



First Half

FINANCIAL RESULTS

Earnings Call Transcript

21st August 2024



ÖMER TETİK

Chief Executive Officer

Ömer Tetik is the CEO of Banca Transilvania since 2013 and under his leadership BT has become the largest bank in Romania and South-East Europe. He is a member of the Board of Directors of BT Capital Partners and he is a strong supporter of the Romanian capital market development. He has over 20 years of banking experience in Romania, Russia and Turkey.

He started his career at ATA Securities in Turkey (Izmir) and a year later moved to Istanbul to join the treasury team of Finansbank. In 1997 he moved to Russia taking the position of Treasury and Capital Markets Department Coordinator of Finansbank Moscow. He moved to Romania in 2000, when the same bank gave him a new assignment as Deputy Vice President. Ten years later he became Vice President and then CEO of Credit Europe Bank, formerly Finansbank.



GEORGE CĂLINESCU

Deputy Chief Executive Officer - Chief Financial Officer

George Călinescu has over 20 years of experience in banking and audit. As a member of the BT's team, since 2013, he is part of one of the youngest executive management teams from the Romanian banking system. In addition to the bank's financial team, he coordinates the data and information management at the level of Banca Transilvania Financial Group. His management style is based on supporting the coordinated team to achieve excellence.

He is a senior member of ACCA, one of the largest organizations of accounting experts worldwide. In 2019, he was named the best Chief Financial Officer in the relation with investors (BVB and AR&IR Gala).



LUMINIȚA RUNCAN

Deputy Chief Executive Officer - Chief Risk Officer

Luminița Runcan has been part of the BT team since the beginning of the bank, namely since 1994. With experience in treasury and risk management, she started her career in treasury, and since 2013 she has been a member of the top management team.

She coordinates eight of the most challenging areas of activity in the bank, such as: compliance, risk management, anti-fraud, operational risk management. She is also the President of the Financial Markets Association.



AUREL BERNAT

Executive Director Financial Institutions & Investor Relations

Aurel Bernat has over 18 years of experience in banking and asset management. He has been a member of the BT Team since 2005. Starting with 2007 until recently he held different positions within BT Asset Management, until 2017, when he became the CEO of the subsidiary.

As of August 2023, he is the Executive Director Financial Institutions & Investor Relations at Banca Transilvania, coordinating the International Relations and Financial Institutions Department, the ESG Integration & Investor Relations Department and the Macroeconomic Research Department. He is the Chairman of the BT Pensii (Pension fund) Board of Directors.

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MODERATOR



DIANA MAZURCHIEVICI

Director ESG Integration & Investor Relations

Diana Mazurchievici has been part of the banking system since 2017 and is the Head of ESG Integration and Investor Relations at Banca Transilvania since June 2022, responsible for overseeing ESG and sustainability initiatives, mergers and acquisitions, and investor relations. She is a member of ACCA and holds an Executive MBA from the Maastricht School of Management. With a vast experience and a strong commitment to positive change, Diana Mazurchievici contributes to the success of Banca Transilvania's ESG initiatives.

OPERATOR

Ladies and gentlemen, thank you for standing by. I am Vasileios your Chorus Call operator. Welcome and thank you for joining the Banca Transilvania conference call to present and discuss the First Half 2024 Financial Results.

At this time, I would like to turn the conference over to Mr. Ömer Tetik, CEO, Mr. George Călinescu, Deputy CEO – CFO, Mrs. Luminița Runcan, Deputy CEO - Chief Risk Officer during First Half of 2024 & Mr. Aurel Bernat – Executive Director Financial Institutions & Investor Relations

Mr. Tetik, you may now proceed.



ÖMER TETIK

Hello. Good afternoon and thank you for joining us. Initially, when we sent out the invitations, we received a lot of out-of-office replies, but many of you reverted and asked for the connection link. So, for those of you who had or are having vacations, thank you for joining us today for this conference. We would like to give you a brief update about how we performed during first half but also some details about how we reached to these results. Also, as our colleagues mentioned, we will try to answer all your questions. We already have some questions received by mail. My colleagues will help me answer them.

2024 has been, so far, one of the busiest and most interesting years because we have seen quite an accelerated growth - especially in the second quarter, in lending, mainly on the SME banking and retail banking. We've seen changes in numbers, positively, as compared to the First Quarter. Also, during the First Half of the year, we have managed to make important steps on our M&A projects.

As you know, we have signed the transaction with OTP, we have signed the acquisition of BRD Pensii, the pension fund of Societe Generale Group in Romania, but also, we closed the acquisition of BCR Chisinau in Moldova by Victoriabank. So, on the OTP and BCR Chisinau side, the integration processes are ongoing, being quite a nice experience for all the teams involved. As for BRD Pensii, we are waiting for

the authorities' approvals which hopefully will be received soon in order to start the integration of BRD Pensii into the Group.

As we were mentioning after the First Quarter results, SME Banking had a slow start of the year, during the first three months, but together with the new SME Invest program, has recovered well and we achieved almost most of our budgeted numbers for the whole year. On the other hand, we have seen also in the Retail Banking area strong growth rates in lending during the Second Quarter. For us, the growth was very strong on the mortgages side. We will give you more details on the business numbers later-on.

