

Banca Transilvania

Buy

Transfer of coverage

Price: RON 22.98
Price target: RON 26.71
(From RON 27.0)

Feeling good

We transfer coverage of Banca Transilvania (TLV), maintaining our BUY rating, with a slightly lower price target (PT) of RON 26.71/share (16.2% upside). We view the bank as the more growth-orientated play among the Romanian banks, and believe that the market might not be rewarding its superior profitability vs. its peers appropriately. On our 2024E figures, the stock is trading at 1.27x P/BV and 7.0x P/E, which we do not see as outrageously cheap; however, if compared to BRD (trading at 1.25x P/BV and 8.2x P/E, on our 2024E estimates), we see it as relatively attractive, in light of the higher profitability profile (19.6%, vs. 15.9% at BRD in 2024E). Additionally, TLV appears to be in a prime position to acquire OTP's operations in Romania, which we view as a price catalyst. Even though this could represent some uncertainty regarding the 2024E dividend payment and some additional margin compression in the short term, we believe this transaction would be value accretive for TLV's shareholders in the long run; as such, we view it as upside risk for our forecasts. TLV remains our top pick in the Romanian banking space.

MREL hurdle cleared. TLV completed a EUR 500m MREL issuance on 29 November, which allows it to just about clear the MREL requirements for 1 January 2024E, according to our calculations. We expect the amount of debt added in 2023, together with the higher share of term deposits, to be one the main sources of NIM compression in 2024E, which we now see declining some 13bps.

Volksbank saga to linger, but now reflected fully in our forecasts. TLV is being requested to pay RON 420m, concerning the taxation of bargain gains obtained from the Volksbank acquisition. The bank's last hope of a favourable ruling now hinges on the ECJ, which ruled against TLV previously. The bank recognised RON 200m in 9M23, and we now see it as likely that the remaining amount is recognised in the next few quarters, which we factor into our model.

Profitability remains high, but should normalise in coming years. We expect pre-provision profits growth to fall to low single digits next year and the net profit to decline by 8%, due to: 1) provisioning related to the Volksbank acquisition; 2) a higher COR; and 3) the new bank tax, in addition to the already mentioned NIM compression. Despite this, we expect the ROE to be in the high-teens in 2024E and the rest of our explicit forecast period, before normalising towards more sustainable levels, around 16-15% ROEs.

OTP acquisition feasible, but could endanger dividends. TLV could acquire OTP Romania soon and, although there seems to be some space in TLV's capital to conclude the transaction, we see a risk regarding the 2024E dividend payments. In the long term, however, and given TLV's vast and successful acquisition track record, we believe the transaction would be value accretive for shareholders.

Risks: populist measures by politicians ahead of the election year, in 2024, with risks of additional regulatory burdens for the sector (e.g., taxation, etc.); weaker GDP growth and loan book development; sticky inflation; negative asset quality trends; competitive pressure and lower lending spreads; regulatory capital requirements; excessive leverage; and M&A and execution risks.

Expected events

WOOD's Winter 5-8 December

Key data

Market Cap	USD 4,013m
Free float	100%
Shares outstanding	798.7m
3M ADTV (USD m)	2.1
Major Shareholder	EBRD (6.9%)
Reuters Code	TLV.VI
Bloomberg Code	TLV.RO
BET Index	11,730

Price performance

52-w range	15.8-23.1
52-w performance	35.9%
Relative performance	10.5%

TLV 12M share price performance



Year	Revenues (RON m)	Net profit (RON m)	EPS (RON)	EPS growth (%)	PE (x)	BVPS (RON)	P/BV (x)	ROE (%)	DPS (RON)	Div. yield (%)
2021	4,934	1,983	2.81	44.0%	8.2	14.3	1.61	20%	0.71	3.1%
2022	6,280	2,404	3.40	21.1%	5.9	12.6	1.58	25%	1.13	5.7%
2023E	7,539	2,838	3.55	4.5%	6.5	15.3	1.50	27%	1.13	4.9%
2024E	7,962	2,605	3.27	-8.1%	7.0	18.0	1.27	20%	1.42	6.2%
2025E	8,293	2,733	3.43	4.9%	6.7	21.0	1.09	18%	1.31	5.7%
2026E	9,015	3,145	3.94	15.1%	5.8	24.5	0.94	17%	1.37	6.0%

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Closing Prices as of 01 December 2023

