

ABN AMRO Bank NV
Investor and Analyst Call
FY2013
February 21, 2014 14:00 CET

Speaker: Good afternoon, this is Dies Donker. This is the ABN Amro Investor -- sorry, Investor and Analyst Call on the full-year results. The call will be hosted by Gerrit Zalm, chairman; Kees van Dijkhuizen, CFO; and Wietze Reehoorn, CRO.

During the call, we will use a short analyst presentation, which was published earlier this morning on the website. And after the call, later on this afternoon, we will publish the full investor presentation on our website.

I'll hand over to Gerrit Zalm.

Gerrit Zalm: OK. Thank you, Dies.

A few verse for my part as an introduction on the economy and the influence the economy has on ABN Amro's results.

If you look at the balance sheet of ABN Amro, 80 percent of our assets is Dutch. Also 80 percent of our staff and our revenues are in the Netherlands. So that means that Dutch economic developments have a tremendous influence on our results.

And if you look at the Dutch economy, it did not behave too well in the past two years. The GDP shrunk in two consequent years. In 2012, the decline was 1.2 percent. In 2013, the decline was 0.8 percent. And if you look at domestic spending, figures are even worse at a shrinking of the domestic spending of 1.6 percent in 2012 and even 2.6 percent last year.

That also has led to troubles for small and medium-sized firms especially who are dependent on the Dutch market. And that also has a consequence, of course, that we have a lot of impairments on these companies. So

impairments are at an extremely high level this year because of the orientation we have on the Dutch economy.

Normally, the Dutch economy is not a bad economy to be concentrated on, but the past two years were quite bad also compared to other European countries.

Looking ahead, there is some light at the end of the tunnel. You see that GDP is gradually recovering and is growing again. Same goes for world trade, same goes for PMI index.

Domestic demand is also increasing recently and also the consumer confidence in the housing sector seems to recover. So as a whole, we are a bit more optimistic about the future than we are about in the past.

For this year, we expect the economy to grow. Recent consensus figure of the growth rate of 5 percent will probably be beaten because of the results we received from our Central Bureau of Statistics over the last quarter -- last year.

Of course, if the economy recovers then it will also have a positive influence on the figures of ABN AMRO.

And the same time there are two issues we already know, which will play a role in 2014 which have nothing to do with the economy. The first is that we will get an extra levy of EUR 200 million because of the operation to save SNS REAAL. And the second thing is that we are negotiating now a new pension scheme with the trade unions. That may also have a one-off effect on our results for 2014.

So that is my introduction. Now I transfer to Kees.

Kees van Dijkhuizen: Thank you very much, Gerrit.

Good afternoon. I continue with slide 7 and 8; seven is the annual result. I'm making a few remarks on that.

As already mentioned by Gerrit, the result is 1,160 in the full-year 2013 compared with 1,153 reported 2012.

If you exclude the special items especially Greece and Madoff releases. The result is 752, and that is an ROE of around 5.5.

This of course is still clearly lower than our return on equity for 2017, our target of 9 percent to 12 percent.

If we go to slide 8, the Q4 results, there was a loss in the fourth quarter of 47 million. This included this quarter a bank tax of 106 million and loan impairments were high. If we compare with 2012 fourth quarter we see especially when we look at underlying loan impairments and excluding special items, there's an annex in the press release, Annex 3, which shows you all the special items. Then the loan impairments underlying are 544, so more or less the same as the fourth quarter of this year.

If we go to operating income, slide 9, we saw positive developments in net interest income and net fee income, recurring income. Net interest income increased as a result of reprising of commercial loans, but also of new mortgage production at higher margins. And fees and commissions benefited especially from higher client activity in private banking and clearing.

There was a serious decline in other non-interest income, disappointing. If we exclude, however, special items, other income declines from 540 to 423 in either EUR 117 million. That is especially in the markets department and, for instance, the decision to stop there with -- in the business line with our equity derivatives arbitrage activities that contributed to a decline of around EUR 75 million.

