ABN AMRO Q1 2025 Results Transcript

14 May 2025

Participants: Marguerite Bérard (CEO); Ferdinand Vaandrager (CFO); Serena Fioravanti (CRO)

Operator: Hello and welcome to the ABN AMRO 2025 Analyst and Investor Call. Please note this conference 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, Marguerite Bérard, CEO, to begin today's conference. Please go ahead.

Marguerite Bérard: Thank you very much. And good morning, everyone. Welcome to ABN AMRO's Q1 results presentation. I am here joined by Ferdinand Vaandrager and Serena Fioravanti. I will update you on the main topics for this quarter, and Ferdinand will discuss our financial results. Following our presentation, we will hold a Q&A session.

Let me now take you through the highlights of the first quarter on slide two. We showed solid results across all our client units. Our net profit amounted to €619 million, and this corresponds to a return on equity of around 10%. Our mortgage portfolio increased by €1.7 billion, and corporate loans grew by €900 million. Our net interest income demonstrated resilience despite a further reduction of interest rates by the European Central Bank. Fee growth continued and are up by 8% versus Q1 2024, with all client units contributing to this growth. We remained disciplined on our cost, which is illustrated by a 5% decrease in our underlying cost compared to Q4. Impairments were again limited this quarter, reflecting our solid credit quality and resilient economy. We have successfully transitioned to Basel IV this quarter and now report a strong CET1 ratio of 14.7%. And lastly, as we announced at our general shareholder meeting, we will hold a Capital Markets Day in November this year.

Before Ferdinand will discuss these highlights, let me start with our strategic achievements this quarter on slide three. First, our Wealth Management was awarded Overall Best European Private Bank, reflecting our commitment to excellence, innovation, and client service. Our continued efforts to improve customer experience resulted in an increase in our Net Promoter Score during Q1 2025, showing a positive trend for both consumer and affluent clients. Customers praised for efficient and good customer service, proactive contact, and ease of digital services.

We entered a risk-sharing agreement with European Investment Bank covering around €1 billion of SME loans, marking our first SRT transaction. This agreement further helps in supporting Dutch

SMEs with favourable financing conditions. We launched a free online Green Building Tool to provide insights to commercial real estate clients into energy-saving opportunities. Additionally, we introduced a new financing facility with Transferz, an innovative digital platform, and we launched the Index Mandate product to attract younger clients. A significant milestone to note in conclusion is that Tikkie, our peer-to-peer payment app, processed a record number of 700,000 transactions in a single day during this year's King's Day celebration.

Now turning to economic developments. The Dutch economy continues to demonstrate resilience, with GDP growth above the eurozone average, unemployment remaining low, and a strong housing market. US policy on tariffs has been, let's call it, erratic. However, the latest news on the escalation with China is good news. In general, the main impact on the Dutch economy from tariffs comes from the indirect effects of a weakened global economy and reduced international trade. However, we may feel some effect from the limited direct exposure to the US, and the import tariff imposed on Dutch exports should this materialise.

On the other hand, there are also some mitigating factors. The European Central Bank is cutting its rates, and our economists expect that 1.5% will be reached by September, implying a 25-basis point cut at every ECB meeting. Fiscal expansion in Germany, a key trading partner for the Netherlands, and increased EU defence spending will have positive spillover effects on the Dutch economy. And finally, the Dutch government is taking measures to bolster household purchasing power by reducing the energy tax, freezing social rents, increasing rental allowances. These mitigants will start to take effect next year.

I will now hand it over to Ferdinand to discuss our financial performance.

Ferdinand Vaandrager: Thank you, Marguerite. Starting with our lending products, we again had a strong quarter in mortgages, and our portfolio increased by €1.7 billion, continuing the trend from last year. Corporate loans grew by €900 million, driven by our focus on transition teams, new energies, digital, and mobility. Consumer loans decreased somewhat due to repayments, less demands, and phasing out of legacy products due to stricter lending criteria. Total deposits increased with some seasonal effects, both in professional and current accounts. An important seasonal effect for the current accounts are the tax payments by business owners during the first quarter. In terms of flow between the different products, we saw clients with maturing time deposits increasingly opt for saving products, driving an increase in demand deposits.

Now moving to net interest income on slide six. Our net interest income decreased in Q1 as expected, largely driven by a normalisation of the Treasury results and lower deposit margins. With regards to our lending products, the strong growth in the mortgage portfolio was compensated by slightly lower margins. Margins on corporate loans were stable while our corporate loan book grew, though this was partly offset by the risk transfer of an infrastructure portfolio.

