Q2 2020 Analyst Call Transcript

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Participants: Robert Swaak, CEO; Clifford Abrahams, CFO; Tanja Cuppen, CRO

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Operator: Good morning, ladies and gentlemen. Welcome to this ABN AMRO second quarter 2020 Analyst and Investor Call. During the call, all participants are in a listen-only mode. Following the presentation, we will conduct the question-and-answer session.

I would now like to hand the call over to Mr. Robert Swaak, CEO of ABN AMRO. Please go ahead, sir.

Robert Swaak: Thank you very much and good morning, everyone. Thanks for joining our investor and analyst call. I am joined by Clifford Abrahams, our CFO, and Tanja Cuppen, our CRO. I am looking forward to sharing my views with you on our progress on strategy and the outcome of the CIB review, as I promised you earlier.

Clifford will go through the details of the first quarter results and run you through – sorry, I made a mistake – he will run you through the details of the second quarter results and run you through capital. Tanja will update you on developments in our loan portfolio, including Q2 impairments and our latest guidance on full year 2020 cost of risks. After this, I will talk you through the outcome of the CIB review in detail.

So, let's turn to the highlights on slide 2. As I said today, we announced the outcome of the CIB review. We will share the outcome of the strategy review in November. Q2 continued to be marked by COVID-19, and we made a modest loss of EUR 5 million, so around breakeven. Underlying operational performance was resilient with costs on track absorbing uplift from AML costs, and NII was flattish Q-on-Q. We expect NII to remain around EUR 1.5 billion this year with further possible upside from TLTRO benefits over time.

Q2 impairments of EUR 703 million are down from Q1, and we expect impairments in the second half of the year again to be lower. Our exposure to sectors most vulnerable to COVID-19 is limited and where we are exposed, for example, in oil & gas, we booked provisions and are winding down positions.

Our capital is robust, and we have already absorbed the impact from DoD in Q2. With a well-diversified portfolio and a robust capital position, I am confident about our future and we continue to support our clients through COVID-19.

I will now update you on progress and priorities on slide 3. So as the new CEO of ABN AMRO, last quarter, I set clear priorities: lead the bank through COVID-19, the strategy review which includes the CIB review, our license to operate and culture. We are making progress across all priorities.
I know some of you will be wanting to hear about the strategy now, rest assured, we are working on it. We want to take the time necessary to get it right and also reflect on how the world may be changing post-COVID-19. Today, I can share with you the principles which guide us in our work on our strategy.

The bank has strong fundamentals. ABN AMRO is a well-recognised player in Dutch society with a strong brand and attractive market positions. To build on this, we want to focus on serving clients in segments where we can achieve scale. So, we will focus on the Netherlands and Northwest Europe, where we have long and trusted client relationships.

In the past few months, I have spoken to many clients, the client appreciation of our services in these challenging times support me in our ambition to be the best Dutch Bank. To achieve this, I recognised change is indeed necessary. Impairments are high again in Q2, mainly due to COVID-19, but also because of another exceptional client file, which is disappointing.

We are overexposed to global sectors, and we have had more than our fair share of exceptional client files. While we know impairments are inevitable in the current environment, I am determined that CIB and consequently the bank returns to a moderate risk profile.

It was clear that the CIB review which was initiated in February before I became CEO was my first priority. By addressing the profitability profile of CIB, we can move on to achieving focus and scale in chosen client segments for the whole bank. Capital release from CIB over time will be used to invest in growth for the group as a whole, provided we can do so profitably.

We are committed to resuming dividends and returning excess capital over time when conditions allow. In November, we will share the outcome of the CIB review, also addressing operational efficiency, capital, and targets.

On slide 4, I will give some more detail on the impact of COVID-19 in the Netherlands. The pandemic continues to impact all of our lives, all around the world, and our focus remains on the well-being of our clients and colleagues. In the Netherlands, the intelligent or soft lockdown measures have been eased gradually as of May 11, and we do see a clear recovery of economic activity.

Life in the Netherlands in the past few months was more normal than in many other countries, as is demonstrated by the pickup on consumer expenditure. The number of COVID-19 cases in the Netherlands is low, although increasing just recently, the authorities remain vigilant and act appropriately.
The Dutch housing market so far has remained robust, as the shortage of houses combined with low interest rates led to continued market growth and a further rise in house prices in the last quarter.

So now, let me turn to the Dutch economy on slide 5. As you can see in the slide, the Dutch economy is less severely impacted by COVID-19 and the Eurozone, in effect benefiting from the relatively short and softer lockdown measures that I mentioned earlier. Clearly, there are uncertainties ahead. Nonetheless, the fundamentals of the Dutch economy are strong. As we explained last quarter, the Dutch government is undertaking targeted actions to support the economy.

The outlook is a bit worse than we assumed at Q1, in line with the views of the DNB and ECB, we now expect GDP in the Netherlands to decline by 2.6% over the two-year period to 2020 and 2021. This is better than the 3.7% decline we expect for the Eurozone.

Let me comment on how our businesses are performing right now on slide 6. I am pleased to see that our businesses generally are resilient through COVID-19. Retail Banking, our biggest business continues to perform well, benefiting from our strong digital offering. Less than 40,000 retail clients were granted a payment holiday of which only some 20% in mortgages.

Though fees in the private bank were impacted by lower equity markets, the business is resilient. New client take-on in private banking was high with some 2300 new clients in the past six months. Video banking is now widely adopted in all countries, strongly accelerated by COVID-19.

In the commercial bank, most clients are still doing relatively well, and the effect of COVID-19 so far is contained to specific sub-sectors, for example, travel and leisure. Credit demand is currently lower due to the payment holidays, the government support measures and the postponements of investments.
The uptake of government guaranteed loans in the Netherlands is still limited also because of the payment holidays provided by banks. We are indeed more cautious into Q4 when the payment holidays and the impact on the economy becomes clear. In CIB, impairments were again high. This underlines the need for the CIB review, more on that later. So, our businesses are resilient, and we are keeping in close contact with our clients to support them in these tough times.

So, let me just turn it over to Clifford to take you through our second quarter results in detail.

Clifford Abrahams: Thank you, Robert.

Turning to slide 8, I am pleased that our operating result was good this quarter. The effects of COVID-19 led to a net result of around breakeven, as impairments remained high.

Interest income has held up well, while fees are lower, reflecting lower credit card usage and asset management fees. Expenses continue to trend down, thanks to our cost efforts, successfully offsetting the increase in AML costs. Tanja, will run you through impairments and asset quality.

Before I move on, let me first explain the rather high tax line. Our normal corporate tax rate level for ABN AMRO is slightly above Dutch corporate tax rates. However, this quarter the net result comprises a decent profit in the Netherlands, and a loss in our businesses outside of Europe.
In the Netherlands, we accrued tax expense on profits here, but outside Europe, we cannot recognise in-full deferred tax assets given the outlook, so an overall tax expense this quarter of EUR 88 million.

I will guide you through the individual line items on the next slide but first our client lending on slide 9. You can see here the overall loan book was flat to down. We are working with our clients and government guarantee schemes to ensure needed support for our clients in tough times. At the same time, we remained focused on our margins and are cautious in our lending in the current environment. Our mortgage market share was 15% this quarter, with production higher than last year, but not sufficient to offset prepayments, so the mortgage book decreased slightly.

As a bank, we are strong in mortgage maturities of up to 20 years. But we have also seen decent volumes in our originate-to-distribute a 30-year mortgage proposition. In CIB, we saw a reversal of the drawdowns of Q1. Together with our de-risking and some FX impact, the CIB book is EUR 3.8 billion lower than last quarter.
In the commercial bank credit demand was muted. We expect a modest increase in the second half of the year when the support measures phase out. For the rest of the year, we expect a further albeit modest decline of the total loan book.

