05 May 2022

Commissioned research: Sparekassen Sjælland-Fyn – Q1 2022 first impression: More of a mixed bag

Marketing material commissioned by Sparekassen Sjælland-Fyn

Q1 2022 PBLL came in DKK 31 (21%) below our estimate, mainly led by a DKK 25m miss on low quality market value adjustments. Main positive is key income lines; NII came in at DKK 146m, DKK 3m (2%) ahead of our estimate, while NCI was in line with our estimate and 7% up y/y. Total business volumes (including DLR- and Totalkredit credit lines) continued a positive trajectory in Q1 2022, but bank lending was flattish (and thus below peers and our expectations).Total cost came in DKK 11m (6%) above (thus, worse than) our estimate. Impairment charges represented a small income in Q1 2022. CET1 ratio was 16.2%. We estimated 17.2%. The 2022 guidance is left unchanged (pre-tax proft DKK 385-510m). We estimate DKK 489m. Overall, the report is more of a mixed bag in our view. We are likely to make negative EPS revisions for 2022E of 4-6% while we are likely to reduce 2023E-2024E EPS 3-4%. The share is likely to trade somewhat below peers.

Quarterly highlights

- Net interest income came in DKK 146m, DKK 3m (2%) ahead of our estimate. Total lending, however, was flattish q/q and 2% below our estimate.
- Net fee and commission income was in line with our estimate, led by solid y/y developments across all underlying quality lines.
- Total costs was DKK 199m, DKK 11m (6%) ahead (thus, worse than) our estimate, due to a step-up in staff costs and administrative one-offs.
- Net impairment charges contributed a DKK 3m reversal in Q1 2022. Total management buffer was reduced by DKK 14m but remains at a high DKK 205m (~6% of Mcap).
- CET1 ratio was 16.2%
- Sparekassen has published new financial targets towards 2025. Sparekassen targets ROE of ~10% (average during the strategy period) and a cost income ratio of 50% by 2025. We estimate an average ROE of 9.2% between 2022 and 2024, while we see a cost cost-income of 59% in 2024. Thus, the new targets imply significant upside to our estimates. Furthermore, beside reiterating the current dividend policy (25% payout ratio), Sparekassen flags the possibility of buybacks, suggesting a step-up in capital repatriation going forward.

SPAREKASSEN SJÆLLAND-FYN: DEVIATION TABLE

DKKm	Actual Q1 22	NDA Q1 22E	Deviation vs. actual		Actual Q4 21	q/q growth	Actual Q1 21	y/y growth
Interest income	166	162	3	2%	163	2%	166	0%
Interest expense	20	20	0	0%	21	-5%	20	-3%
Net interest income	**146**	**143**	**3**	**2%**	**143**	**2%**	**146**	**0%**
Dividends on shares etc	5	0	5	-	0	-	2	-
Fees and commission income	177	179	-1	-1%	156	13%	166	7%
Fees and commission expenses	4	5	-1	-18%	4	-9%	4	-13%
Net interest and fee income	**324**	**317**	**8**	**2%**	**295**	**10%**	**310**	**5%**
Market value adjustments	-36	-10	-26	-	8	-	13	-
Other operating income	3	5	-2	-41%	4	-27%	3	-16%
Total income	**292**	**312**	**-20**	**-6%**	**307**	**-5%**	**327**	**-11%**
Staff costs and administrative expenses	187	174	13	7%	189	-1%	173	8%
Amortisation, depreciation and impairment losses	7	9	-1	-15%	7	4%	9	-21%
Other operating expenses	4	5	0	-3%	6	-30%	3	63%
Total costs	**199**	**187**	**11**	**6%**	**202**	**-2%**	**185**	**7%**
Profit before loan losses	**93**	**124**	**-31**	**21%**	**105**	**-12%**	**142**	**-34%**
Loan losses	-3	3	-6	-	-1	-	-15	-80%
Profit/loss on investments in associates and group enterprises	5	4	1	24%	4	11%	5	-10%
Profit before tax	**101**	**126**	**-25**	**-20%**	**110**	**-8%**	**162**	**-38%**
Tax	18	28	-9	-33%	18	1%	18	1%
Net profit	**82**	**98**	**-16**	**6%**	**92**	**-10%**	**144**	**-43%**
CET1 ratio	**16.2%**	**17.2%**	**-1.0 pp**		**17.5%**	**-1.3 pp**	**14.7%**	**1.5 pp**

Source: Company data and Nordea estimates

SUMMARY TABLE - KEY FIGURES

DKKm	2019	2020	2021	2022E	2023E	2024E
Total revenue	1,097	1,186	1,263	1,264	1,310	1,341
Total costs	830	818	779	780	785	790
LL-ratio	-0.14%	-1.33%	0.21%	-0.08%	-0.39%	-0.38%
PTP	251	242	531	489	490	516
RoE	8.2%	7.8%	13.8%	10.8%	9.9%	9.8%
RoTBV (adj)	6.6%	6.0%	12.7%	10.5%	9.5%	9.4%
P/E (adj)	8.8	9.2	7.3	9.2	9.4	8.9
P/BV	0.55	0.52	0.84	0.91	0.85	0.79
P/TBV	0.56	0.54	0.86	0.93	0.87	0.81
BIS III CT1-ratio	14.0%	16.1%	17.5%	18.0%	18.8%	19.7%
DPS (ord, DKK)	3.00	0.00	6.00	6.00	6.00	6.00
Dividend Yield	3.11%	3.35%	0.00%	3.64%	3.14%	3.14%
Total payout ratio	0.23	0.00	0.24	0.27	0.28	0.26

Source: Company data and Nordea estimates

Completion date: 05 May 2022, 11:53 CET

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