



Third Quarter

FINANCIAL RESULTS

Earnings Call Transcript

11th November 2024

SPEAKERS



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).



CĂTĂLIN CARAGEA

Deputy Chief Executive Officer - Chief Risk Officer

Cătălin Caragea brings more than two decades of risk management experience to Banca Transilvania Group. He has worked in Romanian and international banks such as Raiffeisen Bank Romania, BCR and Erste Group Vienna.

At Banca Transilvania, he coordinates the risk management and compliance area, namely: integrated risk management, risk modelling, risk management and analysis of credit, market and liquidity risks, compliance, operational, including anti-fraud, information and technology security and business continuity.



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.

MODERATOR



DIANA MAZURCHIEVICI

Director ESG Integration & Investor Relations

Diana Mazurchievici has been part of the banking system since 2017. She 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.

Q3: FINANCIAL RESULTS



Press Release



Fact Sheet

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 Third Quarter 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, Mr. Cătălin Caragea – Deputy CEO, Chief Risk Officer and Mr. Aurel Bernat – Executive Director Financial Institutions and Investor Relations.

Mr. Tetik, you may now proceed.



ÖMER TETIK

Hello, thank you for joining us. We are glad hosting you online. This week, we will be having two events dedicated to the investors - the video conference that we are having now and also on Wednesday, when we will host our first Investor Day for Banca Transilvania, in Cluj. In case you didn't receive the invitation, or you didn't manage to get the connection details, please do not hesitate to contact our Investor Relations colleagues.

Maybe some of you will be also visiting us in person in Cluj. So, we will be happily showing you our city but also our team because Investor Day will focus on our plans, on our strategy, but also on our business lines and people, our culture.

Therefore, you will have the opportunity to listen to our Head of Retail Banking, Head of Corporate Banking, Head of Treasury and Head of SME Banking separately. We will have also a presentation, with extensive details and also some panels on the event day. We will try to give you a complete picture of Banca Transilvania Group, which is, besides a successful leader bank also the sole shareholder of several subsidiaries, which are leaders in their own segments.

Today, we are here also with Cătălin. Cătălin Caragea joined us officially on 1st of August 2024. He's our new Chief Risk Officer. This is his first call and also those of

you joining the Investors Day on Wednesday, you will also have the chance to meet him in person. He's bringing a new, let's say, fresh air and new ideas, he's a great asset that we have acquired recently to support our growth strategy. The first nine months results are indeed comfortable, record level of revenues, which come from increased number of customers and increased number of transactions.

As we have sent with the teaser also, our number of transactions in the first nine months reached 1.8 billion, both online and on site through our network. Customer numbers are ever increasing. So, we are further investing in our growth of digital channels in order to be able to service the new increase in the customer numbers, but we are also focused on the OTP integration which will bring more than 400,000 new customers into our ecosystem.

We are very happy, and we are looking forward to welcoming them. Regarding the integration process, recently we have celebrated the 100th day of the integration project. We are still committed to finalize the full merger of the two entities so that it will be one single entity Banca Transilvania until the end of First Quarter of next year. And we are happy to announce also that OTP Asset Management is now part of the BT Group.

Therefore, on several projects, with different teams, we are working for the integration of these entities. Also, as you may know, for BT, but also for the Romanian market, for most of the banking markets actually, the last quarter of each year is one of the most productive quarters. So, it's a very hectic period. We had a very interesting Black Friday last week. Numbers were obviously showing strong customer appetite and sentiment.

The ticket sizes, number of transactions, number of customers who try to benefit from different offers, were 20% to 25% higher than last year. This shows that Romanian retail customers have strong confidence further. This also encourages us to continue doing what we are doing. Hopefully, we'll do it better and more efficiently.

We will continue the discussion with a brief intro from

Aurel as regard to the macroeconomic situation. And then we will go to the financial results and risk presentations. Thank you very much.



AUREL BERNAT

Thank you, Ömer. I will start presenting the Romanian macroeconomic landscape with a, let's say, helicopter view, even though the first macro slides are somehow the same compared with the previous financial results' presentations considering that we always start with Romania and its positioning in the CEE region in terms of population and GDP growth. What is relevant for us is that after Poland, we are the largest country in terms of population which is a main driver for consumption and obviously for GDP.

