Addiko Group 3Q23 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. Welcome to our presentation of the third quarter results 2023 of Addiko Bank on behalf of my colleagues, Ganesh, Tadej, Edgar and Constantin.

Let me guide you through the agenda. I will start with the executive summary of the highlights of the third quarter and then pass on to Ganesh, who will inform you about our achievements on the business side.

In the second chapter, Edgar will give you more insights on our financial performance, and Tadej will report about our progress in the risk area.

At the end, I will do a short wrap-up based on our current outlook for 2023 and finally, we will move on to Q&A.

So, let's begin with the highlights.

The result of the third quarter were pretty positive. We were able to increase our net profit by 53% year-on-year from €19.6 million to €30.1 million. This leads to €1.55 earnings per share until the end of the third quarter. The return on average tangible equity increased to 5.5% after 3.4% in 3Q22. Our operating result jumped by 40% year-on-year to €78.1 million despite inflationary impacts on the expense side and increasing funding costs.

This positive result is based on a double-digit year-on-year growth in our focus business and a solid cost management in the given environment. The net interest income development is an important pillar in this context as we were able to improve it by 29.5% year-on-year based on the progress made in our Consumer and SME business as well as on our liquidity management income. An important driver in this regard are our continuous repricing activities, which led to a substantial increase of our yields in new business. Our Acceleration Program is supporting these developments. I will come back to that on the next page.

But before, let's talk about the risk aspects, funding and capital. Our cost of risk stayed at low 27 basis points or €9.5 million. The NPE volume went further down to €153 million and, consequently, results into an again reduced NPE ratio of on-balance loans of 3.1%. On top, our NPE coverage ratio also improved from 75.4% at the year-end to 79.2%.

The funding situation is strong with €5.1 billion deposits and a loan to deposit ratio of 69%. Our liquidity coverage ratio stands at 331% at the end of Q3. And last but not least, our capital position remains also strong with 19.5% fully-loaded CET1 ratio.

Unfortunately, the third quarter surprised us with a few unpleasant events. Slovenia is planning to introduce a windfall tax for all banks. Serbia imposed an interest rate cap for housing loans. And in Croatia, the number of court cases coming in after having reached the statute of limitations are elevated. However, the second two subjects are already reflected in our Q3 results.

Overall, we do not expect an impact on our mid-term targets from these external factors. Edgar will give you more background on these topics in his part of the presentation.

Now, let me share our expectation concerning the Supervisory Review and Evaluation Process. We expect the P2G to decrease by 25 basis points to 3% and we expect no changes in P2R. The final results of the SREP 2023 are scheduled to be received before the end of this year to become valid as of 1 January 2024.

Let's continue with the status of the Acceleration Program. I am happy to share with you that we are making good progress in all three pillars of our Acceleration Program.

The business part of the program was strong. It was a strong enabler to achieve our growth rates in the third quarter. In this regard, I would like to mention two topics. First, we reached a double-digit focus book growth already in September and, at the same time, increased our customer deposit base. Second, we were able to further extend our partnership network to 520 partners. Ganesh will give you more background later on.

Moreover, the assessment of our expansion into Romania is well on the way according to the time plan. The same is true for our ESG action plan as all projects are on track. Tadej will provide you with more insights later and you will get a detailed report on all our ESG activities with the year-end information in March 2024.

Our initiatives of the second pillar also progressing quite well. The preparation of our end-to-end enabling initiatives is according to the plans as well as the other operational excellence measures based on the Kaizen methodology. Therefore, we expect to build limited restructuring provisions for the projected restructurings and platform improvements in the fourth quarter. In addition, together with our total customer base, our digital users grew by more than 10% year-on-year.

In our third area, namely risk management, we successfully launched a new risk reporting platform across the Group, which will further improve our capabilities to steer and manage our risks on a group-wide basis. Furthermore, we started a project on collection efficiency to explore additional enhancement potential in the collection area. And last but not least, our NPE reduction initiative brought our non-performing exposure to an all-time low.

So, all together, I believe that we are right on track with our Acceleration Program to get closer to our goal to become the best specialist bank for Consumers and SMEs in Southeast Europe.

Now let's have a look to our business development. As you can see on this page, we managed to grow our focus portfolio by 11% year-on-year. If we exclude the medium SME business, our growth rate was even plus 14% year-on-year.

