

## So far, so good

Fellow Bank has met the expectations that were set out for 2022. The market environment changes provide some near-term benefits but increase uncertainty regarding the lending outlook. We adjust our TP to EUR 0.40 (EUR 0.42), HOLD-rating intact.

### On track with set out expectations for 2022

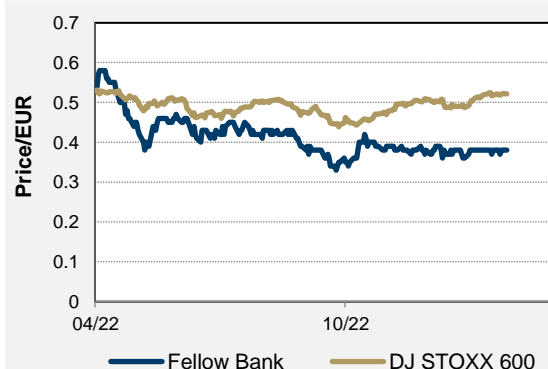
Fellow Bank's development during H2 has progressed in line with expectations set out earlier. The loan portfolio at the end of 2022 was at EUR 159.9m (target > EUR 150m). Deposits amounted to EUR 246.8m, showing an expected more modest growth. The provided funding amounts on a monthly level have also showed a slight positive trend, with the monthly average (R3m) near EUR 28m. Actions to strengthen equity were also completed as expected with the issue of an EUR 6.1m debenture loan during the fall.

### Market environment development positives and negatives

The interest rate environment and macroeconomic uncertainties bring some added flavour to the mix, the effects of which we currently view as slightly net negative for Fellow Bank. The effect on near-term expected net interest income is positive, although the higher interest rates on deposits and current loan portfolio to deposit ratio reduces some of the positive impact. The interest rate hikes coupled with the macroeconomic uncertainties, however, increase the uncertainty in the growth of funding volumes going forward. The effects so far appear to have been mostly visible through somewhat stricter lending policies and higher loan loss provisions, but we foresee some increases in competition through pricing going forward. The overall financial impacts on our estimates for the coming years are not substantial through the higher expected interest income and somewhat lower growth and higher loan loss expectations.

### HOLD with a target price of EUR 0.40

Fellow Bank's investment case relies on the growth of its loan book in the coming years and the benefits of scalability. The current outlook has in our view slightly weakened, and we adjust our target price to EUR 0.40 (EUR 0.42), HOLD-rating intact.

**Rating** 🟡 HOLD

 Share price, EUR (Last trading day's closing price) 0.38

 Target price, EUR 0.4

 Latest change in recommendation 07-Jun-22

 Latest report on company 26-Aug-22

 Research paid by issuer: YES

 No. of shares outstanding, '000's 87,745

 No. of shares fully diluted, '000's 87,745

 Market cap, EURm 34

 Free float, % -

 Exchange rate 0.000

 Reuters code FELLOW.HE

 Bloomberg code FELLOW FH

 Average daily volume, EURm -

 Next interim report 16-Feb-22

 Web site fellowbank.com

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+ BUY 🟡 HOLD - SELL

## KEY FIGURES

	Revenues EURm	Op. profit EURm	Net profit EURm	EPS EUR	P/E (x)	P/B (x)	Cost/income %	ROE %	Div. yield %	DPS EUR
2020	0	0	0	0.00	0.0	0.0	0.0	0.0	0.0	0.00
2021	0	0	0	0.00	0.0	0.0	0.0	0.0	0.0	0.00
2022E	9	-8	-7	-0.08	-4.9	1.2	84.0	-24.6	0.0	0.00
2023E	17	2	1	0.02	23.2	1.1	57.9	4.9	0.0	0.00
2024E	23	5	4	0.05	7.8	1.0	47.6	13.3	0.0	0.00

All the important disclosures can be found on the last pages of this report.

Market cap, EURm	34	BV per share 2022E, EUR	0.3	CAGR EPS 2021-24, %	0.0
Equity 2022E, EURm	29	Loan losses 2022E, %	7.98	CAGR op. profit 2021-24, %	0.0
Total assets, 2022E, EURm	311	Tax rate 2022E, %	11.8	CAGR revenues 2021-24, %	0.0
Lending 2022E, EURm	160	Tier 1 ratio 2022E, %	14.2	CAGR DPS 2021-24, %	0.0
RWA 2022E, EURm	133	Capital ratio 2022E, %	18.8	PEG, P/E 22/CAGR	0.0

