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ABN AMRO Q4 2023 Results Transcript

ABN AMRO Investor Relations
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Participants: Robert Swaak (CEO); Ferdinand Vaandrager (CFO); Tanja Cuppen (CRO);

Operator: Good day, and welcome to today's ABN AMRO Third Quarter 2023 Analyst and Investor Call. This meeting is being recorded. At this time, I'd like to hand the call over to Robert Swaak, CEO. Please go ahead, sir.

Operator: Hello, and welcome to the ABN AMRO Q4 2023 Analyst and Investor Call. My name is Laura, and I will be your coordinator for today's event. Please note this call is being recorded. And for the duration of the call, your lines will be on listen-only. However, you will have the opportunity to ask questions at the end of the call. This can be done by pressing star one on your telephone keypad to register your question. If you require assistance at any point, please press star zero and you will be connected to an operator.

I will now hand you over to your host, Robert Swaak, the CEO, to begin today's conference. Thank you.

Robert Swaak: Thank you. Good morning, and welcome to ABN AMRO's Q4 results. As always, I'm joined by Ferdinand Vaandrager and Tanja Cuppen. Tanja will step down in April, and thus therefore this will be her last analyst call. Ferdinand will present the quarterly results before I will address the updated financial targets and capital framework in our financial update. And as usual, we will be happy to take the Q&A at the end.

So let me summarise the key messages on Q4 and the financial update on slide two before I hand over to Ferdinand.

Our fourth quarter net profit reflects another quarter of high net interest income and impairment releases. We made a profit of €545 million in Q4, leading to a net profit for 2023 of €2.7 billion. And a return of equity of over 12% to which our client units contributed.

We are proposing a final dividend of €0.89 per share. And in addition, we have announced a new share buyback of €500 million, our third buyback transaction to-date. Total shareholder remuneration for '23 is equivalent to €2.09 per share, and reflects a yield of around 15% of the current share price. As we are nearing the end of our current target period, we've updated our financial targets to 2026.

And for 2026, our target is a return on equity of 9% to 10% and a cost-to-income ratio of around 60%. We've also updated our capital framework and now target a Basel IV CET1 ratio of 13.5% by year-end 2026.

Ferdinand will now go into more detail into our Q4 results, and will give more colour on our new financial targets and capital framework.

Ferdinand Vaandrager: Yeah. Thanks, Robert. Let me start on slide four.

We had a good finish to the year, and our 2023 net profit was 44% higher than last year. In Q4, net interest income was above €1.5 billion, and net interest income increased 16% over the year to €6.3 billion, driven by a recovery of our deposit margins. Fees were up by 2% in Q4 and stable compared to last year.

Turning to costs. The upward trend continued in Q4, largely from higher staff numbers. Q4 underlying expenses, excluding regulatory levies, rose to €1.3 billion, as we scaled up resources for data capabilities, further digitalisation of processes and regulatory programmes such as Sustainable Finance Regulation. And we again had a quarter with impairment releases.

Our client lending was resilient, which I will cover on slide five.

Over the year, our mortgage portfolio grew slightly despite the decline in overall mortgage production in the Netherlands. We also maintained good business momentum in corporate loans, whilst keeping our strict risk discipline.

Year-on-year volume was down mainly from maturing loans under beneficial TLTRO rates. We reduced the non-core portfolio by €800 million during the year, and currently just over €300 million remains. We will discontinue separate reporting this year, and we report any remaining loans and expenses as part of corporate banking.

The decrease in corporate lending in Q4 is mainly related to certain clients optimising their balance sheet towards year-end and also the dollar exchange rate led to lower loan volumes in Euro terms. Consumer loans declined around 10% since last year. A number of products are no longer sold, like, for instance, revolving credits and financial lease loans, and these existing loans are gradually rolling off. In general, we also see less overall demand for consumer loan products due to stricter lending standards.

Turning to our continued high net interest income on slide six. Excluding incidentals, our net interest income in the fourth quarter was in line with Q3. Our Treasury was negatively impacted as the ECB stopped paying interest on minimum cash reserves. This was partly offset by an improvement in NII from the effect of higher interest rates.

Margins on corporate loans increased, while we experienced limited margin pressure on both consumer loans and mortgages. Deposit income was stable this quarter despite the increase in client savings rate by 25 basis points per October. Our client deposits increased by more than €5 billion this quarter, and deposit migration towards higher yielding deposits has slowed down significantly. Compared to the previous year, our full year net interest income rose by 16% on the back of higher rates and improved deposit margins.

Now turning to fee and other income on slide seven. These were up by 2% in Q4. The strong performance of equity markets in the last quarter of 2023 led to higher assets under management and fees for corporate banking were up by 5%, largely reflecting strong results from clearing. Other income, which by the nature, is

more volatile was lower in Q4 as XVA and ALM/Treasury results were lower, while Q3 was higher due to several smaller disposals.

I will now reflect on our cost performance in Q4 on slide eight.

Underlying expenses were up 7% in Q4 and our full year costs, excluding incidentals, ended within the guidance we provided of €5.1 billion to €5.2 billion. We made good progress hiring additional staff, scaling up our efforts and data capabilities, further digitalisation of processes and sustainable finance calculation.

We hired more than 700 people over the last six months, adding a total of 4% to our internal workforce. This has been the main driver for the increase in underlying expenses in Q3 and Q4. We are now close to our targeted staff levels we need for the projects I mentioned. The underlying cost base for Q4 is therefore a good reflection of the 2024 run rate.

Now turning to impairments on slide nine. The impact of the economic slowdown on our loan portfolio so far has been limited. And our non-performing corporate loan exposures further decreased. This quarter, we again saw net releases on individual files, but now also releases from model reviews and management overlays.

Some uncertainties like the geopolitical tensions are now captured in our economic scenarios, and therefore, part of our model adjustments and management overlays could be released. The total management overlays, however, remained stable at around €260 million. We increased the overlay for interest-only mortgages and added a new overlay for the impact of climate transition risk.

Also of the full year, we released impairments on a net basis, and this led to a cost of risk of minus 5 basis points over the full year 2023. Our credit quality remains strong, and on average, credit quality indicators showed a modest improvement in the fourth quarter.

Our financial performance for the year is reflecting in our – is reflected in our strong capital position, which I will cover on slide 10.

Our Basel III capital ratio stands at 14.3% after deducting the new €500 million share buyback announced today. We remain well capitalised with a 370 basis point headroom above our MDA. Our Basel IV ratio is now around 15%, down from 16% last quarter. Both numbers are rounded up to the nearest percent. Both Basel III and Basel IV Core Tier 1 ratios declined by around 70 basis points, driven by RWA add-ons and a capital deduction of the €500 million share buyback.