All in all, if we look at our reported operating income, more or less flat, and if we exclude the special items, it was an underlying +5 percent.

Than if we continue with slide 10, operating expenses, they increased due to higher pension cost, around EUR 350 million. That's related to the IAS 19 and low discount rates. And that was an increase between 2012 and 2013 of a

EUR 350 million. Otherwise, expenses would have declined by around EUR 270 million.

The cost income ratio was 65 percent for the group, it improved especially for commercial banking and private banking, reflecting there the impact of ongoing cost savings and improved revenues. And the cost income ratio of retail was flat at 52. Merchant banking cost income ratio deteriorated.

Our target is still 56 percent to 60 percent in 2017 with expected cost income ratio.

Loan impairments, slide 11, the reported -- you see a decline in the reported loan impairments but the underlying and then underlying means excluding Madoff/Greece releases, we were too prudent in the past there. Then we see an increase of EUR 237 million.

What we also see at the -- at the right side of the page -- slide is that if we compare H1 2012 with H1 2013 and H2 2012 with H2 2013 that it seems that there is some stabilizing there in the -- in the impairment development. There was a considerable increase first half 2013 to first half 2012 of 38 and only a modest one of 3 percent in the second half.

Then if we look at impairments at a business level, slide 12, they vary by client group and especially increases in SME lending and consumer lending, mortgage book especially. If we look at the results by segment, we see that retail banking largely was able to offset the high loan impairments by higher net interest income.

Private banking improved its net profit on the back of higher operating profit and lower impairments in the diamond business. Commercial banking's performance was -- well, especially impacted by impairments, but its business line has made significant in its operating efficiency.

And in the past two years for instance the cost income ratio of commercial banking improved from 68 percent to 53 percent.

Merchant banking as already mentioned has several negative incidental special items, but also lower income at the markets division.

The increase in net profit and group functions resulted from the two large impairment releases mentioned before.

And if we go to the loan book and the savings, slide 13, we see a decline in the consumer loans, which is particularly related to the mortgage book, EUR 3.5 billion. This is the result of higher redemptions than new mortgage production. We see more voluntary redemptions in the Netherlands as a result of some houses having negative equity. And the mortgage production last year was also lower as before.

We do, however, see improvement there of the markets. We saw more requests -- we saw more requests for mortgages in the last four months of around 70 percent if we compare it with the first nine months of last year, so that market is clearly improving.

Loan portfolio of commercial banking declined around EUR 2.5 billion and especially lending to SMEs was lower as a result of lower requests.

Client deposits increased by EUR 6 billion year-on-year, but also quarter-on-quarter, and we grew especially in the Netherlands through MoneYou, but also in Germany and Belgium.

If we go to slide 14, the capital position, I think we have a strong capital position that is also shown by our ability to pay dividends. We paid 150 already last year and now propose a final dividend of 200 final on 2013.

Capital ratio improved considerably, declined in loan book and also decreased in RWAs. As of 2014, of course, we are in the Basel III regime. Under this regime, the core equity ratio is 13.9, and total capital 19.0. And if we compare it with last year then it was 10.2 and 14.5, fully loaded 12.2. That is already inside our 11.5 - 12.5 bandwidth target rate -- target range. And if we compare it with last year we were at around 10 percent.

Leverage ratio last year -- end last year 4.2. Fully-loaded it is around 3.5, so we feel comfortable with respect to the capital position.

If we go to liquidity and funding, slide 15, we see clear further increase loan-to-deposit ratio, 125, 121. This is, well, consistently declining ratio now. We -- it was 135 at the end of 2010, so we are further improving this ratio.

The LCR and NSFR are at 100 and 105, so we already there have the 2018 targets actually regulatory targets. And we want to keep those ratios above 100 going forward.

Strong liquidity buffer of EUR 76 billion explained on this page by composition. Then if we look at the long funding, slide 16, you see we already did new funding of around 4 billion, for instance, covered bonds at attractive spreads. We had some pre-funding so we don't expect the new funding this year to be the amount of the maturing funding.

