Investor Relations

results Q3 2023

investor & analyst presentation | 8 November 2023

Highlights Q3 – strong result

- Strong result, with a net profit of EUR 759 million and an ROE of 13.6%, supported by high other income and impairment releases
- NII lower compared to Q2 due to deposit migration to higher yielding products, a shift to other income, limited asset margin pressure and lower results in trading activities
- Business momentum remains good; growth in both our mortgage and corporate loan books. Mortgage market share increased to 15%
- Costs remain under control; expected costs for 2023 lowered to between 5.1bn–5.2bn
- Credit quality remains strong, impairment releases of EUR 21 million; prudent buffers remain in place
- Solid capital position; fully-loaded Basel III CET1 ratio of 15.0% and Basel IV CET1 of around 16%
- CEO term extended by four years, until 2028

Continuous progress on our strategy execution

Customer experience

A personal bank in the digital age, for the resourceful and ambitious

Sustainability

Distinctive expertise in supporting clients' transition to sustainability

Future proof bank

Enhance client service, compliance and efficiency

Personal & Business Banking

- Market share in target segments minors and students successfully developing
- Footprint of 25 branches supported by over 100 specialised financial care coaches
- Piloting with private ChatGPT, helping advisors summarising client calls

Wealth Management

- ESG + impact investments now 47% of our clients' asset volume
- Entrepreneur & Enterprise concept live in all countries, establishing platform for growth
- More efficient set-up Wealth Management organization: branchification Germany & France finalized

Corporate Banking

- Sustainable Impact Fund continues to invest: new investment which provides scalable solution to single-use plastic products 1)
- First Dutch bank to issue digital green bond on public blockchain
- Winddown CB non-core largely completed (0.4bn loans remaining)

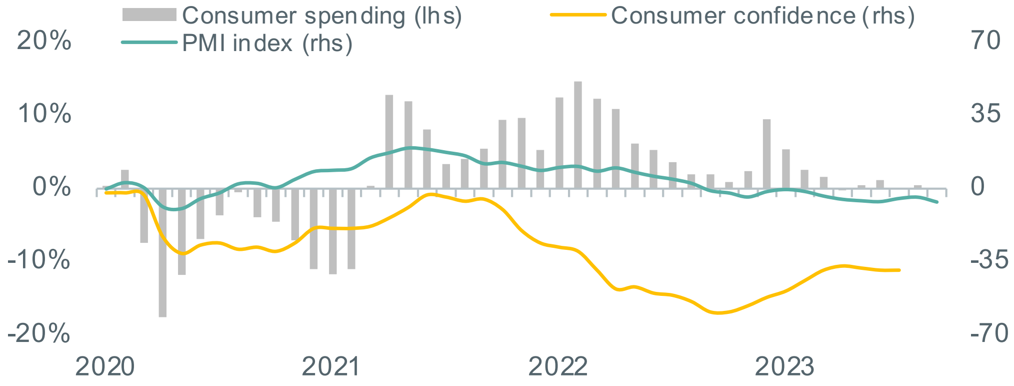
1) Think Better Group

Dutch economy resilient, house prices starting to rise again

Dutch economy remains relatively strong 1)

		2022	2023e	2024e
Netherlands	GDP (% yoy)	4.4%	0.5%	1.1%
	Inflation (indexed % yoy)	11.6%	4.8%	3.5%
	Unemployment rate (%)	3.5%	3.6%	4.0%
	Government debt (% GDP)	50%	48%	47%
Eurozone	GDP (% yoy)	3.4%	0.4%	0.6%
	Inflation (indexed % yoy)	8.4%	5.7%	2.3%
	Unemployment rate (%)	6.7%	6.7%	7.1%
	Government debt (% GDP)	93%	93%	93%

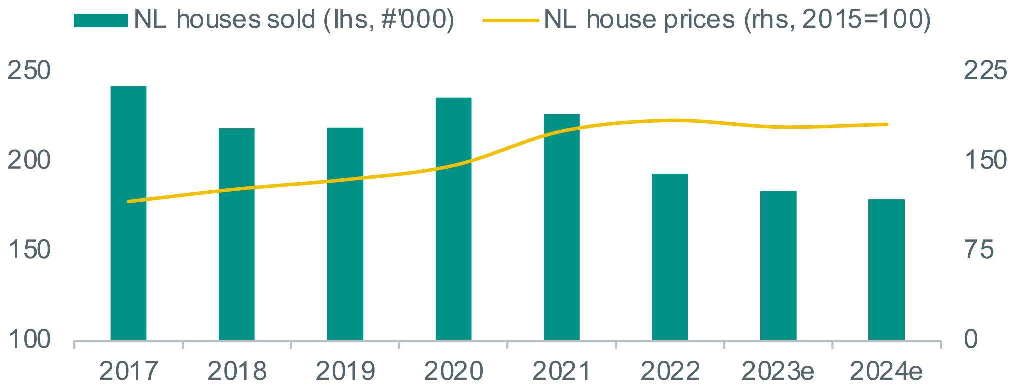
Spending positive, confidence stable, PMI negative



