

BAWAG Group

BAWAG Group Q1 2022 Earnings Call

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Transcription

Speakers:

Anas Abuzaakouk

Enver Sirucic

Anas Abuzaakouk:

Good morning everyone. I hope everyone is keeping well. I'm joined this morning by Enver, our CFO.

Let's start with a summary of the first quarter results on Slide 2. We delivered net profit of € 111 million, earnings per share of € 1.24 and a return on tangible common equity of 14.2% during the first quarter. The underlying return on tangible common equity was 19.5%, that's after pro rating regulatory charges and deducting € 425 million of capital earmarked for buybacks.

The operating performance of our business was very strong with pre-provision profits of € 205 million and a cost-income ratio of 37%. Total risk costs were € 20 million, translating into a risk cost ratio of 19 basis points. We decided not to release any credit reserves, with an ECL management overlay of € 64 million that was built up during the pandemic and equal to almost a year of reserves, despite a record low NPL ratio and robust credit performance. Regulatory charges for the quarter were € 38 million, equal to approximately 80% of full year charges.

In terms of our balance sheet and capital, customer loans were flat quarter-over-quarter and up 8% year-over-year. We generated approximately 60 basis points of gross capital during the quarter. Our CET1 ratio was 14.7%, down approximately 30 basis points from year-end 2021 after considering our dividend accrual, RWA increases, and impacts to OCI. As of first quarter and after deducting current dividend commitments totaling € 61 million, we have additional excess capital of € 505 million versus our target CET1 ratio of 12.25%.

As it relates to the geopolitical environment, we have no direct exposure to Russia, Ukraine, Belarus and de minimis exposure to eastern Europe reflecting our strategic focus towards the DACH/NL region, Western Europe, and United States over the past decade. We have no trade finance, commodity trading, derivatives, or agricultural supply chain exposure. We have de minimis exposure to corporates with reliance on the Russian market through sale, production, or supply and/or to sectors with supply chain issues tied to the Ukraine. Our total exposure to energy intensive industries - such as cement, building materials, and chemicals - is under 1%. However, given the geopolitical uncertainty, surging inflation, and potential longer-term structural impacts to growth and the overall uncertain macroeconomic outlook, we will continue to maintain our ECL management overlay in the coming quarters as we take a cautious and prudent approach to risk management, which, under the most severe updated GDP scenario would be sufficiently covered.

Given the surging inflation and rising interest rate hike expectations, the bank is positively positioned for a rising rate environment. Specifically, a 100-basis point increase in 3-month Euribor translates into approximately € 100 million of incremental NII per year on a proportional basis.

In terms of capital distribution, we committed to a share buyback of € 425 million during our year-end 2021 results. Given the current geopolitical environment, volatility, and potential for dislocations, we want to make sure we are prudent in our buyback approach, always maintain a fortress balance sheet, and prepare for potential opportunities arising from market dislocations, which will provide us with dry powder to address potential organic and inorganic growth opportunities in the coming quarters. Therefore, we decided to break-up the buyback into 2 tranches. The first tranche equaling € 325 million, which we filed in the first quarter, and a second tranche of € 100 million, which we would file in the second half of the year. Our goal is to hopefully complete the € 425 million share buyback through the course of 2022, subject to all regulatory approvals.

With our strong operating performance during the first quarter, we are reaffirming our full-year targets for 2022: a profit before tax > € 675 million, a return on tangible common equity > 17% and a cost-income ratio < 38%. This does not factor in any potential upside from rate increases that may take place this year.

We believe the current geopolitical situation, significant inflationary headwinds, and shifting global supply chains will cause real disruptions in the short and long term. Therefore, we want to ensure we remain vigilant in managing these risks and conservative in how we run the business, requiring us to be patient and always focus on risk-adjusted returns. We have a resilient business across all cycles with consistent earnings and capital generation that should serve us well in the quarters ahead.