Now turning to NII on slide 10. NII remained resilient during the quarter as we are mitigating the impact of negative interest rates by charging clients with deposits over EUR 2.5 million since the beginning of April. This was partly offset by some outflow of client deposits, as clients spread their savings among banks.
In addition, we will wind down all saving activities at MoneYou which will lower deposits further and have a positive effect on NII as from Q4. So, all together, our guidance for NII for the rest of the year is around EUR 1.5 billion per quarter, which is in line with the previous two quarters.
Volumes will be lower than we had expected, as our clients need less liquidity and support and also, we have been carefully extending credit in the current situation and we expect a decline in the CIB due to de-risking. The benefit we could get from TLTRO is not yet included and is so potential upside to the guidance I have just given.

Turning now to fees and other income on slide 11. I am pleased with fees, which remain resilient at EUR 374 million for the quarter, in a quarter which has been marked still by the lockdown. Compared to last quarter, Clearing fees normalised, while ICS we saw the effect of the lockdown and reduced transactions, particularly in the early part of the quarter. At the end of the quarter in June, and subsequently, credit card usage has been increasing, although not yet back to normal levels.

Asset management fees were also down during Q2, as the client base was lower at the start of Q2 reducing the fee base. This will correct for Q3, reflecting improving equity market conditions. As of October, we will raise the rates, the package fees in the retail bank as we have simplified the overall fee structure. So all together, we remain confident of our guidance of around EUR 400 million for fees per quarter long term, but perhaps a little lower in the next quarter or two, as it will take time for credit card fees to return to normal levels.

Other income this quarter was in line with our guidance of EUR 100 million per quarter and going forward, we maintain this guidance as we expect to benefit from real estate disposals going forward.

Now moving on to costs on slide 12. We continue to be pleased with our cost development. While AML costs increased by around EUR 45 million this quarter, during the first half of the year, we have spent around EUR 170 million on AML, which is according to our plan. Currently we have more than 3000 FTEs committed to AML activities.

As you know, AML costs are expected to peak this year and next. However, our existing cost programs delivered, and you see approximately EUR 50 million of incremental cost savings this quarter, lowering further both personnel costs and other expenses. We said we would achieve EUR 1.1 billion of cost savings at the end of 2020 and I am pleased to say, we are on track with the EUR 1 billion we have delivered so far, reflecting our cost discipline.

So overall, we are comfortable with the guidance of EUR 5.1 billion of costs for 2020 albeit excluding the EUR 200 million provision that we expect to book for the CIB review in Q3.

COVID-19 has opened up opportunities for accelerating digitalisation and triggering a new way of working, which we will implement in our daily work going forward. We will see the benefit of further cost reduction in 2021 onwards, and we will update you on this in November.

I will now head over to Tanja to pick up impairments on slide 13.

Tanja Cuppen: Thank you, Clifford. Impairments were high this quarter at EUR 703 million and mainly in CIB. COVID-19, and low oil prices continue to play a significant role and are further impacting the macro-economic outlook. We split impairments in three buckets like we did last quarter.

The first category reflects our regular impairments amounting to EUR 229 million and the second category is related to COVID-19 and oil price and totals around EUR 350 million for Q2. Incidentals are the third category, which includes a potential fraud case in Germany, unfortunately the second significant fraud case we witnessed this year.

On the right-hand side of the slide, you see that we made significant transfers from Stage 1 to Stage 2 in Q1. Despite further economic deteriorations transfers to Stage 2 were limited this quarter. We saw some outflow from Stage 2 back to Stage 1 for clients and sectors quickly recovering after the gradual lifting of the lockdown measures in June. Stage 3 additions in CIB mainly related to oil and gas, offshore and TCF, following an individual review of all clients in these portfolios.

For the other business line, we have seen limited inflow into Stage 3, as the government measures in the Netherlands and the payment holidays have provided sufficient support so far to bridge the impacts of the lockdown. Most support measures will mature later in the year and we do expect to see some impact.

I now turn to slide 14 to discuss the outlook of the cost of risk for 2020. In the first half of 2020 our impairments were in total EUR 1.8 billion. We have increased our outlook for impairments for the full year to EUR 3 billion and this now includes the exceptional file in Germany and adverse factors, such as a more negative outlook on US GDP and global trade.

We expect lower impairments in the second half of the year. In 2021, we expect impairments to be down from 2020. Those still remain above the through-the-cycle cost of risk level of 25 to 30 basis points.
Clearly, we are disappointed by the level of impairments, especially the exceptional client files. Risk is part of baking and COVID-19 is unprecedented. Nonetheless, there were too many incidentals. We learned from these incidents and have taken action. These learnings are included in the CIB review and Robert will give more details on this.

In addition to the existing strict portfolio limits that we have in place for leverage finance, commercial real estate, and other factors, we have tightened our single exposure approach, including further differentiation based on credit rating and asset class and geography.

Also, in Clearing, we have taken significant de-risking measures following a full review of the business and client base. I am confident that we have taken appropriate action to reduce the risk profile of CIB and aligned with that of the bank as a whole.

I now hand back Clifford to discuss capital development on slide 15.

Clifford Abrahams: Thank you, Tanja. As you can see, our capital position remains robust at 17.3% CET1 ratio, the same as last quarter, while Basel IV remains around 14%. Please bear in mind this ratio excludes the 2019 full-year dividend that we have reserved, and which equates to some 60 basis points in capital. RWA developments this quarter were flattish as we absorbed the impact of the Definition of Default, offset by lower business volumes. The benefit of the SME support factor, some EUR 1.5 billion of RWAs will be included in the coming quarters. I still expect TRIM later this year, and the add-on for mortgages from the DNB next year, in addition to credit migration going forward.

These additions will have limited impact on Basel IV, and together further lowering the expected Basel IV RWA inflation from the current 20% already down from our 35% estimate back at the end of 2017. The wind down of CIB activities, of which more details later, will have a further favourable effect on the Basel IV RWA inflation impact. Robert will update you on CIB in a few moments. We want to remain well capitalised coming out of the crisis, as we expect regulatory easing to be temporary. We will give you an update on capital in November.

I will now hand back to Robert to discuss the outcome of the CIB review starting on slide 17.

Robert Swaak: Thank you, **Cli**fford. So, let's indeed move to the CIB review.

First, I will run you through our existing CIB business. As you can see CIB is predominantly lending-driven. CIB has shown good performance historically within Northwest Europe, where it serves corporate and financial clients.

In the global sectors, it is clear we lack scale and product breadth and impairments have been consistently too high. Our markets division is small and serves as a support function for client business in CIB, but also private and commercial banking, as well as treasury. Clearing is a global leader in derivatives Clearing.

On slide 18, I show the CIB’s performance. As you can see returns in CIB have been structurally below our 10% target. In 2018, measures were taken to improve profitability mainly through reducing our RWAs and costs. However, the ROE improvement did not materialise, as RWAs increased further from TRIM add-ons.

Overall, CIB consumes around 35% of group capital, making it the largest capital consumer across the bank. COVID-19 has led to very significant impairments within CIB and the right profile and performance is clearly a group strategic issue.

So decisive action is needed, and I will run you through our decisions on slide 19. I discussed our group strategy principles earlier, applying these principles to CIB, a clear set of actions follow. We start with clients that we wish to serve. We want to focus on markets where we can play a leading role. This means focus on domestic clients and leverage the strong position in Netherlands, into Northwest Europe, using Amsterdam as a hub.

This will match the geographical footprint of private banking and commercial banking. I expect this will benefit all three business units. We also carefully reviewed our Clearing business; it has historically been a very stable contributor and I believe it will continue to be so following the changes we made to risk management here.
To maintain the desired risk profile of the bank, CIB will reduce risk positions by largely reducing or completely exiting the global sectors which have led to high impairments in the past. In addition, we will apply tighter risk and concentration limits in the remaining business. Finally, we want tighter alignment with group strategy.
I am indeed a strong believer in cooperation between business lines. This is key, also to achieve our sustainability ambition of becoming a partner of choice for clients dealing with for instance, the energy transition. We have a clear ambition to reach a 10% ROE for CIB over time. It is also clear that this will take time, given COVID-19, TRIM and Basel IV.