RWAs increased by almost €4 billion in the quarter. This was largely reflected to model items. These add-ons were taken in relation to our ongoing review of our credit risk models and transferring portfolios to less advanced models.

I will now hand over to Robert to update you on our updated targets and capital spend.

Robert Swaak: Thanks, Ferdinand. And let's then turn to slide 12.

In 2020, I presented the bank's strategy, and that strategy is based on three strategic pillars: customer experience, sustainability and future-proof bank. I remain passionate about the bank's purpose, banking for better for generations to come, confirming the responsibility we have and take towards all of our stakeholders.

We confirm our strategic choices, and we'll continue to focus on attractive segments that we can grow profitably, building on the strong foundation in the Netherlands and Northwest Europe. Since 2020, we've made significant progress in becoming a personal bank in the digital age.

Another area where we will continue to maintain leadership is sustainability. We want to be the preferred partner for our clients, should they face a challenge or the challenges or shifting to a more sustainable business model as a result of the climate transition.

Our third pillar is to continue to build a bank that's ready for the future. We continue to simplify our internal operations. We will safeguard our license to grow, and this means maintaining and improving our systems combined with all regulatory requirements. So overall, the business strategy that we put in place in 2020 have served us well to-date and remains relevant for the next planning period.

Now let me start by looking back at our financial performance against the targets we set on slide 13.

Again, back in 2020, we set an ROE target of 8% with an addition of 10% under normalised interest rate levels. Now driven by the strong increase in interest rates during 2023 and our improved risk profile, we clearly outperformed this 10% ambition in 2023. We also set an ambitious cost target which we will not meet. Costs remained in the range of €5.1 billion to €5.3 billion over the last three years.

Some of the premises on which we based our 2024 cost targets were too positive. In particular, we encountered higher inflation than we anticipated, and we needed to increase our efforts in a number of areas, such as AML and data instead of reducing our costs.

Turning to our cost of risk. In 2020, we had to deal with large impairments and the COVID impact and significant losses in our non-core portfolio. Today, we've almost finalised winding down our noncore portfolio. This results in an improved risk profile and greatly reduces the risk of large impairments for individual client files. We began with Basel IV capital ratio of around 16%, and it has now reduced to around 15%.

Our total shareholder returns, mean both dividends and share buybacks, have steadily risen from around €1.1 billion in 2021 to €1.8 billion over 2023.

In aggregate, we returned €4.3 billion over the last three years, demonstrating our commitment to shareholder returns. And also in 2023, the Dutch government resumed its efforts to reduce our stake in ABN AMRO and is currently executing a trading programme to reduce its shareholding to around 40%.

I'll now elaborate on a few examples of the successful execution of our strategy on slide 14.

Our business has transformed as we reduced the number of branches in the Netherlands down to 25. We invested heavily in digital services to provide clients with smooth self-service from many products, most of

them are available through our banking app. This also applies to mortgages, and we managed to add around €5 billion in volume, despite a competitive market and a slowing housing market.

For more vulnerable clients, we have a network of over 100 care coaches available who will even visit the client at home, if so needed. We've increased our client base under our entrepreneur and enterprise portfolio also in Germany and France. We now have a solid foundation for more growth. We have transitioned our corporate bank, winding down the noncore business and investing and growing in our focus sectors.

Now looking ahead, I'll start by outlining the backdrop against which we expect to operate going forward. Now this is on slide 15.

Over the past few years, our world has changed significantly, and we're now increasingly face geopolitical instability. This continues to be a major concern for me, especially the situations in Ukraine and the Middle East, but also other parts of the world, threatening international stability and security. These conflicts have an immense impact on many lives, including children and our thoughts are with those that are affected by war.

In addition to human strategy, these developments also have an effect on the global economy and lead to economic uncertainty. One of the uncertainties here will continue to be climate change. The factor, which is not addressed in a just an organised manner, when facing these economic uncertainty and continues to be one of the greatest challenges of our time. We will continue to work with our clients on a transition that is responsible, fair and tough. And I'm glad that as a bank, we can play a role here.

Technology continues to influence the expectations of our clients and the way we operate. Society is quickly adopting artificial intelligence tools, and we are already piloting our own private version of ChatGPT. I am excited about the opportunities to better serve our clients, while at the same time improving efficiency. And meanwhile, we continue to implement additional regulatory requirements.

Today, the Sustainable Finance Regulation is a strong focus area for us. For all the challenges we face, we're not able to do this without our dedicated colleagues. Competition for talent remains strong, and we work hard to attract good people.

A few words on the economic outlook. This is on slide 16.

The Dutch economy is a solid economy. We expect some modest GDP growth, around 1% for the years ahead. Inflation has started to come down, but still exceeds GDP growth, and we expect this to persist for a while. Bankruptcies have been historically low since the pandemic, but recently, we have seen a gradual reversal from this level. Unemployment is low and is expected to remain low going forward. Housing market though is improving, and we expect modest house price increases in the coming years and transaction volumes gradually picking up.

Turning to our NII outlook for this year. We expect net interest income from this year to be broadly in line with 2023, as slide 17 indicates. We expect some positive drivers in our NII, even though rates are expected to decline. Our replicating portfolio still has positive momentum, though the rate of increase has levelled off

strongly. In our 2024 guidance, we assume client saving rates to remain constant. While the Treasury result may be volatile on a quarterly basis, looking through this volatility, I expect a modest uplift in 2024.

We based our guidance on forward curves from the beginning of February. Margins on mortgages decreased during 2023, but appear to be stabilising, and this will result in lower mortgage margins for 2024. Also, we expect a shift from mortgages with higher margins such as high loan-to-value to mortgages with slightly lower margins.

The net effect of these positive and negative factors should keep NII for 2024 broadly at current levels. For our 2026 financial targets, we assume some business growth, while we expect deposit margins to trend back to historical averages.

Turning to cost. On slide 18, we indicate that the '24 costs will amount to around €5.3 billion. As Ferdinand mentioned, our fourth quarter cost level is a good indication of the run rate for this year. A key area where we are adding resources is data capabilities. This covers not only data architecture and IT infrastructure, but also the governance around data.

Risk models require historical data for back testing, and we also need to put effort into upgrading some of our historical data. We are further digitalising our processes as well as upgrading existing ones. And under the Sustainable Finance Regulation, we need to collect additional ESG-related data from our clients.

For this coming year, we assume inflation in our expenses to be in line with the Dutch inflation outlook. However cost savings from existing programmes are expected to offset inflation. So these existing programmes are, for example, the non-core winddown, simpler organisation structure and some savings on AML.

Regulatory levies are expected to be around €300 million for 2024. And adding this up, we expect our costs for '24 to rise around €5.3 billion.

