ALIOR BANK S.A.

Q3 2015 Results Presentation

Conference call held on 5 November 2015

Edited transcript

Corporate Paticipants:

- Wojciech Sobieraj, CEO
- Witold Skrok, CFO

Participants asking questions:

- Dariusz Górski, BZ WBK
- Marcin Jabłczyński, Dutsche Bank
- Iza Rokicka, Ipopema Securities
- Kamil Stolarski, Haitong Bank
- Ivan Bokhmat, Barclays Capital
- Anna Marshall, J.P. Morgan

Good morning, everyone. Welcome to Alior Bank's Q3 2015 results announcement. Today, our speakers are Wojciech Sobieraj, CEO, and Witold Skrok, CFO. Please, gentelemen, start the presentation.

Wojciech Sobieraj: Good morning, Wojciech Sobieraj speaking. I would like to welcome you at our quarterly results presentation. Let us start on page 3.

Going by the numbers only, it is another boring quarter from Alior. NIM is at 4.5%, looking at 4.6% at the end of the year. Sufficient capital and liquidity positions, capital position at 10.3% and L/D ratio at the comfortable level of 93.5%. Asset quality maintained, we are assuming that CoR will go up to 2.4% at the end of the year, but now it is 2.3%. NPLs are at or below market averages.

There were two big events this quarter: the first is the concluded merger with Meritum on the weekend 25-26 October 2015, and the second is changes at the Management Board level. We have two new VPs: Barbara Smalska from PZU has joined us, and she will be responsible for the technology, mergers, integration, T-Mobile projects and cooperation with PZU. The teams have already started to work, and I think that the first results of their work [will be seen soon enough], bearing in mind that we are still two separate entities, but we are looking at the opportunity to start our cooperation at different levels, as a result of the change of the ownership structure in Alior as soon as 2016. The teams are working, and the first results will be annouced, I hope, by the end of November.

Then we also have Małgorzata Bartler, who has joined us from PLAY and was formerly with Żywiec and Shell. After all these years, we have figured out that we are a big organisation, we have close to 7,000 people, and this is a high time to introduce the really, really best-in-class HR management in Alior to be able to recruit, maintain, train and develop the best people on the market.

On page 5, there is something that we would like to announce and be very proud of. For the last 7–8 years we have been telling the market that our IT platform is something really unique and much better than what is available on the market, because it is flexible, fast and expandable. It is like a platform from the Lego blocks to build upon. Our engineers in Kraków and in Gdańsk have proved that it is working. Looking at the examples on the Polish and other markets, we believe that this is the fastest and smoothest merger process that has been done. You know how difficult banking mergers are: 500 people working on the merger, 293 of them – at the last weekend of 25 October. We have 340,000 clients, 600,000 different products, and no mistake made,and everything from signing the SPA to regulatory approvals, legal mergers and an operational merger within one year.

I can say that I was responsible for many mergers before, and this is the fastest merger that I have done in my life. I hope this proves that we are now ready and willing to move faster and to embark on other consolidation projects.

Now, back to numbers and results. There are three-four numbers that I would like to draw your attention to. One is the solid growth of NIM, and 20% stabilisation on net fee and commissions, Witek will cover that later. Both of these lines are linked with our programme to reduce the level of repayments in cash loans, and this special project after the results of Q2 proved to be successful. Costs are under control, translating into net profit and q-o-q growth. These results are comparable to Q1 of this year. The PLN 1 bn growth of the loan book is very much in line with our guidance of PLN 4 bn loan book growth per year.

These are the main achievements of this quarter, and now I am passing to Witek to go through the details of our financials.

Witold Skrok: Thank you. On page 8 you can see that we are enjoying the PLN 1 bn growth of the credit volume, and, what is extremely important for us, is that in Q3 we are tackling the issue of cash loans, and, if you look at the growth of the cash loans, you will see that we are back in the positive growth mood. The same is with the mortgage portfolio – still, respectively, the mixture between the business and retail customer stayed unchanged.

We had a really, really good quarter and as Wojtek mentioned we had this issue with the early repayment of our cash loans, which we faced in Q2, but the result of the quarter showed quite optimistic prospects as far as the last quarter of this year is concerned.

On page 9, we have deposit base development, showing our L/D ratio at a very conservative, safe level. We have enough liquidity buffer for the forthcoming loan growth, and the important thing that I would like to highlight is that we collected almost PLN 2 bn deposit from the retail customers. You may remember that in the previous quarter we underlined that we focus on the corporate customers to get cheaper funding with a shorter maturity, and after the last interest rate cuts we changed our policy and we try to get longer maturity deposits from the retail customers.