On the next slide, I will discuss the implications for the individual businesses. We will exit all activities outside Europe, except for Clearing. For natural resources, transport, and logistics, we will continue to serve our European clients, but will wind down activities further afield. We will exit TCF completely, both in Europe and globally. A non-core unit will be set up to manage the wind down of these activities. This means that focus will be on corporate and financial clients within Northwest Europe and we call that CIB core. In addition to a leading position at home, we are a focused partner in Northwest Europe in a select number of sectors and transition teams.

So, focus will be on mid-market corporate banking clients, where we can offer product excellence across the liability spectrum of our clients' needs. Clearing will be the only business operating globally going forward. This is a significant change to CIB. Capital employed will be reduced by a third and compared to the total group CIB will decline from 35% of group RWAs to 25%. Clifford will now take you through the financials of CIB core and CIB non-core.

Clifford Abrahams: So, turning to slide 21, you can see here the charts which show the track record of CIB core for the last few years, which has been pretty good before 2020. In some years private equity results were very strong, but we have also had significant costs from settling the SME derivatives files. So, looking through these distorting items, you can see that for CIB core performance has been good pre COVID-19.

Unfortunately, this year we had two exceptional files and when these are excluded, the first half of 2020 impairments were around EUR 180 million, which is higher compared to recent years reflecting COVID-19, but much lower than for the total of CIB as a whole. Our aim is for CIB core to operate through the cycle towards the group-wide cost of risk.

Looking beyond the credit cycle, we know that credit risk weighted assets will increase further due to TRIM model changes and ultimately Basel IV, so we still have some work to do to structurally realise our ambition of returns of around 10% going forward.

Now turning to CIB non-core on slide 22. I will start with describing the wind down of the portfolio, and then discuss the capital impact. So, on the left-hand chart, you can see that CIB non-core contains around EUR 18 billion of client loans. I would like to emphasise that this is a lending portfolio and quite different from some other CIB restructurings, you may be familiar with.

You can see here on the left, the maturity profile of this loan portfolio, around half the portfolio matures by the end of 2021 and around 80% by the end of 2023. We need to be realistic however, that in current market conditions some clients will need to be refinanced. So, we want to carefully wind down this portfolio in order to optimise value. We expect the cost of the wind down to be around EUR 300 million to be booked in Q3 and this consists of a staff-related cost provision of around EUR 200 million and a write-off a deferred tax assets of between EUR 80 million and EUR 120 million.

Now moving on to capital. On the right hand, you can see that we currently hold around EUR 1.4 billion of loan reserves against this loan portfolio, mainly against defaulted loans. Regular personnel costs during the rundown will be covered by interest and fee income for the remaining portfolio. In the second half of this year, we expect around another EUR 400 million of impairments in relation to CIB non-core and this has already included in the full year impairment guidance for the group of around EUR 3 billion.

In addition, the bank holds around EUR 2.5 billion of capital against this loan portfolio, according to Basel IV risk weightings. So together, the loan reserves and EUR 2.5 billion of capital provide considerable buffer against future impairments beyond 2020 and any possible haircuts from asset sales, if any. I expect the wind down of CIB non-core as a consequence to be capital accretive overall. This release of capital will occur gradually over time and will flow into our overall group capital positions.

Within our capital management framework, we will carefully balance the different uses of capital, being maintaining our buffers, profitable growth, as well as returns to shareholders.

Now handing back to Robert for highlights.

Robert Swaak: Thanks, Clifford. So, going forward, CIB will focus on Northwest Europe. This leads to a clear and coherent geographical profile for the bank as a whole and more cross-business synergies. We had a close look at our Clearing business, and I am convinced it will continue to contribute profitably to the bank. We will wind down all other activities outside Europe and we will exit TCF completely.

Now this is a significant decision for the bank, reducing the CIB lending book around 45% and CIB capital usage around a third. Winding down non-core is expected to be capital accretive over time, as Clifford said. We aim for a through the cycle cost of risk towards group level for CIB core, and a ROE of 10% over time.

So, summarising our Q2 results in slide 24, we have made progress on the four priorities I have set. The strategic direction in CIB is clear. 2020 will be marked by high impairments making it a loss-making year, but the overall operational performance of the bank continues to be good. Winding down a significant part of CIB is capital accretive over time. The capital release will be used to invest and grow the core businesses if we can do so profitably. At the same time, we are committed to resuming dividend payments and returning excess capital over time when conditions and the ECB allow.

This brings us to the end of our presentation, and I would like to ask the operator to open the call for questions.

QUESTIONS AND ANSWERS

Farquhar Murray (Autonomous): Morning, gentlemen. Just two questions from me to start with. Firstly, on the CIB restructuring, with regards to the cost savings from the CIB restructuring, should we expect those to come in faster than or slightly slower than the run-off from the loan book, obviously, maybe framing it against the 50% run off by the end of next year?

And within that, you have very helpfully identified EUR 300 million of cost base there with EUR 200 million kind of from the network and EUR 100 million from support costs at the group level. Should I regard that EUR 100 million is potentially more risk of having stranded costs as you wind down the franchise?

And then my second question on negative deposit rates, how has your thinking on those developed since your first announcements? Obviously, you have got a slightly better sense of the elasticity there. I just wondered whether you think there is more to go there and potentially up with maybe a bit of an update on where you sit versus your competitors in the current environment.

Robert Swaak: Clifford, do you want to take those questions?

Clifford Abrahams: Yes, happy to do that. Thank you, Farquhar. On costs, those savings will follow income, so they will lag somewhat. It is important that we maintain our service to our clients and our regulatory duties through the wind down. So, while we expect the portfolio and related income to wind down relatively quickly, costs are likely to lag that.

You highlighted the split and costs. I would agree with the direction of travel of your comments, around 200 out of 300 I would call network costs and are really linked to servicing the portfolio that we are talking about. that EUR 100 million we call it group support functions. It is a combination of overhead and semi-fixed IT costs. You know, you would expect us to work harder at, as some of those costs shared by other parts of the group. You can expect our comments in relation to group overheads in general and that amount in particular, in November when we update on operational efficiency more generally.

In terms of negative rates, we always expected some elasticity and some spreading of deposits. it was a decent amount in the circumstances. The other banks have followed us actually in terms of passing on negative rates to this similar sort of level, structured somewhat differently. We have highlighted in the pack the deposits in the range below EUR 2.5 million, which still is really quite considerable and that is above the commitment that we have given for clients below 100,000 that we will not pass on negative rates. So, you could consider that amount above which is of the order of EUR 50 billion within possible scope. But you know, as you would expect, we are not in a position to give forward guidance in our pricing strategy.

Farquhar Murray: Okay. Thanks.

Raul Sinha (JP Morgan): Hi, good morning. I have a couple of questions, just staying on the non-core unit. Just looking at slide 34 which I thought was quite interesting and useful to contextualise what you are trying to tell us. Just firstly, on the loans that are in the non-core unit, it looks like more than half are in the US and Asia and you have a coverage ratio of about 55% on Stage 3. Could you give us some detail on what type of assets relate to the books in the US and Asia region particularly? What are the areas that you think disposals might be more likely or whether there might be a sort of market for some of these loans, and how that ties in with your thinking around disposal losses, if any, that we should be thinking about?

My second question, just broadly on the strategic direction of the group, I hear you what you are saying on Clearing, but I am still struggling to understand how Clearing ties in with the rest of ABN AMRO in terms of strategy and what makes the loss so exceptional in Q1, what are the benefits that Clearing brings to the group? The reason I ask that is that if I go back and look at the last investor day, where you have presented an ROE of various divisions, Clearing was right on the cusp of just above 10% ROE on your analysis that time. So, some more colour on the Clearing decision would be very helpful. Thank you.

