BAWAG Group

BAWAG Group Q1 2019 Earnings Call

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Transcription

<u>Speakers</u>:

Anas Abuzaakouk

Enver Sirucic

Anas Abuzaakouk

Good morning everyone. Hopefully everybody is doing well. I'm joined this morning by Enver, our CFO. So let's just get right into it.

On Slide 3, you see the bank generated strong earnings during the first quarter. On a reported basis, we delivered profit before tax (PBT) of €127 million and net profit of €97 million, this is up 9% and 12% respectively versus the prior year. Normalizing for the effects of regulatory charges, which we've communicated in the past and which are as usual front-loaded during the first quarter and cover 85% of total annual regulatory charges, we delivered profit before tax of €151 million and net profit of €116 million, both up 6% and 8% respectively on year-over-year normalized basis.

In addition to a strong set of earnings, we continued to execute on our strategy and transform our business. To date we've made very good progress delivering on Concept 21, with 14 new branches scheduled to be opened by the end of the second quarter. We've launched multiple retail partnerships: with MediaMarktSaturn having launched in January and the Jö bonus loyalty program launching in May, which by the way covers over 4 million customers in Austria across leading retail loyalty programs. We've also released a number of digital products that have been in the development this past year, introducing our Point-of-Sale finance product with retailers and our revamped mobile banking app called "klar" in Austria, which is the German word for "Clear & Transparent". We closed on the 3 acquisitions we signed in December of 2018, adding platforms that will help us grow our SME presence in Germany and Switzerland, which are offering attractive factoring and leasing products to our customers.

In terms of capital generation, we generated 70 basis points of gross capital during the quarter and increased our CET1 ratio by 40 basis points to 14.9%. This is after accounting for the impacts of IFRS 16 and the Swiss acquisition, which closed in March of this year. We're on track with regards to our planned capital returns. On 30 April, the AGM approved our proposed share buyback program of up to €400 million, which is pending regulatory approvals and we paid a dividend of €215 million last week, which represents 50% of the 2018 attributable net profit.

Moving on to Slide 4, all around a very strong first quarter in terms of financial performance. Our reported pre-tax profit was €127 million, up 9% versus the prior year. This was driven by higher core revenues, lower costs and risk costs down over a quarter. Our cost-income ratio came in at 42.4%, consistent with our annual target for the year of under 43%. The reported Return on Tangible Common Equity came in at 12.0%. On a pro forma basis, which considers normalized regulatory costs, a proposed share buyback of €400 million, the dividend of €215 million that we paid last week for 2018 and the dividend accrual for the first quarter 2019, the Return on Tangible Common Equity would be 17.8%, in line with our stated target of 15% to 20% for the year. Additionally, the CET1 ratio came in at 14.9%. On a pro forma basis, the CET1 ratio would be 12.7%, within our stated target range of 12% to 13%.

Moving on to Slide 5. At the end of first quarter, our fully loaded CET1 ratio was 14.9%. We generated 70 basis points of gross capital, partly offset by 30 basis points on acquisitions and the impact of IFRS 16, resulting in a net capital generation of 40 basis points. Considering the proposed share buyback of €400 million and the dividend accrual for the first quarter of 2019, we would have a pro forma CET1 ratio of 12.7%, in line with our target range.

We have a highly capital accretive business, which allows us to grow organically and inorganically, in addition to returning capital to our shareholders. Our capital distribution policy is for a 50% payout ratio of attributable net profit. To the extent we generate excess capital and are unable to deploy such capital through growth measures, we will distribute capital back to our shareholders. We will always strive to be good stewards of capital, ensuring we deploy capital sensibly and meeting our return thresholds of over 15% RoTCE. Our pro forma Return on Tangible Common Equity (RoTCE) provides a more accurate picture of our underlying profitability and captures our capital deployment strategy.