The Consumer book increased by 9% year-on-year influenced by tightened risk criteria in the first half of the year and by lower demand. Nevertheless, we are confident that we will be able to meet our guidance to achieve a double-digit growth in our focus book in the full year 2023, especially as we are assertive that, based on our work, we will find sweet spots for profitable business activities.

Our confidence is also supported by the fact that we were successful in driving our new business generation up by 14% year-on-year and, at the same time, increased our focus yield to 6.2%. New business yields in Consumer reached 7.6% and in SME 5.6%.

Our total focus book increased to 86% of gross performing loans. This development is, inter alia, based on the continued strong growth of our SME book, which went up by 13% year-on-year, while the low-yielding larger tickets in medium SME were decreased by 16%. The Micro and Small SME business even grew by 23% year-on-year.

These growth rates were achieved, although our risk management is continuously calibrating the underwriting criteria to the given environment. In this context, I would like to mention that we will continue with our approach to strive for ambitious business growth while, at the same time, respecting our prudent risk criteria.

With that, I would like to hand over to Ganesh to give you a deeper insight into our business activities.

Ganesh Krishnamoorthi

Thank you, Herbert. Good afternoon, everyone.

Moving to page six, I'm delighted to share that, despite the challenging landscape with rising deposit costs and persistent inflation, we consistently delivered strong results in the past three quarters. Our strategic approach and USPs have allowed us to navigate tough market conditions, resulting in an impressive 14% year-over-year new business lending growth and a premium increase of price over 120 basis points in both the segments. Unfortunately, our competition has not followed our price increase yet.

Going deeper and deeper into the Consumer segment, our whole focus has been on driving incremental growth by lower ticket loans to the emerging digital-savvy customer base and point-of-sale customer segments. Over the last nine months, we have concentrated our efforts on four main areas.

Firstly, we have extended our lending reach through strong partnerships totalling 523 and our presence in over 1,000 locations in our region. This move has allowed us to tap into a new customer segments that appreciate financing at point-of-sales transactions. As a result, our partnership lending business has more than doubled. Furthermore, our cross-selling team is well prepared to offer these customers a larger consumer loan after understanding the payment behaviour.

Secondly, we are upgrading our existing branch-based digital solution to offer an end-to-end digital customer experience that eliminates the need for customers to visit physical branches. This exciting upgrade has been launched already in Croatia and will soon be introduced into other countries.

Thirdly, we are working on growing non-lending product revenue streams with a particular focus on cards and insurance. In fact, our innovations in cards led to a remarkable 94% year-over-year increase in cards commission income. This, in turn, will help us to compensate the NCI loss that occurred due to the implementation of the euro in Croatia.

Finally, we have launched a pilot programme for Buy Now, Pay Later services in Romania. And this pilot not only serves as an opportunity to provide our customers with a new financial offering but it also allows us to gain valuable insights and risk dynamics associated with lending and aiding our assessment for larger expansion to various other products.

Overall, we have achieved a strong 51% growth in new customer acquisition, accompanied by a 124 basis points increase in yields and a 10% year-over-year development in gross disbursement along with increase in deposits.

Shifting our focus to the SME front. We focused on delivering lower ticket loans and mandatory account packages to underserved Micro and Small segments through our digital agent platform, where speed is a prominent USP.

Over the past nine months, we have focused on three key topics. Firstly, process enhancement. Through our relentless pursuit of improvement, we have successfully streamlined our loan application process resulting in a time-to-cash reduction, and also, a corresponding increase in USP. And this, in turn, has enabled us to implement price increases.

Secondly, the introduction of a new online channel. Our commitment to convenience has led us to introduce a new online channel, which empowers SME clients to apply for loans online eliminating the need for direct interaction with sales staff. This innovation sets us apart as the only bank offering the service in key countries in Croatia, Slovenia and most recently in Serbia.

Lastly, product expansion. As part of our Acceleration Program, we are diligently working on new products that will further enhance our SME ecosystem and revenue stream.

On to the results. Our Micro business segment has seen an impressive growth rate of 44% year-on-year underscoring the scale of our reach and our commitment to underserved segments. Additionally, across the Small and Micro landscape, we achieved 22% growth in new business. Most notably, we attained a substantial increase of 157 basis points in pricing year-over-year.

To summarise, we remain optimistic about the future as we forge ahead with innovation and strengthen our position in the Consumer and SME space, not only in lending, but also in other fee driven products. Our USPs are meticulously designed to resonate with customer needs and have not only acted as a buffer against the challenging marketing dynamics but also fuelled growth.

With that, please let me hand over to Edgar for financials.