Moving to deposits. As we kept the saving coupon unchanged during Q1, while the replicating income declined, deposit margins decreased during Q1. Last quarter, we guided NII within the range of €6.2 to €6.4 billion based on two different scenarios for savings rates. As of May 1, the coupon for our main savings products has been lowered by 25 basis points to 1.25%. While this benefits net interest income, the end-of-April forward rates came down compared to the end of January, and this negatively impacts our replicating income. We estimate that the combined effect of lower savings rates and lower forward rates at around €100 million net benefit to NII for this year. This implies NII would lend around €6.3 billion, assuming saving rates stay constant and forward rates do not change for the remainder of the year. By maintaining the range of €6.2 to €6.4 billion, we are effectively incorporating some downside risk, for example, from a decline in forward rates as well as the upside potential of lower savings rates.

I will discuss fee developments on slide seven. Fee and commission income continued to grow in Q1, increasing a further 1% compared to the last quarter. In Personal & Business Banking, we increased the payment package pricing as of the 1st of January, raising the monthly fee from €3.25 to €3.70. The fee increase at Wealth Management reflects higher assets under management, given on average positive market developments, higher volumes in Discretionary Portfolio Management, and higher demand for advisory products. Clearing fees increased versus last quarter, as trading volumes were higher due to heightened volatility in the financial markets during Q1. Moving to other income. Better ALM/Treasury results and lower de-recognition losses led to a slight increase compared to the previous quarter.

Now turning to costs on slide eight. After a few quarters of rising costs, underlying costs decreased in Q1. Internal FTEs increased at the expense of external staffing, leading to a net decline in total FTEs. As agreed in our collective labour agreement, the pension contribution was lowered at the start of the year, leading to €20 million lower costs this quarter. Underlying other expenses also decreased, reflecting some non-recurring costs in Q4 and lower external FTEs. By 2025, we expect costs to be broadly flat compared to last year so between €5.3 and €5.4 billion, including regulatory levies. To deliver on this guidance, we enforced increased controls on consultant expenditures and external hiring. This will require some adjustments, but it will help to reassess capacity needs and optimise our resources. Cost discipline will remain a top priority going forward as this is an important lever to improve our returns.

Turning to impairments on slide nine. Our credit quality remained strong in Q1, with the impaired ratio stable at 2.1%. On a net basis, we booked only €5 million in impairments. Across various sectors, we took some additions to new and existing clients. This was largely offset by lower-than-anticipated impact from an IFRS model update for corporate portfolios. Management overlays decreased slightly to €135 million. Around 60% of the total overlay is related to interest-only mortgages, and the remainder is for climate and environmental risks. Although we have limited exposure to the US, we have done a deep dive into the effects of the US tariffs by analysing potentially impacted sectors. The direct impact on our profile is limited. However, we continue to closely monitor the developments. Given the good start to the year, supported by healthy macro indicators, we expect the cost of risk for 2025 to remain below the through-the-cycle cost of risk of 15 to 20 basis points.

Proceeding now to slide ten on our capital position. Our core tier one ratio improved to 14.7% as we entered the new Basel IV regime. Overall, RWAs increased by a modest €600 million, mainly in operational risk. This reflects the annual update of the operational risk based on the three-year average of our operating income. Credit risk remained stable as we transitioned into Basel IV. The impact of moving some final models to less sophisticated approaches amounted to a new add-on of €4.6 billion, in line with expectations. As we managed to resolve many issues in our push to implement Basel IV, a number of prudential assumptions we took in our RWAs did not materialise.

We have worked hard to improve data quality and have made significant progress on key issues. For example, in the areas of collateral data and sourcing of external ratings. Together with a more favourable treatment of state-guaranteed mortgages and the risk transfer of 1 billion RWAs on the infrastructure portfolio, this has offset the impact of the add-on. We have now finalised the transition to a simpler model landscape. The largest part of our balance sheet remains under advanced models, specifically, mortgages, banks, and financial institutions. Portfolios requiring significant modelling and data efforts have been moved to the standardised approach. We expect that the current models will bring stability and predictability to our risk-weighted assets, and therefore to our capital position. Next quarter, we will assess our capital position in light of a potential share buyback as we have previously announced.

With that, I will it hand back to Marguerite.

Marguerite Bérard: Thank you very much, Ferdi. And well, I think we are ready for your questions. The floor is yours.

Operator: Thank you. If you would like to ask a question, please press star one on your telephone keypad. To withdraw your question, please press star two. Our first question comes from Delphine Lee from J.P. Morgan. Your line is open. Please go ahead.

Delphine Lee (J.P. Morgan): Yes. Good morning. Thank you for taking my question. First of all, I just wanted to congratulate you, Marguerite, for your new position.

