

Nordea

Company report

10/18/2024



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✓ Inderes corporate customer

This report is a summary translation of the report "Kaikin puolin väkevä kvartaali" published on 10/17/2024 at 9:45 pm EEST

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A solid quarter by all accounts

On Thursday, Nordea announced a Q3 result that was better than we expected. The bank's net interest income and fee and commission income developed in line with forecasts, but changes in fair value and cost levels led to a positive surprise. At the same time, Nordea revised upwards its profitability guidance for the current year. We have slightly lowered our forecasts for net interest income in the coming years, but our view on the company and its earnings outlook has remained virtually unchanged. In our view, Nordea is still cheaply priced and the expected return looks attractive. We reiterate our EUR 12.5 target price and Buy recommendation.

Interest rate cuts not yet reflected in the numbers

As expected, Nordea's net interest income declined slightly for the first time also at an annual level, despite a slight pick-up in lending. Net fee and commission income was also in line with our estimates, supported by an increase in AUM in asset and wealth management. However, the positive impact of fair value changes on the result was higher than expected. Meanwhile, operating expenses and net loan losses were more moderate than forecast. As a result, Nordea's Q3 EBIT exceeded our forecast by around 3%. Earnings per share were EUR 0.36 and return on equity was an excellent 16.7%. At the same time, Nordea raised its profitability guidance for the current year and now expects the bank's return on equity to exceed 16% instead of the previous 15%. Our own estimates currently put the return on equity at 16.4%. Nordea also announced that the ECB has approved the bank's application to launch a share buyback program. The program, which is now launched, amounts to 250 MEUR and will end no later than the end of February 2025.

Adjustments to net interest income projections

We have refined our forecasts following the Q3 report. The main forecast changes were in net interest income, where we lowered our forecast for the coming years by approximately 3-4%. The impact on our EBIT forecast was similar. However, this is not a dramatic change in the outlook, as even small changes in the net interest margin lead to moderately large differences in the forecasts. Despite the forecast changes, our view of the company has remained unchanged. Overall, we expect Nordea's EBIT to decline in line with interest rates, but the return on equity (ROE) to still remain at around 15% next year. Thereafter, we forecast ROE to decline to around 14%, which we consider to be a sustainable level for Nordea even in a lower market rate environment. As the net interest income declines, the bank's results will be supported by an increase in fee and commission income, especially in asset and wealth management. Profit distribution remains strong in our forecasts, and we expect the bank's total profit distribution to be around 85% of the result in the next few years.

Valuation not challenging

Nordea is currently valued at a P/B ratio of 1.2x. Like the rest of the banking sector, the valuation is low and paints an unnecessarily pessimistic picture of the company's earnings development. In our view, an acceptable valuation range for Nordea is around 1.4-1.5x, which would correspond to a value of EUR 12.3-13.1 per share. Similarly, relative to a peer group with a lower return on capital, the valuation can be considered unduly low. We therefore see clear upside in the valuation levels, which together with the profit distribution of approximately 10% offer investors an excellent expected return at the current share price with a moderate risk level.

Recommendation

Buy

(was Buy)

EUR 12.50

(was EUR 12.50)

Share price:

11.05



Key figures

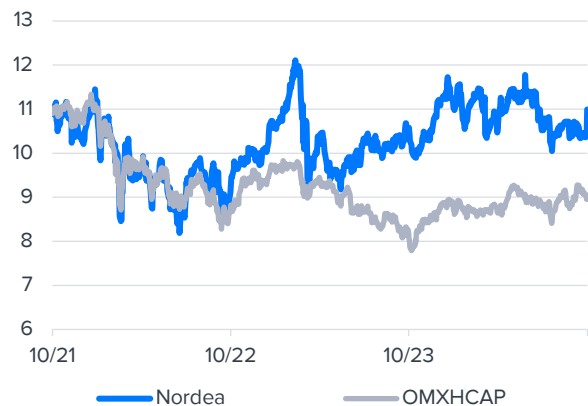
	2023	2024e	2025e	2026e
Total operating income	11,743	12,122	11,940	11,893
growth-%	21%	3%	-2%	0%
Total operating expenses	5,238	5,307	5,457	5,584
Cost/income ratio	45%	44%	46%	47%
Adjusted operating profit	6,515	6,598	6,094	5,946
Net profit	4,934	5,074	4,694	4,578
EPS (adj.)	1.42	1.46	1.36	1.35
Dividend per share	0.92	0.94	0.89	0.89
Payout ratio	65%	65%	65%	66%
ROE-%	17%	16%	15%	14%
P/E (adj.)	7.6	8.2	8.2	7.7
P/B	1.2	1.2	1.1	1.1
Dividend yield	8.5 %	8.0 %	8.0 %	8.5 %

Guidance

(Upgraded)

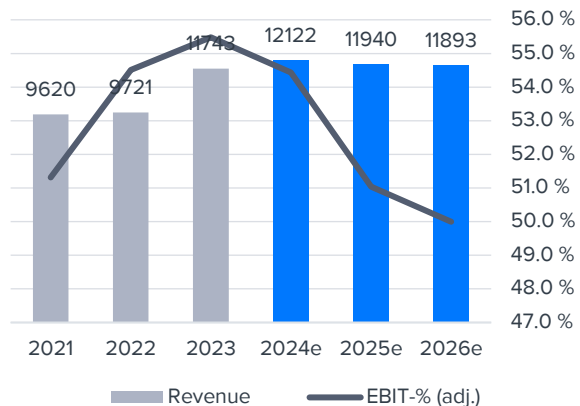
Nordea expects its return on equity to exceed 16% in 2024.

