ABN·AMRO

Investor Relations

results Q4 2019

investor and analyst presentation

12 February 2020

A solid and resilient bank

Strategic steps contributed to profile and profitability

- Clear purpose and strategy around 3 strategic pillars
- Early adoption of sustainability
- Continuous IT rejuvenation, digital agenda progressing well
- Focused Private Bank with scalable franchise NW Europe
- Action on CIB profitability – refocus initiated in 2018
- Strong cost discipline and focus on profitability
- ROE consistently 10% or higher since IPO
- Strong capital position, early anticipation of Basel IV

Taking action on current challenges

- First large Dutch bank to start charging negative rates
- Comprehensive plan concerning detecting financial crime underway
- Mitigation of regulatory and compliance cost increases by further IT cost savings beyond 2020
- Continued de-risking of cyclical sectors in CIB; reviewing additional measures needed
- High capital buffer to absorb significant TRIM, DNB mortgage add-on and other regulatory capital impacts

Highlights; solid FY 2019 ROE of 10%

Financials

- Net profit in Q4 2019 at 316 million reflecting high impairments
- NII decreased slightly (3%) to 1,586 million in Q4 2019 reflecting deposit margin pressure from low interest rates
- Continued delivery on cost-saving programmes mitigating higher Detecting Financial Crime (DFC) related costs
- Strong Basel III CET1 ratio at 18.1%, including RWA add-ons anticipating TRIM and model reviews. Basel IV CET1 over 14%
- Q4 impairments high, full year impairments at 24bps, below through-the-cycle cost of risk
- Pay-out of 62% maintained, total dividend of EUR 1.28 proposed

Strategic

- Diligent execution of the three pillars of our strategy, Banking for better for generations to come
- Delivered on ROE target despite low interest rate environment and high impairments in Q4 2019
- Comprehensive DFC plan in execution and making progress. Remediation on track to be completed in 2022
- High impairments in CIB to be addressed by continued de-risking highly cyclical sectors
- Will update on capital in second half of the year

2019 strategic execution

Sustainability

Support our clients' transition to sustainability as a business case

- 19bn sustainable investments in Private Banking, ahead of 2020 target
- Introduced mortgage facility to invest up to 25k in energy efficiency homes
- Budget coaches to support clients with financial issues
- 15% of Natural Resource portfolio now Renewable Energy
- Green bonds new asset class in liquidity buffer, target 2.5bn by 2022
- Inclusion in DSJI Index; top 10% most sustainable banks worldwide

Customer experience

Effortless and proactive customer experience through client and data focus

- First large bank in the Netherlands to commit no negative rates for deposits <100k
- Video banking now in all segments
- Successful launch of 30yr mortgage platform
- Extending into new client journeys for corporate finance, cyber security legal advice and accounting software
- ABN AMRO Ventures doubled (100m)
- Cash handling as utility, working with partners ('Geldmaat')

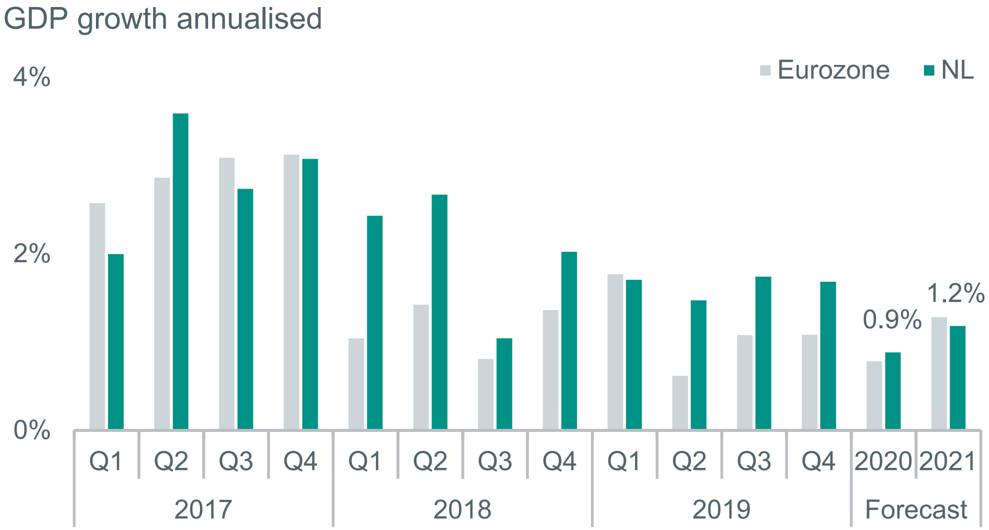
Future proof bank

Structure, capabilities and culture for competitiveness, efficiency and compliance

