



NLB Group 1H 2021 Results

13th August 2021



Ladies and gentleman the Management Board of NLB welcomes you to the webcast where they will present the first half 2021 results. Today's presenters are Blaž Brodnjak CEO, Archibald Kremser CFO, Andreas Burkhardt CRO. This presentation will be followed by a Q&A session. If you would like to ask a question you can do it any time during this event. If you have joined via the webcast please use the question tab located above the slides. If you have joined via the conference call press star 1 on your telephone keypad. Before we go on we would like to draw your attention to the disclaimer on slide 2 of the presentation. By this I pass the word to Mr. Brodnjak. Please go ahead.

Thank you very much and good morning everyone. I believe this time we can be pretty short in presenting and more focusing on Q&A because we are bringing good news and that is something we are really happy about and proud of is the first half of this year has been really very robust and when I say so I mean in practically almost all dimensions of our business, be it recurring, volume origination in terms of retail lending, corporate lending picking up, be it in terms especially fee income with very strong bank insurance and especially asset management origination and that is something that is giving really significant confidence. So the influx of deposits which has been more or less stigmatising the year and a half more or less has been a bit moderated now. On the other hand we have been of course introducing measures with which we have been addressing, so despite the pressure on NIM and in general then in interest income we managed to offset this with significant growth of fee income. I am talking about operating banking margin practically and total financial intermediation margin we see actually a positive uptick which is what we have been announcing and you know somehow signalling as the more important measure that necessarily NIM only. We have been solidly progressing in digitalisation, our capital base has been further improving, liquidity remains to be of course ever stronger, but as said less burning in last couple of months since we have been able to actually you know position this and allocate some of these funds obviously in significant growth of retail lending throughout the region, high demand for housing loans in Slovenia and still obviously subdued and decrease in levels of consumer lending given the restrictions of the Bank of Slovenia, but generally solid trends and demand. And finally corporate investment picking up and that is something that of course is also encouraging. There have been developments clearly also in terms of dividend pay-out capacity and ability, so the ECB has changed the regulation as of end of September, so of course this is opening doors for residual pay-outs towards the end of the year which we announced previously during the year. What is also very important is integration process of Komerčijalna Banka has been well on the way, we feel very confident, so we aim for really full operational and legal merger at the end of April 2022 which is pretty much soon. This is of course true in all the markets there might be still clearly some divestments on the go which we have also announced and there have been of course some processes pending in this respect, but nothing yet to formally disclose. When it comes to of course our main strategic focus besides pure economics we are happy to really be positioning ourselves as one of the really pioneers in broader ESG context, so not only environmental, but of course also other element of this turf and especially in mid and after Covid this will become clearly overwhelmingly important and we believe we are very well positioned for that. So practically very solid output in all dimensions, Komerčijalna already contributing, so we see already solid progress there and Archibald will give you a bit more flesh to it. I mentioned the loan growth and especially retail lending in all the subsidiaries, in some even double digit growth. In Slovenia I mentioned very solid demand for housing loans and now there is a remaining hope that Bank of Slovenia nevertheless at certain point might release some of the restrictions to even allow some growth of the consumer lending which would then of course provide additional fuel to our revenue capacity. Fee income I mentioned is really really extremely well developing and we are really happy about this. You

