Q1 2025

FINANCIAL RESULTS

Earnings Call Transcript

20th May 2025

SPEAKERS

ÖMER TETIK
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 various 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 and 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

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OPERATOR

Ladies and Gentlemen, thank you for standing by. I am Vasileios your Chorus Call operator. Welcome and thank you for joining the Banca Transilvania conference call to present and discuss the First Quarter 2025 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 & Mr. Aurel Bernat – Executive Director Financial Institutions & Investor Relations

Mr. Tetik, you may now proceed.

ÖMER TETIK

Good afternoon. Thank you for joining us for this Earnings' call for the First Quarter Financial Results of 2025. Indeed, we are having this call at the end of the reporting period, but we wanted to delay the call a couple of days in order to be able to have the results of the presidential elections, second round, so we could discuss on the facts, not only on our results. We know that during the last 6 months Romania, the Romanian economy and the investors were all in kind of a freeze. Everybody was focused on the political situation.

Now, we can say that we passed through this challenge. Romanian citizens announced their preference for a pro-European, pro-Western orientation and they wanted to maintain the democratic constitutional reforms going on. Now definitely, our focus will be on the economics.

The first important step, with the elections, worked out well, but still there are a lot of challenges in Romania especially regarding the twin deficits. Both the Ministry of Finance and the National Bank of Romania but also the banking sector, private sector will need to prepare for the necessary fiscal reform measures, although we don't like to discuss about fiscal code changes, fiscal reforms. Still, I suppose everyone would like to assume its own part in this responsibility, which will happen, in order to avoid the potential risk of rating downgrades or pressure on the borrowing cost of Romania. We are thinking that the key thing from now on is the establishment of the new government as soon as possible, hopefully, until mid-June, but not later than the end of June, so that decisions can be taken and implemented, including this year.

I will let Aurel to give more details on the macroeconomic situation, but there are a lot of also good news in terms of tax collection, in terms of revenues, and although the inflation and the budget deficit are still high, we see stabilization and all the, let's say small one-offs, impacting the figures will be fading out soon.

The First Quarter for us was normal, with some one-offs, including the integration of OTP. That's why a linear arithmetic comparison of our results from the First Quarter extended for the whole year might not be correct nor fair. Last year in the First Quarter, we had a couple of positive one-offs.

This year, we had some negative one-offs, which we'll be discussing further when we come to the cost of risk, NPL and OPEX side. But the most important thing is that we didn't benefit from the OTP synergies. OTP was accounted in the individual figures only for 1 month out of the whole quarter. We are expecting in the coming month - in the following months, much stronger synergies to kick in.

We remain committed to the budget which we proposed at the General Meeting of Shareholders and which was approved by the shareholders, meaning that we want to deliver a bottom line of RON 3.9 billion with return on equity around 25%, with strong loan growth and definitely continuing to remain the engine of the Romanian economy in the financial sector. We are also very happy about the results of our subsidiaries. We will be discussing about this further. Now I will leave the floor to Aurel for a quick macroeconomic update.

AUREL BERNAT

Thank you so much Ömer, I will be reverting to some of the details that you already mentioned. First of all, we have to say that we remained to our main narrative regarding the Romanian economy and being an optimist player in this economy based on at least two factors. One of that is that fact that Romania is still the second largest economy in the region and the second thing is that we have the very strong growth during the last 10 years in terms of GDP. During last year, we had a slowdown of this sustained increase. We had a real GDP growth of 0.8%.

Then during the First Quarter of this year, we encountered a GDP growth of 0.2%. Judging on the long term, we see a slowdown starting with 2019 until 2024, in which the overall growth of the GDP was approximately 1.8% on a yearly basis.

The public debt to GDP, despite the fact that we are talking much about it in terms of last year's increase, Romania is still on a stable track, having a 54% debt to GDP level, which, coupled with the relatively high wealth in the CEE region, meaning that we have a GDP per capita somewhere around 80% from the European average, is not that big. This gives us a robust growth potential in the future. Nevertheless, it's also time to speak about the twin deficits that were already mentioned by Ömer.

In 2024, we had the highest government deficit in the EU, of - 8.65%. For 2025, we have a target agreed already with the European Commission of - 7%. From what we are seeing until now, as a positive thing, is that during April, we had somehow a steady balance of expense. On the other hand, in terms of revenues, the state increased its revenues with 16% during April.

On the trade deficit side, we are seeing a slowdown of this evolution, which recorded negative values during the last couple of years. We had a year-over-year growth of 26.9% as of March this year compared with February when we had a 35.1% growth. In terms of inflation, it decreased from 5.5% at the end of 2024, reaching 4.9% in April, mainly driven by services (+ 6.99%) and downwards by the nonfood items. It's worth being mentioned that last week, the National Bank of Romania maintained the interest rate at 6.5%.

Now in terms of the Romanian banking sector, we see a strong growth in terms of lending, single higher digit in Romania compared to the European average for the corporate sector. In what regards the households, Romania posted an almost 10% increase, which comes after a very good start from 2023 onwards compared with the 1.7% average at the European level.

