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IR/Press Release

ABN AMRO reports net profit of EUR 475 million in the second quarter 2022

- Good quarter, with a net profit of EUR 475 million and return on equity (ROE) of 8.8%. Continued progress towards our financial and non-financial targets for 2024
- Continued growth in mortgage and corporate loan books. Market leader in mortgages with a market share of 17.5% in Q2
- Deposit margins benefit from higher interest rates; net interest income (NII) is expected to bottom out in the second half of this year and to end around EUR 5.2 billion for the full year
- Fee income increased by 12% compared with Q2 2021, driven by higher transaction volumes in payments and strong results at Clearing
- Full-year costs expected to total around EUR 5.3 billion, excluding incidentals, as cost savings are partially offset by higher investments and regulatory levies
- Impairment release of EUR 62 million, reflecting continued good credit quality and improvements in non-performing loans. Cost of risk for H2 2022 expected to remain below the through-the-cycle cost of risk of 20 basis points. Prudent buffers in place against uncertainties in economic outlook
- Our capital position remains strong, with a fully-loaded Basel III CET1 ratio of 15.5% and a Basel IV CET1 ratio of around 16%. Interim dividend has been set at EUR 0.32 per share
- Approval from the ECB for a EUR 250 million share buyback, conditional on a potential NLF1 sell-down, demonstrating our commitment to capital return

Robert Swaak, CEO:

'The second quarter continued to be dominated by the war in Ukraine, first and foremost a humanitarian tragedy. The war is also causing high inflation and lower consumer confidence, and in combination with further lockdowns in China and supply chain disruptions, the economic outlook has weakened. The weakened outlook is not yet reflected in economic activity and we delivered a good performance this past quarter. I am pleased that now the ECB has increased its interest rate, we can stop charging our clients negative rates on their savings as from October. In these challenging circumstances, we are well placed to stand by our clients, while we continue to transform the bank towards a more client-focused and simplified organisation.

In the second quarter of 2022, we delivered a net profit of EUR 475 million and an ROE of 8.8%, a good result. NII was EUR 1,273 million, mainly due to lower prepayment penalties on mortgages and higher hedging costs. We expect NII to bottom out in the second half of the year, as deposit margins benefit from the improved interest rate environment, and to be around EUR 5.2 billion for the full year. We have seen continued growth of our mortgage and corporate loan books. Our market share for mortgages improved to 17.5% in Q2 and we are now market leader in the Netherlands. Client demand for corporate loans also remained strong. We continue to see pressure on margins for mortgages and corporate loans. Fee income increased by 12% compared with Q2 2021, driven by higher transaction volumes in payments and strong results at Clearing. Net new assets at Wealth Management were EUR 1.1 billion higher.

Operating expenses totalled EUR 1,321 million as AML remediation costs as well as investments relating to regulatory changes and expansion of our digital and data capabilities were higher than expected. We are making progress in our AML remediation programmes, but more effort is required than expected and the programmes will continue in 2023. We now expect full-year costs to be around EUR 5.3 billion, excluding

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incidentals, as cost savings are partially offset by higher investments and regulatory levies. We have further tightened our cost discipline, partly in anticipation of the current inflationary environment. We remain committed to our cost target of below EUR 4.7 billion in 2024, as AML and Corporate Banking non-core costs will come down and we will deliver on our cost-saving programmes.

Credit quality is good and impairments showed a release of EUR 62 million, reflecting improvements in non-performing loans. We see no sign of deterioration of the credit environment yet and expect the cost of risk for 2022 to remain below the through-the-cycle cost of risk of around 20 basis points. We continue to closely monitor the direct and indirect impacts of the war in Ukraine on the bank and our clients. Prudent buffers are in place against uncertainties in the economic outlook.

Risk-weighted assets increased by EUR 2.3 billion, mainly due to business developments and model reviews. Our capital position remains strong, with a fully-loaded Basel III CET1 ratio of 15.5% and a Basel IV CET1 ratio of around 16%. The interim dividend for the first half of 2022 has been set at EUR 0.32 per share, which amounts to EUR 287 million. We have received approval from the ECB for a EUR 250 million share buyback, conditional on a potential NLF1 sell-down, demonstrating our commitment to capital return.

We are a personal bank in the digital age, with our strategic pillars – customer experience, sustainability and future-proof bank – as our guiding principles. Undeterred by these challenging times, we remain fully focused on the execution of our strategy and are progressing on our financial and non-financial targets. To improve the customer experience, we continually develop new propositions for our clients. Together with a partner, we now offer a solution for restaurants that lets their customers order contactless and pay with Tikkie, giving restaurant staff more time to serve their customers. We continue to broaden our product offering in private markets, now also by giving our wealth clients the opportunity to invest in an infrastructure fund.

Sustainability is core to our purpose and strategy. We have introduced a sustainability dashboard for our wealthy clients, giving them insight into the GHG emissions and ESG risks of companies in their portfolios. Our Sustainable Impact Fund has invested in an energy market trading platform that contributes to a more efficient use of the power grid. We have also invested in an online coffee company that shortens the supply chain from farmer to consumer. We are updating our climate strategy and will present it at the end of this year.

We are building a future-proof bank, digital by design. We recently launched the Savings Lock, offering our clients extra protection by preventing them from acting on impulse and falling victim to scams. Chatbot Anna now also allows SME clients to check the status of their request to open an account. And our business clients can now sign their credit and guarantee documentation digitally with ZealID, a provider of qualified electronic signatures and a partner of ABN AMRO.

I would like to extend my gratitude to all my colleagues for their strong commitment and drive. And I would like to thank all of our clients for placing their trust in us. In the current environment, many of our clients are facing a challenging situation. We will continue to support them, true to our commitment to fostering long-term relationships, while creating value for all our stakeholders.'

Key figures and indicators

(in EUR millions)	Q2 2022	Q2 2021	Change	Q1 2022	Change
Operating income	1,884	1,732	9%	1,933	-3%
Operating expenses	1,321	1,228	8%	1,508	-12%
Operating result	563	504	12%	425	32%
Impairment charges on financial instruments	-62	-79	21%	62	
Income tax expenses	151	190	-21%	68	122%
Profit/(loss) for the period	475	393	21%	295	61%
Cost/income ratio	70.1%	70.9%		78.0%	
Return on average Equity	8.8%	7.6%		5.4%	
CET1 ratio	15.5%	18.3%		15.7%	

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