Investor Relations

results Q4 2022

investor & analyst presentation | 8 February 2023

Highlights Q4 2022, strong finish to the year with net profit of 354m

- Net profit supported by strong NII and low impairments, partly offset by impact of unwind of TLTRO hedge
- Mortgage book further increased, business momentum for corporate loans remained healthy
- NII up from further recovery of deposit margins and higher ALM/Treasury results; FY2022 NII above guidance at 5.5bn [1)]
- Fees grew by 7% in 2022, supported by higher payment services (volumes and pricing) and good results at Clearing
- Underlying costs 2% lower than in Q3; FY2023 costs expected around 5.3bn as higher inflation and investments offset cost savings
- Credit quality remains solid, FY2022 CoR with 3bps well below TTC CoR of 20bps, prudent buffers remain in place
- Strong capital position, with Basel III CET1 ratio of 15.2% and a Basel IV CET1 ratio of around 16%
- Final dividend of 0.67 per share proposed [2)], start of 500m share buyback programme (superseding the 250m conditional SBB permission)

1) Excluding incidental of -82m
2) Total 2022 dividend of 0.99 per share

Good progress on strategy execution; 2023 year of delivery

Steady progress on our agenda in 2022

- Mortgage market leader in new production
- Entrepreneur & Enterprise concept live in all countries
- Successful transition to ‘digital first’
- Strong revenue development for Corporate banking in and outside NL reflecting successful NW-EU strategy
- CB non-core wind-down largely completed
- Climate strategy published with targets for 2030 for 4 carbon-intensive sectors and own client asset portfolio
- Simplified organisational structure implemented
- 500m share buyback announced

Focus on strategy delivery in 2023

- Income diversification from further growth in fee income
- Growth in targeted segments
- Improve NPS
- Focus on cost discipline
- Finalise AML remediation
- Increasing AML effectiveness and efficiency by risk based approach and automation

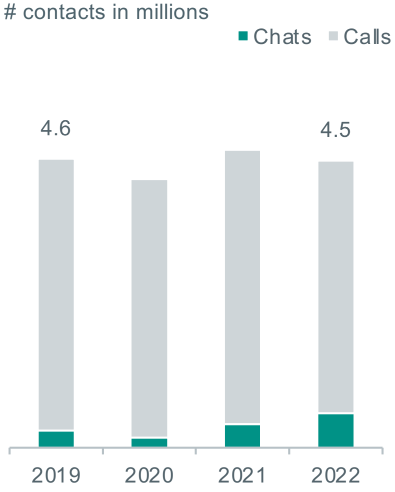
Customer experience

Sustainability

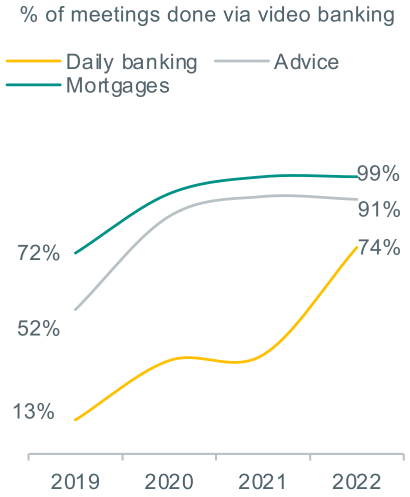
Future proof bank

27 branches remaining reflect successful transition to 'digital first'

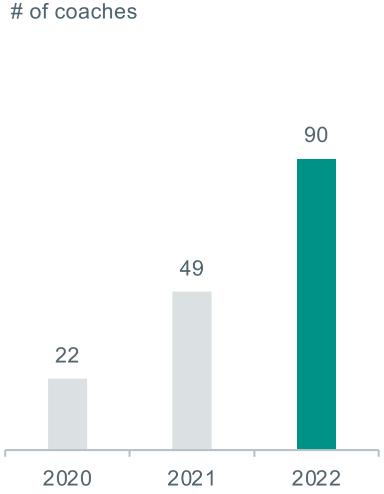
Customer care



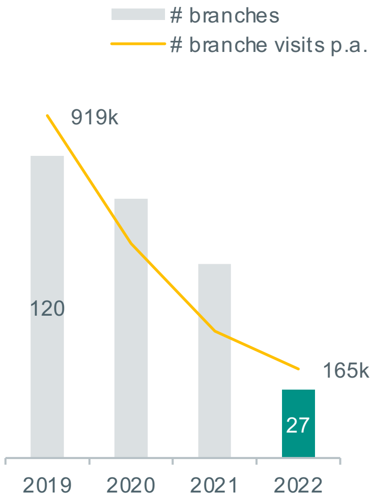
Video banking



Financial care coaches



Branches & visits



Personal bank in the digital age

- Extensive mobile/online functionality (including digital signing and onboarding) used by vast majority of clients
- Personal contact is available through Customer Care, video banking, financial care coaches and branches
- *Customer Care* is the first point of referral if clients need help or don't know how to use mobile/online
- *Video banking* is our primary channel to get in touch with our specialists
- *Financial Care coaches*; dedicated person assisting mainly elderly with their daily banking (also visiting clients home)
- Strong decline in branch visits as clients now use our other channels, enabling reduction down to 27 branches

Dutch economy expected to expand modestly, housing market cooling down

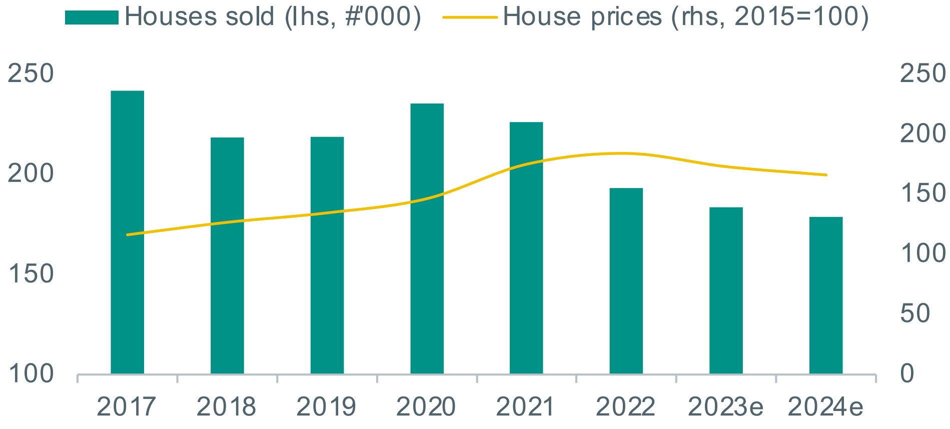
Dutch economy continues to outperform Eurozone [1)]

