ABN AMRO Q4 2025 Results Transcript

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Operator: Welcome to ABN AMRO's Q4 2025 Analyst and Investor Call. Please note this call is being recorded, and for the duration of the call, your lines will be on listen-only. Analysts will have the opportunity to ask questions after the presentation. This can be done by pressing pound key five on your telephone keypad.

I will now hand the call over to the speakers. Please go ahead.

Marguerite Bérard: Good morning, and thank you for your patience. Welcome to ABN AMRO's Q4 and full-year 2025 results presentation. I am joined today by our CFO, Ferdinand Vaandrager, and our CRO, Serena Fioravanti. After our presentation, we will open the line for your questions.

But first, let me start with the highlights.

It has been an important year of progress, commercially, strategically and operationally and Q4 capped that with a solid performance. We executed, as we committed to, staying focused and disciplined in delivering on our strategy. I will list some of the main financial performance indicators before elaborating on the strategic progress underlying these numbers.

Q4 delivered a net profit of €410 million, supported by strong NII and fee income. During the fourth quarter, our market share for new mortgage production rose by 21%, resulting in a net increase of €2.5 billion in mortgage volume. Client assets increased by around €7 billion, driven by strong net new assets, but also the HAL integration and market performance.

NII benefited from an elevated Treasury result, and full-year NII ended in line with our guidance. Costs landed at the lower end of our guidance, underlining our disciplined execution. Credit quality is solid with €70 million of impairments in Q4. We made significant progress on optimising our capital position, reducing RWA by close to €8 billion, further strengthening our capital position.

We are proposing a final dividend of €0.70 per share, and following our capital assessment, we are announcing €500 million in additional distributions.

Let me go into more detail on how we are progressing on the execution of our strategy.

During 2025, we made significant progress in our priority of achieving profitable growth.

Mortgage performance showed significant strength, reflecting clear commercial choices and focused execution. We secured a solid top two market position with a gross production of €14 billion, resulting in a net increase of our mortgage portfolio of €8 billion.

Both Personal Banking and Wealth Management delivered on their deposit growth ambitions, jointly bringing in a total of €8 billion new volumes in Q4.

Wealth Management has taken a big leap forward in 2025, with client assets up by €44 billion due to the HAL acquisition, but also good market performance and strong net new assets.

Corporate Banking closed an SRT in December, which is an important milestone to provide additional capital headroom for future profitable growth.

New10 is our brand, which offers SMEs a modern online lending solution. And there, we demonstrated steady growth, reaching €1 billion in financing provided to 10,000 entrepreneurs since the launch.

Clearing is strengthening its top three position, showing higher fee income during the fourth quarter.

Now returning to our cost base.

Through simplifying the bank and reducing run rate costs, we are delivering on our promise to right-size our cost base. In 2025, total FTEs reduced by 1,500 across the bank. We transitioned some external staff to internal positions in order to internalise critical roles within the bank. To build the necessary future commercial capabilities, we are also reallocating resources towards these activities. And even including the HAL integration, total FTE levels declined by around 300 over year, marking the significant progress we've made.

Overall, we achieved around €160 million of cost savings, mainly in commercial optimisations. We are also progressing on simplifying the organisation and streamlining the IT landscape, which is contributing to further cost savings. In our efforts to reduce IT complexity, we retired more than 200 applications during 2025.

We are also on track to effectuate the legal merger of a mortgage entity later this year that will simplify our organisational structure. Overall, we've made significant progress during 2025 toward our strategic goal of optimising our cost structure and streamlining the bank.

This quarter, we also made excellent progress in capital optimisation. Overall, RWA declined by €7.7 billion during Q4. The decline is partly attributable to seasonal effects within Clearing, but it is primarily a result of delivering on our strategic goals. More than €4 billion of reductions came from RWA optimisation measures, including the partial reintroduction of the SME support factor and further data and quality improvements.

Corporate Banking realised €3 billion of RWA optimisation during Q4, so they are well positioned to achieve the €5 billion reduction target that we set. Portfolio optimisation advances are due to the continued wind-down of Asset Based Finance international, which accelerated last quarter. A new SRT transaction provided €1.5 billion in RWA relief for our active portfolio management.

