

Share price	
EUR 33.50	
Target valuation range	
EUR 35.00 - 49.00	
Risk	Medium
Shares number (m)	14.5
Market cap (m)	EUR 485m
Free Float	96.0%
Rabobank	4.0%

Triodos Bank

As Good as It Gets

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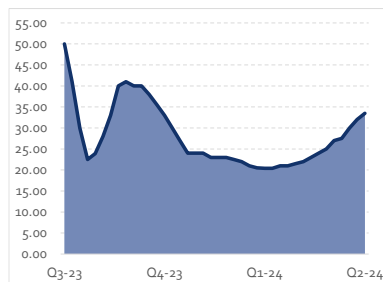
- *After record top-line and profits in 2023, further progress looks challenging because growth in NII slowed down faster than we had expected.*
- *In response, we lower our top-line estimates for FY24/25/26 by 6-8%. The impact on profits is bigger as we kept our opex estimates broadly unchanged. We cut our EPS estimates by 18%, 22%, and 23% respectively.*
- *We set our new target valuation range at EUR 35-49 (from EUR 46-59).*

• **FY23 was a year of many records.** Thanks to a benign interest rate climate, and despite significant extraordinary costs, Triodos generated records in top-line, PPP, PBT, and net profit. The dividend of EUR 4.07 p/s was also a record. ROE improved to 6.1%, while CET-1 and leverage ratios remained healthy.

• **However, growth in NII slowed down faster than expected.** Sequential growth in NII was EUR 28m in H2-22, EUR 36m in H1-23, and only EUR 4m in H2-23 (DPe: EUR 8m). This was because funding costs grew much faster than gross interest income, as Triodos passed on higher interest rates to the savings account holders. Management is cautious for FY24, and they expect a modest decrease in NII. This resembles the outlook of three Benelux peers: ABN expects NII in FY24 to be flattish, ING guides for a 3-6% decrease, KBC guides for flat to 3% down.

• **Estimates cut on the back of slowdown in NII.** Full details in the table on the next page. For FY24/25/26, We have lowered our estimates for NII by 8-10%. The impact on total income is a decrease of 6-8%, as we made only minor changes to F&C income. Our estimates for operating costs remain virtually unchanged, and thus there is negative leverage on our estimates for PPP, which have come down by 22-23%. For provisions, we now reckon with EUR 10m p/a. We previously assumed EUR 15m in FY24 and EUR 10m p/a after that. More than 60% of the EUR 21m in provisions in FY23 was from two large projects in the UK. Now that these large items are out of the way, a more normalised level could be around EUR 10m p/a. Bottom-line, we cut our forecasts for adjusted EPS by 18-23%.

Share price



Company description

Triodos Bank is a mid-sized Dutch bank that is a leading expert in the field of sustainable finance. It has activities in banking and investment management in the Netherlands, Belgium, Germany, Spain, and the UK.

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EUR m	12/20a	12/21a	12/22a	12/23a	12/24e	12/25e	12/26e
Total income	305.1	341.9	375.3	466.3	455.3	465.6	476.1
Profit pre prov.	59.7	66.7	75.2	127.3	114.3	117.7	118.0
Profit before tax	35.5	67.2	67.1	106.0	104.3	107.7	108.0
Adj. net profit	46.6	50.8	64.5	90.1	81.3	83.0	83.2
Adj. EPS (EUR)	3.27	3.56	4.54	6.34	5.72	5.84	5.85
Div. per share (EUR)	0.65	1.80	3.12	4.07	2.68	2.77	2.77
C/I ratio	80.4%	80.5%	80.0%	72.7%	74.9%	74.7%	75.2%
Adj. ROE	3.9%	4.1%	5.1%	7.1%	6.3%	6.2%	6.1%
CET-1 ratio	18.7%	17.5%	17.3%	16.7%	16.5%	16.5%	16.6%

Source: Triodos Bank/Degroof Petercam estimates

Our new estimates reflect stagnation in profits

Our new and former estimates are highlighted in the table below. The key takeaway is that profits have peaked, and that Triodos and its Benelux peers will face stagnation in NII (and thus profits), which has been around 2/3 of total income in the past five years. Mid/long-term, there is more risk in our view that the ECB will lower interest rates, as opposed to maintaining current levels or raising them.