Looking beyond 2024 on slide 19. Starting from a cost level of around 5.3 in 2024, the impact of inflation is expected to be offset by cost savings. And in total, we expect to save around €200 million in costs by 2026. So cost reductions will come from partially reversing the additional capacity we recently added once we reach our milestones.

Within our application landscape, we are further decommissioning legacy applications, and we will make the remaining applications more modular. This will start to reduce the maintenance cost of our applications and contribute to cost savings from 2025 onwards. I expect we can make some further steps in reducing our anti-money laundering costs. And finally, we expect regulatory levies to come down by another €50 million by 2026, mainly as deposit guarantee contributions are declining.

So turning to our through-the-cycle cost of risk on the following slide, slide 20.

The impairment releases over the last two years are the result of resolving many client files in a largely benign credit environment. The discipline that we've applied to new loans origination has made a meaningful difference on our credit risk exposure. We've worked hard to winddown our non-core assets, and this has led to significant derisking of the portfolio.

So we have a stronger balance sheet, a well-established business strategy, risk appetite and the strengthened risk management and governance. As a result, we are revising our through-the-cycle cost of risk estimate down to 15 basis points to 20 basis points.

And as I mentioned earlier, for 2024, we expect a gradual normalisation of impairments likely leading to a cost of risk for the year at the lower end of our through-the-cycle range.

Now let me explain the background of the RWA add-ons we've had in recent years. This is on slide 21.

The chart shows the balance of add-ons in any given year. The initial add-ons back in 2017 were mainly related to TRIM reviews. Add-ons in recent years largely related to our decision to move loans under the advanced IRB to less advanced credit models ahead of Basel IV. To anticipate the RWA increase of the model update, we apply an add-on. We intend to make one more request, move some remaining portfolios to less advanced models, which we expect will have a limited impact. On the other hand, we are adding resources to resolve data deficiencies as this may lead to some releases of add-ons.

Also, we expect a reduction in RWAs from the implementation of Basel IV. So we continue to focus on getting model updates approved. I expect that further add-ons will be increasingly offset by releases of add-ons, lower RWAs under Basel IV and model reviews.

I'll now turn to how we've managed our capital position and ahead of Basel IV on the next slide.

Our Basel III RWAs rose significantly since 2016. Now we don't report on a Basel IV basis, but we have disclosed an approximate capital ratio, and the chart shows the corresponding Basel IV RWA range. Basel IV RWAs have been more consistent over the years as impact of add-ons has been more limited. However, moving portfolios to a more standardised approach also affects Basel IV RWAs, and this led to some increase in RWAs from recent years.

We anticipated the rise in Basel III RWAs that we accumulated capital for this purpose in the past. As the middle chart shows, overall capital level has been broadly stable since the start of our share buyback programme. This has resulted in a managed reduction of our Basel III CET1 ratio, converging towards our Basel IV ratio, which is currently around 15%. The implementation of Basel IV is therefore expected to lead to an improvement on our CET1 ratio.

So turning to new capital framework on the next slide.

Our updated CET1 target is 13.5% on a fully loaded Basel IV basis. This new target takes into account a higher CET1 requirement of 11.3% by May this year, and this currently implies a management buffer including

the Pillar 2 guidance of 2.25%. We will continue an annual cycle for share buybacks, and this means the amount of share buys in any year will be decided during the fourth quarter and announced with fourth quarter results. Our dividend policy will stay the same. And as a reminder, we pay out 50% of reported net profit as dividends, and we aim for an interim dividend of 40% of first half year reported net profit.

So given the new capital framework, how do we intend to allocate capital going forward? Currently, our Basel IV capital ratio is around 15%. While exact Basel IV RWAs cannot be determined yet, we estimate that we currently hold around 1.5 percentage points of capital above our updated Basel IV capital target of 13.5%. And we target this ratio by year-end 2026.

As I mentioned, we will determine the room for share buybacks on an annual basis, and of course, this is subject to regulatory approval. We intend to allocate capital to business growth and expect to grow slightly above GDP in this area. While further RWA add-ons are possible, this will increasingly offset by releases of add-ons, model reviews and lower RWAs under Basel IV.

And in order to bring down our capital to 13.5%, it is important that we demonstrate that we're resolving data shortcomings related to risk models. We are making significant additional investments in our data capabilities, and we expect to resolve many of these issues by 2026.

Now turning to our target on return on equity. This year's ROE of 12% was strong, and it was driven by a recovery of our NII and the impairment write-backs and higher other income. For 2024, we are guiding net interest income broadly in line with last year, higher costs at 5.3 billion. Normalised other income and impairments tending towards our through the cycle cost of this level.

And on the basis of this guidance, the ROE is expected to come down in 2024. From this level, I see ROE gradually improving towards 9% to 10% by 2026. And in total, we expect to save around €200 million in cost by 2026, which will be offset by the impact of inflation. We expect fees to grow with a compounded annual growth of 3% to 5% in the coming years.

So overall, the drivers for improvement will be cost savings, modest income growth and a reduction of our CET1 ratio, 13.5%, partly offset by inflation.

So let me wrap up on the following slide.

In the coming years, we're laying a very solid foundation for the bank as we transform our application landscape and data capabilities. By 2026, this will be largely in place. We will be operating under Basel IV, and our model landscape will be greatly simplified. With all this in place, I believe we will be in a good position to improve efficiency and returns.

And given this backdrop, I don't see our current ROE and cost-to-income targets as an end state for ABN AMRO. I'm convinced we'll be able to improve going forward, with an ROE of above 10% and a cost-to-income below 60% beyond 2026.

This concludes our presentation on the Q4 results and our update on the targets and our new capital framework.

And with that, I would like to ask the operator to open the floor for Q&A.

Questions and Answers

Operator: Thank you. Ladies and gentlemen, as a reminder, if you would like to ask a question, please press star one on your telephone keypad. Thank you. We'll now take our first question from Benjamin Goy with Deutsche Bank. Please go ahead.

Benjamin Goy (Deutsche Bank): Yes. Hi, good morning. Two questions, please. So first, it sounds like the whole data and model work you're doing is quite important. Do you think you would have – you would be able to have higher buybacks if that resolves, more than €500 million?

And then secondly, on net interest income. Thank you for reinstating guidance for the year ahead. Given the visibility you have on the replicating portfolio, can you also give the first say for '25, what that means when you start the year at 2.75% ECB deposit rate as you assume for '24? Thank you.

Robert Swaak: Thanks, Benjamin, for your questions. I'll take the first question, and Ferdi, you can take the NII.

