Q1 2015 Conference Call Transcript

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Q1 2015 results conference call, 13 May 2015, 14:00 CET

Participants: Kees van Dijkhuizen, CFO; Wietze Reehoorn, CRO & head of Strategy & Business development; Erik Bosmans, Treasurer

Coordinator: Welcome to the ABN AMRO first quarter results conference call hosted by Kees van Dijkhuizen, CFO, and the CRO, Wietze Reehoorn. All parties are in a listen-only mode until the question and answer session. At that time, if you would like to ask a question, please press star 1.

Today's conference is also being recorded. If you have any objections, you may disconnect at this time. I would now like to turn the meeting over to the CFO, Mr. Kees van Dijkhuizen. You may begin.

Kees van Dijkhuizen: Thank you very much, Operator. And I'd like to welcome you all to this analyst call for ABN AMRO first quarter results. As said, Wietze Reehoorn, and myself will share our views on these results. And thereafter, we'll open the call for Q & A.

We will use a short presentation. It's published on our website this morning and a full version of this presentation will be published later today. If I start with Slide 2 on the quarterly highlights, then the positive development of the last quarter has continued. The underlying result for the first quarter was good with EUR 543 million profit - 44% higher compared to the underlying result of the same period last year. We are very pleased with this result. Q1 benefitted mainly from higher operating income across all line items and a sharp decline in impairments. And we, too, will give more color on that.

In general, we benefitted from the improved economic climate in the Netherlands. Private consumption and exports continue to improve; also, more houses were sold, the number of bankruptcies continue to drop and consumer confidence improved significantly. Consumer confidence actually is positive in territory at the first time - for the first time, actually, since 2007. And the favorable stock markets also added to our results.

Then if I turn to Slide 3 on the C/I target - Cost Income Target - you'll see that for the first quarter, the Cost Income ratio came to 56% - an improvement from 58% last year. In the second half of the year, we expect regulatory charges of around 250 million being the banking tax, European Resolution Fund, and the European Deposit Guarantees scheme. And if we include these expected regulatory costs evenly over the quarters, C/I ratio would be at 59%. That is already within our target range of 56% to 60% in 2017.

If we go to the ROE targets - Slide 4 - we see, an ROE improvement from 11% to 14% same quarter last year. And again, including evenly spread out expected regulatory cost for the year, ROE would be around 12.5%, which is even a bit above the top-end of our target range 2017 of 9% to 12%.

And if we go to capital - Slide 5 - fully-loaded CET1 ratio improved to 14.2%, which is clearly above our target range of 11.5% - 12.5%. A year ago, our fully-loaded CET1 ratio was 12.9%. We prefer to have a cushion for possible upcoming regulations on - especially - risk weighting and for being able, also, of course, to pay dividends. Wietze will elaborate a bit more on this risk weighting topic. Our fully-loaded total capital ratio at the end of Q1 was 19.5%. And I would also like to draw your attention to Slide 18 of this presentation, which shows our existing total capital position in relation to TLAC. Fully-loaded leverage ratio - 3.5%. That's under CDR Rules, which apply since 2015 and is 0.3 higher than the 3.2% a year ago, based on the same definition.

And if we go to Slide 7 on interest income and volumes, you see that net interest income rose by 8% versus the first quarter of 2014. NII benefitted from continued improvement in lending margins. And this is observed across all business lines. NII in Q4 last year was above average due to several runoffs. The NIM came down from the exceptional high level of 163bps in Q4 to 148bps in Q1, like Q1 2014. The decrease is mainly caused by NII one-offs in Q4 and the balance sheet increase of around 50 billion in the first quarter. Half of the increase - half increased the balance sheets accounted for by securities finance, by the way. Clients build up that position in the first quarter. The remainder is most other results from FX effects, interest rates movements, and also high cash position.

Margins for new mortgages as well as margins on mortgage resets continue to outpace the average margin of the mortgage book. For corporate loans, besides small margin increase, the average outstanding loan volume increased as well.

