

Banca Transilvania

Buy

Maintained

Price: RON 27.40
Price target: RON 31.89
(From RON 26.71)

Still some gas in the tank

We maintain our BUY rating on Banca Transilvania (TLV), with an increased price target (PT) of RON 31.89/share, implying 16.4% upside. We have rolled forward our model, updated our underlying business assumptions, and integrated the recent OTP Romania acquisition into our forecasts, and we believe that the market might not be fully pricing in TLV's potential yet. The stock might not appear particularly cheap at this juncture, trading at 1.5x P/BV, on our 2024E figures, but it also does not scream expensive at all, in our view, considering the bank's superior ROE generation and attractive dividend yield. On our 2025E forecasts and PT, the stock would trade at 1.6x P/BV and 8.2x P/E, which does not seem excessive to us, as we expect the bank to deliver a 20%+ ROE and a 5.6% dividend yield, at the current prices, in 2025E.

Macro backdrop looks supportive for loan book development. We expect decent GDP growth, wage increases, EU funds and infrastructure spending, coupled with a largely unlevered commercial private sector and households, to provide a supportive backdrop for solid loan growth, increasing at a c.8% CAGR over the next three-to-four years, at the system level.

OTP Romania acquisition provides for further growth. The transaction should be EPS accretive from closing, in our view, with TLV recognising bargain gains in 2024E, and should provide a nice boost for the balance sheet in 2025E, c.+9% to TLV's 2024E assets, on our estimates, assuming the full repayment of liabilities to credit institutions on OTP Romania's balance sheet. We expect some integration costs in 2024/25E, but that the synergies should more than offset the costs.

NIM to stay resilient, despite rate cut induced compression. We expect a c.20bps expansion in 2024E, to c.3.6%, but some compression afterwards, on interest rate cuts by the NBR and the ECB. Still, we expect the NIM to remain resilient and to move gradually towards 3.1% by 2027E.

ROE normalising, but underlying bottom line to continue expanding. We believe that the underlying ROE is on a downward trend, but is likely to remain high, at around 18.8% by 2027E. We see the net profit expanding at a c.10% CAGR during our forecast period, with a slump in 2025E, due to the high base set in 2024E, on the recognition of bargain gains from the recent acquisitions.

Potential MREL issuance needs, but dividends not at risk. Following the OTP Romania acquisition, we see up to 200bps / RON 2.0bn MREL issuance needs, to remain compliant with requirements, *ceteris paribus*. However, we do not believe that this represents a problem, as the bank still has RON 5bn of space in its MTN corporate bond programme and has demonstrated its ability to tap the debt market easily. As such, the dividend payout ratio that we have pencilled in (40% for our explicit forecast period) does not seem to be at risk.

Risks: populist measures by politicians this year (especially this year, due to the elections), 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; M&A and execution risks; fiscal deficits; and the impact of Basel 4 on the capital ratios.

Expected events

1H24 results	20 August
3Q24 results	8 November

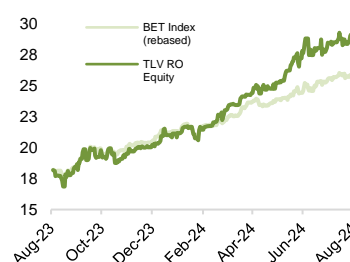
Key data

Market Cap	USD 5,532m
Free float	100%
Shares outstanding	798.7m
3M ADTV	USD 3.3m
Major Shareholder	NN Group (9.4%)
Reuters Code	TLV.VI
Bloomberg Code	TLV.RO
BET Index	17,758

Price performance

52-w range	16.8-29.3
52-w performance	50.7%
Relative performance	15.2%

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 (%)
2022	6,280	2,404	3.40	21.1%	5.9	12.6	1.58	25%	1.28	6.4%
2023	7,725	2,890	3.62	6.4%	7.6	16.6	1.65	26%	1.25	4.6%
2024E	9,137	3,990	4.35	20.3%	6.3	17.8	1.54	27%	1.74	6.4%
2025E	10,194	3,544	3.86	-11.2%	7.1	20.2	1.36	20%	1.55	5.6%
2026E	10,773	3,988	4.35	12.5%	6.3	23.1	1.19	20%	1.74	6.3%
2027E	11,418	4,246	4.63	6.5%	5.9	26.2	1.05	19%	1.85	6.8%

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Closing Prices as of 05 August 2024

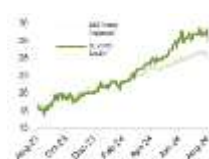
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Company snapshot – BUY, PT RON 31.89

BUY		SHARE PRICE PERFORMANCE					COMPANY DESCRIPTION						
Bloomberg ticker		TLV RO											
Closing price (RON)		27.4											
Price target (RON)		31.89											
Upside to PT		16.4%											
Shares outstanding (m)		798.7											
MCAP (RON m)		21,883											
Free float		100%											
3M ADTV (USD m)		3.3					Banca Transilvania (TLV) 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. TLV 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.20%, on total assets. TLV does not have a majority shareholder. Shareholders with a stake of over 5% include NN Group pension funds (c.9.4%) and the EBRD (5.2%).						
52 Week Range (RON)		16.8 - 29.3											
RATIOS													
VALUATION RATIOS		2022	2023	2024E	2025E	2026E	DuPont decomposition		2022	2023	2024E	2025E	2026E
P/E		5.86	7.57	6.30	7.09	6.30	Net interest income/ Assets		3.2%	3.4%	3.6%	3.4%	3.2%
P/TBV		1.58	1.65	1.54	1.36	1.19	Fee and commission income/ Assets		0.9%	0.8%	0.8%	0.8%	0.8%
Dividend yield		6.4%	4.6%	6.4%	5.6%	6.3%	Trading income/ Assets		0.5%	0.4%	0.3%	0.3%	0.3%
ROE		25.3%	26.1%	27.0%	20.4%	20.1%	Other non - interest income/ Assets		0.0%	0.4%	0.4%	0.3%	0.3%
ROA		1.8%	1.9%	2.2%	1.7%	1.7%	Total operating income/ Assets		4.6%	5.0%	5.1%	4.9%	4.6%
							Total costs/ Assets		2.2%	2.3%	2.5%	2.5%	2.2%
PER SHARE RATIOS		2022	2023	2024E	2025E	2026E	Cost/ Income		47.5%	45.4%	49.6%	49.8%	47.1%
EPS		3.40	3.62	4.35	3.86	4.35	Operating profit before provisions/ Assets		2.4%	2.7%	2.6%	2.5%	2.4%
BVPS		12.6	16.6	17.8	20.2	23.1	Provision expense/ Assets		-0.4%	-0.3%	-0.2%	-0.4%	-0.4%
DPS		1.28	1.25	1.74	1.55	1.74	Pre - tax profit/ Assets		2.0%	2.5%	2.4%	2.1%	2.1%
							Tax/ Assets		-0.2%	-0.5%	-0.4%	-0.3%	-0.3%
BALANCE SHEET QUALITY		2022	2023	2024E	2025E	2026E	RoA		1.8%	1.9%	1.9%	1.7%	1.7%
CET1 ratio		18.4%	18.3%	20.1%	17.8%	18.5%	Equity multiplier		14.36	13.99	12.14	11.84	11.74
NPE ratio		2.4%	2.0%	2.1%	2.4%	2.2%	RoE		25.3%	26.1%	27.0%	20.4%	20.1%
Provisions/Avg. customer loans (CoR)		0.9%	0.6%	0.5%	0.8%	0.8%	ROTE		26.8%	28.0%	28.9%	22.0%	21.8%
COMPANY FINANCIALS													
INCOME STATEMENT (RONm)		2022	2023	2024E	2025E	2026E	BALANCE SHEET (RONm)		2022	2023	2024E	2025E	2026E
Net interest income		4,427	5,257	6,393	7,076	7,459	Cash		14,541	24,253	30,292	33,443	33,770
Non-interest income		1,853	2,468	2,744	3,117	3,314	Due from banks		5,567	12,273	12,029	13,041	15,756
net commission income		1,168	1,268	1,426	1,711	1,908	Debt securities		48,860	53,631	58,397	63,492	68,767
net FX gains		686	657	624	712	712	Customer loans		65,201	72,008	79,666	101,981	111,817
securities income		-1	544	694	694	694	Fixed assets		1,662	1,793	2,510	2,888	3,033
Total banking revenue		6,280	7,725	9,137	10,194	10,773	Other assets		1,867	1,649	2,433	2,493	3,785
Total costs		-2,984	-3,506	-4,531	-5,079	-5,074	Total assets		140,511	169,169	189,323	222,651	242,834
personnel costs		-1,656	-1,968	-2,320	-2,654	-2,764							
depreciation		-393	-451	-561	-677	-742	Customer deposits		119,732	138,053	151,580	180,169	196,502
other costs		-935	-1,088	-1,287	-1,359	-1,409	Certified debt		1,748	2,423	3,423	3,423	3,423
Pre-provision profitability		3,296	4,219	4,606	5,115	5,699	Total equity		8,919	13,224	16,304	18,478	21,185
Net provisions		-553	-421	-379	-783	-855	Equity and liabilities		140,511	169,169	189,323	222,651	242,834
Extraordinary gains		0	0	-82	-82	0							
Pretax profit		2,801	3,706	4,227	4,332	4,844							
Income tax		-313	-722	-654	-673	-725							
Net income		2,404	2,890	3,990	3,544	3,988							
GROWTH RATIOS		2022	2023	2024E	2025E	2026E	GROWTH RATIOS		2022	2023	2024E	2025E	2026E
Net interest income growth		40.9%	18.8%	21.6%	10.7%	5.4%	Customer loan growth		19.4%	10.4%	10.6%	28.0%	9.6%
Net fee growth		21.5%	8.5%	12.5%	20.0%	11.5%	- of which corporate loan growth		31.5%	11.9%	10.8%	25.3%	9.8%
Total income growth		27.3%	23.0%	18.3%	11.6%	5.7%	- of which mortgage loan growth		8.0%	9.6%	10.0%	39.3%	13.0%
Cost growth		25.3%	17.5%	29.2%	12.1%	-0.1%	- of which consumer loan growth		2.9%	5.9%	10.0%	21.7%	4.8%
Operating profit growth		29.2%	28.0%	9.2%	11.1%	11.4%	Customer deposit growth		10.8%	15.3%	9.8%	18.9%	9.1%
Net profit growth		21.2%	20.2%	38.1%	-11.2%	12.5%	- of which corporate deposits growth		10.3%	24.2%	9.8%	19.0%	9.1%
							- of which retail deposits growth		11.1%	10.9%	9.8%	18.8%	9.1%
							Total asset growth		6.0%	20.4%	11.9%	17.6%	9.1%
BALANCE SHEET STRUCTURE													
		2022	2023	2024E	2025E	2026E			2023	2024E	2025E	2026E	
LTD		54.5%	52.2%	52.6%	56.6%	56.9%							
Credit split													
Corporate		56.8%	57.7%	57.9%	56.6%	56.6%							
Mortgages		25.0%	24.8%	24.7%	26.9%	27.7%							
Consumer		18.2%	17.5%	17.4%	16.5%	15.7%							
Deposits split													
Corporate		33.3%	35.8%	35.8%	35.9%	35.9%							
Retail		66.7%	64.2%	64.2%	64.1%	64.1%							
Credits market share		18.7%	19.5%	20.0%	23.7%	24.0%							
Deposits market share		24.4%	24.9%	25.6%	28.6%	29.1%							
				</									