know the market position of NLB Skladi in Slovenia is already close to 37 percent market share, we gained almost 2.5 percentage points actually within 12 months, the running 12 months and that is amazing progress there. Of course our results in terms of bottom line have been affected with some one-offs, so we have seen some very positive resolutions of still old legacy cases from previous crisis in various forms and shapes, so couple of legal disputes, some repayments of NPLs that you would see actually under this extraordinary income. Some actually regular positive resolutions in sense of leading then to release of impairments and provisions and that is something that clearly has material impact on the first half of the year. We still feel confident that you know the general macro situation is allowing for liquid markets which means that you know there might be further cases, but of course the potential for more tangible ones has not been that high anymore. Generally the trends are continuing to be very very strong also in the running months, so July and August and we are happy about that. The whole Group has of course been fully aware of the need of efficiencies, especially the parent bank has really you know showed and demonstrated significant discipline in cost management and that is something that of course is also supporting the full result and of course developments. And really as I mentioned very favourable evolution of loan books, NPEs and NPLs further decreasing despite Covid situation and this is really giving us very very solid base for second half of the year with more or less 5 percent growth prospect for Slovenia and more or less the region on average and very comparable expectations also for the year to come, so this means we are really in the mid of very positive part of economic cycle within which you would not expect significant migrations to NPLs, unemployment is practically at the lowest historical levels almost in Slovenia, everyone is seeking for talent so I would call it really structural unemployment and this is of course also good indication that we might not be expecting any significant delinquencies coming from retail books as well. So we are overall feeling very well and now a bit more details from Archibald and then Andreas and I am passing by that the word to Archibald.

Thank you Blaž, welcome everybody. As Blaž said he basically gave all the key developments, very strong Q2, actually bottom line exceeding Q1, but admittedly on the back of some non-recurring elements, as you know Q2 is traditionally burdened with regulatory charges. On the other side we had significant recoveries on which Andreas will give a bit more flesh and they basically balance each other out. Otherwise mostly Blaž has mentioned key developments very healthy loan demand showing up in all markets in all segments. Specifically of course we are monitoring performance in Komerčijalna Banka and here we will see that there is also now an uptick in volume growth, so in this sense I guess most importantly we see fundamentally demand for our services. On the other side we have I think shown that we have pricing power in the fee and commission income dimension and importantly are really improving on the cross-sell dimension especially in Slovenia and obviously these measures will be rolled out in the Group subsequently. On cost of risk clearly there has been a lot of non-recurring dynamics, so I leave that to Andreas to provide details. By and large really nothing to add other than saying very strong Q2 and pretty much everything in line with expectations, so no surprises importantly as well. As indicated NIM is in a way flattish, but we see volume driven growth in revenues and of course this is against a very very low cost of risk, so broadly speaking of course contributing significantly also to net income growth. As mentioned I mean we are increasingly focused on a combined margin as we call it operating business margin, operational business margin and here you see that we actually see an uptick, a largely helped by both KB contributing and starting to contribute and of course by our very robust fee and commission income developments. Obviously fee and commission is very much also driven to some extent by Covid recovery, so we see broadly speaking all markets operating almost normally if not actually exceeding pre-Covid levels because of demand. So especially payments, ATMs, all transactional type of



revenues are very robustly showing growth. That is by and large the story on non-interest income, obviously in non-interest income we have these two significant let us say quarterly deviations, one coming from the known regulatory charge which traditionally are recognised in Q2 and as mentioned before we have seen the resolution results. By the way a part of that coming also from KB as KB also has quite significant let us say NPL recovery potential. On costs nothing to add, we have had a couple of minor restructuring charges booked and other than that you see us maintaining discipline overall. Also of course I think it is fair to acknowledge that we are willing and want to invest in high quality skills and people environment, so this is a continuous investment and effort as we are also keeping investing in our digital expansion and that is of course increasingly Group wide undertaking. So we are also looking forward in autumn to come with Friends&Family version of the new digital banking platform that subsequently will be rolled out in the Group. This incurs costs, but with significant of course cost saving potential further down the road as we will increase as is shown here economise on the basically standards operations, so everything that can be automatised will be automatised eventually. And of course increasingly we will economise on our physical presence as it is shown here both for Serbia, but also for the other markets. In Serbia clearly we run pre-merger already and optimisation program, I think that was mentioned many times in the past and you see of course the effects of that kicking in in the employment numbers, visibly effecting already Q2. This effort is going to continue, so we will still have some rationalisations run pre-merger, but eventually we will have the merge itself and by 2023 roughly we expect in Serbia to have half way stabilised situation in terms of headcount as well. I think especially important for us is underlying demand for our core business that is clearly of course the loan operations and here really just good news from pretty much all the markets and all the segments and especially highlight is that we managed also in Serbia to show volume growth and clearly there is a lot to be done, so it is not that we are done, but the dynamics is absolutely right and that proves the case that there is a lot of potential both within KB client base, but also outside of that. Rest of the Group Blaž already mentioned very very strong retail demand, housing I think continuing highlight throughout the region. I guess that is not coming as a surprise as we see that in many other markets. Of course we are very happy to supply here at competitive rates and to some extent continue to trade volumes for margin as housing is an extremely important product for us and we are very successfully cross-selling into such a client relationship with add-on products down the road. Also corporate continue to grow, here I think it is fair to say that we are increasingly operating really as Group and in this sense cross-border starts to show results, both in our region, outside our region, very good pipeline in that area. Also I have to say actually supporting us in keeping margins up in that space. Capital, really strong position, very solid outcome from the stress test, ECB stress test as was published and so we are very very comfortable in maintaining our dividend guidance. And of course respecting in full ECB let us say conservative approach to negative good will which is not meant to be distributed as a dividend, but that is anyway nothing we have envisaged. So our negative good will from KB is shown in the capital base, of course is available to absorb either growth or losses, but otherwise it is not meant to be paid as dividend, however our 300 million dividend pledge is unaffected from that as you know. By that I would pass on to Andreas to give a bit more flesh on the dynamics in risk and NPLs.

