

Banks

Key data

Price (DKK)	294
Country	Denmark
Bloomberg	SPKSJF DC
Reuters	SPKSJF.CO
Free float	79.0%
Market cap (DKKm)	5,108
No. of shares (m)	17.4
Next event	Q1: 1-May

\* Price as at close on 27 February 2025

CEO	Lars Petersson
CFO	Jan Justesen

Company description

Sparekassen Sjælland-Fyn A/S provides banking products and services in Denmark. Its products and services include net banking, commercial insurance, mobile banking, rental of commercial lease, financing, insurance and pension.

Ownership structure

Sydbank A/S	5.3%
AP Pension	5.3%
Købstædernes Forsikring	5.2%

Source: Company data (27 February 2025)

Estimate changes

	25E	26E	27E
NII	0.1%	0.6%	n.m.
PPP	0.6%	0.5%	n.m.
EPS (adj.)	-2.4%	-0.5%	n.m.

Source: Danske Bank Equity Research estimates

Analyst(s)

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# Sparekassen Sjælland-Fyn

Strong results due to high-quality lines and delivery on strategy

**SPKSJF delivered a strong annual report with record FY2024 PTP of DKK815m and net profit of DKK623m, the highest in the bank's history, reflecting increases of 16% y/y and 12%, respectively. FY2024 NII increased 11% y/y, despite DKK9.3bn in excess deposits and falling rates. Volume growth and margin management were key, and we expect these comparative advantages to continue in FY2025. Our fair value range increases to DKK317-354 (266-302).**

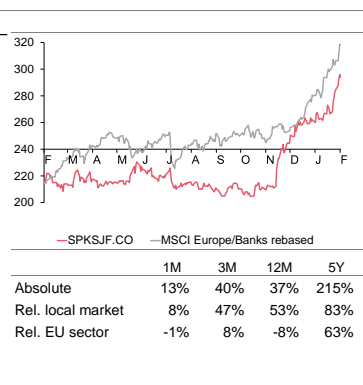
- **The highest y/y increase in NII among the Danish banks in our coverage.** The average y/y increase in FY2024 NII among the Danish banks in our coverage is 1%. SPKSJF reported an 11% y/y increase, well above the average, supported by corporate lending growth, higher overall lending rates and the DKK6bn hold to maturity (HTM) portfolio. SPKSJF's retail & SME-dominated lending book leaves 'only' 13% with direct exposure to money market rates. This allows for prudent lending margin management. For FY2025, we forecast SPKSJF's NII to decrease 3% y/y, which is one of the smallest NII declines we expect among the Danish banks in our coverage. We see the NII stickiness as attractive versus peers, even though we fear that the bank might miss its 2026E cost/income target.
- **We expect stable y/y core income trends in FY2025E.** Core income in FY2024 was up 11% y/y while core earnings increased by an impressive 26% y/y. We expect SPKSJF to deliver on its business volume growth ambitions, leaving NII & fee income 'only' 1% lower for FY2025, thereby supporting stable core income trends.
- **ROE slightly lower than peers' average.** SPKSJF delivered ROE of 12% in Q4 24 and 13.7% for FY2024, both lower than the average among the peers in our coverage. The high CET ratio relative to peers is costing on the ROE front. We estimate post-tax ROE to average 12% in FY2025-26E and the P/E for 2025E at 8.6x. **Guidance for FY2025 maintained.** Initially announced on 9 January, the bank's guidance for PTP to be in the range of DKK625-750m was maintained. We forecast SPKSJF to deliver DKK735m.
- **Valuation.** SPKSJF trades at a 2026E P/E of 8.4x. We now estimate a fair value range of DKK317-354/share (previously DKK266-302), 8-20% above the current share price.