Share price



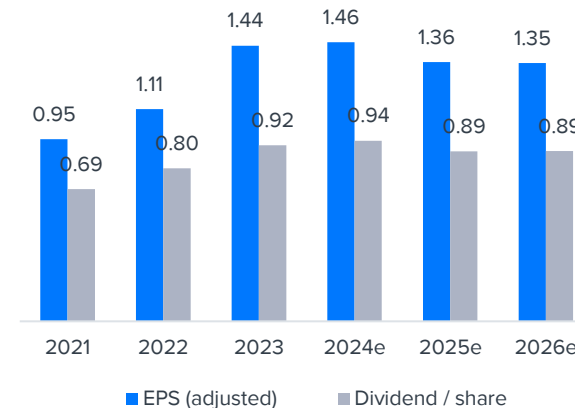
Source: Millstream Market Data AB

Revenue and EBIT-%



Source: Inderes

EPS and dividend



Source: Inderes



Value drivers

- Rising interest rates and net interest income
- Winning market shares
- Growth in asset management
- Retention for improved cost efficiency
- Efficient use of capital and generous profit distribution



Risk factors

- Risks related to general economic development in the Nordic region
- Decrease in interest rates
- Development of housing and real estate markets
- Regulatory risks
- General capital market development

Valuation	2024e	2025e	2026e
Share price	11.1	11.1	11.1
Number of shares, millions	3,504	3,463	3,393
Market cap	38,631	37,990	36,984
P/E (adj.)	7.6	8.2	8.2
P/B	1.2	1.2	1.1
Dividend yield-%	8.5 %	8.0 %	8.0 %

Source: Inderes

Interest rate cuts not yet reflected in numbers

No surprises in the main income lines

As expected, Nordea's net interest income declined slightly for the first time also at an annual level. As in previous quarters, the biggest negative impact came from higher deposit costs. There was a slight pick-up in lending as the credit portfolio grew by 0.6% compared to the previous quarter. However, maintaining stable net interest income in the coming years would require a significant increase in the credit portfolio, as falling market interest rates create a headwind for net interest income progress. We do not consider this realistic, and our forecast is for net interest income to continue to decline in 2025-2026.

Net fee and commission income was also in line with our forecast. The growth in net fee and commission income was supported by an increase in assets under management in asset and wealth

management. Customer assets under management increased as a result of both value changes and successful new sales. However, the positive impact of fair value changes on the result was higher than expected. Nordea's total operating income in Q3 increased by 2% year-on-year to 3,014 MEUR.

Profitability is still top notch

In addition to wage inflation, Nordea's cost level has been increased this year by the company's investments in risk management and the bank's technological development. In addition, the integration of the acquired Danske Bank business in Norway has resulted in more one-off costs. However, the operating cost level in Q3 fell slightly short of our expectations, as operating expenses increased by 11% year-on-year. Q3 expenses included a 32 MEUR sanction fee in the US.

Net loan losses for the quarter amounted to 51 MEUR (0.06% of the credit portfolio), which was slightly below our expectations. According to Nordea, the credit losses were mainly driven by loans to small and medium-sized enterprises. At the same time, the management judgment buffer was reduced by 30 MEUR, as the bank sees a positive trend in the risk level of the loans. Adjusted for this, the loan losses would have been close to the normal level estimated by the bank. The size of the remaining buffer is now 464 MEUR. There was no significant deterioration in the quality of the credit portfolio in Q3.

As a result of costs that were lower than we expected, Nordea's Q3 EBIT exceeded our forecast by around 3%. Earnings per share were EUR 0.36 and return on equity was an excellent 16.7%.

Estimates MEUR / EUR	Q3'23	Q3'24	Q3'24e	Q3'24e	Consensus		Difference (%)	2024e
	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. Inderes	Inderes
Net interest income	1,909	1,882	1,886	1,879	1,850 - 1,914		0%	7,596
Net commission income	742	774	784	780	764 - 808		-1%	3,135
Net result from items at fair value	225	284	263	239	208 - 263		8%	1,085
Other income	76	74	72	58	50 - 61		3%	307
Total operating income	2,952	3,014	3,005	2,974	2,925 - 3,022		0%	12,122
Total operating expenses	-1,194	-1,329	-1,356	-1,311	-1,246 - -1,346		-2%	-5,307
Net loan losses	-33	-51	-69	-74	-43 - -113		-27%	-248
Operating profit	1,725	1,634	1,580	1,577	1,487 - 1,659		3%	6,567
EPS	0.38	0.36	0.35	0.35	0.33 - 0.36		4%	1.45

Source: Inderes & Bloomberg (consensus)

Nordea Q3'24: Strong performance continues



Earnings guidance raised to meet our estimates

Nordea's common equity tier 1 ratio (CET1) was 15.8% at the end of the quarter (Q2'24: 17.5), which was approximately 0.8% above the bank's target level. The ratio was reduced by the already previously communicated implementation of a new retail risk model.