Thank you Archibald. Welcome also from my side. So on risk topics, I mean the colleagues already mentioned before the development in the risk area in the first half of the year has been extremely solid, we have actually despite Covid being able to reduce NPLs considerably, so as you can see from 475 million to 428 in these last 6 months, so I think that is a good development. We were able to resolve considerable amounts of NPLs, on the other side we also had some repayments of clients which were still not booked as cured, but which were on time that is why

you see a little bit also dropping the amount of the no delays because some of that was also repaid. Overall in the first half of the year we have approximately released 30 million euro of provisions that is due to the effects that I just mentioned, but also due to the effect that on the pool provision release. Of course last year we had a considerable charge and now due to better macro outlook we had a partial release, so part of that was build last week, we were able to release and that contributed to this result as well. The new inflow of NPLs is almost surprisingly low in the first half of the year given circumstances, it also doesn't look that this effect would just come later in, so it is really better development and subsequently we are also now changing the guidance for the entire year down to 20 to 40 bps from originally 70 to 90. So as you can see, I mean we are still expecting obviously a positive cost of risk, currently it is negative, so ... to come as we expect, but very very much controlled. What you can see from the portfolios which were under moratoriums due to Covid is that the big big part of these moratoriums in the meanwhile have expired and to a good part it has expired now for a while, so that we can really start feeling that staging for that portfolio were correct and actually so far very good news also here, so portfolio is behaving very much in line with expectation, even better than expectation. We have still remaining part of some 240 million euro of cases in moratorium by end of June and actually here we are extremely conservative, you can see on the right bottom is that basically half of this portfolio as per end of June is already staged, so stage 2 or stage 3, obviously you cannot see it from delays per definition because it is moratorium, but we are here careful, but of course you have to see that per definition that is somehow the most problematic end of the portfolio because it had the longest moratorium, clients which were just using short moratoriums and after that regularly repaying obviously from that perspective less problematic. Also here I think so far so good and the remaining part we really are carefully staging. For the overall picture I have to say as a CRO obviously these times and the behaviour of the portfolio is in these circumstances very very robust, very much in line with our basic expectations and we saw a few positive surprises, so some cases which we didn't resolve for a while we resolved now, so for this year this obviously will make a bit of a difference. With this I would conclude for now and handing actually back over to Archibald.