In terms of GDP, we have a very strong dynamic during 2015-2023 period, positioning us in top 5 economies around European Union, despite the fact that during 2023 and also during this year, we had a lower level of GDP increase. Nevertheless, it is higher than the European Union average. Talking about the European Union average as an opportunity, we see the real GDP per capita as being one of the drivers which will close the gap, considering the 3 Central Eastern European countries such as Czech Republic, Poland and Hungary.

And if we take into account the European Union 27 average, then by all means the gap is more than double in terms of real GDP per capita. This gap closing must and can be supported also by the relatively lower debt to GDP since Romania has slightly above 50% debt to GDP ratio in line with Poland, Croatia, lower than Slovakia, for instance.

In terms of inflation, we see a decline of inflation at the end of September, we had 4.8%. It goes hand in hand with the European downward sloping trend for inflation. And this might also represent a stabilizing factor for the economy. Since Romania is used to higher inflationary periods usually, the 4.8% level begins to be a comfortable one.

In terms of banking sector, the Romanian sector's

competitors are presented in the pie chart, with Banca Transilvania having 20% market share before the acquisition of OTP. The rest of the four competitors have between 9% to 13% market share. Some key highlights in terms of banking sector: we have very good liquidity coverage ratio of more than 280%. This refers to the entire market.

Also on the non performing loans side, the ratio is 2.49 and you will see the rest of the details concerning Banca Transilvania later on, which are below this threshold. In terms of cost-to-income ratio, the market stands at 47% as at June 2024 and the return on equity is above 20%. Same strong levels for capital adequacy ratio, 24%, as well as the NPL coverage ratio of 65% for the entire banking sector.

Now, going towards lending and deposit growth as well as NPL, we see very strong demand in terms of corporate loans 7.2% and households 7.8% which are at a much higher and better levels than those in the European Union. Obviously, in terms of deposits, we see the same trend, 6.1% for corporate deposits and the households with an increase of more than 11%.

Romania has the second largest NPL ratio among Central and Eastern countries, as mentioned before, Czech Republic, Poland and Hungary, 2.49%. As for the capital adequacy ratio, we record higher rates than the European Union average, as mentioned in our previous meetings, standing at 21% for Tier 1.

I will give back the floor to George for the business performance. Thank you.



**GEORGE
CĂLINESCU**

Thank you very much, Aurel. Indeed, like Ömer was mentioning a little bit earlier, the bank shows a very strong performance in the first nine months of the year. This is both at the level of individual results, but also at a consolidated level. At a consolidated level, of course, results are being helped by the fact that we have reported for the first time the entities purchased from the OTP Group in September's results of this year.

So, coming back to the individual performance. Net interest income posted an increase of 32% year-on-year. This is coming on the back of the net interest margin increase of 0.37 percentage points, to 3.47. As we mentioned in our presentations from the previous quarters, and you'll see later on when we analyze the trends in income, we managed to keep quite a nice and constant net interest margin throughout this period even though we have seen fluctuations on the local market due to the good management that the bank had in terms of asset and liabilities.

In terms of net fees and commissions income, an increase of 15% versus the previous year can be seen. Indeed, this is the same level of increase at the consolidated level. This is coming on the back of the increased number of transactions that are routed through the bank. We'll see a little bit more details, but the good evolution encourages us for very good results until the year-end. Operating expenses posted an almost 28% increase year-on-year at the bank level and 34% increase at consolidated level.

This is reflecting, on the one hand, the one-off charge that we have this year through the tax on turnover that represents 10% of that increase. So, if we wouldn't have this tax, the increase in other operating expenses would have been 22% in the first 9 months at the individual level. And of course, at a consolidated level, we do have the expenses coming from the OTP companies that are presented for the first time in the consolidated results.

Coming back to our evolution in terms of net results with RON 2.7 billion, we are 45% higher compared to September last year. Also, the results registered were above the budgeted amount. Of course, at consolidated

level with the RON 3.9 billion result reported, we have a 70% increase compared to September 2023 and that's reflecting also the bargaining gain from the acquisition of OTP, as we have detailed in our financials, but also the bargaining gain that we reported at the beginning of the year from BCR Chisinau.

