Addiko Bank

Addiko Group 1Q23 Results: Webcast Transcription

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Herbert Juranek

Good afternoon, ladies and gentlemen. Let me welcome you to the presentation of the first quarter results 2023 of Addiko Bank on behalf of my colleagues, Ganesh, Tadej, Edgar, and Constantin. We have prepared the following agenda for you. I will start with an executive summary of our key figures, and then pass on to Ganesh, who will update you on our achievements on the business side.

In the second chapter, Edgar will provide you with the insights on our financial performance, and Tadej will inform you about our progress in the risk area. At the end, I will present to you the cornerstones of our Acceleration Program, and our current outlook on 2023, before we move on to Q&A. So, let's begin with the highlights.

The results of the first quarter are quite positive. We were able to increase our net profit by 50% year-on-year from €6.5 million to €9.7 million. This leads to €0.50 cent earnings per share in the first quarter. The return on average tangible equity went from 3.3% in Q1 last year to 5.4% this year. Our operating result jumped up by more than 40% year-on-year to €20.3 million despite inflationary impacts on the expense side.

This positive result is based on a double-digit year-on-year growth in our focus business and the solid cost management in the given environment. In addition, we were able to improve our net interest income by 26% year-on-year based on our Consumer and SME business, as well as to our liquidity management income.

Based on our pricing activities, we increased our yields in new business by more than 100 basis points year-on-year. Our new Acceleration Program is supporting these developments and is on track. I will come back to that later on. Now let's touch the risk side. Our cost of risk stayed at a low 13 basis points, and we have kept our management overlay on the same level as per year end 2022.

The NPE volume was slightly reduced by €2 million since year-end to €161 million, with an NPE ratio of on balance loans at currently 3.4%. Our NPE coverage ratio further improved from 75.4% to 77%.

The funding situation remained strong with €4.9 billion deposits and a liquidity coverage ratio of approximately 360%. And last, but not least, our capital position is also very strong with a 20% fully loaded CET1 ratio.

As you might know, we had the AGM on 21 April with all agenda topics approved, and we paid €1.21 dividend per share on 4 May. Our share buyback programme is ongoing since 11 April.

Now let's look at our business development. My intro message on this page is that we did not change our prudent risk approach, and still, we were able to grow further our focus portfolio by 11% year-on-year.

If we exclude the medium SME business, our growth rate was even plus 16% year-on-year. However, the Consumer book grew by 9% year-on-year, because the growth rate in the first quarter went down to 2%, driven by tightened risk criteria and by lower demand. Although we see the slowdown in loan demand on the Consumer side in the first quarter, we still confirm that we are within our guidance to reach a double-digit growth in our focus book in the full year 2023.

Furthermore, we also confirm that we will continue our work to find sweet spots for profitable business activities. Now, despite the fact that we tightened the underwriting criteria based on the current economic environment, we managed to increase our new business generation by 7% year-on-year. Based on our active repricing activities, we achieved to move of our focus yield up by 92 basis points versus the previous quarter to a blended rate of 6%.

Our new business yield in Consumer is currently 7.5%, and in SMEs, 5.3%. These repricing activities will continue. Our total focus book stands currently at 83% of gross performing loans. The intended decrease of the low yielding medium SME business is now at minus 20% year-on-year. Nevertheless, we succeeded to grow the SME book by 12% to €1.243 billion, driven by the 29% increase of the micro and small SME book.

Needless to say, we will continue to drive business growth, but at the same time make sure that we find the right balance based on our prudent risk approach taking into account the current environment. This, of course, includes also to go on with optimising our deposit base. 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. Onto page five. I’m pleased to inform you, we started the year with strong business results in spite of a volatile market environment reflected in inflationary headwinds and significant movements in rates, resulting in lower demand in Q1. On the lending side, our growth in new Consumer and SME client acquisitions continued even after we had adapted our risk appetite and risk controls to reflect the market conditions and pushed increased pricing.