If we look at the composition, you see that we are particularly interested in unsecured with a maturity -- long maturity. And we did the business in 2013 at the maturity wholesale funding of over five years.

Wietze, I would like now to hand over to you to make some remarks on the asset quality.

Wietze Reehoorn: Thank you, Kees.

Ladies and gentlemen, good afternoon. Yes, let me comment a little bit on asset quality.

As mentioned, 2013 was marked by high underlying impairments, on the one hand, but also large releases on the other hand relating to the divested Greek exposures and the recovery on Madoff-related collateral.

Subdued domestic spending has led to ongoing pressure on SME revenues in particular. This is clearly shown in the loan volume managed by our financial restructuring and recovery department and in the impairments recorded in business banking.

Furthermore, we saw the loan volume that recovers from FR&R decreased. Deterioration of the portfolio is evident in nearly all industry sectors, but particularly in the retail real estate, construction, transportation and horticulture sectors.

Let me go to slide 18, some past due impaired and coverage ratio figures. It shows you it all went up for consumer, but went down for commercial and more or less an effect of the sale of Greek exposures and Madoff-related collateral. If you take the overall impaired ratio for consumer loans, it declined to 2.9 percent from 3 percent.

A couple of words on the mortgage book, that's slide 19. The Dutch housing market was again slow. In 2013, house prices declined 6.4 percent and the number of houses sold was down roughly 6 percent.

There are, however, positive signals. The housing market shows a pickup in the number of houses sold in the second half of last year. And also the increased consumer confidence and the clarity on tax treatments are clear positive signals.

Voluntary mortgage repayments remained high in 2013, although these were somewhat lower than in 2012. The decrease was mainly visible in the last quarter.

Despite these redemptions, the decline in house price has pushed up the average indexed loan-to-market value of residential mortgages up to 84 percent from 82 percent at year-end. Hence, we have increased our provision rates and, therefore our coverage ratios.

The part of the portfolio with a 100 percent or higher (LtMV) rose further to 24 percent, which is up from 22 percent at year-end.

The part of the portfolio that has a full 100 percent interest-only mortgage was 24 percent and 2 percent points of these have a loan-to-market value of 100 percent or higher.

If we look to the mortgage past due amount, it is increased by roughly EUR 450 million. It's good to mention that over 80 percent of total past due amount is in the bucket zero to 30 days and less than 20 percent is in the bucket 30 to 90 days.

The weak economic environment was responsible for the rise in the impaired mortgage exposures of around EUR 235 million since year-end 2012, which brings our impairment ratio for our mortgage book at 1.1 percent.

In the past five quarters, impairments taken on the mortgage book were elevated. However, they remained relatively flat, which is a positive sign.

Slide 20, which is on commercial real estate, in the course of 2013, the Dutch Central Bank conducted an in-depth review of our commercial real estate portfolio in scope where our Dutch real estate assets excluding social housing and our corporate-based real estate portfolio. The review focused on capitalization, provision levels and collateralization.

The review led to no surprises as the regulator concluded that this portfolio was adequately capitalized and adequately provisioned for.

Although the vacancy rates for offices remained high at around 15.7 percent and 7.3 percent for retail, the risk performance of our real estate portfolio improved last year versus 2012.

Impairments came up to EUR 190 million, which is roughly a third of the impairment charges recorded in 2012.

A few words on the outlook for the impairments. We expect that 2013 was the bottom of the cycle, and we see several positive signs and green shoots in for -- in terms of the Dutch GDP, housing sales and consumer confidence. However, even if the economy does turn the corner, impairments are expected to stay elevated in 2014 as consumers spending and unemployment are lagging factors in the economic recovery.

That is the end of my words. I would like to hand over now to the operator for the Q&A session.

Operator: Thank you. Ladies and gentlemen, if you wish to ask a question, please press star-1 on your telephone and wait for your name to be announced. And the first question comes from the line of Cor Kluis from Rabobank. Please ask your question.

