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Wednesday, August 28, 2019 | update

Banks

Central and Eastern Europe

Why CEE Banks Could Be Your Next Payday

WIG-Banks	7,060
MSCI EME Financials	700
2019E P/E	10.2x
2019E P/B	1.2x

We expect CEE banking sector's earnings to continue to grow, though the slowdown in euro-zone and on global markets poses a threat to the economic growth in our region as well. Assuming more interventions by central banks, we believe that in face of expected higher consensus, the valuation of the banking sector looks particularly attractive. The drops in global markets this year (since April) have hit financial companies (MSCI EME Financials -7.2%; Bloomberg bank index -19%) rather than a wide index of Emerging Europe companies (-1.9%) while the valuation of the MSCI EME Financials index itself looks particularly attractive, considering 12-month forward P/E, quoted with 18% discount to 3Y average and as high as 27% discount to 5Y average. Currently, we prefer CEE banks over Polish banks due to very good performance momentum (growing volumes + low risk cost), high yield and smaller regulatory pressure (risk of currency conversion for CHF loans). In addition, we believe that the comparable equity standing would help banks in the region to compete in the area of dividend as well. Considering all listed factors and the attractive stock quotations, we believe that the valuation gap in relation to the Polish banking sector will be gradually closing. Our top picks are Erste Group and Moneta Money Bank. With this report, we also initiate fundamental analysis for Moneta Money Bank and RBI.

Why do we prefer the region over Poland?

We believe that the valuation for CEE banks is presently much more attractive than in Poland. The average growth potential for banks mentioned in this is 25.7% at the moment, as compared to 16.9% for Poland. Historically, Polish banks' valuation was with considerable premium as compared to the region due to the market potential (one of the strongest CEE markets with low loan saturation), operating stability and strong equity position and, consequently, dividend opportunities. In turn, banks in the region were facing regulatory pressure in recent years, starting with increasing capital requirements (Erste, RBI) to armed conflicts and sanctions to implementation of bank taxes or currency conversion for CHF loans (OTP, Erste, RBI). Nonetheless, recent performance growth, above-average asset quality and lesser regulatory pressure should make the investors inclined to take a closer look at the banks in CEE region again.

We prefer Erste over RBI and Moneta over Komercni

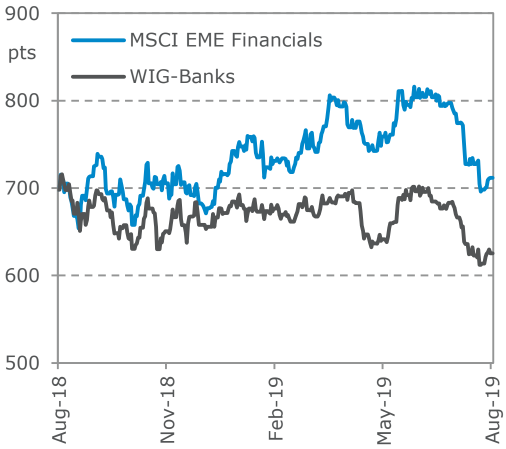
Our top picks in the region are Moneta Money Bank and Erste Group. As for the first bank, we believe that good macro-economic momentum will continue to be reflected in bank results, while in the case of Erste Group, we believe that the Management Board's guidance as well as the consensus are too conservative again. RBI is the least preferred bank where investment risk is at a much higher level; this is caused by CHF loan portfolio in Poland, if nothing else. Furthermore, RBI is dependent on business in Russia to a great extent, and despite good performance is weights on the SOTP valuation. We see also a relatively low growth potential in OTP and Komercni Banka, which in the case of KB stems from low performance growth rate, while in the case OTP - from strong adherence to the quotation (+15% in USD over the last 12 months).

Company	P/E 2019E	P/E 2020E	P/E 2021E	P/B 2019E	P/B 2020E	P/B 2021E
OTP Bank	8.2	7.5	7.4	1.5	1.3	1.2
Komercni Banka	10.3	10.6	10.2	1.5	1.4	1.4
Moneta Money B	10.2	9.5	9.4	1.5	1.5	1.4
Erste Group	8.5	7.8	7.3	0.9	0.8	0.8
RBI	6.2	5.9	5.4	0.5	0.5	0.5

Sector Outlook

The economic growth, string loan volumes and the strongest equity standing since summer support banks' performance in the region. The banks in the region benefit from a favorable macro-economic situation, and this is most visible in low risk cost. Even though the economic slowdown is more and more visible on the horizon, we expect the sector to benefit for al least another two years. Recent readings in the euro-zone and globally put some shadow on the sector, but we expect the situation to be assisted by central banks' interventions again. In this environment, we maintain positive approaches to the banking sector.

