

Decent start to banking operations

Fellow Bank's H1 figures were weak due to ECL changes driven by the loan book growth and non-recurring items but operatively decent. Additional capital (T2) is sought to support growth. Early growth figures look promising and profitability scaling potential remains, albeit at a slower pace than we previously expected.

Weak H1 earnings but operatively decent figures

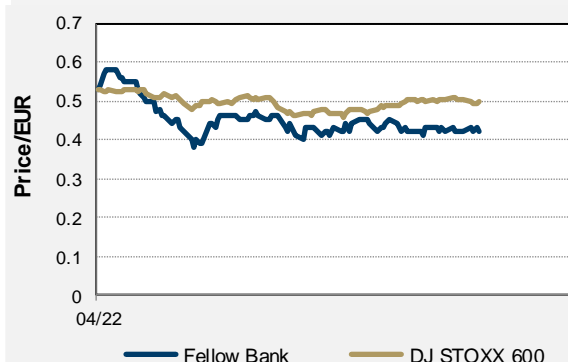
Fellow Bank reported H1 results which operatively were slightly better than we estimated but the change in expected credit losses due to the loan book growth clearly exceeded our expectations and as such the profitability was below expectations (PTP act./Evli EUR -7.4m/-2.3m). Realized credit losses were on a moderate level (EUR 0.7m). Total income of EUR 2.4m (Evli EUR 2.8m) was skewed by the old P2P loans while NII of EUR 2.5m exceeded our expectations (Evli EUR 2.0m). Total OPEX excl. non-recurring items was quite in line with our expectations. After starting the banking operations, Fellow Bank's business lending and consumer lending volumes increased by 49% and 35% respectively compared with the beginning of the year, supported by competitiveness of the new operating model.

Additional capital needed to support loan book growth

Fellow Bank estimates that the loss in H2 will be clearly smaller than in H1. Potential for positive monthly profit levels during H1/23 is seen, assuming a loan portfolio of around EUR 180m and the bank's estimated cost level and lending interest margin. The total capital ratio was at 19.4% and the need for additional capital to continue growth kicked in sooner than we anticipated due to the H1 losses. Fellow Bank announced actions aiming at the issue of a Tier 2 debenture in the early autumn.

HOLD with a target price of EUR 0.42

Apart from the clear difference to our estimates in the non-cash ECL changes and the faster than anticipated need for additional capital, performance was quite as expected, and growth figures look promising. Profitability scaling due to growth ambitions appears slightly slower than we previously anticipated but intact. We retain our HOLD-rating and TP of EUR 0.42.

Rating 🟡 HOLD

 Share price, EUR (Last trading day's closing price) 0.42

 Target price, EUR 0.42

 Latest change in recommendation 07-Jun-22

 Latest report on company 07-Jun-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 37

 Free float, % -

 Exchange rate -

 Reuters code FELLOW.HE

 Bloomberg code FELLOW FH

 Average daily volume, EURm -

 Next interim report -

 Web site www.fellowbank.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
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	-9	-8	-0.08	-4.9	1.3	92.1	-27.5	0.0	0.00
2023E	17	2	1	0.02	27.9	1.3	59.1	4.6	0.0	0.00
2024E	23	5	4	0.05	9.1	1.1	48.2	12.9	0.0	0.00

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

Market cap, EURm	37	BV per share 2022E, EUR	0.3	CAGR EPS 2021-24, %	0.0
Equity 2022E, EURm	28	Loan losses 2022E, %	8.20	CAGR op. profit 2021-24, %	0.0
Total assets, 2022E, EURm	295	Tax rate 2022E, %	12.5	CAGR revenues 2021-24, %	0.0
Lending 2022E, EURm	155	Tier 1 ratio 2022E, %	14.1	CAGR DPS 2021-24, %	0.0
RWA 2022E, EURm	129	Capital ratio 2022E, %	20.3	PEG, P/E 22/CAGR	0.0

Fellow Bank	H1/'22E	H2/'22E	2022E	2023E	2024E
Total income	2.4	6.3	8.7	16.9	22.6
<i>growth %</i>				95 %	34 %
Net interest income	2.5	6.0	8.5	17.4	23.8
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	-5.3	-6.6
Pre-tax profit	-7.4	-1.5	-8.9	1.7	5.1
Income taxes	0.8	0.3	1.1	-0.3	-1.0
Net earnings	-6.6	-1.2	-7.8	1.3	4.1
Loan book	115	155	155	209	272

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	6	8	17	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	6	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	1	-2	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	-2	-9	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	-8	1	4
EPS	0.00	0.00	0.00	0.00	0.00	0.00	-0.08	0.00	-0.01	-0.09	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	8	17	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>95.5</i>	<i>33.5</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	-2	7	12
Loan losses	0	0	0	0	0	-7	-5	-7
Operating profit	0	0	0	0	0	-9	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>-118.7</i>	<i>206.6</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	-8	1	4
BALANCE SHEET, EURm								
Assets								
Lending to credit institutions	0	0	0	0	0	130	97	68
Lending to the public	0	0	0	0	0	155	209	272
<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>35.0</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	295	317	351
<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>7.2</i>	<i>10.8</i>
Liabilities								
Deposits by credit institutions	0	0	0	0	0	0	0	0
Deposits from the public	0	0	0	0	0	230	250	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>8.7</i>	<i>12.0</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	37	37	37
Shareholders' equity	0	0	0	0	0	28	30	34
Total liabilities and equity	0	0	0	0	0	295	317	351

