares	17
Adjusted CET1 capital per share	131
Current share price	99.8
Adj. P/CET1	0.76
Valuation assumptions:	
Adjusted profit calculations:	
Loss ratio 2021E	0.35%
Norm loss ratio	0.80%
Lending 2020E	15,547
Adj. net profit 2021	401
Average CET1 capital 2021	3,014
Gordon growth model assumptions	
Adj. return on CET1 2021	13.3%
Long-term growth	2.5%
Cost of equity	10.00%
Warranted P/CET1 2021	1.44
Fair value, now excl capital distribution	3,472
Discounted value, capital distribution	165
Fair value of tax asset	40
Total fair value today	3,678
Total fair value today, per share	212
Upside/downside	112%
Published fair value, per share	
Justified P/TBV	1.12
- RoTBV 2020	7.1%
Justified P/BV	1.12
- RoE 2020	7.1%

Source: Company data and Nordea estimates

GORDON GROWTH MODEL SENSITIVITY - MANAGEMENT SCENARIO 2021E

		Normalised loan loss ratio						
		-0.50%	-0.60%	-0.70%	-0.80%	-0.90%	-1.00%	-1.10%
COE	8.50%	299	289	280	270	261	251	241
	9.00%	274	265	256	248	239	230	221
	9.50%	253	245	236	228	220	212	204
	10.00%	234	227	219	212	204	197	189
	10.50%	218	211	204	197	190	183	176
	11.00%	204	197	191	184	178	171	165
	11.50%	191	185	179	173	167	161	155

Source: Company data and Nordea estimates

Relative valuation

Sparekassen Sjælland-Fyn currently trades at a 2019E adjusted P/E of 7.5x, ~19% below Danish peers; on our 2020 estimates, the bank trades at a 23% discount to peers on adjusted P/E. The current share price implies a 2019E P/BV of 0.59x, ~37% below peers. The 2019E dividend yield of 3.6% is 25% below peers, owing to a lower payout ratio as capital is currently below management's target.

DANISH BANKS: RELATIVE VALUATION

30/08/2018	Mcap			Price			Daily			Absolute Performance			Consensus 2018E EPS rev.		
	(EURm)	Local ccy	vol EURm	FV	Potential	Rating	-1M	-3M	-12M	-3M	-6M	-12M			
Sparekassen Sjælland-Fyn	234	99.8	0.04	-	-	No rating	0.0%	-6.5%	-20.6%	-	-	-			
Danske	23,128	192.0	52.0	-	-	-	2.2%	-7.2%	-21.2%	-7.9%	-10.4%	8.9%			
Nordea	37,113	9.3	45.9	-	-	-	1.6%	11.5%	-17.4%	1.9%	-3.1%	-1.1%			
Jyske Bank	3,961	326.6	11.2	-	-	-	-9.3%	-5.6%	-12.7%	4.4%	8.1%	-11.4%			
Sydbank	1,974	189.5	5.6	-	-	-	-20.0%	-13.5%	-21.7%	-11.6%	-3.2%	10.9%			
Spar Nord	1,034	62.6	0.7	-	-	-	-9.1%	-10.4%	-21.9%	0.3%	0.8%	-4.5%			
Ringkjøbing	1,429	338.0	1.6	-	-	-	-6.6%	-8.4%	3.7%	1.6%	1.5%	-0.5%			
BankNordik	151	111.0	0.05	-	-	-	-1.3%	0.0%	-8.3%	-	-	-			
Average, Danish peers	8,628		15				-5.3%	-5.0%	-15.0%	-1.9%	-1.0%	0.4%			

	P/PPP			P/E adj.			P/E			P/E, consensus		
	2018E	2019E	2020E	2018E	2019E	2020E	2018E	2019E	2020E	2018E	2019E	2020E
Sparekassen Sjælland-Fyn	5.4x	4.2x	4.3x	18.1x	7.5x	6.6x	12.0x	6.4x	5.7x	-	-	-
Average, Danish peers	7.2x	6.8x	6.3x	10.9x	9.3x	8.6x	9.4x	9.0x	8.3x	9.8x	9.7x	8.9x

