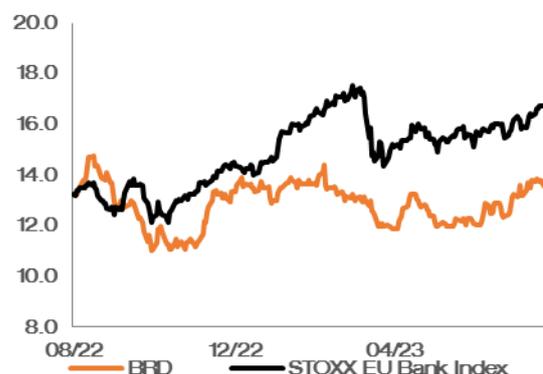


BRD

Recommendation: Accumulate (unch.)

Target price (12M): RON 15.5 (prev RON 14.0.)

RON ths	2022 Q2	2023 Q1	2023 Q2
NII	566,896	670,538	658,530
Net F&C	193,307	172,330	188,236
Risk cost	-14,093	-9,448	14,678
OPEX	-392,907	-508,006	-435,560
Net profit	348,487	337,236	416,174
NIM	3.15%	3.66%	3.52%
Cost of risk	0.16%	0.10%	-0.15%
Net loans (ths)	35,328,558	37,179,322	37,991,030
Deposits (ths)	53,665,039	55,574,160	58,440,681
Cost-to-income	47.22%	46.21%	47.86%



Perf (%)	12M	YTD	3M	1M
Absolute	9.3	8.6	13.9	6.8
BET relative	2.8	-4.3	5.5	0.7

Share price as of 8/3/2023	RON 14.7	Bloomberg	BRD RO
Number of shares [million]	697	Free float	39.8%
Market capitalization [RON mn/EUR mn]	9,840/1,994	52 week range	RON 11.0-14.8
Daily turnover 12M [EUR million]	0.313	EURRON	4.93

Good results on cost control, provisioning

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- BRD's reported net income came to RON 416 mln in the second quarter – up by 19% y-o-y and 23% q-o-q as risk cost was positive and OPEX was under control with higher revenues y-o-y.
- Net interest income was at RON 658 mln, up by 16% y-o-y thanks to higher interest rates and volumes but q-o-q there was a decline of 2% as a result of higher cost of liabilities thus NIM also declined to 3.5% from 3.7%.
- Net F&C was up 9% q-o-q due to higher fees across all segments offset by lower gains from FX and derivatives.
- Costs increased 15% q-o-q and 12% y-o-y, nevertheless q-o-q the growth was below 1% if we adjust for the Deposit Guarantee fund payment in the first quarter.
- Risk cost was again positive due to sustained recoveries with NPE ratio at all-time low of 2.2%, coverage at 74%.
- On a volume issue, corporate lending and consumer loans remained dynamic while mortgages were rather flat. Overall, the former two resulted in a 2%

growth q-o-q. On the deposits side, there was an increase of 5% q-o-q – majority coming to term deposits.

- Capital adequacy increased to 18.8% (Tier 1) from 18.2%. BRD reported sound results with a ROE of 21.1% in the second quarter.
- Conference call is set on tomorrow at 10:00 am, Romanian time.
- **Opinion: BRD reported sound results though NII development seems to slow. Based on H1 earnings, we have updated our earnings projections and TP while we maintain our Accumulate rating. BRD still offers ca. 17% upside including dividends from 2023 but based on multiples, there are cheaper names in Concorde's banking universe.**

Quarterly results

[RON ths]	2022/2023				2023	Difference	
	Q2	Q3	Q4	Q1	Q2	Y-o-Y	Q-o-Q
P&L							
Net interest income	566,896	601,331	646,044	670,538	658,530	16%	-2%
Net fees	193,307	202,028	178,986	172,330	188,236	-3%	9%
Total revenues	831,987	899,527	918,177	935,339	926,113	11%	-1%
Operating costs	-392,907	-423,223	-468,675	-508,006	-435,560	11%	-14%
Operating profit	439,080	476,304	449,502	427,333	490,553	12%	15%
Risk provisioning	- 14,093	9,197	- 58,208	- 9,448	14,678	-204%	-255%
Pre-tax profit	424,987	485,501	391,294	417,885	505,231	19%	21%
Net profit	348,487	395,307	318,009	337,236	416,174	19%	23%
EPS	0.50	0.57	0.46	0.48	0.60	19%	23%

Balance sheet highlights	2022				2023	Difference	
	Q2	Q3	Q4	Q1	Q2	Y-o-Y	Q-o-Q
Balance sheet total	70,809,786	71,173,757	73,841,767	72,838,566	76,960,645	9%	6%
Loans, net	35,328,558	36,176,880	36,288,342	37,179,322	37,991,030	8%	2%
Deposits	53,665,039	55,158,255	56,660,841	55,574,160	58,440,681	9%	5%
Net Loans/deposits (%)	65.8	65.6	64.0	66.9	65.0	-0.8	-1.9

KPIs	2022				2023	Difference	
	Q2	Q3	Q4	Q1	Q2	Y-o-Y	Q-o-Q
NIM (NII/total assets)	3.2%	3.4%	3.6%	3.7%	3.5%	0.4	-0.1
ROE	20.4%	26.0%	19.3%	18.7%	21.1%	0.7	2.4
ROA	1.9%	2.2%	1.8%	1.8%	2.2%	0.3	0.4
Cost-income ratio	47.2%	47.0%	51.0%	46.2%	47.9%	0.6	1.6
Cost of risk	0.2%	-0.1%	0.6%	0.1%	-0.1%	-0.3	-0.2
NPL ratio	2.6%	2.6%	2.5%	2.6%	2.2%	-0.4	-0.4
NPL coverage	77.0%	78.0%	77.0%	77.4%	74.0%	-3.0	-3.4
CET1 ratio	16.9%	18.1%	21.1%	18.2%	18.8%	1.9	0.6