## Key financials

Year-end Dec (DKK)	2023	2024	2025E	2026E	2027E
NII (m)	862	961	929	915	929
Lending growth	8.2%	1.2%	4.9%	3.0%	3.0%
Total revenues (m)	1,584	1,753	1,721	1,722	1,752
Pre-provision profits (PPP) (m)	676	829	778	760	770
PPP growth	48.7%	22.6%	-6.1%	-2.3%	1.4%
Loan losses (m)	-15.6	-44.6	-63.1	-54.4	-65.2
PTP (m)	701	815	735	726	725
EPS (adj.)	29.2	33.3	32.5	33.0	33.9
DPS	8.00	10.0	10.0	10.0	9.00
Dividend yield	4.0%	4.0%	3.4%	3.4%	3.1%
C/I	57.3%	52.7%	54.8%	55.9%	56.0%
PPP/avg. lending	5.56%	6.52%	5.94%	5.58%	5.49%
Loan loss ratio	0.13%	0.35%	0.48%	0.40%	0.47%
Equity tier-1 ratio	21.7	22.2	22.6	23.0	24.2
RoNTA	0.0%	0.0%	0.0%	0.0%	0.0%
P/E (adj.) (x)	6.8	7.5	9.0	8.9	8.7
P/NTA	0.86	0.96	1.04	0.96	0.89

Source: Company data, Danske Bank Equity Research estimates

## Price performance



Source: FactSet

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### *Investment case*

In our view, Sparekassen Sjælland-Fyn ticks all the boxes of a potentially attractive investment, diverging from the general earnings pressure that the sector is facing.

The bank has a clear niche strategy due to its physical presence, with a strong 11% customer inflow in recent years and a better ability than peers in converting customer inflow into both business volumes and AUM growth. Its home market is less competitive, and it benefits from Totalkredit's lower mortgage prices. A Bankdata setup makes it a potential takeover target, but with clear financial targets, management is keen to deliver stand-alone.

After the bank successfully delivered on its 'New Ways' strategy, in H1 22 it announced a new strategy for 2022-25 named 'Towards New Goals'. Strong delivery in recent years adds comfort in management, and if Sparekassen Sjælland-Fyn delivers by 2025, we see strong additional upside.

#### **The new targets are the following:**

- Cost/income ratio below 50% by 2026.
- ROE after tax of >10% for the period.
- DPS equal to 25% of net profits with share buybacks on top.
- A solvency capital ratio of at least 20% (24.4% at Q4 24).
- 4-8% annual growth in total business volumes.

### *Valuation and methodology for deriving 12M target price*

We value Sparekassen Sjælland-Fyn using several valuation approaches, including a Gordon Growth model where we value the bank based on its normalised profitability capacity. We continue to apply 8.5-10.5% cost of capital and 55-75bp of normalised loan loss provisions to determine a fair value range.

### *Risks*

#### **Macroeconomic exposures**

Like its peers, Sparekassen Sjælland-Fyn is exposed to macroeconomic developments, including economic activity and interest rate levels.

#### **Higher costs**

Management has a clear ambition of lowering costs in the coming years, while at the same time increasing business volumes and income. The bank has been able to lower full-time employees (FTEs) and hence costs in recent quarters, but general wage inflation and competition for key FTEs could drive costs higher.

#### **A deterioration in credit quality**

Sparekassen Sjælland-Fyn has grown lending in recent years. Higher growth and new customer inflow could potentially trigger excessive risk taking and as a result higher loan loss provisions. Considering the lending portfolio churn in the past decade to a more residentially dominated lending book, we are not concerned, however.

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## Q4 24 review

### *NII stickiness*

SPKSJF's NII stickiness is its comparative advantage, especially in a falling interest rate environment. The NII development is supported by lending volume growth and prudent margin management.

Excess deposits increased DKK500m q/q in Q4 24, owing to a 2% q/q increase in deposits while lending decreased 0.6% q/q. SPKSJF's deposit surplus now totals DKK9.3bn and is primarily invested in mortgage bonds and current accounts with the central bank, making it sensitive to interest rate changes.

Nevertheless, for the financial year 2024, SPKSJF reported an 11% y/y increase in net interest income, with a 1% y/y rise reported for Q4. This is above the average change in NII for the Danish banks under our coverage, which stands at +1% y/y for FY2024 and -8% y/y for Q4. Looking at the NII developments q/q, SPKSJF experienced a slight decline of 0.1%, which compares with the Danish banks' average q/q decline of 4%.

