NLB Group Q3 2019 Results

Monday, 2nd December 2019

Ladies and gentlemen, dear shareholders and other stakeholders thank you for joining us today. This is the NLB Group performance update on the third quarter which will be presented by Mr. Blaž Brodnjak, Chief Executive Officer and Mr. Archibald Kremser, Chief Financial Officer. Before we continue I would like to draw your attention to the disclaimer relating to the forward-looking statements which you can find on the second slide of today's presentation. Today we are planning to do this same as usual, we will start with a brief Q3 performance update and after that the Management Board will answer your questions. We have already received quite a lot of question over the past few days, but you are welcome to send them now during this webcast. You can go to the lending page if you want to send us your question, just use the question button below the presentation. With this we can start, and I would like to invite Mr. Brodnjak to begin with the presentation. Mr. Brodnjak.

Good morning, welcome from our side at this regular quarterly performance webcast call. I am happy to say and to report that the last quarter was actually very strong one, so the Q3 of 2019 was performing in all dimensions solidly be it in terms of income in both dimensions, net interest income and fee income as well as the also still continuous containment of cost. There is a strong contribution again from the risk cost perspective and this is a continuation of developments so far throughout last quarters. On Friday there has been expansion, actually a minor restructuring of the Management Board announced supporting our Board to be even more energised and more ambitious in onboarding client experience platforms which we will be focusing on in the coming periods. And I am happy to say that just recently we more or less closed the issuance of Tier 2 instruments which we have been announcing throughout last quarters in an effort to optimise the capital structure and by that at this stage we have completed the exercise and regulatory approvals have been pending already and by that this is another prove and very important milestone of credibility of our story, not only in term of, of course, equity story, but in terms of really being a counterparty that is eligible and credible for accessing capital markets very confidently. The last quarter has been marked as I said by very strong, still solid performance in terms of growth of business, so both in corporate and retail segments business has been growing. Margins have remained under pressure, this is a consequence obviously not only of the monetary policy framework but record liquidity. We have been marked still as a banking operation in the entire region by this further influx of deposits and of course it has been a significant effort to place these deposits productively. Given the current economic environment in terms of economic growth in our key export markets we have been experiencing a bit of a cooldown of economic growth also in Slovenia, so projections have been now more moderate towards 2 percent growth in Slovenia rather than 3 percent, so between 2.5 percent. We are of course now waiting to see how this is now going to impact the Slovenian economy. The first signals have been clearly that corporate have been cautious and have not been really intensively investing. On the other hand, we have been confronted with couple of developments in terms of consumer lending, so there has been a regulatory decision from the Bank of Slovenia. It is too early to say whether imposed restrictions through the macro prudential framework on consumer lending will have really material impact, so we are monitoring the situation currently, but this of course is also going in direction that is becoming a bit more difficult to more productively place this liquidity. We have been applying to the European Central Bank to launch finally the leasing business as we have been announcing. So cross-border business has been already triggered and we have seen the first material transactions and we are looking at these developments quite favourably. On the other hand, of course, the factoring has just been launched while we are still waiting for the leasing business to be able to really you know activate this potential. And all of this consumer lending, leasing, factoring have been revenue pools originating higher margins through which we plan to of course also improve further or keep the margins stable and this is still our ambition for the months to come. The new SREP decision has just been received, this decision has been another important milestone for us because there has been another 50 basis points release in terms of requirement and this is of course further strengthening our capital position and of course supporting further solid dividend pay-out. When it comes to the achievement of key KPIs I would simply reiterate we have been well on track when it comes to key KPIs we have been more or less already fulfilling the midterm targets apart from the margin environment currently which is not yet been of course at the level we would hope for, but of course with new revenue initiatives we are actually planning to originate higher margin business and by that the average margin keep at least stable if not as targeted improving it. Loan to deposit ratio remains to be our stretch since as I said liquidity has been coming still. There has been as we all know discussions Europe wide whether to introduce asset management fees for the deposits and in this respect in Slovenia we have already some time ago introduced these fees for the corporate deposit balances, account balances exceeding 100,000 EUR. There has been now an ongoing debate in Slovenia whether and how to introduce this potentially in Slovenia. On the other hand, of course, we will have to react somehow also through the account charges and fee charges as a banking system. When it comes to capitalisation it is very robust, the ratio as per the end of Q3 is not yet including Tier 2 instruments that have been issued so the approvals are pending, otherwise a very solid position currently. Cost to income ratio very solid trend, we however mentioned of course that given the pressures on the revenue we would have to pay even more attention to disciplined cost management, cost containment and efficiency measures and Archibald will give you some more insight into this later on throughout the presentation. We still see a positive contribution of the cost of risk, we have however continuously been mentioning that of course the current stock, the remaining stock of the NPLs and noncore assets has been reduced significantly. We look at the NPE ratios already at 3.5 percent so the total residual net NPL stock is actually really already significantly below 200 million and larger tickets are not really available anymore. So in this respect we do expect gradual normalisation of the cost of risk and we see also that the paste of positive contribution has been somehow reducing and of course we expect this to continue reasonably in this direction. Return has been solid given the still significant core Tier 1 capital structure and, in this respect, we have been delivering on what we have been planning for and talking about throughout last periods. I will pass the word to Archibald to give you more details on the figures and then we would wrap up and open for the questions. Thank you very much.

