

Significant challenges

Alisa Bank's equity story took a hit from challenges relating to strengthening of the capital structure and growth is delayed. We lower our TP to EUR 0.2 (0.37), rating now SELL (HOLD).

Capital structure strengthening not going as planned

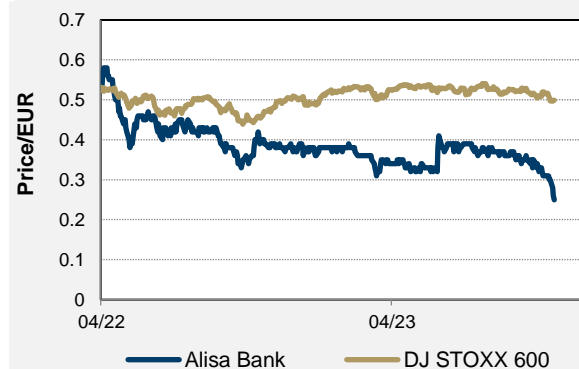
Alisa Bank issued a profit warning on October 24th in terms of its income development. Previously the company expected its income to increase in H2 compared with H1, now estimated to decrease. The bank's profit before non-recurring items is still estimated to be positive in 2023. Alisa Bank's procedures aimed at strengthening the capital structure have not progress on schedule due to the unfavourable market situation, earlier aimed for H2/2023. The decrease in income in H2 compared with H1 is due to the bank's capital adequacy target limiting lending, as well as prudence in lending, especially for business customers, where the weakened economic situation in particular for the construction sector is starting to show.

Clear setback to growth ambitions

The situation is a double-negative for Alisa Bank, as without a strengthening of the capital structure the capital adequacy targets hinder growth in the loan portfolio, while the market situation in itself is further unsupportive of growth. Based on the current outlook we assume that additional financing will be secured in 2024, delaying the growth ambitions significantly. We have as such lowered our coming year estimates notably.

SELL (HOLD) with a target price of EUR 0.2 (0.37)

With the challenges in strengthening the balance sheet, a severe dent is in made in the company's equity story, as the growth outlook and as such reaching any meaningful levels of profitability is delayed and highly uncertain. The company targets a ROE of over 15% by 2026. Without additional funding and related loan book growth potential, Alisa Bank will have a hard time achieving a ROE figure above the lower single digits. As such the current valuation (2023e P/B ~0.8x) is a stretch and with the uncertainty and risks related to the financing we lower our TP to EUR 0.2 (0.37) and lower our rating to SELL (HOLD).

Rating ■ SELL


Share price, EUR (Last trading day's closing price)	0.25
Target price, EUR	0.2
Latest change in recommendation	26-Oct-23
Latest report on company	21-Aug-23
Research paid by issuer:	YES
No. of shares outstanding, '000's	88,332
No. of shares fully diluted, '000's	88,332
Market cap, EURm	22
Free float, %	-
Exchange rate	-
Reuters code	ALISA.HE
Bloomberg code	ALISA FH
Average daily volume, EURm	-
Next interim report	-
Web site	alisabank.com
Analyst	Jerker Salokivi
E-mail	jerker.salokivi@evli.com
Telephone	+358 9 4766 9149

■ 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
2021	0	0	0	0.00	0.0	0.0	0.0	0.0	0.0	0.00
2022	10	-10	-9	-0.10	-3.6	1.2	113.1	-34.7	0.0	0.00
2023E	16	0	0	0.00	103.3	0.8	69.1	0.8	0.0	0.00
2024E	17	0	0	0.00	-303.8	0.8	69.3	-0.3	0.0	0.00
2025E	20	2	1	0.02	16.7	0.8	62.0	4.9	0.0	0.00

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

Market cap, EURm	22	BV per share 2023E, EUR	0.3	CAGR EPS 2022-25, %	0.0
Equity 2023E, EURm	26	Loan losses 2023E, %	2.83	CAGR op. profit 2022-25, %	0.0
Total assets, 2023E, EURm	295	Tax rate 2023E, %	40.7	CAGR revenues 2022-25, %	25.4
Lending 2023E, EURm	163	Tier 1 ratio 2023E, %	13.1	CAGR DPS 2022-25, %	0.0
RWA 2023E, EURm	135	Capital ratio 2023E, %	17.6	PEG, P/E 23/CAGR	0.0

