

BRD

Recommendation: Neutral (prev. Accumulate)

Target price (12M): RON 18.4 (prev. RON 15.5)

RON mln	2023	2024F	2025F
NII	2,725	2,862	2,840
Total revenues	3,834	4,004	4,013
Risk cost	57	-143	-223
Net profit	1,640	1,417	1,372
EPS [RON]	2.38	2.05	1.98
BVPS [RON]	12.62	13.25	13.79
TBVPS [RON]	12.55	13.18	13.72
DPS [RON]	1.40	1.43	1.39
P/E	7.7x	8.9x	9.2x
P/TBV	1.4x	1.4x	1.3x
ROTE (%)	21.2%	15.9%	14.7%
ROA (%)	2.1%	1.6%	1.5%
Dividend yield	7.7%	7.9%	7.6%



Performance (%)	12M	YTD	3M	1M
Absolute	25.7	1.1	1.5	4.3
BET relative	-1.3	-1.1	-5.5	1.8

Share price close as of 2/13/2024	RON 18.2	Bloomberg	BRD RO
Number of shares [million]	697	Free float	34.0%
Market capitalization [RON mn/EUR mn]	12,628/2,537	52 week range	RON 11.9-18.1
Daily turnover 12M [EUR million]	0.5	EURRON	5.0

Model update after Q4 earnings

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- We updated our model due to better 2023 results, better NII and risk cost outlook.
- While the Romanian reference rate is set to decline to below 6% this year, but NII could be higher compared to 2023 on stellar volumes and repricing could be slower on the asset side.
- Asset quality should stay benign but positive contribution to earnings is unlikely to be sustainable thus we project it to be 32bps and 47bps for 2024 and 2025, respectively.
- We also included the turnover tax for the 2024-2026 period which is likely to be around RON 120 mln in 2024 and 2025 while it will decline to RON 70 mln in 2026.
- While the Bank still leaves ca. 9% upside from the current share price including dividends, we deem that other banks in our coverage offer better risk-return potential in our view.

P/TBV Valuation	
LT growth	3.5%
LT ROTE	16.7%
P/BV	1.5
Cost of eq.	12.6%
TBVPS	13.7
Fair value Dec 31 2025	20.1
Adjusted cost of equity	12.6%
Fair value 12M	18.2

Excess capital valuation	2023	2024F	2025F	2026F	TV
RWA	36,938	41,370	43,439	45,611	47,207
<i>RWA growth</i>	<i>9.0%</i>	<i>12.0%</i>	<i>5.0%</i>	<i>5.0%</i>	<i>3.5%</i>
Net profit	1,640	1,417	1,372	1,464	1,420
Required capital (18.0%)	6,649	7,447	7,819	8,210	8,497
Available capital	6,646	8,063	9,435	10,899	12,319
Payable			1,616	1,073	1,123
Discount rate			12%	12%	12%
PV (cumulative)			12,756	12,677	13,131
<i>Optimal capital</i>	<i>18.0%</i>				
<i>Payout in Tv</i>	<i>79.1%</i>				
Fair value Dec 31 2024	18.3				
Adjusted cost of equity	2%				
12 M Target Price	18.7				
Average	18.4				
Upside	9.1%				

Indicators	2023	2024F	2025F	2026F
EPS (RON)	2.38	2.05	1.98	2.12
DPS (RON)	1.40	1.43	1.39	1.48
BVPS (RON)	12.62	13.25	13.79	14.50
TBVPS (RON)	12.55	13.18	13.72	14.43
P/E	7.7x	8.9x	9.2x	8.6x
P/BV	1.4x	1.4x	1.3x	1.3x
P/TBV	1.4x	1.4x	1.3x	1.3x
Dividend Yield (%)	7.7%	7.9%	7.6%	8.1%
NIM (NII/avg. total assets)	3.5%	3.3%	3.1%	3.2%
Cost-to-income ratio	49.4%	48.5%	48.0%	48.0%
ROE (after tax)	21.1%	15.8%	14.7%	15.0%
ROTE	21.2%	15.9%	14.7%	15.0%
ROA	2.1%	1.6%	1.5%	1.5%
Cost of risk	14bps	-32bps	-47bps	-60bps
NPE ratio	1.9%	1.7%	2.0%	2.5%
NPE coverage ratio	76.0%	75.0%	77.0%	77.0%
RWA	36,938	41,370	43,439	45,611
Capital ratio (Tier 1)	18.0%	17.1%	17.1%	17.4%
Balance sheet growth	13.6%	6.5%	4.2%	4.3%
Loan growth	9.0%	12.0%	5.0%	5.0%
Deposit growth	10.1%	8.0%	5.0%	5.0%
Loan-to-deposit ratio	66.5%	68.9%	68.9%	68.9%

Profit and loss statement (RON mln)	2023	2024F	2025F	2026F
Net interest income	2,725	2,862	2,840	3,075
Net fee and commission income	750	773	796	820
Net trading income	362	373	380	388
Other income	-3	-3	-3	-3
Other expense	-68	-68	-68	-68
<i>Turnover tax</i>		-120	-120	-70
General admin. expenses	-1,827	-1,944	-1,928	-2,056
Operating result	1,939	1,873	1,897	2,086
Risk provisioning	57	-143	-223	-299
Profit before tax	1,996	1,730	1,674	1,787
Tax expenses	-341	-303	-293	-313
Profit after tax	1,656	1,427	1,381	1,474
Minorities	-16	-10	-10	-10
Profit attributable to shareholders	1,640	1,417	1,372	1,464

Balance Sheet	2023F	2024F	2025F	2026F
Assets				
Cash and equivalents	11,778	13,537	15,120	16,889
Due from banks	6,129	6,129	6,129	6,129
Derivatives held for trading	2,136	2,136	2,136	2,136
Loans and advances to customers (net)	40,823	44,493	46,593	48,733
Net lease investments	1,692	1,692	1,692	1,692
Financial assets	18,623	18,623	18,623	18,623
Inv. In associates	65	65	65	65
PPE	1,074	1,170	1,228	1,345
Intangible assets	506	426	436	457
Goodwill	50	50	50	50
Other assets	972	972	972	972
Total assets	83,849	89,293	93,045	97,091
Liabilities and equity				
Deposits from banks	1,147	1,147	1,147	1,147
Deposit from customers	62,406	67,398	70,768	74,306
Borrowed funds	7,004	7,004	7,004	7,004
Other subordinated liabilities	1,245	1,245	1,245	1,245
Derivatives	1,272	1,272	1,272	1,272
Tax liabilities	36	36	36	36
Other liabilities	1,876	1,876	1,876	1,876
Total liabilities	74,987	79,979	83,349	86,888
Total equity (without minorities)	8,794	9,236	9,609	10,106
Minorities	68	78	87	98
Total liabilities and equity	83,849	89,293	93,045	97,091

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EXPLANATION OF RATINGS AND METHODOLOGY

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:

Analysis of specific risks to set stock target prices highlighted in our investment case(s) are outlined throughout the report. For details of methodologies used to determine our price targets and risks related to the achievement of the targets referred to in the main body of the report or at [Rating Methodology](https://www.con.hu/wp-content/uploads/2016/04/Methodology_concorde_research.pdf?tstamp=201710021038) on our website. (https://www.con.hu/wp-content/uploads/2016/04/Methodology_concorde_research.pdf?tstamp=201710021038)

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