And if we go to Slide 8 on fees and other income, you can see that fee income was 11% higher vs. Q1 last year. The rise was driven in private banking by favorable stock market performance, as mentioned, as well as the high fees in corporate finance and Clearing. Large transactions this quarter of which we advised on including the IPOs of Grandvision and Refresco.

And if we go to expenses - Slide 9 - they were up 7% compared to the first quarter of last year. Personal expenses were up 9%, partly due to higher pension cost - around 25 million, following the low interest rates. And there's a reorganization cost of around 19 million at corporate banking, which also resulted to extra expenses. Rise in other expenses mainly concern IT investments and internal optimization projects.

If we go to Slide 10 - Loan Impairments - you can see that they totaled 253 million - 30% lower than the first quarter of last year. And Wietze will shed more light on this.

And if we go to the segment results, the good performance of Retail Banking in the first quarter is mainly the result of lower loan impairments. Mortgage margins improved. NII grew by 3% compared to last year. Operating expenses remained virtually flat. Result of Private Banking improved by 70% in the first quarter, mainly from higher operating income on the back of improved stock market conditions and the inclusion of the German private banking activities as of September '14. Impairment charges also came down. Client assets by private banking grew by 10% through strong increase in net new assets of 3.7 billion, of which, 1.5 is from our retail bank. This strong increase is the highest level in years.

Corporate Banking operating income improved in all categories, especially benefitted from increased corporate financing and Clearing fees. Personal expense were impacted by a restructuring provision. And as I already mentioned, impairment charges were up as well, predominately due to one single, large addition while the trend continues to decline.

And Wietze will now elaborate on risk and loan portfolio development.

Wietze Reehoorn: Thank you, Kees. Ladies and gentlemen, good afternoon or good morning. As already mentioned, the economic climate continues to have a positive effect on our results and, in general, impairment levels further declined.

Let's go back here for a while to Slide 10 - Impairments. As said - the impairment charges totaled 252 million - 30% lower than Q1 last year. And the improving housing market in the Netherlands reduced both the inflow into the impaired portfolio - as well resulted in more outflow.

The cost of risk for mortgages over outstanding loans declined to only 2 basis points on an annualized basis. This is the lowest since the new ABN AMRO was established in 2010. Impairments were down for all sub-segments except for Commercial Clients. Loan impairments in Commercial Clients - those are the clients with revenues up to 250 million - they peaked in 2013 and have gradually declined since then. Unfortunately, we experienced in this quarter, a single, large addition which was masking this trend of decline. The Q1 commercial loan impairments were high in, particularly, the sector of health care.

The improvements in the Dutch housing market are reflected in our mortgage book. The positive sentiment in the Dutch housing market is in result of low interest rates, low housing prices, combined with a better economic climate and consumer confidence. The number of houses sold was up 19 - 1-9 - % year and year, while housing prices increased by 2.4%. Our mortgage production in Q1 increased by 25% compared to the same period last year. Our market share was 20% - second position in the market. Contractual repayments are gradually growing, reflecting the change in the Dutch fiscal mortgage regime. Extra repayments are still elevated. The average loan to market value in the mortgage book continues to improve.

The risk-weighting of mortgages is currently 14 - 1-4 - percent representing 22 billion of risk exposure amounts - risk-weighted assets. You are aware of the recent BIS consultation paper. They're under discussion. But if, for example, an additional Basel regulation would require the floor of 25%, this would increase the risk exposure amounts to approx. 40 billion, decreasing our Core Equity Tier 1 ratio by approx. 2%. So you can see why we keep capital well above the target range we set ourselves.

Loans to small enterprises - part of the segment's Commercial Clients showing slow increase in the number of applications compared to Q4. The level of acceptance has already been higher for the last three quarters.

A few words about the ECT portfolio. It grew by 15 (annualized) percent to 25 billion, supported by the strong U.S. Dollar. 450 million Euro of that was organic and mainly realized in the transportation sector. The growth was partly offset by lower volumes in financing commodities because of the low commodities prices, especially in oil-related financing activities.

On the other side of the balance sheet, clients continue to entrust more savings to us, resulting in a loan to deposit of 112%. Deposit volumes rose across almost all businesses, especially for Corporate Clients.