Thank you Andreas. We will now talk couple of minutes on the update of the integration process in Serbia which we are very closely of course involved in and that is really a Group effort and pretty much all so called business lines, so the various functions of the bank are heavily involved in making sure this is going to be a success and is happening in time. I have to say that cooperation with the team both here in Ljubljana and in Belgrade is excellent, we have also a little bit of support from third party helping us manage the process. And as you see everything is progressing more or less according to plan, you always have few ups and downs in such a process as it is really complex and requires a lot of detailed deliberation on all kinds of dimensions from product reviews and rationalisations, of course the IT system integration. Crucially important is HR dimension and this has then two main angles, one is really the more important I would say which is the identification of the key leadership team and then making sure key talents are retained, we put a lot of attention on that and we run extensive processes across both entities and making sure leadership talent is identified and retained and so ultimately we picked the best team for let us say combined operation. Obviously also adding talent from the market here and there as ultimately our ambition is to really be the best in the market in Serbia and so in this sense we are really happy about progress so far, excellent leadership team in place. The other dimension obviously is cost rationalisation, so this is also progressing very well, we are pursuing that decisively, deliberate and measured of course in full consciousness of standards to be maintained in terms of social cohesion, so I think we found a good balanced approach. Team is really excellent in preparing and execution of these quite difficult programs

and also that works so far very well. So in terms of overall timeline still unchanged, we look at Q2 next year and of course the mechanical elements of that are progressing as we speak. So to put a bit more flesh on some of the topics, obviously you are aware that we have continued to increase a little bit our share in KB with buying out minorities to some extent, this is for now on hold as we have completed exercise. Then of course we otherwise are continuing to prepare the technicalities of the merger process as such, nothing to add here. What we have noticed is that is not necessarily merger related, but in Serbia we have noticed an increased appetite, visibly increased appetite for retail litigation of fees charged in the past. We have been very vocal here as you know considering this undue actually the National Bank of Serbia is here also very very vocal and supportive actually to fully respect legally collected fees and not necessarily have them litigated by lawyers making money out of that and kind of making it a sport. So I think that is an area to watch, we think it is contained, I think the system has recognised under leadership of NBS that this is an issue to be dealt with and so we are expecting that to be resolved at some point. Otherwise the HR integration as mentioned is progressing very well with the two elements mentioned before, IT process very tedious exercise, hundreds of products to be mapped and made sure that no mistakes to be accrued, but as mentioned many times we talk about two identical almost core systems, so we don't really expect a lot of trouble coming from that space. Otherwise I think what has to be remarked is that the team has really achieved very visible successes in activation of the client base of KB, so a lot is happening basically beside the integration process. So we are in the market with full force in terms of marketing, in terms of new features to be rolled out on the digital space and obviously most importantly activation of sales force. So this shows real results and so I am not going to read out all the numbers, but what I can tell is that production activities have been significantly improved and are shown in volume growth which ultimately is the key matrix of success, so in this sense we are very happy with first results we have seen and are visible also to the outside world. On integration itself the costs any synergies equations are pretty much in place as we have established them, so in that sense I guess the most important news is there is no real news and we are progressing as planned. By that I would hand back to Blaž to conclude and produce an outlook. Thank you.

Thank you Archibald and Andreas. As I said at the beginning this is a really event for us at which we are very very happy as it produces significant basis actually for continuation of these solid trends. At this point of time we have actually also changed our guidance to the cost of risk which is the most material actually change what we have been communicating publicly so far as you know we begin to guide the year with 70 to 90 bips, but it has become obvious in the meantime that clearly this evolution is much more solid and at this point of time we would actually not see exceeding 40 bips, rather introducing range even below that and there is some chance even to outperform this range. In this respect I am really really very positive given the fact that we are in a really positive part of the cycle, 5 percent as I mentioned for this year and next year which means that corporates are in very solid shape, everyone is seeking for talent, there is re-initiation of investment cycle pending and we see this in pipelines both locally in Slovenia and cross-border and that is really instilling some confidence. Clearly everyone is now asking what is happening with the fourth wave and eventual lockdowns? Public communication is that there would be no lockdowns, but there would be of course infection, vaccination or test requirement for you know normal public life. What I am most closely observing is actually the vaccination rates at the most exposed age categories and you know people above 70 to 74 for example are vaccinated almost at 82 percent in Slovenia and that is a very high rate because there was also very high infection rate in the country in the previous waves. This is simply you know then demonstrated by the fact that despite now a hike in infections we see actually less people at intensive care than 2 weeks ago. So we are actually looking at 7 people being hospitalised and

