ABN AMRO Bank

August 22, 2014
1:00 p.m. GMT

Operator: Thank you for standing by, and welcome to the Analyst/Investor Conference Call.

At this time, all participants are in listen-only mode. There will be a presentation, followed by a question-and-answer session, at which time, if you wish to ask a question, you will need to press star one on your telephone.

I must advise you that this call conference is being recorded today, Friday, the 22nd of August, 2014. And now I would like to hand over the conference to your first speaker today, Ms. Dies Donker. Please go ahead, ma'am.

Dies Donker: Good afternoon. Thank you very much. I'm just here to present the three gentlemen who are going to host the call, so I'm going to hand over to Gerrit Zalm, our Chairman.

Gerrit Zalm: Good afternoon. I'm joined by Kees van Dijkhuizen, our CFO, and Wietze Reehorn, our CRO, and we'll talk a bit about the results of the first quarter and the first half year.

All in all, I'm satisfied with the results of the second quarter. The underlying profit is EUR 322 million; that's an increase of 47 percent compared to the same quarter last year, and that shows the result of the initial recovery of the Dutch economy.

The Dutch GDP started to grow again in the mid of last year. We had a dip in the first quarter caused by natural gas production, which was low, and high car sales in the last quarter of '13. But the second quarter GDP grew again by 0.5 percent, and for the full year we expect also 0.5 percent growth, and that is expected to increase to 1.5 percent next year.

There are quite a few indicators, as consumer confidence, the housing market, which are showing an overall improvement in the past year, sometimes a bit bumpy, but improvement is the tendency. Of course, this economic recovery which is underway does not immediately lead to lower non-performing loans and lower impairments, although we have seen impairments going down compared to a year ago, but the level is still high. And, of course, if you look into the future, geopolitical developments could hamper the present positive developments we see in the Dutch economy.

If you look at our targets we have set for 2017, I think we can state that we made good progress.

Looking at the cost/income ratio for the first half year of 2014, it was at 59 percent, compared to 61 percent a year ago.

Of course, there's still the bank tax to come in the second half of the year, and if you correct for that we are a bit over 60 percent, but we are near to our range we have set, and that's the range between 56 percent and 60 percent in 2017.

We are engaged in upgrading our IT systems this year and in the coming years. We already made some investments, which is included in the 2014 numbers, and these investments aim to reduce the cost/income ratio further in the longer-term.

And in the meantime, of course, we will get a grip on the costs and continue to become more efficient so that we make sure that we end up in the range we expected for 2017. At the same time, we know that we will get additional regulatory costs, especially the deposit guarantee scheme and the European resolution fund will have extra costs next year -- from next year on.

Looking at return on equity for the first half of 2014, return on equity was about 10 percent, compared to 7.5 percent for the same period a year ago, so we made progress there, too. Also here we should keep in mind that we get this bank tax in the second half of the year. If you could correct for that, the figure would have been 9.5 percent. If you look at the four quarter tendency, we are not yet in the range of 9 percent to 12 percent, but we are moving up.

So, looking at the first half of this year and compare that with 2013, both the cost/income ratio and the return on equity are a few percentage points better. And the third financial target we have set is a core equity ratio of 11.5 percent to 12.5 percent in 2017. We already have met that goal because our core equity ratio we published today is at 12.7 percent on a fully loaded basis.

What is also worth mentioning is that in the second quarter we announced the outcome of our strategic review for markets. We announced it in June. We'll bring more focus in our product offering. We announced the stop with equity derivatives and we are in the process of winding this down. Markets in Asia would become too small and that will also be closed this year. And that decision will reduce capital tied up in markets and, of course, it will also reduce headcount.

Now I give the floor to Kees.

Kees van Dijkhuizen: Thank you very much, Gerrit. And before continuing, we forgot to mention that we use, as always, our short results presentation published on our website this morning. And there, of course, will also be a full version of this presentation, which will be published later today.

