Q3 2014 results

analyst presentation

Investor Relations
14 November 2014

Key take-aways

Good third quarter results

- Dutch economy remains on a modest growth path, with consumer spending on the rise
- Housing market continues upward trend, both in terms of price as well as transactions
- Good progress in realising 2017 targets. YtD ROE and YtD cost/income ratio have both improved by 3 percentage points compared with last year
- Interest income continued to rise, loan impairments for mortgages decreased further, increased for corporate loans
- Retail Banking will accelerate the digitisation of key customer processes in order to respond to increasing use of mobile devices
- New business segmentation better caters to the needs of our clients and also improves transparency

Q3 results highlights

Q3 profit increased by 56% compared to last year

- Underlying net profit for Q3 2014 amounted to EUR 450m, up 56% compared with Q3 2013
- Operating income increased with interest income up 15% and fee income up 4%
- Loan impairments decreased 17% compared with Q3 2013 to EUR 287m
- Cost/Income ratio amounted to 57% over the third quarter, compared with 61% last year
- The ROE for Q3 2014 increased to 12.7% (8.4% same period last year)
- Reported profit amounted to EUR 383m due to the EUR 67m levy for SNS Reaal
- Strong CET1 ratio of 13.0% (fully loaded CET1 12.9%)
- ABN AMRO will pay an interim dividend of EUR 125m

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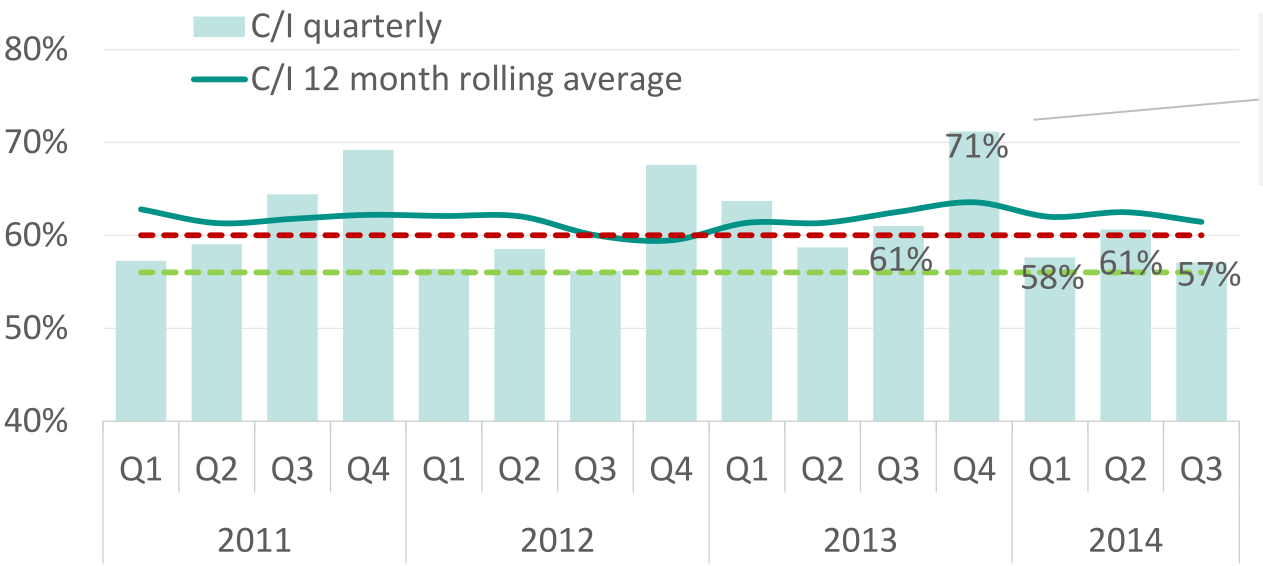
Financial targets

Cost / Income target

Cost / Income ratio over 9M 2014 lower compared with last year



The bank tax is due in Q4. If booked on a linear basis the Q1 – Q3 cost/income would be higher by 1.1% - 1.2%