Cor Kluis: Cor Kluis, Rabobank. Good afternoon. A few questions. First of all, on the merchant bank, which you mentioned that you have put on the review, can you tell something more about what you're exactly doing and when we could expect an outcome or decision in that -- in that respect.

Second question is about the loan loss provisioning. You see -- you mentioned you're more optimistic about the economy for this year. Can you give an idea of what kind of loan losses we could expect? Is it around 100 basis points for 2014? To give a little bit of feeling on that respect or like ING has said, for example, do you say -- if you suppose their GDP growth in two quarters later the loan loss will start to decline or can you highlight a little bit what your loan loss for this year is.

And my last question is about pension expenses since you are also working on a DB to a DC change. Can you give an idea of what kind of recurring pension expense we can work with going forward? And we understand there's a one-time charge possible if you make that switch. But what will the absolute pension cost be going forward than versus what we had last year. That were my questions.

Gerrit Zalm: Maybe first on the refuel of our market's activities, it's not merchant banking as a whole, but especially markets. We will take decisions on that in the first half year.

Second issue, loan loss provisions. We know that it's exceptionally high now, but we don't want to state any quantitative views on that on the future.

As far as the switch in the pension system is concerned, probably it will not lead to substantial deviation on the pension premium compared to what's now in the books.

Kees van Dijkhuizen: For 2013.

Gerrit Zalm: For 2013, yes.

Cor Kluis: OK. Wonderful. Thanks.

Operator: And the next question comes from Lee Street from Morgan Stanley. Please ask a question.

Lee Street: Hello. Good afternoon and thanks for taking my question. A couple of questions on asset quality please. Firstly, I just wanted you to explain why the residential moves NPL ratio doesn't really seem to move up given that there's quite a high volume of past due loans that one would normally expect to become NPL. If you just -- if you can give us a few details to explain that would be helpful.

Secondly, do you actually ever quantified the size of the SME loan portfolio and what the actual NPL ratio is on that portfolio?

And thirdly, you have given the quantification of the -- you know, in terms of a volume of loans that have actually benefited from a degree of a restructuring of forbearance for both mortgages and corporate loans, obviously, asking in view of the asset closure? Any color on those three points would be very much welcome. Thank you.

Wietze Reehoorn: Thank you for the question. I will try to answer that.

Your first question as to the NPL figure on mortgage book, why doesn't it really move up is your point. Well actually there is a trend what you have seen year-on-year that we have from a 0.9 to 1.1.

On the other hand, if you understand that -- let's say the majority of the past due in arrears is in the bucket of zero to 30 days in both years actually, the experience in our portfolio is that almost 95 percent of our clients recover in the period, so that explains to a certain extent why the NPLs are not growing.

Lee Street: Thank you.

Wietze Reehoorn: On that extent, your second question if I recall it well was what is the NPL of the commercial segment that is around 6 percent.

Lee Street: Is that -- is that all SME or is that -- I guess, my question, what -- (inaudible) these bigger commercial, shall we think about that as all of that being SME lending or how shall I think about that?

Wietze Reehoorn: This is the -- what is mentioned in the -- in our press release in one of the exhibits, which is commercial loans. Let me show it to you, which is the commercial loans -- which is SME and corporate clients, and that is around 6 percent NPL.

Lee Street: OK.

Wietze Reehoorn: As to forbearance, we will disclose forbearance numbers when we issue our annual report, which is in March 7th.

Lee Street: OK. Thank you very much, guys.

Wietze Reehoorn: Welcome.

Operator: And the next question comes from David Lock from Deutsche Bank. Please ask your question.

David Lock: Good afternoon, everyone. Thank you for taking the question. Just three quick questions for me.

The first one is looking at net interest margins ahead into 2014. You mentioned on -- in your presentation that the pricing was a bit better on asset pricing, particularly in the bank. I'm just wondering about liability pricing. What are you seeing on this side? Are you seeing any kind of tailwinds or headwinds in this area given where pricing has been moving in the Netherlands? That's the first question.