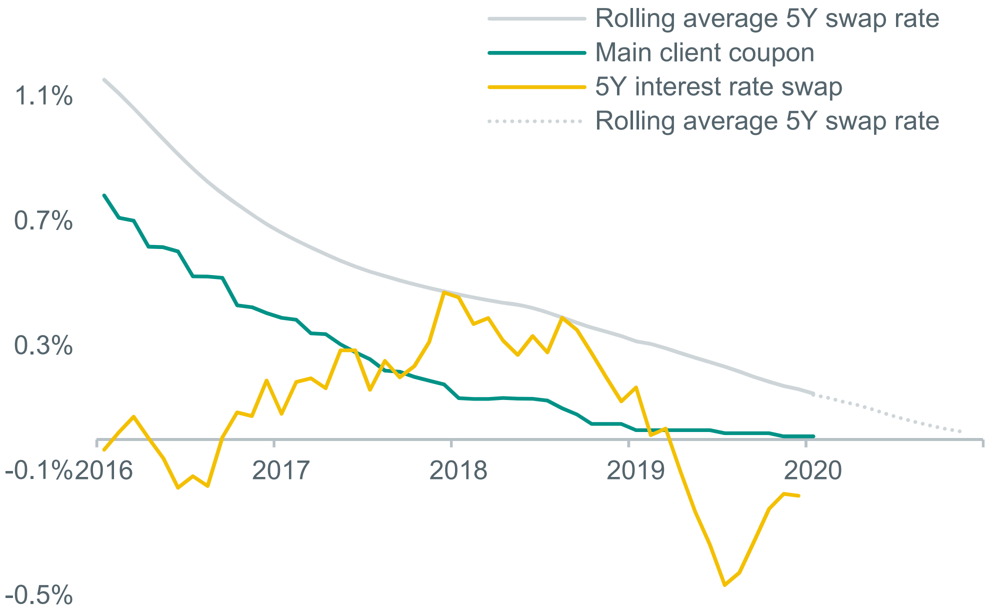
- IT transformation on track; 125 teams moved to DevOps during 2019
- Increasing use of off premise cloud-based services
- Improving offshore ratio to optimise delivery model
- Delivered 5% reduction of applications in 2019, reducing costs
- Product rationalisation >50%, eg in RB signficant reduction loan products
- Standardised and automated mid- and back-office led to ~235 FTE reduction in 2019

Dutch economy strong; interest rates up vs Q3

Dutch economy continues to outperform Eurozone [1)]



Interest rates up from low point in Q3



- Dutch economy continues to perform well, unemployment rate amongst lowest in Europe, benign impairments in domestic lending
- Housing market showed increasing property prices of over 6% in 2019
- Taken action to offset lower deposit margins: decision to lower rates as of April 2020 to -50bps for account balances above 2.5m and virtually all other deposit categories to 0bps
- Expect NII in the range of 1.5 - 1.6bn per quarter during 2020 including mitigations

1) Source: ABN AMRO Group Economics forecasts of 17 January 2020, CBS Statline; Q4 2019 GDP growth for the Netherlands will be published on 13 February 2020

Taking action on Detecting Financial Crime (DFC)

Progress on comprehensive DFC plan

- In 2019 DFC activities reviewed by independent expert, plan shared with regulator
- Plan to combat financial crime incorporates findings from external review and shared with regulator
- DFC activities centralised, clear governance
- Remediation programmes expected to complete by 2022
- Going forward expect further cooperation with authorities and other banks to combat financial crime
- No update on investigation of Dutch public prosecutor

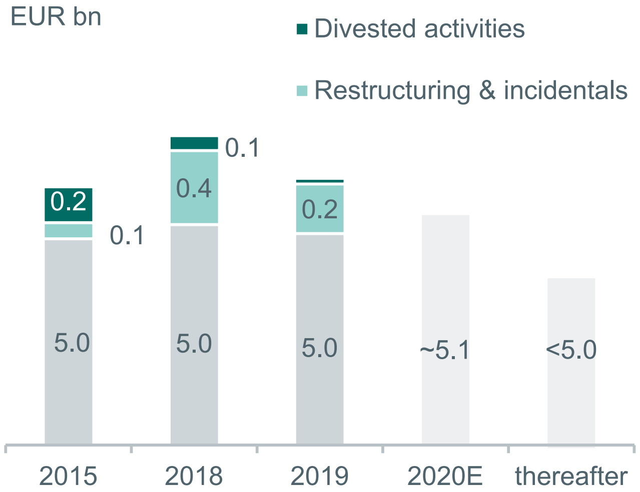
DFC plan elements

- **Execute Customer Due Diligence (CDD) processes according to group-wide policies and standards**:
  - KYC and CDD is now centralised for NL
  - Ramping up FTEs; FY2019 over 2,000 [1)]
  - CDD remediation programmes in CIB & PB finished [2)], ICS on track, RB ramping up, CB accelerating
- **Build future-proof DFC organisation**
  - Invested in best global tooling available (RDC and Fenergo)
  - Increased usage of new technologies such as Artificial Intelligence and Robotics
  - New DFC academy to attract and educate employees
- **Enhanced controls**
  - Global Risk & Quality Control Framework to guarantee future compliancy

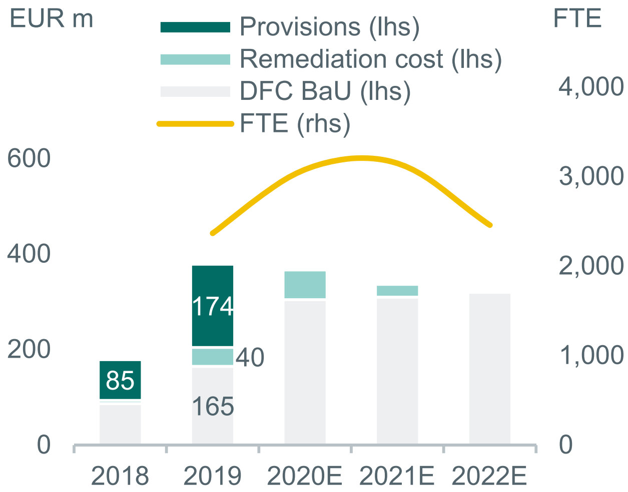
1. FTEs include external FTEs, excludes FTEs of vendors
2. Except for acquisition related projects, e.g. PB Belgium

