ABN·AMRO

Pre-close note Q4 2024

15 January 2025

Dutch economic developments [1]

- The Dutch GDP is expected to grow by 0.9% over 2024, mostly domestically driven by households benefitting from rising real incomes and supportive government measures
- The labour market remains tight with a 3.7% unemployment rate expected at YE2024, putting potential growth under pressure
- Inflation is showing a downward trend, ending at 3.3% for 2024 according to Dutch Central Bureau for Statistics, and is expected to remain above the ECB's 2% target in the coming years
- Bankruptcies are increasing but remain below longer-term average
- Dutch house prices are rising driven by scarce supply and improved affordability from lower mortgage interest rates and higher wages, and increased by c.11.5% in 2024 compared to last year
- The number of houses sold in 2024 has increased by c.19% compared to last year

Investments and divestments

- The sale of our life insurance joint-venture Neuflize Vie was closed in Q4 2024, leading to a minor positive impact of a few basis points 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
- The wind-down of non-strategic Asset Based Financing (ABF) client portfolios in the UK and a reorganisation in Germany are expected to result in a reduction of c.1.5-2.0bn in RWAs over time, with expected finalisation by the end of 2026

Net interest income in Q3 2024 was 1,638m

- Guidance earlier provided for FY2024 NII is above 6.4bn
- In Q3, net interest income increased reflecting improved Treasury results. It also included a provision release for revolving consumer credits of c.10m
- We have indicated that we expect the higher Treasury result to persist into next year
- 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
- Interest income generated from the replicating portfolio reached an inflection point during Q3 2024 and started to decline slowly

[1] All economic expectations mentioned are sourced from ABN AMRO Group Economics latest reports. The indications related to the housing market in 2024 are according to the Dutch Real Estate Association NVM

- Compared to Q3, short term rates have declined while longer term interest rates are broadly in line with Q3
- Our savings rate remained unchanged at 1.5% during Q4

Fee and commission income in Q3 2024 was 478m

- Wealth management fee income depends on the volume of our assets under management, which is impacted by market performance
- Equity market performance was on average a small positive in Q4
- Clearing fee income during Q3 was helped by volatility in the financial markets
- Q4 was again a quarter with volatile financial markets

Other income in Q3 2024 was 137m

- Other income is volatile by nature and Q3 included a derecognition gain and high fair value revaluations

Operating expenses in Q3 2024 were 1,334m and included 6m regulatory levies

- Guidance earlier provided for FY2024 cost is c.5.3bn excluding incidentals
- Operating expenses rose in Q3 as a result of the start of the new 2-year CLA and further hiring of staff
- In Q3, three quarters of accruals for the individual reward premium were booked (c.30m). For Q4, this will only be one quarter, so c.10m
- Q4 always has seasonally higher regulatory levies reflecting the payment of the Dutch banking tax. Total levies for Q4 are expected to be c.120m
- Limited restructuring provisions of c.20-30m are expected to be booked in Q4 2024 related to the recent announcement on ABF
- We continue to upscale our resources for data capabilities, regulatory programmes and digitalisation of processes

Loan impairments in Q3 2024 were -29m

- Guidance earlier provided for FY2024 is a Cost of Risk well below the through-the-cycle of 15-20bps
- Credit quality remained solid in Q3 with a stable impaired ratio of 1.9% and another quarter of impairment releases
- We still had around 240m of management overlays at Q3, of which around 1/3 related to geopolitical uncertainties

Tax: effective tax rate in Q3 2024 was 27.3%

- The Dutch corporate tax rate is 25.8%. However, due to the impact of a portion of interest paid not being tax deductible following the thin cap rules in the Netherlands, our effective tax rate is higher
- In Q4 the Dutch banking tax is booked, which is non-deductible, contributing to a higher effective tax rate

Capital: Basel III CET1 ratio in Q3 2024 was 14.1% (pro-forma) and our Basel IV CET1 ratio around 14%

- RWAs decreased by 2.5bn in Q3, mainly due to business developments and data quality improvements
- We are continuing the review of our credit risk RWA model and data landscape and the final submission to move models to less sophisticated approaches will be done during Q1 2025. This will lead to some additional RWA add-ons in Q1 2025
- Our dividend payout policy is 50% of reported net profit, after deduction of AT1 coupon payments and minority interests
- The assessment of capital position and potential room for share buyback will be communicated with our Q2 2025 results

Please note that ABN AMRO Investor Relations will be in closed period as of close of business on 22 January 2025. ABN AMRO will publish its Q4 2024 results on 12 February 2025 at 07:00 CET.