Marguerite Bérard: Thank you.

Delphine Lee (J.P. Morgan): Just wanted to– Yeah. Two questions from me. First of all, just thinking about, you know, obviously you're going to have your CMD in November, but maybe if you could, if you don't mind just sharing your first thoughts about sort of what are, you know, the missing bits to grow for ABN and the opportunities for cost reductions.

And secondly, also on capital, your comment around simplification of the model landscape. Just trying to understand, given how much RWA add-ons you've had over the past few years. I mean, what's the potential here in terms of, you know, improvement of the capital levels further from, you know, from today's level, which is already quite high. And as an add-on and as a follow up also, you know, like, have you already asked ECB for buyback approval ahead of your decision in Q2? Thank you.

Marguerite Bérard: Thank you very much for all your questions. I'll take the first one regarding my first thoughts. And Ferdi will take your questions regarding RWAs and share buyback. As you know, I've just been a few weeks in the role and you know, this is a moment that allows me to keep meeting with all our teams. I'll be, for instance, in Oslo tomorrow, meeting with teams and clients there. But as first thoughts, I think we have a very valued brand. I think we have a very good client franchise. And I think we have highly committed teams. So these are all very strong assets we can build upon. In our Capital Market Day that we will be holding in November, we will be focusing on achieving profitable growth. I.e., it means focusing on our costs and cost discipline, focusing on capital management and steering our capital, and focusing on our strengths so that we can grow meaningfully in each of our business lines. Our strategy review that we are currently conducting, encompasses all our activities. And I'm very much looking forward to tell you more about this in November. Now, Ferdi, on our RWAs.

Ferdinand Vaandrager: Yes, maybe number one, we did a submission to the ECB for the last remaining portfolios to the ultimate approaches. And as we said during the presentation, this simplification will bring stability and predictability to our capital position.

Number two, what is the outlook then? As I said before, we still expect further improvements, but there will be more spread over time. So it's difficult to give any specific timing or quantification. But number one, we mentioned before data sourcing to get the benefit of the SME support factor. Also, the streaming of external ratings. And also, there's still some aftercare in Basel IV as we still have conservative assumptions for our collateral. So overall, yes, there is scope for further improvements where we are today.

Marguerite Bérard: And you said buyback. You didn't say anything about this, Ferdi?

Ferdinand Vaandrager: No. Maybe I can say something on share buybacks as well. As we said before, we will reassess our capital trajectory after the implementation of Basel IV and the proposal move for the remaining portfolios. That has been done now so the assessment will take place at the moment, and we will get back to you at the Q2 in August.

Marguerite Bérard: Thank you very much. Next question.

Delphine Lee (J.P. Morgan): Thank you.

Operator: Thank you. We will take our next questions from Johan Ekblom from UBS. Your line is open. Please go ahead.

Johan Ekblom (UBS): Thank you very much. Maybe just to come back on the last question on the buyback. I guess the question was, have you applied for an approval with the ECB? Or is the assessment of the capital position starting now with that to be concluded later? I guess we're trying to figure out if, you know, if there is an announcement in Q2, will you be in a position to start immediately, or will that be the starting process of the application with the ECB?

And maybe just to continue on the capital front, I realise that there's lots of moving parts, but hopefully more in a favourable direction going forward. Specifically on the SME factor, I'm guessing that's one that you should be able to quantify what the benefit would be. So I'd be interested to hear your thoughts there, please.

Marguerite Bérard: Thank you very much. Share buyback is getting a lot of attention, Ferdi.

Ferdinand Vaandrager: Now, it does. Johan, as said before, no further comments but we would review and start the discussion in Q2 to be able to provide you with the outcome at Q2 in August. Let's leave it with that.

Marguerite Bérard: I think that's very much in line with what has been said in the last quarter. Nothing new here.

Ferdinand Vaandrager: No. It's nothing new here. So it's too early to comment on that. And number two, what are the possibilities? Yes. SME factor at the time we said when we stopped having the benefit of here, the impact would be around to €2 to €3 billion. So that would still be the expected effect here. And for the rest, it's really sourcing external ratings. But it's also good to point out that we really have started to optimise our capital as well. And evidence of that, for example, is the SRT we recently announced with the European Investment Bank.

Johan Ekblom (UBS): Thank you.

Marguerite Bérard: Thank you. Next question.

Operator: Take our next question from Giulia Aurora Miotto from Morgan Stanley. Please go ahead.

