



# **BANCA TRANSILVANIA**

## **H1 2021 Financial Results**

**23<sup>rd</sup> August 2021**

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## **Macroeconomic Landscape**

### **BT during H1 2021**

## **Financial Performance**

### **Capital**

### **Sustainability**

### **+Annexes**

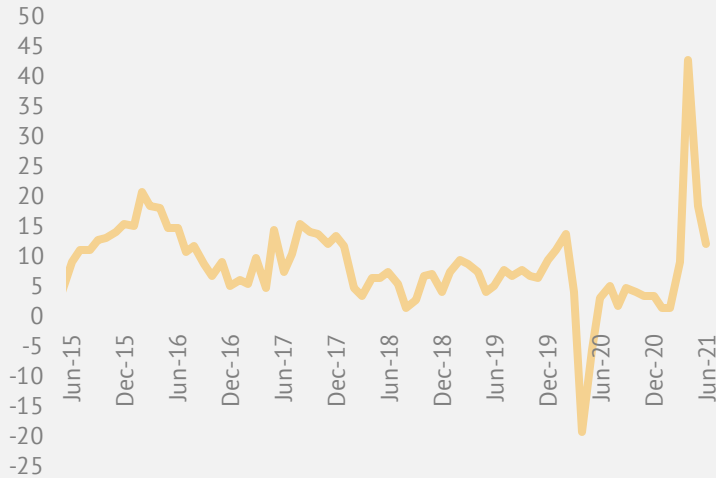


# **Macroeconomic Landscape**

# Macro developments

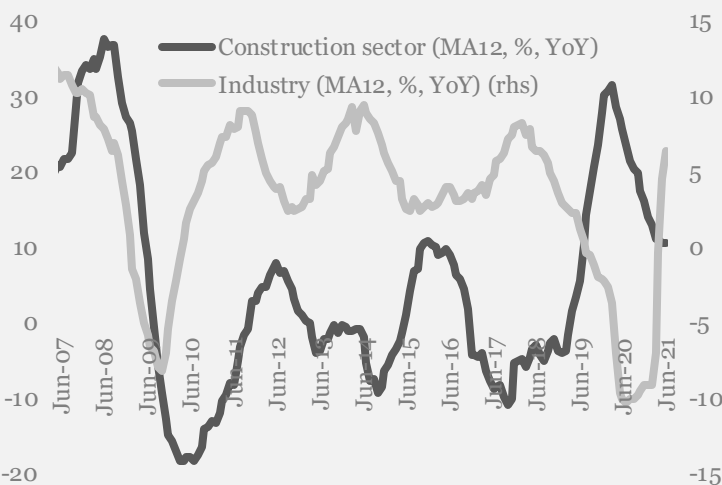
## Real economy

### Retail sales (% YoY)



source: National Institute of Statistics

### Industry vs. constructions (MA12, %, YoY)



source: National Institute of Statistics

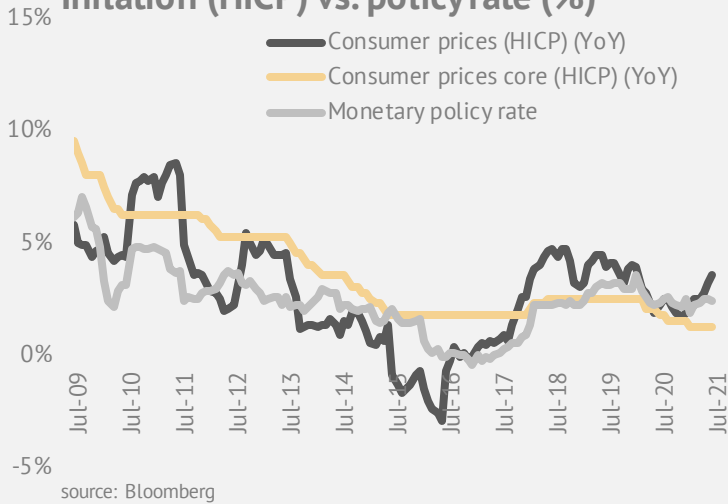
The YoY pace of the economy significantly improved during Q2, 2021 (13% - a record high level), driven by both the base effect and the expansionary policy-mix

- Retail sales rose by over 23% YoY in 2Q and by 13.4% YoY in 1H 2021, expressing a strong increase of the private consumption (main component of the GDP);
- At the same time, the industrial production and the constructions climbed by 16.9% YoY and by 5.5% YoY during January-May 2021;
- According to our core macroeconomic scenario the economy would increase by YoY paces of 7% in 2021 and 5.8% in 2022.

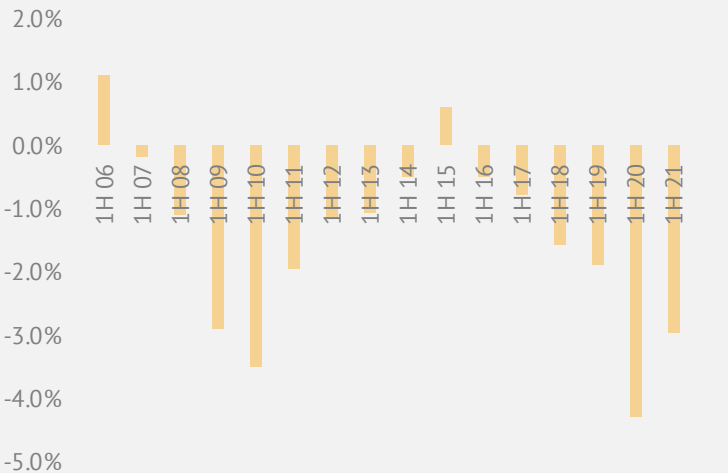
# Macro developments

## Policy-mix

### Inflation (HICP) vs. policy rate (%)



## Public finance / GDP ratio



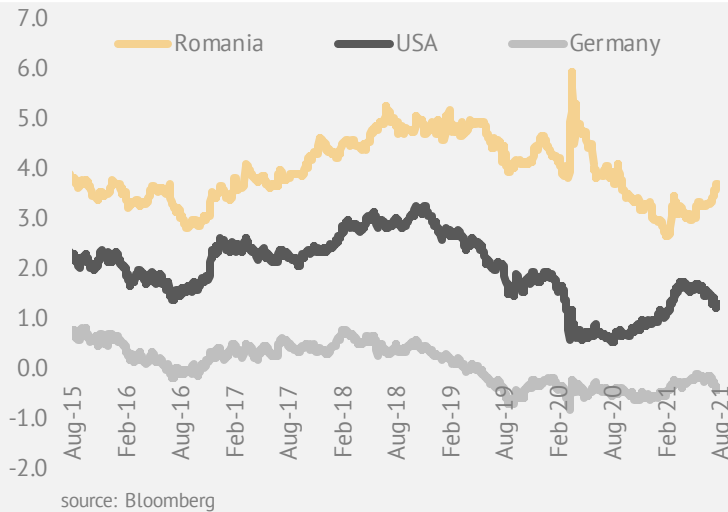
The central bank maintained the policy rate at a low level, but signalled the prospects of a new monetary cycle. The budget deficit adjusted in H1 2021

- NBR maintained the policy rate (at the low level of 1.25%) and the MRRs in July and August;
- On the other hand, the central bank signalled the readiness to start a new monetary cycle, given the rebound of the economy and the intensifying inflationary pressures;
- The probability of a rate hike by the end of 2021 is growing;
- The budget deficit/ GDP ratio adjusted from 4.28% in H1 2020 to 2.96% in H1 2021, an evolution supported by the rebound of the real economy, the acceleration of inflation and the improvement of the EU funds absorption rate.