Here, together with us, we also have Luminița. Luminița, who during this First Half of the year, very successfully served as the Chief Risk Officer of BT Group. Now she assumed a very important responsibility. She is the new CEO of OTP Bank. And she is the leader of our integration project. We are sure that based on her experience and track record, we'll ensure a successful and timely integration.

As I said, we will give you more details later-on. Meanwhile, Mr. Cătălin Caragea has been approved as the new Chief Risk Officer of BT. And starting from this month, he will be taking over the responsibilities of Luminița. We wish both of them success and ensure them of our full support.

Before we deep dive into our financial results, I would like to give the floor to Aurel to tell us a bit about the macroeconomic landscape and also the banking sector developments. There have been some recent announcements and numbers issued by National Bank of Romania, National Statistics Institute which we tried to embed in our presentation. More information will follow soon. Thank you, Aurel.



AUREL BERNAT

Thanks a lot Ömer. I will jump in the macro slides in a couple of seconds. I will start with a statement. We see a stable macroeconomic landscape and I will give you briefly some additional details. In Romania, we have now a GDP increase of 0.7% compared with the same period of last year, after the 0.1% growth recorded in the first quarter and 0.8% growth registered in the Second Quarter of 2024. This growth was led mainly by consumption. Consumption at its own turn led by increase in wages and also lending, you will see this further down the presentation. Compared to the European level, which is 0.6%, we are marginally above this threshold. But what is relevant is that we consider that during the Third and the Fourth Quarter of this year, we'll be having an increase in terms of GDP, much closer to our target of approximately 2% increase by year-end.

In terms of inflation, what we are seeing, is that we reached 5.8% inflation in Romania. This is a slight increase during the downward sloping trend that we have for a couple of quarters in a row. We see this increase as an exception because otherwise, we see a continuous downward sloping trend in terms of inflation. The EU inflation level has been 2.6%, also increasing, and we must state that 14 out of 27 states across the European Union registered increases in terms of inflation. And just to give you another benchmark: for instance, Belgium had during the same period of time, 5.4% inflation rate.

In terms of interest rate, the National Bank of Romania had 2 meetings in a row at which they cut 25 basis points. Now the interest rate in Romania reached 6.5%. In terms of lending dynamics, both the corporate side and the household had a positive increase. Corporate lending increased with 5.76%. On a monthly basis, we had the highest pace this year, obviously stimulated by some governmental programs such as SMEs (IMM) Invest and also loans for farmers - Creditul Fermierului. The EU corporate lending increased by 0.7%. So, we can say that in Romania, we have a positive evolution from the lending side.

In terms of households, we had nearly 6% year-over-year increase with a higher increase in terms of consumer loans,

when we had lower double-digit and housing loans of 2% year-over-year; also, as a benchmark, at European level, both corporate and also the households grew flattish with +0.3% year-over-year.

On the deposit side, we are well above the European Union's average, both for corporates and also for households. On the corporates side, we have an increase of nearly 8% year-over-year. But the most important thing is to see that term deposits as well as overnight now have the same pace of increase of around 8%.

On the households' side, deposits had an increase of 12%. The growth rate for term deposits is lower, it's slowing down because the interest rates are also at a lower level nowadays. The overnight deposits increased with 4%. Interesting is the fact that at the European level, both corporate and also households deposits had an increase of 2.7%. So, overall, the Romanian market looks tempting from this point of view having deposits levels well above the European average.

In terms of NPL ratios and capital adequacy, you have the numbers speak by themselves. We have a non-performing loans ratio of 2.49% as of June 2024, with a capital adequacy ratio higher than the European average, 20.05% compared to 17%. The good news is that the total net assets increased with 13% compared to June last year. And both return on assets as well as the return on equity, had an increase - a percentage of 1.82% for ROA and 20.15% for the ROE at June 2024. The loan-to-deposit ratio, which is one important aspect going further and keeping in sight the potential of blending for the sector reached 66.35%, which means that the liquidity within the banking sector in Romania is extremely high. Thank you.



ÖMER TETIK

Thank you, Aurel. Indeed, with this election year almost globally, not only in Romania, and with the recent market volatility, numbers confirm very well that Romanian banking sector is entering with a very strong position in terms of capital adequacy, in terms of nonperforming loans ratios provision coverages, liquidity and so on. So, this gives also a good perspective about maybe touching the opportunities, which Romania will have in the next 5 to 10 years.

Definitely, our focus remains on organic growth while we are doing our integrations and acquisitions. But the numbers that George will present soon, they are confirming that our favourability, the preference of Romanian customers for BT, as we remain their bank of choice, helps us to grow the number of customers, the number of transactions, which all have positive impact on the bottom line. We are assuming that we are the main players in the development of financial inclusion in Romania, a thing which we certainly need in our country.

I would like to let George elaborate more about the financial numbers, which are already posted and most probably you have analysed. Thank you.



**GEORGE
CĂLINESCU**

Thank you very much, Ömer. In terms of performance in the First Half of the year 2024, I'm happy to say that the bank and the Group have posted a very good growth in all business areas. So, if you take a look at the net interest income of the bank, you see that at the individual level, we have a 31% increase in the First Half of the year.

