

Earnings Preview - Q4'15 IFRS results

BUY
previous: ACCUMULATE

TARGET PRICE 12M (RON)
Previous Target
SHARE PRICE (RON)

RIC	BRDX.BX
Bloomberg	BRD RO
Index listed	BET, BET-XT, ROTX
Market Cap (RON m)	7,219.90
Market Cap (EUR m)	1,601.82
Shares Out (m)	696.9
52 Week Range (RON)	9.96/12.10
% from 52 Week range	9.9% / -16.1%
Avg daily volume 6M	243,088

Performance	1M	3M	12M	YTD
Absolute (%)	-9.9%	-13.4%	6.5%	-14.4%
Relative to BET (%)	-3.0%	-0.7%	16.0%	-5.7%

(IFRS)				
Valuation data	13A	14A	15E	16E
P/E(x) adj.	n/a	n/m	14.6	14.7
EPS adj. (%)	n/a	n/a	n/m	n/m
BVPS(x)	7.7	8.2	8.8	9.5
BVPS(x) adj.	7.7	8.2	8.8	9.5
P/BVPS(x) adj.	1.1	1.1	1.2	1.1
RoAE(%)	n/a	1.1%	8.4%	7.7%
RoAA(%)	n/a	0.2%	1.6%	1.5%
PEG (x)	n/a	n/a	n/a	n/a
Div. Yield (%)	0.0%	0.0%	0.0%	1.7%

Q4'15 sets a good earnings momentum fueled ahead on expectations for cost of risk normalization to continue and stabilization in NII.

- Q4'15 aggregate sector data for retail side shows consumer loans are still on the downtrend, despite some 1.65% QoQ spike in November alone, but on the other hand we reckoned similar positive QoQ trend in housing loans.
- For BRD, for the fourth quarter we estimate quite similar QoQ evolution in core lines, as the environment was still affected by historically low interest rates that should only partially be compensated by volumes' advance and cut in cost of funding, but on the other hand, volumes increase should also bring some improved support from fees&commissions income.
- We see NII to reach RON 360.2m (flat QoQ, -2% Y/Y) as interest income is seen down 1% QoQ (-15% Y/Y) to RON 446.4m, and we believe NIM should remain stabilized slightly above 3%. New production in SMEs loans is expected to remain scarce in line with the strategy depicted by the bank during first three quarters.
- On cost side, we see opex up 6% QoQ (-7% Y/Y) mostly on seasonally higher personnel charges to RON 320.9m, which should also lower by 9% QoQ and 2% Y/Y the pre-provision profit to RON 267.2m.
- With respect to the net cost of risk, we estimate some 10% QoQ decline to RON 153.4m sending the quarterly bottom line to RON 93.3m (-7% QoQ).
- IFRS results, both on consolidated and unconsolidated basis will be released on 11th of February.

	Q2'15A	QoQ	Y/Y	Q3'15A	QoQ	Y/Y	9M'15A	Y/Y	Q4'15E	QoQ	Y/Y	FY'15E	Y/Y
Interest income	460.0	-2%	-17%	450.7	-2%	-13%	1,378.6	-16%	446.4	-1%	-15%	1,825.0	-15%
Interest expenses	112.8	-13%	-36%	90.3	-20%	-37%	332.5	-35%	86.2	-5%	-44%	418.7	-37%
Net interest income	347.2	3%	-8%	360.4	4%	-4%	1,046.1	-7%	360.2	0%	-2%	1,406.3	-6%
Net fee income	182.8	6%	-1%	178.9	-2%	-5%	533.7	-4%	172.1	-4%	-4%	705.9	-4%
Core income	530.0	4%	-6%	539.2	2%	-4%	1,579.9	-6%	532.3	-1%	-3%	2,112.2	-5%
Non-core income	67.9	9%	-14%	58.2	-14%	-20%	188.3	-3%	55.8	n/m	n/m	244.2	-8%
Income	597.9	4%	-7%	597.4	0%	-6%	1,768.2	-6%	588.2	-2%	-5%	2,356.4	-6%
Amortization&Depr.	32.6	0%	-3%	30.2	-7%	-7%	95.4	-4%	31.7	5%	-13%	127.1	-6%
Opex	290.5	-5%	-4%	303.0	4%	1%	898.9	-1%	320.9	6%	-7%	1,219.8	-3%
Pre-provision profit	307.4	15%	-9%	294.4	-4%	-12%	869.3	-10%	267.2	-9%	-2%	1,136.6	-9%
Net cost of risk	149.6	41%	-39%	171.0	14%	-63%	426.6	-55%	153.4	-10%	-36%	580.0	-51%
EBT	157.8	-2%	n/m	123.4	-22%	n/m	442.7	n/m	113.8	-8%	n/m	556.5	n/m
Tax on profit	25.4	1%	n/m	22.8	-10%	n/m	73.4	n/m	20.5	-10%	n/m	93.9	n/m
Net profits	132.4	-3%	n/m	100.6	-24%	n/m	369.3	n/m	93.3	-7%	n/m	462.6	n/m

Source: BRD-GSG, IEBATRUST

RECOMMENDATION SYSTEM

SSIF IEBA TRUST uses a Relative recommendation system. Such system indicates that each stock is rated on a basis of the excess return, measured by the relative value of the target (calculated) price and the current price, over a 12 months period of time.