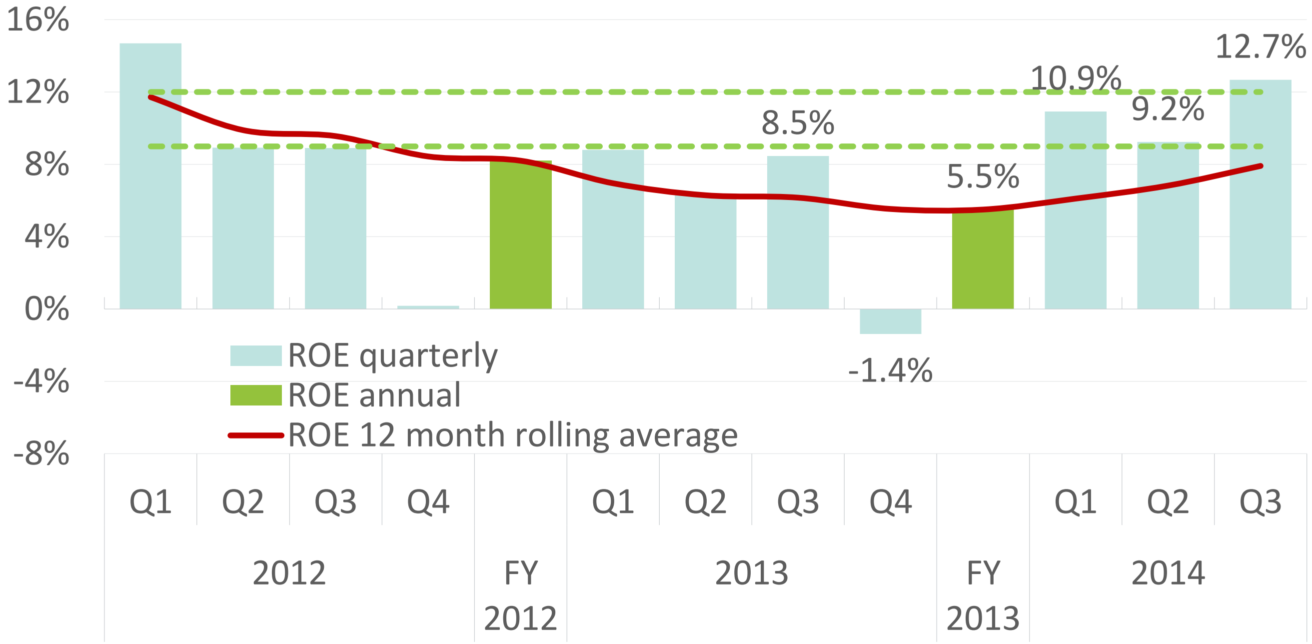
Target range 2017: 56%-60%

- The 12 month rolling average C/I has improved compared with Q4 2013
- Between 2014 and 2017 EUR 0.7 billion to be invested in modernising the core IT systems and corresponding processes
- The efficiency gains of IT investments towards 2017 are expected to offset wage inflation

Return on Equity target

ROE is rising thanks to rising NII, lower loan impairments, and stable costs

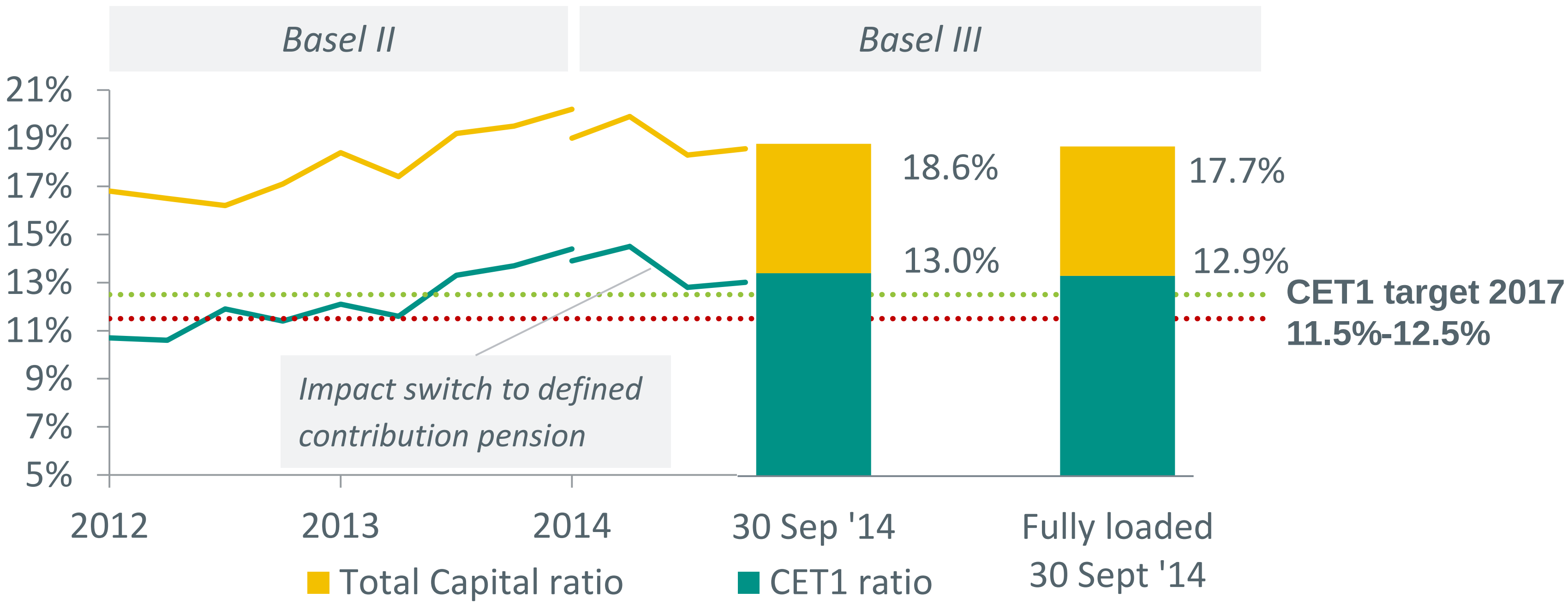
- ROE over first nine months was 11.0%
- The bank tax will be due in fourth quarter (if booked on a linear basis, ROE YtD would be lower by 65bps)
- Private Banking and especially Retail are performing well above target ROE
- Corporate Banking in due course to benefit from pick-up in Dutch economy



Target range 2017: 9% - 12%

CET1 capital target

Capital position strong and already above 2017 target range on a fully-loaded basis



- Consistent growth of capital over the last few years, dividends paid every year
- Fully loaded CET1 already above target of 11.5% - 12.5% for 2017
- Leverage ratio (without netting) 3.4% as of Q3 2014, 3.2% fully-loaded

