Addiko Group 1H23 Results: Webcast Transcription

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Speakers:
Herbert Juranek (CEO)
Edgar Flaggl (CFO)
Tadej Krašovec (CRO)
Ganesh Krishnamoorthi (CMO & CIO)
Constantin Gussich (Investor Relations)

Herbert Juranek

Good afternoon, ladies and gentlemen. I would like to welcome you to the presentation of the half-year results 2023 of Addiko Bank, together with my colleagues, Ganesh, Tadej, Edgar and Constantin. Let me show you the today's agenda.

In the beginning, I will focus on the key highlights of our results and report on the progress we made in the first half of 2023. Ganesh will continue and present to you our achievements on the business side. After that, Edgar will give you more insight on our financial performance and Tadej will inform you about the improvements in the risk area. Finally, I will do a quick wrap-up and reveal to you our upgraded outlook on 2023, before we move on to our Q&A.

So, let's start with a positive note. We are happy that we were successful in improving our results in the first half of 2023. Our net profit went up by 55% year-on-year, from €12.6 million to €19.5 million. This was possible due to another strong quarter with a net result of €9.8 million. Consequently, our earnings per share are at €1 for the first six months.

The cost of risk remained benign at 27 basis points or minus €9.2 million. The Return on average Tangible Equity increased from 3.4% to 5.4% year-to-date. Our operating result jumped up by 54% year-on-year to €49.6 million driven by strong double-digit growth in our focus business, assisted by positive development on the asset liability management side, altogether combined with effective cost management despite continued inflationary pressure.

An important factor in this context was our ability to increase our interest income by 28% year-on-year by expanding our consumer and SME business, while keeping our new loan business pricing at premium levels with further rate hikes. Moreover, these efforts were supported by favourable development in treasury and liquidity management. At the same time, we reduced our non-performing loans from €163 million to €159 million. Hence, our NPE ratio ended up at 3.3% and our NPE coverage ratio improved from 75.4% at the end of 2022 to 78%.

Our funding situation remains solid and stable at 4.9 billion customer deposits and a liquidity coverage ratio above 330%. Our total capital ratio stands at strong 19.9%, fully loaded, all in CET1.

Let me give you three additional infos on important topics which happened in the second quarter.

First, in order to ensure continuity and the successful execution of the bank's strategy, the supervisory board extended the contract of Ganesh until July 2026 and the contracts of Tadej and Edgar until December 2025.

Second, as announced by the ECB, the stress test exercise is completed and the results of Addiko were better than the results of the last year's stress test, despite the fact that this time the ECB has chosen much tougher assumptions in their adverse scenario.

And third, based on the development of the first half-year, the management board of Addiko decided to upgrade the outlook for

2023. I will give you more details on that at the end of the presentation. Now let's have a look at the macroeconomic picture.

On the upper side of this page, you see the current economic forecast of the Vienna Institute for International Economic Studies for our region. The main message here is that while the economic growth in the European Union member states slowed down, Southeast Europe is still doing better. Of course, the war in Ukraine with Russia continues to be a cause for uncertainty, which impacts the global economy. Nevertheless, even in this environment we see enough room for further sustainable growth in our region.

As you can see on the lower half of this page, we were able to gain traction in growing our new focus business in the second quarter of this year. And we will continue to exploit our business model based on our prudent risk approach going forward to continuously generate healthy business growth. Now, what did we do in the first half-year to enable this development? Let's go on the next page.

On this slide I want to give you a summary on the main topics of our Acceleration Program in the first half 2023. Let's start with business. We were successful to continue the extension of our partnership universe to 470 partners. This achievement, along a series of other innovations, which will be explained by Ganesh later, enabled us to pursue a double-digit growth rate year-on-year in our focus book. In addition, we launched at the end of the second quarter a Buy Now, Pay Later programme cooperation with a FinTech partner in Romania. On top, we concluded the initial feasibility assessment for our intended digital market expansion into a new geography, namely also Romania. Now we are moving on into a detailed analysis and preparation works, which are planned to last until Q1 2024, for the final decision.