Dutch bankruptcies still relatively low but increasing 2)

per quarter businesses & institutions

House price correction behind us, transactions lower 3)



1) Source: ABN AMRO Group Economics forecast of 24 October 2023

2) Source: Statistics Netherlands (CBS); Consumer spending % change vs previous year (until Aug '23), consumer confidence seasonally adjusted (end of period, until Jul '23), adjusted PMI is Nevi NL Manufacturing PMI (end of period until Oct '23) and represents expansion if > 0 and contraction <0

3) ABN AMRO Group Economics forecast 24 October 2023. House prices -3% 2023e and +2.5% 2024e; transaction volumes -5% 2023e and -2.5% 2024e

Continued high NII, up 17% vs Q3 2022

NII excluding incidentals [1)]

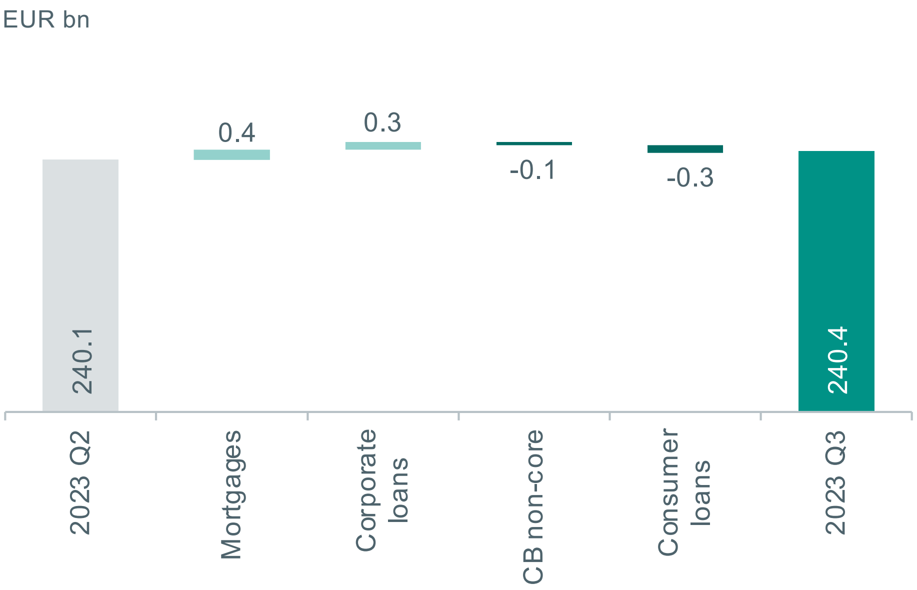
EUR m

- NII (excl. incidentals[1)]), increased c.17% Y-o-Y, largely driven by improved deposit margins
- Q3 NII (excl. incidentals[1)]) c.70m lower vs Q2 largely reflecting:
  - A shift from NII to other income related to hedge accounting (c.20m)
  - Deposit migration to higher yielding/lower margin products (c.20m)
  - Limited asset margin pressure and lower results in trading activities
- Treasury result flat in Q3, Q4 will be impacted by change in minimum reserve remuneration
- Treasury result to benefit from higher rates during 2024

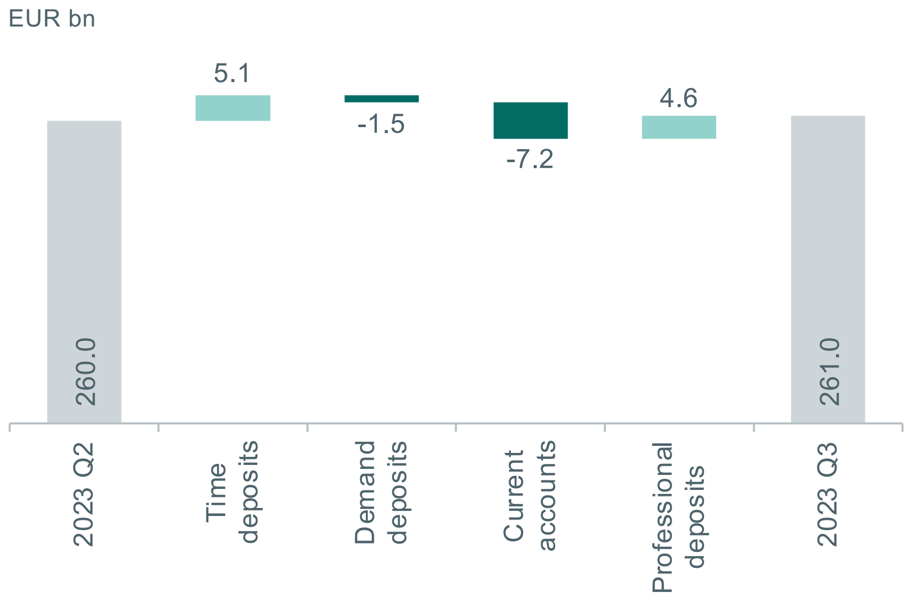
1) Excluding TLTRO in 2022 (Q1 & Q3: 44m, Q2: 41m, Q4: 60m) and incidental in 2022 (Q3: -82m) and 2023 (Q2: 18m)

