

## UmweltBank AG\*1;4;5a;6a;7;11

**Rating: HOLD**

**Target price: € 16.30**  
(previously: €17.20)

current rate: € 15.05  
19.08.22 / XETRA / 9:41 am  
Currency: EUR

**Master data:**

ISIN: DE0005570808  
WKN: 557080  
Ticker symbol: UBKG  
Number of shares<sup>3</sup>: 35.44  
Market cap<sup>3</sup>: 533.37  
<sup>3</sup> in million / in EUR million  
Free float: 85%

Transparency level:

Open Market  
Market segment:  
m:access  
Accounting:  
HGB

Financial year: 31.12.

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\* Catalogue of possible conflicts of interest on page 9

Date (time) completion of the study: 19.08.22 (10:50am)

Date (time) first publication: 22.08.22 (09:30am)

Target Price valid until: 31.12.2023

**Company profile**

Industry: Financial services

Focus: ecological investments, financing environmentally friendly projects

Employees: 314 (30.06.2022)

Foundation: 1997

Company headquarters: Nuremberg

Board of directors: Goran Bašić, Jürgen Koppmann, Heike Schmitz



UmweltBank AG stands for banking with ecological and social responsibility. It offers investors transparent ecological financial investments and supports private individuals and commercial customers throughout Germany by financing environmentally friendly projects. By exclusively offering a green product range, UmweltBank AG consistently implements its ecological orientation. In addition to the classic savings account, the company offers, among other things, green fund products, enters into ecological endeavours, offers ecological insurance and finances green projects. In doing so, UmweltBank AG acts as a direct bank, without the classic branch business. Since its founding in 1997, it has supported almost 25,000 credit projects. At the end of 2021, environmental loans (including open commitments) had a total volume of 3.5 billion euros. The majority of the loan volume consists of solar energy financing, residential real estate and wind power projects.

P&L in € million	FY 2021	FY 2022e	FY 2023e	FY 2024e
Interest income	70.90	75.39	83.52	86.02
Interest result	63.24	59.32	62.19	62.90
Other income	13.50	16.60	19.10	20.60
Result after taxes	25.37	23.13	27.05	28.81

Key figures in €				
EPS	0.72	0.65	0.76	0.81
Dividend per share	0.33	0.33	0.35	0.35

Balance sheet key figures in € million				
Customer deposits	2.954.09	2.983.63	3.073.14	3.165.33
Credit volume	3.072.52	3.164.70	3.259.64	3.357.43
Total capital	503.50	514.94	529.59	546.00
Return on investment (before taxes)	5.6%	4.5%	5.2%	5.4%
Cost-income ratio	49.8%	54.4%	50.1%	48.2%

Financial dates	**last research from GBC:
15.11.2022: MKK	Date: Publication / Target price in EUR / Rating
	04.07.2022: RS / 17.20 / HOLD
	24.02.2022: RS / 19.05 / BUY
	27.09.2021: RS / 21.00 / HOLD
	** The research studies listed above can be viewed at <a href="http://www.gbc-ag.de">www.gbc-ag.de</a> or requested from GBC AG, Halderstr. 27, D86150 Augsburg.

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## 1.HY 2022: Lower earnings due to difficult market environment; earnings burdened by one-off expenses; price target reduced to €16.30 (previously: €17.20); rating HOLD confirmed

in €m	1.HY 2019	1.HY 2020	1.HY 2021	1.HY 2022
Interest, financial and valuation result	30.25	26.03	34.16	29.69
Net commission and trading income	2.19	2.38	3.77	4.88
Personnel and administrative expenses	10.63	12.81	15.82	18.97
Pre-Tax Profit	21.59	21.29	21.66	14.01
Result for the period	15.29	14.52	14.40	9.07

