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Capital adequacy and return ratios of banks in Bulgaria in mergers and acquisitions transactions

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Abstract

Purpose: The coefficients for capital adequacy, return on assets, and return on equity are crucial metrics for assessing the impact of mergers and acquisitions within Bulgaria's banking sector. The present study aims to enhance understanding of mergers and acquisitions in the Bulgarian banking sector and their consequences. The paper analyzes the variation in the coefficients of banks that have undergone an M&A transaction, comparing two periods: prior to the transaction and subsequent to its execution.

Design/Methodology/Approach: The study analyzes banking institutions undergoing mergers and acquisitions in Bulgaria during the period 2010-2024, focusing on a four-year and five-year period before and after the completion of the transaction.

The study assesses two hypotheses: (1) M&A transactions do not substantially enhance ROE, ROA, and CAR, and (2) M&A transactions result in a significant enhancement of these metrics. The study used descriptive statistics, including standard deviation, arithmetic mean, and hypothesis testing, to evaluate the changes in the ratios of the examined banks.

Findings: The research findings indicate an enhancement in the capital adequacy ratio and the stabilization of ROE and ROA following the execution of merger and acquisition operations. The total impact on returns in the medium run is not statistically significant. Besides the impact of transactions, exogenous circumstances like the COVID-19 epidemic and political instability in Bulgaria also influence the coefficients.

Practical Implication: The study offers practical insights for policymakers, bank management, and investors considering M&A transactions in emerging markets. It highlights the importance of external factors, such as political and economic stability, on the success of these deals. The findings provide a useful reference for strategic planning and risk assessment in future M&A activities within the banking sector.

Originality/Value: The study enhances the existing literature on the banking market and M&A transactions, and more specifically in the part on the Bulgarian banking market - which is insufficiently researched. It also highlights the influence of external factors in the realization of M&A transactions, which contributes to a deeper understanding of these transactions and providing a foundation for future research.

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INTRODUCTION

Financial markets, and the banking sector in particular, are among the most regulated globally. As a fundamental part of economic processes, its stability is essential to ensure economic growth and financial stability of the economy. In financial science and practice, mergers and acquisitions in banking markets are important as a phenomenon. In addition to their expression in the development of the banking market, they have an impact on consumers, competition and the development of services, as well as on the economy as a whole. Mergers and acquisitions, in addition to having a positive effect, can also lead to risk in the financial system if adequate supervision is not applied to the transaction.

It is common practice for banks to use M&A transactions for their development, in addition to the internal potential within the company. By using this tool, they aim to achieve greater efficiency, strengthen and expand market positions and provide more products to consumers. The development of Bulgaria in recent years also implies an increase in M&A transactions, which has been observed in recent years. The financial crisis of 2008, the bankruptcy of Corporate Commercial Bank AD, the Covid-19 pandemic, and future membership in the Eurozone have highlighted the need for stability in the banking institutions sector.

The banking market in Bulgaria consists of domestic banks, subsidiaries of internationally important banking corporations, and branches of foreign banks. The Bulgarian banking market has remained relatively stable over the years, although it has been tested by the collapse of Corporate Commercial Bank AD. The growth of technology and consumer demands imply a deepening transformation of the banking sector. Driven by the desire for stability, development, and greater market share, banks in Bulgaria have undertaken numerous consolidation transactions in the sector.

The study aims to analyze the financial performance of Bulgarian banks and how M&A transactions have affected selected financial ratios. The focus of the study will be on the analysis of key indicators measuring the financial performance of corporations - return on assets and equity and capital adequacy ratio. Since these ratios are fundamental to a bank's financial evaluation, they will be examined before and after M&A transactions to gain a clearer understanding of the impact of these transactions on bank performance.

To achieve the objective of this study, the focus will be on the following areas: profitability analysis through ROA and ROE and how they change after the transactions; change in capital adequacy ratio through which the impact of these transactions will be examined.

Mergers and acquisitions of Bulgarian banks typically enhance capital adequacy in the medium term, although the impact on profitability varies and depends on the specific characteristics of each merger.

