

Banca Transilvania

Buy

Upgraded from Hold

Price: RON 19.1
Price target: RON 27.0
(from RON 20.2)

Bad news in the price, time to re-rate

We have upgraded Banca Transilvania to BUY (from Hold), in view of its excessive discount vs. its peers, and the strong outlook ahead. Following the recent share price under-performance (down 14% in 2022, -4.1% ytd), Banca Transilvania now trades at a P/E of 5.2x on our 2023E earnings, a discount of c.30% vs. its 10-year average, its regional peers and local peer BRD. The P/TBV appears high on 2022, but falls materially from 2023E-onwards, due to the build-up in equity via strong earnings capacity and the revaluation of the bond portfolio. We have increased our price target (PT) to RON 27/share (from RON 20.2/share).

Lower equity and no dividends to reverse. In 2022, the bank took a big hit on its equity (down 15% yoy) and capital (down 280bps yoy), due to the negative impact from the higher yields in Romanian government bonds (as RON 43bn of investment securities are classified as fair value via OCI). We expect more to come in 1Q23E, with the end of the quick fix. However, these unrealised losses (negative reserve via OCI at RON 3.7bn) should reverse in the following years, as the bond yields tighten or reach maturity. This implies a potential significant uplift in the capital and the ability to pay dividends.

Capital build up from 2Q23E-onwards. At the end of December 2022, the CET1 ratio stood at 18.4% and the TCR at 20.8%. According to management, the impact from the quick fix is c.250bps and the negative impact will be booked in 1Q23E. However, the retained earnings (EUR 2.6bn) and any revaluation from the bond portfolio (c. RON 1.3bn, on our numbers) will lead to a capital build up from 2Q23E-onwards, leading to a TCR of 22.5% by end-2023E. This should leave ample room for dividend payments from the 2023E net earnings. In addition, we highlight that, in view of the huge ROTE generation (>25% currently, or 18-20% if normalised for the losses in FV OCI), any incremental RWA growth would add more value to shareholders vs. a dividend payment, in our view.

Outlook supportive for 2023E. In the recently-announced budget for 2023E, Banca Transilvania assumes net profit of RON 2.3bn at the parent level (+7% on a yoy basis). This is driven by loan growth of c.6%, NII expansion (+18%, as the rate hikes are still boosting the numbers), cost growth in line with inflation, and a COR below mid-cycle (100-120bps). The contribution from the subsidiaries stood at c. RON 0.3bn in 2022, implying a bottom line in the range of RON 2.5-2.6bn at the group level. Our numbers are close to management's guidance.

Higher forecasts and PT. We have increased our 2023-24E forecasts by 26-27%, driven mainly by higher loan growth and NII, with a lower COR. Our new price target (PT) stands at RON 27/share, using a three-stage dividend discount model, a Gordon Growth Formula and a peer group comparison.

Risks: populist measures by politicians; exposure to the Sovereign, via large holdings of government bonds and mortgages under the Prima Casa programme; a GDP slowdown in Romania, due to large fiscal deficits, which could cause a more severe hit on the TLV, due to its higher SME exposure; competitive pressure and lower lending spreads.

Expected events

1Q23 results 5 May

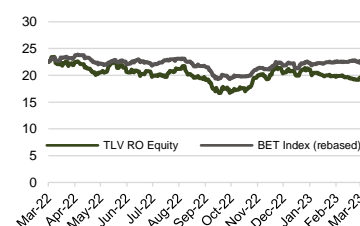
Key data

Market cap	RON 13.5bn
Free float	100%
Shares outstanding	707m
ADTV (USD m)	1.5m
Major shareholder	EBRD (6.9%)
Reuters code	TLV.VI
Bloomberg code	TLV RO
BET Index	11,663

Price performance

52-w range 16.7 – 23.8
YTD performance -4.1%

TLV 12M share price performance



Year	Revenues (RON m)	Net Profit (RON m)	EPS (RON)	EPS growth	PE (x)	BVPS (RON)	P/TBV	ROTE (%)	DPS (RON)	Dividend yield
2020	4,537	1,380	1.95	-22.5%	9.4	14.2	1.33	15%	0.71	3.7%
2021	4,934	1,983	2.81	44.0%	8.2	14.3	1.68	20%	1.13	5.9%
2022	6,280	2,404	3.40	20.9%	5.9	12.6	1.71	27%	0.00	0.0%
2023E	7,101	2,576	3.64	7.1%	5.2	16.1	1.26	27%	1.46	7.6%
2024E	7,459	2,632	3.72	2.2%	5.1	19.8	1.01	22%	1.49	7.8%
2025E	8,040	2,784	3.93	5.8%	4.9	22.9	0.87	19%	1.57	8.2%