Giulia Aurora Miotto (Morgan Stanley): Yes, hi, good morning and congratulations to Marguerite from my side as well. So two questions. The first one on corporate centre. The number of FTEs internal keeps increasing, whereas the external ones keeps decreasing. So essentially, you are internalising some skills, I guess. How should we think about this number going forward? Because 4,000 people in the corporate centre to look at data and remediation action seems quite high. Although it has been quite stable through time, I was going back to 2000 I think you had a similar number of FTEs. And so, that's my first question.

And then secondly, I'm sorry to go back to the buyback, but given that you're doing a Capital Markets Day in November, which I guess will be all encompassing strategically P&L, capital, etc., wouldn't it make more sense to announce the capital, you know, the new capital regime threshold and distribution plans in November rather than August? Thank you.

Marguerite Bérard: Thank you very much. Regarding our costs, I'll just say a few words and hand it over to Ferdi. But basically, we are managing our overall cost base. And as you've seen in our presentation, we maintain our guidance to keep our overall cost base flat compared to last year.

Second point with regarding FTEs is that basically we are managing our workforce smartly, i.e., when necessary, to internalise specific skills. We do so because we think it's better for the bank. So we do not have a specific target for internal FTE or external FTE, this is really about having the right skills for our bank. And then–

Ferdinand Vaandrager: And then maybe Giulia, why it is in central. The number one message today is that we reach an inflection point in the increase of FTEs. That's number one. A part of it is related that we start to finalise some of the larger programs. And Basel IV and credit risk modelling is one of them. And also, we will focus on further operational efficiency initiatives like end-to-end processes, procurement savings, retiring IT applications, etc. So if you look at centre, the decline in FTEs, as you said, it has been stable over the past year. You should start to see going forward the effect of that.

Giulia Aurora Miotto (Morgan Stanley): Thank you.

Marguerite Bérard: I think we had a second question regarding also our overall Capital Market Day and guidance.

Ferdinand Vaandrager: Yeah. Okay. Capital Markets Day.

Marguerite Bérard: Ferdi keeps forgetting your second question.

Ferdinand Vaandrager: Yeah, Giulia. It was, I thought this was already replied very well by Marguerite. But yes, does it make sense? Giulia, for us, it's very important to be very consistent. We delayed an announcement of a potential share buyback at Q4. We said the reasons for that were the implementation uncertainties for Basel IV. And number two, the outcome of a request to the ECB to move our last models to standardised approaches. That effect is clear now. Now we have visibility on the outlook of capital. So we start the discussions internally and the discussions with the regulator, to start delaying again now in the light of a Capital Markets Day in my view, would not make any sense.

Marguerite Bérard: So basically, we want to be predictable and reliable and stick to the commitments in terms of timelines we made.

Giulia Aurora Miotto (Morgan Stanley): Thank you.

Operator: Thank you.

Marguerite Bérard: Next question.

Operator: We have our next questions from Chris Allen from Goldman Sachs. Your line is open. Please go ahead.

Chris Hallam (Goldman Sachs): Yeah. Good morning, everybody. Thanks for taking my questions. The first one is just a bit of a follow-up to Giulia's question just now on FTEs. So there was a little bit of an increase as you mentioned in full-time staff in the group. There are more than 10,000 employees in the corporate centre and I think that's where we're seeing the growth. Just what is driving that high number in absolute terms? And I think, Ferdi, you said, you know, we've reached an inflection point. So where should that number specifically trend to over time? What's the right outcome for that 10,000-plus number?

And then second, and again I guess similar on capital return. You've clearly got quite a bit of headroom today. So I guess is the internal debate you're having around the ROI of restructuring versus a return on investment of a buyback. Reading between the lines, it seems like a resizing of the cost base is going to be a focus in November. And does today tell you from a capital standpoint that you've got maybe a bit more flexibility to do that faster or maybe more easily than you would have initially thought? Is that how we should read into the debate that's going to inform how big the buyback may or may not be in Q2 results? Thank you.

Marguerite Bérard: Thank you very much, Ferdi on the first question regarding our FTEs and the inflection point you mentioned. And then the second question regarding is about the dilemmas we would be having in discussing the size of a share buyback versus implementing future growth plan.

Ferdinand Vaandrager: Yeah. Well, number one, on both your questions, Chris. Number one is FTEs. Number one I think sometimes it's difficult to really make the split what is in corporate centre and what is commercial stuff in the client units. For example, if you look at Personal & Business Banking, we have digitalised the bank. We have only 25 branches left, so basically your whole contact centre dealing with clients is in central. So also you should take into account if you look over time what changes have been taking place. Do we have a specific number of FTEs? The only thing I want to say here is really the cost base starts trending down. We've implemented strictness in terms of external vacancies and consultants so that should help overall in the external FTEs to come down.