If we move to Slide 12, a couple of remarks about risk ratios. The impaired ratio continues to show slight improvements in residential markets and commercial loans. Besides improved economic conditions, this decrease is the result of continued active management of the portfolio such as strict monitoring and a balanced portfolio intake. The impairment ratio, as you can see for commercial loans is negatively affected by the, already mentioned - a single, large file. Still, the trend for commercial loans is positive. The impaired ratio for consumer loans remained flat. In absolute terms, the level of impaired customer loans declined by 48 million compared to Q4. Total coverage ratio remained in the mid-50s.

A couple words on Slide 13 - Mortgages. This slide clearly shows the improving trends observed in the Dutch housing markets. As mentioned before, the Dutch housing market continued to improve. Past due and impaired mortgage exposures trend down. The annualized impairments came to 2 basis points this quarter. We have not seen these levels since the start of the new bank in 2010. The average loan to market value of the portfolio improved slightly to 82%, benefitting from redemptions and housing price increases. The average loan to market value excluding the NHG guaranteed mortgages continued to improve to 78%. The mortgage book consists of around a quarter of NHG guaranteed mortgages. Approx. 45% of the new production is NHG guaranteed. The portion of mortgage loans with loan to market values above 110% continued to decline. Also because there is no more inflow in the highest bucket as a consequence of new mortgage regulation.

Well, this brings our short presentation to an end. Operator, can we please open the call for questions?

Coordinator: Absolutely. Thank you. If you would like to ask a question, please press star 1 on your touchtone phone. Be sure to unmute your line and record your name clearly when prompted. Due to potential time constraints, please limit your questions to three. If you would like to ask additional questions, you may press star 1 to rejoin the queue. Once again, if you would like to ask a question, please press star 1. And one moment while I gather that first name for you. Alright, thank you. And our first question comes from Cor Kluis. Your line is now open.

Cor Kluis: Good afternoon. Cor Kluis - Rabobank. Just a few questions. First of all, a more qualitative on Private Banking as the interest rates are now currently quite low, do you see any change in customer behavior that they are interested more in the structured products. One of your Belgium colleagues is quite successful in selling structured products with guarantees to their clients to get extra commission income because the interest income is somewhat difficult. Do you see that or do you have plans to sell those products more actively to your clients, especially in private banking? That’s my first question.

Second question is on savings accounts. I think you pay now 90 basis points on your savings accounts in the Netherlands. You cut that, I thought, on the 30 of April. Do you think that further reductions on your savings accounts can be expected this year? One of your Dutch colleague banks was quite vocal on that that they would expect to do that during the rest of the year. That’s my second question.

And my last question is about Private Banking net inflow, you had very nice, good net inflow in the private bank of 3.7 billion Euros. You mentioned 1.2 billion is from the retail bank. My question is what is the other 2.2 billion coming from? Which part is coming from the commercial bank and which part is coming from external clients? That’s all my questions.

Kees van Dijkhuizen: Thank you very much. With respect to the Private Banking - your first question - we are not working on structured products in this field. So that’s not an area where we are developing new activities, actually.

With respect to savings accounts, indeed, savings rates are still high in the Netherlands. I think there are, on average, perhaps two times as high as in the rest of Europe. That’s, of course, related to funding gap discussions and the likes.

We normally don't give a reaction on lowering rates, but you can see that there is a big gap, indeed, between the level of 90 bps and the minus 20 which is the ECB deposit rate. So, indeed, I think that a direction lower - lowering of that rate - is clearly a possibility during rest of the year.

And third question, Wietze.

Wietze Reehoorn: Yes, that was the matter of the inflow at private banking. Actually, 1.2 is from Retail, which is actually evidencing our feeder model we have in the Netherlands that we feed from Retail to Private Banking clients, but also assets. The remaining part - 2.2 - is mainly external. A very small part is corporate. It's mainly external - new clients, new assets being brought into the bank.

Cor Kluis: Okay, that's very good. Thank you.

Kees van Dijkhuizen: You're welcome.

Coordinator: Thank you. And our next question comes from David Lock. Your line is now open.