Cost of risk stays at a comfortable level with 0.14%, and this represents a decrease versus the same period of last year. We believe that we will be, by the end of the year, slightly below the guidance that we have given for the year-end, which was 60 basis points.

In terms of overall evolution, total assets of the bank increased by 9.1% at the individual level and consolidated level comprising also the new companies from OTP Group. This was driven primarily by the gross loans, which have increased by 9.1% as well. This increase is in line with the growth of the loans on the local market as was presented a little bit earlier by Aurel.

The increase is done in a prudent manner, our NPL ratio in terms of EBA definition stays at 2% and is below what we have seen our peers reporting and the average for the local market, which was at around 2.4%, as presented on the previous slide.

At consolidated level, loan-to-deposit ratio has increased quite nicely due to the acquisition of OTP companies with almost 4%, whereas this ratio increased also at the individual level by almost 1.6% in the first 9 months of the year. The bank is very well capitalized with overall 26% capital ratio at the end of September, well above the average values posted by our peers, which are staying around 24% for the same period.

Now looking at the trends in income, you see net interest income increasing at individual level by 32%, as I mentioned. This is due on the one hand to the very nice increase in terms of loans throughout the year, the management of the liabilities where we managed to decrease and we lead the market in terms of the adjustments on the interest rates for deposits, but also due to the money market activities as well. We have

increased our share of interest-bearing assets due to the high liquidity that the bank has in its portfolio.

Net fees and commission income increased by 15%. Ömer was mentioning a little bit earlier, that 1.8 billion transactions were routed through our bank in the first 9 months of the year. Some details behind the transactions performed on Black Friday were showing us that we have exceeded 400 transaction per second at a certain point on Black Friday. This shows that the bank is increasing both the number of clients and the number of transactions, which generated an increase in net fees and commission income.

This is something that we expected, even though, as we have mentioned in previous meetings, we managed to adjust the fees and commission structure to reflect better the realities around us and to reduce or even eliminate the fees for basic services and to adjust the value-added service of the fees structure according to what we see on the market. Net trading income, +4%, is due to the evolution of the market. This applies also for the increase of the net gains and losses from financial assets.

As mentioned a little bit earlier, I will talk now about the evolution of the net interest margin. You see on this slide the bank's evolution in terms of net interest margin marked with Blue. As mentioned, we managed to keep quite a constant rate for the net interest margin, even though we have seen the policy rate both from NBR and ECB varying quite a lot throughout this period. Of course, when you look at the income, net interest income represents almost 67% of overall revenues, net fees and commission almost 16% and the other types of revenue making up the rest until 100%.

In terms of OpEx, personnel expenses represent the highest part of the overall operating expenses where we have an increase of 19.6%. Indeed, this is due to an alignment in terms of both number of people, skilled people in the bank and also the salary that we pay to our employees.

If you take a look, however, at the evolution of the

productivity of the personnel in terms of active employees, you see that even though the number of active employees increased throughout the year, we do have an increased productivity, which stands at 20%.

Other operating expenses, which present the biggest increase in terms of relative numbers, +53%, are containing, as I mentioned, almost RON200 million - the turnover tax accounted for the first 9 months. If we wouldn't have had these operating expenses, other operating expenses would have increased by 22.3% in the first nine months of the year.

We go further in the presentation and we talk about the portfolio growth. From this point on, I give the floor to Ömer.



ÖMER TETİK

Thank you, George. I would say that this is our third call this year. You may recall that in the first quarter call, we were mentioning that demand was low and slow. But in the Second Quarter, we have seen that it started picking up. In the Third Quarter, we have seen, as mentioned earlier, a strong change in the consumer sentiment in retail but also corporate loans which started growing. So, we are continuously growing strongly.

When we look at the total portfolio growth, we have seen that our loan book grew by almost 6% from retail and 11.5% from loans to companies. We will enter into more details a bit later but this is impacted partially due to the strong investments in infrastructure coming with European Union Recovery and Resilience funds or local programs such as SME Invest program. On the other hand, we have seen a fast increase in the market, in general, in retail consumer loans. We have been more balanced, I would say, in our approach. We wanted to focus continuously on mortgage loans where we see more value, cross-sell opportunities and customer loyalty.