OTP acquisition

In February 2024, Banca Transilvania (TLV) reached an agreement with OTP Group to buy OTP's Romanian subsidiaries for a combined price of EUR 347.5m, which implies a discount to book value of c.30% on the 2023 figures. TLV has received regulatory approval already, and bought OTP Bank Romania and other subsidiaries from OTP Group, whilst the acquisition of OTP Romania Asset Management is still in the final approval process, but is expected to close in 3Q24E. Full operational and IT integration, as well as the consolidation of the financials, is expected to happen in the first half of 2025E. On the 2023 figures, OTP Romania has a c.2.4% market share of total Romanian banking assets, a 3.8% market share of loans and a 2.6% market share of deposits, making it the tenth-largest bank in Romania. This acquisition represents an expansion of TLV's asset base of c.12% and a c.19.5% increase in net loans, on the 2023 figures. We expect the acquisition to be EPS accretive and believe that TLV will be able to take advantage of different types of synergies and economies of scale (namely in NFC, funding costs and opex), to unlock additional value in the newly-acquired business. Therefore, we view this acquisition positively, as it is sensibly priced, in our view, and should allow TLV an improved growth and profitability profile, and let it capture additional market share in Romania. It also feels like a natural path for TLV, which has been, in the past decade or so, one of the main and most successful market aggregators in Romania.

OTP Romania: balance sheet

RON m	FY22	As % of TLV's FY22	FY23	As % of TLV's FY23	1Q24	As % of TLV's 1Q24
Gross loans	14,306	21%	14,831	19%	14,498	19%
NPL stock	785	29%	790	28%	820	28%
Net loans	13,555	21%	14,041	19%	13,678	19%
o/w Retail	6,582	22%	6,331	20%	6,208	19%
o/w Corporate	6,233	16%	6,848	15%	6,655	15%
o/w Leasing	739	26%	862	24%	815	22%
Total assets	20,610	15%	20,883	12%	20,782	12%
Deposits	11,626	10%	14,355	10%	14,115	10%
o/w Retail deposits	6,897	9%	8,951	10%	9,003	10%
o/w Corporate deposits	4,730	12%	5,900	12%	5,112	10%
Liabilities to credit institutions	5,455	66%	3,416	26%	3,629	28%
Total liabilities	18,397	14%	18,369	12%	18,259	11%
Total equity	2,213	25%	2,514	19%	2,523	18%

Source: WOOD Research, OTP

OTP Romania: profit & loss

RON m	FY22	FY23	1Q24
NII	674.6	698.4	177.4
NFC	59.7	65.1	19.5
Other income	54.1	126.1	22.0
Total income	788.4	889.6	218.8
OPEX	-569.4	-617.7	-174.5
Provisions	-172.1	34.8	-29.5
EBIT	46.9	306.7	14.9
Income tax	-8.2	-46.1	-13.5
Net profit	38.7	260.6	1.4
NIM	3.4%	3.8%	3.4%
C/I	72.2%	69.4%	79.7%
COR	-1.24%	0.25%	-0.85%

Source: WOOD Research, OTP

At the time of writing this report, TLV has received all the regulatory approvals for the core business, with the Asset Management arm still pending approval. The final consolidated figures are still far from being known; however, armed with the publicly-available information from both sides, and some broad assumptions on our part, we have decided to incorporate the OTP Romania business into our TLV forecasts, with 2025E being the consolidation year. Below, we detail some of the most important changes that we have made to our model, to account for the acquisition.

- ✓ OTP Romania 1Q24 loan stock added to TLV's 2024E balance, with the sum being the beginning of period (BOP) balance for 2025E. Organic growth profile kept the same (between 9-11% for our forecast period).
- ✓ NPL ratio increased by 30bps to account for OTP Romania's stock of NPLs, but also for some general asset quality deterioration at the system level.

- ✓ OTP Romania 1Q24 deposit stock added to TLV's 2024E balance, with the sum being the beginning of period (BOP) balance for 2025E. Organic growth profile kept the same (between 9-10% for our forecast period).
- ✓ OTP Romania 1Q24 leasing stock added to TLV's 2024E balance, with the sum being the beginning of period (BOP) balance for 2025E. Organic growth profile kept the same (between 11-12% for our forecast period).
- ✓ Based on TLV's fixed asset value / branches ratio and OTP Romania's number of branches, fixed assets worth c. RON 250m have been added to TLV's 2024E balance; we assume that c.25% of the branches will be closed, due mainly to overlapping geographical presence.
- ✓ We believe that the acquisition is likely to be dilutive for the capital and MREL ratios. As such, TLV's 2025E debt position increases to bridge the gap that we see potentially arising from the acquisition in order to be compliant with the MREL requirements, plus a 0.5% management buffer, which we assume. As a result, we have accounted, conservatively, for an additional MREL eligible liabilities issuance of RON 2.0bn, spread over 2025-26E. We note, however, that no positive effect on the capital from the reversal of the losses in the bond portfolio is accounted for, nor any potential increase/decrease in the regulatory requirements or the potential introduction of capital relief measures. In such scenarios, this estimation could change materially.
- ✓ Due to the potential improved funding cost profile at the newly-acquired business, we attribute a slightly more resilient NIM profile to TLV, which we see contracting by 13bps in 2025E and 23bps in 2026E.
- ✓ The NFC increases by the OTP Romania FY23 delivery, and the organic growth profile is boosted, to account for synergy gains.
- ✓ Trading income increases by our conservative estimation of the 2024E OTP Romania delivery (70% of its 2023 delivery).
- ✓ We assume a reduction of c.30% of FTEs in the newly-acquired business over 2025-26E. Additionally, we assume no growth of FTEs in the pre-consolidation TLV Group in 2025E, with growth returning slowly in 2026-27E. To provide for some more cost optimisation, we assume average salaries stay flat in 2025E, and increase in 2026-27E, in line with average inflation, instead of the premium observed in the past couple of years.
- ✓ We conservatively assume c. RON 165m of integration costs (c.10% of the acquisition price), spread evenly over 2025-26E.
- ✓ A through-the-cycle COR increase of 5bps, to account for the seemingly riskier loan portfolio of OTP Romania. The through-the -cycle COR is seen at 80bps from 2025E-onwards.
- ✓ Bargain gains are recognised in the P&L in 2024E at the transaction closing date. We take OTP Romania's equity position in 1Q24 and apply a 15% discount in order to calculate bargain gains. This 15% discount effectively represents a conservative assumption of the fair value adjustments to OTP Romania's net assets and 5 percentage points more than the adjustment made in 2018 during the Bancpost acquisition.

