



H1/2023

# FINANCIAL RESULTS

**Earnings Call Transcript**

August 28th 2023



## **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 a member of the Representatives' Committee of Fondul Proprietatea. 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.

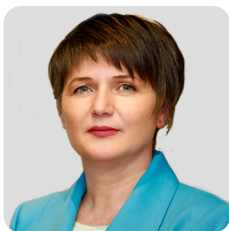


## **GEORGE CĂLINESCU**

**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 in Banca Transilvania, coordinating the International Relations and Financial Institutions Department, the ESG & Investor Relations Department and the Macroeconomic Research Department. He is the Chairman of the BT Pensii (Pension fund) Board of Directors.

## **OPERATOR**

Ladies and Gentlemen, thank you for standing by. I am Popi your Chorus Call operator. Welcome and thank you for joining the Banca Transilvania conference call to present and discuss the First Half 2023 Financial Results Conference Call.

Please note that the conference is being recorded. The presentation will be followed by a question-and-answer session. You may submit your written questions using the Ask a Question window. 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.

## **TETIK ÖMER**

Good afternoon or good morning, depending on where you are participating from. We are happy to host you now in our building. I don't know if you were already fed up with video conferences and Zoom or Teams meetings, but we wanted to use the technology in order to have a more interactive meeting. I'm here, as already mentioned, together with my colleagues, with George, Luminita and Aurel, who recently took over the Investor Relations part as well.

We would like to explain you our first 6 months results, try to give you some light about what is next, how we see Romanian markets -- Romanian financial markets for the next 6 months and going forward. I would like to start with some brief macro economical analysis, which Aurel will present to you.

## **BERNAT AUREL**

Thank you very much, Omer, first of all, for having me here. So, it's also an honor and a pleasure. Thank you, everybody, for joining us. I will be presenting the macroeconomic landscape of our economy. Starting with the Romanian economy, which outperformed the Central and Eastern European countries in the second quarter of this year.

The good news is that we had an increase in our GDP of 1.1%. And the second good thing is that Romania outperformed its peer group. If we take into account Poland, for instance, Czech Republic and Hungary, which had contraction in the GDP. We can notice a very positive climate in construction. Here, we have more than 11.3% year-over-year increase, and this evolution was based on new funds for the development of critical infrastructure. Civil engineering, having more than 30% increase

year-over-year.

Furthermore, we can see an increase in the retail sales of 3%, which, obviously, gave a positive climate across the labor market. On the other hand, we have the economic confidence indicator, which is also higher compared to other countries in the region. And just like for GDP, for instance, we had a better performance and economic confidence than Poland, the Czech Republic and Hungary in short run.

The following information will be about the inflation and CDS for Romania. From the inflation point of view, the consumer prices decelerated, we now have an 8.9% year-over-year increase in prices in July, but it's the minimum since February 2022. And still the same story regarding Romania. We have the lowest inflation from the surrounding countries. Poland, Czech Republic and Hungary are over us.

From the monetary policy point of view, the National Bank of Romania maintained the level of the policy rate at 7%. And Money market, both for 3 months and 6 months ROBOR stood around 6.2% and 6.5%, which is a much lower level than before -- computed before with more than 150 basis points lower on the 3-month tenure and 1.3 percentage points for 6 months. According to Bloomberg, the 5-year CDS in U.S. dollars is on a downward trend, starting with November 2022. We are at around 160 points, which means that we are around the lower levels of the CDS regarding Romania.

Another good news is the 10-year bonds, which, in case of Romania ended at July at 6.5%, down with more than 160 basis points compared to the previous period in time. Concerning the loans and deposits, well, the deposits outperformed the loans. Seeing this information, you will be also seeing them further on in our presentation. I will be skipping the numbers and figures, but we will get back in the short run to them.

And my last slide will be related to the return indicator in the banking sector and the nonperforming loans ratio. We have an extremely positive climate across the banking sector in Romania at the beginning of this year. It was well an evolution supported by the continuity of the post pandemic recovery. The total assets of the banking sector grew. Also, from the financial results point of view, we had an increase of return on asset as well as return on the equity among the largest figures ever achieved in the late years.

Also, from the capital adequacy ratio point of view, the entire

sector remains at comfortable 21% and above, which means that all the minimum requirements are met.

I will give the floor back to you, Omer, and thank you.

