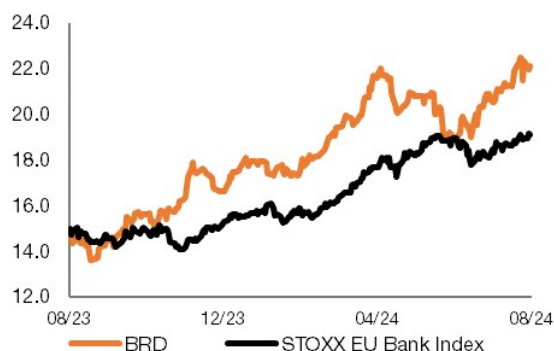


BRD

Recommendation: Neutral (unch.)

Target price (12M): RON 18.4

RON ths	2023 Q2	2024 Q1	2024 Q2
NII	658,530	716,217	709,504
Net F&C	188,236	186,115	197,922
Risk cost	14,678	-54,263	-36,538
OPEX	-435,560	-529,470	-498,476
Net profit	416,174	324,183	365,681
NIM	3.52%	3.40%	3.33%
Cost of risk	-0.15%	0.52%	0.33%
Net loans (ths)	37,991,030	41,641,033	43,153,033
Deposits (ths)	58,440,681	62,953,579	65,460,598
Cost-to-Income	47.86%	53.77%	50.64%



Share price as of 7/31/2024	RON 20.8	Bloomberg	BRD RO
Number of shares [million]	697	Free float	39.8%
Market capitalization [RON mn/EUR mn]	15,402/3,093	52-week range	RON 13.6-22.5
Daily turnover 12M [EUR million]	0.570	EURRON	4.98

BRD continued its solid performance in Q2

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- BRD's reported net income came to RON 366 mln in the second quarter, down by 12% YoY mainly driven by higher operating expenses, while moderated risk costs and lower contribution to Guarantee Scheme and Resolution Fund resulted in a 13% QoQ increase in net income.
- NII was up by 7.7% YoY thanks to positive volume effect, but there was a slight decline of 0.9% QoQ as a result of higher cost of funding, therefore NIM also declined by 0.1%ppt to 3.3%.
- Operating expenses were also up by ca. 14% YoY due to implemented salary increases, levy tax on turnover and increased IT expenditures. Thanks to the reduced contribution to Guarantee Scheme and Resolution Fund, operating costs fell by 5.9% on a quarterly basis.
- Provisioning was still a negative contributor to earnings, reflecting a closer to "through the cycle" level, but asset quality stayed benign, NPE ratio increased a little bit to 2.2% and coverage was basically unchanged at 77%.
- Net loan portfolio grew by +14% on a yearly basis, with a strong contribution from all business segments, retail grew by 8.5% YoY, while net loans outstanding in the corporate segment increased by 22.3% YoY. Deposit base also increased in Q2 by 12% YoY, additionally BRD AM reached RON 5.1bn AUM, grew by 46% YoY.

- Total adequacy was strong at 23.1%, showing a 1%pt decline QoQ including retained earnings or ca. 50% of net profit.
- Overall, BRD reported sound results, which translates into a 2.1%pt increase in ROE on a quarterly basis.

Quarterly results

[RON ths]	2023			2024		Difference	
	Q2	Q3	Q4	Q1	Q2	Y-o-Y	Q-o-Q
P&L							
Net interest income	658,530	680,643	715,443	716,217	709,504	8%	-1%
Net fees	188,236	202,615	187,062	186,115	197,922	5%	6%
Total revenues	926,113	969,413	1,003,358	984,664	983,381	6%	0%
Operating costs	-435,560	-446,570	-505,009	-529,470	-498,476	14%	-6%
Operating profit	490,553	522,843	498,349	455,194	484,905	-1%	7%
Risk provisioning	14,678	30,257	21,891	-54,263	-36,538	-349%	-33%
Pre-tax profit	505,231	553,100	520,240	400,931	448,367	-11%	12%
Net profit	416,174	460,684	425,487	324,183	365,681	-12%	13%
EPS	0.60	0.66	0.61	0.47	0.52	-12%	13%

Balance sheet highlights	2023			2024		Difference	
	Q2	Q3	Q4	Q1	Q2	Y-o-Y	Q-o-Q
Balance sheet total	76,960,645	79,484,586	83,848,961	84,187,772	86,210,676	12%	2%
Loans, net	37,991,030	39,673,660	40,613,391	41,641,033	43,153,033	14%	4%
Deposits	58,440,681	60,584,823	62,405,609	62,953,579	65,460,598	12%	4%
Net Loans/deposits (%)	65.0	65.5	65.1	66.1	65.9	0.0	0.0

KPIs	2023			2024		Difference	
	Q2	Q3	Q4	Q1	Q2	Y-o-Y	Q-o-Q
NIM (NII/total assets)	3.5%	3.5%	3.5%	3.4%	3.3%	-0.2	-0.1
ROE	21.1%	21.8%	19.5%	14.5%	16.6%	-4.6	2.1
ROA	2.2%	2.4%	2.1%	1.5%	1.7%	-0.5	0.2
Cost-income ratio	47.9%	46.1%	50.3%	49.4%	50.6%	2.8	1.2
Cost of risk	-0.1%	-0.3%	-0.2%	0.5%	0.3%	0.5	-0.2
NPL ratio	2.2%	2.1%	1.9%	2.1%	2.2%	0.0	0.1
NPL coverage	74.0%	76.2%	75.9%	76.4%	77.0%	3.0	0.6
CET1 ratio	18.8%	17.8%	21.5%	24.1%	23.1%*	4.3	-1.0

Source: BRD, Concorde Research

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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:

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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