David Lock: Hi, everyone. Yes, three questions for me, please. First one's on income going forward. I note you had quite a high, strong fee income result.

And another one of your Benelux peers had a strong result there as well. Just wondered how we should think about this commission and fee income going forward. Is this a seasonally high level or do you think this is a new sustainable level that you can kind of build from going forward? And also, does that help offset some of the AFS gains which will, presumably, go away over time. I note there was some ALM income that was quite strong in the first quarter.

And the second question, just on the risk-weighting. And thanks for giving the clarity around how much that would be on your risk-weighted assets. I just wondered if it - if this was affecting how you're thinking about pricing and lending on mortgages at the moment. I mean, clearly, an increase in risk weight from 14 to 25 is pretty big and would affect the ROE that you would make on that business. I'm just wondering how your - how you are approaching pricing and lending given the - given the kind of uncertainty we have around risk-weighting for mortgages.

And then the final one, which is probably connected with that, just the loan growth. I know mortgages wasn't particularly strong, but there was an increase of about 2%, I think, in commercial loans in the first quarter. I just wondered how we should expect that to go going forward because, clearly, that was quite a strong start to the year.

Thank you very much.

Kees van Dijkhuizen: Thank you very much. First question related to fees. Indeed, there is a clear increase there from the 420 a year ago to 470, and the fourth quarter was 430. However, we think a level we see in the first quarter, there are not a lot of special effects there, to be honest. So I think that might be a level which we can continue going forward.

Wietze, risk weighting and loan growth…

Wietze Reehoorn: Yes, sure. As to risk weight, thanks for the question - important question. Of course, we are thinking this trough, but at this moment, there are no increased risk weights. So, currently, the pricing of our mortgage book is risk-based on the basis of current risk weights and current models. I think that's important and assume as there is more information about new risk weights, we will probably amend our policies there. But currently, we're not doing that.

Your question as to loan growth, you may have seen that if you look to the books right now, the mortgage book has been stable, consumer book has been stable. There has been growth in the commercial loan book but, primarily, it has been in the ECT business and the Clearing business. In the commercial bank in the Netherlands, we have not seen loan growth. So in the SME part and corporate banking part, we have not seen loan growth. You may expect that if the economy continues to recover, we may see loan growth there. So in the Dutch economy, we may see loan growth there. As to ECT, my point would be that if you currently see what is happening there due to low - and as you know, we are quite a substantial player in the commodities financing markets. Commodity prices have come down, so the loan growth has been aligned with that, so lower utilization of loans, i.e., as the prices of commodities remains pretty - at the same level or even lower, then of course, you may expect that not the loan growth from that prospective will be very large. Having said that, still, of course, we are in the business of acquiring new clients and are positive on a the certain loan growth there.

In summary, I think we are somewhat positive about future loan growth.

David Lock: Thank you. Can I just have a quick follow-up on the risk weighting one, which is just that, I mean, I take it that you're not basing your pricing on, at the moment - what are those speculative increases in risk weights. But given the kind of commentary in the press that's been around the IPO and the timing of that and, you know, clearly, the impact that this would have on your business model - probably more than many other banks in Europe. Are you hoping to get more clarity from the regulator later this year or is this something that really is completely out of your control and the Dutch National Regulator's control? Thank you.

Kees van Dijkhuizen: Yes, the interesting part of your question is that this is kind of a second question about the time of the IPO. We cannot give any comment on that as to whether that will be end of this year or next year; that's up to the ministry of finance. So apart from that, your question was would we like to have clarity on the BIS proposals? Yes, of course. I mean, whether that is the coming half year or the next year, of course it's important because this is, and this has an impact on a number of banks, but also banks in the Netherlands who have quite substantial retail portfolios, low risk-weighted at present. And it's not only us but also peer banks in the Netherlands.

David Lock: Okay, thank you very much.

Kees van Dijkhuizen: You're welcome.

Coordinator: Thank you. And our next question comes from Guillaume Tiberghein. Your line is now open.

Guillaume Tiberghein: Yes, hi. I just wanted to ask on regulatory RWA inflation. So, clearly, mortgage seems to be the biggest hurdle for you. Are there any other areas where there is exposures to large corporates or banks or any other thing on market risk or operational risk where you think potential new regulation could impact you negatively? Thank you.