Thank you Blaž and warm welcome from cold Ljubljana at this morning and I am also looking forward to seeing many of you in Prague in the next two days on the Woods investor conference. Very much looking forward to many meetings with investors and of course the broker and analyst community. Talking about Q3 and of course we are more focused on accumulative results than on real quarterly results, also we are of course fully transparent in terms of quarterly dynamics. Q3 and accumulative 9 months result as Blaž indicated are very strong both on revenue dynamics and also cost discipline. Cost of risk turned again firmly into negative territory, given two larger NPL situations that got resolved in a positive way, but as usually we keep emphasising that this is of course not necessarily a trend as the NPL stock obviously gets down and being reduced continuously. So of course, the potential for that to continue is limited, but overall, we are quite happy and indeed really satisfied with 9 months result. As you see on the income statement again very positive development both in interest and fee and commission income. These of course are two dimensions we are mostly focused on. Interest income obviously very much still driven by healthy loan volume growth in the region and also in Slovenia. Obviously corporate a little bit less dynamic in Slovenia, still than in the rest of our geographies. Also, here you will see the cross-border initiative that Blaž mentioned increasingly showing effects. Cost dynamics very disciplined, also there are pressures on labour cost. There is of course pressure on depreciation, amortisation as we keep investing into technical innovations and we will of course continue on that front. Also, the new colleague will of course put a heavy emphasise on that dimension. On income tax I shall note that we have somewhat slightly changed our recognition policy so that from now, the quarterly dynamics is not that volatile anymore. In this sense you see a slight reversion of what has been recognised in Q2. Cumulatively the logic has not changed, YoY you will see roughly effective tax rate in the range of 10, 11 per cent. Contribution to the result is more or less stable with foreign banks of course maintain a very strong share of contribution, but also the parent bank developing in a very healthy way. Little bit more detail and flavour on interest income, you see a little bit the effects also of the capital instruments kicking in because they are of course a little bit of a burden on the margin. And you also see on our subsidiaries a somewhat negative dynamic mostly in Serbia and here clearly, we maintain our strategy of self-funded entities. Serbia is growing fastest, so they have to raise deposits in a quite competitive way as their market share is small overall, 2 percent, so that shows in the margin. Otherwise margins are reasonably stable, also you would see the effects of low margin environment basically migrating slowly into the region as well. Overall YoY dynamic still very positive and as indicated very much driven by fundamental loan demand being still very healthy throughout the region. Very good performance on non-interest income and here specifically fee commission income of course is the dimension we are focused on. Bear in mind non-interest income has some quarterly fluctuations given that also the regulatory charges are shown here, and they are not accrued, so they introduce some volatility in quarterly results of net non-interest income. Fee commission income as said before basically that is our bread and butter business, payment, account fees, cards is developing in a very good way and obviously our focus keeps very much on fee and commission income, not just in basic services that are continuously priced to market and market needs, but of course also our distribution fees of ancillary products that is insurance and asset management both showing very positive dynamics and are given a lot of emphasise also in the time to come. Cost was maintained as we believe in a very