Absolutely, we've signalled the fact that we will continue to progress on our data model landscape. And as you know, as we further work on our model landscape, but also on our data capability within the model landscapes that should improve the RWA situations of the bank. As always, our share buybacks are subject to regulatory approval. So committed to the 13.5% when we improve the data capabilities but also our model landscape, I absolutely expect that there is a room for the share buybacks. But that's again something that we will do over the course of the next few years.

Ferdinand Vaandrager: Yes, Benjamin, coming back to your NII and then beyond 2024. First of all, we want to be more explicit in the underlying expectations and also our own internal analysis, how we get to the €6.3 billion for this year. Number one is the largest part is the Treasury results and that is still benefiting from higher interest rates, offsetting slight margin pressure from the asset side of the balance sheet.

Of the Treasury result, our invested equity position is still benefiting because this is invested up to the duration of four years and also with more stable and higher rates, our steering cost or hedging costs in relationship to mortgages will be less.

We always say the Treasury result can be volatile on a quarter-by-quarter basis because it's not a ring-fenced portfolio swap. But if you look through the full year, this will be supported.

Then going to deposit margin and replicating yield. In the current environment, it's still supportive, so a tailwind at least in the first half of the year. Size is still the same. We updated our NMD model at the start of the year, and there's no material change. So as a reminder, around 40% reprices in less than a year, and overall the duration around three years.

So our overall consideration in providing guidance around the same level as this year, is constant client rates, the slowdown of deposit migration. We've seen that in Q4. Overall, for whole '23, we saw around €22 billion outflow. And in Q4, we saw an inflow in current accounts and migration to time deposits much less and also some pressure on asset margins.

So these are the underlying drivers, and let's see how 2024 turns out before we start trying to get guidance out for 2025, Benjamin.

Benjamin Goy: Thank you very much for the moving parts.

Operator: Thank you. We'll now take our next question from Giulia Aurora with Morgan Stanley. Your line is open. Please go ahead.

Giulia Miotto (Morgan Stanley): Yes. Hi. Good morning. I have two questions. The first one on the Basel IV versus Basel III. So I'm a bit confused by how Basel IV can be higher than – can be better than Basel III. And perhaps can you clarify, when you were talking about Basel IV, are you including the whole Basel IV including output floors. So basically the whole impact all the way to 2033, or are you just looking after 2025 impact? And when you say that you expect the CET1 to improve once Basel IV comes in, is that a comment on the one, or is that the comment over the whole period? So that's my question on Basel IV.

And then perhaps going back on the point raised by Benjamin before, if I look at your revenue assumption growth of 3% to 5% CAGR, and considering that 70% of your revenues come from NII and even being optimistic on fee growth, that implies that you think NII will grow even after '24. And so what is that predicated on? Is that loan growth? Is that a good tailwind from replicating portfolio? So if you can give us more colour on how revenues grow after 2024 to get to your 9% to 10% ROE target, that would be very helpful. Thanks.

Robert Swaak: Yeah, thanks, Giulia. Tanja, Do you want to take the Basel III, Basel IV, and Ferdi take the second question.

Tanja Cuppen: Yeah. Okay. Thanks, Giulia. And your question on Basel IV versus Basel III, I think we have shared before that the main difference between Basel IV and Basel III is related to different floors applied for Basel IV on the LGD under Foundation IRB, and you see that the – and we have quite a bit of exposure that we have moved to foundation, for example, for the large corporate portfolio. So that's an important element there.

And you asked the question as well about the output floor. The output floor is actually not constraining for us. It's the constrained IRB so the input floors that determine the Basel IV RWA number for us, and that's also as of – well, the start date and the start date is still planned for January 2025, and that's our assumption.

And so on your last question, does it apply to the whole period? Yes, it does, and we are also not planning to use the transition period.

Robert Swaak: Ferdinand?

Ferdinand Vaandrager: Yeah, Giulia, coming back to the 3% to 5% top line growth. I think maybe it's not very clear in the presentation, but we expect top line growth to the 3% to 5% is for fee growth. We do expect modest business growth above current GDP expectations, but the 3% to 5% is an element of that's specifically for fee growth.

If you then translate underlying coming back also to my comments, I provided to Benjamin, I fully understand the NII outlook beyond 2024 is a point of interest. So we really try to be helpful in providing guidance and the underlying drivers. But beyond 2024, we really need to see more clarity on interest rate developments. We need to see what client migration will do. As I said earlier, we've seen a significant slowdown here, and also clearly what will happen with saving rates.

Every 10 basis points increase in saving rates will have an impact of around €100 million on NII. But clearly, over the planned period and over time, we do expect the gradual normalisation of deposit margin.

Giulia Miotto: Thank you.

Robert Swaak: Thanks, Giulia.

Operator: Thank you. And we'll now move on to our next question from Marta Sanchez with Citi. Your line is open. Please go ahead.

Marta Sanchez (Citi): Hi. Good morning. Thank you very much. A follow-up on Basel IV. It would be helpful if you could give us a decimal to the 15%, circa 15% ratio that you give us, or alternatively, just the RWA that you have today?

And the second question is on the - on buybacks. You've been very consistent on the quantum of your SBB €500 million per year for three years in a row. Should we assume the same for 2024 and 2025? So most of the surplus capital repatriation will be back-end loaded? And just – sorry, what do you have in the plan for RWA growth on a Basel IV basis, loans and deposits? Thank you.

Robert Swaak: Yeah. I'll take the first two questions, and Ferdi, maybe the third question, or Tanja.

So Basel IV, we've always given the indications on a rounded basis just because we are in an estimate phase at this point. And as and when Basel IV becomes definitive, we will make – get to the exact numbers and decimals.

On your buyback, I absolutely understand the question. The quantum right now for this year for '23 – sorry, for '24 is the €500 million that we've announced. Absolutely understand the math for us to get to the 13.5% by 2026. That quantum will have to change.

So as I've indicated before, what we will do every year, we will take note of the progress that we make and as we continue to simplify our model landscape, as we continue to improve on our data capabilities, in addition to the fact that we will continue to generate capital and then make an assessment of how much capital we can

return to our shareholders. So that will be the annual process, but I absolutely understand the nature of our 13.5% and the €500 million.

I think the €500 million is a good starting point for the journey we're going to be on over the next few years.

Tanja, on the RWA?

Tanja Cuppen: Yeah. So on RWA growth, and I very much understand that you would like to see a precise number, but there are many uncertainties still in the RWA development. Of course, Basel IV is still not final, and we need to work to the – well, implementation also to the technical standards. So I think that's one element we will do ongoing model reviews. We will resolve data issues, as Robert mentioned, that will lead to releases as well. So there are many uncertainties in there.