MSCI EME Financials vs. WIG-Banks



Company	Target Price new	Target Price old	Rating new	Rating old
OTP Bank	14,681	13,046	buy	hold
Komercni Banka	945.02	1000.00	buy	accumulate
Moneta Money B	94.33	-	buy	-
Erste Group	40.38	43.72	buy	buy
RBI	23.05	-	accumulate	-

Company	Current Price	Target Price	Upside
OTP Bank	11,990	14,681	+22.4%
Komercni Banka	817.50	945.02	+15.6%
Moneta Money B	76.35	94.33	+23.6%
Erste Group	30.21	40.38	+33.2%
RBI	20.49	23.05	+12.5%

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Wednesday, August 28, 2019 | update

OTP Bank: buy (upgraded)

OTP HB; OTPB.BU | Banks, Hungary

Acquisitions Will Drive Performance and Dividends

We upgrade OTP Bank from hold to buy, with the 9M target price raised to HUF 14,681 per share. The review of our target stock price is caused by the bank's very good performance in 1H'19, but also by new acquisitions which will supporting the performance in years to come. In 2Q'19, OTP Bank beat the consensus by 10% at the net profit line, while the bank itself reported the highest recurring result in history. OTP Bank, just like other banks in the region, benefits from the peak of the economic cycle and this is reflected in low risk cost. We realize that this situation should become normalized in the coming years, but at the same time we believe that the higher risk cost can be neutralized by acquisitions. In the past year, OTP Bank bought 6 banks from Societe Generale in Albania, Bulgaria, Serbia, Moldova, Montenegro and Slovenia. We estimate that in 2020, the new acquisitions' total contribution to earnings will be as high as 11% before cost synergies are reached (merger with existing OTP Bank businesses in Serbia and Montenegro), and this in turn would help achieve ROE of 19% as compared to 11% at Erste and 9% at RBI. In our opinion, the increasing returns and dividend justify the premium in relation to comparable Austrian companies.

Very good performance will increase the consensus

OTP Bank surprised positively with its performance in 2Q'19, beating the consensus by as much as 10%. Low balance of reserves, positive growth rate of basic ratios will motivate the consensus, in our opinion, to increase by approx. 10% for 2019, 12% for 2020 and 4% for 2021. Our forecasts were raised by as much as 20% for 2019 and 25% for 2020. This considerable change stems from better basic income and risk cost being much lower than expected, and for 2020, additionally, from acquisitions in Moldova, Slovenia and Serbia being included in our model. After 1H'19, OTP Bank has achieved 46% of our annual forecast, but at the same time we need to remember that 1Q'19 is seasonally weaker, because of the recording of the entire bank tax, if nothing else. Ultimately, our forecast is consistent with the Management Board's declarations to achieve ROE above 15% in 2019.

The dividend will increase and considerably at that

As at the end of 2Q'19, OTP Bank reported CET1 solvency ratio of 15.9% and TCR at 17.4%. The Management Board estimates that 2019 acquisitions (Moldova, Montenegro, Slovenia) would reduce solvency ratios by 2.8 p.p., still leaving OTP with a comfortable buffer. What is important, OTP does not plan any new major acquisitions, and this makes the Management Board inclined to increase the flow of dividend to shareholders or other forms as purchase of its own shares. Until now, OTP dividend was rather modest, and this was justified by significant regulatory burdens or most recent M&A activities with the DY ratio oscillating in the range of 1%-2%. We believe that once new businesses' integration process is over, DY ratio would grow to at least 4.5% in 2021.