		2021	2022	2023e	2024e
Netherlands	GDP (% yoy)	4.9%	4.2%	0.5%	1.2%
	Inflation (indexed % yoy)	2.8%	11.6%	4.3%	4.0%
	Unemployment rate (%)	4.2%	3.5%	4.3%	4.2%
	Government debt (% GDP)	52%	50%	50%	50%
Eurozone	GDP (% yoy)	5.3%	3.4%	-0.3%	0.9%
	Inflation (indexed % yoy)	2.6%	8.4%	4.6%	2.1%
	Unemployment rate (%)	7.7%	6.7%	6.8%	7.2%
	Government debt (% GDP)	97%	95%	97%	102%

- Dutch economy expected to contract slightly in Q1 2023, thereafter growth is expected to resume
- For Eurozone a shallow, prolonged recession expected, with GDP contracting modestly for 4Qs as of Q4 2022
- Bankruptcies still low, but rising as government support measures phase out and high energy prices kick in
- Higher mortgage rates, lower disposable income and lower consumer confidence impact house prices (-6% 2023e and -4% 2024e) and mortgage transaction volumes (-5% 2023e and +2.5% 2024e [1)])

Dutch bankruptcies rising, but still historically low [2)]

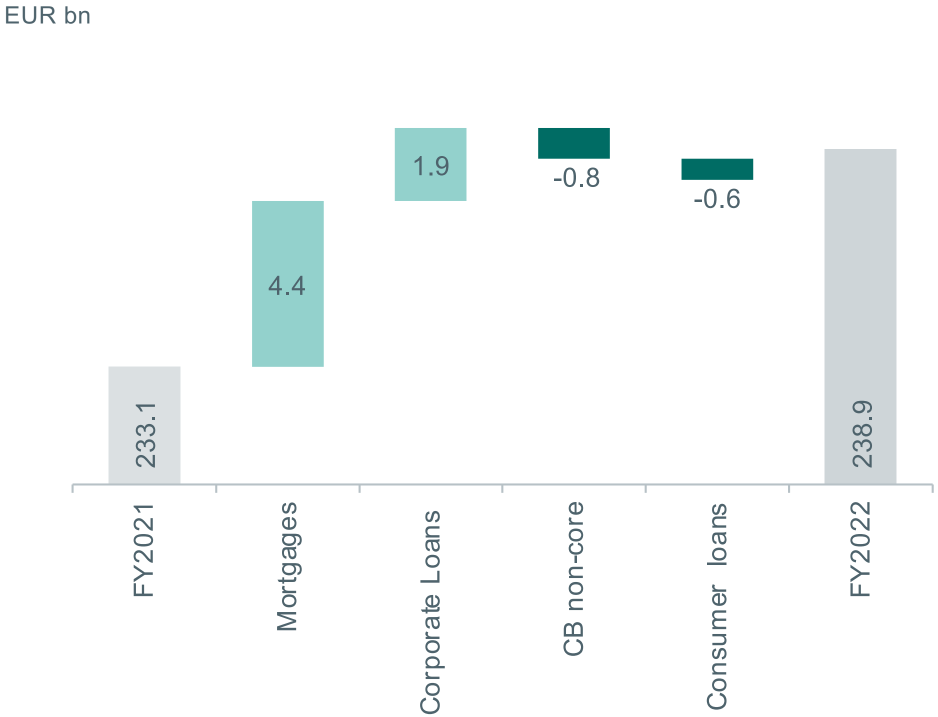
House price increases have come to an end [1, 2)]



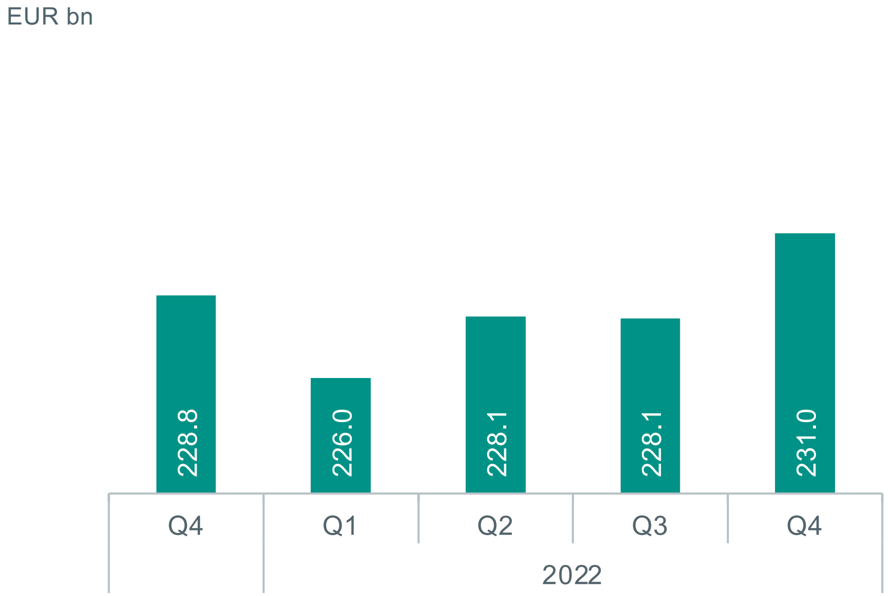
1) Source: ABN AMRO Group Economics forecast of 23 January 2023; house prices and transaction volume forecast 26 January 2023
2) Source: CBS

Volume growth in mortgages and corporate loans during 2022

Client lending development [1]



