Pre-close note Q3 2024

16 October 2024

Dutch economic developments

- Dutch GDP grew moderately by 0.7% over the first half of the year driven by strong growth in Q2 reflecting increasing exports and higher government spending
- This is not expected to continue in the coming quarters as high interest rates, weakness in manufacturing and reluctant consumers keep growth down, resulting in an expected net growth of 0.6% over 2024[1]
- Inflation is showing a downward trend, and is expected to average 3.1% in 2024
- The labour market remains tight with an expected unemployment rate of 3.7% year-end 2024
- Bankruptcies are increasing but remain below longer-term average in historical context
- Dutch house prices are rising driven by scarce supply and improved affordability from lower mortgage interest rates and higher wages, and increased by c.12% compared to Q3 last year
- According to the Dutch Real Estate Association NVM the number of house transactions in Q3 2024 was 11% higher compared to the same period last year

Investments and divestments

- The acquisition of neobroker BUX was closed in July 2024 and will have a minor negative impact on our CET1 capital in Q3 2024
- The sale of our life insurance joint-venture Neuflize Vie is expected to close around Q1 2025, leading to a minor positive impact on our CET1 capital ratio
- The acquisition of German private bank Hauck Aufhäuser Lampe is expected to close in H1 2025, impacting our CET1 capital ratio by c.45bps

Net interest income in Q2 2024 was 1,608m

- In Q2, net interest income increased reflecting improved deposit margins and growth in client lending. It also included a release of part of the Euribor provision of c.10m
- The improved deposit margin in Q2 was largely related to the rising yield on the replicating portfolio while the client savings rate remained 1.5%
- A replicating portfolio yields interest income on deposit volumes and is driven by both short term rates and historical average of longer term interest rates
- We have indicated that in the current interest rate environment the yield on the replicating portfolio is near an inflection point
- During Q3 both short term and longer term interest rates were lower compared to Q2, while the savings rate was unchanged at 1.5%

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

- Client deposit volume tends to show some decline from spending during the holiday season
- Client lending volumes depend on market circumstances, which for mortgages continue to be favourable
- We have indicated that we expect the Treasury result to improve during the second half of the year, which is expected to be partly offset by modest margin pressure

Fee and commission income in Q2 2024 was 462m

- In Q3 there are usually higher seasonal payments and transactions volumes within Personal & Business Banking
- Fee income in Wealth management depends on the value of our assets under management, which is impacted by market performance. Equity market performance was generally positive in Q3

Other income in Q2 2024 was 100m and included a held for sale adjustment of -24m

- Other income is volatile by nature

Operating expenses in Q2 2024 were 1,263m and included 7m regulatory levies

- For Q3 we expect our costs to increase as a result of the new 2-year CLA effective as from 1 July 2024. In Q3 salaries in The Netherlands increased by 6%, with an expected effect of c.30m in Q3
- The new individual reward premium (of 0%, 2.5% or 5.0%), which will be paid-out for the first time in March 2025, will be accrued during the preceding year. We will start booking these accrual costs in Q3, and we will also need to book the catch-up accrual for H1. The expected impact is c.30m in Q3
- Additionally, we continue to upscale our resources for data capabilities, regulatory programmes and digitalisation of processes
- We expect regulatory levies of around the same level as previous quarter related to the Deposit Guarantee Scheme contribution

Loan impairments in Q2 2024 were -4m

- In Q2 net inflow in stage 3 was more than offset by a decrease in management overlays
- We still had around 230m of management overlays at Q2, of which c.40% related to geopolitical uncertainties

Tax: effective tax rate in Q2 2024 was 29.7%

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

Capital: Basel III CET1 ratio in Q2 2024 was 13.8% and our Basel IV CET1 ratio around 14%

- In Q2 RWAs increased mainly from business developments
- We are continuing the review of our credit risk RWA model and data landscape. We plan to do a final submission to move models to less sophisticated approaches around year-end 2024, which may lead to some additional RWA add-ons

- On September 9 we issued a EUR 750 million AT1 instrument with a coupon of 6.375% reflecting costs of around 50 million gross per annum. AT1 coupon payments are tax deductible and are deducted from our net reported profit. The total AT1 costs for Q3 are expected around 40m (and around 50m thereafter)
- In line with our policy, on September 11 we paid out an interim dividend of 40% of H1 reported net profit, after deduction of AT1 coupon payments and minority interests , equivalent to EUR 0.60 per share
- We 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 23 October 2024. ABN AMRO will publish its Q3 2024 results on 13 November 2024 at 07:00 CET.