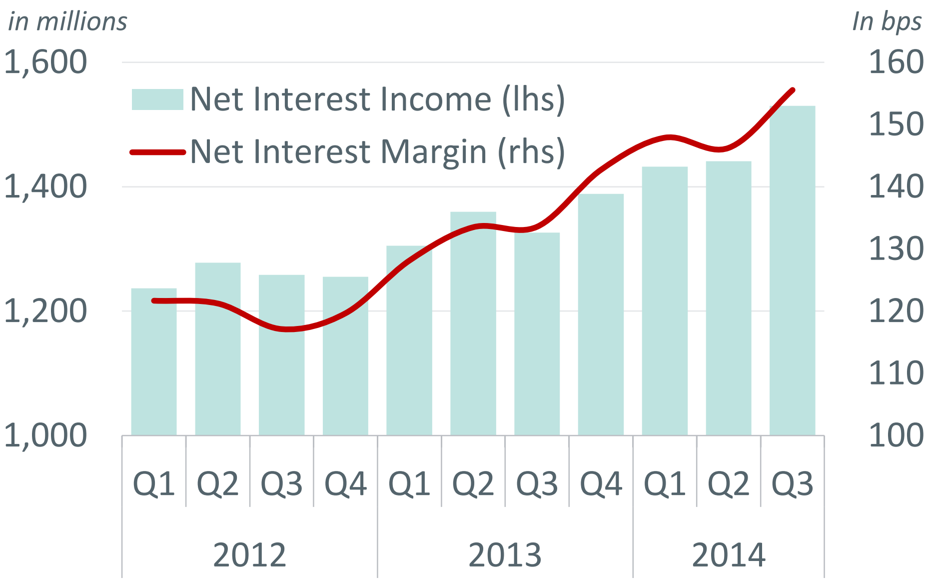
Q3 Highlights

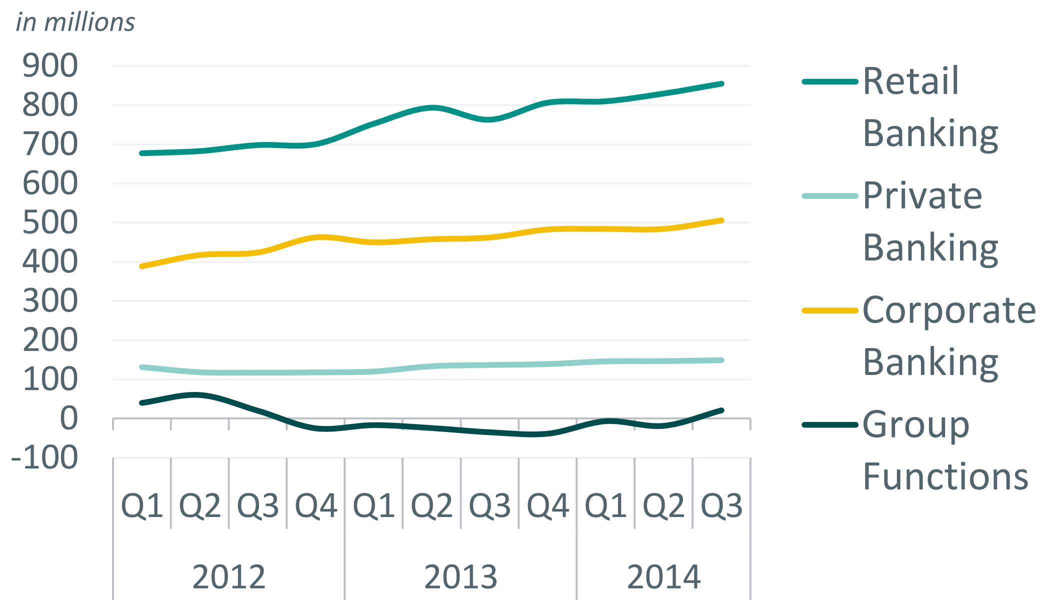
Net Interest Income and lower loan impairments drive Q3 profit improvement

In EUR millions	2014 Q3	2013 Q3	*Delta*	2014 YTD	2013 YTD	*Delta*
Net interest income	1,530	1,326	*15%*	4,403	3,991	*10%*
Net fee and commission income	419	401	*4%*	1,260	1,230	*2%*
Other operating income	61	147	*-59%*	246	375	*-34%*
Operating income	**2,009**	**1,874**	***7%***	**5,910**	**5,597**	***6%***
Operating expenses	1,147	1,143	0%	3,452	3,417	1%
Operating result	**862**	**731**	***18%***	**2,457**	**2,180**	***13%***
Impairment charges	287	347	*-17%*	990	1,112	*-11%*
Income tax expenses	125	95	*31%*	317	269	*18%*
Underlying profit for the period	**450**	**289**	***56%***	**1,151**	**799**	***44%***
Special items and divestments	-67	101		-417	408	
Reported profit for the period	**383**	**390**		**734**	**1,207**	
Underlying cost/income ratio (%)	57%	61%		58%	61%	
Underlying return on avg. IFRS equity (%)	12.7%	8.4%		11.0%	7.9%	
Net interest margin (bps)	156	134		150	132	

Interest Income

Interest income growing further due to higher margins and lower funding costs





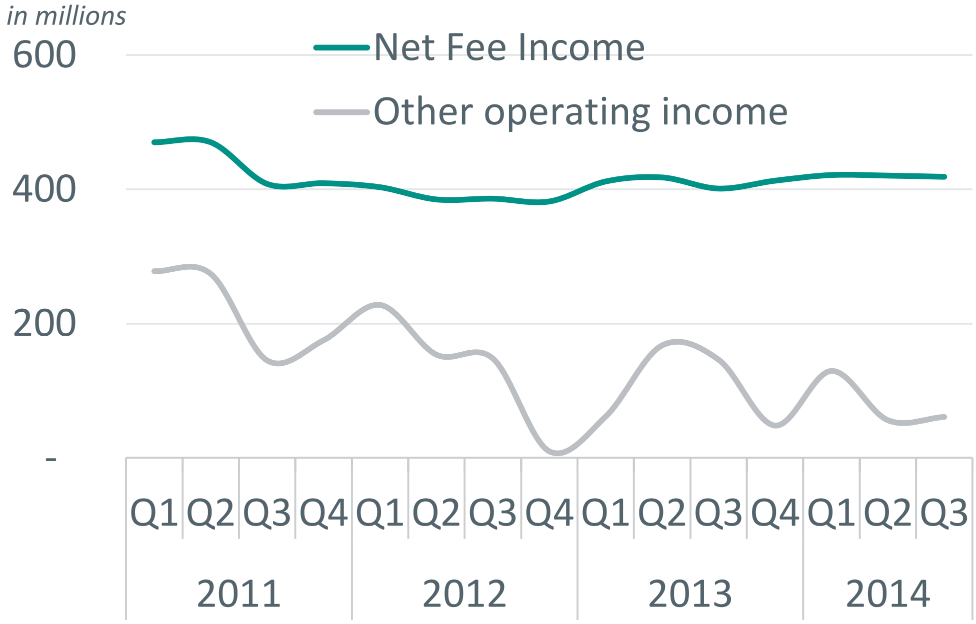
- NII showing a steady increase (CAGR[1] Retail +9.8%, Commercial Banking +11.1%)
- Increase driven by higher margins on deposits, mortgages and commercial loans and lower funding costs
- New production margin above average portfolio margin for mortgages and commercial loans leading to steady improvement of overall margin