The deposit side also looks good. Traditionally, we have a lower level of loan to deposits compared to European standards. In Europe, we have 92% loan-to-deposit ratio compared to the Romanian one, which is at 67% currently.

On the household's side, also the deposits increased, with 10.7%, being somehow linear during the last couple of quarters. We have to also pay attention to the Fidelis program, which is a government bonds program designed for individuals which is now run in the market on a monthly basis. During the first 3 months of the year, Romanian state attracted through this program approximately RON 9 billion.

In terms of NPL ratio, the Romanian banking sector recorded a level of 2.46% which is strong but comparable to our peer group. In terms of capital, we are still way above the European average, at 20%, higher compared to the 17% European average. Lately, we talked much about the tariffs and the impact of U.S. decisions worldwide.

We also prepared a slide in which we present the main partners in terms of exports for Romania. We have to keep in mind that more than 66% of the total trade is ran towards the European Union member states, such as Germany, Italy and France, they are the top 3 commercial partners of Romania. U.S.A. overall has an impact of 2.47% for the Romanian market. What we are exporting mainly to the US are machinery, transport equipment and manufactured goods.

The two of them represent approximately 60% of the total exports. In a nutshell, we would say that even though the impact is low, we can consider it as a positive side of the future bilateral trading relationships because this is an area in which Romania can grow in terms of increasing its trading opportunities. I will now give the floor to George for the business performance section. Thank you.

GEORGE CĂLINESCU

Thank you very much, Aurel. So, coming back to the performance of the bank. As Ömer mentioned a little bit earlier, I think it's important to note a few things that happened in the First Quarter of 2025 and which affected the way we look at the financials. The most important of these factors it's the integration of the OTP Group.

I will reiterate once again the manner in which we compute the effect of the OTP Group into the financials before we start the business performance analysis because this is important to note.

As opposed to previous years, when we were entering into a closing of our transaction somewhere at the beginning of the year and we were closing the transaction and merging with the businesses acquired in December of the same year, in this case, we closed the transaction at the end of July and we actually merged with OTP Bank at the end of February 2025.

Therefore, the effect of the merger was split into two years. We have most of the integration expenses coming in play, booked both at the level of the OTP Bank and at the level of the BT (individual) in 2024.

Also, the bargaining gain, in terms of revenues, was booked in 2024 at consolidated level. We have some integration expenses that were affecting the First Quarter of 2025, both at the level of OTP Bank (which affected our consolidated results) and at bank level, which affected the individual results.

Again, we don't see into the individual results of the bank the results of the OTP Bank in the first two months of 2025, we see them accounted starting with 1st of March 2025. I will give you some more details along the way as we move to the financials.

Going to the financials, I would like to say that we started the First Quarter with a very good evolution from the businesses point of view. The pre-provisioning operating profits show, at the level of the consolidated results, an increase of 10.5%. Individually we grew by 5.9%.

Net interest income increased quite robustly by 27.1% at the level of the consolidated results. This is above the level of increase encountered in the First Quarter of 2024. However, when you look at the net interest income (at the bank level), with a 15.9% increase in the First Quarter of 2025, we are below the increase posted during Q1/2024.

Again, I remind you, we do not have an increase from the OTP contribution point of view, which do not include the full three months of the quarter, but only one month. I will give you more details when we talk about income.

If we were to adjust the results for the full two months of the quarter in terms of OTP contribution, this increase would have been 23%, which is above the increase that we recorded in 2024.

Going further, when you talk about net fees and commission income, the increase at the level of the consolidated results is 13.2% and at the level of individual results is 9.7%. Here, we do have a small contribution from the OTP clients that we brought into the bank, but this is very small. It's just 1% at the level of the overall results that we recorded in the First Quarter. We do have an increase in the transactions that are processed for the BT clients, which is the main growth engine of the business, but we also have a 16% increase in the number of transactions processed in the First Quarter.
We do have a one-off negative effect from the integration of OTP because at the loans level, when we transfer the collaterals of the notes that we brought from OTP, we had to pay some commissions to register the collaterals with BT instead of OTP, and that effect is reflected in the First Quarter. This one-off was estimated at around RON 30 million.

If we go further on and we talk about operating expenses, we have the main effect coming from the integration of the

OTP because in the First Quarter of the year, we had approximately RON 70 million expenses coming from the integration of this entity. More specifically, RON 50 million were booked at the level of the consolidated results and RON 20 million were booked at the level of the individual results.

Going further, we do have a net result in the First Quarter of the year impacted by an increase in cost of risk. But what I want to say, and Cătălin will detail a little bit later in his presentation, is the fact that this is not because of an effect that is spread throughout the business lines. It's because of some few isolated clients.

If you look at the financials, you can see that when you look at the segment reporting, we had some individual, mid-corporate clients, that had some problems for which we have adopted a prudent approach and we increased the provisioning level. Cătălin will get more into details on this as we go further with the presentation.

When we talk about net profit and you look again at the comparison with the First Quarter of last year, at consolidated level, you see a decrease of 22%. But I remind you that in the First Quarter of last year, we also had the closing for the transaction of BCR Chișinău from Moldova. And that had a one-off positive effect into the consolidated results of RON133 million. If we would eliminate this effect, the decrease would have been only of 12% quarter-on-quarter at a consolidated level, which is much smaller than the decrease at the individual level.