Moving onto Slide 6, we highlight how we continue to deliver on our M&A strategy. Over the past 3 years, we’ve built a track-record of identifying and executing on highly accretive bolt-on acquisitions. These bolt-on acquisitions have reshaped our business and play a large part in the transformation of the Group as we continue to grow across the DACH-region with a strong focus on Retail & SME, which today accounts for over two thirds of the Group's PBT. Since the fourth quarter of 2015, we've made 9 acquisitions, strengthening our Retail & SME offering in Austria as well allowing us to enter the German and Swiss market. Our 3 acquisitions announced in December 2018, which are BFL Leasing, Zahnärztekasse and Health AG, have already closed and we're excited about the businesses and teams that are joining the Group. The acquisitions provide access to a solid SME customer base and will be earnings accretive from Day 1. However, they will have a de-minimis impact on our targets for 2019 and 2020. We expect the businesses collectively to contribute over €25 million of PBT by 2021 and be drivers of growth throughout the group. The Day 1 capital impact from the acquisitions will be approximately 50 basis points (of which 10 basis points were already accounted for in the first quarter and the remaining 40 basis points to come in the second quarter. The transactions were underwritten to generate a RoTCE of >15%. The initial 12-18 months will be focused on integrating the platforms into the overall Group, executing on our transformational plans and expanding the businesses' footprint to grow across new channels and geographies. We're extremely excited about the opportunities ahead and continue to assess various bolt-on M&A opportunities of the same flavor and variety.

Acquisitions are an important part of our strategy, however our main focus continues to be on executing on our organic business.

Moving onto slide 7. At the beginning of the year, we changed the segmentation of the Group to simplify our reporting structure as well as to make more visible our strategic focus towards Retail & SME in the DACH-region complemented by disciplined and conservative corporate and public sector lending across developed markets.

Our Retail & SME business delivered pre-tax profit of approximately €84 million. Core revenues were up 2%, operating expenses were flat and risk costs and regulatory charges were down. The business generated a reported Return on Tangible Common Equity of 18.5% - or 22.1% on a normalized basis -, a cost-income ratio of 41.7% and a stable NPL ratio of 2.0%.

Our Consumer, SME & Housing loans were up 1% versus the prior quarter and 5% versus the prior year. The run-off of our different mortgage portfolios was in line with our projections. The focus for the business in Austria has been executing on Concept 21 and building out our independent branch network by the end of the year. Additionally, the focus across the DACH-region is on building out our retail partnerships, where we have a strong pipeline of new partnership opportunities, and rolling out digital products across all of our brands and channels. Our digital products aim to be easy to use, easy to understand, transparent, and are designed to meet our customer's needs while creating a seamless and efficient middle & back-office. We are leveraging the development of our retail products across all of our platforms, be it with the Point-of-Sale financing product, revamped mobile banking, or SME lending.

On Slide 8, here really the message is pretty simple: We continue to execute on the many operational and strategic initiatives while pursuing new growth opportunities, which has been consistent throughout the years. We have a natural bias for execution and focus on the things that are within our control.

As far as transforming our core Austrian franchise, we continued to make very good progress this year. On Concept 21, we are ahead of our plan in terms of retention, improved customer feedback, new hires and building out our independent branch network of under 100 branches by the end of the year, adding 14 new branches by the end of the second quarter alone with a new design focused on creating a paperless environment with enhanced digital functionality. The retail partnerships are off to a great start and we're excited to see how this develops over the coming years as we believe the combination of new partnerships, new technologies and digital products offered to our customers across our multi-channel platform will allow us to best serve customers today and long into the future.

Our DACH growth strategy has also progressed with the Südwestbank and start:bausparkasse transformations. The momentum from 2018 has actually continued into 2019 and more importantly, we are looking to grow through new products and channels across Germany & Switzerland. Expanding our Retail & SME offering and leveraging new products and distribution channels across Germany & Switzerland through retail partnerships, direct platforms, brokers and dealers will allow us to best leverage our technology and operating platform to deliver value for customers. With the additions of the leasing and factoring businesses, we are in the process of setting up our site presence across multiple cities to best drive operating leverage and continue to benefit from Group-wide synergies.

