

Banca Transilvania (TLV)

Hold

Interim Update

Price Target: RON 32,4 (+11,9%)

Key Points

- 2024 preliminary results for Banca Transilvania were mainly in line with our estimates, with slightly higher total income (10,15 bn. RON vs our 9,56 bn. estimate, +6,2%) and net profit in line (4,73 bn. vs our 4,65 bn. estimate, +1,7%). The surprise on the top line came from higher net interest income, with group-level NII at 6,9 bn. RON, or 6,3% above our estimates, on the back of slightly higher NIM (3,83% vs 3,7% estimated) and 7,0% higher earning assets (200,4 bn. RON vs 187,7 bn.). Compared to 2023, NII was 32,5% higher, partly due to OTP consolidation.
- Net commission income was 1,48 bn. RON (vs our 1,46 bn. estimate), +15,8% higher than the previous year, while net trading income was 938 mln. (vs. 794 mln. estimate), or 42,8% higher compared to 2023.
- C/I Ratio stood at 45,4% at the bank level, slightly lower compared to the previous year (45,6%), while the C/I ratio excluding the turnover tax would have been 42,1%.
- The bank retail loans book increased by 7,9% to 33,9 bn. RON without OTP, and by +25,4% to 39,4 bn. including OTP. Retail deposits at the bank level increased by 13,6% to 98,0 bn. RON, without OTP, and by 21,3% to 104,7 bn. including OTP. The bank's corporate loans book saw similar high growth, with the large corporates segment increasing by 20,0% to 29,4 bn. RON without OTP and by 30,2% to 31,9 bn. with OTP.
- Group Tier 1 ratio decreased slightly to 17,7% from 18,3% in 2023, while the group CAR ratio was also lower at 20,1% (down from 21,6%). Including the OTP consolidation, the group RWA increased to 87,9 bn. RON from 69,4 bn. in the previous year.
- The net result for the group of 4,73 bn. is 63% higher compared to 2023, leaving ample room for the bank to increase dividends. We estimate DPS at 2,6 RON/share.
- We price TLV at 32,4 ron/share (+11,9% upside) using an average of our DDM model (29,4 RON/share, +1,3% upside) and the relative valuation (35,5 RON/share, +22,5% upside). For 2025 we expect the bank to deliver solid results, with a 5,2% increase in NII and a net profit of 3,98 bn. RON, is slightly lower due to a one-off bargain gain in 2024, but higher compared to 2023.

Alex Dodoi, CFA

Head of Research

alex.dodoi@brk.ro

Sector: Retail Banks

Shares information

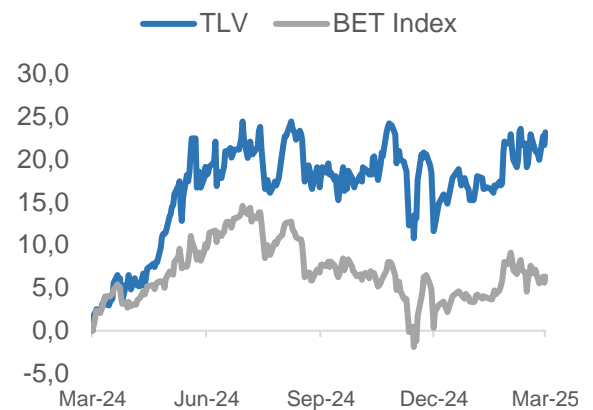
Min/max price, 52 weeks.	23,605 – 29,7
Dividend/share	1,2521
Total Shares (mln.)	916,9
Capitalization (RON mln.)	26.222,8
52 weeks liquidity (RON mln.)	3.523,3

Major Shareholders

	%
Institutional	74,88
Retail	25,12

1 year performance vs BET

	%
TLV	23,1
BET Index	6,3



source: Bloomberg

2024 Preliminary Results Overview

Banca Transilvania reported for the 2024 preliminary results a 32,5% increase in net interest income (group level) to 6,9 bn. RON compared to 5,2 bn. in the previous year, with part of the increase due to organic growth and partly due to the OTP consolidation. Non-interest income increased by 22,2% to 2,75 bn. RON, compared to 2,25 bn. in the previous year, with net commission income at 1,48 bn. RON, +15,8% higher, and net trading income at 938 bn. RON, +42,8% higher.