On slide seven of the presentation, you see an overview of the results. Well, looking at these results more in detail, on slide eight, you can see that net interest income is showing clear upward trend for already 10 quarters. Both saving volumes and margins have increased. Our total market share in deposits of 24 percent in the Netherlands did not change. We raised an extra 1.7 billion savings in the first half of this year.

And because we kept more or less the loan book stable, loan to deposit ratio continued to decrease in the first half of the year from 121 to 119. Also, the margins on the loan book increased and new mortgage production and refinancings continued to contribute to the average spread of the book.

Mortgage loan book declined slightly since year-end around 0.5 billion. Rate of decline is much lower than last year, as the repayments have slowed down compared to a year ago. We increased our market share in the new mortgage production from 17 percent in the second half of last year to 20 percent in the first half of this year.

Margin on commercial loans also increased, although to a lesser extent. We expect the repricing effect to continue on the loan book of commercial banking.

If we look at commercial lending, we see a small increase in the -- since year-end 2013 of around 0.5 billion. Demand for SME loans is still declining. But in the corporate client sector, which has a turnover of between 30 million and 500 million, we see some growth. And ECT loan book continues to grow.

If we go to slide nine, fee income, that has been stable for some time now. The switch of an all-in fee model in the Netherlands. Retrocession fees are not allowed anymore as per this year; that has not had a significant negative impact on fees in retail and private banking.

Other operating income declined, largely caused by lower CVA/DVA, approximately 45 million lower year-on-year. Lower private equity valuation also approximately around 50 million year-on-year.

Then if we continue to slide 10, expenses, these were up 2 percent on an annual basis, primarily caused by restructuring charges and also AQR costs. AQR costs were around 10 million in Q2 and also around 10 million in Q1, without taking into account also internal stuff, being very busy with that, of course.

What we see is a cost savings from lower staffing levels are offset by annual wage inflation and higher cost for temporary staff, for instance, for the AQR. If we compare the first half of 2014 with the first half of 2013, we see operating income increasing by 5 percent and operating expenses increasing by 1 percent, and that is the reason why cost/income ratio, of course, declined from 61 percent to 59 percent.

Wietze will cover impairments, so I will jump to slide 12, showing the net result of each of the segments. We see a net profit (increase) for retail banking, and that's predominantly driven by lower mortgage impairments. A decline in private banking is due to a one-off tax expense -- low tax expense in Q2 2013. Commercial banking, from a clear negative result last year to a positive result this year, as a result of lower impairments and further improved operating efficiency.

I'd like to make a remark here as well. I mentioned it, I think, before, but commercial banking, if you look at the cost/income ratio of commercial banking at the end of

2011, that was 68 percent, now it is 50 percent. So, we have made a lot of progress there in operating efficiency at the commercial bank.

Merchant banking's performance was impacted by poor results in markets, CVA changes and lower valuation of private equity, as mentioned before. And the improvement in the result of group functions is partly due to higher allocation of costs for the business.

These costs essentially (meant) costs for, for instance, for IT, risk, compliance, but also cost of liquidity buffer, and we try to allocate as much as possible to the business. We did not allocate the 20 million I mentioned on the AQR costs; they were not budgeted, either.

And if you look at the first half of 2014 and compare it to the first half of 2013, you will see that the result of group functions, which was minus 134 million in the first half of 2013, declined to 8 million in the first half of 2014. So we actually managed quite well with reallocating costs from the center to the business. And that, of course, also means that the improvements in the business you see also includes this further allocation of costs from group functions.

Wietze, I would like to hand over to you now.

Wietze Reehorn: Kees, thank you. As mentioned in the start of the call, there are signs of an economic recovery; however, it may take some time before this will be reflected in structurally lower loan impairments. In the first half of this year, the inflow in our financial restructuring and recovery department was lower compared to the second half of last year. Even though inflow has been volatile, the decline in inflow is mainly visible in business banking SME book.