On the next slide, slide 10, we have the NPL portfolio breakdown. We enjoyed a very low NPL ratio vs the market in all segments, as in Q2 we disposed of a significant amount of NPLs in the retail portfolio, which was one of the reasons. In Q1 2016 (not in Q4 2015), we will dispose of another part. The coverage ratio is at a very safe level, with a very small risk; we are very comfortable with this position.

Page 11 shows that our interest margin stabilised at the level of 4.5%, and we expect some improvements in the next quarter, as Wojciech mentioned. It is important to note that this stabilisation, to some extent, is explained by the liquidity buffer for the increase in the last quarter. Thus, the net interest expenses increased slightly, and without this buffer we would not be able to enjoy the 4.6% NIM.

On page 12, you can see the fee and commissions composition. We are back on track with almost PLN 90 m. The next step is forming a provision, and, with solid revenues, we aim for the next quarter, where we expect to improve this result.

Page 13. Capital position. As you know, all banks get a letter from KNF, with our position of 10.3% we are above the minimum Tier 1 level, and 12.7% CAR means that we will go to the market for the subordinated debt, and some of you have already got the invitation to the meetings with us, so this issue will be tackled in this quarter.

On the next slide, slide 14, you can see our policy on strict cost discipline, with the C/I ratio being slightly above 49%, and our target is to reduce this to 48% at the end of this year. What is important to mention is that 1/3 of integration costs has already been booked, and the rest will be booked in Q4 2015.

Page 15 deals with the customer base. After certain turmoil that we faced in Q2, we are back and are enjoying growth of our customer base. We acquired almost 40,000 customers in Q3.

Next page, page 16, shows the results of our ideal branch optimisation project. We reduced the number of branches and we changed the structure, focusing on the cost base of our branches. With Meritum, Tesco and T-Mobile, we are now very strong players in terms of the physical distribution network. Thank you.

Wojciech Sobieraj: On pages 18 and 19, we summarise our cooperation with T-Mobile in Poland and Romania, in Poland it is going really well. We are at present close to 160 T-Mobile stores. Our products are offered in all outlets of T-Mobile, but we have special people on the ground dealing with financial services only in the 160 outlets. By the end of the year it will be 170. The growth is in line with our expectations. We launched two or three completely new products: one that is particularly interesting for both parties is the Phone Financing Project. I think that with handsets, tablets and smartphones becoming more and more expensive, this project, which was launched in August, will prove to be very successful, because it is a kind of a win-win situation for us and for T-Mobile.

Then, after the successful merger with Meritum, all our IT engineers are now focusing on launching the Romanian project. We hope to be there, on the ground, with offer to the clients, as early as Q1 2016 (or Q2 at the latest). We already have engineers and special teams in Romania successfully cooperating with the local T-Mobile experts and engineers. The market base and potential are really huge, because T-Mobile in Romania is not only a mobile operator, but a fixed-liner: they have the same database and client base as our TP SA earlier. Obviously, we will start with the most successful projects and products, including handset financing.

Now, on page 21, you can see some looking-forward statements. I will start with something that is not mentioned on this page, which is that the successful merger with Meritum was not only a successful engineering project, but also, from the financial point of view, I would like to stress that we achieved all the expected results from both revenue-side, synergy- and cost. Now I can confirm that we did indeed make our best effort, now it is reality and we will balance the costs of synergies, and the synergies themselves, for 2015, so it will be neutral for our results this year, and it will be positive in 2016. The contributions and the size of the revenue that is coming from Gdańsk is in line with our expectations and with what we presented to the market, and in some cases they even exceed the expectations. By doing the merger with Meritum, I think we reorganised our development centre for the retail products, including CRM, quality management, agencies and intermediaries which moved to Gdańsk. Now Alior should be viewed from the HQ point of view as an organisation that is equally based in Kraków, Warsaw and Gdańsk.

Looking at the results, the first line is the results for 2015. We have PLN 270 m for the three quarters, yet I would still like to comment and to refer you to the original target, which is PLN 353 m. I feel very comfortable with the amount of PLN 353 m, but I do not want to increase this figure every quarter; with the moving target, our new highest expectation is PLN 369 m, despite the fact that October is a very good month, but this is the most as I can say at this moment.

NIM is at 4.6%, slightly below 4.9%. We have built a sufficient buffer from the retail deposits, which are coming with no price. That is why we believe that slightly above 4.6% is manageable by the end of the year.