Triodos' other income line, F&C, experienced a decline in 2023 for the first time as far as our data goes back (2004). This was partly because of the elimination of a subscription fee for savings accounts (introduced when interest rates were negative). As such, the strength in NII and part of the weakness in F&C acted like communicating vessels.

Triodos, like all banks, faces continuous pressure from costs associated with KYC and AML. Management indicated there will be some extra K&C costs in 2024. This should be partly offset by a gradual increase in costs savings from the efficiency programme, of which the full benefits should materialise in 2025. We assume there will be EUR 7m in exceptional costs (litigation) in 2024, and EUR 6m p/a in 2025 and 2026.

Management repeated the dividend policy of 50% of reported net profit, although it can be higher or lower from time-to-time, depending on the circumstances (e.g. growth of lending portfolio, new regulations re capital ratios, etc.). The 2023 dividend of EUR 4.07 p/s represented a pay-out of 75%, which we consider a gesture towards holders of depository receipts. We maintain our assumption of 50% going forward, yet it could go either way, depending on potentially new gestures (>50%), or potential changes in regulations re capital ratios (<50%). Our estimates for the dividend are still well above the EUR 1.95 p/a that holders of depository receipts were accustomed to over the period 2007-2018.

Based on our new estimates, Triodos' adjusted EPS in 2025 is 92% of the 2023 peak. This compares to 77% for ABN AMRO, 96% for ING Group, and 96% for KBC Group, based on Bloomberg consensus estimates.

Exhibit 1 Our estimates (EUR m)													
	H1-22	H2-22	H1-23	H2-23	2024e	2025e	2026e	2024e	2025e	2026e	2024e	2025e	2026e
					New estimates			New vs. Former			Former estimates		
Deposits (avg)	13,408	13,673	13,773	13,744	13,897	14,175	14,458	-2%	-3%	-4%	14,164	14,589	15,026
Loans (avg)	10,345	10,571	10,738	10,968	11,191	11,415	11,643	1%	0%	-1%	11,048	11,379	11,721
Loans/Deposits (avg)	77%	77%	78%	80%	81%	81%	81%				78%	78%	78%
NII/Loans (avg)	2.2%	2.7%	3.3%	3.3%	3.1%	3.1%	3.1%				3.4%	3.4%	3.4%
NII	113	140	176	180	341	348	355	-8%	-9%	-10%	370	381	393
F&C	59	62	56	56	114	117	121	-2%	-2%	-2%	117	120	124
Other income	2	-1	-2	-1	0	0	0				0	0	0
Total income	174	201	231	236	455	466	476	-6%	-7%	-8%	487	501	517
y/y	5%	14%	32%	17%	-2%	2%	2%				3%	3%	3%
Opex	152	148	169	170	341	348	358	0%	-0%	-1%	340	349	363
C/I ratio	87.2%	73.7%	73.1%	72.3%	74.9%	74.7%	75.2%				69.9%	69.6%	70.2%
PPP	22	53	62	65	114	118	118	-22%	-23%	-23%	147	152	154
LLP	2	-10	-13	-9	-10	-10	-10	-33%	0%	0%	-15	-10	-10
PBT	24	43	49	57	104	108	108	-21%	-24%	-25%	132	142	144
Taxes	-5	-12	-14	-15	-28	-29	-29				-37	-40	-40
Tax rate	22.6%	27.2%	28.6%	26.0%	27.0%	27.0%	27.0%				28.0%	28.0%	28.0%
Net profit	19	31	35	42	76	79	79	-20%	-23%	-24%	95	102	104
Exceptionals	-5	-9	-7	-4	-7	-6	-6				-6	-6	-6
C/I ratio adjusted	83.0%	67.9%	68.7%	69.9%	73.4%	73.4%	74.0%				68.7%	68.4%	69.0%
PPP adjusted	30	65	72	71	121	124	124	-21%	-22%	-22%	153	158	160
Net profit adjusted	24	40	43	46	81	83	83	-18%	-22%	-23%	99	107	108
Per share (EUR)													
EPS					5.36	5.53	5.55	-20%	-23%	-24%	6.67	7.21	7.29
DPS					2.68	2.77	2.77	-4%	-8%	-9%	3.33	3.60	3.64
Pay-out					50%	50%	50%				50%	50%	50%
EPS adjusted					5.72	5.84	5.85	-18%	-22%	-23%	6.97	7.51	7.59