Let's go to the second pillar of the stream called operational excellence. We were very active in all corresponding projects, from process improvements to data and business intelligence. In order to support our initiatives with an appropriate toolset, we started to implement the Kaizen methodology on a group-wide basis. Furthermore, we enhanced our digital capabilities to improve our product range, service quality and our customers' experience. In the area of risk management, which is the third part of the programme, we proceeded in fine-tuning of our underwriting criteria and of our decision engine based on subsequent analytics.

Moreover, we introduced a new infrastructure for risk metrics analysis and reporting, and we continued our efforts to reduce our non-performing loans. As already mentioned in our Q1 earnings call, the overall goal of this programme is to get closer to our ambition to become the best specialist bank for Consumers and SMEs in Southeast Europe.

Now let's look a bit deeper into the details of our growth rates in the first quarter. The main message of this page is despite the slowdown in the economy, we still managed a 10% year-on-year growth rate in our focus book while we kept our prudent risk approach. If we exclude the medium SME business where we intentionally reduced the less profitable and higher-risk large tickets, the growth rate would even be 14%. The year-on-year growth rate for our Consumer book are at 9%, for SME in total 11% and for Micros and Small SMEs 24%.

Consequently, our focus book reached a share of 85% of gross performing loans, after 83% at the end of the first quarter. If we look forward, we are well on track to reach a double-digit growth for the whole focus book also in the full year 2023. Nonetheless, we will continue our efforts to calibrate the underwriting criteria to the given environment to keep our strict levels of prudence. With that, I would like to hand over to Ganesh to give you more insights on our business activities.

Ganesh Krishnamoorthi

Many thanks, Herbert. Good afternoon, everyone. Moving on to page seven, I'm delighted to share that despite navigating a challenging landscape characterised by a high interest rate environment and persistent inflationary pressures, we have achieved robust business results during the first half of this year.

Our strategic approach and key USPs have enabled us to weather these headwinds and deliver an impressive year-over-year new business lending growth of 9%. Additionally, we have seen a premium increase of well above 100 basis points in both the segments, compared to the first half of last year.

Going deeper into Consumer segment, our strategic focus has been on driving incremental growth by offering lower ticket size loans to emerging digital-savvy customer base and point of sales customer services. Over the last six months we concentrated our efforts on three main areas. Firstly, we extended our reach through strong partnerships, totalling 470, and have expanded into new markets, such as Romania. This move has allowed us to tap into new customer segments that appreciate the ease of point of sale transactions. As a result, our partnership lending business have more than doubled.

Secondly, we enhanced our end-to-end digital lending and process simplification capabilities. This has positioned us to cater to the evolving needs of emerging digital-savvy customers who value convenience and speed that our digital platform offers.

Thirdly, we're actively working on new revenue segments, focusing on non-lending products as part of our Acceleration Program, which you will hear more about in the next slide.

Now on to the results. Overall, we achieved a strong 34% growth in new customer acquisition accompanied by 112 basis point increase in yield and stable development in gross disbursement. As a pioneer in the industry, we hope that our competition will begin to follow or lead in increasing their loan prices. We will continue to increase prices going forward as we create more value to our customers through our USPs.

Shifting our focus to SME front, our strategic focus has centred on delivering lower ticket sized loans, coupled with mandatory account packages to the underserved Micro and Small segment. We achieved this through our digital agent platform, where speed is a prominent unique selling proposition.

Over the past six months we achieved significant milestones. Firstly, process enhancement. Through relentless improvement in processes, we managed to reduce our time to cash by an impressive 14%. This has resulted in enhanced customer experience for our SME clients, which is a key pillar of our business strategy.