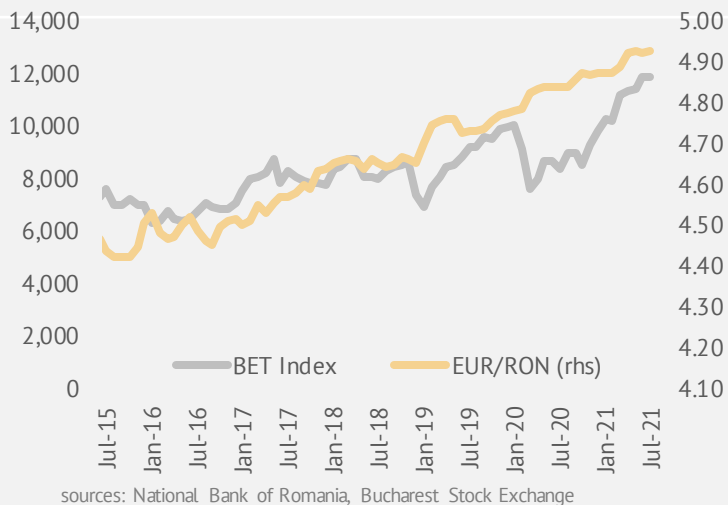
# Macro developments

## Financial economy

### Yield on 10 YR bonds (%)



### EUR/RON vs. BET Index



The moneymarket interest rates continued the decline in Q2. However, the yield on 10 YR bonds initiated an upward trend. EUR/RON continued the stable trend. BET index hit record high levels

- The interest rates on the moneymarket continued the downward trend in Q2, an evolution determined by the monetary policy and excess liquidity;
- The yield on 10YR Bonds increased in Q2 and in July (hitting the maximum since September last year), an evolution determined by the strong dynamics of the nominal GDP;
- The domestic stock market hit record high levels this summer, in convergence with the international markets.

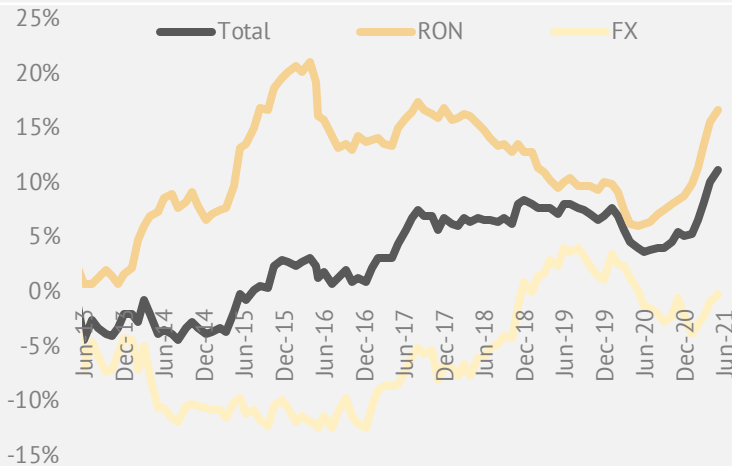
# Banking sector dynamics

Loans went up in June by the highest YoY pace since May 2009.

The NPL ratio declined in May to the lowest since last January

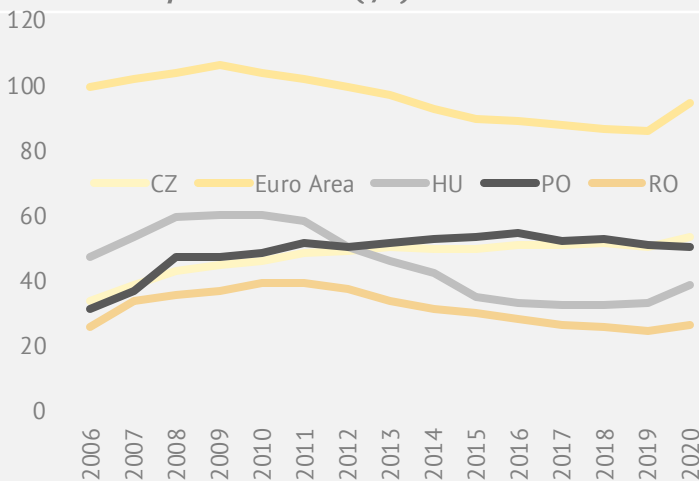
## Loans

### Loans (YoY)



source: National Bank of Romania

### Loans/GDP ratio (%)



sources: World Bank, National Bank of Romania

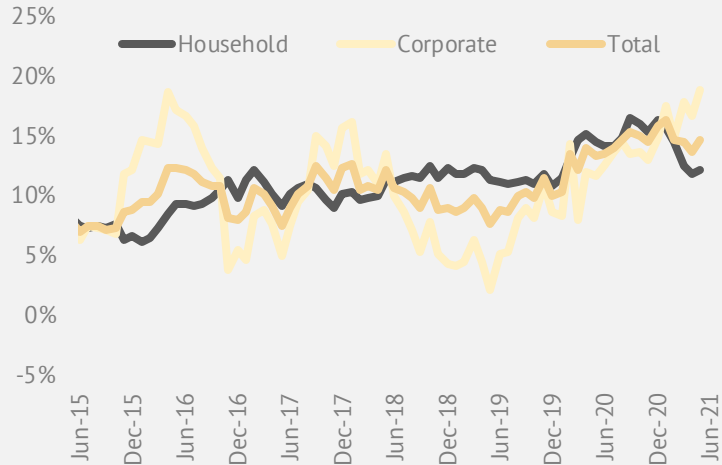
- Loans rose for the 13<sup>th</sup> month in a row in June, by 1.4% MoM and by 11.2% YoY to RON 300.3 bn;
- RON-denominated loans climbed by 2.1% MoM and 16.6% YoY to RON 213.6 bn, on the back of the low financing costs and the entry into a new economic cycle;
- FX-denominated loans contracted by 0.5% MoM and by 0.3% YoY to RON 86.7 bn in June;
- Household loans climbed by 4.7% ytd to RON 156.9 bn in 1H 2021; and
- Corporate loans advanced by 8.2% ytd to RON 143.4 bn during January-June;
- The NPL ratio was at 3.91% in May, the lowest since January;
- The still low level of the loans/GDP ratio expresses a high development potential for the banking sector this decade.

