ABN·AMRO

Amsterdam, 9 November 2022

# Press release

## ABN AMRO reports net profit of EUR 743 million in third quarter of 2022

- **Good quarter with a net profit of EUR 743 million reflecting a strong recovery in deposit margins supported by a book profit on disposals and low impairments**
- **Continued growth in mortgage and corporate loan books. Market leader in mortgages, with a market share of 19.1% in Q3**
- **Net interest income (NII) has bottomed out as deposit margins are benefiting from higher interest rates; outlook for the year has improved and NII is expected to be around EUR 5.3 billion for the full year (excluding incidentals)**
- **Underlying costs were 2% lower than in Q2 ; we expect full-year costs to be around EUR 5.3 billion, excluding incidentals and additional costs for the new CLA**
- **Impairments were EUR 7 million as the deteriorating macroeconomic outlook was offset by releases on non-performing loans. Prudent buffers remain in place**
- **Our capital position remains strong, with a fully-loaded Basel III CET1 ratio of 15.2% and a Basel IV CET1 ratio of around 16%. Risk-weighted assets increased by EUR 4.3 billion**
- **Uncertainty about economic developments remains high, but we are well positioned and will continue to support our clients in these challenging times**

**Robert Swaak, CEO:**

‘The third quarter was again dominated by global events. The war in Ukraine has led to one of the largest humanitarian crises in decades, of which the long-term consequences are still difficult to assess. After a strong post-Covid recovery in the Netherlands, economic growth is starting to slow down due to high inflation, especially owing to the sharp rise in energy prices, combined with higher interest rates. The Dutch economy has strong fundamentals and the government is stepping in with support packages to ease the purchasing power shock. Uncertainty about economic developments remains high and we expect an economic slowdown. Although we are concerned about the outlook, we are well positioned to weather this environment and will continue to support our clients in these challenging times.

We maintained strong momentum in the third quarter as our mortgage and corporate loan books continued to grow. Our market share in mortgages improved further to 19.1% in Q3 and we remained the market leader in the Netherlands. We still face pressure on margins for mortgages and corporate loans due to a delay in passing on higher funding costs to clients.

In the third quarter, we delivered a good quarterly result, with a net profit of EUR 743 million and an ROE of 13.9%, supported by a book profit on disposals and low impairments. NII, excluding incidentals, has bottomed out as deposit margins continued to improve in the higher interest rate environment. We now expect NII to be around EUR 5.3 billion for the full year (excluding incidentals). Fee income increased by 7% compared with Q3 2021, driven by higher payment volumes, pricing and strong results at Clearing. Net new assets at Wealth Management, excluding custody assets, increased by EUR 1 billion. Costs in the third quarter came down by 2% (excluding incidentals and regulatory levies) compared with Q2 due to lower staff costs. We expect full-year costs to be around EUR 5.3 billion, excluding incidentals and additional costs for the new CLA.

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Against the backdrop of uncertainty and volatile markets, we continue to focus on risk management. Credit quality remains good and impairments were EUR 7 million for the quarter as the deteriorating macroeconomic outlook was offset by releases of non-performing loans. We continue to monitor second-order impacts on our clients caused by the war in Ukraine, including energy-intensive sectors, and prudent buffers remain in place. Risk-weighted assets increased by EUR 4.3 billion, mainly due to an adjustment in the application of the SME support factor and changes in the regulatory approach to models. Our capital position remains strong, with a fully-loaded Basel III CET1 ratio of 15.2% and a Basel IV CET1 ratio of around 16%. We are making progress in our AML remediation programmes, but ongoing effort is required to complete the programmes before the end of 2023.

We continue to deliver on our strategy to improve our performance and meet our bank-wide strategic targets. The three pillars of our strategy – customer experience, sustainability and future-proof bank – will drive profitable growth while we increase operational and capital efficiency. We took our customer experience a step further as we are continually developing new propositions for our clients both within our own digital channels and embedded in third-party digital channels. ID & pay is an embedded banking innovation that simplifies the onboarding and payment process for clients such as online brokers and shared mobility services. This app provides a single digital identification and payment functionality within the bank's secure environment. We are currently piloting the app with Swapfiets, a 'bicycle as a service' company. Meanwhile Tikkie, serving some eight million users in the Netherlands, introduced a new feature called Groepie, which allows multiple users to track and settle costs incurred as a group.

As we further integrate sustainability into the core of our business, we recently financed a housing development project with sustainable and affordable homes to help meet demand, as the housing shortage in the Netherlands remains severe. Our mortgage label Florius now offers senior clients financing solutions for intergenerational and informal caregiver homes, supporting their mobility in the housing market and enabling future-proof living. Next month, we will present our climate strategy as we take the next step in our climate journey. We will present intermediate targets for 2030 for five carbon-intensive sectors as well as for our client assets portfolio and we will provide a clear roadmap for further target setting. Our climate journey ahead will depend on many factors including regulation, technological developments and global events. In our climate strategy, we will provide a compass on how we make decisions going forward.

We are building a future-proof bank. The digital customer experience is the main reason for many clients to recommend our bank, and I am pleased that the third-quarter NPS for both consumer and corporate clients improved compared with Q2, with clients praising the functionalities of the ABN AMRO app and Internet Banking. To strengthen the focus on mobile banking, the key features of Grip, our personal finance management app, will be integrated into the ABN AMRO app, giving all users direct insight into their personal finances. Meanwhile, vulnerable clients who have difficulty keeping pace with technology can now attend special walk-in clinics at libraries throughout the Netherlands. The clinics are run by retired ABN AMRO staff on a volunteer basis.

Last month, we announced the departure of our Chief Human Resources Officer Gerard Penning. We are grateful for his dedication and hard work in recent years.Meanwhile, I am very much looking forward to the arrival of Carsten Bittner as our new Chief Innovation & Technology Officer. He will be central to ABN AMRO’s strategy of becoming a personal bank in the digital age.

I would like to extend my gratitude to all my colleagues for their strong commitment and drive, and I am pleased we have reached a new collective labour agreement. We will continue to focus on being the preferred partner for our clients, especially in these challenging times, and would like to thank them for placing their trust in us.

**Key figures and indicators**

| *(in EUR millions)* | *Q3 2022* | *Q3 2021* | *Change* | *Q2 2022* | *Change* |
|---|---|---|---|---|---|
| Operating income | 2,162 | 1,734 | 25% | 1,884 | 15% |
| Operating expenses | 1,254 | 1,301 | -4% | 1,321 | -5% |
| **Operating result** | **908** | **432** | **110%** | **563** | **61%** |
| Impairment charges on financial instruments | 7 | -12 | | -62 | |
| Income tax expenses | 159 | 102 | 56% | 151 | 5% |
| **Profit/(loss) for the period** | **743** | **343** | **117%** | **475** | **56%** |
| Cost/income ratio | 58.0% | 75.1% | | 70.1% | |
| Return on average Equity | 13.9% | 6.5% | | 8.8% | |
| CET1 ratio | 15.2% | 17.8% | | 15.5% | |

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