# Q3 2014 results

*roadshow 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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# Q3 highlights

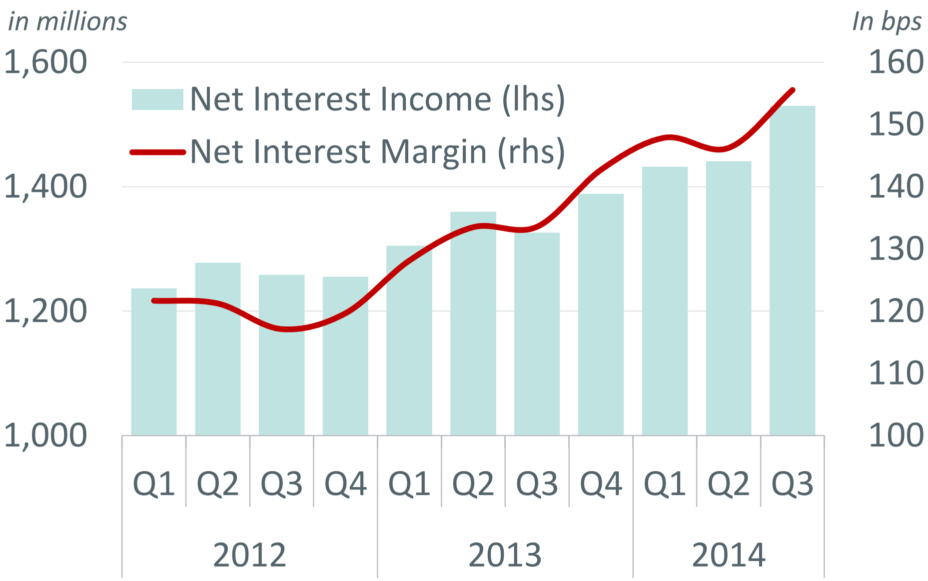
# Quarterly result

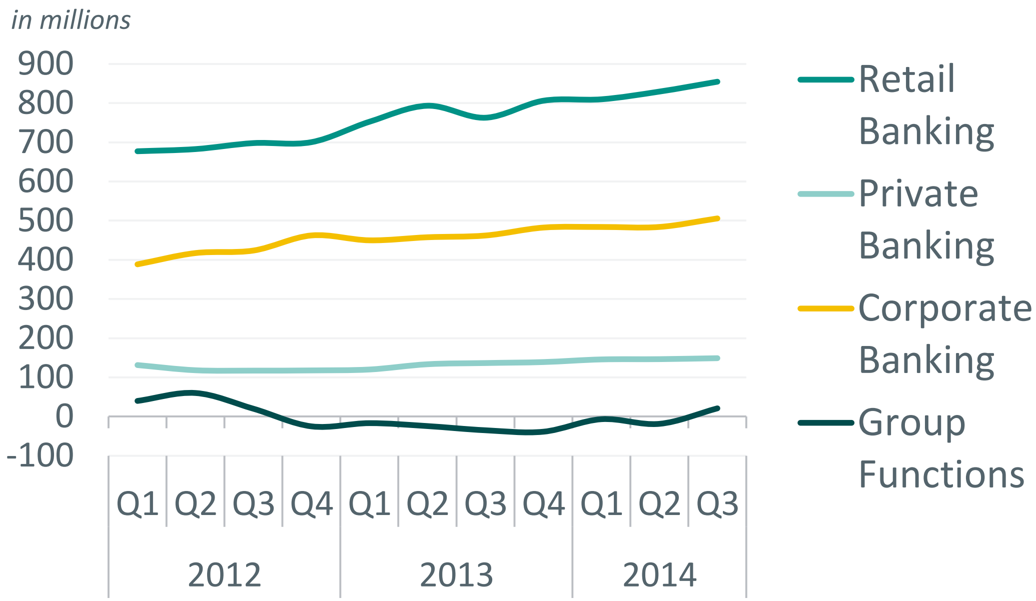
## Net Interest Income and lower loan impairments drive Q3 profit improvement

| *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



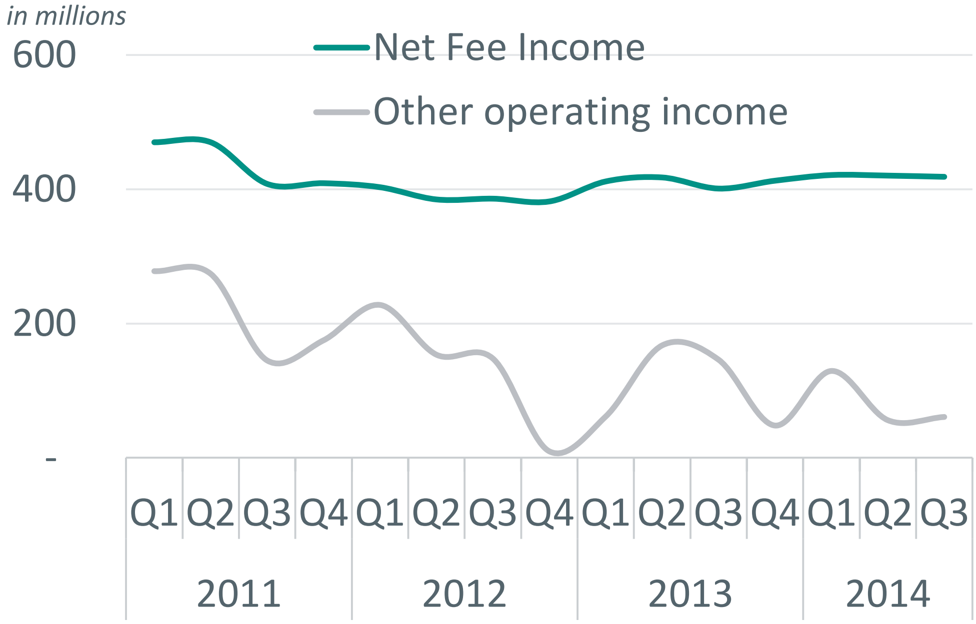

- NII showing a steady increase (CAGR[1] Retail +9.8%, Commercial Banking +11.1%)
- Increase driven by higher margins on deposits, mortgages and commercial loans and lower funding costs
- New production margin above average portfolio margin for mortgages and commercial loans leading to steady improvement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

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

# Net Fee and Other operating income

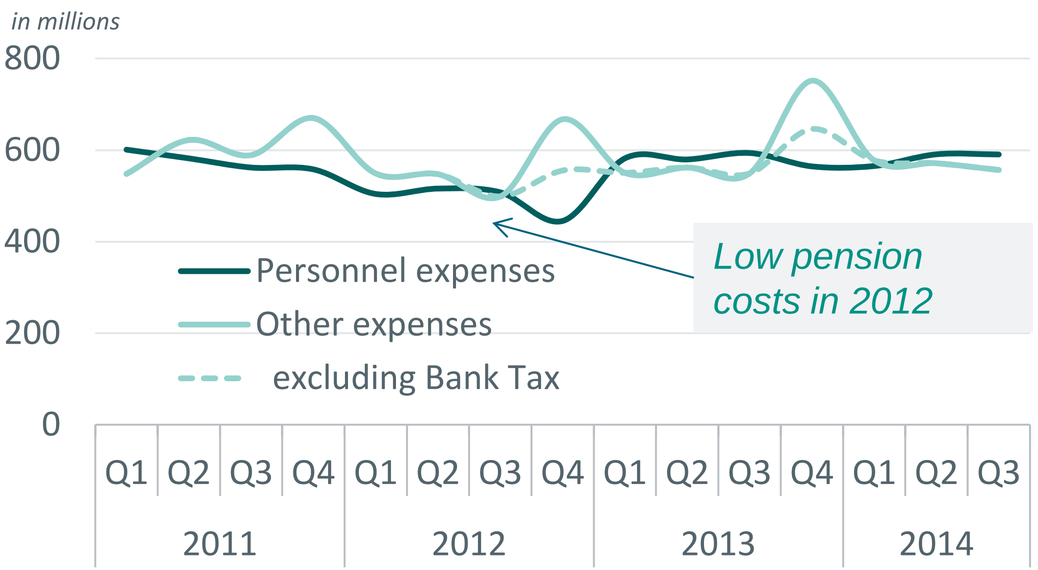
## Stable fee income, Other operating income within Capital Markets Solutions declining

