



# BANCA TRANSILVANIA

## Q3 2020 financial results

November 16<sup>th</sup>, 2020



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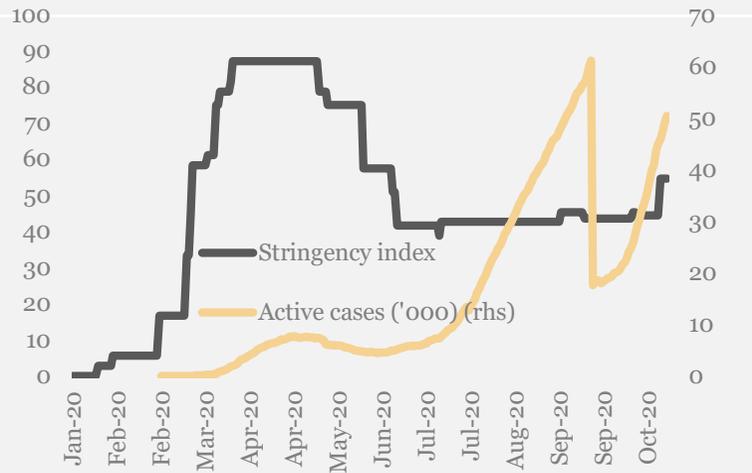
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# Macroeconomic Landscape

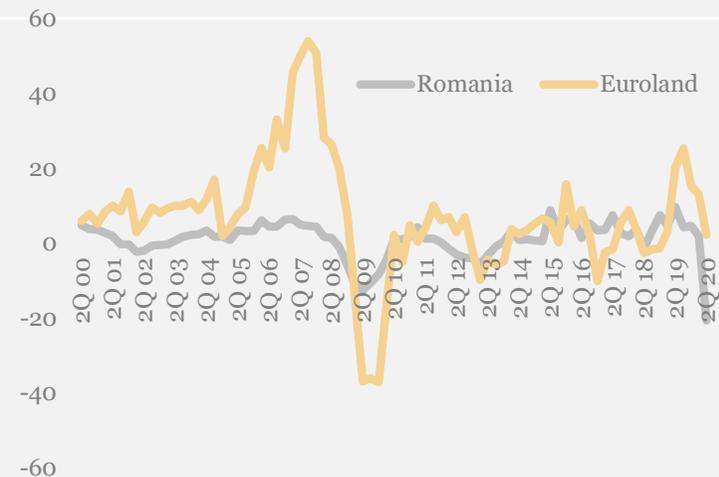
## real economy

stringency index vs. active cases



source: Bloomberg

gross fixed capital formation (YoY)



source: Eurostat

# Macro developments

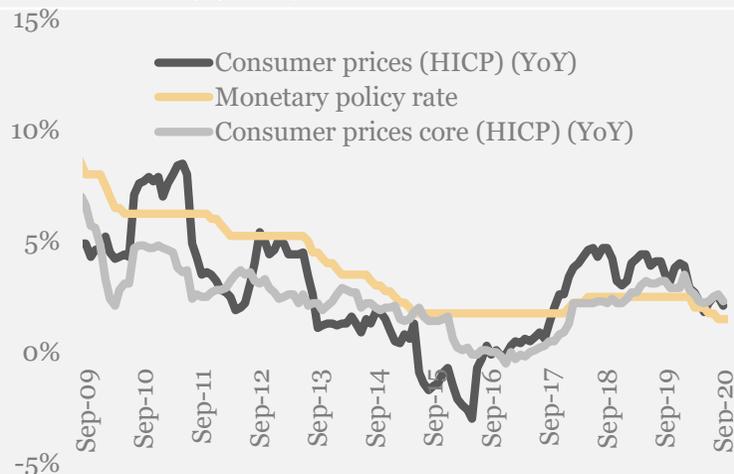
Some restrictions were reintroduced this autumn, as the health crisis intensified

However, the fixed investments rose in 1H despite the pandemic, Romania being the outlier of EU

- **The persistence and intensification of the health crisis determined the reintroduction of several restrictions this autumn, especially in areas with an incidence rate above 3 per 1,000 on 14-day cumulative basis**
- **The economy resumed growth in 3Q (5.6% QoQ), but on a YoY basis GDP contracted by 6% YoY in 3Q and by 5.1% YoY during 9M2020, according to the flash estimates, in the context of the outbreak of COVID-19**
- **However, the YoY dynamics of the gross fixed capital formation was positive (2.2% in 2Q and 6.1% in 1H), an evolution supporting the scenario for a quick transition from the post-crisis cycle to the post-pandemic cycle**
- **Romania was the only one country across the EU with a positive YoY pace of fixed investment in 2Q and 1H2020**
- **Furthermore, the recent developments of the leading, coincident and lagging indicators express the entry into a new economic cycle**

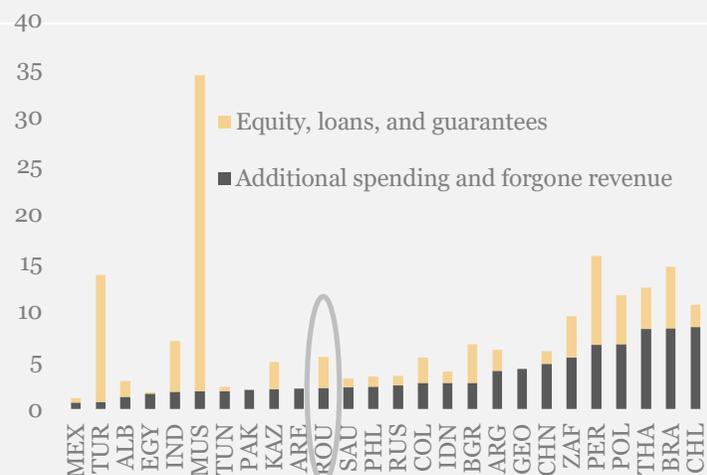
## policy-mix

### monetary policy rate vs. inflation



source: National Bank of Romania (NBR), Eurostat

### discretionary fiscal response (% GDP)



source: International Monetary Fund (IMF)

# Macro developments

The policy-mix maintained highly accommodative in 3Q2020, in convergence with the global and European stances

NBR cut the reference rate to 1.50% (a record low level)

The budget deficit widened to above 6% of GDP during 9M2020

However, the Parliament approved the increase of the pensions by 40% (instead of 14% adopted by the Administration), the main risk for sovereign rating, if implemented