In terms of overall evolution from the net interest margin point of view, we do have a small decrease quarter-on-quarter, but the net interest margin remains strong.

We don't have any reason to believe the net interest margin will decrease below 300 basis points. And that was reflected in the budget for the year 2025.

With the results that we have, even though we did have this one-off effect, the cost-to-income ratio at the level of both consolidated results and individual results remains very strong. If you take away the effect of this turnover tax, we are around 44% throughout the two annualized periods, which is a very good result when we compare it with our peers as well.

In terms of return on equity, with our results, double-digit ROE in the First Quarter, we are way above the averages for the banking system in Romania or for the European banks. As you could see in the presentation that Aurel made, the banking system average is around 18%. Of course, with 21% ROE we maintained a very strong return on equity position both at the individual level and also at the consolidated level.

Now going further in the presentation, I would like to focus a little bit on the balance sheet before we go into a more detailed analysis of the revenues and expenses. Here, if you take a look at the evolution of the balance sheet, we do have an increase in terms of total assets in the first three months of the year, 6.7% at individual level.

If you look at consolidated level figures, you see that actually the total assets remained quite flat in the first three months. At the individual level, of course, this is due to the incorporation of the OTP business.

If you look at the increase in terms of gross loans, we had some very good sales in the First Quarter of the year but, of course, at the individual level this 14.7% increase is primarily driven by the OTP Bank acquisition and integration.

Analyzing the consolidated results, we do have an increase of almost 2% in terms of loans growth, in a quarter where the focus was not on sales but was rather on the integration of the OTP business.

Overall, deposits from customers didn’t grow at the level of the consolidated results, but they did grow at individual level due to the integration of the OTP results.

You can see clearly what we have been saying in the previous discussions, namely that the integration of OTP Bank will bring a significant increase in terms of gross loan to deposit ratio, happened. We did manage to increase this ratio to almost 62% at the end of March 2025, which is nearly a 5% increase versus December 2024. Also, at consolidated level, there is an YTD increase of almost 2 % in the First Quarter.

In terms of NPL ratio, with 2.5% at the end of the First Quarter, we are in line with the figure of the Romanian banking sector.

Capital position is very strong for the bank. Of course, here you will see more details in Cătălin's presentation a little bit later.

Now going further, let's have some more details in terms of trends in income. Here, the most important thing is the fact that we do have an increase in net interest income, and that's 15.9%. This reflects only one month of OTP, as I mentioned earlier.

One month of OTP, what does it mean? One month of OTP means a result that it's around RON 50 million. If we had the first two months accounted, the increase would have been even higher, it would have reached over 20% in terms of net interest income.

We stand by what we assumed in our budget presentation. Even though we do have only one month of OTP results here reflected, we estimate that our growth in terms of net interest income and the synergies that we see on the revenue side from the OTP acquisition will be seen in the following months, after the First Quarter.

In terms of net fees and commissions, an increase of 9.7% can be observed. As I mentioned earlier, its slightly affected by the commissions related to the transfer of the collaterals from OTP, which amounted to approximately RON 30 million in the First Quarter. However, if those commissions would have not been present, we would have had a double-digit growth of this line in the First Quarter as well.

We do have a very nice increase in the number of clients in the First Quarter of the year with 130,000 new clients coming into the bank, without those that we transferred or in addition to the ones that we transferred from OTP.

Even though we changed the structure of the commissions, this thing actually grew the base for net fees and commissions income and also increased the usage of products at the bank level.

Going further, net trading income, posted an increase of 17.5%. This is due primarily to FX transactions. I think more than 85%, 88% is coming from FX operations with the clients. If you look at net gains and losses from financial assets, we do have RON 68 million reported in the First Quarter, which is a decrease of 44.1% versus the 2024 First Quarter.

This is due to the challenges in the market in the first 3 months of the year, and it's coming primarily from the fair value of the instruments that are included in this line.

As I mentioned, net interest margin evolution, even though interest rates varied on the market in the last 5 years and 1st quarter, as you can see on the graph, we managed to maintain a high net interest margin, which is stable for the bank. During Q1/2025, NIM posted a level above 330 basis points. Our estimate is that NIM will not drop below 300 basis points during 2025.

In terms of the income structure, we maintain a pretty stable structure, very similar to the one that we presented in the previous quarters with the main contributor being the net interest income, counting for 72.1% of total income.

Going further into the analysis, if we look at the trends in the operating expenses, the main contributor to operating expenses is the personnel expenses. We had in the First Quarter of the year, RON 577 million in terms of personnel expenses, which represents an increase of 19.6% versus the First Quarter of last year.

I would like to go a little bit more into details because this is important. First, we do have an effect coming from OTP because we have taken in BT Team approximately 600 people from OTP. This is affecting the personal expenses increases. Then, we do have an effect coming from an increase in terms of the increase of wages driven by inflation.

Looking at the market, we know that in 1 year, wages increased by approximately 10%. But because of the inflation the increase is actually of approximately 5.7%. If you take this into consideration, together with the increase of staff with the OTP colleagues, we account for approximately 13% of the overall increase in personnel expenses at the level of the bank.