SPKSJF's NII stickiness, despite the 55bp drop in CIBOR3M, is a clear relative advantage compared to the Danish banks.

Diving into the building blocks of this NII stickiness, lending grew DKK145m y/y, equivalent to 1.14%, owing to an increase in corporate lending despite a setback in retail lending.

The retail setback was caused by a rise in dwelling prices, pushing LTVs down. This resulted in more customers being included in the LTV category <80%, allowing them to replace their bank top-up loans with mortgage loans. Not only do mortgage loans have lower margins, due to the lower risk, but they also do not sit on SPKSJF's balance sheet.

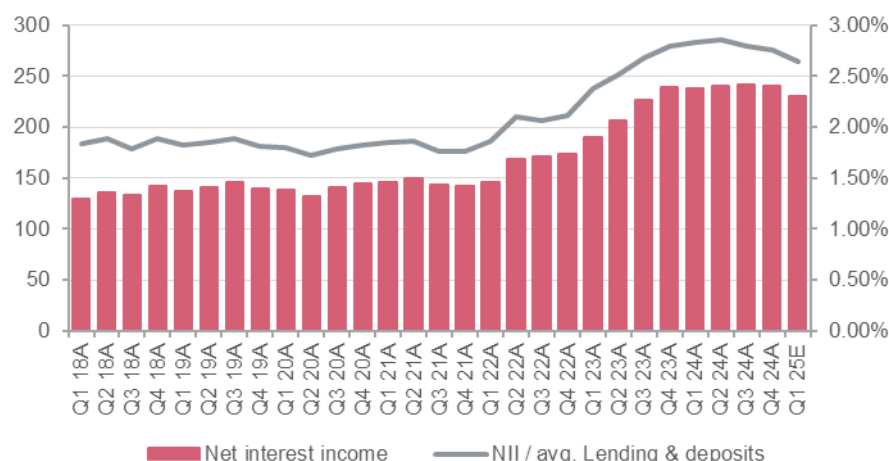
Nevertheless, lending was up 1.14% y/y, allowing for an NII cushion created by higher volumes and higher lending margins.

Total interest margin, calculated as NII divided by average lending and deposits, expanded by an average of 19bp y/y. Meanwhile, in Q4, the total interest margin decreased 3bp q/q. This indicates prudent margin management by SPKSJF, owing to the retail and SME-dominated lending book, which leaves approximately only 13% directly exposed to money-market rates.

We expect total interest margin pressures to continue in 2025. However, we also expect continuation of its volume growth and stable core income in 2025E and 2026E, which is a clear advantage relative to the other Danish banks under our coverage.

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Chart 1. Net interest income and margin development (DKKbn)



Source: Company data, Danske Bank Equity Research estimates

### Stable core income trends in 2025-26E

In the 'Towards New Goals' strategy, SPKSJF targets business volume growth of 4-8%, which we find achievable given the strong operational environment for the Danish banks.

It appears that 2025 could be a year of record AUM levels for the Danish banks. January retail AUM was at record level, reporting 16% y/y growth. Mortgage activities are picking up, real wages increasing and credit demand rising – all suggesting higher activity. Moreover, unemployment levels remain low, indicating continued strong credit quality.

SPKSJF's business volumes grew by a solid 6% y/y in 2024, and we expect a continuation of this trend in 2025. We pencil in a 5% y/y increase in lending and deposits and a 6% y/y increase in AUM for 2025E. Therefore, we estimate core income (excluding trading income) to be stable at around DKK1.6bn over 2025-26E, with a drop of 0.9% y/y in 2025E and 0.2% in 2026E, mainly due to interest rate margin pressures.

SPKSJF targets a cost/income ratio lower than 50% by the end of 2026. The compares with the average cost/income ratio among peers of 45% in Q4 and we would like to see SPKSJF get the cost/income ratio under control.

