ABN AMRO Q4 2024 Results Transcript

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Participants: Robert Swaak (CEO); Ferdinand Vaandrager (CFO); Serena Fioravanti (CRO)

Operator: Hello, and welcome to the ABN AMRO Q4 2024 Analyst and Investor Call. Today's event is being recorded. 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. This can be done by pressing star one on your telephone keypad.

I will now hand you over to Robert Swaak, CEO, to begin today's conference. Please go ahead.

Robert Swaak: Thank you so much. Good morning, everyone, and welcome to our ABN AMRO Q4 results. As last quarter, joined by Ferdinand Vaandrager and Serena Fioravanti. I'll update you on the main topics for this quarter, and we'll follow the update by Q&A.

So, let's start with the highlights of Q4 on slide two.

We showed a strong result in '24 with a net profit of €2.4 billion. The fourth quarter net profit was impacted by some large incidentals and the annual payment of the Dutch banking tax. However, underlying, we had a good finish to the year with a net profit of €397 million.

Our mortgage portfolio showed consistent growth throughout the year, increasing by €1.1 billion in Q4 and over €5 billion for the year. Our net income improved further in Q4, and full year NII ended at €6.5 billion.

Fees were up by 7% for the year, driven by better performance in all client units.

Excluding incidentals, total costs for '24 ended in line with our guidance at €5.3 billion. Impairments continue to remain very low. This is in line with previous quarters, resulting in a net impairment release of €21 million for the year.

Our Basel III CET1 ratio improved to 14.5%, and our Basel IV CET1 ratio is estimated at a similar level. And that then results, all of it, in a final dividend of €0.75 per share as proposed. This will bring the total shareholder remuneration over '24 to above €1.6 billion.

Now, starting with our business and strategic developments on slide three. I'll share with you some key developments and achievements that underscore the bank's strategic progress.

The acquisition of Hauck Aufhäuser Lampe (HAL) will strengthen our position as a leading private bank in Germany, improving our footprint and enhancing our service offerings in the region. To better serve our more vulnerable retail clients, we've doubled the number of 'Help with Banking' advisors to 200 this year. These advisors ensure that our clients receive exceptional support in their day-to-day banking activities. We are recognised for our personal customer experience, which is reflected in our client loyalty.

We've successfully launched a new brand promise 'For every new beginning'. Staff continues to be trained to deliver on this new brand experience, and we are seeing positive promoter score developments on the back of this.

Our commitment to sustainability continues to be evident, and we've set additional targets for passenger cars and energy sectors to further this commitment. Our sustainability efforts have been recognised with our return to the Dow Jones Sustainability Index, indeed highlighting our strong ESG performance.

We're proud that reputable parties praise our leading position in cyber resilience and see us as the digital leader in the Netherlands. Lastly, we've introduced our first Gen-AI solutions for clients, including a chatbot for our peer-to-peer payment app, Tikkie, and a voicebot for credit cards, showcasing our ability to deploy AI to enhance customer interactions and service efficiency.

In summary, these achievements demonstrate how we're establishing a personal bank in a digital age.

So let's then take a look at the Dutch economy on slide four.

The ECB started lowering interest rates this year as inflation subsided and the eurozone GDP growth was slow. Also, growth of the Dutch economy was muted during '24 due to the lower exports and business investments. The Dutch economy is projected to grow by around 1.5% next year, with unemployment remaining below 4%, well below the European average. Now, the US election has increased the downside risks to the eurozone growth and inflation outlook, especially for export-orientated countries such as Germany and the Netherlands, if plans do materialise to impose tariffs on Europe.

Last year, we observed a strong growth in the number of housing transactions caused by the combined effect of declining inflation, higher wages, low unemployment, and lower interest rates. We expect the housing market to remain strong and transaction levels to grow further next year. House prices rose by almost 9% this year, and we estimate a further increase of 7% in 2025, reflecting high demand and a shortage in supply.

So then turn to slide 5, where we'll talk about the performance of our lending business.

The strong growth in mortgage application volumes continued. It continued during the fourth quarter, with volumes fell up by 50% compared to last year. We managed over €5 billion of new production during Q4, resulting in an 18% market share. Redemptions are traditionally higher in the fourth quarter and amounted to just over €4 billion, which does result, ultimately, in a net increase of our portfolio of about €1 billion.