Client deposits

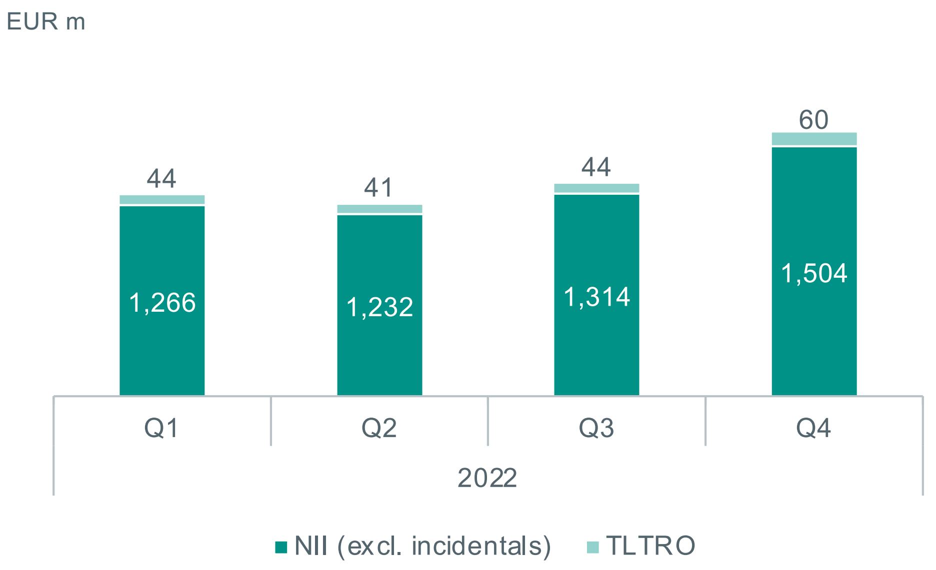


- Mortgage portfolio increased Q-o-Q despite slowdown of housing market; Y-o-Y mortgage book up by 4.4bn to 150.8bn
- Corporate loans grew by 1.9bn during the year reflecting healthy business momentum and growth in targeted focus sectors (digital infrastructure, mobility, and new energy)
- Client deposits increased Q-o-Q by 2.9bn, reflecting increasing economic uncertainty, which led to increased household saving

1) Excluding CB non-core

Strong recovery of NII driven by deposit margins and ALM/Treasury result

Further improvement of NII [1]



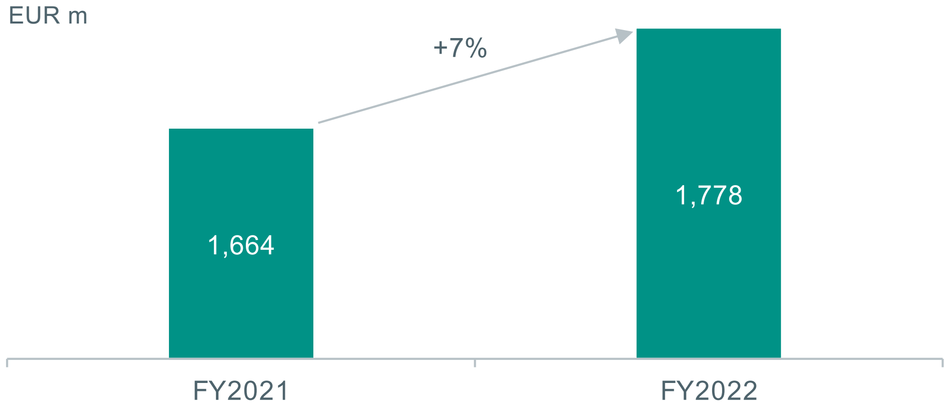
Key NII drivers Q4 vs Q3 2022

- Fourth quarter took a large step in normalisation of NII following significant ECB rate hikes, benefitting both deposit margins and ALM/Treasury results related to cash position
- ALM/Treasury result elevated reflecting unwinding of swap positions (c.35m in Q4)
- Margins on mortgage inflow below outflow. Consumer lending NII remained under pressure
- As of March 1st, savings coupon will increase by 25bps[2] to 50bps, competitive forces will increasingly drive development of savings margins going forward

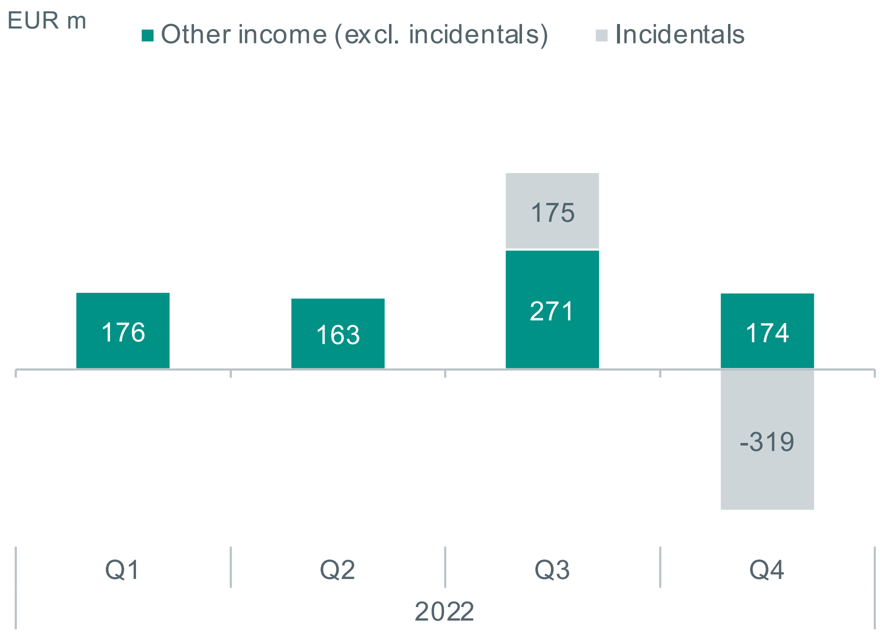
1) Excluding incidental in Q3 2022 of -82m; 21bn out of 35bn TLTRO drawdown repaid in Q4 2022
2) Savings coupon increased from 0 to 25bps on December 1st 2022, 50bp as of March 1st 2023

Fee income remained strong

Net fee and commission income



Other income 1)