On Slide 9, our Corporates & Public Sector business delivered pre-tax profit of €47 million. Core revenues were down 2%, which was primarily impacted by lower fee income, however, this was offset by operating expenses being down 14% and positive risk costs. The business generated a reported Return on Tangible Common Equity of 11.8% - or 13.0% on a normalized basis -, a cost-income ratio of 35.4% and a stable NPL ratio of 1.3%. We have been disciplined as it relates to growth, never over-extending ourselves, focusing on risk-adjusted returns and always taking a conservative approach to credit before anything else. We are cognizant of the fact that we are in the late stages of a credit cycle and remain vigilant in assessing and pricing risk. When underwriting transactions, we base our loss analysis on through-the-cycle credit losses and idiosyncratic risks, not merely just relying on current low losses that are a result of a benign credit environment and truly not a reflection of the credit fundamentals of a business. We have stayed committed to our disciplined underwriting approach, focusing on senior secured lending, Day 1 average LTV's under 65%, and maintaining an interest coverage ratio of greater 2.0x.

We continue to see pricing pressure across the Corporate lending space, with assets down 6% versus the prior quarter. We will remain focused on assessing financing transactions based on risk-adjusted returns that make sense and will not chase volumes or put on unprofitable business. We believe our patient and disciplined approach will pay off over time. Conversely, we continue to see good opportunities in asset backed lending, with assets up 5% versus the prior quarter and a solid pipeline of opportunities ahead of us.

With that, I will turn over to Enver.

Enver Sirucic

Thank you, Anas. I will continue on slide 11. We delivered a strong first quarter with profit before tax of €127 million, which is up 9% versus the prior year. On a normalized basis profit before tax would be at €151 million and net profit at €116 million.

Core revenues improved by 2% versus prior year and were stable versus fourth quarter, with a slightly better net interest margin of 226 basis points. Operating expenses came down, both versus first and fourth quarter of 2018, with a cost–income ratio now below 43%, which is in line with our full year targets. Risk costs remained at a low level with risk cost ratio of 13 basis points being a little below our 15 to 25 basis points guidance range. Generally, I would say all numbers are in line with our revised targets.

Moving on to slide 12, an analysis of our balance sheet. Customer loans and deposits remained largely stable in the first quarter. We increased our cash position, which we plan to mainly use for an early redemption of the TLTRO II by June this year. In March we issued €400 million of Tier 2 capital and completed our total capital optimization, after the Tier 2 tender and Additional Tier 1 issuance back in 2018. Risk weighted assets remained stable versus year–end after absorbing effects from IFRS 16 implementation and our new Swiss acquisition that closed in March this year.

On slide 13, we saw a stable development for our core revenues in the first quarter. Net interest income was up 3% on prior year but slightly behind the previous quarter, reflecting the fewer number of days that we have in Q1 but it was in line with our expectations. We saw good developments across our core retail products, mainly consumer loans and mortgages. This was also reflected in our net interest margin of 2.26%, which is up 1 basis point from the Q4 level.

\- A solid net commission income, showing an improvement of 3% versus prior quarter. Positive development in Retail & SME, driven by lower payments to the Austrian Post and a better loan commission income as well as stabilizing securities and insurance business. This was partly offset by softer commission income in Corporates and Public, but all in all, a solid quarter of core revenues and a good start into the year.

With that, moving on to operating expenses on slide 14. Operating expenses have normalized after seasonally higher expenses in the fourth quarter. Costs were down 3% year-on-year. Cost–income ratio came in at 42.4%, which is in line with our full–year target.

We will see continued investments into our branch network and this will gradually lead to an increase in expenses in the coming quarters. With the completed closing of our new acquisitions, I would also expect an increase of approximately €11 million per quarter of additional expenses for the rest of the year.

We've already started working through the next level of cost savings and will continue to work hard on cost control and remain laser-focused on efficiency.

Slide 15, again a very solid quarter on the risk side. The risk cost ratio was at 13 basis points and our NPL ratio at 1.8%, reflecting our focus on developed markets with over 70% of our customer loans being in our home countries, which is the German-speaking region and roughly 30% in Western Europe and the United States.

There have been no changes to our risk strategy which remains consistent with what we have communicated in previous quarters – we have no relevant exposures to Turkey, Russia, CEE, or more broadly, to Emerging Markets. Given our business is mainly domestic mass retail banking, we do not have any operations in countries with elevated AML risk.

For the rest of the year, absent any unforeseeable events obviously, I would expect to stay at the lower end of our thru-the-cycle guidance of 15 to 25 basis points in terms of risk cost ratio.

