



First Quarter

# **FINANCIAL** **RESULTS**

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## **Earnings Call Transcript**

13<sup>th</sup> May 2024



## **ÖMER TETİK**

### **Chief Executive Officer**

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

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



## **GEORGE CĂLINESCU**

### **Deputy Chief Executive Officer - Chief Financial Officer**

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

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



## LUMINIȚA RUNCAN

**Deputy Chief Executive Officer - Chief Risk Officer**

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

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



## AUREL BERNAT

**Executive Director Financial Institutions & Investor Relations**

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

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

## Q1: FINANCIAL RESULTS



**Press Release**



**Fact Sheet**

## OPERATOR

Ladies and gentlemen, thank you for standing by. I am Mina your Chorus Call operator. Welcome and thank you for joining the Banca Transilvania conference call to present and discuss the First 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, Mrs. Luminița Runcan, Deputy CEO CRO & Mr. Aurel Bernat, Executive Director Financial Institutions & Investor Relations.

Mr. Tetik, you may now proceed.



**ÖMER TETİK**

Hello. Thank you for connecting to our video conference for the First Quarter Financial Results of 2024. Indeed, it was I'll say quite a busy quarter. We have seen exceptional growth in our operational activity, in transactions, customers' numbers, some strong pickup in retail lending activity but also in the corporate banking. We will be entering into details later on, for each business segment and areas of interest.

On the other hand, we have just uploaded the presentation on our website, in the investor relations section. You will see all the details there. We don't want to go page by page, word by word, through the presentation, in order to be able to leave some more time for the Q&A session.

Hopefully, we will be able to answer all your questions, as we always do. In case we will not be able to come back with a spontaneous answer then please write us, we will either update the presentation or revert to you directly.

I would like to leave it to Aurel to give us a bit of macroeconomic landscape and we'll continue with the business performance later.



**AUREL BERNAT**

Thank you, Ömer, and thank you everybody for joining us. I won't be spending too much time on the economic activity, the macro data overall. Just in a few words, I would say that Romania had in 2023, a higher growth rate than the EU average, posting a 2.1% increase in GDP.

If we take a look to our outlook or expectations, we believe that the increase will also follow in the next quarters. In terms of consumer prices, what we saw during 2023, the peak of 16% is very much calming down.

We had in March a 6.7% inflation rate, which was the third consecutive month this year on a downward trend, but is still higher than the average in the European Union, which was 2.6%. Both in April and also today, National Bank of Romania maintained its policy, its monetary policy at 7%, which is stable for a couple of meetings now, in line with our expectations.

In terms of lending dynamics, we see a good dynamic both for corporate loans and also for households loans. On the corporate side, we have a higher increase than the European level despite the fact that it decreased during January and February due to increases in December, late December last year.

In terms of household loans, what we saw is an increase of demand. We had a poorer 2022 First Half. But afterwards, it started building up. And now we have an increase in this regard, much higher than the European average.

Going to the next slide, from the deposits' perspective, both on the corporate and also on the household side, we are well above the EU average, higher in terms of household, where we see a remarkable gap. In the meantime, we also see an increase on the European average as well.

Last but not least, from the banking sector, the NPL ratios are at lower level. We had an NPL ratio across the Romanian banking sector of 2.39% at the end of '24. In terms of net assets, they increased to RON 800 billion at the end of last year, up with more than 6% from the

previous quarter and 14.6% compared to 2022.

In terms of capital, as you already saw, the Romanian banking sector is well above the European average. In terms of the return on asset and return on equity ratios, we had 1.8% and slightly higher than 20%, respectively. That would be the macro perspective.

I'm getting back to Ömer. Thank you.



**ÖMER TETİK**

I would say, as mentioned by Aurel, high interest rates are still taking their toll, but on the other hand, we see, especially compared to 2023, the First Quarter of 2023, a strong pickup in retail lending growth. Also, we see that with the low unemployment rate, salaries being adjusted, consumption is being supported, which helps also the companies to continue their businesses in a healthy and growing manner.

This year, there are elections all around Europe, all around the world almost. In Romania, we have all the four elections, one after another, starting with June. This gives a lot of positive impulse, a lot of new programs kicking in. That's why we are very comfortable that in this environment, we will be able to deliver at least what we have proposed as budgets to our shareholders.