But we show an overall growth of RWA in the loan book of 2% to 3%. And I think, yeah, that includes also our anticipation of RWA growth under Basel IV. So I hope that I gave you some direction of, well, how we are thinking about the RWA developments.

Operator: Thank you. And we'll now take our next question from Kiri with HSBC. Your line is open. Please go ahead.

Kiri Vijayarajah (HSBC): Yes. Good morning, everyone. A couple of questions on my side, coming back to the capital topic. I recall in the past, you've had a separate authorisation for a government-targeted buyback. Is that something you might consider resurrecting in the future? I know you didn't really get used last time, but given your new 13.5% CET1 target, you've got a lot more room for manoeuvre there. So just your thoughts on that, please.

And then secondly, on the RWA add-ons, slide 21, that €51 billion you show there cumulatively that you've had to take on board. That's clearly a big number. So I'm just trying to understand that. Is that a gross number before any offset releases and mitigation efforts? And if so, can we kind of have the net number in terms of seeing how that works? And also, from what I think Tanja was saying, is that €51 billion, that flows through one for one on to the Basel IV ratio as well. Or if not, can we have the kind of the Basel IV adjusted number for the RWA inflation you showed on slide 21? Thank you.

Robert Swaak: Thanks for your question. Ferdinand, do you want to address these?

Ferdinand Vaandrager: Yeah, Kiri, maybe as stated earlier by the Finance Minister, the clear intention is also of the caretaker government currently to remain their sell-down process in a responsible manner and also an overall communication to the cabinet, she clearly stated that achieving a higher return and waiting for that is undesirable. And this has been the background for them announcing a second dribble-out programme. They're currently in execution of that, to bring down their overall holding from 49.5% to 40%.

On top of that, they are, again, on a pro rata basis, participating in our share buyback sort of transactions we need to do on markets are limited to around €260 to €270 million. There are always options and discussions.

And also in their dribble-out programme they said, we always keep the option to stop that and accelerate and that can be by means of different type of transactions, but we are not privy to anything on the full process where they stand. But clearly, there could, in the future, always being options for that if and when NLFI will choose for that.

Robert Swaak: So it's indeed a consideration by NLFI. Tanja?

Tanja Cuppen: Yeah. On the RWA add-ons and maybe good to explain on what the components are of the RWA add-ons that I would split it basically in three significant components. The first one is that the definition of default has been adjusted and has become, yeah, more strict and therefore, including more prudence in the models.

And that's – well, we have taken some of that impact in add-ons front-loading basically the redevelopment of the models against this new definition of default. So that's one component.

The other component is related to less sophisticated approaches and that means, yeah, that we have done that ahead of Basel IV, and that doesn't feed into Basel IV RWAs. And the last component is related to shortcomings in our models, that's related to data and process issues. And some of these do translate into Basel IV, and – well, are included in our Basel IV estimations.

So that's – so this is what you see here is a gross number. The net number is actually quite difficult because this was the add-on at that point in time. And of course, the portfolio evolves and we introduced changes. So, for example, we moved to less sophisticated approaches or we update models. And so you cannot track that number anymore over time. So I think that's difficult to say actually what the net number is because it moves into the models and the same – this apply also for Basel IV.

I think what we want to show with this picture is – well, what has happened over time, and you see as well that our RWAs, especially for the low default portfolios are around standardised approach today.

Kiri Vijayarajah: Okay. Thank you.

Robert Swaak: Thanks.

Operator: Thank you. And we'll now move on to our next question from Sam Moran-Smyth with Barclays. Please go ahead.

Samuel Moran-Smyth (Barclays): Good morning. Thanks for taking my questions. So first one, on the NII. You stated earlier in the call that around 40% of the portfolio still at duration less than one year. As we appear to be at peak ECB raise, do you now have capacity to lengthen this duration by which I mean shifting more of the mix to the more than one year bucket? Or are you actually constrained by the behavioural duration on these deposits?

And then secondly, just on FTE. Since your Strategy Day in 2020, where you outlined cost savings, internal FTEs have actually increased by about 10%. Historically, that was AML and compliance and you're flagging

more recently, it's driven by regulatory and data issues. Should we expect that by 2026, as you say, the kind of bulk of the model and data work will be done. Should we expect that trend to start moving in the other direction? Or are there other reasons why FTEs need to remain elevated? Thank you.

Robert Swaak: Yeah, I'll take the question on cost, and Ferdi, you can take NII.

Ferdinand Vaandrager: Yes. Sam, specifically on NII, as provided, we regularly review our non-maturing deposits model. As said, there were limited changes. But as you said, it's really very much constrained by the behavioural buckets you have underlying there. But if you compare it to a year ago, I think less than one year is now around 40% and that was around 45%.

And then your question on what will happen if ECB rates will come down? We said we – on the current forecast, we expect the replicating portfolio, be a tailwinds over the first half of the year, but in the second half of the year after the first rate cut that starts gradually shifting and that has been taken into account in our overall guidance of €6.3 billion.

Robert Swaak: Yeah. And on the cost, you're right. Initially, we had signalled, we needed to increase our FTEs specifically as we were starting our remediation efforts on, for example, on AML. Those FTEs that were directly attributable to AML work have indeed come down. And we have, over the last – particularly in the last quarter, you saw that trend rate of hiring starting to increase, and that is indeed very much related to the further improvements that we want to make around our own digital capabilities, data infrastructure, that is, to a certain extent, also bank-wide as we continue to execute our strategy and ensuring that our digital capabilities remain up-to-date. So we will continue to invest in it.

I do expect over the course of '25 with – as we complete these programmes, and we begin to complete these also data-related programmes that we should start to see some effects coming in. So this is clearly something we signalled a couple of quarters ago, where we were not able to get the right expertise in, we did see hiring stabilising in Q4. So we are getting the right level of FTEs and we expect to see the benefits in '25 or so to start to come into our cost base.

Sam Moran-Smyth: Thank you, both.

Operator: Thank you. And we'll now take our next question from Chris Hallam with Goldman Sachs. Your line is open. Please go ahead.

Chris Hallam (Goldman Sachs): Both sort of clarifications. You mentioned earlier in the Q&A, the quantum of the buybacks will need to change in order to get to 13.5%. What's the catalyst for that change? I mean, obviously, consensus had it moving higher already this year. Is it sort of full and final clarity on Basel IV? So early 2025. Is that what we're waiting for?

And then second, again, earlier in the comments, I think you mentioned that the internal outlook for 2026 NII was predicated on normalising deposit margins. I just wanted to get a sense of where deposit margins are today versus that normalised level and what the rough impact on NII would be from that normalisation?