- **The central bank (NBR) cut the policy rate by 25bp to 1.50% in 3Q (a record low level) and continued the bilateral repos**
- **At the same time, NBR cut the FX MRR to 5% in November**
- **On the other hand, the central bank did not buy sovereign bonds on the secondary market in September and October**
- **According to the IMF estimates the fiscal impulse of the Government after the outbreak of the pandemic stood at 5.4% of GDP (below 5.9% in EMMIEs)**
- **The budget deficit/GDP ratio widened to 6.36% during January-September 2020 (from 2.55% a year ago), but the increase of the capital expenditure by over 23% YoY expresses positive prospects for the dynamics of the economy in the coming quarters**

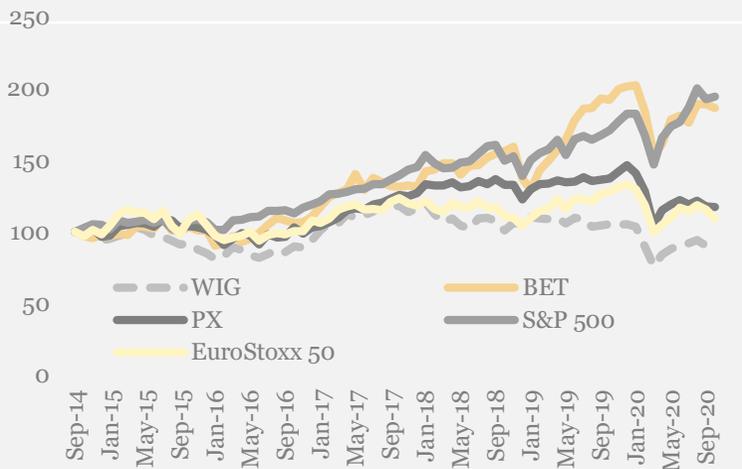
## financial economy

### CDS USD 5 YR (bp)



source: Bloomberg

### stock market total return index (Sep 2014 = 100)



sources: Bloomberg

# Macro developments

The risk perception improved in 3Q, given the climate on international markets and the outlook for domestic policy-mix

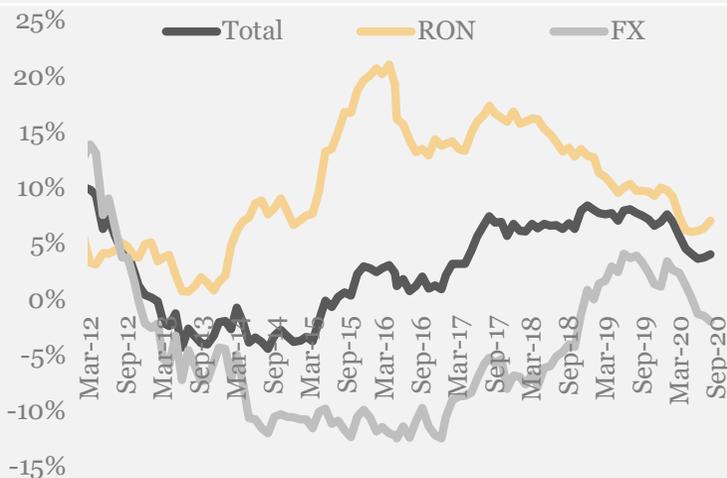
However, EUR/RON continued the gradual appreciation trend

BET index rose in September, diverging from the global/regional markets, due to the promotion into the emerging league

- **The health crisis has recently intensified, but the reaction of the financial markets was not as severe as in 1Q, as the shock was already incorporated into the expectations, while the efforts in terms of medical solutions continued**
- **The short-term interest rates increased in September, an evolution determined by the intensifying volatility on the global financial markets and the decision of the Parliament regarding the increase of the pensions**
- **However, the long-term interest rates declined in September, as Romanian bonds maintain attractive**
- **EUR/RON continued the upward trend in September and October, to record high level**

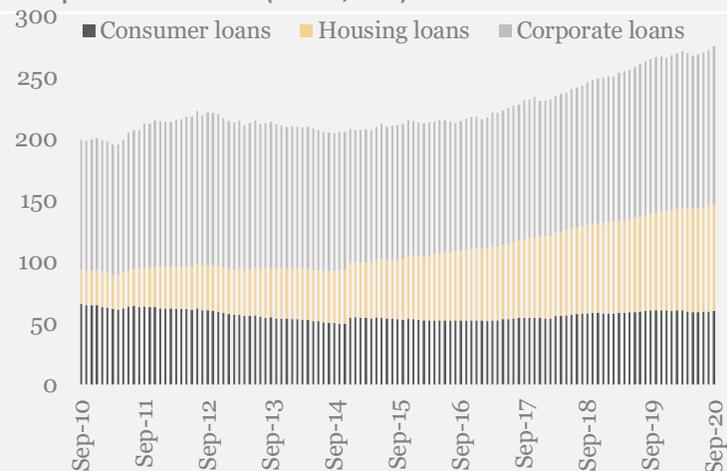
## loans

### loans (YoY)



source: National Bank of Romania (NBR)

### private loans (RON, bn)



source: National Bank of Romania (NBR)

## Banking sector dynamics

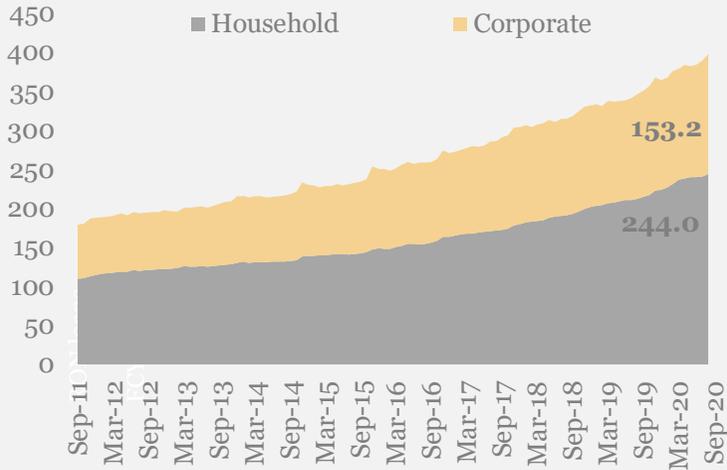
Loans continued the slowing-down trend in 3Q, to 3.8% YoY (from 4.7% YoY in 2Q) and rose by 5.2% YoY during 9M2020

- After hitting the lowest level since May 2017 in July (3.6%), the YoY pace of the non-government loans slightly accelerated in August and September, as the persistence of the pandemic was counterbalanced by the unprecedented expansionary policy-mix
- During 9M2020 the loans advanced by 5.2% YoY on average: the RON and FX components up by 7.5% and 0.7%
- In the alternative approach, the household loans rose by 3.9% ytd to RON 148.6bn during January-September, an evolution determined by the increase of the housing component by 6.7% ytd to RON 86.6bn (a record level) (the consumer loans contracted by 0.8% ytd to RON 59.6bn)
- The corporate loans climbed by 3.5% ytd to RON 128.9bn during 9M 2020
- At the end of 3Q the RON loans represented 68.6% of the non-government loans, the highest level since 1990s