Net core lending growth; deposits composition changing

Total client loans up



Deposit migration continued

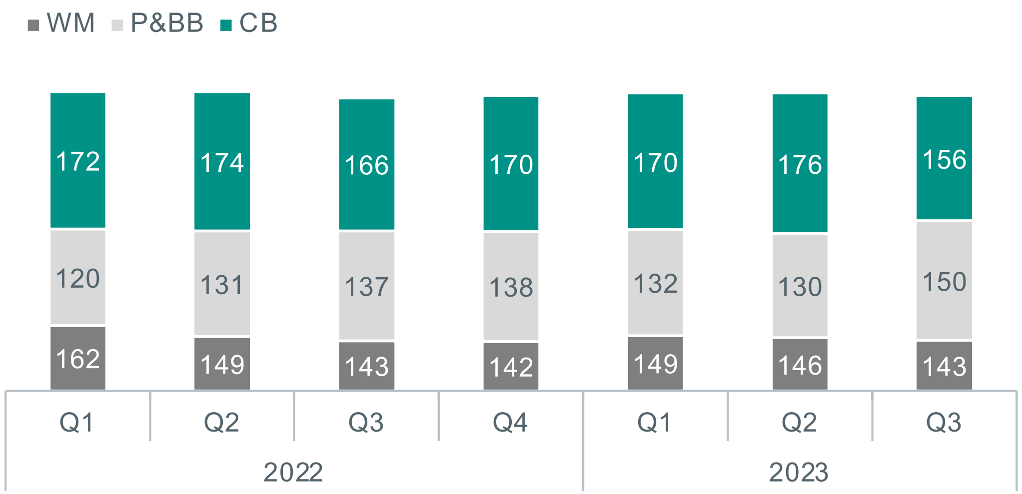


- Increase in corporate loans reflecting new and increased business volume
- Mortgage portfolio increased in a challenging environment in the Dutch mortgage market
- Progressing on CB non-core wind-down, which is largely completed (0.4bn loans remaining)
- Decrease in consumer loans reflecting lower client demand and repayments
- Total deposits increased, flow from current accounts to time & professional deposits continued

Fee and commission income resilient

Net fee and commission income stable

EUR m, excluding GF



Other income up [2)]

EUR m

- Fees in P&BB increased largely from higher seasonal payment and transaction volumes
- Excluding one-off fee in Q2 for CB [1)] , fees were stable
- Fees at WM slightly lower, lower financial markets led to a decline of Assets under Management
- Other income up, largely related to disposals (c.50m), a shift from NII to other income at CB and higher hedge related income at Treasury

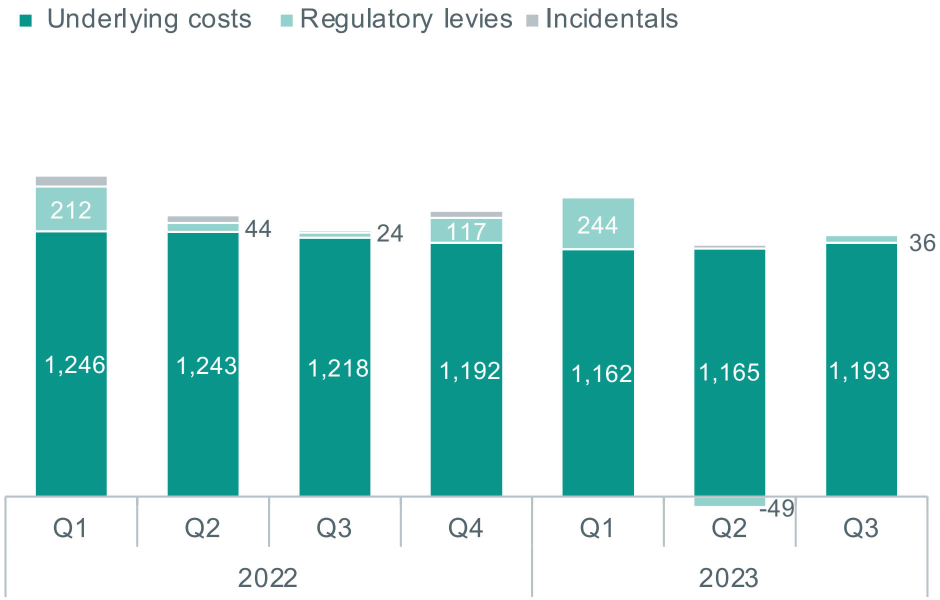
1) One-off fee in Corporate Banking non-core of c.20m in Q2