Earnings guidance raised for the year

The key question for Nordea's profitability development in the coming years is, of course, the outlook for net interest income. In the Q3 report, Nordea did not change its assessment of the magnitude of the impact of the ongoing central bank rate cuts on its net interest income. This is probably attributable to the hedging measures, which have remained more or less stable.

Instead, the bank raised its profitability guidance for the current year by a notch. Nordea now expects its

return on equity to exceed 16% instead of the previous 15%. Our own estimates currently put the return on equity at 16.4%.

Additionally, Nordea announced that the ECB has approved the bank's application to launch a share buyback program. The program, which is now launched, amounts to 250 MEUR and will end no later than the end of February 2025.

No significant impact expected from disruptive events

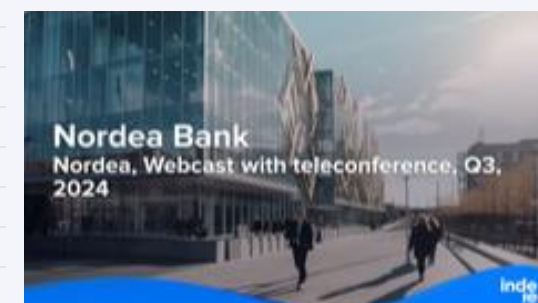
The issue of denial-of-service attacks and the resulting disruptions experienced by the bank was not the main topic of the reporting day, but the discussion on the earnings call focused heavily on the outlook for net interest income and profit distribution. During our interviews, however, management indicated that protecting against

disturbances does not impose material additional costs or investment needs on the bank. For the time being, we do not expect any other material impact on Nordea's business from this, but we estimate that if the challenges are prolonged, they could lead to at least moderate customer turnover.

Inderes vs. consensus MEUR / EUR	2024e	2024e	Diff %	2025e	2025e	Diff %	2026e	2026e	Diff %
	Cons.	Inderes		Cons.	Inderes		Cons.	Inderes	
Net interest income	7,599	7,596	0%	7,315	7,256	-1%	7,220	7,072	-2%
Net commission income	3,136	3,135	0%	3,305	3,316	0%	3,458	3,437	-1%
Net result from items at fair value	1,015	1,085	7%	1,018	1,060	4%	1,034	1,081	5%
Total operating income	12,079	12,122	0%	11,978	11,940	0%	12,047	11,893	-1%
Total operating expenses	-5,279	-5,307	1%	-5,419	-5,457	1%	-5,528	-5,584	1%
Net loan losses	-303	-248	-18%	-343	-389	14%	-343	-363	6%
Operating profit	6,529	6,567	1%	6,247	6,094	-2%	6,215	5,946	-4%
Operating profit excl. non-rec. items	-	6,598	-	-	6,094	-	-	5,946	-
EPS (adj.)	1.42	1.46	2%	1.38	1.36	-2%	1.40	1.35	-4%
Dividend per share	0.97	0.94	-3%	0.96	0.89	-8%	0.97	0.89	-8%

Source: Inderes, Bloomberg (konsensus)

Nordea, Webcast with teleconference, Q3'24



Slight decline in return estimates

We have refined our forecasts following the Q3 report. The main forecast changes were in net interest income, where we lowered our forecast for the coming years by approximately 3-4%. The impact on our EBIT forecast was similar. However, this is not a dramatic change in the outlook, as even small changes in the net interest margin lead to moderately large differences in the forecasts. Despite the forecast changes, our view of the company has remained unchanged.

Overall, we expect Nordea's EBIT to decline in line with interest rates, but the return on equity to still remain close to the company's target of 15% next year. Thereafter, we forecast ROE to decline to around 14%, which we consider to be a sustainable level for Nordea even in a lower market rate environment. As the net interest income declines, the bank's results will be supported by an increase in fee and commission income, especially in asset and wealth management.

Falling interest rates hurt returns

In our forecasts, we continue to assume that 3-month Euribor rates will settle in a range of 2-3% over the long term, in line with current market forecasts. Our net interest income projections for 2026 should therefore already reflect a fairly sustainable level of net interest income. From then on, the growth of the credit portfolio will drive the development of the net interest income in our forecasts. However, we have slightly refined our own estimates of the impact of interest rate cuts on the development of net interest income, resulting in a reduction of around 2-3% in our return forecasts for the coming years.

There have been no material changes to our fee and commission income projections. Fee and commission income growth will be driven by asset and wealth management, where we expect AUM to grow by around 4% on average over the next few years.