Moving to slide 3: We delivered net profit of € 111 million, up 50% versus prior year. Overall, strong operating performance with operating income of € 325 million and total expenses of € 120 million, up 8% and down 1% respectively, versus prior year. Total pre-provision profits were € 205 million, up 14% versus prior year. Risk costs were € 20 million, down 30% versus prior year. Regulatory charges were € 38 million, down 29% versus prior year. Tangible book value per share was € 35.20, up 8% versus prior year and 1% versus prior quarter. This assumes the deduction of the first quarter 2021 dividend accrual.

Moving on to slide 4, at the end of the first quarter, our CET1 ratio was 14.7% after deducting the first quarter 2022 dividend of € 61 million, which reflects the increased payout ratio from 50% to 55% of net profits in 2022. For the quarter, we generated approximately 60 basis points of gross capital, which was offset by an increase in RWAs of 30 basis points from implementation of regulatory guidelines and FX impacts as well as negative OCI movements of 30 basis points primarily from widening credit spreads and overall market volatility. Net of our targeted € 425 million buyback, our CET1 ratio would be 12.6%, or approximately 30 basis points above our stated target of 12.25% and 350 basis points above our SREP capital requirement of 9.14%.

Following our capital distribution framework, our primary focus is to deploy our capital into organic growth and value enhancing M&A. We currently see several potential organic and inorganic opportunities that we are assessing and hope to be able to execute on in the coming quarters.

On slide 5, our Retail & SME business delivered net profit of € 99 million, up 48% versus the prior year and generating a very strong return on tangible common equity of 28% and cost-income ratio of 35%. Average assets for the quarter were € 21.3 billion, up 8% versus prior year and 1% versus prior quarter, driven by growth in both housing and consumer loans. Average customer deposits were € 28.2 billion, up 10% versus prior year and 1% versus prior quarter. RWAs in the segment were up 8% versus prior quarter resulting from the implementation of regulatory guidelines, FX impacts and loan growth. Pre-provision profits were € 160 million, up 18% compared to the prior year, with operating income up 10% and operating expenses down 3%, resulting from prior year operational initiatives with a continued focus on driving synergies across our various channels and products. Risks costs were € 15 million, reflecting a gradual normalization of risk costs without any credit reserve releases. The trend in asset quality continues to improve across our customer base, with record low NPL ratio of 1.9% and a risk cost ratio normalizing at 28 basis points.

We've continued to execute on our various operational and strategic initiatives during the quarter. We expect continued earnings growth across the Retail & SME franchise in 2022 driven by strong operating performance across the business.

On to slide 6, our Corporate, Real Estate, and Public Sector business delivered net profit of € 38 million, up 50% versus the prior year and generating a solid return on tangible common equity of 15% and a cost-income ratio of 22%. Average assets for the quarter were € 14.7 billion, up 6% versus prior year.

Pre-provision profits were € 62 million, up 12% compared to the prior year. Risks costs were € 3 million, with no reserve releases taken. The trend in asset quality continues to be solid, with our NPL ratio at 90 basis points.

We continue to see solid and diversified lending opportunities with a strong pipeline and commitments during the first quarter that we expect to fund over the course of the year. We will continue to maintain our disciplined underwriting, focus on risk-adjusted returns, and avoid blindly chasing volume growth.

With that I will hand over to Enver.

Enver Sirucic:

Thank you, Anas. I will continue on slide 8. A very strong operating performance during the first quarter with core revenues up 2% versus fourth quarter, with a strong net interest income despite lower daycount and net commission income up 12% driven by stronger advisory business and full impact from Hello bank!. Compared to prior year's first quarter, core revenues were up 9%. On the back of strong core revenues and lower operating expenses our cost-income ratio further came down and stands at 37% for the quarter. Risk costs of € 20 million show a more normalized picture with a risk cost ratio of 19 basis points, which is in line with our long-term trend ... while we maintained a management overlay of € 64 million. Regulatory charges for the quarter were € 38 million, equal to approximately 80% of full year charges.