The following hypotheses are being investigated:

1) M&A transactions do not significantly improve ROE, ROA, and CAR ratios.
2) M&A transactions significantly improve ROE, ROA, and CAR

Based on the analyses performed and the results obtained, the study aims to provide an in-depth understanding of the financial performance of M&A transactions in the context of the Bulgarian banking market. Additionally, the findings of the study can serve the management and stakeholders to implement better such type of transactions in the market and their implications.

LITERATURE REVIEW

The issue of mergers and acquisitions has been addressed in a number of studies and publications. In practice, several theoretical concepts in the field of M&A can be identified. Berger et al. (1993) in their research examine the efficiency theory. Specifically, the theory posits the understanding that the driving force in M&A transactions is the achievement of higher operational efficiency, which will lead to increased profitability and reduced costs.

Another theory examining M&A transactions is touched upon by Hannan and Pilloff (2009). They formulate the so-called market power theory and argue that market consolidation through M&A leads to higher profits precisely because of reduced competition. This is conditioned by the assumption that a greater impact on competition and service prices is realized through these transactions.

Financial synergy theory provides another perspective on the motives behind M&A transactions. It argues that these types of transformations enable banking institutions to achieve greater financial strength and improved capital adequacy. Gaughan (2011), in his study, touches on the assumption that through synergies, the cost of capital can be reduced and the financial stability of companies as a whole can be improved.

Apart from the theoretical propositions, there is also a lot of empirical research related to M&A and its complexity as an impact. Such a study was carried out by Altunbaş and Marques-Ibanez (2008), who studied European banks and found that, following the implementation of the deal, return on capital and assets ratios are higher and lead to higher profitability. Punt and van Rooij (2003) examine the relationship between mergers and bank performance in Europe and find that banks that have undergone a merger process show significant improvements in management improvement and profitability relative to others. Campa and Hernando (2006) arrive at similar results, finding the positive impact of this type of transaction on financial performance and, more specifically, profitability.

Studies showing the opposite trend are by DeYoung et al. (2009) and Amihud et al. (2002). The former note the initial increase in profitability but report that the long-term effects may be adverse due to differences in corporate culture. In their study, Amihud et al. (2002) note that M&A transactions can reduce capital ratios due to the higher risk appetite of larger banks.

Market research in Central and Eastern Europe and M&A transactions show that the results can be both positive and negative. Pruteanu-Podpiera et al. (2008) study traces that for Eastern European banks, although in the short run they bring greater positive benefits to companies, in the long run these benefits are less certain due to market challenges and regulatory requirements. In another study, Anzoategui et al. (2010) note the specificities of these regions and that, in addition to strengthening the banking market, these transactions may increase systemic risk and have an adverse effect on capital adequacy.

While comprehensive and in-depth studies on M&A are numerous, there is a lack of literature focusing on the Bulgarian banking sector. A study such as Lensink and Maslennikova (2008) effectively identifies and highlights general trends in M&A, but lacks an analysis of how these trends play out in a country with its regulatory framework and economic development. Mergers and acquisitions in the banking market in Bulgaria are poorly studied in the academic literature. Research on the economic efficiency of this type of transaction have been realized by Borisov (2017). This creates prerequisites for deepening and enriching the knowledge on the impact of M&A transactions on banks.

The literature review focuses on the results of M&A transactions and the necessity of a focused analysis of the banking market in Bulgaria. The study aims to expand the already existing knowledge regarding M&A transactions of banking institutions by examining their impact on the capital adequacy and profitability of banks in Bulgaria.

RESEARCH METHODOLOGY

The data used for this study are publicly available and are part of the financial statements of banking institutions in Bulgaria that have implemented M&A transactions covering the period 2010 - 2024. In order to ensure the reliability of the analysis, institutions with complete financial data before and after the M&A transactions, as well as with a sufficient number of years since the transaction, are included. The sample of banking institutions studied includes banks operating on the Bulgarian market.