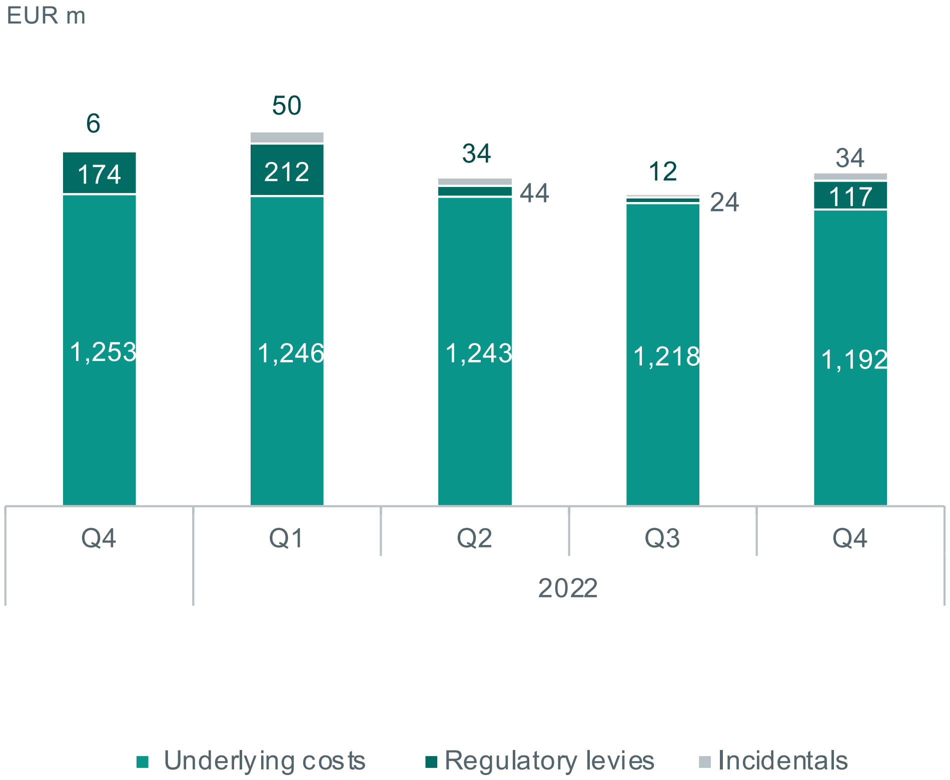


- FY2022 fees increased by 7% compared to FY2021, largely driven by higher income from payment services (volumes and pricing), higher credit card usage and good results at Clearing
- Other income ex. incidentals down versus Q3, mainly related to lower volatile items (ALM/Treasury result and XVA)
- Following the change in TLTRO terms, a negative impact of 319m from unwinding the hedge is booked in Q4

1) Incidentals: Q3 2022 sale AA leven: 42m, sale MP Solar: 60m and sale PPI: 73m; Q4 2022 TLTRO unwind: -319m

Underlying costs declined, FY2022 costs in line with guidance at 5.3bn 1)

Operating expenses 1)



- Underlying costs declined further, mainly related to a reduction of c.600 external FTEs
- External FTEs decreased by 30% in 2022, largely related to AML
- Cost saving programs delivering further savings (c.340m since YE2020)
- Impact of new CLA in Q4 (c.30m) offset by some staff related provision releases

1) Incidentals related to handling costs revolving consumer credit (Q4 2021: 6m & Q3 2022: 12m), AML remediation (Q1 2022: 50m & Q2 2022: 34m) and CLA related one-off (Q4 2022: 34m), total incidental 2022 of 130m

Cost flat FY2023, inflation & investments offset savings

Operational expenses [1)]

EUR bn

Savings >0.4bn (>40%)

- *Complete CB wind-down (~0.1bn)*
- *Efficient AML BaU (>0.1bn)*
- *Lower regulatory levies (~0.2bn)*

Savings c.0.2bn (c.5%)

- *Cost savings exceed inflation (net ~0.1bn)*
- *Normalisation of strategic investment spend (~0.1bn)*

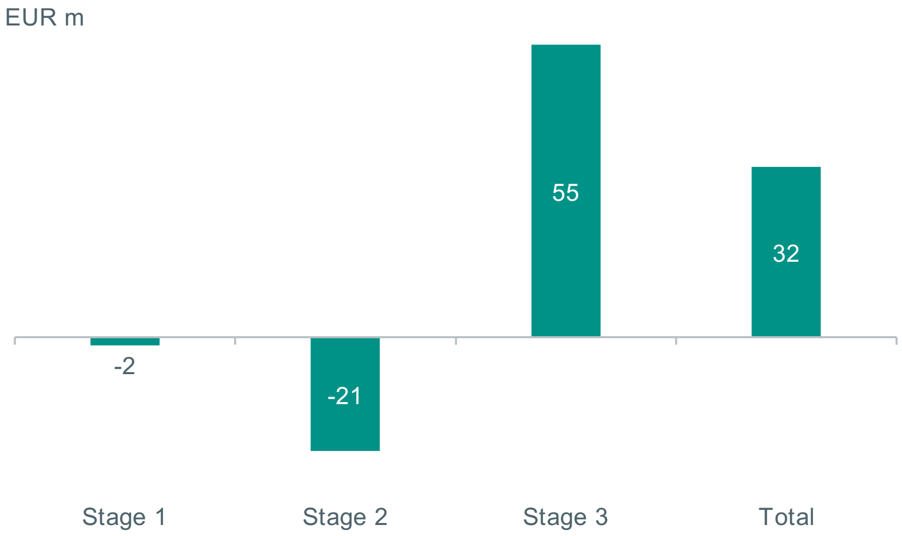
5.3bn FY2022 **4.7bn FY2024**

- FY2023 costs expected flat vs. FY2022 at c.5.3bn
  - CB non-core and AML costs expected to come down (~0.1bn combined)
  - Regulatory levies unchanged in 2023
  - Core cost base expected to increase by ~0.1bn (impact of higher inflation and higher investments)
- Significant back end loaded cost reductions in 2024
  - Completion CB non-core wind-down and more efficient AML processes to reduce cost by another ~0.1bn vs. 2023
  - Regulatory levels expected to reduce by ~0.2bn [2)]
  - Reduction of core costs from existing savings programs and lower investment spend
- 2024 target challenging due to increased inflation and higher investments

1) Operational expenses excluding incidentals (130m for FY2022)
2) Regulatory levies assumed lower as SRF and DGS reaching target size in/during 2024

