

Banks

Key data

Price (EUR)	11.0
Country	Finland
Bloomberg	OMASP.FH
Reuters	OMASP.HE
Free float	25.0%
Market cap (EURm)	363
No. of shares (m)	33.1
Next event	Q4: 10-Feb

* Price as at close on 6 November 2024

CEO	Sarianna Liiri
CFO	Sarianna Liiri

Company description

OmaSp is the largest savings bank in Finland with over 200,000 customers in the retail, corporate and agricultural segments. The bank has around 2.5% market share in the Finnish banking market and a nationwide presence in Finland. It has around 45 branches in addition to a wide range of digital service channels. OmaSp was listed on the Nasdaq OMC Main list in December, 2018.

Ownership structure

Etelä-Karjalan Säästöpankkisäätiö	25.8%
Parkanon Säästöpankkisäätiö	9.9%
Liedon Säästöpankkisäätiö	9.4%

Source: Company data (31 October 2024)

Estimate changes

	24E	25E	26E
NII	3.4%	-0.0%	-0.0%
PPP	2.5%	-0.0%	-0.0%
EPS (adj.)	-6.3%	-2.5%	-0.0%

Source: Danske Bank Equity Research estimates

Analyst(s)

Hans Rettedal Christiansen

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Important disclosures and certifications are contained from page 7 of this report

Oma Savings Bank

Taking the necessary actions

OmaSP continues to work through the lending issues that emerged at the start of 2024, which means that operational expenses are high due to consultancy use and additional loan loss recognition as the non-compliant lending portfolio is scrutinised. In our view, operating expenses should remain high for a period and there is a risk that funding costs increase, but losses should begin to improve with the steps taken.

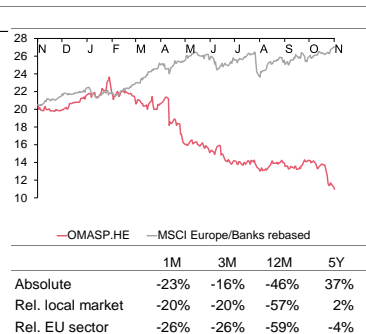
- Q3 review.** Operational lines were as expected on revenue and opex, which brings core earnings (NII+fees-opex) to EUR37m. As the bank continued to review its internal processes and lending portfolio, operating costs rose 40% y/y; OmaSP is engaging external consultants where needed to improve lending practises. Loan losses were still higher than we expected as the company continues to work through the parts of the portfolio linked to the non-compliance. Both of these actions suggest that the bank is taking the necessary actions to fix the issues that ultimately led to the internal lending breach.
- Loan losses.** As of Q3, non-performing exposures make up 6% of the portfolio. Reported loan losses in the P&L remained high during Q3 at EUR13m, most of which is tied to the non-compliant parts of the portfolio. According to the bank, the continued elevated level is linked to redefining connected clients in the non-compliant parts of the portfolio as it works through these exposures in detail. It further plans to wind down the EUR240m of non-compliant lending. External consultants are reviewing the risk management framework and the bank has established risk committees and will in the future make credit decisions on a centralised basis, which should provide additional control in the credit making process.
- Estimate revisions.** We lift our NII estimate for Q4 following a better than expected Q3 delivery. We do not make any changes to NII in 2025E but note that its development will largely depend on the level of funding costs as the bank resolves the current issues. Opex should remain high into the next quarter as the organisation remains focused on improving internal processes. We have also lifted our loan loss estimates post the higher than expected level in Q3. Net, we lower EPS 6% in 2024E and 3% in 2025E.
- Valuation.** The shares trade at 5.4x our updated EPS (24E) which drops to just 3.3x in 2025E if the bank can solve the parts of the portfolio linked to non-compliance.