At consolidated level, this increase in net interest income stands at 23.6%. There is a very good and strong growth in terms of net fees and commission income, bank level above 15%, 15.4% and 14.7% at consolidated level.

Again, operating expenses show a 25% growth at individual level, and 26% growth at consolidated level. But here, we will see a little bit later when we go into details on expenses, that the main cause of this growth is the new tax introduced this year on the turnover, the turnover tax. If you

take away the effect of this tax, the growth is smaller than the growth in revenue, which allows us to have a very strong growth of the operating results. Net profit for the bank increased by 42.6% whereas for the group it grew by 35%.

Cost of risk, even though it's a little bit higher than last year, it is within the limits that we have provided as guidance for 2024, even at a lower level if you take a look at our budget for the year.

In terms of net interest margin, we are keeping close to 3.5%, with the 3.46% result, increasing from 3.09%, at the level of the bank. At consolidated level, the ratio increased by 54 basis points, taking us to the level of 4.16% net interest margin.

Return on equity stands strong at 31.5%. You've seen a little bit earlier, the return on equity posted by our peers, at the level of the banking market. We're clearly now performing better than our peers from that point of view.

Cost-to-income ratio, again, registers a decrease versus June 2023. And here, the level of 45% represents a decrease by 2.26 percentage points YoY in the context of this new tax, the turnover tax. You will see a little bit later, when we go into details on costs, that if you take away the one-off effect of this turnover tax, the decrease is even higher.

Total assets, recorded an almost 5% increase both at individual level and also consolidated level. If you remember, our budget for the year was in the range of 6%. Coming back to what my colleagues have presented before, in terms of lending, we have managed to recover the slower growth that was reported in the First Quarter of the year, and we reached a 4.9% growth at bank level and 4.2% at consolidated level.

Deposits from customers, registered a 3.4% growth and an almost analytical percentage growth level was recorded at consolidated level, with 3.3%. NPL's stand at a comfortable level with 2.1% at individual level, below the Romanian banking sector average ratio -2.49%.

Loans-to-deposit ratio increased for the bank, 80 basis points. It's still below the market average for Romania which shows that we do have a lot of room to growth and a lot of liquidity available. Hopefully, you will see later in the year, when we present the combined results with OTP that our combined loans-to-deposit ratio will improve further on following the integration of the newly acquired bank.

Capital ratios are well above the approved minimum requirements, increasing versus the amount posted at the end of the last year. We are, at the bank level, 24% Tier 1 capital whereas the total capital stands at almost 28%. At the Group level, Tier 1 is 23.3% and Total Capital at 26.5% respectively.

If you take a look at the trends in income in the first six months, as I mentioned before, we see a 31.3% growth of the net interest income. This is driven by the good increase in the net interest margin, which I mentioned, and is complemented by a very strong increase in net fees and commissions income with 15.4%, reaching RON 610 million for the first six months.

We are happy to say that the bank exceeded 1 billion transactions driven by our customers in the first six months of the year which is a 40% increase versus the same period of 2023. And again, this increased number of operations is due to, as I mentioned perhaps even in our discussions before, on the one hand by the increased number of operations of the existing clients, which are using more and more products of the bank, but also due to the increase in the number of clients of the bank.

And I'm happy to say that, during the first six months, we have gained almost 300,000 new clients: on the corporate side over 46,000 and on the retail side around 250,000 new clients. We took a look during the first six months, together with the other colleagues in the management team, and, recently, after three years for corporate segment and four years for the retail segment, we adjusted our fees and commission structure with the aim of simplifying and eliminating the charges for basic services. We can therefore provide more such services and increase our market share in terms of basic banking services. Also, we

aim to create further structures in terms of value-added services for our clients in the future quarters. In terms of the impact of these changes, you will see them starting in the next quarters. But still, we are expecting double-digit growth in terms of net fees and commissions income for the bank.

Net trading income in the first 6 months of the year increased by 31.4%. This is due to the FX transactions performed by our clients, but also due to derivative transactions. Again, a very nice increase in net gains and losses from financial assets, 60% increase. And here, the reason behind this increase is the improved market conditions.

The income structure for the first six months remains quite similar to the ones in the previous quarters with 2/3 of the income being driven by net interest income followed by net fees and commissions income with 15.4%.

In terms of expenses, if you take a look at the overall structure of the expenses and the increase in terms of expenses in the first six months, we can observe, as I mentioned, that this turnover tax of RON 132 million is creating a one-off. If you take away the effect of this one-off, our expenses increased by only 17.2%. On the one hand, this growth is driven primarily by personnel expenses, where, even though we have adjusted the salaries, we are investing, and our increases are mainly in the areas of skilled personnel to support our digital growth and our risk and security in the bank.

If you look at depreciation and amortization, 7.6% in the first six months of the year, and this is primarily due to the investments in digital initiatives by the bank. As I mentioned, other operating expenses, 48% increase, is driven by that one-off reflected in the turnover tax. So, if you take away the effect of the turnover tax, operating expenses increased by a much smaller amount.