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Capital supplementation

Banca Transilvania is required to comply with MREL requirements, which we estimate stands at a 30.2% ratio to RWA, by 1 January 2024. We believe the bank will be allowed to integrate the 9M23 profits into its capital, leaving the 4Q23E profits and the RON 900m dividend paid in October out of the calculation. In order to comply with the MREL requirements, TLV tapped the market on 29 November 2023, for a EUR 500m (RON 2.5bn) senior non-preferred bond, with a fixed 7.25% annual coupon, resetting to 1YMS +429bps on 7 December 2027. With this issuance and on our numbers, the bank managed to eliminate its MREL shortfall and just about clear the 30.2% watermark. All else being equal, on our forecasts, TLV does not seem to need additional issuances, due to its strong profitability and earnings retention; and, as such, no additional issuances are factored in our model. Given how close TLV is from the MREL requirements, however, we would appreciate and feel more comfortable about the 2024E dividend payment if the bank decides on another issuance, to assuage any doubts regarding its capacity to distribute dividends. Due to TLV's ability to tap the market easily (previous issuances all oversubscribed), all else being equal, we do not see any material risk for next year's dividend payment from the 2023E profits. We note that, during September's GSM, TLV's shareholders approved a new EUR 1.5bn (RON 7.5bn) MTN corporate bond programme, to be carried out over a maximum period of five years. In the ytd, TLV has issued c.EUR 1.5bn worth of debt in order to comply with the MREL requirements. Given the size and pricing of these new issuances, at the time writing this report, with a weighted average of 8.6%, this will be one of the main sources of NIM compression in 2024E, which we now estimate could fall some 13bps, all factors included.

Total funds and eligible liabilities (as % RWA)

RWA density (%)



Source: WOOD Research, company data

Additionally, Banca Transilvania is engaged in the acquisition process of OTP Romania, and speculation in the media place it as the favourite to complete the transaction. The only other bank bidding for OTP's operations in Romania is Raiffeisen Bank. Local media reports that OTP has decided to lower the amount and is now requesting c. RON 1.75bn, which is, however, still above TLV's offer of c. RON 1.50bn. If the transaction is concluded, we would expect TLV to tap the market, again, to comply with the MREL requirements. Based on the assumption that the deal could be closed at RON 1.6bn (implying a c.40% discount to book), while remaining conservative, by using 100% of net loans as a proxy for OTP Romania's RWA (TLV has a RWA/net loans density of 93% as of 3Q23 and OTP Group a density of about 110%), we estimate that TLV would need to issue some additional RON 4.5-5.0bn MREL eligible instruments in 2024E, more than half of the new MTN bond programme, in order to comply with the current MREL requirements. Effectively, this means that, if the transaction moves forward, TLV would, in our view, be forced to fully utilise the new RON 7.5bn MTN corporate bond programme. If this turns out to be the case, and not incorporating any of the 2024E profits, the bank would be right at the current MREL requirements limit (c.30.5%, on our broad estimations). Therefore, we see a risk for next year's dividend payment, if the transaction is completed; however, as our forecasts do not include the acquisition, we keep the 2023E net profit dividend in place. Lastly, and despite the aforementioned risk for dividends, we believe that this transaction has the potential to be value accretive for TLV's shareholders and we view it as upside risk for our forecasts. We would probably witness some margin dilution in the short term and execution risks are a constant in M&A, but we flag some reasons TLV's shareholders should be excited about this potential acquisition: 1) TLV has an excellent track record when it comes to executing such transactions successfully, as inorganic growth has been a pillar of TLV's ascension to the top of the Romanian banking sector; 2) unmatched growth, as OTP's acquisition would allow TLV to grow its loan book by c.20%, a feat that other banks in the sector would be hard pressed to match; 3) a higher DPS, once the potential merger is digested, could outweigh the short-term risks for the dividend payment in 2024E; and 4) the current capital base would probably be enough to

execute the merger and, as such, we do not see any major risk of share capital dilution, which implies, in turn, higher EPS and a further multiples expansion, on already undemanding P/E multiples. In short, the need for additional leverage and transaction risks are, in our view, outweighed by the upside potential and, therefore, remain an upside risk for our forecasts and could be a major trigger for price appreciation.