Slide 9 shows key developments of our balance sheet: In terms of assets and capital, customer loans were flat quarter-over-quarter and up 6% year-over year, while we divested some of our securities and bond portfolio position leading to slightly lower average interest-bearing assets in the quarter. Our CET1 ratio was 14.7%, down almost 30 basis points in the quarter after considering 60 basis points of gross capital generation offset by dividend accrual, RWA increases, and impacts to OCI. On the funding side we continued improving our long-term funding profile through issuing € 500 million in the first quarter and another € 750 million of mortgage covered bonds in early April.

On slide 10, core revenues: strong net interest income ... down 1% versus Q4, but that is really because of the lower daycount and a better net interest margin of 233 basis points for the quarter, which is probably more around 230 basis points on a normalized basis. In terms of net commission income, very strong performance in our advisory business and the full impact of the Hello bank! acquisition driving NCI up 12% versus an already strong fourth quarter. For 2022 we expect core revenues to grow by more than 4% not considering any rate hikes in 2022 and no M&A or portfolio transactions.

With that, moving on to slide 11. We managed to reduce operating expenses despite significant inflationary pressures ... this was only possible because we launched several initiatives over the past two years that have allowed us to counter these significant inflationary pressures we're confronted with today. Cost-income ratio continued to improve and stands at 37% for the quarter which is well on track to meet our 2022 target of below 38%. We will also continue to focus on an absolute cost-out target, and we think we can achieve a net cost-out of around 2% in 2022.

Slide 12, risk costs. Overall, unchanged conservative and prudent approach on provisioning with stable underlying trends and a strong asset quality performance. Our focus continues to be on developed and mature countries with 73% of our exposure in the DACH/NL region and 27% in Western Europe and the United States. We have no relevant exposure in the East and do not have any direct exposure to Russia and Ukraine. We continue to be very careful with releasing credit reserves and the ECL management overlay now stands at € 64 million versus € 61 million as of year-end, which represents almost a year of reserves. In Q1 we booked € 20 million of risk costs, translating into a risk cost ratio of 19 basis points in line with our full year target to be around 20 basis points.

On slide 13, I wanted to reiterate and reaffirm our 2022 targets of a return on tangible common equity of greater than 17% and a cost-income ratio of under 38%. We expect core revenues to grow by more than 4% and operating expenses to decline by around 2%. Regulatory charges should fall below € 50 million, and our risk cost ratio is expected to be at around 20 basis points – this would lead to a profit before tax of greater than € 675 million for 2022. Again, this does not assume any rate hikes in 2022 or any M&A or portfolio transactions.

With that operator, let's open up the call for questions. Thank you.

Operator:

Thank you. As a reminder, to ask a question you need to press * 1 on your telephone. To recall your question # 1. Your first question today comes from the line of Izabel Dobreva from Morgan Stanley. Please go ahead, your line is open.

Izabel Dobreva:

Hello, good morning. Thank you very much for taking my questions. I have a few. So, firstly, I wanted to start with a question on the buyback. It's my understanding that from the day when you file for the approval, the ECB has 90 days to respond. So what I remember, you were going to file the original mid February. So my question is, does the tranching now reset that deadline or should we still expect the approval to come through

by the latest of mid to kind of late May. That's the first question, just what is the remaining wait period on the approval of the buyback?

Then my second question is on M&A. Could you give a little bit of color here around the background behind this increase in M&A pipeline opportunity? And what is really the driver considering that CEE is not really your market. So what is the link between the current situation and why you are seeing this increased pipeline of opportunities?

And then my final question is on NII. Thank you for the sensitivity to Euribor. Could you also clarify what would be the upside for parallel shift or an increase in the long end in swap rates on bond yields to your NII? And also could you confirm, whether you are actually de-risking the balance sheet yet, are you deploying an higher-yielding assets at this stage?

Anas Abuzaakouk:

Hi, Izabel. It's Anas. All very good questions. Let me start with the timing with regards to the buyback. Obviously, we're restricted in what we can say in terms of the overall process. But I think I was clear on the presentation, our goal is to effectively complete € 425 million during the course of 2022, the first tranche of € 325 million, hopefully sooner versus later. And then we will file for the second tranche of € 100 million, that'll probably be late third quarter, fourth quarter if everything goes as planned. We can't comment on the specifics of timing of application and when things will get approved but we're confident hopefully the full € 425 million will be completed over the course of 2022. That's on the buyback.