Fellow Bank	H1/'22	H2/'22E	2022E	2023E	2024E
Total income	2.4	7.1	9.5	17.3	22.9
<i>growth %</i>				82 %	33 %
Net interest income	2.5	6.8	9.3	17.7	24.1
Net fee income	0.0	0.3	0.3	-0.5	-1.2
Other operating income	-0.1	0.0	-0.1	0.0	0.0
-Trading income	-0.1	0.0	-0.1	0.0	0.0
Personnel expenses	-2.6	-2.8	-5.4	-5.9	-6.3
Other administrative expenses	-1.8	-1.0	-2.8	-2.1	-2.3
Depreciation and amortization	-0.3	-0.3	-0.6	-0.6	-0.7
Other operating expenses	-0.9	-0.7	-1.6	-1.4	-1.6
Total operating expenses	-5.6	-4.8	-10.4	-10.0	-10.9
Impairment of receivables	-4.2	-3.0	-7.2	-5.5	-6.6
Pre-tax profit	-7.4	-0.7	-8.1	1.8	5.4
Income taxes	0.8	0.1	0.9	-0.4	-1.1
Net earnings	-6.6	-0.5	-7.1	1.4	4.3
Loan book	115	160	160	205	266

Source: Fellow Bank, Evli Research estimates

## INTERIM FIGURES

EVLI ESTIMATES, EURm	2021Q1	2021Q2	2021Q3	2021Q4	2021	2022Q1	2022Q2	2022Q3E	2022Q4E	2022E	2023E	2024E
Net interest income	0	0	0	0	0	0	2	0	7	9	18	24
Net commission income	0	0	0	0	0	0	0	0	0	0	0	-1
Trading/items at fair value	0	0	0	0	0	0	0	0	0	0	0	0
Other income	0	0	0	0	0	0	0	0	0	0	0	0
Total income	0	0	0	0	0	0	2	0	7	9	17	23
Total costs	0	0	0	0	0	0	-6	0	-5	-10	-10	-11
Profit before loan losses	0	0	0	0	0	0	-3	0	2	-1	7	12
Loan losses	0	0	0	0	0	0	-4	0	-3	-7	-5	-7
Operating profit	0	0	0	0	0	0	-7	0	-1	-8	2	5
Taxes	0	0	0	0	0	0	1	0	0	1	0	-1
Minorities	0	0	0	0	0	0	0	0	0	0	0	0
Net profit	0	0	0	0	0	0	-7	0	-1	-7	1	4
EPS	0.00	0.00	0.00	0.00	0.00	0.00	-0.08	0.00	-0.01	-0.08	0.02	0.05
EPS adjusted (diluted no of shares)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

INCOME STATEMENT, EURm	2017	2018	2019	2020	2021	2022E	2023E	2024E
Net interest income	0	0	0	0	0	9	18	24
Net commission income	0	0	0	0	0	0	0	-1
Trading/items at fair value	0	0	0	0	0	0	0	0
Other income	0	0	0	0	0	0	0	0
Total income	0	0	0	0	0	9	17	23
<i>Income growth (%)</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>81.9</i>	<i>32.6</i>
Total costs	0	0	0	0	0	-10	-10	-11
<i>Costs growth (%)</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>-3.6</i>	<i>9.0</i>
Profit before loan losses	0	0	0	0	0	-1	7	12
Loan losses	0	0	0	0	0	-7	-5	-7
Operating profit	0	0	0	0	0	-8	2	5
<i>Operating profit growth (%)</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>-122.4</i>	<i>199.4</i>
Taxes	0	0	0	0	0	1	0	-1
Minorities	0	0	0	0	0	0	0	0
Net profit	0	0	0	0	0	-7	1	4
<b>BALANCE SHEET, EURm</b>								
Assets								
Lending to credit institutions	0	0	0	0	0	141	116	74
Lending to the public	0	0	0	0	0	160	205	266
<i>Growth (%)</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>28.0</i>	<i>30.0</i>
Interest-bearing securities	0	0	0	0	0	0	0	0
Other assets	0	0	0	0	0	3	3	3
Total Assets	0	0	0	0	0	311	331	350
<i>Growth (%)</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>6.3</i>	<i>5.8</i>
Liabilities								
Deposits by credit institutions	0	0	0	0	0	0	0	0
Deposits from the public	0	0	0	0	0	247	265	280
<i>Growth (%)</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>7.4</i>	<i>5.7</i>
Debt securities in issue	0	0	0	0	0	0	0	0
Subordinated loans	0	0	0	0	0	0	0	0
Other liabilities	0	0	0	0	0	36	36	36
Shareholders' equity	0	0	0	0	0	29	30	35
Total liabilities and equity	0	0	0	0	0	311	331	350

