Addiko Bank

Addiko Group 2024 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. Let me welcome you to the presentation of the results of the business year 2024 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 the executive summary and the key topics concerning 2024. After that, I will 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 the results in the risk area. At the end, I will present to you the Outlook on 2025 and the Guidance 2026 before I do the final wrap-up. After that, we will move on to Q&A. So let's begin with the highlights.

Our net profit for the year 2024 increased vis-à-vis last year by 10% to €45.4 million, resulting in a €2.35 earnings per share. This is based on the fourth quarter result of €7.7 million. The return on average tangible equity increased from 5.5% at the end of 2023 to 5.7% this year.

Our operating result improved by 8% year-on-year to €112.3 million, driven by a continued momentum on our earnings, but also influenced by other factors like inflationary impacts on the expense side as well as extraordinary costs related to the current shareholder activities. Without the one-off costs for the takeover bids, the operating result would have increased by 11%.

Overall, 2024 was a very challenging year for Addiko, also very much caused by the shareholder situation and the respective circumstances. Nevertheless, we managed to increase our active customer base by 4% and to further grow our Consumer business above our initial expectations. Unfortunately, in the SME business segment, it was much more difficult to develop our new business, given the current market situation. Ganesh will give you more background in his part of the presentation.

Altogether, our net interest income increased by 6.5% year-on-year, despite higher funding costs, and our net commission income grew by 8.7% on good sales performance. Now let's look at the risk, funding and capital figures.

Our cost of risk for the full year ends up at €36 million, or 1.03%. The NPE volume amounts to €145 million, after €138 million at the end of 2023. Consequently, our NPE ratio of on balance loans is stable at 2.9%. Our NPE coverage ratio stands at a comfortable 80%.

The funding situation remained strong, with €5.3 billion deposits, a loan-to-deposit ratio of 66% and a liquidity coverage ratio of above 360%. And last but not least, our capital position continues to be very strong with a 22% fully loaded CET1 ratio. Now, let's look at the recent key topics.

As mentioned, the business year 2024 was very much influenced by the shareholder situation. We were confronted with two unsuccessful takeover bids and, in addition, with continued regulatory attention and an extraordinary request from our supervisory bodies.

Altogether, this led to additional costs, distraction and uncertainty within our employees and, on top, to significant unplanned efforts to cope with all these challenges. However, the management board of Addiko is committed to continue to manage the situation in the best interest of the bank and all its shareholders.

On 9th December 2024, Addiko published the information that upon having received a recommendation by the European Central Bank in the light of the current shareholder situation, Addiko Bank AG has decided to cancel the dividend for the financial year 2024 until further notice.

On 4th February 2025, the European Central Bank informed Addiko that the ECB will withdraw its application to appoint a trustee before the Commercial Court of Vienna for the suspended voting rights connected to the 9.63% of shares in Addiko Bank AG of Alta Pay Group and to the 9.99% of shares of Addiko Bank AG of Diplomat Pay. This decision was based on the reason that Diplomat Pay sold all its shares in the amount of 9.99% held in Addiko Bank AG to S-Quad Handels- und Beteiligungs GmbH.

Nonetheless, as clarified with the ECB, the ECB's recommendation regarding the suspension of dividends is still unchanged until further notice. However, going forward, the dividend policy of Addiko to distribute circa 50% of the attributable net profit remains in place, subject to the revocation of the ECB's recommendation.

We would like to inform you that our Acceleration Program was successfully finished at the end of 2024. I will come back to that in a minute. Now, for 2025, we will focus on the following topics. Number one, we will continue to execute our specialist strategy with full energy. Second, we will concentrate on our market entry into Romania based on our digital consumer business model. Third, we will reignite performance in our local bank in Serbia with our newly appointed CEO and his team. We are confident that with the initiated changes, Addiko Serbia will show a positive development, starting in the second half of the year. Furthermore, we will establish a new programme in the second half of the year to further improve the performance of Addiko Group. Now let's look back and review our Acceleration Program.

This programme helped us to achieve significant improvements in all three pillars, business, operations and risk management. Let's start with business. Based on the individual projects and initiatives, we were able to grow our Consumer business by 20% year-on-year, and by 39% since the start of the programme.

We boosted the disbursements of our partnership business by 23% year-on-year, and by 147% since year-end 2022. Furthermore, we launched a series of new products in our SME segments, which reduced the slowdown in the SME segment. And very important, we prepared our expansion into Romania.