Source: BRD, Concorde

Earnings Revision

Profit and loss statement	2023 old	2023 new	Change (%)	2024 old	2024 new	Change (%)
Net interest income	2,649	2,704	2.1%	2,513	2,671	6.3%
Net fee and commission income	717	769	7.4%	752	792	5.3%
Net trading income	343	353	2.9%	353	363	2.9%
Other income	8	8	0.0%	8	8	0.0%
Other expense	-75	-75	0.0%	-75	-75	0.0%
General admin. expenses	-1,817	-1,837	1.1%	-1,809	-1,894	4.7%
Operating result	1,824	1,923	5.4%	1,742	1,865	7.1%
Risk provisioning	-132	-59	-55.1%	-258	-214	-16.9%
Profit before tax	1,692	1,863	10.1%	1,485	1,651	11.2%
Tax expenses	-295	-325	10.1%	-259	-288	11.2%
Profit after tax	1,397	1,538	10.1%	1,226	1,363	11.2%
Minorities	-10	-11	10.1%	-9	-10	11.2%
Profit attributable to shareholders	1,388	1,528	10.1%	1,217	1,354	11.2%

Indicators	2022	2023F	2024F	2025F
EPS (RON)	1.92	2.21	1.96	1.84
DPS (RON)	0.00	1.66	1.37	1.29
BVPS (RON)	9.90	12.09	12.38	12.82
TBVPS (RON)	9.83	12.02	12.31	12.75
P/E	7.7x	6.7x	7.5x	8.0x
P/BV	1.5x	1.2x	1.2x	1.1x
P/TBV	1.5x	1.2x	1.2x	1.2x
Dividend Yield (%)	0.0%	11.3%	9.3%	8.8%
NIM (NII/avg. total assets)	3.3%	3.6%	3.5%	3.4%
Cost-to-income ratio	47.5%	48.0%	49.5%	49.0%
ROE (after tax)	16.0%	20.1%	16.0%	14.6%
ROTE	16.1%	20.2%	16.1%	14.7%
ROA	1.9%	2.0%	1.8%	1.6%
Cost of risk	-26bps	-15bps	-52bps	-75bps
NPE ratio	2.7%	2.0%	2.5%	3.2%
NPE coverage ratio	73.4%	77.0%	77.0%	77.0%
RWA	33,888	36,260	37,711	40,396
Capital ratio (Tier 1)	22.4%	22.0%	22.2%	22.1%
Balance sheet growth	6.9%	4.0%	0.3%	2.7%
Loan growth	9.8%	7.0%	4.0%	4.0%
Deposit growth	7.5%	2.5%	0.0%	3.0%
Loan-to-deposit ratio	67.2%	70.1%	72.9%	73.6%

Profit and loss statement (RON mln)	2022	2023F	2024F	2025F
Net interest income	2,370	2,704	2,671	2,636
Net fee and commission income	754	769	792	816
Net trading income	327	353	363	370
Other income	8	8	8	8
Other expense	-69	-75	-75	-75
General admin. expenses	-1,675	-1,837	-1,894	-1,873
Operating result	1,715	1,923	1,865	1,882
Risk provisioning	-95	-59	-214	-326
Profit before tax	1,620	1,863	1,651	1,556
Tax expenses	-282	-325	-288	-271
Profit after tax	1,337	1,538	1,363	1,285
Minorities	-9	-11	-10	-9
Profit attributable to shareholders	1,328	1,528	1,354	1,276

Balance Sheet	2022	2023F	2024F	2025F
Assets				
Cash and equivalents	7,625	7,920	6,652	7,289
Due from banks	7,221	7,221	7,221	7,221
Derivatives held for trading	2,343	2,343	2,343	2,343
Loans and advances to customers (net)	36,288	38,893	40,308	41,676
Net lease investments	1,407	1,407	1,407	1,407
Financial assets	16,185	16,185	16,185	16,185
Inv. In associates	114	114	114	114
PPE	1,064	1,117	1,170	1,228
Intangible assets	407	416	426	436
Goodwill	50	50	50	50
Other assets	1,137	1,137	1,137	1,137
Total assets	73,842	76,803	77,013	79,086
Liabilities and equity				
Deposits from banks	637	637	637	637
Deposit from customers	56,661	58,084	58,084	59,826
Borrowed funds	5,625	5,625	5,625	5,625
Other subordinated liabilities	1,239	1,239	1,239	1,239
Derivatives	1,444	1,444	1,444	1,444
Tax liabilities	6	6	6	6
Other liabilities	1,271	1,271	1,271	1,271
Total liabilities	66,882	68,305	68,305	70,047
Total equity (without minorities)	6,901	8,429	8,629	8,950
Minorities	59	70	79	88
Total liabilities and equity	73,842	76,803	77,013	79,086

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Rating	Trigger
Buy	Total return is expected to exceed 20% in the next 12 months
Accumulate	Total return is expected to be in the range of 10-20%
Neutral	Total return is expected to be in the range of 10%-(-10%)
Reduce	Total return is expected to be in the range of -10-(-20%)
Sell	Total return is expected to be lower than -20%
Under Revision	The stock is put Under Revision if covering analyst considers new information may change the valuation materially and if this may take more time.
Coverage in transition	Coverage in transition rating is assigned to a stock if there is a change in analyst.

Securities prices:

Prices are taken as of the previous day's close on the home market unless otherwise stated.

Valuations and risks:

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