BAWAG P.S.K.

Preliminary FY 2016 results

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Transcription

Key Speakers

Byron Haynes
Anas Abuzaakouk

Operator: Good day, ladies and gentlemen, and welcome to the BAWAG P.S.K. Full Year 2016 Earnings call. Throughout today's presentation all participants will be in a listen-only mode. The presentation will be followed by a question and answer session. If you would like to ask a question, you may press star followed by one on your touchtone telephone.

Please press star followed by zero for operator assistance. As a reminder, this conference is being recorded. I would now like to turn the conference over to Byron Haynes, Chief Executive Officer. Please go ahead, sir.

Byron Haynes: Thank you very much. Good morning, good afternoon, everybody, and welcome to our Full Year 2016 earnings call. I'm joined once again by Anas Abuzaakouk. Anas and I will provide you a short presentation and then of course we will take any questions that you may have on our financial results.

BAWAG P.S.K. has delivered record strong results for the year 2016. We've outperformed all our stated goals and targets, as you see on the slide in the top right-hand corner. These impressive results have been driven by a number of factors. A net profit of 484 million is up 23%. Return on tangible equity at 17.9% is up 1.8 points. Higher operating income and core revenues of 923 million, that is up 2%. Net interest income is up 1%, driven by net asset growth as well as lower funding costs. Net commission income is up 4% by increased current account fees. Net interest margin has remained stable at 2.3%, and, of course, that is despite the low interest rate environment that we operate under.

We've continued to focus on efficiency and operational excellence. Operating costs stand at 439 million, that is a reduction of 7% through sustainable measures in the medium-term. Cost-income ratio stands at 44.4%, and that is an improvement of 4 points compared to the cost-income ratio year-end 2015. We've maintained the conservative risk profile and disciplined risk underwriting. Risk costs down 7% and now stand at 43 million. The NPL ratio is down also to 2%.

At the same time of these impressive financial results, we further strengthened the capital, liquidity and leverage position of the BAWAG P.S.K. Group. Capital CET1 fully loaded of 15.1%, total capital fully loaded of 18%, both ratios up 2.2 points compared to the year-end 2015. We have a healthy liquidity coverage ratio at 138% and our regulatory leverage ratio is also healthy at 6.5%.

2016 has undoubtedly been a successful year for the bank. Let me provide you some highlights. First of all, it's always good to get recognition from third parties. BAWAG P.S.K. Group has won a number of awards during the course of 2016, including the *Euromoney* Award, Austria's Best Bank 2016, in July, *The Banker* Award, Bank of the Year 2016 from *The Banker*, the second year in a row that we receive this award, and finally the *DerBörsianer* Award, Best Direct Bank here in Austria by easybank.

If you look on the acquisition front, we completed the acquisition in December 2016 of the start:bausparkasse Group, an Austrian building society loans and savings association, as well as IMMO-BANK. This transformative deal grows the BAWAG P.S.K. domestic retail footprint in 2017 and beyond. It extends our building society expertise, loans and savings, as well as provides significant financing volume for real estate companies, as well as social housing associations.

If I look at the market share, our continued focus and investment in our retail franchises across the group is paying off. Consumer lending now stands at 11.9% market share, and that's an improvement of 170 basis points. The current account market share stands at 17.5%, the auto leasing market share stands at 8.7%, and through the acquisition of the start:bausparkasse Group building society product market share stands at 9.7%.

If I look at the rating landscape, as you know or you may know, in April last year Moody's upgraded BAWAG P.S.K.'s long-term deposit / senior unsecured / issuer rating for the second time within 12 months and it now stands at A3 with a positive outlook. The bank's standalone rating stands at baa2. Moody's particularly pointed to the increased profitability, the de-risking of the balance sheet as well as our strong capital position.