The projects in the operational excellence area helped to increase the digital part of our business again by 7% last year and 18% since the start of the programme. We finalised full end-to-end digital lending solutions for our three key countries, which will go live in the first quarter. Moreover, Google and Apple Pay are prepared, and our POS capabilities were launched in Bosnia and Herzegovina.

In addition, our mobile banking app for SMEs was rolled out in all our markets. Last but not least, based on the Kaizen methodology, and with the use of robotization, many key processes, from KYC onboarding to back-office efficiency monitoring, were improved to get more productive and to save significant costs.

In the area of risk management, we were able to successfully reduce and contain our non-performing loan exposure to our target range of below 3% and, at the same time, to increase our NPE coverage substantially from 75.4% to 80%.

Furthermore, we launched a new state-of-the-art risk reporting platform for all focus customers across the group, and we introduced a scalable and automated underwriting, monitoring and reporting system, which increased efficiency and effectivity in risk management a lot. Moreover, we optimised our collection processes and improved automatization in customer lending to almost 90%. Finally, our ESG programme was successfully executed according to the plan.

Overall, we can conclude that the Acceleration Program was an important enabler to get Addiko closer to its target to be the best specialist bank for Consumers and SMEs in South-East Europe. Now let's look more closer to our launch in Romania.

Romania is a very attractive consumer lending market, with €15.5 billion market size and a 19% year-on-year growth rate in new disbursements. Now, we are happy to announce that very recently we have started our business activities in Romania. We launched a fully end-to-end digital consumer lending solution, without the need for a branch visit and without the need for an account with Addiko.

Our offering is very easy and convenient for our customers. At the same time, it is simple and very fast, as the customers will get the money within minutes on his bank account. Of course, only if the application passes our risk model and, consequently, if the approval process is positive. This solution is built on our existing digital infrastructure of our bank in Slovenia. Consequently, we passport the Romanian business out of Slovenia. Therefore, this model is also very efficient and cost-effective.

As our first product is now in production, we are in the process to start our marketing activities, which will be ramped up over the next months. In parallel, we will start to prepare also a product for deposits and savings. Furthermore, we will evaluate a product offering for Small and Medium Enterprises later on in the year. We will keep you posted on our progress here. Now let's compare our results of 2024 with our previous outlook figures.

Although 2024 was a difficult year for Addiko, we were able to meet most of our targets. In the income and business section, we are, give or take, in line with our loan growth guidance despite the muted demand on the SME side which affected 2024 and the entry into 2025.

Our net interest margin was with 3.9% in the target range, and our net banking income growth was with 7% year-on-year significantly above our target value of above 4.5%. Furthermore, we were able to keep our operational expenditures below the threshold of €195 million as we ended up at €192 million, already including the costs related to the takeover bids.

Our risk and liquidity KPIs are all in line with our target numbers. Our return on average tangible equity ended up at 5.7% due to a higher tax rate, mainly influenced by deferred tax assets. Edgar will give you more information on that later on.

The dividend payment for 2024 is unfortunately suspended, in line with the recommendation of the ECB. However, the group profit for 2024 would have enabled a dividend in the indicated area. Now let me hand over to Ganesh to give you more insights to the business development.

Ganesh Krishnamoorthi

Thank you, Herbert. Good afternoon, everyone. Moving to page eight, 2024 has been a remarkable year for Consumer lending. The market grew rapidly and we have shown a strong 20% year-over-year increase in new business generation. As a result, our consumer loan book has grown by 10%, with an impressive new business yield of 7.9%.

On the SME side, the demand has been restrained, and we are proactively taking a selective approach in certain markets and industries, concentrating on high-quality, smaller-ticket-sized business with better yield premiums. This strategic focus has given us a yield of 5.9% and a flat loan book growth in Micro and Small segments. We also scaled back our Medium business segment by 20% intentionally to minimise concentration risks.

Overall, our focus loan book grew by 4% year-over-year, or 6% when excluding the Medium SME segment, with a blended yield of 6.9%, up from 6.3% last year. This focus book now represents 89% of our total loan book portfolio. Please let's turn to page nine for a detailed outlook.