Secondly, we introduced a new online channel. Our commitment to convenience has led to introduce a new online channel. This encourages our SME clients to apply for loans online, eliminating the need of direct interaction with sales staff. This innovation sets us apart as the only bank offering these services in the key countries.

Thirdly, product expansion. We're not stopping there. As part of our Acceleration Program, we are diligently working on new products that will further enhance our SME ecosystem and revenue stream.

Now on to the results. Our Micro business segment has seen an impressive growth of 48% year-over-year with small ticket sized loans, underscoring the scale of our reach and our commitment to underserved segments. Additionally, across the SME landscape we have achieved 11% growth in new business. Most notably, we attained a substantial increase of 151 basis points in pricing year-over-year. This growth has been primarily driven by our Micro and Small business operation. Needless to say, we will continue to increase prices, as we create more value to our customers.

Moving to page eight. We would like to provide you with an overview of the business segment within the Acceleration Program. As Herbert mentioned, the Acceleration Program is not solely focused on continuous improvement, but also our improvement in existing business areas but it also spearheads incremental revenue growth through innovation.

Let's begin with the Consumer side. As an integral part of the programme, we are upgrading our existing branch-based digital solutions to offer an end-to-end digital customer experience that eliminates the need of customers to visit physical branches where legally possible. This exciting upgrade has already been launched in Croatia and we are witnessing good customer interest. We're actively working towards expanding this offering to other countries in the near future.

On the partnership front, we are working on introducing a new partnership programme in the markets of Croatia and Bosnia in the near term. This strategic move will further enhance our collaborative efforts and leverage established partnerships to drive sustainable growth. And, certainly not the least, we are dedicated to enhancing our non-lending product revenue streams with a particular focus on cards and insurance. In fact, we have recently introduced a new functionality to our cards, where customers can conveniently pay their transaction in instalments. This innovative feature has led to a remarkable 32% year-over-year increase in card commission income.

Let's move on to SME. As mentioned earlier, our commitment to continuous process improvements has led us to streamline processes and take our lending capability online. Building on this, we are diligently working on crafting new products that will not only diversify our revenue streams, but also contribute to a robust SME ecosystem.

To summarise, our Acceleration Program is driving both innovation and growth across focus segments in Consumer and SME. From enhancing digital experiences and expanding partnership, to innovate in non-lending products and optimised lending processes, our dedication to progress is evident. We are excited about the future prospects that these initiatives bring and are confident in the value added to our business.

We remain optimistic about the future, as we forge ahead with innovation and strengthen our specialist position in Consumer and SME space. Our USP, meticulously designed to resonate our customer needs, have not only acted as a buffer against challenging market dynamics, but also has propelled growth.

Last but not least, our premium strategy together with high prudent risk approach will drive sustainable and profitable growth. With that, please let me hand over to Edgar to the financials.

Edgar Flaggl

Thank you, Ganesh and welcome, everybody, to this call. As usual, I'm starting on the left side of page ten, where we've printed the composition of our result for the first half of 2023.

Net interest income continued to improve significantly and is up 7.1% compared to the previous quarter and 27.8% year-over-year. Now to the main drivers of this very positive development in our key income driver.

Let's start with interest income, which is up 38% year-over-year. This is due to higher yields from premium pricing of our new business, repricing of the variable back book and the contribution from treasury and liquidity management. The successful increase of the loan book share in higher yielding focus business from 78% a year ago to 85% also supported this positive development. We have not been in a position to do as much new variable loans as we hoped for, but given the expectation that the rate environment will peak rather soon, the fixed rate business provides a better stability on NIM going forward. The treasury and liquidity management income also significantly increased year-over-year and overcompensated the natural increase in funding costs.

On that note, over to interest expenses, which are up by 145% year-over-year mainly due to repricing of term deposits and the planned shift from on-demand or a vista to term deposits. Going forward we expect funding costs to continue to increase.