I would like to ask George to give us some insight about the financial performance.



**GEORGE  
CĂLINESCU**

Thank you very much, Ömer. The First Quarter of the year 2024 started with very good performance on all business lines. You've seen the published results at the level of the income statement. Both at the individual and consolidated level, the bank managed to exceed the results that were reported in the First Quarter of 2023, and we are in line with the budgeted numbers that were presented and approved in the Shareholders Meeting, even slightly above those results.

So, starting with the net interest income, we have an

increase versus the same period of last year of 28% at the individual level and 24% at the consolidated level. Net fees and commission, again, growing very well - double-digit growth - with 18% at the individual level and with 17% at the consolidated level, bringing us to a very good, positive result, amounting to RON 913 million net profit for the First Quarter at the individual level and RON 1.1 billion at the consolidated level. This is 35% higher versus the same period of last year.

Now, when we talk about costs, here we do have increases as well, and these are driven primarily by staff costs and other expenses, as we'll see in the next slides as we move along the presentation.

In terms of cost of risk, we are showing a very good result, which is better than our peers in terms of evolution in the First Quarter, with minus 0.24%. This is mainly driven by the fact that we had recoveries on the individual level of exposures that were previously provisioned. On the level of provisions, that are computed at collective level, these were almost zero in terms of booking in the First Quarter.

Following a very good evolution in the First Quarter the net interest margin increased to 3.5% at individual level and 4.22% at consolidated level, the annualized return on equity exceeded 30% both at the individual and also at the consolidated level with very good cost-to-income ratio reported in the First Quarter at 45% for the first three months of the year.

In terms of balance sheet evolution, both at consolidated and individual level total assets increased by over 3.5%, on the individual level 3.6% and on the consolidated level 4%. This is driven primarily by the increase in loans. When you look at the evolution of the loans portfolio you see a 1.5% increase in the First Quarter of the year at individual level and 1.9% at consolidated level, but if you look at the evolution over the last twelve months, we are showing a much better performance than our peers, with almost 15% increase year-on-year in terms of loans at the level of the bank.

Deposits from customers in the same period increased by

1.9% at individual level and by 2.3% at consolidated level. We retain a very good Tier 1 capital position of 18% and 25.4% total capital adequacy ratio, respectively. The bank is well positioned to progress with both organic growth and also through the acquisitions performed in 2024.

Going forward, in terms of trends in income, as I mentioned a little bit earlier, net interest income increased by 28% at the individual level bringing the net interest margin to 3.5%. Net fees and commissions posted again a very good increase of 18% driven primarily by the commissions coming from the payments activity.

For the first three months of the year, we are already registering almost half a billion transactions processed through the bank systems showing a very good increase in terms of the business activities that are being commissioned to the bank.

In terms of operating expenses, as I mentioned earlier, the biggest increase in terms of absolute numbers comes from personal expenses. Here, salaries' increase, if you look at the first three months of the year 2024, and compare them to the first three months of the year 2023, you'll see a 20%, 20.3% more specifically, increase in the first three months of the year and this is primarily driven by the fact that we have indexed the salaries, we have increased the salaries with the inflation in the first three months of the year 2024.

Also, we have slightly increased the number of employees at the level of the bank. However, if you take a look at the chart on the right hand side of the presentation, on this page, you see that even though we do have a 20.3% increase in terms of personal expenses, when you look at the number of people that the bank has you see that efficiency of the personnel increased quite significantly in the first three months of the year 2024, by 0.6%, when you look at the efficiency defined by total assets over the number of active employees. And, if you look at the overall increase in efficiency over the last five years, we're talking about over 20% increase in terms of efficiency of the personnel.



As I mentioned, cost-to-income ratio is presented without taking into consideration this turnover tax which, I will mention, had an impact on other operating expenses. That 45% increase that you see presented in the chart is actually driven primarily by this turnover tax which amounted to 65 million RON for the first three months of the year.

Without taking into consideration this turnover tax, we get to a level of 41.81% cost-to-income ratio which is a very, very good result for a bank of our size and for a bank that is actually growing quite rapidly both organically and through acquisitions.