1. *CAGR over period Q1 2012 through Q3 2014*

Net Fee and Other operating income

Stable fee income, Other operating income within Capital Markets Solutions declining

- Fee income has been stable over the last number of years
- Declining Other operating income mainly due to lower income within Capital Market Solutions



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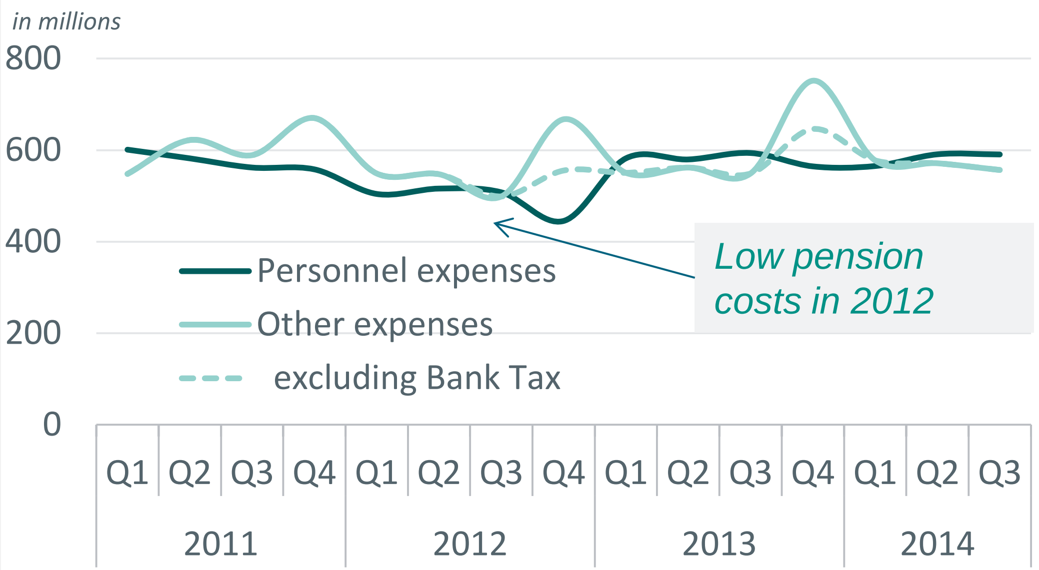
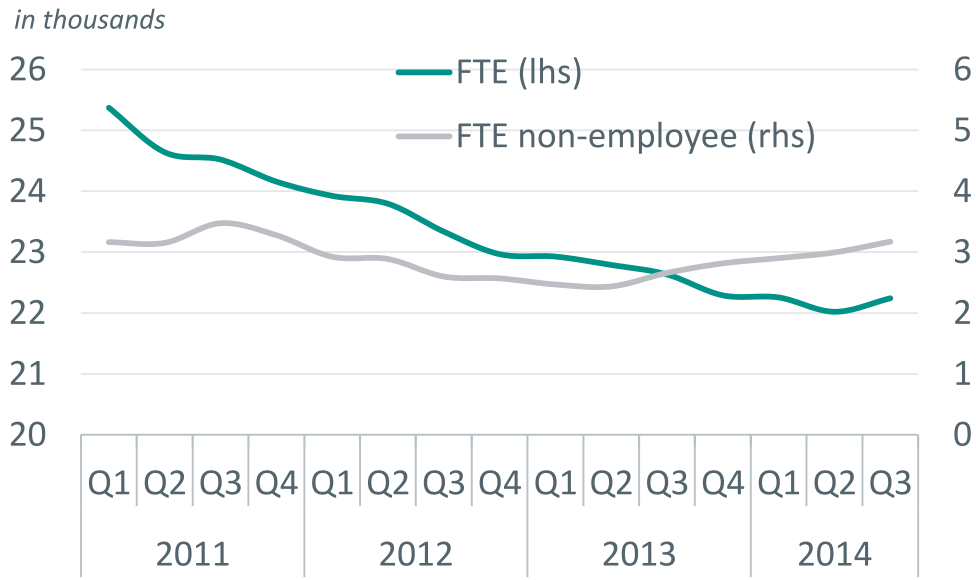
Expenses