Source: Triodos, Degroof Petercam



We set our new target valuation range at EUR 35-49

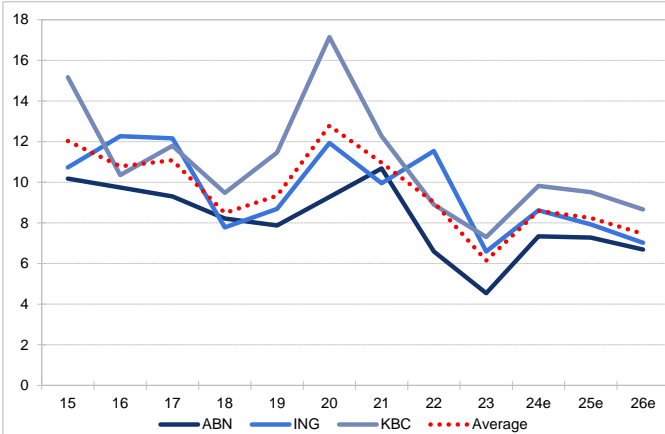
As highlighted in previous updates, the three Benelux banks have been de-rated in the past 12-18 months on adjusted P/E. Historically, they traded at on average 10x, compared to a P/E 2024e of just over 8x at current share prices, and a target P/E 2024e of 8.6x based on Bloomberg consensus target prices.

On P/B, relatively little has changed, as the historical average is 1.0x, the P/B 2024e is 0.9x at current share prices, and it is 1.0x at Bloomberg consensus target prices. However, on P/B, the differences between the multiples of the three peers are much larger than on P/E (exhibits 2 and 3). Generally, the higher the ROE, the higher the P/B multiple.

We set a new target valuation range of EUR 35-49 (lowered from EUR 46-59), based on lower earnings estimates. Our target valuation includes a range of EUR 35-49 based on P/E and EUR 48 based on P/B.

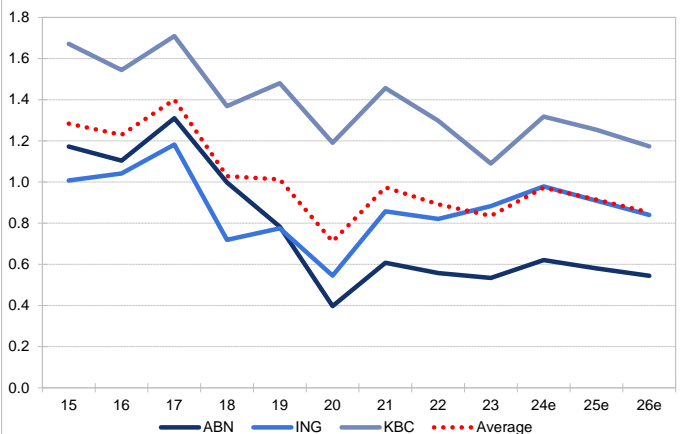
- **P/E high end:** we use the Bloomberg consensus target multiple for the peer group of 8.6x P/E 2024e against our Triodos estimate for adjusted EPS 2024e of EUR 5.72 to get to a target value of EUR 49.
- **P/E low end:** we use the discount of 29% against which Triodos traded in the latest auction at the Captin platform (3 April 2024) against the 2024e target multiple of the peer group of 8.6x, to get to a value of EUR 35. We do flag that the discount has been volatile over time, ranging from a premium of 14% to a discount of 59%, to the latest trade with a discount of 29%.
- **P/B:** we use the Bloomberg consensus target multiple of 1.0x P/B 2024e against our Triodos estimate for BPS 2024e of EUR 90. However, we apply a 45% discount to reflect differences in ROE 2024e between our estimate for Triodos (6.3%) and the peer group average (11.4%), to get to a target value of EUR 48.