Change in estimates

We have increased our 2024-26E net profit forecasts by 27-53%, based mainly on: 1) a better NIM profile than anticipated previously; 2) a stronger expansion of the loan book; 3) a lower level of provisioning in 2024E; 4) no further provisions booked regarding the Volksbank litigation process; 5) the integration of the newly-acquired business from 2025E; and 6) bargain gains from the acquisition of BCR Moldova and OTP Romania.

We expect the loan book to develop at a c.14% CAGR during our forecast period (accounting for the OTP Romania acquisition already) and the L/D ratio to closer to the 10Y average of 56.5%. We forecast the NIM to expand c.20bps in 2024E, and to compress moderately towards 3.1% in subsequent years, due to the interest rates easing cycle. We believe, however, that this negative trend in the NIM will be more than offset by strong loan book development and, as such, we expect the NII to continue to increase throughout our explicit forecast period. Despite the synergies and the potential for cost savings with the newly-acquired businesses, we expect costs to remain elevated in 2024-25E, due to the new banking tax, the integration costs and continuing inflationary pressure, with the C/I ratio hovering a little below the 50% mark. Cost growth should, however, moderate in 2026-27E, on our estimates, with the C/I ratio compressing towards 46%.

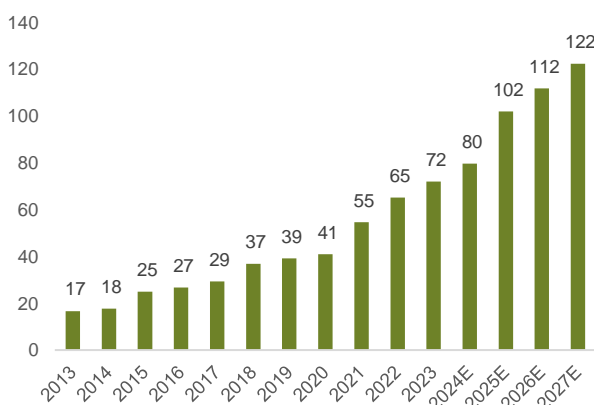
For asset quality, we pencil in a moderate increase in the NPLs in 2025E, c.30bps, due to the apparently more risky loan portfolio of OTP Romania and our expectation of a general deterioration of asset quality in the Romanian banking system. As such, we expect the through-the-cycle COR to also be slightly higher at 80bps, from our previous through-the-cycle assumption of 75bps. We do not expect any major deterioration in asset quality in 2024E and, as such, pencil in 50bps of COR for the year. We see the bottom line developing at around a 10% CAGR during our forecast period, with an 11% slump in 2025E. This is due, however, to the bargain gains from the BCR Moldova and OTP Romania acquisitions, which we have penciled in for 2024E. If we exclude these, the 2025E bottom line would have grown at a modest c.2.9% yoy. Likewise, the 2024E ROE is inflated by these gains, which would, if excluded, present a more sensible profitability evolution profile. In a rate cuts environment, we would expect TLV's underlying ROE to normalise gradually towards the high teens.

Change in estimates

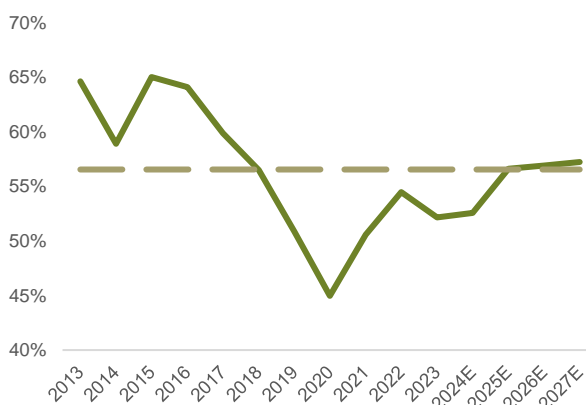
RON m	New estimates			Old estimates			Change		
	2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E
Loans	84,753	108,600	119,292	82,866	90,769	99,898	2.3%	19.6%	19.4%
Deposits	151,580	180,169	196,502	138,967	150,245	163,349	9.1%	19.9%	20.3%
Total assets	189,323	222,651	242,834	171,654	185,782	202,199	10.3%	19.8%	20.1%
NII	6,393	7,076	7,459	5,308	5,523	6,134	20.4%	28.1%	21.6%
Total revenues	9,137	10,194	10,773	7,962	8,293	9,015	14.8%	22.9%	19.5%
Total opex	-4,531	-5,079	-5,074	-3,708	-3,948	-4,246	22.2%	28.6%	19.5%
Pre-provision profits	4,606	5,115	5,699	4,255	4,345	4,768	8.3%	17.7%	19.5%
Provisions	-379	-783	-855	-638	-695	-763	-40.5%	12.7%	12.1%
Net profit	3,990	3,544	3,988	2,605	2,733	3,145	53.1%	29.7%	26.8%

Source: WOOD Research

TLV: net loan balance (RON bn)

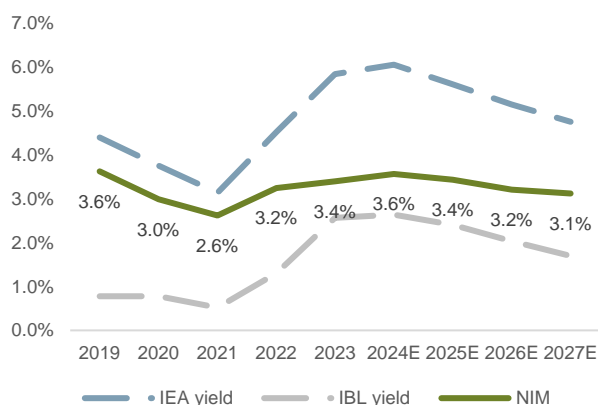


L/D ratio

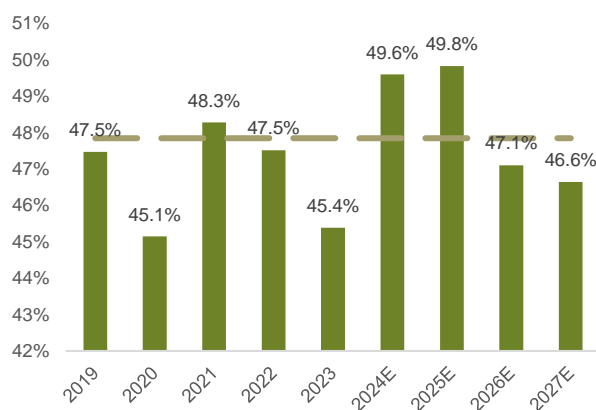


Source: WOOD Research, Bank data

NIM

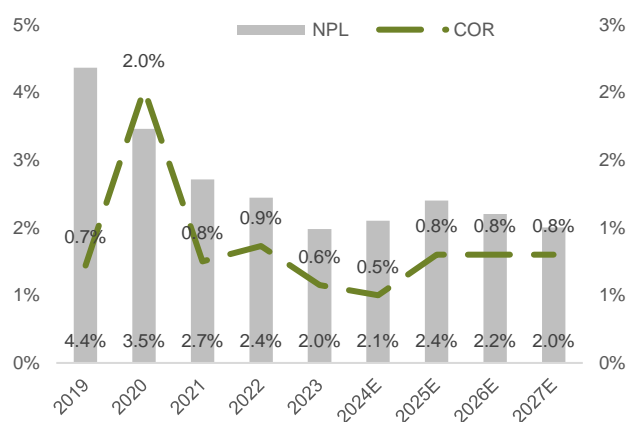


C/I ratio

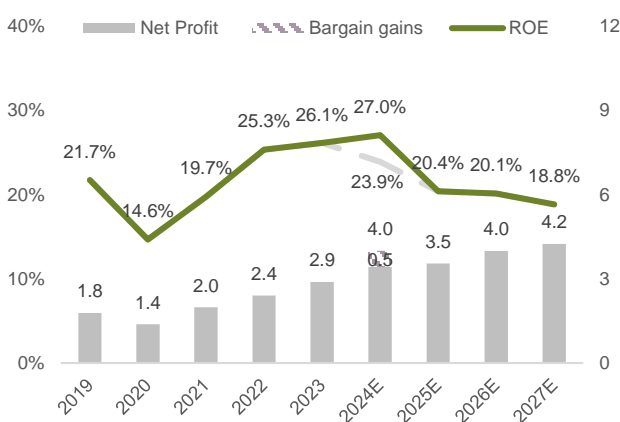


Source: WOOD Research, bank data

COR and NPL



Net profit and ROE (RON bn)



Source: WOOD Research, bank data

Our estimates seem to be broadly aligned with management's 2024E budget. TLV is assuming net profit of RON 3.0bn at the parent level (c.+21% on a yoy basis). This is driven by loan growth of c.7.5%, NII expansion (+23.6%) and a COR between 40-50bps, below the through-the-cycle, seen at around 75bps. The contribution from the subsidiaries stood at c. RON 0.4bn in 2023, which implies that a bottom line in a range of RON 3.4-3.5bn at the group level could be on the cards for 2024E. This aligns with our 2024E numbers, if we exclude the bargain gains recognition.