What I want to mention that is even though this increase in personnel expense happened, if you take a look at the graph that is on the right-hand side, you see that the efficiency of the employees positively affected the assets that are managed, increasing YTD.

In terms of other operating expenses, we recorded an increase of 19.3% or RON 354 million, of which RON 76 million is the turnover tax increasing versus Q1/2024, when it amounted to RON 65 million, as you see on the graph. We do have an effect coming from the integration of the OTP business, which was reflected at the level of the bank, as I mentioned a little bit earlier. And that's approximately RON 20 million.

If you take a look at the cost-to-income ratio, it was quite stable in the last years. And even though we did have these one-offs in terms of expenses at the beginning of the First Quarter, we did manage to maintain - if you take away the turnover tax, a 44% cost-to-income ratio at the bank level.

Now, having said that, I'm pretty sure that you will get more details from Ömer on the evolution of the business, and I'll give the floor to him.

ÖMER TETIK

Thank you, George. Indeed, I mean, we have been repeating about OTP integration and its impact. If you look at the First Quarter results, in terms of loan growth, we see a 14.7% growth of our lending portfolio. Even if we exclude OTP portfolio, we had a 2.9% growth in retail lending and a 1.6% growth in companies lending, which, for the start of the year are actually quite good numbers.

Definitely our network and several business lines are also focused on the good integration of the OTP customers. We didn't have our old resources 100% allocated for new sales.

On the other hand, there were also the postponed elections impact in the markets that we have also mentioned. Usually, traditionally, our business growth is picking up in the Second Quarter and mainly happening in the last quarter of every year with second and Fourth Quarter of each year making more than 60% of the total lending and business activity.

We are still committed to the loan growth and we will be very active in the market.

Still, if you look back in the First Quarter of this year, we see - even in the First Quarter of this year, the growth in the appetite of retail customers. BT has granted almost 100 new mortgage loans every day, reaching more than 5,400 mortgage loans. But also, we see in consumer lending, we had good results and also looking back at what Cătălin will present safe growth, but still strong growth in unsecured lending as well.

There is also the Noua Casa program announced that we think that it will boost the market. Now with the interest rates quite low and also high competition, high liquidity in the market, we think that housing lending, mortgage lending will be picking up for the rest of the year as well.

We are definitely also proud of our growth in the cards business. We have almost 7.5 million cards already. We are, as we had been in the last couple of years, the main payment institution in Romania from salary and pension payments to commercial transactions, e-commerce.

Our payment systems are offering us also an upper hand to grow further in the corporate business, SMEs, mid-corporates or large corporates as well. The lending is still, I would say, balanced, although we have seen in the last couple of years, a growing trend of preference from the corporate clients for foreign currency lending, mainly related with the cost of borrowing. The very recent increase in the exchange rate, I think will be discouraging for companies, giving a sign about the potential cost of having foreign currency loans.

We will be maintaining our naturally hedged position on the loans and deposit sides as well. Deposits growth mainly came from the OTP portfolio with very high liquidity and high interest rates. We didn't want to be very aggressive. This we said also, I guess when we met - when we discussed the end of 2024 results. Definitely, the Fidelis program of the Ministry of Finance, where the Ministry of Finance is borrowing directly from households is also becoming a strong competition, but still having good liquidity results.

We didn't want to start a new trend in the banking sector by changing our interest rates and pricing strategy. We are so far comfortable with the numbers that you see in our presentation. We see also a quite balanced distribution between time deposits and current accounts.

We consider current accounts as core deposits and they had been an important pillar for our liquidity management but also net interest margin. Companies, we see, are much more attentive. They are looking for alternative ways of investing their extra liquidity, but still, we see a good core of current account base there as well. I will leave it to Cătălin to discuss about the risk.

CĂTĂLIN CARAGEA

Thank you, Ömer. When analyzing the capital position of First Quarter of 2025, we didn't see any unexpected events. However, there are a few events that are visible in our figures. One of them is the OTP integration in the bank. Although here, you are seeing the Group consolidated figures, you're seeing also the capital ratios for the bank and the loans, where you see the effect of the OTP integration. If you remember our last call, we announced that we build up capital for the bank in order to observe this integration, and this is visible now.

What we can mention from a broader picture is that our capital ratio is still above our risk appetite, internal risk appetite and around our minimum announced guidance of 20%.

If you are looking to the RWA density, bottom right chart, you will see in 2025, a slight advance when coming about the credit risk RWA. We would like to mention that this is not coming from portfolio quality, but this is coming from pure fadeout of general regulatory exception on the sovereign exposures, which is applicable for the entire market.

What it cannot be seen in the charts, because this didn't affect our Group, is the Basel IV. For the bank stand-alone, as we announced also in the previous call, the Basel IV effect was neutral, whereas for the Group the impact was slightly positive from a RWA perspective.

Basically, the actual figures confirm our expectations that were announced throughout 2024. For the entire year or for the year-end, we expect to see the capital position at a comfortable level above our minimum 20% announced target and guidance.