at intensive treatment in Slovenian hospitals and comparable trends somehow are still in other countries. So yes, we are of course concerned about further increase of infection rate, but economy especially the production side is at practically almost full utilisation or full utilisation of capacities. Today it was just published that June production compared to last year June production is practically 19 percent up which is third best in European Union in a wider context. So production part of the economy is practically booming, service part is coming back, in tourism you would barely find a room now in more notorious touristic places in Slovenia. The same is true also for Croatia, obviously not being our market, but is actually what is promising for us is clearly Montenegro that is significantly dependent on tourism and there are very very solid, you know records of occupation rates and prices achieved being reported from Montenegro as well. So overall a very very positive picture from all dimensions, corporate picking up, retail really solid demand, hopefully Bank of Slovenia finally realising that there is really no reasonable reason to actually withhold still relaxation of consumer lending and general credit worthiness of retail population and this would provide additional boost. NLB is in a very very good shape for both solid dividend pay-out as announced as more or less promised and organic/M&A growth. It is really subject to our discussion with the shareholders whether of course we are pursuing some more material M&A opportunities or a bit more moderate M&A opportunities in coming period combined clearly with more or less extensive dividend pay-outs. The bank is still sitting on significant potential for the capital improvements be it Tier 2, be it AT1, eventual recapitalisations in mid-term future potentially to be discussed with key stakeholders to actually fuel the in-market consolidation as called by some investors and in the entire region there is going to be a lot of opportunities and NLB could become a material player in this respect as well sitting on such a solid capitalisation and liquidity we believe that we are up to it, up to this challenge. We are very very far in the integration by which we will also demonstrate by proven track record that we are able not only to acquire, but successfully integrate businesses and I believe this is something that is very good news also for the entire stakeholder landscape and by that really you know be assisting us at developing one of the most meaningful businesses in the entire region. We firmly believe we have what it takes to get there and we firmly believe we will be there in the midterm future. Thank you very much and by that I would move to the Q&A session, any other questions clearly subsequently to be addressed to our investor relation team and of course ourselves as well. So thank you very much and gladly responding to your questions.

Thank you. If you would like to ask your question please press star 1 on your telephone keypad or you can submit your questions via the webcast. We currently have no questions on the phone line, so we will move to those from the webcast. The first is from Karrim and reads can you please offer an update on the current Covid situation in your main markets and any tendencies for reversal of relaxation measures normalisation of mobility?

I believe I just more or less responded to it at the last part of my previous statement. So Slovenian situation is solid in a sense that we have more or less 4 vaccines broadly available and conveniently available for just about anyone, so people can really select the vaccine and timing of vaccination more or less. As I mentioned age categories exceeding 65 are vaccinated 70 plus percent, more than 70 to 74 82 percent. There is still a bit low rate in the age category above 50, so 50 to 65, but here we are at 55 to 65 percent and clearly this is now a struggle how actually animate and motivate people to get vaccinated. And this has been happening clearly with positive discrimination because there have been now new measures going to be implemented in a sense that all the testing of course will be charged and for attendance on any public more or less event you will have to be either having a certificate of being infected within 6 months, being vaccinated or freshly tested and this will I guess stimulate significant residual part of

population to get vaccinated. Slovenia has access of vaccine that is at this point some 700, 800 thousand at 2 million population, so we can really easily manage the whole process. And now comparable is getting true and becoming true in other countries as well where there have been also very high infection rates in previous waves. So if you combine high or improving vaccination rates with really high infection rates you would have really significant part of population immunised and we are pretty much close to herd immunity. This is more or less demonstrated and evidenced by very low number still at intensive care, so despite a hike in infection rates there is no really hike in intensive care treatments needed. So I would not expect further lockdowns, there will be potentially selective of course restrictions of people that will not be immunised. This is something that everyone is expecting, but at the end you know I believe people will get incentivised to get the vaccine asap and then towards the end of the year we would see then solid trends here.