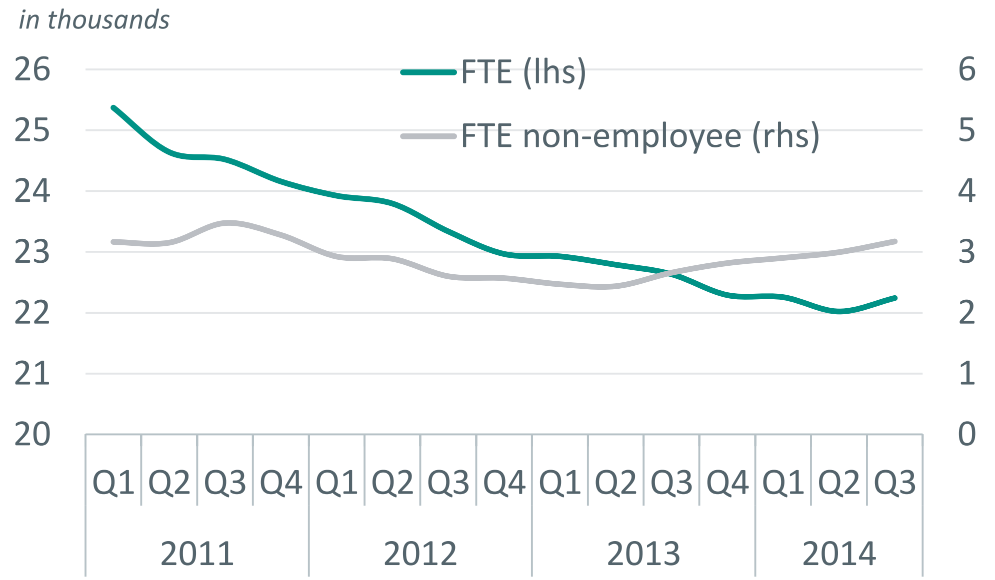
- Fee income has been stable over the last number of years
- Declining Other operating income mainly due to lower income within Capital Market Solutions



# Expenses

## Expenses are under control

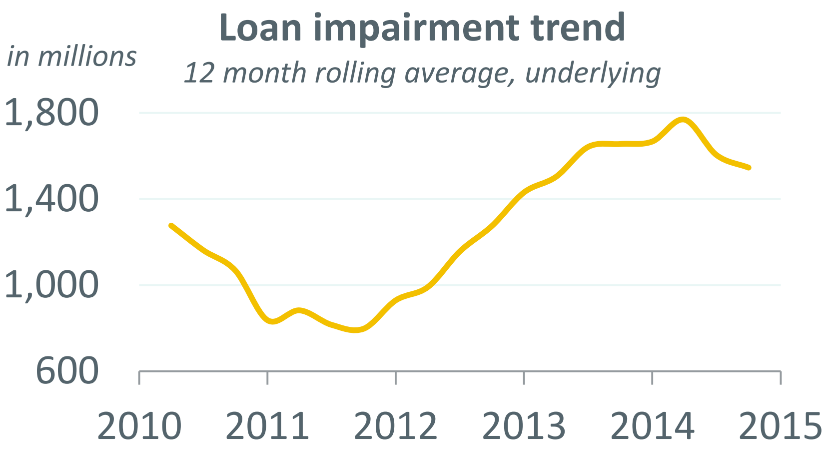


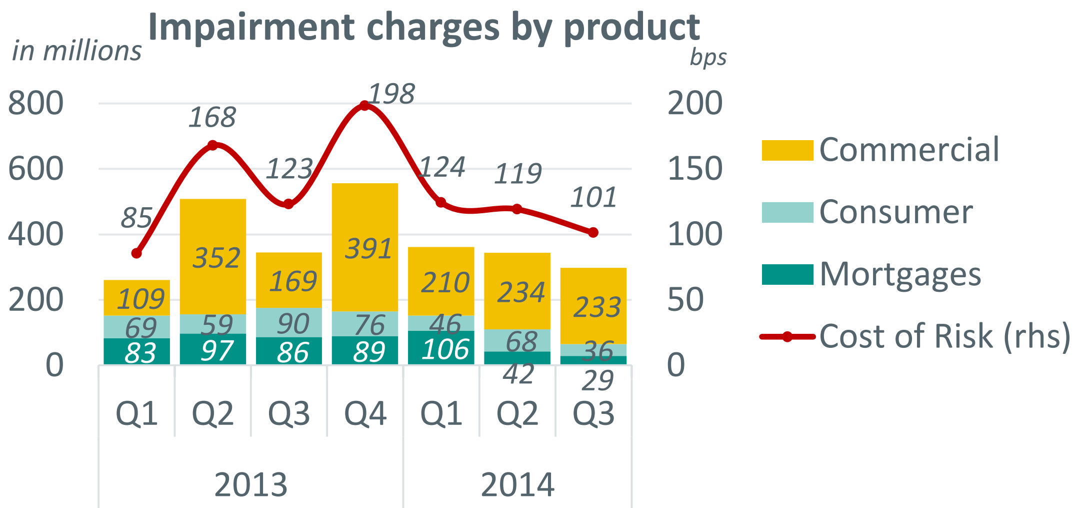




- Personnel expenses at similar level to 2011 Q1 as declining FTEs have compensated for wage inflation and move towards higher-grade workforce
- Trend distorted by much lower pension costs in 2012
- Other expenses show the impact of the bank tax in final quarter
- FTE uptick this quarter due to the acquisition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

# Loan impairments

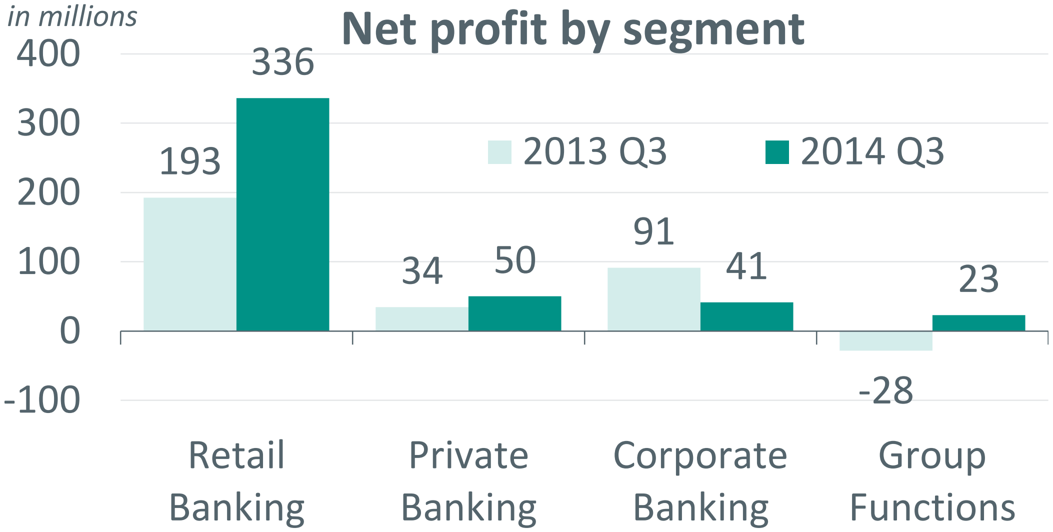
## Return of loan impairments to normal levels will take some time

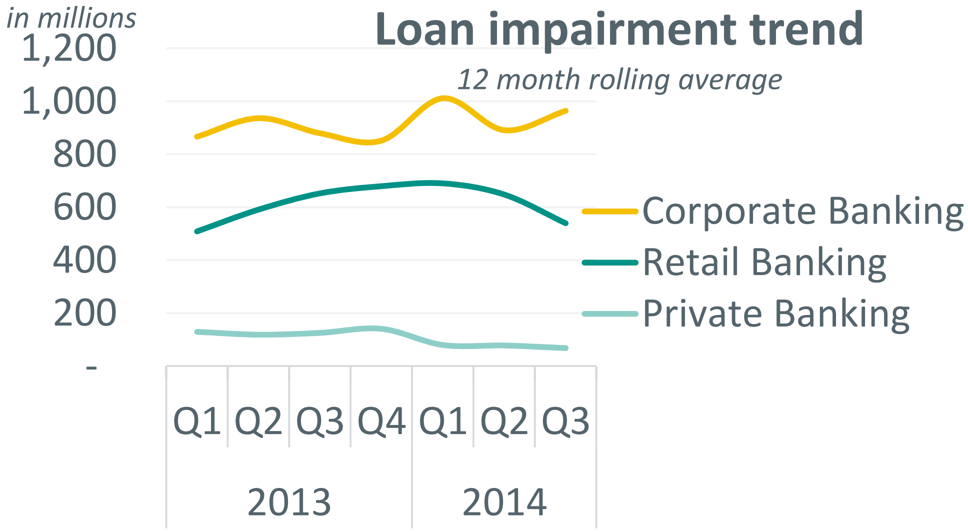



- Loan impairments trended lower mainly due to mortgages and SMEs
- Mortgage impairments down to 8 bps (annualised) compared to 23 bps Q3 last year, clearly showing signs of the economic recovery
- Loan impairments on commercial loans increased YTD, however SMEs with a domestic focus are trending down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