If we move further to the asset quality, in First Quarter, we see a small advance in the asset quality indicators, both NPL and cost of risk. And this is on a base of two events. One event when looking to the NPL ratio, it's the OTP integration in the bank. And the majority of the NPL ratio upside is coming from this portfolio, because when we incorporated it in the bank, the OTP portfolio came with a slightly higher NPL rate than the bank had, due to a pure base effect.

When coming about cost of risk, here we see for the First Quarter a small advance, which is the second one-off event that I was mentioning. And this is coming from a few mid-corporate customers which defaulted into the quarter. However, this is keeping the cost of risk around our guidance, a maximum targeted 1% of the cost of risk.

Of course, someone might ask if this is a trend or this is not a trend. We are closely looking to the trends because these are more important than the one-off events. At this stage, we don't see any trends which will go outside of a normal or go beyond the normal or normalized portfolio trend in the current economic circumstances.

Therefore, we see that for year-end, both ratios, NPL and cost of risk will be kept within our guidance. I would say that this is for the risk side.

ÖMER TETIK

As I mentioned, we held less than four weeks ago, our GSM. And based on our proposals, our shareholders approved the distribution of cash dividends from the profit of the year 2024 in an amount of RON1.59 billion from the net profit reserves for 2024. Gross dividend share amount is 1.73 and ex-date for the distribution will be 13th of June. Registration is 16th of June and payment date is 30th of June.

For the budget, total assets growth had been approved at almost 14% and loan growth of over 19%, including OTP. Profit before tax, RON4.6 billion, growth of 12.7% as compared to 2024. We will be investing on CAPEX investments mainly around RON840 million this year, mainly IT, infrastructure and digital initiatives, but also definitely in our other projects in the bank as well.

The share capital by incorporating the reserves from the net profit of 2024 will be increased by new 173 million shares with a nominal value of RON10, meaning around 19 shares that will be distributed for every RON100 with the registration date of 18th of July. And a share buyback program had been approved for 5 million shares, around 0.55% of total number of shares a bit less than previous years, also based on the fact that the price has increased and the needs are lower.

We don't have the special bonuses like for the integration and other special events. So, we will be continuing also our stock-option plan this year with 5 million shares.

We are happy that, despite maybe 2 recent stressful weeks, our shareholders' confidence and trust are there. We are thankful to our investors and shareholders for supporting us in our endeavors. And I hope that we will be so far delivering good results, good returns. We will be continuing similar yields and returns for our shareholders as long as definitely Romanian and financial markets will allow us.

About sustainability and digital, Aurel, if you can say a few words.

AUREL BERNAT

Definitely. Thank you. I will be touching sustainability a little bit. In March 2025, we published a sustainability statement of ours. The main thing is that in this reporting, we have the carbon emissions on all the three scopes. And what is relevant is that we have a strong data quality score of 2.95.

In terms of green asset ratios, you have the metrics, both for stock and flow, you can visit our website, see the sustainability statement and so on.

In terms of sustainable finance, this is something that we didn't quite deep dive during our previous calls in 2024, but it's good to be mentioned. We have a green loans portfolio of RON1.7 billion, 60% higher compared to 2023. The mortgages also had a good traction, 5.27% of our mortgage loans are green.

And one fun fact, I would mention 1 out of 2 financial leasing granted by better leasing go towards electric or hybrid vehicles amounting of north of RON1 billion in total. In terms of community care, we have a CSR budget of more than RON80 million in 2024. And this means this can be translated in more than 450 projects in education, culture and sports, all across Romania and also Moldova.

Touching briefly on the digital side of ours. We are more than happy with the developments of BT Pay and BT Go. BT Pay as you know, is designed for retail customers and BT Go for the corporate side. In BT Pay, we introduced AI assistance and also we launched BT Pay Italy which grants Italian IBANs and also digital cards and instant transfers for all people located in Italy.

On the other hand, BT Go already surpassed the 300,000 customers. As for comparison BT Pay has more than 4.1 million retail customers, BT Go has 310,000 corporate customers. It's a very successful story on both sides. We always happy to show them on the screens.

I will go back to you, Ömer. Thank you.

ÖMER TETIK

Thank you Aurel. We continue our focus being an active partner and taking an active role in all financial sectors, financial markets products and services in Romania. And we have also several definitely good news. We managed, on the bank side, a successful integration in record time with OTP, thanks to great efforts by our colleagues.

We have also successfully completed the merger of Victoriabank - BCR Chișinău with Victoriabank in Moldova. And Victoriabank continues its consolidation efforts. The next step for them is a transaction which is already signed with the acquisition of Microinvest.

Microinvest is the largest micro lending company bigger than many other banks in Moldova with 40,000 customers. It's a good contribution. And we think that it will replicate the success to BT Microfinanțare or even will be best practice in this area in our Group.

Definitely important news, maybe the most important strategic one came from BRD Pensii, where we finalized the takeover of the third pillar from BRD Pensii and now in the process of approvals and authorizations for the second pillar.

Private pensions, pillar 2 and pillar 3 are - they have a very important role in our strategy, both in terms of development of our customer base to offer us a better, more stable future to our customers but also to support the development of capital markets in Romania.