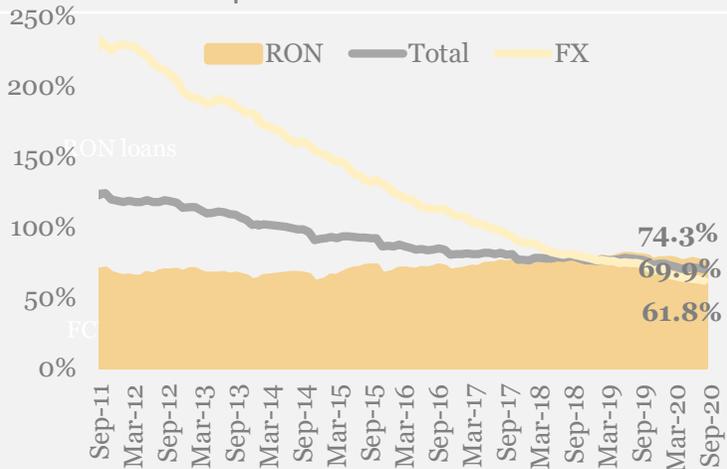
## deposits

deposits (RON bn)



source: National Bank of Romania (NBR)

## loans-to-deposits ratio



source: National Bank of Romania (NBR)

# Banking sector dynamics

Deposits continued to outpace the dynamics of the loans in 3Q

- The YoY pace of the deposits accelerated from 13.2% in 2Q to 14.1% in 3Q (up by 12.9% during 9M2020), an evolution determined by the high level of the savings ratio and the expansionary income policy
- There can be noticed the acceleration of the RON deposits from 10.2% YoY in 2Q to 12.4% YoY in 3Q (up by 10.7% YoY during 9M2020), given the increase of the household savings rate (to record levels)
- The FX deposits decelerated from 18.7% YoY in 2Q to 17.3% YoY in 3Q (up by 17.1% during January-September, an evolution influenced by the upward trend for the EUR/RON)
- Household deposits climbed by 9.7% ytd to RON 244bn, while the corporate deposits rose by 5.4% ytd to RON 153.2bn during January-September
- The loans-to-deposits ratio continued the downward trend to 69.9% in September (a record low level) (the differential deposits – loans up to around RON 120bn)



# Actions and Impact COVID19



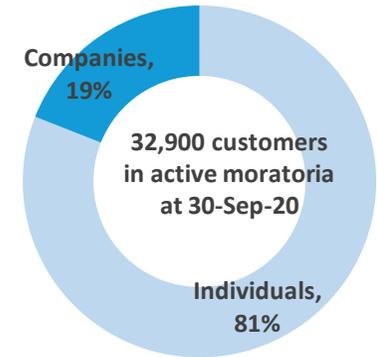
# Fuel the economy during CoVID-19 pandemic

## Supporting customers



Granted payment holiday to more than 41,000 customers, representing 14% of the loan portfolio (i.e. RON 5.8bn)

By 30-Sep-20, more than 8,000 customers (RON 1.6bn) exited the moratoria (maximum period up to 31-Dec-2020)



## Supporting businesses



Delivered Government support measures through IMM Invest:

- ✓ Total guarantees up to RON 20bn (vs. RON 15bn), while BT's allocated cap increased to RON 4.15bn (vs. initial RON 3.4bn)
- ✓ 71.2k companies applied for the program, 40% choosing BT
- ✓ 1/3 of the loans granted under IMM invest were new customers and fitted our strong commitment of support towards small businesses

BT's recent progress: more than 7,800 customer financing requests were approved, amounting to approx. RON 3.4 bn

## Network and employees



Open for business:

- ✓ more than 95% of the units kept open for business
- ✓ on average, approx. 40% of colleagues work from home



# Leverage on digital capabilities to move forward

proactive support

solidarity

ease of banking

constant communication

shift to digital

care

## Retail

- More than 1.7mn. customers (~59% of the active clients) are using BT's digital solutions: BT Pay, BT24, Neo, Apple Pay, Fitbit
- New BT Pay functionalities: users able to connect their Google Fit, Apple Heart to BT Pay; quick access to cards information details;
- BT Visual Help interactions increased by 3.45x in Q3 vs. Q1
- Over 7,000 donations with BT Pay in Q3 (double vs. Q2)

## Companies

- Opening of online capital current accounts: usage up by 4.35x in Q3 vs. Q1
- Use of digital solution for loan related documents to reduce contact: increase by 62%, in terms of clients using the Fileshare in Q3 vs. Q1
- Enhanced digital communication via virtual assistants by phone (usage up by 4.6x in Q3 vs. Q1), via WhatsApp or via Facebook