The analysis in the study highlights significant financial indicators for banks - return on assets (ROA), return on equity (ROE), and capital adequacy ratio (CAR). These are key financial metrics that provide insight into the stability of banks and are an important indicator in the analysis of M&A deals and subsequently after they are achieved. ROA is calculated as follows - profit divided by total assets. It measures the efficiency of assets to generate profits. ROE is calculated by profit divided by bank's equity. The latter capital adequacy ratio is calculated as the ratio of the bank's capital to its risk-weighted assets and indicates the ability of the credit institution to absorb potential losses. These ratios will be analyzed for each bank before and after the consolidation transactions to assess their change after the M&A transaction.

The study combines several different methods to analyze and assess the impact of M&A on the ratios. As an initial method, descriptive statistics for the calculated financial ratios will be used to provide an overview of trends in these measures, including mean and standard deviation. The analysis will be an in-depth, comparative analysis of the values obtained and subsequently applying hypothesis testing to the financial ratios via a paired t-test. In this way, the impact of M&A transactions on the selected financial ratios of the bank and its performance will be assessed.

The following M&A transactions are included in the study:

1) Merger of Unionbank EAD into First Investment Bank AD
2) Takeover of Alfa Bank - Sofia Branc h by Eurobank Bulgaria AD
3) Merger of CIBANK EAD into UBB AD
4) Merger of Victoria Commercial Bank EAD into Investbank AD
5) Merger of "Bank Piraeus Bulgaria" AD into"Eurobank Bulgaria" AD
6) Merger of Société Generale Expressbank AD into DSK Bank EAD.

The acquisition of the business of Raiffeisenbank (Bulgaria) EAD by United Bulgarian Bank AD and the acquisition of BNP Paribas Parsons Financial S.A., Bulgaria Branch by Eurobank Bulgaria AD are not included in the study due to the lack of a sufficient number of years since their acquisition to track the change in the ratios. The study aims to provide an in-depth analysis of the impact of mergers and acquisitions on banks in Bulgaria in the period 2010-2024 and their ROA and ROE and capital adequacy ratios, applying the methodology outlined above.

RESULT AND DISCUSSION

Descriptive statistics

The starting point in the analysis is comparing data related to the financial performance of the banks included in the study. The figures cover the period before and after the M&A transaction within four and five years of the transaction. In order to eliminate the impact, the year in which the merger took place is not included in the calculations. Key financial metrics covered are return on assets (ROA), return on equity (ROE), and capital adequacy ratio (CAR). The ratios are calculated separately for each of the banks under study and cover a period of five years before and after the transactions. The exception in the period is for DSK Bank EAD, where a four-year period before and after the transaction is taken. The following two tables present the calculated averages for the two periods.

Table 1. Average arithmetic value and standard deviation of the studied indicators in the period before and after the M&A transaction of the subject banks

	Calculated data before M&A					
Bank	Arithmetic average			Standard deviation		
	ROE	ROA	CAR	ROE	ROA	CAR
UBB	3.87%	0.61%	23.80%	5.83%	0.87%	5.33%
FIB	10.79%	0.88%	13.40%	8.93%	0.70%	0.66%
Investbank	-3.33%	-0.25%	18.51%	8.92%	0.70%	2.75%
DSK	16.66%	2.39%	17.22%	5.00%	0.49%	0.72%
Eurobank Bulgaria (2016)	2.53%	0.39%	19.77%	3.83%	0.61%	4.62%
Eurobank Bulgaria' (2019)	8.66%	1.40%	22.95%	4.95%	0.79%	2.04%
	Calculated data after M&A					
Bank	Arithmetic average			Standard deviation		
	ROE	ROA	CAR	ROE	ROA	CAR
UBB	10.18%	1.06%	16.76%	1.98%	0.20%	3.05%
FIB	11.64%	1.08%	16.05%	6.54%	0.58%	1.40%
Investbank	7.98%	0.88%	19.91%	7.74%	0.88%	0.97%
DSK	13.50%	1.88%	22.50%	7.14%	0.96%	1.53%
Eurobank Bulgaria (2016)	11.40%	1.62%	20.03%	2.17%	0.37%	1.90%
Eurobank Bulgaria' (2019)	10.77%	1.32%	20.77%	1.93%	0.18%	0.15%