Furthermore, on the deposit side, we continued to ramp up in term deposits while keeping the volumes stable. I'm proud to say that our business model has not only provided value to the customers, but also proven to be strong and resilient in these volatile times. Going deeper into the Consumer segment, our strategy is to sell lower ticket loans to new digital savvy and point of sale customer segments through partnerships and digital channels, using speed and convenience as a USP.

We continued to execute this strategy in Q1 by improving our digital lending capabilities and signing 50 more new partners, and communicating with strong marketing campaigns. I'm glad to inform you we have improved our digital lending solution in Croatia, where customers no longer require going to the branch to sign their lending contracts. So far, customers like this new convenience feature and are willing to pay a higher price for it.

Our other entities across the region will follow suit in the next quarters. We will discuss more about the expansion strategy through partnerships in the next slide. As a result, we were successful in driving strong 54% growth in new customer acquisition, followed by 118 basis points increase in yields, and stable development in gross disbursements quarter-over-quarter. We are hoping the competition will start to follow our lead in increasing their loan prices.

On the SME front, our key focus on the SME business is to sell lower ticket sized loans combined with mandatory account packages to underserved micro and small segments through our digital agent platform with speed as a clear USP. As we continue to automate and increase speed in time-to-yes and time-to-cash, we also added a new feature in Q1 for our SMEs in Slovenia.

Most recently, we launched a new online solution to our SME clients, where clients can apply for a loan online and get a loan offer without even interacting with loan agents. This new feature, the first in the market, will also be launched in our largest markets in the next quarters, thereby adding a new distribution channel for the SME business line.

Overall, we are seeing strong growth rates with 16% in new business and 154 basis points higher pricing year-over-year, mainly driven by micro and small SME businesses this quarter. To summarise our business priorities, even in these volatile market conditions, we, as a management team, will continue to execute our strategy with a fine-tuned business model and continue to innovate and provide value to the customers.

Moving on to page six, we wanted to give you a preview on how our digital lending capabilities with the Addiko partnership toolbox are not only providing a superior customer experience online, but also enable 380 partners in various industries to provide financing products, and thereby expanding our reach to customers at the point of sale throughout Addiko’s ecosystem.

Our agile partnership team has consistently onboarded new partners on our plug and play partnership toolbox, and we are seeing lots of interest from our new partners to get on with this opportunity, as it increases their sales and customers as well. Additionally, for customers it's a convenient opportunity to get their products financed, whenever and wherever they need, which is lacking throughout the region today.

Consequently, we are seeing significant customer interest in the point of sale lending product, contributing 70% to our customer acquisition overall. Even though it contributes only to 10% of current business due to smaller ticket size, these new customer bases have excellent affinity for potential upselling of higher ticket sized loans in the future.

Last, but not least, we will work on integration of more financial products, like co-branded cards, accounts etc., into the partnership toolbox to provide true embedded financing solution for our partners.

To sum it up, we are on a good path to deliver our vision to become the best specialist bank in the region and we are convinced that the Addiko ecosystem is the key to achieve this specialist status. With that, please let me hand over to Edgar for the financials.

Edgar Flaggl

Thank you Ganesh, and hi, everybody. Now to page eight and our financials for the first quarter 2023.

Starting on the left side of the page and the main drivers of our result. The net interest income improved significantly by 26.5% year-over-year, which, I think, is a solid start.

Let's begin on the asset side and the three main drivers, which enabled a 34% year-over-year increase in interest income. First, the successful repricing of our new business, specifically, the loans written during the second half of last year and the continued new business repricing this year.

Second, the variable share of our loan book, which is roughly 26%, has repriced as a consequence of the performed rate hikes. Those two elements alone contributed to a 21% year-over-year increase in interest income.

Third, our treasury and liquidity management. So, that is interest income from our plain vanilla bond portfolio and our cash held at national banks, specifically in the three EU countries Austria, Slovenia, and Croatia. As a reminder, Croatia joined the Euro from 1 January this year. Our treasury and liquidity management income almost doubled, versus the previous quarter, is up more than 200% year-over-year and mainly driven by our cash position at the national banks in the EU entities.