Cost growth expected to ease from next year

Nordea's operating expenses will increase significantly this year. This is not only due to wage inflation, but also to the bank's more one-off investments in risk management and technological development. From next year onwards, however, cost growth will ease significantly, with general cost inflation as the main driver.

Following the Q3 report, we have revised our loan loss forecasts slightly downwards, as the quality of the credit portfolio remains quite good despite the much weaker economic situation. On the other hand, the number of stage 2 loan losses has been on the rise in recent quarters, which may be a precursor to an increase in loan losses.

Estimate revisions	2024e		Change	2025e		Change	2026e		Change
	Old	New		Old	New		Old	New	
MEUR / EUR			%			%			%
Net interest income	7,612	7,596	0%	7,447	7,256	-3%	7,342	7,072	-4%
Net commission income	3,165	3,135	-1%	3,309	3,316	0%	3,439	3,437	0%
Net result from items at fair value	1,063	1,085	2%	1,090	1,060	-3%	1,117	1,081	-3%
Total operating income	12,145	12,122	0%	12,144	11,940	-2%	12,199	11,893	-3%
Total operating expenses	-5,170	-5,307	3%	-5,394	-5,457	1%	-5,584	-5,584	0%
Net loan losses	-326	-248	-24%	-389	-389	0%	-400	-363	-9%
Operating profit	6,648	6,567	-1%	6,360	6,094	-4%	6,215	5,946	-4%
Operating profit excl. non-rec. items	6,648	6,598	-1%	6,360	6,094	-4%	6,215	5,946	-4%
EPS (adj.)	1.46	1.46	-1%	1.42	1.36	-4%	1.40	1.35	-4%
Dividend per share	0.92	0.94	3%	0.95	0.89	-7%	0.92	0.89	-3%

Substantial profit distribution ahead

Nordea, however, has a significant management judgment buffer of 464 MEUR at its disposal in the event of an economic slowdown. Overall, we expect loan losses in the coming years to be around the normal level estimated by the bank (~0.1% of the credit portfolio annually).

Earnings trend still downward for some time

With declining income and rising costs, we do not see Nordea having any earnings growth capacity in 2025-2026. However, the company has streamlined its operations and market forecasts do not point to a return to zero interest rates, which is naturally positive for the bank. As a result, we expect return on equity to remain around 14% also in the longer term. From 2027 onwards, the growth of the credit portfolio and the stabilization of interest rates should lead the company back to a growth path. In our forecasts, the ROE is supported by a high profit distribution.

Substantial profit distribution ahead

Nordea announced in connection with the Q3 report that the European Central Bank has approved its application to launch a share buyback program. The program, which is now launched, amounts to 250 MEUR and will end no later than the end of February 2025. In addition, we expect a further 500 MEUR of share buybacks next year. We have also included programs of 1.0 BNEUR for the period 2026-2027 in our profit distribution projections.

In addition to share buybacks, we expect Nordea to distribute 65% of its earnings as dividends, in line with its dividend policy. In our projections, the total profit distribution for 2022-2025 is 17.1 BNEUR, which is in line with the company's own estimate (17-18 BNEUR).

Nordea does not currently have a lot of excess capital on its balance sheet, but we believe that the

share buyback program, which is starting now, shows that management is ready to bring the bank's solvency ratio moderately close to the target level (1.5% above the regulatory requirement). Historically, however, Nordea has maintained a much higher buffer than this, so our forecasts for the share buyback programs in 2026-2027 should be treated with some caution at this stage.

Estimate revisions MEUR / EUR	2024e		Change %	2025e		Change %	2026e		Change %
	Old	New		Old	New		Old	New	
Net interest income	7,612	7,596	0%	7,447	7,256	-3%	7,342	7,072	-4%
Net commission income	3,165	3,135	-1%	3,309	3,316	0%	3,439	3,437	0%
Net result from items at fair value	1,063	1,085	2%	1,090	1,060	-3%	1,117	1,081	-3%
Total operating income	12,145	12,122	0%	12,144	11,940	-2%	12,199	11,893	-3%
Total operating expenses	-5,170	-5,307	3%	-5,394	-5,457	1%	-5,584	-5,584	0%
Net loan losses	-326	-248	-24%	-389	-389	0%	-400	-363	-9%
Operating profit	6,648	6,567	-1%	6,360	6,094	-4%	6,215	5,946	-4%
Operating profit excl. non-rec. items	6,648	6,598	-1%	6,360	6,094	-4%	6,215	5,946	-4%
EPS (adj.)	1.46	1.46	-1%	1.42	1.36	-4%	1.40	1.35	-4%
Dividend per share	0.92	0.94	3%	0.95	0.89	-7%	0.92	0.89	-3%

Attractive expected returns still on the cards

Nordea's valuation is moderate like in the rest of the Nordic banking sector, and the stock markets are currently rather skeptical about the earnings outlook of the Nordic banking sector. In our opinion, Nordea is well positioned to maintain a relatively stable performance in the years ahead, as hedging measures will stabilize the development of net interest income. We also expect the consistent reduction in the balance sheet risk level in recent years to bear fruit in the weakening economic environment, with a view to reducing loan losses. In view of the relatively stable earnings outlook, we feel the share valuation is still attractive.