**TETIK  
ÖMER**

Thank you very much. I mean, indeed, Romania is outperforming regional peers and the numbers are looking slightly better, although Romania, as a country, has its own challenges. Still, we see a very stable monetary policy, very predictable monetary policy. And on the political side, with all the debates going on, still, we see a good cooperation in the coalition government, but also good transparent interaction with the private sector.

I would like to go ahead with the business performance of the bank. I will let George to present the numbers slightly.

**CĂLINESCU  
GEORGE**

Thank you very much, Omer. BT, both at the individual level and at the group level had a very good first half of the year in 2023. First of all, at the individual level, the performance of the bank is better than our peers and banking average in terms of asset increase. And also, in terms of the profitability that we have reported for the first half of the year.

If you look at our published results, total assets increased by almost 8% at the bank level. This is driven primarily by the deposits from customers, which increased by 5% and also by the funding that we have acquired by issuing bonds, part of our MTN program, in the first half of 2023.

At the group level, on the other hand, we're reaching almost 9% increase in total assets, and an increase in deposits of 6.4%, with loans going up by 2.2% at the group level and 2.6% in the first half of the year at the bank level.

When we talk about profitability, net results during the first half of the year were higher compared to the same period of last year by almost 40% at the individual level and at the group level by more than 51%. And this is also due to the fact that we have fully integrated Tiriac Leasing in the group in the first half of 2023.

Whereas in the first half of 2022, the results of Tiriac Leasing were not reflected in the profitability. This increase in profit is driven primarily by the increase in revenues. As you see in the reporting, we have very high double-digit numbers for net interest income increase driven by the increase of the assets

themselves, but also the increase in interest rates. As you can see in the report, net interest margin increased to above 3% at the bank level and 3.6% at the group level.

Fees and commissions are increasing very nicely as we have reported in the first quarter of the year. When we had a double-digit increase for fees and commissions, this increase is kept in the second quarter of the year, reaching above 13% level increase for the bank and above 10% increase for the group. The increase is due primarily to the bank acquiring more clients. And if you factor in the fact that in the first quarter of last year, we had those one-offs in terms of commissions at the start of the war in Ukraine.

You see that the regular business has increased by more than 15% actually in the first half of the year 2023. On the expense side, we also have an increase in expenses. This is due to inflation and to the adjustment of the prices for utilities, which is driving the increase.

Of course, we are trying to make the expense side the most effective as possible. As you can see here in the slide, we managed to decrease the cost income ratio of the bank to 47% at the bank level and to 45.5% at the group level in the first half of the year.

The capital of the bank is strengthening. I will not get into details because later on, my colleague, Luminita will have a presentation on both capital and NPL, which will go into much more details than on this slide.

Going into the trend analysis, which is on the next page. You see, as I mentioned, that we have this 20% increase in net interest income. Net fees and commission 13%, whereas net trading income is below, compared to the same period of last year, at the bank level, by 21%. This is due primarily to evolution of FX. But what I would like to mention is that FX related to clients has an increase of more than 7% in the first half of the year.

When you look at the net interest margin, you see, as I mentioned, we reached a level above 3.09%. This is driven by the evolution of the interest rate, and it's in line with the expectations as we have discussed previously in our conference calls as well.

I will stop here and leave the presentation going forward to Omer.

We have already uploaded the presentation – on our website. Now or later on, if you would like to, just for reference, look at the numbers, you can find it in our investor relations page. The ones participating to our previous call, related to the first quarter, you may recall that we were mentioning the challenges in retail lending due to higher interest rates and also the inflationary pressures.

We have seen that in the second quarter, quite strongly, the trend had been reversed so that we managed to reach, I will say, a positive loan growth in retail lending book, and this was supported also separately by the corporate lending growth.

In the first quarter of this year, we were mainly focused with lending to mid-corporates and with large corporates. In the second quarter, maybe I can tell, that we went back to our roots, retail lending, SME lending picked up, and this shows in our bottom line as well. On the other hand, there has been a lot of talk in the international markets about deposits and liquidity. We are traditionally a very liquid loan-to-deposit ratio bank. We see also a benefit of it in terms of our net fee and commission income, in terms of transactions growth, in terms of credit cards or debit cards growth. So, we are one of the, let's say, strongest and most active payment institutions in Romania as well, which helps us grow our fee and commission income with double-digit percentages year-by-year, quarter-by-quarter, giving us a stable income flow.