The second one, good question on buying opportunities as far as the market. These are more idiosyncratic. So, this is not generic securities portfolio purchases. These are more idiosyncratic opportunities that we're seeing. And if successful, hopefully we'll be able to deploy capital in the coming quarters into these opportunities, which generate really good risk-adjusted returns. They'd be mindful, as I mentioned in the presentation, that there's a lot more volatility. You have to price that in and we'll focus on risk adjusted returns on any potential purchase. And that's something that I think has been a hallmark of how we operated the bank over the past decade. And I will pass it to Enver for the NII sensitivity.

- Enver Sirucic:** Yeah. Thanks Anas. Thanks Izabel for the questions. So, on the sensitivities, three months Euribor, we captured that, 100 basis points € 100 million uplift NII. I think if I got your question, right, you asked about what the impact would be if a parallel shift or probably further steepening of the curve from the long end, that's probably a more nuanced answer. Why? Because that's on a longer time curve, so both we'd benefit from. So we are geared to higher long-term rates as well, that's more coming from the structural hedge on the deposits and we are almost equally sensitive as under the three months Euribor. But there is one obvious element to be considered that it takes a longer period of time to be reflected in NII. That's why we explicitly focus on three months Euribor - that should be really almost real-time impact on the NII for the development here.
- Anas Abuzaakouk:** Thanks, Izabel.
- Izabel Dobreva:** Thank you very much. Sorry, just to clarify, a 100 basis points parallel shift fully reprices actually € 200 million, NII.
- Enver Sirucic:** It's a bit lower, but again its long-term probably, but then we are talking up to 10 years. We would benefit almost equally from rising longer-term rates.
- Izabel Dobreva:** Thank you. Thank you very much.
- Operator:** Thank you. Your next question comes from the line of Gabor Kemeny from Autonomous Research. Please go ahead, your line is open.
- Gabor Kemeny:** Hi, couple of questions from me. First thing on the consumer lending business, it seems to be seeing strong momentum. I think you are annualizing a 10% growth rate in consumer loans, as of Q1. Could you talk a bit about the outlook and the drivers of you presumably gaining further market shares here? The other question was what the decision to keep reducing your investment portfolio? And whether this had some any impact on your NII? And just finally, a clarification on the acquisitions. So yeah, I mean, are you seeing a kind of constellation here under which you would choose to undertake M&A opportunities, acquisitions and not do the second tranche or is this really just a timing issue pushing out towards the end of the year? Thank you.
- Anas Abuzaakouk:** You go ahead and take the first and then I'll take the rest.
- Enver Sirucic:** Yeah. So on the consumer loan growth, you're right Gabor, we had a very good quarter in consumer loans. That was already in the last couple of quarters, we have seen a rebound. Just given the overall situation, we would expect a bit of a slowdown for the rest of the year. So, I think, it would be too aggressive to assume kind of pro rata development for '22.

On the second one, why we are reducing the investment portfolio, that's something that we have been doing in the past as well. So, we see this for two elements, so we are creating dry powder for reinvesting it for the -- in the -- for the rest of the year. One part of that would be potential M&A or portfolio transactions with also organic growth, and the second one is also to reduce the overall OCI sensitivity and utility that we have seen an uptick in the first quarter. The third question, I'm not sure if I got it right.

Anas Abuzaakouk: I would just say, Gabor, on the third one, again, I said to on Izabel's question. There are idiosyncratic opportunities, I think your question was about the splitting of the tranches, the 325 to 100. We did that to be able to give us enough dry powder and to also be prudent in our approach on organic and inorganic opportunities. The idea is to do it through the course of the year. And any potential opportunities would also fall within that time frame. I understood the question correctly.

Gabor Kemeny: Okay. No, that's helpful clarification. Thank you.

Anas Abuzaakouk: Thanks, Gabor.

Operator: Thank you. Your next question comes from the line of Mate Nemes from UBS. Please go ahead, your line is open.