ALISA BANK PEER GROUP	MCAP MEUR	P/B			P/E		
		23	24	25	23	24	25
Resurs Holding	462	0.7x	0.7x	0.6x	6.4x	6.5x	6.0x
TF Bank	296	2.1x	1.7x	1.3x	10.1x	8.1x	6.3x
Komplett	119	0.8x	0.9x	0.8x	57.1x	26.9x	9.9x
Instabank	53				8.7x	8.7x	5.8x
Lea Bank	79	0.6x	0.6x	0.6x	7.6x	7.0x	6.1x
Peer Group Average	292	1.1x	1.0x	0.8x	18.0x	11.5x	6.8x
Peer Group Median	208	0.7x	0.8x	0.7x	8.7x	8.1x	6.1x
Alisa Bank (Evli est.)	39	0.8x	0.8x	0.8x	103.1x	neg.	16.6x

Alisa Bank prem./disc. to peer median 7 % -4 % 0 % 1162 % 167 %

Source FactSet, Evli Research

ALISA BANK PEER GROUP		ROE-%			Div. yield		
		23	24	25	23	24	25
Resurs Holding		11.0 %	10.2 %	10.5 %	7.9 %	7.7 %	8.4 %
TF Bank		21.3 %	20.8 %	21.2 %	0.0 %	0.5 %	1.1 %
Komplett		1.4 %	3.2 %	8.0 %	0.0 %	0.6 %	2.4 %
Instabank					0.0 %	0.0 %	0.0 %
Lea Bank		8.5 %	8.8 %	9.6 %	6.6 %	7.7 %	8.8 %
Peer Group Average		10.5 %	10.8 %	12.3 %	2.9 %	3.3 %	4.1 %
Peer Group Median		9.7 %	9.5 %	10.0 %	0.0 %	0.6 %	2.4 %
Alisa Bank (Evli est.)		0.8 %	-0.3 %	4.9 %	0.0 %	0.0 %	0.0 %

Alisa Bank prem./disc. to peer median

Source FactSet, Evli Research

INTERIM FIGURES

EVLI ESTIMATES, EURm	2022Q1	2022Q2	2022Q3	2022Q4	2022	2023Q1	2023Q2	2023Q3E	2023Q4E	2023E	2024E	2025E
Net interest income	0	2	0	7	9	0	7	0	7	15	15	17
Net commission income	0	0	0	2	2	0	1	0	1	2	2	3
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	2	0	8	10	0	8	0	8	16	17	20
Total costs	0	-6	0	-6	-12	0	-6	0	-6	-11	-12	-12
Profit before loan losses	0	-3	0	2	-1	0	3	0	2	5	5	8
Loan losses	0	-4	0	-4	-8	0	-2	0	-2	-5	-5	-6
Operating profit	0	-7	0	-2	-10	0	0	0	0	0	0	2
Taxes	0	1	0	0	1	0	0	0	0	0	0	0
Minorities	0	0	0	0	0	0	0	0	0	0	0	0
Net profit	0	-7	0	-2	-9	0	0	0	0	0	0	1
EPS	0.00	-0.08	0.00	-0.03	-0.10	0.00	0.00	0.00	0.00	0.00	0.00	0.02
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	2018	2019	2020	2021	2022	2023E	2024E	2025E
Net interest income	0	0	0	0	9	15	15	17
Net commission income	0	0	0	0	2	2	2	3
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	10	16	17	20
<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>60.6</i>	<i>2.4</i>	<i>19.8</i>
Total costs	0	0	0	0	-12	-11	-12	-12
<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>-1.3</i>	<i>2.2</i>	<i>6.8</i>
Profit before loan losses	0	0	0	0	-1	5	5	8
Loan losses	0	0	0	0	-8	-5	-5	-6
Operating profit	0	0	0	0	-10	0	0	2
<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>-103.7</i>	<i>-122.4</i>	<i>-2,149.5</i>
Taxes	0	0	0	0	1	0	0	0
Minorities	0	0	0	0	0	0	0	0
Net profit	0	0	0	0	-9	0	0	1
BALANCE SHEET, EURm								
Assets								
Lending to credit institutions	0	0	0	0	126	122	112	96
Lending to the public	0	0	0	0	155	163	178	210
<i>Growth (%)</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>5.4</i>	<i>9.2</i>	<i>18.0</i>
Interest-bearing securities	0	0	0	0	0	0	0	0
Other assets	0	0	0	0	2	2	2	2
Total Assets	0	0	0	0	292	295	300	316
<i>Growth (%)</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>1.2</i>	<i>1.7</i>	<i>5.4</i>
Liabilities								
Deposits by credit institutions	0	0	0	0	0	0	0	0
Deposits from the public	0	0	0	0	247	250	255	270
<i>Growth (%)</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>1.3</i>	<i>2.0</i>	<i>5.9</i>
Debt securities in issue	0	0	0	0	0	0	0	0
Subordinated loans	0	0	0	0	6	6	6	6
Other liabilities	0	0	0	0	13	13	13	13
Shareholders' equity	0	0	0	0	26	26	26	28
Total liabilities and equity	0	0	0	0	292	295	300	316