Robert Swaak: So, thank you, Raul for your question. So, let me take the Clearing questions and then I will ask Clifford to answer your first question.

So yes, on Clearing, what needs to be recognised here, is that Clearing has had a historical strong performance. The ROEs have been good. Clearing also offers diversification to the group. And it is indeed very counter cyclical. Then also it is one of the top three global players in the world. So those are three or four important considerations as we looked at Clearing.

The next step we actually took in Clearing is assess our situation around risk management, as a result of our first quarter loss. That has resulted in an extensive review around risk management. We have done work on credit limits. We have significantly de-risked and we have also indicated and have reviewed the overall risk management at Clearing, supported by external analysis as well.

That entire package has led us to conclude that Clearing is part of our core CIB and then for the primaries instead it provides diversification, it is anti-cyclical and risk management with the changes that we have made and some changes that will be made going forward is at an acceptable level for the group as a whole.

Clifford Abrahams: I will pick up the international portfolio. The US portfolio comprises a big chunk of our oil & gas portfolio. We have talked about the quality of that, and our provisioning around that. So that that business is really centred around energy and oil & gas. That portfolio is the longer maturities of the details we gave on the slide earlier, so it tends to extend out.

In terms of Asia, that business is built around the trading commodity finance business and tends to be shorter maturity. You can see that in the profile. We have guided to a plan which shows a natural wind down of that portfolio. It is pleasing to see that it is really a relatively short portfolio. We are not relying on market disposals, in order to release that capital over time. We think market conditions, though improved on a few months ago, are still not conducive to significant disposals, we clearly monitor that going forward. We have the capital to manage a really well-controlled wind down over time, and we are looking to optimise the capital release from non-core over time, rather than look for accelerated exits. So that should give you a flavour of the profile of both the balance sheet and the P&L going forward.

Raul Sinha: Thanks, Clifford. If I can just come back on the same point? If we assume that you lose all of the income in the non-core unit, and you have some of the cost base to still remain on your three year+ horizon, that would still mean a net downgrade to the pre-provision operating profitability of your group. Do you have any thoughts on that? Is there any way you can help us, because obviously it is a 67% cost income business, it looks like?

Clifford Abrahams: You are referring to core, that is the 60 …

Raul Sinha: No, I mean, non-core, if I look at the CIB non-core pre-impairments in the first half. Obviously, you made a pre-impairment profit. If you assume that you lose all of the income, but you keep some of the costs, then obviously …

Clifford Abrahams: That is the nature of a non-core wind down, right. So, what we are focused on, the primary metric for that business, aside from doing the right thing for our clients, is to maximise the NPV of the capital lease. You can see that we have already started that de-risking. This year, it is making a negative contribution and in the past few years, it is a negligible contribution. So, I would say another way of looking at it, is that we are releasing capital representing 10% of the group's overall capital allocation that has made a negligible contribution to earnings in recent years and a negative one this year. So, it makes sense both from a capital and a P&L perspective. In the short term, yes, you can expect some drag from non-core and the way we looked at it is in terms of overall capital release, if we can take opportunities to accelerate that, we will, and we will obviously have regard for running costs. But we have the capital, we are not going to adopt a fire-sale approach here. We will do it in a measured way and support the business in order to release that capital in an optimal fashion.

Raul Sinha: Thanks so much.

Robin van den Broek (Mediobanca): Good morning, gentlemen. Thank you for taking my questions. My first question is on capital release. I mean, you provided good detail on the gross capital release, the initial restructuring costs, the cost of risk that stick into 2020. I am just wondering if you look at comparable rundowns in a sector, the most RWA production run rate seems to be around 7.5%. Do you think that could apply to you as well? Clifford, you also mentioned somewhere in your introduction remarks that this group might be less complex than some other CIB books out there. So that that would be helpful colour. In addition to that, in the past, you have always been quite adamant in denying the existence of excess capital, but now it seems that the tone of voice is slowly changing with a 14% starting point and clearly some net capital release coming in addition to that level. So, your comments will be helpful.

The second question is on the core CIB, in your slides, you are still aiming for a 10% return on equity and presuming that some lower Basel IV conditions, your total CIB inflation was around EUR 15 billion, of which EUR 5 billion is now probably due to the rundown. So at least another EUR 10 billion for the core, which would make your ROCE for 2019 drop from 9% to 6.5% growth. So I was just wondering, do you think that you can get at 6.5% underlying Basel IV ROCE for the core CIB up to 10% and what kind of measures do you think you need to put in place to get there?

Robert Swaak: Cliff, do you want to take, and I will take the question on excess capital?

Clifford Abrahams: Okay. In terms of cost of wind down, I will make a few comments here. Obviously, we have had a look at other CIB restructurings over the years. I do believe ours is really quite different because of its loans and many of those ‘rules of thumbs’ relate to markets intensive businesses with long derivative books, for example, which is tough to unwind. We are not underestimating the execution risk here, but it is a loan portfolio with limited markets related positions, with very short duration. We have taken fair provisions to date and we do not think the wind down in all itself will add to further or material impairments. In the current environment clearly it is tough, but a decision to wind down does not lead to incrementally difficult economic numbers. So, that should give you a feel. One of the other questions highlighted the strong coverage ratio that we have already got in relation to Stage 3 exposure.

In terms of core ROE, yes, you can see that we have until this year delivered actually around 10% Basel III returns. Last year 2019 already included an amount for TRIM, which is an acceleration of Basel IV. We expect to further Basel IV inflation and for that business it is around a third. So, your figures are around right. Our perspective is a couple of things. We will continue to work hard to improve the returns of our business in Europe. We think there is a lot more that we can do in respect to that business. We also think that Basel IV will enable some selective repricing and we think there is a better chance for our ability to do that in our core markets of the Netherlands and Northwest Europe. And that underpins the ambition that we have indicated, which is to get to our overall ambition of 10% for CIB.

Robert Swaak: Maybe I can take your question on the excess capital. Now, clearly as we stated, we expect there to be the whole wind down to be capital accretive. Also, we should keep in mind this will happen over time, so there will be then a time lag as capital then becomes available. Certainly, we are looking in terms of our activities in Northwest Europe at the sectors we have described. We are looking to carefully invest where there is profitable growth. That clearly will be part of our considerations going forward, as we do remain committed, as we indicated, to dividend payments and also to capital return when and if conditions allow.

Robin van den Broek: Okay. And these investments are they still concentrated on private banking activities in North-western Europe or has that scope broadened now?

Robert Swaak: Well, what we intend to do as we have affected the decision or affecting the decision around CIB, we will come back in November with an overall view as to how this decision affects the rest of the bank. One of the reasons why we have chosen the markets that we have chosen is because it brings CIB very much closer in line with the geographical footprint of the private bank and the commercial bank. But I would propose that we give you a much more overall picture in November.

Robin van den Broek: Thanks for the answers. I appreciate it.

Robert Swaak: Thank you.

Benoit Pétrarque (Kepler Cheuvreux): Yes, good morning. Well, thanks for all the detail this morning, it is very useful. My first question is on the speed of the run-off, it seems that you guide for a relatively small figure for 2020 about 5% and more significant figure in 2021 of around 50%. Is there a good chance to be surprised positively on the 5%? If I take 5% on EUR 17 billion, that is less than a EUR 1 billion, you have already started TCF run down probably in Q2? So, where are you all ready and where would you expect actually to be by the end of 2020? Also linked to the speed, if you look at the long tail business, probably more energy and transport, are you still planning to wait 2023 and 2024, it could be logical to expect disposals. So where do you stand there on this long-term business basically?