# Banking sector dynamics



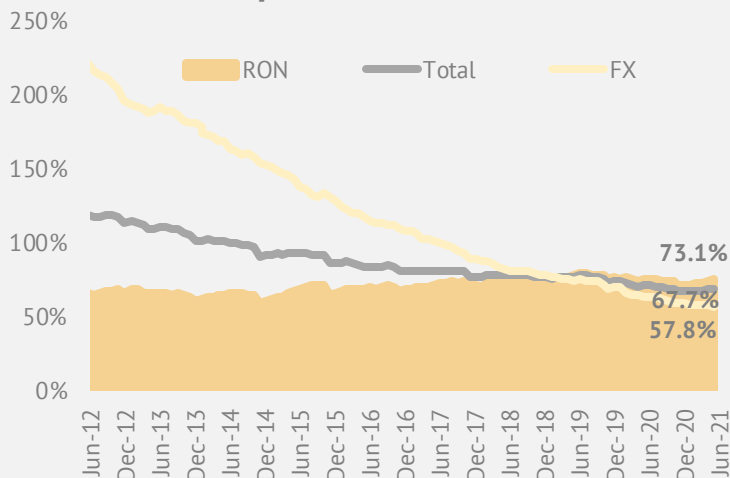
## Deposits

### Deposits (YoY)



source: National Bank of Romania

### Loans-to-deposits ratio



source: National Bank of Romania

The loans-to-deposits ratio up in June to the highest since last October

- Deposits rose by 0.5% MoM and by 14.7% YoY to RON 438.1 bn in June (a record level), given the high level of savings and the improvement of the financial performance at corporate level;
- RON-denominated deposits climbed by 0.4% MoM and by 16.4% YoY to RON 284.8 bn;
- FX-denominated deposits advanced by 0.8% MoM and by 11.5% YoY to RON 153.3 bn in June;
- Household deposits increased by 4.6% ytd to RON 268.5 bn in H1 2021, given the high level of the savings rate and the upward trend for the disposable income;
- Corporate deposits advanced by 3.4% ytd to RON 169.6 bn during 6M 2021;
- The loans-to-deposits ratio rose from 68% in May to 68.6% in June, the highest since October 2020.





**BT during H1 2021**

# Positioned to support the economic revival

During 2021 Banca Transilvania continues to be a relevant partner for government support programs:

- 13.9k companies applied for IMM Invest 2021 program, ~41% of the registered companies chose BT;
- Under IMM Invest and AGRO IMM Invest loans in amount of RON 418 mn and respectively RON 145 mn were disbursed during H1 2021;
- Since the launch of the “Noua Casa” lending program more than RON 473 mn were granted by BT.

## Government grants through BT accounts:

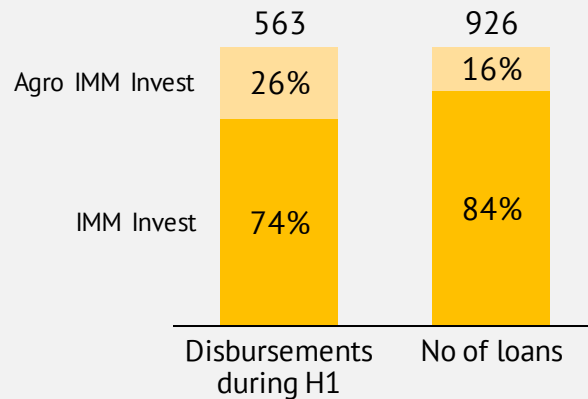
- The payment of grants from M1 and M2 continued in H1 2021 and reached RON 1.45 bn; The investment grants pillar (M3) was canceled;
- ~6.2k BT companies were approved up to date for non-reimbursable financing under the new grant program with HoReCa destination.

## Public moratoria:

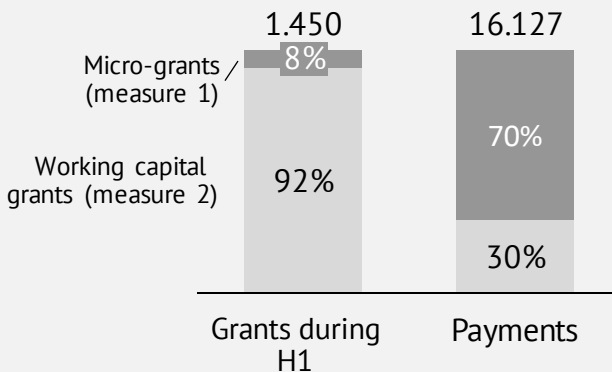
During 2021, following the extension of public moratoria, ~ 1,200 customers benefited from deferral of installments, with a gross carrying amount of RON 80.9 mn.

## Government programs

### IMM Invest 2021



## Government grants



**Continuous development  
of online banking solutions**

**Increased efficiency**

**Customized offer**

**Resource savings**

## Retail

- 65% of all Retail clients are digitized, opting for one of our digital solutions (BT Pay, ApplePay, GooglePay, FitbitPay, GarminPay, Internet Banking/ Mobile Banking BT24/Neo;
- Launch of Alias Pay: an alternative for money transfers between different banks via cell phone number;
- The volume of transactions through Internet Banking and Mobile Banking increased by 32% compared to H1'20;
- # of contactless payments increased 3 times during H1 of 2021 compared to H1'20, reaching 27 million;
- BT Pay users: 1.4 million, up by 74% vs. H1'20;
- BT Visual Help: twice as many interactions vs H1'20, with a steady MoM increase, reaching 121k in June'21.

## Companies

- BT is the only bank in Romania offering for companies fully online account opening and product setup;
- Loans originated online in H1'21 reached RON 10 mn;
- Fileshare: new features were added in July 2021 to ease further the client experience with the app;
- Over 1k Multifunctional ATMs BT Express and BT Express Plus;
- Service package for SME which ensures quick access to online banking solutions (e.g IMM to Go);
- Virtual assistants: # of messages doubled in H1 '21 vs '20.