However, we think it is important to note that peers include trading income in their cost/income calculations while SPKSJF does not. This makes SPKSJF's C/I seem artificially higher. Adjusting for the difference, SPKSJF's cost/income was 55% for Q4, compared to the peers' average mentioned above of 45%.

To reach the target C/I ratio, SPKSJF aims to reduce working hours by 90,000 through optimising and streamlining processes. 90,000 working hours is on average equivalent to 47 FTEs. SPKSJF reduced the average number of FTEs by only eight from 2021 to 2024, so it seems the bank still has room for cost savings.

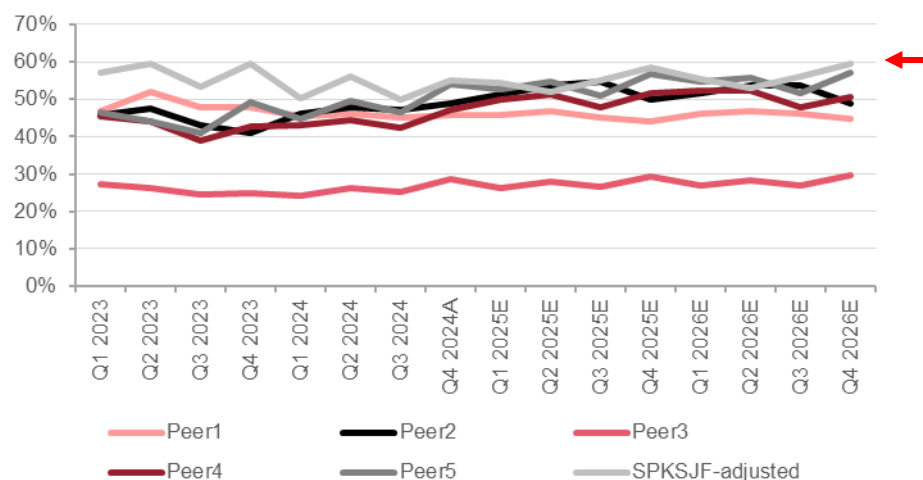
Despite the ambitions to reduce working hours, further cost-cutting strategies are limited. Therefore, the bank's income growth strategies will be critical to reach the C/I target. We remain concerned that SPKSJF may not be able to reach the target C/I ratio by the end of 2026 despite its NII stickiness and stable core income trends

We estimate its core earnings to be around DKK0.7bn for 2025-26E, accounting for a 2% cost increase per year.

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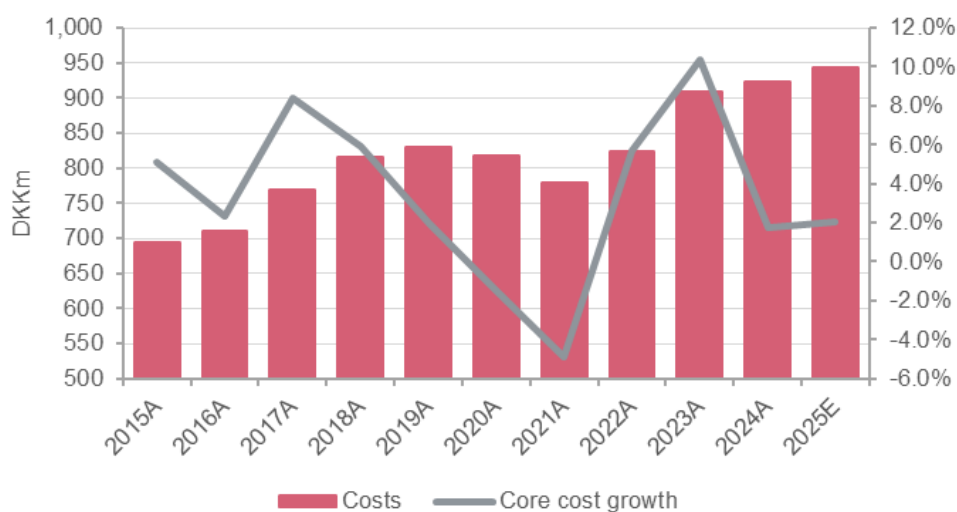
SPKSJF's stable income outlook for 2025-26E is a clear advantage vs other Danish banks under our coverage, which have material NII headwinds and corporate-dominated lending books.