We have a telephone question from Mladen Dodik from Erste Group. Your line is open, please go ahead.

Thank you. Congratulations on the results and thank you for this call. Two questions. So first one would be outside of the expected risk cost my question is towards potential releases from the IFRS 9 models. Could you provide us some details if any on this one? And the second is rather local topics from Serbia, here there was recently in the news that last remained state owned banking entity Postal Saving Bank is considering to offer a bid to buy Komercijalna Banka subsidiaries in Republika Srpska and Montenegro. So if you can give some comment on this? Thank you.

Thank you very much for congratulations Mladen. So I might give you an update more or less what we can publicly disclose on the KB and then I will ask Archibald and Andreas to supplement when it comes to IFRS. So I mentioned before that we don't exclude eventual opportunities to potentially divest 1, 2 or more subsidiaries, in principle there are 2 subsidiaries and one branch actually of KB. I mentioned also that there have been activities in this direction, but I cannot publicly disclose more at this point of time and whenever it would be appropriate we would obviously come with proper announcements and disclose it. If colleagues can then assist for the IFRS 9 please?

Archibald, shall I?

Yes please.

So honestly speaking here from IFRS 9 obviously this is question of continuous work and improvements also, from all of that I am not expecting any major impact. So that is in short, so I wouldn't expect here major changes.

Ok, thank you very much.

Our next question is from the webcast, Jovan from RBI asks risk cost guidance would imply significant uptick in second half 2021 to see a 25 million euro per quarter or similar to Covid quarters in 2020, isn't this a bit too conservative? Do you include here other provisions as well or not? If yes what would be the credit related risk cost guidance?

Archibald, let me just do some thoughts here. I mentioned before that 20 to 40 is a guidance that you know we believe is reasonable and I also mentioned that there is a pinch of salt of conservatism eventually in this number and there might be a positive surprise still, there is a chance for it, but of course we don't want to misguide in this direction. Archibald, you might want to supplement that?

Actually I think Andreas wanted to say something.

Andreas.

I guess you know to become much more optimistic than we originally were for the second half of the year that is still a little bit early. We were just discussing before uncertainties also concerning our Covid situation would further develop. What we can see so far is simply very positive development, but you know I am now working 20 years in Risk Management and you don't always just have positive surprises. I think the range which we are giving you is of course fairly conservative, but also if you ask me in a very realistic range. We might see of course as Blaž just mentioned still further positive surprises, but I would be here a little bit careful, I mean generally what you also see in banks, not just in our bank is that sometimes you see a little bit more movements in the second half of the year than in the first half. I think for the time being that the news which we are giving is if you ask me, because in a Covid year to end up with 20 to 40 bips cost of risk I think that is very good and more we have to see, I mean to reach out further I think it is still a little bit too early.

There will be some restructuring charges still, so on HR provisions and so on, we have published more or less what has been done in first half and this was this first wave of voluntary leaves and of course we plan further restructuring activities and we also publicly announced the level that of expected restructuring charges. So some of this will find its way obviously through HR provisions, but generally clearly we remain very positive for the second half of the year as well. Archibald, you might to wat add something here?

I would just complement, I mean clearly cost of risk is credit risk, so just to be clear on that so 20 to 40 is credit risk figure. What Blaž mentioned is overall let us say dynamics in restructuring charges which we still believe a majority of which is going to be booked this year. I mean you see us basically summarising all of that in us basically saying in our press release that we are pretty positive that we might or we are very optimistic that we will achieve our high single digit ROE guidance for this year or even exceed that. So I think that tells the ups and downs that kind of summarises ups and downs we have mentioned.

Our next webcast question is also from Jovan from RBI. What are legal risk related provisions of 5 million euro in the case of KB, I suppose not CHF related and why is HR restructuring provision not part of OPEX?