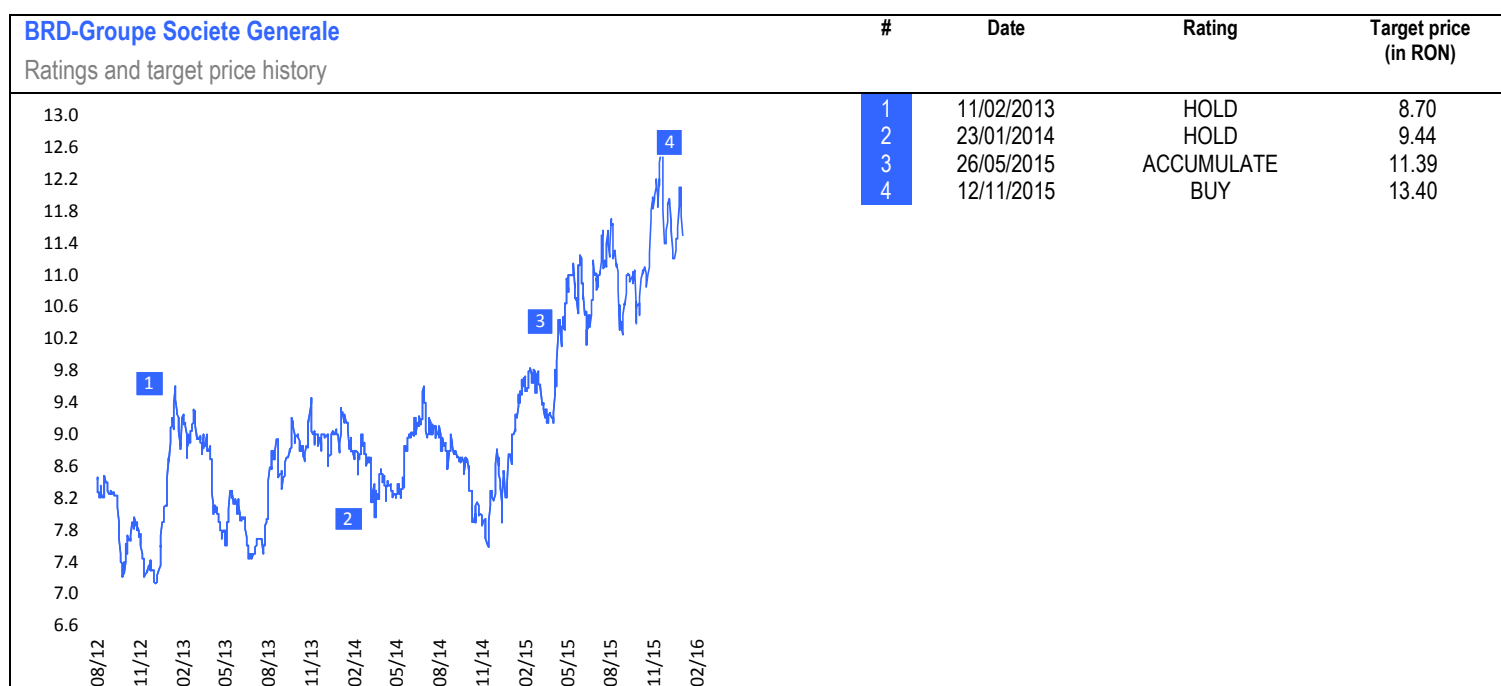
The range of recommendations for each stock consists of 4 elements: Buy (B), Accumulate (A), Hold (H), Reduce (R).

SSIF IEBA TRUST RATINGS

BUY	The stock is expected to generate potential excess return over 15%
ACCUMULATE	The stock is expected to generate potential excess return of 5 to 15%
HOLD	The stock is expected to generate potential excess return of -5% to 5%
REDUCE	The stock is expected to generate potential excess return below -5%

Excess return: Target price/current price – 1

For the cases of Initial Public Offering, the above-mentioned recommendation system is not applied. In such cases, the recommendation is based on the comparison between the price of the Offering, and the fair value estimated by SSIF IEBA TRUST.



Measures Definitions

IEBA Net Income	Adjusted Net Income for one-off items	
Net Cash Flow from operations	EBITDA (+/-) other provisions (+/-)(Increase)/Decrease in Working Capital	
FCF Equity	Net Cash Flow from operations (-) CAPEX	
Net debt	Total short-term and long-term bank debt (-) cash	
EV	Market Cap (avg historic or current) + book value of minorities + Net debt	
FCFPS	FCF Equity	Diluted no of shares
EPS (or IEBA)	Reported (or IEBA) Net Income	Diluted no of shares
BVPS	Total Equity	Year end no of shares
P/E (or IEBA)	Share Price (avg historic or current)	Reported (or IEBA) EPS
P/E IEBA at 52wks High	52 weeks High price (avg historic or current)	IEBA EPS / Diluted IEBA Earnings Per Share
P/BV	Share Price (avg historic or current)	BVPS
ROE	Reported Net Income	Average Total Equity
ROCE	Reported Net Income	Average (Total debt + Total Equity)
EV/EBITDA	EV (with avg historic or current)	Reported EBITDA
EV/EBITDA (x) at 52wks High	EV using 52 weeks High market cap (avg historic or current)	Reported EBITDA
EBITDA/Net financials	Reported EBITDA	Net financials: Net interest (+/-) Net financials
EV/CE (x)	EV (with avg historic or current)	CE: Total bank debt + Total Equity
FCF Yield	FCFPS	Share Price (avg historic or current)
Dividend Yield	DPS	Share Price (avg historic or current)
Dividend Payout	Dividend	Reported Net Income

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