Key financials

Year-end Dec (EUR)	2022	2023	2024E	2025E	2026E
NII (m)	105	197	215	214	234
Lending growth	9.9%	26.1%	8.0%	10.1%	10.0%
Total revenues (m)	144	247	272	279	305
Pre-provision profits (PPP) (m)	71.3	157	166	167	188
PPP growth	-21.8%	119.4%	5.9%	0.9%	12.7%
Loan losses (m)	-1.7	-17.1	-81.0	-28.5	-27.5
PTP (m)	69.2	138	84.7	139	161
EPS (adj.)	1.85	3.33	2.05	3.35	3.89
DPS	0.40	1.00	0.61	1.00	1.17
Dividend yield	2.1%	4.7%	5.6%	9.1%	10.6%
C/I	50.6%	37.0%	40.1%	41.5%	39.6%
PPP/avg. lending	1.57%	2.91%	2.66%	2.46%	2.52%
Loan loss ratio	0.04%	0.32%	1.30%	0.42%	0.37%
Equity tier-1 ratio	13.3	14.9	14.4	15.3	16.3
RoNTA	14.5%	24.3%	12.1%	17.9%	18.0%
P/E (adj.) (x)	10.1	6.4	5.4	3.3	2.8
P/NTA	1.53	1.30	0.63	0.55	0.48

Source: Company data, Danske Bank Equity Research estimates

Price performance



Source: FactSet

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Q3 tables

Table 1 : OmaSp: Q3 deviation table

EURm	Q3 24	DBER	Dev.	q/q	y/y
Interest income	88	87	1%	1%	-3%
Interest expenses	-35	-37	-5%	2%	0%
Net interest income	52	50	6%	0%	-4%
Net commissions	12	13	-5%	-4%	0%
Other income	0	2	n.m.	-119%	-52%
Total income	64	64	0%	-5%	-3%
Opex	-28	-27	3%	18%	40%
Pre-provisioning profit	36	37	-2%	-17%	-21%
Loan losses	-13	-5	179%	-66%	139%
Other income/expenses	0	0	n.m.	122%	155%
Pre-tax profit	23	32	-30%	407%	-44%
Net profit to shareholders	18	26	-29%	433%	-43%
EPS, EUR	0.55	0.78	-30%	430%	-44%
Adj. EPS, EUR	0.57	0.78	-28%	446%	-42%
DPS, EUR	0.00	0.00	n.a.	n.a.	n.a.
Net lending	6,391	6,352	1%	7%	7%
CET1 ratio	14.21%	15.6%	-1%	-1%	-1%
ROE (DBER def.)	13.5%	18.6%	-5%	11%	-12%
Loan loss ratio	-0.83%	-0.30%	-1%	2%	0%
NII+fees-opex	37	36	4%	-12%	-22%

Source: Company data, Danske Bank Equity Research (DBER) estimates

Table 2 : Estimate revisions post the Q3 report

EURm	2024E			2025E			2026E		
	Old	New	Dev.	Old	New	Dev.	Old	New	Dev.
Net interest income	208	215	3%	214	214	0%	234	234	0%
Net fee and commission income	50	50	0%	55	55	0%	61	61	0%
Other income	10	7	-30%	10	10	0%	10	10	0%
Total income	268	272	1%	279	279	0%	305	305	0%
Opex	-106	-106	0%	-112	-112	0%	-117	-117	0%
Pre provisioning profit	162	166	2%	167	167	0%	189	188	0%
Loan losses	-71	-81	14%	-25	-29	14%	-27	-27	0%
Other	0	0	n.m.	0	0	n.m.	0	0	n.m.
Profit before tax	90	85	-6%	142	139	-3%	161	161	0%
Taxes	-18	-17	-6%	-28	-28	-3%	-32	-32	0%
Net income	72	68	-6%	114	111	-3%	129	129	0%
EPS, EUR	2.18	2.05	-6%	3.44	3.35	-3%	3.89	3.89	0%
Adj. EPS, EUR	2.18	2.05	-6%	3.44	3.35	-3%	3.89	3.89	0%
DPS, EUR	0.66	0.61	-6%	1.03	1.00	-3%	1.17	1.17	0%
Shares outstanding (m)	33.14	33.14	0%	33.14	33.14	0%	33.14	33.14	0%
Net lending	6,480	6,480	0.0%	7,131	7,131	0.0%	7,848	7,848	0.0%
Cost to income	40%	39%	-0.6%	40%	40%	0.0%	38%	38%	0.0%
Loan loss ratio	1.10%	1.25%	0.2%	0.35%	0.40%	0.1%	0.35%	0.35%	0.0%
ROE	12.5%	11.8%	-0.7%	16.9%	16.7%	-0.3%	16.8%	16.9%	0.1%
BVPS	17.5	17.4	-0.8%	20.3	20.1	-0.9%	23.1	23.0	-0.7%