The second question is on dividend. Clearly CET1 is strong. The CIB restructuring may be a bit complex, but how do you see the basis for the dividend in terms of pay-out? Do you consider paying the dividend based on the core ABN AMRO, so the core profitability excluding the rundown, or do you still think it is going to be a pay-out on the group earnings?

Then maybe just small one on NPE deduction from capital, the EUR 200 million per year building up to EUR 1.2 billion by 2024. Can we consider this EUR 1.2 billion as a reserve deduction to capital as a route to financial reserve or the CIB restructuring or this is something else? Thank you.

Robert Swaak: Clifford?

Clifford Abrahams: I will do that. Quite a few points and then maybe dividend, Robert, I will leave with you. On the rundown you made some interesting comments. I think it is going to be pretty modest in 2020. You can see that we have already commenced some de-risking reflecting, I would say, the cycle but now that we have made a strategic decision, we will do it in an orderly way. So, it will be pretty modest this year and we plan for that wind down to take place over three to four years. But if there are opportunities to accelerate it, that makes sense from a capital and cost and regulatory perspective, we will clearly look at that, seriously.

On NPEs, we do not book the NPEs. But that guidance has not substantially changed. It is primarily commercial banking, not CIB. I do not think we want to get into the details at this stage. That guidance fundamentally remains in place. On dividend, Robert, are there any comments you are prepared to make in the stage?

Robert Swaak: Yes, at this point, I would say we are not changing our dividend policy, as that remains as it currently is. We will update you further in November.

Benoit Pétrarque: Thank you very much.

Stefan Nedialkov (Citigroup): I will not surprisingly continuing on the topic of the CIB restructuring. Please correct me if I am wrong, but I did not see the Stage 3 ratio for the non-core business. Just looking at the overall corporate loans in Stage 3 they are between EUR 6 billion to EUR 7 billion. How much of that is effectively in non-core as of today? That obviously would be corresponding to the EUR 1.4 billion reserve that you mentioned in your presentation, plus EUR 400 million in 3Q. I am just trying to understand what the current coverage ratio for the non-core is and where do you think that should be heading into the year end 2020 and potentially 2021?

My second question is for Robert. What did you find the most difficult thing to change from a cultural point of view within CIB? Obviously, the context here as you guys wanted to be very international, the easiest way to be international was via CIB. How is the culture changing? How is risk management, governance changing? Is there going to be any leakage in terms of revenue attrition from the core business into the non-core business, or are they pretty much sealed off businesses? Any colour around that would be fantastic. Thank you.

Robert Swaak: I ask Tanja to answer your first question, and I will take the culture.

Tanja Cuppen: So, your question with respect to the impairments in relation to non-core; page 34 of the presentation gives an overview, where you can see that 11% of the portfolio is in Stage 3. Indeed, as you mentioned, a high coverage ratio 55% and that has to do with some incidentals where we have taken significant provisions over the past period. As indicated, we do expect to add some additional impairments, EUR 400 million, to this portfolio for the remainder of the year. So that is in our projections.

And for 2021, we actually did not provide any guidance. It is quite an uncertain market. It is a cyclical sector. So, you can imagine that it is above the average of the portfolio of the bank, but no specific guidance there.

Robert Swaak: Regarding your question around culture, important in all of this is a culture of execution. The way this decision has come together has been a process in which we have seen both core and non-core being very committed to execution, as we worked up to plans, and as we decided. I expect that to continue. That is certainly something that is important for me, given where we are as a bank, that the execution part of any decision we take becomes part of the culture of who we want to be.

Stefan Nedialkov: Okay. Thank you for that answer. But just in terms of targets, for example, within CIB…

Operator: Sir, his call, his line dropped. We will continue with the next question.

Robert Swaak: Okay, when he comes back, we will take it back.

Thomas Dewasmes (Goldman Sachs): Good morning. Thank you for the presentation. I have two questions. The first one is on the release of the RWAs from the non-core unit. It is obviously a lot of capital and you already have a large buffer even on Basel IV metrics compared to requirements. So, what profitable opportunities do you see now in Northwest Europe that are incrementally more attractive than they were before the strategy review and then you would normally reinvest in the business from your organic capital generation.

The second question is also on slide 34. From the comments that you have made before on this call, is it fair to assume that the ideal coverage ratio for the Stage 3 is around 55%, 60% of impaired exposures? What type of collateral you have on this type of exposures?

Robert Swaak: Thank you, Thomas. Let me take the first part of your question. Clearly the choices we have made have been around the focus on Northwest Europe. The decisions we took around Northwest Europe are based on the fact that we see opportunity in the sectors that we have traditionally served very well from an ABN AMRO perspective, whether that is shipping, whether that is banking or insurance, there is a number of sectors that we have been traditionally very good in. We know these markets very well. We have a presence in these markets. So, we do see opportunities for modest growth. To be more explicit or to give you more details on that, I would rather wait until we do the November update, because then I can give you a more complete picture as it concerns the bank as a whole.

Tanja Cuppen: Should I take the second question on the coverage ratio for non-core? Indeed, currently it is 55%, but I would not take that as a guidance for future impairments. Indeed we do have mostly collateralised loans in non-core and collateral is for traded commodity finance, the commodities, for energy is reserve-based lending or other types of security related to the asset base there, and in the shipping portfolio, of course, the ships are collateral. So as a better guidance, I would take 30% to 35% coverage ratio on average for new files that we would have to add to Stage 3.

Thomas Dewasmes: Thank you.

Operator: The next question would be from Albert Ploegh, ING but his line is on mute.

Omar Fall (Barclays): Good morning. Thanks for taking my questions. So just to make things very simple, you are at 14%, CETI under Basel IV which surely cannot be miles away from whatever target you tell us in November. I do not want to front one that but given where your MDA is that seems to make sense. Is it then as simple as whatever is less the EUR 4 billion of reserves and capital from the non-core run-off is then available for shareholders or for growth? What am I missing because that math is very interesting to shareholders. What is really not interesting, which we have seen historically at ABN, is that the spreadsheets look great, but we are then surprised by a large further use of capital down the line or some added caution that we did not know about, that we will only hear about in November. Because we can all make up our minds around whether using that capital for growth or returns is realistic but if there are some one-off elements, it would be good to know now.

And then on that front, I know you are maintaining the Markets business in CIB and it is not balance sheet intensive but when you used to report the P&L for that business way back in 2016, it was not really profitable, and pre-provision profitable. I cannot imagine that it has improved much since. So, is that an area where you would be looking at extracting some savings, potentially to feed some of to offset some of the pre-provision losses on the loan side? Or are you not looking to touch that? You know, because I recall back then the cost base was pretty large, like 500 or 600.

Secondly, I just wanted to get some more detail on the EUR 1.2 billion of impairments you expect in the second half. Sorry if I am confused, but are you just saying that you only expect EUR 400 million of that to come from CIB non-core, which leaves us with EUR 800 million elsewhere. Where is that coming from? Because obviously, non-core has been the key contributor, so like in first half it was half of group impairments?

Thanks.

Robert Swaak: Thank you. Can I just ask Clifford to take your first question, I will take markets and then Tanja will take impairments?

Clifford Abrahams: So, your math is right. So around 14%; the CIB non-core also has a quite a high RWA inflation in respect to Basel IV attached to it. So as that comes out, that will further considerably strengthen our capital position over time. I will not comment on your characterisation of the past; it is clear, however, that where there have been surprises they have not been in terms of capital allocation or capital use decisions of the bank but have been in respect of the developing regulatory situation that we have had in the past. Looking forward, I would highlight a couple of themes. One is the economic uncertainty and we discussed COVID much on this call, but that remains a, you know, the backdrop to where we are. From a regulatory perspective, we currently have a recommendation from the ECB not to distribute any capital in 2020. So, while the environment has eased in the short term, we expect that to be temporary. We do expect TRIM to crystallise likely this calendar year and we will need to navigate our way through that. So, our plan is to give an update in November. We will update you where we can, at that point. The key issues will be navigating through TRIM and Basel IV, but the CIB non-core wind down will take place over a number of years and we will look to give you as good a long-term outlook as we can in November.