Cost savings to mitigate DFC cost increase

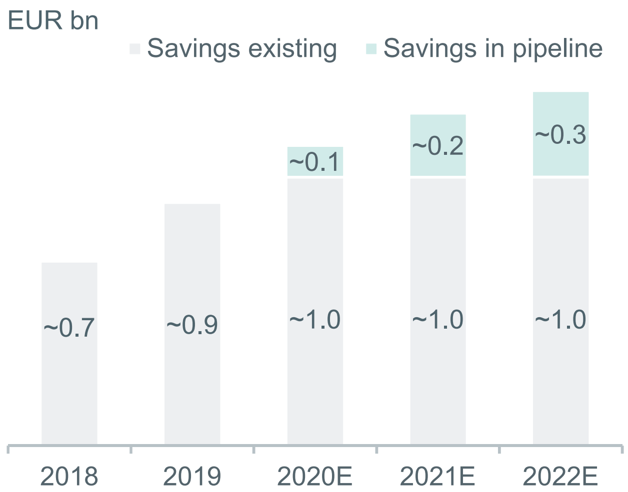
Costs well controlled



Elevated DFC costs in coming years



More savings to come



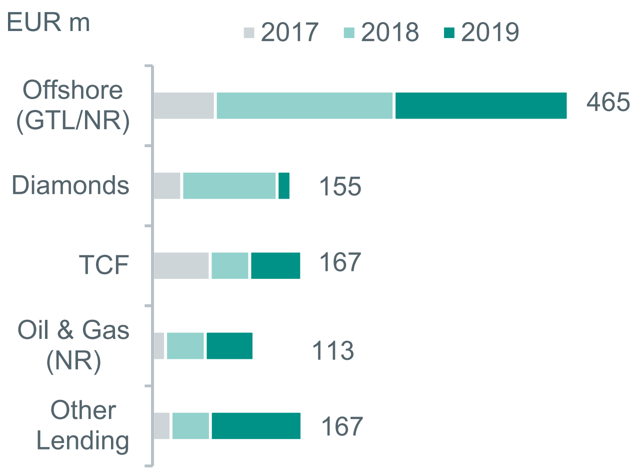
- Strong cost discipline, maintaining costs relatively flat since 2015 despite cost increases for regulatory costs, IT investments, wage inflation
- Total DFC costs around 400m in 2019 including up-front remediation provisions
- For 2020 costs at similar level as BaU costs step up. Currently limited automation assumed in medium-term BaU cost, potential source of efficiency gains over time
- IT costs to be brought down further mainly by teams adopting a DevOps work method and moving to off-premise cloud
- Cost run rate around 5.0bn over 2019 excluding incidentals. Expect cost base to be around 5.1bn in 2020 and below 5.0bn thereafter

Continued de-risking of CIB to improve profitability

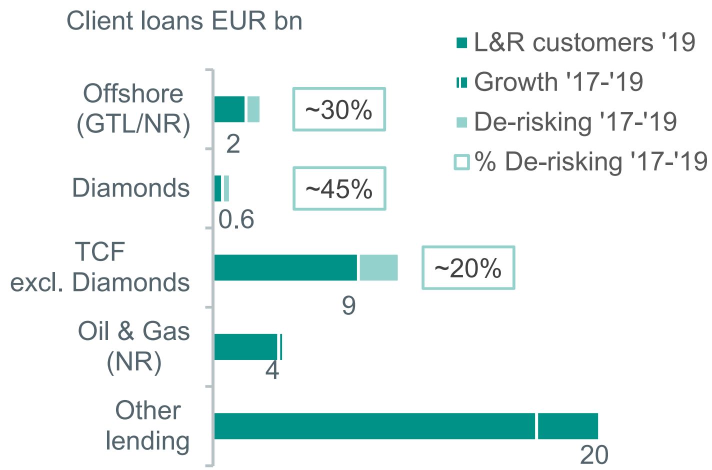
Progress CIB refocus

- ✓ 5bn RWA reduction in client sectors[1)]
- ✓ De-risking cyclical client sectors
- ✓ 33m cost reductions
- ✓ Established Central Portfolio Management, driving capital efficiency

Impairments in CIB client sectors [2)]



De-risking of cyclical client sectors [2)]



- Majority of CIB's activities are performing well, including core Dutch clients, NW-Europe and Clearing
- While de-risking highly cyclical sectors during 2017 – 2019, a prolonged downturn in the offshore sector led to high impairments
- Continue to de-risk highly cyclical sectors while reviewing CIB

1) 5bn underlying RWA reduction achieved excluding TRIM add-ons following CIB update
2) GTL = Global Transportation & Logistics; NR = Natural Resources; TCF = Trade & Commodity Finance; Offshore includes all offshore activities in NR and GTL. Other lending is all CIB lending except client sectors shown and excluding Clearing and Markets. Impairments depict Stage 3 impairments only

Good operational delivery in Q4, solid FY2019 net profit

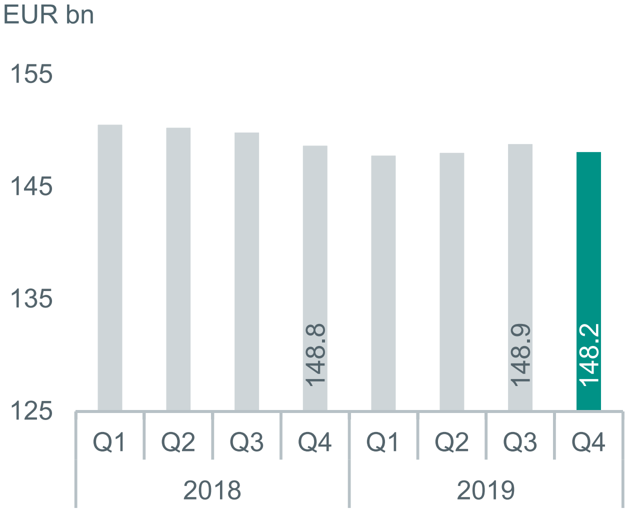
EUR m	2019 Q4	2018 Q4	Delta	2019	2018	Delta
Net interest income	1,586	1,642	-3%	6,468	6,593	-2%
Net fee and commission income	396	426	-7%	1,632	1,699	-4%
Other operating income	119	90	33%	504	800	-37%
Operating income	**2,101**	**2,157**	**-3%**	**8,605**	**9,093**	**-5%**
Operating expenses	1,384	1,514	-9%	5,268	5,351	-2%
Operating result	**717**	**643**	**11%**	**3,337**	**3,742**	**-11%**
Impairment charges	314	208	51%	657	655	0%
Income tax expenses	87	119	-27%	634	736	-14%
Profit	**316**	**316**	0%	**2,046**	**2,350**	**-13%**