Deposit base of the bank is quite, I'll say well hedged. I would say also, as it is the loan book, mainly in local currency and also mainly in retail deposits, of which over 99% are under deposit guarantee scheme. The trust of the customers also encourage us to do more, to invest more, to land more in Romania also the decrease in the I'll say cost of risk or NPL ratios is being supported by the continuous saving of the customers. Meanwhile, our deposit liquidity from the companies have been also growing. We were one of the few banks or if not the first big bank in Romania, which started raising interest rates on deposit products last year on the savings products. The results we have seen with a very strong deposit and liquidity base in the last couple of quarters.

Our retail banking loan growth, as I mentioned, has turned positive. We reached RON29.3 billion loans in retail banking. And retail deposits are at RON81 billion. Our active customers base also grew almost 7% in the first 6 months of the year reaching over 3.5 million, slightly over 3.6 million customers. And with 5.6



million cards, we are the most active issuer besides the fact that we are being the most active acquirer in cards business and payments business in Romania.

In corporate banking or companies banking, if I may say so, SME lending started picking up in the second quarter, also thanks to the government support programs, SME invest, IMM Invest as you know it. But also, we see on the manufacturing, energy and service sector, demand has been strong, and our loan book has grown in the first 6 months of this year, 5% in the company segment with 3.4% growth in the deposit base.

I would like to leave Luminita to speak a bit more about the risk side as we are discussing a lot about capital ratios, MREL instruments, EMTN programs. I will let her to give us some insights.

**RUNCAN  
LUMINIȚA**

Thank you. Thank you, Omer. The bank continues to deploy a robust risk strategy designed in view of supporting the ambitions of BT in the long run. The strategy is built upon a very good knowledge of the market in which we are acting and also takes into account the specificity of the credit institution.

From the broad range of risks that we are currently managing, we want to draw your attention today on the -- only on three of them, which we consider being relevant for this time, credit risk, capital risk and also liquidity risk.

When it comes to the credit risk management in the bank, I wanted to emphasize the fact that all the figures you are going to see are based upon an underwriting policy, which has at its base, very simple but strong principles. Dispersion being one of it. We have tried to have a very good dispersion between business line products and also geographical areas.

And more than that, we do not want to have high concentrations in terms of values. Saying -- after saying that, we want -- I want to -- you to see the cost of risk these days. Cost of risk these days benefited a very good recoveries in the second quarter of this year. And this complements the underwriting principle I have already mentioned. This brings us to a negative cost of risk of minus 0.05.

If we have a look on the right side of this slide, we can make some comments related to the provisioning of the bank. You see that June 2023 compared to 2021, the provisioning of the bank

increased by 15%. But the provisioning of the bank increased in a smaller pace than the loan growth of the bank.

What is to be noticed is the fact that the provision related to Stage 1 increased by 42% in the same reference interval June 2023 compared to 2021, and this is a result of the increased loan book of the bank in this period.

Further on, on the following slide, we are sharing with you a couple of figures related to NPLs. And here, please notice the decrease of NPL to 2.36%, in June 2023, which is a figure better than the local market average and this reflects the constant prudent approach that the bank has towards this aspect. In the meantime, the coverage of this provision remains flat.

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 recoveries and also by market trend in terms of lending.

The bank also enjoys comfortable solvency levels. And here, my comments would be that the bank benefits from a strong and stable capital base, mainly because of profit capitalization that is an instrument, the bank uses over the time. In the last quarter, the bank also benefited from a Tier 2 issuance instrument which we have been announced to the market, and the details are to be presented further on.

The surplus of capital we have above the thresholds asked by the regulator leaves the bank a good flexibility in terms of adapting its strategy to the potential negative market movements or is going to support the ambitious plan of the bank.

Further on, when it comes to liquidity, it's no surprise for the market that the banking counters, enjoy very high liquidity, high liquidity levels. Loan-to-deposit ratio stands at 56.6%, immediate liquidity at around 49%.

LCR and NFSR are recording levels, which are well above the regulatory limits. This is showing also the trust that the clients have in Banca Transilvania, and also reflects the high-quality assets that we have under our management. More than that, is to be mentioned the fact that this pool of assets are managed in a very equilibrated way.