The corporate loan book declined in the fourth quarter, reflecting capital allocation decisions and a seasonal decline in certain businesses.

During Q4, we closed the portfolio sale of CRE loans and recently announced another transaction, and these infrastructure loans are now counted as held for sale. The announced wind-down of Asset-Based Finance (ABF) in the UK and the reorganisation in Germany has also led to some initial decline in volumes as these portfolios are now starting to run off.

So during 2024, we again increased our position in our transition themes: digital, new energies, and mobility. Client deposits went up by over €5 billion in Q4, with cash mainly going to demand deposits in Retail and Wealth Management.

So let's discuss the individual line items now, and we'll start with NII.

Our interest income increased further during the fourth quarter, and we ended at €6.5 billion for the full year, above our guidance. The increase in Q4 is mainly the result of €65 million higher interest income within Treasury, and we expect around €50 million of this income to be more of a temporary nature and not sustainable into next year. Now, this includes some interest income which has a corresponding offset from negative other income, and we expect this to reverse next quarter.

Asset margins were broadly flat quarter-on-quarter, and during Q4, client savings coupon remained constant while the yield on the replicating portfolio showed a modest decline as expected. This led to a marginal decline of our deposit margins.

So, next slide will take you through the key drivers on our NII for next year.

For next year, we expect a slightly lower interest income given that interest rates are expected to decline during 2025. Our starting point for this guidance are the forward rates as of 31 January; and on the basis of these forward rates, we estimate around €300 million lower income on our replicating portfolio compared to '24. Our replicating portfolio covers around €55 billion of current accounts and around €100 billion of savings accounts. Given that the current accounts pay 0% interest, lower income of the replicating portfolio feeds directly into our interest result.

Now, we cannot give guidance on the future client savings rate, currently at 1.5%, so we do show the impact based on two distinct assumptions. The upper range of our NII range assumes we fully offset lower replicating yields with lower client saving rates, so maintaining our savings margins. And then the lower range assumes we keep the savings rate unchanged during the year.

Now, with regards to other NII components, we do expect an increase of our Treasury income over 2025. Now, this is already evidenced in the higher Treasury result we booked in Q3 and Q4, so I do expect Treasury NII to come down a bit from Q4 levels. We expect this will be offset by lower income across business lines despite some balance sheet growth.

So, therefore, we expect somewhat lower margins, for example, in mortgages, which was already visible in the last couple of quarters, and lower interest income in Clearing as a result of declining interest rates. So, taking all these elements together, we do arrive at an NII range of about €6.2-6.4 billion for 2025.

So, now let's turn to fee income.

During Q4, fee income increased a further €22 million to €500 million, a historic high for ABN AMRO in its current form. The increase in fees was largely due to higher Corporate Finance fees and improved Clearing results reflecting high trading volumes around the US election. Over the full year, fees went up over 7%, and all client units contributed to this good performance.

Half of our fee income is in some way correlated with market performance, and, therefore, it's uncertain we can maintain growth at this level. So, for example, Clearing fee income was strong as markets were quite volatile in '24, which I don't necessarily expect will be repeated this year. So, other income is the most volatile top-line item, and this quarter we saw a decline of €65 million compared to Q4.

This is partly due to negative Treasury results, which is offset by positive interest income, both we expect to reverse next quarter. The decline is also due to loan de-recognition losses in Q4 versus de-recognition gains in Q3.

So, then turning to the next slide, I'll highlight the main developments in our expenses.

Underlying expenses were flat this quarter, excluding the €23 million reorganisation provision for ABF in Q4. Higher costs from increased internal FTEs were offset by lower CLA-related reward premium. Other expenses increased by €48 million when excluding the incidental additions to the legal provisions and the annual Dutch banking tax.

The increase was, amongst others, due to higher IT expenses and expenses related to the HAL acquisition. Over the full year, underlying costs ended at just north of €5.3 billion in line with our guidance. Currently, our expenses are affected by a large number of sizeable regulatory projects that we're executing, such as the implementation of Basel IV and model simplifications.