KEY FIGURES	2019	2020	2021	2022	2023E	2024E	2025E
M-cap	0	0	0	32	22	22	22
Total assets	0	0	0	292	295	300	316
Total income	0	0	0	10	16	17	20
Total costs	0	0	0	-12	-11	-12	-12
Operating profit	0	0	0	-10	0	0	2
Net profit	0	0	0	-9	0	0	1
Equity	0	0	0	26	26	26	28
Tier 1 capital	0	0	0	18	18	18	19
Risk-weighted assets	0	0	0	140	135	147	171
Loans	0	0	0	155	163	178	210
Valuation multiples							
P/E	0.0	0.0	0.0	-3.5	103.3	-303.8	16.7
P/E, adj.	0.0	0.0	0.0	-3.6	103.3	-303.8	16.7
P/B	0.0	0.0	0.0	1.2	0.8	0.8	0.8
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
Per share measures							
Number of shares	0	0	0	87,745	88,332	88,332	88,332
Number of shares (diluted)	0	0	0	87,745	88,332	88,332	88,332
EPS	0.00	0.00	0.00	-0.10	0.00	0.00	0.02
EPS, adj.	0.00	0.00	0.00	-0.10	0.00	0.00	0.02
Book value per share	0.00	0.00	0.00	0.29	0.30	0.30	0.31
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
Financial ratios							
ROE, %	0.0	0.0	0.0	-34.7	0.8	-0.3	4.9
Adjusted ROE, %	0.0	0.0	0.0	-33.5	0.8	-0.3	4.9
ROA, %	0.0	0.0	0.0	-6.2	0.1	0.0	0.4
Net interest margin, %	0.0	0.0	0.0	2.3	3.5	3.4	3.6
Cost/income, %	0.0	0.0	0.0	113.1	69.1	69.3	62.0
Loan losses/lending, %	0.00	0.00	0.00	9.04	2.83	3.06	3.20
Tier 1 ratio, %	0.0	0.0	0.0	12.6	13.1	12.0	11.1
Capital ratio, %	0.0	0.0	0.0	16.9	17.6	16.2	14.7
Equity/assets, %	0.0	0.0	0.0	8.9	8.9	8.8	8.7
Loans/assets, %	0.0	0.0	0.0	53.0	55.2	59.3	66.4
Tax rate, %	0.0	0.0	0.0	7.0	40.7	10.1	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	5.639	17.3 %
Taaleri Oyj	15.288	5.639	17.3 %
TN Ventures Oy	5.497	2.027	6.2 %
Oy Prandium Ab	4.754	1.754	5.4 %
Oy Scripo Ab	4.754	1.754	5.4 %
Oy T&T Nordcap Ab	3.939	1.454	4.5 %
OP Finland Small Cap	3.402	1.255	3.9 %
Skandinaviska Enskilda Banken Abp	1.369	0.505	1.6 %
Rausanne Oy	1.248	0.460	1.4 %
Avensis Capital Oy	0.905	0.332	1.0 %
Ten largest	56.444	20.819	63.9 %
Residual	31.888	11.776	26.1 %
Total	88.331	32.595	100%