Diving deep into Consumer segment, our strong growth can be attributed to several key factors. Number one, excellent market demand. Number two, expanded partnership with point-of-sale lending. Our reach now includes 503 partnerships across 1,000 locations, which helps us to grow our business and gives us access to new customers. Furthermore, a new partnership launch in Bosnia and Herzegovina and a planned launch in Croatia are set to boost growth further in the coming quarters.

Number three, improved cross-selling. Enhanced cross-selling efforts have boosted revenue by directing new customers acquired via partnership to high-value Consumer loans. Number four, digital expansion. Last year, we prepared to launch branchless digital lending in three key markets, which is getting launched this quarter.

Number five, focus on non-lending products. Product feature improvements in cards, bancassurance, transaction and account packages have resulted in an increase of 12% year-over-year in net commission income. Number six, last but not the least, getting innovative products. Introducing ID-only loans in Bosnia and Herzegovina has driven growth, with subsequent upsell.

Overall, we have consistently focused on driving growth by targeting digital-savvy Consumers and point-of-sale segment with lower-ticket, high-priced loans. As a result, we are seeing a strong performance in Consumer business with 20% year-over-year growth.

Over to SME, our core business model remains the same, to be the fastest unsecured lending provider of low-ticket-sized loans to underserved Micro and Small segments through our digital agents platform. However, we are addressing a few challenges that we are facing.

Number one, market demand has continued to shrink in these segments in all key countries, at least within our risk appetite. Number two, competition is dropping prices quickly to bring back demand, which puts us further under pressure. Number three, we are also seeing existing clients paying back loans earlier due to high fixed prices in last years. Number four, some of the sub-segments within agriculture and other industries are going through a downturn in Serbia. Number five, existing clients needing additional financing to further grow their businesses, which in turn increases their exposure, are currently not financed by us.

To address this, we are doing the following. We launched a turnaround plan with our Serbian team, headed by our new CEO of our Serbian entity. We are also adjusting prices to retain and win back market share, especially from refinancing competition loans. We launched a new lending product focused on underserved single bookers segment.

We'll also focus on offering partially secured and unsecured loans with slightly higher ticket sizes to existing and selectively new customers. We believe this will help us to maintain our existing customer relationships while balancing demand and risk, exploring new partnership to enable merchants to finance purchases through Addiko. Last but not least, we aim to improve our core competence by reducing time to cash, increasing our online presence through a simplified user experience and efficient processes.

We also plan to grow our customer base with new product launched last year, such as auto overdraft and insurance products, enriching our SME ecosystem and revenue streams. Overall, we believe these additional measures and focus will help us to get back to the growth in the SME business in the next quarters and catch up the largest gap we see in Serbia.

On Consumer side, going forward this year, our focus will be launching branchless digital lending in the three markets this quarter, which will provide a digital lending solution without needing customers to have a prior account in Addiko, offering us an edge to the competition.

We will focus on building a new partnership model in Croatia. And last but not least, we will also focus on keeping price in a premium level. Finally, we are excited about the launch of our Consumer digital lending proposition in Romania and are actively developing additional digital products for the market. I will share more updates in the coming quarters and look forward to growing our digital Consumer business there.

To summarise, we are well positioned to deliver strong growth, sustainable growth in the future as we continue to innovate and solidify our specialist position in the Consumer and SME space. With that, please let me hand over to Edgar.

Edgar Flaggl

Thank you, Ganesh, and hi, everybody. We are on page 11, where we printed the composition of our audited result for the full year 2024. In summary, quite a successful one despite all externally driven events.

Net interest income improved by 6.5% compared to the previous year. The quarterly improvement naturally slowed down, given higher deposit funding costs and ECB rate cuts throughout the year, with the average deposit facility rate for 2024 ending up slightly lower than we expected a year ago. In this context, our NIM reached its peak at 395 basis points in the first half 2024. For the full year, it stood at 387 basis points, which is up from 375 a year earlier.

There are a few, several drivers for this development. First, our key revenue driver, interest income, improved by 12.3% year-over-year, with our focus segments recording an increase of 14.6%. This was driven by our premium pricing of new business, also compensating the downward repricing of the variable back book, which represents roughly 15% of our total book as of year-end, down from a 20% share last year.

We ended the year with just an inch below the targeted 90%-plus share of our book in high-yielding focus loans, and that despite muted demand in SME. This was, of course, a key driver for the improving interest income and was supported by the excellent performance in the Consumer segment.