If you look at the cost-to-income ratio, eliminated the effect of this, even though we do have a decrease in terms of cost-to-income ratio at the level of the bank, including this turnover tax. If we exclude the turnover tax, the

cost-to-income ratio would have been 42.12%.

We have put here together also an analysis on the increase in efficiency for the employees. So, even though we are investing in employees, you can see clearly that over the last five years, there are big increases in efficiency. And if you look at how this ratio of total assets to the number of active employees has increased in the past five years, you see that we have indeed an increase of 21% at the level of the bank.

Now, I will let Ömer continue with the analysis of the business lines results.



ÖMER TETİK

Thank you, George. Indeed, as mentioned earlier, our focus was continuously our organic growth, and we are happy to see that our whole loan portfolio has posted a growth of 4.9% in the first six months and over 11% as compared to June last year. It is a quite balanced growth coming from both retail banking but also from companies.

On the household side, as compared to December 2023, we see a growth of 4.1%. The growth, mainly and sustainably, is coming from mortgage loans as compared to the market. This is something that we are proud of because maybe some of you have followed the recent discussions in terms of the growth of consumer lending, consumer loans, unsecured loans in Romanian banking sector. In our case, we have seen a faster growth in mortgage loans, although we were also definitely active in the consumer lending. And now mortgage loans are almost 25% of our loan portfolio.

On the companies' side, we have seen a growth of almost 20% in SME banking, and this helped us reach a 5.4% growth as compared to the end of the year. As per the questions that we have received, indeed, it seems that our loan growth will be above the budgeted numbers, but we don't expect it to go beyond single digits. So it will be, let's say, high single digit but still below 10% in terms of the total numbers.

Depositor's base is also continuously growing. Here, something strategically assumed, accepted, is that we have been - as we were mentioning in the previous calls that we were the first bank, first large bank - starting to increase the deposit rates when the inflationary pressures and reference rate growth started to kick in.

We are now, I would say, the pioneer in the market in terms of decreasing the rates and despite a higher competition from smaller banks, which are looking for liquidity and new customers, we still managed to decrease consecutively every two to three months our term deposit rates and our cost of funding. That's why our deposits' growth is not faster than the market growth, but in line with the market in terms of retail customers. Thanks to the growth of corporate business, our growth and the numbers had been stable, as we have grown slightly above the market in terms of SME customers.

We had almost RON 4 billion new production in retail banking, this being reflected in the 4.1% growth. As I said, our retail banking portfolio, including consumer loans, cards and mortgage loans reached RON 32.7 billion. And our deposits from retail customers are close to RON 91 billion and definitely growing further. We have almost 3.9 million active customers in retail banking with 6.3 million cards, debit and credit, confirming our position as the leader of payments and cards in Romania.

In the corporate banking, SME banking, companies banking, as we call it, the new production was RON 11 billion. This is, I would say, quite a good split between long-term investments and working capital financing. Now, with the European Union funds, with the Recovery and Resilience Program PNRR, we see also growing demand in investment loans and there are more and more investments in both the production or supply of green energy, but also in the distribution and storage capacities.

IMM Invest has been a boost in the Second Quarter and we have reached RON 2.4 billion of loans newly approved in this segment. There is also this agricultural support program, Creditul Fermierului - the farmers loan, where we have successfully granted RON 500 million, as the main

bank in Agri-finance in Romania.

We are continuing our partnerships with European Investment Fund, European Investment Bank, on the competitiveness and sustainability projects. Their support also helps us to assume and increase our loan growth, especially in small and medium-sized enterprises. I would like to switch to Luminița now, to tell us a bit more about the risk numbers and capital adequacy.



**LUMINIȚA
RUNCAN**

Thank you, Ömer. When it comes to the risk area, I want to reiterate the fact that all the ratios that we are presenting to you show a very prudent risk management that the bank is currently performing. We are doing our job with a long-term view when it comes to the evolution of the bank, but also having in mind the market specificity and the possibility to adjust the strategy on the market evolution.

Having said that, I would like to make a couple of comments when it comes to the credit risk management. The bank still enjoys a very sound credit risk management, and this is seen in the ratios that we are presenting to you. As depicted in the graph on the left side of the slide, we are seeing a very low level of cost of risk at midyear, which reflects the very good quality of the portfolio and also the low level of NPLs that the bank enjoys.

Based on the results that we are currently presenting to you, we are confident that by the end of this year, we are going to be on the safe side, meaning below 100 basis points as per the guidance that we have presented previously.

The provision of stocks that you can see on the right-hand side of this slide increased by 4.1% year-to-date, thus reflecting our conservative and prudent risk approach. Therefore, our cost of risk at midyear stands at 0.08% and was influenced not only by the good performance of the loan book but also by the higher new production when it comes to the loan granting and from the recoveries from the previous written-off loans.

You can observe the fact that the ECL of the bank increased by almost 13% June 2024 versus end of 2023. The increase on the provisioning was done in a smaller pace than the increase in the loan book in the same period. There is a slight increase in the Stage 2 loan provisions mostly related to retail and large corporate customers, but the levels we are seeing are not a significant concern. The bank continues its prudent approach to identify any potential deterioration in the loan portfolio.