However, as we start to complete regulatory projects, resources will free up. While we partly will recommit these to growth initiatives, we will also gradually scale down resources. In addition, we're continuing the simplification of our application landscape and are progressing on using Gen-AI to improve efficiency and are continuously focusing on cost discipline. So, given this perspective, we expect to keep underlying costs broadly flat compared to Q4.

Now, turning to our fourth quarter impairments, which are on the next slide.

Credit quality remained strong in the fourth quarter. The changes in the impaired ratio and the coverage ratio related to a methodology change for mortgages. To explain, in the past, we took management overlays for interest-only mortgages without transferring the exposures to higher-risk stages. This is exactly what we've now just done. We've now transferred these exposures. The underlying risk profile of our mortgage portfolio has not changed, so this shift was without taking further provisions.

When we look at impairments in Q4, these are largely related to inflows in Stage 3 for new and existing corporate clients, unrelated to any specific sector.

This quarter, we were again able to recover and sell some individual files, and the amount of management overlays went down significantly to around €140 million as we released the overlay for geopolitical risk. This risk is now adequately captured by our risk models.

Given our current geopolitical developments, especially around US tariffs, we increased the weighting of our negative macroeconomic scenario. The decline in management overlays was offset by an increase due to model updates for corporate portfolios. So for next year, we expect a gradual normalisation of impairments, whereby the cost of risk is expected to be lower through the cycle cost of risk of 15-20 basis points.

So then turning to the next slide, we'll take you through the main drivers that impact our capital ratio.

Our Basel III CET1 capital ratio increased this quarter to 14.5%, and remains well above our CET1 requirement of 11.2%. RWAs decreased by €3 billion. Another half a billion of the RWA declined under asset quality is due to data quality improvements, and around half of the decline under business development is due to capital allocations decisions. So credit risk further declines due to business developments, for example, from lower year-end volumes at Clearing. Other developments mainly reflect currency movements.

Our estimated year-end Basel IV capital ratio is at the same level as our Basel III capital ratio, which implies that these capital ratios have now converged. And as you know, we are in a complex process of simplifying our credit risk models whilst at the same time preparing for the upcoming Basel IV introduction.

We have included appropriate regulatory prudence in our Basel IV RWA assumptions to account for implementation complexities. So next quarter, we estimate between €3-5 billion of additional RWAs as a result of our final request to move some remaining portfolios to a less sophisticated approach. The announced sale of a portfolio of infrastructure loans will have around €1 billion of positive RWA impact, and the impact of the HAL acquisition we expect in the second quarter.

So, now we have a clear line of sight to our ultimate Basel IV ratio.

So, let me wrap up.

The Bank continues to show consistent execution of its strategy. We maintained a positive momentum in our mortgage production throughout the year, leading to 3% growth of our total mortgage portfolio. All client units are now contributing to fee growth and a year-to-date growth of over 7%. Now, this compares well against our growth ambition of 3-5% CAGR between '23 and '26.

For '25, we expect an NII within the range of €6.2-6.4 billion. Costs we will expect to remain broadly flat next year at an underlying basis as we continue to focus on cost discipline. Over the full year, we had a net release of loan impairments, reflecting a resilient Dutch economy, but also the result of our current balance sheet, which we have de-risked over the past years.

For next year, we expect our cost of risk to be below or through the cycle cost of risk of 15-20 basis points. And lastly, our CET1 ratio increased to 14.5%, and our expected Q4 Basel IV ratio is at a similar level.

So with that, I'd like to ask the operator to open the call for questions.

So, operator, back to you.

Questions and Answers

Operator: Thank you. Ladies and gentlemen, as a reminder, if you would like to ask a question on today's call, please signal by pressing star one on your telephone keypad. That is star one for your question today.

And up first, we have Benjamin Goy from Deutsche Bank. Please go ahead.

Benjamin Goy (Deutsche Bank): Yes, hi, good morning. I'm interested whether you could specify a bit more your volume outlook given the strong mortgage market, and you expect more housing transactions to cause some volumes.

Secondly, on the replicating portfolio, it's down to €155 billion. It needs to be about €30 billion higher. Maybe you can share some light here?

And lastly, the legal provision, the €95 million, is that related to ABN, or is it for the new acquisition Hauck Aufhäuser? Thank you.