- Net profit of 316m in Q4. Solid FY profit at 2,046m, decline versus 2018 caused by low interest rates and high PE results in 2018
- NII in both Q4 and FY impacted by margin pressure on deposits due to low interest environment
- Expenses continue to trend down in both Q4 and FY, reflecting cost savings, lower FTEs and lower restructuring costs
- High impairments in specific CIB subsectors (offshore) in 2019; CB impairments benign

Client lending modestly lower

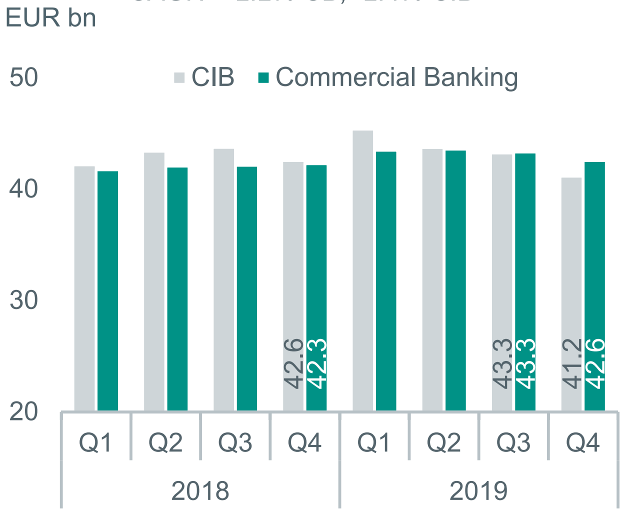
Mortgage client lending

CAGR = -0.9% [1]



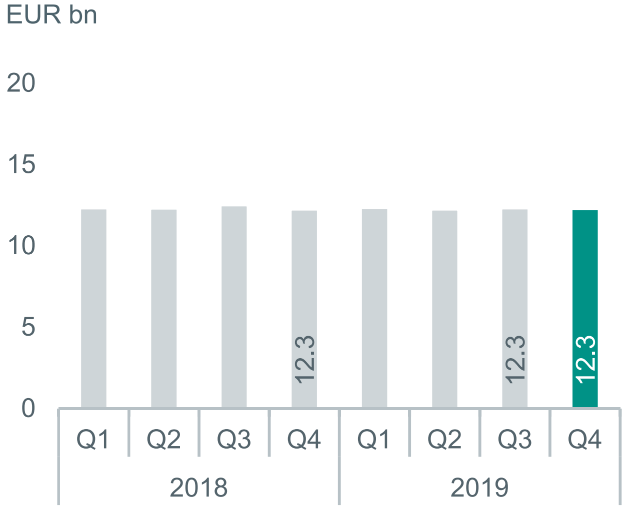
Corporate client lending

CAGR = 1.1% CB, -1.4% CIB [1]



Consumer loans client lending

CAGR = -0.2% [1]

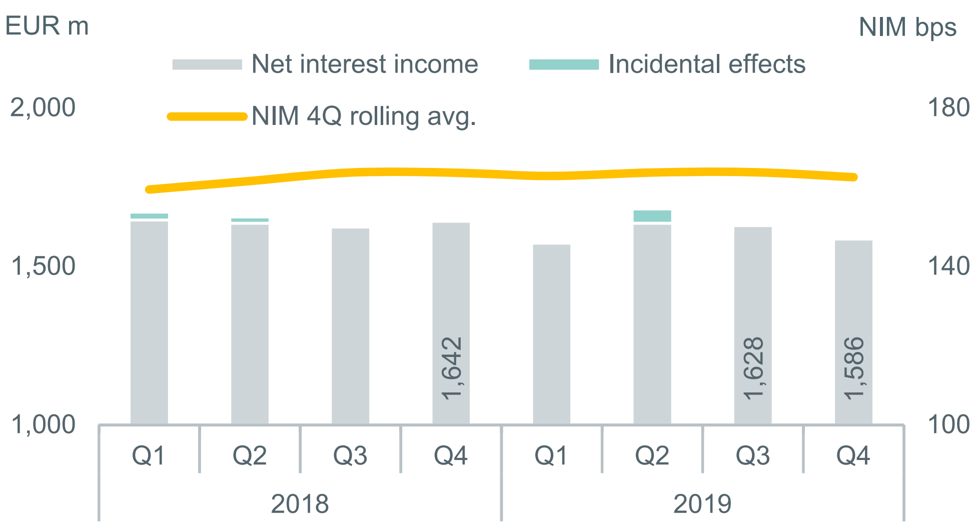


- Mortgage market share of 18% in Q4 2019; over 2019 maintained volumes while protecting margins
- CIB loan book declined further in Q4 [2], mostly in NR and GTL reflecting de-risking
- Commercial Banking loan book up modestly over the year, reflecting focus on margins in a competitive environment and tight risk appetite