When it comes to the asset quality of the bank, what is to be seen is the fact that at midyear the bank records a very comfortable level of NPLs by EBA definition, which is 2.1% and is below the market the local market average, which stands at 2.49%. Also, it is important to mention that even in this downward trend of the NPL over the last year, the provisioning of the bank remained constant. This gives us and our shareholders the comfort about the way in which we are managing the assets of the bank.

During the first 6 months of 2024, as we have mentioned previously, we have observed a very slight increase in NPL ratios, mainly driven by consumer loans and SMEs but not at a level of significant concerns. When it comes to PAR 90, the figures are presented in the right-side of the slide. We are mirroring the tendency of the NPL. This is being influenced by good recoveries, but also by the market trends. Due to inflationary pressures, we have seen some deterioration in PAR 90's when it comes to retail and SME customers, but the level that we currently observed are, let's say, not of concern.

When it comes to the capital position of the bank, my colleagues already mentioned a couple of figures related to this. I just want to point out the fact that the bank enjoys very comfortable solvency levels as depicted in the graph. Also, you can see that the bank has a very strong significant capacity of internal capital generation. Own funds of the bank at midyear reached RON 16.2 billion, 21.8% higher compared to the June 2023 level.

Also, the risk weight asset density reached 34%, a very, very comfortable level comparable to the previous levels recorded in the last two quarters, 38%. And this is due to

the guarantees that the bank enjoys through IMM Invest program, and also due to the synthetic securitization that we have done at the beginning of the year - as we have announced to the market.

The local market and the bank enjoys a very high liquidity, as is the case in Europe, that is why the ratio we are following, and I'm referring here to loans-to-deposit ratio, immediate liquidity, LCR and NSFR, all these ratios are well above the minimum thresholds established by the regulator, which position the bank in a very good position towards future growth.

We are also presenting to you on the right hand-side of the slide, the way in which we have accomplished the MREL requirements by the end of last year and also mid-year 2024. All the levels required by the regulator are mentioned on the slide. And we are reporting to you that we have a comfortable 7% buffer above the levels that have been set by the resolution authority. That would be the comments I wanted to share with you when it comes to the key risk indicators. Thank you.



AUREL BERNAT

In terms of sustainability, I will take you through the two slides quite quickly.

We should say that during the second Quarter of 2024, we had our fourth [Sustainability Report](#) published, and we really invite you to go through it because you will find all the details regarding our retail green loans, corporate green loans, green mortgages, carbon footprint and so on. Here would come a great thank you for the entire internal team that made it possible during May to have the sustainability report. I invite you all to have a short look at the report and grasp all the elements that we have presented in it.

Another important fact is that we are among top nine percentage banks worldwide in terms of ESG rating, as per the Sustainalytics rating.

In terms of the impact of our financing, you have all the

details presented on this slide and I would just like to reiterate our commitment towards different green loans categories that we are having: both in retail, corporate, but also mobility, which is represented mainly by our leasing company and the leasing portfolio, which is compounded of hybrid and electric cars. Once again, these two slides of sustainability are, let's say, only to raise your interest and to see our report.

Going on to digital.



ÖMER TETİK

Thank you, Aurel. Indeed, maybe even digital is part of our plans for financial inclusion and also in sustainability. The bank's management, after several initiatives, decided that we should focus on two platforms: BT Pay for retail customers and BT Go for corporate customers.

BT Pay became the main banking and payments application in Romania. From an initial payments wallet, we are now in the process of developing it as our mobile banking application. There are more than 3 million customers enrolled, actively using it and over 120,000 BT Kiddo users. BT Kid accounts are now also active through BT Pay.

We are adding new features on a daily, monthly basis in order to increase our capacity and competencies in BT Pay, which soon will result in decommissioning other applications and remaining, with BT Pay. We are also assuming BT Pay will become the main tool of interaction for our asset management investments and savings products.

BT Go, which is the second application developed in-house, is another project that we are very proud of. We saw over 100,000 active companies enrolled. There are more than 800,000 payments already done. We are issuing invoices through the app, as the e-invoice factor is an obligation by the law. Our customers are more and more interested in using it.

We see it as a competitive advantage. And we will be enlarging the ecosystem of BT Go with new features

helping especially small- and medium-sized enterprises to solve their problems, their administrative problems in the interaction with their suppliers, customers or authorities.

BT Financial Group is becoming more and more significant. If I start with the banks that we consolidate, as you can see, Victoriabank reached total assets amounting to RON 5.7 billion with RON 52 million net contribution to our profitability. They are the third largest bank in Moldova with 13% market share. The potential is huge there, once we put the geopolitical risks or threats aside.

We are focusing on retail customers, small business customers. We are trying to repeat the story of BT in the Republic of Moldova as well. Salt Bank, although, unfortunately, not yet profitable, after their launch a couple of months ago, still, we are happy to see that the active customers number is over 220,000, which is almost twice the target for end of year that we had. That enforced us to accelerate actually some development plans and soon, Salt Bank will be offering also further savings and investment products to its customers. And latest beginning of next year, we will be bringing some lending products into Salt Bank.