Then if you look at RWA development, it's too early to start commenting on anything of restructuring costs or potential reorganisation to take into account in terms of our capital planning. What is being very clear, though, we always look at growth. We look at profitable organic growth, and we will also be open if it accelerates the execution of our strategy at bolt-on acquisitions, of which Hauck Aufhäuser Lampe is an element in that. But what is very clear, we really look at further instruments we have to optimise our capital position. So our growth is going to be less capital-intensive than what we've seen over the past years. And I would like to leave it with that.

Marguerite Bérard: Thank you. Next question.

Chris Hallam (Goldman Sachs): Ok, thank you.

Operator: Thank you. We will take our next questions from Namita Samtani from Barclays. Your line is open. Please go ahead.

Namita Samtani (Barclays): Good morning and thank you for taking my questions. My first one, Marguerite, you talk a lot about cost control and capital management to be discussed at the CMD, but what about the deposit franchise? I see client deposits shrunk quarter-on-quarter again. And just wanted to understand how you'll fix the deposit franchise and engage long-term shareholders.

And my second question is, I just wanted to ask why ABN even bothers to write a corporate loan today, given the risk weighting is so high and especially versus peers, and the ROE must be pretty low. Is this a part of the loan book that will be reviewed into the CMD? And at what point do you give up on corporate lending? Thanks very much.

Marguerite Bérard: Thank you very much. You know, if you look at our deposit developments, and then Ferdi take it from there, but our total deposits have actually been increasing. I think you make reference to client deposits, which are down by €2 billion. And there you do have some seasonal effects because basically we are also, in that respect in the Dutch market, sort of the daily bank, including for our Wealth clients. So this is when you pay taxes or dividends, and so on. So these seasonal effects, and I think they are quite classic as far as we are concerned, explains the variation in our client deposits in the first quarter. But maybe I don't know if you want to add to that, Ferdi.

Ferdinand Vaandrager: No, not really. The total deposits indeed increased, but that was partly professional. I would say we have a very good deposit franchise. It's stable in competitive markets, and it's also seen it stays stable after repricing. So we are comfortable on our deposit base. And yes, we will see a little bit more potentially than some of our peers the seasonal effect in Q1, because we have many entrepreneurs in our Wealth Management franchise where you have your tax payments, your bonus payments, your dividend payments, and you normally see a higher effect there because the current account is heavier.

Marguerite Bérard: Thank you very much. And the second, the second question we had about–

Ferdinand Vaandrager: Yeah, was specifically over the Corporate Bank; we can run the Corporate Bank profitably. Corporate Bank is also very important within the broader ABN, with the crossover between Wealth Management and Corporate Banking. Yes, the RWA density might look higher, but that excludes the off-balance sheet exposures if you look at the number here.

And secondly, this is exactly the point that Marguerite made earlier. Capital management is getting increasingly attention within the bank.

Marguerite Bérard: Thank you. Next question.

Operator: Thank you. We will take our next question from Benoît Pétrarque from Kepler. Your line is open. Please go ahead.

Benoît Pétrarque (Kepler Cheuvreux): Yes. Good morning. Warm welcome from my side as well, Marguerite. Just on, maybe the first question for you actually is just to try to clarify what is your mandate from the board and whether that includes also potentially, you know, big steps on costs. I mean, we have a pretty large gap on cost-income versus peers, and I was wondering if your mandate also includes potentially, you know, big actions there.

Second question is on the mortgage growth. This is offset by lower margins as well. So, you know, Ferdi could you maybe clarify on balance how much NII incremental you get from the mortgage business on NII?

And then the last one was on the Clearing. I mean, Clearing is very strong, could you also maybe quantify how much is currently generated from Clearing additionally to the kind of normal run rate? Thank you very much.

Marguerite Bérard: Thank you very much. To your first question, my mandate from the Supervisory Board is actually to lead our bank into its next strategic phase. So this is the story we will be sharing at our Capital Market Day, and that will cover everything, including, of course, how we run our cost base. Ferdi, to mortgages first.

Ferdinand Vaandrager: Yeah, maybe if you look at mortgages, Benoît, and if you look at the underlying trend, number one, a big part of the new production is state-guaranteed NHG mortgages that come at lower margins, but they also have lower RWA. Number two is that clients are proactive in asking for a discount if they come in a different risk bucket. So with rising house prices and repayments, that means that the discount is applicable there. So those are two of the elements why the overall margins are somewhat under pressure in mortgages. We do not say specifically how substantial the NII from mortgages is, but we continue to see the trend what we saw last year. If you look at our overall loan volume growth, a big part comes from mortgages. And you also see that then in the overall asset margin mix effects, because mortgages have on average, lower margins but a higher ROE.