## 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

# ECB Asset Quality Review & Stress Test

## ABN AMRO comfortably passed the Comprehensive Assessment

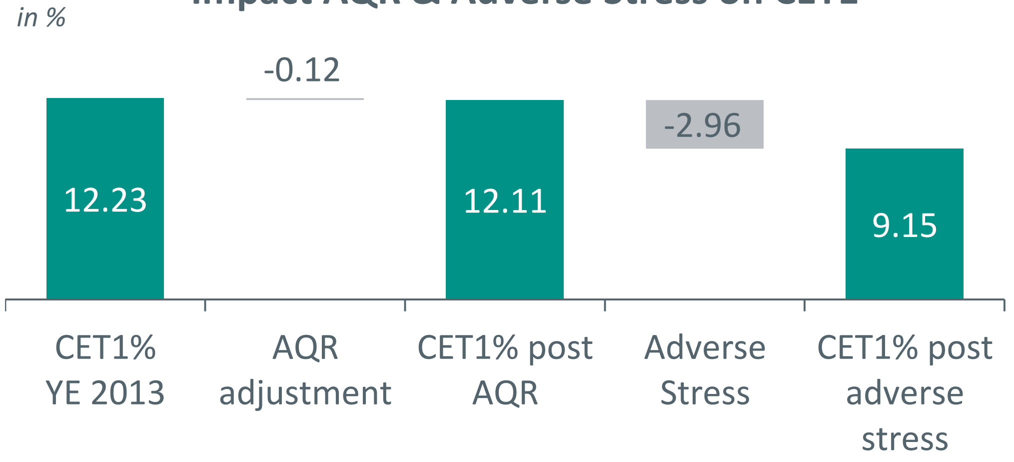
### Asset Quality Review

- 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

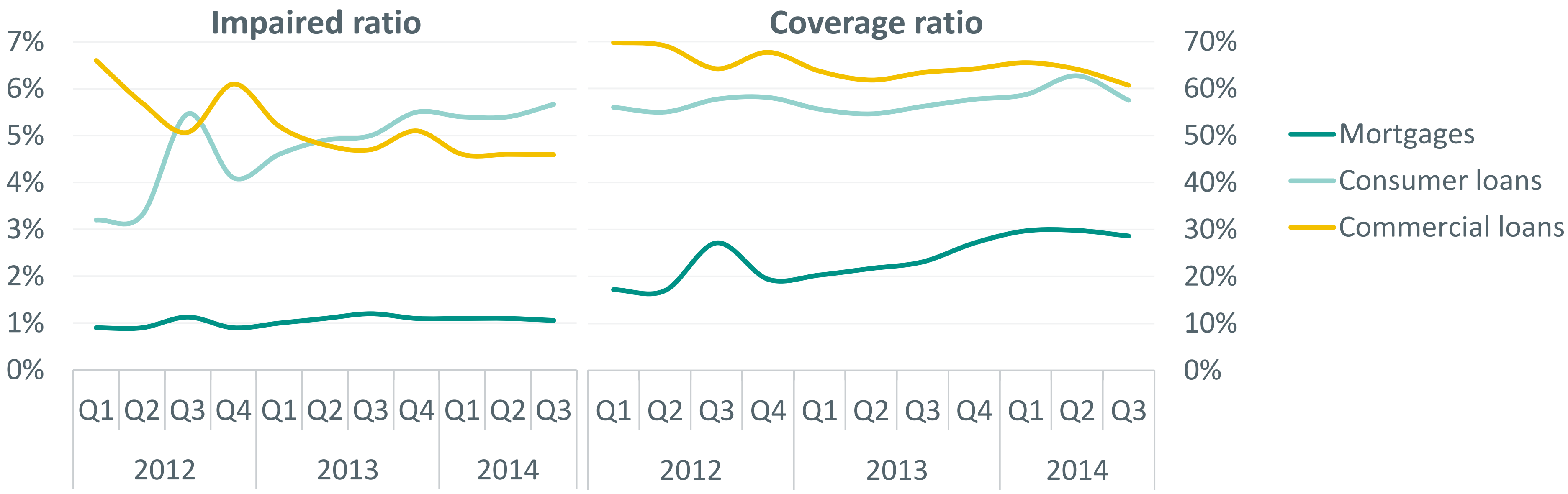
- Robust capital position withstands adverse scenario comfortably
- The post adverse stress CET1 ratio amounts to 9.15%, well above the 5.5% hurdle

**Impact AQR & Adverse Stress on CET1**



# Risk ratios

## Impaired ratios at heightened levels, coverage ratio showing some decline

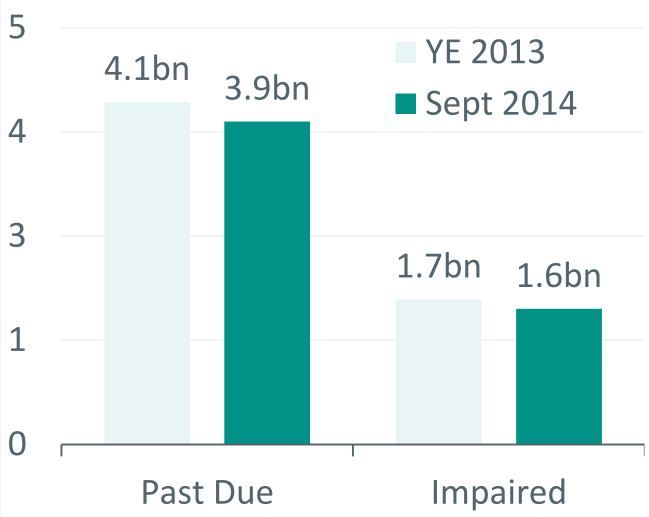



- Coverage ratio for mortgages is showing an initial decline
- Write-offs of commercial loans with high provisioning levels led to lower coverage ratio in Q3

# Mortgage loans

## Past due & impaired

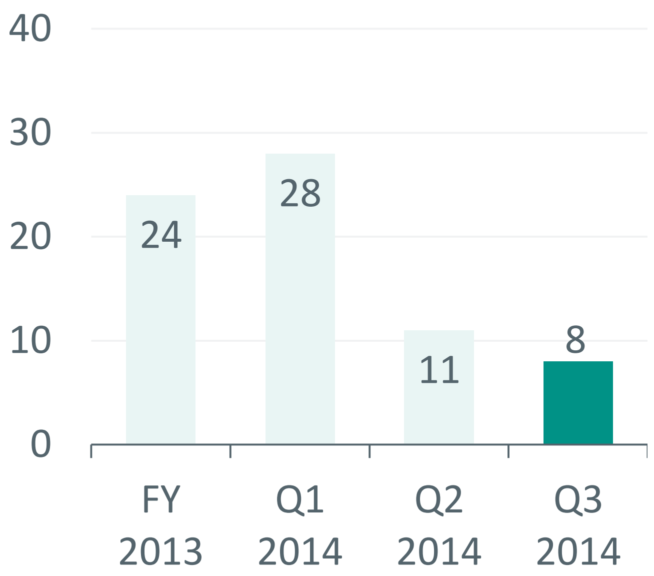
*In billions*




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

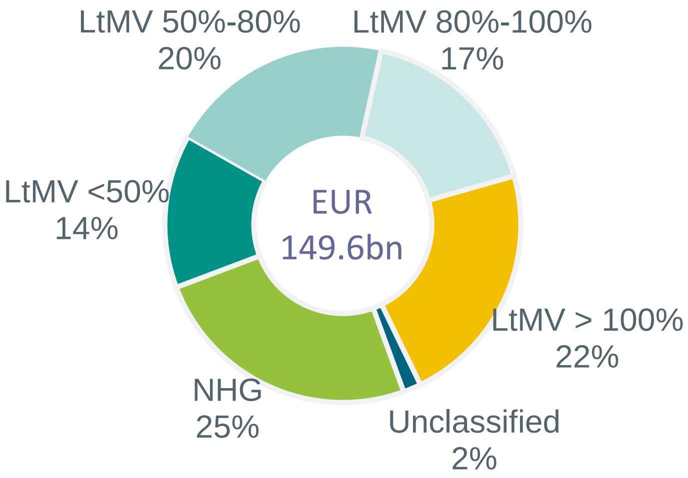
## Impairments

*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%)