Chart2: Cost/income ratio overview



Source: Company data, Danske Bank Equity Research estimates

Chart 3: Cost development, annually



Source: Company data, Danske Bank Equity Research estimates

### Credit quality

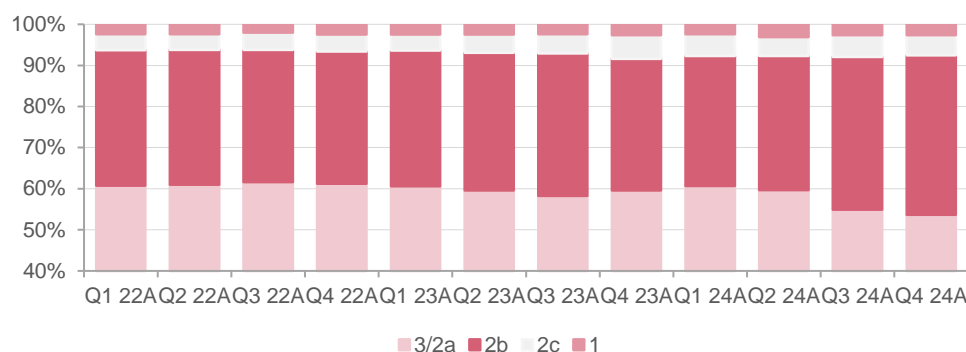
SPKSJF's credit quality continues to be strong. The bank reported DKK44.6m in loan losses for FY2024 and DKK24.3m for Q4 24. This increase is not due to a deterioration in credit quality but rather to the implementation of a new probability of default (PD) model, leading to higher IFRS9 provisions.

We expect SPKSJF's credit quality to remain high, due to its retail-dominated lending book and the positive outlook for the Danish macroeconomy.

We pencil in a 36bp loan loss ratio for 2025, equivalent to DKK63m in loan loss provisions.

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Chart 4: Lending book composition by Danish FSA criteria



Source: Company data, Danish FSA, Danske Bank Equity Research estimates

### Fair value range increased

Our capital- and risk-adjusted Gordon Growth model returns a fair value range of DKK317-354/share with the mid-range at DKK334. This is 8-20% above the current share price. In the range, we continue to apply a cost of capital range of 10.5-11.5% and 70-90bp of normalised loan losses.

Figure 1. Sparekassen Sjælland-Fyn Gordon's Growth valuation range

		Normalised loan loss ratio						
		0.50%	0.60%	0.70%	0.80%	0.90%	1.00%	1.10%
Cost of Equity	9.5%	398	391	385	378	372	365	359
	10.0%	381	375	368	362	356	350	344
	10.5%	365	359	354	348	342	336	330
	11.0%	351	346	340	334	329	323	318
	11.5%	339	333	328	322	317	312	306
	12.0%	327	322	317	311	306	301	296
	12.5%	316	311	306	301	296	291	286
		Upside/downside vs. current share price						
		0.50%	0.60%	0.70%	0.80%	0.90%	1.00%	1.10%
Cost of Equity	9.5%	36%	34%	32%	29%	27%	25%	23%
	10.0%	30%	28%	26%	24%	22%	20%	17%
	10.5%	25%	23%	21%	19%	17%	15%	13%
	11.0%	20%	18%	16%	14%	12%	11%	9%
	11.5%	16%	14%	12%	10%	8%	7%	5%
	12.0%	12%	10%	8%	6%	5%	3%	1%
	12.5%	8%	6%	5%	3%	1%	0%	-2%

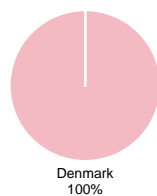
Note: Price as at 15:30 CET on 25 February 2025

Source: Danske Bank Equity Research estimates

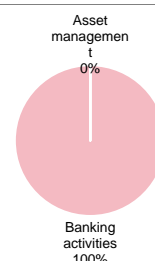
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## Company summary