disciplined way given the pressures we see throughout the region on labour cost and of course our self-initiated investments in technology which starts to show up somewhat in depreciation, amortisation. As Blaž said both our commitment to improve client experience by investing in both, actually branch environment and technology in a very sensible and measured way will of course show somewhat in rising depreciation amortisation amount. On the other side we will keep rationalising also the branch network and that is not necessarily only branch count but of course cost of running a branch, so in other words we are continuously also re-dimensioning certain branches and by that of course the changes in client behaviour that Blaž has shown on the first page in other words increasing electronic production of certain products will over time also be reflected in re-dimensioning of our physical footprint. Loan dynamics as mentioned was very healthy and actually through all segments, of course retail being more dynamic than corporate, but overall, we are still quite happy with what we see in terms of loan demand. As you know the macro outlook has somewhat flattened also in the region, so between half and full percentage point of macro growth was taken off from some of our markets over the last year. However still the overall environment remains very positive. That also shows up in absolute loan balance growth, you see it on page 11 and so that is of course the backbone of our continued drive and ambition to drive net interest income. Liability side remains of course mostly driven by the influx in deposits which we see more or less as a stable trend throughout the region. This of course puts somewhat of a burden on our balance sheet as we keep incurring cost of running this deposit base. Of course, the reinvestment to the extent that it doesn't happen in loan assets is happening at very low yields and so in this sense we are very much focused to keep the fee income that is somewhat related, be it in basic account charges of course very much in our sight. Of course, the other development on the liability side was mentioned before by Blaž, we in the meantime raised Tier 2 capital instruments and of course that is solely for the purpose of capital optimisation. Asset quality remains very strong and particularly new NPL formation is on low levels, actually almost unchanged from half year. In this sense of course continued positive outlook on cost of risk. And as mentioned before we had two particular tickets on sizeable NPLs that basically reversed cost of risk again to firmly positive or negative territory, so net release of provisions. And as already indicated of course this is subject to single tickets developing one or the other way. And as we keep saying the stock of NPLs is declining which of course is what we want and so the potential for such event to happen in the future of course are continuously reduced. More important the fundamental cost of risk charge remains in firmly below our maximum indication of 90 bps and is rather be expected to be half of that in the time to come. On capital most importantly, the successful issuance of Tier 2 instruments actually we have completed the program for now with transaction that was domestically issued, so listed instrument on the domestic stock exchange aimed at the regional investor base. We had a bilateral transaction and we also had an international bond transaction rated and listed in Luxemburg and all of which had been basically met with very solid demand from the whole investor universe. So we are very proud and indeed privileged to have been able to issue those instruments under very good conditions indeed. The capital requirement we announced already last week has been reduced by 50 bps. That was a reduction of the Pillar 2 requirement as was somehow expected, but of course we are now happy that it has become a reality and we announced all the details already last week. By that I would pass back to Blaž on outlook and then will be open for questions.