We are on track with our commitment to lower the share of allocated RWAs in Corporate Banking to approximately 50% by 2028.

Now turning to capital returns.

Starting with the final dividend. We propose an amount of €0.70 per share, which, combined with interim dividend of €0.54 per share, equates to a dividend payout of 50% of our reported net profit. In addition to the regular dividend, we today announced further distributions totalling €500 million, following from a capital assessment. In this assessment, we took into account the expected capital impact of the NIBC acquisition, which now stands at around 80 basis points.

These additional distribution will be split evenly between the cash dividend of €250 million and a share buyback programme of €250 million, which is subject to regulatory approval. Once this approval has been granted, we will start the share buyback programme. The additional cash dividend of €250 million will be paid at the same time as the final dividend.

Overall, this means that over 2025, the payout ratio amounts to 87%. This reflects our strong commitment to shareholder returns.

Before I discuss our fourth quarter financial performance, I will briefly highlight relevant developments in the Dutch economy.

The Dutch economy remained resilient in 2025, with housing prices continuing to rise and unemployment at record lows. Domestic spending remains a key driver of economic activity, leading to robust mortgage activity and stable credit quality. Inflation is gradually declining, with the rate for 2026 expected to be about 2.3%.

Manufacturing demand is somewhat weak, however, and industry is facing elevated cost pressure. Policy measures from the new coalition could support the industry despite the government's minority position. Overall, the Netherlands is expected to head into a period of slower but stable growth despite geopolitical uncertainty, with gradual disinflation and a strong fiscal position.

Now turning to our financial performance for the fourth quarter, starting with client assets and liabilities on slide nine.

Our strategy to grow our deposit base is leading to tangible results. Total client deposits increased by €8.3 billion in Q4, primarily within Wealth Management and Personal & Business Banking.

Wealth Management generated around €2 billion in core net new assets during the fourth quarter, mainly thanks to new cash inflow, partly offset by outflow of securities. We saw limited outflow from HAL as they managed to retain their clients during the acquisition process.

During 2025, but especially during the latter half of the year, we have seen conversion from cash into mandates and services such as DPM, Private Markets and Advisory Services. These flows demonstrate the increased commercial focus of our Wealth franchise, growing the client base through targeted offerings followed by conversion into fee-based services.

Moving to our interest income.

Commercial NII continue to benefit from mortgage and deposit volume growth. Mortgage margins are slightly declining due to the ongoing interest from clients for mortgages under the National Mortgage Guarantee Scheme. Corporate loan margins improved modestly, supporting overall commercial NII. Other commercial NII increased due to an incidental provision release of €16 million; underlying the performance was stable compared to Q3.

Residual NII increased by €66 million from a strong Treasury quarter. Incidentals of €10 million have supported the overall result. Due to foreign currency transactions, Treasury shows a temporary revenue shift from other income to net interest income. For the full year, NII ended in line with the guidance and reflected our disciplined execution of our strategy.

Moving now to fee income on slide 11.

Fee income rose by 2% quarter-on-quarter, reflecting progress towards our objective of growing revenue with scalable, capital-efficient business segments. Wealth Management fee income improved from a structured product campaign in France and positive market developments, mainly in the Netherlands and Germany. Clearing benefited from increased trading activity due to higher market volatility. Fees at P&BB normalised after higher seasonal payment activity in Q3.

Other income remained subdued, with both Corporate Banking and Treasury performing below trend this quarter. Within Corporate Banking, equity participations booked a loss, while Treasury booked negative other income of €40 million during Q4. As I mentioned due to foreign currency transaction, Treasury shows a temporary revenue shift from other income to net interest income.

Now turning to costs.

Underlying expenses increased in Q4 due to seasonal and non-recurring items. These costs totalled approximately €40 million and will not carry over into the first quarter. Full-year costs ended at the lower end of our guidance. We booked €60 million in restructuring costs in Q4, a bit more than what we had guided for as some reorganisations have been brought forward.

So far, a total of around €100 million out of the €400 million restructuring cost has already been taken. For next year, we expect somewhat higher restructuring costs, although the precise timing of the various projects makes it difficult to pinpoint the exact figure.