Wietze Reehoorn: As to operational risk, I'm not aware of the fact that there should be an anticipated change as result of new regulation as we're pretty much into the advanced AMA environment there at this moment. So that will be my answer to that question.

And the first question probably was on the other part, other than mortgages. In the commercial loan book we already have actually quite higher risk weights. It's fair to say the Basel papers do also give reason for higher risk weights in the, for example, the SME books. But again, we don't know and we have to await what is the outcome of that.

Kees van Dijkhuizen: I'd like - one thing to add also relates to the question before. Of course if you would make a calculation on the ROE, if you would make a calculation on ROE for instance of our retail business -- and well, it depends on how you do it -- but say you take 12 percent of risk-weighted assets or something like that, our target -- our CET 1 target -- on risk weighted assets for that business line, you of course will see a high ROE in this business line. And when risk weights increase there, that means that ROE goes down in the business line, but it does not mean that - because the equity of the bank doesn't change. And if the profit doesn't change the ROE of the bank in total does not change. So I think that is something to take into account as well. But of course for the business line itself, if you make calculations on how profitable is a business line, you take as a proxy the risk-weighted assets, then of course they go down, but as you will make the calculation you will see that it's high at the moment so that there is room there. Thank you.

Coordinator: Thank you. Our next question comes from Lee Street. Your line is now open.

Lee Street: Hello, good afternoon, thank you very much for the call and thank you for slide 18. I have a couple of questions there. You referred to one and a half percent of additional TLAC. Is that that you need to issue or are you just taking into account your existing senior debt for that?

Secondly, you reference a management buffer within your assumed TLAC requirements. Are you able to give any commentary from what size you think that might be?

And finally, is it your expectation that the Dutch government will follow the German governments example and look at changing the subordination of senior debt as, you know, from where you sit at the moment, do you think it's under consideration or likely? Thank you.

Kees van Dijkhuizen: Thank you very much. Indeed this is a new slide for us. With respect to doing it with senior -- which is by the way related actually the first question to I think your third question. As you can see in this slide that what we actually need on top of what we have is not much. We do not absolutely need senior, presumably. That is what you can take from this slide.

That does not mean that we have taken that decision yet. So we with respect to the German proposal. I think we'll await discussion in Europe on this. What will happen with perhaps all the senior, like the proposal in Germany, or perhaps contractual of kind of development of new tier three paper -- which will be contractual, bail-inable, unsecured. I think we'll wait for, well, for discussions in Europe, how they develop before we take a final position on that.

Management buffer is actually put here as a kind of a proxy. We do not - it was just illustrative that we might take on top of all the regulation a buffer. We have not decided yet. It depends very much on the state where regulation is. Whereas today we have a large buffer as already mentioned -- of two percent because insecurities in the Basel regulation. If there's of course much more certainty on everything buffers can be lower. So that is not yet - that's more for illustrative purposes here in this slide. Thank you.

Lee Street: Okay. Thank you for your answers.

Coordinator: Thank you. And our next question comes from Edouard Quilliou. Your line is now open.

Edouard Quilliou: Yes, hi. Three questions from my part. My first question was would you have any updates regarding your AT1 issuance plan? Second question is could you communicate about your SREP requirements? And third question if you are able to communicate on it, would you expect SREP requirements to count toward potential MDA restriction? Thank you.

Kees van Dijkhuizen: I missed the third one. Sorry.

Edouard Quilliou: The third one is would you expect the SREP requirements to eventually effect MDA restrictions in case of buffer breach?

Kees van Dijkhuizen: Okay, thank you. Yes, AT1, the tax issue is solved -- already launched by other banks in the climate at this moment in time of course interesting. We do not up front say anything on that. So I'm afraid I have to say that if we would go to the market you will hear that that moment in time. Sorry for that.

And with respect to SREP I think we, yes, we don't disclose. We're not allowed to disclose. I think the questions you raised, regulatory agreements with regulatory authorities, pillar 2 and the likes…

Wietze Reehoorn: That's correct.