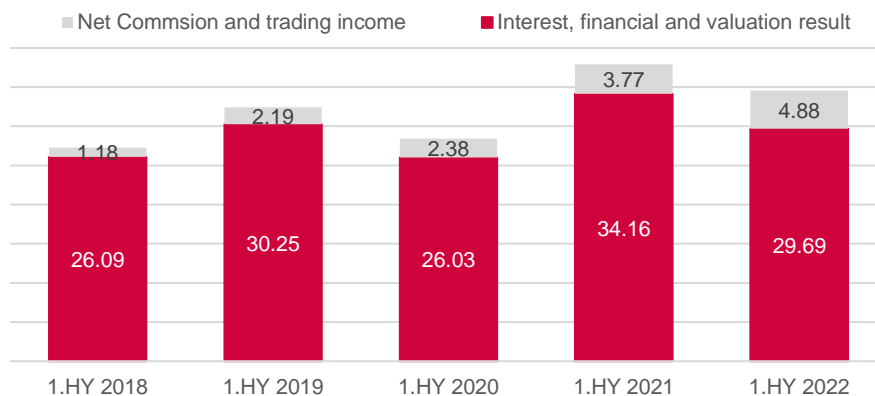
	31.12.19	31.12.20	31.12.21	30.06.22
Business volume	4,518	5,393	6,451	6,736
Balance sheet total	4,095	4,944	5,928	6,174
Customer deposits	2,529	2,694	2,954	3,095
Environmental credits	3,156	3,503	3,543	3,570
Own funds, regulatory	378	408	487	504
Own funds ratio, regulatory	14.5%	14.6%	16.1%	16.2%
Common equity tier 1 ratio, regulatory	10.0%	9.8%	11.7%	11.8%

Sources: UmweltBank AG; GBC AG

With the presentation of the 2022 half-year figures, it is clear at first glance that UmweltBank AG was able to expand its business volume even in the face of the current challenging economic situation. Compared to the end of the financial year 2021, their business volume increased by € 285 million or 4.4%. New customer business of € 325 million contributed to this, which remains at a high level and was in line with the company's expectations. With the publication of the annual report 2021, the UmweltBank management had forecast a new customer business above the average value of the past five years (€ 610 million) on a full-year basis.

Despite this development, which was in line with expectations, UmweltBank AG reported a significant decline in the net interest, financial and valuation result by -13.1 % to € 29.69 million (previous year: € 34.16 million). In particular, the interest result is likely to have declined due to the expiry of special corona conditions for the origin of funds (GLGR funds) and thus due to an increase in interest expenses. Although this had been expected in advance, the amount of the decline was greater than we had assumed.

### Income on a half-year basis (in € million)



Sources: UmweltBank AG; GBC AG

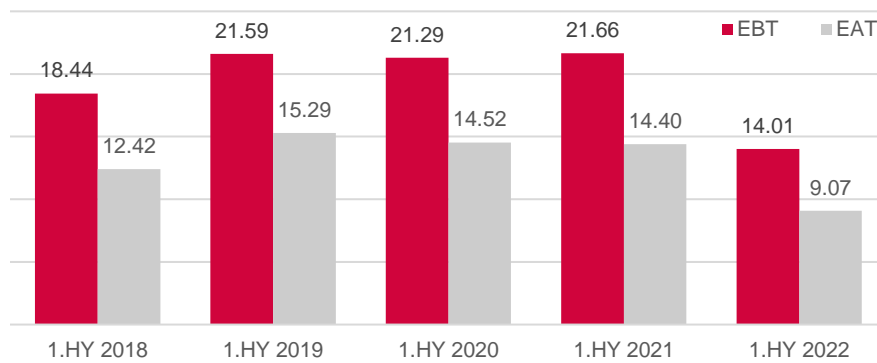
On the other hand, the commission and trading result increased by 29.7 % to € 4.88 million (previous year: € 3.77 million). However, the restraint on the part of customers in investing

in securities, which was stronger than expected in view of the gloomy economic outlook, was noticeable here.

Accompanying the overall lower-than-expected total income, total costs climbed by € 4.29 million or 26.4% to € 20.56 million (previous year: € 16.27 million). This development is partly due to the expansion of the workforce. As of 30 June 2022, the number of employees was 314, a significant increase over the previous year's figure of 278. In addition, a new core banking system is currently being introduced, which is expected to result in extraordinary expenses of € 3 million in the current financial year. In addition to these expected cost increases, the bank had to increase the bank levy for deposit protection to € 2.57 million (previous year: € 1.54 million).

The sum of the effects described above led to a significantly reduced pre-tax result of € 14.01 million (previous year: € 21.66 million) compared to the previous year. The profit for the period after tax was also significantly below the previous year's level at €9.07 million (previous year: €14.40 million):

