Financial Report for Q3 2024 - ABN AMRO

Executive Summary

ABN AMRO's Q3 2024 performance reveals a mixed picture. While the company saw growth in net fee and commission income, driven by strong performance in residential mortgages (achieving a 19.8% market share in new production), client deposits experienced a slight decrease compared to the previous quarter. This suggests a strategic focus on specific segments while navigating potential headwinds in other areas. The report highlights the need for further investigation into the factors influencing the decrease in client deposits and net interest income. 🔍

Key Financial Metrics

- **Client Deposits:** Slight decrease from Q2 2024. (page_2.png)
- **Net Fee and Commission Income:** Increased compared to Q2 2024, primarily due to higher volumes and market share gains in residential mortgages. 📈 (page_3.png)
- **Net Interest Income:** Decreased compared to Q2 2024, likely due to lower consumer deposits and reduced allocations from Treasury. 📉 (page*2.png, page*3.png)

Financial Statements Overview

- Detailed information on client deposits (current, savings, time deposits) is available in the table on page 2. (page_2.png)
- Further analysis of the income statement and balance sheet is needed to fully understand the impact of the changes in client deposits and net interest income.

Operational Performance and Market Conditions

- The company's operational performance suggests a focus on growing specific segments (residential mortgages) while navigating potential headwinds in other areas.
- The decrease in client deposits and net interest income warrants further investigation into the underlying market conditions and the company's strategies.

Management Commentary and Strategic Priorities

- Management commentary on the performance and strategic direction is not available in the provided insights.

Notable Events

- No notable acquisitions, partnerships, or shareholder-related information (dividends, stock performance) are mentioned in the provided insights.

Risks and Mitigation

- Potential risks include the decrease in client deposits and net interest income. The company's approach to mitigating these risks is not detailed in the provided insights.

Graphs and Tables

| Client Deposit Type | Q2 2024 | Q3 2024 | |---|---|---| | Current | ... | ... | | Savings | ... | ... | | Time Deposits | ... | ... |

(Note: Specific data for the table above is not available in the provided insights. Please refer to page 2 for the detailed table.)

Images to Attach

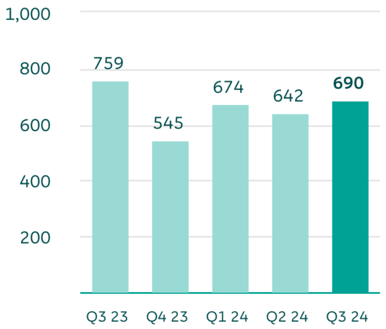
- page_2.png
- page_3.png

Image: page_2.png

Figures at a glance

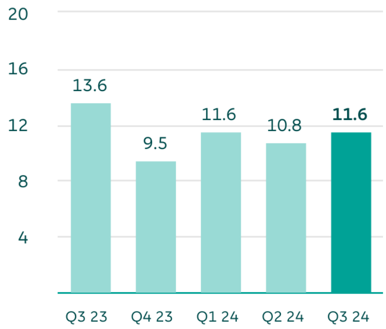
Net profit/(loss)

(in EUR million)



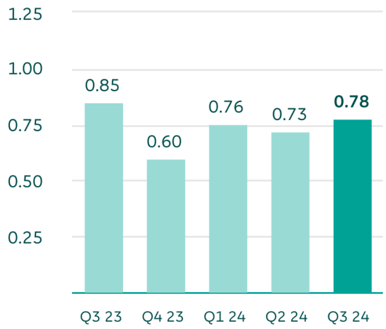
Return on equity

(in %) Target is 9-10%



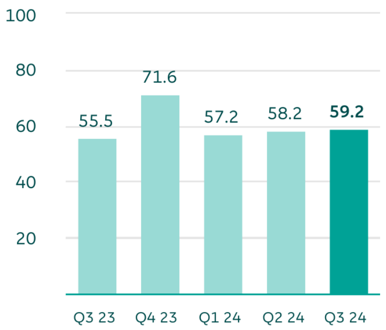
Earnings per share

(in EUR)



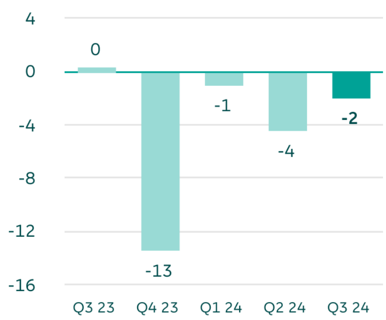
Cost/income ratio

(in %) Target is circa 60%



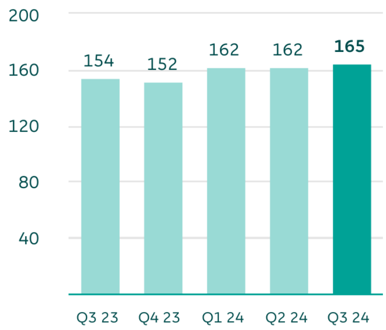
Cost of risk

(in bps)



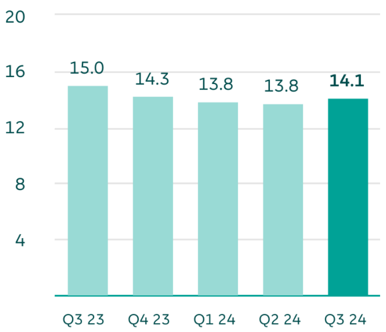
Net interest margin

(in bps)



