Amsterdam, 14 February 2024

Press release

ABN AMRO Bank posts net profit of EUR 545 million in Q4 2023

Q4 - Key messages of the quarter

- Good finish to the year with a net profit of EUR 545 million in Q4, reflecting continued high net interest income and impairment releases
- Strong result in 2023, with a net profit of EUR 2.7 billion and a return on equity of 12.2%; all client units delivered better results
- Net interest income in Q4 continued to be strong and increased to EUR 6.3 billion for 2023. Net interest income for 2024 is expected to be broadly in line with 2023
- Costs in Q4 were higher as we increased resources for data capabilities, further digitalisation of processes and sustainable finance regulation
- Credit quality continues to be solid. Impairment releases of EUR 83 million in Q4 due to net releases on individual files and releases from model reviews and management overlays
- EUR 500 million share buyback announced, and final dividend proposed equivalent to EUR 0.89 per share
- Capital position remains strong, with a Basel III CET1 ratio of 14.3% and a fully-loaded Basel IV CET1 ratio of around 15%

Update on capital framework and financial targets

- We confirm our strategic choices and continue our journey as a personal bank in the digital age, serving clients where we have scale in the Netherlands and Northwest Europe
- We target a fully-loaded Basel IV CET1 ratio of 13.5% by year-end 2026 and are committed to generating and returning surplus equity to shareholders in combination with targeted growth
- For 2026, we target a return on equity of 9-10%, and a cost/income ratio of around 60%
- We will allocate capital in line with our strategic priorities, building on current market positions while maintaining strict portfolio discipline.

Robert Swaak, CEO:

ABN AMRO delivered a strong annual result, generating a net profit of EUR 2.7 billion and a return on equity of over 12%. The financial results for 2023 were marked by a further recovery of our net interest income due to interest rates turning positive, lower operating costs and impairment releases. All client units delivered better results. Our strategy of being a personal bank in the digital age, serving clients in segments where we have scale in the Netherlands and Northwest Europe, is a clear driver of our improved risk profile. We confirm our strategic choices and continue to focus on attractive segments where we can grow profitably, bringing convenience into the daily lives of our clients and expertise when it matters.

Net profit in Q4 was EUR 545 million, reflecting continued high net interest income and impairment releases. The resulting return on equity was 9.5%. Net interest income in Q4 was EUR 1,504 million despite some margin pressure on mortgages and consumer loans and the loss of remuneration on the ECB minimum reserve requirement. For 2024, net interest income is expected to be broadly in line with 2023. Costs in the fourth quarter were higher, reflecting higher staff numbers for data capabilities, the further digitalisation of processes and sustainable finance regulation. For 2024, we expect costs of around EUR 5.3 billion, as these costs will remain elevated throughout the year.

Credit quality remains solid, with impairment releases of EUR 83 million in Q4 due to net releases on individual files and releases from model reviews and management overlays. Cost of risk for the full year was -5 basis points, reflecting the credit quality of the loan book and successful recovery of client files. We recalibrated the through-the-cycle cost of risk from around 20 basis points to 15-20 basis points. We remain cautious and continue to stay close to our clients, while prudent buffers remain in place. Risk-weighted assets increased by EUR 3.6 billion. This was mainly due to model updates as part of our ongoing review of models. Our capital position remains strong, with a Basel III CET1 ratio of 14.3% and a fully-loaded Basel IV CET1 ratio of around 15%, after the impact of the share buyback and proposed dividend. In line with our capital framework, we propose a final cash dividend equivalent to EUR 0.89 per share. In addition, we are continuing our share buyback programme and have announced a third share buyback of EUR 500 million.

We target a 13.5% CET1 on a fully-loaded Basel IV basis by year-end 2026. We are committed to generating and returning surplus equity to shareholders in combination with targeted growth in our focus segments and in specific transition themes. We will review our capital position annually at Q4 results publication. Our dividend policy remains unchanged at 50% of net profit. For 2026, we target a return on equity of 9-10%. We expect business growth at a level slightly above GDP growth. Costs for data capabilities, further digitalisation of processes and sustainable finance regulation are expected to decline by mid-2025, enabling us to invest further in revenue-generating initiatives. Our cost/income ratio target is around 60% in 2026.

In the past year, we faced challenges such as the continued climate crisis, inflation, and the energy crisis sparked by the war in Ukraine. I remain concerned about the ongoing uncertainty in the geopolitical environment, especially in Ukraine and the Middle East, and our thoughts are with all those affected by war. Climate change is one of the greatest challenges of our time, and ABN AMRO wants to help tackle this. Sustainability has been embedded in our strategy since 2018, and is part of our purpose, 'Banking for better, for generations to come'. We are convinced we need everyone to be part of a responsible, just and sustainable transition. I am glad that our bank can play a role here.

We seek long-term value creation for all our stakeholders, financial as well as non-financial. Healthy profits enable us to invest in growth, safe and secure banking and innovative products for our clients. I am pleased that the availability of our online and mobile services is very stable. Strong, safe and profitable banks are important for society as they support economic growth by financing companies and investments, facilitating the payment system and helping detect financial crime. A healthy profit is also key to ensuring confidence and trust in banks, contributing to financial stability.

After having served two terms as Chief Risk Officer, Tanja Cuppen will step down at the General Meeting in April. I want to sincerely thank Tanja for her leadership and invaluable contribution to the success of our bank. She has shown strong leadership in turbulent times and made a difference through her independent thinking, tremendous expertise and personal dedication.

Over the past few years, we have worked hard to transform the bank, creating a platform to successfully deliver on our strategy. In the next few years, we will accelerate our journey towards becoming a personal bank in the digital age with a clear licence to grow. Our staff have demonstrated tremendous agility and determination throughout this process. I am pleased that the outcome of the Employee Engagement Survey was much improved, as we could not have achieved this result without the commitment of our people. We will continue to build on our success for the benefit of all our stakeholders and I look forward to continuing this journey with you all.

	Q4 2023	*Q4 2022*	*Change*	*Q3 2023*	*Change*

Key figures and indicators
(in EUR millions)

Operating income	2,041	1,861	10%	2,211	-8%
Operating expenses	1,462	1,343	9%	1,228	19%
Operating result	**580**	**518**	**12%**	**983**	**-41%**
Impairment charges on financial instruments	-83	32		-21	
Income tax expenses	117	132	-11%	246	-52%
Profit/(loss) for the period	**545**	**354**	**54%**	**759**	**-28%**
Cost/income ratio	71.6%	72.1%		55.5%	
Return on average Equity	9.5%	6.4%		13.6%	
CET1 ratio	14.3%	15.2%		15.0%	

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