Personnel costs increased by 32,1% to 2,6 bn. RON while other costs increased by 1,8 bn. RON, +53,2% higher compared to the previous year. The large increase in other operating expenses was partly due to the extra turnover tax of 269 mln. RON, without which the increase would have been just 19%. At the end of 2024, the bank reported an increase of 2,1% in the number of employees to 9,744.

Pre-provision result stood at 5,2 bn. RON, +23,4% higher compared to a year ago, which combined with bargain gains of 816 mln. RON due to the OTP and BRD Pensii acquisitions led to a net profit of 4,7 bn. RON, +58,6% higher compared to the previous year. The group's subsidiaries and equity holdings contributed some 384.6 mln. RON to the total profit.

BT Group's assets reached 207 bln. RON, +22,4% compared to a year ago, out of which the OTP integration contributed some 9,6% to the increase.

(RON mln, consolidated)	31-Dec-23	31-Dec-24	% chg
Net Interest Income	5.214	6.908	32,5%
Non-interest Income	2.252	2.752	22,2%
net commission income	1.284	1.488	15,8%
net trading income	657	938	42,8%
securities income	311	326	4,8%
Other Income	370	499	34,6%
Total income	7.836	10.158	29,6%
Personnel Costs	-1.968	-2.600	32,1%
Depreciation	-451	-517	14,7%
Other Costs	-1.199	-1.838	53,2%
Pre-provision Result	4.219	5.204	23,4%
Net Provisions	-513	-575	12,2%
Other gains/losses	0	816	
Pretax Profit	3.706	5.445	46,9%
Income Tax	-722	-713	-1,2%
Net Profit	2.985	4.732	58,6%

source: TLV, own estimates

(RON mln, consolidated)	Q4 2023	Q4 2024	% chg
Net Interest Income	1.420	1.896	33,5%
Non-interest Income	580	764	31,6%
net commission income	343	398	16,3%
net trading income	132	292	120,7%
securities income	106	74	-29,9%
Other Income	114	179	56,5%
Total income	2.115	2.840	34,3%
Personnel Costs	-517	-767	48,3%
Depreciation	-119	-145	21,5%
Other Costs	-355	-559	57,6%
Pre-provision Result	1.124	1.369	21,8%
Net Provisions	-298	-370	24,2%
Other gains/losses	0	8	
Pretax Profit	826	1.007	21,9%
Income Tax	-133	-183	37,2%
Net Profit	693	824	19,0%

source: TLV, own estimates

DDM Valuation

We value TLV based on a DDM model where we assume a 50% payout ratio for the next four years and an increase to 85% afterward. The price target of 29,4 RON/share shows that TLV trades very close to fair value. Other forecast assumptions include:

- Cost of Equity (COE) of 14.0%, calculated using a market risk premium of 7.8%, representing the historical total return of the BET index over the 10-year government bond yield of 7.4%;
- Levered Beta of 0.85, estimated through linear regression against the BET index, using the entire dataset;
- Terminal Value estimated using the Gordon Growth model, with a terminal growth rate of 3.0%, aligned with the long-term inflation rate.