Erik Bosmans: And on the MDA, I think you can see that we have sufficient room to maneuver. So also if SREP for whatever reason would, let's say "spoil the party" if I may say so, then from an MDA perspective I don't foresee any problems at all -- bearing in mind for the buffers we have.

Edouard Quilliou: Okay. Thank you.

Kees van Dijkhuizen: Yes, this was Erik Bosmans, our Treasurer. Sorry.

Edouard Quilliou: Thank you.

Coordinator: Thank you. Our next question comes from Anke Reingen. Your line is now open.

Anke Reingen: Yes, thank you very much. I just had a follow-up question on the risk weightings. And just to make sure I understand correctly that 25 percent is that applying on average on your residential mortgage book, or you're basically saying it's a minimum risk weighting floor of 25 percent. And then I was wondering how you came up with the 25 percent.

And then lastly as a follow-up question to an earlier question, when do you think you will have clarity on the risk weightings? Thank you.

Wietze Reehoorn: Thank you for the question. I was talking actually not about average, but I was talking about the floor. And I call actually the Swedish floor. We take it as an example. So it's a floor on risk weighting being put by the BIS actually then on the whole portfolio. Again, this is not yet happening, but it may be a consequence. We don't know. And yes, when do we know? We don't know. Yes, it's a very unsatisfying answer to you I think. Also to us because those papers are still in consultation, and you may imagine, and can imagine a lot of discussion is taking place there right now.

Kees van Dijkhuizen: And if Basel has taken a decision, that's also perhaps something to add. And that will - I don't expect that to happen actually before the end of the year, perhaps next year. Then it goes to Brussels. And then in Brussels they have to take a decision if it's applicable to European countries. So clarity on this will definitely not be there I think before next year somewhere.

Anke Reingen: Thank you very much.

Coordinator: Thank you. Our next question comes from Benoit Petrarque. Your line is now open.

Benoit Petrarque: Yes. Good afternoon. Thanks for taking my questions. Now just to come back, sorry, on the risk weighted assets. I mean your CT1 ratio is now 14 - above 14 percent. How much buffer do you keep for this type of uncertainty on risk weighted assets? Is that two percentage points like you mentioned before? I just wanted to try to understand what is your current base case in terms of risk weight inflation, and therefore how much buffer you need to keep on the CT1 ratio. That's the first question.

Second is on cost of risk, clearly very low on the retail side and in a private bank. Still on the Commercial Clients, more than 194 bps I think. You know, what do you expect there for the coming quarters. I think you also mentioned a single addition. It would be nice to get a figure. And what could be the kind of cross the cycle average on the - for Commercial Clients - in terms of cost of risk?

And then final will be on the mortgage pricing. You know, clearly, you know, since 2008 I think we've peaked at 30 bps cost of risk on mortgages -- Dutch mortgages. We are now at two bps. Is that an indication that, you know, pricing and ultimately margins on mortgages will just fall sharply and potentially be back to the long term average. Thanks very much.

Kees van Dijkhuizen: I'll start with your first question. Thank you very much. How much - how large it the buffer? We don't have a certain exact buffer for that at the moment because as already said, we do not know where these proposals will lead to. It was just for illustrative purposes that we mentioned the 25 Swedish floor what the effect will be, just to give you an idea that it is of course a serious thing.

If you look at our core tier one - of course -- and you know that our policy on dividends actually is around 40 percent in normal situations -- last year it was 35 and the year before 30. Then you will see of course with the ROE we make today -- that of course with a dividend of say 40 percent this year possibly -- that would lead actually to an extra - of course - accumulation of capital and increase core tier one.

So the buffer we have -- although we do not have a concrete definition for example how much we want to have for this risk weight -- might increase going forward.

Wietze Reehoorn: Yes, shall I answer that question. As to Commercial Clients, Q1 cost of risk was 180 basis points. I explained important in this quarter was a large single addition. We never disclose things around clients -- specifically what I can't disclose what we call here large. It's a bucket between 50-100 million of an impairment taken.