EARNINGS CALENDAR

OTHER EVENTS

COMPANY MISCELLANEOUS

CEO: Teemu Nyholm

CFO: Kukka Lehtimäki

IR:

Tel:

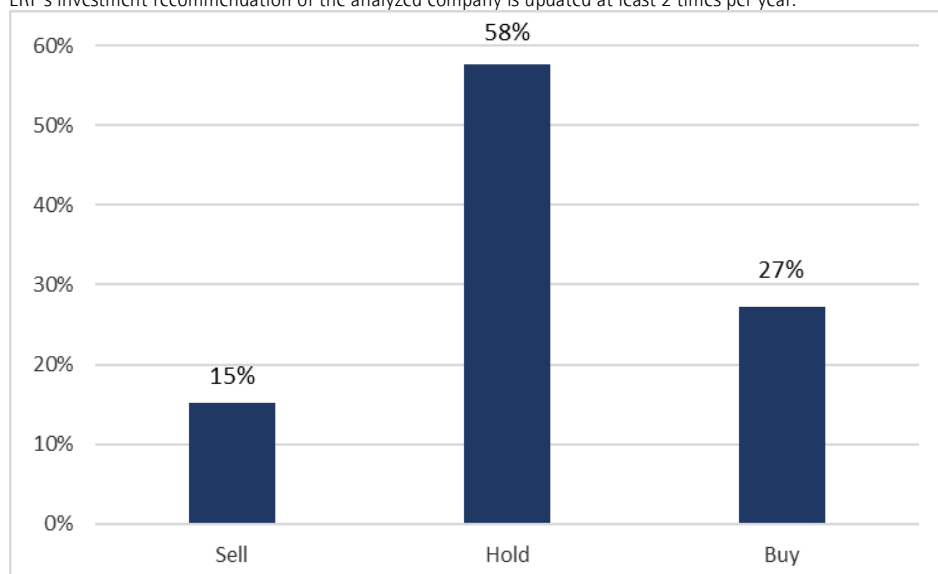
Important Disclosures

Evli Research Partners Plc ("ERP") uses 12-month target prices. Target prices are defined by utilizing analytical techniques based on financial theory including (but not limited to) discounted cash flow analysis and comparative valuation. The selection of valuation methods depends on different circumstances. Target prices may be altered on the basis of new information coming to light in the underlying company or changes in interest rates, changes in foreign exchange rates, other securities prices or market indices or outlook for the aforementioned factors or other factors that may change the conditions of financial markets. Recommendations and changes by analysts are available at [Analysts' recommendations and ratings revisions](#).

Investment recommendations are defined as follows:

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

ERP's investment recommendation of the analyzed company is updated at least 2 times per year.



The graph above shows the distribution of ERP's recommendations of companies under coverage in 11th of May 2020. If recommendation is not given, it is not mentioned here.