Volksbank saga continuing

Following the final decision of the High Court of Cassation and Justice (ICCJ) on 20 September 2023, ruling against Banca Transilvania in the extraordinary review concerning the taxation of gains obtained from the Volksbank acquisition, TLV decided to book RON 100m in profit tax in 3Q23, related to fiscal uncertainties, adding to the RON 100m it booked in 2Q23. This represented the bank's last chance to obtain a favourable ruling at the national level, with its hope for a positive outcome now relying on the Court of Justice of the European Union (CJEU). Previously, the CJEU answered questions in a way that strongly reduced the possibility of Banca Transilvania obtaining a review of a decision in this case, but we stress that additional clarifications have been requested, and that a final ruling and the end of the litigation process could take two-to-three more years, on the bank's estimates. We note that the bank is being requested to pay RON 419m (RON 264m in taxes and RON 155m in late penalty fees), out of which RON 264m has been pre-emptively paid to the tax authorities already, in order to limit additional late penalty fees. We now view as likely that TLV will continue to book accruals for the full amount and as such, to remain on the side of caution, we've decided to incorporate additional RON 100m charges in 4Q23 and RON 120m for FY24E whilst also not providing for the reversal of these accruals meaning that we adopt the most pessimistic scenario as our base case in which TLV ends defeated in this multi-year litigation process. Nonetheless, in an effort to remain unbiased, we present below what we consider to be the most optimistic scenario where the bank does not book any further charges and ends up vindicated by 2026E, with the effect it would have on our multiple and PT. As visible, the more optimistic scenario would provide for ca 4% more upside from current levels, not a massive shift and not detracting from the whole narrative on the stock but nonetheless a source of upside risk for our 12M PT.

Optimistic scenario*: impact on multiples and 12M PT

	Base case				Optimistic case			
	2023E	2024E	2025E	2026E	2023E	2024E	2025E	2026E
ROE (%)	26.8%	19.6%	17.5%	17.3%	27.5%	20.1%	17.4%	18.0%
P/E (x)	6.47x	7.04x	6.71x	5.83x	6.29x	6.79x	6.72x	5.55x
P/BV (x)	1.50x	1.27x	1.09x	0.94x	1.49x	1.26x	1.09x	0.93x
12M PT	26.7				27.6			

Source: WOOD Research; *potential OTP merger not factored in

Valuation

Following a change in analyst responsibilities, we transfer coverage of TLV and, in light of the 16.2% upside potential, we keep our BUY rating. We have changed our methodology slightly, to value BRD, and now use a multiples valuation, based on the 12M FWD 5Y average consensus multiples (P/BV and P/E), in addition to the three-stage Gordon Growth model (GGM). We weight these approaches 25% and 75%, respectively. This results in a revised 12M PT of RON 26.71/share (up from RON 27.0/share).

BRD: 12M PT valuation summary (RON/share)

	% weight	RON
Three-stage GGM	75%	27.26
Multiples valuation	25%	25.08
Weighted average 12M PT		26.71
Current price, PLN/share		22.98
<i>Potential Upside</i>		16.2%

Source: WOOD Research

BRD: multiples summary at current price and our 12M PT

RON 22.98	2022	2023E	2024E	2025E
P/E	5.9	6.5	7.0	6.7
P/BV	1.58	1.50	1.27	1.09
Div yield*	5.68%	4.92%	6.19%	5.68%

Source: WOOD Research, Company data

RON 26.34	2022	2023E	2024E	2025E
12MPT/EPS(x)	5.9	7.5	8.2	7.8
12MPT/BV(x)	1.58	1.74	1.48	1.27
Div yield	5.68%	4.24%	4.23%	5.33%

Three-stage Gordon Growth Model

Our main valuation approach for TLV is the three-stage GGM and we assume:

- ✓ A dividend payout ratio of 40% during our explicit forecast period in the absence of a formal dividend policy, but in line with TLV's historical dividend distribution ratio. For our phase-out period, we use the sustainable growth rate formula $g = (1 - \text{dividend payout ratio}) * ROE$ to establish the dividend payout ratio.
- ✓ Net profit growth in the phase-out period is obtained by discounting the net profit CAGR of our explicit forecast towards our assumed terminal growth rate (g) of 3%. The rather conservative discount assumption used was that it would take 20 years from the end of our explicit forecast period for the net profit growth to converge to the long-term growth.
- ✓ Our COE is set at 13.5%, according to the formula $COE = RFR + \text{beta} * MRP$. We use a risk free rate (RFR) of 6.5% through the whole forecast period, a beta of 1.4x, and the market risk premium (MRP) is set at 5%.
- ✓ We set terminal growth $g = 3\%$ and calculate the terminal value based on the implied P/BV ratio, derived using the formula $P/BV = (LT ROE - g) / (COE - g)$. We use a conservative long-term ROE of 15.0% and a COE of 13.5%, implying a very reasonable P/BV of 1.1x, slightly below the 12M FWD 5Y historical average.