Cost discipline remains central to our strategy, and we have a clear plan on how to achieve further reductions over the coming years as we work on delivering our 2028 target.

Now, turning to our credit quality.

Credit quality remains strong, with a stage 3 ratio of 2.1% and slight increase of the coverage ratio. After two years of limited net impairments, we had €70 million of impairments this quarter. These were mainly related to new and existing individual corporate files across various sectors.

We continue to monitor potential impacts of macroeconomic and geopolitical developments on our loan portfolios. So far, however, we do not expect material impact reflecting the high quality of our loan book and our prudent risk management.

Full-year cost of risk was 1 basis point, that is to say well below our through-the-cycle guidance of 10 basis points to 15 basis points. We expect cost of risk to gradually move towards a low end of the through-the-cycle range by 2028, consistent with normalising macro environment.

Now turning to our capital position.

Our CET1 rose to 15.4%, driven by a substantial RWA reduction that we achieved this quarter. In our capital assessment, we took into account the impact of our intended acquisition of NIBC.

Note, that this impact on our capital ratio is now around 80 basis points. This higher impact for capital ratio is due to the fact that our current RWAs are now almost €8 billion lower.

The total payout for 2025 is around €1.8 billion, equal to an 87% payout ratio. This includes interim and final dividend, the €500 million additional distributions and the share buyback executed in Q2. Going forward, our capital assessment will be performed in light of our stated capital policy, with total distributions up to 100% of net profit.

Before I wrap up, let me reiterate the financial guidance we gave at our Capital Markets Day for this coming year.

At our CMD in November, we already provided our outlook for NII and cost for this year and this outlook has not changed.

We expect commercial NII of around €6.4 billion for 2026. This year we will have a full year contribution of HAL in our NII. The interest rate environment is in line with what we communicated in November. Some curve steepening is bringing forward improvements to the NII we forecasted. Current yields will lead to a gentle tailwind to replicating yields this year, potentially leading to a small improvement in liability margins. Furthermore, we expect continued growth of the balance sheet, but with some margin pressure on mortgages, partly offsetting volume growth.

Costs are expected to increase to around €5.6 billion, reflecting the inclusion of full year HAL costs.

Now let me wrap up.

Today's results show we are delivering on what we said we would do. Q4 closed on a strong note with €410 million net profit, supported by solid commercial momentum across the bank. We continued to grow where it matters: €2.5 billion in new mortgage production, a 21% market share and around €7 billion was added in client assets during this quarter.

A major highlight this quarter was a €7.7 billion decline in RWAs, which is a significant step forward in optimising our capital allocation and executing on our strategic priorities. We also announced €500 million in additional distributions between dividend and share buyback, underlining our continued commitment to disciplined capital returns.

With a 15.4 CET1 ratio, we maintain a strong position to keep investing in our strategy and to support our clients. So, across all three of our strategic pillars: profitable growth, rightsizing our cost base and optimising capital, the evidence shows clear delivery and strong momentum. We are focused, we are committed, and we're delivering on what we promised.

I thank you very much for your attention. And now we open the call for questions.

Questions and Answers

Operator: Thank you. If you wish to ask a question, please press pound key five on your telephone keypad. If you wish to withdraw your question, please press pound key six on your telephone keypad.

The next question comes from Delphine Lee from JP Morgan. Please go ahead.

Delphine Lee (JP Morgan): Yes. Good morning. Thank you for taking my questions. I've got two very quick clarification, and then just, yeah, another one.

So if we start with just on capital, on the RWA reduction this quarter. So the SME supporting factor, I think you previously guided to something like €3 billion, if I remember this correctly. Has that now completely been taken in ’25 and we shouldn't expect more positive impacts going forward in ’26?

And then on your cost base. So you mentioned some non-recurring items which are not restructuring charges or incidentals. If you could just quantify that, that would be great.

Then my last question is just more, generally speaking, given where your CET1 is, sort of above 15% compared to your target of above 13.75%. I'm just wondering why have you not decided to distribute a bit more and have additional buybacks or dividends and then pay out closer to 100%. I know you did flag it wouldn't be 100%, but I'm just wondering what's holding you back?

Thank you.

Marguerite Bérard: Thank you very much. I will take the first question on RWA and the CET1, and Ferdi will guide you through the various non-recurring items in cost.