Low impairments on back of further reduction in non-performing loans

Low impairments in Q4

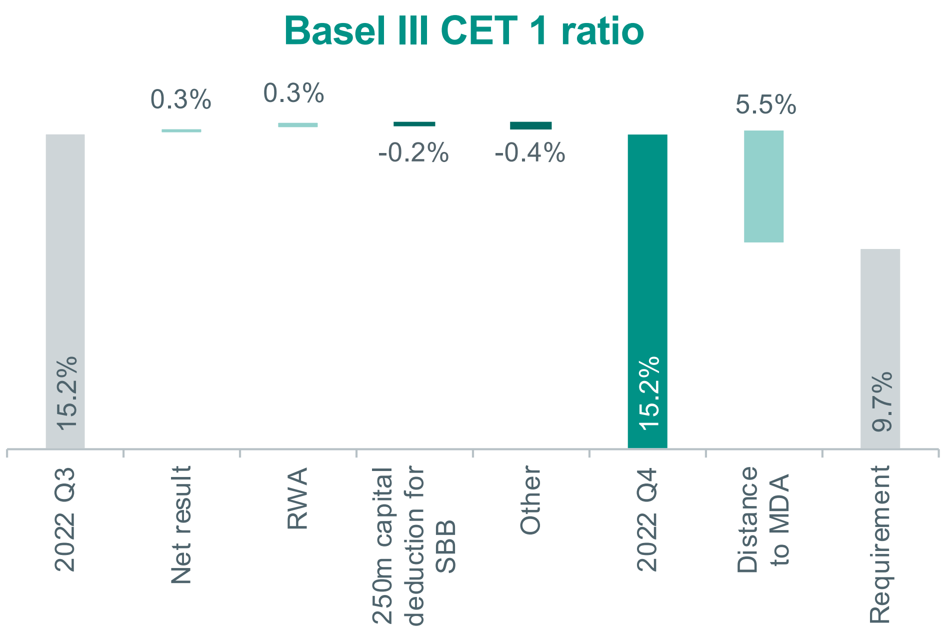


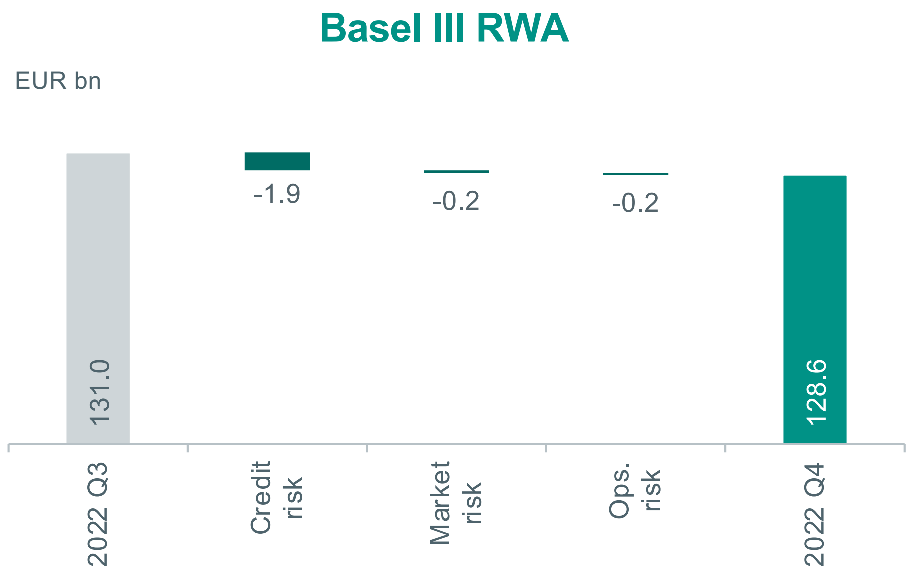
Impaired ratio stable

	Stage 3 loans (EUR m)		Stage 3 coverage ratio	
	Q4	Q3	Q4	Q3
Mortgages	1,143	1,118	6.6%	7.9%
Corporate loans	3,666	3,962	28.2%	30.5%
- of which CB non-core	*471*	*607*	*45.5%*	*52.4%*
Consumer loans	363	368	58.2%	58.9%
Total	**5,175**	**5,452**	**25.6%**	**27.8%**
Impaired ratio (stage 3)	**2.0%**	**2.0%**		

- Impairment charge of 32m, reflecting additions to stage 3, partly offset by releases in stage 1 and 2
- Releases mainly caused by adjustment in weights of macroeconomic scenarios and lowering of management overlays
- Additions to stage 3 impairments related to both new and existing defaulted clients in our corporate loan book
- Management overlays decreased by c.40m to 330m, of which almost half is related to war in Ukraine and Covid
- Further drop in non-performing loan exposure, reflecting repayments, write-offs and clients returning to stage 2

Strong capital position





- Well capitalised with a Basel III CET1 ratio of 15.2%, including 500m capital deduction for SBB (c.40bps)
- Maximum Distributable Amount (MDA) trigger level of 9.7%[1)], increased countercyclical buffer [2)] included in capital targets
- RWA decrease largely from lower credit risk RWA reflecting (seasonal) business developments
- Basel IV CET1 ratio c.16%, Basel III RWAs above Basel IV

1) MDA trigger excludes AT1 shortfall

2) Dutch CcyB to increase by 1% on 25 May 2023, full implementation of 2% by Q2 2024; impact on MDA of around 1.5%

Our long term financial targets

	Long term targets	FY2022
Return on Equity	c.8% by 2024; ambition 10% with normalised rates	8.7%
Absolute cost base	4.7bn FY2024	5.3bn [1)]
Cost of Risk	Around 20bps through the cycle	3bps
Basel IV CET1 ratio	13% (threshold for share buybacks 15%)	c.16%
Dividend pay-out ratio	50% of reported net profit [2)]	Total dividend of 0.99 per share [3)]

1) Excluding incidentals
2) After deduction of AT1 coupon payments and minority interests
3) Interim dividend of 0.32 per share and final dividend of 0.67 per share