Indeed, as we have been talking about very solid quarter, so we are really happy about the first 9 months of this year, they are according to the plans, even better than planned to some extent. What we have still been looking at is quite a volatile regulatory environment, so there has been further tightening if you wish of the monetary policy in a way of, of course, conditions for the commercial banks to conduct the business profitably. So we have been struggling in placing this extraordinary liquidity that we have been operating with finding real productive ways for it. We have been opening up these new revenue pools and still waiting for leasing to be activated which we expect in Q1 next year. We have already been onboarding the cross-border lending initiative quite successfully, factoring is kicking in, consumer lending still showing strong progress whereby of course we need to now really understand what the macro prudential restrictions of the Bank of Slovenia will mean in terms of volume of production and in terms of pricing. Will there be a shift to housing and so on. So this we need to understand still better. There has been change of also the dividend tax here in Slovenia from 25 percent to 27.5 percent, so no radical move, but indeed a change in environment. So total income taxation still in the range of 10 to 11 percent as we see, we don't expect this or we don't see signals that this might change significantly in the coming periods for us. We have been still strongly focusing on digitalisation and migration of standard products such as of course onboarding cash loans, credit card business, overdraft business to fully digital production. In 2020 we still plan to of course introduce these new platforms first in Slovenia and then gradually all the same platforms through all subsidiary banks. By that we differentiate ourselves in this region as the only one really offering, consistent offering at a high level of client experience. We have been as communicated continuously the only regional specialist banking group in this region actually being headquartered here. We have launched a campaign simply signalising that we are really a home bank in all the markets in the meantime. So this is something that is further positioning us as the one that understands the environment that really is authentically interested in quality of life and our entire CSR significant program is addressing this as well. So we still see significant potential to grow the business in the region in all of the mentioned dimensions, but indeed we have been now looking at a bit cooled down environment. So I was talking about Slovenia QoQ, last one is 2 percent, so annual forecast is now around 2.5 and 2.7 percent, no longer 3.5 and more. Our core markets still seem to be 3 or 4 percent, so very solid if compared to European Union environment and European monetary environment very very solid still forecast of the growth. Our main ambition to grow the business is of course our home territory, our geographies, so Western Balkans beside Slovenia, Serbia of course being the biggest focus given the fact that this is more or less half of the population out of Slovenia that we are addressing. Serbia is still showing very robust growth, last year as we discussed on previous occasions largest recipient of foreign direct investment in the world per capita and very solid forecast this year for the growth. So we are working on business case Serbia as we speak from more dimensions, not jumping to any conclusions, but we are now of course equipped in capital terms and liquidity terms to be able to address opportunities in highly disciplined way and very accretive to shareholders and we believe that there is significant opportunity for us there. And we also were mentioning that we might at certain point in the future wrap up our geographic operations in terms of retail business also by adding Albania and by that really round up the entire Western Balkans. So yes, indeed some regulatory challenges, indeed macro challenges, but the business has been developing and evolving very very solidly throughout the first three quarters of this year and we see not yet some detrimental signals, but yes indeed cooling down which might of course lead to certain rating migrations of corporates but I would not see this as a critical stage at this point of time. Slovenian corporates have been really significantly deleveraged and even in case of some deteriorations in order books which we do see currently and eventually cash flows these will still be bankable businesses and we believe that this is something that is significantly better position to be in than of course 10 years ago. So very solid positioning in this region with lag of attention of global players, obvious niche play of the regional specialist and we believe we have the answers and we have what it takes to be successful as we go on and by that create value for shareholders and other stakeholders of the banking group, but predominantly of course clients offering service at high level of client experience and of relevance. By that I would wrap up this introductory part of the session and would open up for questions and of course we would gladly respond to those. Thank you.