On RWA, you’re right. The total impact we expect from the SME support factor will be probably up to €2.5 billion to €3 billion. And as I said, we only partially reintroduced the SME support factor this quarter, i.e. we only took €1 billion of RWA relief coming from there. So you're right, it's partial and the rest will come in the coming quarters. That's one.

On our CET1 position, you're right. We're very happy with the progress we made this year. We have a strong capital position and capital assessment. We also took into account our intention to acquire NIBC. This will impact our CET1 ratio as of the second half of the year, probably Q3, but we start our strategic plan with a very strong position. We are committed to the policy we shared with you in terms of the distribution at our CMD, i.e. up to 100% of our net profit between ’26 and ’28. And you're right, we had also shared that in Q4 ’25 that will be not up to 100%.

Ferdi?

Ferdinand Vaandrager: Yeah. Maybe, Delphine, on cost. Number one, if you look at Q4 operating expenses underlying, we take out the €59 million in restructuring and the €135 million in levies. What we've guided for that you always see a cost increase in Q4. For us, we translate that in roughly €40 million non-recurring and seasonal costs that was specifically related to M&A-related costs for the intended acquisition of NIBC.

And what you always have in Q4 is some retention and variable payments, as well as marketing expenses, which are higher. Basically, the underlying plus 4% is fully in line with what we expected for Q4.

Delphine Lee (JP Morgan): Great. Thank you very much.

Operator: The next question comes from Namita Samtani from Barclays. Please go ahead.

Namita Samtani (Barclays): Good morning, and thank you for taking my questions.

My first question on the replicating portfolio, is it still €165 billion in size?   And just looking at the replicating income portfolio slide on page 21. Is my interpretation correct that the October curve you're expecting the income to inflect in the middle of 2026. But on the January curve, we should consider it already inflected and to be up from here quarter-on-quarter?

And my second question, I just want to ask on the RWA allocation in the Corporate Bank. It was around 51% in ’25, and that's excluding Clearing that the target is 50% in 2028. I just was wondering if you were willing to go below the 50% allocation, or how do you think about this?

Thanks.

Marguerite Bérard: Thank you. Ferdinand will take you through the replicating portfolio. When it comes to RWA allocation to the Corporate Bank. I mean, first, bear in mind that in the effects, we describe before RWA decrease, you also have some seasonal effects. That's important, especially at Clearing. So that's an important one.

The second one is, our Corporate Bank has moved fast in order to also free up capital headroom for future profitable growth. So we are not changing our intentions or guidance, i.e. bringing our total RWA allocation to the Corporate Bank at circa 50% by 2028. But we are moving fast. I agree with you.

Ferdinand Vaandrager: Hi, Namita. On the replicating portfolio, indication is still around the same size, so what we said previous quarter €165 billion, of which 40% to 45% reprices within one year.

If you look at slide 21, the sensitivity, this is really the replicating income looks to be more positive from recent steepening we've seen. Do keep in mind that the sensitivity only shows the replicating portfolio income. So this excludes changes to client savings coupons. But overall with a further steepening, it looks a bit more positive. But be mindful, this is just a point in time. And at the end of the day, it's always a balance between positive accretion of the replication with volume margin on the back of competition and potential mix shifts. So for now, we just stick to our overall guidance on NII.

Namita Samtani (Barclays): That's helpful. Thanks very much.

Operator: The next question comes from Giulia Aurora Miotto from Morgan Stanley. Please go ahead.

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

I'm afraid I will go back on the capital. You basically already have 100 basis points above the 13.7% pro forma for NIBC. So is the next excess capital distribution decision coming with full-year '26 results? Or given the level, could we expect something sooner? Or perhaps there is some M&A that you're looking at that leads to holding back some capital? Yeah, some clarification on why holding such a big buffer above 13.7%, please.

Then secondly, on the forward look for '26 guidance. Given the steeper curve - and I mean I hear you, Ferdi, when you say, well, yes, but this doesn't include deposit costs. Okay. But I don't expect banks to increase the savings rate anytime soon, unless I'm wrong.