# **Financial Performance**

# BT performance in H1 2021

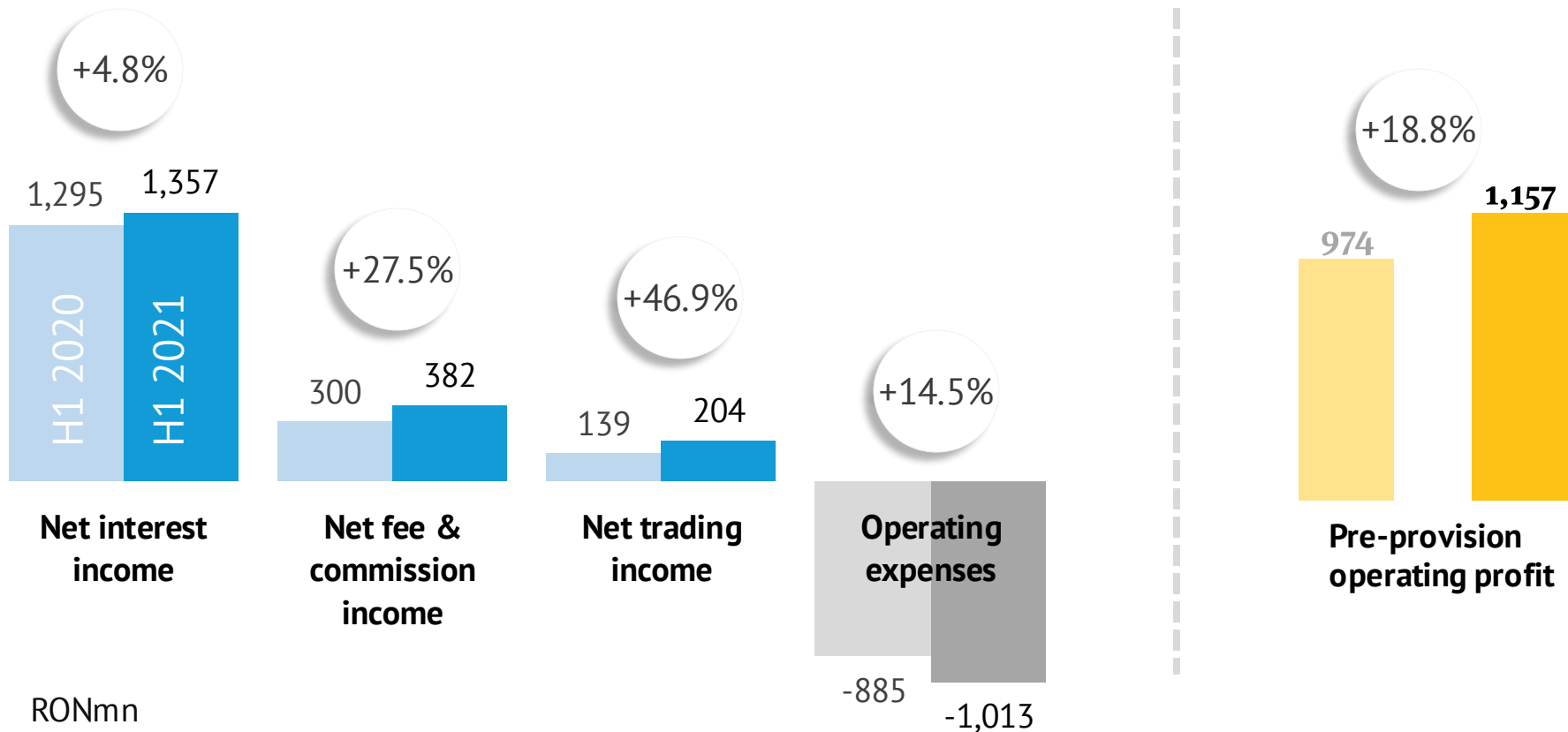


	INDIVIDUAL			CONSOLIDATED		
	H1 2021	H1 2020		H1 2021	H1 2020	
<b>Profitability</b>						
Net interest income, RON mn	1,357.0	1,295.0	4.8%	1,529.0	1,453.0	5.2%
Net fee and commission income, RON mn	382.2	299.8	27.5%	447.0	351.8	27.0%
Operating expenses, RON mn	(1,013.1)	(884.6)	14.5%	(1,132.7)	(1,001.4)	13.1%
Pre-provision operating profit, RON mn	1,156.8	973.6	18.8%	1,277.3	1,094.5	16.7%
Net profit, RON mn	901.0	607.4	48.3%	1,015.5	690.1	47.2%
EPS, RON				0.1588	0.1066	48.9%
Cost of risk, net	0.52%	1.31%	-0.8 pp	0.47%	1.37%	-0.9pp
NIM	2.57%	2.93%	-0.4 pp	2.75%	3.14%	-0.4pp
ROE	18.69%	12.66%	6.0 pp	19.08%	15.54%	3.5pp
Cost-to-income ratio*	45.82%	46.73%	-0.9 pp	46.15%	46.96%	-0.8 pp
<b>BS highlights</b>						
Gross loans to customers, RON mn	46,142.7	43,554.0	5.9%	48,171.5	45,618.6	5.6%
Deposits from customers, RON mn	94,406.3	88,297.1	6.9%	97,165.8	90,942.4	6.8%
Gross loans-to-deposits ratio	48.88%	49.33%	-0.4 pp	49.58%	50.16%	-0.6 pp
PAR 90	1.96%	2.00%	0.0 pp			
<b>Capital</b>						
Total equity, RON mn	10,247.5	9,522.9	7.6%	11,239.6	10,414.4	7.9%
Tier 1 capital ratio (profit included)	20.63%	19.30%	6.9%	19.86%	18.37%	8.1%
Total capital ratio (profit included)	23.54%	22.24%	5.9%	22.52%	21.04%	7.0%

\* Computed by assuming the annual contribution to Deposits Guarantee Fund and Resolution Fund to be evenly allocated over 12 months. Otherwise, the values would be 46.69% for 6M 2021 and 47.60% for 6M 2020 (individual), respectively 47.00% for 6M 2021 and 47.78% for 6M 2020 (consolidated).