**ÖMER TETİK**

Thank you George. Indeed, despite the fact that we are also looking forward to receiving all the approvals for the closing of our acquisition OTP Romania our focus mainly remains on the organic growth and in the First Quarter of this year all business lines have managed to outperform their results from last year - as compared to December last year - we have seen almost 2.5% growth in retail lending and almost 1% growth in corporate lending, including SME loans. I must make a parenthesis here, it's in the SME banking the bulk of new business that we will start seeing with Second Quarter because in the Second Quarter the special government-led program, SME invest with the new name SME Invest Plus, is kicking in as well.

We are also happy to see that the lending distribution in terms of currencies had been quite in favor of a prudent approach. We have seen an almost 50% even distribution of foreign currency and local currency in terms of corporate lending and over 90% in local currency for retail lending.

When we look at the deposits' growth, we see very strong growth in retail customers 2.1% and company deposits which grew by 1.4%, year to date. Here also, if you compare the slides with loans and deposits the numbers may be inversed, but still matching each other, thus offering us this natural hedge position that we are always mentioning in terms of foreign currency versus local currency lending.

We managed to maintain a very strong liquidity position and also very low loan-to-deposit ratio. This growth in deposits base is also impacting the numbers which George had previously mentioned in terms of strong growth of fees and commission income where we see higher growth rates as compared to our peers or other banks in Romania.

New production in retail banking had been around RON 2 billion. We have seen almost 4,000 of our customers applying for a housing loan during the first three months. This shows also an appetite and comeback of retail customers to the mortgage lending where we have very strong cross-sell and vertical-sell opportunities. This is also good for the economic growth.

Our active customers in retail banking grew to over 3.8 million, we have more than 6 million cards and we would say that we are the backbone of the Romanian payments systems, both in retail consumption, but also in terms of bank-to-bank payments.

SME loans grew by 18% and corporate loans by 3.5%. In SME, we will see even further growth starting with Second Quarter. As we speak, our teams, colleagues from network and from underwriting departments they're processing the SME Plus program loans. We are a very active part of those state programs. We already have RON 6.5 billion in our balance sheet; also, with the new program, which is amounting to RON 12.5 billion, as we are the bank of choice for SMEs, bank of entrepreneurs in Romania, there will be a boost of this value besides the general economic advance it will bring.

We do a lot of activities in terms of social responsibility, but also sustainability. During the First Quarter, we have promoted the credit of the farmer, "Creditul Femierului", we have done special programs for the health care professionals and lending to companies with female executives and entrepreneurs. I would like to switch to Luminița to see what risks we've generated and how we managed them.



**LUMINIȚA  
RUNCAN**

Thank you, Ömer. From the risk side of the activity, I do not have too much novelty to present to you. Nevertheless, I would like to stress a couple of things that we consider important for our stakeholders.

As depicted in the chart of the left-hand side of the slide, our cost of risk evolution in Q1 2024 reflects a very good quality of the loan portfolio and very low NPL ratio. Based on the results presented, we are confident that the bank can deliver a cost of risk below 100 basis points by the end of this year, in line with our initial guidance for 2024.

If we look on the right-hand side of the slide, you can observe that the provision stock increased slightly in Q1 2024, proving once again our conservative and prudent risk approach. Therefore, the negative cost of risk at the end of Q1 2024, was due to the recoveries from previously written-off loans and also due to the revision of the ECL from other risk and loan commitments as depicted in the notes of the financial statements.

We can observe, if we compare March 2024 level to the figures from 2021, that ECL of the bank increased by over 22%. As we have mentioned in the previous video conferences, the provisioning of the bank increased in a smaller pace than the loan growth of the bank during the same period.

It is important to observe the decreasing trend of the NPL ratio over the last five years, reaching a level of nearly 2% at the end of March 2024, which is well below the local market average 2.33% at the end of December. It is also important to add the fact that even in this downward trend of NPL over the years, the provision remained constant, giving us and our shareholder the comfort about the way in which we are managing the assets of the bank.

Q1 2024 shows a very slight increase in NPL ratio, mainly driven by consumer loans and SMEs but these levels do not reflect significant concerns. When it comes to PAR 90, the figures are presented on the right side of the slide. We are mirroring the tendency of NPL, and this is being influenced by good recovery, but also by market trends in terms of lending.

As we mentioned in our 2023 year-end video conference, we observed a slight increase in PAR 90 ratio during 2023 and which continued during the First Quarter of 2024 coming from retail and SME customers. This is due to the inflationary pressure that these types of clients have been facing over the last two years. But we do not have any significant concerns when it comes to the evolution in terms of asset resilience.