Robert Swaak: Okay. I'll take your question – your first question. Ferdi, you can take the second question. The quantum of share buybacks certainly will depend on a number of factors and one of which is the progress on our data model landscape. I think that's clear. As we work to simplify our models, as we work to reduce RWAs over time, that will certainly affect the quantum of share buybacks.

As I mentioned, there's going to be a consistent process in this where we can assess the improvements that we're making. That is why we're being also very clear on the timing of the announcement of share buybacks. So we'll do that annual assessment.

As we then have good and clear sight on how we continue to progress on these improvements, we will entirely know what the capital generation will be. We'll be in a good position to determine the quantum of the share buyback, which, again, is also a process that's subject to approval by the regulator. So we expect this to be a recurring process with the moving parts as we described it, and then clearly targeting that 13.5% by year-end '26.

Ferdinand Vaandrager: Yeah, Chris. And then specifically coming back, what does normalising means overall, we never provided any guidance or disclosures what deposit margins are. We have stated that over 2023, we were above historic margin. And over the forecasted period, as you said, we expect it to gradually start decreasing towards more normalised level.

What the overall trajectory is there? You clearly have some different dependencies in there that could drive different outcomes. Number one, as said earlier, is deposit pricing on our current accounts. 10 basis points means a delta of €100 million in NII, but that can both be on a positive and on the negative side, we have to wait and see what the tracking speed will be when we start seeing the first rate cuts.

And the other one, as I said, is the overall potential migration from current accounts into savings and/or time deposits. And there, we've seen in Q4 and the trend continues into 2024, a significant slowdown. So these are overall the underlying sensitivities. But the overall level, we have never sort of disclosed and part of that is related – that's for us, the majority of the deposits is Dutch based.

So also if and when providing guidance there implicitly, you're also guiding to overall pricing – possibly pricing intention. But in our estimates, it will gradually start migrating back to historic levels towards 2026.

Chris Hallam: Okay. Thanks very much.

Robert Swaak: Thank you.

Operator: Thank you. If you find that your question has been answered, you may remove yourself from the queue by pressing star two. Thank you. We'll now move on to our next question from Anke with RBC. Please go ahead.

Anke Reingen (RBC): Thank you very much for taking my question. So just to follow up on the '24 NII. Just in terms of the treasury result, I mean, the commentary given us last quarter would imply maybe it's another €50

million positive left, but it would be great if you were happy to quantify what the potential uplift could be on your rate assumption?

And then on the – your assumption that savings rates are flat, which seems to be somewhat optimistic and thanks for giving some sensitivity. Is that a function of, yeah, you could be repricing up and down in the second half? Or it just seems a bit too optimistic. But I mean, happy to take your comments there.

And then secondly, on capital. I mean, obviously, 13.5% Basel IV, but without having the starting base is somewhat difficult? Is it rounding up or rounding down to the 15%? And I think in your prepared remarks, you made a comment about the buffer on a Basel IV basis but maybe I misunderstood. Thank you very much.

Robert Swaak: Ferdi, do you want to expand on the – on NII?

Ferdinand Vaandrager: Yeah, Anke, good question on the overall Treasury result in my earlier remarks, had very clearly still benefiting here and the main part in here is the invested equity position, which is invested up to a duration of four years. So this is clearly a positive driver.

I also mentioned the lower expected steering costs because we have higher, more stable rates. So there's less incentive for refinancing of mortgage clients. Hence, we need to steer less. But you mentioned now the €50 million we had in the earlier quarter, which we then said was related to an unfavourable interest reset. Yes, on a quarter-by-quarter basis, this can be volatile because it's not a ring-fenced portfolio, and it is the overall end result of all on-and-off balance sheet interest rate risk exposure we have as a bank, and that includes not only present steering but also the effect from past steering. So we are comfortable to look through the year, but on a quarter-by-quarter basis, this can be more volatile.

Your second question is on pricing. This is specifically related to the underlying assumptions or considerations we have in providing guidance for NII. And for now, in our assumption is constant client rates. Number one, we will never explicitly say, for reasons I mentioned earlier, what our expectation on pricing is. But if you look at the current underlying trends, the competition in the market. If you look at loan-to-deposit ratios of the major banks, we think in our overall guidance is a fair assumption.

And as you say, we have to wait and see when ECB rate starts going down, what the tracking speed will be. But this is yet unknown, but we think in the overall considerations we have for our guidance this is an acceptable underlying assumption.

Robert Swaak: Thanks Ferdinand. Tanja?

Tanja Cuppen: Yeah. On Basel IV and the exact number, yeah, unfortunately, we cannot give an exact number given all the uncertainties I've mentioned before. But I would say that the number is – yeah, very much in our – well, current estimates and calculations around 15%.

Robert Swaak: And I think your second – okay. I think you had another question on the MDA – sorry, on the 225?

Anke Reingen: Yeah, I think you made a comment about the buffer on Basel IV, but maybe I misunderstood.

Robert Swaak: Yeah. So we have a – our target is Basel IV CET1 core ratios right now of the 13.5% and the buffer that we are talking about is 225 basis points to MDA.

Ferdinand Vaandrager: Yeah. And that is then – Anke, to be precise, that is to our capital target of 13.5%. And as Robert said, we have seen some increases in our overall Core Tier 1 requirement or our MDA trigger. The two reasons there was, number one, we have seen an increase in our P2R of 25 basis points. And secondly, that we are going to see, from May onwards, the second phase of the increase of the Dutch countercyclical buffer from 1% to 2%.

And if you add the two together, our overall MDA has gone up by a bit more than 50 basis points, and that is reflected in our capital target of 13.5%. So as Robert says, the overall buffer we have above our minimum level is between 200 basis points and 250 basis points, and we think that it's a prudent buffer.

Anke Reingen: All right. Thank you. Understood. Thank you. Bye-bye.

Robert Swaak: Thanks.

Operator: And we will now take our next question from Tarik El Mejjad with Bank of America. Please go ahead.

Tarik El Mejjad (Bank of America): Hi. Good morning. Thank you for taking my question. First on capital. I mean Tanja and you guys mentioned a few times, a lot of uncertainty on where RWA evolves and involves a lot of stakeholders in terms of improving models, data gathering and so on. So if, let's say, in surgical scenario, I mean, you haven't finalised any big progress on the RWA work by year-end. Would that mean that the share buyback, the main bulk of it will be more towards '26, '25 rather than full year '24. That's the first question.

Second one, I think on the exact number of Basel IV number. I mean you gave this 225 basis points buffer, including Pillar 2G. So if you assume Pillar 2G of 1%, probably, which is, I guess, not disclosed, I guess you are around 14 and 8, roughly around that number.