Now over to the liability side. With the rising rate environment, we naturally also recorded an increase in funding costs for our stable deposit base, which so far, has been offset with higher income from our treasury and liquidity management activities I just mentioned. It's worthwhile to point out here that roughly 60% of our deposits are covered by local deposit guarantee schemes, so we are in good shape here.

The second main income driver, net commission income, was, as previously guided, down year-over-year, mainly due to lost income from the FX/DCC business in Croatia, as a direct consequence of Croatia joining the Euro.

Taking this and a few other small effects into account, so like-for-like, the NCI would have been stable with a small increase of 3% year-over-year.

So, in summary, a solid development on net banking income, showing a good momentum with an increase of 16.4% year-over-year or 5.5% compared to the last quarter.

The other income continues to be mainly driven by lower gains from the sale of financial assets, which is fully in line with our strategy and higher deposit insurance costs in Croatia.

Now down to operating expenses, which are rather unsurprisingly up due to significantly elevated inflation. These increases partially consumed the positive impacts we achieved from cost reduction initiatives we performed during the Transformation Program. In addition, the first quarter includes front loaded charges, in addition to €540 thousand, which are related to the remainder of the Euro implementation project costs in Croatia.

All this led to a significant improvement of our earnings power, which is reflected in the 40% plus year-over-year increase of the operating result.

The next item is the other result, which includes costs for legal claims, as well as operational risks. We booked €3 million altogether on the back of the usual quarterly review of legal provisions, mainly related to Swiss Franc legal claims, as well as for operational risks, such as around early repayment fees in Slovenia. This reflects the continued prudent approach on legal and operational risks, and takes into account recent developments.

Credit loss expenses, once again, remained relatively benign. Tadej will provide an update on this in a moment.

So, at the bottom line, all this allowed us to achieve the unaudited net profit of €9.7 million versus €6.5 million a year earlier.

Now, a few remarks on the right-hand side of the page. The chart on the upper right-hand side illustrates a continued and accelerated trend in net banking income generation. We had some good tailwinds starting into a challenging year 2023 and achieved a solid development in NIM, good income trajectory and better than expected cost containment. All this, allowing our cost income ratio to continue inching down towards our target.

Over to page nine, which illustrates once again our strong capital position. At the end of the first quarter, our capital ratio, and that is excluding interim profit or accrued dividends, remained stable at a strong 20% fully loaded, and all of that in CET1. Starting with this year, the IFRS 9 transitional capital rules expired, which means there is no difference between transitional and fully loaded regulatory capital anymore.

Another noteworthy element, we experienced some positive development in OCI, so plus €7.7 million related to our debt instruments or bonds that are measured at fair value through OCI. This trend of recovery so far has continued, also after the end of the first quarter.

Shortly, on RWAs, we recorded a slight increase due to growth in the focus loan book, while the development also reflects a roughly €40 million one-off reduction - so positive - related to structural FX on the Croatian Kuna, which has now gone since the introduction of the Euro in Croatia. To summarise, a strong capital position with substantial buffers.

Now to page ten, where we provided additional transparency on our plain vanilla investment portfolio. On the top of the page, we printed the evolution year-over-year, which clearly illustrates the shift towards high quality government bonds, which is in line with Addiko's prudent investment approach, and our treasury investment strategy that was implemented roughly a year ago.

The usage of liquidity, which is generated from maturities of the old fair value through OCI book, is balanced between business growth, the cash position we hold at local national banks and new bond investments, which are placed into our hold to collect book in the EU entities.

Down to the bottom of the page, roughly 30% of the investment portfolio overall is now in the hold to collect or HTC book.

For the remainder, any market value changes are fully reflected in the reported equity and capital base. This includes negative fair value reserves of minus €78 million for the fair value though OCI book, we have seen build-up in the last year, and, as mentioned earlier, is now slowly showing a recovery. In that sense, these negative reserves will continuously decrease until the maturity of the instruments, based on the high credit quality and the expectation that the issuers, predominantly CESE governments, will repay those bonds at maturity.