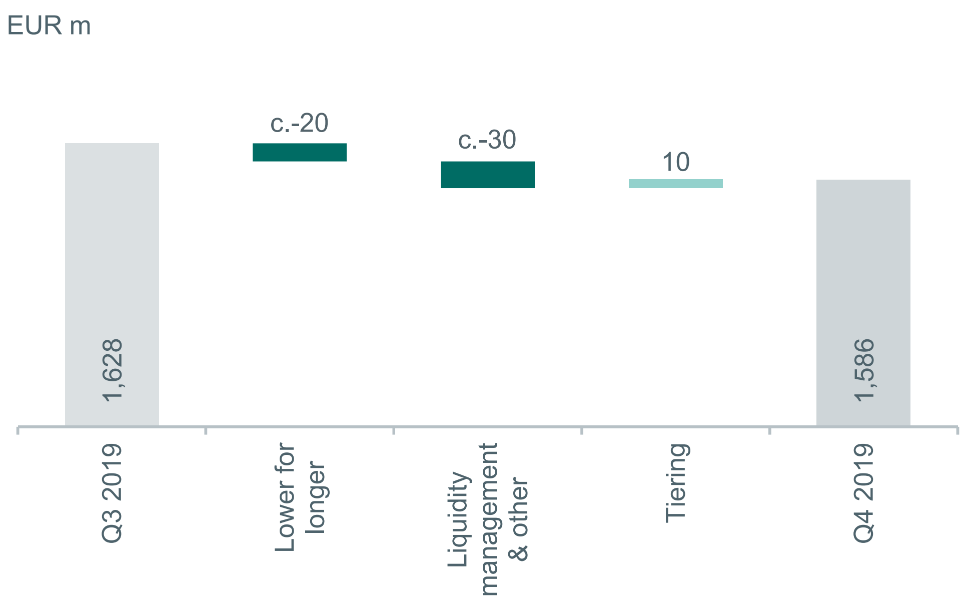
1) CAGR Q1 2018 – Q4 2019
2) FX impact -0.7bn Q-o-Q

Net Interest Income holding up well despite low interest rates

Net Interest Income (NII) and Net Interest Margin (NIM)



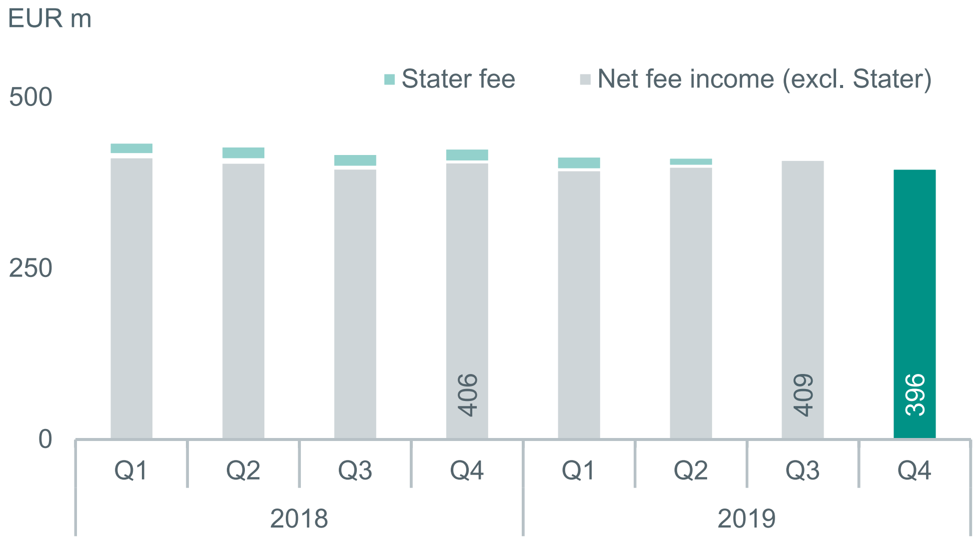
Transition NII



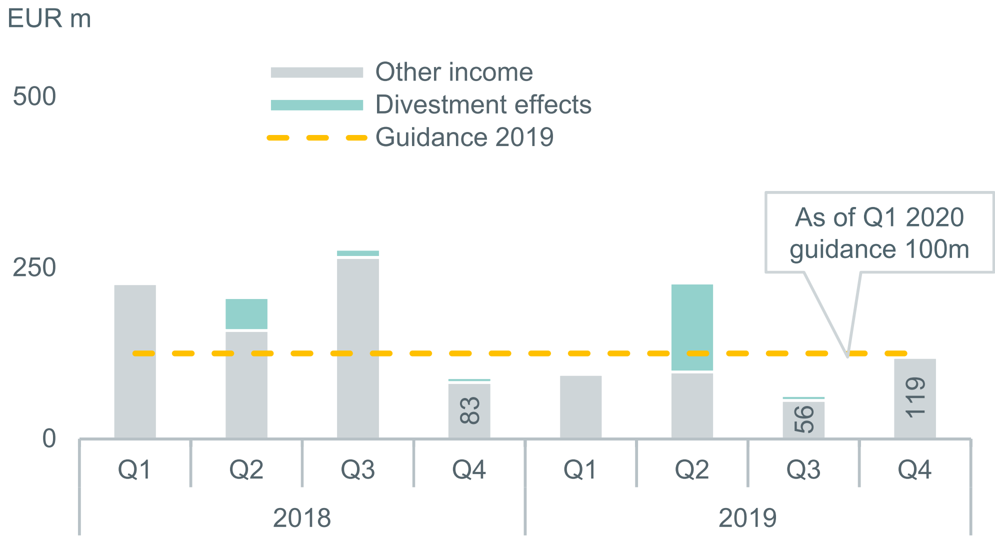
- Resilient NII despite impact from low interest rates (~20m in Q4) and higher liquidity management costs following the roll-off of larger FX positions in Q3, partly offset by the benefit of tiering from November
- Deposit rates lowered to -50bps as of 1 April 2020 for balances above 2.5m, impacting c. 30bn of deposits
- Will not charge negative rates on deposits below 100k, safeguarding around 95% of clients; in addition, c. 60bn deposits between 100k and 2.5m currently not subject to negative pricing
- Positive impact of deposit tiering around 60m for 2020