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

Costs remain under control

Operating expenses increased [1)]

EUR m



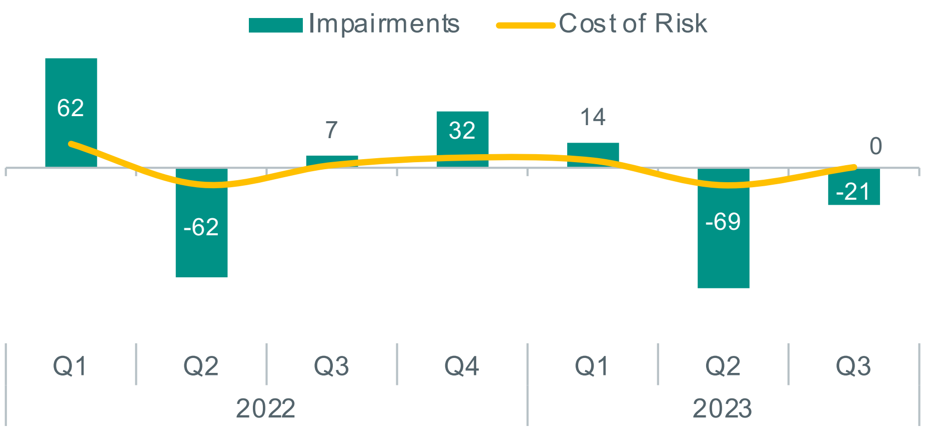
- Q3 underlying costs trending up largely reflecting CLA increase as of July and higher external staffing costs
- Cost saving programs delivered further savings (c.450m since YE2020)
- FY2023 expected costs lowered to between 5.1bn-5.2bn reflecting delay in investments, mainly due to the tight labour market

1) Incidentals: Q1 2022 AML remediation (50m), Q2 2022 AML remediation (34m), Q3 2022 related to handling costs revolving consumer credit (12m), Q4 2022 CLA related one-off (34m) and Q2 2023 related to handling costs revolving consumer credit (20m)

Credit quality remains solid with another quarter of releases

Impairment releases, Cost of Risk nil [1)]

EUR m



Non-performing loans continued to decrease

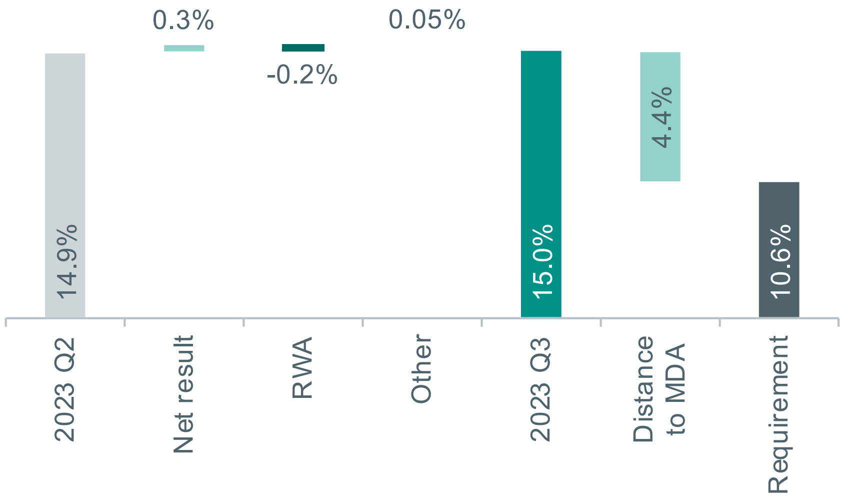
	Stage 3 loans (EUR m)		Stage 3 coverage ratio	
	Q3 2023	Q2 2023	Q3 2023	Q2 2023
Mortgages	1,228	1,228	7.7%	7.0%
Corporate loans	3,242	3,384	27.8%	28.1%
- of which CB non-core	*220*	*289*	*52.2%*	*54.9%*
Consumer loans	268	261	44.3%	46.4%
Total [2)]	**4,748**	**4,881**	**23.5%**	**23.8%**
Impaired ratio (stage 3)	**1.8%**	**1.9%**		

- Impairment releases of 21m, reflecting stage 2 and 3 releases largely in corporate banking, partly offset by an increase in management overlay due to a more prudent risk approach for interest only mortgages
- Management overlays remain in place, around 60% related to geopolitical uncertainties
- New inflow in stage 3 impairments more than offset by releases in individual corporates files, largely in CB
- Impact of economic slowdown limited so far, non-performing corporate loans continued to decrease
- CoR for Q4 2023 expected to remain below TTC CoR of c.20bps