Source: Author’s calculations

In examining the banks subject to mergers and acquisitions, the mean and standard deviation for each indicator were calculated. In the case of First Investment Bank Plc. Fluctuations in the ROE and ROA ratios were observed in the period before the merger with MKB Unionbank Plc. On average, for the first period of the study, the ROE value was 10.79% and the ROA value 0.88%. After the acquisition of MKB Unionbank JSC, the average ROE of First Investment Bank JSC in the 5-year period after the transaction was 11.64%, and the standard deviation was 6.54%, which compared with the average value of the pre-acquisition period indicates a more stable performance of the bank. The return on assets and capital adequacy ratios of First Investment Bank Plc show the same trend after the acquisition, with higher ratios with lower standard deviation values. The lower values in 2015, the first year after the transaction, which are observed in both ROE (2.39%) and ROA (0.20%), indicate possible difficulties in the process of integration and change of policies in the bank, maintaining low-yielding assets, these features are provided based on the performance of the company in the following year.

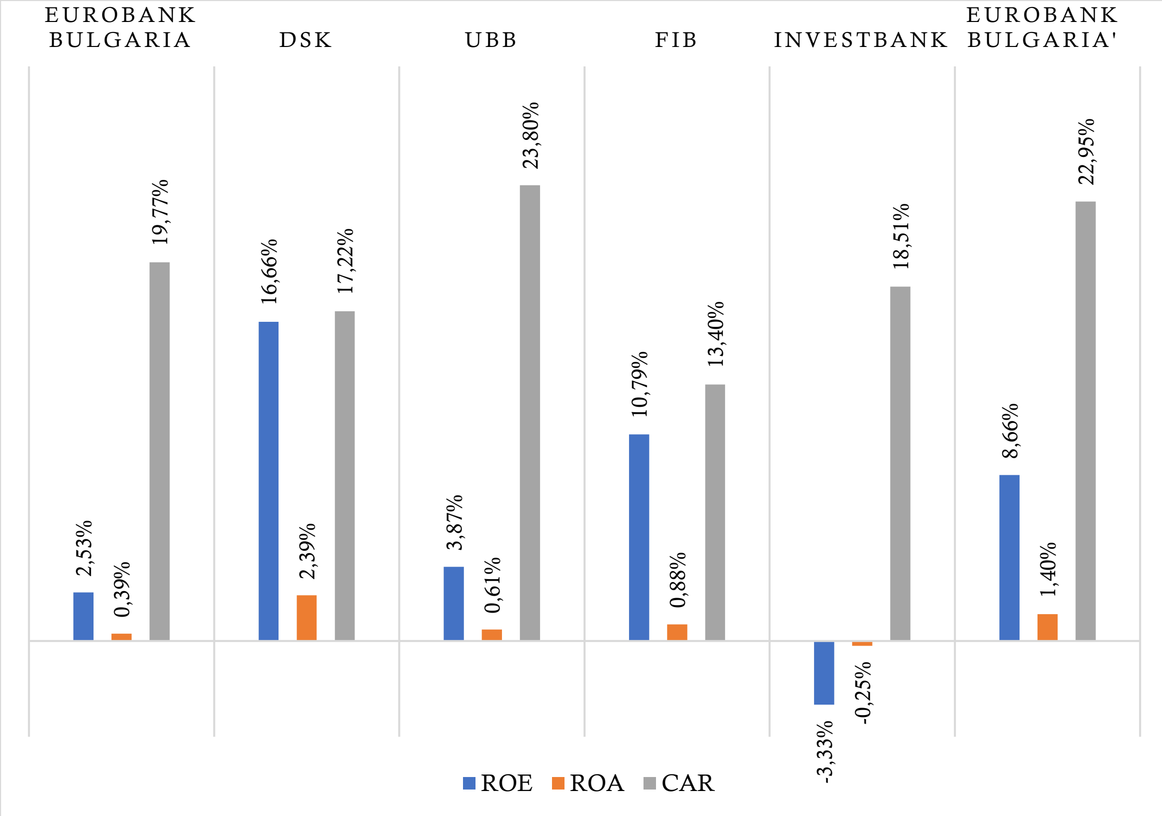
The merger of CIBANK EAD and UBB AD results in a significant increase in the returns of the acquiring UBB AD. The average ROE for the pre-merger period was 3.87%, and after the transaction, it increased to 10.18% on average, but there was also a reduction in the standard deviation to 1.98%, suggesting a significant decrease in fluctuations compared to the values recorded before the merger. This is also noticeable regarding return on assets from 0.61% on average before the deal, which increases to 1.06% after the deal with the standard deviation remaining almost the same. The capital adequacy ratio of UBB AD declined compared to the pre-merger figures but remained relatively high in line with the legislation. The reduction in the volatility of the bank's return on equity and capital adequacy highlights the assumption that the bank has successfully completed the integration process, realizing consistency in its post-transaction performance and stability in terms of capital management.