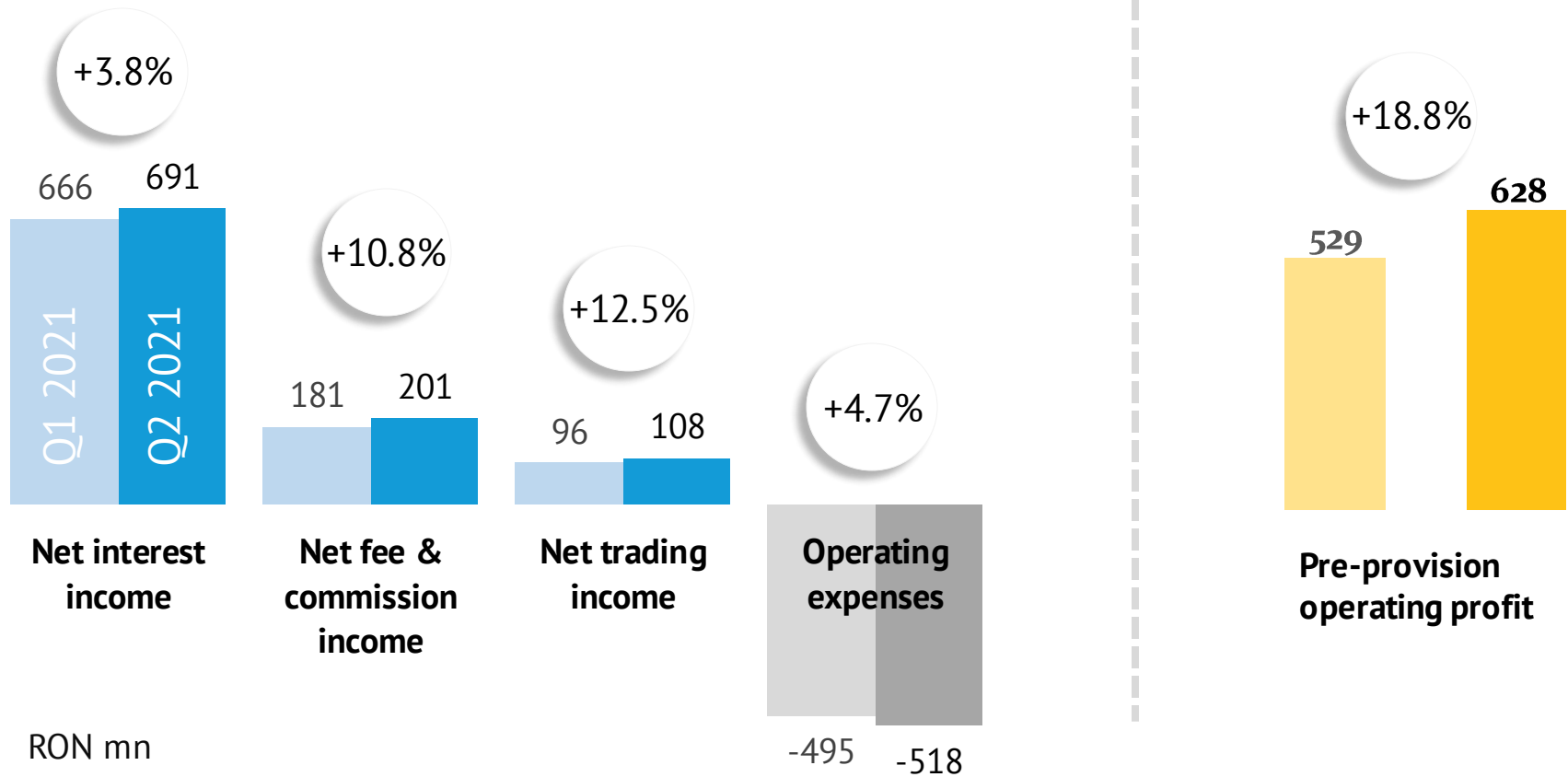
# Trends in income structure

## H1 2021 vs. H1 2020



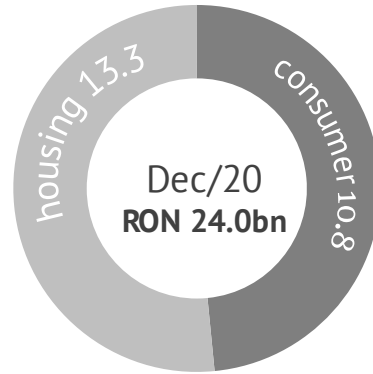
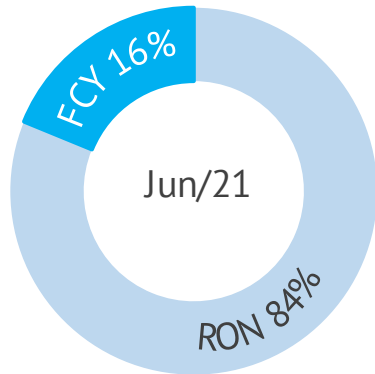
# Trends in income structure

## Q2 2021 vs. Q1 2021

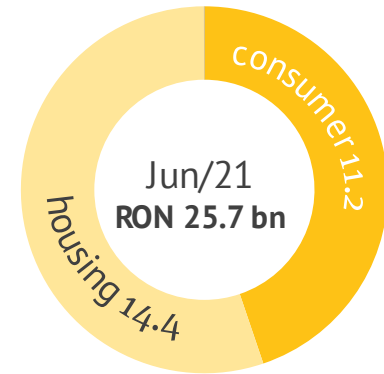


# Loan structure

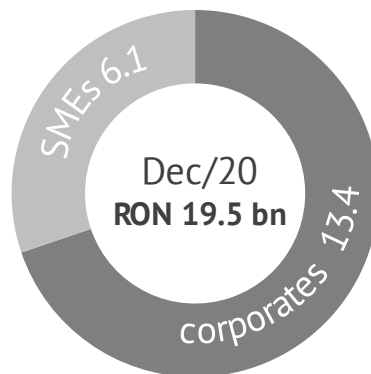
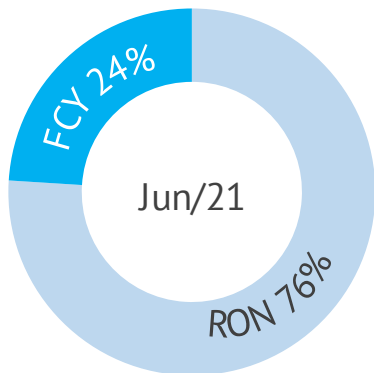
## Loans to households



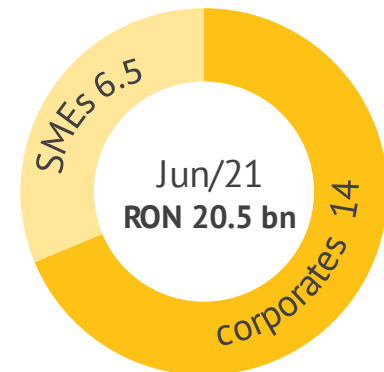
↑7%



## Loans to companies



↑5%

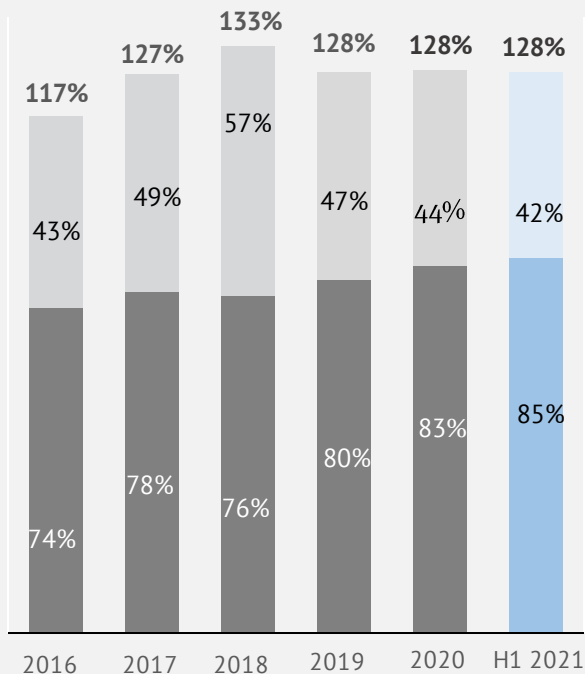


\*SMEs identified according to internal classification rules



NPL (PAR90) ratio remained under 2% (1.96%) displaying low credit risk for BT

## NPL coverage ratio

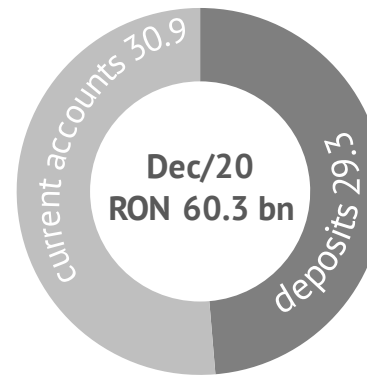
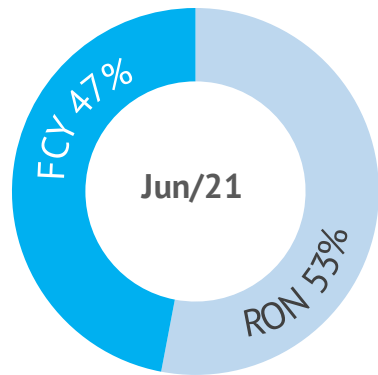


- NPL coverage with mortgage collaterals
- NPL coverage with provisions

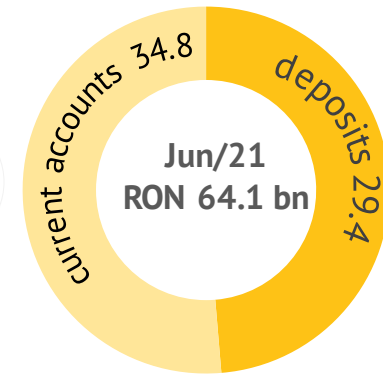
- Banca Transilvania continued to provide a sound coverage ratio for its PAR 90 portfolio;
- NPL coverage, including collaterals, remained stable at mid year, showing credit risk management under control.