Thank you, gentleman. This was the NLB Group performance update on the third quarter this year and now it is time to answer your questions. We have received many questions so far so before we start I would like to say that as always similar questions will be addressed together and not one by one which will give us more time to answer as many questions as possible. And now we are ready to start, and the first question is:

Production of new consumer loans in the first 9 months is 96 million EUR. Will the new regulation imposed by the Bank of Slovenia materially impact new production of loans and consequently impact the income side of this segment?

It is still early days, the new regulation has been imposed from the 1st November, so there will be some re-shifting of the offering, so I expect some of the production to migrate to housing loans. I do expect frankly of course certain reduction of this production, but it is too early to say to what extent this is going to be the case. These measures have been actually introduced one-sidedly and quite in a haste I would say so they were not aligned with the banking system, so we somehow see them as not understood well enough since we believe that delinquencies of retail portfolios throughout even the most critical years from 2008 to 2013 have not really been problematic and if we look at the total stock of consumer loans today if compared to the years 2008, 2009 we believe that these measures might have been taken too early and maybe in too exaggerated way and I hope that of course there is going to be a continuous dialogue with the regulator in this respect. There is going to be impact, but it is too early to say to what extent, not dramatic I guess but for sure some cooling down of the consumer lending which is a higher margin business per say. We will then of course be trying to address other opportunities also in cross-border lending, leasing, factoring. We still expect solid evolution of consumer lending but not necessarily at the level of until end of Q3 and October.

Thank you. The second question is about Komercijalna Banka.

Can you comment the potential acquisition of Komercijalna Banka in Serbia? Have you submitted a binding offer? What happens if this M&A fails, will you consider any other target?

These are very specific questions which we of course cannot answer differently than as so far. So we have been working on the business case Serbia for NLB Group for some time now and we try to understand the opportunities to grow the business, be it organically, be it through M&A opportunities if they were on the table. There might be as we speak some on the table and of course NLB has been analysing such opportunities diligently. If there were decisions to actually engage in concrete M&A process we will always be following couple of criteria among which on the first spot there will definitely be value accretion for the shareholders, highest possible discipline evaluation and of course our belief that we could perform a post-merger integration in a reasonable way. So as said we have been engaged in such processes if they were taking place, but on the other hand of course with high level of responsibility. More at this point in time we cannot say.

Thank you Mr. Brodnjak.

Maybe just to add here that of course any acquisition shall not impair or influence in any significant way our dividend policy. I think that is also important to mention, because obviously investors look at our ability to pay dividends, so we are very keen to preserve that ability and I should also say we have a very healthy and robust discussion on these topics at BOD. So there is keen understanding of the importance to really protect and preserve, but also enhance shareholder value.

Thank you Mr. Kremser for this addition.

What is your MREL requirement? How much MREL compliant bond NLB plans to issue next year?

So the MREL requirement is indeed actually postponed in its legal effect, so in this sense we don't expect an immediate MREL activity and of course will continue to observe both the regulatory dimension as well as practical developments. Of course, Tier 2 instruments that we issued are MREL eligible and so till the final requirement kicks in, this is a topic that we monitor, but are not expecting any immediate capital market activities coming from that topic.

Thank you. The next question is:

Do you plan to revisit your net interest margin guidance given the pressure situation and rates will remain at very low levels for longer?

I have mentioned couple of revenue pools we have just started more or less addressing seriously. Yes, consumer lending has been a part of this story for a while and there has been a strong pickup in consumer lending for last two years in Slovenia, but on the other hand we have not yet even started with leasing, we have just started seriously with factoring and of course the entire cross-border lending dimension is still there to be explored. And by that natural queued towards higher margin business should be catering for at least stable if not gradually growing margins towards of course the midterm and when we are talking about midterm, we are talking about 3 to 5 years. So indeed, it has not become easier so besides macro that is a little less optimistic currently and beside the monetary policy measures we still believe that we will be growing revenue pools that naturally carry higher margins and by that be as said at least keeping it more or less stable or in the midterm period still working on improving it. So at this point of time we are still sticking to the midterm guidance, but in short term yes indeed such a guidance is a stretch.

Thank you. The next question is:

We have seen very strong QoQ growth in both retail and corporate segments in Slovenia. Does this make a part of the strategy change?