2024 budget: P&L, stand-alone

(RON m)	2023	2024 budget	chg.
Interest income	7,717	9,238	19.7%
Interest expenses	-3,398	-3,899	14.7%
Net interest income	4,319	5,338	23.6%
Net commission income	1,106	1,244	12.5%
Net trading income	884	852	-3.7%
Contribution to the Guarantee Fund	-87	-74	-14.8%
Other income	215	306	42.6%
Total income	6,437	7,666	19.1%
Personnel expenses	-1,614	-1,940	20.2%
Depreciation and amortisation	-404	-485	20.0%
Other expenses	-917	-1,381	50.6%
Total expenses	-2,935	-3,807	29.7%
Net impairment charges	-373	-329	-11.8%
Profit before tax	3,128	3,531	12.9%
Income tax	-638	-530	-16.9%
Net income	2,491	3,001	20.5%

Source: WOOD Research, bank data

2024 budget: balance sheet, stand-alone

Standalone BS (RON m)	2023	2024 budget	chg
Cash and cash equivalents	34,906	40,274	15.4%
Investment securities	49,951	54,816	9.7%
Loans and advances to customers (gross)	75,921	81,533	7.4%
Loans provisions	-4,371	-4,732	8.3%
Fixed assets	1,453	2,065	42.1%
Other assets	3,925	4,833	23.1%
Total assets	161,785	178,789	10.5%
Deposits from customers	134,443	146,619	9.1%
Loans from financial institutions	8,584	10,702	24.7%
Subordinated liabilities	2,404	3,412	42.0%
Other liabilities	4,525	3,973	-12.2%
Total liabilities	149,956	164,706	9.8%
Total equity	9,339	11,082	18.7%
Profit/Loss for the year	2,491	3,001	20.5%
Total equity	11,829	14,083	19.1%
Total liabilities and equity	161,785	178,789	10.5%

Source: WOOD Research, bank data

Capital position should not impair dividend distribution

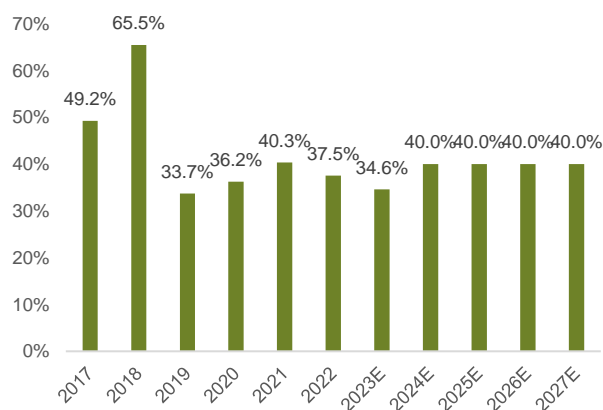
We expect the acquisition of OTP Romania to be dilutive for capital ratios, but we believe that the dividends are not at risk. We assume that the c. RON 4bn of existing debt is rolled over / refinanced during our forecast period. That leaves an additional RON 1bn of space left in TLV's MTN corporate bond programme. This might not be sufficient to plug the potential gap that may arrive in the MREL ratio from the acquisition of OTP Romania, on our conservative estimates, up to RON 2bn, or 200bps of RWAs, as we expect that the OTP Romania acquisition could add c.17% of RWAs to our 2024E TLV estimation. As such, TLV might need to tap the market and raise debt to comply with the MREL requirements of 30.2%, plus an assumed 0.5% management buffer. We note, however, that no positive effect on the capital from the reversal of losses in the bond portfolio has been accounted for, nor any potential increase/decrease in the regulatory requirements, or the potential introduction of capital relief measures. In such scenarios, this estimation could change materially.

We do not see this as a major deterrent for dividend distribution, as TLV has demonstrated, in the past, that it is very capable of tapping the debt market, with the offerings being multiple times oversubscribed. In our view, the dividend payout does not appear to be under any eminent threat and, as such, we expect TLV to distribute 40% of its net profit to shareholders throughout our explicit forecast period, which would yield between 5-7% at the time of writing.

Total funds and eligible liabilities (as % RWA)



Dividend payouts (%)



Source: WOOD Research, company data

Valuation

We have increased our 12M PT to RON 31.89/share (from RON 26.71/share), due to the rollover of our model and an increase in our estimates, due largely to the integration of OTP Romania into our forecasts. We remain BUYers of Banca Transilvania in light of the 16% upside potential. We value TLV using the weighted average of a three-stage Gordon Growth model (GGM) and a multiples valuation, based on the 12M FWD 5Y average consensus multiples (P/BV and P/E). We weight these approaches 70% and 30%, respectively.

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

	% weight	RON
Three-stage GGM	70%	33.06
Multiples valuation	30%	29.15
Weighted average 12M PT		31.89
Current price, RON/share		27.4
<i>Potential Upside</i>		16.4%

Source: WOOD Research

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

RON 27.40	2023	2024E	2025E	2026E	2027E
P/E	7.6	6.3	7.1	6.3	5.9
P/BV	1.65	1.54	1.36	1.19	1.05
Div yield	4.57%	6.35%	5.64%	6.35%	6.76%

Source: WOOD Research, bank data

RON 31.89	2023	2024E	2025E	2026E	2027E
12MPT/EPS(x)	7.6	7.3	8.2	7.3	6.9
12MPT/BV(x)	1.65	1.79	1.58	1.38	1.22
Div yield	4.57%	5.46%	4.85%	5.46%	5.81%

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 $g = (1 - \text{dividend payout ratio}) * \text{ROE}$ 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% by the end of 2034E
- ✓ Our COE is set at 13.25%, according to the formula $\text{COE} = \text{RFR} + \text{beta} * \text{MRP}$. We use a risk free rate (RFR) of 6.75% through the whole forecast period, a beta of 1.3x, 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 $P/BV = (LT \text{ ROE} - g) / (\text{COE} - g)$. We use the exit year 2034E ROE of 15.9% as our long-term ROE and a COE of 13.25%, implying a P/BV of 1.3x, broadly in line with the 12M FWD 5Y historical average.

The output of this valuation method is a 12M PT of RON 33.06 for TLV, implying 20.7% 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

	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	+
Net profit (RON m)	3,990	3,544	3,988	4,246	4,495	4,735	4,965	5,183	5,391	5,587	5,771	
growth yoy (%)	38.1%	-11.2%	12.5%	6.5%	5.9%	5.3%	4.8%	4.4%	4.0%	3.6%	3.3%	3.0%
Shareholder equity (RON m)	16,304	18,478	21,185	23,977	26,774	28,504	30,209	31,851	33,425	34,926	36,353	
growth yoy (%)	23.3%	13.3%	14.7%	13.2%	11.7%	6.5%	6.0%	5.4%	4.9%	4.5%	4.1%	
Dividend (RON m)*	1,000	1,596	1,417	1,595	1,698	3,005	3,260	3,542	3,817	4,085	4,345	
growth yoy (%)	10.8%	59.6%	-11.2%	12.5%	6.5%	76.9%	8.5%	8.6%	7.8%	7.0%	6.4%	
ROE (%)	27.0%	20.4%	20.1%	18.8%	17.7%	17.1%	16.9%	16.7%	16.5%	16.3%	16.2%	16.2%
payout ratio (%)	34.6%	40.0%	40.0%	40.0%	40.0%	66.8%	68.9%	71.3%	73.6%	75.8%	77.8%	81.5%
Discount factor		0.88	0.78	0.69	0.61	0.54	0.47	0.42	0.37	0.33	0.29	
Present value dividends (RON m)		1,409	1,105	1,098	1,032	1,613	1,545	1,482	1,411	1,333	1,252	
Implied P/BV (x)	1.3											
Present value of Terminal Value	13,483											
Sum of dividends	13,281											
Equity value	26,765											
Equity value per share	29.19											
12M Price Target	33.06											
Upside	20.7%											

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%
COE (%)	11.8%	37.2	37.9	38.7	39.5	40.3	41.2	42.3
	12.3%	35.2	35.8	36.4	37.1	37.8	38.5	39.4
	12.8%	33.4	33.9	34.4	35.0	35.5	36.1	36.8
	13.3%	31.8	32.2	32.6	33.1	33.5	34.0	34.6
	13.8%	30.3	30.6	31.0	31.3	31.7	32.1	32.6
	14.3%	28.9	29.2	29.5	29.8	30.1	30.4	30.8
	14.8%	27.6	27.9	28.1	28.4	28.6	28.9	29.1

Source: WOOD Research

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

		ROE (%)						
		14.7%	15.2%	15.7%	16.2%	16.7%	17.2%	17.7%
COE (%)	11.8%	37.0	37.8	38.6	39.5	40.3	41.1	42.0
	12.3%	34.8	35.6	36.3	37.1	37.8	38.6	39.4
	12.8%	32.9	33.6	34.3	35.0	35.7	36.3	37.0
	13.3%	31.2	31.8	32.4	33.1	33.7	34.3	35.0
	13.8%	29.6	30.2	30.8	31.3	31.9	32.5	33.1
	14.3%	28.2	28.7	29.2	29.8	30.3	30.8	31.4
	14.8%	26.9	27.4	27.9	28.4	28.8	29.3	29.8

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 29.1/share for TLV, implying 6.4% upside from the current levels.