Robert Swaak: Thank you, Benjamin, for your question. Ferdi, if you could take the volume questions on the mortgage market and the replication, I'll take the legal.

Ferdinand Vaandrager: Yes, hi, Benjamin. Overall, we've seen a very strong rebound this year in mortgage volumes. The market was roughly +30%. And for us, our production was up 50%. And that has really been a combination between rising house prices of 9%, increase in transactions, basically increased affordability due to rising wages and a little bit lower interest rate on mortgages. And we do expect this trend to continue into 2025.

Our own forecast is for an increase in house prices of 7% and 2.5% in transactions. We've been a market leader last year of a market share of almost 19%. And also, if you look at the new production, the fourth quarter was the highest quarter of the whole year with the new production of €5.4 billion. But normally in Q4, the level of redemption is a bit higher for tax purposes. So, overall, the outlook for mortgages is solid for 2025.

Then your question on the replicating portfolio. I didn't get it completely. Indeed, replicating portfolio is roughly €155 billion. And indeed, some moved out as time deposits are out of the replicating portfolio. And also last year, the most volatile part, so the least stickiest part, also moved out. So the replicating portfolio a year ago was roughly €170 billion, €175 billion. But the underlying dynamics are still the same, 40% to 45% reprices within the year. And the average duration is around three years, which is invested in the barbell structure.

Robert Swaak: Thanks, Ferdinand. And on the legal provision, it has nothing to do with Hauck Aufhäuser Lampe. It is a legal provisioning that we took that relates to an update that we've done on the provision, which reflected the equity trading in Germany many, many years ago and relates to transactions before 2008, actually, where one of the legal predecessors of ABN AMRO was being held liable for part of tax liabilities that others had to pay.

So we've done the assessments. I think it's important to emphasise that we mainly disagree with the allegations, but we felt it was consistent to take a provision.

Benjamin Goy: That's it. Thanks a lot.

Robert Swaak: Alright, thank you.

Operator: Thank you. And our next question now comes from Giulia Miotto from Morgan Stanley. Please go ahead.

Giulia Miotto (Morgan Stanley): Hi. Good morning. Thank you for taking my question.

Robert Swaak: Morning, Giulia.

Giulia Miotto: Good morning. I have two. The first one is on cost.

So the guidance for €5.3 billion is encouraging, but it implies a much lower run-rate than what you did in Q4. And if I remember correctly, ABN hired 500 new people in Q3, and I'm wondering if you hired anyone again in Q4. So, how confident are you in this cost decrease? What are the main levers? Will you manage to, for example, reduce FTEs throughout the year, or any tangible initiatives that makes you confident on the €5.3 billion? That's my first question.

Then secondly, on deposit costs, I understand you can't tell us exactly we're going to have lower deposit costs at this point in time, but why haven't you lowered it yet? Because rates have gone down quite a bit from the ECB, and the mixed shift, we can see growth in current accounts, terms are decreasing, so I guess there isn't this pressure from savers, I guess, for a higher rate. So why haven't you lowered it yet? Thank you.

Robert Swaak: Thanks, Giulia. Both questions, Ferdinand?

Ferdinand Vaandrager: Yes, let me start with your cost question, Giulia. Indeed, as I said, if you exclude the larger incidentals, we came out at around €5.3 billion for the full year, and that's also our guidance, and we expect that to remain broadly flat. Indeed, the second half of the year, overall personnel costs were for the full year 11% higher, but that was fully anticipated.

Number one was the kicking in of the new collective labour agreement, and secondly, also an overall increase of staff of net basis 700 FTE. If you look, why are we comfortable? Number one, we start to reach an inflexion point in the increase of FTEs, and the confidence is there that we start to finalise some of our larger programmes, for example, Basel IV, its credit risk modelling, but we're also looking at further operational efficiency initiatives.

For example, we're clearly looking at end-to-end processes in further digitalisation, its procurement savings, but also there the rejuvenation of our IT landscape. We're now in the phase of retiring IT applications, and we're also, for example, rolling out more Gen-AI use cases, as Robert referred to.

So it will require clearly a stick control, also reducing externals, contractors, and consultants, but we are comfortable that we can steer the overall run-rate down in 2025, hence our guidance here.