Not really, it is more or less riding the general wave of growth in consumer lending in Slovenia and yes indeed we have also now been unleashing the power of the systemic largest player in the country, so of course we have been working on our pricing, our competitiveness and by that clearly been able to grow retail business significantly whereby on the other hand practically there has been no material larger transaction of corporate in the country which we would not be aware of or at least have a chance to discuss. So we have been working on strong pipeline for some time and this pipeline has now been crystallising, but it is important to mention that yes indeed the cross-border dimension has been kicking in so the corporate business has now been really benefiting from us being able to underwrite business regionally to key accounts, to project finance larger infrastructural projects. With the later we just started, but you know with key accounts I am proud to say that we have become practically in the meantime the house bank of the most prominent companies in Serbia, Northern Macedonia and other markets and this is to continue. So we have communicated on couple of occasions that we have a plan of billion in midterm to be placed internationally through cross-border engagements and these carry higher margin than Slovenian corporate businesses and contribute by that the Group margin as well.

Thank you Mr. Brodnjak.

Now costs, costs are up 2 percent YoY. There has been a slight increase of cost short term, how should we understand this? Are you expecting 2019 costs to go up in line with the dynamics so far or should we expect some seasonality in the last quarter? And another question is what are your expectations for 2020?

Archibald will give you the details, I would just comment that the year 2019 has been also a year of normalisation of managerial pay and in this respect, we see especially the evolution of the employee costs very very favourable. Because if you look simply at employee costs dynamics given this one-off normalisation we actually practically keep these costs fully contained in environment that is practically 4 percent in Slovenia and up to 10 percent in some other markets wage inflation. So NLB has been really disciplined and has been able to contain these costs, but yes indeed we need to invest, so the big platforms that we have been working on, critical platforms will now be activated and will be of course then entering the cost base, but Archibald will give you more details on that.

Not much to add really. Our ambition and commitment as we also write in the business outlook is to be firm on cost containment. Cost containment means that after this normalisation effects that Blaž mentioned we will want to or we strive to basically replace investments and costs related to fix assets increasingly to costs of intangible assets. In other words, real estate costs will be switched increasingly to IT costs and by that we will simply follow our customers in their preferences how to interact with us. And of course, on the labour side we increasingly invest in high skills that of course comes at higher cost per capita, but of course are strongly committed to rationalise relatively low skill labour and here automation effects of course will help us to pursue that. On the other side also, client behaviour is continuing to drive labour cost down as digital production obviously is a zero labour cost production. So high skill labour increasingly funded by productivity gains on lower skill and automated activities and real estate cost increasingly replaced with intangible assets, so in other words IT and IP investments in IT.

Thank you. Another question, you did three Tier 2 transactions this year, in addition you recently published that your Pillar 2 requirement was reduced by 50 bps. Are you planning on reducing your total capital ratio target which currently stands at 16.25 percent? And what are your plans given your total capital ratio including Tier 2 since it is substantially above all regulatory requirements? Is this related to possible acquisition plans, would you consider paying extra dividend?

Thank you for the question. So first of all the Tier 2 activities that you have seen so far are perfectly in line with what we have always indicated that we want to do which is normalisation of our capital structure. So in this sense we just completed the filling of the 2 percent bucket that we are allowed to fill with Tier 2 capital from the regulator. So there is nothing extraordinary or surprise in that activity. With regards to the capital target, of course we appreciate the fact that the regulatory need has come down and we will have a qualified debate with the Supervisory Board whether or not this will indeed lead to somewhat reduction in our target as such. Personally, I think there are arguments in favour of that and that is a discussion to be held with the Supervisory Board. And then following that obviously we don't necessarily look to paying so called extra dividends because we don't think that is neither in interest of the bank nor of shareholders necessarily. We would want to gradually evolve towards our target capital ratio and by that also remain healthy dividend pay-out ratios and on the other side preserving some capacity to increase risk weighted asset base. By no means were the recent activities meant as funding M&A, it was regular capital optimisation activity.

Thank you Mr. Kremser.

But it would support eventual M&A if this were to be happening, but currently we cannot comment this.

Thank you.

How is the process of divesting NLB Vita proceeding? Do you expect any material effects from that sale? Would the process be concluded, and effects booked still in 2019?