And then on costs. Given what you printed in the quarter, it seems like there could be some upside on your €6.4 million for commercial NII and also on the cost guidance for '26. Can you give us any comment on – perhaps if I'm correct on how conservative your guidance is struck at the moment?

Thank you.

Marguerite Bérard: Thank you. So I will let Ferdi take your question on forward looking, and I will take your question on capital.

Let me reiterate, because we have given a very clear outline on how we think about this during our CMD, that was 2.5 months ago and we haven't changed the way we look at it.

First, we will communicate always the outcome of our capital assessment annually with our Q4 results. So we are not changing that.

Number two, with respect to M&A, as we also shared at our CMD, we are in the process of integrating HAL. We are between signing and closing for NIBC, and we are not right now considering additional M&A. So there is no M&A buffer. This being said, we are, I would say, happy with the fact that we've moved fast on some of our commitments and that we start our strategic plan with a strong capital position that therefore gives us confidence in our distribution policy of up to 100% between ’26 and ’28.

Ferdi?

Ferdinand Vaandrager: Yes. Giulia, on NII and on cost.

Let me start on NII. Commercial NII guidance for this year is €6.4 billion. Underlying trends liability NII, we expect growth both from the replicating and underlying volume growth. So the NII still slightly lower, specifically pressure for mortgages margins only partially offset by volume growth and other commercial NII similar levels.

We also said this excludes investments and divestments, as the exact timing of NIBC is not known and also the closure of Alfam is not known. So we are comfortable with that guidance.

Yes, if you look at the forward curve, as explained during the CMD, we have conservative assumptions and we expect stable margins for interest paying deposits. So that's for savings and for term, and only the current accounts to move in line with the replicating portfolio. That is roughly 25% of our total deposits. That's €65 billion.

So yes, on the back of the more steepening, it looks a bit more positive, but let's see what happens overall on the volume, margins and the mix there.

On the cost. Sorry, Giulia, moving over to cost. Overall, if you look at 2026, €5.6 billion. We are making good progress on our cost savings measures. But we also expect some pressures for

2026. Number one, you need to include the cost of HAL for a full year, and it was only half year included for 2025. So that adds €135 million.

Secondly, our CLA is ending at mid-year. We have included in our plan and over inflation of 2%. Also, you should expect to start seeing some more costs, for example, in terms of integration costs for the HAL acquisition. So we stick to our overall cost guidance of €5.6 billion, excluding restructurings for this year.

Giulia Aurora Miotto (Morgan Stanley): Thanks.

Operator: The next question comes from Johan Ekblom from UBS. Please go ahead.

Johan Ekblom (UBS): Thank you very much. Just two questions, please.

First, when we think about organic capital generation in 2026, can you give us some guidance on how to think about the RWA trajectory? I get that there is some seasonal impacts in Q4. I think you mentioned €1 billion roughly in Clearing. But taking kind of the measures that you're implementing in the Corporate Banking business and potential for future SRTs, etc. more SME support factor. Just any kind of guidance on sequential or trajectory on RWAs would be helpful.

Then just picking up on one of the comments you made that one of the reasons for the weaker other income is reflected in the better Treasury result. When we think about 2026, do you expect that to remain the case? I.e., should we be assuming a continued good Treasury result but a weaker other income, or is that expected to be more normal in 2026, please?

Marguerite Bérard: Thank you for the question. I will let Ferdi elaborate on both items, but just a couple of points from my side first.

As I said, we're happy with the good progress we've made so far, especially on RWA optimisation. Bear in mind that, yes, there is some seasonality in these RWA. Also we have front-loaded some of these optimisations. Basically, the rest will be more spread out over time. This is what you should, I think keep in mind. There are additional optimisations coming, more spread out over time.

Ferdi, do you want to elaborate on that and also take the question on Treasury result?

Ferdinand Vaandrager: Yes, Johan, specifically on RWA. Yes, the Corporate Bank is now around 51% where we had below 50% for 2028. But you should take into account, as Marguerite said, there is always some seasonality at Q4 of balance sheet steering.

We still have in plans a growth of €3 billion overall for Clearing. For the rest on the other side, we have a significant business growth expected for mortgages also for full year 2026. That said, the impact of NIBC and also the small relief from Alfam, you should take into account when looking at 2026.