(Ron, mln, consolidated)	Raportat	Estimat	Estimat	Estimat	Estimat	Estimat	Estimat
DDM Model	31-Dec-24	31-Dec-25	31-Dec-26	31-Dec-27	31-Dec-28	31-Dec-29	31-Dec-30
Net Interest Income	6.908	7.266	7.288	8.418	8.564	8.864	9.268
% chg	32,5%	5,2%	0,3%	15,5%	1,7%	3,5%	4,6%
Non-interest Income	2.752	2.949	3.116	3.305	3.415	3.541	3.732
% chg	22,2%	7,2%	5,7%	6,1%	3,3%	3,7%	5,4%
Net Profit	4.732	3.983	4.064	4.575	4.677	4.854	5.089
% chg	63,7%	-15,8%	2,0%	12,6%	2,2%	3,8%	4,8%
Shareholders Equity	16.629	16.629	19.086	21.138	23.449	25.811	26.547
ROE	28,5%	24,0%	21,3%	21,6%	19,9%	18,8%	19,2%
Payout	50,0%	50%	50%	50%	50%	85%	85%
Dividends		2.366	1.991	2.032	2.288	2.339	4.126
<i>discount factor</i>		0,88	0,77	0,67	0,59	0,52	0,45
<i>NPV Dividends</i>		2.075	1.531	1.370	1.353	1.213	1.876
PV Dividends	9.419						
PV Terminal Value	17.514						
g	3,0%						
Equity Value	26.932						
Nr Shares Out	917						
Price/share	29,4						
Market Price	29						
Upside/Downside	1,29%						

source: TLV, own estimates

Multiples Valuation

Based on our custom peer group, we price TLV at 35,5 RON/share, implying a 22,5% upside from the current market price. The bank trades at a forward 2025 PE of 6,5x, close to the peer group average of 6,9x. Our higher price forecast comes from the PB multiple, where we make an adjustment to account for TLV's higher ROE. The peer group's median PB stands at 1,4x and adjusted for the ROE difference will bring it to 1,9x, compared to TLV's PB of 1,4x based on forward 2025 BV.

Bank	Country	Sector	Market Cap (EUR m)	Beta	ROE	ROE 5Y	PE	PB	DVD y 12m
BRD-GROUPE SOCIE	RO	Financials	2.573,2	1,14	16,8%	15,5%	8,40	1,36	6,38
ERSTE GROUP BANK	AT	Financials	27.635,8	1,39	15,7%	12,2%	9,35	1,35	4,01
RAIFFEISEN BANK	AT	Financials	8.414,3	1,33	6,1%	12,5%	4,78	0,48	4,30
OTP BANK PLC	HU	Financials	17.780,1	1,47	23,3%	19,3%	6,35	1,35	2,13
ALPHA SERVICES A	GR	Financials	5.380,5	1,73	8,4%		9,64	0,72	1,14
PIRAEUS FINANCIARIA	GR	Financials	6.501,9	1,67	13,1%	5,7%	5,84	0,79	5,73
EUROBANK ERGASIA	GR	Financials	9.603,6	1,52	17,2%	12,4%	6,24	1,08	3,57
KOMERCNI BANKA	CZ	Financials	8.323,6	1,26	13,7%	11,8%	11,99	1,63	7,55
PEKAO	PL	Financials	11.518,1	1,27	20,5%	14,0%	7,08	1,51	6,86
MONETA MONEY BAN	CZ	Financials	3.041,3	0,79	18,1%	14,9%	13,09	2,39	2,02
MILLENNIUM	PL	Financials	3.927,4	1,26	9,8%	20,9%	6,62	2,12	
GARANTI	TR	Financials	12.777,2	1,03	31,8%	31,1%	5,76	1,60	3,49
YAPI KREDI	TR	Financials	6.062,2	1,18	15,6%	29,2%	8,65	1,30	
ALIOR BANK SA	PL	Financials	3.439,7	1,34	23,9%	14,1%	5,87	1,29	4,01
ZAGREBACKA BANKA	HR	Financials	8.678,6	0,82	20,2%	13,1%	14,91	3,08	5,17
TATRA BANKA	SK	Financials	1.849,3	0,32	14,6%	13,3%	4,74	0,97	
		Average	8.594	1,22	16,8%	16,0%	8,1	1,4	4,3
		Median	7.413	1,26	16,2%	14,0%	6,9	1,4	4,0

source: BBG, own estimates

Multiples	2025e	2026e
Target Price @ P/E	30,74	31,37
Target Price @ P/B	40,28	44,61
Average Price Target	35,51	37,99
Market Price	29,00	
Upside/Downside	22,5%	31,0%