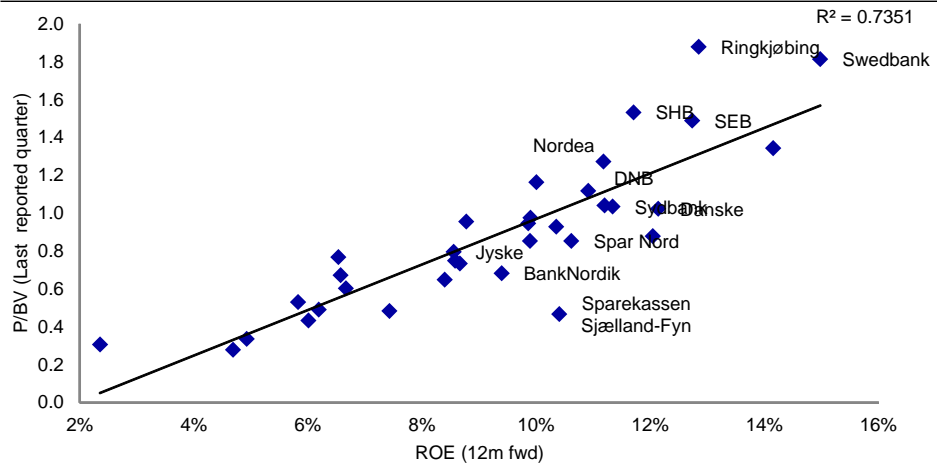
	ROE			ROTBV			P/BV			P/TBV		
	2018E	2019E	2020E	2018E	2019E	2020E	2018E	2019E	2020E	2018E	2019E	2020E
Sparekassen Sjælland-Fyn	8.3%	10.4%	10.8%	8.8%	10.9%	11.3%	0.64x	0.59x	0.55x	0.68x	0.62x	0.57x
Average, Danish peers	11.0%	10.3%	10.6%	10.6%	10.6%	10.9%	0.95x	0.90x	0.86x	1.02x	0.97x	0.93x

	Dividend yield			Buyback yield			Dividend payout ratio			CT1 BIS III		
	2018E	2019E	2020E	2018E	2019E	2020E	2018E	2019E	2020E	2018E	2019E	2020E
Sparekassen Sjælland-Fyn	2.1%	3.6%	3.9%	0.0%	0.0%	0.0%	15%	23%	23%	12.4%	12.6%	13.3%
Average, Danish peers	4.5%	4.9%	5.3%	2.6%	2.5%	2.6%	40.3%	46.5%	47.3%	16.3%	16.5%	16.6%

	Adj. EPS growth			Lending growth			Adj. C/I			Loan loss-ratio		
	2018E	2019E	2020E	2018E	2019E	2020E	2018E	2019E	2020E	2018E	2019E	2020E
Sparekassen Sjælland-Fyn	-46%	87%	13%	7.0%	7.0%	4.0%	85%	71%	69%	-0.20%	-0.34%	-0.36%
Average, Danish peers	-3.2%	13.5%	7.6%	11.0%	3.7%	3.2%	62%	59%	57%	-0.09%	-0.01%	0.02%

Source: Company data, Thomson Reuters and Nordea estimates

EUROPEAN BANKS: P/BV AND ROE



Source: Company data, Thomson Reuters and Nordea

Note that the 12-month forward ROE is inflated by the lower effective tax rate owing to the tax shield for Sparekassen Sjælland-Fyn

Risk factors

Below we discuss the risk factors that we believe could influence the performance of the bank, and could lead to performance deviating substantially from our estimates. The following is not an exhaustive list of risk factors that investors should consider, but is rather intended to highlight those risks that we believe are most relevant.