Our income from treasury and liquidity management remained relatively stable over the quarters, while the lower contribution from funds placed at national banks, given the ECB rate cuts, was compensated with higher income from our bond portfolio. Overall, we were able to compensate the significantly increased deposit costs year-over-year.

In this sense, a few words on interest expenses, which came in broadly in line with our expectations. With 126 basis points cost of funds during the full year, we are just slightly above our initial expectations, and we see the slow downward trend continuing also into the year 2025.

We have also landed at a comfortable deposit structure with A-vista or on-demand deposits standing at just south of 60%. For 2025, we do expect the downward trend in terms of funding costs to continue, targeting roughly 115 basis points, while the structure should remain relatively stable, also depending on market dynamics.

Over to the net commission income, which continued on a good trend, showing an increase of 8.7% year-over-year. As already mentioned, we are increasingly seeing regulators and politics in our markets aiming to curb fee increases or fees in general, weighing in on the NCI momentum for 2025. However, altogether, in the year 2024, we recorded the further improvement of net banking income, with an increase of 7% year-over-year.

Now to the other income, which comprises the net result on financial instruments and the other operating result. The year-over-year development can be called relatively stable and is in line with normal course of business. Bank levies as well as the newly introduced special banking tax in Slovenia, so €2.8 million for the full year, are reflected here as well, which is the main negative change year-over-year. In addition, we booked restructuring provisions of €0.9 million in last year, of which €0.3 million in the fourth quarter.

Next, to general administrative expenses, in short, OPEX, which increased by 7.7% year-over-year. This increase is influenced also by unforeseen, already-reported one-off costs related to the takeover offers of €3 million while we managed to contain higher inflationary increases. Without that, we would have landed at an OPEX slightly better than our original guidance and at a year-over-year development of plus 6.1%.

Our resulting cost-income ratio stood at 60.9%, and adjusted for the one-off costs, at 60%.

To sum up, the operating result, which is a good measure of our operational earnings capability, was up 8.1% year-over-year, or even 11 when excluding these one-off costs.

The next item is the other result, which includes costs for legal claims as well as for operational banking risks. As you can see, after the benign first half, we have allocated some additional provisions in the second half of the year 2024 for new legal claims in Slovenia, while changing to more cautious provisions for the remaining cases in Serbia during Q3 already.

In addition, we had to record a modification loss of €0.6 million in the fourth quarter from a renewed and extended rate cap regulation for loans in Serbia, a topic we already had in a similar magnitude in 2023.

Now to credit loss expenses, which came in more normalised and in line with our expectations. Tadej will provide more insights in a moment.

Briefly on the tax line, since taxes came in above our expectations, specifically in the fourth quarter. A general reason for higher taxes throughout the year, next to higher profit before tax, is related to the temporary increase of the corporate income tax in Slovenia, so from 19% to 22%, while in Q4 it was mainly related to the remeasurement of DTAs in Slovenia as well as accruing withholding taxes for future foreseeable intra-group dividends from our non-EU subsidiaries.

There was also a change in tax law in Slovenia which will impact the tax line in the years 2025 and 2026, with a burden of roughly €3 million per year due to shortening the timeframe for the usage of deferred tax losses from previously unlimited to now five years. This was reflected in the updated guidance.

To conclude, a good momentum in the top line despite muted SME growth during last year, and quite a successful cost containment together with continued prudent risk management, which altogether enabled us to achieve an audited net profit of €45.4 million.

This is an improvement of 10.4% year-over-year and corresponds to a 5.7% return on average tangible equity, and that without adjusting for the mentioned one-off costs. Adjusted for the one-off costs, our net profit would actually be up almost 18%, which is quite good, comparatively speaking.

Over to page 12, which illustrates our further strengthened capital position. At the end of the year 2024, our capital ratio landed at a strong 22% fully loaded, and all of that in CET1. This figure now includes the audited profit for the year, with no dividends being deducted, in line with the ECB's clear recommendation. It's worthwhile to mention here that the CET1 ratio would have landed at 21.4% in case of a dividend distribution.

As you can also see in the chart, our OCI continued the trend of recovery, adding back roughly another 0.5% in CET1 during 2024. RWAs remained relatively stable, which was also influenced by lower RWAs due to a change in CRR that came into force during the third quarter, which we already reported.

Last but not least, some info on Basel IV that came into play in 2025. We are expecting a day-one impact on TCR of below 0.5% on a year-end 2024 pro forma basis.