Peer group

Looking at the balance sheet (P/B), Nordea is priced at roughly the same multiples as its peer group. We do not think this is justified given the company's stronger profitability than its peers. The regression model that takes into account company-specific profitability differences (the correlation between the return on equity and the P/B ratio) also tells the same story about moderate pricing. In the light of this market-based model (chart on the right), a P/B ratio of 1.4x could be justified for the company, which would correspond to a price level of just over EUR 12.

Balance sheet-based pricing

Nordea's acceptable fundamentals-based P/B valuation can be examined by making assumptions about a sustainable long-term return on equity (ROE), the cost of equity requirement (CoE) and a sustainable growth factor (g). If we assume that Nordea will sustainably reach a long-term ROE level of about 12–14% (cf. current financial target +15%, average over the last 20 years 12.6%) and apply a CoE requirement of

9.75–10.25% and a growth factor of 2.5% (in relation to the normalized earnings level), the acceptable P/B ratio would be around 1.2x–1.6x.

At the equity level of the end of 2023, the value at these multiples would range between EUR 10.6 and EUR 13.6. Conversely, this means that the current share price is already heavily burdened with the expectation of a significant deterioration in earnings. We estimate that a corresponding decline in profitability would require both 1) a decline in interest rates to below 2% and 2) an increase in normalized loan losses above our current projections (~ 0.10% of the loan portfolio). Although 2023 and 2024 will be the peak years for earnings and return on equity in our forecasts, our view on normalized ROE for the bank is rosier than current market pricing.

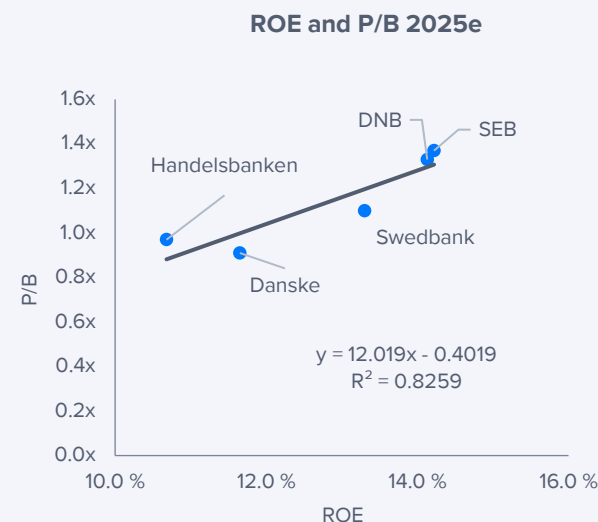
In addition, with our estimates, Nordea's dividend yield rises to approximately 8% in the next few years and the total distributed profits that considers share buybacks to around 10%. Distributed profits in itself have no impact on the company's value, but we believe that the strong profit distribution in the coming years is a supportive element for the expected return and the share price, which lowers the valuation risk.

EVA model (Economic Value Added)

We have also looked at Nordea's valuation using an Economic Value Added (EVA) model, which gives Nordea a value of just over EUR 13 per share. The difference between the EVA model and the fundamental multiples is that it takes better account of the impact of the current high level of profitability on the bank's value. The growth assumption used for the terminal period is 2.5%. The EVA model with its assumptions can be found in the report's appendices.

Valuation	2024e	2025e	2026e
Share price	11.1	11.1	11.1
Number of shares, millions	3,504	3,463	3,393
Market cap	38,631	37,990	36,984
P/E (adj.)	7.6	8.2	8.2
P/B	1.2	1.2	1.1
Dividend yield-%	8.5 %	8.0 %	8.0 %