The output of this valuation method is a 12M PT of RON 27.26 for TLV, implying 18.6% upside from the current levels. We also present the sensitivity analysis of our model to the long-term growth rate (g), the long-term ROE and the COE, below the three-stage GGM valuation table.

Three-stage GGM valuation

	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	+
Net profit (RON m)	2,838	2,605	2,733	3,145	3,355	3,570	3,790	4,014	4,243	4,475	4,709	
growth yoy (%)		-8.2%	4.9%	15.1%	6.7%	6.4%	6.2%	5.9%	5.7%	5.5%	5.3%	3.0%
Shareholder equity (RON m)	12,254	14,391	16,769	19,523	21,620	23,208	24,865	26,570	28,320	30,113	31,944	
growth yoy (%)		17.4%	16.5%	16.4%	10.7%	7.3%	7.1%	6.9%	6.6%	6.3%	6.1%	
Dividend (RON m)*	902	1,135	1,042	1,093	1,258	1,982	2,133	2,309	2,492	2,682	2,878	
growth yoy (%)		25.8%	-8.2%	4.9%	15.1%	57.6%	7.6%	8.3%	7.9%	7.6%	7.3%	
ROE (%)	27.5%	19.6%	17.5%	17.3%	16.3%	15.9%	15.8%	15.6%	15.5%	15.3%	15.2%	15.0%
payout ratio (%)	37.5%	40.0%	40.0%	40.0%	40.0%	59.1%	59.7%	60.9%	62.1%	63.2%	64.3%	
Discount factor		0.88	0.78	0.68	0.60	0.53	0.47	0.41	0.36	0.32	0.28	
Present value dividends (RON m)		1,000	809	748	758	1,052	998	952	905	858	811	
Implied P/BV (x)		1.1										
Present value of Terminal Value	10,290											
Sum of dividends	8,891											
Equity value	19,181											
Equity value per share	24.02											
12M Price Target	27.26											
Upside	18.6%											

Source: WOOD Research; *regarding previous year profits and payable current year

Sensitivity of our PT to the long-term rate growth and COE (RON/share)

	g (%)							
	1.5%	2.0%	2.5%	3.0%	3.5%	4.0%	4.5%	
12.0%	31.6	31.9	32.3	32.7	33.0	33.5	33.9	
12.5%	29.8	30.1	30.4	30.7	30.9	31.3	31.6	
13.0%	28.2	28.5	28.7	28.9	29.1	29.3	29.5	
COE (%)	13.5%	26.8	27.0	27.1	27.3	27.4	27.6	27.7
	14.0%	25.5	25.6	25.7	25.8	25.9	26.0	26.1
	14.5%	24.3	24.3	24.4	24.5	24.6	24.6	24.7
	15.0%	23.1	23.2	23.2	23.3	23.3	23.4	23.4

Source: WOOD Research

Sensitivity of our PT to the long-term ROE and COE (RON/share)

	ROE (%)							
	13.5%	14.0%	14.5%	15.0%	15.5%	16.0%	16.5%	
12.0%	30.3	31.1	31.9	32.7	33.5	34.3	35.1	
12.5%	28.5	29.2	29.9	30.7	31.4	32.1	32.8	
13.0%	26.9	27.5	28.2	28.9	29.5	30.2	30.9	
COE (%)	13.5%	25.4	26.0	26.6	27.3	27.9	28.5	29.1
	14.0%	24.1	24.7	25.2	25.8	26.4	26.9	27.5
	14.5%	22.9	23.5	24.0	24.5	25.0	25.5	26.0
	15.0%	21.9	22.3	22.8	23.3	23.8	24.2	24.7

Source: WOOD Research

Multiples valuation

On our second valuation approach for TLV, we set our fair value using the 5Y averages of the 12M FWD consensus P/BV and P/E multiples and our 2024E BVPS and EPS forecasts. This valuation technique yields a fair value of RON 25.1 for TLV, implying 9.1% upside from the current levels.