So to summarise, very strong capital position with substantial buffers that allow for continued growth.

And now over to Tadej to share his insights on risk management.

Tadej Krašovec

Thank you, Edgar, and good afternoon, everyone. We go to the slide 13. In 2024, we were faced with some negative risk development, of which I was already informing you during the year, and that resulted in the last quarter with a higher NPE inflow, as shown on the right-hand side of the slide.

This was primarily driven by a few defaults in the agriculture industry in Serbia and lower quality of the point-of-sale Consumer business in Slovenia. We addressed these issues in Serbia through restructurings, asset sales and searching for the potential investors for specific clients. However, unfavourable conditions in the industry remained and led to more defaults.

Strong limitations were introduced in financing this segment already at the beginning of 2024. For the Slovenian Consumer portfolio, and, more specifically, point-of-sale channel, several limitations were introduced through the year and additional measures are currently under consideration to improve the portfolio's quality.

These movements have put pressure on NPE inflow in the last quarter, resulting in €36.7 million NPE formation. At the same time, we managed to reduce the NPE portfolio by €32.6 million, resulting in a net inflow of €4 million. This meant that the NPE portfolio increased to €145 million compared to third quarter 2024, a level that is slightly higher than what we had planned for.

Throughout the year, we observed a stable NPE ratio of 2.9%, measured on an on balance loan basis.

Despite our proactive stance on portfolio sales and write-offs, we maintained the NPE coverage at the level of 80%, taking a prudent stance that is likely to have a positive impact on the P&L in the future. Overall, the portfolio remains of a good quality and is not impacted by systematic issues. Let's now move on to the next slide, where we show the loan loss provisions.

In 2024, credit loss expense totalled €36 million, leading to a cost of risk of 1.03% on a net loan basis, or 0.78% on the basis of the credit risk-bearing exposure. While the absolute level of provisions exactly met our expectations, the cost of risk was slightly elevated due to a lower than expected loan portfolio size. However, there were variations across our countries, especially Slovenia and, in a small extent, in Serbia, while other countries compensate for these slight deviations.

I have to specially point out that recognised provisions were in line with our plans, even though we had some negative developments, as explained before, indicating that defaulted clients were relatively well collateralised, and therefore impacted the NPE inflow, but didn't require loan loss provisions on the same line.

As usual, provisions were released in the non-focus segment, resulting in a positive cost of risk of 2.95%, and allocated in the focus segment with a negative cost of risk of 1.10% for Consumer and 2.17% in case of SME business. Post-model adjustments were reduced to €1.4 million to cover sub-portfolios where not enough data is available for precise PD calibration.

To conclude, I'm generally satisfied with the risk situation and risk profile of our portfolio as we ended the year 2024, while SME in Serbia and Consumer in Slovenia kept me focused on improving the situation to have a positive impact on the future P&L.

We are continuing with the introduction of additional risk rules, on top of the ones already implemented in 2024, to curb NPE inflow. While I'm estimating that Serbia is already showing improvements in NPE inflow, Slovenia's sub-segment in Consumer business will take some additional time.

Thank you for your attention. Moving back to Herbert.

Herbert Juranek

Thank you, Tadej. Let's move on to Outlook and Guidance. We would like to give you more insights on what we expect for 2025 and 2026.

Let me explain to you each KPI, one by one. Based from our business ambition, we plan a compound average growth rate for our loan growth of above 7% from 2024 to 2026.

However, compared to previous assumptions, our net interest margin and our NBI growth will be impacted by a lower starting point within the SME book, by a lower rate environment than anticipated and by lately announced regulatory restrictions for rates and fees. Therefore, we need to adjust our NIM prediction to above 3.6% for the Outlook 2024 and for the Guidance 2026. At the same time, we plan for the NBI growth circa 2% for 2025 and above 5% for 2026.

Concerning OPEX, we are confronted with changes in the labour law, a continuous upward trend in wages and benefits, driven by market environment, and overall, a persistent inflation. Nevertheless, our plan is to stay below €196 million in 2025 and below €200 million in 2026.

Let's look at risk and liquidity. Our cost of risk is planned at approximately 1.3% for both years. The NPE ratio shall be managed to stay below 3% as a guiding principle. The total capital ratio is targeted to be above 18.35% subject to our yearly SREP result, and the loan-to-deposit ratio is planned to be ramped up to below 80%.