Almost 70 percent of the clients in financial restructuring and recovery are clients to which credit was granted longer than five years ago. These clients were predominantly active in real estate, industrial transportation, horticulture, retail and construction materials. The impairments taken are based on new files transferred to (Everinar) as well as on existing files, as for some clients the outlook has deteriorated.

I would like to go back for a moment to slide 11. And on the left-hand side -- actually, I think it's the first time in our analyst presentation here -- we show a 12-

month moving average of impairments. Seasonality effects are eliminated this way. And as can be seen from this chart, for the first time since 2011 we do see a decline of impairments. The chart on the right side shows the impairments by products.

Two comments I would like to make here on mortgages. The impairments this quarter are approximately half of what we have seen in the previous six quarters. I'll go into detail a little bit more later. And secondly, we see that in commercial loans, especially in business banking SME, loan impairments are decreasing.

Moving to slide 13, this slide shows the impaired ratio has started to stabilize for most products. And in absolute terms, the level of impaired consumer loans, which is mortgages and other consumer loans, they were stable. Whereas the impaired commercial loan slightly rose by approximately 150 million.

If we then go to slide 14, which is on the mortgage loans, we see a similar trend in past due and impaired mortgage exposure. Both indicators were stable from Q4 last year to both Q1 and Q2 of this year. And in line with positive developments in the Dutch housing market, the quarterly impairments decreased for the first time in about 18 months to 11 basis points this quarter.

I'm talking about the burn rate, of course. This is low compared to the previous quarter, which was at 28, and the full year 2013, which was 24 basis points.

Impairments for mortgages are calculated on a portfolio model-based approach. In Q2, the impairment rate stabilized. Hence, gross impairments were almost unchanged at the level of 127 million. However, in Q2 part of the impaired portfolio returned to performing and actual credit losses were lower than provisioned for.

Hence, we could reverse some of the impairments previously taken for these clients, explaining the decrease in total impairments for mortgages being 42 million for this quarter. It's, however, too early to say that this improvement will be a trend for the remainder of this year.

The average loan-to-market value of the mortgage portfolio was 85 percent, slightly up since year-end 2013 and Q1 2014. 23 percent of our portfolio has a loan-to-market value of higher than 100 percent; this percentage is stable compared to previous quarters. The part of the portfolio that has a full 100 percent interest-only mortgage and a loan-to-market value of over 100 percent was only 1.6 percent of our portfolio.

A word of caution from my position, recent developments in Russia and Ukraine could hamper the recovery in the Netherlands. Our exposures to these regions are limited. The Russian exposure is under 1 billion and the exposure to Ukraine is negligible.

The exposures we have as to Russian risk are of a medium and short-term nature, primarily collateralized commodity transactions which are intensively modeled. It's too early to say what the potential impact would be. The Dutch economy is an open one, depending on exports, and we're strongly related to the performance of the Dutch economy.

Gerrit, over to you for some final remarks.

Gerrit Zalm: OK. Thank you. All in all, we are satisfied by the second quarter developments. Of course, we have to be cautious for the rest of the year, but we see positive developments in the Dutch economy, especially in the housing markets. But the geopolitical developments can hamper these positive developments, of course.

We expect our total impairments for 2014 to be below those of 2013 on an underlying basis, and that is what we dare to say. For the rest, we will have to wait and see. We are on track to meet our strategic targets and ambitions for 2017. And maybe one word about the IPO. Everybody's very interested in that subject.

We are preparing and we are working on it, but it will be up to the Minister of Finance to make the ultimate decision whether he wants to go and when he wants to go. But from our part, we work on it so that if he wants to make a positive decision at some stage that we are ready for that.

Lastly, a word on the new ECB facility, (TLRO), the targeted long-term refinancing operation. We are looking seriously at that to participate because it is focused on creating an atmosphere of helping SMEs and private persons, and we will -- and that is in the interest also of our clients, so we will be supportive on this issue.