# Deposit structure

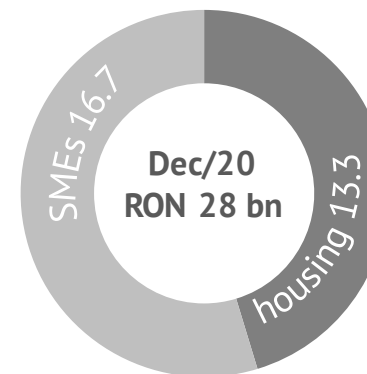
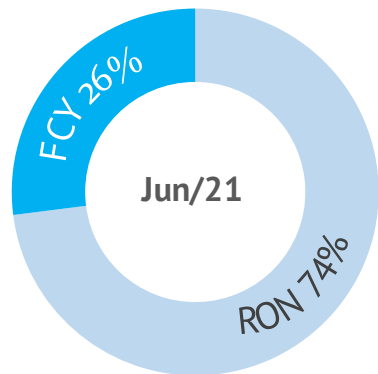
## Deposits from households



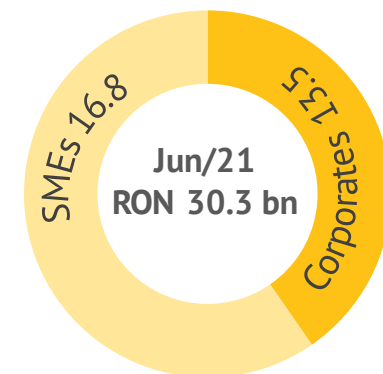
↑6%



## Deposits from companies



↑8%



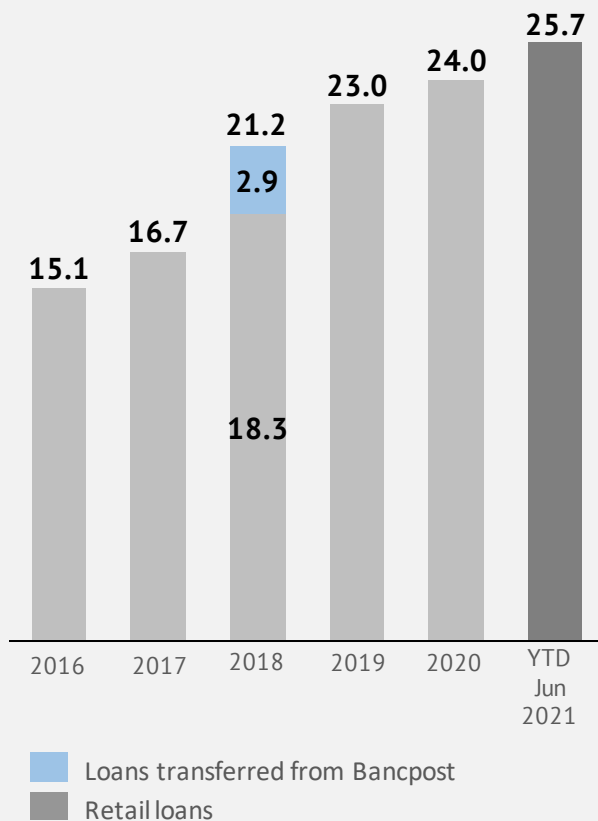
\*SMEs identified according to internal classification rules

## Business lines: Retail banking

Retail loan portfolio reached RON 25.7 bn at the end of H1 2021

- over 3.1 mn active clients;
- ~106,700 retail loans disbursed in H1 2021, worth RON 4.2 bn, with consumer loans representing the highest increase in both absolute and relative terms;
- BT has a national network consisting of 1,762 ATMs and over 78k POS terminals serving 4.5 mn active cards;
- The number of digitized clients using at least one of the remote banking applications exceeds 2 mn, of which 1.4 mn clients use BT Pay; starting with Q1 2021 they have an additional alternative to transfer money using their mobile phones, namely AliasPay.

Retail loans, RON bn

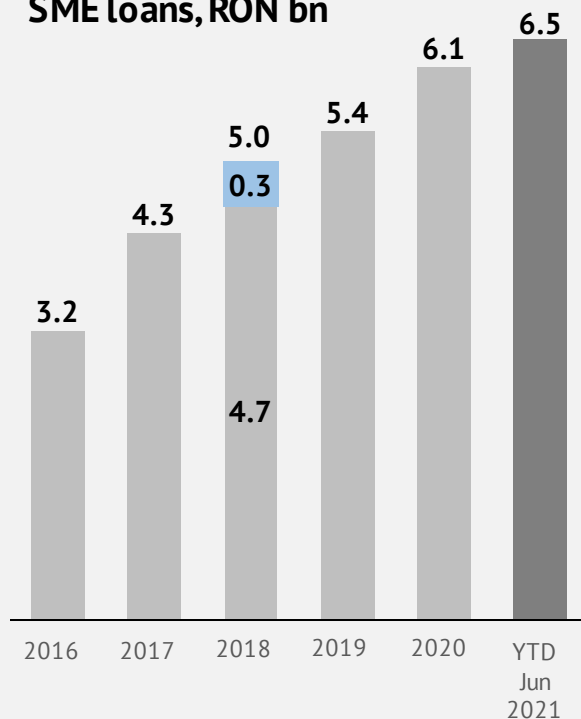


\* Loans transferred from Bancpost include loans transferred during 2018, before integration

# Business lines: SME banking

SME (internal definition) loan portfolio at RON 6.5 bn

SME loans, RON bn



Loans transferred from Bancpost  
SME loans

- Over 358,700 active clients;
- SME segment is engaged in Government programs such as:
  - ✓ IMM Invest and AGRO IMM Invest: the amounts disbursed by BT are ~RON 563 mn in H1
  - ✓ Government micro-grants and working-capital grants totaling RON 1.45 bn were made in H1; also a new grant program for HoReCa clients was launched in H1'21
- Launch of MicroFactoring, a new product aimed to improve the clients business practice through cash-flow optimization;
- BT became part of Skills & Education program, the only credit program with external guarantee from the European Investment Fund (EIF) dedicated for the Education Business Sector;
- Continuous engagement in actions aimed to support small community businesses such as ‘Cumpara de langa tine” and “Cumpara de la o afacere mica”.
- Continuous development of SME online banking solutions (e.g IMM TO GO).