Then on deposit cost, yes, I mean, you might have seen in the Netherlands specifically the challengers already reducing their savings rates, but that's really on the back of ECB rates. We've always said that we price deposits on the back of our replicating yields.

Our replicating yield is still above historic margins, and you've seen the majority of deposits, 80% plus, is with the incumbent banks, which are all roughly around the same level. If you look at our guidance, the €6.2-6.4 billion, the €6.2 billion includes zero adjustments in the saving rates. It's just for sensitivity purposes. The upper end, the €6.4 billion, there we do assume that the replicating margin stays constant, i.e., that assumes that we will see lower savings rates on the back of a further decrease in ECB rates.

But overall, your conclusion is correct. Depositors are sticky, and the only shift you're really seeing now is more out of term deposits into demand deposits, so saving accounts.

Giulia Miotto: Thanks.

Robert Swaak: Thanks, Giulia.

Operator: Thank you. And our next question now comes from Benoît Pétrarque from Kepler Cheuvreux. Please go ahead.

Benoît Pétrarque (Kepler Cheuvreux): Yes, good morning. So just to come back on the NII guidance, a few points for clarification. So what have been your assumptions on the mix on term deposits versus current accounts in your guidance?

And also in the slide, you mentioned that Treasury plus loan growth is offset by margin and Clearing. I was wondering on a net-net basis whether that's still a positive or that's exactly offsetting each other.

And then on the deposit growth, so you grew in Q4, but over the full year, your deposits were flat year-on-year, and we've seen your largest competitors actually growing 0.5%, the deposit base. So, you know, are you comfortable with your current deposit growth at 0% in the year where the competitors have been moving up and also looking at your market share on deposits?

And then just finally, just to follow up on the legal case, you know, are we done with the provisioning with €95 million, or, you know, there's still a kind of possibility to get more provisioning in '25? Thank you.

Robert Swaak: Alright, thank you. Do you want to take the first three? I'll take Benoît's question on the claim.

Ferdinand Vaandrager: Yeah, Benoît, good morning. Let me start with the guidance. As Robert presented in the presentation, what we do expect over 2025 is higher Treasury results. But as I mentioned in the call in the previous quarter, that Q3 run-rate is a sort of fair estimate where we expect to end up with. As you know, Treasury results can be volatile, and part of Q4, roughly €50 million, you can see as more and more temporary. So there's a delta of €100 million there.

The underlying assumptions for the higher end of the range is some volume growth, both in assets, just mentioned mortgages, but also in deposits, but slightly lower deposits and asset margins. On the asset margin side, it's specifically in mortgages where due to the rising house prices, we've seen quite a significant drop in loan-to-value. So that means that the overall risk premium is coming down, and you also still see some outflow of prepayments in higher margins.

Then for the lower NII at Clearing, yeah, roughly €2 billion equity. We expect it now to yield a little bit less. I think it's too early to say if that's fully offsetting each other.

Then overall deposit growth, overall, we did see of total deposits a growth of roughly €2 billion, but you normally see in Q4 a significant drop in professional deposits because that's much more the sort of ALM seasonal effects where the time deposits are, but we do expect a growth there, and the shift we're currently seeing, I mentioned that already, is specifically from time to demand deposits, but we do foresee further deposit growth for the coming year.

Robert Swaak: And Benoît, your question on the provisioning. Based on the current assessment that we did, we really think that the chance of any legal precedent for similar future claims is low. So that's one data point.

We are, as I said, we mainly disagree with the allegations, so that's another one. And also, as these are, the provisioning relates to transactions before 2008, we're also seeing statute of limitation now for these civil cases to start to limit the possibility of successful future claims. So those are, if you will, three data points in terms of our level of confidence with the total legal provisioning that we've done.

Benoît Pétrarque: Great, thank you very much.

Robert Swaak: Alright, thanks, Benoît.

Operator: Thank you. And from HSBC, we now have Kiri Vijayarajah with our next question. Please go ahead.

Kiri Vijayarajah (HSBC): Yes, good morning, everyone. A couple of questions on capital if I may. So in terms of the remaining model add-ons, can I ask what's still in the pipeline for 1Q? I have in mind that 1Q also has the update to your operational risk calculation as well, if I look back to last year. And then in terms of timing, is there any spillover of those effects into 2Q as well, or is the plan to really front load as much as possible into 1Q ahead of that 2Q decision on capital return?