Edgar Flaggl

Thank you, Ganesh and hi, everybody.

Starting on page eight, where we printed the composition of our result for the first nine months of 2023. Net interest income continued to improve significantly and is up 6.1% compared to the previous quarter and almost up 30% year-over-year. The quarterly improvement is starting to slow down given the natural increasing deposit funding costs.

Overall, our key revenue driver, the interest income - so excluding interest expenses - improved by 41% year-over-year. This is driven by higher yields from our premium loan pricing, repricing of the variable back book and the contribution from treasury and liquidity management. The steady progress on increasing the share in higher yielding focus loans to now 86% in our book supports this positive development.

As in the previous quarter, the treasury and liquidity management income also significantly increased year-over-year and still overcompensated the steady increase in deposit costs.

Interest expenses, as mentioned last time, continued to inch up. On the one hand, this is the natural increase we have been expecting. On the other hand, it's also driven by our planned shift from on-demand or a-vista to more term deposits. We have achieved a healthier composition with 63% a-vista share, compared to 68% at year-end 2022 while, at the same time, increasing deposit volumes. For 2024, we expect deposit costs to further increase to roughly 120 basis points from approximately 80 basis points for the full year 2023.

The second main income driver, the net commission income, continued to be down year-over-year due to, as mentioned many times, the lost FX/DCC business in Croatia as a direct consequence of Croatia joining the euro. However, NCI came in strong once again also in the third quarter with another 4.1% quarter-over-quarter increase on top of the already strong Q2 this year.

In summary, a continued improvement on net banking income with an increase of 5.6% compared to last quarter and almost 18% year-over-year.

Now to the other income, which comprises the net result of financial instruments and the other operating result, and which is mainly driven by deposit guarantee costs and regulatory charges. If you compare the third quarter with Q2, please be reminded that we had positive one-offs amounting to altogether €1.6 million in the second quarter.

Now, as Herbert has already pointed out, we are expecting a special banking tax in Slovenia. This tax would require a charge of roughly €3 million per year in this position. Based on the latest news from a few days ago, this new tax will likely not affect the fourth quarter 2023 but start with 2024. However, as of today it's also not certain if this will be changed back again to 2023. In any case, we do not expect a noteworthy impact on our mid-term guidance out of this.

Down to operating expenses, which have continued the upward trend in the given environment and are now up by almost 6% year-over-year due to significantly elevated inflation. The main driver is and remains high wage pressure and cost increases from service agreements that, by standard, are tied to an inflation index, such as for IT.

We stick to our challenging guidance on OPEX to land below €179 million in 2023 despite these increasing headwinds, and I'm confident we will achieve this. The next year will be more challenging on that front.

If you take it altogether, we have delivered very positive improvements of our earnings capabilities, which are reflected in a 40% year-over-year increase of the operating result.

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, quite a large charge here with €16.1 million in the third quarter, which is mainly driven by two topics. First, Swiss franc legal claims in Croatia. During September, we have been getting more and more transparency on the potential final number of legal cases to be expected following the deadline for filing new claims expired on 14 June.

We are now expecting the final number of cases to be a couple of hundred cases above our previous estimates. On a positive note though, this now puts the lid on the topic in terms of number of cases that we can expect and provides us with the opportunity to launch a settlement strategy and work on resolving the cases.

The second main topic here is related to an interest rate cap of 4.08% that was introduced for housing loans in Serbia until the end of the year 2024, which led to a modification loss of €2 million.

Now the credit loss expenses, which continued to remain benign. Tadej we will provide insights on this very positive development in a moment.

So, altogether, a solid result on the back of a strong momentum in the top line, successful cost containment and sound risk management, which allowed us to achieve the unaudited net profit of €30.1 million, which is up more than 50% versus the €19.6 million the year before.

Just a quick summary on the right-hand side of the page. What you see here illustrated quite nicely, is our positive trend in NII continued despite higher funding costs, our NIM improved further and the cost income ratio remained below the 60% mark also for the third quarter.

To conclude, a solid result with improving operational performance while, at the same time, digesting quite a bit of legacy that originated more than a decade ago.

Over to page nine, which illustrates our strong capital position. At the end of the first nine months of 2023, our capital ratio remained strong at 19.5% fully-loaded, and all of that in CET1. Just as a reminder, this excludes interim profit and accrued dividends. If you would add interim profit and deduct accrued dividend, based on our current guidance, our CET1 ratio would be flat in comparison to year end 2022 at 19.9% fully loaded.