(HUF bn)	2017	2018	2019E	2020E	2021E
Net interest income	546.7	599.8	701.9	803.1	842.8
Noninterest income	262.2	285.9	352.1	386.2	400.4
Total costs	441.8	496.8	560.3	621.3	641.1
Operating income*	367.1	388.9	493.7	568.0	602.1
Net income**	281.1	318.2	388.1	424.8	434.9
ROE (%)	18.4	18.4	19.6	18.4	16.6
P/E (x)	11.4	10.1	8.2	7.5	7.4
P/B (x)	2.0	1.8	1.5	1.3	1.2
DPS (HUF)	199.2	229.6	228.9	237.4	548.5
Dividend yield (%)	1.7	1.9	1.9	2.0	4.6

*before provisioning; **attributable to shareholders

Current Price	HUF 11,990
Target Price	HUF 14,681
Market Cap	HUF 3,404bn
Free Float	HUF 3,404bn
ADTV (3M)	HUF 10.8bn

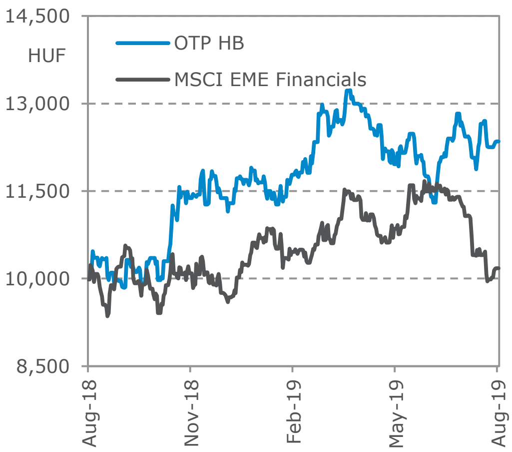
Ownership

MOL	8.57%
Kafijat Ltd.	7.22%
Opus Securities SA	5.18%
Groupama	5.12%
Others	73.91%

Business Profile

OTP Bank is a universal bank, operating on Central and East European markets. OTP Bank's largest operations are run in Hungary, Bulgaria and Russia. The Bank does not have a strategic investor. In the recent years, the bank developed through numerous acquisitions in the region.

OTP vs. MSCI EME Fin



Company	Target Price new	Target Price old	Rating new	Rating old
OTP Bank	14,681	13,046	buy	hold

Company	Current Price	Target Price	Upside
OTP Bank	11,990	14,681	+22.4%

Forecast Update	2019E	2020E
Total income	+6.2%	+15.7%
Pre-tax income	+18.1%	+16.5%
Net income	+20.4%	+24.5%

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Komercni Banka: buy (upgraded)

KOMB CP; BKOM.PR | Banks, Czechia

Slow Rise In NIM

We reduce our target price down to CZK 945.02 per share for Komercni Banka, but we bump up our recommendation to buy. In the last 12 months, KB's share price decreased by 12%, despite results being better than expected for at least 2 years (except for those in 1Q'19 as was expected). We think that some of the responsibility for drop in bank assets' valuation rests with the politicians who kept mentioning the implementation of the tax in various forms, which ultimately is not going to happen. Our latest forecasts are reduced by 1% for 2019 and 7% for 2020, mostly because of the disappointing projection of the net interest income. In the last 2 years, the National Czech Bank (CNB) increase the reference rate by 100 b.p. (195 b.p. from minimum levels in 2012), while KB's interest margin went up by measly 4 b.p. We believe that the absence of any effect of the increases is not only because of the structure of fixed-rate loans, but primarily because of competition, which caused a significant drop in margins on new loans. Nonetheless, we expect a light rebound in quarterly interest margin in 2020 and 2021. We continue to perceive KB as safe haven in the region, with strong equity position, stable operating environment, high returns, and relatively high dividends.

Competition devours interest rate raises

Despite considerable raises of interest rates, KB's margin did not record any significant rebound. We believe that price competition in the market is to blame for this situation. In our opinion, this is demonstrated by the drop in spreads on consumer loans by 182 b.p. in the last 2 years and mortgage loans by 100 b.p. (-214 b.p. over 5 years) in relation to the base rate growing by 100 b.p. over the last 2 years. This means that new loans or rolling loans (mortgage) carry much lower interest rate than they used to historically, and this makes the effect of rate raises invisible in banks' margin. We think that with no new base rate raises the price war would calm down, and the margins would stabilize accordingly. Moreover, we think that KB's interest margin has a chance to rebound, but only in 2020.