- Sparekassen Sjælland-Fyn is exposed to the general economic trends and conditions in the areas where it operates. If the economy suffers a material and adverse downturn for a prolonged period of time, that could increase the unemployment rate and lower the companies' performance; this could have a negative impact on both asset quality and the bank's growth.
- Sparekassen Sjælland-Fyn operates on the Bankdata platform, which leaves it vulnerable to cost inflation for IT systems.
- The bank depends on its IT systems for managing and handling client accounts, and for facilitating payments. Failure of essential IT systems could adversely affect its operations.
- Sparekassen Sjælland-Fyn operates in a competitive market, which presents the risk of margin pressure arising from attracting and keeping clients.
- The bank depends on having high-performing employees on its front line, which could add pressure to staff costs if competition among banks intensifies.
- Sparekassen Sjælland-Fyn has a large branch network, which makes the bank vulnerable to emerging competitive technologies that replace the need for a physical branch.
- New regulation could have adverse impacts on costs, if it would require additional administrative work.
- New regulation for capital requirements could put the bank at risk owing to its current capital position being below those of peers.

Reported numbers and forecasts

QUARTERLY KEY DATA

SHARE DATA

DKKm	Q1 17	Q2 17	Q3 17	Q4 17	Q1 18	Q2 18	Q3 18E	Q4 18E
EPS	4.66	3.69	4.12	2.94	5.02	1.17	1.53	1.86
EPS adj	4.05	3.53	3.58	1.84	1.97	1.28	1.26	1.51
BVPS	161.6	162.3	166.4	170.9	167.6	151.7	153.2	155.1
TVBS	150.3	151.1	155.5	160.4	157.3	144.1	145.7	147.5
DPS								
Dividend pay-out ratio								
Share repurchases (per share)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total pay-out ratio	0%	0%	0%	0%	0%	0%	0%	0%
Share price (period end)	128.60	125.13	125.62	113.70	107.25	102.50	99.80	99.80
Market cap. (m)	1,676	1,631	1,637	1,482	1,398	1,781	1,734	1,734
Dil. number of shares period end (m)	13	13	13	13	13	17	17	17

VALUATION

(x)	Q1 17	Q2 17	Q3 17	Q4 17	Q1 18	Q2 18	Q3 18E	Q4 18E
P/E	6.9	8.5	7.6	9.7	5.3	21.9	16.3	13.4
P/E (adj.)	7.9	8.8	8.8	15.5	13.6	20.1	19.8	16.5
P/BV	0.80	0.77	0.76	0.67	0.64	0.68	0.65	0.64
P/TBV	0.86	0.83	0.81	0.71	0.68	0.71	0.69	0.68
Dividend yield								
Total yield								

CAPITAL RATIOS

%	Q1 17	Q2 17	Q3 17	Q4 17	Q1 18	Q2 18	Q3 18E	Q4 18E
BIS II Trans. CET1-ratio	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
BIS II Trans. T1-ratio	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
BIS II Trans. T2-ratio	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
BIS III CET1-ratio	9.5%	10.1%	9.7%	10.7%	10.2%	12.1%	11.9%	12.4%
BIS III T1-ratio	12.6%	13.2%	12.6%	14.0%	13.7%	16.8%	16.6%	14.2%
BIS III T2-ratio	14.7%	15.3%	14.6%	16.3%	16.1%	19.8%	19.5%	16.4%
Tang. Equity/Assets	9.9%	9.5%	9.7%	9.7%	9.4%	10.7%	10.7%	10.8%
Tang. Equity/Lending	18.3%	17.7%	17.8%	17.9%	17.6%	20.8%	20.6%	20.5%
Leverage ratio	7.8%	7.9%	7.8%	8.5%	7.8%	9.3%	9.2%	9.6%