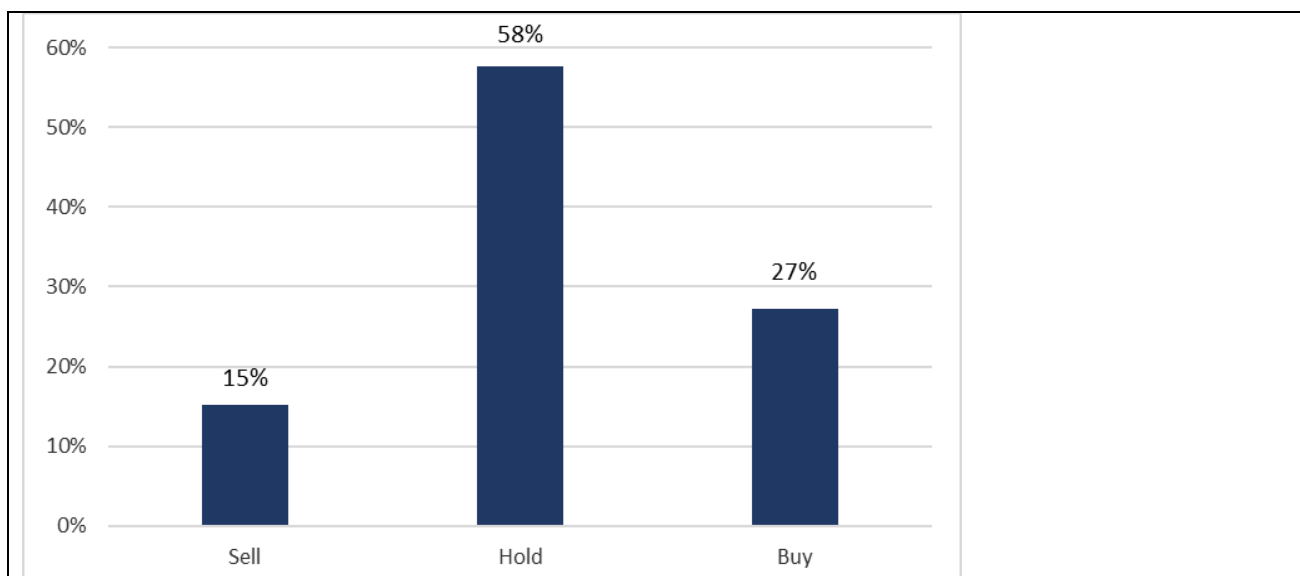
Important Disclosures

Evli Research Partners Plc ("ERP") uses 12-month target prices. Target prices are defined by utilizing analytical techniques based on financial theory including (but not limited to) discounted cash flow analysis and comparative valuation. The selection of valuation methods depends on different circumstances. Target prices may be altered on the basis of new information coming to light in the underlying company or changes in interest rates, changes in foreign exchange rates, other securities prices or market indices or outlook for the aforementioned factors or other factors that may change the conditions of financial markets. Recommendations and changes by analysts are available at [Analysts' recommendations and ratings revisions](#).

Investment recommendations are defined as follows:

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

ERP's investment recommendation of the analyzed company is updated at least 2 times per year.



The graph above shows the distribution of ERP's recommendations of companies under coverage in 11th of May 2020. If recommendation is not given, it is not mentioned here.

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

This research report has been prepared by Evli Research Partners Plc ("ERP" or "Evli Research"). ERP is a subsidiary of Evli Plc. Production of the investment recommendation has been concluded on 26.10.2023, 6:15. This report has been published on 26.10.2023, 9:40.

None of the analysts contributing to this report, persons under their guardianship or corporations under their control have a position in the shares of the company or related securities.

The date and time for any price of financial instruments mentioned in the recommendation refer to the previous trading day's closing price(s) unless otherwise stated in the report.

Each analyst responsible for the content of this report assures that the expressed views accurately reflect the personal views of each analyst on the covered companies and securities. Each analyst assures that (s)he has not been, nor are or will be, receiving direct or indirect compensation related to the specific recommendations or views contained in this report.

Companies in the Evli Group, affiliates or staff of companies in the Evli Group, may perform services for, solicit business from, hold long or short positions in, or otherwise be interested in the investments (including derivatives) of any company mentioned in the publication or report. As of the 2.10.2023 Evli Plc held 17.3% of the shares outstanding of the issuer.

Evli Corporate Finance has managed or co-managed a public offering of the company's securities during the last 12 months prior to, received compensation for investment banking services from the company during the last 12 months prior to the publication of the research report. Evli Bank Plc demerged partially on 2 April, 2022. In connection of the demerger, all assets, liabilities and agreements relating to its asset management services, custody, clearing and settlement, and trading services and their support services transfer to Evli Plc. Alisa Bank Plc (Fellow Bank Plc) was created at the same time when Fellow Finance Plc merged with Evli Bank Plc and changed its name to Fellow Bank Plc. Before the merger, Evli's Corporate Finance acted as the certified advisor for Fellow Finance Plc.

ERP has signed an agreement with the issuer of the financial instruments mentioned in the recommendation, which includes production of research reports. This assignment has a limited economic and financial impact on ERP and/or Evli. Under the assignment ERP performs services including, but not limited to, arranging investor meetings or –events, investor relations communication advisory and production of research material.

ERP or another company within the Evli Group does not have an agreement with the company to perform market making or liquidity providing services.