So the process is progressing well and of course we cannot comment on details neither on possible effects on income statement. We are very much looking forward to conclude the transaction. There is healthy demand for the asset and we will communicate as soon as there is something to be communicated. Otherwise I think more important than this one-off is our commitment of course to maintain first close cooperation with Vita as we see our business to be much more in distribution of insurance products than necessarily owning a product factory. And we are very much focused in actually increasing the business cooperation with this particular subsidiary, so this is by no means any reduction of our insurance activities rather for us a moment to reflect on how can we improve our distribution setup and indeed expand it into the region and also consider other product categories than life insurance.

As Archibald said the process is progressing well and it is for us extremely important transaction, because this is the last commitment to the European Commission within the state aid package and once finalising this one this will really wrap up the entire process and we then hope for quick resolution and quick decision making from the European Commission side that we can officially close the state aid process and become really then fully competitive free business and this is in the interest of all the stakeholders of the banking group.

Of course it is, thank you.

And another question which is really short, any revision of the midterm KPIs soon?

Not from todays' perspective, I went through the KPIs, so the margin seems to be a stretch, but we are still believing that you know production of new business that is queued more to a higher margin we might be improving it so we believe in this still. Cost to income ratio we always communicated that is you know quite a stretch and especially given the somehow subdued revenues now from regulatory or macro environment there is going to be significant focus on further cost containment. But we consciously keep this target, because this keeps us alert and this keeps maintain sense of urgency in this institution. Whereby by the others we are more or less there, so if you look at the NPEs we are actually even more successful than we believed to be in the midterm and there is a very solid evolution in this respect if you look at you know returns and dividend pay-out that have been where we hoped them to be. So in principle this is still a solid set of figures which we are still standing behind and unless there are really bigger bigger challenges coming from the environment we midterm still believe we should be close to them or at least of course you know in some categories already now we are more or less even overshooting.

Thank you gentlemen, for all the answers. I think this has been a lot of information to process and we are also getting close to our time limit for today. I think we can accept one more question and the last question today is about cost of risk.

Cost of risk turned negative in the reporting period, release of impairments and provisions for credit risk was really sizeable in the third quarter at around 16.4 million and had impacted your result. Can you give the reasons and how should we look at cost of risk at year-end and going forward?

So obviously the Q3 dynamics are a positive and a one-off, so this is not something like a trend, this is as we keep explaining successful single case NPL resolution and obviously those processes usually take years to conclude so it is very hard to predict on quarterly level how such tickets evolve. So we keep saying two things. One is that you should focus on new NPL formation as an indicator of normal cost of risk dynamics. And secondly you should keep watching the residual NPL stock on which we are very transparent of its composition. And of course, the coverage of that stock. And how this legacy NPL stock resolves over time is very hard to predict on quarterly level and so we will keep being positively surprised should there be positive NPL resolutions and report on them in every quarter as they occur. That is all we can indicate as regards to cost of risk. I think importantly the macro outlook is stable and still positive, so we don't expect any immediate or foreseeable deterioration in regular cost of risk and the legacy NPL stock we will continue to run down as we did in previous years.

Thank you. Now thank you very much, our time is up. We tried to give you as much information as possible and we hope that most of your questions have been answered. But if you still have questions please send them to NLB investor relations and they will be more than happy to give you the answers. You can find their contact details on the last slide of todays' presentation. And now I would like to ask Mr. Blaž Brodnjak for a few closing words. Mr. Brodnjak.

I would just thank you for your attention and being with us for this year since we were privatised. We see new coverage coming in, so new analysts coming in and we welcome them and by that we are actually you know addressing the region with higher manpower, higher brainpower and this is bringing in this region to the map globally allowing us and giving us a chance to talk to professional society which we always take as a privilege because we then understand better how globally the thinking is evolving when it comes to banking business and general macro trends. I would wish us all successful closing of 2019 and really good kick in to 2020 and let it be a fruitful one. Thank you very much.