As you can see in the chart on that page, our OCI also continued the trend of recovery while the main change compared to the second quarter is an increase in RWAs as a consequence of strong growth in our focus book.

Now briefly on SREP. As already mentioned by Herbert, based on the draft SREP for 2024 we're currently expecting no change in P2R and a reduction of P2G by 25 basis points.

To summarise, continued strong capital position with substantial buffers.

And now over to Tadej on risk management and our good progress on ESG.

Tadej Krašovec

Thank you, Edgar, and good afternoon, everyone.

If we go to slide 10 first. In the third quarter of 2023, the quality of our credit portfolio continued to be as expected. We can observe a higher credit risk indications in one country, however, the overall situation remains stable. As you can see on the slide, we continue to decrease our non-performing portfolio reaching €153 million of NPEs, which represents an NPE ratio of 3.1%. An all-time low.

The right-hand side chart also shows that NPE formation stagnates and is more than compensated by successful NPE decrease strategy.

To keep the portfolio quality under control, we are diligently monitoring portfolio and new disbursements while implementing more stringent risk rules to exclude subsegments, where credit risk performance is not up to our expectations.

We continue on the next slide. Credit loss expenses in the first three quarters of 2023 came in at €9.5 million resulting in a cost of risk of low minus 0.27% on a net loan basis. The quality of Consumer and SME behaviour that resulted in minus 0.48% and minus 0.43% cost of risk respectively was better than expected. Relatively low cost of risk was driven by lower than anticipated net migrations to Stage two and Stage three, migration to NPE, further supported by a few larger successfully resolved cases.

The post-model adjustment recognised at the level of €18.5 million remained unchanged from mid-year 2023.

I can conclude that the current macroeconomic situation in our region supports the stable credit risk situation of the bank with indications of a slight negative trend in one country and some of their segments. Nevertheless, those trends were overcompensated with the generally very stable portfolio.

Let's go on to slide 12 to inform you regarding our development in the ESG area. We take ESG topic very seriously by defining an internal ESG strategy, creating governance around the topic and executing and regularly improving risk identification and materiality assessment.

These pillars led us to exit some highly impacted industries and set more strict limits for others. We have also introduced upgrades of the credit process to identify clients that could be more impacted by climate change and exit by limiting exposure or not financing some of them at all.

Some extraordinary events in our region, for example, the severe floods in Slovenia in August, prove that such approach is needed, even though our materiality assessment shows our business model and our clients would be less impacted overall. The minimal impact of the floods in Slovenia gives us some confirmation that we are on the right track.

However, we are not only focused on how climate changes can impact us or our clients, but also how we can have a positive impact from an inside-out perspective. On the next three slides, I would like to give you a taste of our approach while not going into the details of each slide.

Slide 13. Environmental impact is our first priority and first point. We want to become more climate neutral through replacing our car fleet, reducing office space after significant reductions that we have already had in previous years, and reducing consumption through digitalisation and operating paperless branches.

While Addiko Holding in Austria has already switched to 100% renewable energy, we have the same ambition for all other countries. However, we see that the transformation will take more time due to local specifics and lower focus of the local governments.

To promote green products and services, we have already established 14 partnerships, surpassing our initial goal for this year.

On the next slide on the social aspect of ESG, we are promoting diversity and inclusion. Throughout the Group, the share of women in executive and middle management positions is already at 48%.

We work extensively on improving the life-work balance of our employees, on creating a culture of open communication which, we believe, will positively impact bank results in the long term and will actively support the communities in which we operate.

In the last part on the next slide, we believe in a strong and transparent governance. While we constantly improve governance inside the bank, we have a specific focus on governance around ESG topics inside this programme.

This year, we are focused on building ESG governance bodies, participating in PCAF association, this is the Partnership for Carbon Accounting Financials, to use the best practices and to educate also our clients. On top, we extended our impact to external partners to increase the supply chain ESG compliance.

Due to our size, but especially our specialised business focus, we know our impact on the ESG topic is limited. However, we continue to improve in small steps and do our part, while using opportunities for ESG to have a positive impact on our business and governance.

With that, I will hand back to Herbert.

Herbert Juranek

Thank you, Tadej. Let's go to the outlook and wrap-up.

Unfortunately, in addition to the ongoing war in the Ukraine, a new war came up in the Middle East after the terrorist attack by Hamas, altogether increasing global uncertainty in an already stumbling economic environment.