On slide 16, more details on capital: So our CET1 ratio came in at 14.9% before dividend and our total capital ratio was at 18.7%. The key drivers behind the capital ratio walk are really three elements. On the one side, we have earnings and a positive RWA development that contributed around 70 basis points, which is a bit stronger performance than in the previous quarters. Then, we had higher risk-weighted assets from IFRS 16 implementation, which cost 20 basis points, and the third bucket is a 10 basis points impact from our Swiss acquisition, which we closed in March. So net, net, 40 basis points CET1 accretion in the first quarter. On the total capital side, the €400 million Tier 2 issue contributed additional 200 basis points and now completed our total capital optimization, which we started a year ago.

On slide 17, we are reiterating our financial targets. At year-end we upgraded our targets by moving our original 3-year targets one year forward on the back of strong operating performance in 2018. Our profit before tax target of greater than €600 million in 2019 and greater than €640 million in 2020, represents annual growth rate of over 6%. The cost-income ratio target is under 40% in 2020 and we have a target of under 43% cost-income ratio for 2019. The Return on Tangible Common Equity target also remains the same within a range of 15% to 20% and our CET1 ratio target ranges from 12% to 13%. Our pre-tax EPS targets are greater than €6.00 per share in 2019 and greater than €6.40 per share in 2020. Our target post-tax EPS is greater than €4.50 per share in 2019 and €4.80 per share in 2020. Please note that these are all before the impact of any capital actions. With that, operator, let's open the call for questions please. Thank you.

Operator

Thank you very much. As a reminder, to ask a question over the phone today, please press * then 1 on your telephone keypad and wait for your name to be announced. You can cancel that request by pressing the # key. Once again, * then 1 to ask any questions, thank you.

The first question we have today comes from the line of Pawel Dziedzic from Goldman Sachs, please go ahead.

Pawel Dziedzic

Good morning and thank you for the presentation. Just a couple of questions from my side. The first one is on the buyback program. Can you just give us a little bit more details on where you stand with regulators, when would you expect to see approvals? And also if this is done, approvals are out of the way, in what time frame you would hope to complete the program? The second question is just on your cost-income. So you just mentioned that you are now below your 43% cost-income target. It looks like these bolt-on acquisitions will push that cost-income up. If we can look at the numbers that you gave us, on a pro forma basis over 44%, you also mentioned that there is a cost associated with branch network. So could you help us understand which part of the business will drive these cost-efficiencies in 2019? Where do you see the scope for biggest gains? And I leave it at that. Thank you.

Enver Sirucic

Thanks, Pawel. So I'll cover the first question on the share buyback. So what happened since we spoke on the full year earnings are 2 things: We have issued Tier 2 Capital, which gives us now a comfortable buffer on the total capital ratio. And the second one, the AGM took place, as Anas mentioned in the call, and everything was approved as suggested by the Management and Supervisory Board. So now we have the corporate approvals, what is now the next step is the approval from the regulator plus the approval from the Austrian Takeover Commission. We cannot give any comments to the specific timeline but if you read the AGM approval, you will see that the timeline is defined as a within a 6-month-period of execution. So what we can say is the next 6 months is what we would expect for the execution to take place.

I think the next question was about the cost-income ratio. It's a fair comment. So fortunately, we closed a bit earlier than expected initially, so yes, there will be pressure on the cost-income ratios, given the balance PBT for the acquisitions, but what I mentioned is, we have a couple of measures that we are working on with the core businesses that will offset that cost pressure that comes through the new acquisitions.