So if you take that out of the equation then clearly the trend -- which we have been showing already -- will continue. That is also the view we have going forward. Where that will lead to in terms of sort of through the cycle cost of risk for commercial banking, I'm not able at this moment to disclose. But I can say actually that for the bank as a whole that we have not been giving any guidance there, but if you would ask me what is an estimate there -- I'll say it again for the bank as a whole -- probably that will be somewhere around 30-35 basis points.

Your question as to currently the cost of risk in the mortgage book is two basis points -- which has come down substantially from the cost of risk last year, that's correct. I thought your question was are you lowering prices or whatever. We base our pricing actually on a number of things -- risk weights certainly, but the models also in terms of through the cycle view. So it means that we are not on this basis lowering prices on mortgages.

Benoit Petrarque: Thank you.

Coordinator: Thank you. And our next question comes from Jean-Pierre Lambert. Your line is now open.

Jean-Pierre Lambert: Yes, good afternoon. Two questions. The first one is on the leverage ratio -- which is at 3.5 -- and we can see a cyclical pattern of securities finance. Is there a constraint you see coming up or is it a kind of activity you would like to reign in if the leverage ratio requirements move to four percent? And maybe some indication on profitability of that activity in proportion.

The second question is more clarification. The regulatory cost -- 250 million -- can you provide a split of the components and maybe indicate which quarter you expect this to move in? Thank you.

Kees van Dijkhuizen: Thank you. Leverage ratio, indeed, we increased from 3.2 to 3.5 in the last 12 months. So it's quarter 1, quarter 1. We actually do not see a - we do not have a problem with the four percent going forward. We think we can manage that. We have always been in favor of course of the European approach, and not a Dutch only for - only in the Netherlands. But we think and we hear from other regulators that the four percent I think ECB in Brussels, they all think in that direction. So we take that into account of course that this might happen - will happen going forward. But we can cope with that also with our securities finance business where we feel comfortable with. Also with profitability actually. It is cyclical. It's true. But we feel comfortable actually with the business as it is.

With respect to the 250 split, 100 roughly -- roughly -- 100 banking tax, I think in Q4. Roughly a bit above 100 Resolution fund. I think October or something like that -- also Q4 I think -- and then the deposit guarantee is spread out over two quarters, and that's around 30, 40 million presumably. We don't know yet of course. It's .5 or .8 or something in between. And that then is split in Q3 and Q4.

Jean-Pierre Lambert: Great. Thank you very much.

Coordinator: Thank you. And our next question comes from Albert Ploeg. Your line is now open.

Albert Ploeg: Yes, good afternoon, all. A few questions from my end. Yes, sorry to come back to the risk weight discussion. I had basically two questions on that still. One is on the retail mortgage side. I think there's also some discussion if a floor would be imposed whether that would be done on let's say a group level on the mortgage book, or maybe even on an individual loan basis. And I understand if the latter would be done it would be even more punitive, so to speak. So maybe you can give some color on that.

And second, yes, is there also any impact potentially the way the commercial loan book - how the risk weights were applied there that you might even have some, let's say a lower weighting, potentially.

The second question I had was also a little bit on the leverage ratio and in relation to the securities financing part of the business. Clearly Q1 I think is always the seasonally strong quarter and that's all visible in the balance sheet over the first quarter. Yes, how do you look at the leverage ratio in relation to this specific business? Do you believe maybe some exemption can be made to - maybe an adjusted leverage ratio from a regulatory point of view? Or yes, so basically is there any impact on this line of business due to the leverage ratio discussions?

And finally I had a question on the ETC business -- especially the off balance sheet one which is pretty short term. Clearly more, yes, a function of where oil prices are. I did notice there was a slightly down - the balance, but not that dramatic. Yes, how do you, yes, would qualify the outlook for this business given where oil prices are, and what kind of impact on revenues do you see from this? Thank you.

Kees van Dijkhuizen: With respect to risk weights, indeed, you just mentioned one element -- is it group level or individual level. But in also the discussion, is the floor taken into account in the standardized approach or is it a check which is taken separate from the calculate in the capital ratio? So there are lot of things indeed to be discussed going forward. So this is one we don't know, that's all still open at the moment.