In November 2016, Fitch rated BAWAG P.S.K. Group for the first time; an A- stable rating for their long-term issuer rating. They've pointed to the conservative risk appetite, the credit strength of our balance sheet, the brand and the retail franchise that we have in Austria, our focus on cost control and pricing as well as the strong capitalization of the bank. BAWAG P.S.K. is now the highest-rated bank by both Moody's and Fitch in Austria and one of the few banks with two A ratings across Europe.

If I look at the own issues capital markets success and progress during the course of 2016. In October 2016, we issued bonds in the volume of CHF 275 million bonds, senior unsecured. One bond had the lowest ever recorded yield for a new issuance in the Swiss market of minus 25 basis point yield.

And finally, if I look at the RMBS transaction, £500 million, that we completed in November 2016 backed by a high-quality performing UK residential mortgage portfolio, the first ever RMBS transaction by an Austrian bank, and provides direct Sterling funding to the bank.

BAWAG P.S.K. is now one of the most profitable and best capitalized banks across Europe. On the back of our strong results as well as the recent transformation, we're in a unique position to capitalize on growth opportunities across the DACH region.

If we now go to the next slide, performance scorecard. What you see is strong results across all our key indicators which I think that we've already discussed.

I would now like to turn to the business segment performance. These business segments, as you know, we introduced for the first time in 2016, provide greater transparency, and also better aligns the strategic focus and business model of the BAWAG P.S.K. Group now and going forward.

Let me first turn to BAWAG P.S.K. Retail. BAWAG P.S.K. Retail consists of 1.8 million private and small business customers serviced through our branch network as well as online and mobile sales channels. This includes the start:bausparkasse acquisition for the first time and parts of IMMO-BANK. Profit before tax of 169 million, that is up 29%, driven by an increase in core revenues by 6%, operating costs are down 10%. Return on equity now stands at 18.4%; that's an improvement of 2.1 points. At the same time, if you look at our risk metrics, our risk metrics continue to improve. NPL ratio of 1.8%, and that's an improvement of 40 basis points.

This strong increase in results reflects our continued success in focusing on four main value drivers. The first value driver is growing our key retail asset products. New originations for the year stand at 1.2 billion. Net asset growth +27%, but that of course includes the acquisition of the start:bausparkasse Group. Total assets stand at 11.7 billion. In terms of the consumer loan market share in BAWAG P.S.K. Retail, that stands at 11.4%, and that is an improvement of 150 basis points. New loan originations in consumer lending stand at 557 million for the year and net asset growth is up 9%. We will continue to grow the consumer lending business in line with our current share in current accounts, which is between 14 to 15%.

The second value driver is around optimizing our product mix. What we see is the continued shift from fixed-term deposits to current accounts and variable saving cards. This lowers the funding costs of 28 basis points now, at the same time frees up salesforce capacity for them to focus on the customer needs in the advisory products and sales. It also provides greater functionality for our customers going forward.

I can also point to the launch of the new generation current accounts which we launched in February 2016. This has been a great success and greatly appreciated by our customers. Our customers greatly appreciate the enhanced products and services that these new accounts offer. By way of example, the GOLD debit card with "Smartpay" functionality, or the DANKESCHÖN loyalty program which rewards usage of our products as well as payment cards.

Finally, if I look at the new functionality in GATE, GATE is our proprietary front-end sales tool. We continue to invest in that tool and through 2016 a good example would be the automatization of the advisory process as it relates to current accounts.

The third value driver is around driving organic and inorganic growth. On the organic side, we continue to drive efficiency across our core franchises. During the course of 2016, we launched a differentiated branch model approach where we look at the full advisory product sales and employees in those branch outlets which are most frequented by our customers.

At the same time, we've introduced the service network with ATMs and transaction points across the rest of the network. This allows our employees to focus on advisory products and sales with our customers in those branches being frequented by them, while at the same time recognizes the significant customer change/shift in payments away from OTC on to online and self-service channels.