Here, the biggest potential for us is the Romanian diaspora. There are almost 6 million Romanians living abroad, especially in Europe, which are becoming more and more interested in this application, of this initiative, of the bank itself. So, we are very proud of what we have achieved there so far after just three months of launch. BT Leasing had a very strong year. In leasing, after the acquisition of Țiriac Leasing and Avant -- or former Idea::Leasing we have good results. The profitability of BT Leasing for the first 6 months is over RON 110 million. The total assets that we manage in leasing segment exceed EUR 1 billion.

BT Asset Management is obviously, if not the leader, it's one of the market leaders and with over RON 5.5 billion, EUR 1.1 billion asset size. They are contributing both to the profitability of the bank, but also offering the investment opportunities to our customers, becoming of more and more interest, especially after we started developing the premium banking concept in retail banking. We see the

demand is growing in this segment.

BT Capital Partners, is possibly, besides normal standard brokerage services, one of the main investment banking boutiques in Romania and involved in several new transactions, be it in the DCM or M&A side of the Romanian companies. We see that also BT Capital Partners became the main partner of Minister of Finance in the Fidelis and Tezaur programs.

BT Direct, after years of struggle, it's a profitable subsidiary growing strongly. We, our colleagues, the management of BT Direct managed to benefit from the, I would say, disappearance of main players from the market, and we have good partnerships, strong partnerships and continue growing.

BT Mic, our smaller version of BT, our micro lending Company reached over RON 1.1 billion total assets. They are already almost the size of a small bank in Romania, growing profitably. And our plans, our most ambitious plans for the years to come will be on the asset management and pension funds. That's why also the recent acquisition of BT Pensii is in picture.

BT Pensii is growing with small steps, going towards profitability. But once we reach some decent size, they will contribute to the profitability of the Group, but also to the whole business to complete the whole big business picture of BT Group.

I don't want to bore you too much with further details that you have already in the presentation. But as there were some questions about the integration, acquisition and integration of OTP, I would like to ask Luminița now, as the leader of the integration, to tell us more about OTP integration.



**LUMINIȚA
RUNCAN**

Thank you, Ömer. We are in the 13th day after the closing of the transaction, and there is a tremendous activity going on OTP side with the Group of large ambassadors from Banca Transilvania, who are the link between OTP Bank and the personnel of BT Group. We have more than 31 streams, 31 mini projects under the umbrella of the integration program. And the plan is quite ambitious.

At this point in time, what I want to say is the fact that all the people over there are very, are extremely energetic and willing to deliver good results. So, we are a little bit ahead of the schedule. From that perspective, I'm confident that we are going to deliver good results. More details will probably be presented in the following presentations for the investors.



ÖMER TETİK

Thank you, Luminița. Indeed, the closing process took a bit longer than we expected. We were initially planning or hoping to close the transaction in May, which extended towards end of July, August. But on the other hand, with tremendous contribution and cooperation from our colleagues, new colleagues from OTP Group, the speed of action, the progress, is much faster than we were used to.

We have our group of people, our ambassadors as we call them, who actively participated to previous integrations, they are going with good experience there. I'm also sure that we will be delivering a profitable, efficient and also painless - especially for the customers, integration until the end of First Quarter of next year. And now I invite suAurel, to give us some insight about BRD Pensii.



AUREL BERNAT

Definitely. Thank you, Ömer. It has been a very interesting and nice project of ours because a couple of years ago, we made our first step in this area of Pillar III. Now, we are developing our plans going even further, towards Pillar II but also acquiring another Pillar III. Just a couple of words to say about the transaction. We are very pleased with the pace in which we made this acquisition.

It will be a 2-stage transaction. The first one will mean business transfer of Pillar III towards BT Pensii and afterwards, the acquisition of the Pillar II from BRD Pensii and also the company itself. Why we are interested and what we consider as value drivers for us is first of all that we see nowadays, both for the asset management side and also for the pension side, we see a hype in the market. People are interested in investing. So, this is one side of the story.

The other one is that by this acquisition, we acquired more than 600,000 customers, which could represent new customers for us as a Group. Also, for the Pillar II, currently we have a higher contribution of 4.75% from the gross income instead of 3.75% which was the level imposed until January 2024. The low penetration of pension funds as well as of asset management within the industry means that here we have a high potential to capture. And quite honestly, we wish us good luck with this project also.



ÖMER TETİK

Thank you very much. We don't want to go into the details of numbers that you already have through our report and presentation, and we would like to switch to Q&A. Diana will help us to perhaps consolidate some of these questions, because there are questions which are very similar in terms of substance.

We will try to answer all the subjects and in case we will not be able to answer all questions, we will try to come back to you directly or through our presentation. Also, if we miss anything, please do not hesitate to contact our Investor Relations team. Thank you.



**DIANA
MAZURCHIEVICI**

Hello. The first set of questions comes from Daniela Mândru, Swiss Capital. I will try to group them by type of subjects. First item regards the evolution versus the budget in terms of operating income, operating expenses and provision expenses. And what are the causes for the deviations from the budget? Second question regards the net interest margin and the loan growth. What do we estimate for 2024?



ÖMER TETIK

Thank you Diana for the questions. Actually, there are not huge deviations, I would say, minor differences between the budget numbers and numbers presented so far. I think on the income side, we did much better, thanks to the increase in business volumes and business activity. On the expense side, we are more or less in line.