The second main income driver, the net commission income, continued to be down year-over-year mainly due to lost FX/ DCC business in Croatia as a direct consequence of Croatia joining the euro. However, compared to the previous quarter, NCI recovered with a 9% growth quarter-over-quarter, also supported by a good tourism season.

So in summary, a solid improvement on net banking income, with an increase of 7.6% compared to the last quarter and almost 17% year-over-year.

Now to the other income, which comprises the net result on financial instruments and the other operating result, and this time contains two positive surprises. First, no deposit insurance cost was charged in Croatia and, second, the fees for ECB and SRB supervision were lower than anticipated.

Down to operating expenses, which rather unsurprisingly continued to be up year-over-year by almost 5% due to significantly elevated inflation. We've done our best to contain cost increases, which is, to be honest, getting increasingly challenging, specifically due to high wage pressure and cost increases from service agreements that by standard are tied to an inflation index, such as for IT.

For the second half of 2023 we therefore expect further wage pressure and increases that will affect our cost base going forward. So, all in all, our guidance on OPEX to land below €179 million in 2023 still stands, and we will continue to fight towards achieving this despite increasing headwinds.

In a nutshell, we managed to increase our earnings power once again and achieved an improved operating result, which is up by almost 54% year-over-year.

The next item is the other result, which includes costs for legal claims as well as for operational banking risks, following our prudent approach. As you can see, there were quite a few developments here and we booked altogether €11.8 million in the second quarter. This higher than usual provision was driven by the following main topics. Starting with the Swiss franc legal claims in Croatia. The good news here is that the deadline for filing new claims expired on 14 June. However, due to a strike of the courts for almost two months, we did not yet obtain reliable data on how many additional individual claims have actually been filed. So, we remained prudent here with a provision of €5.8 million to reflect this lack of available data regarding the final number of claims as well as recent developments on verdicts. In Slovenia we have also booked a €1.5 million provision for Swiss franc legal matters, in addition to €1.5 million for the early repayment fees topic or Lexitor.

Furthermore, we had a negative one-off in Bosnia and Herzegovina, where the tax authority reversed their previous instructions and now applies VAT on credit card services, for which we booked €2.1 million.

Now, to credit loss expenses which continue to remain benign, Tadej will provide details on the developments in a moment.

Altogether, and despite quite a few negative one-offs, the momentum on the top line, the successful cost containment and solid risk management allowed us to achieve the unaudited net profit of 19.5 million versus 12.6 million the year before. So quite an improvement year-over-year.

It's worthwhile to mention here that without the presented negative items, our Return on average Tangible Equity would not be at 5.4%, but already above 8% year-to-date.

Just a few remarks to the right-hand side of the page. What you see here illustrated quite nicely, is our continued positive trend in NII, another uptick in NIM and a solid recovery of NCI during the second quarter. Together with our cost management, this development pushed the cost/income ratio below the 60% mark for the second quarter.

To conclude, a good momentum on this front on the back of improved income dynamics and successful cost containment.

Over to page 11, which illustrates our strong capital position. At the end of the first half of 2023 our capital ratio remained stable at almost 20% fully loaded, and all of that in CET1. Just a reminder, this excludes interim profit and accrued dividend.

As expected, the positive OCI development we recorded in the first quarter, which is mainly related to our debt instruments or bonds that are measured at fair value through OCI, continued on a positive path. This brings our negative fair value reserve to minus €71 million, compared to the minus €85.3 million at year-end 2022. As already explained last time, this negative reserve will continuously decrease given the high credit quality and the expectation that the issuers, which are predominantly CESEE governments, will repay those bonds at maturity. So, if we look at it this way, roughly 80% of that should come back into equity and capital until 2026.

Now briefly on SREP, we do not yet have insights regarding the new SREP for next year, but we should receive a draft during the third quarter, very close actually to the end of the third quarter. To summarise, a continued strong capital position with substantial buffers.

Going to page 12, where we once again provide transparency on our Plain Vanilla investment portfolio. The second quarter was in essence a logical continuation of what we discussed on the back of quarter one results.