When it comes to the capital position of the bank, we can be proud of having comfortable solvency levels as depicted in the waterfall chart. The capital adequacy ratio of the bank reached 21.47% profit included and is significantly above the requirements set by the Central Bank of Romania. The bank benefits, as we already mentioned previously, from a strong and stable capital base, mainly due to the profit capitalization, which is an instrument that the bank has been using over time.

Own fund structure is also presented on this slide, depicting the significant capacity of internal capital generation. We are also mentioning the fact that the risk weight asset density reached a 39% level, which is stable compared to the last two quarters, whereas our own funds stay at RON 13 billion as of end of March 2024. The bank, along with the local market, enjoys a very high liquidity levels. That's why what we are presenting to the stakeholders in terms of liquidity ratios are presented here. We have a loan-to-deposit ratio at 56.27%, immediate liquidity at 52%. The LCR ratio records very high level, around 773%, well above the regulatory limits.

This is showing the trust that the clients have in Banca Transilvania and also reflects the high-quality assets that the bank has under management. More than that, it is worth to be mentioned the fact that the pool of assets we have managed under management is very well balanced.

On the right side of the slide, we inform you about the structure of the security portfolio by March 2024. The bulk of our security portfolio is composed by Romanian government treasury bills as a feature of our local footprint. Also, very important in this context, is that 73% of the securities portfolio is measured at fair value through

OCI. 23.5% is held to collect at amortized cost, and the remaining part is measured at fair value through P&L. Therefore, our books account virtually for all changes in fair value driven by the volatility in the interest rates.

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**ÖMER TETİK**

Thank you, Luminița. I will just want to touch briefly the General Meeting of Shareholders decisions, thanks to our investors, our shareholders, since they appreciated the results, so they approved also the budget. But besides that, a total amount of RON 1 billion from the net profit has been approved as cash dividends. It's RON 1.25 of cash dividend/share. Also, RON 1.18 billion had been decided to be allocated to the increase of share capital to support the growth of the business, support the growth of our lending portfolio.

Basically, in terms of budget, we are targeting over 13.5% growth of total assets with 6% growth of loan book and net income on a stand-alone basis of RON 3 billion where we will be continuing our heavy strong investments in technology, infrastructure and other digital initiatives.

You have seen that we are trying to maintain, despite fiscal changes or other pressures, our cost-to-income ratio under control, but we also want to maintain the impact on OpEx from the wage inflation and headcount also under control using the available technology.

As I said already, there was RON 1.18 billion of incorporation to capital of the bank. The shares' buyback program has also been approved. We also shared brief information as regard to OTP Bank, OTP Asset Management and OTP Leasing Romania acquisitions. Nothing much changed.

We are hoping that during this quarter, we will be getting the necessary approvals so that we can focus on integration. And hopefully, between six to nine months, we will be finalizing the integration of OTP Group - OTP Bank and OTP Bank's asset subsidiaries in Romania to BT's entities.

We have been, I would say, happy to see the appreciation. The most important reflection is the stock exchange, the shareholders' or investors' reactions. We have been receiving a lot of questions about dividend policy. Maybe it's also in the Q&A section.

We, first of all, target creating value by growing our business. Therefore, as long as there are strong opportunities, we will be focusing on those. But excess capital, in the last couple of years, has been distributed to shareholders. On average, just below a 6% dividend yield has been offered, even in the tough times.

And we hope that with the strong efforts from all BT team, we will be maintaining this. Although, with all the, let's say, external pressures, global volatility, we don't want to commit to a number going forward.

As regard to sustainability, we'll come back to Luminița again.



**LUMINIȚA  
RUNCAN**

I just want to say a couple of words when it comes to sustainability, and we want to inform you that in the First Quarter of 2024, we continued our initiative of informative roadshows organized for local entrepreneurs, during which we aimed to share and discuss the opportunities and challenges of the green lending products and also, our products' offer, therefore, we have organized two events in two important Romanian cities, namely Iași and Constanța.

In this period, where we encountered a big interest for this topic, we have had more than 380 participants. Because we believe in education and we think that education is the most important asset for any successful business, we partnered with the University of Agricultural Studies from Cluj-Napoca in a programme called Agro Intergeneration dedicated to agricultural entrepreneurs.