For the prevention and avoidance of conflicts of interests with respect to this report, there is an information barrier (Chinese wall) between Investment Research and Corporate Finance units concerning unpublished investment banking services to the company. The remuneration of the analyst(s) is not tied directly or indirectly to investment banking transactions or other services performed by Evli Plc or any company within Evli Group.

This report has not been disclosed to the company prior to its dissemination.

This report is provided and intended for informational purposes only and may not be used or considered under any circumstances as an offer to sell or buy any securities or as advice to trade any securities.

This report is based on sources ERP considers to be correct and reliable. The sources include information providers Reuters and Bloomberg, stock-exchange releases from the companies and other company news, Statistics Finland and articles in newspapers and magazines. However, ERP does not guarantee the materialization, correctness, accuracy or completeness of the information, opinions, estimates or forecasts expressed or implied in the report. In addition,

circumstantial changes may have an influence on opinions and estimates presented in this report. The opinions and estimates presented are valid at the moment of their publication and they can be changed without a separate announcement. Neither ERP nor any company within the Evli Group are responsible for amending, correcting or updating any information, opinions or estimates contained in this report. Neither ERP nor any company within the Evli Group will compensate any direct or consequential loss caused by or derived from the use of the information represented in this publication.

All information published in this report is for the original recipient's private and internal use only. ERP reserves all rights to the report. No part of this publication may be reproduced or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, or stored in any retrieval system of any nature, without the written permission of ERP.

This report or its copy may not be published or distributed in Australia, Canada, Hong Kong, Japan, New Zealand, Singapore or South Africa. The publication or distribution of this report in certain other jurisdictions may also be restricted by law. Persons into whose possession this report comes are required to inform themselves about and to observe any such restrictions.

Evli Plc is not registered as a broker-dealer with the U. S. Securities and Exchange Commission ("SEC"), and it and its analysts are not subject to SEC rules on securities analysts' certification as to the currency of their views reflected in the research report. Evli is not a member of the Financial Industry Regulatory Authority ("FINRA"). It and its securities analysts are not subject to FINRA's rules on Communications with the Public and Research Analysts and Research Reports and the attendant requirements for fairness, balance and disclosure of potential conflicts of interest. This research report is only being offered in U.S. by Auerbach Grayson Et Company, LLC (Auerbach Grayson) to Major U.S. Institutional Investors and is not available to, and should not be used by, any U.S. person or entity that is not a Major U.S. Institutional Investor. Auerbach Grayson is a broker-dealer registered with the U.S. Securities and Exchange Commission and is a member of the FINRA. U.S. entities seeking more information about any of the issuers or securities discussed in this report should contact Auerbach Grayson. The securities of non-U.S. issuers may not be registered with or subject to SEC reporting and other requirements.

ERP is not a supervised entity but its parent company Evli Plc is supervised by the Finnish Financial Supervision Authority.

Contact information**SALES, TRADING AND RESEARCH****Equity, ETF and Derivatives Sales**

Joachim Dannberg	+358 9 4766 9123
Ari Laine	+358 9 4766 9115
Kimmo Lilja	+358 9 4766 9130

Trading

Lauri Vehkaluoto (Head)	+358 9 4766 9120
Pasi Väisänen	+358 9 4766 9120
Antti Kässi	+358 9 4766 9120
Miika Ronkanen	+358 9 4766 9120

Structured Investments

Heikki Savijoki	+358 9 4766 9726
Aki Lakkisto	+358 9 4766 9123

Equity Research

Arttu Heikura	+358 40 082 8098
Joonas Ilvonen	+358 44 430 9071
Jerker Salokivi	+358 9 4766 9149

Evli Investment Solutions

Johannes Asuja	+358 9 4766 9205
----------------	------------------



EVLI PLC
Aleksanterinkatu 19 A
P.O. Box 1081
FIN-00101 Helsinki, FINLAND
Phone +358 9 476 690
Internet www.evli.com
E-mail firstname.lastname@evli.com

**EVLI PLC,
STOCKHOLMSFILIAL**
Regeringsgatan 67 P.O. Box 16354
SE-103 26 Stockholm
Sverige
stockholm@evli.com
Tel +46 (0)8 407 8000