With respect to commercial loans, lower risk weights we do not expect. I think also there we see that if you look at the proposals risk weights would go up not only in the Netherlands, but also in Europe. So also that is still not clear yet, but it will certainly not be a lowering, what we expect.

Leverage ratio with securities finance, I think indeed is cyclical in the sense that at the end of the year at least books are -- well, sometimes half or during the year. Well, we know that's always the case. And that means indeed if you aim for, for instance a leverage ratio of 4, that you should have a higher ratio at the end of the year. And that's what you also see now. Last year we were at 3.7 at the end of last year, and at 3.5 at the moment. So indeed, during the - if you want to end up during the year above four, at the end of the year if you have a serious securities finance business like we have, you need a bit higher than the four at the end of the year. We do not think that adjustments for leveraged finance is something which will be taken into account by regulators actually.

ECT...

Wietze Reehoorn: Shall I answer that question, Kees? Okay, so I think your question in regards to the off balance exposures there, actually the off balance sheet commitments are more short term – letters of credit, etcetera. They increased considerably over the last year. End of Q1 12.2 billion. We have also uncommitted commodity trade finance -- which is also being recognized there as off balance sheets for a total of 25 billion -- also increased considerably.

Your question was what does it mean going forward in terms also of the volume. Well, I think I answered also an earlier question in the sense that if for example the current lower prices would be at current levels or even lower with constant demand, actually it means for us an even lower financing requirement which could limit our loan book growth, but also there with the off balance sheet items -- the letters of credit issued, etcetera, or the uncommitted trade lines. However we expect to continue to grow our share of wallet with existing and new clients which may offset part of the lower lending requirements. But as I said, again, this is also depending on how the commodity prices will go forward.

Albert Ploeg: Thank you very much.

Wietze Reehoorn: You're welcome.

Coordinator: Thank you, and as a reminder, if you'd like to ask a question please press *1. And our next question comes from Matthew Clark. Your line is now open. Mr. Clark, your phone may be on mute.

Matthew Clark: Hi. Good afternoon. Sorry about that. Just a question on volume growth. Aside from the volatility around the commodities financing business, what's your appetite for growing volume, and I guess what's your ability to grow volume in similar low or flattish development that we've seen for recent years? Or would you expect a more material pick up going forward? Any thoughts there appreciated. Thanks.

Wietze Reehoorn: Yes, thank you for the question. We do anticipate growth in the Netherlands actually in terms of loan book growth. There you have seen of course over the last years there has been a decline. Will there be a very large growth? No, it's not what we think actually. Small to somewhat medium, small growth. And as I said, again, depending also on where the commodity prices are going to, it could also mean loan growth in the ECT business. But on balance it is growth, but not on a very large scale.

Matthew Clark: And in terms of the domestic growth is there any prospect of pick up in the mortgage business or is that really going to be driven by recovery in the commercial, if the economy recovers?

Wietze Reehoorn: We don't expect large growth there. As you may know that also isn't a result of changes in the regime. What you do see there is still voluntary repayment and contractual repayments going on actually at this moment. So the new production actually is offsetting more or less what is being repaid. So we don't expect a lot of growth there.

Matthew Clark: Great. Thank you.

Wietze Reehoorn: You're welcome.

Coordinator: Thank you, and I'm showing no additional questions at this time.

Kees van Dijkhuizen: Still no further questions, operator? Also...

Coordinator: I'm still showing no questions in queue at this time.

Kees van Dijkhuizen: Okay. Okay, then I would like to thank you, operator first of all, and all of your participating in this call, and thank you for your questions. I think we would like to conclude that we are very pleased, as said, with the Q1 results, as said, the highest result in the last four years. It's still early in the year of course, but we also saw that we also already clearly met our strategic ambitions for 2017. We are aware of the high core tier 1, but as discussed during the call, the risk-weights and so on, we feel comfortable with that higher level as a cushion for upcoming changes.

So thank you very much again, and I hope to speak to you next time. Thank you.

Coordinator: Thank you. This now concludes today's conference. All parties may disconnect at this time. Speakers may hold for a post-conference.