Second question is on capital ratios. I know you have a stated target of 11.5 percent to 12.5 percent for Basel III fully-loaded by 2017. Clearly the regulatory environment over the last couple of years has been getting a little

bit tougher across Europe, but you also have the ECB coming in as a supervisor later this year.

So I guess, what kind of buffer do you expect your target of 11.5 percent to 12.5 percent to be over the minimum requirement that the regulator needs you to be at.

And the third question is kind of connected with that. I mean, you have the payout ratio on dividends for this year about 30 percent. Is this something that you're targeting long-long term or what kind of -- what kind of -- do you see -- where do you see that trending over time if you kind of looked out to 2017, 2018 kind of level? Thank you very much.

Kees van Dijkhuizen: I would like to give the floor to -- with respect to the liability pricing to our treasurer.

Erik Bosmans: Good afternoon. My name is Erik Bosmans. I would like to give a comment on the liability pricing side. Also, when you look at ING, for instance, they already started to lower, let's say, prices of deposits.

We have seen a similar trend within ABN Amro over the course of 2014. And I think, let's say, that we expect the margins on the saving side to continue to be flattish, so I think there's nothing more to add to that. And from a net interest rate margin perspective, we also believe the trend you have seen over the last couple of years, which is very stable, will continue over the course of 2014. So we do not expect any volatility there.

Kees van Dijkhuizen: Thank you, Erik.

And on the asset side, with respect to mortgage shares and also commercial loans. We actually expect a -- well, an increasing -- slowly increasing further margin as a result of total portfolio, as a result of repricings of mortgages, which were in just -- from 10 years ago will be priced on higher spreads as 10 years ago.

Capital ratios, the regulator did not -- did not yet -- well, made known the exact regulatory requirements for us. And so, for instance, local (CPs), so we

have to wait for that. But we expect with our bandwidth especially at the high side that there will be a clear buffer with respect to their request, but as said we don't know yet, so we expected actually some more this year.

Payout ratio 30 percent more or less. As you mentioned, I think we already mentioned that we will increase that to 40 percent, I think in 2015 I think it was. And beyond that, we did not make anything known yet. Thank you.

David Lock: Thank you very much.

Operator: And the next question comes from the Benoit Petrarque from Kepler Cheuvreux. Please ask your question.

Benoit Petrarque: Yes, good afternoon. It's Benoit Petrarque calling from Kepler Cheuvreux. A few questions on my side. The first one will be on loan growth. We have seen negative loan growth in '13. I wanted to get your view on loan growth going forward, you know, looking at '14, '15 especially on the commercial lending and, obviously, also on the mortgages where we have seen some deleveraging. So, you know, what do you expect there going forward?

Second question is on the private bank. I think you have seen some net outflows in 2013 about -1 percent, some larger outflows in the fourth quarter. I've got a run rate of -4 percent in the fourth quarter. So I wanted to check with you what is the strategy on assets on the management group there.

Third question is on merchant bank. I understand that you want to put the market's activities on the review, but could you comment a little bit more on the region on equity on the kind of remaining pieces, which are ECT large cap and clearing? I mean, could you just comment a little bit on the profitability on those businesses and what you see as well on 2014?

And then just finally on the -- on the -- on the liability margins, do you think in general that a savings rate at 1.2 percent will be a flow in the Netherlands for this reason, obviously? Thank you very much.

Kees van Dijkhuizen: Thank you. Thank you very much. Loan growth, I think as you saw in our press release, we saw a decline of around \$6 billion in mortgages and commercial loan in 2013.

Of course, for this year, what we hope is that we will see a much smaller decline with respect to the mortgages, but that depends very much, I would say on, of course, the market developments and our market share in -- related to that development. But clearly, we are open for business.

We have, in the past, mentioned that we would like to stabilize this portfolio. We don't want to grow, but we also don't want to decline -- decrease it, so we're open for this kind of business. If there's an opportunity we will try to stabilize this portfolio going forward.