The overall average maturity is roughly four years and more than half of that will mature until the end of the year 2026, so in a bit more than three years from now.

Now, a few more insights, before handing over to Tadej. Let me provide you answers to two questions that, given the current environment, have surely crossed your minds.

First, on the amount of what is often referred to as unrealised losses. The answer to that is there is no noteworthy difference between the market value and the book value within our HTC book, or to be more specific, less than 3% as of the end of the first quarter this year. And roughly half of that is related to highly rated Croatian government bonds.

Second, given our specialist business strategy, our exposure to commercial real estate is very low. So, roughly, only 0.8% of total exposure.

Let me now hand over to Tadej to provide more insights on our excellent asset quality and risk metrics.

Tadej Krašovec

Thank you, Edgar, and good afternoon, everyone.

We go to the slide 11. In the first quarter of 2023, the quality of our credit portfolio continued to be inside our expectations and remained stable. High inflation, so far, doesn't have a visible impact on our clients' performance, and the quality of private individuals has continued to be supported by very low unemployment rates.

Somewhat better economic predictions that we keep seeing do indicate that there is a high probability that the portfolio quality will remain, while at the same time, we are estimating that the uncertainty around the future economic development also remains high.

The NPE ratio remained stable at 3.4%, while in absolute terms, the NPE portfolio was decreased further since year end 2022, to €161 million during the first quarter of this year.

As the right-hand side chart illustrates quite nicely, we have achieved a low net NPE outflow of €1.8 million during the first quarter, therefore, overall, we managed to keep NPEs stable.

We are diligently monitoring the portfolio development and are continuously fine-tuning the risk criteria to adjust appropriately to the macroeconomic environment.

I continue on the slide 12. Credit loss expenses in the first quarter of 2023 came in at €4.5 million, resulting in a cost of risk of low 0.13% on a net loan basis. While Consumer and SME were naturally the source of credit loss expenses, the non-focus portfolio remains a source of provision releases with a positive cost of risk of 0.32%. The post-model adjustment recognised at the level of €20.7 million remains unchanged from year-end 2022.

These risk costs are below our expectations and were supported by a strong development of the economies where we operate, compared to what we projected towards the end of last year. Additionally, and as said before, 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 credit risk situation of the bank while we are keeping a conservative stance to other types of risks, especially liquidity and market risk. We continue to closely monitor market developments and an environment of increasing interest rates. But we remain optimistic regarding our risk position overall.

With that, I hand back to Herbert.

Herbert Juranek

Thank you, Tadej.

Let me give you some background on our new group-wide program. As already introduced in our presentation in March this year, we have designed the Acceleration Program to drive further value generation. To clarify this right away, the title of the program does not mean that we want to boost our growth at the cost of unwanted risks. We want to keep our current risk profile.

Nevertheless, we are convinced that we must build on our achievements and accelerate on our capabilities for our customers to create incremental value.

Last time, I explained to you three pillars at a glance. Today, I would like to dig a bit deeper and elaborate on our overarching goals, as promised.

Over the past two years, we have significantly improved our digital platform to better serve our customers. Now we want to take the next step and leverage, optimise and extract the maximum out of it. What does that mean?

The first pillar is dedicated to enable constant, sustainable business growth. We will continue to launch E2E digital capabilities to attract digital savvy customers, and further expand through our Addiko partnership ecosystem. We will amplify our product offering for Consumers and SMEs based on our enhanced platform and the partnerships.

For instance, we will boost our card business via tailored functionalities. At the same time, we will retire unprofitable services. And of course, we will further improve and refine our marketing capabilities. All of that shall make sure that we want to grow our focus business in a sustainable and profitable way.

We decided furthermore that we will use 2023 to evaluate a potential geographical expansion into a new CESEE market to leverage our digital platform and to further increase scalability. This assessment project shall last until Q4 this year. Based on the outcome, we will decide on a potential expansion of our business model into a new market.