And then secondly, on the capital optimisation transactions, would you say you're sort of just getting started there and there's more in the pipeline, or should we think the 4Q €0.7 billion benefit is more kind of opportunistic? That was just you taking advantage of some very buoyant markets for that type of transaction. So how should we think about these capital optimisation transactions? Thank you.

Robert Swaak: Thank you. Ferdinand?

Ferdinand Vaandrager: Yes, specifically if you look at the impact to be expected, Kiri, we've been now a bit more explicit what we expect the total effect will be from the last submission of models to move to less advanced approaches. And we said last quarter that the majority is behind us. We're now more explicit that our expectation is this will be €3-5 billion.

Next to that for Q2, also keep in mind, if we finalise the Hauck Aufhäuser Lampe transaction, that will be around 45 basis points for Q2. And also, in Q1, the expectation is, you mentioned that in your second question, we recently announced an infrastructure loan transaction with an investor. Roughly there is the impact at ten basis points on capital positive.

Then, if you look at the impact of operational risk RWA, you see some banks now moving to standardised approach. We've already been reporting on the standardised approach on operational risk RWA, and that's based on a three-year average income. So it's fairly easy to calculate what the overall impact will be, but this will not be a significant differentiator if you look at the overall expected impact here. Our overall operational risk RWA are €60 million.

Optimisation, capital management, yes, I'm pleased that we started to do some transactions here where you already see the benefit in Q4. I think mentioned we're already the restructuring of our Asset-Based Financing both in the UK and in Germany. It's a sale for commercial real estate portfolio, and just mentioned the silent participation in the infrastructure loans. For us, capital management is becoming increasingly important to actively manage our RWAs and really start to balance P&L, capital, and ROE, and I really do expect that more benefit from this towards the future and also the deployment of more risk transfer instruments of which SRT is one.

So for us, really important, improving capital allocation and increasing the balance sheet velocity and try to redeploy capital at the lower cost of capital of some of our more punitive corporate portfolios.

Kiri Vijayarajah: Okay, got it. Thank you.

Robert Swaak: Thank you.

Operator: Thank you. And up next, we have a question from Anke Reingen from RBC. Please go ahead.

Anke Reingen (Royal Bank of Canada): Yes, thank you very much. Two questions, please. First is just following up on the capital debate.

Given you have basically just told us all the moving parts, would you be able to already update with Q1 results? I guess you say you do Q2, but I guess we should have all the moving parts with Q1 results already.

And then on the net interest income for 2026, I appreciate that there is a lot of moving parts, but looking at slide 15, I guess you have the €100 million negative headwind from the replication portfolio. And then I guess the savings rate could be a negative as well as maybe flat, and then it's volume growth. So should you be able to, do you think you can potentially keep NII flat in 2026 versus 2024, assuming you get the savings rate cut to '25? Thank you.

Robert Swaak: You take that last question.

Anke Reingen: Sorry, I meant '26.

Robert Swaak: I think you meant, yeah.

Anke Reingen: Sorry.

Robert Swaak: Yeah, exactly. Ferdi, go ahead and I'll take the first one.

Ferdinand Vaandrager: Specifically, Anke, I thought you were asking for the sensitivity in the 2026. In the investor presentation, we have the sensitivity analysis. So if you purely look at the replicating income on constant volume and pricing, there is a slight negative '26 over '25 where the impact will be €400 million versus €300 million.

So this is really a sensitivity, and this is not a forward-looking guidance where we expect NII to end up in 2026. And as said, and I repeat that, you can do your own sort of estimations what the client-saving coupon will do and a ten basis points lowering of the saving rates on an annual basis as roughly €100 million impact on NII.

Robert Swaak: Okay. And Anke, on your first question, so I appreciate we are getting a very good sight now of moving parts. And as you see, that is indeed reflected in the numbers and in our capital positions that we've just been detailing.

We made a very conscientious choice to make sure that we have final reported capital ratios, and we will have that information around Q2. So at Q2, we'll be in a much better position to do that final capital assessment, but continue to look for the firming up of that capital position. So, I think we'll be in a good place to make any kind of assessment in Q2.