On the right side of this slide, we are presenting to you a summary of the way in which the bank fulfilled the 1 billion

EMTN program, which has been approved by the shareholders in October 2022.

We have made our debut on the bonds market in April 2023 with a EUR 500 million issue, which was completed by 2 re-taps: one in June of EUR100 million and another one in August of EUR190 million.

On top of this issuance, we have issued, as I previously mentioned, EUR200 million Tier 2 instrument, with IFC and AIIB as our partners in this issuance. All these issuances are listed on the stock exchange. So, they are tradable instruments. And when it comes to the Tier 2 instrument is worth to be mentioned that these funds are going to be deployed in green mortgages. That would be, I think, in a nutshell, what I wanted to draw your attention upon. Thank you.



Thank you. Indeed, I mean, it was our debut this year in the international markets with our bond programs. We are both proud and happy that we managed to execute the program in a short period of time, and we also managed to establish an improved yield curve. Now, our bonds, are being traded 175 basis points, 180 basis points lower than the initial levels we launched, despite the fact that in Europe, we have seen both reference rates and market rates increasing. This gives us courage also for further programs.

Some of you might have seen we have already convoked a General Shareholders' Meeting, asking for the approval of shareholders for a new program, which we are willing to, I'll say, use, if approved by the shareholders, this limit we'll be using in the next year or two in order to meet MREL criteria, in order to establish a stronger name, in order to give more instruments issued by BT to the market participants.

Coming back to sustainability, which is a very hot topic, everybody is discussing about it and trying to present their numbers. I would like to thank Diana and our team, for putting in good shape, what we have done so far because actually, we have been very comfortable mentioning that ESG, sustainability was in the DNA of BT.

Before we heard the definition of social banking, we were doing social banking with our vast network and going to, let's say, rural areas remaining behind the urban areas of Romania. But our better communication and positive interaction with the

stakeholders, helped us to obtain 15.1, Low ESG Risk rating from Sustainalytics. Our sustainability report for 2022 is already in our website. You can also, if you download the presentation through the link, you can approach it.

And we started also learning -- we are also doing kind of learning by doing in 2022. We have started estimating our carbon footprint, giving stronger targets internally and externally. We started investing more in cybersecurity management and data protection. And we are further implementing new initiatives in order to improve our positioning, in order to improve our position as a benchmark in Romania because as a listed bank, as a listed largest bank and one of the most traded shares in Romania, in Romanian Stock Exchange.

We are also a benchmark for other market participants or other institutions, not only for banks. We are happy that we are ranked 106th among 1,000 banks globally, and we are in top 7% Tier of regional banks in terms of sustainability.

If we look at the numbers, I mean, besides the report and, let's say, terminology behind, we are also quite active in green lending. Over the last three years, we have reached over RON1.6 billion green loans granted, including also companies. One out of five mortgages granted in BT had been a green mortgage. And this we see developing -- improving further. One out of four leasing contracted through BT Leasing is hybrid or electric. We see larger numbers for BT Leasing in financing electric or hybrid vehicles, and around 7% of the retail loan portfolio is now represented by green loans.

On the digital, it's not actually something that we do maybe much different from the market peers, but our initiatives are very much customized for the needs of the local customers, for the local segmentation of the customers. And we are proud that this year, we have launched very recently, BT Go. This is our mobile app for the companies starting from micro and SME companies. There are -- we are at the pilot stage --, but there are already 1,200 customers who did payments of over RON15 million and EUR1.5 million.

This is not just a banking app, but it's also kind of a mobile or digital assistant because you can issue invoices, you can upload documents, you can make peer-to-peer transfers. There will be also a kind of finance management part of it. It will be developed together with the customers, as we did with BT Pay,

which reached over 3 million unique cards and 3.5 million users, 43% growth we have seen in phone payments and 70% growth in volumes transferred through BT Pay.

We are also adding new features. One of the new additions is BT Kiddo, our new card and new wallet dedicated for the kids or the children of our customers between 14 years to 18 years old and a simpler application in order to start their financial education for 10 years to 14 years old.

And we have also launched, a virtual card, launched for the largest festival in Romania : UNTOLD festival. And it has been a remarkable success, thanks to the support of also our partners, over 20,000 cards being issued in just a few days.