Fees down due to lower Clearing fees

Net fee income



Other operating income, guidance updated for 2020



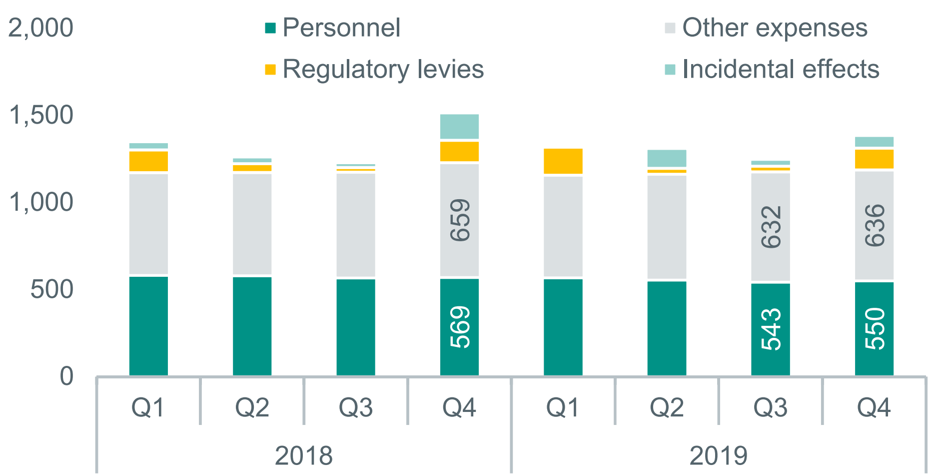
- Fees down (excluding divestments) [1] versus Q4 2018 and Q3 2019 as Clearing fees were lower (reduced volatility)
- Q4 2019 Other income in line with guidance of c. 125m per quarter; 2020 guidance is c. 100m per quarter as lower private equity results are expected
- Volatile items excluding incidentals in Q4 2019 slightly higher compared to Q4 2018 [2]: gains on participations 6m (37m), hedge accounting/RFT/liquidity management costs -22m (-32), CVA/DVA/FVA 15m (-11m)

1) Q4 2018 included EUR 20m from Stater. Impact Stater sale is c.80m lower fee income per annum
2) Q4 2018 included EUR 30m incidentals

Costs continue to benefit from cost saving programmes

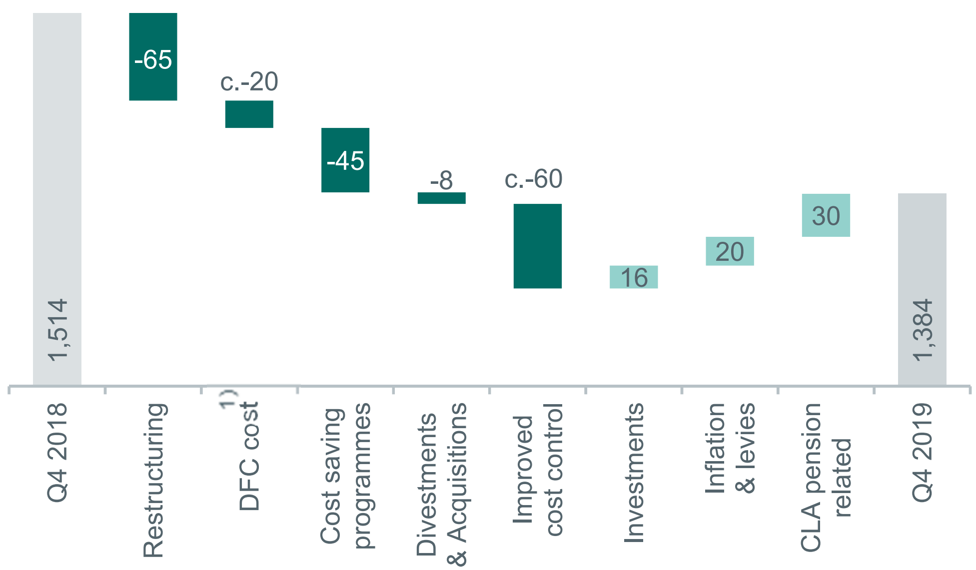
Operating expenses

EUR m



Transition operating expenses

EUR m



- Personnel expenses continue to trend down, reflecting divestments and cost savings programmes, partly offset by DFC costs and wage inflation
- Adjusted for restructuring and CDD remediations, other expenses decreased driven by execution of cost savings programmes
- On track to achieve around 1.1bn cost savings by 2020; cumulative savings achieved so far around 900m [2)]

1) Includes c.30m increase in DFC cost and c. 50 decrease in CDD remediation provisions: Q4 2018 85m, Q4 2019 33m
2) Targeted cumulative cost savings vs. FY2015 cost base

High Q4 impairments in specific CIB subsectors despite de-risking

Impairments by industry sector

Industry	Q4	Segment	Comments current quarter
Dutch SMEs	58	CB	Spread across various sectors
Natural Resources	119	CIB	Energy Offshore services (111m)
TCF [1)]	27	CIB	Agri, Energy & Metals
GTL [1)]	82	CIB	Offshore service vessels, Logistics (50m)
Other	29	Various	RB models 45m, partly offset by releases
Total (EUR m)	314		
Cost of risk (bps)	46		

Impaired portfolio (stage 3 IFRS9)