I would not like to enter into the details of each subsidiary. You will see them in the presentation. However, for one of our subsidiaries, BT Direct, posted excellent sales results I would say, record levels of sales this year.

And Salt Bank, our fully owned subsidiary, but also a competitor in banking sector has reached over 500,000 customers in just 12 months. And as they are launching new products and services, we are sure that they will be, let's say, frequent receivers of awards like best use of technology in retail banking, which they received in London from an independent jury.

I would like to say that we shall leave some time for Q&A. Some of you have posted to the platform. The presentation is already on our website in the Investor Relations page. In case you cannot reach it, please do not hesitate to contact us. And in case you will not be able to post questions, you didn't post yet, you can always come back to us. Our colleagues from Investor Relations will try to answer as soon as possible. Thank you.

DIANA MAZURCHIEVICI

Hello, everyone. We have the first set of questions coming from Miguel Dias covering Banca Transilvania for Wood & Company. Given the evolution of the loan book in the First Quarter of 2025, do you still view 8% year-on-year for the entire year?

How is the Second Quarter shaping? Do you see stronger growth or is the loan book expected to grow more in the second part of the year?

And another one also related to the guidance. You previously guided for up to 80 bps in terms of cost of risk for the financial year 2025. Does this change your stance on cost of risk?

ÖMER TETIK

Thank you, Miguel, for both questions. As we try to answer during the presentation, we are still committed to the loan growth numbers mentioned. And yes, we are expecting in the Second Half of the year a higher activity because due to, let's say, political instability and concerns and also seasonality the First Quarter, Second Quarter - the First Quarter, especially wasn't that productive.

We also had our focus on the OTP integration. We might have missed some opportunities, but which we will try to grab starting from Second Quarter. I don't want to enter into the numbers of Second Quarter because it is - obviously, this is a limited video conference, not open to all the investors, shareholders, but I can tell that Second Quarter results are looking better and from all perspectives from the bottom line to the sales. And already with the mood in the market we are expecting a very strong June.

Second question was related to the cost of risk. Yes, I mean, actually, we have been discussing this internally a lot. It had been long, let's say, sequence of years where it was growth and good news. So maybe we were not ready also emotionally for any, I would say, one-offs in the NPLs or cost of risk. We see what happened in the First Quarter as I said many times, it's one-offs. We don't see any drastic trends or concerning trends in the NPL generation or cost of risk. So, I would say that we are committed to the 80 basis points, but I will let also our Chief Risk Officer to add.

CĂTĂLIN CARAGEA

Indeed. What we see currently, as I said also previously was due to this one-off event on a particular segment, so mid-corporates, but these were just a few. If we are looking a bit more in depth on the private individual segment here, we are seeing a positive trend rather than slightly negative.

So from this perspective in private individuals, the forecast from current standpoint looks promising. When looking to the legal entities, here we don't see adverse trends. We saw as we are speaking also in the past calls, we saw some slight upsides on some particular segments, like this more volatile or more cyclical industries, but this is normal in the current economic environment.

So, our guidance and our baseline scenario is still at 80 basis points as it was announced. But we wouldn't be worried if this would be fluctuating between 80 and 100 basis points, which would be from our perspective a normalized - a normal trend.

DIANA MAZURCHIEVICI

Next set of questions come from Jovan Sikimic from ODDO. Can you please explain the decrease of capital ratios versus end of year 2024? And how significant was the impact from CRR3 implementation? How big in your view is that new turnover tax for banks will come in the future? And what is the reason for the corporate deposit outflows at the Group level in the First Quarter?

CĂTĂLIN CARAGEA

I'll take the first question related to the capital position. Basically, I will reiterate what I said earlier. So, if we look to the bank standalone, the decrease in the capital ratio is not an unexpected event. This is purely given by the OTP integration.

And as a matter of fact, we built up the capital in order to absorb this M&A process. From Basel IV perspective, we didn't see any adverse impact, contrary for the bank standalone, it was a neutral impact. And for the Group, we rather saw a positive effect.

ÖMER TETIK

I will start with the last one with the corporate deposits outflow. It has multiple factors. One is related with the precaution of the companies to reimburse - to use their liquidity to reimburse their loans or to prepare the entrepreneurs with a higher, let's say, dividend payouts.

On the other hand, during the OTP integration also, some of the customers preferred to close their loans and when switching to BT to start the lending process from zero. So, we see that some of those motives do not exist anymore.

But also, as I said, we were not very aggressive in pricing strategy, especially state-owned institutions, state-owned enterprises, they either moved deposits to other banks or they paid dividends as well to the shareholders. The second question, I just forget.

CĂTĂLIN CARAGEA

It was related to turnover tax.

ÖMER TETIK

Turnover tax. I mean, actually, based on the previous discussions a couple of years ago, it was supposed to be the last year of turnover tax on the banking sector, which we sincerely do not think that will happen, most probably banking tax will remain for a while.

On the other hand, the impact on the state budget or for the management of budget deficit is not that much. However, we do not expect it to disappear nor we do expect it to increase and both the newly elected President and his, let's say, preferred choice for Prime Minister they were imagining that the fiscal reform should be meaningful and focused on mostly collection of taxes not being collected. Our, I would say, opinion is that will not be the case to increase.