Mortgage is same for SME. We have a high capital ratio; show we're open for business there as well. We expect more demand from SMEs on investments and the likes this year. And also there, of course, we would like to diminish the decline we saw last year.

Private banking...

Wietze Reehoorn: Shall I take that question?

Kees van Dijkhuizen: Yes.

Wietze Reehoorn: OK. So on private banking what we saw there is an outflow better than the management in our Jersey operation, minus EUR 2 billion, but we saw inflow in our Netherlands private banking operations of around EUR 1 million. That explains the decrease which you have been alluding at.

Benoit Petrarque: So is that fair to assume that you are getting out of the loan margin business and you get higher margin business overall?

Wietze Reehoorn: But always in the private banking, it's important to have a good balance between the two of them. And what we aim for is a sustainable business model over there, so it does exactly where the strategy is focused on.

What are the questions we have not yet answered?

Kees van Dijkhuizen: Yes, I think on the -- you asked again on the markets department RoE's and the likes -- I think...

Benoit Petrarque: Well, it's for the merchant not really the market, but just merchant...

Kees van Dijkhuizen: I'm sorry, OK.

Benoit Petrarque: ...ECT and large corporate. I mean, I know merchant is problematic, but the - and the market is problematic, but the -- kind of the remaining businesses, I mean, all the franchisees is performing. That's all the question.

Kees van Dijkhuizen: Well, I think ECT business is doing well. It's, of course, much related to world trade where you saw a clear growth I think from around EUR 13 billion to EUR 16 billion.

Also, a profitable business and our clearing activities are also performing well in the -- in the merchant banking environment. So I -- yes, we are not disclosing on that level ROEs and the likes. So that is what I can say on this - on this type of business.

Benoit Petrarque: We can assume that it's a 10 percent plus return on equity X market or is that different?

Kees van Dijkhuizen: Yes, or you can -- no, you can assume everything. But I'm afraid that we are not disclosing it. So I think going forward, we are looking into disclosures on items, but I don't think on a level like this, I don't think also other banks disclosed at this kind of level. So I'm afraid I cannot answer your question with respect to the 10 percent.

Margins, was it the 1.2? Is that the NIM you referred to?

Benoit Petrarque: Yes -- no, just the absolute level of interest rate on savings in the Netherlands, 1.2 which seems to stabilize on that.

Kees van Dijkhuizen: Oh, right, OK.

Benoit Petrarque: But obviously, you have a wealth tax of 1.2 as well. So is the 1.2 kind of flow level or you think you can reprice lower than that going forward?

Kees van Dijkhuizen: That depends on the competition, I think. That's very much depending on competition. We can't be a price leader by the way. Also at the moment so we will look at the market here.

Benoit Petrarque: OK, great. Thank you very much.

Gerrit Zalm: Thank you.

Operator: And the next question comes from Justinas Milasauskas from Aegon Asset Management. Please ask your question.

Justinas Milasauskas: Good afternoon, Justinas Milasauskas from Aegon Asset Management. I have a couple of questions regarding your capital. If I look at slide 14, I see that subordinated layer of your total capital under Basel III has decreased to 5.1 percent from 5.8 percent. Could you elaborate on that dynamic a little bit?

The other one would be, when do you expect to get more clarity on additional Tier 1 layer in the Netherlands? And the last part would be what value do you see -- what is the value of existing hybrid Tier 1 instrument in your total capital structure at the moment?

Kees van Dijkhuizen: Thank you. Well, with respect to the 5.8 to 5.1, I think that's mainly related to -- well, the decrease is mainly related to the amortization.

Perhaps, Erik, you can...

Erik Bosmans: It's a transition regime.

Kees van Dijkhuizen: Sorry.

Gerrit Zalm: It's a transition regime.

Erik Bosmans: Yes, a transition regime on the back if we need to amortize 20 percent.

Kees van Dijkhuizen: OK.