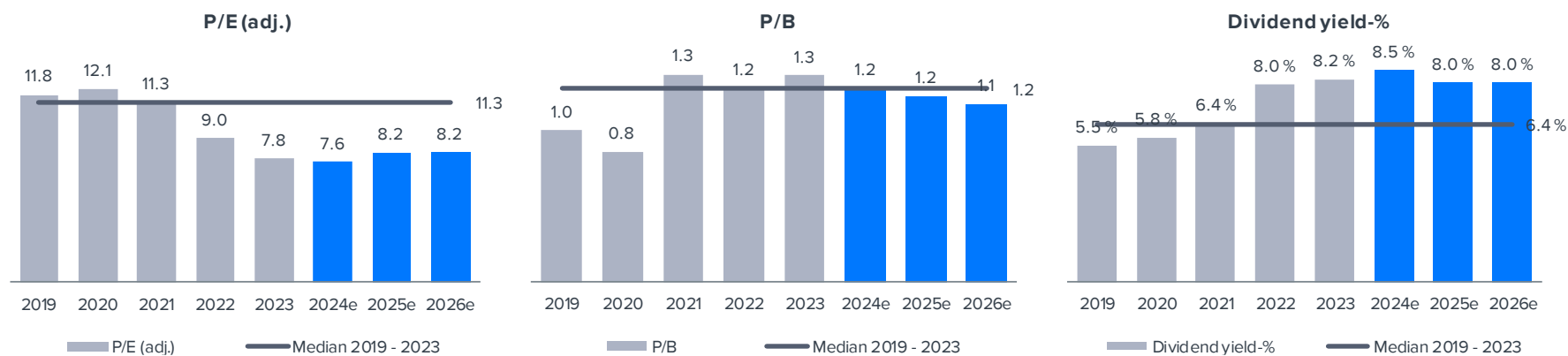
Source: Inderes



Valuation table

Valuation	2019	2020	2021	2022	2023	2024e	2025e	2026e	2027e
Share price	7.24	6.67	10.8	10.0	11.2	11.1	11.1	11.1	11.1
Number of shares, millions	4,102	4,118	4,025	3,721	3,578	3,504	3,463	3,393	3,302
Market cap	29,322	27,014	42,793	36,650	39,619	38,631	37,990	36,984	35,979
P/E (adj.)	11.8	12.1	11.3	9.0	7.8	7.6	8.2	8.2	7.7
P/B	1.0	0.8	1.3	1.2	1.3	1.2	1.2	1.1	1.1
Dividend yield-%	5.5 %	5.8 %	6.4 %	8.0 %	8.2 %	8.5 %	8.0 %	8.0 %	8.5 %

Source: Inderes



Peer group valuation

Peer group valuation	Market cap	P/E		Dividend yield-%		P/B
Company	MEUR	2024e	2025e	2024e	2025e	2024e
Danske Bank	23053	7.6	7.7	11.5	8.0	0.9
DNB	28046	8.5	9.1	7.5	7.6	1.3
Handelsbanken	17565	7.7	9.0	11.7	10.2	1.0
SEB	28491	8.8	9.4	7.6	6.4	1.4
Swedbank	20285	7.2	8.1	7.7	8.9	1.1
Nordea (Inderes)	38631	7.6	8.2	8.5	8.0	1.2
Average		7.9	8.7	9.2	8.2	1.1
Median		7.7	9.0	7.7	8.0	1.1
Diff-% to median		-2%	-9%	11%	0%	11%

Source: Refinitiv / Inderes

Summary tables 1/2

Income statement (MEUR)	2019	2020	2021	2022	2023	2024e	2025e	2026e	2027e
Net interest income	4,318	4,515	4,925	5,664	7,451	7,596	7,256	7,072	7,249
Net fee and commission income	3,011	2,959	3,495	3,186	3,021	3,135	3,316	3,437	3,565
Net result from items at fair value	1,012	900	1,119	623	1,014	1,085	1,060	1,081	1,103
Other income	282	92	81	248	257	307	308	302	305
Total operating income	8,623	8,466	9,620	9,721	11,743	12,122	11,940	11,893	12,221
Total operating expenses	-5,986	-4,643	-4,649	-4,834	-5,061	-5,276	-5,457	-5,584	-5,718
Profit before loan losses	2,637	3,823	4,971	4,887	6,505	6,815	6,483	6,309	6,503
Net loan losses	-524	-860	-35	-125	-167	-248	-389	-363	-372
Operating profit	2,113	2,963	4,936	4,762	6,338	6,567	6,094	5,946	6,131
Taxes	-571	-698	-1,105	-1,175	-1,404	-1,493	-1,400	-1,368	-1,410
Net profit from continuing operations	1,542	2,265	3,831	3,587	4,934	5,074	4,694	4,578	4,721
Profit for discontinued operations	0	0	0	0	0	0	0	0	0
Net profit for the period	1,542	2,265	3,831	3,587	4,934	5,074	4,694	4,578	4,721
Balance sheet (BNEUR)	2019	2020	2021	2022	2023	2024e	2025e	2026e	2027e
Loans to the public	323	330	345	346	345	350	358	367	376
Other assets	232	222	225	249	240	261	271	278	285
Total assets	555	552	570	595	585	610	630	645	661
Deposits	169	183	206	217	210	223	228	234	240
Other liabilities	355	335	331	346	343	355	368	378	387
Total equity	32	34	34	31	31	32	33	34	35
Total equity and liabilities	555	552	570	595	585	610	630	645	661
Solvency	2019	2020	2021	2022	2023	2024e	2025e	2026e	2027e
Risk-weighted assets (BNEUR)	150	155	152	145	139	157	162	163	164
CET1 solvency	16.3 %	17.1 %	17.0 %	16.4 %	17.0 %	15.6 %	15.5 %	15.6 %	16.0 %
Tier I solvency	18.3 %	18.7 %	19.1 %	18.7 %	19.4 %	18.4 %	18.3 %	18.4 %	18.7 %
Total capital ratio (TC)	20.8 %	20.5 %	21.2 %	20.8 %	22.2 %	21.6 %	21.3 %	21.4 %	21.7 %