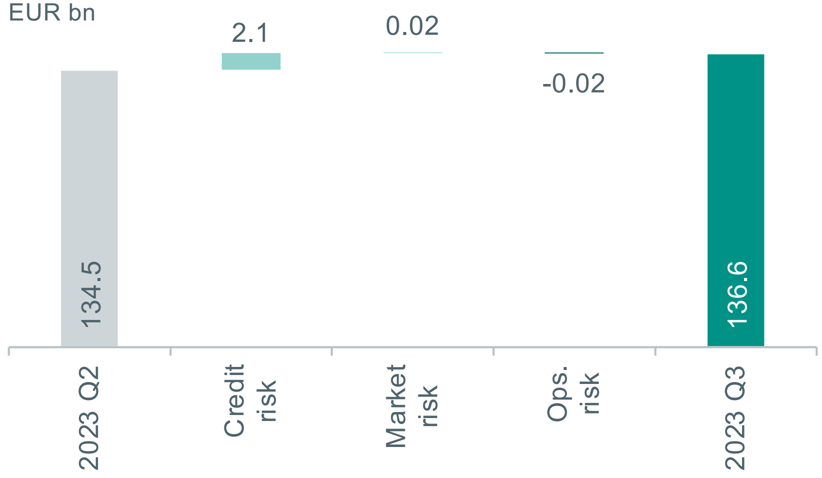
1) Cost of Risk calculation excludes (impairment charges on) off-balance exposures of -23m
2) Total includes other loans and advances customers (10m for Q3 2023 and 8m for Q2 2023)

Strong capital position

Basel III CET1 ratio [1)]



Basel III RWA



- Well capitalised with a Basel III CET1 ratio of 15.0% and Basel IV CET1 ratio c.16%
- Maximum Distributable Amount (MDA) trigger level currently at 10.6% excluding 0.4% AT1 shortfall [1)]
- CET1 requirement will increase to 11.2% in course of 2024 from increase of countercyclical buffer and proposed increase of 25bps for Pillar 2 Requirement [2)]
- RWA increase from higher credit risk RWA reflecting model add-ons, partly offset by business developments

1) Net result excluding dividend reserve; MDA trigger level and distance and to MDA trigger level excl. AT1 shortfall

2) Pro forma CET1 requirement includes increase of Dutch CcyB by 1% to 2% and lower O-SII buffer by 0.25% to 1.25% as of Q2 2024 (expected impact on MDA of c.50bps) and 25bps increase in P2R (impact on MDA of c 14bps as partly filled with AT1 en Tier2)

Financial targets

	Long term targets	YTD 2023
Return on Equity	Ambition 10% by 2024 [1)]	13.1%
Absolute cost base	4.7bn FY2024 [2)]	3.8bn
Cost of Risk	Around 20bps through the cycle	-2bps
Basel IV CET1 ratio	13% (threshold for share buybacks 15%)	c.16%
Dividend pay-out ratio	50% of reported net profit [3)]	0.62 p.s. interim dividend

Update of financial targets and capital framework at Q4 2023 results

1) RoE target set as follows in 2020: target c.8% by 2024; ambition 10% with normalised rates
2) FY2024 cost target not expected to meet from higher investments, higher inflation and AML costs will reduce more gradual
3) After deduction of AT1 coupon payments and minority interests

Appendices

Strong result with 759 net profit in Q3 2023

EUR m

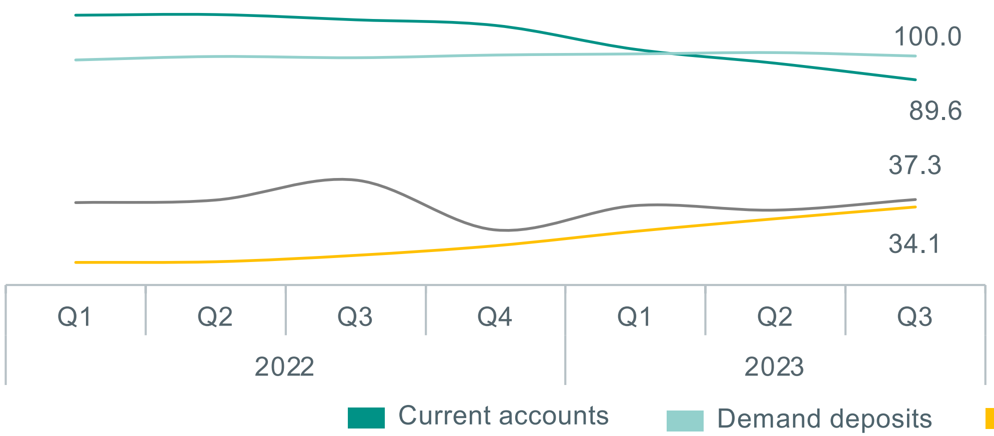
	2023 Q3	2023 Q2	Change
Net interest income	1,533	1,622	-5%
Net fee and commission income	442	444	-1%
Other operating income	237	157	51%
Operating income	**2,211**	**2,223**	**-1%**
- of which CB non-core	*15*	*43*	
Operating expenses	1,228	1,137	8%
- of which CB non-core	*21*	*14*	
Operating result	**983**	**1,086**	**-9%**
Impairment charges	-21	-69	
Income tax expenses	246	285	-14%
Profit	**759**	**870**	**-13%**
- of which CB non-core	*11*	*69*	
Loans & advances (bn)	247.5	248.6	1.1
- of which CB non-core	*0.3*	*0.4*	*-0.1*
Basel III RWA (bn)	136.6	134.5	2.1
- of which CB non-core	*0.7*	*0.8*	*-0.0*