When we look at the BT Financial Group, we are happy to see that this semester, all our subsidiaries have been seeing robust growth and also positive contribution to the bottom line of the group, as you have seen in the consolidated figures presented by George. And obviously, we see that we are becoming more known also in terms of pension funds, in terms of micro lending, we are joining the good successful strong story of BT Leasing, BT Direct, BT Capital Partners, BT Asset Management.

And we have also these very ambitious projects. Soon, we will be announcing the new brand of Idea Bank, our first digital bank. We will be launching the first viable product, the first set of mobile app either towards the end of the year or early next year, where we want -- we have ambitious plans, and we want to be the first to launch, I'll say, a local new Bank of Romania.

I wouldn't like to bore you with numbers that you have already seen through our press release or through our presentations. Again, if you have further questions, if you couldn't post now online, you can always come back, but I would like to allocate some time for Q&A. You have been posting questions already online. We will try to take them one-by-one and answer. In case the time limit will not help us, we will try to come back to you on your questions. Thank you very much.

## **OPERATOR**

The first question is from BTAM, and I quote. "We have seen intense activity in terms of bond issuances in international markets, a sizable issuance followed with two supplementation. Has the full EMTN program being utilized in line with MREL targets? What are your plans in the future, considering that the issued bonds are squeezing your net interest margin? Will you

be tapping the market in the second part of the year in 2024, or what we should expect?”

**TETİK  
ÖMER**

I mean, MREL targets had been also quite dynamic. And as a systemic bank, we are being imposed upon some extra buffers. On the other hand, as you have rightfully mentioned, it was a program approved last year by the shareholders, which we executed this year because at the end of last year, we didn't see favorable conditions in the market. But this year, when we found the window of opportunity, we executed partial transactions. We have seen great demand.

The new approval is not for this year. It is for the next period to come. We might be tapping the markets once we have the flexibility from the shareholders, we would like to be able to tap the markets when we see lower cost, higher liquidity, maybe less competition in terms of getting liquidity from the market. That's why we are asking for a longer-term approval, a slightly higher amount.

Next year, most probably, we will need to tap the markets again. But these numbers are not that sizable anymore. What I would like to mention is that they also depend on the growth of our risk-weighted assets. It depends on several other variables. There is also a new banking package being discussed at the European level. It might bring some positive impact to our indicators, which will decrease our need for new issuances.

That's why it's very difficult to make a very straightforward, very stable plan. But on the other hand, once we will have the approval of the shareholders, hopefully, we will be able to come to the market whenever we deem, how is it relevant or opportunistic. Thank you.

**OPERATOR**

The next question is from Miguel Dias with WOOD & Co., and I quote. "Thank you for the presentation and congratulations on the results. Could you comment on the taxes related to fiscal uncertainties and the turn of RON100 million? Should we expect similar bookings in the next two quarters or three quarters? In case of favorable decision from the ongoing court dispute regarding Volksbank acquisition, would this be reversed? And how confident are you of a positive outcome? Thank you."

**CĂLINESCU  
GEORGE**

For the question, I will be answering this question. We have updated the financials with the latest information with respect to the evolution of the dispute to the fiscal authorities with respect to the bargaining gain from the Volksbank transaction. This dispute has several things happening this year. And in order to minimize the potential negative effect, which is considered by our legal consultants to be small, but still present.

The bank decided to actually pay the RON264 million to the tax authorities in order to limit the level of the potential penalties in this low probability event of us losing at the final stage, the dispute to the tax authorities.

Having paid that amount due to the uncertainty related to the final outcome, which even in a small probability, could be negative for us. We have decided to adopt a prudent approach and to book a level of supplementary tax of RON100 million, representing this uncertainty in terms of taxation for the bank for the first half of the year of 2023.

Of course, should our struggles with proving our point in court, to the Ministry of Finance to be successful, we will be reversing this uncertain tax amount from the financials, when we have the ultimate final results. However, this is not expected to be happening very soon as you know very well that legal challenges in court take a long time. And this is something that we estimate it will take at least two years to three years until it is finalized from the legal point of view.

**OPERATOR**

The next question comes from Girish Patel with NNIP, GSAM. And I quote. "Congratulations to Team BT on the strong results. Given the increased cost of funding, how do you see the SME segment resilience going forward? Where do you expect to see Stage 2 ratio in the next -- in the coming quarters?"