Inflation is already below its peak but still on an elevated level and, therefore, continues to exert pressure on our operating expenses. Therefore, we will strive to develop countermeasures to manage the consequences.

Furthermore, we believe that we are already around the top of the central bank interest rate development. And finally, the deposit prices in our markets are also going up. In some countries, this trend is promoted and influenced by the respective government. Moreover, incumbent banks still continue to hesitate about increasing loan prices, and regulators keep up with their intentions to curb loan interest and fee increases. However, despite those challenging circumstances, we are assertive that we will find ways to counterbalance those negative influences and that we are able to keep our premium positioning in pricing.

Therefore, I would like to state that the management board of Addiko confirms the outlook of 2023, which was upgraded together with the announcement of the half-year results. In order to provide you with full transparency, we have added the current status of achievements to the respective category.

To sum it up: we, the management team of Addiko, are very confident in our business model and that we will use the opportunities in our markets to be able to achieve our goals. We are also positive for the remaining part of the year. Now, we will

	continue to work with full energy to improve the bank further, 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 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, followed by one, on the touchtone telephone. If you wish to remove yourself from the question queue, you may press star, followed by two. If you're using a speaker equipment today, please lift your handset, before making your selections. If you are participating via the webcast, you can write a question via the Q&A function of the webcast by pressing the question mark button. Anyone who has a question may press star, one, at this time. The first question is from Mladen Dodig. Please go ahead.
Mladen Dodig	Good afternoon, gentlemen. Thank you for organising this, and I wish to congratulate you on the great results. I just wanted to double-check. A couple of times, you mentioned the yields for the consumer loans new production 7.6% while there is 7.8% on slide 30. Is there a difference between those two numbers, or 7.6% is for the nine months, some average?
Edgar Flaggl	Mladen, this is Edgar. One is the quarter-to-date figure in the additional materials in the back, and the other one, as Ganesh mentioned, is the year-to-date figure.
Mladen Dodig	Year-to-date. Thank you very much. I wanted to also ask you about this online SME disbursement in Serbia. I didn't quite understand. I think Ganesh said that one of the biggest advantages had something to do with documentation. So, if you could be so kind as to explain a little bit more?
Herbert Juranek	Ganesh, please.
Ganesh Krishnamoorthi	Hi, Mladen. We have launched recently in Serbia an opportunity where actually our SME clients can apply online in Serbia. Actually, this would also mean that they can see also the decision if we take the loan or not. So, it's a very convenient feature for SME clients, where they can apply and get a decision online. This is this the feature we have launched.

	We are also working with the authorities to get it completely end-to-end. But we are working on the contract signature process, etc., where things can happen next year also end-to-end.
Mladen Dodig	Thank you very much. And, Edgar, you mentioned that at one point in time you expect the deposit funding costs for 2024 at 120 basis points. Did I understood that correctly?
Edgar Flaggl	Yes. So, the full year average for 2024 what we're currently expecting on the back of our planning that is currently in progress, we expect 120 basis points. This year, we have seen it inching up quarter-over-quarter naturally, and we expect for the full year this year roughly 80 basis points, so that you see a bit of a difference.
Mladen Dodig	Thank you very much. I think that Tadej mentioned that at one point in time that there is a small deterioration in one of the countries. Can you reveal where do you see this deterioration or not?
Tadej Krašovec	Yes. We see that in Serbia but current numbers are not far from what we have expected. And we have already produced mitigation actions curbing the risk in that part. Still even though we see the duration in Serbia overall, from a cost of risk perspective, we are very much inside the expectations for this year.
Mladen Dodig	I noticed that from a certain position in the so-called entrepreneur positions is that something that stood out from other categories, right?
Tadej Krašovec	No. I would not say so. I would more say Micro segments, Small segment, entrepreneurs are not an important sub-segment in Serbia.
Mladen Dodig	Thank you very much. This will be all from my side. Thank you once again and congratulations.
Herbert Juranek	Thank you, Mladen.
Operator	The next question on the phone is from Hugo Cruz with KBW. Please go ahead.
Hugo Cruz	Hi, thank you for the time. I wanted to ask a bit about NII. If you could talk about the trends you're seeing, the different moving parts in Q4, and potentially looking into next year. And also, the rate

outlook is a bit uncertain. Are you thinking about managing your interest rate exposure for next year? Are you doing anything around your hedges or your portfolio? Are you starting to position that to mitigate potential rate cuts next year? That would be great if you could clarify that.