Pawel Dziedzic	Perfect, and maybe just a follow up if I can. So could you give a little more clarity on those particular measures that you have in mind, what will offset the cost growth, just a little bit more color on what parts of the business you see as still capable of delivering cost efficiencies.
Anas Abuzaakouk	Sure, so Pawel, I'll just add onto what Enver had mentioned earlier. The cost efficiency excluding the acquisitions, is really across the border. If you look at the German platform, we had strong momentum in 2018, for Südwestbank and start:bausparkasse, I mentioned that will actually continue in 2019. We're doing a lot. When we talk about an operating platform with digital products, creating a seamless middle and back-office that impacts our operations in Austria, it impacts our operations in Germany, so it's not any one particular initiative. There are a host of initiatives that give us a sense of confidence that we will be able to deliver on our cost-income ratio target this year, given the fact that we still closed the 3 acquisitions earlier than anticipated.
Pawel Dziedzic	That's very helpful, thank you. And maybe just a clarifying question on execution. You mentioned that you would plan to complete it within 6 months from … So can you give us a sense of the structure of the potential buyback as I think last time in 2018, you managed to complete around €30-35 million per quarter of the share buyback so clearly 400 is a large number in that context. Any thoughts on that from your side would be very helpful.
Anas Abuzaakouk	So Pawel, obviously we don't want to get ahead of ourselves. The most important thing is, it's pending regulatory approvals - I think we've been consistent on that. As it relates to the transaction, you're absolutely right, what we did last year in terms of the baby buyback was more safe harbor over-the-counter. This is going to be of a different variety and transaction type so most likely a tender along those lines, but that's again, getting ahead of ourselves. It's more important to focus on getting the approvals first and foremost.
Pawel Dziedzic	Alright, thank you.
Anas Abuzaakouk	Thank you, Pawel.

Operator	Thank you very much, the next question today comes from the line of Gabor Kemeny from Autonomous Research. Please go ahead.
Gabor Kemeny	Hi, my first question is on capital. Can you give us any color what caused the drop in risk weighted assets in the corporate segment? You had a 6% drop there while assets were down less than 2%. And related to that, how shall we think about the risk density over the coming quarters? Do you see the model approvals you were expecting, or anything else, benefitting you further on risk density? That is the first question.
Enver Sirucic	So Gabor, on the RWA development, you're right. We had a positive development in the corporate segment, which are a couple of initiatives that we did. One of them is just also deleveraging some of the assets where we don't think we got the right return on the risk weighted assets that we invested. On the density, what you see is a bit lower density in Q1 because we had a higher balance sheet just given the higher cash position that we built up to repay the TLTRO II. Over the next couple of quarters, I would say is the consistent guidance that we gave is that we wanna be in the low 40s on the RWA density and this is really a 12 to 18 months period that I can give you as a guideline.
Gabor Kemeny	Ok thank you. And the other one is on margins. Do you see any upside to your margins from the current levels? You are most active in Austrian consumer lending and you are active in asset backed lending, which I understand are higher margin businesses. So do you see this benefiting your margins going forward?
Enver Sirucic	Probably in the longer term you are right with the assumption but it just takes time to change the asset mix of the balance sheet, so what I said in Q4, take the 225 and now the 226, is I think a good proxy and I would expect a stable margin over the next couple of quarters.
Gabor Kemeny	Thank you.
Operator	Thank you very much. The next question today comes from the line of Mate Nemes from UBS. Please go ahead.
Mate Nemes	Yes, good morning and thank you for the presentation. Two questions please. Firstly on fee income: I was wondering if you could give us a bit more color on Q1 fee income? I think you mentioned that fees were sequentially up 3%, but when I look at year-on-year they are down 3%. And when I look at the two main operating divisions it seems like fee income development

underperformed the asset development. I was just wondering if this is temporary in your view or you're seeing a bit more fee margin pressure or perhaps in the Retail & SME business client activity was just simply lower?

And then secondly, I was wondering if you could talk a little bit about the performance in Germany? More specifically on Südwestbank, what is the status there and related to that any updates on Qlick would also be appreciated. Thank you.

Enver Sirucic

So on the NCI development, what happened in 2018 is that we saw softness in securities and insurance just given the market conditions back in 2018. That has stabilized now in the first quarter 2019 and also what I mentioned before, we had seen strong NCI on the loan product side and also the commission expense from Austrian Post is now less than where it was in 2018. So yes it's down versus Q1 2018. But good trend on securities, especially on the loan products, so I would expect that to further continue into the year.

Anas Abuzaakouk

So Mate, on Germany, I would tell you, the transformation and restructuring that we undertook in 2018 that continues into 2019 now, was on an accelerated basis as it relates to Südwestbank. We're super excited about the platforms that we just closed on and we mentioned earlier that we actually closed earlier than anticipated but this is gonna actually provide us with a platform in Germany to be able to focus across the Retail & SME segment on niche products - be it factoring, be it leasing, private banking and kind of situational areas, tapping into call it the platform type banking with mortgages, the retail partnerships that we talked about in Austria - we're going to look to replicate that in Germany as well.