There will be no bank tax

The proposed bank tax posed a major threat for Czech banking sector. However, the National Development Fund was created instead of the tax, and it should not pose any material risk for the sector's profitability. The fund's value was initially set at CZK 7 billion, to be contributed in 2020 by the 4 largest Czech banks (CS, CSOB, KB and UniCredit), without ruling out contributions from the rest of the sector. The Fund will be aimed at long-term investment in profitable strategic projects to be approved by a committee composed of banks and governmental representatives. Fund participants will receive investment shares and the investment as a whole shall be recognized in equity and will not affect PLA.

(CZK m)	2017	2018	2019E	2020E	2021E
Net interest income	20,808	22,509	23,767	24,355	25,728
Noninterest income	11,393	9,692	9,100	9,255	9,450
Total costs	14,516	14,635	15,113	15,278	15,674
Operating income*	17,685	17,566	17,754	18,332	19,504
Net income**	14,930	14,848	15,022	14,571	15,205
ROE (%)	15.1	15.1	14.7	13.6	13.6
P/E (x)	10.3	10.4	10.3	10.6	10.2
P/B (x)	1.6	1.5	1.5	1.4	1.4
DPS (CZK)	40.0	47.0	51.0	51.0	51.0
Dividend yield (%)	4.8	5.7	6.2	6.2	6.2

*before provisioning; **attributable to shareholders

Current Price	CZK 817.50
Target Price	CZK 945.02
Market Cap	CZK 183.51bn
Free Float	CZK 72.30bn
ADTV (3M)	CZK 193.6m

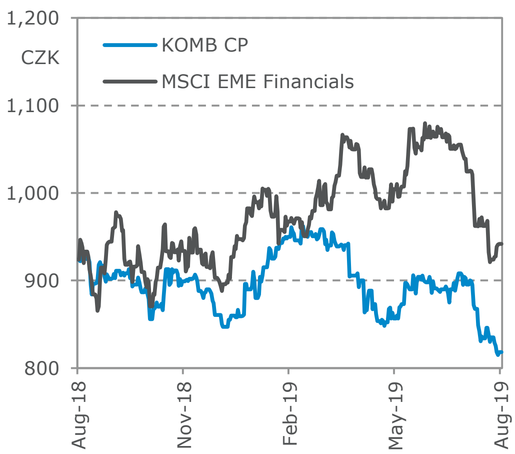
Ownership

Société Générale S.A.	60.4%
Others	39.6%

Business Profile

Komercni Banka is one of the largest banks in Czech Republic. The bank runs universal operations, serving both corporations and retail clients. The bank's credit portfolio is presently composed of mortgage loans portfolio in 43%, consumer loans in 6% and corporate loans in 51%. The bank has a high rate of return on equity at ~15%. It maintains very low risk cost, reflecting very good operating environment in Czech Republic.

KOMB vs. MSCI EME Fin



Company	Target Price new	Target Price old	Rating new	Rating old
Komercni Banka	945.02	1000.00	buy	accumulate

Company	Current Price	Target Price	Upside
Komercni Banka	817.50	945.02	+15.6%

Forecast Update	2019E	2020E
Total income	-4.5%	-7.5%
Pre-tax income	-0.7%	-7.3%
Net income	-0.6%	-7.4%

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Wednesday, August 28, 2019 | research report

Moneta Money Bank: buy (new)

MONET CP; MONET.PR | Banks, Czech Republic

High Returns, High Dividends

We initiate coverage of Moneta Money Bank with a buy call and a 9M target price of CZK 94.33 per share. Moneta Money Bank is oriented at retail clients and SMEs (consumer loans, mortgage loans and investment credit facilities make up 76% of the credit portfolio). Despite of a considerable share of risky loans, Moneta is distinguished by above-average quality of the portfolio, with NPL ratio at 1.8%, supported by repeated sales of debt claim portfolios. On the other hand, a risky credit portfolio supports the interest margin (3.7% to average assets) and ROE of the entire bank at >15%. This allows the bank to pay hefty dividend and we expect the dividend rate to be over 5% in the next 3 years. We believe that presently, Moneta presents a much higher growth potential for share quotations than Komercni Banka. On the other hand, because of the portfolio structure, Moneta should be much more sensitive to economic slowdown, although at the present moment we believe that it will continue to benefit from the favorable operating environment.