So I mean here we are simply transparent in disclosing HR restructuring provisions as separate position, I mean we have published the restructuring budget and we are just tracking relative to that budget, I think the market wants this transparency on the merger process as such. With regard to the legal provisions we have mentioned that it has become a bit of a sport in Serbia for retail customers driven very much by small law firm offices lobbies to litigate banks for fees and we have seen a substantial uptick in that and the dynamic has significantly increased in the first half year. So there have been very serious considerations of this topic by the regulator as

recognising this as totally undue, but for the time being we have to recognise that courts rule this way or the other way not regarding NBS guidance yet. So I think we have to flag here that this is a matter of concern for us, it clearly shows up in provision charges at the level of KB and this is something we surely have to do or Serbia has to do something about.

The next question is from Jovan from RBI. Is there any room for downwards revision of management CET1 target and what is the hurdle for the payment of the catch up dividend to the planned 92.2 million euro? Thank you very much.

There is no plan as of now to revise any capital targets that would clearly be a much broader conversation strategically speaking, but I think for now our targets are well set established, in line with our risk appetite and at the moment we clearly exceed these targets, so there is no dilemma with regards of the remaining amount of 90 million as this amount anyway doesn't even show up in the capital. So this is only and exclusively subject to us being allowed to pay.

The next question comes from Gšsper from Slovenia. Hello and congratulations on another great quarter. My question is regarding the outstanding shares in Macedonia, Kosovo and Serbia. Are there any plans for a buyout of minority shareholders to reach 100 percent ownership considering good ROE of those branches?

At this point of time there are no considerations, so Archibald mentioned before that we have just had a process in place to actually buyout minorities of KB, we found interest for 5 percent, there was no interest currently for more and we are fine with that and we are able and know how to live with minorities of listed companies such as Skopje and at this point of time we can coexist and you know rather focus our efforts and you know capital in other potential incremental opportunities as well. So I believe this is reasonable thing to do at this point of time. Of course we would not shy away if there were very favourable opportunities to actually buy this out, but you know we are not pressed by it and we don't see this as vital for continuation in these countries.

And just to remind us that we have fully recognised all minorities from a capital point of view there is no dilemma. Obviously we like our own entities and we have great teams locally delivering exceptional results, but as Blaž said ultimately that is you know a question of supply and demand whether there is transactions and so at the moment there is no need whatsoever for any deliberation on that.

The next question comes from Đivo from InterCapital. We read about the changes in CHF loan regulation in Slovenia, in April a new draft CHF law was submitted to the Parliament, some other banks already booked negative one-off, what about NLB' how many CHF loans did you have in Slovenia and what impact do you expect?

So if I may give it a shot? We have relatively limited size of the book in Slovenia, it is far below 100 million so from this point of view we don't consider this a material issue. What we are of course focused on is the benchmark reform and everything going on in that space, so here we would have hoped or still are hoping to some extent that there are statutory resolutions being put in place which in our view would help mitigate let us say appetite for litigations, but we are of course prepared for any scenario and in this sense are in active dialogue with our customers on the matter, but for us as a Group this is not a material topic.



Next question comes from Krešo from Intercapital. Do you expect establishment of any specific provisions or worsening of economic conditions in the second half that would breach the current COR level and the updated guidance?

From today's perspective no, I was very positive when closing our address, so I would not revise that in 15 minutes and I remain positive. As long as forecast is 5 percent growth of Slovenian economy in aggregate terms and we see HORECA finally being open and there are indications that they would not be locking down again for vaccinated, infected or tested people I remain very bullish. So I would not revise to the other hand, I said that there might be positive surprises to the lower end of the range.

We currently have no further questions from the audio conference or webcast.

So I guess this gives me a chance to wrap up and thank everyone. As said we are enthusiastic, optimistic, NLB is on very good track that in the midterm really positioned itself as I said one of the most meaningful businesses in our core region. There are some solid progresses and prospects potentially to open room also in other geographies, we were mentioning Albania, but there has been diplomatic effort to potentially also enable our entry into Croatia and that is something we would specifically like, but of course it is now too early to touch as a topic. Overall very positive sentiment, very positive feeling, looking forward to report Q3 and we believe very strong full year. Thank you very much and see you for Q3 results.