In terms of statistics, what you see, online payments are up 10% compared to the previous year, the share of online transactions via mobile is up 49% and OTC transactions are down 11%, as I've already indicated.

The second value driver here is of course capitalizing on inorganic growth opportunities. As already discussed, we've closed the acquisition of the start:bausparkasse and IMMO-BANK in December 2016. The start:bausparkasse acquisition significantly enhances the growth potential in our BAWAG P.S.K. retail footprint going forward, provides the building society expertise and, just as importantly, provides an additional 500,000 customers that we can cross-sell our product suite to.

Finally, if you look at transformation to digital, that continues at a pace, making our customers' lives easier and simpler. Throughout 2016, we launched a number of new products and services in the digital world, including a 100% digital process for account opening, "Smartpay" app, NFC enabled, or the redesign of our website and product shop. There you see an increase of 7% in terms of visitors 2016 compared to 2015. Or if you look at our security app, secureTAN, which we launched in the third quarter of this year, making sure that our customer data and security data is secure top class.

Finally, if you look at the full mobile banking login via touch ID which we launched at the end of last year. What you see is the enhancements were rewarded through increased customer usage. In the consumer lending space, consumer lending loan sales initiated through our digital and online customer care channels have increased by 21% in terms of volume terms, that is up by 39%. In December, if you look at the number of logins we had, that is now greater than 8 million.

This of course continues. We've already launched new products and services in 2017. Video legitimization and handy signature was launched in January 2017. We are the first bank in Austria to offer complete online account opening.

Of course it's not just around digital products and services development ourselves, it's also about digital partnerships, and in the fourth quarter we reached a cooperation agreement with FinReach, a company that allows automatic switching from third-party banks to BAWAG P.S.K. And finally, we came to an agreement with Baningo just recently, a customer platform that allows access to the nearest relationship manager.

This digital transformation allows us to better engage with our customers, anticipate their needs and provide them with the products and services now and also going into the future.

Now let's turn to easygroup. easygroup comprises Austria's number one direct bank, easybank, the number three lessor, easyleasing, as well as two mortgage portfolios in Western Europe. What we see is growth in customers, 420,000 customers, is up 8%. Profit before tax of 87 million is a growth in excess of 100% driven by an increase in core revenues of 93%. An attractive return on equity of 24.1%, that is an improvement of 2.6 points. These numbers reflect the Volksbank Leasing acquisition which we acquired in the fourth quarter of 2015 as well as the acquisition of one retail residential mortgage portfolio at the end of 2015 and another at the end of 2016.

These strong results reflect the focus on four key pillars. The first pillar is growing our customer base and market share in Austria. Strong growth in customers and market share, new originations of 460 million. 359 million relates to the consumer also leasing space that is up 9% and, as I said before, the market share now stands at 8.7%.

These new originations is through a combination of our online platform, as well as key strategic partnerships. In July 2016, we entered into a new partnership with Autogott, a leading online car sales channel, and this combines the car sales channel online capability with our leasing capability and there's already results been demonstrated in the final quarter of this year.

The second value driver is about building and maintaining customer loyalty. easybank has always been determined to offer its customers with the best banking experience. This drives loyalty and this has been reflected in easybank with an 8% increase in savings and current accounts, while at the same time funding costs have reduced from 48 basis points to 35 basis points, while at the same time you see an increase in our deposit base, now standing at 3.9 billion, up 22% year-on-year.

The third value driver is driving efficiency across the organization. In today's environment, focusing on efficiency in order for easybank to remain offering best in class products and best price products in the marketplace. The leasing integration has been completed during the course of 2016, leasing integration of Volksbank Leasing as well as BAWAG P.S.K. Leasing that enabled scale to be built, as well as increased sales. In September 2016, easyleasing was launched, one brand, one face to the market, creating a highly efficient customer-focused organization.