During the 2018-2019 period, several mergers occurred in the Bulgarian banking market. The smaller bank segment seen the acquisition of Commercial Bank Victoria EAD by Investbank AD in 2018. Investbank AD has, on several occasions over the years, realized negative ROE and ROA results based on financial statement data. In the five-year period before the acquisition of Bank Victoria EAD, the average

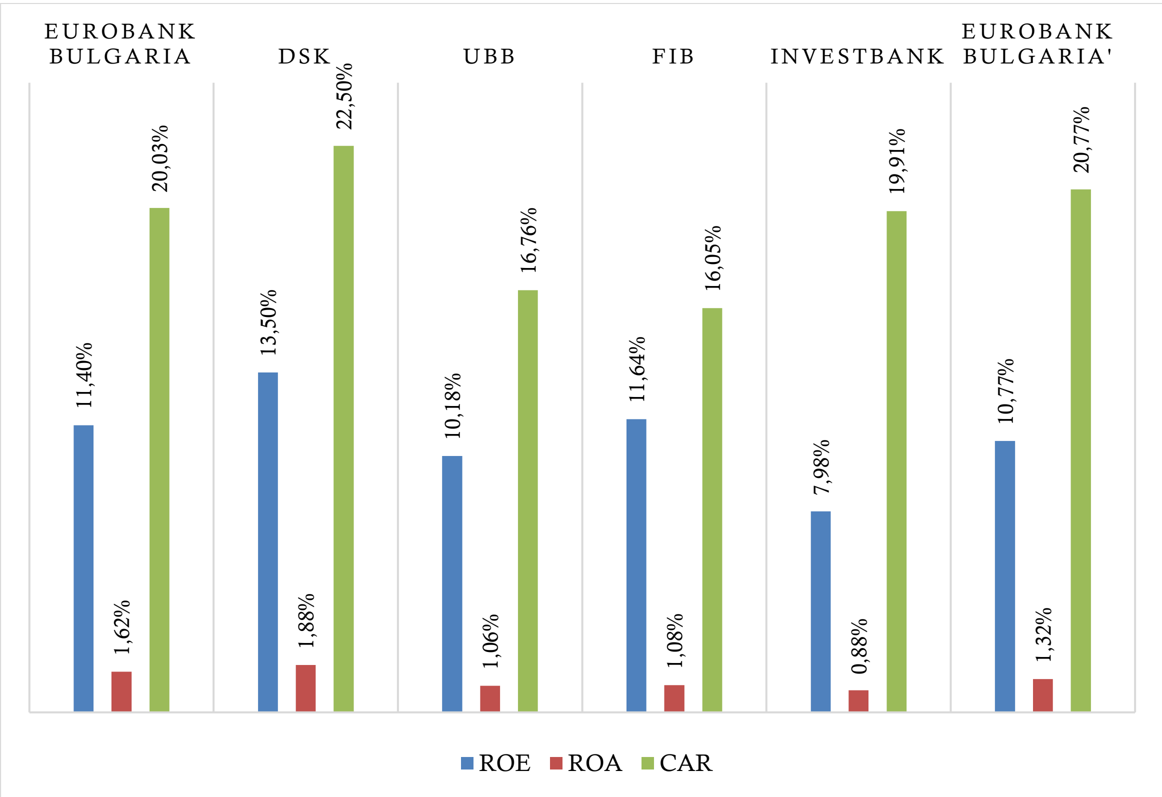
ROE and ROA of Investbank plc were -3.33% and -0.25%, respectively. In the year before the acquisition, Investbank plc made a loss, which impacted its return ratios. The main contributor to the negative financial result is impairment losses on financial assets, in accordance with the action plan adopted by the Bank in relation to the results of the asset review completed in the previous year (2016). Even if this year is excluded due to the exceptional nature of this practice and is perceived as a one-off event, the values of both indicators remain relatively low. Following the transaction, there was a relative improvement in the ratios of Investbank plc of 7.98% (ROE) and 0.88% (ROA), respectively. The improvement in the capital base and financial stability of the acquiring bank is supported by the increase in the capital adequacy ratio to 19.91% (18.51% on average before the acquisition).