Our mortgage loans increased by almost 5% as compared to the 2.5% increase of the market, almost double the speed. And we see that this demand continues with the

consecutive reference rate cuts applied by the National Bank of Romania showing the trend of the monetary policy and where the interest rates are going, plus the need of housing and increased lifestyle or living standards of Romanian citizens. We are also happy to see that our cards portfolio has grown further, almost by 10%. We reached 6.6 million cards, debit and credit cards being, by far, the market leader. This puts a strong foothold for us in the payment systems with our vast ATM and POS network.

Our deposits were also growing in line with the market trends. We were not very aggressive in the pricing. The impact you have seen also in the net interest margin change, net interest income stability and growth. We were benefiting from high liquidity already. So, we didn't want to have an aggressive pricing to decrease our bottom line. On the other hand, as we are the main salary payers and pension payers of Romania, this gives us still a strong current accounts deposit base at zero interest rate, at zero funding costs, besides the fact that it helps us with the transactional volumes and the fact that 1 out of 3 payments in Romania are routed through BT.

In Retail Banking, our new production was RON6.2 billion, as I said, balanced between mortgage loans and consumer loans, including cards. Our customer numbers have been also increasing. We are already close to 4 million customers in retail banking. And this increase, although challenged due to definitely also demographic factors is continuing. And the good thing is that we are expecting 420,000 new customers to join us from OTP once the integration will be accomplished.

SME and corporate banking new production was over RON17.5 billion so far this quarter. We started also taking over partially portfolios of other banks and also OTP. Some customers are voluntarily transferring their businesses to BT as they're expecting the merger to happen. BT Go, our digital platform exceeded 150,000 customers so far. We are doing heavy investments there for the performance and for the new features of the BT Go.

But the main aspect, the anchor feature of BT Go is the

e-invoicing where we have issued already few thousand invoices, which helps our small and medium-sized customers manage their e-invoicing challenges in Romania. We also managed to tap almost RON1.6 billion from recovery and resilience funds, that are ongoing discussions in the pipeline. We see more volumes coming. And our health care business, our medical doctors division, Divizia pentru Medici, has reached an almost 40% market share.

One of the positive aspects that we see in our portfolio, where we have a very strong presence in agricultural sector (despite the ordinance approving the moratorium) is that most of our customers do not opt for this moratorium because due to other government programs and facilities offered by BT and other financing institutions, they prefer to continue their businesses on their business-as-usual terms.

I will leave it to Cătălin for his risk presentation.



**CĂTĂLIN
CARAGEA**

Thank you, Ömer. Thank you for having me here. Good afternoon to everybody. When coming to the risk side, we will start with the credit risk section, where we can say that we are experiencing a very low level of the risk cost ratio. This is due to a good portfolio quality but also prudent risk management practices. Our estimation is that by year-end, we will stay within an adequate range of risk cost ratio both individually and at consolidated, group level.

Looking at the stock of provisions, we are seeing throughout the year an increase of around of 7.5%. It should be mentioned that this level is below the loan book growth, which is also backed by the good portfolio quality. When talking about the distribution on the provisioning stages, what we can observe for the last period of time, is that we are having a very steady distribution, basically reflecting the provisioning levels.

Looking at the underwriting standards and the NPL portfolio, what we can say is that the prudent underwriting

standard that Banca Transilvania is pursuing is mirrored in the NPL ratio. However, since the beginning of the year, we saw a slight increase in the NPL ratio. This was observed also in the market, at our peers, but we succeeded to keep the level of the NPLs below the market average. Where did we see this steady increases? These were observed on the SME side and unsecured loans for private individuals side, but this is within the acceptable level and within our risk appetite.

Going further, when talking about the capital position, Banca Transilvania has a very strong capital position as of September, with the total capital ratio standing at 26%, again, a level which is above the market average. This is corroborated with a very strong own funds distribution. We could say that this is covering any future growth that we might envisage for the upcoming period and also for any regulatory changes that might come, either expected or unexpected. If we are looking at the own funds, we can see that when compared to 2023 year-end, the own funds grew by around 24%. This is showing the self-capitalization capacity of the bank.