Further RWA actions, yes, we might have frontloaded or accelerated, but we still expect the second part of the SME support factor and potential benefit from external ratings.

Then to your residual NII. Overall for the full year, it is in line with what we also expect between the €0-200 million. It was more pronounced now at Q4, and that was specifically in ALM. It was higher money market results. And this includes also the economic hedges or currency swaps we use for our non-euro funding.

This was more pronounced in Q4 because there was more volatility in the FX. This is the normal sort of balance between cross-currency swaps what you book in NII and FX swaps in other income. And we do expect some of that to reverse in Q1.

Johan Ekblom (UBS): Thank you.

Operator: The next question comes from Benoît Pétrarque from Kepler Cheuvreux. Please go ahead.

Benoît Pétrarque (Kepler Cheuvreux): Yes. Good morning. The first question is actually to come back on risk-weighted assets. You've got now €135 billion end of ’25. You target €145 billion by end of ’28. Is your €145 billion still up to-date, or you think there's maybe upside to that number? I mean, lower risk-weighted assets potentially or lower risk-weighted assets outlook for ‘28 based on your strong achievements.

On the calibration of the distribution for ’26. If you take NIBC, you take out the seasonality, you add some capital generation, you could end up ’26 at 15.5% CET1 ratio. The calibration, will that be exactly on 100% of net profit, or could that be potentially higher at the end of ’26?

Just on other income. It's a bit weaker, also linked to the private equity revaluation this quarter. Do you have still a kind of €100 million quarterly run rate for other income?

Thank you.

Marguerite Bérard: Thank you, Benoît. I would say, on all of the above, I would say we are not changing the guidance and indications we gave at our CMD 2.5 months ago.

So, yes, our RWA trajectory is good. We have I think moved fast. At the same time as we shared, there is also some seasonality in these figures and there is also some capital headroom we have freed for Corporate Bank for additional profitable growth.

We are moving fast at the beginning, but this doesn't lead us to change our guidance in terms of final RWAs for ’28, just to make things clear.

The same applies to our distribution policy. The fact that we start the year and the strategic plan with a strong capital position gives us confidence for our distribution policy up to 100%. And we are not changing our policy, certainly not 2.5 months after CMD. There's no change in that.

You take the question Ferdi on other income.

Ferdinand Vaandrager: Yeah, Benoît. Around €400 million. Yeah, if you strip out volatile items and you look at history that is roughly right. If you look overall for the full 2025, the impact was specifically from economic hedges and hedge ineffectiveness at ALM at €74 million negative. And also now for the first quarter, we had some impact specifically related to our equity participation portfolio of around €15 million.

There were also this year a few one-offs in there, for example, fair value revaluation of loans within the mortgage portfolio as announced in Q3. You are right, €400 million if you average it over the last few years. But we don't provide any specific guidance for other income.

Benoît Pétrarque (Kepler Cheuvreux): Thank you very much.

Operator: The next question comes from Chris Hallam from Goldman Sachs International. Please go ahead.

Chris Hallam (Goldman Sachs): Hi. Good morning, everybody. Two questions from me.

The first is a follow-up really to Benoit’s and Gulia's earlier question. Just to stick on capital. Just to sort of get some clarity on this. Should we really think that 100% is the hard ceiling? I appreciate at the Capital Markets Day you said you intend to distribute up to 100% of net profits. Then you said in a scenario where our core tier 1 remains significantly above 13.75%, additional distributions could be considered subject to reg approval. Should we now just actually think it's really a hard ceiling at 100%? And if that is the hard ceiling at 100% and clearly we're already well above the 13.75% on pro forma, there's already the integration of HAL, the closing of NIBC. You said there's no M&A right now. Growth and cost optimisation is already in the plan.

Given all of those, it's going to be difficult to see how we do comfortably get down to the 13.75%. In that context, could you commit to the ROE being above 12 irrespective of where you end up on CET1? That's the first question.

Then second, consensus commercial NII is €6.6 billion for ’26. The headline cost consensus is €5.95 billion. I appreciate your guidance is on a slightly different perimeter. We can try and bridge between how you guide and how consensus is collected based on how we think about NIBC or the phasing of restructuring. Could you just tell us whether you're comfortable with those consensus numbers? On my sums, I think you're sort of steering us to a commercial NII number, which is a little bit below €6.6 billion and a cost figure, which is maybe more meaningfully below that €5.95 billion.