CREDIT QUALITY

DKKm	Q1 17	Q2 17	Q3 17	Q4 17	Q1 18	Q2 18	Q3 18E	Q4 18E
Impaired loans	0	0	0	0	0	0	0	0
Loan loss reserves	1,338	1,197	975	1,143	1,341	1,137	1,132	1,126
Coverage ratio	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Loan loss reserves / Total loans	12.64%	10.97%	8.67%	9.91%	11.50%	9.61%	9.30%	9.08%
Impaired loans / Total loans	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Collective/total provisions	0%	0%	0%	0%	0%	0%	0%	0%
Perf. Impaired loans/Impaired loans	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Loan loss ratio	-0.41%	-0.35%	-0.09%	-0.38%	-0.41%	0.26%	-0.33%	-0.32%
Growth loan loss reserves (y/y)	-22%	-18%	-12%	-16%	0%	-5%	16%	-1%
Growth impaired loans (y/y)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

PROFITABILITY

Adjusted for non-rec. Items	Q1 17	Q2 17	Q3 17	Q4 17	Q1 18	Q2 18	Q3 18E	Q4 18E
RoE	10.1%	8.7%	8.7%	4.4%	4.7%	3.7%	3.3%	3.9%
RoTBV	10.9%	9.4%	9.3%	4.7%	5.0%	3.9%	3.5%	4.1%
C/I	-70.3%	-73.2%	-74.6%	-83.8%	-81.2%	-91.3%	-84.8%	-83.4%
Nil-margin	4.40%	4.48%	4.37%	4.32%	3.92%	3.96%	3.83%	4.18%

REVENUE DISTRIBUTION

Adjusted for non-rec. Items	Q1 17	Q2 17	Q3 17	Q4 17	Q1 18	Q2 18	Q3 18E	Q4 18E
Net Interest Income	45%	48%	49%	52%	49%	52%	48%	51%
Net Commission Income	47%	44%	47%	44%	52%	56%	47%	45%
Net result from financial transactions	0%	0%	0%	0%	0%	0%	0%	0%
Net insurance income	0%	0%	0%	0%	0%	0%	0%	0%
Other Income	2%	3%	1%	1%	2%	2%	2%	2%

Source: Company data and Nordea estimates

QUARTERLY INCOME STATEMENT AND BALANCE SHEET
INCOME STATEMENT

DKKm	Q1 17	Q2 17	Q3 17	Q4 17	Q1 18	Q2 18	Q3 18E	Q4 18E
Net Interest Income	130	136	137	139	129	136	136	140
Net Commission Income	122	112	118	104	123	126	114	114
Net result from financial transactions	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Net insurance income	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Other income	4	8	4	16	4	4	5	5
Total revenues	275	269	265	264	285	245	263	267
Staff costs	161	173	171	187	176	186	186	194
Other operating costs	5	5	5	4	5	4	4	4
Depreciation	17	12	12	17	11	16	16	16
Total Expenses	183	191	187	208	191	206	206	214
Profit before loan losses	91	78	78	56	94	39	57	53
Loan losses	11	9	3	11	12	-8	10	10
Write-downs on assets	1	0	-1	3	1	1	1	1
Operating profit	81	69	74	49	83	48	48	44
Taxes	7	7	6	-4	2	12	1	1
Discontinued operations	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Minority interest	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Net profit to equity	75	62	68	53	80	36	46	43

BALANCE SHEET

DKKm	Q1 17	Q2 17	Q3 17	Q4 17	Q1 18	Q2 18	Q3 18E	Q4 18E
Cash / Interbank	377	362	347	357	360	360	360	360
Loans to credit institutions	1,336	1,400	1,381	1,831	2,489	2,270	2,270	2,270
Loans to the public	10,695	11,121	11,371	11,681	11,642	12,022	12,309	12,498
Goodwill and other intangibles	148	145	141	138	135	131	131	131
Total assets	19,814	20,776	20,954	21,487	21,704	23,362	23,649	23,838
Interbank/owed to credit institutions	349	429	370	439	337	377	377	377
Deposits	15,542	16,287	16,370	16,589	16,846	17,503	17,699	17,419
Subordinated loans	368	353	353	403	403	531	533	415
Minority interest	0	0	0	0	0	0	0	0
Shareholders equity	2,106	2,114	2,168	2,228	2,184	2,636	2,663	2,695
Total equity and liabilities	19,814	20,776	20,954	21,487	21,704	23,362	23,649	23,838
Loans to deposits	69%	68%	69%	70%	69%	69%	70%	72%
Non-mortg. loans to deposits	69%	68%	69%	70%	69%	69%	70%	72%
LCR	0%	0%	0%	0%	0%	0%	0%	0%
NSFR	0%	0%	0%	0%	0%	0%	0%	0%