Exhibit 2 Adjusted P/E (x)*



Source: Companies, Degroof Petercam, * 2024/25/26 at BBCSS TP

Exhibit 3 P/B (x)*



Source: Companies, Degroof Petercam, * 2024/25/26 at BBCSS TP

Profit & Loss (EUR m)	12/20a	12/21a	12/22a	12/23a	12/24e	12/25e	12/26e
Net interest income	198.2	221.5	253.1	356.2	341.3	348.1	355.1
Net fee and commission income	106.1	116.1	120.9	112.3	114.0	117.4	120.9
Other income	0.8	4.4	0.7	-2.9	0.0	0.0	0.0
Total income	305.1	341.9	375.3	466.3	455.3	465.6	476.1
Growth yoy	+4.5%	+12.1%	+9.8%	+24.3%	-2.4%	+2.3%	+2.3%
C/I ratio	80.4%	80.5%	80.0%	72.7%	74.9%	74.7%	75.2%
Operating costs	-245.4	-275.2	-300.1	-339.0	-341.0	-347.9	-358.1
Employee costs	-134.6	-149.9	-166.8	-183.2	-190.0	-194.7	-200.5
Administrative costs	-82.1	-98.8	-111.4	-129.9	-126.0	-127.7	-131.6
Depreciation	-12.8	-12.1	-8.1	-7.7	-8.0	-8.0	-8.0
Amortisation	-10.7	-11.7	-13.9	-17.0	-17.0	-17.5	-18.0
Impairment	-5.2	-2.7	0.1	-1.1	0.0	0.0	0.0
Profit pre provisions	59.7	66.7	75.2	127.3	114.3	117.7	118.0
Loan loss provisions	-24.2	0.4	-8.1	-21.3	-10.0	-10.0	-10.0
Profit before tax	35.5	67.2	67.1	106.0	104.3	107.7	108.0
Taxes	-8.3	-16.4	-17.1	-28.8	-28.2	-29.1	-29.2
Tax rate	23.3%	24.4%	25.6%	27.2%	27.0%	27.0%	27.0%
Associates	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Discontinued	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	27.2	50.8	49.9	77.2	76.2	78.6	78.8
Exceptional items in operating costs	-0.4	-2.3	-18.9	-15.9	-7.0	-6.0	-6.0
Adj. C/I ratio (%)	80.3%	79.8%	75.0%	75.0%	73.4%	73.4%	74.0%
Adj. profit pre provisions	60.1	69.0	94.1	143.2	121.3	123.7	124.0
Adj. profit before tax	35.9	69.5	86.0	121.9	111.3	113.7	114.0
Adj. net profit	46.6	50.8	64.5	90.1	81.3	83.0	83.2