# Retail strategic update

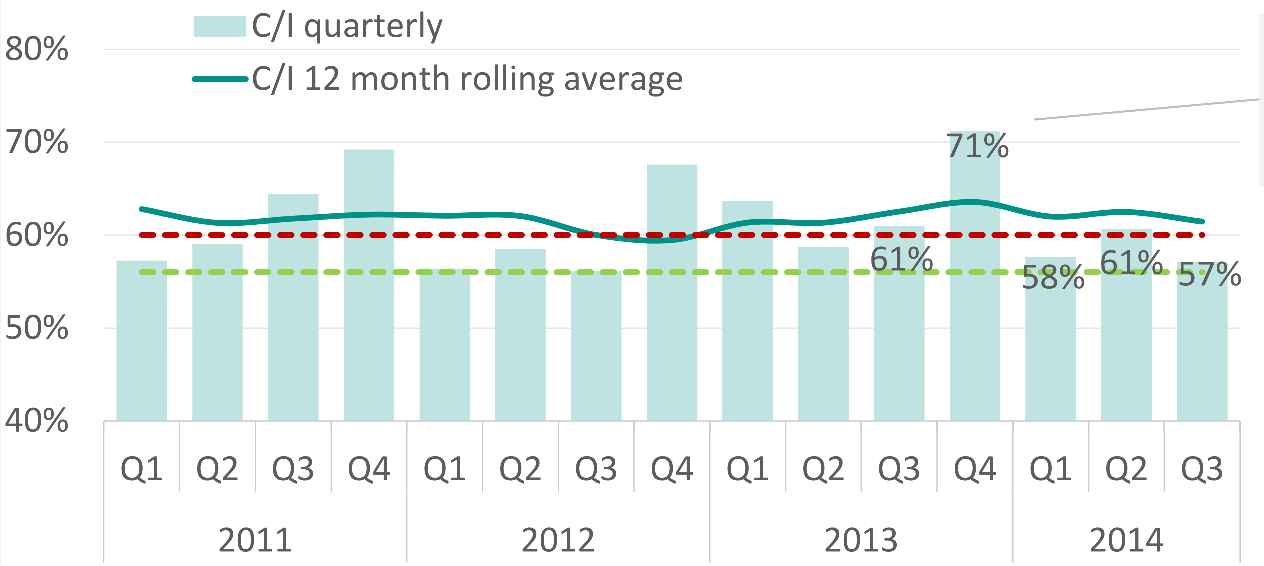
## Retail to accelerate digitisation

- 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

# 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%*

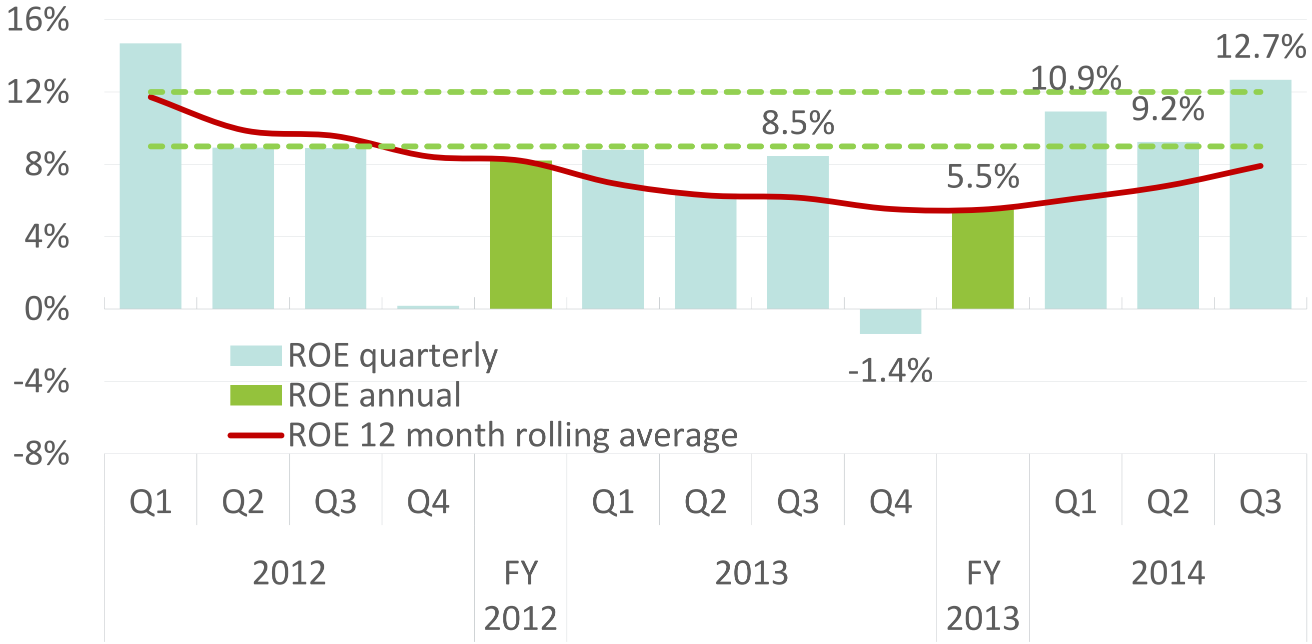
**Target range 2017: 56%-60%**

- 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

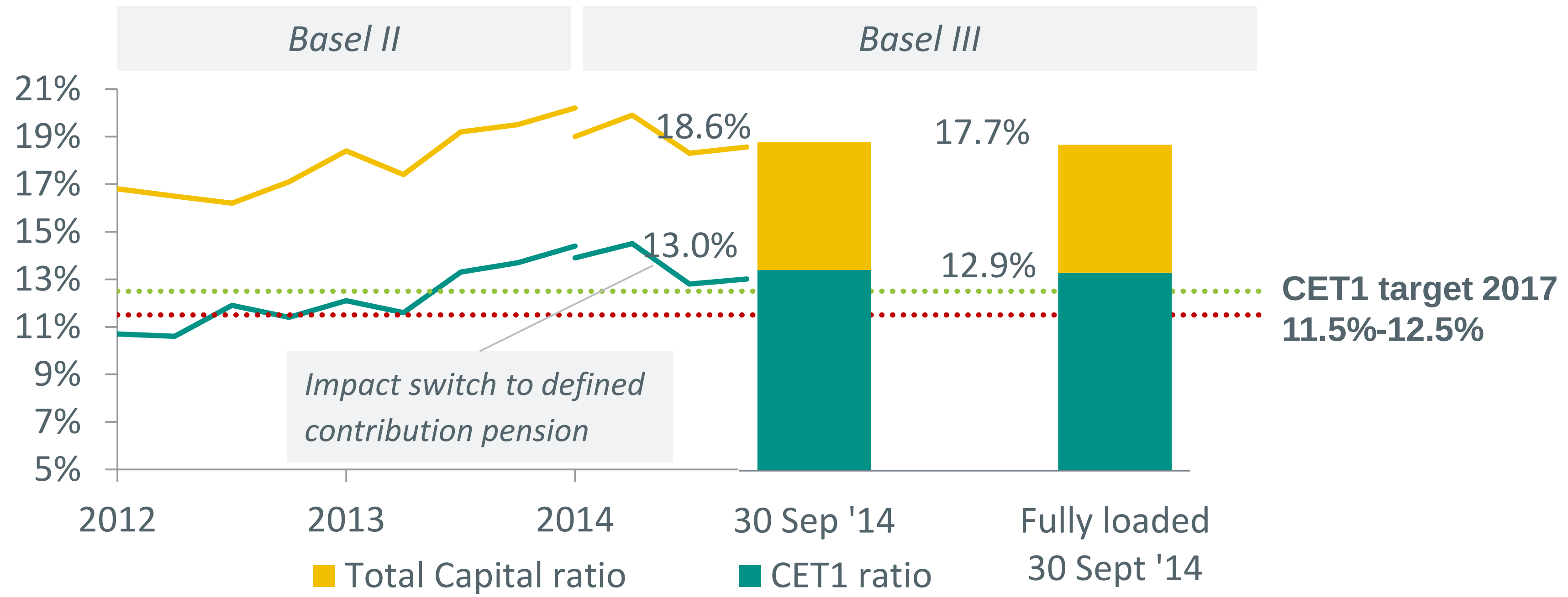
- ROE over first nine months was 11.0%
- The bank tax will be due in fourth quarter (if booked on a linear basis, ROE YtD would be lower by 65bps)
- Private Banking and especially Retail are performing well above target ROE
- Corporate Banking in due course to benefit from pick-up in Dutch economy




**Target range 2017: 9% - 12%**

# CET1 capital target

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



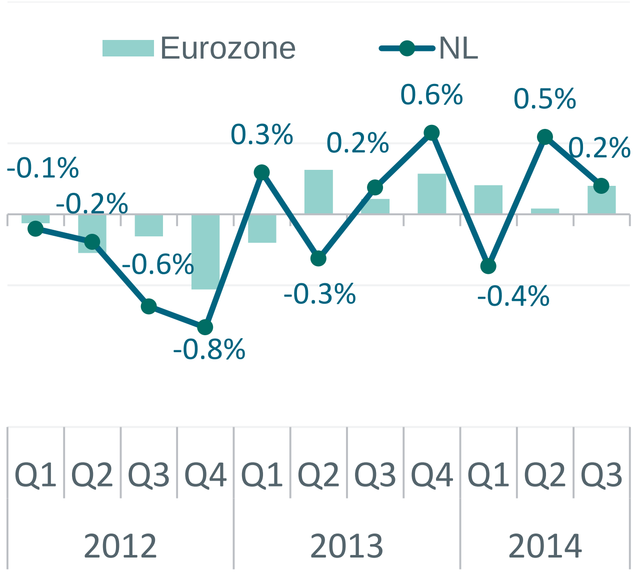

- Consistent growth of capital over the last few years, dividends paid every year
- Fully loaded CET1 already above target of 11.5% - 12.5% for 2017
- Leverage ratio (without netting) 3.4% as of Q3 2014, 3.2% fully-loaded