Expenses are under control

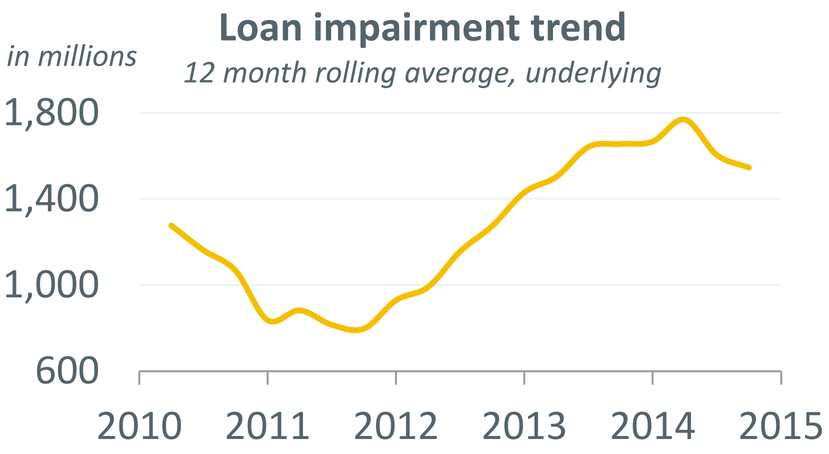


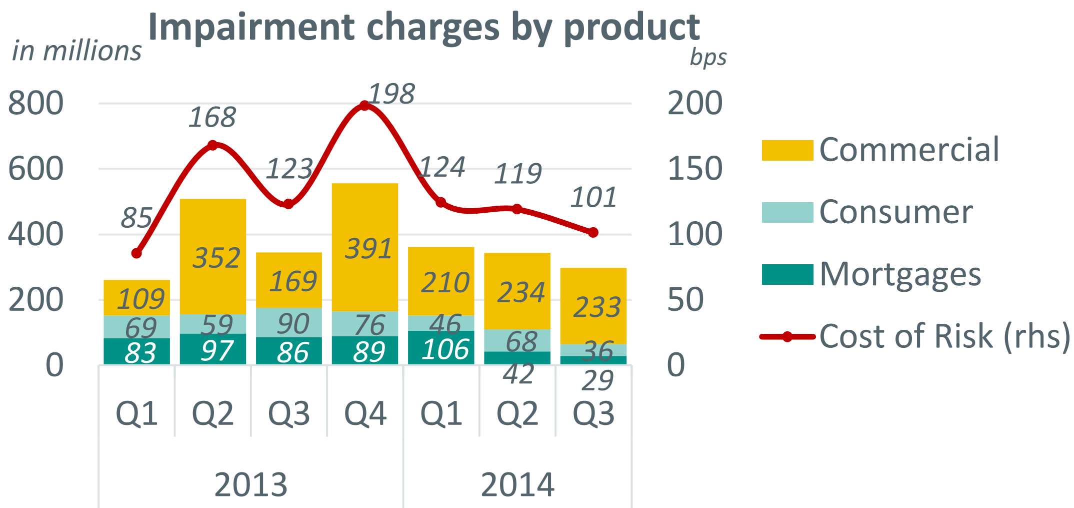


- Personnel expenses at similar level to 2011 Q1 as declining FTEs have compensated for wage inflation and move towards higher-grade workforce
- Trend distorted by much lower pension costs in 2012
- Other expenses show the impact of the bank tax in final quarter
- FTE uptick this quarter due to the acquisition of private bank in Germany

Loan impairments

Return of loan impairments to normal levels will take some time

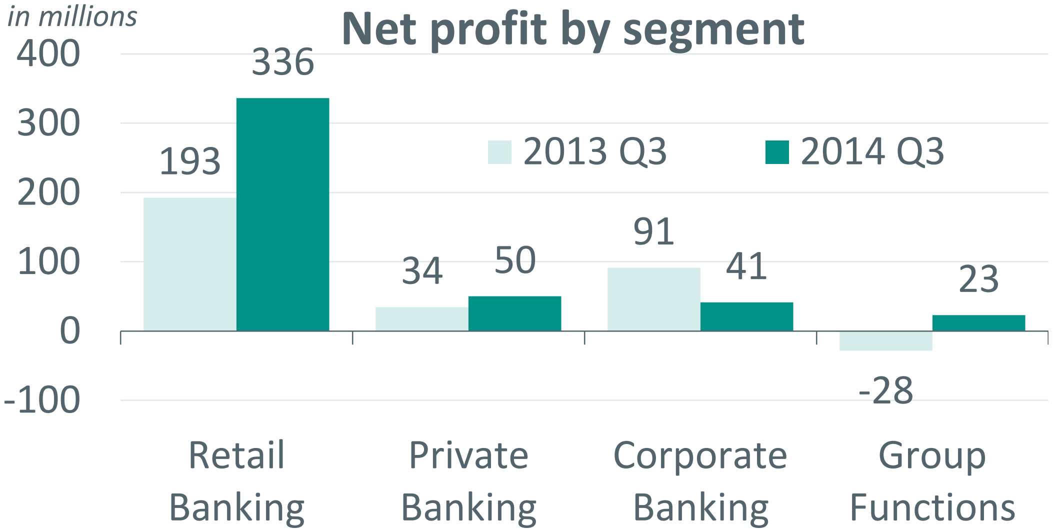


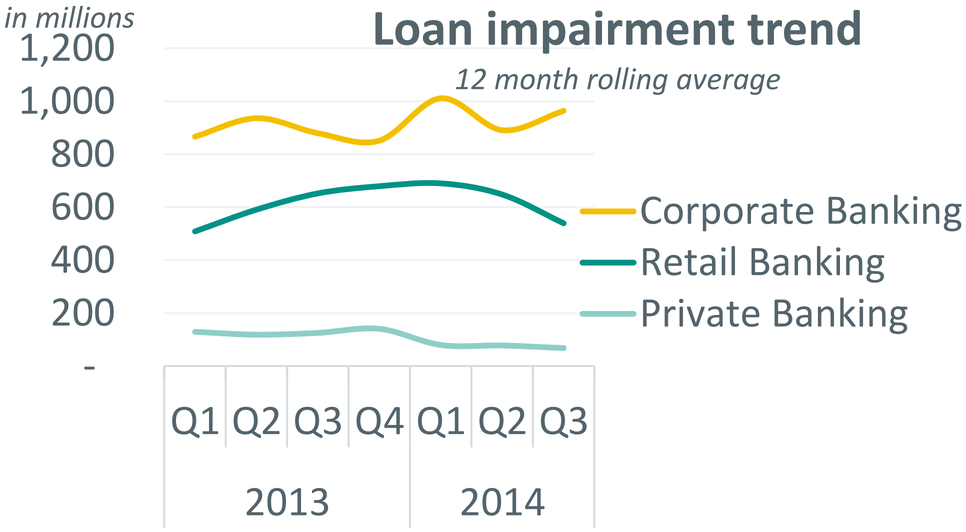


- Loan impairments trended lower mainly due to mortgages and SMEs
- Mortgage impairments down to 8 bps (annualised) compared to 23 bps Q3 last year, clearly showing signs of the economic recovery
- Loan impairments on commercial loans increased YTD, however SMEs with a domestic focus are trending down but still at a high level