Multiples valuation

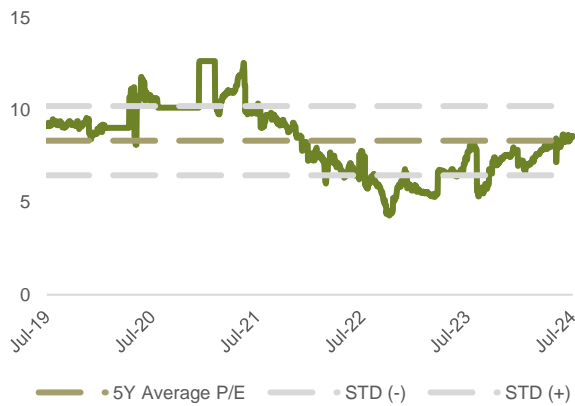
	Consensus multiple	WOOD est. (RON)	Weight (%)	PT (RON)
2024E P/BV	1.3	17.8	25%	22.9
2025E P/BV	1.3	20.2	25%	25.9
2024E P/E	8.3	4.4	25%	35.9
2025E P/E	8.3	3.9	25%	31.9
Weighted average				29.1
Current price / share (RON)				27.4
Upside				6.4%

Source: WOOD Research, Bloomberg

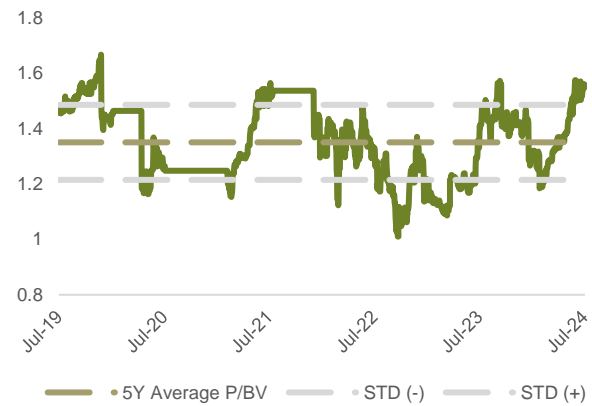
On the consensus figures, TLV is trading broadly in line with the 5Y market accepted 12M FWD P/E average, but above one standard deviation of the 5Y market accepted 12M FWD P/BV average. On our 2024E figures, the stock is trading currently at 6.3x P/E; however, if adjusted for the bargain gains booked, the stock would trade at 7.3x P/E, which is still a little below the 5Y historical average. TLV is trading at 1.5x P/BV, on our 2024E figures; however, to be consistent, if we adjust for the bargain gains,

the stock would trade at 1.6x P/BV, a little above the 5Y average market accepted multiple range. We see this as fairly reasonable, given TLV's superior profitability profile and competitive dividend yields. On our PT and 2025E figures, the stock would trade at 8.2x P/E and 1.6x P/BV, which we find reasonable.

12M FWD consensus P/E (x)

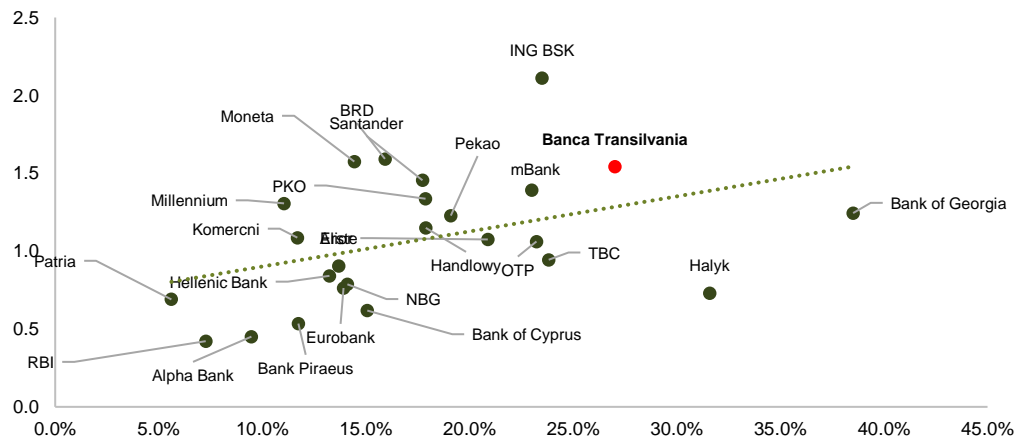


12M FWD consensus P/BV (x)



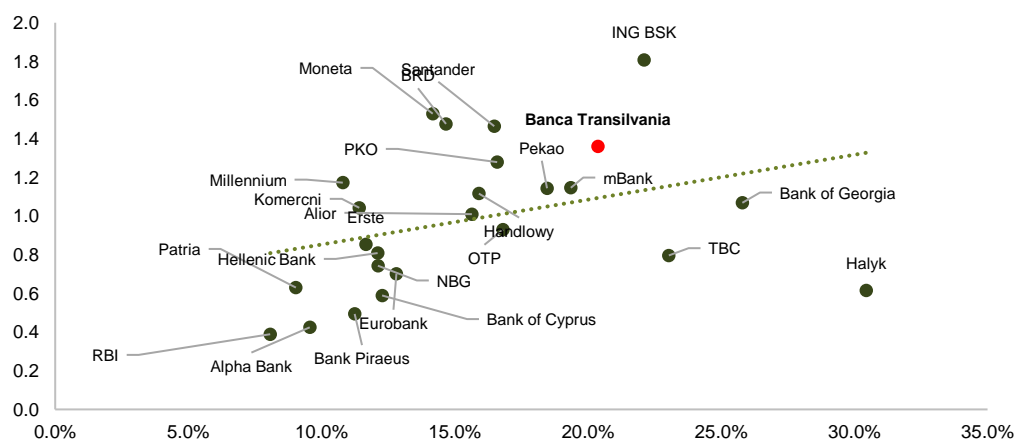
Source: WOOD Research, Bloomberg

2024E P/BV vs. ROE



Source: WOOD Research

2025E P/BV vs. ROE



Source: WOOD Research

Peer comparison (WOOD's estimates)