We confirm the C/I ratio at 48%. Doing the operational merger with Meritum on 25 October gives us the opportunity to reduce the staff that is working at the HQ of both banks.

The CoR is at the level of 2.4%, the same number that we have had from the beginning of this year.

Finally, we still confirm the loan growth of PLN 1 bn per quarter.

Thank you very much, this is the end of the main part of our presentation. If you have any questions, we will are open for them.

Thank you, gentlemen. We have already the first question from the audience.

Dariusz Górski: Dariusz Górski, BZ WBK. I would like to ask you about this super strong growth in deposits. I mean, you king of flag that before, but was it that the market only allows you to collect so much over the quarter, and secondly, how do you position yourself against the potential rate cut? Collecting long-term deposits would not help you in that, I suppose.

Wojciech Sobieraj: I will take the first part of your question and Witek will tackle the second one. This is one of the small tricks that we have learned by merging with Meritum. They had much better and much more efficient deposit collecting machine over the Internet. We were both banks with scarce capital, problems with shareholders, etc. So we have learned to be independent from the parent companies' positions and be very entrepreneurial. What we have seen in Gdańsk - how efficient they are in attacking the Internet clients, we passed to our client base, and I hope some of you got offers really suited for your needs. In the retail deposit collection in Q3 we can see the first result of the merger with Meritum as well as our investment in the new CRM. We try not to overpay, but our offer is attractive, different from those currently advertised by other banks, it is still slightly above the market average. Presenting the offer to the right people at the right time over the Internet and not by using ATL – we never advertise our deposit campaigns on the radio or in press – I think this is the key to success.

Witold Skrok: The potential interest rate increase. Yes, you are absolutely right that with a bit longer maturity of our deposits we will suffer in case of the interest rates increase. In Q1 all of us had a certain expectation of the interest rates, and it happened. In Q2 we expected the interest rate to increase, but now we are discussing the interest rate cut. If the cut happens, we will need one or two quarters to adjust our deposit pricing. It means that in these two quarters NIM will be slightly lower.

Wojciech Sobieraj: The last point on this topic is that we see a stable growth in the demand for loans. So we had to be very careful with what happened in Q2 with early repayments, but since we tackled the issue with early repayments in cash loans, and we see a stable increase in demand for investment loans, we need to build a more rigid buffer on the deposit side.

Marcin Jabłczyński: Marcin Jabłczyński, Deutsche Bank. I have a question on your capital. You have mentioned some debt issuance, but given that from next year you are facing the core Tier 1 limit of 10.25%, how should we think about your risk-weighted assets limit next year? You will of course retain the second half of this year. Also could you please comment on this in light of potential acquisitions? I think you have had some comments that not PZU but you yourselves are going to potentially buy other banks. So how would that play out? Given your already stressed capital, how should we think about it?

Wojciech Sobieraj: I will cover the mergers. With the mergers, there are two small entities that we are looking into ourselves. If in a theoretical situation, this both entities are below the book value. This would be possible from our capital position, it would even strengthen our capital position and would allow us to still get into this 10.3% by concluding this merger. We are not talking about buying a bank above the book value. This is the answer to the merger issue.

Witold Skrok: Regarding the capital position, we are not even considering any solution to improve our capital position which would reduce our capacity growth. What we are working on is securitisation and another capital relief which will be able to improve our capital ratio for Q1 and Q2 next year. After that the retained earnings would be sufficient to cover the risk-weighted asset growth.

Wojciech Sobieraj: So to help - there are three things on the line: to colclude the merger below the book value, to securitise or to get the guarantee and to use another capital relief mechanism. Going to the market for less than PLN 100 m, which is needed for half a year only, is not a preferred solution. So let us work now on the first three issues. I believe that there is a 90% chance or even more that those will be concluded and sufficient to meet this new KNF’s requirement.

OK, we have one more question.

Dariusz Górski: Dariusz Górski again. I have a question on customer acquisition from different channels. It looks to me that T-Mobile channel has lost its momentum because the incremental growth was actually very small in Q3. Was it seasonal, or did it reach the concentration point? I understand that this client base is not saturated in terms of products, so there is still a growth outlook but the customer acquisition itself seems to be slowing.