Thank you.

Marguerite Bérard: Thank you very much for your question. I will let Ferdi bridge the gap on how we look at commercial NII with the consensus. Let me take your question on capital.

We stick to everything we said at our CMD. Yes, our CET1 target is above 13.75%. Yes, we are committed to a distribution policy throughout the plan of up to 100%. And yes, we will annually review our capital position.

To the answers we gave at the CMD, subject to regulatory approvals, because no bank can announce anything in that respect without regulatory approval. We will look at where our capital position stands in comparison with our CET1 targets. This is an important one.

We are also committed and confident that we will reach the above 12% ROE by 2028. This is also a very strong and firm commitment. I wouldn't call the up to 100% a hard ceiling throughout the plan. But what I'm just saying is that we gave you clear indications 2.5 months ago, that was yesterday, at our CMD on how we look at things. We are happy with the progress we are making. So we think we have a very strong start in the plan. This is a positive. But we are not changing what we shared with you at our CMD.

Ferdinand Vaandrager: Yeah. Chris on NII. For me it's difficult to comment on consensus expectation. I will check with the IR team. But in our guidance of €6.4 billion commercial NII, we have not included investments and divestments as there the timing is still unknown. Expectation is we can close NIBC in the second half of the year. And the NII for six months, if you look at the accounts of NIBC is roughly €160 million.

I'm not sure if that explains part of the difference. The other part might be, in our more conservative assumption on the pass through on interest paying deposits, where in our assumption we have taken into account a full 100% pass through, and with a recent steepening of the curve, some might become a bit more positive. But as we said before, it's wait-and-see and the replicating effect will be more '27, '28 than '26.

Chris Hallam (Goldman Sachs): Okay. Thanks very much.

Operator: The next question comes from Alberto Artoni from Intesa Sanpaolo. Please go ahead.

Alberto Artoni (Intesa Sanpaolo): Good morning. Thank you for taking my question.

I just have one question on the cost of risk. Could you please give us more colour? Is my understanding correct that the slightly higher cost of risk this quarter compared to the previous one is mostly due to a limited number of corporate files. And actually, the trend remains very supportive with very good indication of asset quality for the firm. Is that correct? Would you please give us more colour on the asset quality dynamics?

Thank you very much.

Marguerite Bérard: Thanks. Your understanding is correct. I will let Serena give you more colour.

Serena Fioravanti: Thanks, Roberto, for the question. Indeed, we booked €70 million impairments that is mainly related to individual files across many sectors, across geographies. They were partially offset by some management overlays releases. When I look at the entire credit portfolio, it's still really strong. We still believe that we have a very solid performance and progressively going towards our through-the-cycle cost of risk.

Alberto Artoni (Intesa Sanpaolo): Thank you very much.

Operator: The next question comes from Anke Reingen from RBC. Please go ahead.

Anke Reingen (RBC Capital Markets): Thank you. Just a small follow-up questions, please.

On the NII, you mentioned the headwind from divestments. Sorry if I missed it, but did you quantify those?

Then just a small other one on other commercial NII. The previous guidance was – not other NII – was €0-200 million. Given the comments you made, should we be thinking more towards the lower end, given the reversal of the Q4 strength?

Then just lastly, on the mix of extra distributions. Everything above the 50%, how are you thinking about the mix in terms of cash dividend and share buybacks?   I realise there's a withholding tax element. But aside from it, how are you thinking about the mix?

Thank you very much.

Marguerite Bérard: Thank you very much. I will let you Ferdi guide you through NII. I think probably the point you have on divestment refers to Alfam.

Ferdinand Vaandrager: Yeah, Anke, that is Alfam. Also we expect around Q3 the full year NII of Alfam last year has been around €60 million. Just to take that into account in the mix, that has not been part of our overall guidance for this year.

Marguerite Bérard: On the mix of our distribution, as we shared the additional distribution we are announcing today is basically evenly split between €250 million in cash dividend and €250 million in share buyback. The way we look at it is also, indeed, by taking into account the impact of the Dutch dividend withholding tax. This is really how we plan it. If you want more colour on that and how the Dutch dividend withholding tax is calculated, I can let Ferdi deep into that because it's one of his favourite topics. But basically we are, I would say making sure that this is an optimised mix.