### Income breakdown by geographical area



### Income breakdown by segment



### Company information

Sparekassen Sjælland-Fyn  
 Isefjord Allé 5, 3200 Holbæk  
 Denmark  
[www.spks.dk](http://www.spks.dk)

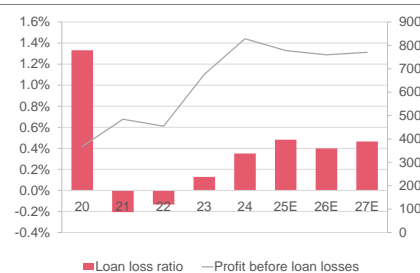
### Main shareholders

Name	Votes (%)	Capital (%)
Sydbank A/S	0.1%	5.3%
AP Pension	0.1%	5.3%
Købstædernes Forsikring	0.1%	5.2%

### Revenue and profit before loan losses (DKKm)



### Loan loss ratio and profit before loan losses (DKKm)



Source: FactSet, Company data, Danske Bank Equity Research estimates

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## Summary tables

### INCOME STATEMENT

Year end Dec, DKKm	2017	2018	2019	2020	2021	2022	2023	2024	2025E	2026E
Net interest income	542	541	565	557	582	660	862	961	929	915
Commissions	457	464	549	592	636	676	606	668	692	708
<b>Total revenues</b>	<b>1,073</b>	<b>1,042</b>	<b>1,097</b>	<b>1,186</b>	<b>1,263</b>	<b>1,278</b>	<b>1,584</b>	<b>1,753</b>	<b>1,721</b>	<b>1,722</b>
Costs	-769	-815	-830	-818	-779	-823	-908	-924	-943	-962
<b>Pre-provision profits (PPP)</b>	<b>304</b>	<b>227</b>	<b>267</b>	<b>368</b>	<b>484</b>	<b>455</b>	<b>676</b>	<b>829</b>	<b>778</b>	<b>760</b>
Loan losses	-33.4	-4.4	-16.9	-161	24.8	16.0	-15.6	-44.6	-63.1	-54.4
<b>Pre-tax profit</b>	<b>273</b>	<b>230</b>	<b>251</b>	<b>242</b>	<b>531</b>	<b>482</b>	<b>701</b>	<b>815</b>	<b>735</b>	<b>726</b>
<b>Net profit</b>	<b>201</b>	<b>148</b>	<b>202</b>	<b>204</b>	<b>419</b>	<b>346</b>	<b>515</b>	<b>580</b>	<b>549</b>	<b>542</b>
<b>Net profit (adj.)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

### BALANCE SHEET

DKKm	2017	2018	2019	2020	2021	2022	2023	2024	2025E	2026E
Lending	11,681	12,174	12,217	11,951	12,067	11,690	12,645	12,790	13,415	13,822
Other interest bearing assets	7,127	8,442	9,573	11,444	11,517	13,784	14,648	14,483	14,775	15,072
Goodwill	138	125	91.3	91.3	91.2	91.2	91.2	91.2	91.2	91.2
<b>Total assets</b>	<b>21,487</b>	<b>23,857</b>	<b>25,359</b>	<b>27,266</b>	<b>28,001</b>	<b>29,631</b>	<b>31,700</b>	<b>32,107</b>	<b>33,104</b>	<b>33,892</b>
Deposits from public	16,589	18,223	18,700	20,001	19,766	20,673	21,399	22,049	23,173	23,640
Wholesale funding	0.0	0.0	0.0	199	378	378	612	712	726	741
Subordinated debt	403	454	673	570	670	571	555	404	412	420
Equity	2,228	2,697	2,851	2,996	3,410	3,621	4,016	4,397	4,631	4,863
<b>NTA</b>	<b>2,090</b>	<b>2,572</b>	<b>2,760</b>	<b>2,905</b>	<b>3,318</b>	<b>3,530</b>	<b>3,925</b>	<b>4,305</b>	<b>4,539</b>	<b>4,771</b>