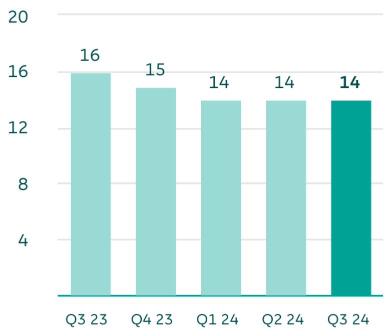
CET1 ratio (Basel III)[1]

(end-of-period, in %)



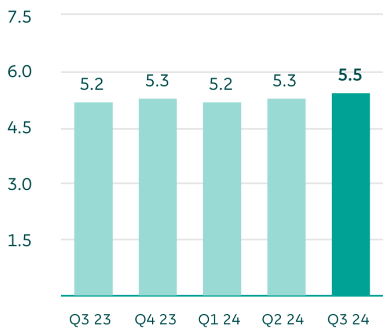
CET1 ratio (Basel IV)[1]

(end-of-period, in %) Target is 13.5%



Leverage ratio (CRR2)[1]

(end-of-period, in %)



1. Capital ratios for Q3 2024 are pro-forma, including 50% of the net profit in line with the existing dividend policy and the practice that was applied until Q2 2024. For more information about the ratios, please refer to the Capital management section.

All targets refer to our strategic targets for 2026.
For more information about net profit, return on equity, earnings per share, cost/income ratio, cost of risk and net interest margin, please refer to the Financial review section.

Message from the CEO

Key messages of the quarter

- **Strong quarterly results:** Net profit of EUR 690 million and 11.6% return on equity, driven by improved net interest income, strong fees and net impairment releases.
- **Continued mortgage portfolio growth:** Supported by an increase in new clients, mortgage book grew by EUR 1.6 billion.
- **Improved net interest income:** Benefitted from better Treasury result driven by the favourable interest rate environment.
- **Fee and commission income increased:** Growth of 6% year-to-date compared with the same period last year, driven by good performance in all client units.
- **Costs remain under control:** Increase in costs as anticipated due to the start of our new collective labour agreement and upscaling of resources.
- **Solid credit quality:** EUR 29 million in net impairment releases, reflecting a low cost of risk.
- **Strong capital position:** Basel III CET1 ratio of 14.1% and Basel IV CET1 ratio of around 14%.
- Assessment of capital position and potential room for share buyback postponed to Q2 2025 results.

Message from the CEO

In the third quarter, ABN AMRO delivered another strong set of results with improved net interest income (NII), increased fee income and net impairment releases. The resilient Dutch economy and thriving housing market continued to benefit our results. The rebound of the Dutch housing market was sustained in the third quarter, driving prices to new record levels. The average house price, as published by Statistics Netherlands, was around 4% higher than in Q2 2024 and around 11% higher than in Q3 2023. Transaction volumes have also continued to rise, with 15% more transactions this quarter compared to last year. Unemployment in the Netherlands is still historically low and the labour market remains tight. Inflation in Europe is continuing its downward trend, which is expected to drive the ECB to further interest rate cuts.

We saw our mortgage book grow by EUR 1.6 billion this quarter and year-to-date we remain market leader in new production. Our focus on the starters' market resulted in an increased client base and a leading market share position in this segment. Our corporate loan book remained stable. In the transition themes new energies, digital and mobility, we continued to see growth in the Netherlands and Northwest Europe.

Our financial results were again strong during the third quarter. Net profit was EUR 690 million, resulting in a return on equity of over 11%. Net interest income increased to EUR 1,638 million, reflecting an improvement in our Treasury result, which benefitted from the favourable interest rate environment. Our fee income was strong, driven by higher payment services fees within Personal & Business Banking, higher asset management fees at Wealth Management and higher transaction volumes at Clearing and Global Markets. Costs were impacted by our new collective labour agreement which became effective as of 1 July and by further upscaling of our resources for data capabilities and regulatory programmes. We still expect full-year costs to be around EUR 5.3 billion.

The resilient macro environment, low unemployment and the high credit quality of our portfolio led to limited inflow of individual impairments. These were offset by the impact of a new model with enhanced data for the mortgage portfolio, resulting overall in another quarter of net impairment releases. Our risk-weighted assets (RWAs) decreased by EUR 2.5 billion, mainly due to business developments and the first effects of data quality improvements. Together with the increase in CET1 capital, this resulted in a Basel III capital ratio of 14.1%. The Basel IV ratio remained around 14%. We are in the process of simplifying our model landscape while at the same time preparing for the upcoming implementation of Basel IV. Implementing these complex regulatory changes is taking longer than anticipated and as they impact our planned Q4 capital assessment, we have decided to postpone this assessment to Q2 2025.

We continue to work on enhancing customer experience and future-proofing our bank. Our clients are able to use a new feature in the ABN AMRO app to instantly verify whether an incoming call is genuinely from a bank employee. BUX announced a cooperation with PrimaryBid and Euronext, enabling our clients to participate in IPOs and other regulated fundraises, including deals previously reserved for institutional investors. This quarter, we were recognised by several