Our second pillar of the program is designed to address operational excellence to achieve further end-to-end optimisation of our core processes. This means automation, as much as possible, to further accelerate the convenience level of our clients.

We have made substantial improvements in our business intelligence reporting systems. This helps us to understand our customers better and it also helps us to reap the benefits, like fine-tuning our products and services to the advantage of both the customer and the bank. And finally, faster and automized processes shall also lead to cost savings potential going forward.

The third pillar will enable us to reach our goal to further improve our risk management capabilities and to strive for excellence in this area. We will invest into our IT systems to establish a scalable and automated leading-edge underwriting, monitoring and reporting environment. In the current economic situation, we consider the importance of data management and analytics in the risk management area even more important. That's why we will further enhance our skills in this field.

	And we will continue to concentrate on effective NPE management to create value for the bank. The overall goal of the program is to get closer to our ambition to become the best specialist bank for Consumers and SMEs in Southeast Europe. Now finally, let's get to the outlook for 2023. As the Russian-Ukrainian war is still ongoing, and inflation is not going down, as hoped by some market participants, we still expect that the negative factors influencing the economic environment will continue for the foreseeable time. In that context, we see two topics with which we deal and have to manage. Number one, naturally, we see some impact from the economic environment on our business in the sense that demand on loans is slowing down. This will have an effect on our growth dynamics if this development will increase. And number two, many of our competitors are still reserved towards increasing loan pricing, ignoring the changes in the interest rate environment. However, we are assertive that we will find ways to counterbalance negative influences and that we are able to keep our premium positioning in pricing. Therefore, we are positive that we will still be able to deliver on our goals and, consequently, we will leave our outlook in all dimensions for 2023 unchanged. We, the management team of Addiko, are confident on our business model as well as on the opportunities in our markets. We continue to work with full energy to further improve the bank, to 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 your attention. We are now ready for your questions. Operator back to you.
Operator (Q&A)	Thank you. Ladies and gentleman, at this time, we will begin the question and answer session. Anyone who wishes to ask a question may press star, followed by one, on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star, followed by two. If you're using speaker equipment today, please lift the handset before making your selections. For the ones viewing the online webcast, you can ask a question by pressing the question mark button. Anyone who has an audio question, may press star and one at this time. One moment for the first question, please. The first question is from the line of Mladen Dodig with Erste Bank. Please go ahead.
Mladen Dodig	Can you hear me? Hello?

Edgar Flaggl	We can hear you, Mladen.
Mladen Dodig	Great. First of all, congratulations on your very nice results. I have a couple of questions, so maybe we'll go one by one. I noticed recently, actually in April, that Vienna Institute, the one you are following, where the macro forecasts have slightly, actually, did a mixed exercise across the region, where you operate, but some of those forecasts have been lowered down, for example, in Serbia, in Slovenia. Do you expect that you will further adjust your provisions on the IFRS model? And, yeah, that will be basically the topic.
Tadej Krašovec	I can answer that, Tadej speaking. No, we currently don't anticipate that this will have a material impact on the level of our provisions. As you know, we have quite a prudent approach here, and some differences will not have a big impact, presumably, on our IFRS 9.
Mladen Dodig	Yes, I agree, because these are minor adjustments, by half percentage point, which, on a big macro picture, doesn't have to mean a lot. But anyway, thanks for the for the insight on this. I also noticed across your geography that loans in Serbia actually had a very weak performance. Can you give me some colour on that particular story?
Edgar Flaggl	Sorry, Mladen, can you say it again? Loans in Serbia?
Mladen Dodig	I looked through the spreadsheet you provided, and I noticed that all of your subsidiaries performed well with the loan growth in the first quarter, but in Serbia there are negative movements. Is that correct? Maybe I made a mistake.
Ganesh Krishnamoorthi	Thanks, Mladen, this is Ganesh. You're right, in Q3, Q4 last year, we had slow developments in Serbia, especially with the situation where we had a liquidity squeeze in the market. So, we were a bit careful with our lending there. However, I have to say that in Q1, in recent months, we are actually back to our performance that we used to do, and we are back on the growth story here.
Mladen Dodig	Ok. And can you maybe tell me the further developments? Of course, the funding rates and deposit rates are going up, do you expect that they will continue in that direction? And how much can you, how shall I say it, how much power do you have to keep this growth smaller than the active interest rates, of course?