At the end of the first half this year, 31% of the investment portfolio overall was in the hold-to-collect or HTC book. The corresponding yield stood at 310 basis points or more than double compared to the, let’s call it, old fair value through OCI book.

In this context, it's worthwhile to mention that our HTC book does not show any noteworthy difference between the market value and the book value. For the fair value through OCI book, any market value changes are already and fully reflected in the reported equity and capital base. The overall maturity remains around four years and roughly 50% of the bond portfolio will mature until the end of 2026, so in a bit more than three years from now.

With that, let me hand over to Tadej, to provide details on our excellent asset quality.

Tadej Krašovec

Thank you, Edgar, and good afternoon, everyone. The first half of 2023 was from the perspective of credit risk quite uneventful. The portfolio behaviour and asset quality was stable and remained better than our year-to-date expectations. The good macroeconomic picture allowed us to further decrease NPE portfolio to €159 million, that is €4 million decrease, keeping NPE ratio at stable 3.3%, which is better than anticipated. Even though NPE decrease is rather small in absolute numbers, it has to be mentioned that majority of this portfolio consists of legacy cases, for which a resolvement is mostly linked to slow local court processes. On top in Serbia and Bosnia, selling of non-performing portfolios is regulatory quite limited. Nevertheless, our NPE portfolio remains conservatively provisioned, which means that resolving individual cases usually leads to positive P&L impact.

As the right-hand side chart illustrates quite nicely, we have achieved a net NPE outflow of €2.8 million during the second quarter and remain focused to further decrease NPE ratio by the end of 2023. I continue on slide 14.

Credit loss expenses in the first half of 2023 came in at just €9.2 million, resulting in a cost of risk of low 0.26% on a net loan basis.

While Consumer and SME were naturally the source of credit loss expenses, with negative cost of risk of 0.38 and 0.47, respectively, the non-focus portfolio remained a source of provision releases with positive cost of risk of 0.58%.

The post model adjustments were kept at prudent level of €18.5 million, which is a decrease from €20.7 million at the end of the first quarter. While we increased NPE coverage with provisions, achieved risk costs remained below our expectations and were supported by a more positive than expected development of the economies where we operate. Additionally, we continue to observe a strong labour market, which has a positive impact on the quality of our private individuals’ portfolio.

I can conclude that the current macroeconomic situation supports the stable risk situation of the bank and we continue to closely monitor market developments, the environment of increasing interest rates and we remain optimistic regarding our risk position overall.

	With that, I hand back to Herbert.
Herbert Juranek	Thank you, Tadej. Now let's come to the outlook and wrap up. Based on the results of the first half year and the given environment, we as the management board of Addiko, decided to raise the outlook for 2023 to reflect our expectation on our capabilities in the development of our business in the given market circumstances. At the same time, we want to be cautious when it comes to risk and legal costs. Therefore, we increase our outlook for net banking income from previously approximately 10% to new approximately 15%. Furthermore, we will revise the outlook for the sum of other results and credit loss expenses on financial assets from previously approximately 1.2% to now less than 1.5%. Besides, we keep our guidance for our dividend pay-out ratio unchanged at 60% of the net profit attributable to the shareholders. These beforementioned changes incorporate already the current market situation, as it is described on this page. We believe that the Russian war in Ukraine will continue for the foreseeable future and stay a volatile course for uncertainty. In addition, although the inflation passed its peak, it will still exert ongoing pressure on the operating expenses. Moreover, we expect the incumbent banks in our markets to continue their behaviour in being reluctant to adjust loan pricing to the changing interest environment. Nevertheless, we also believe that deposit pricing will slowly start to increase. However, we hope regulators and governments will limit the interference on market conditions. After the destructive flood in Slovenia, we started an impact analysis on our bank. So far, we see limited direct impact. Nevertheless, we established targeted relief measures for the affected customers and employees. Now coming back to the outlook. We, the management team of Addiko, believe in our business model. We are confident that we will find measures to counterbalance negative influences and that we are able to deliver on our goals. Therefore, we continue to work with full energy to further improve the bank, the create value for our clients and for our shareholders. With that, I would like to conclude the presentation. I would like to thank you for the attention. We are now ready for your questions. Operator, back to you.
Operator (Q&A)	Ladies and gentlemen, at this time, we will begin the question and answer session. Anyone who wishes to ask a question may press star and one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. If you're using speaker equipment today, please lift the handset before making your selections. Anyone who has a question, may press star and one at this time.