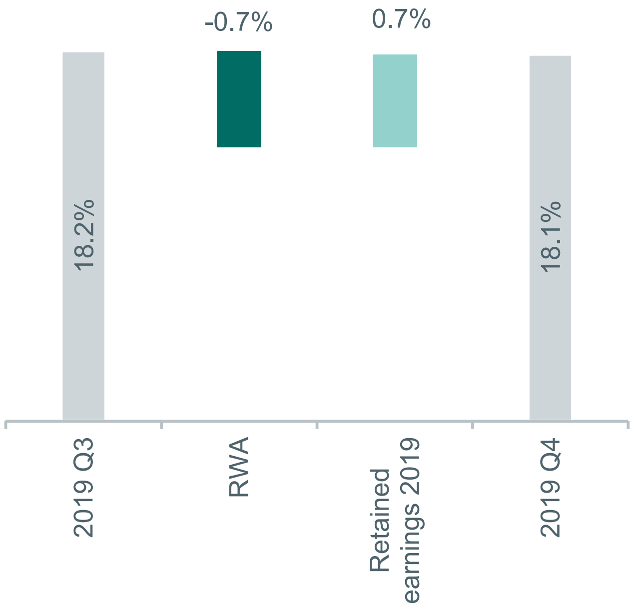
	Stage 3 loans (EUR m)		Coverage ratio	
	Q4 2019	Q3 2019	Q4 2019	Q3 2019
Mortgages	1,038	1,119	6.2%	6.8%
Consumer loans	368	366	53.8%	54.5%
Corporates	5,331	5,173	32.4%	30.3%
Other	4	4	100.0%	100.0%
Total	6,740	6,662	29.6%	27.8%
Impaired ratio (stage 3)	2.5%	2.4%		

- High impairments in CIB due to prolonged downturn in offshore services industry, including a large client filing for chapter 11
- Also higher impairments in Retail Banking largely as result of changes in calculation of modelled impairments (45m)
- Benign impairments in CB over full-year 2019 reflecting healthy Dutch economy, 28% lower compared to 2018
- FY2019 cost of risk at 24bps, and Q42019 at 46bps; 2020 expected cost of risk in the TTC range of 25-30bps
- Increased coverage ratio mainly related to higher provisions for individual corporate names

1) GTL = Global Transportation & Logistics, TCF = Trade & Commodity Finance, including Diamonds

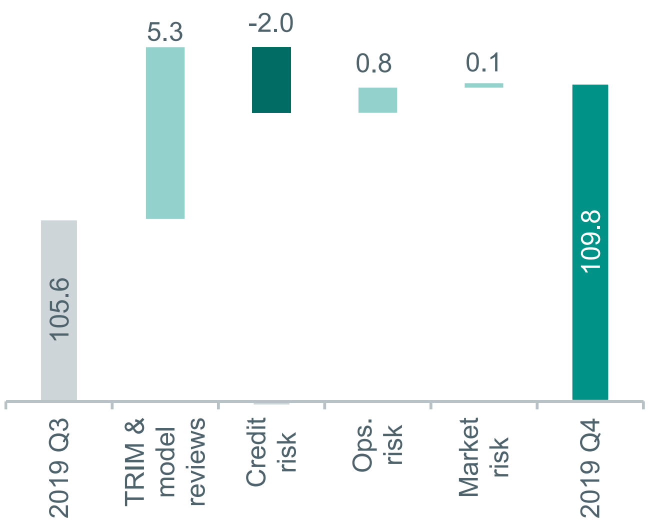
Strong capital ratios at YE2019

Basel III CET1 ratio

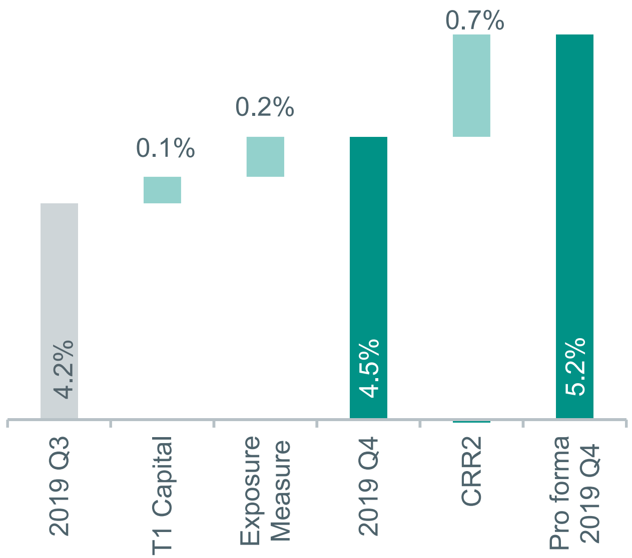


Risk weighted assets

EUR bn



Leverage ratio 1)



- Solid CET1 ratio YE2019 of 18.1%; retained earnings offset by RWA increase
- Already took further 5.3bn of RWA add-ons in Q4 2019 anticipating TRIM and model reviews, partly offset by business developments (credit risk). Expect further TRIM and model review impact in 2020
- Also increase in RWA in Q4 2019 related to updated scenarios including KYC/AML (operational risk)
- Strong leverage ratio of 4.5%, starting to manage business under pro-forma CRR2 leverage ratio well above 5%

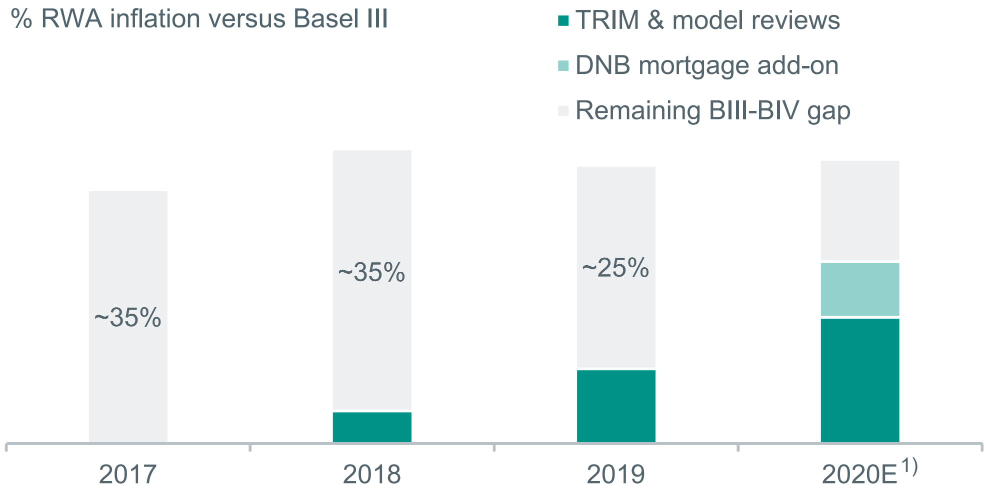
1) CRR2 assumes SA-CCR calculation methodology for clearing guarantees and is estimated to decrease Exposure Measure by c. 65bn. CRR2 rules expected to be changed by mid- 2021