**EBT and EAT (in € million)**



Sources: UmweltBank AG; GBC AG

## Forecast FY 2022e – 2024e

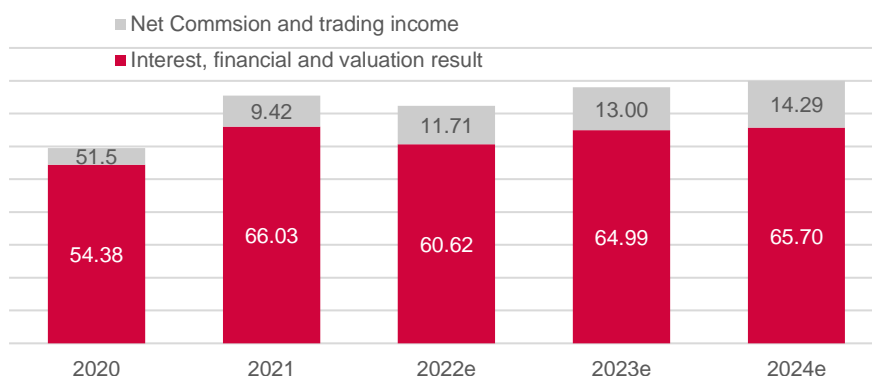
in €m	FY 2021	FY 2022e (old)	FY 2022e (new)	FY 2023e	FY 2024e
Interest, financial and valuation result	66.03	63.06	60.62	64.99	65.70
Net commission and trading income	9.42	11.71	11.71	13.00	14.29
Personnel and administrative expenses	33.67	36.13	37.77	37.46	36.86
EBT	38.09	38.10	34.01	39.79	42.37
EAT	25.37	25.91	23.13	27.05	28.81
EPS in €	0.72	0.73	0.65	0.76	0.81
Dividend in €	0.33	0.33	0.33	0.35	0.35
Customer deposits	2,954.09	2,983.63	2,983.63	3,073.14	3,165.33
Credit volume	3,072.52	3,164.70	3,164.70	3,259.64	3,357.43
Total capital	503.50	517.70	514.94	529.59	546.00

Source: GBC AG; \*without allocation to the fund for general banking risks

In view of the lower than expected development of earnings, the UmweltBank management had already made a forecast adjustment before the publication of the half-year figures. For the current financial year 2022, a pre-tax result of approximately € 34 million is expected, after a result at the level of the previous year (€ 38.10 million) had previously been anticipated. With the publication of the 2021 annual report, the company had already anticipated a decline in net interest income, especially since favourable refinancing (GLRG funds) had expired.

UmweltBank considers the effects of the clearly visible turnaround in interest rates to be positive for the interest margin. This is understandable in view of the company's history. In the environment of historically low interest rates, the interest margin of UmweltBank AG had also reduced to a historically low value of 1.21% (FY 2021). However, the positive effects will not yet be visible in the current financial year, as the interest rate increase can only be passed on in new business or loan prolongations.

### Income Forecasts 2022 – 2024 (in € million)

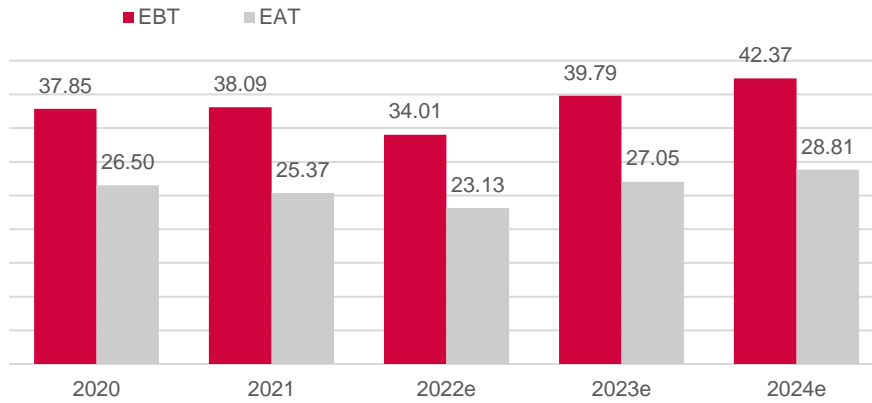


Source: GBC AG

We take into account the lower than expected development of the net interest, financial and valuation result in the first half of 2022 and reduce our forecast to € 60.62 million (GBC forecast previously: € 63.06 million). In parallel, we leave the estimates for net commission income and net trading income, which increased by 29.7% in the first half of 2022, unchanged. We continue to assume an expansion of the investment, securities and fund business. This is characterised by the issue of two new funds in the UmweltSpektrum - family, which will expand the basis for commission income.

Similarly, we have raised our cost estimates taking into account the increased provisioning for operational risks as well as the one-off expenses for deposit insurance. The resulting expected pre-tax result of € 34.01 million (GBC previously forecast € 38.10 million) is thus within the updated corporate guidance.