Management Board's guidance

Moneta Money Bank expects net profit of more than CZK 3.8 billion in 2019-20 and CZK 4.0 billion in 2021, with the cost base increasing (from <CZK 5.0 billion to <CZK 5.2 billion) and operating profit growing (from >CZK 10.3 billion to CZK 11.6 billion). The bank plans to pay >CZK 6.65bn a year as dividends and keep ROTE at over 15.5%. Our forecasts are consistent with the Guidance, although we expect lower risk cost in 2020 and higher risk cost in 2021. At the same time, our forecasts are now 2% above the consensus for 2019 and 7%-4% for 2020-21.

The portfolio structure keeps changing

Moneta's retail portfolio is being remodeled towards mortgage loans. Even as late as in 2012, mortgage loans accounted for 26% as compared to 41% at the end of 2018. Even though the bank sacrifices its margin on the one hand, it builds relations with the clients and becomes resistant to changing operating environment on the other hand. We forecast that the mortgage loans portfolio will ultimately account for slightly over a half of retail loans.

Moneta as takeover target?

In terms of 2020 P/B ratio, Moneta ranks equal with Komercni and with a significant premium to the CEE sector. In our opinion, the premium is justified by the bank's high ROE (>15%) and above-average DY (>6%). On the other hand, the bank's high-margin profile makes it significantly vulnerable to operating environment and this may have negative repercussions during a slowdown. Finally, the bank operates on a rather concentrated market (controlled by Erste, KBC and SocGen) and this may make it interested in finding a strategic partner. We think that Moneta may become a target for acquisition, and one of natural candidates is PKO BP, which is looking for takeovers in neighboring countries, while the surplus capital would permit closing the transaction with no need for stock issue.

(CZK m)	2017	2018	2019E	2020E	2021E
Net interest income	7,364	7,409	7,965	8,675	9,358
Noninterest income	2,971	2,753	2,550	2,659	2,755
Total costs	-4,763	-4,580	-4,662	-4,643	-4,813
Operating income*	5,388	5,310	5,364	6,185	6,780
Net income**	3,923	4,200	3,808	4,098	4,139
ROE (%)	14.8	16.5	15.0	15.8	15.5
P/E (x)	9.9	9.2	10.2	9.5	9.4
P/B (x)	1.5	1.5	1.5	1.5	1.4
DPS (CZK)	9.8	8.0	6.2	5.6	6.0
Dividend yield (%)	13.0	10.6	8.1	7.4	8.0

*before provisioning; **attributable to shareholders

Current Price	CZK 76.35
Target Price	CZK 94.33
Market Cap	CZK 38.96bn
Free Float	CZK 38.96bn
ADTV (3M)	CZK 129.3m

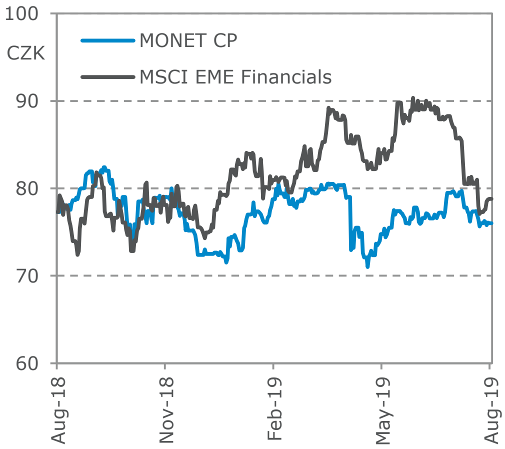
Ownership

Chase Nominees Limited	13.97%
J.P. Morgan Bank Luxembourg S.A.	5.84%
Others	80.19%

Business Profile

Moneta Money Bank is a universal bank, focusing on individual clients, small enterprises and SMEs. The bank's portfolio is composed of mortgage loans portfolio in 56% and corporate loans in 44%. Moneta Money Bank is characterized by high digitalization and innovation. Its rate of return on equity was 14-16% in recent years.