# economic indicators

# Economic indicators

## GDP

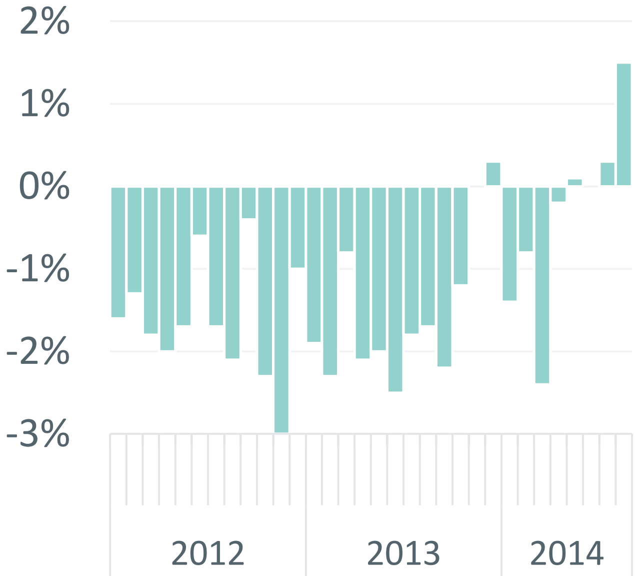
*Q-o-Q, source Thomson Reuters Datastream, CBS*




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

## Consumer spending

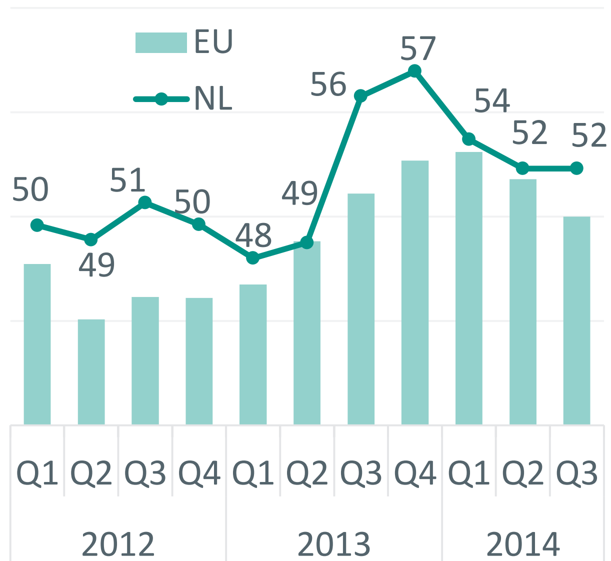
*% change compared with same month year ago, CBS*




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

## PMI

*PMI indices, source Thomson Reuters Datastream*

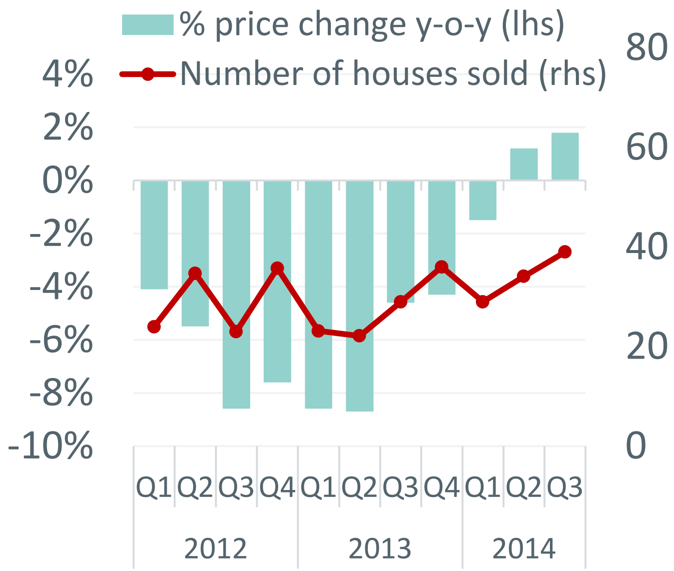



- PMI still marginally shows expansion (>50)

# Economic indicators

## House prices & houses sold

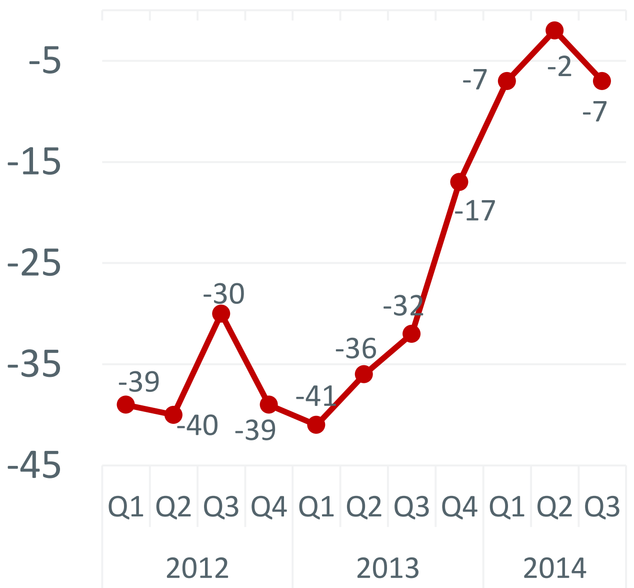
*% change y-o-y average price houses sold, sales in '000, CBS*




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

## Consumer confidence

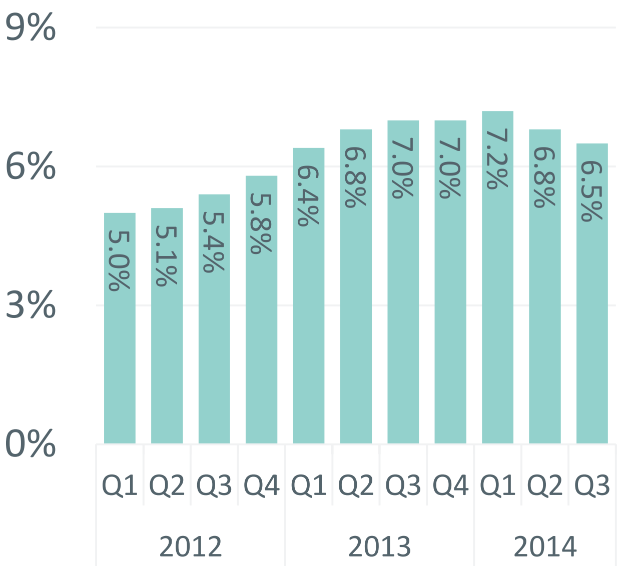
*The Netherlands, seasonally adjusted confidence, source CBS*




- 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)* | -1.6% | -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*

# annex

# ABN AMRO profile

# Profile

**A leading Dutch bank** with the majority of revenues generated by interest income and fees & commissions

**Clearly defined business model**
- Strong position in the Netherlands
- International growth areas in Private Banking, asset-based financing (Leasing & Factoring), ECT and ABN AMRO Clearing[1]

**Moderate risk profile**
- Enhanced risk management & control framework
- Diversified loan book
- Limited investment banking activities and only client-related trading

**Execution excellence** with strong focus on improving customer service and lowering cost base

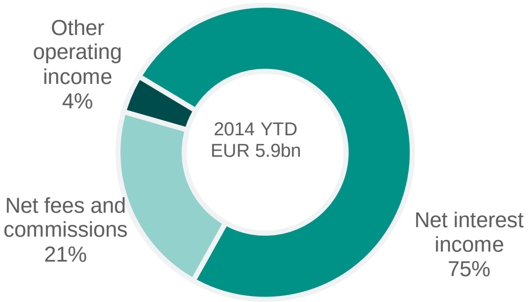
### Retail Banking
- Top position in the Netherlands
- Serves Dutch Mass Retail and Mass Affluent clients with investible assets up to EUR 1m
- SME's with turnover <1m

### Private Banking
- No.1 in the Netherlands and No.3 in the Eurozone[2]
- Serves private clients with investible assets >EUR 1m, Institutions and Charities

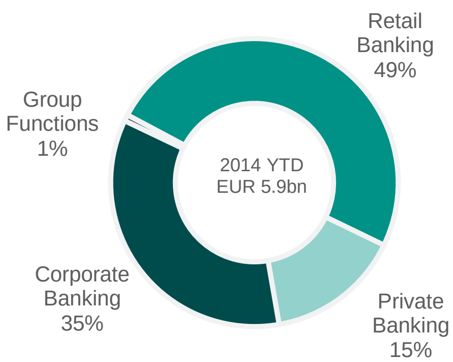
### Corporate Banking
- Leading position in the Netherlands
- Relationship driven, based on dedicated client teams
- Global positions in ECT & Clearing[1]
- Sales & trading services to both corporate and institutional clients

**Group Functions**: supports the businesses with TOPS, Finance (incl. ALM/Treasury), Risk Management & Strategy and PR&I[1]

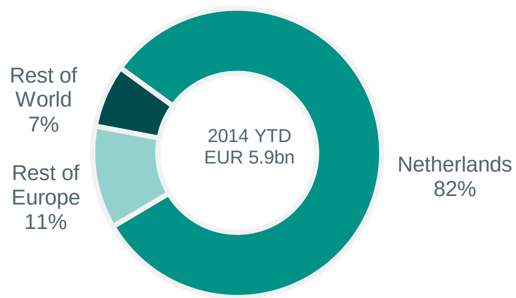
### Operating income by type of income




### Operating income by business




### Operating income by geography




*Note(s):*
1. *ECT: Energy, Commodities & Transportation; Clearing refers to the clearing activities of the bank and its subsidiaries; TOPS: Technology, Operations and Property Services; PR&I: People Regulations & Identity*
2. *Source: based on Scorpio Private Banking Benchmark report 2013*