Summary tables 2/2

Other	2019	2020	2021	2022	2023	2024e	2025e	2026e	2027e
Income growth-%	-6%	-2%	14%	1%	21%	3%	-2%	0%	3%
Interest income/loan portfolio	1.37%	1.38%	1.46%	1.64%	2.16%	2.19%	2.05%	1.95%	1.95%
Loan portfolio growth-%	4.8 %	2.1 %	4.6 %	0.2 %	-0.3 %	1.4 %	2.4 %	2.5 %	2.5 %
Deposits growth-%	2.3 %	8.7 %	12.2 %	5.7 %	-3.4 %	6.1 %	2.4 %	2.5 %	2.5 %
Cost/income ratio excl. non-recurring items	57%	55%	48%	47%	43%	44%	46%	47%	47%
Loan losses/loan portfolio, average	0.17%	0.26%	0.01%	0.04%	0.05%	0.07%	0.11%	0.10%	0.10%
Return on equity (ROE)	5.0 %	7.1 %	11.2 %	11.6 %	16.7 %	16.4 %	14.6 %	13.7 %	14.1 %
Number of employees	29,000	28,051	26,894	28,268	29,153	30,028	30,328	30,631	30,937
Dividends paid in the review period (MEUR)	2,788	0	3,192	2,655	2,876	3,218	3,298	3,051	2,976
Repurchase of own shares (MEUR)	0	0	1,136	2,841	1,263	339	641	1,006	1,006
Share details	2019	2020	2021	2022	2023	2024e	2025e	2026e	2027e
Share price	7.24	6.67	10.79	10.03	10.57	11.05	11.05	11.05	11.05
Number of shares at the end of the period	4,050	4,050	3,966	3,654	3,528	3,496	3,438	3,347	3,256
Reported EPS	0.38	0.55	0.95	0.96	1.38	1.45	1.36	1.35	1.43
EPS excl. non-recurring items	0.61	0.55	0.95	1.11	1.42	1.46	1.36	1.35	1.43
Dividend per share	0.40	0.39	0.69	0.80	0.92	0.94	0.89	0.89	0.94
Buybacks per share	0.00	0.00	0.29	0.78	0.36	0.10	0.19	0.30	0.31
Equity per share	7.80	8.35	8.51	8.62	8.85	9.29	9.67	10.09	10.60
Dividend payout ratio	105%	71%	73%	83%	67%	65%	65%	66%	66%
Total profit distribution ratio	66%	71%	103%	142%	90%	72%	79%	88%	88%
Valuation	2019	2020	2021	2022	2023	2024e	2025e	2026e	2027e
Market value	29,322	27,014	42,793	36,650	37,291	38,631	37,990	36,984	35,979
P/E (adjusted)	11.9	12.1	11.4	9.0	7.4	7.6	8.2	8.2	7.7
P/B	0.9	0.8	1.3	1.2	1.2	1.2	1.1	1.1	1.0
Dividend yield	5.5 %	5.8 %	6.4 %	8.0 %	8.7 %	8.5 %	8.0 %	8.0 %	8.5 %
Buyback yield	0.0 %	0.0 %	2.7 %	7.8 %	3.4 %	0.9 %	1.7 %	2.7 %	2.8 %
Total distributed profits	5.5 %	5.8 %	9.0 %	15.7 %	12.1 %	9.4 %	9.7 %	10.8 %	11.3 %

