H1 2025 report
August 28, 2025

Gránit Bank Nyrt.

Hungary

Gránit Bank Nyrt.

BUY
Annual price target: HUF 17 063

Billion HUF	H1 2025	H1 2024	change year/year
Net revenue	22,8	20,6	10,7%
Operating profit	15,0	13,4	11,9%
Net profit	10,6	8,4	25,9%
ROE	14,8%	20,4%	
ROA	1,3%	1,2%	
Net interes margin	2,5%	2,1%	

Source: Gránit Bank report

Summary

- Gránit Bank Nyrt. published its results for the first half of 2025. The company reported its highest pre-tax profit ever, HUF 11.6 billion.
- The strong results are attributable to the expanding loan portfolio, favorable cost developments, and the continued high quality of the performing loan portfolio (the ratio of non-performing loans was only 0.11 percent at the end of the first half). However, due to declining interest income, the HUF 6.1 billion dividend received from subsidiaries was an important component of the outstanding result.
- Due to last year's total capital increase of HUF 64.4 billion, the bank is expected to grow very dynamically in the coming period, which it managed to achieve in the second half of the year. Loan portfolio growth was significantly higher than the sector average, representing a 56% increase year-on-year. The picture is somewhat clouded by the development of net interest income and the parallel decline in net interest margin, so it will be important in the future to see whether the company can shift towards higher-margin products.
- Strong figures were also reported at the consolidated level, with the bank's pre-tax profit amounting to HUF 9.2 billion (HUF 13.5 billion excluding the effects of system taxes) and its consolidated after-tax profit amounting to HUF 7.7 billion at the end of June 2025. Consolidated after-tax profit excluding system taxes reached HUF 12.0 billion at the end of the first half of the year.
- **Based on the first half-year results, we confirm our target price of 17,063, and our recommendation remains to buy.**

Results for the first half of 2025

- In the first half of the year, the company outperformed the banking sector average, with after-tax profits of HUF 10.6 billion in the first half of the year, which is 25.9 percent higher than the previous year's performance.
- At the individual level, adjusted return on equity fell to 14.5 percent from 20.4 percent last year. At the consolidated level, return on equity adjusted for system taxes was 20.7 percent, which is lower than the 27.9 percent return in the previous period. This is because the bank's equity increased by HUF 64.4 billion to HUF 151 billion. (MRP capital increase HUF 30 billion, IPO HUF 17.7 billion, profit reinvestment HUF 16.9 billion).
- Net interest income was HUF 15.7 billion at the end of the first half, which represents a decline compared to HUF 16.7 billion in the same period of the previous year. The weaker result was due to lower interest income and higher interest expenses compared to the base period. The net interest margin was 2.1 percent in the first half of this year, which is 35 basis points lower than in the same period last year. According to the bank, there are two reasons for this: Gránit consistently maintains a loan-to-deposit ratio below the sector average, and the decline of more than 2 percent in the forint interest rate environment reduced the interest income available on free liquid assets, which could only be partially offset by robust loan growth. In line with its strategic path, the company began developing higher-margin business lines for both retail and corporate customers (credit cards, standardized SME services) this year.
- Deposits grew dynamically to HUF 1,186 billion, which is 12.0 percent higher than a year earlier. Loans also increased, with gross loans excluding accrued interest reaching HUF 892 billion, representing a 55.8 percent increase compared to the first half of last year.
- Gránit Bank's total assets amounted to HUF 1,599 billion, representing a 10.8 percent increase compared to the same period last year. The cost-to-income ratio was 31.1 percent in the first half of 2025, which is an improvement compared to 32.5 percent a year ago. The adjusted operating cost/total assets ratio remained unchanged at 0.9 percent, which is a very stable level compared to the banking sector average.
- In the corporate and institutional business segment, gross loans rose to HUF 831 billion, representing 57.9% growth over the year, excluding accrued interest. Retail loans grew by 31.1% over the year to HUF 61 billion. Retail deposits rose to HUF 196 billion by the end of the first half of the year, which is 28.3% higher than last year.
- The quality of the portfolio remains excellent, with the non-performing loan ratio (NPL ratio) standing at 0.11 percent at the end of June 2025.

We reiterate our target price

- The bank closed a stable year last year, with strong growth in its loan portfolio, deposit base and customer numbers providing a solid foundation for the bank to achieve outstanding results in the second half of this year as well. In addition to dynamic growth, the quality of the portfolio remains excellent.
- It is worth mentioning that net interest income was weaker than a year earlier, which the company attributed to the below-average loan-to-deposit ratio in the sector and declining interest income on free liquid assets.