The program lasts for six months period. And right now, we are at the fourth edition of this program. In this cohort, we have 30 students from 14 Romanian counties.

Basically, this represents another important commitment of Banca Transilvania to support the development of the Romanian agriculture.

More details on the initiatives and progress recorded in 2023 is to be found in the fourth Sustainability Report that the bank is going to publish in a couple of days. After you read this, we will be more than happy to answer your questions if there are any. Thank you.

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**ÖMER TETİK**

As mentioned already, a big portion of our investment budget is going to technology and additional initiatives. We are very happy to see that more than 1 million - almost 1.5 million questions have been answered by Intreb BT (Ask BT), which is one of our first AI initiatives.

But also, we are using the questions coming from those customers, almost 100,000 questions in order to modify, adapt our products and services flows. It gives us a better idea of also user experience where we are trying to improve ourselves. We have integrated our artificial intelligence to policy educational platforms.

We use Microsoft Copilot and GitHub Copilot for our employees in order to also help them, support them with the new working habits and new working environments. BT Pay is already the most successful wallet application in Romania, and we have seen a very strong growth in terms of the users, in terms of the payments in our, let's say, medium-term and long-term plans.

BT Pay will become our retail banking, mobile banking application or main interaction platform. We will be decreasing the channels that we use, that's why we continue investing in BT Pay where you will see also features such as account opening, foreign exchange transactions. But we are also happy that BT Kiddo, a relatively new initiative has already more than 120,000 accounts. We are hence trying to educate but also obtain customers from younger ages.

And we see also a positive thing: the access from rural

areas, smaller cities have grown threefold in the last three years, and we think that this is a trend to stay in the next years. We will see fast adoption by the, let's say, rural areas and some other cities in our digital incentives.

One good surprise, although it is between First Quarter and Second Quarter, the launch of Salt Bank. Salt in Romanian means leap forward, jump. So, it's not salt, but it's Salt. We are emotionally overwhelmed and positively surprised by a high number of new accounts opened. We are already close to 200,000 users and RON 150 million brought in.

It's good to see that a big portion of these customers and amounts are coming from bigger cities where we targeted, especially Bucharest, but also from our peers in terms of neo banking, digital banking, out of good practices. So, Salt will become even much more popular.

We are aiming to reach 1 million active customers in three years, that's why breakeven point, for the moment, is four years. It's the first iteration, but it will have all banking products and services soon within the ecosystem.

Next, we will present the BT Financial Group, George, the floor is yours.



**GEORGE  
CĂLINESCU**

Thank you, Ömer. So, Banca Transilvania, of course, is leading the financial group in terms of results as net profit, total assets, return on equity, return on assets, but there are also some other companies that have presented a very good, strong, position in the First Quarter of the year.

And I would like to mention here BT Leasing where net profit reached RON 31.2 million in the First Quarter of the year, with total assets amounting to almost RON 4 billion and return on assets even higher than Banca Transilvania with 3%.

Return on assets stands at 6% for BT Mic, which was the second subsidiary I wanted to mention, with RON 15.8 million net profit for the First Quarter of the year and RON



1 billion in terms of assets at the end of the First Quarter. We also have very strong results in BT Direct with RON 11 million net profit for the First Quarter, almost RON 1 billion in terms of total assets and a return on assets of 4.7% with 32% return on equity.

Victoriabank is showing positive results as well. Here, we posted a RON 18 million net profit, with RON 5.6 billion in terms of total assets at the end of the First Quarter and over 300,000 active clients with Victoriabank for the first time, brought in an additional acquisition in terms of the composition of the group. And, as you've seen in the financials, we're talking here about BCR Chisinau, a company which became part of the group at the beginning of the year 2024 and for which the results are incorporated. We're happy to report that we are presenting a bargaining gain on the transaction in the First Quarter, at consolidated level.

Salt Bank is at the beginning. So, we expect to have positive numbers for Salt Bank very soon. But now we are investing there. And as you can see, the number of new clients, as Ömer was saying is 200,000 already in the first month of operations.