Income statement

Income statement (MEUR)	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24e	Q2'24e	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
Net interest income	5,664	1,765	1,831	1,909	1,946	7,451	1,954	1,904	1,882	1,856	7,596	7,256	7,072	7,249
Net fee and commission income	3,186	765	751	742	763	3,021	763	795	774	803	3,135	3,316	3,437	3,565
Net insurance result	173	46	68	63	40	217	61	63	60	57	241	240	242	245
Net result from items at fair value	623	345	290	225	154	1,014	291	247	284	263	1,085	1,060	1,081	1,103
Other income	75	0	15	13	12	40	16	21	14	15	66	68	60	60
Total operating income	9,721	2,921	2,955	2,952	2,915	11,743	3,085	3,030	3,014	2,993	12,122	11,940	11,893	12,221
Non-recurring items	-537	0	0	0	0	0	0	0	0	0	0	0	0	0
Total operating income excl. non-rec. items	10,258	2,921	2,955	2,952	2,915	11,743	3,085	3,030	3,014	2,993	12,122	11,940	11,893	12,221
Staff costs	-2,793	-719	-725	-729	-735	-2,908	-749	-761	-779	-818	-3,107	-3,224	-3,318	-3,401
Other expenses	-1,430	-542	-325	-312	-343	-1,522	-401	-379	-398	-439	-1,617	-1,612	-1,645	-1,677
Depreciation tangible and intangible assets	-611	-161	-155	-153	-339	-808	-139	-138	-152	-155	-584	-620	-622	-640
Total operating expenses	-4,834	-1,422	-1,205	-1,194	-1,417	-5,238	-1,289	-1,278	-1,329	-1,411	-5,307	-5,457	-5,584	-5,718
Non-recurring expenses	0	0	0	0	-177	-177	0	0	-32	0	-32	0	0	0
Total operating expenses excl. non-rec. expenses	-4,834	-1,422	-1,205	-1,194	-1,240	-5,061	-1,289	-1,278	-1,298	-1,411	-5,276	-5,457	-5,584	-5,718
Profit before loan losses	4,887	1,499	1,750	1,758	1,498	6,505	1,796	1,752	1,685	1,582	6,815	6,483	6,309	6,503
Net loan losses	-125	-19	-32	-33	-83	-167	-33	-68	-51	-96	-248	-389	-363	-372
Operating profit	4,762	1,480	1,718	1,725	1,415	6,338	1,763	1,684	1,634	1,486	6,567	6,094	5,946	6,131
Total non-recurring items	-537	0	0	0	-177	-177	0	0	-32	0	-32	0	0	0
Operating profit excl. non-rec. items	5,299	1,480	1,718	1,725	1,592	6,515	1,763	1,684	1,666	1,486	6,598	6,094	5,946	6,131
Taxes	-1,175	-332	-383	-380	-309	-1,404	-402	-381	-368	-342	-1,493	-1,400	-1,368	-1,410
Net profit for the period	3,587	1,148	1,335	1,345	1,106	4,934	1,361	1,303	1,266	1,144	5,074	4,694	4,578	4,721
Net profit excl. non-rec. Items	4,186	1,148	1,335	1,345	1,244	5,072	1,361	1,303	1,290	1,144	5,098	4,694	4,578	4,721
EPS (reported)	0.95	0.32	0.37	0.38	0.31	1.38	0.39	0.37	0.36	0.33	1.45	1.36	1.35	1.43
EPS (adj.)	1.11	0.32	0.37	0.38	0.35	1.42	0.39	0.37	0.37	0.33	1.46	1.36	1.35	1.43
Dividend per share	0.80					0.92					0.94	0.89	0.89	0.94

Balance sheet

Balance sheet (EURbn)	2021	2022	2023	2024e	2025e	2026e	2027e
Cash and loans to central banks	48	63	53	45	50	52	53
Loans to credit institutions	2	5	2	7	7	7	7
Loans to the public	345	346	345	350	358	367	376
Intangibles	4	4	4	4	4	4	4
Other assets	172	178	181	205	210	216	221
Total assets	570	595	585	610	630	645	661
Equity	34	31	31	32	33	34	35
Deposits by credit institutions	27	33	30	25	30	31	32
Deposits and borrowings from the public	206	217	210	223	228	234	240
Debt securities in issue	176	180	183	189	194	199	204
Subordinated liabilities	7	5	6	7	7	7	8
Other liabilities	122	128	126	134	137	140	144
Total equity and liabilities	570	595	585	610	630	645	661

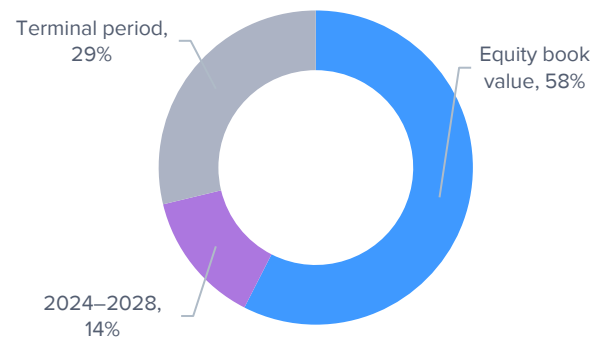
EVA model

EVA calculation	2023	2024e	2025e	2026e	2027e	2028e	TERM
Net profit	4934	5074	4694	4578	4721	4839	
Equity	30475	31738	32493	33014	33754	34597	
Return on equity-% (ROE)		16.3 %	14.6 %	14.0 %	14.1 %	14.2 %	
Economic value added (EVA)		2040	1534	1343	1433	1478	20312
Common Equity Tier 1 capital (CET1)		24439	25011	25555	26129	26782	
RWA		156907	161552	163314	163600	167690	
CET1-%		15.6 %	15.5 %	15.6 %	16.0 %	16.0 %	
Disc. EVA		2001	1368	1090	1058	992	13631
Disc. Cum. EVA		20139	18138	16770	15680	14622	13631
+ Equity book value		30475					
-Dividend/returned capital		-3218					
+/-Other items		0					
Equity value EVA		47396					
Number of outstanding shares (million)		3506					
Equity value EVA per share		13.5					

Cost of capital

Risk-free interest rate	2.5 %
Beta	1.6
Market risk premium	4.75%
Liquidity premium	0.0 %
Cost of equity	10.0 %

Breakdown of value



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Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
6/9/2023	Buy	12.50 €	9.73 €
7/18/2023	Buy	12.50 €	10.33 €
10/20/2023	Buy	12.50 €	10.42 €
2/7/2024	Buy	12.50 €	10.81 €
4/19/2024	Buy	12.50 €	10.74 €
7/16/2024	Buy	12.50 €	10.57 €
10/18/2024	Buy	12.50 €	11.05 €



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