If we move forward to the liquidity levels, Banca Transilvania has a strong capital base, but also the capacity of attracting funds from the market thus showing more than adequate liquidity ratio levels. LCR and NSFR and immediate liquidity ratios are all comfortably above the regulatory standards and also within our risk appetite.

What we can say, as you see on this slide presented via few bullet points which are depicting the characteristics of the last bonds issuance, is that we have undertaken an issuance in September under the EMTM 2023 program.

This puts us proudly in the position to say that we are seen on the market, at the level of other large banking groups from the region and not only.

If we move forward on the sustainability aspects, I would like to emphasize here a few topics which are part of our ESG strategy. We can proudly say that we have issued some new reports which can be seen by all the investors

on our website where you will see our efforts regarding the ESG activity, which are going on all angles. I will start first with the environmental field.

For example, just presenting to you some highlights from this slide, you will see that we have successfully allocated our EUR 500 million sustainability bond funds issued in November 2023, with a ratio of 40-60% between green and social eligible projects. If we look at the green and social categories total investments' amounts or at our loan book, you will see that these are a multiplier of the resources that we have attracted on this field.

This is basically supporting our commitment towards our ESG strategy that we have designed.

We can also proudly say that we are the first bank in Romania, which designed and opened a unit dedicated for the people with disabilities. And here, we offer the facilities for these people in order to show and also support our commitment towards these clients.

You have most probably seen also in the media, the news about the 2 years anniversary of our Stup community, which is linked with our subsidiary, BT Mic or BT Micro financing. We have celebrated together with our customers and with our partners, many achievements that we have fulfilled in the last period of time and also put the basis for the future development. Stup is one of the examples showing what BT is doing in this area.

As I was saying at the beginning, we launched the first impact and allocation report together with a reputable partner. And in this report, you could see some benchmarks and some figures that are showing key elements staying behind our ESG strategy. Thank you.



AUREL BERNAT

Going further to digital, and thank you, Cătălin. We can name 2 super apps of ours. One is BT Pay. The other one is BT GO. The last one was already presented by Ömer. It has a very good hype in terms of legal entities, more than 150,000 already registered companies and the factor, which is the electronic invoicing, it's a real hit in the market us being the only ones having it.

For BT Pay, in terms of numbers it is relevant to mention the fact that we reached 3.7 million customers already. We have posted increases in payments and also in funds transferred. The new key features, which are relevant also for our core business, are the loan origination because it means 100% digital loan sales through this app. The second one is related to the investment funds, the introduction of BT Asset Management offerings into the digital world, fully digitalized originations.

So, customer onboarding as well as transaction sales, redemptions but also investments in all these funds, along with also what Ömer mentioned regarding the integration of OTP Asset Management. We truly believe that through the apps and digitalization of the capital markets, investment funds, brokerage, pension funds and so on, we can increase the non-core business of Banca Transilvania obviously through its subsidiaries. Going further, I will switch to George for the financial group section.



**GEORGE
CĂLINESCU**

Thank you, Aurel, we are now presenting the BT Financial Group overview. I will reserve most of the time allocated to talk a little bit more about OTP integration. I will mention the most important things that happened in the first 9 months for our other companies in the Group. I think it's important to mention that BT Capital Partners acted as joint bookrunners for the bonds issued part of Romgaz MTN Program.

BT Asset Management had the investment feature included in BT Pay, which we hope that will increase the sale of investment products. Looking at BT Leasing, they are moving forward with the integration of OTP Leasing, which is the biggest project for the last part of the year.

BT Mic, as already mentioned, celebrated two years of Stup. BT Pensii, even though they didn't record a net profit, we can mention that they are growing quite strongly. In September, for example, over 40% of the new participants to the optional pension plans in Romania chose BT Pensii as their pension fund, thus posting a 24% increase in the assets under management this year.

Salt Bank, the other company which did not bring a net contribution to the overall result this quarter is on growth path as well. Salt Bank, since opening the new app to the clients, already has 275,000 clients onboarded. We can say that the profile of the clients that Salt Bank has is very encouraging: young people, people from big cities. The usage of the app shows that the app is mostly used for day-to-day activities, which will ensure the future consolidation.