Mate Nemes: Yes, good morning and thank you for your presentation. I have a couple of questions, please. Firstly, on the strong results in fees and commissions, could you just remind us what the contribution was from Hello bank! and also what this meant on the cost side? Secondly, on asset quality or asset quality outlook. I'm wondering if you could give us a sense of any sensitivities to a potential energy embargo or scenario, under which Austria or Germany cannot import natural gas from Russia. Have you made any assessments as to how this would impact your portfolio at asset quality? And the last question is on credit or corporate lending outlook, I think in the past you're being quite consistent and quite disciplined in terms of pursuing opportunities, flagging on a favorable risk-reward in that market. Could you comment what you're seeing currently where credit spreads got higher? Could there be opportunities to perhaps deploy more capital into that business? Would be interested in your thoughts. Thank you.

Anas Abuzaakouk: Thanks, Mate.

Enver Sirucic: So, on the NCI and I think the operational expenses you asked - the contribution from Hello bank!, we don't disclose the specifics, but they're actually what I can tell you is on the net commissioning came roughly 10% is from Hello bank if you look at the quarter and OpEx has full-year flat with the total cost of Hello bank!. So, when we say the € 120 million for the quarter

that included, I would say, what is it € 45 million, I think from Hello bank in a quarter, already reflected in this number.

Anas Abuzaakouk:

And Mate, as far as asset quality, what we do is, we try to break down the specific risks, the direct exposure to secondary exposures, exposure to energy-intensive industries. Then what we also do is, we model out shocks to the GDP, I think this is more broadly addresses your question in terms of energy, potential energy embargo. And we've kind of gone through those scenarios. And what gives us comfort is we have € 64 million of the management overlay, pretty much what we've kept over from the pandemic. We always said, we're going to be kind of prudent and cautious on how we address that. We have a lot of uncertainty today that will sufficiently cover any potential stress, effectively those scenarios play out. And then as it relates to overall credit spreads, I mean when you look at banks' spreads, investment grade, credit or corporate spread, it's about 25-30 basis points wider. And then on a year-to-date basis, we still think there's room to go. And we've said before that we're going to be disciplined, we'll focus on risk-adjusted returns. We still think there's quite a bit of repricing of risk to come and that for us will potentially provide opportunities in terms of deploying our capital and growing organically in a much more disciplined and profitable way. Thanks, Mate.

Mate Nemes:

Thank you.

Operator:

Thank you. Your next question comes from the line of Johannes Thormann from HSBC. Please go ahead, your line is open.

Johannes Thormann:

Hi guys. Thanks for taking my question. Two follow-up questions. First of all, on your risk provisioning policy. Can you provide some more details where you expect some defaults to happen as you described where you're not exposed, but what are the industries in your portfolio, which do concern you most? And as you talked about the severe economic scenario, I think you explicitly don't want to call it a worst case, but some more details, what severe economic scenarios for you guys. And in terms of M&A, are there any limits in terms of size where you would say, we are just looking at small bolt-ons or we're not even afraid to take on a bank, which is roughly the same size as you guys are? And would this be -- would the real limit from your management style as you normally sit in most of the project yourselves to really steer the cost reductions? Is there any limit? Thank you.

Anas Abuzaakouk:

Hi, Johannes. Let me start with the M&A first. What we're looking at is more reflective of kind of bolt-on opportunities, both portfolios, platforms. It's not the variety that you've mentioned in terms of a large deal. We've always said, by the way, we're agnostic in terms of the size of the deal. It's really a reflection of

the price point and the value creation opportunity. And we just haven't had a chance, you have to have a willing buyer and a willing seller and that hasn't lined up at the moment. So, when we talk about in the coming quarters potentially executing, we're talking more bolt-on portfolios platform type opportunities. What was the first question?

Enver Sirucic:

Risk provision policy.