Edgar Flaggl	Sure. Mladen, thanks for the question, this is Edgar speaking. That's a very good question, and there is not a straight answer to that. Why? Because there are many communicating vessels. So, overall, what we have observed is that A, we have a very stable deposit base and if you take it all together, we have significant excess liquidity. If you add to that that we are actually running down non-focus still, which frees up liquidity, I think from that perspective, we are in a very favourable position. Now, of course, we have seen pricing going up, and we have reflected that not only in our initial plan, but also in our recent forecast. The guidance that we gave with the disclosure of the full year results in March is still standing strong, in that sense. Now, of course, we don't know if there are any crazy developments happening in the market, where deposit pricing, you know, jumps up massively. We have not seen that yet, so far. We have seen increases, specifically in Serbia, which is also related to the liquidity situation. It's not so much a squeeze anymore as it was last year, it has calmed down a lot, but still local funding in RSD is still, I would call it a scarce resource compared to the European banking sector in Euro, and pricing has gone up for this. And we have also seen that in Slovenia, deposit pricing has inched up. Now, Croatia, for example, where most of our liquidity is, has not moved much or not at all so far. So, in a sense, we expect increasing liquidity costs until the year end. Yes, we do. At the same time, we also have a counterbalancing from the Treasury and cash at local national banks income, specifically in the EU entities, and so far, everything is on track. But we are observing this, of course, on a very regular basis.
Mladen Dodig	Thank you very much, Edgar. I read in your report that there is still no update regarding MREL requirements for the Slovenian subsidiary. Do you have anything to add to this or do we just have to wait for the official update?
Edgar Flaggl	This is Edgar again. I think there is nothing changed to our previous disclosure. We are in the right to be heard process, in that sense. As very often, a right to be heard means you have the right to be heard but nothing changes. And we do not expect any material changes to that. which means we will most likely get an MREL in Slovenia, which means that we have, I think as of today we would have a gap, which needs to be closed in a phase-in period, of €5 million roughly, which can relatively, I don't want to say easily, but it can be closed with using internal resources.
Mladen Dodig	If you can just remind me when we can expect some new updates regarding capital requirements or is that still early to say?

Edgar Flaggl	I think in this environment, it's a bit too early to say. If you listen to regulators, they are, of course, being very cautious, which is part of doing their job. We are also very prudent on our end in that sense, but right now we cannot, we don't have a crystal ball which gives us now, in a sense, any numbers that we could provide as an update for capital requirements going forward. It's a bit too early.
Mladen Dodig	Sure, thanks. And the final question regarding the Acceleration Program. I read lots of description, but can there be any figure assigned to track the progress in this? Or it will just be, how shall I say it, the narrative of the future bank strategy?
Herbert Juranek	Well, the Acceleration Program is a kind of facilitator in order to reach our mid-term goals. We want to get to these goals as fast as possible and the program will help us on this way to get there faster.
Mladen Dodig	Okay. Thank you very much, that was all from me. Thank you.
Herbert Juranek	Thank you, Mladen.
Edgar Flaggl	Thanks, Mladen.
Operator	Ladies and gentlemen, at the moment we have no further questions via the telephone lines. So, I would like to hand over to Mr Constantin.
Constantin Gussich	Thank you, operator. I have a couple of questions from Hugo Cruz from KBW. Unfortunately, he could not join today's call, so he sent us his questions via email. Let me hand over to Herbert to answer them.
Hebert Juranek	So, what I will do, we have three questions, and I would just read the questions, and then also give the answers to the questions. So, the first question is can you please give us an update on the legal issues with FX loans in Slovenia and Croatia? I would suggest to start with Slovenia. As you know, the Constitutional Court of Slovenia abolished the so-called Swiss Franc law in December 2022. Following that, the Ministry of Finance and the Bank of Slovenia approached the Banking Association with their request that the parties should start discussions on how to settle the case out of court. We have taken an active role to find a solution for cases with real socially vulnerable customers, and this process