Now coming back to OTP. OTP, you've seen some of the highlights in terms of results that we have presented on a separate note in the financial statements. I want to point out the bargaining gain of RON 675 million reported for the first time in Q3, at consolidated level. This is a value that has been calculated and is prone to variation in the last month of the year, when we will finalize the fair valuation reports for the entities.

This is recognized, starting with September, in our financials at consolidated level, and it's non-taxable. So, there is no issue in this regard, like we had in the past with previously acquired businesses. Since then, the legislation was clarified, and the bargaining gain is a non-taxable revenue. Now when you talk about how we reached to this amount, we have some details presented in the slide.

I will not go into details. If you have questions, we're happy to answer them. But what I want to point out is the other impact of OTP and the fact that OTP has a big contribution to the overall both position and results of the bank, namely a 7% of the consolidated total assets. And if you take a look at the P&L, leaving aside the bargaining gain, we do see a 4.2% contribution to the overall results, and we consider the fact that the acquisition has taken part at the beginning of the year. The 2 months of the

year since we closed the deal, the 2 months accounted for in Q3, we do have a RON 92 million contribution.

What's the impact in capital? we were asked this question. So, if you take away the bargaining gain, there is a negative impact of almost 2.4%, that is well within our guidance. But if you take also into consideration the bargaining gain, we will have an impact in CET ratio that is less than 1%.

Loan to deposits increased, as I mentioned a bit earlier, with 3% and also earnings per share impact is accretive. We do have an increase of 0.8% in terms of earnings per share following the acquisition of OTP. I want to clarify one thing because we've started already receiving some questions, and I want to put it out for everybody.

Since we will not be finalizing the consolidation, namely the merger with OTP this year, the impact of the bargaining gain will be seen in the P&L only at consolidated level. We will benefit from the impact of the bargaining gain at the individual level, in terms of the equity available, next year once the merger is finalized. But we will not be seeing this in the P&L of the individual entity this year because that will happen next year.

Having said that, I think we'll reach the Q&A session, and I'll give the floor to Ömer.



ÖMER TETİK

Thank you very much. We should also allocate some time for Q&A. We have some questions already posted via the website window on the app. We will ask Diana to help us read the questions. We will try to answer all of them, in case we will not be able to answer any or skip any by mistake, please come back to Diana and her team.



**DIANA
MAZURCHIEVICI**

Thank you. The first question comes from Swiss Capital, Daniela Mândru. Beyond 2024, how do we expect the net interest margin to evolve over the medium term at the bank level? How do you foresee lending activity evolving across the sector? Should we continue to anticipate high single-digit annual growth rate? That was the first question about the business activity.

In terms of Basel IV requirements effective first January 2025. In the previous conference, the bank mentioned that it does not anticipate any impact on its capital ratios. Do you still maintain this position? And finally, the last question, would it be reasonable to anticipate a higher cash dividend payout ratio from the 2024 profit?



ÖMER TETIK

Thank you, Diana. I would say although we are now in the period of drafting or finalizing our budget for next year, I don't want to give any guidance, with some numbers declared. But what I can say is that even if some of the results are not as we would like it to be, personally or individually, there are still all elections around the world which create an environment of uncertainty.

On the other hand, we have strong results, and we are quite optimistic about next years, about the Romanian economy, the economic growth. So, what I can tell you is that in terms of percentage allocation, we don't see any reason to decrease the percentage of profits allocated as dividends.

If there will be further, let's say, good surprises or stronger results, we don't want to aggressively change our policy because we have a high-growing institution. As you said, yes, also answering to your question, we are expecting the last quarter of this year to be at least as strong as the Third Quarter.

And next year, unless there will be any black swan events, in a more peaceful geopolitical environment hopefully, we might have also a good opportunity to grow high single digits or maybe we'll even touch double-digit growth. When we will announce our budget, in a few months, you

will see how we foresee our stance in the market as well.



**CĂTĂLIN
CARAGEA**

I will take the questions on the risk side on risk cost and Basel IV impact. Risk cost ratio, we are estimating to still stay at a low level when compared with the market or with a normalized risk cost ratio. And we might see maybe a slight upward trend, but still within the guidance.