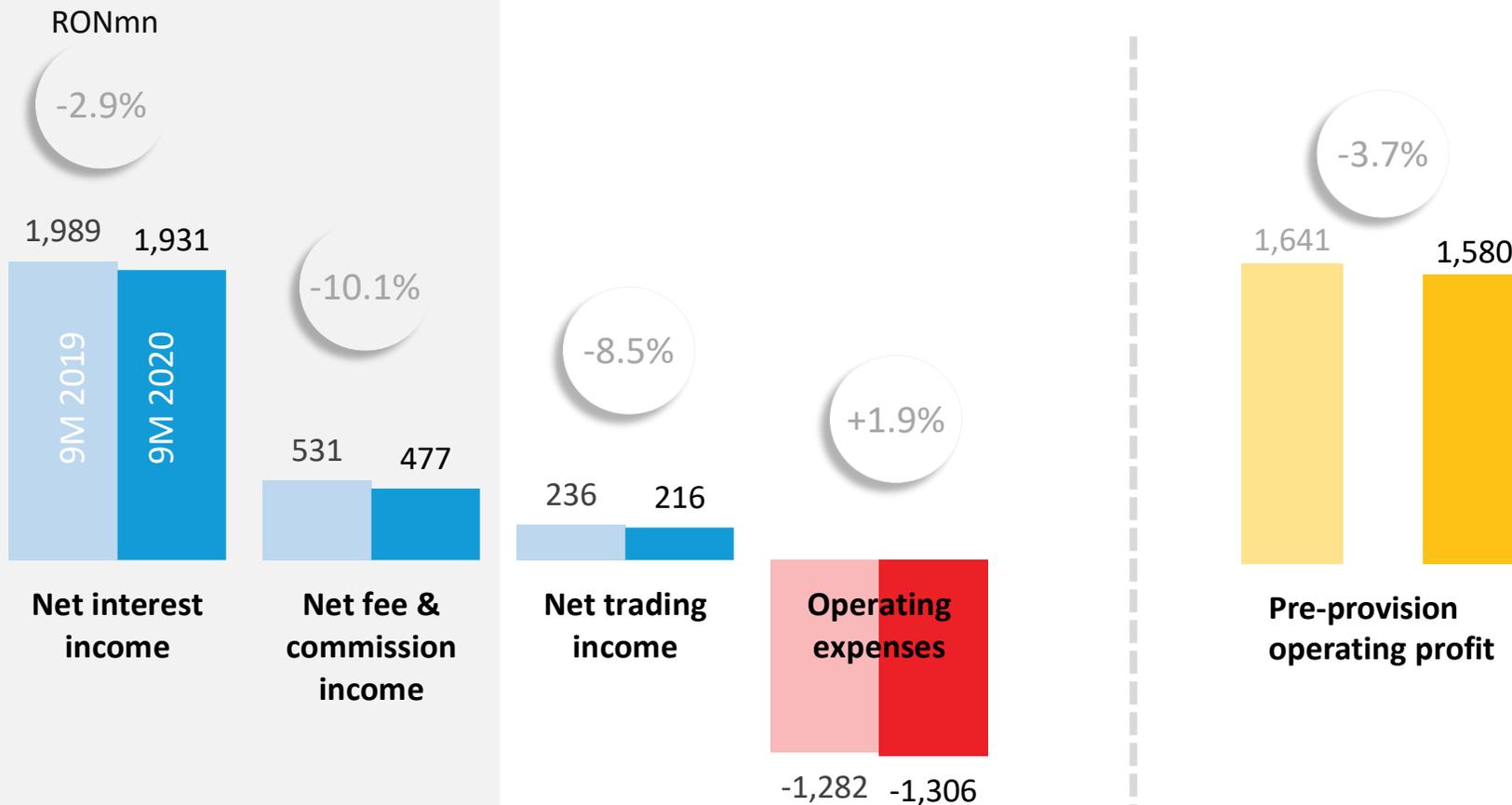


# Financial Performance



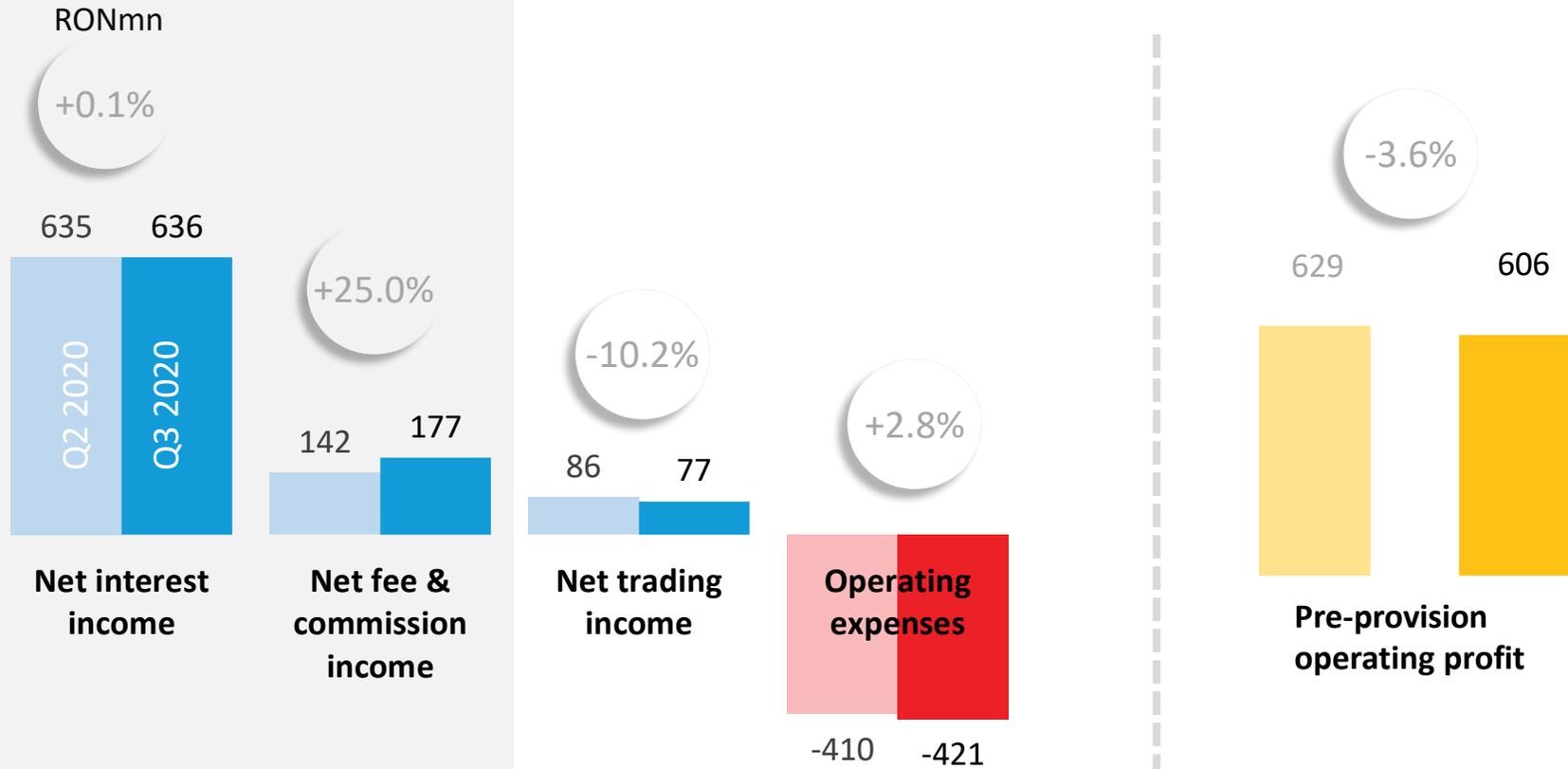


# Trends in income structure Q3 2020 vs Q3 2019





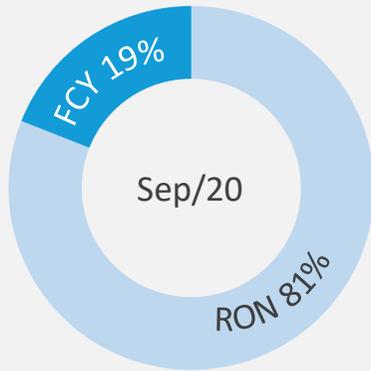
# Trends in income structure Q3 2020 vs. Q2 2020