Operator, can you open the call for question?

Operator: Of course. Thank you very much. As a reminder, if you would like to ask a question, please press star one on your telephone keypad and wait for your name to be announced. If you would like to cancel your question, please press the hash key. So once again, to ask a question please press star one.

And the first question comes from the line of Benoit Petrarque from Kepler. Please ask your question.

Benoit Petrarque: Yes, good afternoon. It's Benoit Petrarque from Kepler Cheuvreux. Yes, a couple of questions on my side. I will start with the merchant bank. You have been restructuring quite a lot in the past quarter, and basically stopped some operation in (structured) products and equity derivatives, so you probably miss income there.

On the other side, I see costs still relatively high, so I was wondering if you could guide us a little bit more on which kind of cost cutting you are expecting on the merchant bank for, say, the next 12 months, simply because the cost base will probably shrink following the down-sizing of the merchant bank activities. That's number one -- question number one.

Number two will be on asset quality. We have seen a pipeline of past due note impaired on the commercial bank coming down significantly in Q2, actually going down from 3.4 percent to 2.8 percent. So, could you talk a little bit more about these trends? And do you expect this to kind of continue into the third quarter and potentially 2015? So, just give a bit of feeling about what you see on the restructuring and problematic loans pipeline basically for the coming quarters.

Number three will be on the savings rate. It seems that all the banks are kind of now urging the 1.2 percent level. Do you think you can go lower? And could you give us a little bit of a feeling also on where you could go on that one?

Dies Donker: Benoit, can we keep it at three questions for now?

Benoit Petrarque: Yes, OK. Yes.

Dies Donker: OK. Sorry to interrupt you.

Gerrit Zalm: OK. Let me take the first one. Of course, if we stop with equity derivatives that will lead to a reduction of staff. It will start with a provision for that so that it will be a cost increase to start with. It will also lead to lower indirect costs because we can put out the machinery and the whole risk and finance chain. That will take some time, these indirect costs, because we still have to keep our machinery operational for, let's say, a year or one-and-a-half year.

I think at a later stage we can be more -- a bit more explicit about the cost saving part of this down-sizing operation, but certainly the cost base will have to be brought down because of the -- we stop with equity derivatives.

For the impairments, I give the word to Wietze.

Wietze Reehorn: Thanks, Gerrit. Yes, indeed, the past due figures on the commercial loan book has improved somewhat. Essentially, if you look into that, especially the bucket towards 30 days has decreased; however, the buckets more than 90 has increased somewhat. More or less the trend, indeed, is a stabilizing decreasing impairment rate as well as in past due rates.

Looking forward, what we mainly see in the business banking segment, SME, we saw some lower inflow in our financial restructuring recovery department. It's difficult to depict a trend from that. We do expect, actually, that if the recovery picks on that also the recovery in the SME segment will be there.

But to me, it's a little bit too early to be so positive in that respect; and nevertheless, we now see the level of impairments over the last two quarters and I do expect that for the whole year this will be lower than what we have been making last year in respect of impairments.

Kees, probably for you the last question on savings?

Kees van Dijkhuizen: Yes, thank you, Wietze. The loan-to-deposit, I think what we've seen now in the last, I think, 14 quarters, we have been able to lower the loan-to-deposit ratio by around 15 percentage points, from 135 to 120, 119.

We do not have an external target on this, but, as you can see, also this year we have lowered it with another 2 percent, that if market conditions are there that we will, of course, try to continue, but I said we don't have a clear target on that externally.

Gerrit Zalm: You also asked about a savings rate?

Benoit Petrarque: Yes.

Gerrit Zalm: Well, there's a natural border for the savings rates, and that's zero. We are not yet there, but we'll look at market circumstances. It also already quite low, so we don't have the idea that we will get much lower. But I think comparatively, in the Netherlands, savings rates are still higher than around us, so there is maybe some room for even a lower saving rate than there are now.

