03 November 2021

Commissioned research: Sparekassen Sjælland-Fyn – Q3 2021 first impression: Guides for 2021 pre-tax profit in the upper-end of guidance range

Marketing material commissioned by Sparekassen Sjælland-Fyn

Q3 2021 profit before loan losses came in at DKK 120m, DKK 15m above our estimate. Total income came in at DKK 312m, DKK 10m (3%) ahead of our estimate led by a DKK 15m beat on market value adjustments, which seems to gain support from revaluation of investment properties. Total costs came in at DKK 192m, DKK 5m (2%) below our estimate and led by lower-than-expected staff costs and administrative expenses. NII came in at 143m, up 2% y/y but DKK 10m (6%) below our estimate. On the other hand, fee income came in at DKK 156, DKK 7m (4%) ahead of our expectations. Loan losses came in at DKK 10m, DKK 25m below weaker than our estimate. We, however, note that Sparekassen Sjælland-Fyn lifts its management buffer by DKK 18m q/q, thus underlying loan losses represented a reversal of DKK 8m. The CET1 ratio was 15.1%, 0.5 pp above our estimate. Sparekassen Sjælland-Fyn now expects 2021 pre-tax profit of DKK 485-525m (previously DKK 450-525m). We estimate DKK 524m, corresponding to the top of the guidance range. Sparekassen Sjælland-Fyn mentions in the Q3 2021 report that it intends to announce a new strategy plan that will succeed the 'New Ways' strategy plan before April 2022. We expect to see only minor 2022-23 EPS revisions amid the report.

Quarterly highlights

Q3 net profits was DKK 99m, in line with our estimate.

- Net interest income came in at DKK 143m, DKK 10m (6%) below our estimate. The miss was led by lower-than-expected underlying lending- and deposit margin, as well as a ~1% lower-than-expected lending growth in Q3.
- Fee income came in at DKK 156m, DKK 7m (4%) above our estimate. All underlying fee items were stronger than expected except for loan transaction fees. This indicates a generally higher fee income level than we had expected.
- Total costs were down DKK 4m (2%) y/y and DKK 5m (2%) below our estimate, led by lower staff costs.
- Sparekassen Sjælland reported loan losses of DKK 10m for Q3 2021. We estimated DKK 15m net reversals. The bank remains cautious on loan impairments and now holds a DKK 215m management buffer, up DKK 18m q/q. The buffer corresponds to ~1.8% of total lending.
- The CET1 ratio was 15.1%. We estimated 14.6%.

SPAREKASSEN SJÆLLAND-FYN: DEVIATION TABLE

DKKm	Actual Q3 21	NDA Q3 21E	Deviation vs. actual		Actual Q2 21	q/q growth	Actual Q3 20	y/y growth
Interest income	163	171	-8	-5%	165	-1%	155	5%
Interest expense	20	18	2	11%	15	31%	14	40%
Net interest income	**143**	**153**	**-10**	**-6%**	**150**	**-4%**	**141**	**2%**
Dividends on shares etc	0	0	0	-	16	-	0	-
Fees and commission income	156	150	7	4%	156	0%	137	14%
Fees and commission expenses	4	4	0	2%	4	7%	4	10%
Net interest and fee income	**295**	**299**	**-3**	**-1%**	**317**	**-7%**	**274**	**8%**
Market value adjustments	13	-2	15	-	-4	-	33	-61%
Other operating income	4	6	-1	-24%	4	6%	4	0%
Total income	**312**	**302**	**10**	**3%**	**317**	**-1%**	**311**	**0%**
Staff costs and administrative expenses	176	180	-4	-2%	185	-5%	177	0%
Amortisation, depreciation and impairment losses	11	12	-1	-5%	8	39%	16	-28%
Other operating expenses	4	5	-1	-14%	6	-34%	4	12%
Total costs	**192**	**197**	**-5**	**-2%**	**200**	**-4%**	**196**	**-2%**
Profit before loan losses	**120**	**105**	**15**	**14%**	**117**	**3%**	**115**	**5%**
Loan losses	10	-15	25	-	-19	-	31	-69%
Profit/loss on investments in associates and group enterprises	9	4	5	-	4	-	5	69%
Profit before tax	**119**	**124**	**-5**	**-4%**	**140**	**-15%**	**89**	**35%**
Tax	21	26	-5	-21%	30	-31%	5	-
Net profit	**99**	**98**	**0**	**0%**	**109**	**-10%**	**84**	**18%**
CET1 ratio	**15.1%**	**14.6%**	**0.5 pp**		**14.5%**	**0.6 pp**	**13.7%**	**1.4 pp**

SUMMARY TABLE - KEY FIGURES

DKKm	2018	2019	2020	2021E	2022E	2023E
Total revenue	1,042	1,097	1,186	1,249	1,263	1,288
Total costs	815	830	818	800	805	812
LL-ratio	-0.04%	-0.14%	-1.32%	0.49%	-0.32%	-0.40%
PTP	230	251	242	524	430	437
RoE	8.5%	8.2%	7.8%	13.4%	9.7%	9.0%
RoTBV (adj)	3.8%	6.6%	6.0%	12.5%	9.3%	8.6%
P/E (adj)	13.6	8.8	9.2	6.5	8.0	8.1
P/BV	0.52	0.55	0.52	0.75	0.70	0.66
P/TBV	0.54	0.56	0.54	0.77	0.72	0.68
BIS III CT1-ratio	13.0%	14.0%	16.1%	16.3%	16.8%	17.4%
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%	4.11%	4.11%
Total payout ratio	0.18	0.23	0.00	0.24	0.31	0.31

Source: Company data and Nordea estimates

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