# The long term strategy focuses on five priorities and sets targets for 2017

To prepare for the challenges of the future, we made clear choices locally and internationally to ensure sustainable profit. These choices are crystallised through five strategic priorities

**Drivers**


| Priorities | …bringing |
|---|---|
| **1 Enhance client centricity**<br>▪ Quality and relevance of advice<br>▪ Using technology to better serve our clients<br>▪ Continue Customer Excellence | ▪ Long lasting client relationships<br>▪ Client satisfaction driving sustainable top line growth |
| **2 Invest in our future**<br>▪ Re-engineer IT landscape & optimising processes<br>▪ Recognised position in sustainability<br>▪ Recognised as top class employer | ▪ Operational efficiency<br>▪ Client satisfaction driving sustainable top line growth<br>▪ Employee satisfaction |
| **3 Strongly commit to moderate risk profile**<br>▪ Optimise balance sheet<br>▪ Further diversification<br>▪ Good capital position | ▪ CET1 ratio 11.5-12.5% by 2017<br>▪ Maintain strong balance sheet |
| **4 Pursue selective international growth**<br>▪ Capability led<br>▪ Fitting moderate risk profile<br>▪ Fitting efficiency focus | ▪ Diversification and a 20-25% contribution to operating income by 2017 |
| **5 Improve profitability**<br>▪ Improve top line revenues<br>▪ Continuous focus on costs<br>▪ Strive for a sustainable risk – return | ▪ Top line growth<br>▪ Improved efficiency (C/I ratio between 56-60% by 2017)<br>▪ RoE between 9-12% |

**Targets 2017**

- ***Cost/income ratio 56-60%***
- ***Return on Equity 9-12%***
- ***CET1 ratio 11.5-12.5%***

**Management has shown - by finalising the integration on time and on budget - that we can be confident to succeed in delivering this strategy, while preparing for the IPO**

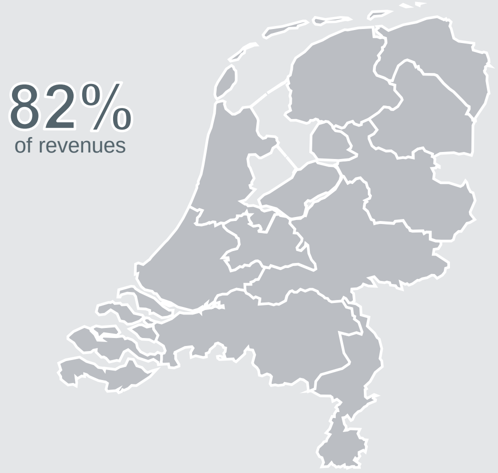
# Core focus on Dutch market with selective international presence

**ABN AMRO's core focus is on the Netherlands with a limited international presence in selected markets around key capabilities**

- A full range of products and services is available to clients in the core Dutch market
- International focus is on specific expertise with leading market positions, where risk-taking is well-understood and aligned to the moderate risk profile
- In addition, the international network services Dutch clients abroad

## Full client coverage in Dutch home market

- Retail Banking c. 325 branches of which 200 financial advisory centres
- Private Banking 20 dedicated branches
- Corporate Banking 24 offices (EUR 1-30m) and five regional units (EUR 30-250m), two central offices, a dealing room and regional treasury desks
- Digitalisation 24/7 online and mobile banking, telephone and webcare service

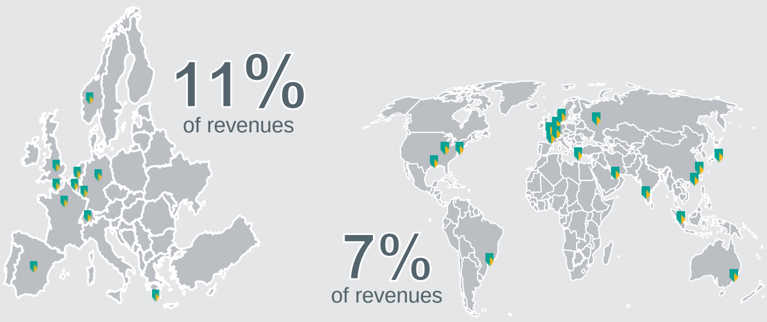



## Selective international presence

**Selective and focused footprint** in several time zones and all major financial hubs based on key capabilities:

- To serve **Dutch clients** abroad
- **Private Banking clients** mainly in NW-Europe, as well as in Asia
- **Corporate Banking** clients in the fields of Energy, Commodities & Transportation clients globally, Clearing clients globally, Commercial Finance & Lease in NW-Europe

**Partner agreements** with selected banks to ensure coverage (payments) where ABN AMRO is not present



# The Moderate Risk Profile is part of the corporate strategy

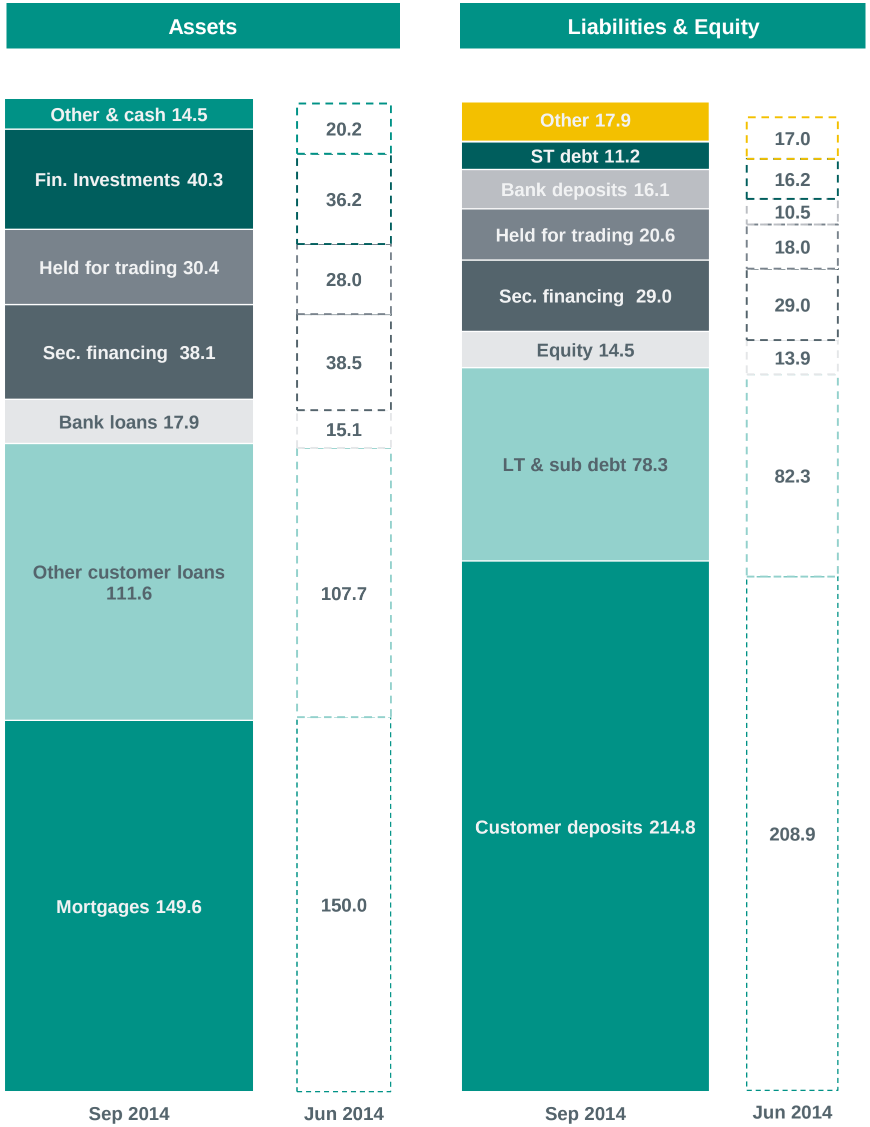
*Maintaining a moderate risk profile is reflected in the balance sheet composition, in the clients, products and geographies served, and translates in sound capital and liquidity management. A clear governance is set up to support the moderate risk profile*

| | |
|---|---|
| **A moderate risk profile** | **Strongly commitment to a moderate risk profile**<br>It is one of the five strategic priorities that define the strategy |
| **Risk Appetite** | **The moderate risk profile is expressed in risk appetite statements**<br>The risk appetite is cascaded down in more detail to all business lines and all markets where we are present |
| **Embedding in the organisation** | **The moderate risk profile is embedded in the organisation**<br>Strong risk governance and risk management processes are based on an integrated risk management approach which is executed by dedicated risk experts for the risk types |
| **Risk Governance** | **Governance framework ensures high level of management & managing board involvement**<br>▪ Governance is in place to safeguard and control the risk profile, support effective and efficient risk management throughout all levels of the bank and to steer risk management processes in line with the risk appetite<br>▪ Governance is based on clear risk strategy and appetite, embedded in the risk organisation, policies and methods<br>▪ The Supervisory Board approves the risk governance and oversees execution of the strategy<br>▪ Both the Supervisory and Managing Board have risk and sub-committees in place<br>▪ The CRO is a member of the Managing Board and safeguards an accurate monitoring of the Risk Appetite |
| **Three Lines of Defence Model** | **The model is a core discipline for the bank and its employees**<br>▪ 1st Line of Defence: risk ownership, primarily business responsibility<br>▪ 2nd Line of Defence: risk control, primarily group functions (e.g. Risk Management) responsibility<br>▪ 3rd Line of Defence: risk assurance, Group Audit responsibility |
| **Risk Measurement and Reporting** | **ABN AMRO has a comprehensive internal risk reporting hierarchy of regular reports**<br>▪ Monthly Enterprise Risk Management reports provide integrated views on the risk profile, are benchmarked against risk appetite limits and strategic targets. It is discussed in board and risk committees. It supports effective and efficient risk management and it enables to prioritise identified risk issues and appropriate actions<br>▪ Business Line risk reports are discussed monthly in the appropriate risk committees |