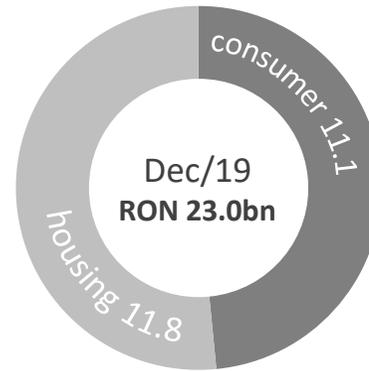
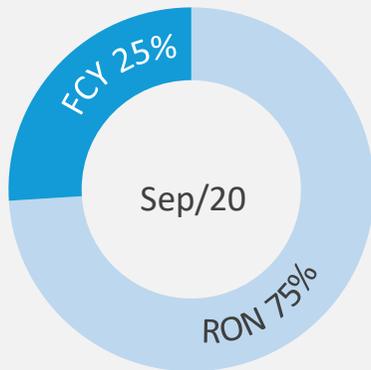


# Loan structure

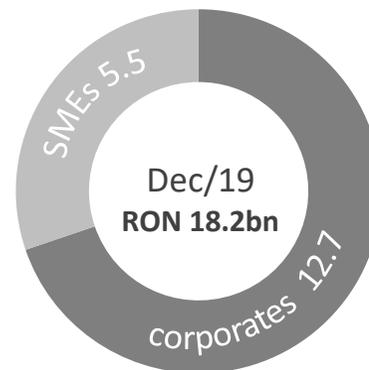
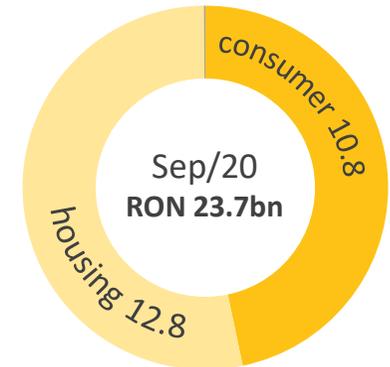
## loans to households



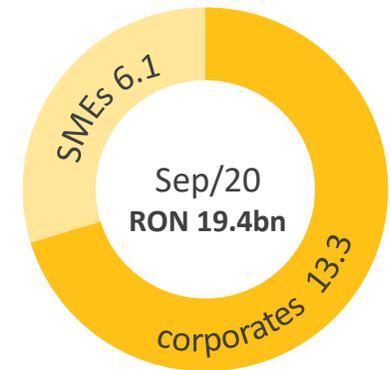
## loans to companies



↑ 3%



↑ 7%



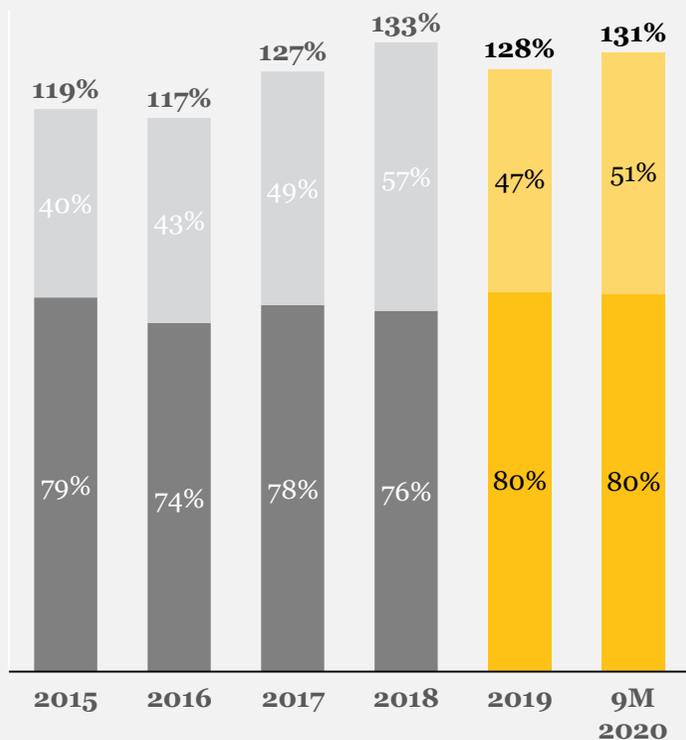
\* SMEs identified according to internal classification rules



## Loan quality

NPL (PAR90) ratio improved to 2.05%, impacted by the write-offs performed in September 2020 in amount of 398 mn RON

NPL coverage ratio



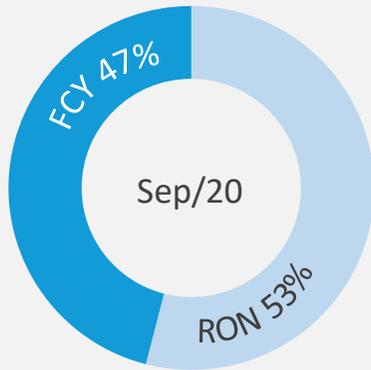
NPL coverage with mortgage collaterals  
 NPL coverage with provisions

- **Banca Transilvania continued to provide a sound coverage ratio for its PAR 90 portfolio**
- **NPL coverage, including collaterals, sits at a comfortable 131% level**

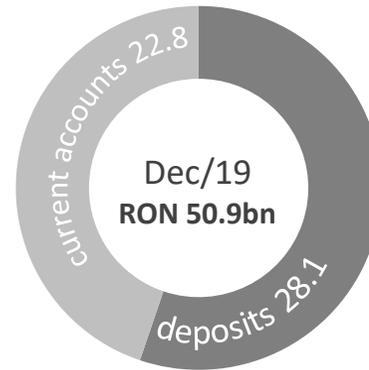
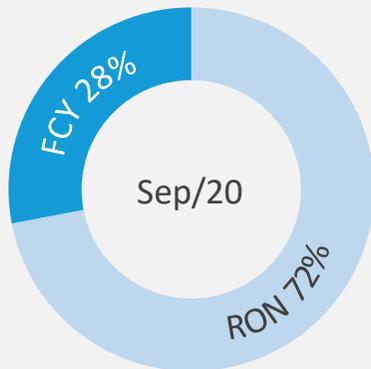


# Deposit structure

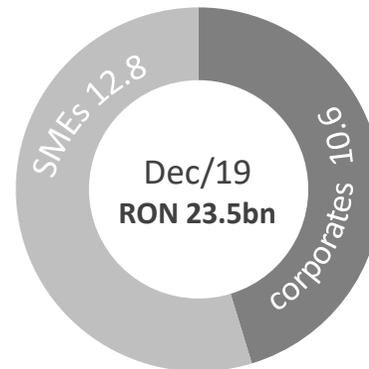
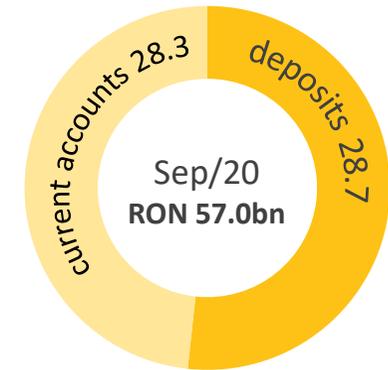
## deposits from households