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Closing Prices as of 16 March 2023

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Company snapshot – BUY, PT RON 27.0

BUY		SHARE PRICE PERFORMANCE					COMPANY DESCRIPTION				
Bloomberg ticker	TLV RO						<p>Banca Transilvania (BT) is the largest bank in Romania, after the market share gained via the acquisitions of Volksbank and Bancpost. The bank was started in Cluj (in the Transilvania region) in 1994, on the initiative of local businessmen, as a local bank. BT engaged in an aggressive expansion strategy, retaining a large part of its profit since its inception and growing into a national bank. The current market share stands at c.17%, on total assets. BT does not have a majority shareholder. Shareholders with a stake of over 5% include NN Group pension funds (c.10%) and EBRD (6.87%).</p>				
Closing price (RON)	19.1										
Price target (RON)	27.0										
Upside to PT	41%										
Shares outstanding (m)	707.7										
MCAP (RON m)	13,516										
Free float	100%										
ADTV (USD m)	1.5										
52 Week Range (RON)	16.7 - 23.8										
RATIOS											
VALUATION RATIOS						DuPont decomposition					
P/E	2021	2022	2023E	2024E	2025E	Net interest income/ Assets	2021	2022	2023E	2024E	2025E
P/TBV	8.19	5.86	5.25	5.14	4.85	Fee and commission income/ Assets	2.6%	3.2%	3.4%	3.3%	3.3%
Dividend yield	1.68	1.71	1.26	1.01	0.87	Trading income/ Assets	0.8%	0.9%	0.9%	0.9%	0.9%
ROE	5.9%	0.0%	7.6%	7.8%	8.2%	Other non - interest income/ Assets	0.3%	0.1%	0.1%	0.1%	0.1%
ROA	19.7%	25.3%	25.4%	20.7%	18.4%	Total operating income/ Assets	4.2%	4.7%	4.9%	4.7%	4.7%
	1.7%	1.8%	1.7%	1.6%	1.6%	Total costs/ Assets	2.0%	2.2%	2.2%	2.2%	2.2%
PER SHARE RATIOS						Cost/ Income					
EPS	2021	2022	2023E	2024E	2025E	Operating profit before provisions/ Assets	2021	2022	2023E	2024E	2025E
BVPS	2.81	3.40	3.64	3.72	3.93	Provision expense/ Assets	48.3%	47.5%	46.1%	46.9%	46.2%
DPS	14.3	12.6	16.1	19.8	22.9	Pre - tax profit/ Assets	2.2%	2.5%	2.6%	2.5%	2.6%
	1.13	0.00	1.46	1.49	1.57	Tax/ Assets	-0.2%	-0.2%	-0.3%	-0.3%	-0.3%
BALANCE SHEET QUALITY						RoA					
CET1 ratio	2021	2022	2023E	2024E	2025E	Equity multiplier	2021	2022	2023E	2024E	2025E
NPE ratio	20.7%	18.4%	18.8%	21.2%	22.5%	RoE	11.93	14.36	14.57	12.65	11.39
Provisions/Avg. customer loans (CoR)	2.7%	2.4%	3.7%	3.6%	3.6%	ROTE	19.7%	25.3%	25.4%	20.7%	18.4%
	0.5%	0.8%	0.9%	0.9%	1.0%		20.5%	26.8%	27.1%	21.9%	19.3%
COMPANY FINANCIALS											
INCOME STATEMENT (RONm)						BALANCE SHEET (RONm)					
Net interest income	2021	2022	2023E	2024E	2025E	Cash	2021	2022	2023E	2024E	2025E