# *Balance sheet composition reflects moderate risk profile*

**The moderate risk profile is underpinned by**

- A focus on collateralised lending
- A loan portfolio that is matched by deposits, long- term debt and equity
- A limited reliance on short-term debt
- Securities Financing which by the nature of its business is a fully collateralised activity: e.g. repo transactions and stock borrowing & lending activities
- Limited market risk and trading portfolios
- No exposure to CDOs or CLOs
- Financial Investments relate to liquidity management activities



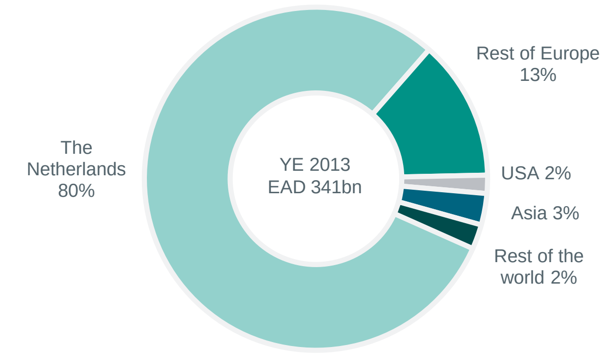

*Balance sheet total per 30 September 2014: EUR 402.4bn (30 June 2014: EUR 395.8bn)*

# Geographic diversification of exposures at YE 2013

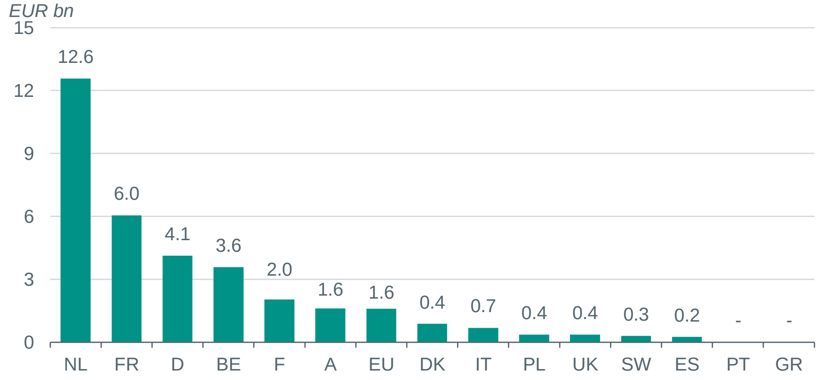
## Geographic concentration

- Credit risk exposure is with 80% concentrated in the Netherlands and 13% in rest of Europe
- Majority of exposure in Rest of Europe is concentrated in the corporate sector (44%) and in institutions[1] (23%)
  - No material exposures to Italy, Spain, Portugal in corporates and institutions
  - Limited exposure to Russia and negligible exposure to Ukraine, primarily collateralized commodity transactions
  - Most government exposures relate to financial investments held for liquidity purposes
- Asian, and rest of the world exposures are mostly concentrated in ECT and the USA exposures relate mainly to Clearing, ECT and securities financing

## Breakdown by geography YE2013




## Gross EU government exposures per 30 June 2014



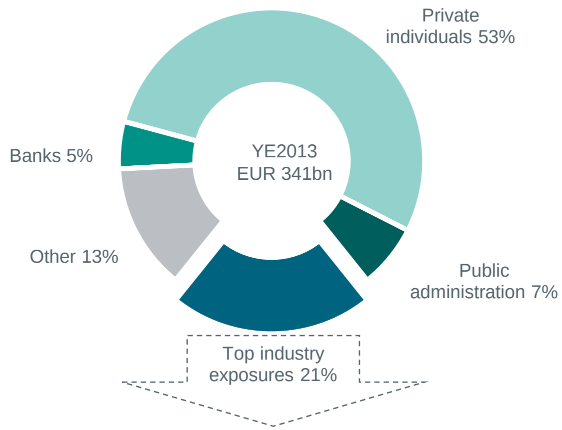

Note(s)
1. Institutions (COREP class definition ) includes banks and pension funds

# Industry concentration

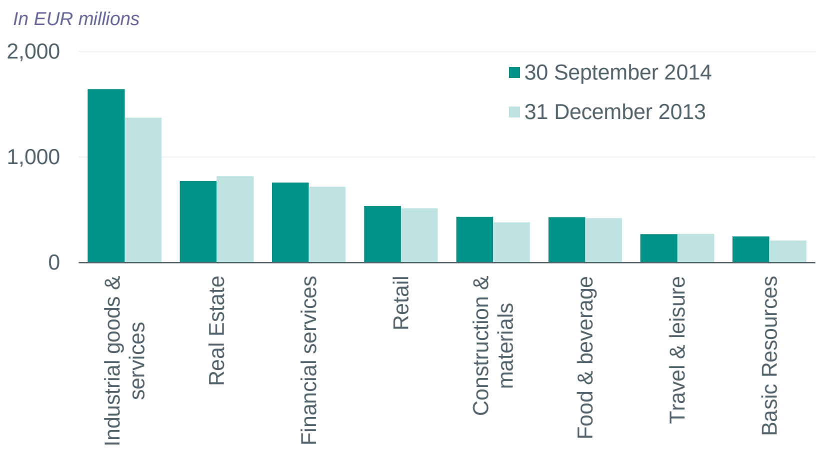
## Exposure at Default (EaD)

- EAD is mainly exposure to private individuals (mostly Dutch residential mortgages) and relates for 80% of EaD to clients domiciled in the Netherlands (YE 2013)
- Largest industry sector exposure is to Industrial Goods and Services, (5.3% of total EaD – YE 2013) which includes industrial transportation, support services and industrial engineering
- Impaired exposures in Financial Services also includes the remainder of the fully impaired Madoff exposures for an amount of EUR 0.5bn

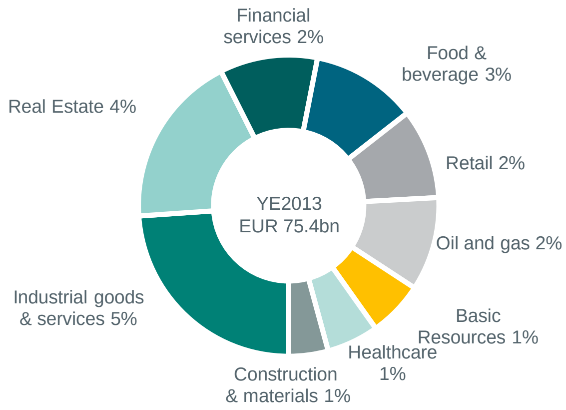
## Top industry exposures as % total EAD, YE 2013




## Impaired loans by industry




## Breakdown Top Industry Exosures, YE 2013



## Quarterly results

### Reconciliation quarterly underlying and reported results

| EUR m | Quarterly Results 2014 Q3 | 2014 Q2 | 2014 Q1 | 2013 Q4 | 2013 Q3 | 2013 Q2 | 2013 Q1 |
|---|---|---|---|---|---|---|---|
| *Net interest income* | 1,530 | 1,441 | 1,432 | 1,389 | 1,326 | 1,360 | 1,305 |
| *Net fee and commission income* | 419 | 420 | 421 | 413 | 401 | 417 | 412 |
| *Other operating income* | 61 | 56 | 129 | 47 | 147 | 167 | 62 |
| Operating income | 2,009 | 1,917 | 1,983 | 1,849 | 1,874 | 1,944 | 1,779 |
| Operating expenses | 1,147 | 1,162 | 1,143 | 1,316 | 1,143 | 1,141 | 1,133 |
| **Operating result** | **862** | **755** | **840** | **533** | **731** | **803** | **646** |
| Impairment charges | 287 | 342 | 361 | 555 | 347 | 506 | 259 |
| **Operating profit before taxes** | **575** | **413** | **479** | **-22** | **385** | **296** | **387** |
| Income taxes | 125 | 91 | 101 | 25 | 95 | 77 | 97 |
| **Underlying profit for the period** | **450** | **322** | **378** | **-47** | **289** | **220** | **290** |
| Special items and divestments | -67 | -283 | -67 | 0 | 101 | 182 | 125 |
| **Profit for the period** | **383** | **39** | **311** | **-47** | **390** | **402** | **415** |
| *FTE* | *22,242* | *22,019* | *22,255* | *22,289* | *22,632* | *22,788* | *22,926* |