And finally, the fourth value driver, expanding internationally in Western European markets. The acquisition of the two high-quality residential mortgage portfolios is in line with that strategy. In addition, in January 2017 we've now opened our office in Germany, in Düsseldorf, and we will look to provide direct banking services during the course of the first half of this year. easygroup is the cornerstone of the growth strategy of the BAWAG P.S.K. Group, both to be the leading bank, direct bank here in Austria, but at the same time to expand across the DACH region.

Okay, now let's turn to the non-retail segments. I'll go left to right across the slide here. Let's first now talk about DACH Corporates & Public Sector. DACH Corporates & Public Sector comprises of corporate and public sector lending as well as financial services activities in Austria, select relationships in Switzerland as well as Germany.

On the financial side, profit before tax of 71 million, that is down 12%. Clearly you can see in the core revenues, that is down 14%, impacted by early redemptions as well as margin pressure. Return on equity stands at 13.1%, that is 1.9 points down compared to the return on equity for 2015. The NPL ratio, a very solid credit balance sheet and risk profile, 70 basis points; that is down 50 basis points compared to year-end 2015.

What we see is the overall loan demand has remained very muted during the course of 2016, flat domestic output, low investment demand, other macroeconomic risks across Europe. The low demand as well as the high liquidity has in addition put pressure on margins. The focus has been on risk-adjusted pricing and on our strong customer relationships. During the course of the year, 650 million new business origination volumes were written. Assets now stand at 7.8 billion, which is up 4%, but that includes partial acquisition of the IMMO-BANK in those numbers.

If we now turn to the international business in the middle column, International Business comprising of international corporates as well as portfolio lending and real estate financing. The financials, what you see here, 102 million profit before tax, that is down 8%, again being impacted by early redemptions and margin pressure. However, still attractive return on equity at 17.6%, that is 1.2 points lower than a year ago, year-end 2015.

There's been 2.8 billion of new originations, mainly driven by portfolio and real estate financing. The overall metrics have remained incredibly strong. NPL ratio and no non-performing loans. Credit profile remains strong as I say, on the real estate side loan to value less than 60%, and on the international corporate side the average leverage for the BAWAG P.S.K. tranche is 2.6 times.

And finally, if we turn to Treasury Services & Markets. Treasury Services & Markets manages the financial securities and liquidity reserve of the bank. The financial securities book was total 5.1 billion as of 31st December 2016. Profit before tax of 50 million, core revenues down by 7%, partially mitigated by a reduction in OPEX of 14%. Return on equity stands at 13.7%, that's a 60 basis point reduction compared to the return on equity 12 months ago.

In terms of characteristics of the portfolio, average maturity is 4.3 years, 96% is investment grade and 80% is single rated, single A or higher. We have no direct exposure to Hungary, Russia, China and southern eastern European countries, and our strategy continues to be focused on short-dated, high credit quality, strong liquidity investments.

And I think with that I would like to hand over to Anas who will go through more details on the overall bank performance.

Anas Abuzaakouk: Thanks, Byron. For those on the phone, I'm on slide ten. As Byron had stated, 2016 was another record year for the bank; a very strong accomplishment across the board and really just building on the success of past years. Just as we go down the P&L, the developments, NII up 1%, NCI up 4%, core revenues and operating income up 2%, respectively. Operating expenses down 7%, risk costs down 7%, total pre-tax profit of 470 million, up 12% for the year. Net profit of 484 million, as Byron had mentioned, up 23%, so yet again another record year for the bank.

We had a very strong fourth quarter, in particular in December, we closed on the acquisition of start:bausparkasse, which is a building society savings and loans platform which is going to be highly accretive to us in 2017, as well as the closing on an international residential performing mortgage portfolio which will be accretive to easygroup.

Just some highlights in terms of just the overall business in total. We had 5 billion of originations, 90% of which was driven by our retail franchise, as well as by International Business. When you look at the returns, and I think it's important to note this, we had return on equity and return on tangible equity of 16% and 18%, respectively, but that's on the back of 15% CET1 fully loaded. If you were to normalize that using a 12% CET1 fully loaded, which effectively is what we've communicated where the bank will be operated, that's 19% and 22% return on equity and a return on tangible equity, so really a reflection of the earnings power of the bank.