**ÖMER TETİK**

Thank you, George. Indeed, Salt Bank at least at the beginning, since March, surpassed our initial expectations. It's up to us now to bring in some new features as soon as possible, to maintain those customers loyal and active to Salt Bank. BT Asset Management grew its assets under management by 7% year-to-date. We have seen BT Capital Partners very active in the local administrations bond issuances. Also, we have just completed the 15th arrangement of the Romanian Ministry of Finance's special borrowing program for retail customers, targeting retail customers.

We are also happy to see in BT Leasing portfolio's more than 30% of electric or hybrid cars. BT Mic, which is already a small bank itself, has reached more than 20,000 customers, having an outstanding loan. It's the size of a small bank in Romania. And we are growing further our

pension business, having also ambitious plans there. But so far, we are happy also to see the year-to-date growth of numbers there.

Thank you very much. I would like to also say although it took a bit longer than we aimed to, we would like to allocate some time for the Q&A. We already started gathering questions.

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#### **OPERATOR**

Ladies and gentlemen, at this time, we will begin the question-and-answer session. First question is coming from Wood & Company. Miguel Dias is asking us if we can provide some more color on the quarter-on-quarter drop in corporate loans. What dynamics can we expect in the next quarters?



**ÖMER TETİK**

It is some seasonality. There is one more question about seasonality. There is seasonality here because in the last quarter of the year, the activity is much higher, sustained. And in the First Quarter, traditionally, the activity is lower, but a lot of SME lending activity in the companies' side had been postponed.

Last year, at the beginning of the year, there were a couple of big projects supported by government or European Union programs. So, we are much more positive about the dynamics of the growth in the Second Quarter -starting with the Second Quarter.

That's why we don't see it as a structural thing nor as a risk. As well, there has been, as stated in the presentation, a segmentation between business lines. So, part of the growth has only been seen in the other business lines, namely from micro to small, from small to mid-co, and from mid-co to large corporate. That's why we are comfortable with the numbers posted, but we remain confident results will be much better starting with the Second Quarter.

## OPERATOR

The second question is related to the net interest margin coming from Daniela Mândru from Swiss Capital. Daniela is asking us what evolution of net interest margin should we expect for the upcoming quarters given that the current levels are relatively high compared to historical levels on one side and on the other side, that the total deposits grew at a slower pace as compared to the net loans?

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**ÖMER TETİK**

Hi, Daniela, thank you for the question. Indeed, lending grew faster, but we were not very aggressive because we have seen our, let's say, flexibility and attractiveness in deposits. We are not the highest payer of deposits' interest rates. We have also seen on the corporates' side, a lot of deposits, especially state-owned enterprises have been gathered special rates at certain institutions or by the state treasury.

We do not see it as a trend itself. Usually, in the last quarter of each year, towards the end of the year, liquidity is being accumulated and distributed within the private sector, economic stakeholders. Then, in the first quarter, we are used to seeing a slight decrease of the numbers. This is more or less a comeback to normality. And in terms of net interest margin, we think that we won't see an upside from current levels, but a level of around 330-340 basis points will be flat throughout the year.

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## OPERATOR

Third question coming from Franklin Templeton Can Ozguzel is asking if there is any one-off for the mode of our operation? And if we can elaborate on the strong performance of insurance intermediation income from Visa, Mastercard. Is there any seasonability in this income?



**ÖMER TETİK**

Thank you for the question, Mr. Ozguzel. You answered yourself, I guess, the question. Yes, the housing minority interest exceptional profit is mainly related with BCR Chisinau closing - I mean, Victoriabank's closing the transaction with BCR Chisinau. In regard to assurance or bancassurance income, this is always our, I would say, focus. We have been growing constantly double digit this income year-on-year and it will continue. There is no seasonality.

In terms of Visa and MasterCard, yes there is seasonality because they are coming from CBR getting from their dividend distributions or from their evaluations on a quarterly or semester basis.

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**OPERATOR**

Next question is coming from Carroll Capital Management, asking us if we plan to issue new MREL eligible bonds in the Second Quarter or even Third Quarter?



**LUMINIȚA  
RUNCAN**

Thank you for the question. As we have previously discussed at this kind of video conferences, depending on the increase of the risk-weighted assets of the bank, we have in plan to issue a new MREL bond issuance by the end of this year in an amount that is going to be informative for the market at the point where we are going to issue it.

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**OPERATOR**

Next question is coming from Andreea Playoust, asking us if we can comment on the evolution of the stock stage two loans in the First Quarter of 2024.