Multiples valuation

	Consensus multiple	WOOD est. (RON)	Weight (%)	PT (RON)
12M FWD P/BV (5Y avg.)	1.3	18.0	50%	23.2
12M FWD P/E (5Y avg.)	8.3	3.27	50%	26.9
Weighted average				25.1
Current price / share (RON)				22.98
Downside				9.1%

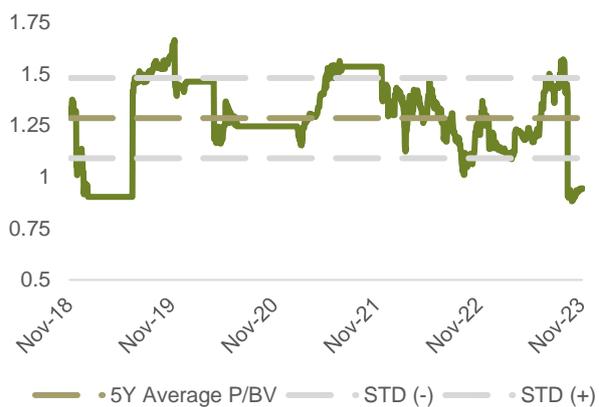
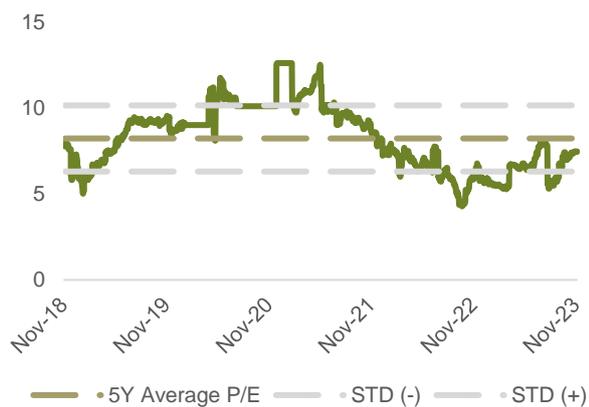
Source: WOOD Research, Bloomberg

TLV trades broadly in line with the 5Y market accepted 12M FWD P/E average, but significantly below one standard deviation of the market accepted 12M FWD P/BV average. This supports our view that there is still room for price appreciation. On our 2024E multiples, the stock, at 7.0x P/E, trades at a 15% discount to 5Y historical average of 8.4x; however, at 1.27x P/BV, fully in line with the 5Y historical average. This indicates that our forecast for 2024E is more bullish than the consensus. If we apply our 12M PT to the 12M FWD consensus estimates, the stock trades at 8.7x P/E and 1.1x P/BV, very much

in line with its historical performance. On our 12M PT and 2024E estimates, the stock trades in line with its P/E historical average, but at a slight premium to the 5Y historical average P/BV, which, given the high-teens ROE that we expect the bank to generate in 2024E, we do not see as excessive.

12M FWD consensus P/E (x)

12M FWD consensus P/BV (x)



Source: WOOD Research, Bloomberg

Financials

Banca Transilvania: income statement

(RON m)	2020	2021	2022	2023E	2024E	2025E	2026E
Net Interest Income	2,977	3,142	4,427	5,004	5,308	5,523	6,134
Fee and commission income	776	961	1,168	1,288	1,407	1,523	1,633
Trading income	345	529	686	721	721	721	721
Net other operating income	438	302	-1	527	527	527	527
Total non-interest income	1,559	1,792	1,853	2,535	2,654	2,770	2,881
Total operating income	4,537	4,934	6,280	7,539	7,962	8,293	9,015
Staff costs	-1,097	-1,328	-1,656	-1,929	-2,144	-2,308	-2,472
Depreciation and amortisation	-328	-358	-393	-420	-448	-479	-512
Other operating costs	-623	-696	-935	-1,055	-1,115	-1,161	-1,262
Total costs	-2,048	-2,382	-2,984	-3,405	-3,708	-3,948	-4,246
Operating profit before provisions	2,489	2,552	3,296	4,134	4,255	4,345	4,768
Provision expense	-866	-257	-495	-365	-638	-695	-763
Pre-tax profit	1,623	2,303	2,801	3,469	3,497	3,650	4,006
Extraordinary items /bank tax	0	0	0	0	-253	-255	-131
Taxes	-198	-278	-313	-555	-559	-584	-641
Minorities/Pref divs	-44	-41	-84	-76	-79	-79	-89
Attributable net profit	1,380	1,983	2,404	2,838	2,605	2,733	3,145