So, we don't expect any unpleasant surprises on the risk cost side.

Regarding Basel IV impact, we maintain our opinion and our estimations that we will see a neutral impact. However, you should also see this in our capital ratio which stands at a level which can absorb also unexpected events in case this will go out of the Basel IV Accord implementation.



**DIANA
MAZURCHIEVICI**

Next set of questions comes from Miguel Dias, Wood & Company. How many rate cuts from National Bank of Romania are you anticipating in 2025? And what is the trajectory you see for the net interest margin? Second question, have bargaining gains already been recognized in the capital at the end of Third Quarter 2024? This already includes the First Half profit. And last question, any one-off costs related to the integration to be booked this year?



ÖMER TETIK

I will try to answer, George, you can complete the answer if I miss anything. So, regarding the net interest margin, we think that we could encounter a slight decrease of 20 basis points, 25 basis points, but we will still deliver net interest margin over 300 basis points. We are comfortable seeing that. It's a bit difficult to guess now the monetary policy decisions because there might be some changes, starting with the U.S. So, we don't expect very aggressive rate cuts.

We were saying this also at the beginning of this year, that

there won't be very frequent rate cuts by the National Bank of Romania. We maintain more or less this approach, most probably the reference rate will remain above 5% at the end of the next year. But I would say, all the central banks around the world are settling down after Fed potential decisions and changes in U.S. policy. There was a question regarding the...



**GEORGE
CĂLINESCU**

Bargaining gain.



ÖMER TETİK

Yes, the bargaining gain, as George was mentioning, it is accounted at the consolidated level, it's not booked in BT individual profits. It's not included in our individual numbers, is our initial financial data, and it will be recognizable only after the full merger of two entities, hopefully next year. Definitely, the impact is seen on the consolidated numbers, and this gives us some comfort in order to build our business plans because at the end, it is the group's equity, group's profitability.



**GEORGE
CĂLINESCU**

There was another question on the integration cost. And then indeed, we can say that we started to book part of the integration costs in the P&L of OTP Bank this year because like Ömer mentioned a little bit earlier, the process is already ongoing, and we have 100 days of the integration process with OTP already finished.

We expect part the expenses to be booked at the level of OTP, maybe this year, majority of them next year. What is important to note for the investors is that whatever the

P&L of OTP will be for the next month of the year, next year will become our P&L.

And this is something that we need to keep in mind that once we merge the entities, whenever the merger will take place, we will put together the P&L for the new combined entity, including the P&L of the OTP Bank until the merger date.



**DIANA
MAZURCHIEVICI**

Next question comes from Odile Bagao with Consilium Investments. What are the main changes done to maintain net interest margin at a high level? Are they only addressing the deposit base or also adjustments on the loan book?



ÖMER TETİK

Odile, I guess you were asking which is a sustainable net interest margin level. But the thing is that we have quite a strong margin, I would say at about 300 basis points. We think that it's sustainable, maintainable. Our actions are very much the same, we didn't invent anything new very recently.

We had been investing a lot in the payment systems that we have in the cards business, salary accounts, current accounts development at low yields. Our network is a huge attraction. Although many banks are avoiding physical networks, we think that for our customers' trust, confidence and deposit relationship it's also very important.

So, we are addressing it on both sides. We are, on the one hand, very careful. We were the first bank in 2022, after the war started, having the lowest loan-to-deposit ratio, we were the first bank to increase our deposit interest rates, because we guessed well where the market will go. We are very careful about our liquidity position, liquid assets.

On the other hand, we don't chase only high interest lending products. That's why we were not as aggressive as the rest of the market in consumer loans. We preferred safer and cross-sell platform-based mortgage loans predominantly.

Actions are all around our treasuries, which also have been performing very well, especially in the last couple of years in terms of liquidity management, portfolio management. That's why we don't focus on only one part, but also our business model itself, the phygital model, online lending, on-site network, lending and deposit activity, the account opening activity helps us to maintain this strong margin.



**DIANA
MAZURCHIEVICI**

Next question is from Simon Nellis, Citi Research. When do we expect Salt to be breakeven?