source: BBG, own estimates

	2025e	Industry
PE	6,46	6,85
PB	1,39	1,35
PB ROE adj.		1,94
ROE	20,0%	14,0%

source: BBG, own estimates

Financial Statements

(Ron, mln, consolidated)	Reported 2021	Reported 2022	Reported 2023	Reported 2024	Estimated 2025	Estimated 2026	Estimated 2027	Estimated 2028	Estimated 2029	Estimated 2030
Net Interest Income	3.142	4.427	5.214	6.908	7.266	7.288	8.418	8.564	8.864	9.268
Non-interest Income	1.707	1.715	2.252	2.752	2.949	3.116	3.305	3.415	3.541	3.732
net commission income	961	1.168	1.284	1.488	1.594	1.685	1.787	1.846	1.914	2.018
net trading income	529	686	657	938	1.005	1.062	1.127	1.164	1.207	1.272
securities income	217	-139	311	326	349	369	391	404	419	442
Other Income	182	292	370	499	534	565	599	619	641	676
Total income	5.031	6.434	7.836	10.158	10.749	10.969	12.322	12.597	13.046	13.677
Personnel Costs	-1.328	-1.656	-1.968	-2.600	-2.751	-2.807	-3.153	-3.224	-3.338	-3.500
Depreciation	-358	-393	-451	-517	-547	-558	-627	-641	-664	-696
Other Costs	-786	-1.089	-1.199	-1.838	-1.944	-1.984	-2.229	-2.279	-2.360	-2.474
Pre-provision Result	2.559	3.296	4.219	5.204	5.507	5.620	6.313	6.454	6.684	7.007
Net Provisions	-257	-495	-513	-575	-609	-621	-698	-713	-739	-775
Other gains/losses	0	0	0	816	0	0	0	0	0	0
Pretax Profit	2.303	2.801	3.706	5.445	4.898	4.999	5.615	5.741	5.945	6.232
Income Tax	-278	-313	-722	-713	-784	-800	-898	-918	-951	-997
Net Profit	2.025	2.488	2.985	4.732	4.115	4.199	4.717	4.822	4.994	5.235
minorities	41	84	95	0	132	134	141	145	140	147
Net Profit after minorities	1.983	2.404	2.890	4.732	3.983	4.064	4.575	4.677	4.854	5.089

source: TLV, own estimates

(Ron, mln, consolidated)	Reported 2021	Reported 2022	Reported 2023	Reported 2024	Estimated 2025	Estimated 2026	Estimated 2027	Estimated 2028	Estimated 2029	Estimated 2030
Balance Sheet										
Cash	18.321	14.541	24.253	21.950	24.648	26.046	27.625	28.539	29.591	31.193
Due from banks	10.394	5.567	12.273	13.716	14.845	15.687	16.638	17.189	17.822	18.787
Held for Trading	419	540	471	535	690	729	774	799	829	874
Financial assets through P/L	1.108	1.106	1.233	1.469	1.590	1.680	1.782	1.841	1.909	2.012
Financial assets through OCI	41.193	43.486	40.600	43.977	47.055	52.092	57.761	59.673	61.873	65.221
Debt Instruments	1.483	2.060	9.472	22.401	23.125	23.252	24.662	25.478	26.901	28.357
Customer loans	54.630	65.201	72.008	96.366	102.809	107.457	111.458	115.148	118.909	125.344
Fixed Assets	1.064	1.174	1.279	1.682	1.794	1.896	2.011	2.077	2.154	2.270
Intangible Assets	406	506	694	969	784	829	879	908	941	992
Goodwill	22	154	154	157	104	110	117	121	125	132
Other Financial Assets	3.039	5.191	6.058	2.918	5.824	6.155	6.528	6.744	6.992	7.371
Other Assets	420	984	675	891	804	850	901	931	966	1.018
TOTAL Assets	132.501	140.511	169.169	207.031	224.074	236.783	251.134	259.447	269.011	283.570
Liabilities - HFT	39	42	89	235	232	222	210	191	171	181
Deposits w banks	1.024	1.678	1.035	951	1.032	1.099	1.163	1.226	1.292	1.362
Deposits w customers	108.022	119.732	138.053	167.828	182.009	193.957	205.193	216.300	228.006	240.345
Loans from banks	7.930	4.841	9.549	12.238	12.163	11.888	12.638	8.009	3.245	4.361
Subordinated liabilities	1.762	1.748	2.423	2.531	2.739	2.894	3.070	3.171	3.288	3.466
Other Provisions	538	501	651	835	904	955	1.013	1.047	1.085	1.144
Other debt	2.622	2.498	3.473	4.965	5.337	3.995	3.695	3.176	4.846	4.847
TOTAL Debt	121.937	131.039	155.272	189.583	204.415	215.010	226.982	233.119	241.933	255.705
Share capital	6.414	7.130	8.076	9.248	9.248	9.248	9.248	9.248	9.248	9.248
Retained earnings	3.737	4.458	5.445	7.655	9.647	11.679	13.967	16.305	17.034	17.797
Other reserves	-59	-2.669	-296	-274	191	211	234	258	265	273
Total Capital	10.092	8.919	13.224	16.629	19.086	21.138	23.449	25.811	26.547	27.318
Non-controlling Interests	472	553	673	819	573	634	703	516	531	546
Total Equity	10.564	9.472	13.897	17.448	19.658	21.773	24.152	26.328	27.078	27.864
Total Liabilities & Equity	132.501	140.511	169.169	207.031	224.074	236.783	251.134	259.447	269.011	283.570