MONET vs. MSCI EME Fin



Company	Target Price new	Target Price old	Rating new	Rating old
Moneta Money B	94.33	-	buy	-

Company	Current Price	Target Price	Upside
Moneta Money B	76.35	94.33	+23.6%

Forecast Update	2019E	2020E
Total income	-	-
Pre-tax income	-	-
Net income	-	-

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Erste Group: buy (reiterated)

EBS AV; ERST.VI | Banks, Austria

Consensus Slow To React to Performance

We maintain a buy rating for Erste Group. For two years, Erste has positively surprised with its quarterly performance, and the "beat" is usually in the double-digit range. Like other banks, Erste benefits from the macro-economic situation in the region, and this, in turn, translates into very low risk cost. Due to gradual normalization of the risk cost, we think that in future years, the earnings growth rate will be in the single digits on average. At the same time, Erste continuously keeps facing negative developments from all over the region, such as the alleged bank tax in Czech Republic, a bank tax in Romania, which ultimately is much lower than initially planned, or - most recently - the risk of interest rates' cuts in the euro-zone (we anticipate 34 b.p. pressure on the margin in Austria). All this caused Erste's stock price to drop 15% over the last 12 months while MSCI EME Financials went up by 2%. We believe that this situation creates an investment opportunity. On the one hand, the earnings consensus for 2019 and 2020 has been growing for the past 3 months; on the other hand, however, the bank's valuation is at its lowest in the last 3 years (12M forward P/E 8.6x as compared to 3Y average of 10.6x).

Consensus is slow to react

For the past 2 years, Erste has been showing quarterly performance better than expected, but the annual consensus reacts with much delay. For instance, between January 2018 and the most recent quarterly report, 2018 consensus went up by 23%. The consensus for the current year has increased only by 1% since the beginning of the year, but reviews are speeding up. We expect 1H'19 performance to cause an increase in the consensus for another 3% for 2019 and 5%-8% for 2020/21.

The guidance is conservative, as usual

Erste's Management Board is conservative in its forecasts as demonstrated by the results for the last two years: 2018 ROTE at 15.2% (the Management Board assumed >10%) and 2017 ROTE at 11.5% (the Management Board assumed >10%). For 2019, the Management Board assumes ROTE at >11%, again too conservative in our opinion. The conservative approach is also indicated by the penalty of 230 million EUR which Erste was to pay in Romania (ultimately lower by 80 million EUR) and still meet its annual forecast. Our forecast assumes 2019 ROTE at >12%.

SOTP should give premium to Erste

About 66% of Erste Group results comes from Czech Republic, Slovakia and Hungary, and "only" approx. 25% - from Austria. Nonetheless, in terms of P/BV ratio, Erste Group is listed with deep discount to Czech banks or to OTP, whose structure includes also low-valued banks in Russia or Ukraine. We believe that the current market value covers Czech Republic, Hungary, Romania and Slovakia and assigns a null value to other segments. We believe that the ROE above 11%, dividend ratio above 4% deserves a higher valuation than the current 0.9x P/BV.

(EUR m)	2017	2018	2019E	2020E	2021E
Net interest income	4,353	4,582	4,741	4,925	5,197
Noninterest income	2,122	2,144	2,267	2,343	2,410
Total costs	-4,158	-4,181	-4,338	-4,450	-4,550
Operating income*	2,210	2,436	2,368	2,657	2,897
Net income**	1,316	1,793	1,534	1,667	1,773
ROE (%)	10.0	12.7	10.5	11.0	11.3
P/E (x)	9.9	7.2	8.5	7.8	7.3
P/B (x)	0.9	0.9	0.9	0.8	0.8
DPS (EUR)	1.0	1.2	1.3	1.5	1.6
Dividend yield (%)	3.3	4.0	4.3	5.0	5.4

*before provisioning; **attributable to shareholders

Current Price	EUR 30.21
Target Price	EUR 40.38
Market Cap	EUR 13.05bn
Free Float	EUR 9.09bn
ADTV (3M)	EUR 45.8m

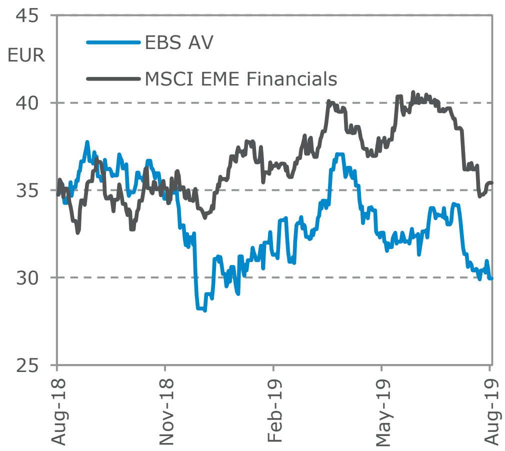
Ownership

Strategic Investors	20.4%
Caixa Bank	9.9%
Others	69.7%

Business Profile

Erste Group is a regional bank offering universal services in retail, corporate and investment banking. Through its branches, the bank operates in such countries as Austria, Czech Republic and Slovakia, Romania or Hungary. In 2013, the bank sold its Ukraine business.