And then finally, on capital, I hear your guidance, you have the 60% dividend pay-out target, and so on, but you're still not accruing earnings. So, can you give a bit of comfort that there are no issues with the dividend. That's it. Thank you.

Herbert Juranek

Maybe I will start with the dividend question and then maybe, Edgar, you cover the others. As you see from our material, we as a management board, we are fully committed to the pay-out ratio of the 60%. But we also know from previous conversations with the regulator that our regulator is a bit concerned about pay-out ratios overall and considers everything what is above 40% to 50% as aggressive. That's how the regulator calls it.

Nevertheless, we will again be in conversation with the regulator and we will try to defend our position. The clear commitment of the management board is in any case to have a dividend where there is a "1" in front. At least one euro is our clear ambition and from the today's perspective, we stick to the 60%.

Edgar Flaggl

Ok. Hugo, thanks for joining and asking the questions. So, if I understood you correctly, you want to understand a bit the momentum towards the end of the year 2023, and then what we expect going forward in terms of rate environment, as well as a question on hedging strategies, correct?

Hugo Cruz

That's correct, thank you.

Edgar Flaggl

Overall, we are, I would say, relatively prudent in our forecasts when it comes to the fourth quarter, also because of the topics that Tadej mentioned before. We are observing, of course, the developments in the market and are not shying away from being more restrictive in underwriting. So, in the fourth quarter, usually we take a bit of a lower approach in terms of growth, also because we want to make sure we have the starting point right for the next year. So, that's on the one hand, when it comes to volumes.

Deposit pricing, what you see quarter-by-quarter increase, of course in the fourth quarter it is going to be higher costs, that's why I mentioned the quarterly improvement in terms of NII is slowing down simply for that reason. We don't expect any development on rates until the year end, also to make that very clear - rate environment.

Now, when it comes to next year, what we expect, and we base our assumptions, very often and to a large extent, on the Vienna

	Institute for International Economic Studies, we are currently expecting two small rate cuts, which should happen towards the end of the next year. Of course, is this going to happen or not? At the end of the day, no one knows. It will very much depend on what inflation is doing. Right now it goes in the right direction. Also, when you hear what the ECB has been saying on that front, of i.e., having reached the peak and inflation going in the right direction, it's not an unrealistic picture. But of course, the conflict in the Middle East, influence on fuel prices, etc., could change the picture, but no one knows that. So, we have, I would say, a more prudent view here, assuming two rate cuts. Now, when it comes to your question on interest rate hedging, I think we said in previous calls we are not doing hedge accounting. So, we have not implemented that. We are also not planning of implementing that, so we are more running a natural hedge in that sense. On the asset side, we are predominantly in fixed rate loans, and when it comes to natural hedge, those are one of the reasons why we have strategically pushed for more term deposits, even though, in the short term view, they are more expensive than in the long term view. It's a healthier composition. I hope that helps.
Hugo Cruz	Very much. Thank you.
Operator	At the moment, we have no further questions via the telephone lines.
Constantin Gussich	Thank you, operator. I have one question on the webcast from Wolfgang Matejka from Matejka & Partner. Having in mind that the European banking sector is facing an increasing stress factor coming from real estate collaterals, so financing and restructuring costs, valuation-linked collateral issues, how or is this affecting your business as well? Thanks, and big congrats for your results.
Hebert Juranek	Thank you very much, Wolfgang. Maybe I start with a general comment and then I will ask Tadej to give a more explicit answer to that. So, the general answer is no, there is no big impact to that given our business model and given also the portfolio we have in the countries. But maybe, Tadej, you want to give more insight to that.
Tadej Krašovec	I will just confirm that we haven't seen so far any impact. There are, at least, two reasons. One is our business strategy, where we have a lower ticket that are usually uncollateralised. But we also

	don't go into investments that would be depending on the value of the real estate or would be big and complex. On the other side, we also take into account in our internal values the collateral value that has a high discount on the market value of collateral. So, already in that respect, we have a buffer, even if the real estate values go down. In the mortgage portfolio, we see that since we stopped doing mortgages several years ago, we see that the loan to value ratio is very low. So, our loans are, on average, more than double time covered with the value of collateral. Any changes in those values would not have any material impact on us.
Constantin Gussich	I have no more questions on the webcast. Operator, anything on the telephone line?
Operator	At the moment, there are no questions. As a reminder, if you want to queue up for questions, you have to press star, followed by one.
Hebert Juranek	So, if there are no more questions, I would like to thank the audience in the name of the management board. We thank you for your attention, and we go back to work. Thanks a lot.