This was offset by dividends of HUF 6.1 billion received from subsidiaries, but in the future it will be important to ensure stable growth in sales of higher-margin products. Only in this way will net interest income be able to show a steady upward trend.

- On November 13, 2024, we published our research of Granit Bank, which includes an excess return-based model and a peer group analysis. Based on our model, we set a one-year target price of HUF 17,063. The model covers five years, from 2025 to 2029, and we will not change the growth rate for the forecast period after the publication of the annual report. Management has left its previously published strategic plans unchanged, and based on the figures for the first half of 2025, the bank is on track to implement its plans. Our recommendation remains a buy, and we confirm our target price of HUF 17,063.

Analysis will be closed on August 27, 2025 (5:00 p.m.).

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- **Overweight:** A rating of overweight means the stock's return is expected to be above the average return of the overall industry, or the index benchmark over the next 12 months.
- **Underweight:** A rating of underweight means the stock's return is expected to be below the average return of the overall industry, or the index benchmark over the next 12 months.
- **Equal-weight:** A rating of equal-weight means the stock's return is expected to be in line with the average return of the overall industry, or the index benchmark over the next 12 months.
- **Buy:** total return is expected to exceed 10% in the next 12 months.
- **Neutral:** Total return is expected to be in the range of -10 - +10% In the next 12 months.
- **Sell:** Total return is expected to be below -10% in the next 12 months.
- **Under review:** If new information comes to light, which is expected to change the valuation significantly.

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12.

13. This publication is valid at the time of its release. Date of publication: August 27, 2025 (5:00 p.m.)
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14. Start of Gránit Bank coverage: November 13, 2024. The one-year target price is HUF 17,063. The analyses are available at the following website: Equities (mbhbefektetesibank.hu)

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17. The valuation procedures used:

EV/EBITDA
EV/EBITDA is a valuation metric that helps determine whether a given stock (or index composed of stocks) is expensive or not. It is similar to the P/E ratio, except that in this case the denominator is EBITDA, i.e., earnings before interest, taxes, depreciation, and amortization. Since these items, which fluctuate in time and value, are filtered out, it is not as volatile as P/E, as individual items can significantly affect the net income per share.
The EV in the numerator, i.e., "enterprise value," is the market value of the company's long-term financing, which is nothing more than the sum of total market capitalization and total financial debt, from which the value of cash and cash equivalents on the balance sheet must be deducted.
The indicator is independent of the capital structure, since if a company takes out a bank loan or issues bonds, its P/E ratio will be low and thus appear cheap. On the other hand, if the company issues shares and uses them to pay off its debt, its P/E ratio will be higher, while the company's enterprise value will remain unchanged. EV includes the value of both shares and debt, so it is independent of the capital structure.

P/E RATIO
The price/earnings (P/E) ratio can be interpreted as the ratio of the share price to the after-tax earnings per share. In simple terms, it indicates how many years it takes for a given company to generate earnings equal to its price.

ROE (RETURN ON EQUITY)
This is a particularly important profitability indicator for shareholders. It shows how much profit the company generates per unit of equity. ROE essentially expresses the return on investment.

Technical analysis
Technical analysis allows conclusions to be drawn about the future direction of a financial instrument's price based on a graph of its past price movements. Technical analysis makes predictions about the expected movement of the instrument. There are a number of tools available for this purpose, but they can be divided into four main groups: Japanese candlestick and trend analysis, chart patterns, and mathematical formula indicators.

Discounted cash flow valuation

The discounted cash flow valuation is a method of valuing a company (or project, assets, business, etc.) with the time value of the money. The model forecasts the company’s free cash flow (free cash flow to firm) and discounts it with the average cost of capital (WACC). The cash flow is simply the cash that is generated by a business and which can be distributed to investors. The free cash flow represents economic value, while accounting metric like net earning doesn’t. The WACC represents the required rate of return by the investors. If a business is risky the required rate of return, the WACC will be higher.

Discounted cash flow model (DCF): We analyze the companies using five year forecast period and set a terminal value based on the entity’s long term growth or on different exit multiples like EV/EBITDA or EV/EBIT. In certain cases the forecast period may differ from five years. In this case the analysts must define the reason for difference. The cash flows are discounted by the company’s WACC unless otherwise specified.

In the first step we have to forecast the company’s cash flow. The free cash flow to firm (FCFF) is based on the earnings before interest and taxes (EBIT), the tax rate, depreciation and amortization (D&A), net change in working capital (which is based on the current assets and current liabilities) and the capital expenditures (CAPEX). The model requires a terminal value which can be based on the long term growth or on an exit multiple like EV/EBITDA, or EV/EBIT. Forecasting the terminal value is a crucial point because in most cases it makes up more than 50% of the net present value.