source: TLV, own estimates

Investment Research Disclaimer

- Buy:** Share price may exceed 15% over the next 12 months
- Hold:** Share price may fall within the range of +/- 15% over the next 12 months
- Sell:** Share price may fall by more than 15% over the next 12 months
- Restricted:** Sharing of financial forecasts, target price or recommendation for a financial instrument is temporary restricted based on compliance (ex: conflicts of interest)
- Not Rated:** Due to changes in the equity research team, sharing of financial forecasts, target price or recommendation for a financial instrument is temporary suspended.

This document may not be copied, reproduced, distributed, or published, in whole or in part, without the prior authorization of BRK Financial Group.

This document was issued by the equity research department of BRK Financial Group, only for information purposes. This material is intended for information and it does not represent a recommendation to acquire, hold or sell the financial product described. All information contained in this document was compiled from sources deemed reliable in the moment they were acquired. Regardless, the data, information and/or comments presented here are just indicative and may be incomplete. Any investor should double check the complete description which labels this financial product. Transacting such financial products is considered high risk actions, including but not limited to the risk of adverse or unforeseen market developments, exchange rate fluctuations, counterparty risk, issuer bankruptcy and liquidity risk, each of which could have a negative impact on its value, price or income generated by the financial product described in this document.

Before making a commitment to purchase this financial product, the beneficiaries of this document should carefully consider the appropriateness of the transaction in their specific circumstances and independently review (together with their professional advisors if necessary) the specific financial risks, as well as those of a legal and fiscal nature of such an investment. BRK Financial Group has issued this report for information purposes only. This report is not intended, and should not under any circumstances be construed as, an offer or a solicitation of an offer to buy or sell the securities referred to herein or any related financial instruments.

This report is not intended to be comprehensive or contain all the information that a potential investor may need to make an investment decision. The beneficiary of this report shall make his or her own independent evaluations and decisions regarding any securities or financial instruments referred to. Any investment discussed or recommended in this report may be inappropriate for an investor depending on their specific investment objectives and financial position. The materials in this report are general information for recipients who understand and assume the risks of investing in financial instruments.

This report shall not consider whether an investment or course of action and the associated risks are appropriate to the recipient. Therefore, the recommendations contained in this report should not be invoked as investment advice based on the personal circumstances of the beneficiary. Investors will need to make their own independent assessment of the information contained in this document, take into account their own investment objective, financial situation and special needs and seek their own financial,

business, legal, tax and other advice. regarding the appropriateness of investing in securities or investment strategies discussed or suggested in this report.