is ongoing. And if all banks participate, we could come to such a solution in the second quarter. That's our hunch today.

And overall, I have to make the comment that this should not change our guidance for 2023, so if we need to build a provision for that.

And in Croatia, we are backtesting and updating our provisioning every quarter. The status of limitation for Swiss Franc loans will expire in June 2023, so this year, so quite soon. Consequently, after that no further lawsuits can be filed. This means that by the end of the year, it will be seen how many lawsuits were actually filed until June, because there is a time lag until we get the information from the courts about the filed lawsuits. And we will then know, by the end of the year, if further provisions might be necessary.

There is still an uncertainty overall because the Croatian Supreme Court, which, as we disclosed, made a decision in December last year, that also these legacy converted loans, so those loans that already have been compensated, should be entitled to penalty interest. We made a provision in the amount of around about €5.4 million in the fourth quarter last year for that. However, this decision of the Supreme Court has to pass the so-called record service, and the record service, as far as we know, did not approve and adopt this decision of the Supreme Court. So, as far as we know, it is not valid for the time being. So, this was the answer to the first question.

The second question is the presentation talks about potential expansion to other markets. Which markets and in what segments? What is the potential timeline and financial impact of such an expansion?

So, our target for 2023 is to assess whether an expansion into a new market is value-accretive for shareholders. We are early in this process and are assessing the most efficient approach regarding a digital operating model. And we are also checking the leveraging of capabilities that we have.

There is a handful of markets we have been looking at and we would like to focus the next steps of these investments on one very large market in CESEE. So, for the time being, it's a bit too early to provide more flavour. What I can tell you is that our guidance for 2023 is not affected, and the mid-term targets that we published in March this year do not include an expansion, as we have already disclosed in our year-end results in March.

And the third question is the Group is implementing an Acceleration Program from 2022 to the first half-year of 2024. Are the Group's mid-terms from the last results call the endgame for this Acceleration Program? If not, when are we going to have financial targets for this Acceleration Program?

So, as I have just explained, it's similar to the question we just got from Mladen. The idea is simple. We set the tone with the successful execution of the Transformation Program last year. Now

	we will continue with the Acceleration Program, and with that, we want to drive actions towards achieving our mid-term targets we disclosed in March. And in this sense, as said, the Acceleration Program is not the endgame but a facilitator.
Constantin Gussich	Okay. I have one more question from an individual investor via the webcast. I will read it out. It's a question regarding the long-term PAIF board remuneration component. Could you please explain the key driver to trigger the long-term component of the PAIF bonus as approved during the last AGM, i.e. what is the starting share price and how much does the total shareholder return need to increase until year-end 2025?
Hebert Juranek	Okay, I will answer this question. As included and explained in the documents of the AGM, the starting share price, so the average of the fourth quarter 2022, was €11.19. The total shareholder return needs to increase by 60% until the fourth quarter of 2025 to activate the long-term PAIF goal. So, this means to be slightly below €18, so that would be the numbers.
Constantin Gussich	Okay, thank you. I have no more questions on the webcast. Operator, back to you.
Operator	Ladies and gentlemen, there are no further questions at this time. I will hand back to Mr Herbert, CEO, for closing comments.
Hebert Juranek	So, I would like to take the opportunity to thank you for your attendance to our call and for your interest into our results. We, as a management board, will now go back to work and do our best in order to give you also positive results for the half-year, and we will be doing our best in order to create value for you, as a shareholder. With that, I would like to close and thank you.