Source: Danske Bank Equity Research estimates

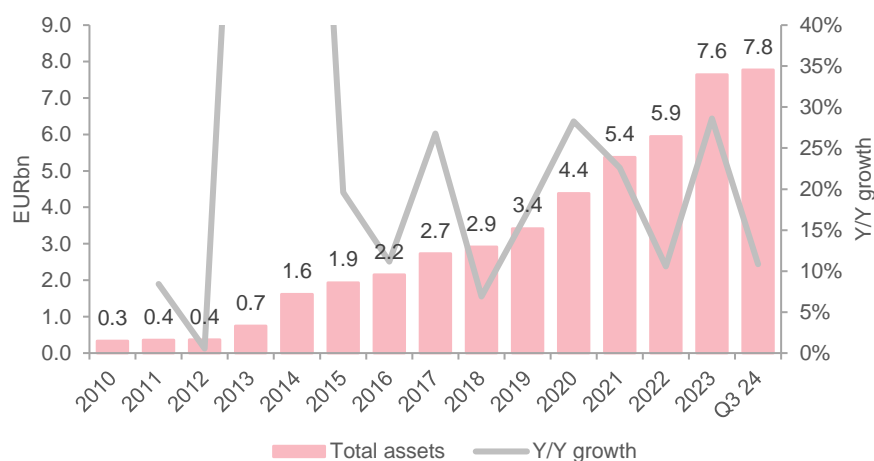
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Executive summary

OmaSp is a Finnish bank with operations across Finland, spanning from Uusimaa (Helsinki and Espoo) in the south to North Ostrobothnia (Oulu) in the north. It was listed on the main Helsinki stock exchange (Nasdaq) in late 2018. Its roots go back over 145 years, but its most recent history started in 2009 when two local savings banks joined forces to create Oma Savings Bank (OmaSp). Since then, it has been one of the fastest growing banks in our Nordic bank coverage through a series of combinations, acquisitions, and organic growth. Today, it provides 200,000 private and corporate customers with a wide range of banking services.

The bank's acquisitions have involved combining local savings banks and individual portfolios from competing banks. A key pillar in its strategy is being close to where its customers are and offering a full spectrum of products through its own internal network and partner networks. This includes mostly lending activities through its own balance sheet, and other fee generating ancillary services. It is a challenger in the Finnish banking market with a regional focus through operations mainly outside the highly competitive large cities in Finland. Based on its loan portfolio, OmaSp has a total market share around 2% in Finland in both private and corporate segments. In Q3 24, total assets were EUR7.8bn, up from EUR1.6bn in 2014, with growth in the most recent period stemming from the acquisition of Handelsbanken's SME customers, which was completed during Q3.

Chart 1. OmaSp's total assets on balance sheet, 2010- H1 23



Source: Company data, Danske Bank Equity Research

OmaSp has the following financial goals.

- **Growth.** 10-15% annual growth in total operating income under current market conditions.
- **Profitability.** Cost/income ratio less than 45%.
- **Comparable return on equity.** Long-term comparable return on equity over 16% (valid from 1 July 2023).
- **Core capital ratio (CET1).** At least 2 percentage points above the requirement (valid from 1 July 2023).
- **Dividend.** Steady and growing dividend of at least 20% of net profit.

In addition to this, the bank expects comparable profit before taxes of EUR80m-100m, where we assume the bank will reach the lower end of this guidance.

The bank currently has a CET1 ratio of 14.2%, above its capital requirement. It uses the Standard Approach in its credit risk calculations, but is in the process of applying for an IRB

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approach for its retail mortgage exposures (in the first application). We estimate this could lower overall risk weights by around 18% and increase the CET1 ratio around 3%. However, given the current internal investigation and issues with non-compliance, we think this process has been pushed out in time, until we get more clarity on the asset quality situation, owing to the very fast growth that the company has shown over the past few years.