Another significant transaction completed in this period was that between DSK Bank EAD and Société Generale Expressbank AD. "DSK Bank EAD is one of the leading banks on the Bulgarian market. The acquisition of Société Generale Expressbank AD business in Bulgaria made the bank the market leader in terms of assets. Due to the lack of a 5-year period since the transaction, the data for DSK Bank EAD is calculated over a 4-year period. From the calculations performed, there is a decrease in the return on equity and return on assets - from 16.66% and 2.39% to 13.50% and 1.88%. The observed reduction in the ratios a year after the acquisition is attributable to higher impairment charges and a corresponding decrease in earnings associated with the Covid-19 pandemic. In the period after the pandemic, there was a recovery to relatively high ROE levels, with an average of 16.20% over the next 3 years and a 2.25% ROA. In the post-acquisition period, there is a higher variance in the ratios, mainly due to the Covid-19 pandemic. Although there is a decline in the ratios, given the size of DSK Bank EAD, it cannot be deterred as a worrying signal of potential problems. The bank's capital adequacy ratio strengthened in the second period with an average of 22.50% compared to the first period when it was 17.22%. Thus, in addition to improving its market performance, the bank is working to strengthen its capital base and stability in response to regulatory requirements.

"Eurobank Bulgaria" AD also implemented in 2019 a transaction of business acquisition of Bank Piraeus Bulgaria AD. Over the years, Postbank (Eurobank Bulgaria plc) has completed several acquisitions. In 2016, it acquired the business of Alfa Bank - Sofia Branch, and in 2023, it acquired BNP Paribas Parsons Financial S.A., Bulgaria Branch, and its retail business. All of these transactions reflect Eurobank Bulgaria AD's desire to position itself among the market leaders and expand its business as much as possible. The two acquisitions of Alfa Bank - Sofia Branch and Bank Piraeus Bulgaria AD will be considered independently of each other. In the first merger, which was realized in 2016, in the period prior to its implementation, Postbank recorded significantly lower ROE levels. The fluctuations are quite high in the ratio; the average value for the period is 2.53%, and the standard deviation is 3.83%, and for the period after the acquisition of Alfa Bank - Sofia Branch, it increases to 11.40%, reducing the deviations in the values of the indicator to 2.17%. Observed after the merger of Alfa Bank - Sofia Branch and better asset management, the ratio increased to 1.62% compared to the first period, for which the value was 0.39%. These results, as a movement, are maintained with the acquisition in 2019 of Bank Piraeus Bulgaria AD. After the transaction, "Eurobank Bulgaria" AD maintains higher returns, making it more efficient in the banking market, a necessity for successful positioning against its competitors. ROE increases to 10.77% on average, compared to the period 2014-2018 (8.66%), ROA calculations show a slight decrease in the ratio in the second period to 1.32% on average compared to 1.40% in the first. Like ROA, the bank's capital adequacy ratio also saw a slight decline in the second merger. This decline was also influenced by the period in which the deal was implemented-Covid-19 pandemic. In addition, the two mergers implemented with Alfa Bank - Sofia Branch and subsequently with Bank Piraeus Bulgaria AD were in a short period of time, which also had an impact. Despite these reported decreases in performance in the period following the second merger, “Eurobank Bulgaria” AD is consolidating its trend of improving market stability, expanding its customer base, and improving its competitive position in the Bulgarian banking market. The aggregated data on the calculated ratios of the monitored banks subject to the study are presented in the following graphs.