Next slide, page 11. Overall balance sheet growth on the asset side 11%. This was driven by two factors, organic growth, and I've mentioned the 5 billion of organic originations, as well as the inorganic activity and the acquisitions that closed in December. More importantly, the balance sheet continues to become more efficient. We've effectively brought the customer loans percentage of the total balance sheet or total assets to around 72%. This is an increase of 3 points from last year. But, even more important, if we go back to 2012, over a five-year period we've gone from around 54% customer loan balance sheet to around 72%. Going forward this is going to be about 70 to 80% which is, we believe, a reflection of how efficient we're running the overall balance sheet.

On the funding side, deposits were up over 4 billion. Half of that was related to the acquisition of start:bausparkasse, the other half was just the growth in current accounts volume as well as number of accounts, as well as on the savings products side. We also had 1.5 billion of issuances that Byron had mentioned earlier in the presentation, and we continue to run the balance sheet with incredibly strong liquidity. Our liquidity coverage ratio came in at 138%, well above the 100% in terms of the regulatory requirement on a fully loaded basis, and we continue to run the balance sheet with very low leverage. Equity to total assets of around 8%, economic leverage of 12.5 times and a fully loaded regulatory leverage ratio of 6.5%.

On slide 12, the development of core revenues. This is really consistent with prior years. NII was up 1% despite a very challenging interest rate environment in terms of negative rates on the short end and really low rates on the long end of the curve. This is being driven I think in three parts really, the growth in core products in our core markets, the disciplined pricing initiatives that we have in place and the liability optimization which is best reflected in the reduction of our deposit costs from 32 basis points down to 28 basis points, and we still feel we have another 18 to 24 months of tailwind in terms of this deposit pricing given the current rate environment.

As far as NCI, it was up 4%. There are pockets of challenging areas, in particular just the interchange fees. Payments is fairly stable in terms of kind of petering out from what we've seen in prior years, but really the story here has been the development of our current accounts, in particular the new products that we launched last year which have been received very well, and we've seen some positive growth on that respect.

Slide 13, operating expenses. Really this is more of the same from prior years. We have invested significantly over the past five years. This is a continuing theme. Almost 300 million in restructuring expenses over this five-year period, and that's really enabled us to go after our structural cost imbalances. OPEX year over year was down 7%. We've booked another 26 million in restructuring during the course of 2016 which positions us well effectively for net cost-out year over year, and that's something that obviously we'll look at on a continual basis.

We made investments of approximately 50 million in technology, really focusing on our front-end technologies, our front-end system, sales system, mobile technologies as well as our middle and back office in terms of automation, as well as workflow tool. So we're really focused on operational excellence, and this then translates itself into efficiency and net cost-out.

Page 14, in terms of risk costs, down 7% year over year, really a reflection in terms of risk cost to loans and receivables. You know, we're in this 15 to 20 basis points in terms of overall risk costs. That reflects the overall composition of our customer loan franchise, 70% of which is in the DACH region, 30% of which is in Western Europe and the United States.

Our strategy is to focus on developed markets where we believe you have a stable legal system, you can control your risk costs if you have disciplined underwriting, and I think that has kind of come to fruition in the past few years. NPL ratio down to 2%, and you can see the respective coverage ratio, so very solid from an overall risk standpoint.

Slide 15, as we've stated in the past, everything starts and ends with capital. What we wanted to do this time around was actually walk you through the overall capital walk. So we ended 2015 with a fully loaded CET1 capital ratio of 14.8%. We ended up paying a dividend north of 300 million. That was reflected in a 190 basis points reduction in CET1. Effectively, the starting point was 12.9%. We generated 280 basis points of CET1 capital just from organic earnings and we had an absorption of 60 basis points, a reduction of 60 basis points in CET1 which reflected just the organic development in the business as well as the acquisitions that we undertook.