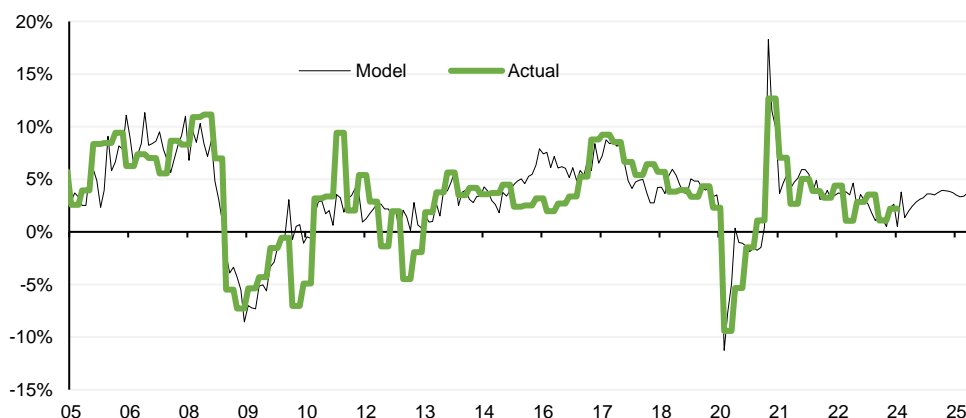
Bank	Currency	Last price	Market Cap	P/E		P/BV		ROE		Div Yld	
5 August 2024		lcl	USD m	2024E	2025E	2024E	2025E	2024E	2025E	2024E	2025E
Austria											
Erste Bank	EUR	43.6	20,077	6.8	7.5	0.9	0.9	13.7%	11.7%	6.7%	6.0%
Raiffeisen Int.	EUR	16.0	5,775	6.0	5.0	0.4	0.4	7.3%	8.1%	0.0%	0.0%
Cyprus											
Bank of Cyprus	GBP	3.8	1,859	4.3	4.9	0.6	0.6	15.1%	12.3%	8.1%	12.4%
Hellenic Bank	EUR	2.7	1,216	6.5	6.8	0.8	0.8	13.2%	12.1%	0.1%	0.1%
Czech Republic											
Komerční	CZK	736.0	6,058	9.5	9.3	1.1	1.0	11.7%	11.4%	6.9%	7.0%
Moneta	CZK	100.6	2,226	11.0	10.9	1.6	1.5	14.4%	14.2%	7.3%	7.3%
Georgia											
TBC Bank	GBP	2,795.0	2,004	4.3	3.8	0.9	0.8	23.8%	23.0%	6.3%	7.0%
Bank of Georgia	GBP	4,065.0	2,326	3.2	4.5	1.2	1.1	38.5%	25.8%	5.5%	5.6%
Greece											
Eurobank	EUR	1.9	7,687	5.9	5.7	0.8	0.7	13.9%	12.8%	5.9%	8.8%
National Bank	EUR	7.2	7,187	5.8	6.3	0.8	0.7	14.1%	12.1%	6.9%	7.9%
Alpha Bank	EUR	1.5	3,896	4.9	4.6	0.5	0.4	9.5%	9.6%	7.1%	10.9%
Bank Piraeus	EUR	3.5	4,763	4.8	4.6	0.5	0.5	11.7%	11.2%	5.2%	10.9%
Hungary											
OTP	HUF	17,220	13,305	4.8	5.9	1.1	0.9	23.2%	16.8%	3.6%	4.1%
Kazakhstan											
Halyk Savings Bank	USD	16.9	4,598	2.5	2.2	0.7	0.6	31.6%	30.4%	17.1%	19.8%
Poland											
PKO BP	PLN	54.1	17,221	7.9	7.9	1.3	1.3	17.9%	16.6%	9.3%	9.4%
Santander Bank	PLN	485.9	12,654	8.5	8.9	1.5	1.5	17.7%	16.5%	11.8%	8.5%
Pekao	PLN	145.8	9,753	6.5	6.4	1.2	1.1	19.1%	18.5%	9.6%	9.7%
ING BSK	PLN	265.0	8,786	8.9	8.8	2.1	1.8	23.5%	22.1%	3.4%	3.4%
mBank	PLN	566.8	6,139	6.7	6.5	1.4	1.1	23.0%	19.4%	0.0%	7.7%
Handlowy	PLN	88.5	2,947	6.5	7.1	1.1	1.1	17.9%	15.9%	11.5%	10.5%
Millennium	PLN	8.3	2,564	12.5	11.4	1.3	1.2	11.0%	10.8%	0.0%	0.0%
Alior Bank	PLN	88.6	2,948	5.5	6.7	1.1	1.0	20.9%	15.6%	9.0%	7.5%
Romania											
Banca Transilvania	RON	27.4	5,529	6.3	7.1	1.5	1.4	27.0%	20.4%	6.4%	5.6%
BRD-GSG	RON	21.1	3,236	10.4	10.4	1.6	1.5	15.9%	14.7%	6.7%	6.7%
Patria Bank	RON	0.1	57	12.6	7.3	0.7	0.6	5.6%	9.0%	0.0%	0.0%
Slovenia											
NLB Group	EUR	122.0	2,673	4.9	5.0	0.8	0.7	16.5%	14.7%	9.7%	10.0%
Median				6.3	6.5	1.0	0.9	15.5%	14.4%	6.7%	7.4%
Average				6.6	6.5	1.0	0.9	16.6%	14.8%	6.1%	7.0%
Premium/(discount) of TLV to peers				1%	10%	54%	53%	11.5ppt	6.0ppt	-0.4ppt	-1.8ppt

Source: WOOD Research

Lending and deposit trends

Aggregate loan stock growth dynamics in Romania appear to be recovering but, at 5.9% yoy currently, still a little subdued, in our opinion, as we see the aggregate loan book developing at a c.8% CAGR over the next three-to-four years. A recovery in GDP growth (seen by the consensus at 2.7-3.5% over the next three years), solid real wage growth, which should translate into higher retail sales, and an unlevered commercial private sector and households should all be supportive of further loan book developments, in our view. Additionally, European funds and the necessary infrastructure developments should also provide a nice boost to loan book development during our explicit forecast period. As such, we would not be surprised if the loans / GDP ratio had found a bottom here and, from hereon in, some modest increases are seen. On the deposits side, we expect solid inflows, but at a pace slightly below the loan book growth; thus, the L/D ratio could see some modest increase over the years towards the 5Y average, at 71%. We also expect the share of term deposits to start falling, as interest rates are cut and ROBOR continues to fall.

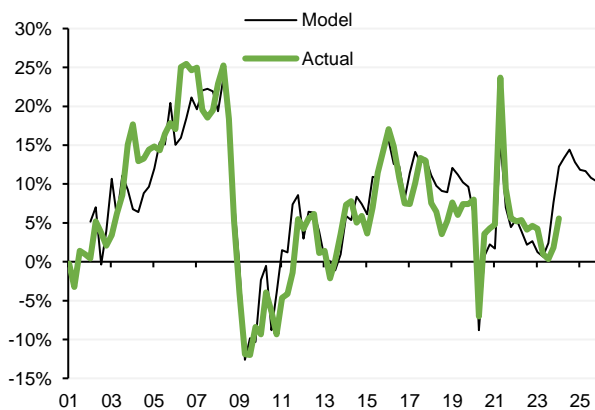
WOOD's real GDP growth model



Source: CEIC, ADA Economics in association with WOOD Research

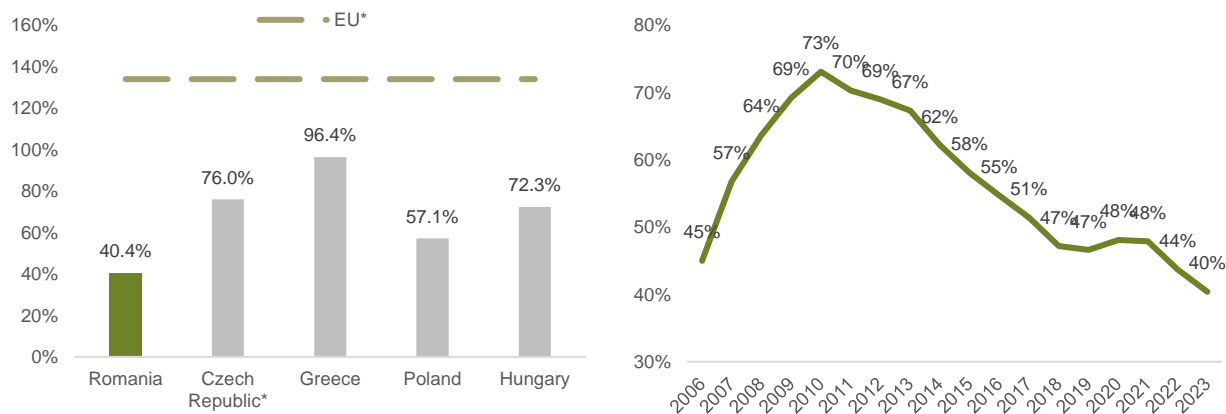
Romania: real retail sales (ex. automobiles) model

Retail sales and wage growth



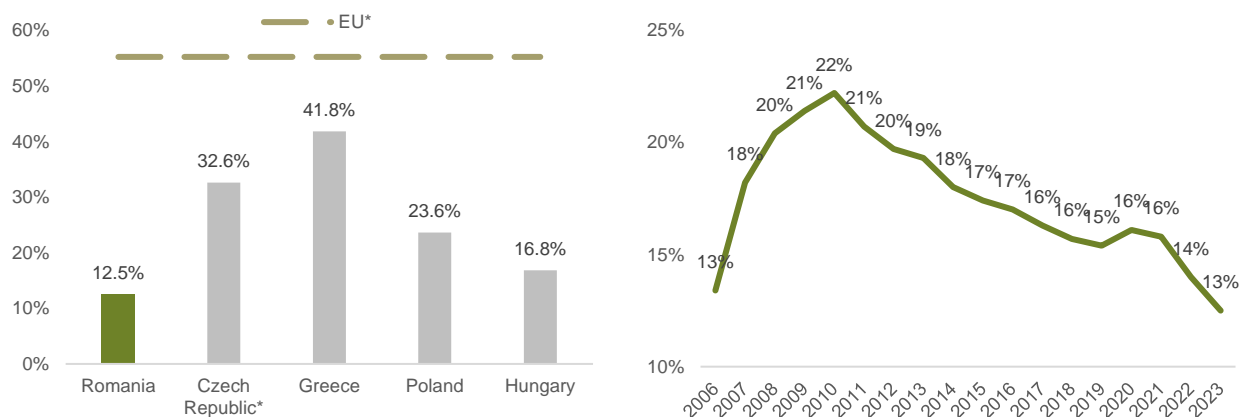
Source: CEIC, ADA Economics in association with WOOD Research