In connection with the Q1 results the company gave a presentation tied to the non-compliance event. It involved a person manipulating and falsifying documentation to deliberately misrepresent customer credit risk positions, and happened after interest rates started rising. In terms of sectors, it was mainly real estate operators who operate in Finland, with no specific focus on any one region. It was an internal audit that detected the problem in the normal course of work. Since this was uncovered, the bank has found a few development areas that it will work on. It has increased the number and scope of quality controls in place. The role of the independent risk management has been strengthened and personnel training has been increased. There has also been additional focus on whistleblowing. The investigation into the non-compliance event that occurred during Q1 has continued and we have not heard of any new developments in this regard. Both the chairman of the board and the CEO have since left the bank, and the bank recently announced a new CEO, who will start in 2025. The actions relate to around 3% of OmaSp's EUR6bn lending book. Of this 3%, about 25% is related to the increased credit losses, i.e. the EUR19.5m in additional management buffers is related to this group, which was taken in Q1. Q2 again saw significant loan losses of around EUR39m, which were followed by EUR13m in additional allowances in Q3, and because of this we have lifted our loan loss estimate for Q4 but also the assumed cost of risk in 2025 a tad.

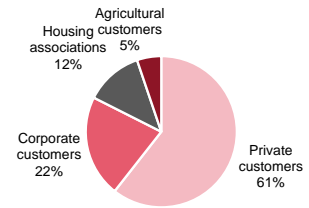
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Company summary

Income breakdown by geographical area



Income breakdown by segment



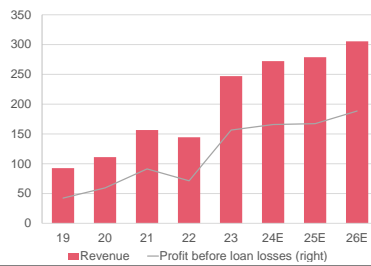
Company information

Oma Savings Bank
 Lappeenranta, Valtakatu 32, 53100
 Finland
 www.omasp.fi

Main shareholders

Name	Votes (%)	Capital (%)
Etelä-Karjalan Säästöpankkisäätiö	25.8%	25.8%
Parkanon Säästöpankkisäätiö	9.9%	9.9%
Liedon Säästöpankkisäätiö	9.4%	9.4%

Revenue and profit before loan losses (EURm)



Loan loss ratio and profit before loan losses (EURm)