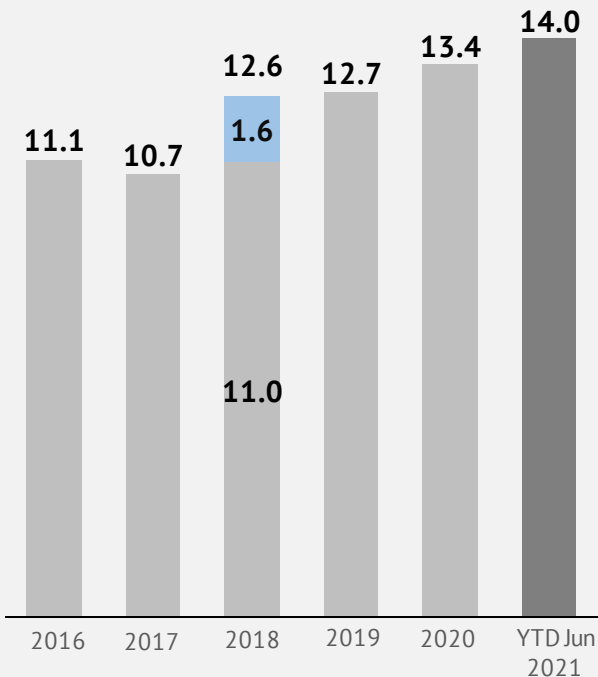
\*Loans transferred from Bancpost include loanstransferred during 2018, before integration

# Business lines: Corporate banking

Corporate loan portfolio increased to RON 14.0 bn

- ~10,900 active clients;
- active supporter of the corporate sector (public or private companies), with loan portfolio increase fairly balanced between existing clients and new relationships entered in 2021;
- sectorial approach: concentrated in healthcare, communication, industrial manufacturing, utilities and FMCG; a special focus was on providing continues liquidity buffers across the entire supply chain (through alternative working capital financing solutions – i.e. factoring & reverse factoring);
- increased support towards local infrastructure projects as well as businesses/projects with ESG transitional impact.

Corporate loans, RON bn



Loans transferred from Bancpost  
Corporate loans

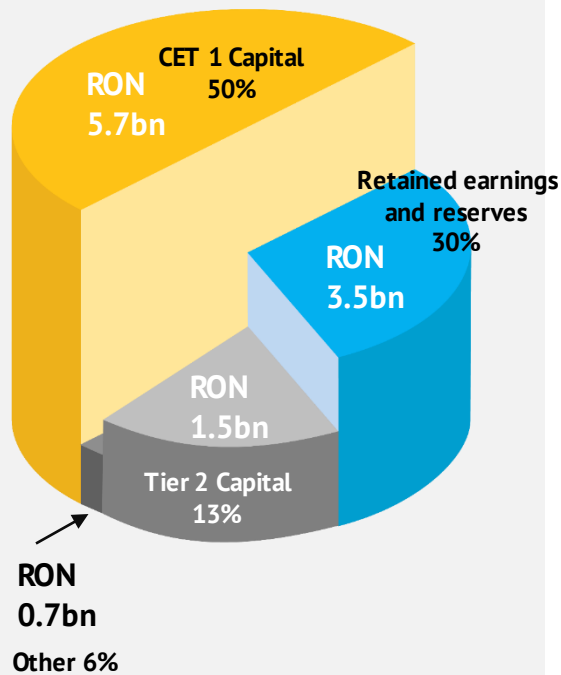
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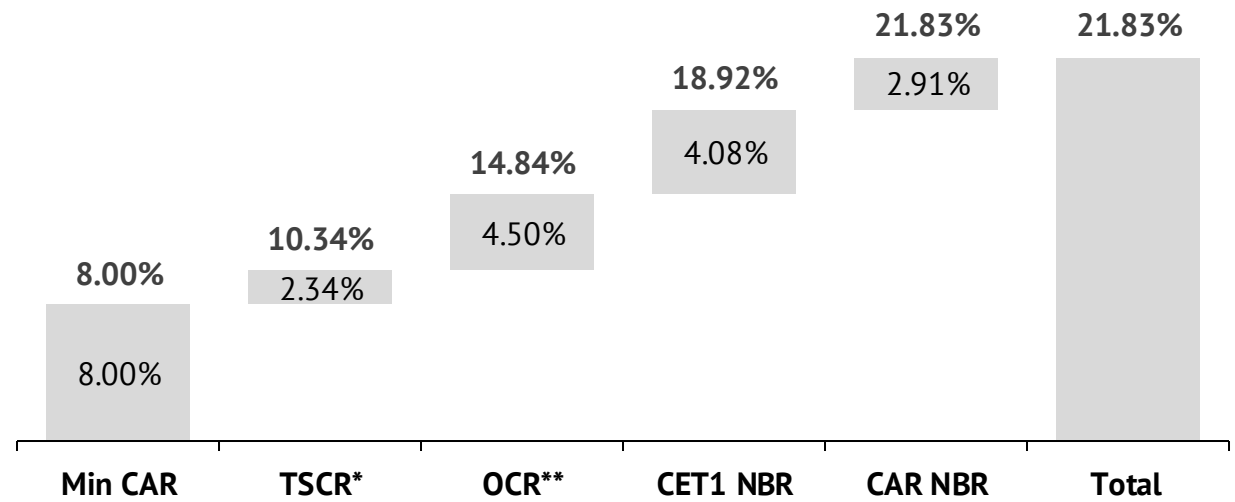
# Capital

# Comfortably capitalized to support organic growth and acquisitions

Structure of own funds: RON 11.4 billion  
(6M 2021 profit excluded)



Banca Transilvania has a comfortable structure of own funds and a robust capitalization.



NBR computation framework

Profit related to H1 2021 excluded (vs. slide 15)

\*TCSR 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**



## Environmental

*Climate Change Strategy*

*Natural Resources*

*Pollution & Waste*

*Biodiversity*

## Social

*Human Rights*

*Supply Chain Standards*

*Labour Management*

*Health & Safety*

*Human Capital Development*

## Governance

*Corporate Governance*

*Corruption & Instability*

*Executive Pay*

*Board Diversity*

*Business Ethics*

### Responsible financing:

- BT financed over RON 500 mn of ESG related projects (i.e. social/ educational, energy efficiency) and is further committed to extend such financings given the solid pipeline of projects in progress;
- Green loans granted through dedicated programs of IFIs:
  - ✓ EEEF: total loans approved under the scheme in amount of RON 236 mn
  - ✓ RoSEFF: outstanding RON 3.6 mn as of Jun'21, the program is going on since 2009;
  - ✓ BERD green: retail dedicated program reached RON 154 mn in outstanding loans as of Jun'21
- Green real estate-mortgage loans, launched at end of 2020, reached a balance of RON 434 mn;
- Green lending products for Companies are under development as well as business processes and data collection flows, in order to reach continuous engagement on the topic.