Robert Swaak: Tanja, on the impairment?

Tanja Cuppen: On the level of impairments, indeed, we expect EUR 1.2 billion for the remainder of the year. In the context, we have discussed quite a bit on CIB, but we have not discussed the commercial bank yet. The commercial bank has EUR 300 million in impairments over the first half of this year and we expect that this will be more in the second half, especially in the last quarter of this year. As you are aware the support measures, but also to the payment holidays provided the bank are in place and will mature this quarter or at the end of this quarter. We expect that some companies will run into problems and will add to impairments in the commercial bank. It can be that where we are a bit cautious here and it runs into next year in the first quarter, but we expect a part of this EUR 1.2 billion to be related to the commercial bank. To be a bit more specific, it is less than half, say 40%, 45%.

Robert Swaak: Okay. Tanja, thank you. Then on markets, let me just say that, looking at global markets, we have had two reviews already on markets. We have reduced the RWAs attributed to markets from about EUR 10 billion to about EUR 5 billion. Markets has a function in the bank, not just for CIB, but a function also for our commercial bank and our private bank. Of course, we will continue to monitor associated costs very, very closely.

Omar Fall: Thank you very much.

Stefan Nedialkov: My line decided to drop exactly as I open my mouth to ask you a quick follow up question. So, I am just going to ask it now. You mentioned in terms of the core versus non-core before, quite interested to know if there is any leakage between these two businesses. So, for example, if there is a multinational that you lend to in the Netherlands, and then in the US, are there any repercussions in terms of your restructuring here? Are we likely to see a revenue attrition in the core business because of the non-core being wound down?

And the second follow up I wanted to ask Robert. It strikes me how the CIB business at ABN has been a story of Jekyll & Hyde, so to say. It is a really, you know, well performing, low cost of risk domestic business but with extremely high cost of risk internationally. So, what is the underlying reason for this? Obviously, culture is important and you are trying to change that somehow, risk management, governance, et cetera but at the end of the day were there different targets for the different businesses, different incentives for employees, different type of people you are hiring in the various part of the organisation within CIB? Just some colour on that would be really useful for us to understand how this business is likely to be changing going forward, you know, from a more cultural point of view.

Robert Swaak: So, on your first question, these units are going to be managed separately. They consist of separate client franchises as we have them, and then managing more separately. So, I would not expect at this point any leakage, just for the very fact that we are managing these separately.

As to your second question. Looking at the business, we have had our international CIB business build up a practice in oil & gas, in trade commodity finance, and these are all sectors that were highly volatile, that are very cyclical. One of the choices we made as a bank is that we want to be present in areas where we can achieve scale, and where we can achieve focus. If you drill down into it, we are actively building positions in these sectors, but we are also then exposed to volatility. And we were also exposed to sub-scale sizes of these businesses. Therefore, we have taken a choice to operate in focused businesses, in areas that are close to our geographical profile. So if you take a 30,000 foot and you look through the history of how CIB evolves, that is kind of the conclusion you then come to and that is kind of has driven our choices, as we communicated them today.

Stefan Nedialkov: Okay, thank you for that. So it just sounds like risk selection itself has been be okay, but because you guys have not been able to scale up in those volatile businesses, you have not really been able to absorb the volatility historically, and therefore this retrenchment?

Robert Swaak: I would just repeat what I have said before. Three has been an exposure in these sectors which are volatile. It is the sub-scale size of the business you then get to, and therefore you take the decisions that we have just taken.

Stefan Nedialkov: All right. Thank you, Robert.

Albert Ploegh (ING): Thanks for giving me the opportunity again. My line also dropped. I have a few questions left. First on the NII guidance and how the inclusion works with the TLTRO because it seems that you in your footnotes say it is something about a further benefit. So, can you maybe help us out what is now included and what could come on top? That would be helpful.

The second question is on the somewhat overlooked P&L line, other income. In Q1, you mentioned that given markets, it could be a little bit below for the time being compared to the EUR 100 million guidance. Now, you basically reconfirmed 100 and in the opening remarks, it was something mentioned on the real estate gain. So, is there some visibility you have on a certain pipeline there that could still impact, let say the second half positively?

My final question to come back on the core part of the CIB. In an earlier question, you confirmed that the RWA inflation for Basel IV was something like 32% as well, the EUR 25 billion, but it was not really clear to me what do you think you can optimise that inflation or the absolute amount on RWAs as part of getting to the 10% ROE or that it is more on the repricing of the existing loans in the core business. Thank you.

Clifford Abrahams: I will tackle those briefly. So, the TLTRO we pay - we received minus 50 basis points on that facility. If our lending goals are met, then we receive minus 100 basis points on that facility. So, the uplift is 50 basis points on EUR 32 billion, so it is EUR 160 million. It is a considerable amount and that is consistent with the treatment of other banks across Europe. That relates to our track record and it is a fairly short-term hurdle that is required. It is potential upside. We do see loan growth as modest over this period, so we see it as upside rather than baking it into our current guidance. On other income, yes, you are right, we have good visibility on real estate disposals and that underpins the confidence for the other income guidance that we have given, at least in the short term.

On the RWA inflation, the Basel IV inflation for CIB is around a third. We see plenty of opportunities to optimise beyond repricing, including both looking at the way we do business, further originate-to-distribute where we have considerable further scope, as well as, optimisation of the portfolio. So, it is not all going to come from repricing by any means. We are very focused on that and we need to realise that potential in order to deliver on our ambitions.

Albert Ploegh (ING): One more follow-up on the core part of CIB, do you really also be exploring maybe some partnerships going forward as well to also have some further optimisation or is this basically a standalone business as it is now?

Robert Swaak: I suggest that this is too early to answer to those questions. If we will do any considerations on that we will update you further in November.

Albert Ploegh: Thank you. I understand.

Giulia Miotto (Morgan Stanley): Good morning, a couple of questions from me as well. The first one on Clearing. You mentioned that you took a number of measures to reduce the risk profile of this business. I was wondering will this result into higher cost perhaps or lower revenues before impacting the profitability of the core bank? So, this is the core CIB the bank, is my first question.

My second question is on the outlook for cost. You mentioned that AML-related costs are peaking in 2020. So, aside from the cost reduction coming from the non-core CIB that we expect from 2021, can we expect some cost reduction also interest of the bank? Thank you.

Robert Swaak: Tanja, could I ask you?

Tanja Cuppen: On Clearing, yes indeed, we have taken action on the Clearing, risk limit has been tightened and actually we have gone through the whole client list. Quite a few of the clients were perfectly within our risk appetite, but it also meant that we had for our certain clients to reduce their positions and also had to let go of some of the clients. So yes, it does have some impact on the top line. We have also made further investments in terms of strengthening the risk management, although that fits within the existing investment programs of Clearing. So, if you look at the overall impact on profitability, the analysis has shown that Clearing can continue to meet the return targets that we have set for the period. So, yes, some impact, but not that material that it moves it away from its targets.

Robert Swaak: Thank you, Tanja. Clifford?

Clifford Abrahams: On cost. With our investor update in November, you would expect us to be cagey about costs through next year, we have been clear that we are on track for our goal of EUR 5.1 billion this year. We do see potential for further cost reduction. We have spoken in the past about our pipeline of IT costs. That was in our February analyst presentation, and that remains very much on track. In an environment of low rates and slow economic growth, it is clearly critical that we will maintain cost efficiency. We see opportunity to do that, and we will update you in November.

Giulia Miotto (Morgan Stanley): Thank you.

Benjamin Goy (Deutsche Bank): Good morning, two questions from my side as well please, first on CIB non-core. Can you maybe talk a bit more about the 13% Stage 2 loans in non-core? What is this exactly and what are the downside risks in terms of Stage migration here?