Anas Abuzaakouk:

The risk provision, yes. Sorry. Johannes, so, I would say, look and we've always said this and we said this during the pandemic: the one area that we'll always be vulnerable on, if you want to talk about a severe downturn, is on consumer unsecured, and if you look at our consumer unsecured, those are few loans those are overdrafts primarily in Austria, Germany, but we also like the positioning of these geographies in the kind of support at a state level plus the social safety net programs, and that's all factored into our overall underwriting. So if you had to say, what's the area? That's most vulnerable in the severe downturn, it'll be consumer unsecured. No different than it was in the past. So this is just another type of a crisis that we're living through, it seems to be more consistent obviously over the past two years. But actually that's the one area that were the most vulnerable. But in my commentary around the severe GDP scenarios and being sufficiently covered, that's what I was referring to even our overlay, so.

Johannes Thormann:

Okay, thank you.

Anas Abuzaakouk:

Thank you, Johannes.

Operator:

Thank you. Your next question comes from the line of Hugo Cruz from KBW. Please go ahead, your line is open.

Hugo Cruz:

Hi, thank you. I have three questions, if I may. So, first of all, on your revenue guidance for growth above 4% for core revenues, can you split that between NII and fee, the growth? Second on the capital. Could you perhaps give a bit of guidance on the moving parts, especially for Q2 especially OCI. Do you have any guidance there for a sensitivity to bond spreads? And on RWAs, do you expect to see again some regulatory headwinds in there? And final question, you got a lot of questions on the M&A opportunities, and I can understand you cannot give a lot of color there, but I'm wondering to see in your comments around organic opportunities. Can you give us some indication of what type of opportunities and the size that you might deliver in the next quarters? Thank you.

Anas Abuzaakouk:

Thanks Hugo. I'll address the question on the opportunities as well as what was the second question the -- and then you'll give the core revenues. So the opportunities organically I'd say those

are two-folded, the retail is more of a flow business and you can kind of make assumptions as to what you see as the growth -- net asset growth there. On the Corporates, Real Estate & Public Sector we have a pretty good pipeline. That is, it's less kind of a flow in the sense that it's not a consistent build up. That could be lumpy at times, I think you saw that last year. We have a good pipeline, we have good commitments, we'll see how that materializes over the course of the year. But I can tell you, over the course of the year, we feel pretty confident that we'll see net asset growth in terms of those core asset classes. And then, as it relates to the securities, once spread -- credit spreads widen, we think there's good risk-adjusted returns and had mentioned earlier, we still think there's room in terms of repricing of risk given the volatility in the market. I think that's going to open up an opportunity for our securities portfolio, which we've been under invested over the past few years. If you compare our securities portfolio versus our interest-bearing assets, and we think there's an opportunity. So, that I think on the organic side touches on that.

And then on the OCI, we don't give specifics in terms of forecast, in terms of movements, but I think there's going to be more upside than downside opportunities, if you see spreads widen, and I just mentioned some of the organic deployment versus any potential capital impacts from an OCI standpoint. You can give the core revenue.

Enver Sirucic:

Yeah, Hugo. Yeah, on the core revenue, it's what we expect from NII and from NCI contribution. I mean, we actually don't provide that detail, but I would think about it in the context of the actual contribution for the increase year-over-year would be very similar for both, which means in relative terms NCI will outpace the NII, also what we have seen in Q1, just given higher contribution from Hello bank! advisory business. But again the overall context, I think it would be very kind of evenly distributed from an absolute perspective.

Anas Abuzaakouk:

Thanks, Hugo.

Hugo Cruz:

All right. Thank you.

Operator:

Thank you. Your next question comes from the line of Tobias Lukesch from Kepler Cheuvreux. Please go ahead, your line is open.

Tobias Lukesch:

Yes, good morning. Thanks for taking my questions. And two question from my side, please. One on the NIM, one on cost. On the NIM, that's slightly up to 2.33%. You mentioned interest bearing assets a bit down, so I think low-margin, you also mentioned the high consumer product. But could you anyway

walk us maybe through the various products, what you have seen this quarter? What you're expecting for the next quarters? I think you were talking about a 230 underlying NIM, on the other hand, we know mid-term you were guiding more towards the 2%, so that would be a quite interesting, how you see that development? And on the cost side, I mean, you have this commitment of this 2% net cost reduction in '22. Q1 very smooth, what is the outlook for the coming quarters? Is there anything which could create a hiccup? Is there anything where you say that might be burdening on quarter more than the other? Or is that something that run smoothly through '22? Thank you.

