10 February 2022

Commissioned research: Sparekassen Sjælland-Fyn – Q4 first impression: Strong underlying result led by tight cost control

Marketing material commissioned by Sparekassen Sjælland-Fyn

Sparekassen Sjælland-Fyn reported Q4 PBLL of DKK 105m, DKK 18m (21%) above our estimate. The strong performance was driven by a solid beat on the costs, which was DKK 16m (7%) below (better) than our estimate, mainly due to lower-than-expected amortisation and depreciation costs. Net interest income was roughly in line with our estimate, while lending was flat q/q and 2% below our estimate. Fee and commission income was DKK 156m, we estimated DKK 157m. Management proposes a DKK 6 dividend per share, same as our estimate, which corresponds to a payout ratio of 25%. Regarding the more volatile items, market value adjustments came in at DKK 8m, DKK 5m ahead of our estimate. Meanwhile, Sparekassen only booked DKK 1m in loan loss reversals versus our estimate of DKK 18m in loan loss reversals. The total management buffer was increased by DKK 7.5m to 219m, i.e. stronger underlying asset quality improvement than what initially suggested. Overall the report was strong, yet roughly in line with our expectations on key income items. We expect to make positive EPS revisions to our estimates following today's announcement of around 5%. The share price has performed strongly in recent weeks, up ~30% YTD. We expect the share to trade above peers following today's report.

Quarterly highlights

2021 result was pre-announced and hence focus was on underlying profitability. On that note, Sparekassen Sjælland-Fyn reported PBLL of DK 105, DKK 18m (21%) ahead of our estimate.

- Q4 NII was in line with our estimate and flat q/q. On the negative side, total lending came in 2% below our estimate.
- Fee and commission income was DKK 156m, we estimated DKK 157m. Looking at the underlying split, securities trading/AuM fees and loan transaction fees were slightly soft, while payment services and other fees came in ahead of our estimates.
- Total costs DKK 202m, DKK 16m (7%) below our estimate, led by lower costs amortisation and depreciation.
- Management proposes DKK 6 dividend per share, corresponding to a payout ratio of 25% and similar to our estimate.
- CET1 ratio was 17.5%, 0.6pp better than our estimate.
- Sparekassen Sjælland-Fyn delivered on three of its four financial targets for 2021, falling short of the ambitious cost-income ratio target of 1.7x (FY2021 was 1.58x). From

now all eyes are on the upcoming strategy targets, which is set to be launched before the end of April.

SPAREKASSEN SJÆLLAND-FYN: DEVIATION TABLE								
	Actual	NDA	Deviation		Actual	q/q	Actual	y/y
DKKm	**Q4 21**	**Q4 21E**	**vs. actual**		**Q3 21**	**growth**	**Q4 20**	**growth**
Interest income	163	164	-1	-1%	163	0%	170	-4%
Interest expense	21	19	1	6%	20	4%	24	-16%
Net interest income	**143**	**145**	**-2**	**-2%**	**143**	**-1%**	**145**	**-2%**
Dividends on shares etc	0	0	0	-	0	-	0	-
Fees and commission income	156	157	-1	-1%	156	0%	142	10%
Fees and commission expenses	4	5	-1	-11%	4	0%	5	-5%
Net interest and fee income	**295**	**297**	**-2**	**-1%**	**295**	**0%**	**283**	**4%**
Market value adjustments	8	4	5	-	13	-34%	14	-38%
Other operating income	4	5	0	-10%	4	-2%	7	-44%
Total income	**307**	**305**	**2**	**1%**	**312**	**-2%**	**304**	**1%**
Staff costs and administrative expenses	189	190	-2	-1%	176	7%	196	-4%
Amortisation, depreciation and impairment losses	7	22	-15	-68%	11	-39%	26	-73%
Other operating expenses	6	6	0	4%	4	46%	9	-30%
Total costs	**202**	**218**	**-16**	**-7%**	**192**	**5%**	**230**	**-12%**
Profit before loan losses	**105**	**87**	**18**	**21%**	**120**	**-12%**	**73**	**44%**
Loan losses	-1	-18	17	-96%	10	-	17	-
Profit/loss on investments in associates and group enterprises	4	5	-1	-17%	9	-53%	4	0%
Profit before tax	**110**	**109**	**1**	**1%**	**119**	**-8%**	**61**	**81%**
Tax	18	23	-5	-21%	21	-12%	1	-
Net profit	**92**	**86**	**6**	**6%**	**99**	**-7%**	**60**	**53%**
CET1 ratio	**17.5%**	**16.9%**	**0.6 pp**		**15.1%**	**2.4 pp**	**16.1%**	**1.4 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	1,261	1,261	1,292
Total costs	815	830	818	795	798	804
LL-ratio	-0.04%	-0.14%	-1.33%	0.34%	-0.16%	-0.39%
PTP	230	251	242	530	458	454
RoE	8.5%	8.2%	7.8%	13.7%	10.3%	9.3%
RoTBV (adj)	3.8%	6.6%	6.0%	12.7%	9.9%	8.9%
P/E (adj)	13.6	8.8	9.2	9.4	10.9	11.4
P/BV	0.52	0.55	0.52	1.09	1.02	0.96
P/TBV	0.54	0.56	0.54	1.12	1.04	0.98
BIS III CT1-ratio	13.0%	14.0%	16.1%	16.9%	17.5%	18.1%
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%	2.82%	2.82%
Total payout ratio	0.18	0.23	0.00	0.24	0.29	0.30

Source: Company data and Nordea estimates

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Nordea analyst: Jakob Brink

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