Non-interest income	3,142	4,427	5,069	5,298	5,738	Due from banks	18,321	14,541	22,486	23,910	25,823
net commission income	1,792	1,853	2,033	2,161	2,303	Debt securities	10,394	5,567	5,623	5,679	5,736
net FX gains	961	1,168	1,285	1,413	1,554	Customer loans	45,178	47,191	48,221	49,022	49,889
securities income	529	686	686	686	686	Fixed assets	54,630	65,214	70,870	78,503	88,222
Total banking revenue	4,934	6,280	7,101	7,459	8,040	Other assets	1,556	1,662	1,662	1,662	1,662
Total costs	-2,382	-2,984	-3,273	-3,496	-3,714	Total assets	132,501	140,511	155,441	165,683	178,656
personnel costs	-1,328	-1,656	-1,896	-2,060	-2,207	Customer deposits	108,022	119,732	124,920	132,833	143,460
depreciation	-358	-393	-432	-454	-486	Certified debt	1,762	1,748	2,700	3,240	3,888
other costs	-696	-935	-945	-982	-1,022	Total equity	10,092	8,919	11,395	13,996	16,228
Pre-provision profitability	2,552	3,296	3,829	3,963	4,326	Equity and liabilities	132,501	140,511	155,441	165,683	178,656
Net provisions	-257	-495	-855	-721	-896						
Extraordinary gains	0	0	0	0	0						
Pretax profit	2,303	2,801	3,174	3,242	3,431						
Income tax	-278	-313	-508	-519	-549						
Net income	1,983	2,404	2,576	2,632	2,784						
GROWTH RATIOS						GROWTH RATIOS					
Net interest income growth	2021	2022	2023E	2024E	2025E	Customer loan growth	2021	2022	2023E	2024E	2025E
Net fee growth	5.5%	40.9%	14.5%	4.5%	8.3%	- of which corporate loan growth	33.6%	19.4%	8.7%	10.8%	12.4%
Total income growth	23.8%	21.5%	10.0%	10.0%	10.0%	- of which mortgage loan growth	52.1%	31.5%	14.0%	15.0%	15.0%
Cost growth	8.8%	27.3%	13.1%	5.0%	7.8%	- of which consumer loan growth	18.6%	8.0%	3.0%	6.0%	10.0%
Operating profit growth	16.3%	25.3%	9.7%	6.8%	6.2%	Customer deposit growth	12.3%	2.9%	2.0%	4.0%	7.0%
Net profit growth	2.5%	29.2%	16.2%	3.5%	9.2%	- of which corporate deposits growth	18.8%	10.8%	4.3%	6.3%	8.0%
	43.7%	21.2%	7.1%	2.2%	5.8%	- of which retail deposits growth	24.6%	10.3%	5.0%	7.0%	8.0%
						Total asset growth	16.1%	11.1%	4.0%	6.0%	8.0%
							23.3%	6.0%	10.6%	6.6%	7.8%
BALANCE SHEET STRUCTURE											
LTD	2021	2022	2023E	2024E	2025E						
Credit split	50.6%	54.5%	56.7%	59.1%	61.5%						
Corporate	51.4%	56.8%	59.4%	61.5%	62.9%						
Mortgages	27.5%	25.0%	23.6%	22.5%	22.0%						
Consumer	21.0%	18.2%	17.0%	15.9%	15.1%						
Deposits split											
Corporate	33.4%	33.3%	33.5%	33.7%	33.7%						
Retail	66.6%	66.7%	66.5%	66.3%	66.3%						
Credits market share	17.5%	18.7%	18.7%	18.8%	19.3%						
Deposits market share	22.5%	23.3%	23.0%	23.1%	23.4%						