And then second question is on costs. And you expect costs to remain flat. You explained very well why – but should we expect some potentially within the next three years, some extra work done on trying to bring these numbers down. And I think there's some maybe more work to do on the corporate bank side? Maybe you haven't said much around this for your plan, maybe you can give us some indication what's the strategy there? Thank you.

Robert Swaak: Yeah. Tanja, do you want to take the first question? I take the second.

Tanja Cuppen: Yeah. So on the first question on the uncertainties around models. Yeah, that is a process that takes time when we do model review and model approvals. And when we do model reviews, that can be

downside by getting additional limitations from regulators, but there can be upside as well once data issues get resolved and basically, well, run into the models and lead to RWA releases.

But that takes time, so that will be into the later end of the planning period. As we stated, we also plan to move certain portfolios, a few more portfolios to standardised approach and we plan to do that at the beginning of 2025 and get the approvals in the course of 2025. So that should give also further visibility.

And then as a last item, I think was mentioned already, Basel IV to kick in still planned for January 2025, and that will take uncertainty as well. And all these ingredients will go into the discussion that we – well, we need to have on an annual basis on our consideration for buybacks.

Robert Swaak: For the ultimate quarter.

Tanja Cuppen: Yeah.

Robert Swaak: Yeah. And on the - on cost, absolutely, you should expect us to continue with cost discipline. So whilst we are signalling that costs will be broadly flat into '26, we will continue to execute our various cost programmes. The reason why we've signalled broadly flat is on the back of the fact that we – as we indicated before, we needed to do additional investments in our data and digital capabilities and some regulatory requirements, but it doesn't mean that we will not continue to execute cost programmes.

Now we've given a bit of an indication in the slide deck on what type of cost programmes we are doing. So ultimately, as we near the end of these various programmes that we've signalled, as I said before, that will have an effect on our cost levels clearly.

In terms of our corporate bank, we have – just to give you a little bit of background in terms of strategic sources, we have really taken the – a big change to the corporate bank as we completed our non-core winddown. We've changed the risk profile of the corporate bank. The corporate bank has been very focused over this – the last planned period in certain sectors and transition teams. These are sectors that the corporate bankers had traditional expertise and knowledge, but also a very good market presence.

In the transition themes that we talked about back in 2020, where we've identified digital mobility and energy to be transition themes that we expect to be able to grow our book, and it's actually good to see that even though we've taken some 19 billion off the books that we've completely almost refurbished again that loan book.

So what we are looking for the corporate bank is to continue to leverage the knowledge and the expertise that the corporate bank has in the various client segments that we are serving. So the corporate bank is playing an important role also in the feeder function for the rest of the bank, particularly also in the – on the wealth market – sorry, the wealth management side.

And what we expect for the corporate bank is to continue to be very, very disciplined about growth. So we do expect some growth in the corporate bank, but that will be a very focused growth, much – very consistent with the way we've been operating over the last couple of months.

Ferdinand Vaandrager: Yeah. And Tarik, your last remark that is clearly fully correct. The buffer I mentioned is excluding P2G. P2G is not disclosed, but you already mentioned what the – around the averages is – are for European banks. So also including P2G, we have a prudent buffer in our capital target of 13.5%.

Robert Swaak: That answers your question?

Tarik El Mejjad: Yeah, thank you very much.

Robert Swaak: All right. Thanks.

Operator: Thank you. And we'll now take our next question from Benoît Pétrarque with Kepler Cheuvreux. Please go ahead.

Benoît Pétrarque (Kepler Cheuvreux): Yes, good morning. Yeah, just two questions left on my side. So you have an exit NII of 615 roughly. I was wondering how you reach it to the 6.3? Is that mainly treasury results expected to go up? So that's the first question.

Number two is on the capital trajectory. So clearly back-end loaded based on your comments. How do you square M&As in the equation as well? Do you think M&A could be used as well towards the plan. I think you've been quite vocal in the past but have not seen much on M&A in the slides at this stage.

And then maybe on OpEx, do you expect any one-offs restructuring provisions, strategic investments, any one-offs during the planned period? Thank you.

Robert Swaak: Thanks. Ferdi, do you want to take the question on NII?

Ferdinand Vaandrager: Yeah, Benoît, I didn't get the question completely about your exit NII, but if you look at Q4, corrected for the one-off of €34 million, there, indeed, you see that the Treasury result was net up and that was despite the impact – or the first impact of the minimum reserve requirements.

So overall, we said if you look at the run rate of NII, Treasury will be supported and then deposit income. I had tried to explain earlier what the underlying sort of assumptions are there. We do expect with interest rates coming down that the tailwind will slightly disappear and in the second half of the year that might turn in a small headwind. So those are the underlying expectations for both.

But bottom line for this year, the largest part of the Treasury result was still benefit of higher interest rates.

Benoît Pétrarque: Yeah. Thanks. So I was annualising the Q4 NII to €6 billion - well, 615, let's say. So yeah, I think you answered the question, so that the gap is going to be the Treasury results roughly going up to €30 million in the quarter, whatever.

Ferdinand Vaandrager: The gap is mainly, and the other side is the – yeah, on the other side is the asset side of the balance sheet clearly. And then we have seen in Q4 a slight improvement in corporate loan margins. Even though the effort volumes decreased mainly related to repayments, favourable TLTRO repayments.

And margin just – we expect the margin pressure overall to slow down. The inflow is now around or slightly above back book margins, but you still do see some repricing on the back of lower LTV risk buckets and the only element, but that's one of our smaller portfolios of only around €9 billion is consumer loans.

As stated, the stricter lending standards or less demand but also still a process of phasing out of legacy products. So net-net, asset side of the balance sheet should be flat to slightly down.

Robert Swaak: Okay. And on M&A, let me just reiterate that our focus will continue to be on organic growth. I mean that's how we've structured our strategy. That's how we're executing our strategy.

As I've said before, any bolt-on M&A opportunity that will help us accelerate the strategy, maintaining the financial discipline that we would have around M&A, we're willing to consider and we'll take into consideration. I think you should continue to look for that type of behaviour that we've showed in the past.

I think our recent acquisition of books in the Dutch market was actually a good example of how this was bolt-on. It was accretive certainly to our strategy. Just so to reiterate, the focus will continue to be on organic growth. Does that answer your question?

Operator: Thank you. We'll now take our next question from Guillaume with BNP Paribas Exane. Your line is open. Please go ahead.

Guillaume Tiberghien (BNP Paribas Exane): Thank you, and good morning, all. Two questions on my side, please. Coming back to the cost. You said in your economic assumption slide that basically you expect about 7% or 8% cumulative inflation over '24 to '26. And if I apply that number to your cost base, it would mean about €400 million more costs, but you highlight about €200 million of savings. So are we not already embedding maybe a small disappointment on the cost in a couple of years?