All the information contained herein is based upon publicly available information and has been obtained from sources that BRK Financial Group believes to be reliable and correct at the time of issue of this report. However, such sources have not been independently verified by BRK Financial Group and this report does not purport to contain all information that a prospective investor may require. The opinions expressed herein are BRK Financial Group's present opinions only and are subject to change without prior notice. BRK Financial Group is not under any obligation to update or keep current the information and opinions expressed herein or to provide the recipient with access to any additional information. Consequently, BRK Financial Group does not guarantee, represent or warrant, expressly or impliedly, as to the adequacy, accuracy, reliability, fairness or completeness of the information and opinion contained in this report. BRK Financial Group does not accept any liability for any direct, indirect or consequential losses, loss of profits and/or damages that may arise from the use or reliance of this research report and/or further communications given in relation to this report. Any such responsibility or liability is hereby expressly disclaimed. Whilst every effort is made to ensure that statement of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable and must not be construed as a representation that the matters referred to therein will occur.

This report may contain forward-looking statements, which are often but not always identified by the use of words such as "believe", "estimate", "intend" and "expect" and statements that an event or result "may", "will" or other such expressions may "appear" or be made. These forward-looking statements are based on assumptions made and information currently available to BRK Financial Group and are subject to risks, uncertainties and other known and unknown factors that may impact actual results, performance or achievements to be materially different from any future result, performance or achievement, expressed or implied by such forward-looking statements. Caution should be exercised in relation to these statements, and the recipients of this report should not be dependent on an excessive reliance on forward-looking statements. BRK Financial Group expressly disclaims any obligation to update or revise any forward-looking statements, as a result of new information, future events or circumstances after the date of this publication, to reflect the occurrence of unanticipated events.

This report may contain information obtained from third parties. Third-party content providers do not guarantee the accuracy, completeness, timeliness or availability of any information and are not responsible for errors or omissions (negligent or otherwise), regardless of the cause or the results obtained from the use of such content. Third party content providers make no express or implied warranties, including, but not limited to, any warranties of merchantability for any particular purpose or use. Third party content providers are not liable for damages, expenses, expenses, legal fees or direct losses (indirect, incidental, exemplary, compensatory, punitive, special or consequential) in connection with any use of their content.

The research analysts responsible for producing this report hereby certify that the views expressed herein accurately and exclusively reflect the personal views of any and all issuers or securities reviewed in this report, and that the report does not constitute an

independent investment research and is not subject to any prohibition on dissemination of investment research.

Analyst Certification

The analyst(s) who prepared this report and other related persons to him/her or to them, certify that:

1. they have no financial interest in the financial instruments that include the company(ies) mentioned in this report, except for holding in individual equity investment portfolios.

BRK Financial Group SA is a liquidity provider in respect of structured products issued by it.

Explanatory notes:

1. BRK Financial Group SA holds a net long or short position above the threshold of 5% of the issuer's total share capital.

2. BRK Financial Group SA acts as a market maker or liquidity provider for the issuer's financial instruments.

Company	Symbol	Explanatory note No.
Banca Transilvania	TLV	

3. The issuer is a significant shareholder of BRK Financial Group SA (holds more than 10% of the share capital).

4. The issuer is a shareholder of BRK Financial Group SA (holds a stake of more than 5% of its total issued share capital).

5. The issuer is currently or has been in the last 12 months a client of BRK Financial Group SA for the provision of financial investment services.

6. For the last 12 months, BRK Financial Group SA has been the coordinator / associate coordinator of any public offering of financial instruments of the issuer.

7. In the last 12 months, BRK Financial Group SA has been remunerated for financial investment services provided to the issuer.

8. A director, executive director or agent of BRK Financial Group SA is an administrator, executive director, consultant or member of the Board of Directors of this issuer.

9. BRK Financial Group is a significant shareholder of the issuer (holds at least 10% of the share capital).

10. The authors of the investment research do not hold shares in the issuer.

11. BRK Financial Group is a market maker.