### Responsible tangible products:

- Starting this year, BT Visa Classic cards and those reissued at maturity are eco-friendly, made of recycled plastic and biodegradable elements.

### Updated Guidelines on loan origination and monitoring:

- The credit policy and the internal governance arrangements with reference to the analysis of ESG factors in the underwriting process were amended in accordance with the latest provisions of the EBA, applicable starting with June 30, 2021;
- The ESG analysis model was extended to the entire lending activity;
- Starting this year, BT uses a dedicated web-based platform for green lending eligibility and reporting. The ESG program uses a methodology audited by E&Y and based on international best practices.

# Banca Transilvania Financial Group as of 30/06/2021

Total assets RON 110.9 bn



Total assets RON 551 mn



Total assets RON 1,313 mn



AUM RON 4,780 mn



Total assets RON 397 mn



Total assets RON 581 mn



Total assets RON 3,793 mn



# **Annexes**

## ANNEX 1

### Income statement, IFRS individual

RONmn	H1 2021	H1 2020	
Net interest income	1,357.0	1,295.0	4.8%
Net fee and commission income	382.2	299.8	27.5%
Net trading income	203.8	138.7	46.9%
Other net income	226.9	124.7	82.0%
<b>Operating income</b>	<b>2,169.9</b>	<b>1,858.2</b>	<b>16.8%</b>
Personnel expenses	(580.6)	(482.5)	20.3%
D&A	(173.8)	(146.8)	18.4%
Other operating expenses	(258.7)	(255.3)	1.3%
<b>Operating expenses</b>	<b>(1,013.1)</b>	<b>(884.6)</b>	<b>14.5%</b>
<b>Pre-provision operating profit</b>	<b>1,156.8</b>	<b>973.6</b>	<b>18.8%</b>
<b>Cost of risk</b>	<b>(120.7)</b>	<b>(273.1)</b>	<b>-55.8%</b>
<b>Net income before taxation</b>	<b>1,036.1</b>	<b>700.6</b>	<b>47.9%</b>
Income tax (expense)/revenue	(135.1)	(93.1)	45.0%
<b>Net income</b>	<b>901.0</b>	<b>607.4</b>	<b>48.3%</b>

# ANNEX 1

## Balance sheet, IFRS individual

RON mn	Jun/21	Dec/20	
Cash & cash equivalents	17,723.5	20,978.6	-15.5%
Placements with banks	5,715.6	6,636.4	-13.9%
Loans to customers, net	42,657.7	40,363.9	5.7%
T-bills & securities	41,615.3	32,401.0	28.4%
Fixed assets	917.6	887.7	3.4%
Right-of-use assets	666.7	708.5	-5.9%
Investments in associates	511.7	499.7	2.4%
Current tax assets	0.0	8.6	
Other financial assets	998.8	761.1	31.2
Other non-financial assets	105.1	109.5	-3.9%
<b>Total assets</b>	<b>110,912.1</b>	<b>103,355.0</b>	<b>7.3%</b>
Deposits from banks	763.2	311.8	144.8%
Deposits from customers	94,406.3	88,297.1	6.9%
Loans from banks and FIs	1,261.8	1,176.1	7.3%
Subordinated loan	1,689.7	1,664.5	1.5%
Current tax liabilities	103.1	0.0	
Deferred tax liabilities	31.4	85.7	-63.3%
Provisions for other risks and charges	589.2	589.2	0.0%
Financial liabilities from leasing contracts	675.1	709.3	-4.8%
Other financial liabilities	1,073.6	942.5	13.9%
Other non-financial liabilities	71.1	55.9	27.1%
<b>Total liabilities</b>	<b>100,664.6</b>	<b>93,832.1</b>	<b>7.3%</b>
<b>Shareholders' equity</b>	<b>10,247.5</b>	<b>9,522.9</b>	<b>7.6%</b>
<b>Total liabilities and equity</b>	<b>110,912.1</b>	<b>103,355.0</b>	<b>7.3%</b>

## ANNEX 2

### Income statement, IFRS consolidated

RON mn	H1 2021	H1 2020	
Net interest income	1,529.0	1,453.0	5.2%
Net fee and commission income	447.0	351.8	27.0%
Net trading income	261.6	127.6	105.0%
Other net income	172.4	163.4	5.5%
<b>Operating income</b>	<b>2,410.0</b>	<b>2,095.9</b>	<b>15.0%</b>
Personnel expenses	(650.7)	(545.5)	19.3%
D&A	(178.0)	(158.8)	12.1%
Other operating expenses	(303.9)	(297.1)	2.3%
<b>Operating expenses</b>	<b>(1,132.7)</b>	<b>(1,001.4)</b>	<b>13.1%</b>
<b>Pre-provision operating profit</b>	<b>1,277.3</b>	<b>1,094.5</b>	<b>16.7%</b>
<b>Cost of risk</b>	<b>(113.1)</b>	<b>(299.3)</b>	<b>-62.2%</b>
<b>Net income before taxation</b>	<b>1,164.3</b>	<b>795.3</b>	<b>46.4%</b>
Income tax (expense)/revenue	(148.8)	(105.2)	41.4%
<b>Net income</b>	<b>1,015.5</b>	<b>690.1</b>	<b>47.2%</b>

## ANNEX 2

### Balance sheet, IFRS consolidated



RON mn	Jun/21	Dec/20	
Cash & cash equivalents	18,756.4	22,133.2	-15.3%
Placements with banks	6,349.8	7,223.3	-12.1%
Loans to customers, net	44,379.3	42,120.3	5.4%
T-bills & securities	42,887.0	33,321.6	28.7%
Fixed assets	1,302.7	1,225.8	6.3%
Right-of-use assets	420.3	448.9	-6.4%
Investments in associates	1.9	1.5	28.3%
Current tax assets	0.0	9.7	
Deferred tax assets	4.6	0.0	
Other financial assets	1,101.9	860.1	28.1%
Other non-financial assets	134.0	148.2	-9.5%
<b>Total assets</b>	<b>115,337.9</b>	<b>107,492.4</b>	<b>7.3%</b>
Deposits from banks	770.5	318.9	141.6%
Deposits from customers	97,165.8	90,942.4	6.8%
Loans from banks and FIs	1,675.1	1,691.7	-1.0%
Subordinated loan	1,692.9	1,667.8	1.5%
Current tax liabilities	106.7	0.0	
Deferred tax liabilities	0.0	55.0	
Provisions for other risks and charges	622.4	616.0	1.1%
Financial liabilities from leasing contracts	429.3	454.8	-5.6%
Other financial liabilities	1,537.5	1,245.1	23.5%
Other non-financial liabilities	98.0	86.4	13.5%
<b>Total liabilities</b>	<b>104,098.3</b>	<b>97,078.0</b>	<b>7.2%</b>
<b>Shareholders' equity</b>	<b>10,839.8</b>	<b>10,021.3</b>	<b>8.2%</b>
Non-controlling interest	399.9	393.1	1.7%
<b>Total liabilities and equity</b>	<b>115,337.9</b>	<b>107,492.4</b>	<b>7.3%</b>



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