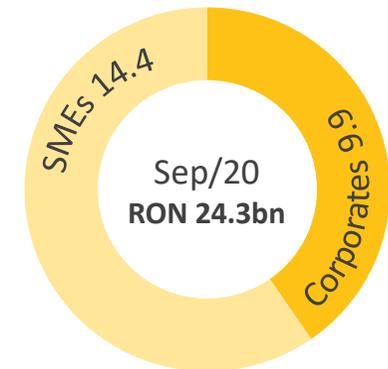
## deposits from companies



↑ 12%



↑ 3%



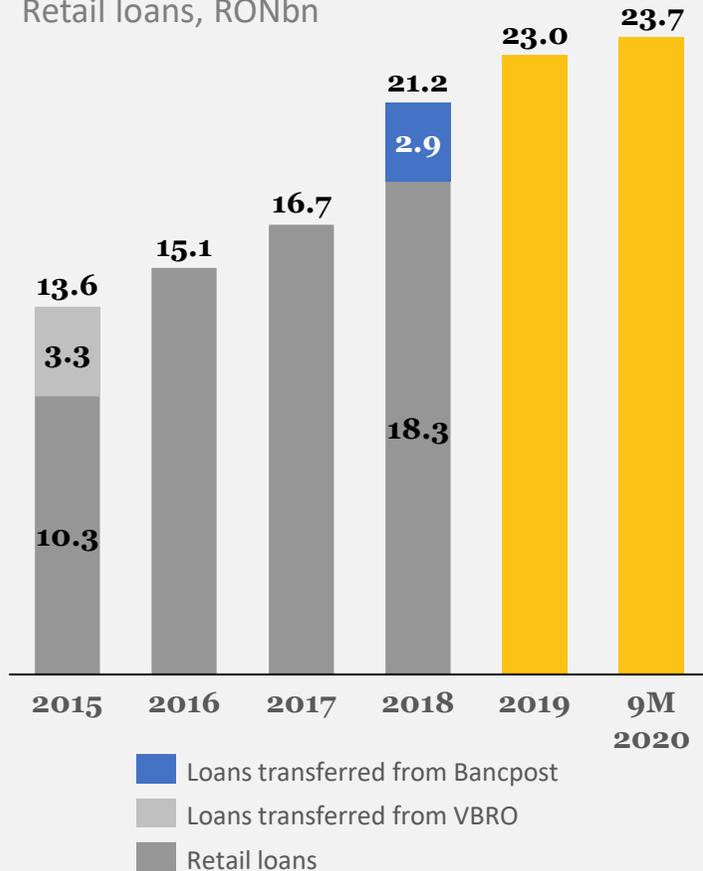
\* SMEs identified according to internal classification rules



## Business lines/ Retail banking

Retail loan portfolio reached RON 23.7bn at the end of 9M 2020

Retail loans, RONbn



*\* Loans transferred from Bancpost include loans transferred during 2018, before integration*

- **~2,942,000 active clients**
- **~55,800 non-card retail loans disbursed in 9M 2020**
- **leader on the cards market (23% market share) both on issuing and acquiring with 4,3 mn active cards, 66k POS terminals and 1,733 ATMs**
- **more than 1.2 million cards enrolled in BT Pay and Apple Pay wallet applications**

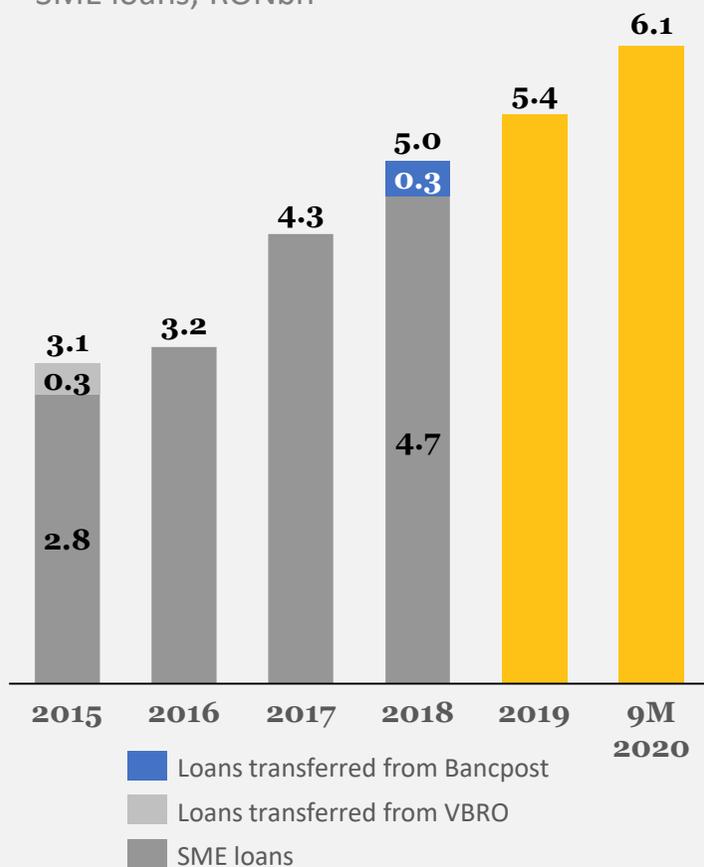


## Business lines/ SME banking

SME (internal definition) loan portfolio at RON 6.1bn

- **~329,000 active clients**
- **Banca Transilvania actively engaged on supporting SMEs, with over 2,000 colleagues working together with the applicants**
- **Banca Transilvania joined, together with other 7 banks, in supporting the recently-launched SME support scheme of EUR 1bn in the form of financial grants (enacted by “GEO 130”). Out of the total applications, BT recorded 50% requests to open necessary current accounts**