Impressive bottom-line performance

We have increased our 2023-24E forecasts by 26-27%, driven mainly by higher loan growth and NII, with a lower COR, while we have also added 2025E to our forecasts. Our key assumptions are: softer net loan growth in 2023E (8.7%, from 19.7% in 2022), a small net interest margin pick-up (+c.20bps in 2023E, with declining trends in 2024E as the rates fall), growth in operating expenses of c.10% (slightly above our full-year inflation forecasts), and a COR of 90bps.

Our estimates are close to management's guidance. In the recently-announced budget for 2023E, Banca Transilvania is assuming net profit of RON 2.3bn at the parent level (+7% on a yoy basis). This is driven by loan growth of c.6%, NII expansion (+18%, as the rate hikes are still boosting the numbers), cost growth in line with inflation, and a COR below mid-cycle (100-120bps). The contribution from the subsidiaries stood at c. RON 0.3bn in 2022, implying a bottom line in the range of RON 2.5-2.6bn at the group level.

Change in estimates

RON m	New estimates			Old estimates			% change		
	2022	2023E	2024E	2022	2023E	2024E	2022	2023E	2024E
Loans	69,584	75,895	84,248	69,467	74,936	82,057	0.2%	1.3%	2.7%
Deposits	119,732	124,920	132,833	111,627	113,510	118,444	7.3%	10.1%	12.1%
Total assets	140,511	155,441	165,683	142,267	153,176	163,076	-1.2%	1.5%	1.6%
NII	4,427	5,069	5,298	4,229	4,842	5,246	4.7%	4.7%	1.0%
Total revenues	6,280	7,101	7,459	5,853	6,578	7,106	7.3%	8.0%	5.0%
Total opex	-2,984	-3,273	-3,496	-3,032	-3,391	-3,625	-1.6%	-3.5%	-3.6%
Pre-provision profits	3,296	3,829	3,963	2,821	3,188	3,481	16.8%	20.1%	13.8%
Provisions	-495	-655	-721	-416	-722	-863	19.1%	-9.3%	-16.5%
Net profit	2,404	2,576	2,632	1,940	1,990	2,117	23.9%	29.4%	24.3%

Source: WOOD Research

Budget: P&L stand-alone

(RON m)	2022	2023 budget	chg
Interest Income	5,167	7,477	45%
Interest expense	-1,509	-3,143	108%
Net interest income	3,658	4,334	18%
Net commission income	998	1,117	12%
Net trading income	457	580	27%
Contribution to the Guarantee Fund	-144	-91	-37%
Other income	390	172	-56%
Total Income	5,360	6,112	14%
Personnel expenses	-1,385	-1,590	15%
Other operating expenses	-925	-915	-1%
Depreciation and amortization	-351	-387	10%
Total Expenses	-2,661	-2,892	9%
Net impairment charges	-278	-622	n.m.
Profit Before Tax	2,421	2,598	7%
Income tax	-243	-261	8%
Net Income	2,178	2,337	7%

Source: Banca Transilvania, WOOD Research

Budget: balance sheet, stand-alone

(RON m)	2022	2023 budget	chg
Cash and cash equivalents	12,645	31,963	153%
Investment securities	44,099	46,473	5%
Loans and advances to customers (gross)	63,449	68,193	7%
Total assets	133,960	152,198	14%
Deposits from customers	116,503	123,413	6%
Total equity	7,958	12,122	52%
Total liabilities and equity	133,960	152,198	14%

Source: Banca Transilvania, WOOD Research

Capital: softer in 2022 and no dividends

Banca Transilvania's TCR declined by 280bps in 2022, due to the higher yields on the sovereign bonds, which resulted in losses in the valuation of the portfolio that is classified as Fair Value via Other Comprehensive Income (ex. available for sale). The losses do not include the impact from the quick fix abolition in 1Q23 (impact of c.250bps, according to management). As a result, the pro-forma TCR (including the quick fix) would have been closer to 18.5% in 2022. This is still above the minimum OCR of 15.87% (or 16.4% post the 50bps increase in the systemic risk buffer). However, the bank did not pay a dividend, and complied with the prudential recommendations of the National Macropprudential Supervisory Committee and the National Bank of Romania (due to be revised in June).

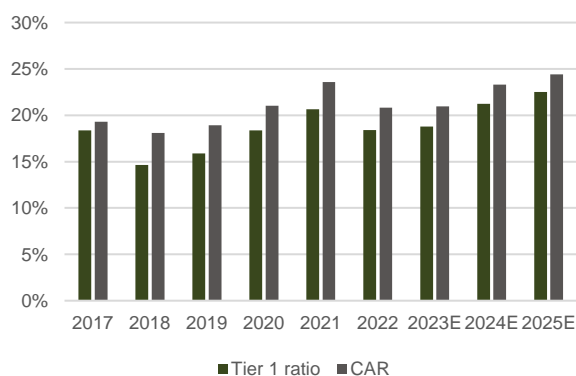
Although Banca Transilvania did have the capacity to pay some dividends in 2022, we believe that the buffers would have been rather thin in the case of a payment, leaving the bank vulnerable in a scenario of a sudden spike in bond yields. This vulnerability increased by the reclassification back into FVOCI from held to collect for c. RON 25bn of investment securities. On the flipside, the negative revaluation reserve will be erased gradually in the coming years, as the bonds mature, or if bond yields drop. In our forecasts, we assume a partial reversal, leading to significant capital generation and the potential to pay dividends. However, even if bonds remain at the current elevated levels, we believe that the bank should be able to pay a dividend from the 2023E net profit. In addition, in view of the huge ROTE generation (>25% currently, or 18-20% normalised for the losses in FV OCI), any incremental RWA growth would add more value to shareholders vs. a dividend payment.

