

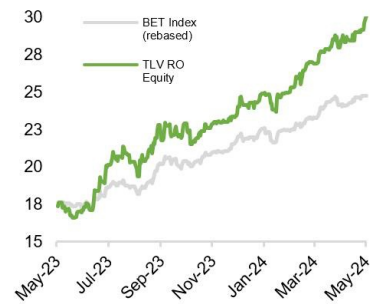
17 May 2024

Banca Transilvania (TLV RO)

BUY

TLV RO	
Market Cap (USD mil)	5,239
Price	30.1
Price target	26.7
Upside (%)	-11.1

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Banca Transilvania: NIM resilience and strong loan book expansion the key positives of 1Q24 bottom-line beat

Overall, we see the bank's 1Q24 results as positive. Despite the core pre-provision profit coming in largely in line with our expectations, we view the resilience of the NIM and the strong loan book expansion as constructive. The bargain gain was a positive surprise and, together with the very low COR, provided most of the c.27% bottom-line beat vs. our expectations.

POSITIVE

Banca Transilvania (TLV) posted its 1Q24 results on 10 May, after the market closed, with net profit of RON 1,132m (+35% yoy), beating our expectations by c.27% and delivering 31% in annualised ROE. The core pre-provision profit was broadly in line with our expectations, and the bottom-line beat was driven mainly by virtually no provisions booked and bargain gains as a result of the closing of the BCR Moldova acquisition. Still, we see the print as constructive, due mainly to the NIM resilience and the strong loan book development. TLV is trading at 1.6x P/BV and 8.9x P/E, on our FY24E figures.

Banca Transilvania: 1Q24 results

(RON m)	1Q23	2Q23	3Q23	4Q23	1Q24	yoy	qoq	1Q24E Wood	diff.
Net interest income	1242	1,287	1,265	1,463	1,543	24%	5%	1,467	5.2%
Fee income	288	319	335	326	338	17%	4%	346	-2.4%
Other income	211	330	353	307	335	59%	9%	285	17.7%
Operating costs	-824	-870	-839	-973	-1,038	26%	7%	-985	5.3%
Pre-provisions profit	917	1,065	1,114	1,123	1,178	29%	5%	1,114	5.8%
Core pre-provision profit	706	735	761	816	843	19%	3%	829	1.7%
Provisions	52	-99	-168	-298	-3	-106%	-99%	-50	-94.1%
Bargain gain					133	n.m.	n.m.	n.a.	n.m.
Pre-tax profit	968	965	946	826	1,308	35%	58%	1,064	22.9%
Taxes	-131	-221	-237	-133	-176	35%	32%	-170	3.4%
Net profit	838	744	710	693	1,132	35%	63%	894	26.7%
Cost of risk (quarterly)	0.3%	-0.6%	-0.9%	-1.6%	-0.015%	-0.3 ppts	1.6 ppts		
NIM (quarterly)	3.4%	3.4%	3.3%	3.6%	3.6%	0.1 ppts	0.0 ppts		
C/I	-47.3%	-45%	-43%	-46.4%	-46.8%	0.5 ppts	-0.4 ppts		
ROE	34%	26%	23%	20.9%	31%	-3.0 ppts	9.7 ppts		
Net loans & leasing	67,845	69,461	72,607	75,571	77,056	14%	2%		
Deposits	126,779	127,427	129,928	138,053	141,197	11%	2%		
Loans-to-deposits	54%	55%	56%	55%	55%	1.1 ppts	-0.2 ppts		

Source: Company data, WOOD Research

Strong loan book development. TLV's balance sheet continues to expand at a strong pace, with net loans and leasing increasing c.13.6% yoy and deposits +11.4% yoy. Corporate loans (c.+13% yoy) continue to drive most of the expansion, but retail (+11.7% yoy) continues to pick up and is showing signs of improvement in both mortgages and consumer lending (12.7% and 10.5% yoy, respectively). At c.55%, TLV's liquidity (L/D ratio) remains at excellent levels. During the results call, management showed signs of optimism regarding the loan book development in 2Q24E. IMM Invest should start to kick in and provide a nice boost for SME loan production.

Margin resilience allows for further NII expansion. Interest on loans and deposits seem to have stabilised at the current levels. The yield on interest-bearing liabilities saw a very small increase, due mainly to the debt burden increase, but the NIM remained flat qoq, nonetheless. This allowed the NII to expand by 5% qoq and beat our expectations by c.5%. The NFC continues to develop at a healthy pace (+17% yoy), but missed our expectations slightly. Other income, on the other hand, came in almost 18% stronger than expected, due mainly to the strong print in the net trading income (+41% yoy). Most likely, we believe that we have seen the peak in the NIM and, according to management, the NIM should remain broadly flat, at 3.3-3.4%, throughout the rest of the year.

Cost pressure remains. The opex, up 26% yoy, came in a little higher than expected (+5.3% vs. our expectations). Staff costs increased by 22% yoy, due to the higher FTEs count (c.6%) and average costs per employee (c.15% yoy). Other costs increased significantly (c.40% yoy), but we note that the new banking tax is being booked here, rendering a comparison with the previous year's 1Q unfair. If we adjust for this, other costs increased by 13% yoy, due mainly to a 26% yoy increase in repair and maintenance expenses. Still, the C/I ratio fell some 50bps yoy, landing at 46.8%; and, if we account for the new banking tax, the reduction would have been significantly bigger (-346bps yoy).

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Virtually no provisions booked. We see a very small uptick in the stage 2 loans (stage 2 ratio up 115bps), but asset quality trends remain favourable, with the stage 3 ratio flat qoq and NPLs still at very low levels (2.01%, according to the EBA definition). Coverage remains adequate (stage 3 total coverage at 167.4%, NPL coverage at 198.2%, according to the EBA), so the bank decided to book only RON 8m in loan-loss provisions and RON 3m of total provisions in 1Q24, translating into a COR of only 2bps, significantly below the 50bps guidance for FY24E and one of the main reasons for the bottom-line beat (we expected 20bps, or RON 50m of provisions booked in 1Q24).

Bargain gain recognised. Upon the conclusion of the acquisition of BCR in Moldova on 16 January, TLV booked RON 132.7m due to acquisition gains. The value was determined by the difference between the part of the fair value of the assets and liabilities of BCR Chişinău S.A. on the date of taking control (RON 189.8m) and the price paid (RON 57.1m).

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%
2023	7,725	2,890	3.62	6.4%	7.1	16.6	1.56	26%	1.45	5.6%
2024E	7,962	2,605	3.27	-9.7%	9.2	18.0	1.66	20%	1.42	4.7%
2025E	8,293	2,733	3.43	4.9%	8.8	21.0	1.43	18%	1.31	4.4%
2026E	9,015	3,145	3.94	15.1%	7.6	24.5	1.23	17%	1.37	4.6%

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This investment research was completed on 16/05/2024 at 17:40 CET and disseminated on 17/05/2024 at 07:40 CET.

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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
04/12/2023	BUY – transfer of coverage	04/12/2023	RON 26.71

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Bank of Cyprus	4	Mo-BRUK	3
BRD	5	NLB Group	5
Bucharest Stock Exchange	5	Nuclearelectrica	5
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