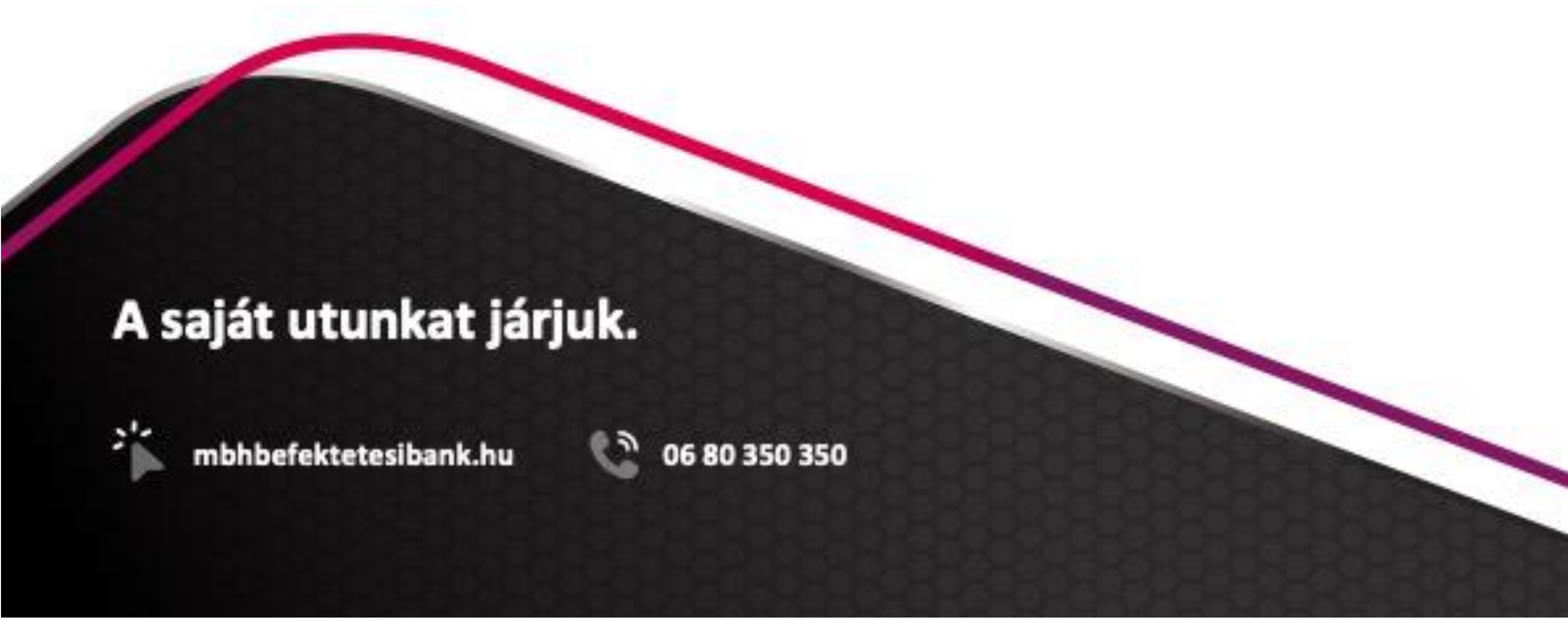
The discount rate (WACC): The average cost of capital of the company is dependent on the industry, the risk free rate, tax, the cost of debt and the equity risk premium. The cost of equity is calculated by the CAPM model, where the independent variables are the risk free rate, the industry specific levered beta, and the equity risk premium. The WACC is dependent on the capital structure, so the forecast of the equity/debt mix is crucial.

At the end we get the enterprise value (EV). The EV is the market capitalization plus the total debt and preferred equity and minority interest, minus the company’s cash. In the last step we have to reduce the EV with the net debt. This figures divided by the shares outstanding we arrive at the target share price.

The discounted cash flow model includes sensitivity analysis which takes the effects of the change in the WACC, the long term growth or the used exit multiples on which the terminal value is based.

Our target price is based on a 12 month basis, ex-dividend unless stated otherwise.

Peer group valuation: For comparison we use peer group valuation. The analysis based on important indicators and multiples like P/E, EV/EBITDA, EV/EBIT, market capitalization, P/S, EBITDA margin, net debt to EBITDA, EBITDA growth, dividend yield and ROIC. If the industry justifies we may use other multiples. The peer group is compiled according to the companies’ main business, with respect to the region (DM or EM market).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