Enver Sirucic:

Thanks, Tobias. So, I think on NIM normalizes as you said, we have reduced a bit the average interest-bearing assets in the quarter mainly by divesting some of the more lower yielding assets. That's why on average the NIM went up. So we said, if you bake that out or normalize, it should be quite stable around 230 basis points, and that is largely driven by stable asset mix, a bit more shift towards consumer loans and that's the underlying assumption.

The other effect comparing to what we said at the Investor Day and I don't want to kind of comment on the long-term plan right now, but I think what is quite obvious, the spread situation and the interest rate environment has changed significantly in the last six to nine months, that is obviously supporting the overall NIM trajectory. And if you ask me today, probably the 2% NIM is overly conservative in the longer term. And we might revise that obviously in next couple of quarters.

In terms of cost, the 2% cost-out, I think as you said very good start into the year. We would expect a very smooth development for the rest of the year, because most of the measures we have taken have been taken over the last two years. So you see that now reflected in the run rate. I would not expect any swings in the quarters for the rest of the year.

Anas Abuzaakouk:

On the cost side, Tobias, yeah, it's right. That one thing like I mentioned, is the lead time people sometimes forget, it takes 12 months to 24 months, whether you're taking a hedging cost, whether you're taking out cost in terms of restructuring, all of the stuff is it -- let's say a fairly healthy lead time. So it gives you a sense of how things will develop in the coming quarters. But we just obviously need to continue to be disciplined and how we manage to cost, that's one of the few things that we can actually control, so. Thanks.

Tobias Lukesch:

Thank you.

Enver Sirucic:

Thank you.

- Operator:** Thank you. We will now take our last question and the question comes from the line of Mehmet Sevim from JP Morgan. Please go ahead, your line is open.
- Mehmet Sevim:** Good morning. Thanks very much for the presentation. Just one follow-up question on the OCI moves. Could you please provide some color on how much of the moves come from government bonds and how much from corporate spreads in the quarter? Is there any detail that you can provide? And maybe just on the buyback, on the second tranche, how does the technical process look? So, let's say you've completed the first buyback at some point this year. Will you be auditing your half-year results let's say, and do you see any other technical differences? And any color on that will be very helpful. Thanks very much.
- Anas Abuzaakouk:** Hi, Mehmet. The question on the OCI, we don't break out the specifics between government, corporate bond, bank bonds. I would just say the overall securities portfolio, because that's kind of shifting. That's something that we'll be able to manage and if spreads widen further. Like I said before, it's going to be more of an opportunity in terms of deployment and less of the impact on capital even if that comes through. Then I think ...
- Enver Sirucic:** I'm also not sure understand the second question. I think you asked, if we are about to audit the half year results, Mehmet.
- Mehmet Sevim:** Yeah, correct.
- Enver Sirucic:** Very likely not, we will just probably review the half-year results, but not audit.
- Mehmet Sevim:** Yeah. Okay. Great. And just maybe one last question, Enver, that would be for you. So, is it fair to assume that the high RWA inflation the one-offs is now behind us or would you expect any other moves -- regulatory guidelines or obviously affects impact you can't know. But any other color on that?
- Enver Sirucic:** Yes. I think we have taken that part of it and now the development should be in line with the business development.
- Mehmet Sevim:** Right, great. Thanks very much.
- Anas Abuzaakouk:** Thanks, Mehmet.
- Operator:** Thank you. I will now hand the call back over to the CEO for closing remarks.
- Anas Abuzaakouk:** Thank you, operator. Thanks everybody. Hopefully, everybody does keep well during the next few months and we look forward to catching up in the second quarter results. Take care.
- Operator:** Thank you. This concludes today's conference call. Thank you for participating. You may now disconnect.