Movements in capital (consolidated)

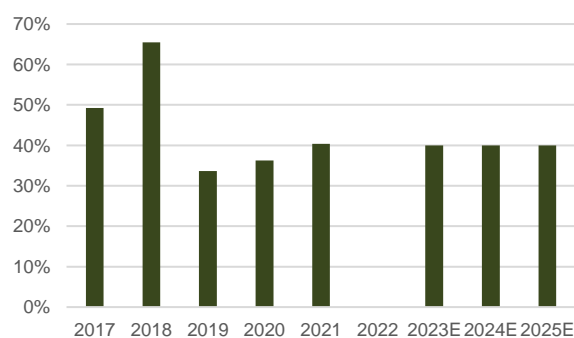
RON m	2021	2022	2023E	2024E
Total Capital (start of year)	12,108	12,365	12,585	14,030
Retained earnings	1983	2,404	2,576	2,632
Quick fix	0	0	-1,400	0
FV OCI / Other	-927	-2,184	1,300	1,000
Dividend	-800	0	-1,030	-1,053
Total Capital (end of year)	12,365	12,585	14,030	16,609
RWA	52,457	60,465	66,890	71,298
Total Capital Ratio	23.6%	20.8%	21.0%	23.3%

Source: Banca Transilvania, WOOD Research

Capital ratios



Payout ratio



Source: Company data, WOOD Research

Valuation: PT increased to RON 27.0/share

We have valued Banca Transilvania with a weighted average of a three-stage dividend discount model, a simple Gordon Growth Formula and a peer group valuation. Our new PT stands at RON 27.0/share, from RON 20.2/share previously, with the increase attributable to our higher forecasts (c.27% for 2023-24E), and higher peer group valuation vs. our previous note in October.

Banca Transilvania: valuation summary

	Weight	Equity value RON m	Per share RON
Three stage DDM	35%	20,180	28.5
Simple Gordon Growth Formula	35%	19,095	27.0
Peer group valuation	30%	17,835	25.2
Weighted average target value		19,097	27.0
Current price (RON)			19.1
Upside / downside			41%

Source: WOOD Research

Our key assumptions in our three-stage Gordon Growth Model (GGM) are:

- ✓ 2023-25E: the fair value of dividends expected in the explicit forecast period.
- ✓ 2025-31E: the expected dividend stream from the transition period, where we assume a sustainable dividend payout ratio of 40%, a ROTE of 19% and growth of 6% per annum.
- ✓ Terminal value: we set an implied P/BV multiple to determine the terminal value using the formula $P/BV(x) = (ROE-g)/(COE-g)$. We use 16.0% as the long-term ROE and 3% perpetual growth, leading to a fair P/BV of 1.3x.
- ✓ Our COE is set according to the formula $COE = RFR + \beta * MRP$. We use a risk free rate (RFR) of 7.5% for the explicit period and 5.5% thereafter, and set the market risk premium (MRP) at 5%.

For our simple Gordon Growth Formula $P/BV(x) = (ROE-g)/(COE-g)$, we assume a ROTE of 27% (in line with our forecast for 2022E), a COE of 15% and 3% perpetual growth. In our peer group comparison, we use the P/E ratios for 2022, 2023E and 2024E for the banks under our coverage in the region.