Balance sheet (EUR m)	12/20a	12/21a	12/22a	12/23a	12/24e	12/25e	12/26e
Tangible fixed assets	101.5	94.7	88.7	80.5	77.0	73.5	70.0
Right of use assets	19.4	16.7	13.3	12.2	12.2	12.2	12.2
Goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other intangible assets	45.8	48.3	51.2	48.2	47.2	45.7	43.7
Financial fixed assets	42.1	47.9	52.5	56.1	56.1	56.1	56.1
Deferred tax assets	14.9	13.6	13.2	12.9	12.9	12.9	12.9
Total fixed assets	223.6	221.2	218.9	209.8	205.3	200.3	194.8
Cash & cash equivalents	2,955.8	4,277.6	2,581.1	2,141.0	2,219.8	2,323.7	2,428.7
Loans and advances to banks	150.6	265.8	332.5	273.8	273.8	273.8	273.8
Loans and advances to customers	9,156.7	10,167.8	10,619.7	11,080.0	11,301.6	11,527.6	11,758.2
Debt securities at amortised cost	1,317.3	1,483.4	1,689.8	2,187.6	2,187.6	2,187.6	2,187.6
Non trading derivatives	1.8	19.7	295.7	207.9	207.9	207.9	207.9
Tax receivable	1.8	1.7	1.5	1.7	1.7	1.7	1.7
Other assets	61.9	54.4	55.8	65.1	65.1	65.1	65.1
Financial assets	13,645.8	16,270.3	15,576.0	15,957.1	16,257.4	16,587.3	16,922.9
Assets held for sale	19.0	12.7	5.6	8.7	8.7	8.7	8.7
Total assets	13,888.4	16,504.2	15,800.5	16,175.6	16,471.4	16,796.4	17,126.4
Equity	1,208.2	1,250.1	1,259.4	1,288.6	1,309.3	1,353.5	1,397.2
Minorities & preference shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Equity	1,208.2	1,250.1	1,259.4	1,288.6	1,309.3	1,353.5	1,397.2
Deposits from banks	815.1	1,608.3	337.1	670.1	670.1	670.1	670.1
Deposits from customers	11,747.2	13,285.1	13,816.3	13,759.1	14,034.3	14,315.0	14,601.3
Non trading derivatives	10.5	7.0	1.3	34.7	34.7	34.7	34.7
Tax liabilities	20.9	19.2	23.1	31.0	31.0	31.0	31.0
Debt issued	6.4	255.6	259.9	260.4	260.4	260.4	260.4
Provisions	4.4	5.8	7.9	18.2	18.2	18.2	18.2
Other liabilities	75.8	73.2	95.6	113.6	113.6	113.6	113.6
Liabilities	12,680.2	15,254.1	14,541.1	14,887.0	15,162.2	15,442.9	15,729.2
Liabilities held for sale	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total liabilities	13,888.4	16,504.2	15,800.5	16,175.6	16,471.4	16,796.4	17,126.4