So there's a host of things that we're pretty excited about. Obviously driving the operating leverage was first and foremost, that was the thing that we could actually focus on and now you'll start to see in the coming quarters really the top line start to improve as we bring on new products and new channels and take more of a pan-German view as opposed to just the regional view which we had purely through Südwestbank. So we're pretty excited about the leadership team there too we have in place. This is just something that just takes time.

But I think from an underwriting standpoint everything is as we expected and probably better on the operational side. On Qlick, a lot's gone on in Qlick. We've launched that on a direct basis. We're going to be launching retail partnerships that effectively are using the Qlick brand and the Qlick technology. But I will tell you, for 2019 and 2020 it's a de-minimis impact. It's more a long term play, similar to what you see with MediaMarktSaturn and the other retail partnerships in terms of a new customer acquisition channel and just the opportunities that it provides us going forward.

Mate Nemes	Okay. That's very clear. Thank you very much.
Anas Abuzaakouk	Thanks Mate.
Operator	Thank you very much. As a reminder to ask a question today, please press * then 1 on your telephone keypad. The next question today comes from the line of Marcell Houben from Credit Suisse. Please go ahead.
Marcell Houben	Morning gentlemen. Thanks for taking my questions. The first one is on the cost-income ratio. I know at the Group level the target, but you also had a divisional target at the retail segment. Now that they're merged, is it still 42 or smaller by 2020? Does that target still stand?
Anas Abuzaakouk	So Marcel, on that particular one, I think you're referring to when we said BAWAG P.S.K. It will still be under 42 percent for the combined Retail & SME and hopefully even better. I think you can probably see the run rate just from the first quarter. We feel pretty good about that.
Marcell Houben	Excellent. Okay, the second one: I was on the €400 million Tier 2 and the TLTRO redemptions - what is the impact or the expected impact on the NII?
Enver Sirucic	Almost nothing, it is almost neutral, just a bit more efficient on the balance sheet and we also just want to early redeem it and not carry it on in the next 2 years.
Marcell Houben	All right. Thank you.
Anas Abuzaakouk	Thanks, Marcell.
Operator	Thank you very much. Once again, as a reminder to ask a question today, please press * then 1 on your telephone keypad. We have a question from the line of Michael Dunst from Commerzbank. Please go ahead.

Michael Dunst	Yes, good morning together. My remaining question is on Concept 21. How many branches do you have now on your own? I believe the published number was 74 branches. Can we expect 14 new branches? Which means you will have nearly 90 branches. And how much Post offices are still used by BAWAG? And the other question: How much commission expenses were related to the Post in the first quarter 2019 and compare the number to 2018. How much commission expenses related to Post are you planning for full year 2019? That would be my question.
Anas Abuzaakouk	So Michael it was hard to hear you. The connection was just a little unclear. I'll try to repeat the questions to make sure that we will address what you had. So you asked about Concept 21 and how many branches I think we have in BAWAG today. You asked about the cost base?
Michael Dunst	The commission expenses related to Post.
Anas Abuzaakouk	Commission expenses, ok. And then, there was I think a third question if you could repeat that please.
Michael Dunst	How many of the Post offices are you still using? The last published number was 67 Post offices I think.
Anas Abuzaakouk	So Michael, really simple. So on a stand-alone basis we're at 62. We're going to be opening up, I mentioned earlier in the call, 14 new branches by the end of the second quarter. The transition - I wouldn't give you a number on the Post offices that are still open, just because that's effectively bleeding off. By the end of the year we're going to be under the 100 branches that we committed to when we discussed Concept 21. But 62 plus the 14, and then effectively we'll have a complete separation by the end of 2019.
Enver Sirucic	And on the Post commission, we had roughly €3 million per quarter last year and it came down now by another 50 percent, so it's roughly €1.5 million.
Michael Dunst	Ok, so nearly nothing now. Ok.
Anas Abuzaakouk	Yes it’s going very well, Michael. In terms of what we anticipated, it was always intended to be kind of a methodical process over this two year period and it’s probably ahead of our expectations in terms of operationally doing the changes, building up the branches, and the customer retention has been fantastic as well as the customer feedback.