Three-stage dividend discount model

RON m	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	+
Net profit	2,576	2,632	2,784	2,953	3,132	3,322	3,523	3,737	3,963	4,203	
Tangible equity	10,734	13,336	15,567	17,339	19,218	21,211	23,325	25,567	27,945	30,467	
Dividend	1,030	1,053	1,114	1,181	1,253	1,329	1,409	1,495	1,585	1,681	
ROTE	27.1%	21.9%	19.3%	19.3%	19.3%	19.3%	19.3%	19.3%	19.3%	19.3%	
Pay-out ratio	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	
RFR	7.5%	7.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%
MRP	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Beta	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
CoE	15.0%	15.0%	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%
LT RoE											16.0%
LT growth											2.0%
Implied P/BV(x)											1.3
FV of TV											38,776
PV of TV											11,029
PV of Dividends	896	796	745	699	657	616	578	543	510	478	
sum of PV of dividends 2023-32E											6,518
Equity value											17,548
Equity value per share (RON)											24.8
12M PT (RON)											28.5

Source: WOOD Research

Simple Gordon Growth Formula

P/BV = (ROE-g)/(r-g)	
Mid cycle RoTE	27%
Sustainable growth	3%
Cost of equity	15.0%
Fundamental P/TBV Ratio (x)	2.01
Fundamental value (RON m)	16,604
Value Per Share (RON)	23.5
12M PT (RON)	27.0

Source: WOOD Research

Peer group valuation

(P/E)	2022E	2023E	2024E
Peers' P/E (x)	6.8	7.5	5.1
Retained multiple (x)	6.8	7.5	5.1
Implied premium/discount	0%	0%	0%
Net profit (RON m)	2404.4	2576.1	2631.6
Target Equity Value (RON m)	16,350	19,321	17,835

Source: WOOD Research

Financials

Income statement

(RON m)	2019	2020	2021	2022	2023E	2024E	2025E
Net Interest Income	3,074	2,977	3,142	4,427	5,069	5,298	5,738
Fee and commission income	820	776	961	1,168	1,285	1,413	1,554
Trading income	411	345	529	686	686	686	686
Net other operating income	310	438	302	-1	62	62	62
Total non-interest income	1,541	1,559	1,792	1,853	2,033	2,161	2,303
Total operating income	4,615	4,537	4,934	6,280	7,101	7,459	8,040
Staff costs	-1,038	-1,097	-1,328	-1,656	-1,896	-2,060	-2,207
Depreciation and amortisation	-311	-328	-358	-393	-432	-454	-486
Other operating costs	-720	-623	-696	-935	-945	-982	-1,022
Total costs	-2,191	-2,048	-2,382	-2,984	-3,273	-3,496	-3,714
Operating profit before provisions	2,424	2,489	2,552	3,296	3,829	3,963	4,326
Provision expense	-293	-866	-257	-495	-655	-721	-896
Extraordinary items	0	0	0	0	0	0	0
Pre-tax profit	2,132	1,623	2,303	2,801	3,174	3,242	3,431
Taxes	-284	-198	-278	-313	-508	-519	-549
Minorities	-67	-44	-41	-84	-90	-92	-97
Attributable net profit	1,781	1,380	1,983	2,404	2,576	2,632	2,784

Source: Banca Transilvania, WOOD Research

DuPont analysis

	2019	2020	2021	2022	2023E	2024E	2025E
Net interest income/ Assets	3.6%	3.0%	2.6%	3.2%	3.4%	3.3%	3.3%
Fee and commission income/ Assets	1.0%	0.8%	0.8%	0.9%	0.9%	0.9%	0.9%
Trading income/ Assets	0.5%	0.3%	0.4%	0.5%	0.5%	0.4%	0.4%
Other non-interest income/ Assets	0.5%	0.5%	0.3%	0.1%	0.1%	0.1%	0.1%
Total operating income/ Assets	5.6%	4.6%	4.2%	4.7%	4.9%	4.7%	4.7%
Total costs/ Assets	2.6%	2.1%	2.0%	2.2%	2.2%	2.2%	2.2%
Operating profit before provisions/ Assets	3.0%	2.6%	2.2%	2.5%	2.6%	2.5%	2.6%
Provision expense/ Assets	-0.3%	-0.9%	-0.2%	-0.4%	-0.4%	-0.4%	-0.5%
Pre-tax profit/ Assets	2.6%	1.7%	2.0%	2.2%	2.2%	2.1%	2.0%
Tax/ Assets	-0.3%	-0.2%	-0.2%	-0.2%	-0.3%	-0.3%	-0.3%
RoA	2.3%	1.5%	1.8%	1.9%	1.9%	1.8%	1.7%
Equity multiplier	10.3	10.6	11.9	14.4	14.6	12.6	11.4
RoE	23.9%	15.9%	21.0%	27.8%	27.1%	22.2%	19.7%
Actual ROE	21.7%	14.6%	19.7%	25.3%	25.4%	20.7%	18.4%