DIANA MAZURCHIEVICI

Next question comes from Badis Chibani from Neuberger Berman. Can you please give us your view on potential downgrade of the Romanian sovereign rating?

ÖMER TETIK

I mean now definitely, we are a bit more relaxed on that. We don't think that it's, in the short term, it is at risk, I guess. Both rating agencies and our Western partners are following closely, tax collection, budget deficits growth, inflation and other numbers.

And they don't want to also risk social or economic stability. I think rating agencies have now a period of expectation to see which government, when will be constructed, and what kind of fiscal reforms or other reforms they will implement. So, in the next quarters this year, we don't see the risk imminent.

But on the other hand, indeed, if Romanian government authorities do not take the necessary steps, it is there. It is a risk. We are doing different scenarios for it. However, as I said, we, as a Romanian bank, are definitely exposed to Romania, with all our interest, we will also assume our role in order not to reach there.

DIANA MAZURCHIEVICI

Next question comes from Daniela Mândru covering Banca Transilvania for Swiss Capital. At the standalone level, deposit guarantees increased at a much higher pace compared to the advance of deposits. Can you please provide an explanation for this development?

GEORGE CĂLINESCU

So indeed, as you can see in the financials, the expenses with the deposit guarantee contribution increased, by approximately 40%, while deposits increased by only 6.2%. However, if you are to look at the variation of the deposits year-on-year by comparing with the First Quarter, the increase is higher in terms of deposit by roughly 30%.

And what's on top of the 30% to get to the 40%, maybe some variation in terms of the way the authorities are computing the contribution to the deposit guarantee fund to reach their target quota for collection for the certain year.

DIANA MAZURCHIEVICI

Next question comes from Anton Berg from Coeli.

What is your longer-term plan, 3 years plus to lower your cost-to-income ratio? What do you think you can reach in the longer term? What are your main hurdles to get there?

ÖMER TETIK

We have seen a couple of more questions regarding the benchmarking of cost income ratio and how do we stay. Indeed, I mean, a couple of years ago, it was meaningful and attractive, and we were mentioning that we want to keep it at 45%.

Now we see in the region, banks are going towards 40%, even slightly lower. Our biggest challenge here had been the inflation starting with salary inflation. I mean, Romania started suffering not from unemployment, but a very low unemployment ratio and high competition among the employers for competent staff, for educated personnel, where we definitely need a lot of resources.

We budgeted, we want to go below 45% this year. Our long-term ambition is, and 3 years is quite a long term for Romania, is to bring it below 40%.

Here, partially the investments that we do now, acquisitions that we did and the growth of the existing customers, I mean we are looking to the decrease of the cost-to-income ratio from both sides: on the revenue generation that we want to bring with the 23% market share, 6 million customers and using data analytics better, we want to grow further in the existing customer base while growing.

And on the other hand, we are including from our first line front office contact centers and some other support functions. We are already testing different applications AI, in order to decrease our cost, in order to, how to say, not to depend on human resources for repetitive routine tasks when it's already known that we have already slowed down almost frozen our recruitments because we think that use of technology helps to increase efficiency already. so far, this is what I can tell.

DIANA MAZURCHIEVICI

Next question comes from Solena Gloaguen from Insight Investment.

Can you please provide for your CET1 ratio sensitivity to a local currency depreciation? Can you confirm the tenor of your exposure to the Romanian Government? And related to that, what is the market value adjustment of your financial assets, not having more impact on your P&L in the First Quarter when we had lots of volatility in the market on Romanian assets?

ÖMER TETIK

I will take it step-by-step. So, if we would be thinking to, let's say, an immediate effect by midyear, the effect on the capital ratio will be below 1%, which at the current capital adequacy ratio levels can be easily absorbed.

We are building up capital out of the profit incorporation. So, from this perspective, we don't have reasons for concern. The second question was Diana?

DIANA MAZURCHIEVICI

Yes, the second point was related to the tenor of the exposure to the Romanian Government bonds?

ÖMER TETIK

The average duration is still at the same level like in the past, around of three years. And when coming about the impact out of the fair valuation, here we have 2 impacts. And in general, we are looking to the sovereign bonds which are kept at fair value through other comprehensive income, because the portfolio which is kept at the fair value through P&L is limited and has limited impact.

And looking to the portfolio, which has direct impact in the reserves, if we see a negative evolution of the ratings, this will have an impact which will go again below 1%. We are expecting here if it will be between 50 basis points and 1%.

When coming about the second effect, which might be the impairment, for this we already booked several reserves in 2024. So here, in case of an adverse evolution here, the impact will be negligible. This being an impact, direct impact, in P&L.

DIANA MAZURCHIEVICI

Okay, next set of questions comes from Cristian Petre covering Banca Transilvania for NN Pensii.

Are there further OTP integration costs to be booked? In the First Quarter, you booked RON50 million at consolidated level. Regarding cost of risk, what would you say is a reasonable level on medium term? And in respect of the treatment of the fixed income portfolio, how would increasing yields influence you.