KEY FIGURES	2018	2019	2020	2021	2022E	2023E	2024E
M-cap	0	0	0	0	37	37	37
Total assets	0	0	0	0	295	317	351
Total income	0	0	0	0	9	17	23
Total costs	0	0	0	0	-10	-10	-11
Operating profit	0	0	0	0	-9	2	5
Net profit	0	0	0	0	-8	1	4
Equity	0	0	0	0	28	30	34
Tier 1 capital	0	0	0	0	18	20	24
Risk-weighted assets	0	0	0	0	129	170	217
Loans	0	0	0	0	155	209	272
Valuation multiples							
P/E	0.0	0.0	0.0	0.0	-4.7	27.9	9.1
P/E, adj.	0.0	0.0	0.0	0.0	-4.9	27.9	9.1
P/B	0.0	0.0	0.0	0.0	1.3	1.3	1.1
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	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	-0.09	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	0.32	0.33	0.38
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	0.0	-27.5	4.6	12.9
Adjusted ROE, %	0.0	0.0	0.0	0.0	-26.4	4.6	12.9
ROA, %	0.0	0.0	0.0	0.0	-5.3	0.4	1.2
Net interest margin, %	0.0	0.0	0.0	0.0	2.2	3.8	4.3
Cost/income, %	0.0	0.0	0.0	0.0	92.1	59.1	48.2
Loan losses/lending, %	0.00	0.00	0.00	0.00	8.20	2.89	2.75
Tier 1 ratio, %	0.0	0.0	0.0	0.0	14.1	11.6	11.2
Capital ratio, %	0.0	0.0	0.0	0.0	20.3	16.3	14.9
Equity/assets, %	0.0	0.0	0.0	0.0	9.6	9.3	9.6
Loans/assets, %	0.0	0.0	0.0	0.0	52.5	66.1	77.6
Tax rate, %	0.0	0.0	0.0	0.0	12.5	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	6.548	17.3 %
Taaleri Oyj	15.288	6.548	17.3 %
TN Ventures Oy	5.497	2.354	6.2 %
Oy Prandium Ab	4.754	2.036	5.4 %
Oy Scripo Ab	4.754	2.036	5.4 %
Oy T&T Nordcap Ab	3.939	1.684	4.5 %
Ingman Group Oy Ab	2.510	1.075	2.8 %
OP-Suomi Mikroyhtiot Erikoissijoitusrahasto	1.789	0.765	2.0 %
Op-Suomi Pienyhtiot	1.618	0.693	1.8 %
Oy Fincorp Ab	1.477	0.632	1.7 %
Ten largest	56.914	24.371	64.4%
Residual	30.243	13.479	35.6%
Total			100%

EARNINGS CALENDAR

OTHER EVENTS

COMPANY MISCELLANEOUS

CEO: Teemu Nyholm

CFO: Kukka Lehtimäki

IR:

Tel:

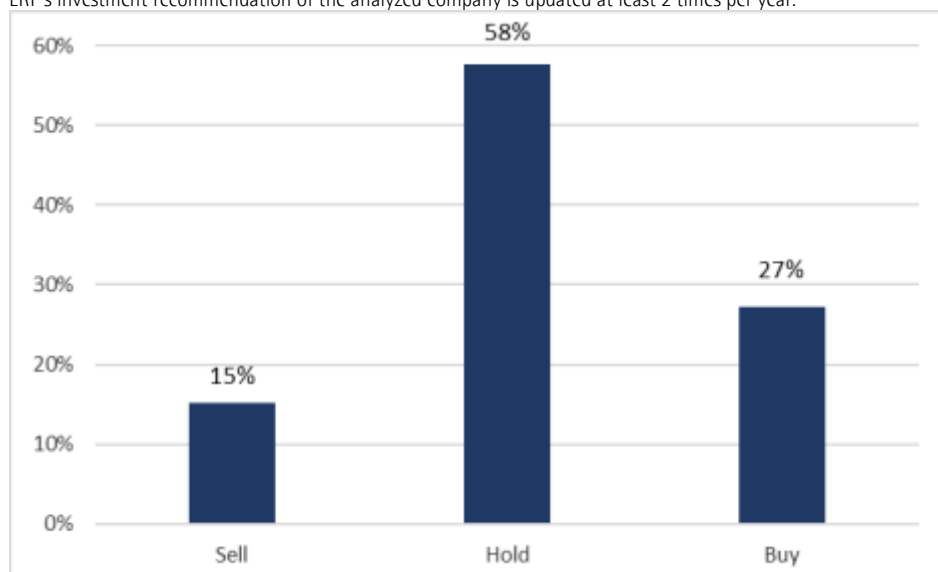
Important Disclosures

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.

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 26.8.2022, 8:20. This report has been published on 26.8.2022, 9:30.

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 1.8.2022 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. 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 & 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