Segment results

Retail Banking driving improvement in results

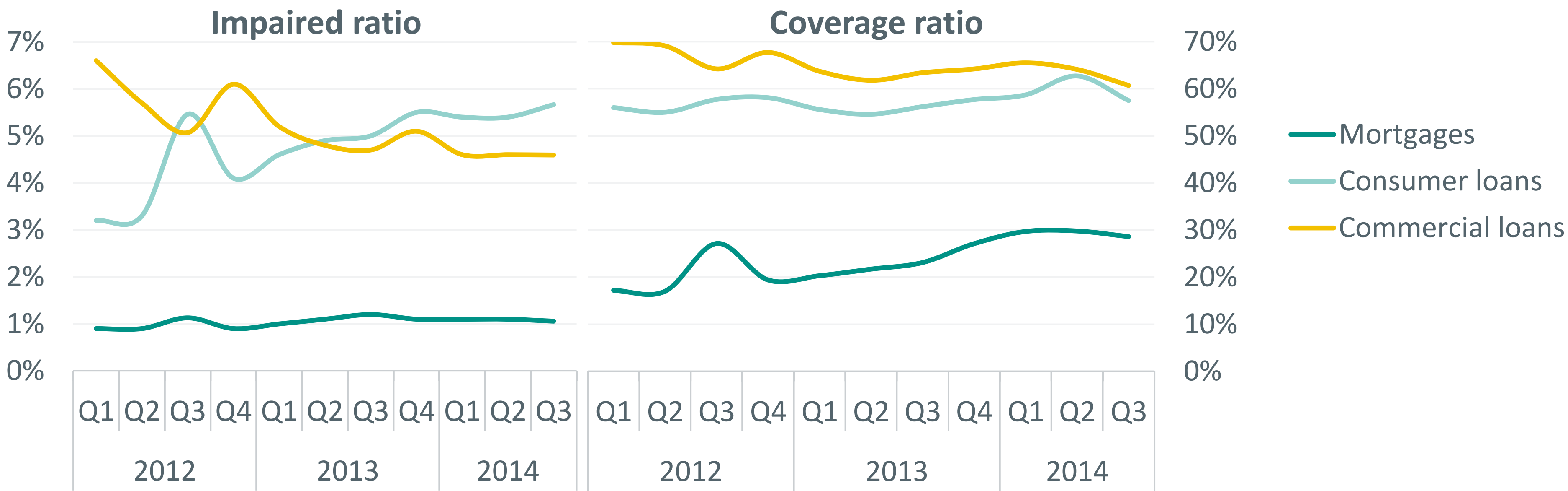




- Retail Banking result up 75% y-o-y due to higher NII and lower mortgages impairments
- NII within Retail up 12% due to higher deposit volume and higher margins on both mortgages and deposits
- Private Banking improved NII (driven by deposits) and showed lower loan impairments
- Corporate Banking result decreased due to higher loan impairments

Risk ratios

Impaired ratios at heightened levels, coverage ratio showing some decline

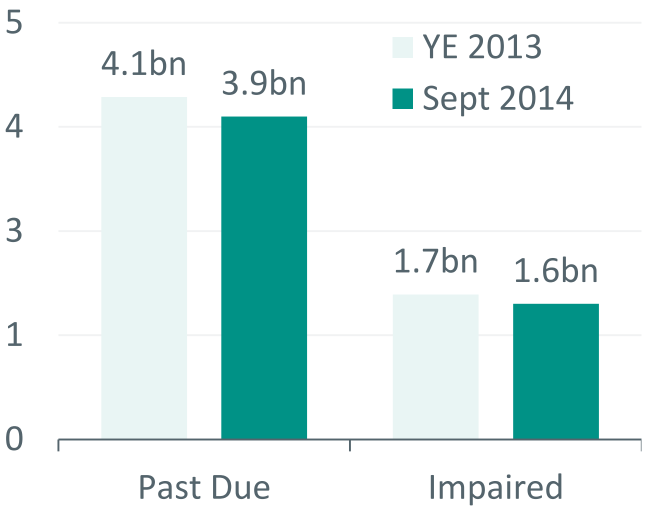


- Coverage ratio for mortgages is showing an initial decline
- Write-offs of commercial loans with high provisioning levels led to lower coverage ratio in Q3

Mortgage loans

Past due & impaired

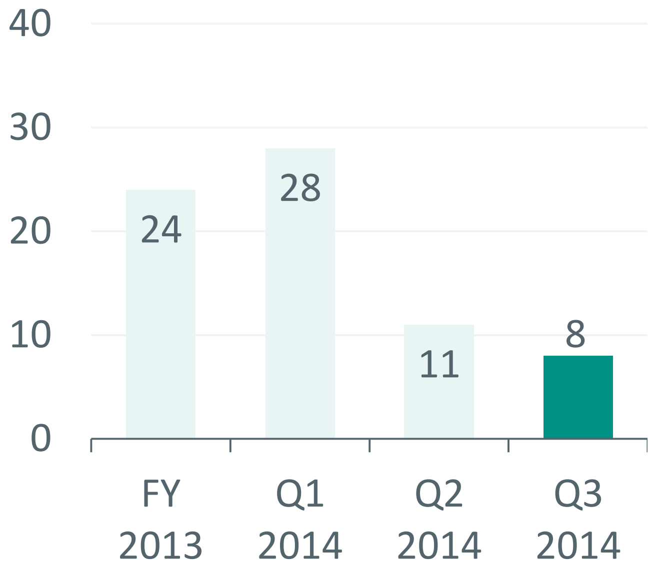
In billions



- Past due ratio down to 2.5% from 2.7% at year-end
- Impaired ratio remained unchanged at 1.1%

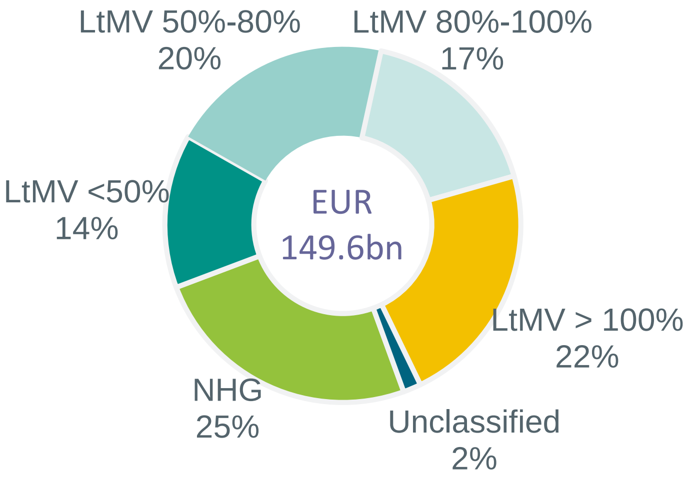
Impairments

In bps, loan impairments over mortgage loan book



- Decline of mortgage impairment charges continued

Loan to Value



- Average LtMV 84% as of Sept 2014 (June 2014 85%)