KEY FIGURES	2018	2019	2020	2021	2022E	2023E	2024E
M-cap	0	0	0	0	34	34	34
Total assets	0	0	0	0	311	331	350
Total income	0	0	0	0	9	17	23
Total costs	0	0	0	0	-10	-10	-11
Operating profit	0	0	0	0	-8	2	5
Net profit	0	0	0	0	-7	1	4
Equity	0	0	0	0	29	30	35
Tier 1 capital	0	0	0	0	19	21	25
Risk-weighted assets	0	0	0	0	133	167	213
Loans	0	0	0	0	160	205	266
<b>Valuation multiples</b>							
P/E	0.0	0.0	0.0	0.0	-4.7	23.2	7.8
P/E, adj.	0.0	0.0	0.0	0.0	-4.9	23.2	7.8
P/B	0.0	0.0	0.0	0.0	1.2	1.1	1.0
Dividend yield, %	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Target P/E	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Target P/B	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Per share measures</b>							
Number of shares	0	0	0	0	87,745	88,332	88,332
Number of shares (diluted)	0	0	0	0	87,745	88,332	88,332
EPS	0.00	0.00	0.00	0.00	-0.08	0.02	0.05
EPS, adj.	0.00	0.00	0.00	0.00	-0.08	0.02	0.05
Book value per share	0.00	0.00	0.00	0.00	0.33	0.34	0.39
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Dividend payout ratio %	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Financial ratios</b>							
ROE, %	0.0	0.0	0.0	0.0	-24.6	4.9	13.3
Adjusted ROE, %	0.0	0.0	0.0	0.0	-23.5	4.9	13.3
ROA, %	0.0	0.0	0.0	0.0	-4.6	0.5	1.3
Net interest margin, %	0.0	0.0	0.0	0.0	2.3	3.8	4.4
Cost/income, %	0.0	0.0	0.0	0.0	84.0	57.9	47.6
Loan losses/lending, %	0.00	0.00	0.00	0.00	7.98	2.99	2.80
Tier 1 ratio, %	0.0	0.0	0.0	0.0	14.2	12.3	11.9
Capital ratio, %	0.0	0.0	0.0	0.0	18.8	16.0	14.8
Equity/assets, %	0.0	0.0	0.0	0.0	9.3	9.2	9.9
Loans/assets, %	0.0	0.0	0.0	0.0	51.4	61.8	75.9
Tax rate, %	0.0	0.0	0.0	0.0	11.8	20.0	20.0
Number of employees, average	0	0	0	0	0	0	0
Income per employee, EUR	0	0	0	0	0	0	0
Op. profit per employee, EUR	0	0	0	0	0	0	0

COMPANY DESCRIPTION:

INVESTMENT CASE:

OWNERSHIP STRUCTURE	SHARES	EURm	%
Evli Oyj	15.288	5.807	17.3 %
Taaleri Oyj	15.288	5.807	17.3 %
TN Ventures Oy	5.497	2.088	6.2 %
Oy Prandium Ab	4.754	1.806	5.4 %
Oy Scripo Ab	4.754	1.806	5.4 %
Oy T&T Nordcap Ab	4.000	1.494	4.5 %
OP Finland Small Cap	2.510	1.289	3.8 %
Skandinaviska Enskilda Banken Abp	1.789	0.762	2.3 %
Rausanne Oy	1.618	0.436	1.3 %
Ingman Group Oy AB	1.477	0.426	1.3 %
Ten largest	56.914	21.721	64.7%
Residual	30.243	11.845	35.3%
Total			100%

EARNINGS CALENDAR

February 16, 2023

FY 2022 results

OTHER EVENTS

COMPANY MISCELLANEOUS

CEO: Teemu Nyholm

CFO: Kukka Lehtimäki

IR:

Tel:

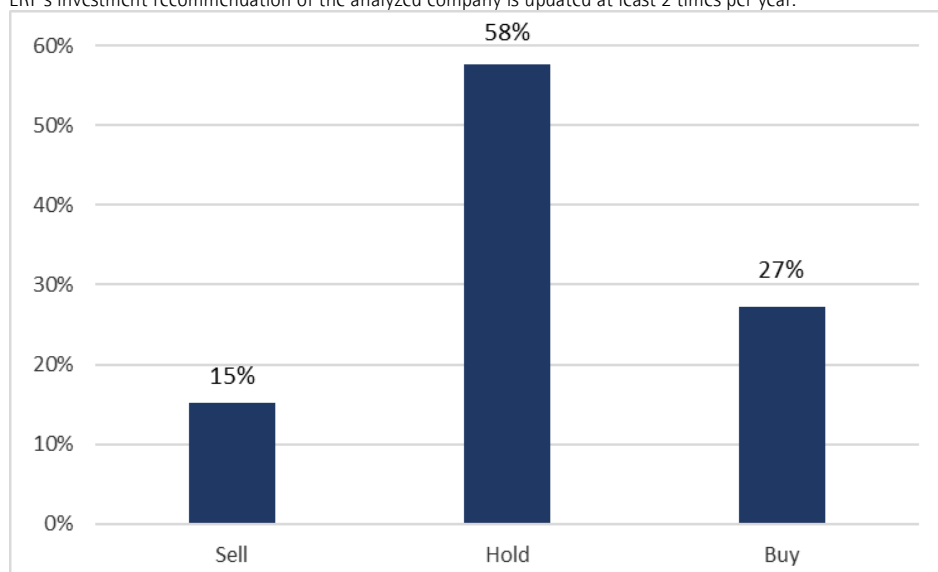
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Target price compared to share price	Recommendation
< -10 %	SELL
-10 – (+10) %	HOLD
> 10 %	BUY

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Name(s) of the analyst(s): Salokivi

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