Ferdinand Vaandrager: Yeah. We don't specifically guide for this. As Marguerite says, it's a bit complicated for this call the underlying dynamics. But the impact of potential tax has increased with an increasing share price. So increasing our cash distribution may reduce the risk of not meeting the cash hurdle over a seven-year average. We take this more into account, but we don't specifically guide upfront what the mix will be between cash and share buybacks

Anke Reingen (RBC Capital Markets): Okay. Thank you.

Operator: As a reminder, if you wish to ask a question, please dial pound key five on your telephone keypad.

The next question comes from Farquhar Murray from Autonomous. Please go ahead.

Farquhar Murray (Autonomous): Good morning. I have two questions, if I may.

Firstly, just coming back to the RWA point, just on a point of detail. Is it fair to conclude that you're now likely to exceed the RWA optimisation target outlined at the CMD?   I asked that because if there is another €1.5 billion, at least from the SME support factor still to come on top of the €4.2 billion this quarter, then I think we're looking towards more like €6 billion rather than €5 billion. And if so, what's going better? Or are you suggesting something reverses within that bucket?

Then secondly, what's driving the margin pressure in mortgages that you're citing? And I ask that because in a way some peers aren't really referencing that. I just wondered if it's specific to you and whether you could give us a sense of magnitude?

Then very finally, just one point of detail, if it's at all possible. Could you give us a ballpark sense of the withholding tax threshold, or is it too difficult to actually frame that at the present?

Thanks.

Marguerite Bérard: Thank you very much. I will let Ferdi answer your questions. First, he will take you through the various buckets of our RWA trajectory, then the mortgage margin and then how we look at the dividend withholding tax.

Ferdi, start with RWA?

Ferdinand Vaandrager: Yeah. Farquhar, overall optimisation in the specific bucket within Corporate Bank was €3 billion, because part of the SME support factor is part of Personal and Business Banking. So, yes, there are still further upside. There are some frontloading. But as I said before, we're also looking at additional optimisation, for example, sourcing external ratings.

The second part was –

Marguerite Bérard: Margin pressure on mortgages.

Ferdinand Vaandrager: Yeah, the margin pressure in mortgages. We expect that to continue. Number one, what we do see here is that almost 70% of the inflow is either Dutch guaranteed mortgages or low LTV, and of that, the margins are lower, but the overall ROE are higher because it's less capital against it.

Number two, what we have seen is LTVs have come down because we automatically adjust the risk premium if you get into a lower LTV bucket, and we also still see some outflow from higher yielding mortgages. Overall, our expectation is roughly €8 billion growth last year. We expect the growth to continue, but it is offset or almost more than offset with our current expectations on margin development.

Marguerite Bérard: Yeah, and the last question, Ferdi, but I don't know if we can get more specific into the breakdown between share buyback.

Ferdinand Vaandrager: No, Farquhar. As I said, that's very difficult. That's always a point in time where you try to optimise this and you always need to have a forward looking view on this. And many things play in the mix. You're just looking at a seven-year average cash, and if you do a share buyback, if you pay less cash in a certain year than the average, then what you put in a share buyback, you need to pay the 17.65% withholding tax over that.

So we're not guiding on that. This just reduces the risk. Our share buyback will be subject to definite withholding tax.

Farquhar Murray (Autonomous): I'm not asking for a guide on the mix. That's totally understandable. I'm just asking whether you can give us a sense of the actual threshold number at all in terms of how much cash during the year, or is that—

Ferdinand Vaandrager: Okay. Farquhar, I have the spreadsheet in front of me because I always keep track of that. But this can be picked up by Investor Relations after the call because it's more complicated. You need to strip out the highest and the lowest of the average seven years. So let's do that after the call.

Farquhar Murray (Autonomous): All right. Thanks.

Operator: There are no more questions at this time. I will now hand the word back to the speakers for any closing remarks.

Marguerite Bérard: Well, we thank you very much for attending our call this morning, and we wish you all a very good day. Bye-bye now.