Appendices

FY2022 supported by strong recovery in NII, fees and low impairments

EUR m

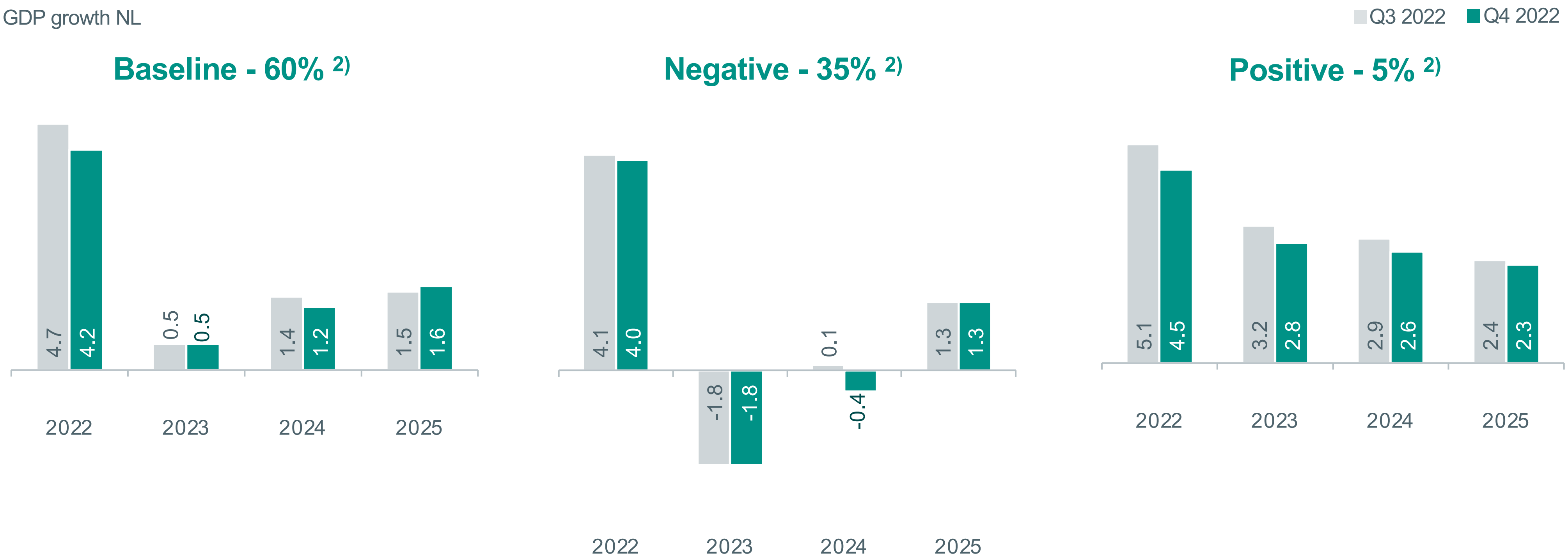
	2022 Q4	2022 Q3	Change	2022	2021	Change
Net interest income	1,564	1,276	23%	5,422	5,210	4%
Net fee and commission income	443	441	0%	1,778	1,664	7%
Other operating income	-145	446		640	724	-12%
Operating income	**1,861**	**2,162**	**-14%**	**7,841**	**7,597**	**3%**
- of which CB non-core	*13*	*21*	*-37%*	*85*	*1*	
Operating expenses	1,343	1,254	7%	5,425	5,806	-7%
- of which CB non-core	*36*	*39*	*-8%*	*169*	*279*	*-39%*
Operating result	**518**	**908**	**-43%**	**2,415**	**1,791**	**35%**
Impairment charges	32	7		39	-46	-184%
Income tax expenses	132	159	-17%	509	604	-16%
Profit	**354**	**743**	-52%	**1,867**	**1,234**	**51%**
- of which CB non-core	*-28*	*18*		*-13*	*-287*	*-95%*
Loans & advances (bn)	258.5	276.7	-18.2	258.5	261.4	-2.9
- of which CB non-core	*0.9*	*1.3*	*-0.4*	*0.9*	*1.5*	*-0.6*
Basel III RWA (bn)	128.6	131.0	-2.3	128.6	117.7	10.9
- of which CB non-core	*2.1*	*2.4*	*-0.4*	*2.1*	*2.9*	*-0.9*

- NII +23% in Q4 from deposit margins and ALM//Treasury result; FY NII reflects rebound due to higher interest rates
- Fees stable during Q4; FY fees +7% from good performance at Clearing, higher payment package fees and increased payment transaction volumes
- Q4 expenses higher due to levies (seasonal) and new CLA; FY cost ex. incidentals [1)] slightly up from inflationary pressure / CLA
- Low impairments in Q4; FY CoR of 3 bps, well below TTC CoR of 20bps
- CB non-core progressing well with over 90% of assets wound down since H2 2020 and costs reductions gathering pace

1) Incidentals FY2022: 130m and FY2021: 530m

Macroeconomic scenarios to calculate credit losses [1)]

GDP growth NL



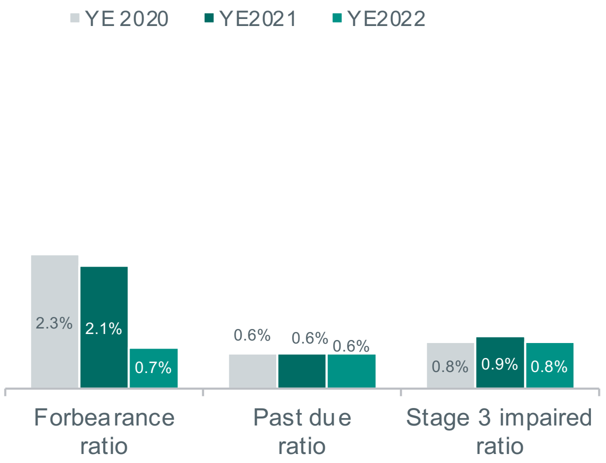
Differences Q4 2022 vs Q3 2022, no more gas/oil from Russia in base case

- Baseline now assumes no more Russian gas (was assumption for Negative and Adverse in Q3) nor for oil reflecting the import ban per 2023; impact on baseline MEVs is offset by government support package including an energy price cap
- A short (but significant) recession still expected in the eurozone, and a short but quite mild recession in the Netherlands
- In negative, on top of a complete, indefinite shut-off of Russian gas to Europe and a ban of Russian oil (products), stress from the energy sector is larger/ longer lasting compared to base case
- In positive, Dutch government continues with fiscal spending programs to reduce energy reliance on Russia and support energy transition