And the second question, sorry to come back to the RWA. So I understand the mechanics of the add-on and the magnitude of them. But when you look at the RWA density in corporate banking now, it's about 100% - slightly more than 100% of your loans and many, many banks in CIB have an RWA density of significantly less maybe 70% or 80%. So is it due to poor quality of data than average or higher risk components to LGD and PD than average? But if that's the latter, how does it tally with your lower cost of risk assumption? Sorry, I hope the last question is clear.

Robert Swaak: Yeah, absolutely. Ferdi, do you want to take first question. Tanja, the second.

Ferdinand Vaandrager: Yeah. First, on cost. Guillaume, you're right, overall, and that's also related to our cost income target of 60% that includes around 3% overall inflation per annum, but we already provided

absolute cost guidance for 2024. So the trajectory for 2024 we will clearly say that inflationary pressures will be balanced by cost savings. And that's both from existing programmes but also of new initiatives.

And if you look at where - what pockets do we still see the savings that's related to more sustainable BAU for our AML units, lower regulatory fees, is the IT maintenance costs coming down, etc. So those are the underlying levers for the balancing out.

And then for inflation is wait and see. Our CLA is up for renewal mid this year, so that will also be a first indication. But we clearly target the balancing out inflationary pressures by cost savings. So if inflation is higher, we need to work harder on the overall cost programmes.

Tanja Cuppen: Okay. And then your question on the RWA development for the corporate bank, indeed, a high RWA density around 100% of outstanding. Of course, we keep RWAs as well for off balance sheet exposure so that needs to be considered as well. But to your head, the underlying element of your question, is it related to the quality of the loan portfolio this detail, no, it's not.

You see actually in our credit metrics that our loan portfolio has improved quite a bit since 2020, '21. In terms of Stage 2 and Stage 3 ratios and also so the trend in RWAs is not related to credit performance.

It is related to the data issues, the process issues and the requirements under the CRR for the corporate portfolio. The low default portfolios are difficult to meet. And that's why we have decided also - early on also ahead of Basel IV to move portfolios to less sophisticated approaches or standardised approach. And that is one of the reasons why our RWAs have gone up quite a bit. Of course, I cannot look what others have done or will be doing, but we have been quite proactive in taking these steps ahead of Basel IV.

Guillaume Tiberghien: Thank you.

Robert Swaak: Thank you.

Operator: Thank you. And we'll now take our next question from Farquhar Murray with Autonomous. Please go ahead.

Farquhar Murray (Autonomous): Morning, all. Just three questions, hopefully, briefly from my side. Firstly, does the 13.5% target include an explicit M&A buffer in the way the previous 15% threshold did? I think the suggestion to anyone is there's no change in M&A attitude, but I just want to double check that. Secondly, what's the reasoning for going to an annual update cycle on capital? Is that mainly so you can show progress on the data quality issues?

And then secondly, just on the point of [inaudible] just on point a detail between Basel IV and Basel III. Is the 1.06 scaling factor and the material part of the difference there? And actually, could that drive the divergence wider over the next year or so? Thanks.

Robert Swaak: Yeah. Thanks for your questions. I'll take the first two. Tanja, if you can take the second question. Just to be absolutely clear, there is no M&A buffer in the 13.5%. We took out the threshold that we had previously, the 15% and the 13.5% Basel or the CET1 ratio 13.5% does not include an M&A buffer.

And just to reiterate, the position on M&A, again, I would just emphasise the organic focus - organic growth focus that we've continued to have and indeed if bolt-on M&A will help us execute our strategy, as we've always said, we will consider bolt-on M&A, but against strict financial discipline.

Tanja Cuppen: Okay. And on your second question, indeed, the 1.06 scaling factor will be removed under the Basel IV, and that's one of the – the other elements that have explained the difference between Basel IV and Basel III.

Robert Swaak: I wanted to take, sorry, your second question as well on timing, on the annual process. Yeah, indeed, it is a – we want to get absolutely clear where we stand at the end of this – of a 12-month period as we continue to execute the various programmes. That gives clarity to you. And we also want to be consistent.

So rather than having quarter-on-quarter conversations, we wanted to be extremely clear to yourselves when we do these considerations around share buybacks. That's why we've given the timing, and it also gives time to continue the various programmes that we've started to realise progress.

Farquhar Murray: Just on a follow-on to that, though. Presumably on a quarterly basis, we might actually see some of the progress on the data quality issues? Or will that all be wrapped to the year-end?

Robert Swaak: As we can talk about progress, we will let you know.

Tanja Cuppen: To add to that, the elements that go into it, and I think I mentioned this just before, some of the moves into a standardised approach is still or Basel IV kicking in – that will all be – well, 2025 or at least the end of 2024 before we have that visibility. And so that's one element.

Model reviews by definition, take a long period in terms of approval processes. So there's inherently – well, yeah, it's inherently difficult to have a lot of progress in the three months period.

Farquhar Murray: Okay, great. Thanks a lot.

Operator: Thank you. And we'll now take our next question from Jason with ING. Please go ahead.

Jason Kalamboussis (ING): Yeah. Hi. Just a very quick one follow-up on Farquhar. On the M&A, I mean, you have been widely quoted in the presses having been last year, part of those that were interested in looking at buying Degroof Petercam. And that was an acquisition that you eventually ended up being around the €1.5 billion mark. So should we still understand that there is a change in your approach to M&A. That means that before you maybe were considering larger files and you had a buffer there for that. And that now at the end of the day, you are heading more towards an organic strategy. That's the question. Thank you.

Robert Swaak: I don't know where you would have seen me quote it. I don't think I've been quoted on any transaction other than the transactions that we have completed. And my view on M&A has not changed. So we've always talked about the strategic - or the execution of our strategy. And we've always said there where M&A can help us, continue to progress our strategy. And I think I've also in the past indicated where that could potentially be, we would consider that M&A. And that's exactly what we are doing. So I don't see any change.

Jason Kalamboussis: Thank you.

Robert Swaak: Thank you.

Operator: There are no further - thank you. There are no further questions in queue. I will now hand it back to Robert for closing remarks. Thank you.

Robert Swaak: Okay. Well, thank you all. As always, we appreciate your questions, and we look forward to our catch up. Let me also take this opportunity, again, Tanja, I know I mentioned it in my opening remarks. And I'll say it again at our closing remarks. We have very much appreciated all the work that you've done for us and wish you all the best as that moment of departure becomes to draw near. So thank you. And thanks, everyone, and look forward to our continued catch-up. Thank you.

Operator: Ladies and gentlemen, this concludes today's call. Thank you for your participation. Stay safe. You may now disconnect.