EBS vs. MSCI EME Fin



Company	Target Price new	Target Price old	Rating new	Rating old
Erste Group	40.38	43.72	buy	buy

Company	Current Price	Target Price	Upside
Erste Group	30.21	40.38	+33.2%

Forecast Update	2019E	2020E
Total income	-1.2%	-2.4%
Pre-tax income	-2.9%	-5.5%
Net income	+2.3%	+3.7%

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Wednesday, August 28, 2019 | research report

Raiffeisen Bank International: accumulate (new)

RBI AV; RBIV.VI | Banks, Austria

Ambitious Strategy and a Problematic Poland

We resume coverage of Raiffeisen Bank International (RBI) with an accumulate call and a target price of EUR 23.05 per share. Raiffeisen Bank International is an Austrian regional bank with presence all over emerging Europe and banks in over 15 countries. The most important bank in the Group's region is the branch in Russia, which contributes 44% of the net result, but makes only 12% of the Group's assets. On the other hand, the significant share of EE segment (Russia, Ukraine, Belarus) in the Group's results is reflected in low SOTP, because historically Russian banks were valued with deep discount (50%) to CE banks. Our valuation of RBI is 2020 fair P/E 6.6x and P/B 0.6x i.e. with a discount to comparable companies. We believe that this valuation is justified due to definitively lowest profitability among the regional banks and the entire CEE sector. Despite keeping low valuation, we see upside potential of nearly 13% for the stock price, and the Management Board's implementation of ambitious strategy could increase this potential even more.

We think that the strategy is ambitious

RBI's strategy includes a mid-term return on equity at 11%, increase in loans at the average one-digit rate, risk cost below 45 p.b. in 2019 and C/I at c.55% in 2021. The Management Board also plans to pay dividend between 20% and 50% of the net profit, while keeping CET1 at >13%. Both us and the consensus are more skeptical than the Management Board. In the next 3 years, we expect ROE of approx. 9%, C/I at 59%, but also the risk cost below 40 b.p. in 2021. Consensus currently expects 2020/21 ROE between 9.6% and 9.0%. We believe that our forecast is conservative in the cost area and risk cost area, which may normalize faster than we assume. Our forecasts are 4%-2% below the consensus for 2019/20, and 10% higher than for 2021. On the other hand, if the Management Board carries out its strategy, this will bring a wave of increases in forecasts and valuations.

Poland remains a threat

Raiffeisen Bank International sold its Polish brand (Raiffeisen Polbank) to BNP Paribas in 2018. However, some of assets remained in RBI's possession, including mortgage loans denominated in CHF and some corporate loans. Currently, business in Poland generates losses of 3 million EUR, caused by high costs (including other cost items and bank tax). Nonetheless, the real threat for RBI may consist in the CHF portfolio, which we estimate at approx. 8 billion PLN. We believe that soon-to-be-announced rulings of the European Court of Justice regarding CHF loans may, in extreme case, end with collective suits, currency conversion for CHF loans at the rate, in which the loan was granted, and consequently - with considerable write-downs. Under the worst-case scenario, which anticipates suits also from those clients who have already paid their loans, and the recorded loss consisting in one-off write-down allocated to RBI would be 5 billion EUR i.e. approx. 1.15 billion EUR, devouring the net result for the entire year.

(EUR m)	2017	2018	2019E	2020E	2021E
Net interest income	3,225	3,362	3,420	3,722	3,943
Noninterest income	1,774	1,848	1,411	1,463	1,521
Total costs	-2,994	-3,237	-3,067	-3,173	-3,239
Operating income*	2,004	1,973	1,765	2,012	2,225
Net income**	1,116	1,270	1,087	1,147	1,254
ROE (%)	11.4	11.4	9.0	8.9	9.2
P/E (x)	5.1	4.8	6.2	5.9	5.4
P/B (x)	0.6	0.5	0.5	0.5	0.5
DPS	0.0	0.8	1.2	1.0	1.0
Dividend yield (%)	0.0	3.9	5.7	4.8	5.1