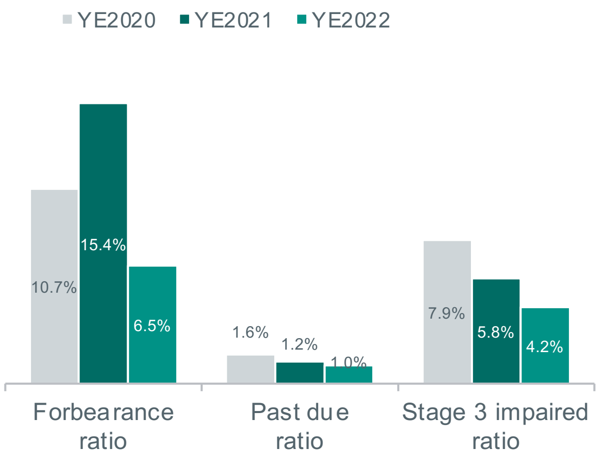
1) Group Economics scenarios per September 2022 used for Q3 2022, per December 2022 used for Q4 2022
2) Weights for Q3 2022: 30% Baseline, 60% Negative and 10% Positive

Continued strong credit quality, no signs of asset quality deterioration

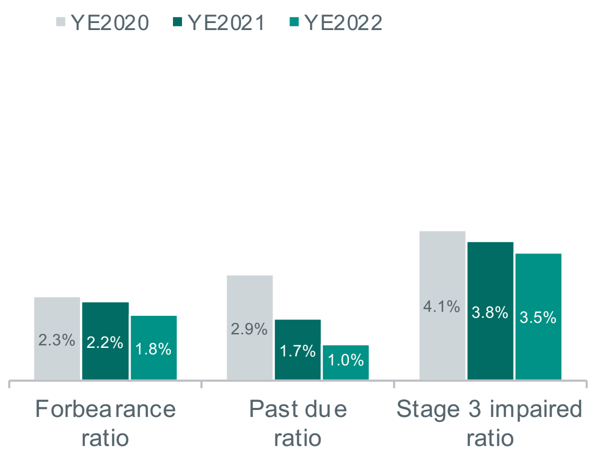
Residential mortgages (c.151bn)



Corporate loans (c.82bn)



Consumer loans (c.10bn)



- Despite war in Ukraine, high inflation and end of Covid support, credit risk metrics have continued to see improving trend
- Forbearance ratios [1] came down as probation period for provided payment holidays for Covid expired for corporate loans and mortgages
- Past due ratios [2] came down except for mortgages, which were stable compared to YE2021
- Decline in stage 3 impaired ratios [3], for corporate loans due to repayments and to a lesser extent, write-offs as well as clients returning to stage 2

1) Forbearance ratio: Forborne exposures (resulting from certain measures applied to clients in financial difficulty) as a % of gross carrying amount, exposures stay forborne for at least two years = probation period

2) Past due ratio: Financial assets that are past due (but not impaired) as a % of gross carrying amount

3) Stage 3 impaired ratio: Shows which fraction of the gross carrying amount of a financial asset category consists of stage 3 impaired exposures

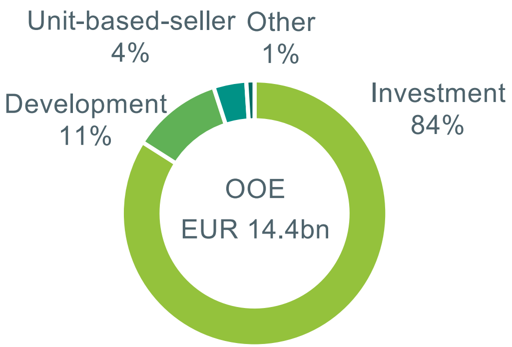
Diversified corporate loan book with limited stage 3 loans

EUR bn	Stage 1 exposure	ΔQ3	Stage 2 exposure	ΔQ3	Stage 3 exposure	ΔQ3	Total exposure	ΔQ3	Stage 3 coverage ratio
Financial Services	13.7	-3.5	0.8	-0.4	0.1	-0.1	14.6	-4.0	69%
Industrial Goods & Services	12.3	-0.6	3.4	0.2	0.9	-	16.7	-0.4	25%
Real Estate	14.7	0.3	1.7	0.2	0.1	-	16.5	0.5	16%
Food & Beverage	7.5	-	1.8	-0.1	0.6	-0.1	9.9	-0.2	16%
Non-food Retail	2.9	-0.3	1.1	-0.1	0.4	-	4.5	-0.4	26%
Health care	2.8	0.1	0.7	-0.1	0.2	-	3.7	0.1	14%
Construction & Materials	2.4	-0.3	0.4	-	0.3	-	3.0	-0.3	35%
Oil & Gas	1.4	-0.5	1.0	-	0.2	-0.2	2.6	-0.6	51%
Travel & Leisure	1.4	0.1	1.2	-0.1	0.3	-	2.9	-0.1	18%
Utilities	1.8	-0.6	0.3	-0.2	0.1	0.1	2.2	-0.7	34%
Other smaller sectors	8.2	0.1	1.5	0.3	0.5	-	10.1	0.3	45%
Total [1)]	**69.1**	**-5.2**	**13.9**	**-0.3**	**3.7**	**-0.3**	**86.7**	**-5.8**	**28%**

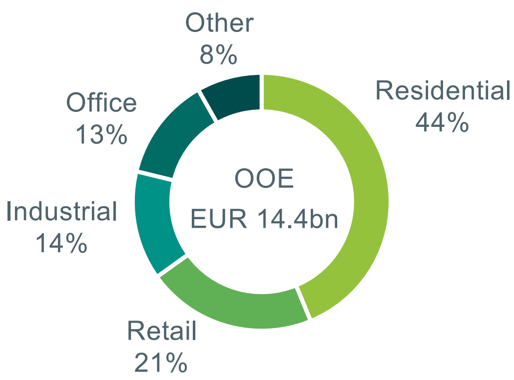
1) Source: Management Information, loans and advances customers, gross excluding fair value adjustments from hedge accounting and measured at fair value through P&L

Dutch Commercial Real Estate Portfolio as of 30/06/2022 1)