	Our first question comes from the line of Mladen Dodig from ERSTE Bank. Please go ahead.
Mladen Dodig	Hello, gentlemen. Can you hear me?
Herbert Juranek	Yes. Hi, Mladen.
Mladen Dodig	Sorry, I am in a noisy environment. Please apologise. Just one short explanation, if you would. The equity position was lower Q-on-Q, a couple of million of euros. What was the effect?
Edgar Flaggl	Hi, Mladen, this is Edgar. If I understood you correctly, the line is a bit bad, I guess on your end. As you know, we paid the dividend in the second quarter, which moved from the other liabilities into the equity position being deducted there as well. It was paid on 4 May
Mladen Dodig	It's just the dividend, okay, good. Thank you very much. Looking at the dynamics of reduction of the non-focus and very solid progress on the focus segment. Is it fair to assume that within the next four or five quarters you will exceed 90% of the portfolio being in the focus segments? Is that fair to assume?
Herbert Juranek	You know, our mid-term target is 95% and we will strive to reach that over the next quarters.
Mladen Dodig	Could you please repeat the last part of the sentence? 95% is the mid-term target, ok. And then?
Herbert Juranek	Our ambition is to reach that in the mid-term, this is our ambition, we want to go there. As you see, we're making progress quarter by quarter, and you can do your calculation how long it will take, if we keep this pace, how long it will take that we will reach it. That's it.
Mladen Dodig	So, you will hint that the progress will be consistent, maybe 1% in favour of the bigger part each quarter.
Edgar Flaggl	I think Mladen, this is Edgar speaking, the short answer is we do not give additional guidance on when we reach at which year the percentage X, Y, Z. The mid-term is larger 95%. As Herbert said, we strive to reach that as fast as possible. At the end of the day, it depends on two main things. One, growth in the focus business,

which we have shown quite nicely that we were able to do it, do a double-digit year-over-year. And the second one is on the non-focus part, what can we exit early and where we need to wait until the maturity of the non-focus business.

Herbert Juranek

And what we can say in that context is also that we started off also reducing non-profitable large tickets and we will continue to be very tough on the business returns. We are looking on EVA in each and every ticket. If things don't make sense, we are reducing it in that area.

Mladen Dodig

Of course. Thank you very much.

Maybe just a question on this regulatory provisions, the latest episode from Bosnia. So, I don't know how to formulate, but can you maybe give us some timeframe on case-by-case what the story is, when this will start to unwind, like Slovenian story, Croatian story? You said that you still don't have enough information for Croatia, so do you expect some other issues in the region? I see in the outlook you are hoping that the governments and the regulators will not increase the burden on the banks. What are your expectations?

Herbert Juranek

Maybe we need to differentiate the case in Bosnia because this has nothing to do with Swiss franc. The case in Bosnia was about a tax…

Mladen Dodig

A tax, yes.

Herbert Juranek

…which was introduced by the authorities on credit card transactions, which from our perspective, is completely unjustified and we are fighting against that.

But coming back on, if I understood your question right, what is the situation on legal cases in Slovenia and in Croatia, especially with the Swiss francs, my answer would be the following. In Croatia, it's currently difficult to judge because, as you know, we had in mid of June the statute of limitations, where the limit was to file new claims. As of now, no new claims can be filed anymore. Our hope was that now we should already know how much we will get. Unfortunately, there was, as Edgar already mentioned it, a strike and it lasted almost two months and currently there is a backlog, so for us it's difficult to judge how many cases are still in the drawer which we don't know on the court's side. We hope to know more about it within the third quarter. And then we can do a final judgment on the cases.