### PER SHARE DATA

	2017	2018	2019	2020	2021	2022	2023	2024	2025E	2026E
No. of shares, fully diluted YE (m)	13.2	17.4	17.4	17.4	17.4	17.4	16.9	16.5	16.0	15.5
No. of shares, fully diluted avg. (m)	13.0	14.2	17.4	17.4	17.4	17.4	17.3	16.8	16.0	15.5
EPS (reported) (DKK)	15.4	10.4	11.6	11.8	24.1	19.9	29.9	34.5	34.3	34.9
EPS (adj.) (DKK)	13.2	7.51	12.0	9.58	22.7	20.1	29.2	33.3	32.5	33.0
DPS (DKK)	0.00	2.50	3.00	0.00	6.00	6.00	8.00	10.0	10.0	10.0
Book value per share (DKK)	169	155	164	172	196	208	238	266	289	313

### MARGINS AND GROWTH

	2018	2019	2020	2021	2022	2023	2024	2025E	2026E	2027E
C/I, adjusted	78.2%	75.7%	69.0%	61.7%	64.4%	57.3%	52.7%	54.8%	55.9%	56.0%
NII/avg. lending	4.5%	4.6%	4.6%	4.8%	5.6%	7.1%	7.6%	7.1%	6.7%	6.6%
Loan loss ratio	0.04%	0.14%	1.33%	-0.21%	-0.13%	0.13%	0.35%	0.48%	0.40%	0.47%
NII growth	-0.3%	4.4%	-1.4%	4.4%	13.4%	30.8%	11.5%	-3.4%	-1.5%	1.6%
Revenue growth	-2.9%	5.3%	8.1%	6.5%	1.2%	24.0%	10.6%	-1.8%	0.1%	1.8%
Cost growth	-5.9%	-1.9%	1.5%	4.9%	-5.7%	-10.3%	-1.7%	-2.1%	-2.1%	-2.1%
PPP growth	-25.3%	17.3%	38.0%	31.7%	-6.1%	48.7%	22.6%	-6.1%	-2.3%	1.4%
RWA growth	3.9%	-1.7%	-3.1%	1.3%	-3.4%	4.0%	6.3%	3.0%	3.0%	3.0%

### PROFITABILITY

	2017	2018	2019	2020	2021	2022	2023	2024	2025E	2026E
RoE, reported profits	9.4%	6.0%	7.3%	7.0%	13.1%	9.8%	13.4%	13.7%	12.4%	11.6%
RoNTA, adj. profits	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Tier-1	10.7%	13.0%	14.0%	16.1%	17.5%	18.9%	19.3%	20.0%	20.4%	20.9%
Equity tier-1	14.0%	15.1%	16.2%	18.4%	19.7%	21.9%	21.7%	22.2%	22.6%	23.0%
RWA	16,973	17,639	17,343	16,799	17,017	16,443	17,105	18,189	18,740	19,309

### VALUATION

	2017	2018	2019	2020	2021	2022	2023	2024	2025E	2026E
Share price (DKK)	114	80.4	89.6	90.0	165	194	200	250	294	294
Market cap (DKKm)	1,497	1,397	1,557	1,564	2,867	3,362	3,378	4,123	4,705	4,565
P/E (reported) (x)	7.4	7.7	7.7	7.7	6.8	9.7	6.7	7.2	8.6	8.4
P/E (adj.) (x)	8.6	10.7	7.5	9.4	7.3	9.6	6.8	7.5	9.0	8.9
P/BV (x)	0.67	0.52	0.55	0.52	0.84	0.93	0.84	0.94	1.02	0.94
P/NTA (x)	0.72	0.54	0.56	0.54	0.86	0.95	0.86	0.96	1.04	0.96
Dividend yield		3.1%	3.3%		3.6%	3.1%	4.0%	4.0%	3.4%	3.4%
Total yield (incl. buybacks)		3.1%	3.3%		3.6%	3.1%	6.9%	6.4%	6.6%	6.7%

Source: Company data, Danske Bank Equity Research estimates

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