But as George was mentioning earlier, the increases, or the impact, is coming from the new tax being applied on the banking sector including ourselves; another reason is also the accelerated level of investments for technology and other competencies that we develop, and also wage inflation, which is a fact in Romania. So, we try to be competitive.

We try to attract now not just newcomers, but because of the changing, more complex, more sophisticated banking environment, we are trying to bring also skilled resources, competent people which put sometime pressure on the personnel expenses. Concluding, I would say that we are more or less in line with the budget.

Regarding the second question, that was related to net interest margin and net interest income. We see that some other analysts have asked the same question. So, what I would like to tell you is that if you look a couple of slides before, we were showing you the evolution of the net interest margin.

So, in the last maybe normal year 2019, our net interest margin stood around 340 basis points. So that was the period when we had a very strong current accounts base

when interest rates were also low but we were managing to maintain 330, 340 basis points interest margin. I think we are going towards that.

I mean, end-of-year guidance is not much higher than what we have reported in the first 6 months maybe a couple of basis points even higher, because we started decreasing the deposits interest rates earlier than the market. But definitely next year, with the benchmark interest rate changes, market interest rate changes, the repricing of the loans will be done at the new rates. So, we are not pessimistic about the net interest margin evolution but we don't expect it to increase substantially from where it is now.

I have seen a question asking that if the change of customers' preference from current accounts to term deposits has peaked out. More or less, I think we are there. Definitely, when the interest rates are low, our customers are not very much, let's say, incentivized, motivated, to move to term deposits.

And we see that our current account numbers are growing further. That's why we are comfortable and confident that we will be able to deliver 325 to 350 basis point net interest margin in the quarters to come. But there might be some, let's say, changes from one quarter to another as liquidity and lending pricing will be affected by the market changes. Thank you.



**DIANA
MAZURCHIEVICI**

Next question comes from the set submitted from Miguel Dias, WOOD & Company. Are there any new information that we can disclose regarding the OTP integration? This is a repetitive question posted by multiple participants. Also related to the risk-weighted assets, why did they decrease meaningfully? And what have we done in terms of RWA optimization? Another question refers to the impact of Basel IV on the capital adequacy ratio.



**LUMINIȚA
RUNCAN**

So, let me take the questions one by one. If I would answer the question related the risk-weight assets of the bank and the evolution during the last quarter, I would mention the fact that the bank has applied new rules issued by the European regulator when it comes to the Regulation 575 there are a couple of transitional aspects that can be used by the banks when it comes to sovereign exposures. That's the main part of the adjustment in the risk-weighted assets.

Another important aspect is related to the program IMM Invest, which benefits BT due to the state guarantees that come with the program.

The next question relates to OTP. I think that details, as per our common understanding, regarding the figures that you are concerned about, are going to be presented in the next conference because, as I have mentioned previously, we just stepped in there and we need to validate our previous information and try to do very accurate calculations before presenting them to you.



ÖMER TETİK

As for the OTP integration because it's a significant impact on our balance sheet and other financial indicators, we don't have any significant expectations of bad surprises. But we are now in the process of finalizing the evaluation of the purchase price and the net asset value. Once we have this clarification, we would like to be able to come back to you.

We don't want to give any misleading information before confirming this with our consultants and also with our auditors. But when we will meet for the Third Quarter financial results, we will have the numbers. We have seen different expectations. I would say that the guidance it will be somehow in the middle.



**LUMINIȚA
RUNCAN**

And I also need to answer the question related to the impact of Basel IV on the capital position of the bank. Based on our current business model and based on the estimates that the teams are working on, we do not see any negative impact on the capital adequacy ratio of the bank starting with the 1st of January 2025 when we need to apply the new framework.



**DIANA
MAZURCHIEVICI**

Next set of questions comes from Franklin Templeton, Can Ozguzel. What can reverse very strong asset quality cycle in the future? Do you think the potential fiscal consolidation post-election cycle can have an impact on asset quality? And somehow related to that, cost of risk and provision recoveries have been very strong. What is your expectation for 2024 net cost of risk?



ÖMER TETİK

Thank you, Can for the questions. Indeed, cost of risk performance has been good because of the disciplined payment behaviour of Romanian households but also the attentively applied government support programs.

We don't expect a big jump, as you also mentioned in your question; mostly, we will perform better than our expectations. We are very reluctant on going to the optimistic side of forecasting or budgeting, considering our business model and considering the part of the world that we are operating. However, cost of risk will be below the numbers that we have budgeted this year.

On the other hand, as regard to the fiscal consolidation there are too many speculations, although the politicians are quite vehemently denying any changes, I don't think there will be, how to say, a big impact on the, especially households. I don't think any political party will be ready to assume such a move considering that we will have still coalition governments in Romania. So, they will not opt for this. We are following if there will be some sectorial or other

measures that they may assume.

On the other hand, Romania is still technically living through zero unemployment. So, as compared to the Romania of 10, 20 years ago, now we are bringing labour from Asian countries. That's why if there will be some impact on the disposable incomes, I think wage inflation will kick in further that we are looking forward to decrease or to decelerate.