And then your second question, Clearing in general. Clearing has another good start of the year Benoît—as it has a good—as it had a very good year last year. So overall, we're comfortable in these markets that the trend can continue, but on a quarter-by-quarter basis, it can be more volatile. And we said overall what the impact was. It roughly provides between the €350 and €400 million in fee income, but also around €300 million in net interest income on an annual basis.

Marguerite Bérard: Thank you.

Benoît Pétrarque (Kepler Cheuvreux): Thank you.

Marguerite Bérard: Next question.

Operator: Our next question comes from Farquhar Murray from Autonomous. Please go ahead.

Farquhar Murray (Autonomous): And indeed, I welcome Marguerite. Two questions, if I may. Firstly, I just wondered how the kind of recent macro uncertainties and turbulence may have fed into your thinking around the CET1 target of 13.5%. And also whether it's fed in a little bit into the regulatory conversations at all.

And then secondly, just going back to the deposit franchise. I mean, it's up about 3% if I look at the Personal Banking year-on-year. I just wondered what responses you've seen to the deposit rate cuts that you've put through in March, May, and in particular, whether the term deposit to savings account trend that you've seen has continued? Thanks.

Marguerite Bérard: Thank you so much. To your first question, yes, the economy is going through, I would say, volatile episodes since the beginning of the year, to put it mildly. And, you know, of course, we want to run the bank soundly and prudently, so this is always part of the, you know, overall assessment we carry on. We take everything into account while running the bank.

Looking at I think your next question was about our deposits and the impact of rate cuts on our NII, I expect.

Ferdinand Vaandrager: Yeah, Farquhar. The other question I tried to answer that before. Yes, confidence in the stability of our deposit franchise, and has not seen any effect from the lowering of the savings rates with 25 basis points as of the 1st of May. And yes, we have seen in the first quarter more migration from term to demand. That's it.

Farquhar Murray (Autonomous): And did that continue in the second quarter?

Marguerite Bérard: Yes. I'm sorry.

Ferdinand Vaandrager: So you see the trend there. We have not seen any change in trend start of the second quarter.

Farquhar Murray (Autonomous): All right. Thanks so much.

Marguerite Bérard: Thank you. Next question.

Operator: We'll take our next question from Kiri Vijayarajah from HSBC. Your line is open. Please go ahead.

Kiri Vijayarajah (HSBC): Yes. Good morning and welcome, Marguerite. A couple of questions from my side. So firstly, when you think about the Corporate Bank and some of the growth opportunities Marguerite, you alluded to, you know, Germany fiscal stimulus, infrastructure investment. Do you feel you've got the coverage capability, the geographic footprint, particularly outside of the Netherlands, to really take advantage of that? Because I know that, you know, the de-risking in the Corporate Bank under your predecessor means, you know, you've had to retrench there a little bit. So how does that leave you in terms of capturing the growth versus some of your peers?

And then second question, more drilling down a little bit on the NII, Ferdi. I wonder if you could just give us some colour on what's been happening with the replicating portfolio, because I know one of your peers say they've been increasing duration. And I know you mentioned last year, because of the deposit trends, the replicating portfolio actually needed to shrink. So just what's the outlook there for the replicating portfolio size and duration, please? Thank you.

Marguerite Bérard: Thank you so much for the question. To your first question regarding our Corporate Bank, we do have a very good footprint in Northwestern Europe. I've been meeting with teams, you know, in Germany. In the UK, as I mentioned, I'm going to Oslo tomorrow, meeting clients there. I can tell you that we have, you know, very good coverage capabilities and very good client franchise. So I have all confidence there in terms of the quality of our teams and franchise.

Moving to your question on our replicating portfolio to Ferdi.

Ferdinand Vaandrager: Yes. For the replicating portfolio, Kiri, is around €155 billion, and we have provided a range before that between the 40% and 45% of reprices every year. So there can be some movements in that duration has not significantly changed. We said before, it's roughly a three-year duration. And, yes, the size of the non-maturing deposits might change on the plus side if the migration into demand deposits continues. And what we've seen last time, it can also go down as you really try to replicate the behaviour of clients. So that means sometimes that the most volatile or the least sticky, which is more priced at for example, one-month Euribor that that can go out. So there can be some movement parts, but over the past period it's been relatively stable.

Farquhar Murray: Very clear. Thank you.

Marguerite Bérard: Thank you. Next question.