- NII lower vs Q2 2023 reflecting deposit migration and lower NII, shift to other income, limited asset margin pressure and lower results in trading activities
- Fees stable
- Other income up, largely related to disposals
- Expenses up due to higher regulatory levies, a CLA increase as of July and higher external staffing costs
- Impairment releases in Q3, largely in stage 2 & 3 in Corporate Banking
- CB non-core progressing well with almost all assets wound down since H2 2020 and costs reductions gathering pace

Highly diversified deposit base, migration between products continues

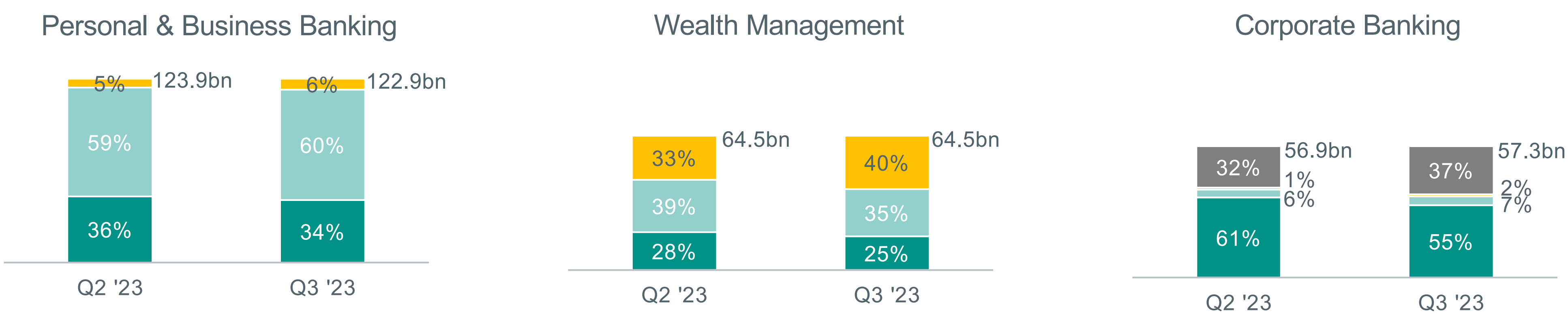
Total deposit base 1)

EUR 261bn 30 Sep 2023 (260bn 30 Jun 2023)



- Total deposit base increased by 1bn vs Q2
- Flow from current accounts to time and professional deposits continued reflecting higher coupons
- Highly diversified deposit base across product and client units with a large customer base of over 5 million clients
- Of total client deposits c.50% is guaranteed, in P&BB almost 75% is guaranteed

Total deposits 1) per client unit



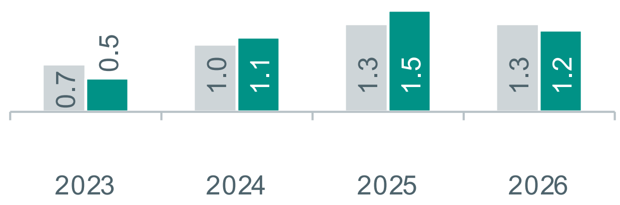
1) Total deposit base is Due to Customers (incl. professional deposits), excl. Group Functions

Macroeconomic scenarios to calculate credit losses [1)]

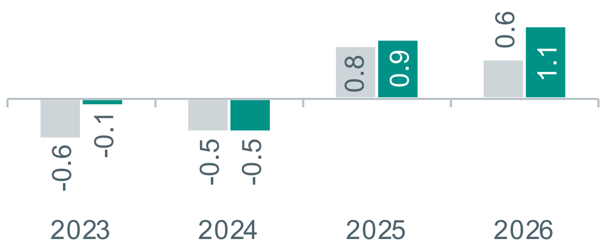
GDP growth NL

Q2 2023 Q3 2023

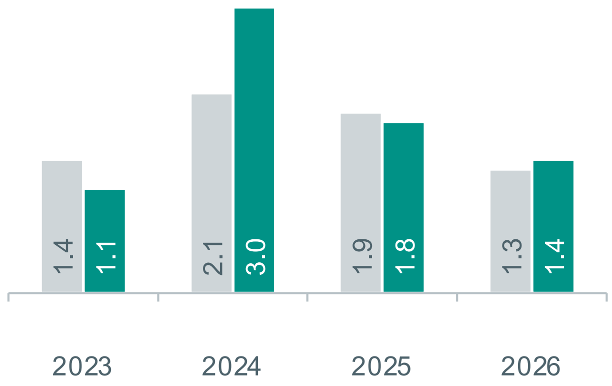
Baseline - 60%



Negative - 25%



Positive - 15%



Differences Q3 2023 vs Q2 2023, small changes to NL growth forecasts

- In base, elevated inflation and stagnating growth in the broader eurozone weaken the outlook for the Dutch economy. In the remainder of 2023, elevated inflation will weigh on spending and as monetary headwinds intensify, domestic and external demand cool further
- In negative, higher interest rates impact the economy more. This means sharper corrections for housing and commercial real estate markets, a surge in bankruptcies and a recession
- In positive, the Dutch economy shows resilience in the face of higher interest rates, this means higher GPD growth, a tight labour market and suppressed bankruptcies