Source: Author’s calculations
Figure 1. Average ROA, ROE, CAR before M&A transactions.
Eurobank Bulgaria' reflects the merger with Piraeus in 2019.



Source: Author’s calculations
Figure 2. Average ROA, ROE, CAR after M&A transactions.
Eurobank Bulgaria' reflects the merger with Piraeus in 2019.

Hypothesis testing

In this part of the study, the hypothesis testing method will be applied. The method aims to test whether M&A transactions affect the magnitude of the coefficients by confirming or rejecting the null hypothesis.

For the purpose of the study, the following hypotheses are defined for each of the banks and each of the ratios under study:

Hypotheses related to return on equity (ROE) ratio:
H_0: There is no significant difference in ROE before and after the merger.
H_1: There is a significant difference in ROE before and after the merger.

Hypotheses related to ROA:
H_0: There is no significant difference in ROA before and after the merger.
H_1: There is a significant difference in ROA before and after the merger.

Hypotheses related to capital adequacy ratio (CAR):
H_0: There is no significant difference in CAR before and after the merger.
H_1: There is a significant difference in CAR before and after the merger.

Two tests, Wilcoxon's Criterion and Paired t-test, were used to perform hypothesis confirmation. The choice of which test will be applied is based on the distribution of the data for which the Shapiro-Wilk test was applied. When it is applied, it is found that the following banks have data distributions consistent with the application of the paired t-test - First Investment Bank AD, United Bulgarian Bank AD, DSK Bank EAD, and Investbank AD, as well as the merger of Eurobank Bulgaria AD with Piraeus Bank Bulgaria AD in 2019. The Wilcoxon Criterion was applied to the merger of Eurobank Bulgaria AD with Alfa Bank Sofia Branch in 2016.

In most of the results obtained, the null hypothesis is confirmed, and the alternative hypothesis is rejected. In the case of First Investment Bank AD, the null hypothesis for ROE and ROA is confirmed with p-values of 0.861 and 0.628, indicating no significant difference in the coefficients before and after the merger, thus exceeding the significance level of 0.05. For the capital adequacy, the null hypothesis is rejected, and the alternative hypothesis is confirmed, i.e., after the merger, there is a significant difference in the capital adequacy ratio with a p-value of 0.009. In the case of United Bulgarian Bank AD, for the five-year period studied, no significant change was observed in all three indicators after the acquisition of CIBANK EAD. Similar results are observed when testing the defined hypotheses for Investbank AD - the null hypothesis is confirmed for all three coefficients. The merger of Societe Generale Expressbank AD into DSK Bank EAD, according to the method used, has changed only the capital adequacy of the bank (p-value = 0.010). For the other ratios, the post-merger levels are maintained, and the null hypothesis is confirmed. The study of Eurobank Bulgaria AD in its two acquisitions shows that in the first one, implemented in 2016, no significant changes in the ratios are observed, and the null hypothesis is confirmed. For the merger in 2019 with Bank Piraeus Bulgaria AD, the applied test showed that there was a significant change in ROA (p-value 0.021) at 0.05 level of significance, and the alternative hypothesis is confirmed, while for the other two coefficients, the null hypothesis is confirmed.