Source: Banca Transilvania, WOOD Research

Key P&L ratios

	2019	2020	2021	2022	2023E	2024E	2025E
Yield on interest earning assets	4.4%	3.8%	3.1%	4.5%	6.1%	5.8%	5.6%
Cost of interest bearing liabilities	-0.8%	-0.8%	-0.5%	-1.3%	-2.7%	-2.6%	-2.3%
Net interest spread	3.6%	3.0%	2.6%	3.2%	3.4%	3.2%	3.2%
NIM*	3.6%	3.0%	2.6%	3.2%	3.4%	3.3%	3.3%
NIM (provision adjusted)*	3.3%	2.1%	2.4%	2.9%	3.0%	2.9%	2.8%
Cost/ Income	47.5%	45.1%	48.3%	47.5%	46.1%	46.9%	46.2%
Income and cost growth							
Net interest income growth	11.3%	-3.1%	5.5%	40.9%	14.5%	4.5%	8.3%
Non-interest income growth	30.2%	1.2%	14.9%	3.4%	9.7%	6.3%	6.5%
Cost growth	7.7%	-6.5%	16.3%	25.3%	9.7%	6.8%	6.2%
Operating profit growth	26.8%	2.7%	2.5%	29.2%	16.2%	3.5%	9.2%
Net profit growth	42.5%	-22.5%	43.7%	21.2%	7.1%	2.2%	5.8%
Income breakdown							
Net interest income/ Total income	66.6%	65.6%	63.7%	70.5%	71.4%	71.0%	71.4%
Non - interest income/ Total income, of which:	33.4%	34.4%	36.3%	29.5%	28.6%	29.0%	28.6%
Fee income/ Total income	17.8%	17.1%	19.5%	18.6%	18.1%	18.9%	19.3%
Trading income/ Total income	8.9%	7.6%	10.7%	10.9%	9.7%	9.2%	8.5%
Other income/ Total income	6.7%	9.7%	6.1%	0.0%	0.9%	0.8%	0.8%

Source: Banca Transilvania, WOOD Research

Balance sheet

(RON m)	2019	2020	2021	2022	2023E	2024E	2025E
Cash and due from the central bank	14,583	22,133	18,321	14,541	22,486	23,910	25,823
Interbank loans	7,775	7,223	10,394	5,567	5,623	5,679	5,736
Loans to customers (net)	39,175	40,893	54,630	65,214	70,870	78,503	88,222
Loans to customers (gross)	41,872	44,287	58,460	69,584	75,895	84,248	94,863
Investment securities	26,782	34,160	45,178	47,191	48,221	49,022	49,889
Fixed assets	1,116	1,353	1,556	1,662	1,662	1,662	1,662
Other assets	1,113	503	934	3,536	3,536	3,536	3,536
Total assets	91,722	107,492	132,501	140,511	155,441	165,683	178,656
Interbank deposits, including due to central bank	1,580	2,011	8,954	6,519	12,828	12,010	11,471
Deposits from customers	77,038	90,942	108,022	119,732	124,920	132,833	143,460
Subordinated loans	1,890	1,668	1,762	1,748	2,700	3,240	3,888
Other liabilities	2,001	2,457	3,199	3,040	3,040	3,040	3,040
Equity	8,831	10,021	10,092	8,919	11,395	13,996	16,228
Minority interest	383	393	472	553	558	564	569
Total liabilities and equity	91,722	107,492	132,501	140,511	155,441	165,683	178,656