GEORGE CĂLINESCU

When we talk about the integration cost, indeed, we did have RON50 million expenses with the integration booked at the level of consolidated results and also RON20 million individually. We don't think we're going to have anything more coming in, in the next quarters related to the integration being finalized at the beginning of March. What was the third question? Because I think I covered first and second.

DIANA MAZURCHIEVICI

The treatment of fixed income portfolio, how would increasing years influence?

GEORGE CĂLINESCU

Okay. So, from the point of view of the fixed income portfolio, the effect is, first of all, split differently, depending on the type of the instrument that we have. So, for the ones that are held to collect an increase in yield doesn't have a direct impact into the P&L, whereas for the ones that are held at fair value to the other comprehensive income, as Cătălin was telling us, they will have a negative effect in terms of the position that we show into the other comprehensive income.

ÖMER TETIK

But also, I mean, I don't want to be on the naive side, but because we have even less than 3 years duration, around 2.8 to 2.7 years. I mean increasing the yields also give us the opportunity, while our liquidity is growing, deposits are growing to replenish the portfolio at higher rates so that the impact is not only at the existing portfolio, but also somehow, although I refrain from saying positive about high interest rates, it has a positive impact on the net interest income from this perspective.

DIANA MAZURCHIEVICI

Thank you. Next question for Dmitrij Tichonov from MEAG.

In the case of a sovereign downgrade, what impact could it have on your risk-weighted assets and capital ratios?

ÖMER TETIK

This I already mentioned, so if we'll see an immediate, let's say, adverse evolution coming about the sovereign rating this will be concluded in decreasing the capital ratio of around 1% or up to 1%, I would say.

DIANA MAZURCHIEVICI

Next question comes from Domenico Maggio covering Banca Transilvania from Jefferies.

Do you have different scenarios if only 1 rating agency does that and/or all of them downgrade to high yield?

ÖMER TETIK

This is not necessarily linked to the or triggered like a direct effect from the rating of the agencies, but to the interest rates. So basically, this is linked to what is the evolution of the market.

DIANA MAZURCHIEVICI

We have another question from Catherine Lennon from Bank of America.

What is the breakdown of drivers for impairment this quarter?

ÖMER TETIK

As I already mentioned, so the impairment is, besides the regular inflow that we observed also throughout the past year, there were these few events, which basically brought a slight upside in the cost of risk, which brought it to 1% for First Quarter.

DIANA MAZURCHIEVICI

We have an additional question coming from Cristian Petre from NN Pensii.

Regarding the cost-to-income outlook figures, are these are individual level without turnover tax?

GEORGE CĂLINESCU

Cost-to-income outlook, we do present this without turn-over tax because we need to have a comparison with our peers on the market that don't have this turnover tax. But we do, from time to time, take a look and present the ratio with the turnover tax included as well.

DIANA MAZURCHIEVICI

We have a question from Marian Mihalca from Evergent Investments.

If the high yields are prolonged, have you considered the lower dividend distribution or even not paying dividends at all or maybe issuing more MREL bonds?

ÖMER TETIK

I mean, if the high yields prevailed without rating changes rating improvement is quite a far-fetched outcome. But if we maintain the rating, the impact on the bottom line is actually slightly positive. If the interest rates will increase drastically, I mean, there are a lot of if clauses here, it will put pressure on cost of risk building and we cannot replenish our portfolios at the new high rates.

So, we don't generate enough new business, be it on the fixed income or lending side then we might think. But this is, in any case, one of the, let's say, options at any time for any bank in any geography. So, if things don't go well, dividend distribution should be adapted. So far, we don't see it as an outcome or necessity.

On the other hand, especially, even now, I would say that if you look at where our bonds are traded the bond investors are treating us fairly well. They have good trust. So, if there will be a trade off, our first option will be issuing more bonds.

But this is as much as the new business generation is needed and we issued, let's say, prudential growth of the bank. So far, we don't have any change in our plans for the next years. But I mean, I hope we will continue as we are, we said that we are committed, we will grow our risk-weighted assets healthily in a strong manner that we will need to make also some new issuances of MREL.

DIANA MAZURCHIEVICI

Thank you. We have no further questions coming from investors. I will now revert to management for the final comments.

ÖMER TETIK

Thank you very much for being with us. If due to technical reasons or whatever purpose you couldn't address your questions, please continue sending them to us and our Investor Relations will try to answer. Comparison between periods, every last year had been with some one-offs or different events, starting with COVID, war, energy crisis than acquisitions, integrations and so on. So, we would like to give more clarity in case we couldn't provide so far.

We are glad that, as we said, the election cycle has finished at least for a couple of years. Romania will not need to have elections. And once we have the new government, hopefully, including us, everybody will go back to, let's say, deep work so that we can bring back Romania, where it was kind of a pillar of stability and high-growth country.

Looking forward to meeting, hearing from you on the Second Quarter results when we finish the First Half results. Then I guess we can give more clarity on the trends and a better outlook for the second part of the year. Take care of yourselves. All the best. Thank you.

Q1 2025: FINANCIAL RESULTS

Press Release

Fact Sheet

Conference Call Conducted by
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