*before provisioning; **attributable to shareholders

Current Price	EUR 20.49
Target Price	EUR 23.05
Market Cap	EUR 6.76bn
Free Float	EUR 2.78bn
ADTV (3M)	EUR 19.8m

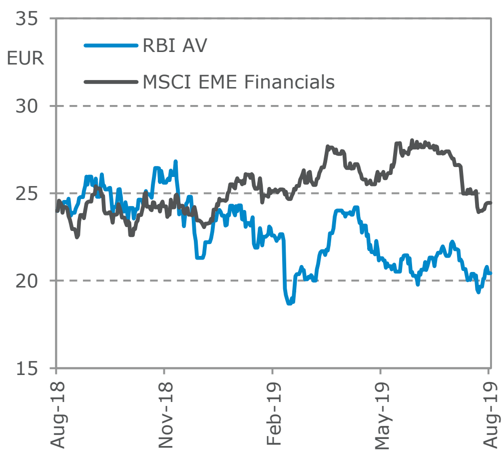
Ownership

Regional Raiffeisen banks	58.8%
Others	41.2%

Business Profile

Raiffeisen Bank International is one of the leading banks both in the region and on the local market. Apart from traditional banking, Raiffeisen provides services in the area of lease, asset management and M&A. Retail loans account for 37% of the portfolio, and corporate loans - 51%. In 2018, Raiffeisen exited the Polish market, keeping the portfolio of CHF housing loans .

RBI vs. MSCI EME Fin



Company	Target Price new	Target Price old	Rating new	Rating old
RBI	23.05	-	accumulate	-

Company	Current Price	Target Price	Upside
RBI	20.49	23.05	+12.5%

Forecast Update	2019E	2020E
Total income	-	-
Pre-tax income	-	-
Net income	-	-

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List of abbreviations and ratios contained in the report:
EV – net debt + market value
EBIT – Earnings Before Interest and Taxes
EBITDA – EBIT + Depreciation and Amortisation
P/CE – price to earnings with amortisation
MC/S – market capitalisation to sales
EBIT/EV – operating profit to economic value
P/E – (Price/Earnings) – price divided by annual net profit per share
ROE – (Return on Equity) – annual net profit divided by average equity
P/BV – (Price/Book Value) – price divided by book value per share
Net debt – credits + debt papers + interest bearing loans – cash and cash equivalents
EBITDA margin – EBITDA/Sales

OVERWEIGHT (OW) – a rating which indicates that we expect a stock to outperform the broad market
NEUTRAL (N) – a rating which indicates that we expect the stock to perform in line with the broad market
UNDERWEIGHT (UW) – a rating which indicates that we expect the stock to underperform the broad market

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ACCUMULATE – we expect that the rate of return from an investment will range from 5% to 15%
HOLD – we expect that the rate of return from an investment will range from -5% to +5%
REDUCE – we expect that the rate of return from an investment will range from -5% to -15%
SELL – we expect that an investment will bear a loss greater than 15%
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NAV - valuation based on equity value, one of the most frequently used method in case of developing companies; the weak point of the method is that it does not factor in future changes in revenue/profits of a company.

mBank issued the following investment recommendations for OTP Bank in the 12 months prior to this publication

Rating	hold	buy	hold	accumulate
Rating date	2019-08-02	2019-07-03	2019-04-02	2018-12-05
Target price (HUF)	13,046.00	13,046.00	13,046.00	13,046.00
Price on rating day	12,080.00	11,790.00	12,600.00	11,810.00

mBank issued the following investment recommendations for Komercni Banka in the 12 months prior to this publication

Rating	accumulate	buy	accumulate
Rating date	2019-08-02	2019-05-09	2018-12-05
Target price (CZK)	1,000.00	1,000.00	1,000.00
Price on rating day	872.00	873.00	906.50

mBank issued the following investment recommendations for Erste Group in the 12 months prior to this publication

Rating	buy	buy	buy
Rating date	2019-02-04	2018-12-05	2018-08-02
Target price (EUR)	43.72	46.18	43.00
Price on rating day	31.00	34.41	37.14

mBank S.A. did not issue any recommendations for Moneta Money Bank. in the 12 months prior to this publication.

mBank S.A. did not issue any recommendations for Raiffeisen Bank International in the 12 months prior to this publication.

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