Source: WOOD Research, company data

Banca Transilvania: key ratios

	2020	2021	2022	2023E	2024E	2025E	2026E
Asset quality							
NPL ratio	3.5%	2.7%	2.4%	2.3%	2.8%	2.6%	2.4%
Provisions/Avg. customer loans (CoR)	2.0%	0.5%	0.8%	0.5%	0.8%	0.8%	0.8%
Pre-provision buffer	5.6%	4.4%	4.7%	5.4%	5.1%	4.8%	4.8%
Provisions/net interest income	34.8%	10.1%	15.0%	8.8%	15.0%	16.0%	16.0%
Provisions expense / Average total assets							
Balance sheet ratios							
Net loans/deposits	45.0%	50.6%	54.5%	55.1%	55.8%	56.4%	57.0%
Net loans/deposits	84.6%	81.5%	85.2%	81.0%	81.0%	80.9%	80.8%
Customer deposits/assets	41.2%	44.1%	49.5%	47.6%	48.3%	48.9%	49.4%
Customer loans/assets	9.3%	7.6%	6.3%	7.6%	8.4%	9.0%	9.7%
Equity/assets	21.0%	23.6%	20.8%	21.1%	22.2%	23.3%	24.3%
Total Capital Ratio	18.4%	20.7%	18.4%	17.6%	19.0%	20.3%	21.6%
ROE	14.6%	19.7%	25.3%	26.8%	19.6%	17.5%	17.3%
ROTE	15.1%	20.5%	26.8%	28.9%	20.9%	18.6%	18.2%
Texas Ratio	1.4%	1.7%	1.8%	1.9%	1.6%	1.5%	1.6%
ROA	11.7%	11.7%	13.4%	10.9%	12.3%	10.7%	9.4%
GROWTH RATIOS							
Customer loan growth	4.4%	33.6%	19.4%	10.1%	7.9%	9.3%	9.9%
- of which corporate loan growth	6.6%	52.1%	31.5%	11.7%	11.4%	11.4%	11.4%
- of which mortgage loan growth	12.7%	18.6%	8.0%	6.8%	3.5%	8.5%	10.5%
- of which consumer loan growth	-3.0%	12.3%	2.9%	9.1%	4.5%	4.5%	4.5%
Customer deposit growth	18.0%	18.8%	10.8%	8.9%	6.6%	8.1%	8.7%
- of which corporate deposits growth	19.3%	24.6%	10.3%	11.8%	6.6%	8.1%	8.7%
- of which retail deposits growth	17.5%	16.1%	11.1%	7.4%	6.6%	8.1%	8.7%
Total asset growth	17.2%	23.3%	6.0%	14.5%	6.7%	8.2%	8.8%

Source: WOOD Research, company data

Banca Transilvania: balance sheet

(RON m)	2020	2021	2022	2023E	2024E	2025E	2026E
Cash and due from the central bank	22,133	18,321	14,541	20,584	21,201	22,309	23,633
Interbank loans	7,223	10,394	5,567	8,851	9,441	10,218	11,121
Customer loans	40,893	54,630	65,201	71,803	77,481	84,689	93,055
Debt securities	44,287	58,460	69,584	76,551	82,866	90,769	99,898
Fixed assets	34,160	45,178	48,860	53,139	56,613	61,157	66,435
Investment in associates	1,353	1,556	1,662	1,776	1,897	2,026	2,165
Other assets	503	934	1,867	4,776	5,022	5,383	5,790
Total assets	107,492	132,501	140,511	160,929	171,654	185,782	202,199
Due to banks	2,011	8,954	6,519	10,051	10,051	10,051	10,051
Customer deposits	90,942	108,022	119,732	130,342	138,967	150,245	163,349
Debt securities	0	0	0	0	0	0	0
Subordinated loans	1,668	1,762	1,748	2,810	2,409	2,401	2,401
Other liabilities	2,457	3,199	3,040	4,828	5,150	5,573	6,066
Total equity	10,021	10,092	8,919	12,254	14,391	16,769	19,523
Minority interest	393	472	553	644	687	743	809
Equity and liabilities	107,492	132,501	140,511	160,929	171,654	185,782	202,199