Private sector debt as % GDP – 2023 comparison and Romania evolution



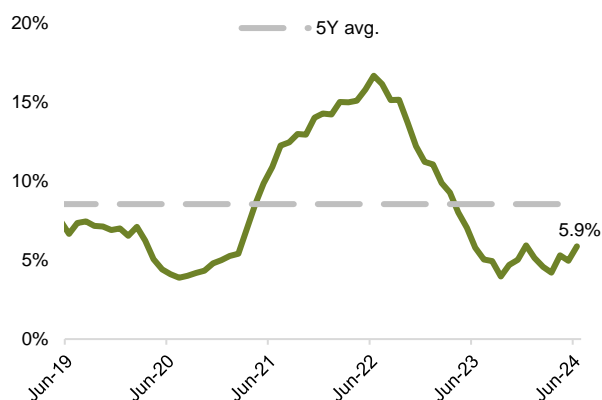
Source: WOOD Research, Eurostat; *2022 figures

Household debt as % GDP – comparison and Romania evolution

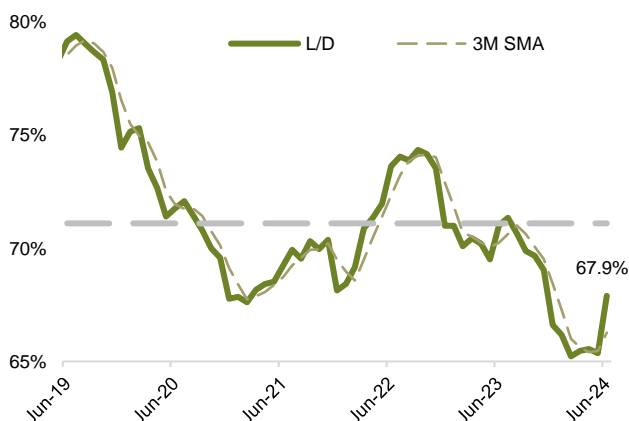


Source: WOOD Research, Eurostat; *2022 figures

Romania loans yoy growth

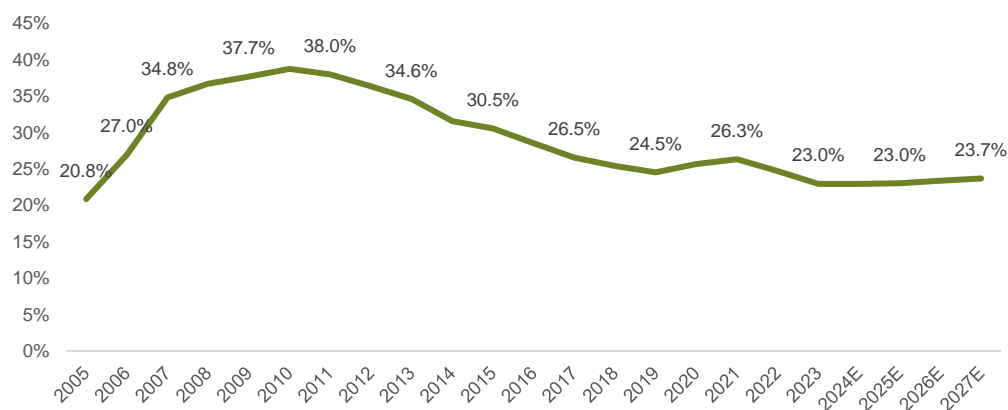


Romania L/D



Source: WOOD Research, NBR

Loans / GDP Romania



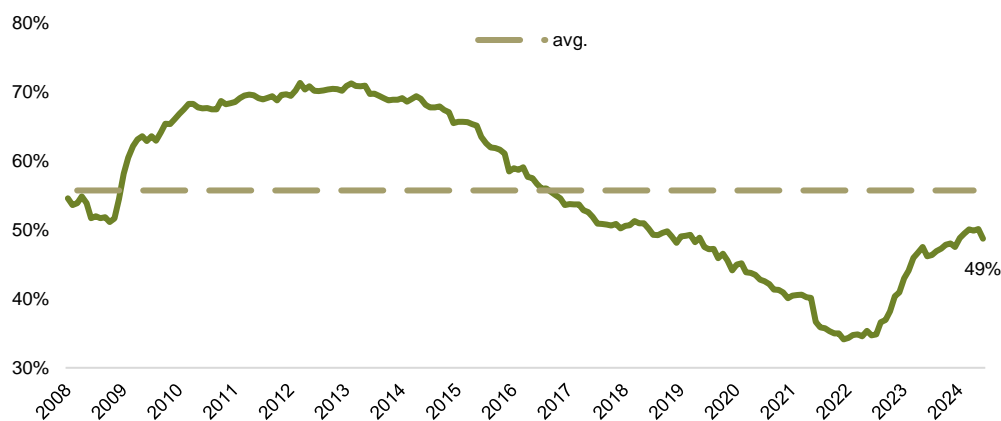
Source: WOOD Research, NBR

Romania loans forecasts

RON m	2021	2022	2023	2024E	2025E	2026E	2027E
Total loans	312,864	347,975	368,603	398,096	429,639	465,058	502,324
yoy growth	14.3%	11.2%	5.9%	8.0%	7.9%	8.2%	8.0%
Corporate	148,514	176,488	194,711	213,842	233,783	254,415	275,596
yoy growth	20%	19%	10%	10%	9%	9%	8%
Loans to households	164,350	171,488	173,892	184,254	195,856	210,643	226,727
yoy growth	10%	4%	1%	6%	6%	8%	8%
o/w Mortgages	100,691	106,168	105,771	110,002	118,802	130,683	143,751
yoy growth	13%	5%	0%	4%	8%	10%	10%
o/w Consumer	63,659	65,320	68,121	74,252	77,053	79,960	82,976
yoy growth	5%	3%	4%	9%	4%	4%	4%

Source: WOOD Research, NBR

Share of time deposits in Romania



Source: WOOD Research, NBR

Romania deposits forecasts

RON m	2021	2022	2023	2024E	2025E	2026E	2027E
Total deposits	459,205	490,105	553,344	590,965	630,767	675,332	721,588
yoy growth	13.7%	6.7%	12.9%	6.8%	6.7%	7.1%	6.8%
Overnight depos	302,515	289,509	290,300	304,127	330,918	361,051	392,997
Time depos	156,690	200,596	263,045	286,838	299,849	314,281	328,591
Time depo mix	34%	41%	48%	49%	48%	47%	46%
L/D ratio	68.1%	71.0%	66.6%	67.4%	68.1%	68.9%	69.6%

Source: WOOD Research, NBR

Risks

- ✓ Macro risks related to the sovereign's tight fiscal deficit, which could lead to lower disposable income, higher NPL formation, the lower disbursement of EU funds, and additional tax burdens; while a slower GDP slowdown is an additional threat.
- ✓ Political risks arising from populist measures are also a constant threat for the Romanian banking system, but especially in 2024, due to the elections.
- ✓ Competition, which is exacerbated further by the Romanian banks' huge liquidity buffers. The loan to deposit ratios are well below 100% and the search for a reasonable yield could lead to pressure on the net interest margins.
- ✓ Large exposure to the sovereign either directly (via holding large amounts of T-bills and bonds) or indirectly (via Prima Casa and IMM Invest loans). Any stress on the sovereign will have an immediate negative impact on the earnings and capital of the Romanian banks.
- ✓ Execution risks regarding the OTP Romania acquisition.
- ✓ The higher deterioration of capital ratios from the implementation of Basel 4 could affect loan book expansion. On the other hand, lower capital requirements and/or capital relief programmes (e.g., a quick fix during COVID-19) could allow for more aggressive loan book development, or excess capital distribution than forecast.
- ✓ Ambitious EU targets could provide for faster developments in the loan book, particularly in the corporate segment.
- ✓ A positive resolution of the Volksbank acquisition litigation process.