GROWTH (Y/Y)

Adjusted for non rec.items	Q1 17	Q2 17	Q3 17	Q4 17	Q1 18	Q2 18	Q3 18E	Q4 18E
Net interest income	-6%	-3%	2%	0%	-2%	-4%	-5%	4%
Net commission income	16%	7%	21%	-8%	1%	12%	-3%	10%
Total Revenues	2%	17%	-4%	4%	-10%	-11%	-3%	8%
Staff costs	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Total expenses	10%	6%	4%	1%	4%	11%	10%	7%
Profit before loan losses	-14%	60%	-21%	25%	-43%	-71%	-42%	11%
Operating profit	31%	228%	8%	128%	-51%	-52%	-53%	10%
Net profit to equity	31%	228%	8%	128%	-51%	-52%	-53%	10%
Loans to the public (rep)	10%	13%	13%	12%	9%	8%	8%	7%
Deposits	7%	5%	6%	6%	8%	7%	8%	5%
Assets	6%	5%	7%	8%	10%	12%	13%	11%
REA growth (BIS Trans)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
REA growth (BIS III)	12%	5%	11%	7%	3%	11%	9%	9%

Source: Company data and Nordea estimates

ANNUAL KEY DATA**SHARE DATA**

DKKm	2011	2012	2013	2014	2015	2016	2017	2018E	2019E	2020E
EPS	0.00	0.00	0.00	0.00	0.00	12.23	15.41	8.34	15.57	17.64
EPS adj	n.a.	n.a.	n.a.	n.a.	n.a.	8.29	13.00	5.53	13.38	15.15
BVPS	n.m.	n.m.	n.m.	n.m.	n.m.	157.9	170.9	155.1	168.2	183.1
TVBS	n.m.	n.m.	n.m.	n.m.	n.m.	146.4	160.4	147.5	160.6	175.5
DPS (tot.)	0.00	0.00	0.00	0.00	3.00	3.05	0.00	2.08	3.89	4.41
Dividend pay-out ratio	n.m.	n.m.	n.m.	n.m.	n.m.	25%	0%	25%	25%	25%
Share repurchases (per share)	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	0.00	0.00	0.00	0.00
Total pay-out ratio	0%	0%	0%	0%	0%	9%	0%	15%	23%	23%
Share price (period end)	n.a.	n.a.	n.a.	n.a.	97	106	114	100	100	100
Market cap. (m)	n.a.	n.a.	n.a.	n.a.	0	1,385	1,482	1,734	1,734	1,734
Dil. number of shares	0	0	0	0	0	13	13	17	17	17

VALUATION

(x)	2011	2012	2013	2014	2015	2016	2017	2018E	2019E	2020E
P/E	n.a.	n.a.	n.a.	n.a.	n.m.	8.7	7.4	12.0	6.4	5.7
P/E (adj.)	n.a.	n.a.	n.a.	n.a.	n.a.	12.8	8.7	18.1	7.5	6.6
P/BV	n.a.	n.a.	n.a.	n.a.	0.00	0.67	0.67	0.64	0.59	0.55
P/TBV	n.a.	n.a.	n.a.	n.a.	0.00	0.73	0.71	0.68	0.62	0.57
Dividend yield (tot.)	n.a.	n.a.	n.a.	n.a.	3.1%	2.9%	0.0%	2.1%	3.9%	4.4%
Total yield	n.a.	n.a.	n.a.	n.a.	n.m.	n.m.	0.0%	2.1%	3.9%	4.4%