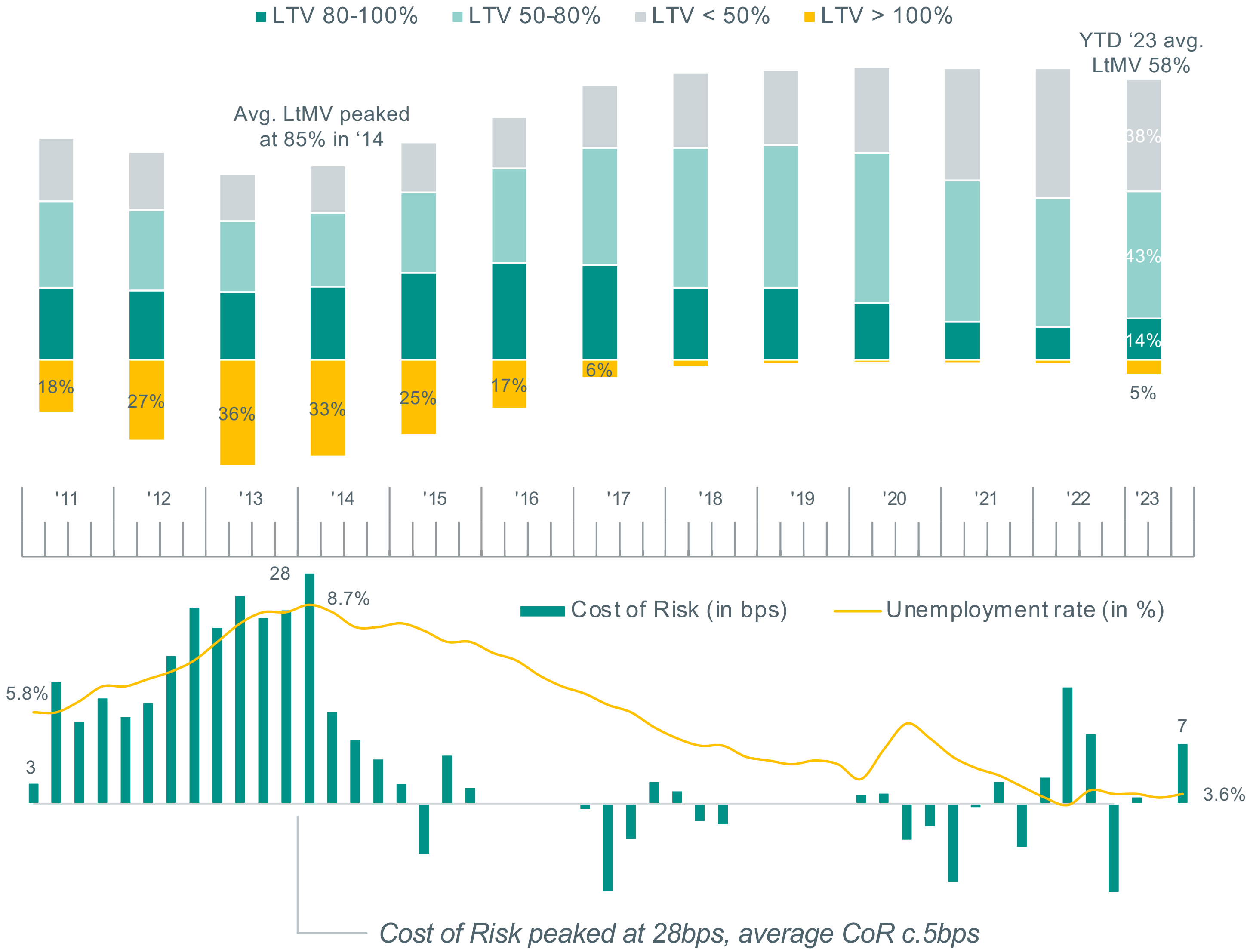
1) Group Economics scenarios per May 2023 used for Q2 2023 and August 2023 used for Q3 2023