Financials

Income statement

(RON m)	2021	2022	2023	2024E	2025E	2026E	2027E
Net Interest Income	3,142	4,427	5,257	6,393	7,076	7,459	7,904
Fee and commission income	961	1,168	1,268	1,426	1,711	1,908	2,108
Trading income	529	686	657	624	712	712	712
Net other operating income	302	-1	544	694	694	694	694
Total non-interest income	1,792	1,853	2,468	2,744	3,117	3,314	3,514
Total operating income	4,934	6,280	7,725	9,137	10,194	10,773	11,418
Staff costs	-1,328	-1,656	-1,968	-2,320	-2,654	-2,764	-2,919
Depreciation and amortisation	-358	-393	-451	-561	-677	-742	-780
Other operating costs	-696	-935	-1,088	-1,287	-1,359	-1,409	-1,465
Total costs	-2,382	-2,984	-3,506	-4,531	-5,079	-5,074	-5,325
Operating profit before provisions	2,552	3,296	4,219	4,606	5,115	5,699	6,093
Provision expense	-386	-553	-421	-379	-783	-855	-937
Pre-tax profit	2,303	2,801	3,706	4,227	4,332	4,844	5,156
Extraordinary items /bank tax	0	0	0	-82	-82	0	0
Taxes	-278	-313	-722	-654	-673	-725	-771
Minorities/Pref divs	-41	-84	-95	-130	-116	-130	-139
Attributable net profit	1,983	2,404	2,890	3,990	3,544	3,988	4,246

Source: WOOD Research, company data

Balance sheet

(RON m)	2021	2022	2023	2024E	2025E	2026E	2027E
Cash and due from the central bank	18,321	14,541	24,253	30,292	33,443	33,770	36,705
Interbank loans	10,394	5,567	12,273	12,029	13,041	15,756	16,433
Customer loans	54,630	65,201	72,008	79,666	101,981	111,817	122,362
Debt securities	58,460	69,584	76,716	84,753	108,600	119,292	130,773
Fixed assets	45,178	48,860	53,631	58,397	63,492	68,767	74,325
Investment in associates	1,556	1,662	1,793	2,510	2,888	3,033	3,184
Other assets	934	1,867	1,649	2,433	2,493	3,785	4,083
Total assets	132,501	140,511	169,169	189,323	222,651	242,834	263,645
Due to banks	8,954	6,519	10,583	12,970	14,594	15,194	15,247
Customer deposits	108,022	119,732	138,053	151,580	180,169	196,502	213,891
Debt securities	0	0	0	0	0	0	0
Subordinated loans	1,762	1,748	2,423	3,423	3,423	3,423	3,423
Other liabilities	3,199	3,040	4,213	4,321	5,136	5,602	6,098
Total equity	10,092	8,919	13,224	16,304	18,478	21,185	23,977
Minority interest	472	553	673	724	851	928	1,008
Equity and liabilities	132,501	140,511	169,169	189,323	222,651	242,834	263,645

Source: WOOD Research, company data

DuPont Analysis

	2021	2022	2023	2024E	2025E	2026E	2027E
Net interest income/ Assets	2.6%	3.2%	3.4%	3.6%	3.4%	3.2%	3.1%
Fee and commission income/ Assets	0.8%	0.9%	0.8%	0.8%	0.8%	0.8%	0.8%
Trading income/ Assets	0.4%	0.5%	0.4%	0.3%	0.3%	0.3%	0.3%
Other non - interest income/ Assets	0.3%	0.0%	0.4%	0.4%	0.3%	0.3%	0.3%
Total operating income/ Assets	4.1%	4.6%	5.0%	5.1%	4.9%	4.6%	4.5%
Total costs/ Assets	2.0%	2.2%	2.3%	2.5%	2.5%	2.2%	2.1%
Operating profit before provisions/ Assets	2.1%	2.4%	2.7%	2.6%	2.5%	2.4%	2.4%
Provision expense/ Assets	-0.3%	-0.4%	-0.3%	-0.2%	-0.4%	-0.4%	-0.4%
Pre - tax profit/ Assets	1.8%	2.0%	2.5%	2.4%	2.1%	2.1%	2.0%
Tax & Other provisions / Assets	-0.1%	-0.2%	-0.5%	-0.4%	-0.3%	-0.3%	-0.3%
Minorities/ Assets	0.0%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%
ROA	1.6%	1.8%	1.9%	1.9%	1.7%	1.7%	1.7%
Equity multiplier	11.9	14.4	14.0	12.1	11.8	11.7	11.2
ROE	19.7%	25.3%	26.2%	23.4%	20.4%	20.1%	18.8%
Actual ROE	19.7%	25.3%	26.1%	27.0%	20.4%	20.1%	18.8%
Adj. ROE (excl bank tax and FV OCI revals.)	18.1%	19.9%	21.8%	24.9%	19.1%	18.7%	17.6%
P&L ratios							
Yield on interest earning assets	3.1%	4.5%	5.8%	6.1%	5.8%	5.1%	4.8%
Cost of interest bearing liabilities	-0.5%	-1.3%	-2.6%	-2.6%	-2.5%	-2.0%	-1.7%
Net interest spread	2.6%	3.2%	3.3%	3.4%	3.3%	3.1%	3.1%
NIM*	2.6%	3.2%	3.4%	3.6%	3.4%	3.2%	3.1%
NIM (provision adjusted)*	2.3%	2.8%	3.1%	3.4%	3.1%	2.8%	2.8%
Cost/ Income	48.3%	47.5%	45.4%	49.6%	49.8%	47.1%	46.6%
Income and cost growth							
Net interest income growth	5.5%	40.9%	18.8%	21.6%	10.7%	5.4%	6.0%
Non-interest income growth	14.9%	3.4%	33.2%	11.2%	13.6%	6.3%	6.0%
Cost growth	16.3%	25.3%	17.5%	29.2%	12.1%	-0.1%	4.9%
Operating profit growth	2.5%	29.2%	28.0%	9.2%	11.1%	11.4%	6.9%
Net profit growth	43.7%	21.2%	20.2%	38.1%	-11.2%	12.5%	6.5%
Income breakdown							
Net interest income/ Total income	63.7%	70.5%	68.0%	70.0%	69.4%	69.2%	69.2%
Non - interest income/ Total income, of which:	36.3%	29.5%	32.0%	30.0%	30.6%	30.8%	30.8%
Fee income/ Total income	19.5%	18.6%	16.4%	15.6%	16.8%	17.7%	18.5%
Trading income/ Total income	10.7%	10.9%	8.5%	6.8%	7.0%	6.6%	6.2%
Other income/ Total income	6.1%	0.0%	7.0%	7.6%	6.8%	6.4%	6.1%

Source: WOOD Research, company data

Key ratios

	2021	2022	2023	2024E	2025E	2026E	2027E
Asset quality							
NPL ratio	2.7%	2.4%	2.0%	2.1%	2.4%	2.2%	2.0%
Provisions/Avg. customer loans (COR)	0.8%	0.9%	0.6%	0.5%	0.8%	0.8%	0.7%
Pre-provision buffer	4.4%	4.7%	5.5%	5.4%	4.7%	4.8%	4.7%
Provision expense/ Pre Provision Operating profit	15.1%	16.8%	10.0%	8.2%	15.3%	15.0%	15.4%
Balance sheet ratios							
Net loans/deposits	50.6%	54.5%	52.2%	52.6%	56.6%	56.9%	57.2%
Customer deposits/assets	81.5%	85.2%	81.6%	80.1%	80.9%	80.9%	81.1%
Customer loans/assets	44.1%	49.5%	45.3%	44.8%	48.8%	49.1%	49.6%
Equity/assets	7.6%	6.3%	7.8%	8.6%	8.3%	8.7%	9.1%
Total Capital Ratio	23.6%	20.8%	21.6%	24.2%	20.9%	21.3%	22.0%
Tier 1	20.7%	18.4%	18.3%	20.1%	17.8%	18.5%	19.4%
ROE	19.7%	25.3%	26.1%	27.0%	20.4%	20.1%	18.8%
ROTE	20.5%	26.8%	28.0%	28.9%	22.0%	21.8%	20.3%
ROA	1.7%	1.8%	1.9%	2.23%	1.72%	1.7%	1.7%
Texas Ratio	11.7%	13.4%	8.9%	8.8%	11.0%	9.7%	8.5%
GROWTH RATIOS							
Customer loan growth	33.6%	19.4%	10.4%	10.6%	28.0%	9.6%	9.4%
- of which corporate loan growth	52.1%	31.5%	11.9%	10.8%	25.3%	9.8%	9.3%
- of which mortgage loan growth	18.6%	8.0%	9.6%	10.0%	39.3%	13.0%	13.0%
- of which consumer loan growth	12.3%	2.9%	5.9%	10.0%	21.7%	4.8%	4.8%
Customer deposit growth	18.8%	10.8%	15.3%	9.8%	18.9%	9.1%	8.8%
- of which corporate deposits growth	24.6%	10.3%	24.2%	9.8%	19.0%	9.1%	8.8%
- of which retail deposits growth	16.1%	11.1%	10.9%	9.8%	18.8%	9.1%	8.8%
Total asset growth	23.3%	6.0%	20.4%	11.9%	17.6%	9.1%	8.6%

Source: WOOD Research, company data

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