Michael Dunst	Thanks very much.
Anas Abuzaakouk	Thanks, Michael.
Operator	Thank you very much. There are no further questions over the phone today. Please continue.
Anas Abuzaakouk	OK. Is there any more question?
Operator	We have a follow-up question here if you're happy to take it at the moment.
Anas Abuzaakouk	Yes sure, absolutely.
Operator	So the follow-up question is from Pawel Dziedzic.
Anas Abuzaakouk	So you're back for round two?
Pawel Dziedzic	Yes, I'm back for round two. Just one question and it relates to the progress you outlined you gonna make on this bolt-on acquisitions. So you mentioned that financial impact in 2019 and '20 will be minimum. But then, you also highlight that from 2021 they are likely to contribute over €25 million. So maybe from your side, a comment there what will drive that, to what extent you expect to leverage cost efficiencies there? Is it driven also by operating efficiency, cutting costs or we expect growth there? Why do we have to wait, in essence, two years to actually see the results coming through? So that would be the first follow-up question. I also have a second follow-up question if you have time and that's just on your cost of risk. You know it stayed below the across-the-cycle levels that you say, 15 to 25 basis points. How do you think about this going forward? Would it still stay at the very benign levels? So do you see any drift upwards and maybe you know, to put it differently, what type of environment or operating backdrop would you need to see for the cost of risk actually to be closer to 20 to 25 basis points? Do we need to see any change or not? Or in the current environment, is it also a possibility?
Anas Abuzaakouk:	Sure. Okay so, Pawel, on the acquisitions - that actually closed earlier than anticipated which we mentioned earlier. I would tell you, look, if you see our track record of the nine acquisitions that we've completed, the consistent theme has been a focus on operational transformation. That will be no different from the three that we recently closed. It just takes time. I'm surprised because we closed in May, so if you say we've done three then, with the one in March and the two in May, that's 18 months.

That's a pretty accelerated timeline. Südwestbank obviously was ahead of plan and I think this will probably be along the lines of Südwestbank. You also have to give yourself time in terms of transforming the platform. These are great sales channels, great products. I think the teams from that we're going to be inheriting or joining the group are great, but you also have to integrate into your middle and back office and that's why we kept on talking about this platform or footprint in Germany and that just takes time to develop. So are we being cautious? Probably, but we feel pretty good about delivering over €25 million of pre-tax profit in 2021. I thought that would be accelerated. That's the first time I've gotten any feedback that it's too slow.

That is what I think of the acquisitions and then the question on the cost the risk: look we've been kind of below this the cycle that we talked about in terms of 15 to 25 basis points through-the-cycle risk cost. Probably the biggest thing would be on your consumer unsecured, right? We have consumer unsecured - this is the personal loans, the overdrafts and like that of €2.5 billion or so in Austria. We've talked about this in the past. If there is a severe economic downturn, of course you're going to be exposed but it's also the weighted average life on that product. Its 2.5 to 3 years so it burns up pretty quickly. We monitor 30, 60 and 90 days past due delinquencies religiously. So it's something that we try to get ahead of the curve. But I would say that's the one area if there was a significant macro downturn, that we would be exposed like any other.

What's one of the things, that's funnily enough, impacting the environment as you continue to have negative rates, is also - and this is less I think how we underwrite but I think more of a general comment - negative rates also seem to trickle itself into lower risk costs on the corporate side. Given that there's less financing pressure for corporates that might not have the most solid balance sheets. And this is something that when we underwrite credit, we factor that in and look at that through-the-cycle, that this benign environment of low losses doesn't necessarily reflect the viability of a lot of the corporates. But it's something that I think generally speaking, it impacts the market and the overall risk costs. Was that helpful?

Pawel Dziedzic — That's very helpful. Thank you.

Anas Abuzaakouk — Thanks.

Operator	Thank you very much. No further questions at this stage. Please continue.
Anas Abuzaakouk	Thank you operator. Thanks everyone for joining us for the first quarter call. I look forward to talking to you guys in the second quarter. Take care and have a nice day.