Wojciech Sobieraj: Definately it is not seasonal. We are working hand in hand with T-Mobile to get profitable clients, for us and for them. We are learning how not to serve the clients that are not profitable and are not using their accounts and services for more than six months. Our CRM machines on both sides are working at full speed. We have learned some things about our clients, we are not interested in empty accounts, we refocus our offer a little bit, and we even changed the agreements between the parties to favour the profitable clients growth. I think that as a result you will see solid growth and not lost of the momentum in the quarters to come. In the current interest rate environment it is very difficult to earn the money from clients that are not prone even to have any credit functions, so we tried to change our offer to favour the clients that are interested in any form of consumer credit.

Dariusz Górski: Can I continue? On page 16 you are showing development in your branch network. Alior Express here is highlighted. I understand that it was either converted into branches or into agencies, but you also mentioned before that if you will be successfull in selling some locations, your cost of synergies will be equal to your revenue synergies this year. Has this happened, is this why this development on the chart took place?

Wojciech Sobieraj: No, the cost of synergies and the revenues will be balanced this year. I confirm that. This is not by selling of the real estate. Neither the results from the real estate restructuring, from the branches and HQ's, be visible in 2016. None of them will be realised this year. It is long-term leases usually, and it is not that easy to dispose of them in one or two quarters. Looking at page 16 and our recomposition of the branch network, we have not changed the Alior Express format. There are still simple products to be offered in the same locations. We upgraded a part of them into Alior branches, and some of them are operated under the franchise agreements. What is not visible on this page is that we built 325 Alior branches themselves. We are building 86 of them as upgraded branches to better service the clients from the middle class and from small and mid-sized companies. Alior originally was positioned at the market as a bank for those that demand more, and not for cash loans alone. Only the macroeconomic situation forces us to depend more on consumer lending. Now we would like to maintain our profitability built with consumer lending, but we would like to invest more in servicing the original Alior's client base. That is why we are upgrading our branch network. At the same time we have got the access to alternative distribution points, including T-Mobile, Tesco and everything else. I think that having altogether close to 1,600 outlets in Poland is simply too much, so we will be actively working on the presence, but the direction is very simple. We would like to have close to 100 branches that are really upgraded and are focused on the upfront clients in big cities and small and mid-sized companies.

Dariusz Górski: The final question from me. You may not be a perfect adressee of this question, but, nonetheless, allow me to ask it. You just called an EGM with a capital increase related to the next issue, an addition to the stock option programme. You have not disclosed the terms. What would your expectations be with regard to the programme? I know that it is up to the Supervisory Board to set the terms. What would your expectations be? Would this be similar to the previous one?

Wojciech Sobieraj: It is very simple. We have changes in our ownership structure, which is probably not the best time to call for the stock option programmes or anything like that, looking from this angle. Yet, at the same time, we have a business to manage, and there is this current programme, the stock option programme that has proved to be successful for investors and for Alior managers. It has proved to be very successful in terms of retention – we lost only three out of top 35 people. The Alior managers were kind of 'untouchables' for the headhunters in Warsaw because of the stock option programme. And this stock option programme simply ends on 14 December this year. As a responsible manager, I have a very difficult situation answering questions from my managers on what their terms are going to be from 1 January.

So, what I figure out, the best way would be to copy what was earlier, and this is what we have done. The programme that we are now announcing is a copy from the past adjusted for CRD IV. CRD IV from the managers' perspective is two things. First, it is spread over a much longer time, it is a three-year programme paid over seven years in smaller tranches. Then the big difference is that when a manager converts the warrants to stock, its additional requirements from CRD IV is to hold this for one year. There is a lock-up period for every stock converted from the warrants granted which is an additional buffer for investors that we, as managers, will be looking at the long-term growth of the bank.

But the main reason for me to call for this is simply that I have no choice, because if it is accepted – and I hope it is going to be accepted because there is nothing new or unusual in this programme compared with the former one – then I know who the top 14 are. This is the difference – we would like to cover not 35, but 14–15 managers with the stock option programme this time, simply because the rest belong to the managers that were 1% or even 2% of the former programme – for them, under the new CRD IV, these conditions are simply unprofitable. It is better to take an annual bonus of 30–40%, which is usual in the market for the top managers, than to be part of this stock option programme.

These are the only changes. And I hope that on 30 November this programme will be accepted thus giving me the opportunity to build the managers' team for the next three years.

Iza Rokicka: Iza Rokicka, Ipopema Securities. A few questions from my side. First, a follow-up on the deposit campaign that you did over Q3. Could you maybe give us a little bit of light on how much cost of those deposits is already incurred in the Q3 numbers? Whether you were acquiring those deposits roughly in line over the whole quarter, or whether majority of them were already on the balance sheet at the beginning of the quarter, thus we should not see any additional cost of that in Q4?

