

## PATRIA BANK <PBK> Banks

Rating: Neutral  
TP: RON 0.0905

### 1Q '22 Earnings Review

The Bank published its 1Q '22 results on 16 May.

#### Net banking income flat y/y, down q/q despite the jump in interest income

In the first quarter, the Group's net interest income rose by 15.8% y/y to RON 34.8m (+13.7% q/q), as it posted a 19% y/y increase in interest income (+13.8% q/q) and a 27.2% y/y jump in interest expense (+14.1% q/q).

Net fee and commission income showed a moderate 3.6% y/y increase but was 2.3% below 4Q '21 at RON 6.8m. Non-core income more than halved both y/y and q/q to RON 4.1m. We note that the y/y decrease is primarily owed to the Group booking no gains or losses from the disposal of financial assets at fair value through other comprehensive income (FVOCI), compared to RON 4.5m gains in 1Q '21.

Thus, the net banking income slightly inched down y/y and also retreated vs. the previous quarter to RON 45.7m (-0.8% y/y, -3.1% q/q).

Opex saw a 10.9% y/y increase to RON 37.5m as personnel expenses rose by 12.7% y/y to RON 19m, while administrative and other operating expenses enlarged by 14.9% y/y to RON 12.8m (this includes the RON 1.6 contribution to the Deposit Guarantee Fund, 2.1x higher y/y). Compared to 4Q '21, operating expenses diminished by 2.2%.

Given the above developments, the Group's cost-to-income ratio in 1Q '22 deteriorated to 82% (+8.6pp y/y). Moreover, the consolidated pre-provision operating profit was lower compared to both 1Q '21 and 4Q '21 at RON 8.2m (-33% y/y, -7% q/q).

The net cost of risk of RON 4.35m (74bp, annualized) was well below the one booked in the first quarter of 2021 (-49% y/y) and flat vs. 4Q '21. The Bank ascribes the y/y performance to several factors, among which newer loan quality, the implementation of a monitoring committee and good recoveries.

Thus, the consolidated net income declined by 9.9% y/y to RON 2.15m (-45% q/q, also due to a significantly higher income tax charge in 1Q '22 vs. 4Q '21). As for the Bank, its net profit almost doubled, although in absolute terms it only amounted to RON 882k.

#### Favorable balance sheet dynamics

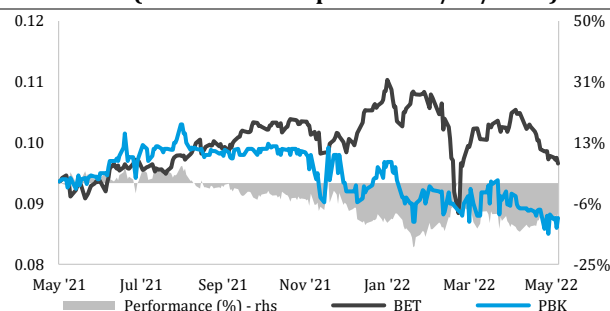
The Group's net loan portfolio went up by 15.5% y/y and by 4.1% ytd to RON 2.24bn, while customer deposits rose by 12.5% y/y and declined by 3.4% ytd to RON 3.19bn.

The Bank's asset quality improved markedly over the past year, with the non-performing exposures (NPE) ratio shedding 2.3pp to reach 7.77% as at 31 Mar 2022 (-0.1pp vs. Dec 2021); the coverage ratio was rather flat at 59%. The capital adequacy ratio at Bank level was 18.3%, down from 19.1% at the end of 2021 mainly due to revaluation of debt instruments at FVOCI.

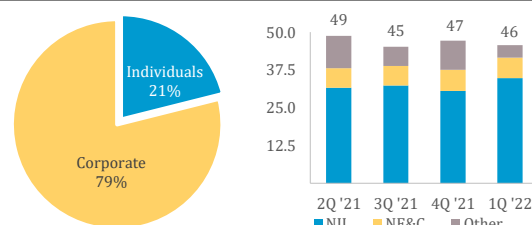
#### Stock details

Rating	Neutral
Target price	RON 0.0905
Upside	+3.3%
Bloomberg / Reuters	PBK RO / PBK.BX
Last close 19 May 2022	RON 0.0876
Market cap	EUR 58.1m
Free float	13.4%
3m avg daily volumes	EUR 1k
Δ abs 3m	-5.0%
Δ abs 12m	-6.6%
Δ% rel 3m (vs. BET)	4.2%
Δ% rel 12m (vs. BET)	-9.6%

#### PBK vs. BET (rebased at PBK price on 19/05/2021)



#### Gross loan portfolio 3M '22 Net Banking Income RONm



Key ratios / multiples	6M '21	9M '21	FY '21	3M '22
EPS (RON) <sub>LTM</sub>	0.001	0.001	0.003	<b>0.003</b>
EPS (RON) <sub>QTYL</sub>	0.001	0.000	0.001	<b>0.001</b>
P/E (x) <sub>LTM</sub>	62.7	74.5	30.5	<b>28.5</b>
P/B (x)	0.8	0.9	0.9	<b>0.9</b>
ROE (%) <sub>LTM</sub>	1.4%	1.2%	3.0%	<b>2.9%</b>
ROA (%) <sub>LTM</sub>	0.1%	0.1%	0.3%	<b>0.3%</b>

Historical prices used for 6M '21 - FY '21

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**Selected financials (IFRS, Consolidated)**

<b>RONm</b>	<b>1Q '22</b>	<b>1Q '21</b>	<b>y/y</b>	<b>4Q '21</b>	<b>q/q</b>
Net interest income	34.8	30.0	+15.8%	30.6	+13.7%
Net F&C income	6.8	6.6	+3.6%	7.0	-2.3%
Cost of risk	(4.4)	(8.6)	-49.3%	(4.4)	-0.2%
Net profit	2.1	2.4	-9.9%	3.9	-45.1%
ROE <sub>LTM</sub>	2.9%	2.2%	+0.7pp	3.0%	-0.1pp
C/I <sub>LTM</sub>	80.0%	77.2%	+2.9pp	77.9%	+2.1pp
NPE ratio	7.8%	10.1%	-2.3pp	7.9%	-0.1pp

Source: BTCP Research estimates, Company data

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Type	Date	Price (RON)	TP (RON)	Rating
Coverage Initiation	26 Apr 2021	0.0942	0.0905	Neutral

Type	Date	Price (RON)	TP (RON)	Rating
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Source: BTCP Research

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Ratings Distribution as of 20 May 2022	Outperform	Neutral	Underperform	Under Review	Restricted	Not rated	In transition
Romanian Equity Research Coverage (26)	8%	15%	4%	15%	23%	35%	0%

Source: BTCP Research

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