SME loans, RONbn



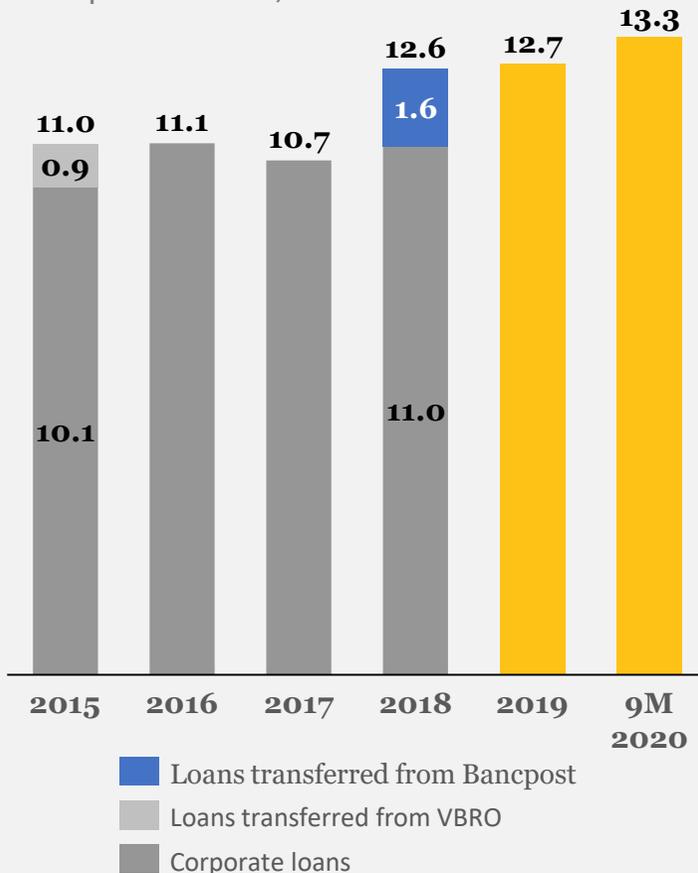
*\* Loans transferred from Bancpost include loans transferred during 2018, before integration*



## Business lines/ Corporate banking

Corporate loan portfolio remains stable increased to RON 13.3bn

Corporate loans, RONbn



\* Loans transferred from Bancpost include loans transferred during 2018, before integration

- **~10,400 active clients**
- **4.7% YTD increase coming from a balanced split between existing clients and new relationships**
- **sectorial approach: focus on healthcare, communication, agribusiness, FMCG and industrial manufacturing**
- **provide necessary liquidity buffers across the entire supply chain ( including factoring), while increasing the support to local infrastructure projects and businesses with social impact**

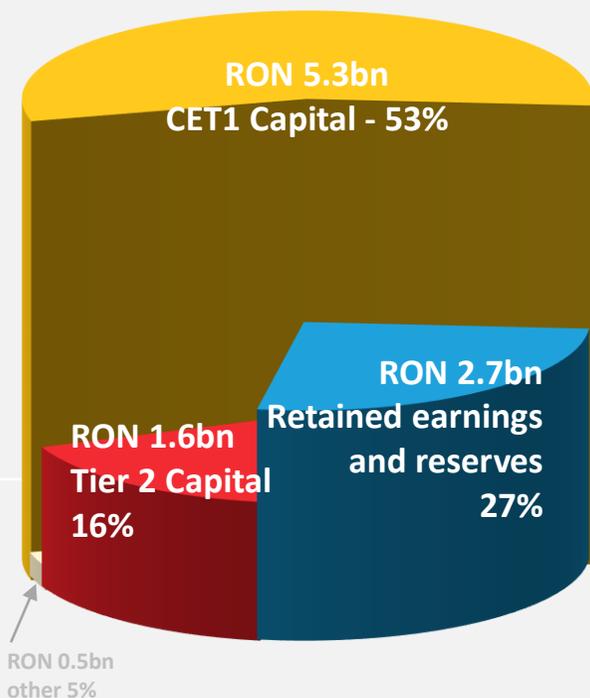


# Capital

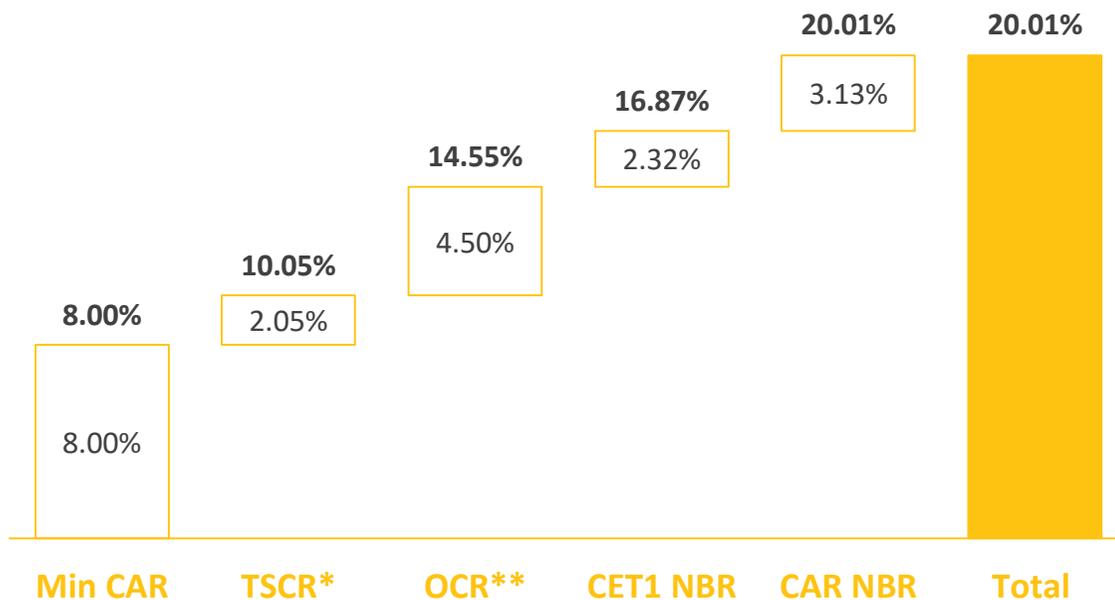


# Robust capital to weather the pandemic context

Banca Transilvania is a well-capitalized bank and represents a source of strength for the economy amid the Coronavirus pandemic



Structure of own funds  
RON 10.1 billion  
(profit excluded)



*NBR computation framework*

*Profit for 9-month period ended 30-Sep-2020 excluded (vs. slide 16)*

*\*TSCR includes Min CAR and additional requirements as regulated by NBR*

*\*\*OCR includes TCSR and capital buffers (conservation buffer plus the higher of O-SII buffer and systemic risk buffer)*



# Sustainability



# Stepping up the pace towards sustainability

Sustainability is no longer about doing less harm, it's about doing more good.

**BT has a maximum score of 10 in terms of VEKTOR Index provided by ARIR**

Partner of European Energy Efficiency Fund in Romania since 2014

Ensure high standards of E&S assessment of the loan portfolio, by compliance to IFC/EBRD standards for more than 10 years

Kick-off the ESG reporting in line with renowned standards in the industry, namely Global Reporting Initiative (GRI), currently consulting our stakeholders.

Embedded E&S topics in the product design: launch of leasing solution for electric & hybrid cars acquisition.

Elevated our dialogue with customers on E&S topics, raising awareness.