Witold Skrok: We started this marketing campaign in the middle of June. It was gradually built up in the course of Q3, so I would not expect any additional costs related to this buffer.

Iza Rokicka: OK, thank you. On the fees. You mentioned that you had succeeded in overcoming the problem with earlier repayments of cash loans that you had had in the previous quarter. But looking at the bancassurance fees that you booked in Q3, it has not recovered to the level seen last year. Is it going to further improve in the coming quarters, or should we, more or less, get used to the level we have seen in Q3?

Witold Skrok: If you look at the Q3 bancassurance figures vs. Q1, please remember that we stopped selling unit-links, which is one of the key products, and we earn quarterly around PLN 12–15 m from that source.

Wojciech Sobieraj: So, we will not come back to unit-links, but I think that, looking only at the early repayment impact on bancassurance, it would be fair to say that, on the one hand, we have seen the stabilisation of some unwise moves by our competitors that caused us some of the problems, while, at the same time, our retaliation machine works really efficiently, and we will use it to maintain stronger relationships with the clients. Thus, this portion of the bancassurance fees will be even better than in Q3. So, to make a long story short, this PLN 12–15 m of the revenues from unit-links will not come back, but the rest, I think, will see stable growth.

Iza Rokicka: You have also mentioned that October was a very good month in terms of sales of cash loans at least…

Wojciech Sobieraj: I think it is across the line.

Iza Rokicka: OK. But if we are looking at the sales – it means that overall sales have increased. Are they above the level seen in Q3, or has the mix changed towards more profitable products?

Wojciech Sobieraj: No, I haven't seen a spike in one line like a cash loan growth. It is fair to say that there is a balanced growth across all the segments. One thing that is always escaping is that we have now the fourth largest distribution network. We are No. 5 in the country in terms of the staff hired. And, yet, in terms of the profitability and profits, we are Nos. 8 and 9 in the country. What it means is that the number of clients, number of products, the loan volume per employee per branch in Alior are still below the market averages. We are not infant any more, we are not a start-up. We have been operating in the market for seven years, but we have not achieved the saturation yet.

It is fair to say that, in the continuation of Q4 and next year, utilising the new CRM machine, utilising the new investments (even now we are investing in a new internet and mobile platforms) will lead us to levelling the productivity of our network and our staff, thus leading to really strong double-digit growth across all the lines of our business. Our re-focus on the branch network from Alior Expresses to Alior upgraded, first-class – we do not know the working name for that yet – in the large cities shows that we will try to escape a little bit from the cash loan trap. And what Witold has presented on page 8 on our loan book development, this is what we would like to maintain for the years to come as a balanced bank.

Iza Rokicka: Thank you. And the final question from my side would not probably be crucial, but still… You are still maintaining the guidance that the cost of integration this year will be more or less equal to the savings. We know that there was a PLN 12 m integration cost in 9M. I am just wondering what the amount of savings was, just to grab this positive upside in costs, in Q4.

Witold Skrok: We expect the synergies in the amount of PLN 36 m this year. Quarterly, the distribution of synergies and integration costs was explained by the timing of operational integration which we completed at the end of October.

Kamil Stolarski: Kamil Stolarski, Haitong. If I may ask about this incentive scheme. Is the acquisition price for the managers fixed, or do you have a moving target? Is this based only on the share price?

Wojciech Sobieraj: It is based on the condition that is unchanged from the past. We must beat the WIG-banki index. Now, from the past, it was an increase of 10% first from the IPO time. It was 10%, 5% and 2.5%. That leads into a smaller growth. Now, in this programme, it is fixed, and the only condition for us is to beat the WIG-Banks index.

Kamil Stolarski: The acquisition price is fixed?

Wojciech Sobieraj: Yes.

Kamil Stolarski: OK. A question about the banking tax. Because you used to say about the RoE target if you originate any sort of a product. Assuming there is a banking tax in place, would you compromise on the RoE target, or do you think that you would be able to have the same RoE target, but with higher revenues?

Wojciech Sobieraj: Let us wait for two or three weeks to see how it is going to materialise, this banking tax, what the rules are going to be. It is very difficult for me to answer this question now. Is it going to be equal across all classes of assets, does it matter what the clients are, does it matter what loans are granted for? I do not know. We both have to wait for the results, and then we will obviously make a statement on how it is going to impact our business.