Operator: Thank you. We'll take our next questions from Anke Reingen from RBC. Your line is open. Please go ahead.

Anke Reingen (RBC): Yeah. Thank you very much for taking my question, and welcome, Marguerite. I just have two questions on net interest income. Firstly, on like 2026 so you give us the headwinds from the replication portfolio. I realise there's uncertainty on the rates, but if you can maybe provide a bit of confidence on your ability to offset the step down in 2026 versus 2025, as rate cuts, volume growth, and so on.

And on that point for 2025, can you give us some like what you assume in terms of loan growth, and also in terms of corporate spreads or margins? Thank you very much.

Marguerite Bérard: Ferdi, on these two questions regarding NII.

Ferdinand Vaandrager: Yeah, let's start with the replication and confidence in the NII guidance, Anke. We try to be helpful and provide you a number for this year instead of a range. And that was basically an increase from €100 million on the back of a lower savings coupon and a lower forward curve. So the €6.3 is really assuming constant savings rates and no changes in the forward rates. Yet clearly you have upside potential either if you're going to see a further lowering of savings rates, you can see a positive by further deposit growth. And that can also be a positive of a steepening of the curve. And that's basically what we've seen in the past week, right? The rates for the two-year swap are back above 2%. So there are certain elements in there which might be positive. So we're still very confident in the guidance with providing a range for that.

Then, if you look at the loan growth for 2025 and the business momentum there. Yes, specifically mortgages, the strong growth continued in Q1 with new production over €5 billion [in 2024]. So we expect this to continue because the housing market is strong in the Netherlands. And yes, for the corporate loans, there's more uncertainty at the moment, so we are in constant dialogue with our clients, where we can support them. And that might lead as a second-order effect that certain investment decisions are going to be delayed. But up until now, we've not seen any significant change so far.

Then, to look at your last question, what will happen for 2026 NII? In the analyst presentation on slide 15, we provided an update on the sensitivity, but that is really on the back of constant volumes and pricing compared to the earlier sensitivity we provided. And just by the other elements I provided you with that might have further positive impacts on the back of the sensitivity provided there.

Anke Reingen (RBC): Okay. Thank you.

Ferdinand Vaandrager: But too early to start to become explicit on 2026 guidance—in Q4—in Q1.

Marguerite Bérard: Thank you. Thank you, Ferdi.

Anke Reingen (RBC): Thank you.

Marguerite Bérard: Next question.

Operator: Next questions come from Juan Pablo López from Santander. Your line is open. Please go ahead.

Juan Pablo López (Santander): Yes. Good morning, everyone. Thank you for taking my questions. I got two. First one is regarding margins. We see the strong growth of mortgages. I don't know if you could provide some colour regarding RAROC so the return adjusted on capital, risk adjusted return on capital on this product. It would be interesting to see if even with the tighter margins, they are still accretive in terms of RAROC. It would be also interesting for corporates if you could give us some colour on this.

And my second question, I'm sorry for coming back to capital. Just to be sure and to double-check that we are more or less on the same page. Right now, the CET1 is 14.7%. The main movements in the short term, I guess, is the integration of HAL, this is around 45 basis points impact if you can confirm this. This will move down CET1 ratio to something around 14.2%, 14.3% plus the organic capital generation of the second Q. Here we are with more than €1 billion excess capital over the 13.5% threshold. So just to double-check that we are not missing any short-term impact on capital. Thank you.

Marguerite Bérard: Thank you very much. Regarding capital, your figures are correct, i.e., our CET1 ratio is 14.7%, and indication we gave for the HAL transaction regarding its impact on our capital is indeed 45 basis points. So I think you have all the figures correct there.

And regarding now, I think I turn to Ferdi and Serena regarding the margins. I think you had questions on mortgages and all corporate loans, if I'm not mistaken.

Ferdinand Vaandrager: Yeah, maybe on margins, I tried to answer that a bit earlier, specifically for mortgages. Yes, if you look overall at our net interest margin, which came down, specifically here mortgages, what we do see still some outflow from higher-yielding mortgages. The second point, as I said, due to continuous rise in house prices, clients are more proactively in asking for a discount when they come in a lower risk bucket. And you'll also see the effect of repayments.

If you look at overall corporate loans, what we see there is that overall asset margins are relatively flat versus the previous quarter.

Marguerite Bérard: Serena, do you want to add anything?

Serena Fioravanti: Yes. Maybe on your question on return on adjusted risk capital. On the mortgage book, we see very strong both ROE and risk-adjusted return on the mortgage book, driven by very good credit quality of the book and relatively low cost of risk. Also versus through-the-cycle analysis, you see it in our numbers, and we have experienced that also in Q1. And the trends are also below through-the-cycle. So when you look at risk-adjusted nature of our mortgage book is very strong and well above our targets.