ÖMER TETİK

That's a good question. Our colleagues are very ambitious. They are trying to do it. They say that we may reach monthly breakeven at the end of next year, at the end of '25, I will say that we will reach it in first quarter of 2026. We have a lot to invest there. The good thing is that we have 275,000 customers, and numbers are growing. New products, new services will come in.

But at this moment, we are in the investment phase in the applications and the people. You have seen, it's only 300 people, but they are valuable 300 people in terms of salary expenses.

So obviously, our first target there is that we want to learn, and we want to be relevant for the customers but also, we

want to grow the customer numbers at the existing level although we don't like to see any subsidiary losing money, the investment or the losses encountered there are affordable for us.



**DIANA
MAZURCHIEVICI**

Question from Jennifer Passmoor, HSBC. Do you have a target figure of synergies or cost savings that can be gained from the combination of BT Group and the OTP companies? And in addition to that, does the acquisition of OTP Romania change the outlook for loan growth post the acquisition uplift to the group?



ÖMER TETİK

Thank you, Jennifer. We have also said in the last conference that obviously, from the portfolio business that we acquired from OTP, we are expecting at least 60% lower cost synergies, but also, we will be knowing and testing the customers more definitely, as we have done with Volksbank, Bancpost, Idea::Bank in Romania.

We are not excessively positive about cross-sell opportunities to OTP customers. But it will be also a good opportunity to grow on the revenue side. In any case, as you know, it's a very good placement of our liquidity and excess capital so far, as it is seen also in the numbers.

As regards the outlook for loan growth, maybe it was putting some pressure and ambitions on our network business lines. The year that we had integrations, we usually had also the highest organic growth. And because the engine is running, everybody is very well trained. The opportunities are being well addressed.

So, we are not acquiring banks, portfolios or leasing companies to compensate for what we cannot do. But what we see is that they are independent of each other, although they put pressure on each other in terms of project management. So, the numbers that I said, high

single-digit or maybe next year, low double-digit loan growth numbers are going to remain, and they'll remain on the organic growth.



**DIANA
MAZURCHIEVICI**

Coming back to Miguel from Wood. An additional question around the digital initiatives. Is it already possible to take on a mortgage loan, 100%, through the applications?



ÖMER TETİK

I will answer this also. We cannot, unfortunately, also due to lack of digitization at local administration levels and land registry. We are not there yet. You can open an account, you can get a consumer loan, a credit card fully online. But mortgage loan, we are not there yet, and I don't expect it to be fully online neither next year.



**DIANA
MAZURCHIEVICI**

Next question comes from Raiffeisen Bank International, Ruslan Gadeev. Concerning the OTP acquisition. Being formally part of OTP Resolution Group, the acquired bank had significant related party funding. Can you please clarify what happened to these funds upon the acquisition? Is it right to assume that these were repaid upon the deal?



**CĂTĂLIN
CARAGEA**

I will take this question. The answer is quite straight. We have been taking over the funding. After the merger, this portfolio will be part of BT and will have to comply with the MREL requirements of Banca Transilvania.



**DIANA
MAZURCHIEVICI**

At this point, we don't have any further questions that we haven't addressed. I would turn to management for the final closing remarks.



ÖMER TETİK

Thank you very much for joining us, listening to us, throughout our presentation -- which our colleagues already posted on the Investor Relations page on our website. If you need more clarity, please contact us. Our colleagues will try to answer all the questions and provide the necessary information immediately.

For those of you who have been with us, following us, commenting, putting questions, we are very grateful because you have been offering us the best consultancy that we could have. The following quarters, years to come will be slightly different as compared to last years, but now, at the current position, we have liquidity, capital marketing, brand image and market positioning. I think we have all the ingredients to do more of the right things. And hopefully, we will go through this journey altogether.

Wherever you are, whatever you do, we wish you all the best with your endeavors and looking forward to meeting

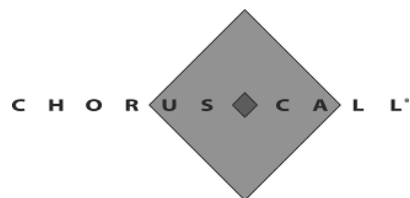
you either this week at our Investors Day or later in our next video conference. Thank you very much.

Q3: FINANCIAL RESULTS

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