So, if you look at the indebtedness ratio of the households or small companies, it is not at a concerning level. I think the most indebted party in Romania is the government itself.



**DIANA
MAZURCHIEVICI**

Next question comes from PKO. Adam Motala asks us, what are the main reasons behind the capital ratios jump between the first and second quarters? And how do we see the lending market in the second half of the year? I think this was covered previously. So, if that's okay, we can consider it answered. Thank you.



**LUMINIȚA
RUNCAN**

Yes. When it comes to capital, I mentioned previously that the bank enjoys the new regulations set up by the end of June by the European Commission, when it comes to the transitory arrangement-related sovereign risk exposures and also the state guarantees related to IMM invest program.



ÖMER TETİK

Adam, thank you very much also for the kind wishes as regard to the results. Traditionally, our seasonally, usually, the last quarter is the most active quarter of the year, the Fourth Quarter. In the Third Quarter, usually we encountered low activity. We couldn't confirm this year the trend. Therefore, this year, the Third Quarter, was quite strong, quite intense, in terms of lending as well.

So, we are expecting the European Union funds programs or governmental programs to accelerate either due to the deadlines approaching or due to the elections. And everybody wants to give good news, so we expect strong lending in Q3 and Q4 as well.

But there is also a lag. Some of the discussions, which we started in Q3, we'll be finalizing in Q4 or will be delayed to the First Quarter of next year. That's why we assumed that we would surpass our budgeted level of 7% lending growth, but we don't expect it to go beyond 10% this year.



**DIANA
MAZURCHIEVICI**

Another question from Wood & Company in respect of the finance leases. These have been growing at a quite strong pace, but this quarter was particularly strong. Any reason for this development?



ÖMER TETİK

Yes. Definitely, leasing is the main focus for us, and the acquisition of Țiriac Leasing and Avant Leasing, former Idea::Leasing, gave us a boost. But a big portion of the numbers that you see is coming from deconsolidating and reconsolidating some of the portfolios under BT Leasing.

Avant Leasing, former Idea::Leasing, was under Salt Bank. So, we have taken the portfolio from them and brought it to BT Leasing. This showed a higher increase. Still, our leasing portfolio growth in the first 6 months is 5% to 6%, generated only by new business.



**DIANA
MAZURCHIEVICI**

Next question is from Josephine Jimenez, from Channing Global Advisors: Please clarify if the bank has made RON 100 million in provisions for the ancillary taxes related to the Volksbank acquisition. And the second question, do the total assets in Victoriabank exclude the assets that authorities have placed under precautionary seizure?



**GEORGE
CĂLINESCU**

I will take this. Yes, we have made almost RON 101 million provisions for the ancillary taxes and the penalties for the bargaining gain in Volksbank acquisition, even though the amount computed for that is higher than this. This is due to the fact that we have trust, that even though we will be at the end of the legal procedures - because we have opened legal procedures, and we will still have to pay these taxes, we'll still pay less than what the fiscal authority has computed. And this is why we provisioned less than the full amount of ancillary taxes computed.

The second question, related to the total assets of Victoriabank, if they include the assets that were placed under precautionary seizure. Actually, those assets have crossed the time and reached maturity. They have been replaced because they are not very long-term assets. There has been quite a movement throughout the year in these assets for Victoriabank. Concluding, the total assets include those assets.



**DIANA
MAZURCHIEVICI**

We have another question coming from Swiss Capital, Daniela Mândru, asks us to comment on the press statement made by our CEO regarding the doubling of Banca Transilvania assets in the next 5 to 7 years. Maybe we can clarify it in the response?



ÖMER TETİK

Thank you, Daniela. I should be careful when I speak very courageously and ambitiously in public. But indeed, what we are basing our forecast on is that financial inclusion in Romania is very low and it's still growing. GDP growth, as also announced by National Bank of Romania yesterday, will start picking up. Romania has been growing faster than its' European peers or other European countries, European Union averages, in terms of GDP growth.

As you know, our loan growth, total assets growth has been much higher than the GDP growth of Romania. So, the compounded effect, hopefully, if we will continue performing well and the customers will continue trusting us, it will be there. We are also estimating that in 2030, financial inclusion should come close to 40% from below 30% now.

Combining all these factors and maybe some acquisitions, not only in banking, but also in other sectors of interest, asset management, pensions, leasing will help us to reach these numbers. This is also a target that we impose on ourselves to motivate ourselves. So far, we have managed to deliver. I think and I hope that the bigger team of BT will manage to deliver it further.

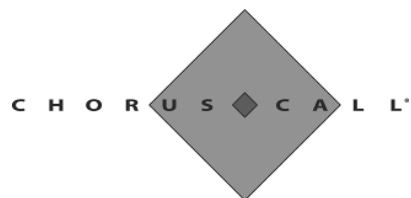
There are no new questions, or the remaining ones are more or less in line with what we have already answered. In case you didn't catch the answer, or we would like to reiterate, please contact our Investor Relations Team. Thank you very much for joining us. We wish you a peaceful, comfortable, maybe even cooler Third and Fourth Quarters and a profitable business as well. Thank you.

H1: FINANCIAL RESULTS

 **Press Release**

 **Fact Sheet**

Conference Call Conducted by
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