Diversified corporate loan book with limited stage 3 loans

EUR bn	Stage 1 exposure	ΔQ2	Stage 2 exposure	ΔQ2	Stage 3 exposure	ΔQ2	Total exposure	ΔQ2	Stage 3 coverage ratio
Financial Services	16.3	-2.0	1.5	0.3	0.1	-	17.9	-1.7	64%
Industrial Goods & Services	13.7	0.4	2.2	-0.1	0.6	-0.1	16.5	0.2	28%
Real Estate	13.6	-0.2	1.7	-0.3	0.3	-	15.6	-0.5	24%
Food & Beverage	8.2	-	1.6	-0.3	0.8	-	10.6	-0.3	12%
Non-food Retail	3.2	0.2	1.0	0.2	0.3	-0.1	4.6	0.3	30%
Health care	3.0	0.1	0.5	-0.2	0.2	-0.1	3.6	-0.2	15%
Construction & Materials	2.4	0.3	0.3	-0.4	0.3	-	3.0	-	52%
Travel & Leisure	2.0	0.3	1.0	-0.2	-	-	3.0	0.1	27%
Utilities	2.5	-	0.3	0.1	0.1	-	2.9	0.1	49%
Oil & Gas	2.1	0.2	-	-0.2	0.1	-0.1	2.3	-0.1	41%
Other smaller sectors	9.3	0.4	0.9	0.3	0.4	0.2	10.6	0.9	30%
Total [1)]	**76.3**	**-0.3**	**11.0**	**-0.8**	**3.2**	**-0.2**	**90.6**	**-1.3**	**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

Mortgage portfolio significantly more resilient versus previous downturn



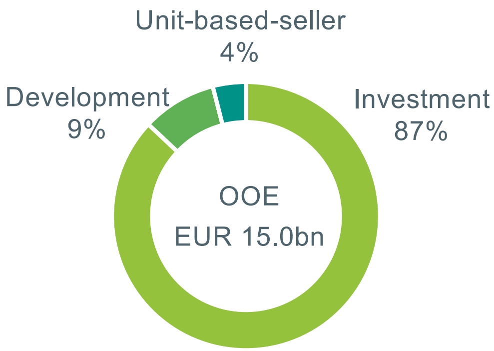
- Mortgage losses mainly materialise from combination of negative home equity and unemployment
- In 2013, following a 20% house price decline, over 1/3 of mortgages were underwater 1)
- Today, a 20% house price decline would lead to 14% additional mortgages underwater
- Dutch CBS 2) house price index was 4% lower in Sep 2023 vs. the Jul 2022 peak
- Unemployment rate was almost 9% in 2013 versus 3.6% expected for 2023 2)

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

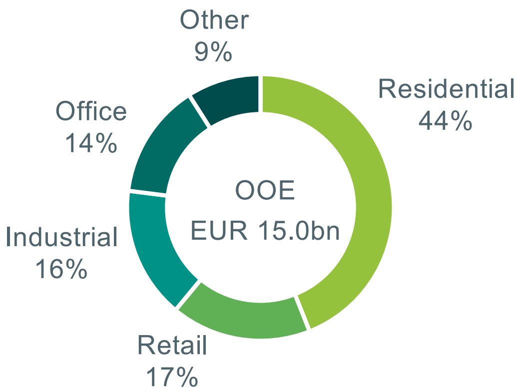
2) Sources: ABN AMRO Group Economics forecast of 25/10/2023 and CBS (Statistics Netherlands)

Commercial Real Estate Portfolio [1)]

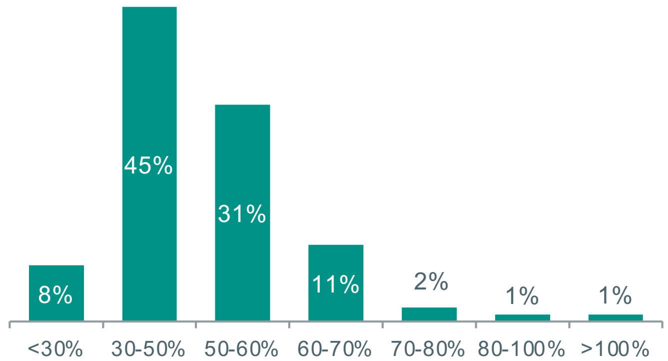
Object type



Asset type [2)]



LTV distribution



- In Q3 OOE decreased by 0.4bn, largely related to residential
- Higher interest rates and economic developments depressed valuations of retail and office spaces; industrial (logistical buildings) less effected in 2023
- Internal stress test and recent deep dive showed that our CRE portfolio is robust and resilient to market deterioration
- Conservative underwriting: CRE policy in general LTV-threshold of 70%, around 95% of OOE is financed with <70% LTV
- Around 90% of OOE is financed to clients with UCR 4- (sub-investment grade) or better [3)]

1) Figures as of 30/9/2023 representing Dutch commercial real estate portfolio. International CRE portfolio c.0.8bn, largely investment CRE
2) Other asset types largely consists of hotels, cafes/restaurants, land and parking
3) Please see Integrated Annual report for mapping internal Uniform Counterparty Rating (UCR) to external credit ratings

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