Enhanced E&S loan analysis is performed for projects over EUR 5 Mio, while E&S assessment applicable for all companies. Carefully reviewed the exclusions list and assumed a definite NO to projects with high E&S risks

# Banca Transilvania

## Financial Group as of 30/Sep/2020



total assets RON 96.1bn



total assets RON 491mn



total assets RON 1,211mn



AUM RON 3,853mn



total assets RON 169mn



total assets RON 506mn



total assets RON 3,581mn



*\* Figures for subsidiaries assessed under RAS rules;*



# Annexes



# ANNEX1

## income statement, IFRS individual

### RONmn

	9M 2020	9M 2019	
Net interest income	1,930.6	1,988.9	-2.9%
Net fee and commission income	477.2	530.9	-10.1%
Net trading income	215.7	235.7	-8.5%
Other net income	262.4	167.3	56.9%
<b>Operating income</b>	<b>2,885.9</b>	<b>2,922.8</b>	<b>-1.3%</b>
Personnel expenses	(701.4)	(674.6)	4.0%
D&A	(222.9)	(211.2)	5.6%
Other operating expenses	(381.6)	(395.8)	-3.6%
<b>Operating expenses</b>	<b>(1,305.9)</b>	<b>(1,281.6)</b>	<b>1.9%</b>
<b>Pre-provision operating profit</b>	<b>1,580.0</b>	<b>1,641.1</b>	<b>-3.7%</b>
<b>Cost of risk</b>	<b>(542.1)</b>	<b>(13.1)</b>	<b>&gt;100%</b>
<b>Net income before taxation</b>	<b>1,037.9</b>	<b>1,628.1</b>	<b>-36.3%</b>
Income tax (expense)/revenue	(136.4)	(243.0)	-43.9%
<b>Net income</b>	<b>901.5</b>	<b>1,385.0</b>	<b>-34.9%</b>



# ANNEX1

## balance sheet, IFRS individual

RONmn

	Sep/20	Dec/19	
Cash & cash equivalents	15,335.4	13,480.2	13.8%
Placements with banks	9,586.8	6,995.3	37.0%
Loans to customers, net	40,080.3	38,601.9	3.8%
T-bills & securities	28,503.9	25,985.6	9.7%
Fixed assets	816.9	777.4	5.1%
Right-of-use assets	370.4	366.2	1.2%
Investments in associates	497.4	486.4	2.3%
Other financial assets	815.6	638.8	27.7%
Other non-financial assets	107.4	106.2	1.1%
<b>Total assets</b>	<b>96,114.2</b>	<b>87,438.1</b>	<b>9.9%</b>
Deposits from banks	361.6	304.5	18.8%
Deposits from customers	81,266.2	74,353.7	9.3%
Loans from banks and FIs	1,180.5	895.7	31.8%
Subordinated loan	1,690.4	1,696.6	-0.4%
Current tax liabilities	40.9	38.1	7.3%
Deferred tax liabilities	39.0	7.9	393.3%
Provisions for other risks and charges	502.9	498.5	0.9%
Financial liabilities from leasing contracts	376.0	365.9	2.7%
Other financial liabilities	1,630.2	701.9	132.3%
Other non-financial liabilities	62.1	78.9	-21.3%
<b>Total liabilities</b>	<b>87,149.7</b>	<b>78,941.6</b>	<b>10.4%</b>
<b>Shareholders' equity</b>	<b>8,964.5</b>	<b>8,496.4</b>	<b>5.5%</b>
<b>Total liabilities and equity</b>	<b>96,114.2</b>	<b>87,438.1</b>	<b>9.9%</b>



# ANNEX2

## income statement, IFRS consolidated

### RONmn

	9M 2020	9M 2019	
Net interest income	2,175.1	2,279.2	-4.6%
Net fee and commission income	560.1	609.2	-8.1%
Net trading income	227.9	286.6	-20.5%
Other net income	294.3	190.8	54.2%
<b>Operating income</b>	<b>3,257.5</b>	<b>3,365.7</b>	<b>-3.2%</b>
Personnel expenses	(797.4)	(772.0)	3.3%
D&A	(241.1)	(229.2)	5.2%
Other operating expenses	(450.5)	(479.0)	-5.9%
<b>Operating expenses</b>	<b>(1,489.0)</b>	<b>(1,480.2)</b>	<b>0.6%</b>
<b>Pre-provision operating profit</b>	<b>1,768.4</b>	<b>1,885.5</b>	<b>-6.2%</b>
<b>Cost of risk</b>	<b>(557.5)</b>	<b>(40.3)</b>	<b>&gt;100%</b>
<b>Net income before taxation</b>	<b>1,210.9</b>	<b>1,845.2</b>	<b>-34.4%</b>
Income tax (expense)/revenue	(154.1)	(276.4)	-44.2%
<b>Net income</b>	<b>1,056.8</b>	<b>1,568.7</b>	<b>-32.6%</b>



# ANNEX2

## balance sheet, IFRS consolidated

RONmn

	Sep/20	Dec/19	
Cash & cash equivalents	16,373.4	14,583.1	12.3%
Placements with banks	10,171.3	7,775.1	30.8%
Loans to customers, net	41,925.9	40,353.8	3.9%
T-bills & securities	29,371.6	26,781.7	9.7%
Fixed assets	1,105.8	973.4	13.6%
Right-of-use assets	387.6	388.0	-0.1%
Investments in associates	1.7	3.3	-48.9%
Deferred tax assets	0	16.8	-100.0%
Other financial assets	868.3	688.0	26.2%
Other non-financial assets	193.1	158.9	21.5%
<b>Total assets</b>	<b>100,398.6</b>	<b>91,722.3</b>	<b>9.5%</b>
Deposits from banks	362.8	296.1	22.5%
Deposits from customers	83,879.5	77,037.1	8.9%
Loans from banks and FIs	1,710.5	1,473.9	16.1%
Subordinated loan	1,693.8	1,700.2	-0.4%
Current tax liabilities	42.3	42.2	0.1%
Deferred tax liabilities	12.1	0	
Provisions for other risks and charges	525.6	533.9	-1.6%
Financial liabilities from leasing contracts	393.3	387.4	1.5%
Other financial liabilities	1,865.0	925.6	101.5%
Other non-financial liabilities	86.3	112.0	-23.0%
<b>Total liabilities</b>	<b>90,571.1</b>	<b>82,508.4</b>	<b>9.8%</b>
<b>Shareholders' equity</b>	<b>9,422.1</b>	<b>8,831.2</b>	<b>6.7%</b>
Non-controlling interest	405.4	382.6	6.0%
<b>Total liabilities and equity</b>	<b>100,398.6</b>	<b>91,722.3</b>	<b>9.5%</b>



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