**LUMINIȚA  
RUNCAN**

So, when it comes to the percentage of the stage two loans in the overall context, what is to be seen is that there is a steady evolution, a very small increase in the percentage of this part of the stock loans. And this is to be complemented with the information that we have already mentioned at this conference that even though our provisioning is slightly increasing, this is a reflection of the good quality of the assets that we are putting on the balance sheet of the bank.

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**OPERATOR**

Next question is coming from Robert Brzoza from PKO Securities asking us, what will be the first time OTP Romania will be consolidated? Any estimates on when this could happen.

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**GEORGE  
CĂLINESCU**

Thank you for the question. As Ömer indicated earlier, should approval come before the end of the Second Quarter, the first-time consolidation will be in the results presented for the end of June 2024. So, if the approval comes after the Second Quarter being the Third Quarter of the year, but we don't estimate to go beyond the Third Quarter of the year.

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**OPERATOR**

Related to that, we have a follow-up question for Miguel Dias asking us if the budgeted figures for 2024 include the OTP acquisition or not?

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**GEORGE  
CĂLINESCU**

At this point in time, the budget does not include the OTP acquisition in terms of the loans or deposits or the incorporation of the business. When the closing happens and as we'll have more visibility in terms of the evolution and the planned integration of the OTP business with BT, we will come to the shareholders with more details and approval for the integration of the OTP business. And there, we will be presenting results, including the OTP business.

**OPERATOR**

Thank you Mr. Broza. Another question from PKO Security is regarding the drivers behind the quarter-on-quarter deposit costs. Is this sustainable, and are they coming mostly from the cuts to term deposit rate?

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**ÖMER TETİK**

Our deposit base, both our the current accounts and term deposits, have been growing. But indeed, growth in consumption and lower interest rates, we see a more stabilized level of the savings accounts, current accounts type of accounts. So, we think that this is for our business a sustainable model. And we also have the comfort that even if we will see any trend reversal with a very slight change in our pricing, we can attract more clients without impacting very aggressively our net interest margin baseline.

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**OPERATOR**

We have a question in respect of the First Quarter numbers versus the budgeted levels.

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**ÖMER TETİK**

So, in terms of evolution versus the budgeted amount, as I mentioned, the amounts presented for the First Quarter are in line with the budget, even slightly better than budgeted. I will not go into details because here, we will talk about seasonality, and there is a lot of seasonality in the First Quarter, affecting almost all the elements that are important in the budget's construction. What I can tell you is that we're exceeding slightly almost all areas of the budget that was approved in the Shareholders meeting.

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**OPERATOR**

We have a question from IPOPEMA. Ms. Martha Baldyga is asking Banca Transilvania about the level of market interest rates in 2024 assumed a flattish guidance of net interest margin.



**GEORGE  
CĂLINESCU**

As we were mentioning in our previous call as well, we don't expect the National Bank of Romania to move faster than ECB nor at the same pace, because we have seen that the National Bank of Romania adjusted its monetary policy with a small delay. And it will be, I suppose, more or less the same. That's why, we were mentioning that we are realistically see a 25 to 50 basis points decrease in the reference rate this year until all the election cycles will be finalized.

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**OPERATOR**

Okay. At this point, we finalized the questions from investors, and I will give the floor to Mina, our assistant.

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**OPERATOR**

Ladies and gentlemen, in the interest of time, please be informed that the conference call is coming to an end. For any questions that might have not been answered, please contact the Banca Transilvania Investor Relations team. I will now turn the conference over to management for any closing comments. Thank you.



**ÖMER TETİK**

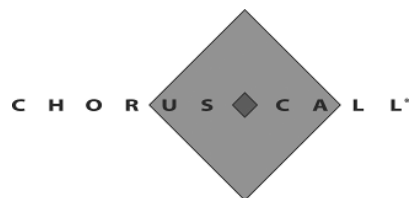
Thank you very much for joining us. I hope we managed to clarify most of your questions or observations, but please do not hesitate to contact us. Our Investor Relations team is willing to answer your questions and listen to your observations. On the other hand, looking forward, to meeting you once we hopefully close both the OTP transaction and the first semester with the consolidated numbers. Thank you very much. All the best.

## **Q1: FINANCIAL RESULTS**

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