Benoit Petrarque: OK, thank you.

Operator: Thank you very much. And the next question comes from the line of Matthias DeWit from KBC Securities. Please ask your question.

Matthias DeWit: Good afternoon. Thank you for taking my question. First, on your ROE objective, you're today already at the mid-range of your 9 percent to 12 percent 2017 target, despite provisions that are significantly higher than normalized levels. So, I just wonder why you don't seem to expect further improvement from the current levels, despite the anticipated normalization of loan loss provisions.

The second question is on the merchant bank. Just to follow-up on the last question a bit, could you provide an indication of the past restructuring earnings power of that business, maybe in terms of normalized ROE?

Historically, it has always been quite low, but I just wonder whether you see an improvement and to what level. And related to that, could you provide some indication of how much capital is tied up in that non-core merchant bank on segment? And the timing of its release would also be helpful. Thank you.

Gerrit Zalm: Let me start with return on equity. This 9.5 percent or whatever, this is what we have now in the picture. You know that for next year we will be confronted with extra regulatory costs and the deposit guarantee scheme will come into play and also there will be the European restructuring fund which we have to contribute to, so that is certainly something which will play negatively on the next year.

At the same time, we are not yet at the upper band of the range we have targeted. So, of course, we said 9 percent to 12 percent, but 12 percent is dearer to our heart and mind.

Matthias DeWit: OK.

Wietze Reehorn: Shall I make a comment on -- I think your last question is what would be the anticipated capital release in terms of the changes within markets? It predominantly deals with the winding down of the full equity derivatives business. We expect approximately between 204 -- sorry, EUR2 billion to EUR4 billion released there of risk-weighted assets.

Matthias DeWit: And what could be the future earnings power of this segment and a normalized ROE of this business over time, please?

Wietze Reehorn: At this moment, it is a little bit too early to say. You (always) and essentially in this situation should take into account all those additional regulatory capital (weights) which have been imposed towards certain parts of that business. So this will not be a return which we have seen, let's say, before the financial crisis period and a return which probably year-on-year will be tried to improve as good as possible.

Matthias DeWit: OK. Thank you.

Operator: Thank you very much. As a reminder, if you would like to ask a question please press star one on your telephone keypad. That’s star one to ask a question.

And the next question comes from the line of Albert Ploegh. Please ask your questions.

Albert Ploegh: Yes. Good afternoon, all. A question from my side, basically on the -- in relation already to the upcoming stress test. I saw that the Association of Dutch Banks have issued basically quite a large memo to explain the differences on the working of the Dutch mortgage market in the European context.

I guess you might be aware there's some discussion about potentially make some harmonization of risk weights on mortgages. So, how do you look at that and is that really a concern if that would indeed harmonize and how might -- that might impact your model going forward?

And a second question is on the merchant banking, basically a follow-up question, I think, on the first question being asked. You clearly already took some measures of the derivatives, and I appreciate you were going to say something later on your potential cost savings update there, but is this really enough to get the ROE closer to, let's say, at least the cost of capital in this unit, still around 37 billion risk-weights tied up consuming quite some capital. Some thoughts on that would be appreciated. Thank you.

Gerrit Zalm: OK. Let me start with mortgages and risk weights. We don't have any indication from the supervisor in this respect that, in the contrary we just got clearance on the model we use for risk weighting on mortgages, so we think it's a sound model. So we don't have any negative expectations in that respect.

As far as markets and the cost of capital, markets has also utility functions for our clients. Cost of capital will decrease, at least RWA will decrease if we have the advanced modeling approach agreed by the central bank, so that will be helping us a bit.

But we accept for the coming years returns that will be lower than average for the bank because it's also creating utility functions for our clients and we have to be able to offer also these products to our clients, so we accept that return on equity there will be lower than the average for the bank.

Albert Ploegh: OK. Thank you.

Operator: Thank you very much. And the next question comes from the line of Benoit Petrarque. Please ask your question.