**Forecast EBT and EAT (in € million)**



Source: GBC AG

The UmweltBank management has also announced the planned sale of a stake in a wind farm. The transaction is expected to be completed in the second half of 2022 and, if successful, the management board anticipates an extraordinary contribution to earnings in the low double-digit million range. This possible positive effect on earnings is neither included in the company guidance nor in our estimates. As soon as the sale has taken place, we will make a corresponding adjustment.

## Evaluation

For the valuation of UmweltBank AG, we have used a residual income model, whereby the difference between the return on equity and the cost of equity is used to determine the surplus return of the estimation periods. In doing so, we have formulated concrete expectations for the estimation periods of the three financial years 2022e - 2024e with regard to the annual surpluses and the resulting changes in equity. The expected returns on equity can be derived from this. The residual income of the business year can be derived from the generated surplus return of a period. The expected residual income is then discounted to the valuation date with the cost of equity. To determine the terminal value, we apply a premium to the current book value.

$$\text{Fair Company Value} = EK_0 + \sum_{t=1}^T \frac{(ROE_t - r)EK_{t-1}}{(1+r)^t} + \frac{P_T - EK_T}{(1+r)^T}$$

EK = equity	ROE = return on equity
P = premium on book value	r = cost of equity capital
T = estimation period	T= last estimation period

### **Determination of the cost of capital**

The relevant discount rate for use in the residual income model is the cost of equity. To determine the cost of equity, the market risk premium, the company-specific beta and the risk-free interest rate must be determined.

The risk-free interest rate is derived from current yield curves for risk-free bonds in accordance with the recommendations of the Fachausschuss für Unternehmensbewertungen und Betriebswirtschaft (FAUB) of the IDW. The basis for this is the zero bond interest rates published by the Deutsche Bundesbank according to the Svensson method. To smooth short-term market fluctuations, the average yields of the previous three months are used and the result rounded to 0.25 basis points. **The currently used value of the risk-free interest rate is 1.25 % (previously: 0.80 %).**

We use the historical market risk premium of 5.50% as a reasonable expectation of a market risk premium. This is supported by historical analyses of stock market returns. The market premium reflects the percentage by which the stock market is expected to yield better than low-risk government bonds.

The beta calculation is based on the historical price data of UmweltBank AG (monthly price development over the past four years). We used the SDAX price index and the STOXX® Europe 600 Banks price index as comparative indices and averaged them in the regression analysis over a period of five years. On this basis we calculated a beta of 0.49 (previously: 0.49), which we also adjusted and smoothed in accordance with Blume's work. Using the assumptions made, we calculate a cost of equity of 3.95% (previously: 3.50%) (beta multiplied by risk premium plus risk-free interest rate).

### Valuation model and valuation result

	31.12.21	31.12.22e	31.12.23e	31.12.24e	Final Value
Equity	380.27	391.70	406.36	422.77	
Net profit for the year	25.37	23.13	27.05	28.81	
ROE (after taxes)		5.99%	6.78%	6.95%	9.39%
Cost of equity		3.95%	3.95%	3.95%	3.95%
Excess return		2.05%	2.83%	3.01%	5.45%
Book value factor		1.52	1.72	1.76	2.38
Residual income		7.79	11.10	12.21	600.14

According to our valuation model, UmweltBank AG should be in a position to achieve a return on equity (after taxes) of a sustainable 9.39 %. Assuming a cost of equity of 3.95%, a sustainable excess return of 5.45% or a book value factor of 2.38 should be generated in the terminal value. To determine the terminal value, we have therefore applied a premium over the book value of 2.38.

Present value of residual income 2022 and 2023	€ 21.99 million
Present value of residual income Final value in € million	€ 555.45 million
<b>Total present values in € million</b>	<b>€ 577.44 million</b>
Shares outstanding in m	35.44 million
<b>Fair enterprise value per share in €</b>	<b>€ 16.30</b>

The sum of the discounted residual income results in a value of € 577.44 million on a target price basis of 31 December 2023. In view of an outstanding number of shares of 35.44 million, a fair enterprise value per share of € 16.30 (previously: € 17.20) is calculated. Although the forecast adjustment for the current 2022 financial year resulted in a slight price target reduction, the increase in the cost of equity to 3.95 % (previously: 3.50 %) was mainly responsible for this. Based on the current price level of €15.05, we continue to assign a HOLD rating.

## ANNEX

### I.

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**Marcel Goldmann, M.Sc., M.A., Financial Analyst**

Other person involved in this study:

**Jörg Grunwald, Executive Board**

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