ECB Asset Quality Review & Stress Test

ABN AMRO comfortably passed the Comprehensive Assessment

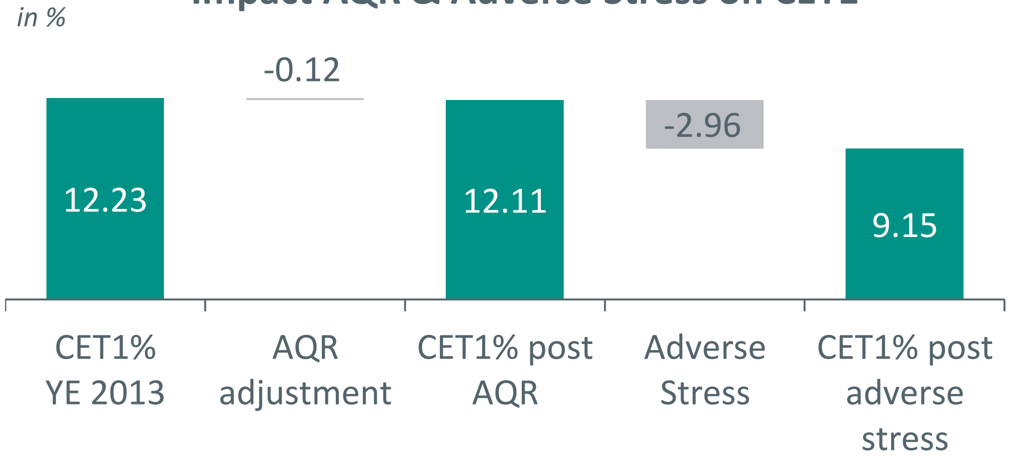
Asset Quality Review

- Over 60% of RWA was covered in the AQR
- AQR resulted in a 12bps CET1% adjustment
- No impact on P&L from regulatory prudential AQR adjustment
- ABN AMRO is considered to be ‘generally conservatively provisioned’

Stress Test

- Robust capital position withstands adverse scenario comfortably
- The post adverse stress CET1 ratio amounts to 9.15%, well above the 5.5% hurdle

Impact AQR & Adverse Stress on CET1



Retail strategic update

Retail to accelerate digitisation

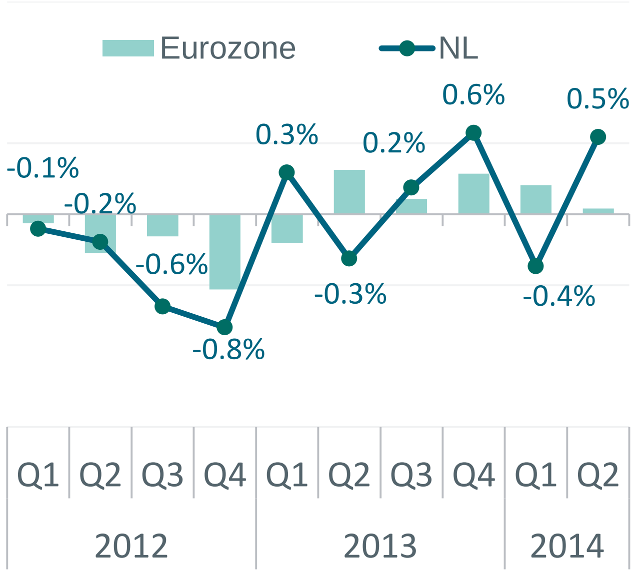
- Retail Banking is embarking on a programme to further enhance the customer experience
- Additional investments of EUR 150 million by 2018 to be made for end-to-end digitisation of the key customer processes
- In response to declining branch visits, Retail Banking will continue the clustering of branches, while making them broader in the services they are able to offer
- Retail work force to be reduced by 650-1,000 FTE by 2018
- A provision of EUR 50 - 75 million to be booked in the fourth quarter of 2014

Economic Indicators

Economic indicators

GDP

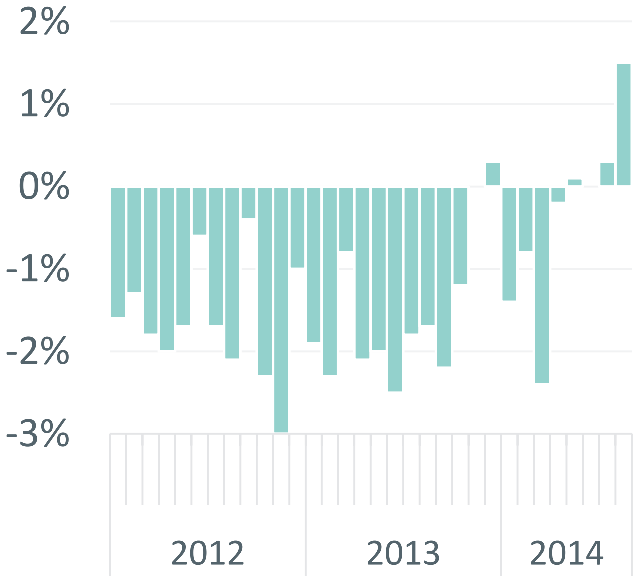
Q-o-Q, source Thomson Reuters Datastream, CBS



- Weak Q1 GDP result due to exceptionally mild winter (and hence lower natural gas revenues)