CAPITAL RATIOS

%	2011	2012	2013	2014	2015	2016	2017	2018E	2019E	2020E
BIS II Trans. CET1-ratio	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
BIS II Trans. Capital ratio	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
BIS III CET	0	1,960	1,141	1,207	1,472	1,576	1,818	2,285	2,469	2,701
BIS III REA	0	12,728	14,203	14,459	14,721	15,858	16,973	18,485	19,601	20,289
BIS III CET1-ratio	n.m.	15.4%	8.0%	8.3%	10.0%	9.9%	10.7%	12.4%	12.6%	13.3%
BIS III T1-ratio	n.m.	17.4%	12.7%	11.6%	13.0%	12.9%	14.0%	14.2%	14.3%	15.0%
BIS III Capital ratio	n.m.	19.5%	15.1%	14.7%	15.5%	15.6%	16.3%	16.4%	16.4%	17.0%
Tang. Equity/Assets	10.2%	11.8%	6.7%	7.5%	9.5%	9.6%	9.7%	10.8%	11.3%	12.1%
Tang. Equity/Lending	17.2%	21.6%	12.3%	14.6%	18.2%	18.2%	17.9%	20.5%	20.9%	21.9%
Leverage ratio	10.1%	11.5%	5.7%	6.2%	7.9%	7.9%	8.5%	9.6%	10.0%	10.7%

CREDIT QUALITY

DKKm	2011	2012	2013	2014	2015	2016	2017	2018E	2019E	2020E
Impaired loans	0	0	0	0	0	0	0	0	0	0
Loan loss reserves	0	967	3,116	2,755	1,908	1,361	1,143	1,126	1,103	1,081
Coverage ratio	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Loan loss reserves / Total loans	0.00%	9.65%	30.90%	26.38%	19.33%	13.45%	10.32%	9.31%	8.53%	7.93%
Impaired loans / Total loans	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Collective/total provisions	n.m.	0%	0%	0%	0%	0%	0%	0%	0%	0%
Perf. Impaired loans/Impaired loans	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Loan loss ratio	-0.99%	-2.30%	-15.77%	-2.36%	-1.50%	-1.10%	-0.32%	-0.21%	-0.36%	-0.37%
Growth loan loss reserves (y/y)	n.a.	n.m.	222%	-12%	-31%	-29%	-16%	-1%	-2%	-2%
Growth impaired loans (y/y)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

PROFITABILITY

Adjusted for non-rec. Items	2011	2012	2013	2014	2015	2016	2017	2018E	2019E	2020E
RoE	1.4%	0.9%	-39.7%	11.4%	8.1%	5.4%	7.9%	3.9%	8.3%	8.6%
RoTBV	1.5%	1.0%	-44.4%	12.9%	8.9%	5.9%	8.5%	4.1%	8.7%	9.0%
C/I	-74.3%	-64.5%	-50.6%	-60.6%	-71.0%	-74.8%	-75.3%	-85.0%	-70.9%	-68.8%
NII-margin	3.77%	4.90%	5.07%	6.27%	6.10%	4.89%	4.39%	3.95%	4.62%	4.65%

REVENUE DISTRIBUTION

Adjusted for non-rec. Items	2011	2012	2013	2014	2015	2016	2017	2018E	2019E	2020E
Net Interest Income	79%	64%	45%	60%	62%	51%	48%	50%	51%	52%
Net Commission Income	44%	33%	25%	33%	43%	44%	45%	50%	45%	45%
Net result from financial transactions	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Net insurance income	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Other Income	3%	3%	33%	1%	2%	0%	2%	2%	2%	1%

