

Amsterdam, 10 July 2024

Pre-close note Q2 2024

General market and Dutch economic developments

- Dutch GDP contracted by 0.1% during Q1 2024 but higher government spending and household consumption are expected to lead to 0.5% growth over 2024¹
- Inflation is continuing its downward trend, and is expected to average 2.5% in 2024
- The labour market remains tight with an unemployment rate of 3.6% as of May 2024
- House prices are rising driven by improved affordability from lower mortgage rates and higher wages, and increased by c.9% in May compared to last year (+6% expected for 2024)
- According to the Dutch Real Estate Association NVM the number of house transactions in Q2 2024 was 3% higher compared to the same period last year
- Average eurozone swap rates were slightly higher compared to Q1 2024 and the ECB deposit rate was lowered by 25bps to 3.75% at the beginning of June 2024

Investments and divestments

- The acquisition of German private bank Hauck Aufhäuser Lampe is expected to close in Q1 2025, impacting CET1 capital ratio by c.45bps
- The sale of our life insurance joint-venture Neufelize Vie will lead to a revaluation of our 60% stake with a limited impact on Q2 other income. Closing is expected around Q1 2025, leading to a minor positive impact on our CET1 capital ratio
- The acquisition of neobroker BUX was closed in July 2024 and will have a minor negative impact on our CET1 capital in Q3 2024

Net interest income in Q1 2024 was 1,589m and included a positive incidental of 29m

- The deposit margin is the net result of interest income related to deposits and interest cost determined by the client savings rate, which was unchanged during Q2 at 1.5%
- The deposit interest income is impacted by both short term and longer term interest rates with c.40-45% of replicating volumes having a maturity below 1 year, and the remainder up to 10 years
- During Q2 short term interest rates were lower, anticipating the ECB interest rate decision in June where the deposit facility was lowered by 25bps. Average interest rates on 1-10 year swap contracts showed a slight increase compared to Q1
- Client deposit volume in Q1 was impacted by seasonal payments while Q2 generally shows an increase from the annual payment of holiday allowances

We have indicated that the Treasury result is expected to improve during the second half of the year.

¹ All economic expectations mentioned are sourced from ABN AMRO Group Economics latest reports

Fee and commission income in Q1 2024 was 469m

- Fee income in Personal & Business Banking in Q1 benefitted from the increase in payment packages as well as high transaction volumes
- Wealth management fee income depends on the volume of our assets under management, which is impacted by market performance. Equity market performance was positive in Q2
- Corporate Banking in Q1 included strong capital market fees

Other income in Q1 2024 was 139m

- Other income is volatile by nature. In Q2 other income will be impacted by a limited downward revaluation of our stake in Neuflyze Vie

Operating expenses in Q1 2024 were 1,257m and included 23m regulatory levies

- The Dutch Deposit Guarantee Scheme reached its target size of 0.8% of total deposits in the Netherlands. We expect some limited maintenance contributions going forward
- For Q2 2024 we expect regulatory levies of around 10m

Beyond Q2, our new 2-year CLA will start as of July with a salary increase of 6% per 1 July 2024, and a further increase of 3.75% as of 1 July 2025. Employees not at the end of their pay scale will receive a fixed annual increase of 2.5% per 1 April, replacing the performance based annual increase ranging between 0-7% (averaging c.3%). The CLA introduces an individual reward premium of 0%, 2.5% or 5.0% paid-out in March, which will be accrued during the preceding year. Starting 1 January 2025 the pension premium contribution by the bank (as percentage of pensionable earnings), will be lowered from 37% to 30%.

Loan impairments in Q1 2024 were 3m

- In Q1 net inflow in stage 3 was largely offset by improved macro-economic scenarios and a small decrease in management overlays
- Bankruptcies in the Netherlands remain relatively low but have showed a gradual increase

A gradual normalisation of impairments is expected towards the lower end of the through the cycle Cost of Risk of 15-20bps.

Tax: effective tax rate in Q1 2024 was 28.1%

- The Dutch corporate tax rate is 25.8%. However due to the 'thin capitalisation' tax rule, our effective tax rate is somewhat higher

Capital: Basel III CET1 ratio in Q1 2024 was 13.8% and our Basel IV CET1 ratio around 14%

- In Q1 RWAs increased mainly from model-related add-ons and seasonal business developments
- CET1 capital in Q1 was in addition impacted by capital deductions, which included the effect of transferring portfolios to less sophisticated approaches
- Our dividend policy includes an interim dividend of 40% of H1 reported net profit. The ex-dividend date is August 14 and the payment date is September 11
- As announced last year, the Dutch Countercyclical Buffer increased from 1% to 2% as of May, while the buffer for Other Systemically Important Institutions declined by 25bps to 1.25%. This results in an increase in our CET1 capital requirement to 11.2%

As mentioned before, we are continuing the review of our credit risk RWA models, which may lead to further model updates and RWA add-ons under both Basel III and Basel IV. We will review our capital position annually with respect to the decision on potential share buybacks and will disclose the outcome with our Q4 results publication.

Please note that ABN AMRO Investor Relations will be in closed period as of close of business on 17 July 2024. ABN AMRO will publish its Q2 2024 results on 7 August 2024 at 07:00 CET.

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