Consumer spending

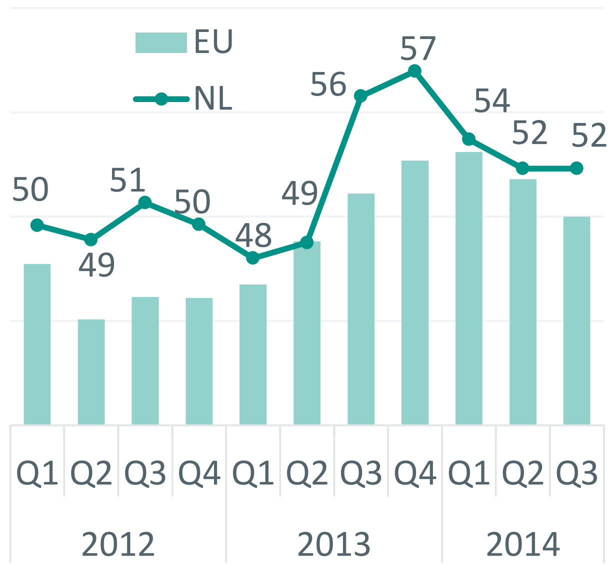
% change compared with same month year ago, CBS



- Consumer spending in august was 1.5% higher compared with same month last year

PMI

PMI indices, source Thomson Reuters Datastream

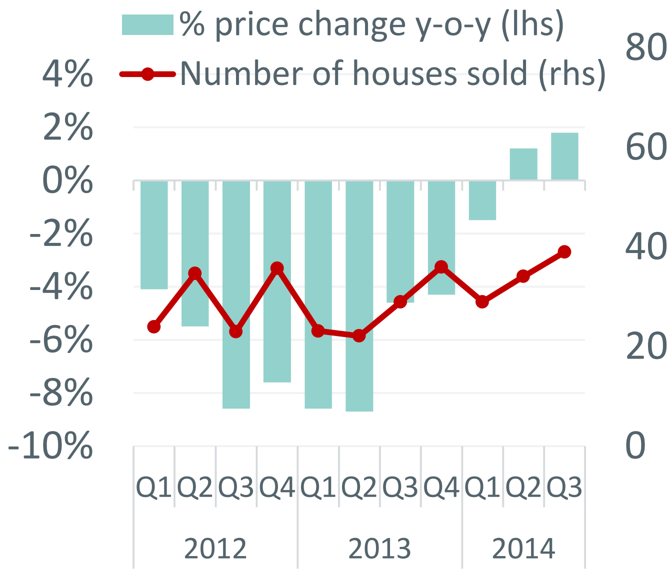


- PMI still marginally shows expansion (>50)

Economic indicators

House prices & houses sold

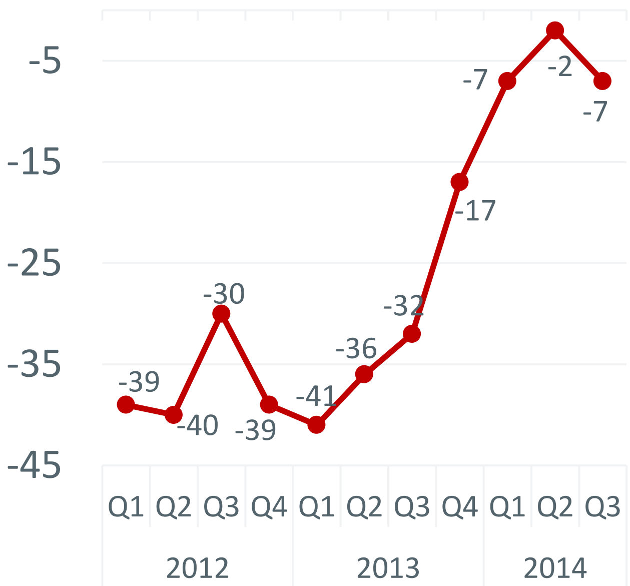
% change y-o-y average price houses sold, sales in '000, CBS



- House prices rose in Q2 and Q3
- Sales over first nine months picked up by 38% compared with 2013

Consumer confidence

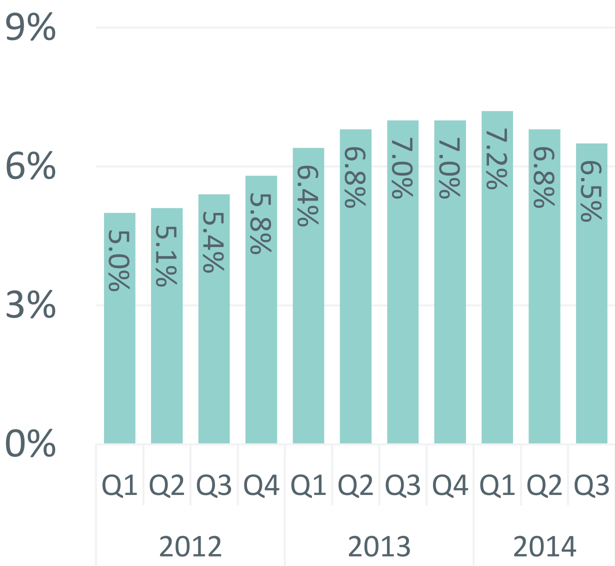
The Netherlands, seasonally adjusted confidence, source CBS



- Dutch consumer confidence in October 2014 rose to -3

Unemployment

The Netherlands, source Eurostat



- Unemployment decreased further in Q3 to 6.5%

Economic forecast

Forecast shows growth in the Netherlands for this year, despite weak Q1

- GDP forecasted to grow in 2014
- Unemployment trailing GDP as domestic firms still weak
- Low inflation forecasted, but no deflation

	2012	2013	2014E	2015E
Netherlands				
GDP (% yoy)	-1.7%	0.7%	0.8%	1.5%
Inflation (% yoy)	2.8%	2.6%	0.5%	1.0%
Unemployment rate (%)	5.3%	6.7%	6.8%	6.5%
Government debt (% GDP)	67%	69%	70%	70%
Eurozone				
GDP (% yoy)	-0.6%	-0.4%	0.9%	1.7%
Inflation (% yoy)	2.5%	1.3%	0.5%	0.8%
Unemployment rate (%)	11.3%	11.9%	11.6%	11.1%
Government debt (% GDP)	93%	96%	97%	96%

Source: Thomson Financial, Economist Intelligence Unit, ABN AMRO Group Economics, October 2014

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