Due to changes in the tax legislation, for which we increased our assumptions to above 25% versus above 19% before, and because of the higher capital stack based on the current dividend suspension, we adjusted the return on average tangible equity to circa 6% in 2024 and to circa 6.5% in 2025. We do not change our dividend guidance to pay out circa 50% of the attributable net profit. However, we will, of course, also respect the instructions of the ECB as our supervisory body in that context.

Let me make it clear that this Outlook and Guidance is based on projections and assumptions done by the Management of the bank. Changes in the underlying factors may potentially also cause changes in our projections.

According to our cautious plan on Romania, the market entry does not foresee significant impacts on our P&L before 2026. As already mentioned, we plan to launch a new programme in the second half of this year to further improve the performance of the bank in the mid-term. We will inform you accordingly.

Now we come to the wrap-up. Let me give you our view on the macroeconomic environment and our perspectives. We see that predictability is getting more difficult, especially since the change of leadership in the US. Consequently, economical uncertainty will continue to stay and influence business life. Although inflation passed its peak, we believe it will remain elevated and continue putting pressure on operating expenses.

Moreover, we recognise increasing burdens, driven by governments and regulators, which significantly influences our business in a negative way. To mention a few, we are confronted with caps on loan interest rates, significant fee limitations for banking products, raised minimum wages and, unfortunately, ideas of additional bank taxes.

We hope that going further, the respective authorities will allow reason to prevail in order not to create serious negative effects for the overall economy. Nevertheless, we still believe that our region offers a favourable business environment and that it will grow faster than the European Union average, although the rate environment is now forecasted to drop below our previous mid-term expectations.

As already mentioned, we expect to reignite growth in our SME business this year, based on our planned initiatives. At the same time, we will keep our prudent risk approach to balance business growth and risk appetite in the best possible way.

As stated before, we have to admit that the shareholder situation creates additional efforts for the bank. Nevertheless, we will continue to do our best to cooperate and to fulfil the requests of our regulators in order to act in the best interest of the bank. We, the management board of Addiko, are committed to all our shareholders. Hence, we will work with full energy to further improve Addiko. Our ultimate goal is to create value for our clients and for our shareholders.

	With that, I would like to conclude the presentation. Our next events are the AGM on 18th April and our Q1 earnings call on 8th May. We would like to thank you for your attention. We are now ready for your questions. Operator, back to you.
Operator (Q&A)	We will now begin the question and answer session. You can register for questions at any time by pressing star and one on your telephone. If you participate via the audio webcast, you can write questions via the Q&A function of the webcast by pressing the question mark button. Anyone who has a question on the phone may press star and one at this time. Our first question from the phone comes Ben Maher, KBW. Please go ahead.
Ben Maher	Hi. Thank for the presentation and taking my questions. I have three. You assume an average ECB rate of 2.83% this year. I just want to better understand the reason behind that given the ECB rate currently at 2.75%. You also mentioned that NIM will be impacted by regulatory restrictions for rates. I just want to understand why that's a negative if rates are decreasing. I would have thought caps are only an issue when central bank rates are increasing. And my final question is just what pass-through assumptions on deposits are you assuming in the greater than 3.6% NIM guidance? Thank you.
Edgar Flaggl	Hey, thanks for the question. This is Edgar speaking. So I think, in the back of the deck, we have a page on what our average deposit facility rate is that we expect for the year. So actually just a few minutes ago, I believe, the ECB just cut to 2.5%. When we concluded our planning, we assumed a higher rate, but obviously we included that in the Guidance already, the expectation that it might be a bit lower. So that's to the first leg of your question. On the second one, I think that's more related to Ganesh, on the loan interest rates.
Ganesh Krishnamoorthi	So we will continue to work on positioning us as a premium player with all the topics which we discussed before. And when the interest rates go down, we will look at carefully how the competition is reacting, and we'll take a more proactive approach there. But we try to preserve the NIM going forward.
Edgar Flaggl	And maybe just to add, I think Ganesh already answered part of the third leg of your question, but the NIM is, of course, driven by both sides of the balance sheet, so on the loans, interest rates as well as the loan mix, and as well as on the liability side. So we do expect funding costs overall to come down slightly again. We already see

