Nordea | Commissioned Equity Research

Flash comment

11 August 2021

Commissioned research: Sparekassen Sjælland-Fyn – Q2 2021 first impression: Solid underlying result with small misses on volatile items

Marketing material commissioned by Sparekassen Sjælland-Fyn

Q2 2021 profit before loan losses came in at DKK 117m, DKK 12m (9%) below our estimate. The deviation was led by total income being DKK 8m (2%) below our estimate, and total costs being DKK 4m above (2%) above our estimate. Net interest income was DKK 2m ahead of our estimate owing to DKK 7m (31%) lower than expected interest expenses. Fee and commission income continue to see support from high activity, coming in at DKK 156m, which is DKK 4m (3%) above our estimate and up 16% y/y. Profit before loan losses, however, was negatively impacted by market value adjustments of DKK -4m. On the other hand, strong asset quality continue to support net profits and the bank reported loan loss reversals of DKK 19m, DKK 9m better than our expectations. Sparekassen Sjælland-Fyn reiterated its most recent 2021 pre-tax profit guidance of DKK 450-525m, which was announced ahead of the Q2 report (on 14 July).

Report details

- Lending came ~1% below our estimate, partly offset by lending and deposits margins than expected. Interest income was DKK 5m lower than expected due to lower income on bonds. On the other hand, interest expenses (negative interest income) on bonds were also DKK 4 lower than expected. Interest expenses to credit institutions and central banks, as well as interest expenses on subordinated loans were both DKK ~1.5m lower than expected.

- Fee and commission income was DKK 156m, 3% ahead of our estimate. This was mainly driven by other fees being DKK 8m better than we expected, while securities trading and asset management fees and loan transaction fees were a tad below our estimate.

- Market value adjustments came in at DKK -4m, DKK 12m below our estimate.

- Total costs came in at DKK 200m, DKK 4m (2%) above our estimate, which is due to elevated staff and administrative costs.

- Sparekassen Sjælland-Fyn reported loan loss reversals of DKK 19m. We estimated DKK 10m. Despite reporting loan loss reversals back-to-back quarters, the bank remains cautious and continue to retain its management buffer of DKK 197m.

- The CET1 ratio was 14.8%, ~10 bp above our estimate.

SPAREKASSEN SJÆLLAND-FYN: DEVIATION TABLE								
	Actual	**NDA**	**Deviation**		**Actual**	**q/q**	**Actual**	**y/y**
DKKm	**Q2 21**	**Q2 21E**	**vs. actual**		**Q1 21**	**growth**	**Q2 20**	**growth**
Interest income	165	170	-5	-3%	166	-1%	148	12%
Interest expense	15	22	-7	-31%	20	-25%	15	-1%
Net interest income	**150**	**148**	**2**	**1%**	**146**	**2%**	**132**	**13%**
Dividends on shares etc	16	17	-1	-7%	2	-	17	-7%
Fees and commission income	156	152	4	3%	166	-6%	135	16%
Fees and commission expenses	4	4	0	-3%	4	-10%	4	12%
Net interest and fee income	**317**	**313**	**4**	**1%**	**310**	**2%**	**281**	**13%**
Market value adjustments	-4	8	-12	-	13	-	-6	-24%
Other operating income	4	5	-1	-13%	3	13%	4	-3%
Total income	**317**	**325**	**-8**	**-2%**	**327**	**-3%**	**279**	**14%**
Staff costs and administrative expenses	185	178	7	4%	173	7%	178	4%
Amortisation, depreciation and impairment losses	8	13	-5	-37%	9	-11%	13	-36%
Other operating expenses	6	5	1	30%	3	-	5	31%
Total costs	**200**	**196**	**4**	**2%**	**185**	**8%**	**196**	**2%**
Profit before loan losses	**117**	**129**	**-12**	**-9%**	**142**	**-17%**	**83**	**41%**
Loan losses	-19	-10	-9	86%	-15	22%	39	-
Profit/loss on investments in associates and group enterprises	4	3	1	28%	5	-25%	2	-
Profit before tax	**140**	**142**	**-2**	**-2%**	**162**	**-14%**	**46**	**-**
Tax	30	12	18	-	18	65%	5	-
Net profit	**109**	**129**	**-20**	**-15%**	**144**	**-24%**	**41**	**-**
CET1 ratio	**14.8%**	**14.7%**	**0.1 pp**		**14.7%**	**0.1 pp**	**14.6%**	**0.2 pp**

Source: Company data and Nordea estimates

SUMMARY TABLE - KEY FIGURES						
DKKm	**2018**	**2019**	**2020**	**2021E**	**2022E**	**2023E**
Total revenue	1,042	1,097	1,186	1,256	1,263	1,288
Total costs	815	830	818	797	803	810
LL-ratio	-0.04%	-0.14%	-1.32%	0.38%	-0.32%	-0.39%
PTP	230	251	242	519	432	440
RoE	8.5%	8.2%	7.8%	14.6%	11.1%	10.7%
RoTBV (adj)	3.8%	6.6%	6.0%	12.3%	9.2%	8.8%
P/E (adj)	13.6	8.8	9.2	6.4	7.8	7.6
P/BV	0.52	0.55	0.52	0.72	0.68	0.64
P/TBV	0.54	0.56	0.54	0.74	0.70	0.66
BIS III CT1-ratio	13.0%	14.0%	16.1%	16.8%	17.3%	17.8%
DPS (ord, DKK)	2.50	3.00	0.00	6.00	6.00	6.00
Dividend Yield	0.00%	3.11%	3.35%	0.00%	4.21%	4.21%
Total payout ratio	0.18	0.23	0.00	0.22	0.26	0.26

Source: Company data and Nordea estimates

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