ABN·AMRO

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Press Release

ABN AMRO reports net profit of EUR 1,876 million for FY2022 and announces share buyback

Highlights of the quarter

- **Strong finish to the year with a net profit of EUR 354 million in Q4, reflecting higher interest rates and low risk costs**
- **Good result in 2022, with a net profit of EUR 1,876 million and an ROE of 8.7%; all client units delivered better results**
- **NII strong as deposit margins continued to benefit from higher interest rates; impact of higher rates expected to gradually level off**
- **Underlying costs 2% lower than in Q3; full-year costs 2023 expected around EUR 5.3 billion as inflation and higher investments delay the impact of savings programmes**
- **Credit quality remains solid. Impairments in Q4 were EUR 32 million, as additions for individual clients were partly offset by releases from macroeconomic scenarios**
- **Capital position remains strong, with a fully-loaded Basel III CET1 ratio of 15.2% and a Basel IV CET1 ratio of around 16%**
- **Final dividend of EUR 0.67 per share; EUR 500 million share buyback programme announced, superseding the conditional share buyback permission announced in Q2**
- **European economy more resilient than expected but we are cautious and prudent buffers remain in place. Our strong capital position enables us to support our clients in this challenging environment**
- **Steady progress in strategy execution; 2023 will be a year of delivery as we continue our transformation to becoming a personal bank in the digital age**

Robert Swaak, CEO

‘Our fourth quarter was a strong finish to a year in which we delivered a good financial result and made steady progress on the execution of our strategy. The current environment confirms our strategic choices as we benefit from our improved risk profile. The financial results for 2022 were marked by the normalisation of the interest rate environment and low impairments, while fee income increased by 7%. Our return on equity (‘ROE’) for 2022 was 8.7%. In a challenging environment all client units delivered better results. We executed our inaugural share buyback and maintained strict cost discipline. We transformed the business into three client units, published our climate strategy and were market leader in mortgages. The CIB non-core wind-down has almost been completed. And we made good progress on our AML remediation programmes, which we expect to finalise in 2023. In the past year the transformation influenced our NPS and employee engagement scores and we need to improve client and employee satisfaction. Culture remains my main priority in order to do better on execution. 2023 will be a year of delivery as we continue our transition to becoming a personal bank in the digital age. To further strengthen strategy execution and accelerate the transformation, we will appoint a Chief Operating Officer who will be responsible for operational performance.

In 2022 society and the bank once again demonstrated resilience in a challenging environment. We were faced with a new set of circumstances such as the war in Ukraine, rising energy prices and inflation. Combined with climate change and the aftermath of Covid, this is causing high levels of uncertainty with a large social impact. In line with our purpose, ‘Banking for better, for generations to come’, we aim to make a positive impact, working together with our clients to tackle the challenges of our times. We are pleased that our strong capital position allows us to be there for our clients in a world where economic, climate, health, geopolitical and other crises are converging and increasingly interconnected.

The European economy is proving more resilient than expected, but we still expect slower growth due to continued elevated energy prices and inflation levels. We remain cautious about the longer-term effects of inflation. In the Netherlands higher interest rates will continue to put pressure on the housing market, but excess savings post-Covid and a still very strong labour market are dampening the impact of inflation. Competition in the mortgage market was strong and our market share for the fourth quarter was 16%. Our mortgage portfolio increased by EUR 0.3 billion in the fourth quarter. Momentum in the corporate loan book remains positive, especially in our focus sectors digital, mobility and new energy. The decrease of EUR 2.8 billion was mainly driven by TLTRO-funded loan repayments and foreign exchange effects. Net new assets at Wealth Management increased by EUR 0.8 billion.

Net profit in Q4 was EUR 354 million, reflecting strong net interest income (‘NII’) growth, an incidental related to the change in TLTRO terms and low impairments. The resulting ROE was 6.4%. NII in Q4 was EUR 1,564 million as deposit margins continued to improve in the higher interest rate environment. Costs in the fourth quarter came down by 2% (excluding incidentals and regulatory levies) mainly due to lower staff costs. The total number of FTEs decreased by more than 7% in 2022, the reduction consisting mainly of external FTEs. Costs in 2022 totalled EUR 5.4 billion, reflecting our focus on cost discipline. We are working hard to reach our cost target of EUR 4.7 billion in 2024, though this has become more challenging in the current environment. Credit quality remains solid, with impairments in Q4 of EUR 32 million as additions for individual clients were partly offset by releases from macroeconomic scenarios. Cost of risk for the full year was 3 basis points. We remain cautious and continue to stay close to our clients, while prudent buffers remain in place.