Benoit Petrarque: Yes, hello. It's Benoit Petrarque. Just a follow-up question on basically the capital ratio, which is 12.7 percent on a fully loaded basis. It's higher than your range, so what will be the strategy going forward on distributing the excess capital? Are you still in a mood of accumulating capital, or are you kind of ready to pay cash to the shareholders?

And linked to that, what could be a dividend policy, kind of sustainable dividend policy for ABN AMRO going forward? Are we kind of close to 60 percent or below that?

And on asset quality review, so just to conclude following Albert's questions, are you confident that there will be no major surprise on the asset quality review in two months time, or are you still kind of cautious maybe on Dutch mortgages? Any thoughts on that? Thanks.

Gerrit Zalm: OK. Let me start with the capital ratio. We do have a luxury problem there, but that's better than other problems. We will -- up till now we have stated that we will grow our payout ratio to 40 percent.

Of course, we will have to look at this again when we make the prospectus for the IPO, so maybe we will have some extra news when we are making our equity story. But for up till now, having a good capital buffer, because we still are awaiting the Asset Quality Review results, is a luxury we cherish.

AQR, Wietze?

Wietze Reehorn: Sure. AQR, I think we're well prepared. We're finalizing the stress test for submission to the ECB. Nothing to be said at this moment about the outcome because we, of course, don't know. We can say a couple of things about our assumptions here. As you know, we have been undergoing a commercial real estate AQR last year with the Dutch central bank. This bank came out very positively. There were no additional provisions and no capital add-ons necessary from the perspective of the Dutch central bank.

Our capital position is quite strong. We're very prudently provisioned for. So, up to now, no signs at all that ABN AMRO should not be worried. So, we are rather confident about the outcome, but I said, again, we will await the outcome as we cannot speculate about this and we will not.

Benoit Petrarque: Great. Thank you very much.

Wietze Reehorn: You're welcome.

Operator: Thank you very much. The next question comes from the line of Matthias DeWit. Please ask your question.

Matthias DeWit: Yes, a few follow-up questions, please. Just on the net interest margin for mortgages, could you provide a bit more color on the difference between the margin realized on the new production compared to the bank book of pre-crisis low margin mortgages?

And then, related to that, is there any comment you could make about the outlook for net interest margins for the coming quarters? And maybe also for a bit, the longer-term outlook considering that interest rates are low and maybe you can share some words on how you look at it. Thank you.

Kees van Dijkhuizen: Yes, thank you very much. I think, indeed, that we have higher margins on mortgages -- on new mortgages compared to the total book. I think what we see, as mentioned also before, that because in the Netherlands mortgages often are taken for 10 years and also five years, longer periods, that we see repricings which are still higher and better margins than especially before crisis, which even were sometimes negative with hindsight. So, the book is still improving.

On the -- we're making around a margin above 1 percent at the moment -- 1 percent to 1.25 percent. It's lower than it was before, say, one year ago, but still above the average margin on the book.

With respect to going forward, the NIM, I think we don't have a target there. Excuse me for misunderstanding the earlier question on the savings rate, I thought it was about loan to deposits, but the NIM, we don't have a target, either externally.

But as you can see on the interest line, that we have improved it going forward, but that, of course, depends very much if the economy is going to grow again and we can grow also nationally our book. And, of course, it depends on competition and margins in the Dutch economy, well, which are not easy to forecast.

But I think we are happy with, at the moment, the high amount of net interest income, like fee income, which is both recurring and stable and growing. But I said going forward, we don't have a real target there, but you can imagine that we would like to grow it.

Matthias DeWit: And just to follow-up on that, on the savings rate and the savings margins, is there really an ability to significantly sort of cut the deposit rates considering the bulk of deposit remuneration will be taxed away at one point in time, rendering such deposit products useless to some clients? Maybe could you comment on that, please?