Erik Bosmans: That's what has been done. So, therefore, we now see a decrease of 0.7 percent. But also you need to take into account that in this Tier 2 capital instruments, we have additional EUR 2 billion -- somewhat more than EUR 2 billion of Tier 2s qualifying, not yet because we don't have a reference to the bail in in the terms and conditions. So you might consider the hidden reserve, but at least it is a extra cushion that we expect when, let's say, they're sort of clarity that those EUR 2 billion plus will also qualify.

Justinas Milasauskas: OK.

Gerrit Zalm: As far -- as far as Tier 1 instruments are concerned we are looking to that in the -- for the future, yes.

Erik Bosmans: There is no clarity yet

Justinas Milasauskas: And if I could follow-up. So do you have any thoughts when would you be getting more clarity from regulators regarding that?

Gerrit Zalm: I hope the course of this year.

Erik Bosmans: Yes.

Kees van Dijkhuizen: Yes.

Erik Bosmans: And the still outstanding Tier 1 instrument has an 80 percent value in the capital structure. It will decrease to 70 and last year, it was a 100.

Justinas Milasauskas: OK. Thanks a lot.

Operator: There are no further questions registered. Please continue.

I can see one question has registered now. The next question comes from Paul Beijnsens from APG Asset Management. Please ask your question.

Paul Beijnsens: Good afternoon. I have one question. In the fourth quarter, there was a spike in loan impairments in private banking as well as in merchant banking. Could you comment on that? So on a fourth quarter developments there. Thank you.

Wietze Reehoorn: Yes. As to the spike you're referring to, what we indeed saw is in the merchant bank, a spike caused in different areas of the merchant bank. It dealt with ECT. It dealt with real estate and some corporates – some large corporate client items there.

In the private bank it was actually the same story a couple of larger clients actually in residential real estate financings. So these are spikes which we have seen in the fourth quarter and as explained by myself right now.

Paul Beijsens: Right. Thank you.

Wietze Reehoorn: You're welcome.

Operator: And the next question comes from Geoffroy de Pellegars from BNP Paribas. Please ask your question.

Geoffroy de Pellegars: Hi, good afternoon. I had actually two questions, but you already answered one on additional Tier 1. My second question was I was wondering if you could comment on the Telegraph article saying that you have Rothschild to advise you on the privatization, and also if you can give any guidance about timing, about the IPO. Thank you.

Gerrit Zalm: Thank you. We also read an article about Rothschild advising the Ministry of Finance and, of course, that's not the same as ABN Amro. So questions on that issue should be directed to the Ministry of Finance.

As far as the IPO is concerned, we are still in the same procedure as earlier made public. That means that we are making preparations. And at the end of the year, the Minister of Finance will have to decide whether he will give a go or a no go. If he will give a go, it will -- we can -- we list it in the first half year of 2015.

Of course, the Minister may also decide that he will take another half year or another year before we are getting listed.

Geoffroy de Pellegars: OK. Thank you very much.

Operator: Ladies and gentlemen, if you wish to ask a question, please press star-1 on your telephone.

There are no further questions registered.

Gerrit Zalm: OK.

Operator: I can -- I can see one question just came through from Gaurav Parkash from Credit Suisse. Please ask your questions.

Gaurav Parkash: Hi. Good afternoon. Sorry, I just had one question. In terms of -- do you have a long-term guidance on what leverage ratio level you wish to achieve and maintain?

Gerrit Zalm: We don't have that yet, but we'll probably formulate that. We are now fully phased in at 3.5, so we are clearly above the minimum level of three.

The Ministry of Finance in the Netherlands has the preference to promote a leverage ratio of 4 percent. We will see how that will get an applause in Europe or not. And, of course, we will -- we will always be above minimum levels for any indicator, which is prescribed.

Gaurav Parkash: OK. Thank you so much.

Gerrit Zalm: OK. Can I thank all of you for your attendance and your questions? Thank you.

Kees van Dijkhuizen: Thank you very much.

Wietze Reehoorn: Thank you.

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