Secondly, on 2020 cost you now have reported EUR 2.5 billion, you reiterated to EUR 5.1 billion, but the Q2 run rate on reported and even more on an underlying basis is quite good. So, I am just wondering why you are not ambitious or more ambitious this year. Was there some under spend given COVID-related impacts or are there other reasons, like H2 investments?

Tanja Cuppen: Shall I take the first question on CIB non-core? Indeed, the exposure in Stage 2 it is 17% of the total portfolio, so around EUR 2.4 billion and about half of that is in natural resources, so oil & gas and offshore, but mainly oil and gas. There we do expect indeed some transition to Stage 3. That is why we also get this outlook of EUR 400 million of additional provisions because there will partially be on assets that move from Stage 2 to Stage 3.

Robert Swaak: Clifford?

Clifford Abrahams: On costs. Look, we feel good about the 5.1 guidance. You are right. I am pleased that we are on track. You see the benefit of not just cost saving programs, but also appropriate cost control. We also have quite considerable programs around detecting financial crime and other regulatory-related programs into the end of the year and beyond. So, we feel good about our 5.1 but we are not excessively managing expectations, I do not believe. We will pick up costs longer term again, as I said in November.

Benjamin Goy: Okay, understood. Thank you.

Tarik El Mejjad (Bank of America Merrill Lynch): Hi, good morning. Thank you for taking my questions. Just very quick two questions. The first one on the CIB. The restructuring is very much welcome, and I understand the importance and historic level given like the trade finance and so on, that you decided to shut down. But I am bit surprised that after all the structuring you only look at 10% ROCE, because the previous plan you targeted 10% ROCE as well with much milder actions. Things have deteriorated since, that is true, but in current 10%, are you factoring in some recovery in the market or are you really assuming the same current environment in the next three years or four?

When you put that in context with the group targets, I know that you disclose more detail in November, but what are is the big lines? Are we here within a group that will be smaller, more controlled, less risky with obviously less ROE, because 10% will still remain a drag to the retail business, with excess capital returned, or do you have something for us in terms of growth, and you will be able to provide returns that are similar to those you presented during the IPO?

Very quickly at the end, do you have any updates on the AML case, now that the prosecutors and all the machines back post lockdown? Thank you.

Robert Swaak: So, Clifford, if you could take that?

Clifford Abrahams: An ambition of 10% reflects three things. We have a track record in core of just under 10% pre-COVID, so we feel good about the 10% ambition. However, we need to recognise we have TRIM coming up, as well as Basel IV over the next few years. That gives us caution around the 10%, so we need to work hard to deliver on that. In reality, we have not spent much time talking about COVID, but this is a business, including core, that has incurred substantial impairments in a tough economic environment. The bank is resilient, but none of us have a crystal ball when, as long as the economies are firing on all cylinders, we can move back to through the cycle cost of risk. So, we just need to be sensible about that. It is good that we will be moving CIB down to around 25% group capital allocation and as when it is delivering that 10% on the Basel IV, we consider whether further capital allocation makes sense. But we are taking it step by step.

Robert Swaak: And on your questions on AML and update on the public prosecutor. Unfortunately, I cannot make any comments around the status of the public prosecution of the investigation. I would reiterate that we continue to cooperate fully, as we have indicated before, with the ongoing investigation.

Tarik El Mejjad: Okay, thank you.

Kiri Vijayarajah (HSBC): Hello, everyone, just a couple of questions on my side. So, on those gains on real estate disposals you have got into in the pipeline, I am just trying to link that to your restructuring plan. So is that coming from domestic branch closures or is that something, shutting down the overseas offices. So just a little bit of colour on that, and you know, linking it to the restructuring plans?

Then just turning back to the markets business, I appreciate you taking the RWA down there from EUR 10 billion down to EUR 5 but it is just not clear from your slides, whether it is coming down a little bit more, because there are some small sub-units within markets that are going to go into non-core. So how much of that EUR 5 billion in market splits is between core and non-core please? Thanks.

Clifford Abrahams: Real estate is a more sensible resource allocation. We typically owned our properties, both here in the Netherlands and overseas. We are realising some of the value of that and reallocating the capital, so we are quite confident of that, certainty for this year and there may be more to do going forward as the bank becomes even more digital.

On global markets, as Robert said, we brought it down quite considerably. It is a support function for CIB and the rest of the bank. There are some elements of global markets that are non-core, in relation to the US and some of the commodities book, it is a small part of that overall EUR 5 billion. And as Robert said, we will continue to optimise global markets going forward both from a cost and capital perspective consistent with its being primarily a support function for the client facing businesses.

Kiri Vijayarajah: Great, perfect. Thanks, guys.

Clifford Abrahams: Thank you.

Anke Reingen (Royal Bank of Canada): Thank you very much for taking my question and for all the details you provided. I have just two questions. The first is on the Basel IV impact and the avoided inflation because of your change in strategy. Is it about a 40 basis points benefit if I assume the 30% inflation?

And then you mentioned a number of times TRIM inflation to be taken this year. If so, can you be a bit more specific, if possible? Then I have a question on the second half dividend for 2019, which you still accrue? It looks pretty unlikely that you report a profit for 2020; do you still think you will be able to pay that out, in spite of the fact you report a loss because of the strong capital ratio? If this question is not answered, then I have a follow up question, which is can you please give us the payment holiday volume? Thank you very much.

Clifford Abrahams: Okay, four questions. That was a new approach. So, I commend you for that but warning others on questions. Maybe Tanja can pick up the payment volumes. On Basel IV, we have given you all the elements of the numbers. I am not sure about the 40 basis points, but we are clear that CIB is a high RWA inflation unit, around a third and for the bank as a whole are Basel IV RWA inflation is about 20%. So, you can work through the numbers based on our disclosures.

On trend, I will comment and maybe Tanja can pick up further. We had some communication around TRIM, and that is reflected on our actions as well as the add-ons. We do expect further TRIM communications later this year. We are hopeful that lands before our update to you in November. I am going to pass on to Tanja, to provide any further comments.

Robert Swaak: Tanja, would you like to take that? And then I will answer the dividend questions.

Tanja Cuppen: Actually, I do not have a lot to add on TRIM, because there are still three letters outstanding in relation to in general corporate lending, financial institutions, and specialised lending, read TCF. We expect at least to receive the first letter in the next quarter, maybe two. Of course, there is an interaction with the CIB review as well, since there is some overlap, at least for the trading commodity finance exposure.

Clifford Abrahams: The gross amounts on the payment holidays are set out in our Q-report. It is a little over EUR 20 billion and most of that is in the commercial bank, EUR 17.5 billion in the commercial bank. But all of that will roll off during the course of Q3, unless otherwise extended.

Robert Swaak: On your question on dividend, clearly dividend remains accrued, as you have seen. We have not added it back into capital. But as you know, there is guidance right now around restrictions. We will monitor again the situation in November and then we will update our stance on the dividend.

Anke Reingen: Thank you very much.

Johan Ekblom (UBS): Thank you, just two quick questions from me. Clifford, you were talking about exit losses and you are referring to the EUR 200 million cost restructuring and the DTA write-down. Should I take that to assume that you are not expecting any further marks on potential asset sales or is that something we will have to take as and when they happen?

And then secondly maybe a question for Tanja on, how do you see you are through-the-cycle cost …

Operator: Unfortunately, we lost connection. I will go ahead with the next question from Guillaume Tiberghien of Exane BNP Paribas.

Guillaume Tiberghien (Exane BNP Paribas): Good morning. I have two questions. The first one relates to the NII guidance of about EUR 1.5 billion per quarter. Other than being part of the non-core, which obviously could reduce this level of EUR 1.5 billion, is there any other element that could mean that the NII could fall below EUR 1.5 billion as we go into 2021?