	this happening in the actuals. It's a slow but continuing trend. But today's ECB rate cut should actually be supportive of that. And the structure, we don't expect to change much anymore, because we explicitly, over the last two years, moved a bit more into term deposits to have a more stable deposit base to keep the batteries fully charged for our growth ambitions.
Operator	The next question comes from Mladen Dodig, Erste Bank. Please, go ahead.
Mladen Dodig	Good afternoon, gentlemen. Thank you. Congratulations on the results and thank you for the presentation and chance for questions. I have a couple of ones. I would assume, of course, that the guidance includes the newly established Romanian operations, but maybe, I was wondering if you have some initial expectations, what can you do in Romania, how much of that market you can capture.
Edgar Flaggl	Hi, Mladen. Great to have you on the call. This is Edgar speaking. We're not disclosing any specific details on our Romania plan. What our approach was, to start and cook it low and slow, so call it sous vide. We are not expecting to ramp up any sizable volumes this year, so we would be in the low to mid-double-digit territory, broadly speaking, in terms of loan book we're expecting to ramp up. I'm not even going into market shares now, because we will be far, far below the 1% in this sense.
Mladen Dodig	Oh, thank you very much. As for risk cost, this guidance, 1.3%, is of course only credit risk based. And can you tell us more about these other results, other provisions, what kind of dynamics you expect there from now on?
Edgar Flaggl	Sure. So that's me again, Mladen. Thanks for the question. Yes, the circa 1.3% is purely credit loss expenses, so risk costs. On the other result, look, a lot depends if there is some new changes or 180-degree turns here and there. We're currently not seeing it. So we have seen that this year was much more benign compared to last year. Although there were some new cases flowing in in Slovenia. There is not a lot of rulings yet, to be honest. So while Croatia, on this unconverted Swiss franc loan lawsuits, is, I would call, digested due to the past provisions, we have booked almost no provisions in this sense this year for this part in Croatia. And when it comes to the rest, look, if you look at this year, the run rate should be a bit lower going forward, but obviously this is

	all dependent on what the legal systems do and how they evolve, let's call it this way.
Mladen Dodig	Okay, thank you very much. Perhaps this is for Ganesh. On slide nine, I see that on the bottom right of the page, the partnership locations, the number has been decreased over the year. So maybe I missed the explanation, but can you tell us what actually happened in that part?
Ganesh Krishnamoorthi	Sure, Mladen. I think one of the key factors is to drive profitable partnership business. Some of the locations, what we have seen, as well as some of the partners, from a risk perspective, it's not profitable. So therefore, we are optimising more in this case to make sure that we have a sustainable growth here. So that was the case where you see there is a drop here. However, as you can see, the business is growing, while we are optimising the right partners in place.
Mladen Dodig	Great, thanks. And finally, and I guess this is for Mr Juranek, I saw a statement on the website of Vienna Stock Exchange regarding the Austrian tax, or a narrative about taxing the banks there. Do you have any details, what might be the impact on your bank, and whether and if this happens, how it might look like?
Herbert Juranek	Well, as you know, there are no details on how the tax is calculated so far, at least not to our knowledge. So Edgar made a pre-calculation based on the previous situation, when the additional bank tax was introduced formally, there was a calculation. Part of it is still valid. And if you would apply that to the new regulation or to the new aim of the new government, the result would be that there would be no additional banking tax for us. However, we don't know. If they will change the assumptions, then it might be different. I have a clear view to that. We are already taxed in the countries where we are doing business. We have a bank tax in Slovenia. Edgar mentioned it beforehand, €2.8 million additional tax on that. And in Austria, we only are represented with the holding. The holding does not have its own business, except the online deposits we have in order to fulfil our ratios and our KPIs. So overall, the holding is loss-making. And we would not understand if a loss-making entity would have to take the burden of additional taxes. So we would consider that completely unfair. And we hope that the old calculation will prevail so that we are not affected of the new tax.

Mladen Dodig	Okay. Yes, again, thank you. Thank you very much for everything. Yes.
Herbert Juranek	Thank you. Thank you, Mladen.
Operator	Gentlemen, there are no more questions on the phone.
Constantin Gussich	Okay. Thank you, Operator. I do not have any questions on the webcast. May I hand over to Herbert for closing remarks?
Herbert Juranek	So in this sense, I would like to thank you for your attention. Our next occasion is, as beforehand mentioned, our AGM on 18th April. See you soon. All the best. Have a nice day. Thank you very much.