Source: WOOD Research, company data

Banca Transilvania: DuPont Analysis

	2020	2021	2022	2023E	2024E	2025E	2026E
Net interest income/ Assets	3.0%	2.6%	3.2%	3.3%	3.2%	3.1%	3.2%
Fee and commission income/ Assets	0.8%	0.8%	0.9%	0.9%	0.8%	0.9%	0.8%
Trading income/ Assets	0.3%	0.4%	0.5%	0.5%	0.4%	0.4%	0.4%
Other non - interest income/ Assets	0.4%	0.3%	0.0%	0.3%	0.3%	0.3%	0.3%
Total operating income/ Assets	4.6%	4.1%	4.6%	5.0%	4.8%	4.6%	4.6%
Total costs/ Assets	2.1%	2.0%	2.2%	2.3%	2.2%	2.2%	2.2%
Operating profit before provisions/ Assets	2.5%	2.1%	2.4%	2.7%	2.6%	2.4%	2.5%
Provision expense/ Assets	-0.9%	-0.2%	-0.4%	-0.2%	-0.4%	-0.4%	-0.4%
Pre - tax profit/ Assets	1.6%	1.9%	2.1%	2.5%	2.2%	2.0%	2.1%
Tax & Other provisions / Assets	-0.2%	-0.2%	-0.2%	-0.6%	-0.6%	-0.5%	-0.4%
Minorities/ Assets	0.0%	0.0%	-0.1%	0.0%	0.0%	0.0%	0.0%
RoA	1.4%	1.6%	1.8%	1.9%	1.6%	1.5%	1.6%
Equity multiplier	10.6	11.9	14.4	14.2	12.5	11.5	10.7
RoE	14.7%	19.7%	25.3%	26.9%	19.6%	17.6%	17.4%
Actual ROE	14.6%	19.7%	25.3%	26.8%	19.6%	17.5%	17.3%
Adj. ROE (excl bank tax and FV OCI revals.)	15.2%	19.3%	20.3%	22.8%	19.0%	17.3%	17.1%
P&L ratios							
Yield on interest earning assets	3.8%	3.1%	4.5%	5.8%	5.8%	5.3%	4.9%
Cost of interest bearing liabilities	-0.8%	-0.5%	-1.3%	-2.6%	-2.8%	-2.4%	-1.9%
Net interest spread	3.0%	2.6%	3.2%	3.2%	3.0%	2.9%	3.0%
NIM*	3.0%	2.6%	3.2%	3.3%	3.2%	3.1%	3.2%
NIM (provision adjusted)*	2.1%	2.4%	2.9%	3.1%	2.8%	2.7%	2.8%
Cost/ Income	45.1%	48.3%	47.5%	45.2%	46.6%	47.6%	47.1%
Income and cost growth							
Net interest income growth	-3.1%	5.5%	40.9%	13.0%	6.1%	4.0%	11.1%
Non-interest income growth	1.2%	14.9%	3.4%	36.8%	4.7%	4.4%	4.0%
Cost growth	-6.5%	16.3%	25.3%	14.1%	8.9%	6.5%	7.5%
Operating profit growth	2.7%	2.5%	29.2%	25.4%	2.9%	2.1%	9.7%
Net profit growth	-22.5%	43.7%	21.2%	18.0%	-8.2%	4.9%	15.1%
Income breakdown							
Net interest income/ Total income	65.6%	63.7%	70.5%	66.4%	66.7%	66.6%	68.0%
Non - interest income/ Total income, of which:	34.4%	36.3%	29.5%	33.6%	33.3%	33.4%	32.0%
Fee income/ Total income	17.1%	19.5%	18.6%	17.1%	17.7%	18.4%	18.1%
Trading income/ Total income	7.6%	10.7%	10.9%	9.6%	9.1%	8.7%	8.0%
Other income/ Total income	9.7%	6.1%	0.0%	7.0%	6.6%	6.3%	5.8%

Source: WOOD Research, company data

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Date	Rating	Date	PT
26/10/2022	HOLD	26/10/2022	RON 20.2
21/03/2023	BUY	21/03/2023	RON 27.0
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Philip Morris CR	5
PKN Orlen	5

PKO BP	4, 5
PZU	4, 5
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