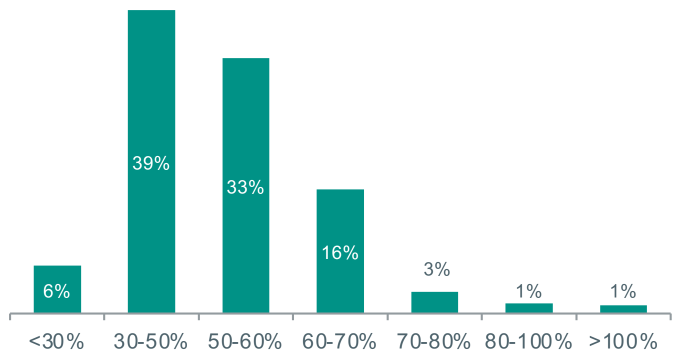
Object type



Asset type 2)



LTV distribution



- In 2022 value of Dutch real estate increased, but interest rate increases and worsening economic outlook will put pressure on values in 2023, whereby prices of retail and office spaces will be affected more than industrial (logistical buildings)
- A recent sensitivity analysis showed that our Dutch and international CRE portfolio are deemed robust and resilient to market deterioration
- Around 90% of OOE is financed to clients with UCR 4- (sub-investment grade) or better, with UCR3- (investment grade) being dominant with 20% of the OOE 3)
- CRE policy in general LTV-threshold of 70%, around 95% of OOE is financed with <70% LTV

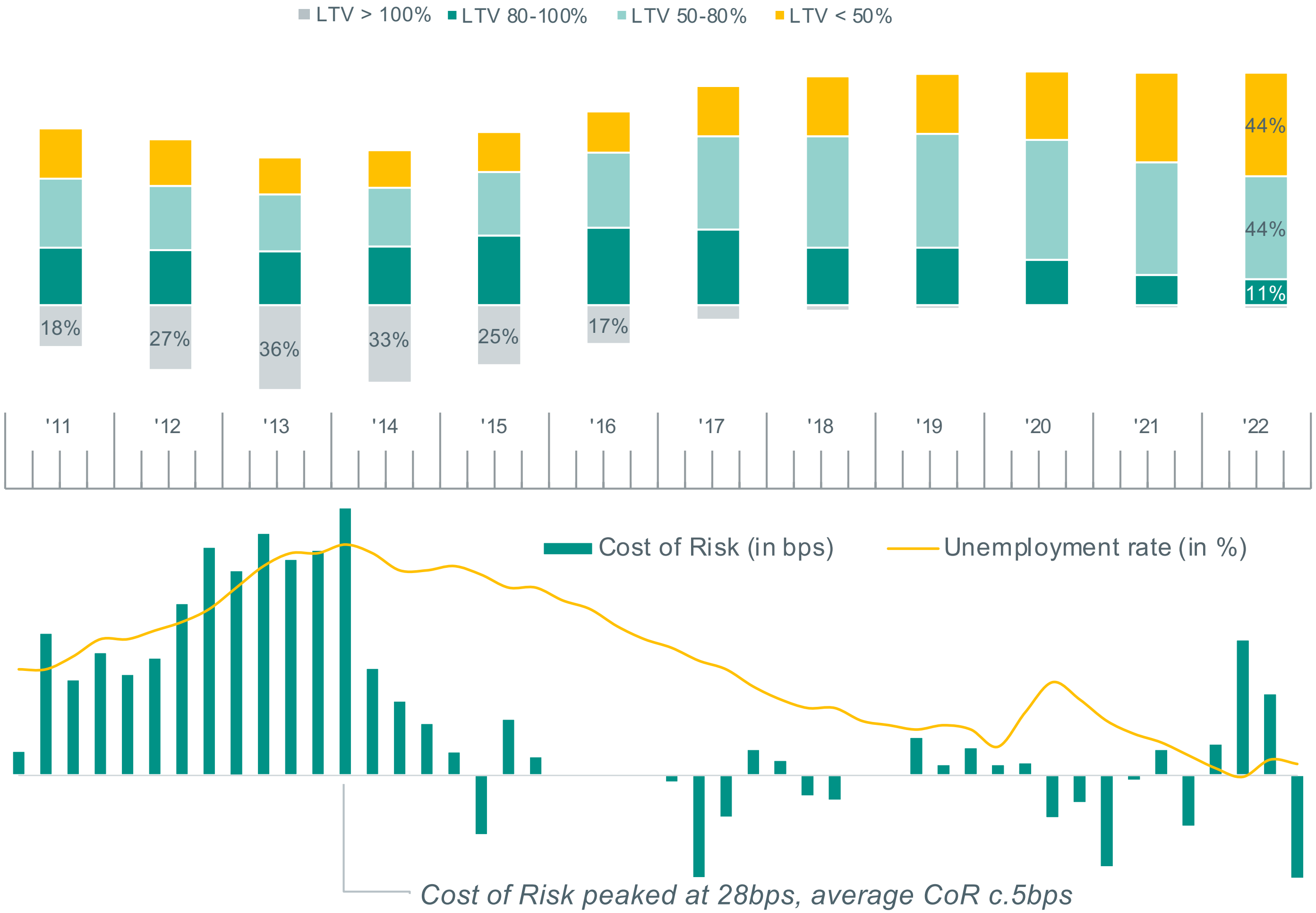
1) International CRE portfolio c.0.8bn, largely investment CRE

2) Other asset types largely consists of hotels (c.3%), cafes/restaurants (c.2%) and land (c.2%)

3) One Obligor Exposure of 30/06/2022; please see Integrated Annual report for mapping internal Uniform Counterparty Rating (UCR) to external credit ratings

Mortgage portfolio significantly more resilient versus previous downturn

Significantly better LTVs compared to previous cycle



- Mortgage losses mainly materialise from combination of underwater mortgage and unemployment
- In 2013, following a 20% house price decline, over 1/3 of mortgages were under water [1)]
- Today, a 20% house price decline would only lead to 11% additional mortgages under water
- Unemployment rate was almost 9% in 2013 versus 3.5% in 2022 and expected to increase slightly next year to 4.3% [2)]

ABN·AMRO

1) Underwater mortgage is a mortgage with LTV > 100%

2) Sources: ABN AMRO Group Economics forecast of 23/01/2023 and CBS

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