Kamil Stolarski: My final question would be in relation to the interview that was in Forbes. Do you think that the banks are actually over? Is this new tactics enough for you? What is your perspective?

Wojciech Sobieraj: The incentive scheme is there to keep the management team, the whole of the management team, for the next three years – this is as simple as that. It is very difficult to call it a mission, but one of the reasons why we are happy with what we are doing is that, after the start-up glory, we are now given an opportunity, a theoretical opportunity to play an active role in consolidation. Our merger with Meritum has proved that it is not just the words but the fact that we can do it much faster and much more efficiently than anyone on the market. Sorry from me to be so open with this. If this growth continues, if we still invest in the new solutions, and, at the same time, people like Barbara Smalska join us to focus on potential mergers and cooperation with PZU, this offers attractive development possibilities for the entire management board.

How it goes with what I said about the banking and attractiveness of FinTech, well, sometimes the life is an art of choice. So, we cannot do both. I do not believe that the banks will be doing FinTech. We are in our late forties–fifties, it is a kind of career decision for us who would like to stay and develop this bank for something that could be. And this is my dream also to become important in this part of Europe. Can Polish banks [compete with] Austrian banks in Central and Eastern Europe? My answer is yes. And we will be spending the next years on building that. Some of us, like Michal Hucal, who was responsible for the development and was one of the pioneers in Alior, and we were hand-in-hand for all these years, he is leaving to choose a more FinTech path. I think it is not a contradiction, it is a choice. But, to answer your question, I tend to be very a rational, yet responsible person. If I say I stay, I stay.

Are there any following questions? If not, operator, please open the line, if there any questions from the attendees on the conf call.

Operator: Everone connected on the phone, if you wish to ask a question, please press “*1” and wait for your name to be announced. And we have a question from Ivan Bokhmat, Barclays. Please, go ahead.

Ivan Bokhmat: Hello. Good morning. I have a very small question. Would you elaborate on the impact of your contribution to the Distressed Borrower Fund? Sorry, I hope it wasn't discussed yet.

Witold Skrok: This is just a part of our business, and with this, we will be able to extend our volume growth since nothing... OK, of the total PLN 600 m, our contribution is around PLN 40–50 m.

[Post-call comment: The verified number of the bank's contribution to creditors support found amounts to PLN 7,2 mln].

Ivan Bokhmat: That is in case of full utilisation, right?

Witold Skrok: Yes.

Ivan Bokhmat: All right, thanks.

Witold Skrok: Ivan, we will provide you with the correct figure.

Operator: Your next question is from Marta Jeżewska-Wasilewska, Wood and Company. Please, go ahead.

Marta Jeżewska-Wasilewska: Good morning. Two small questions probably asked, but maybe a little bit of specification. We have noticed a significant growth of financing costs in Q3, which basically stems from a higher cost of deposit financing. How do you see this going forward? Do you think you will be able to lower this cost, especially if the lower market interest rates are coming? And the next question is about the employment. We start to see a dropping number of employees. What is the pay you are foreseeing for Q4 and then for 2016? And the last small clarification. Were the integration costs in Q3 concentrated within employee costs, because this line grew a little in comparison to previous quarters? Thank you.

Witold Skrok: Let me start with the last question about the integration cost. The bulk of the cost is slated to employee costs – salaries and retention packages which will be paid. Plus, after integrations, some of our IT systems will be written off. So, these are the two main components of the integration costs which we expect to be booked in the last quarter. Talking about net interest expenses, as I mentioned, our maturity of deposits is five to six months, so if interest rate cuts come we would be able to adjust for the current accounts immediately. However, it will take us one to two quarters to adjust for the term deposits. So, it will have the impact on higher fee expenses.

Operator: Once again, press "*1" if you wish to ask a question. Your next request is from Anna Marshall, J.P. Morgan. Please, go ahead.

Anna Marshall: Hello. Just a quick question on your asset quality. Could you please enumerate the reasons for the increase in Q3, and what are your expectations going forward? Thank you.

Witold Skrok: If you look at the NPL ratio, it is growing according to our business development. The cost of risk remains unchanged –recently, we even reduced expectations. So, this ratio for the next quarter will grow by 50 bps for the retail portfolio and 10 bps for the corporate portfolio.

Are there any following questions, operator?

Operator: Press "*1" if you wish to ask a question. And there are no further questions at this time. Please, continue.

All right. So, if there are no further questions, then thank you everyone for attending our today's presentation. And we will see you at the end of March, I believe, at the next quarterly results.