



Granit Bank 1H 2025 result

Company Data	
Closing Price	HUF 12 650
52-week High/Low	HUF 10 050 – HUF 16 200
Market Cap (million HUF)	228 862
Average Daily Turnover (# of shares)	1 186
Bloomberg Code	GRANIT HB
12-month Target Price	HUF 18 306

Andras Takacs
Analyst
andras.takacs@equilor.hu

Summary

- Granit Bank reported after-tax profit above our expectations for the first half of 2025 (expectation: HUF 7.0Bn; actual: HUF 7.7Bn; +10% outperformance).
- The balance sheet grew by 13% y/y, exceeding the 2.7% growth rate of the banking sector (expectation: HUF 1,571Bn; actual: HUF 1,679Bn; +7% outperformance). The balance sheet expansion was supported by the approx. HUF 48Bn capital raised in 4Q2024, including the HUF 17.7Bn IPO. The deployment of the raised capital is still in progress, providing the foundation for long-term growth.
- In line with plans, the bank plans to pay dividends only after the 2026 financial year.
- The dynamic growth trajectory supports our previous company valuation. The current P/BV of 1.55x is closer to the valuation of a traditional commercial banks. In our view, however, Granit's digital business model is more comparable to companies with fintech solutions, which are often valued above the banking sector. Based on the above and our positive expectations, we maintain our **Buy recommendation with a target price of HUF 18,306.**

Granit Bank ("Granit", the "bank") published its financial flash report for the first half of 2025 ("1H25"), which, in line with our expectations, continues to show dynamic growth, underpinned by its innovative and expanding digital banking services, including agentic AI applications. The bank's **after-tax profit decreased by 16% year-on-year ("y/y") to HUF 7.7Bn in 1H25**. Earnings per share (annualized) amounted to HUF 888 in 1H25, implying a 13.7x P/E ratio based on the closing share price of HUF 12,200 as of 30 June 2025. The bank's balance sheet increased by 13% y/y, partly due to the rapid growth in deposits, reinvestment of the full profit, the HUF 30Bn capital raised through the Employee Share Program, as well as the HUF 17.7Bn capital raised via the IPO. The funds are planned to be allocated primarily to loan disbursements, and to a lesser extent to acquisitions, organic growth (see entry into the Romanian market), and digital innovations.

Net Interest Income

Net interest income decreased by 10% y/y, to HUF 15.5Bn in 1H25, compared to HUF 17.3Bn in 1H24. The decrease was primarily driven by the moderating interest rate environment (a reduction of more than 220 basis points), in line with expectations. The previously observed high net interest margin fell to 1.8% in 1H25, down from 2.5% in 1H24. The decrease in net interest income caused by narrowing margins was only partially compensated by the growth in the loans volume. Further, when analysing the change, it should be taken into account that Granit follows a conservative lending policy, maintaining higher liquidity compared to peers, alongside a low loan-to-deposit ratio.

Net Fees and Commissions, and Other Income

Net fee and commission income increased by 20% y/y or HUF 1.4Bn to HUF 8.5Bn, partly driven by the 14% growth in assets managed by the bank's subsidiaries. **Other operating income rose by HUF 0.8Bn y/y to HUF 2.5Bn in 1H25.**

Operating Expenses

On the cost side, **risk costs increased by HUF 0.1Bn to HUF 0.6Bn**, however, **relative to the loan portfolio, risk costs still represented only 0.1%, which remains below the industry average.** **Operating expenses rose by 20% y/y to HUF 13.1Bn in 1H25.** The increase in operating costs was primarily due to the August 2024 acquisition of the leasing company (De Lage Landen) and further digital business developments. However, **operating expenses as a percentage of total asset still remained favourable at 1.58% in 1H25 (vs 1.48% in 1H24)**, which does not indicate longer term pressure on operating costs outside of the strategic trajectory.

Special taxes (bank tax and windfall profit tax) decreased by HUF 0.2Bn y/y to HUF 3.5Bn in 1H25.

Gross Loans and Deposit

The consolidated loan portfolio grew by 60% y/y to HUF 943Bn at the end of the first half of 2025 ("1HE25"). Looking at the bank's standalone results (approx. 90% of the group's portfolio), the corporate and institutional segment's loan portfolio grew by 58% y/y at 1HE25, while the retail segment's loan portfolio grew by 31% y/y. Growth in both segments exceeded the industry's growth rate at 1.3% and 12%, respectively. Despite this dynamic growth, **the ratio of non-performing loans remained well below the sector average (2%), standing at just 0.11% at 1HE25.**

Deposit increased to HUF 1,211Bn at 1HE25 from HUF 1,080Bn at 1HE24. The loan-to-deposit ratio rose to 78% from 55%, which still remains significantly lower than the industry average of 103%.

Capital Adequacy Ratios

The bank's **consolidated Tier 1 and total capital adequacy ratios both stood at 17.3%** at the end of 1H25, exceeding regulatory requirements.