Expected capital developments for 2020 well anticipated

Already well positioned for Basel IV

- Robust Basel IV capital position over 14% before further mitigations
- NHG treatment clear: sovereign under Basel IV
- Basel IV RWA inflation down to around 25% due to RWA add-ons [2] anticipating TRIM, model reviews and Basel IV mitigations delivered
- European Commission will come with a proposal for EU implementation in the summer of 2020

Expect substantial TRIM impact in 2020



Basel III developments

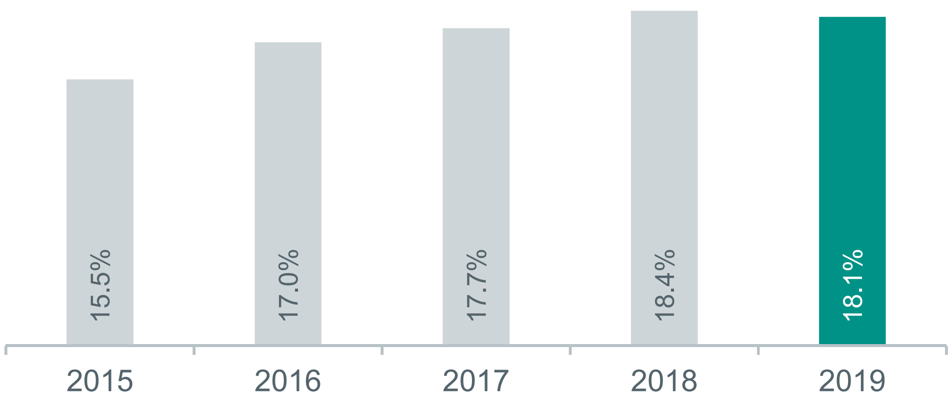
- Pillar 2 increase (+0.25%) reflects improvements required in credit risk models and processes in addition to DFC activities
- Based on supervisory feedback, in 2020 expect further significant TRIM and model reviews impact, material DNB mortgage add-on and some RWA impact from expected implementation of new Definition of Default (DoD)
- Consequently expect Basel III capital ratio to move towards Basel IV ratio in 2020. Will revise capital target range accordingly

1) For 2020 bars are illustrative
2) For non-retail portfolios (larger corporates), banks & non-banks financial institutions and specialized lending an additional 5bn in Q4 2019 including model reviews, 10bn total from Q4 2018

Maintaining 62% dividend pay-out ratio for 2019

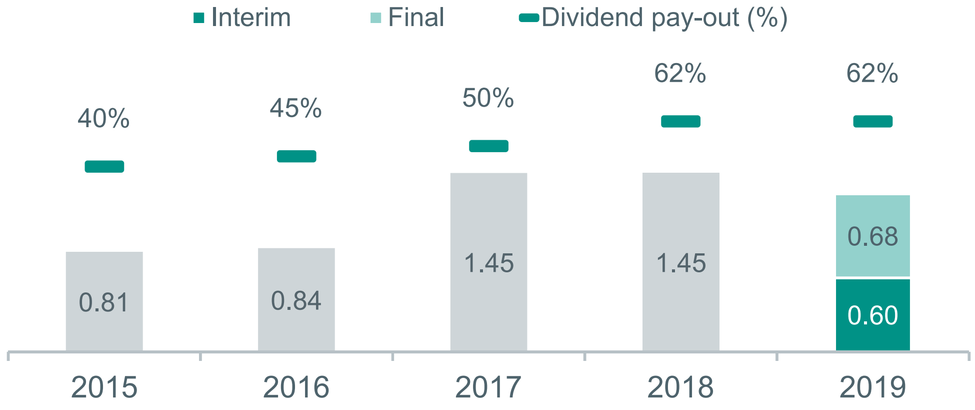
Basel III CET1 ratio strong

CET1 in %, Basel III



Total dividend

EUR per share, % pay-out



- Capital position remains strong, CET1 ratio of 18.1%, despite higher RWAs due add-ons anticipating TRIM and model reviews
- Pay-out maintained at 62% given uncertainties regarding investigation by the Dutch public prosecutor and substantial TRIM and model reviews impacts in 2020
- So total dividend proposal of 1.28 per share, o/w 0.68 as final dividend

Financial targets

	2018	2019	Targets
Return on Equity	11.4%	10.0%	10-13%
Cost/Income ratio	58.8%	61.2%	56-58%
CET1 ratio	18.4%	18.1%	17.5% - 18.5%
Dividend - per share (EUR) - pay-out ratio	1.45 62%	1.28 62%	▪ 50% of sustainable profit 1) plus additional distributions

1) Sustainable profit attributable to shareholders excludes exceptional items that significantly distort profitability; examples from the past e.g. book gain on PB Asia divestment (2017) and provision for SME derivatives (2016). Additional distributions will be considered when capital is within or above the target range, and are subject to other circumstances, including regulatory considerations

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