Source: Triodos Bank/Degroof Petercam estimates

Cash Flow (EUR m)	12/20a	12/21a	12/22a	12/23a	12/24e	12/25e	12/26e
Net profit	27.2	50.8	49.9	77.2	76.2	78.6	78.8
Depreciation	9.5	8.8	8.3	7.7	7.5	7.5	7.5
Amortisation	10.7	11.7	13.9	17.0	17.0	17.5	18.0
Impairment	5.2	2.7	-0.1	1.1	0.0	0.0	0.0
Change in provisions	-2.6	2.2	2.2	0.3	0.0	0.0	0.0
Other operational CF	33.1	7.2	9.9	20.3	5.0	5.0	5.0
Operational cash flow	83.1	83.3	84.0	123.6	105.7	108.6	109.3
Change in loans and deposits	826.2	1,203.0	-1,500.2	-89.0	53.6	54.7	55.8
Change in other financial assets	-264.2	-163.6	-181.2	-445.5	0.0	0.0	0.0
CF from operating activities	645.1	1,122.7	-1,597.4	-410.9	159.2	163.3	165.1
CAPEX	-3.0	-2.2	-2.7	-4.6	-4.0	-4.0	-4.0
Investments in intangibles	-15.0	-14.5	-16.9	-15.3	-16.0	-16.0	-16.0
Acquisitions	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Divestments	1.2	2.1	7.2	0.4	0.0	0.0	0.0
Other investing CF	-12.4	-5.0	-0.4	-0.8	0.0	0.0	0.0
CF from investing activities	-29.1	-19.6	-12.8	-20.3	-20.0	-20.0	-20.0
Dividends	0.0	-9.2	-44.9	-42.6	-60.5	-39.4	-40.1
Minorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Share buybacks	-20.5	-0.9	0.0	0.0	0.0	0.0	0.0
Equity financing	5.5	0.0	0.0	-0.2	0.0	0.0	0.0
Other financing CF	6.4	247.8	0.0	0.0	0.0	0.0	0.0
CF from financing activities	-8.7	237.7	-44.9	-42.8	-60.5	-39.4	-40.1
Net cash flow	607.3	1,340.8	-1,655.2	-474.0	78.8	103.9	105.0
Figures per Share (EUR)	12/20a	12/21a	12/22a	12/23a	12/24e	12/25e	12/26e
Adjusted EPS	3.27	3.56	4.54	6.34	5.72	5.84	5.85
Declared EPS	1.91	3.56	3.51	5.43	5.36	5.53	5.55
Dividend	0.65	1.80	3.12	4.07	2.68	2.77	2.77
Dividend pay-out ratio	34.1%	50.6%	60.1%	75.0%	50.0%	50.0%	50.0%
Book value	83.51	86.41	87.05	89.07	90.50	93.56	96.58
Shares (m)							
Number of shares at year-end	14.5	14.5	14.5	14.5	14.5	14.5	14.5
Average number of shares	14.3	14.3	14.2	14.2	14.2	14.2	14.2
Average number of shares diluted	14.3	14.3	14.2	14.2	14.2	14.2	14.2
Ratios	12/20a	12/21a	12/22a	12/23a	12/24e	12/25e	12/26e
Financial ratios							
Return on equity	2.3%	4.1%	4.0%	6.1%	5.9%	5.9%	5.7%
Adj. return on equity	3.9%	4.1%	5.1%	7.1%	6.3%	6.2%	6.1%
Leverage ratio	8.8%	8.1%	6.9%	6.9%	6.9%	6.9%	7.0%
CET-1 ratio	18.7%	17.5%	17.3%	16.7%	16.5%	16.5%	16.6%
Margin analysis							
Adj. PPP margin	19.7%	20.2%	25.1%	30.7%	26.6%	26.6%	26.1%
PPP margin	19.6%	19.5%	20.0%	27.3%	25.1%	25.3%	24.8%
Adj. PBT margin	11.8%	20.3%	22.9%	26.2%	24.5%	24.4%	23.9%
PBT margin	11.6%	19.6%	17.9%	22.7%	22.9%	23.1%	22.7%
Adj. net profit margin	15.3%	14.9%	17.2%	19.3%	17.9%	17.8%	17.5%
Tax rate	23.3%	24.4%	25.6%	27.2%	27.0%	27.0%	27.0%
Growth analysis							
Total income change y/y	+4.5%	+12.1%	+9.8%	+24.3%	-2.4%	+2.3%	+2.3%
Adj. PPP change y/y	+11.2%	+14.9%	+36.3%	+52.2%	-15.3%	+1.9%	+0.3%
Adj. PBT change y/y	-28.8%	93.6%	23.8%	41.8%	-8.7%	2.1%	0.3%
Adj. net profit change y/y	+25.1%	+8.9%	+27.1%	+39.6%	-9.8%	+2.1%	+0.3%
Adj. EPS change y/y	+22.4%	+8.9%	+27.5%	+39.6%	-9.8%	+2.1%	+0.3%
Dividend change y/y	-	+176.9%	+73.3%	+30.5%	-34.2%	+3.2%	+0.3%

Source: Triodos Bank/Degroof Petercam estimates



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None.

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Report completion and updates

This report was first disseminated by Degroof Petercam on 4 April 2024 07:29 CET

Valuations are continuously reviewed by the analyst and will be updated and/or refreshed regularly. The rationale behind a change in target valuation will be explained in such a refresher/update.

An overview of the research published on this company can be found on our website:
<https://research.degroofpetercam.com/portail/societe/news.php?id=236&type=0>

This report has not been reviewed by the company prior to publication.
The report has been reviewed by Luuk van Beek, Senior Equity Analyst.

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