**TETIK  
ÖMER**

Thank you very much Girish. Indeed 10,000 colleagues have been working hard for these results, but also, it's a story that we have been developing. Also, I skipped answering part of the previous question. Sorry for that. The high cost of borrowing through the MREL insurances, how we are managing: It's actually kind of making part of our total liquidity portfolios and being I'll say, embedded in our liquidity position.

So, while we have zero interest current accounts, quite a sizable amount from customers, be it retail or corporates. This is also adding up. But on the other hand, what I can tell is that we don't expect a big impact on the -- significant impact on the bottom

line. These are all being budgeted for. And somehow, part of the issuances we have managed at slightly better yields than we had been budgeting.

On the other hand, this is indeed a high cost that we cannot argue with or fight with. This is decided by the supervisory authorities internationally and locally. And the market is pricing it according to the risk appetite and market events.

Coming back to, I would say, SME lending has picked-up, as we mentioned, and the trend, as we see, will be strong going ahead. I mean we have -- we are not trying to reflect all the cost increases just because of one issuance to the customers. We don't want to also put extra pressure on their cash flows or financial position just because we are -- I would say, we have one bond issuance at a higher cost, but our SME portfolio's performance has been so far quite strong, as you have also mentioned, within the international limits, even for an emerging market country for I would say, a very -- growing, developing economy quite strong. We don't expect any big change in our cost of risk. Although, we are not expecting or, at least, we are not willing to budget and prepare ourselves for, I would say, a positive cost of risk or strong changes.

I think we are -- for Stage 2, we are very close to international benchmarks, as well. And so far, the incremental changes, plus or minus in the rate of cost of risk or Stage 2 can be well managed, blended within our whole business model. Thank you.

**OPERATOR**

The next question comes from Simon Nellis with Citibank. And I quote. "Are we expecting to be able to pay a dividend out of 2022 earnings?"

**CĂLINESCU  
GEORGE**

As we have indicated in the convocation of the General Shareholders' Meeting that was posted on our website last week, we indeed expect to be able to pay a dividend out of the 2022 results, which is little bit more than RON900 million. And you have the details in the convocation of the shareholders' meeting that was posted last week on our website. Of course, it's pending shareholders' assembly decision.

**TETIK  
ÖMER**

Yes. I wanted to underline that it's up to shareholders' approval, amount slightly above RON900 million.



**OPERATOR**

The next question is from Hai Thanh Le Phuong with Concord. And I quote. "Thanks for the presentation. I have questions with regards to risk cost which was very decent with low NPE. Do you think it's possible that you may end up with very low risk cost, even close to zero bps or below 50 bps for the full year, given the relatively sound macro environment? In addition, tax expenses hiked due to fiscal uncertainties. I was wondering, is it related to the Volksbank issue, or is it something different? Thank you."

**TETIK  
ÖMER**

Thank you, Hai. We are, indeed, again, our first six-month results show lower than budgeted, lower than our guidance, cost of risk, macroeconomic situation of Romania indeed also stays better than regional peers, but it is not, I would say, still, we cannot say that everything is perfect. We have seen also a lot of government-supported programs kicking in, in the last couple of years. We want to see how the customers are behaving.

We are positive on the fact that the high saving ratio of individuals and also companies, high liquidity position is helping them both to invest, but also to pay their loans to financial institutions. But we wouldn't like to comment now, on the end of year. Before we understand where Romanian government with the fiscal reforms will end up where market participants going out of the programs, how or if they will change their payment behaviors, and how fast we will continue channeling the recovery and resilience funds to the economy.

It is also very important to see the end of harvest season to see how the commodity prices will go ahead. That's why, although we don't expect any significant negative impact, we don't want to factor in now a very high positive impact as well.

And with regard to tax...

**CĂLINESCU  
GEORGE**

I think I answered this question related to taxes in the previous question. Of course, the tax uncertainty is related to the Volksbank gain. And if additional details are needed, please drop us a line. We will provide them.

**OPERATOR**

The next question comes from James Bannan with Coeli. And I quote. "Congratulations on the fantastic results. How does the fall in sovereign yield impact NIMs? And how do you see NIMs developing over the next 12 months?"

**TETIK  
ÖMER**

Indeed, the decrease in the sovereign yield had a positive impact, especially on our -- the revaluation of the available-for-sale portfolios. That's our capital position. But on the other hand, the increase of the rates had been quite fast. The decrease had been slower, and we see it slowing down.