Anke Reingen: If I may just follow up, when you say assessment with Q2, is that the time at which you submit your request to the ECB, or you will tell us what you will start your buyback like tomorrow? So you will already have approval by that time?

Robert Swaak: So we will, at Q2, if our assessment is that we will get to share buybacks, that will be a communication at Q2. And I think that's the trajectory that we said in a previous call.

Ferdinand Vaandrager: Yes, so normally, Anke, what we normally do if we say we come with the assessment, that's normally the outcome of the assessment, and we're fully in the known what the timelines are for approval. So you can expect if we communicate, ideally, it will also be with formal approval attached to it. And as Robert said, clearly, when we formally report on the Basel IV after Q1, that is the moment also to do internally our assessments what we can then communicate at Q2 in August.

Anke Reingen: Okay. Thank you very much.

Ferdinand Vaandrager: Thanks, Anke.

Operator: Thank you. And as a brief reminder, there is star one for your question today. And up next, we have Flora Bocahut from Barclays. Please go ahead.

Flora Bocahut (Barclays): Thank you. Good morning. Just two follow-ups on my side, please.

The first is on the legal provision. I just wanted to understand if there's any known date that we should have in mind where – I mean, I'm just wondering why you're booking this provision now, you know, what has changed in the last quarter or last few months to book that provision now, and if there's any deadline we should have in mind, like you expect a judgement in the coming months or any date, you know, when we can get more clarity from today's standpoint.

And the second follow-up is on FTE. I think you mentioned, you know, like 700 net FTE addition in H2. Can you maybe elaborate on where you've been hiring? Is it like front office staff? Is it to generate more revenue growth? So, any insight into these hirings would be helpful. Thank you.

Robert Swaak: Yeah. So, let me take your first question. The reason we took the provision, it's a regular process we go through in terms of reviewing our legal provisions, and we make an assessment at the time, and then we book the provision.

So we're very consistent in the way we book our legal provisioning. There's no specific events at this point. We take an assessment. We make an assessment as of the balance sheet date.

What I would say, as I said to, as was included in my answer to previous questions, we do that current assessment, and we also make an assessment of what the chance is for similar future claims. I've said that that assessment leads to a conclusion that the chance of legal precedence for future claims is low.

And also from the comment that I've made around the level of confidence that we have with the amount of total legal provisioning tells you a bit about how we're looking at that, at the provision in and of itself.

Ferdinand Vaandrager: Yeah, and maybe on your question on FTE, it's both. We're clearly also looking at scaling up our commercial staff, and I think in the past year we've mentioned a few times our Entrepreneur & Enterprise, so really the connectivity between Corporate Banking, lending as a feeder channel into Wealth Management in our international location, just as an example. But really the scale-up has also been linked in higher investments in our data capabilities, risk models, digitalisation of processes, but also scaling up programmes for new regulation.

Basel IV was one, but then you have BCBS, Sustainable Finance Regulation, DORA related to cyber. So what we do expect that the peak investment on those programmes will be reached '24, '25, and then you will start to see a gradual decline thereafter, including our efforts in our AML unit, and that is also the moment when we start switching more of our change capacity into new products and services, really supporting the top-line. So we start to reach the inflexion point there in terms of additional FTEs.

One side remark there, what you also see that we start to shift some more expensive contractors and consultants into internal staff. And so from external staff to internal staff, that is also a very considerate move we are currently undertaking.

Flora Bocahut: Thank you.

Robert Swaak: Thank you.

Operator: Thank you. And as another reminder, that is star one for your question today. We will pause for a brief moment. There appears to be no further questions at this time, so I would like to hand the call back over to you, Mr Swaak, for any additional or closing remarks.

Robert Swaak: Well, thank you very much, and thank all of you, as always, for joining. This will be my last call with all of you, and I just want to thank all of you for the continued coverage and the interactions we've had. I look forward to seeing a lot of you over the next few weeks on the roadshow.

So thank you, and we'll talk soon.

Operator: Thank you for joining today's call, ladies and gentlemen. You may now disconnect.

[END OF TRANSCRIPT]