The results in the profitability ratios of the two mergers of Eurobank can be justified by the influence of several factors. The size of the acquired institutions - the size of Alfa Bank's assets is four times smaller than that of Piraeus (€1.7bn as of 2018). Acquiring a larger institution allows for greater economies of scale and synergies, which can lead to a more tangible improvement in profitability. On the other hand, the financial results may also have an impact on the integration between the two companies. In the first acquisition, Alfa Bank generated a negative financial result in the year before the transaction, whereas Piraeus reported a profit in the period before the acquisition. Additionally, the Piraeus acquisition is the second for Postbank, suggesting that the weaknesses and shortcomings of the first transaction have been taken into account. During the first transaction, the period was accompanied by the debt crisis in Greece, which reduced investment in the region and made it more volatile. The second acquisition saw increased economic activity, a stabilization of the economy, and low interest rates. In addition to the banks' internal characteristics, these economic processes also have an impact.

From the research carried out on the mergers implemented in the banking market in Bulgaria, it can be observed that in the medium term, within five years of their implementation, it is difficult to establish how their impact on the return on equity, return on assets and capital adequacy of the bank.

The trends that emerged in the years following the M&A transaction show an increase in all three indicators when their average values are calculated. What is observed after the implementation of the M&A transaction is a decrease in the fluctuations in the indicators and, accordingly, more consistent values for all banking institutions subject to the study. It is observed from the study that after M&A transactions, banks improve their capital base and capital stability. Capital adequacy improved in each of the banks observed. This improvement is also relevant to meet the regulatory requirements for banking institutions.

On the other hand, the changes are not statistically significant according to the applied t-test for the most part. However, the lack of significant changes in profitability after the merger suggests that achieving synergies and operational efficiency may take longer or depend on external conditions beyond the control of bank management. This, in turn, draws attention to the fact that there are other factors influencing banks besides the acquisition transaction that have a complex impact on their performance and profit generation.

Another factor to consider is that the situation in Bulgaria has been complex and unstable in recent years. There has been a constant political crisis and change of caretaker governments, making the country unstable in terms of its long-term policies as well as attracting foreign investment. An additional factor influencing the deals under consideration is the Covid-19 pandemic. Some of the deals took place in the period of the pandemic's onset. During the expansion of the pandemic, a number of measures were implemented, such as a lockdown, restrictions on free movement, an increase in unemployment, and a deterioration in the economic activity of entities. Some of the businesses had a problem with the supply of raw materials, which affected their production, and the individual segment saw a restriction in consumption. Banks, on their part, needed to implement measures and reassess their risk appetite in order not to allow excessive growth of NPLs and, consequently, generate NPL losses. These factors also had an impact on their results.

In practice, the medium-term period of five years is not sufficient to fully assess the impact of M&A transactions on banks' performance, but it does provide a glimpse of changes in performance. This study provides a scope to examine the impact of external factors in M&A transactions and how they relate to bank performance.

CONCLUSION

This study contributes and adds to the understanding of the impact of M&A transactions in the banking sector in Bulgaria and, more specifically, on financial indicators of banking institutions of significant importance, such as return on equity, return on assets, and capital adequacy. It is clear from the research and data that the medium-term period of five years is not fully sufficient for a comprehensive assessment of the impact of the transactions on the acquiring banks and their financial stability after the business combination. However, the study's results outline trends and the direction of development in terms of the coefficients. It shows that in the Bulgarian banking market, this type of M&A transaction has an impact on the stability of the performance of banking institutions but does not necessarily, and in a relatively short time, lead to an improvement in their profitability. The study results also show that banks in Bulgaria register improved capital adequacy and a tendency for stabilization of fluctuations in ROE and ROA values when post-acquisition transactions are implemented. Profit as the main element serving for the calculation of ROA indicators, besides depending on the internal factors in the bank, is also influenced by many external factors of the surrounding environment - political and economic stability, changes in legislation, and events of extraordinary nature. The study provides a basis for future research that focuses on examining the relationship between external factors, their impact on banks and the effectiveness of M&A transactions with a longer time horizon.

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