Performance Expectation

In terms of our expectations, the growth rate of the bank's balance sheet exceeded the pace we had previously envisioned, mainly due to higher deposits and increased loan disbursements. On the revenue side, the shortfall compared to expectations is primarily explained by lower interest income. However, at the consolidated after-tax profit level, the bank outperformed our expectations, given that operating costs remained below forecast.

Management continues to project growth above the market average in both the corporate and retail segments. To support this, significant IT developments and new services have been announced. For the 2024–2033 period, the bank still expects balance sheet growth of over 15%, with loan and deposit growth exceeding 17%.

Income Statement (Billion HUF)	1H25 Actual	1H25 Forecast*	Act. vs Fcast. (HUF)	Act. vs Fcast. (%)	1H24 Actual	1H25 v 1H24 (HUF)	1H25 v 1H24 (%)
Net Interest Income	15,5	16,8	(1,3)	(8%)	17,3	(1,8)	(10%)
Net Fees and Commissions	8,5	10,6	(2,1)	(20%)	7,1	1,4	20%
Other Income	2,5	1,8	0,7	36%	1,7	0,8	51%
Total Income	26,5	29,3	(2,8)	(9%)	26,0	0,5	2%
Total Risk Cost	(0,6)	(1,5)	0,9	(59%)	(0,5)	(0,1)	20%
Operating Expenses	(13,1)	(16,1)	3,0	(19%)	(10,9)	(2,2)	20%
Operating Profit	12,8	11,7	1,1	9%	14,6	(1,8)	(12%)
Special Taxes (Banking and Trans. Fees)	(3,5)	(3,3)	(0,3)	8%	(3,7)	0,2	(5%)
Profit Before Tax	9,2	8,4	0,8	10%	10,8	(1,6)	(15%)
Taxes	(1,5)	(1,4)	(0,1)	7%	(1,7)	0,2	(9%)
Profit After Tax	7,7	7,0	0,7	10%	9,2	(1,4)	(16%)

* Note: The presented Forecast values are the proportion of the forecasted full-year values. Hence, those are information only.

Balance Sheet (Billion HUF)	1H25 Actual	2025 Forecast**	Act. vs Fcast. (HUF)	Act. vs Fcast. (%)	1H24 Actual	1H25 v 1H24 (HUF)	1H25 v 1H24 (%)
Gross Loans and Leases	943	693	250	36%	590	353	60%
Other Assets	736	878	(142)	(16%)	898	(162)	(18%)
TOTAL ASSET	1 679	1 571	108	7%	1 488	191	13%
Deposit	1 211	1 140	71	6%	1 080	131	12%
Other Liabilities	314	279	35	13%	319	(5)	(2%)
TOTAL LIABILITIES	1 525	1 419	106	7%	1 399	126	9%
SHAREHOLDER'S EQUITY	154	153	1	1%	89	65	73%
TOTAL LIABILITIES AND EQUITY	1 679	1 571	108	7%	1 488	191	13%

** Forecasted values for the fiscal year end.

Performance Ratios (%)	1H25 Actual	1H25 Forecast*	Actual vs Forecast	1H24 Actual	1H25 v 1H24
ROE	10,4%	11,3%	(0,9) ppt	23,9%	(13,5) ppt
ROA	0,9%	0,9%	(0,0) ppt	1,3%	(0,4) ppt
Net Interest Margin (adjusted)	1,8%	2,2%	(0,4) ppt	2,5%	(0,7) ppt
Total Income Margin	3,2%	3,9%	(0,7) ppt	3,7%	(0,5) ppt
Cost/Avg. Asset (adjusted)	1,6%	1,1%	0,5 ppt	1,5%	0,1 ppt
Cost/Total Income (adjusted)	48,2%	60,0%	(11,8) ppt	41,8%	6,4 ppt
EPS	888	804	84	1 307	(419)
Risk Cost Ratio	0,1%	0,4%	(0,3) ppt	0,1%	0,0 ppt
Loan/Deposit	77,9%	60,8%	17,1 ppt	54,6%	23,3 ppt

* The values of our ratios are influenced by the calculation of the Forecast values of the Income Statement.

Sources: Gránit Bank, Equilor Research



EQUILOR Investment Ltd.

Member of the Budapest, Prague and Warsaw Stock Exchanges

1026 Budapest, Pasareti ut 122-124.

Tel: 430 3980 | Fax: 430 3981

equilor@equilor.hu

www.equilor.hu

Research

Andras Takacs
Analyst
andras.takacs@equilor.hu

Institutional Sales

Attila Jozsef Szabo
Sales Trader
(+36 1) 808 9200
attila.szabo@equilor.hu

Brokerage

Zsolt Vavrek
Head of Premium Investment
Services
(+36 1) 430 3991
zsolt.vavrek@equilor.hu

Private Banking

Mate Szule
Private Banking
(+36 1) 808 9221
mate.szule@equilor.hu

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Responsible person for preparing the analysis: Andras Takacs (Analyst)

Involved persons in preparing the analysis: Andras Takacs (Analyst)

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