Our capital position remains very strong, with a fully-loaded Basel III CET1 ratio of 15.2% and a Basel IV CET1 ratio of around 16%. In line with our capital framework, we propose a final cash dividend equivalent to EUR 0.67 per share. In addition, we have announced a share buyback of EUR 500 million, superseding the conditional share buyback announced in Q2. Our strong capital position enables us to consider further share buybacks. We are aiming for a gradual reduction of capital over time, in constructive dialogue with our regulator.

We are a personal bank in the digital age, with our strategic pillars – customer experience, sustainability and future-proof bank – as our guiding principles. We deliver a convenient banking experience and at moments that matter we support our clients with sector and sustainability expertise. To improve the customer experience, we continually develop new propositions for our clients. Tikkie is being used by a growing number of corporate clients as we launched a new app ‘Tikkie Zakelijk’, to allow companies to create and send Tikkies for business use. In the last quarter we were the first bank in Europe to register an innovative digital bond on a public blockchain, providing SMEs access to leveraged financing. We now also offer our corporate clients financing and installation of solar panels as a package, supporting our clients in reducing their energy bills with less hassle.

As we continue to further integrate sustainability into the bank, we published our climate strategy, and joined the Net-Zero Banking Alliance in December. Climate change, together with the associated social impact, is one of the biggest challenges of our time and we are committed to making a difference. In line with our purpose, we strive to achieve a responsible and just transition that is socially inclusive and respects human rights. Our climate strategy is a plan of action designed to achieve our goal of bringing our portfolios into line with limiting global warming to a 1.5°C scenario and supporting the transition to a net zero economy by 2050. We have set intermediate targets for 2030 for five sectors and will communicate targets for other sectors in 2023.

We are building a future proof bank and all daily banking products are now available remotely; clients no longer need to visit a branch. In the Netherlands we now operate with 27 branches. Following the popularity of video banking for mortgages, over 70% of daily banking is now conducted through video banking as clients are increasingly getting used to working with their bank by online appointment. Digital banking is not accessible to everyone, as also demonstrated by recent research by the Dutch central bank (DNB). Our financial coaches remain available for vulnerable groups of clients who need help keeping up with online banking and we will investigate how we can support these groups even better. As a personal bank we strengthen relationships by proactively reaching out to clients, for example mortgage clients at lifecycle moments. And our budget coaches call clients who are facing financial hardship due to the high energy and food prices to lend them a helping hand.

I want to thank Lars Kramer for his leadership and hard work. He has contributed to the execution of our strategy and to the constructive relationship with our shareholders and other major stakeholders. Our staff once again faced a lot of uncertainty and change, both professionally and personally, while working ceaselessly to offer our clients consistent service. While we continue to work on coming together as one bank and on further changing the bank, I am proud of our staff, as they consistently prioritise the interests of our clients. These past few years have clearly brought out the best in our people.

Our clients continued to put their trust in us throughout the year. We aim to keep learning how we can do better for them. Discipline and focus on execution and delivery help us to continuously improve every year. My main driver, like that of my colleagues, is to live up to the trust our clients and society extend to us.'

Key figures and indicators

(in EUR millions)	*Q4 2022*	*Q4 2021*	*Change*	*Q3 2022*	*Change*
Operating income	1,861	2,284	-19%	2,162	-14%
Operating expenses	1,343	1,433	-6%	1,254	7%
Operating result	**518**	**851**	**-39%**	**908**	**-43%**
Impairment charges on financial instruments	32	121	-74%	7	
Income tax expenses	132	177	-26%	159	-17%
Profit/(loss) for the period	**354**	**552**	**-36%**	**743**	**-52%**
Cost/income ratio	72.1%	62.8%		58.0%	
Return on average Equity	6.4%	10.8%		13.9%	
CET1 ratio	15.2%	16.3%		15.2%	

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