Source: Company data and Nordea estimates

ANNUAL INCOME STATEMENT AND BALANCE SHEET**INCOME STATEMENT**

DKKm	2011	2012	2013	2014	2015	2016	2017	2018E	2019E	2020E
Net Interest Income	366	491	511	654	602	551	542	541	620	656
Net Commission Income	204	250	288	365	418	421	457	478	526	552
Net result from financial transactions	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Net insurance income	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Other income	15	26	373	15	15	24	31	18	18	18
Total revenues	465	762	1,141	1,090	978	1,043	1,073	1,060	1,189	1,252
Staff costs	307	441	500	577	613	644	691	743	752	771
Other operating costs	17	14	30	47	50	14	19	17	17	18
Depreciation	22	36	48	36	31	52	59	58	58	58
Total Expenses	345	492	578	660	694	710	769	818	828	847
Profit before loan losses	119	270	564	429	284	333	304	243	361	405
Loan losses	85	249	1,460	257	150	107	33	24	45	50
Write-downs on assets	0	0	1	3	3	2	3	4	4	4
Operating profit	34	22	-895	175	136	228	273	222	320	359
Taxes	6	2	-152	-4	-8	12	16	17	27	31
Discontinued operations	0	0	0	0	0	0	0	0	0	0
Minority interest	0	0	0	0	0	0	0	0	0	0
Net profit to equity	28	20	-743	180	144	216	257	205	292	328

BALANCE SHEET

DKKm	2011	2012	2013	2014	2015	2016	2017	2018E	2019E	2020E
Cash / Interbank	94	104	328	572	623	384	357	360	360	360
Loans to credit institutions	784	351	561	905	376	1,364	1,831	2,270	2,270	2,270
Loans to the public	10,790	9,259	10,906	9,981	9,763	10,474	11,681	12,498	13,373	13,908
Goodwill and other intangibles	233	213	186	174	162	150	138	131	131	131
Total assets	18,259	16,983	20,099	19,322	18,730	19,859	21,487	23,838	24,713	25,248
Interbank/owed to credit institutions	316	1,258	370	308	319	429	439	377	377	377
Deposits	12,166	11,713	15,723	15,315	14,633	15,647	16,589	17,419	18,290	18,838
Subordinated loans	823	636	1,282	596	465	466	403	415	415	415
Minority interest	0	0	0	0	0	0	0	0	0	0
Shareholders equity	2,093	2,216	1,529	1,631	1,939	2,058	2,228	2,695	2,923	3,181
Total equity and liabilities	18,259	16,983	20,099	19,322	18,730	19,859	21,487	23,838	24,713	25,248
Loans to deposits	89%	79%	69%	65%	67%	67%	70%	72%	73%	74%
Non-mortg. loans to deposits	89%	79%	69%	65%	67%	67%	70%	72%	73%	74%
LCR	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
NSFR	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

GROWTH (Y/Y)

Adjusted for non rec.items	2011	2012	2013	2014	2015	2016	2017	2018E	2019E	2020E
Net interest income	0%	34%	4%	28%	-8%	-18%	-2%	-2%	25%	6%
Net commission income	8%	23%	15%	27%	15%	1%	8%	5%	10%	5%
Total Revenues	-17%	64%	50%	-5%	-10%	-1%	4%	-4%	21%	5%
Staff costs	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Total expenses	0%	42%	17%	14%	5%	4%	5%	8%	1%	2%
Profit before loan losses	-45%	126%	109%	-24%	-34%	-14%	2%	-42%	136%	13%
Operating profit	23%	-36%	-4,233%	120%	-22%	2%	57%	-43%	142%	13%
Net profit to equity	58%	-30%	-3,852%	124%	-20%	-25%	57%	-43%	142%	13%
Loans to the public (rep)	25%	-14%	18%	-8%	-2%	7%	12%	7%	7%	4%
Deposits	42%	-4%	34%	-3%	-4%	7%	6%	5%	5%	3%
Assets	19%	-7%	18%	-4%	-3%	6%	8%	11%	4%	2%
REA growth (BIS Trans)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
REA growth (BIS III)	n.a.	n.a.	12%	2%	2%	8%	7%	9%	6%	4%

Source: Company data and Nordea estimates

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