The second question relates to the capital release we should expect from non-core. You currently have EUR 2.5 billion capital allocated, so if I remove the EUR 400 million provision, the DTA and the restructuring charge and I tax all of that, maybe that could mean EUR 2 billion of capital should come back to us. Is there any reason to expect that the EUR 2 billion is the wrong number? Thank you.

Clifford Abrahams: I will pick that up briefly. On NII, we have now said around EUR 1.5 billion, so we are currently a bit above that. You know, I would say we are comfortable to one decimal place per quarter. The non-core wind down will be modest this year. We are likely to get further deposit margin pressure, reflecting low interest rates. And I have guided you on volumes earlier today.

In terms of capabilities to non-core, just following your calculations, we need to think hard about the tax, you recall the comments I made about tax during the presentation. The other two things to consider are future impairments. So, Tanja 's guidance of EUR 400 million was for this year. We should expect further impairments in the future and then you have the running P&L of non-core. To the extent we choose to sell assets, we will only do that with a view to optimising capital in a rational way. So, we are not ruling out asset disposals, but we will be rational in terms of trying to optimise overall capital release in respective disposals.

Guillaume Tiberghien: Thank you.

Daphne Tsang (Redburn): Thank you for taking my question. I just want to ask a couple, please. First on your AML-related costs. So, you have spoken EUR 170 million year-to-date. I am just wondering how much of your previous KYC provision has been released as part of that EUR 170 million. How much AML-related costs do you expect to come in H2? On KYC provision, you previously guided at around EUR 200 million provision unutilised. So, I am curious how much of that has been utilised now?

My second question is a follow up on the moratorium. Based on your EUR 20 billion in terms of absolute volume you mentioned earlier, how much provision have you made against those or are you not booking any away for Q3 for these two to roll off or extend that and then assess the impairment situation over there?
My next question is on NIM. Are you able to give any guidance in terms of how this will evolve for the rest of the year and beyond 2020 as well? Looking at this quarter the NIM has been weak, but I assume it is largely cultural driven, because of the impacts to […].

On TLTRO, are you saying that you have included 50 bps of the benefits in the current guidance with extra 50 bps potentially you could add on top in terms of the benefits? Is that not very likely to be achieved though given the low volume you see and also connected to the government's guarantee scheme?
If I can squeeze one more, are you able to provide guidance on the TRIM impact in absolute terms like your peers have done. Thank you very much.

Robert Swaak: Could I ask Tanja to take the TRIM question and then maybe back to Clifford? I know that there is a tendency to continue to squeeze more questions into the questions, but really in the interest of time, could we limit the questions to two per person? Thank you.

Tanja Cuppen: I can very be very brief on the TRIM question because we cannot give any further guidance right now. We have taken some additions already earlier in the year and last year, and we are waiting the letters of the ECB to take final steps here. So, we will update you in Q3.

Robert Swaak: Okay.

Clifford Abrahams: I do not think I have got anything further to add on TLTRO. We have been pretty clear. On NIM, on provision release, we are really getting into the weeds. We have booked considerable provisions with respect to AML. We are clearly utilising some of that and would expect that provision in respect to remediation to be fully utilised over the next two or three years. So, the EUR 170 million I referred to is the total P&L impact for the half year.

Daphne Tsang: Are your able guess how much of your KYC provision has been released so far?

Clifford Abrahams: No, I do not want to go into that detail on this call.

Daphne Tsang: Okay. Thank you.

Robert Swaak: Thanks for the question.

Operator: Our next question is from Kian Abouhossein of JP Morgan. Go ahead, please. Mr. Abouhossein, can you hear us? Can you unmute your line please? We go on to the next question from Jason Kalamboussis of KBC Security.

Jason Kalamboussis (KBC): Good morning, gentlemen. I will try to keep it short. The first thing is on the impairments in 2021. With what we know now and to keeping the same macro-scenario and the same outlook that we have on COVID, when do you think that you are going to be above the 25 to 30 basis points across-the-cycle cost of risk? Should we understand it should be something that still would remain below the 40s? Can you give us some comfort that at the end of the day, also with the 400 you are putting for the second half that next year we are not going to have these large negative quarterly surprises that we have had over the last three years and that in a certain way you had bulletproof yourself for that with what you have done this year? That would be very helpful.

Then I have just a follow-up on Tarik's question. Do you think that you are going to be to give timing on when you will reach the cost of equity of 10% for the CIB in November, and if not, why not? Is it possible to have for example as in slide 34, a split between the ROE on Clearing and especially on private equity? That has been very supportive, so we can understand better what the rest of the business is doing?

Robert Swaak: Thank you. Tanja, you want to take impairments and I will turn it over to Clifford.

Tanja Cuppen: So, on impairments and guidance for 2021, I cannot give you any numbers, but I can say and confirm that we tightened risk management quite a bit. We have also set very clear risk appetite for CIB core and of course there is very dedicated management and risk management also on the non-core part to make sure that we run that off in a controlled way. So, these elements I can confirm to you. It is very hard to provide guidance at this stage for 2021. So that is not something I will do.

Clifford Abrahams: In the same spirit, we have made great effort with footnotes this quarter. So have a look at the footnotes in respect to the ROEs. You can see that core actually has delivered pretty much 10% or 10% plus over the last three years. If you normalise that, that is also the case. Looking back, we disclosed private equity gains each quarter. So, take a look, particularly for year 2017 and 2018. We are not going to give dates. We are clear on our ambition and ambition will apply to any changes in capital requirements over time. We will update more broadly on targets in November.

Jason Kalamboussis: Great, very helpful. Thank you very much.

Robert Swaak: Thank you.

Kian Abouhossein (JP Morgan): Yes, thank you for taking my questions, just very quickly. Out of the thousand clients, you split half into core, half into non-core. Of the non-core ones, could you just give an indication how many of these are actually buying other products from you, that are part of the core business? Can you give some indication, so we understand the overlap?

On the core client base, the other 500, could you just talk a little bit about profitability? Are you having the normal 80-20 rule that you are seeing in terms of profit generation on the 500?

Clifford Abrahams: It I will do it briefly because Robert has covered this, but the core and the non-core really are quite two distinct client bases. So, core in Europe reflects our Dutch client base and near-Netherlands. The non-core is primarily a local-to-local business, so whether it is global TCF clients in Asia, or US-based oil and gas producers. So, we do not see, you know, material leakage from the core client base. We are proposing to exit TCF completely, both globally and within Europe. In terms of our core business going forward, we have our ambitions, we see potential to deliver on those ambitions and we look forward to updating you on that in due course.

Robert Swaak: All right, thank you. Thank you, Clifford. Operator, in the interest of time …

Tanja Cuppen: And the heat!

Robert Swaak: And for some, the heat, I would like to conclude the analyst call. Let me just maybe briefly summarise. The bank will focus on the Netherlands and Northwest Europe and CIB will align to this. This would ensure to focus on scale and chosen client segments for the whole bank.

Q2 was marked by COVID-19. Maybe we did not talk about that as much, but high impairments we did talk about. Operating results were resilient. Impairments are down from Q1 and expected to be lower in the second half of the year. With a well-diversified portfolio in a very robust capital position, I am confident about our future. We will further update you in November, as we discussed just now in the call, on strategy, including capital financials targets.

Now before I say a formal goodbye, there is somebody I would like to thank who is also on this call, who has been on these calls for 15 years. That person is sitting to the right of me. Dies, on behalf of many of you on the call and certainly on behalf of us, I would like to thank you because Dies is moving on. She will stay within the bank, but she is taking on a new position in the bank. Certainly, on behalf of all us, I would like to thank you for all those many years that you have sat here to next us and were with us. Thank you.

Dies Donker (IR ABN AMRO): Thank you very much!

Robert Swaak: Thank you all for attending and for now goodbye.

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End of call