When it comes to Slovenia, I informed you last time that our intention is to find a solution out of the court, after this ridiculous law was turned down by the Constitutional Court. We were in cooperation with the other banks and, from our perspective, we

	were already quite close to reach an agreement for an industry-wide solution, where the banks would have offered a settlement for customers who are socially vulnerable and who needs certain kind of support. Unfortunately, before summer, somehow the picture has changed a bit and some other banks stepped a bit back, and we were not able to conclude before the summer. So, what we will do is after the vacation season, we will do another attempt to find a unified approach in the industry in Slovenia. If that is not possible, we would also think about doing something alone, just with the banks who want to do it. But we will inform you then in the next earnings call on the outcome of that. I hope this answers your questions.
Mladen Dodig	Yes. It's very difficult to give an answer, so thank you very much. That would be all from my side. I would like to thank you for the call and also congratulate you on the very nice developments. Thank you.
Herbert Juranek	Thank you, Mladen. Do we have further questions?
Operator	There are no more questions. Mr Gussich, I hand back over to you.
Constantin Gussich	Okay, I have two questions on the webcast from Hugo Cruz from KBW. I will read them out loud and then ask the board to answer them. Question number one. What volume growth do you expect to generate with the expansion to Romania? Or when do you expect to be able to disclose this?
Hebert Juranek	Maybe I give the answer here. As I said in my speech, we are now entering the phase of analysing it deeper with the intention to make the decision on entering, the so-called go decision, in Q1 next year. So, we will be able to answer this question at the beginning of next year.
Constantin Gussich	Then question number two on NII: can you please tell us how much NII is generated by your investment portfolio and the gross yield of the portfolio? And can you please tell us a bit about your interest rate risk hedging strategy, that is, what do you hedge and how? Thanks.
Edgar Flaggl	Thanks for the question, Hugo. Pity you couldn’t join personally on the phone. So, how much of NII is generated by the investment portfolio? Let me start by mentioning yields, so we don't need to go into the

discussion of splitting up the right term, in terms of funding and the associated costs. When I look at the overall bond portfolio in terms of yield, they came up to roughly 190 basis points overall versus 112 basis points the year before. Now, this of course has two main sub-portfolios, the HTC book and the fair value through OCI book.

When you look at the HTC book, I already mentioned before, the yields from our new investments are up significantly, so 310 basis points as of the first half this year, from 150-ish - 156 I believe - a year before. Of course, when you look at the cash at central banks specifically in the EU entities, where you can get the deposit facility rate on the liquidity placed there, we have seen an improvement of the respective yield from a minus 17 basis points last year to almost 190 basis points this year. This is on the yield of the bond portfolio.

If you don't go in NII terms, but in interest income terms, roughly 4.8 million came out of that, and you can look that up, actually, on page 29 and 30-ish of the deck that we have as a presentation here.

Now interest rate hedging strategy, the question always is do you have hedge accounting in place or not? And the answer is we don't have it in place. We have investigated this for the EU entities, so specifically Slovenia and Croatia. We have currently not put it in play because when you start hedging, you should be in the right position in terms of where the rates are going to move, so no specific hedging strategy on top of the strategy to shift more towards term deposits on the funding side, which we have done quite successfully, I would say, if you look at the share of a vista deposits, which came down from 70% last year to 66%, and we will continue to go closer to a, let's say, 50/50-ish structure. Hope that answers the question.

Constantin Gussich

I have no more questions on the webcast, so I think back to Herbert to conclude the presentation.

Hebert Juranek

With that, I would like to thank you for your attention and we will continue our work in order to improve the bank further. Thanks a lot and have a good day.