Source: Banca Transilvania, WOOD Research

Key BS ratios

	2019	2020	2021	2022	2023E	2024E	2025E
NPL ratio	4.4%	3.5%	2.7%	2.4%	3.7%	3.6%	3.6%
Provisions/Avg. customer loans (COR)	0.7%	2.0%	0.5%	0.8%	0.9%	0.9%	1.0%
Pre-provision buffer	5.8%	5.6%	4.4%	4.7%	5.0%	4.7%	4.6%
Provision expense/ Pre-Provision Operating profit	12.1%	34.8%	10.1%	15.0%	17.1%	18.2%	20.7%
Balance sheet ratios							
Net loans/deposits	50.9%	45.0%	50.6%	54.5%	56.7%	59.1%	61.5%
Customer deposits/assets	84.0%	84.6%	81.5%	85.2%	80.4%	80.2%	80.3%
Customer loans/assets	45.7%	41.2%	44.1%	49.5%	48.8%	50.8%	53.1%
Equity/assets	9.6%	9.3%	7.6%	6.3%	7.3%	8.4%	9.1%
Total Capital Ratio	18.9%	21.0%	23.6%	20.8%	21.0%	23.3%	24.4%
Tier 1	15.9%	18.4%	20.7%	18.4%	18.8%	21.2%	22.5%
ROE	21.7%	14.6%	19.7%	25.3%	25.4%	20.7%	18.4%
ROTE	22.4%	15.1%	20.5%	26.8%	27.1%	21.9%	19.3%
ROA	2.1%	1.4%	1.7%	1.8%	1.7%	1.6%	1.6%
Texas Ratio	16.2%	11.7%	11.7%	13.4%	17.8%	15.9%	15.4%
GROWTH RATIOS							
Customer loan growth	6.5%	4.4%	33.6%	19.4%	8.7%	10.8%	12.4%
- of which corporate loan growth	3.0%	6.6%	52.1%	31.5%	14.0%	15.0%	15.0%
- of which mortgage loan growth	11.6%	12.7%	18.6%	8.0%	3.0%	6.0%	10.0%
- of which consumer loan growth	6.6%	-3.0%	12.3%	2.9%	2.0%	4.0%	7.0%
Customer deposit growth	18.2%	18.0%	18.8%	10.8%	4.3%	6.3%	8.0%
- of which corporate deposits growth	11.4%	19.3%	24.6%	10.3%	5.0%	7.0%	8.0%
- of which retail deposits growth	21.7%	17.5%	16.1%	11.1%	4.0%	6.0%	8.0%
Total asset growth	17.7%	17.2%	23.3%	6.0%	10.6%	6.6%	7.8%

Source: Banca Transilvania, WOOD Research

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This investment research was completed on 21/03/2023 at 07:05 CET and disseminated on 21/03/2023 at 07:35 CET.

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Date	Rating	Date	PT
13/05/2019	BUY	13/05/2019	RON 2.60
		02/08/2019	RON 2.40
		27/11/2019	RON 3.00
		14/04/2020	RON 2.50
		20/10/2020	RON 2.30
		05/03/2021	RON 3.00
		12/07/2021	RON 3.50
		13/10/2021	RON 3.20
		20/04/2022	RON 3.40
		22/08/2022	RON 30.0
26/10/2022	HOLD	26/10/2022	RON 20.2
21/03/2023	BUY	21/03/2023	RON 27.0

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16/03/23	AmRest	Discounted valuation call	Lukasz Wachelko, Maria Mickiewicz
13/03/23	Middle East Oil Services	Not boring, drilling	Jonathan Lamb, Ildar Davletshin
10/03/23	EME Macro/Strategy	A candid discussion on inflation	Alessio Chiesa, Raffaella Tenconi
08/03/23	European Oil and Gas Monthly	February 2023	Jonathan Lamb, Ondrej Slama
03/03/23	EME Macro/Strategy	BoP impacts of the energy crisis, CEE focus	Alessio Chiesa, Raffaella Tenconi
02/03/23	Rear-View Mirror – EME markets	All indices gain in February, bar Poland's WIG20	Research Team
02/03/23	OMV Petrom	Upside, even with the solidarity tax	Iuliana Ciopraga, Jonathan Lamb
01/03/23	EME Macro/Strategy	Macro projections – Greece (2023-24E)	Raffaella Tenconi, Alessio Chiesa
01/03/23	EME Macro/Strategy	Macro projections – Romania (2023-24E)	Raffaella Tenconi, Alessio Chiesa
01/03/23	EME Macro/Strategy	Macro projections – Hungary (2023-24E)	Raffaella Tenconi, Alessio Chiesa
01/03/23	EME Macro/Strategy	Macro projections – Czech Republic (2023-24E)	Raffaella Tenconi, Alessio Chiesa
01/03/23	EME Macro/Strategy	Macro projections – Poland (2023-24E)	Raffaella Tenconi, Alessio Chiesa
01/03/23	EME Macro/Strategy	Macro projections – global backdrop assumptions	Raffaella Tenconi, Alessio Chiesa
28/02/23	Inter Cars	Solid play, attractively priced	Maria Mickiewicz, Lukasz Wachelko

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