So we ended the year at 15.1%. We have a great amount of firepower. If you look at the SREP ratio that was assessed from the ECB during the course of 2016, which for 2017 is 8%, and there is a 1 point adder for our Pillar Two guidance, so effectively from a regulatory standpoint we are running the bank in terms of minimum capital requirements over the medium-term against 9%.

We as management have communicated that we're going to run the bank above 12% CET1 fully loaded. Again, that's a reflection of our conservatism. If you look at our capital ratio versus where the minimum capital requirements are required by the regulator, there's a billion of excess capital. I think we've communicated over the past few months and years that we're going to continue to invest in the franchise and grow organically as well as inorganically, and we have a sufficient amount of capital as well as liquidity to be able to effectuate that.

So that is 2016 in a nutshell. What we also do, and we started this last year, is kind of take a recap as to the transformation of the bank, so we've put a few slides together just to kind of recap the overall strategy that we have in place, the developments that have taken place over this extended period and then effectively what our targets are going forward.

So I'm on slide 17. On the left-hand side of the slide you can see from 2012 effectively there's been a turnaround of almost 450 million in terms of pre-tax profit. If you translate that into CAGR, that's almost a 44% CAGR over the past five years which I think is pretty remarkable. 50% of that was driven by effectively cost-out, 30% or so was driven by developments on the revenue line item in spite of the challenging interest rate environment, and then the residual was really our risk costs in de-risking the balance sheet and focusing on our core markets, getting out of structured products, getting out of Central and Eastern Europe and having a really defined strategy.

You can see the balance sheet size effectively was stable from 2012 to 2016, but we've pretty much rejiggered the entire balance sheet and really focusing on customer loans in core markets. This strategy, just to recap, it's very simple, very straightforward. We focus on core markets with a preference or a bias towards the DACH region which is Austria first, Germany and Switzerland. We like the macroeconomic fundamentals. We like the stable legal environment. We like the ability to manage the risk costs from a consumer standpoint. We like the growth rates in light of the rest of Europe. It matches effectively our overall focus as a bank.

The second pillar is really making the lives of our customers easier, and this is really product simplicity and being able to offer our products both online and offline and investing in the digital distribution channels, and there's a lot more to come on that front.

The third pillar is really efficiency, and this is in the investments that we make in technology and transforming a legacy savings bank into a full-fledged retail bank with a strong technology component. And lastly, maintaining a safe and secure balance sheet, or what we call a fortress balance sheet with low risk costs, low leverage and a high level of capitalization. So consistent strategy from prior years, and this will be the strategy going forward.

On slide 18 we wanted to add just a page on strategic acquisition of start:bausparkasse Group as well as IMMO-BANK that closed in December of 2016. Just some highlights, it brought on with it half a million customers. It provides us with a footprint of 10% market share in the building society savings and loans business, and from a strategic standpoint it allows us to grow our overall retail footprint in Austria and, more importantly, it allows us to provide an integrated origination channel for our mortgages in an attempt to cross-sell a significant number of incremental customers. So we're very bullish on this acquisition, it's going to be highly accretive for 2017 and beyond.

Lastly, on slide 19 we put out our 2017 targets consistent with prior years. So for 2017 our pre-tax profit is targeted to be over half a billion or over 500 million. Return on equity and return on tangible equity, assuming a 12% CET1 level of capitalization, above 15 and 16% respectively. Our cost-income ratio under 43% as we have net cost-out year over year. Our CET1 ratio continues to be very conservative, above 12%. As we have stated, the minimum is 9%, and a leverage ratio above 5%.