Marguerite Bérard: Thank you, Serena. Next question.

Operator: Thank you. As a final reminder, if you would like to ask a question, please signal by pressing star one on your telephone keypad. We'll take our next question from Matthew Clark from Mediobanca. Your line is open. Please go ahead.

Matthew Clark (Mediobanca): Good morning. So two questions. Firstly, on the first quarter capital movements, you'd clearly forewarned of the headwind from the add-ons to come, but you hadn't forewarned of the significant benefit from data efficiencies. So I'm just wondering why that was. Is it that you have less visibility on those data efficiency benefits coming through, so you didn't feel able to guide on it ahead of time? Or was it just that you chose not to?

And then second question is on the HAL acquisition. I'm just curious why it's taking so long to close. I know the original guidance was for it to close in the first half of this year, but I'd have thought it would be a fairly straightforward transaction, and that its geographies you're already present in. Relatively limited number of geographies, straightforward business model that you already have expertise in. So I'm just curious why the delay in that closing? And can you be a bit more specific on what's holding it up? Thanks.

Marguerite Bérard: Thank you so much. I'll take your second question, and Ferdi will take the rest. Basically, you know, the HAL transaction is perfectly on track. I think, as you know, we mentioned with this transaction we expect to be closing at the end of the second quarter. So this is what's going to happen. And as you know, you need authorisations from various supervisors in that specific case. You know, first the BaFin and then the ECB. Everything is, you know, on track, and we do not foresee, and expect no problem at all on that front. It's just, you know, taking time, but others have their own timelines, but it is on track and will happen at the end of the first semester, basically. On your first question regarding–

Ferdinand Vaandrager: Yeah Matthew, did we know that? Yes, we gave the indication what the effect would be of the transition of the final portfolios to less advanced approaches. But we've always said that we are in the middle of the formal production of Basel IV numbers so the actual implementation. And there, if you see the impact from going to proxy to formal production, there are actually some more positive benefits in there. But it's really on the back of very hard work internally to get most issues resolved by actively steering in the bank on data improvements. And we had applied, as we said in Q4, still some conservatism on both collateral and segmentation. And we've also really worked hard in improving the coverage of external rated clients, because they are really a benefit under Basel IV SA.

And then the last two points, maybe which were—and you never know the timing—number one is that we announced the sale of an infrastructure portfolio that had the benefit of €1 billion, and you never know the timing of that or can forewarn on that. And lastly, you also see some benefits specifically linking to Serena's point, lower risk rates on the NHG, the state-guaranteed mortgages, under Basel IV, that has an effect of roughly €1.5 billion. And if you combine that with the quality improvements specifically from the mortgage book, it ended up that our credit risk of RWA remained stable to Q4.

Mathew Clark (Mediobanca): So can I just follow up on that? So just to - can you break down that, I guess it's like €3.5 billion of offset, excluding the infrastructure sale. How much of that was coming from better Basel IV, and how much of it was from incremental data improvements?

Ferdinand Vaandrager: I wouldn't want to say too much about it. You say already self infra was roughly €1 billion. I said the more favourable treatment of state-guaranteed mortgages, somewhere between €1 and €1.5 billion. And for the rest is asset quality improvement in data.

Mathew Clark (Mediobanca): But surely the state-guaranteed mortgage as expected should have been predictable, right? That shouldn't be a surprise.

Ferdinand Vaandrager: But I'm just explaining to you more or less what's in the bridge here between the two.

Mathew Clark (Mediobanca): Okay. Thank you very much.

Marguerite Bérard: Thanks a lot. We'll take the next question. Thank you.

Operator: We'll take our next question from Namita Samtani from Barclays. Your line is open. Please go ahead.

Namita Samtani (Barclays): Sorry, just one follow-up. Maybe I missed it, but the forward curve you base it on what point in April? Is it the end of April?

Ferdinand Vaandrager: Yes, correct.

Marguerite Bérard: It is.

Namita Samtani (Barclays): Perfect. Thanks very much.

Marguerite Bérard: Thank you. Next question.

Operator: It appears there's no further questions so I will hand back to Marguerite for any additional or closing remarks. Please go ahead, ma'am.

Marguerite Bérard: Well, thank you very much for your time this morning and for your questions. We wish you a very, you know, a very good day. And we're very much looking forward to interacting with you in the coming days and weeks. You take care. Bye-bye.

Operator: This concludes today's call. Thank you for your participation. You may now disconnect.

[END OF TRANSCRIPT]