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

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Summary tables

INCOME STATEMENT										
Year end Dec, EURm	2016	2017	2018	2019	2020	2021	2022	2023	2024E	2025E
Net interest income	36.5	39.3	49.4	57.5	67.8	80.1	105	197	215	214
Commissions	17.7	21.2	24.2	25.4	29.3	33.7	39.4	47.4	50.5	54.9
Total revenues	60.3	74.1	76.0	92.6	111	157	144	247	272	279
Costs	-35.5	-41.1	-47.2	-50.3	-51.7	-65.3	-73.1	-90.6	-106	-112
Pre-provision profits (PPP)	24.8	33.0	28.7	42.3	59.4	91.3	71.3	157	166	167
Loan losses	-4.2	-2.6	-3.7	-9.6	-21.6	-7.3	-1.7	-17.1	-81.0	-28.5
Pre-tax profit	20.6	30.4	25.0	32.7	37.7	83.3	69.2	138	84.7	139
Net profit	16.0	24.0	20.3	27.5	30.7	66.2	55.4	110	67.8	111
Net profit (adj.)	16.0	24.0	20.3	27.5	30.7	66.2	55.4	110	67.8	111
BALANCE SHEET										
EURm	2016	2017	2018	2019	2020	2021	2022	2023	2024E	2025E
Lending	1,785	2,138	2,527	2,960	3,434	4,326	4,754	5,997	6,480	7,131
Other interest bearing assets	328	534	350	397	866	930	1,069	1,436	1,436	1,436
Goodwill	4.3	6.5	5.0	9.3	11.2	10.0	8.6	13.6	13.6	13.6
Total assets	2,151	2,727	2,915	3,417	4,382	5,373	5,942	7,643	8,126	8,777
Deposits from public	1,483	1,639	1,758	2,006	2,377	2,898	3,112	3,778	4,082	4,493
Wholesale funding	353	737	715	938	1,347	1,762	2,087	2,930	2,930	2,930
Subordinated debt	17.6	28.0	25.2	15.5	15.5	15.5	40.0	60.0	60.0	60.0
Equity	220	241	290	319	353	401	365	541	576	666
NTA	221	241	290	320	353	401	365	541	576	666
PER SHARE DATA										
	2016	2017	2018	2019	2020	2021	2022	2023	2024E	2025E
No. of shares, fully diluted YE (m)	25.1	25.1	29.6	29.6	29.6	29.8	30.0	33.1	33.1	33.1
No. of shares, fully diluted avg. (m)	25.1	25.1	27.3	29.6	29.6	29.7	29.9	31.5	33.1	33.1
EPS (reported) (EUR)	0.64	0.98	0.78	0.93	1.04	2.20	1.85	3.33	2.05	3.35
EPS (adj.) (EUR)	0.64	0.96	0.69	0.93	1.04	2.22	1.85	3.33	2.05	3.35
DPS (EUR)	0.06	0.08	0.14	0.19	0.24	0.50	0.40	1.00	0.61	1.00
Book value per share (EUR)	8.81	9.63	9.81	10.8	11.9	13.5	12.2	16.4	17.4	20.1
MARGINS AND GROWTH										
	2017	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E
C/I, adjusted	67.9%	64.3%	60.7%	53.2%	57.4%	50.6%	37.0%	40.1%	41.5%	39.6%
NII/avg. lending	2.0%	2.1%	2.1%	2.1%	2.1%	2.3%	3.7%	3.4%	3.1%	3.1%
Loan loss ratio	0.13%	0.16%	0.35%	0.68%	0.19%	0.04%	0.32%	1.30%	0.42%	0.37%
NII growth	7.6%	25.5%	16.6%	17.9%	18.2%	30.9%	87.8%	9.0%	-0.4%	9.5%
Revenue growth	22.8%	2.5%	21.9%	20.0%	41.0%	-7.8%	71.1%	10.2%	2.4%	9.6%
Cost growth	-15.7%	-14.9%	-6.5%	-2.7%	-26.4%	-11.9%	-23.9%	-17.5%	-4.8%	-4.8%
PPP growth	32.9%	-12.9%	47.2%	40.5%	53.7%	-21.8%	119.4%	5.9%	0.9%	12.7%
RWA growth	13.6%	14.4%	19.0%	14.2%	17.7%	6.2%	29.6%	10.0%	8.0%	8.0%
PROFITABILITY										
	2016	2017	2018	2019	2020	2021	2022	2023	2024E	2025E
RoE, reported profits	7.6%	10.4%	7.6%	9.0%	9.1%	17.5%	14.5%	24.3%	12.1%	17.9%
RoNTA, adj. profits	7.6%	10.4%	7.6%	9.0%	9.1%	17.5%	14.5%	24.3%	12.1%	17.9%
Tier-1	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Equity tier-1	18.6%	17.6%	18.4%	16.8%	15.9%	15.5%	13.3%	14.9%	14.4%	15.3%
RWA	1,153	1,310	1,499	1,784	2,037	2,398	2,547	3,300	3,630	3,920
VALUATION										
	2016	2017	2018	2019	2020	2021	2022	2023	2024E	2025E
Share price (EUR)			7.00	8.88	10.6	17.1	18.6	21.3	11.0	11.0
Market cap (EURm)			207	263	314	509	558	703	364	364
P/E (reported) (x)			9.0	9.5	10.2	7.8	10.1	6.4	5.4	3.3
P/E (adj.) (x)			10.2	9.6	10.2	7.7	10.1	6.4	5.4	3.3
P/BV (x)			0.71	0.82	0.89	1.27	1.53	1.30	0.63	0.55
P/NTA (x)			0.71	0.82	0.89	1.27	1.53	1.30	0.63	0.55
Dividend yield			2.0%	2.1%	2.3%	2.9%	2.1%	4.7%	5.6%	9.1%
Total yield (incl. buybacks)			2.0%	2.1%	2.3%	2.9%	2.1%	4.7%	5.6%	9.1%

Source: Company data, Danske Bank Equity Research estimates

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The date and time of first dissemination mean the date and estimated time of the first dissemination of this research report. The estimated time may deviate up to 15 minutes from the effective dissemination time due to technical limitations.

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