Kees van Dijkhuizen: That is, of course, a fair question, I think, because that is, of course, what we've seen in the last two years, actually, that people use their savings for lowering their mortgages. However, we have been able to increase volumes also outside the Netherlands -- Germany and Belgium -- at interesting spreads, so I think there are still possibilities there. And as Gerrit already mentioned, it's always a difficult territory and they are always those levels, like 1 percent, which are difficult to pass. But as we've seen ECB was able to pass the zero, so who knows what --.

Wietze Reehorn: Even negative.

Kees van Dijkhuizen: Even negative, so in a down -- yes, so there you have to pay. So we don't know. It depends on the environment for the next period. Inflation is very low as well, so people understand that that is also related with each other, so I don't know. I'm not going to say it's not possible to lower rates going forward.

Matthias DeWit: OK. Thanks a lot.

Operator: Thank you very much. And the next question comes from the line of David Lock. Please ask your question.

David Lock: Good afternoon, everyone. Thank you for taking the question. And just three from me. The first one's on costs. I note that in the retail banking it says in the release that you took a provision for litigation. I just wondered if you could give a bit on color on what exactly that was for and what we should expect perhaps going forward on that. Apologies if I missed it in the earlier part of the presentation.

Secondly, on -- you say in the release as well that some of the higher costs came from modernization of core IT systems and the improvement of processes. Again, I was just wondering if you could give a bit of color on how your IT changes are being affected, at what stage of the process you're in, how we should see that kind of flowing through in the coming years.

And then finally, the final question is really around the AQR. And I appreciate you, along with a lot of other banks, are very, very cautious around giving any kind of indication of how you feel you'll fare, and I completely understand that.

But I just wondered if you could give any kind of color on whether it's affecting the decisions you're making as a business today around where you're going to allocate resources, your attitude to writing new credit at the moment, and whether that's something that potentially clearly could change once the AQR is out of the way. Thank you.

Gerrit Zalm: Wietze?

Wietze Reehorn: Sure, I'd be happy to. The last question as per the AQR, I think the answer is quite simple there, that at this moment we do not change any decision, actually, as to credit risk or capital allocation as a result of AQR.

In this answer, actually, I'm giving some of what I would like to say, some confidence we have, actually, in the AQR. So, there's no, let's say, change earning increasement in provisions as a result of the AQR, neither in capital allocation, whatsoever.

David Lock: I didn't mean so much on the provisioning side, I meant more in terms of your attitude to writing new business. Are you perhaps, as is -- there's a lot people in the market who you're perhaps seeing the AQR as a kind of watershed moment for when suddenly there will be provision of credit into Europe. But from your comments it would seem like actually you're already trying to lend or it's not affecting your decision around taking on more risk and more credit.

Wietze Reehorn: That is correct. That is correct. As long as, well, of course, as it fits our moderate risk profile, actually the whole strategic profile of this bank. But that's correct, we're not making any changes with that policy at this moment.

David Lock: Thank you.

Gerrit Zalm: OK. Maybe about IT changes, that will take a couple of years, so it will be a multi-year program, which doesn't mean that we have to wait for a lot of years before something is improving, so we are doing that in a gradual way. But this will certainly take a couple of years before the whole internal IT framework has been improved, which will also make it more flexible and easier to (cope as) changing regulation, which is important because we think changing regulation will be there for quite some years.

As far as the litigation you mentioned, it was not in this quarter but in the same quarter last year. So, this is just -- this was in 2013.

David Lock: OK. Thanks very much.

Operator: Thank you very much. And once again, if you would like to ask a question, please press star one on your telephone, that's star one to ask a question.

It appears we have no questions at this time. Please continue.

Gerrit Zalm: OK. Then thank you very much for attending our conference call and we will be back in three months time.

Kees van Dijkhuizen: Thank you.

Wietze Reehorn: Thank you.

Operator: Thank you very much. That does conclude our conference for today. Thank you for participating. You may now disconnect.

END