In addition to just the 2017 targets, we've also for the first time put out a three-year outlook. We feel this gives people a sense of where the bank is going. The past five years have been phenomenal in terms of the overall transformation but, quite frankly, we're more excited about the next three years and what's beyond in terms of this transformation of BAWAG P.S.K. and the opportunities ahead of us.

So in terms of an outlook, we expect capital accretion between 1.5 to 2 billion of CET1 capital, return on tangible equity above 16% throughout this period, assuming a 12% CET1 ratio. We will continue to grow organically as well as inorganically in the DACH region with a preference to Austria and Germany, and we're working on a number of opportunities at the moment. And lastly, I think it's all about this transformation to digital as we become more of a technology-oriented company and being able to drive operational excellence and efficiency.

Byron Haynes: Okay, thank you, Anas. Operator, we're now available to take any questions on our financial results that the participants may want to table.

Operator: Ladies and gentlemen, at this time we will begin the question and answer session. Anyone who wishes to ask a question may press star followed by one. If you wish to remove yourself from the question queue, you may press star followed by two. If you're using speaker equipment today, please lift the handset before making your selections. Anyone who has a question may press star followed by one at this time. As a reminder, that's star followed by one to ask a question. We have a question from the line of Gilles de Bourrousse of Octo. Please go ahead.

Gilles de Bourrousse: Yes, good afternoon. Thank you for the results. I have several questions, please. The first one relates to your plans in acquisition of residential mortgage loans in portfolios in Western Europe; I would like if you could give us some guidance on the, maybe on the amount or the size. The second question relates to the Linz case; is it possible to have an update on it? The third question relates to solvency; I would like to know if you have, I would say, like an evaluation of the impact of IFRS9 in 2018. And I have also a question on your funding plans in 2017 and, I'm sorry, I think I missed the… I think you disclosed the level of LCR, but I think I missed it. And finally I had a question on the cost of risk in Q4 which showed an uptick; I would like to know if there was a particular item behind this. Thank you.

Byron Haynes: Okay, let me answer the city of Linz question, I think it's number two, and then I'll pass the microphone on the other questions to Anas. So city of Linz, yes, there's no update. We are expecting the legal process to basically kick-start again in 2017. I think it's important to note, you know, our legal position remains unchanged and strong. There wasn't much legal activity during the course of 2016. But as I say, I am hopeful there'll be some progress in 2017. Anas, do you want to take these?

Anas Abuzaakouk: Yes. So I think you asked a number of questions. Hopefully I'll be able to address them. As far as the residential performing mortgage portfolios, all I can tell you is obviously we look at the DACH region and we look at Western Europe in terms of areas of focus. Other than that we don't comment on any particular opportunities or any geographies that we're looking at, so that answers that question. I think there was a question on the LCR. It's 138% is the LCR. There was a question on…

Byron Haynes: Solvency on our IFRS9.

Anas Abuzaakouk: IFRS9 we don't disclose. What I can tell you is it has a de minimis impact in terms of overall impact, but we don't share what that number is. And I think there was a risk cost which was in the normal course of events. We had a few NPL sales that we effectuated in the fourth quarter which might have driven some of the risk costs, but I think I gave the range of 15 to 20 basis points in terms of on an annualized basis is what you should think about in terms of the risk cost for the bank.

Gilles de Bourrousse: Okay, and then on your funding plans for 2017?

Anas Abuzaakouk: What's the question?

Gilles de Bourrousse: I mean, what was the size? What would you issue, senior, covered?

Anas Abuzaakouk: Yes, we don't disclose that.

Gilles de Bourrousse: Okay, thank you.

Byron Haynes: Operator, is there any more questions?

Operator: There are no further questions at this time, sir.

Byron Haynes: Okay, thank you very much and look forward to our first quarter earnings for 2017, which I believe is sometime in May. Thank you very much.

Anas Abuzaakouk: Thanks.

Operator: Ladies and gentlemen, the conference is now concluded and you may disconnect your telephone. Thank you for joining and have a pleasant day. Good bye.