This is our expectation more or less because we had been, as I mentioned during the presentation, the first large bank who increased the deposit rates to assure liquidity position. We have seen a negative impact. But now, when you look back at the presentation, at the numbers presented by George as well, our net interest margin is over 3%, 300 basis points. We don't expect a big spike. We think that in the months to come, in the quarters to come, our net interest margin will be more or less around here.

**OPERATOR**

We have a follow-up question from Girish Patel. And I quote. "Also, could you please let us know if you plan to obtain a second credit rating from either Moody's or S&P? Thanks."

**TETIK  
ÖMER**

Yes, Girish. We are planning to do so, but we had been quite active, from M&As to different changes that we did in the operating model of the bank, in the technology investments and so on. This is in our plans and is requested by the investors, by the institutional investors quite often. But in the very short time, near term, we don't have -- we will not have news for you. This is our expectation more or less because we had been, as I mentioned during the presentation, the first large bank who increased the deposit rates to assure liquidity position. We have seen a negative impact. But now, when you look back at the presentation, at the numbers presented by George as well, our net interest margin is over 3%, 300 basis points. We don't expect a big spike. We think that in the months to come, in the quarters to come, our net interest margin will be more or less around here.

**OPERATOR**

We have a follow-up question from Hai Thanh Le Phuong. And I quote. "Just a follow-up question. One of your peers put their Romanian unit and Moldovan operation up for sale, are you interested in them? Would you consider expansion in Moldova, too?"

**TETIK  
ÖMER**

As you know, we have quite a successful operation, profitable operation in Moldova in joint venture in partnership together with EBRD. We hold over 70% of Victoria Bank. We are very happy with the results, with all the challenges the economy, the Moldovan economy has. We are very happy with the results produced by our colleagues and by the team from there.

We recently announced a small acquisition there, purchasing the subsidiary of Erste Group, BCR Chisinau. For the moment, we are focused on that. We are not part of any official process. We might be interested, but our first focus is about obtaining necessary approvals. And starting at least a successful project of integration in Moldova, we will see if we can replicate our experience and track record also in Moldova. Only after that, our appetite will grow.

Other than that, indeed, it's a small economy. Banking sector is very small. So, economies of scale will matter a lot, but we are not also willing to grab a big market share very quickly in Moldova.

**OPERATOR**

We have a follow-up question from Simon Nellis. And I quote. "Can you please explain the higher effective tax rate in Q2 '23 versus earlier quarters?"

**CĂLINESCU  
GEORGE**

The higher effective tax rate is due to the fact that we have booked this uncertain tax of RON100 million on the tax line in the P&L. So, this is why you see an effective tax rate, which is higher than we reported in the previous half of the year.

**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 BT Investor Relations Team. I will now turn the conference over to management for any closing comments. Thank you.

**TETIK  
ÖMER**

Thank you very much for joining us. We are also a bit out of our comfort zone maybe from teleconference switching to video conference. Please do not hesitate if you have observations or recommendations, send us. There might be some other questions we didn't manage to answer. Also, please continue using our Investor Relations web address or our colleagues e-mail addresses to address those questions so that we will try to offer more clarity on the questions.

On the other hand, I would like to thank on behalf of the team also for your trust and for your support because BT's success story also is partly owed to you. We are learning a lot from your questions, from your guidance as well.

On the other hand, even with the pandemic or inflationary period interest rate increases, it seems that the measures that we have taken, the steps that we have taken proved to be right. This gives -- this is also coming from the fact that Romania is our geography. We think comfortably that we know the Romanian economy. And also, we can act quite fast, flexible, to the challenges that we face here.

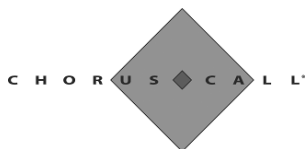
Hopefully, for the Third Quarter results, when we meet, we will be able to give you further good news and continuation of our story. Until then, I wish you all the best on behalf of the team here and all Banca Transilvania employees. Thank you very much.

## H1/2023: Earnings Summary

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Chorus Call Hellas  
Provider of teleconferencing services  
Tel: +30 210 94 27 300  
Fax: + 30 210 94 27 330  
Web: [www.choruscall.com](http://www.choruscall.com)