# business profiles & results

# Retail Banking, putting clients first

## Business proposition

**Proposition**

- Retail provides a full range of straightforward and transparent retail banking and insurance products to private individuals and serves small-sized enterprises through YourBusiness Banking, offering easy access to standard business banking products such as cash management, deposits and loans
- Nationwide branch network and digital channels offering seamless navigation and easy accessibility
- Broad range of specialist staff to advise clients at every stage of their life and specific client segments
- Stable business with resilient income generation, sticky deposit flow providing stable funding base for the bank

**Clients & channels**

- 5 million consumer clients including 500,000 mass affluent clients with investable assets up to EUR 1m, served through the unique Preferred Banking concept
- 300.000 small-sized businesses (<EUR 1m turnover)
- Primary bank for 21% of the Dutch population[1]
- Top quality multi-channel market access with best in class internet and mobile banking applications: 325 branches, 24/7 online banking, telephone and webcare
- Active under the ABN AMRO brand and other brand labels (e.g. MoneYou, Florius, GreenLoans)

**Market position[2]**

- Top 3 player in the Netherlands: >20% market share in savings, ~20% in new mortgage production, 26% in consumer lending

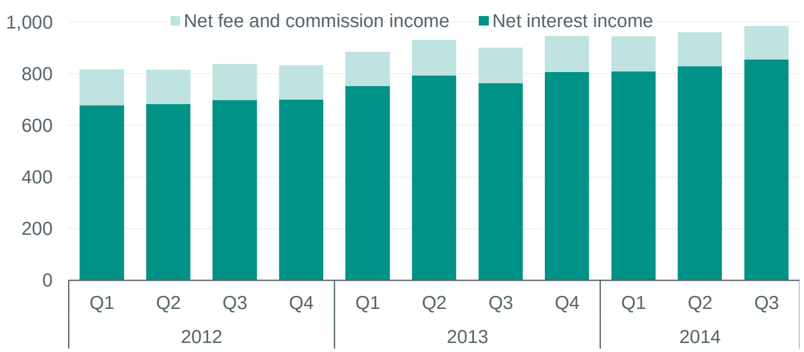
**Awards[3]**

- Best online banking service in NL (9.2 out of 10)
- Best website in banking sector (7.2 out of 10)

## Financials and key indicators

| *EUR m* | *2014 Q3* | *2013 Q3* |
|---|---|---|
| Net interest income | 855 | 763 |
| Net fee and commission income | 130 | 138 |
| Other operating income | 9 | 8 |
| **Operating income** | **994** | **909** |
| Personnel expenses | 122 | 132 |
| Other expenses | 353 | 341 |
| **Operating expenses** | 475 | 473 |
| **Operating result** | **519** | **436** |
| Loan impairments | 70 | 179 |
| **Operating profit before taxes** | **448** | **257** |
| Income tax expenses | 112 | 65 |
| **Underlying profit for the period** | **336** | **193** |
| | | |
| Underlying cost/income ratio | 48% | 52% |
| Cost of risk (in bps) | 80 | 215 |
| | *30-Sep-14* | *30-Jun-14* |
| Loan-to-deposit ratio | 158% | 159% |
| Loans & receivables customers (in EUR bn) | 157.9 | 158.2 |
| Due to customers (in EUR bn) | 96.9 | 97.0 |
| RWA (in EUR bn) | 37.5 | 35.0 |
| FTEs (end of period) | 6,335 | 6,352 |

## Net interest income and net fee & commission income




Note(s):
1. Source: GfK (research company) online tracker
2. Sources: CBS (Dutch Statistical Office), Kadaster (Dutch Land Registry) and DNB (Dutch central bank)
3. Sources: Dutch Consumers' Association, WUA Web Performance

# Private Banking, a trusted advisor

ABN·AMRO Private Banking

Neuflize OBC ABN AMRO

Bethmann Bank ABN AMRO

## Business proposition

**Proposition**

- Clear industry leader in the Netherlands(1) and attractive franchises in Eurozone and Asia
- 10 countries, more than 50 branches operating under one service model concept
- Clear focused strategy in markets where ABN AMRO has a recognised footprint
- Open architecture model combined with in house product development capabilities
- Ability to leverage expertise across the bank and create cross-selling opportunities (e.g. ECT Private Office)
- Transparent fee structure for investment propositions (as required by law)

**Client wealth bands**

- AuM > EUR 1m
- AuM > EUR 25m (Private Wealth Management)

**Client segments**

- Family Money, Entrepreneurs, Institutions & Charities, Professionals & Executives, Private Wealth Management, World Citizen Services, International Private Banking, Independent Asset Managers

**Market position**

- No. 1 in the Netherlands[1], No. 3 in Eurozone[2]

**Awards[3]**

- Best overall European Private Bank and Best Domestic Clients team 2014 (Wealth Briefing)
- Best Private Bank in the Netherlands (by both Euromoney and The Banker)
- Commended as 'Best Private Bank' in France, Germany (The Banker)
- Most reputable and financially stable bank in Asia 2014 (Asiamoney)
- Best Private Banking website
- No. 3 mobile banking app worldwide

## Financials and key indicators

| *EUR m* | *2014 Q3* | *2013 Q3* |
|---|---|---|
| Net interest income | 149 | 136 |
| Net fee and commission income | 138 | 132 |
| Other operating income | 17 | 14 |
| **Operating income** | **304** | **282** |
| Personnel expenses | 116 | 118 |
| Other expenses | 116 | 97 |
| **Operating expenses** | 232 | 214 |
| **Operating result** | **73** | **67** |
| Loan impairments | 13 | 22 |
| **Operating profit before taxes** | **60** | **45** |
| Income tax expenses | 10 | 11 |
| **Underlying profit for the period** | **50** | **34** |
| | | |
| Underlying cost/income ratio | 76% | 76% |
| Cost of risk (in bps) | 63 | 101 |

| | *30-Sep-14* | *30-Jun-14* |
|---|---|---|
| Loan-to-deposit ratio | 27% | 26% |
| Loans & receivables customers (in EUR bn) | 16.6 | 15.6 |
| Due to customers (in EUR bn) | 61.9 | 60.0 |
| RWA (in EUR bn) | 8.2 | 8.0 |
| FTEs (end of period) | 3,586 | 3,405 |

## Assets under Management development

| *EUR bn* | YTD 2014 | FY 2013 |
|---|---|---|
| **Balance at 1 January** | 168.3 | 163.1 |
| Net new assets | 8.0 | - 2.0 |
| Market Performance | 3.1 | 7.1 |
| Divestments / acquisitions | 8.2 | - |
| Other | -0.1 | 0.1 |
| **Closing balance** | 187.5 | 168.3 |

*Assets under Management increased by EUR 8.2 billion in Q3 2014 due to an acquisition in Germany which was completed in August*

*Note(s):*
*1. Source: Euromoney*
*2. Source: Scorpio Private Banking Benchmark report 2013*
*3. Sources: Euromoney, AsiaMoney and MyPrivateBanking.com, The Banker*

# Corporate Banking, a leading Dutch franchise based on in-depth sector knowledge

ABN·AMRO Lease

ABN·AMRO Commercial Finance

## Business proposition

**Proposition**

- Relationship driven, based on dedicated client teams (relationship bankers & specialists)
- Domestic client base: corporates with EUR >1m turnover across all sectors, including public sector
- Non-domestic clients: Financial Institutions, ECT (Energy, Commodities & Transportation), Clearing, Diamonds & Jewelry, and Real Estate
- Active in selected markets in W-Europe, USA, Brazil, Hong Kong and Singapore and through partners in countries where ABN AMRO is not present
- Earnings model primarily based on lending, cash management, trade finance and asset-based solutions
- In-depth knowledge of client's business and sector, and offering access to Capital Markets Solutions products and expertise
- Strong Lease and Commercial Finance capabilities, mainly in The Netherlands, and a number of Western European markets

**Sub-segments**

- **Commercial Clients** : turnover up to EUR 250m and public sector. Includes Lease and Commercial Finance
- **International Clients**: large corporates with turnover >250m, ECT Clients, Financial Institutions, Diamonds & Jewellery Clients, listed Real Estate
- **Capital Markets Solutions**: Sales & trading services to both corporate and institutional client, includes Clearing

**Products**

- Corporate Lending
- Cash Management
- Debt Solutions
- Equity Capital Markets
- Research
- Sales & Trading
- M&A
- Securities Financing
- Clearing

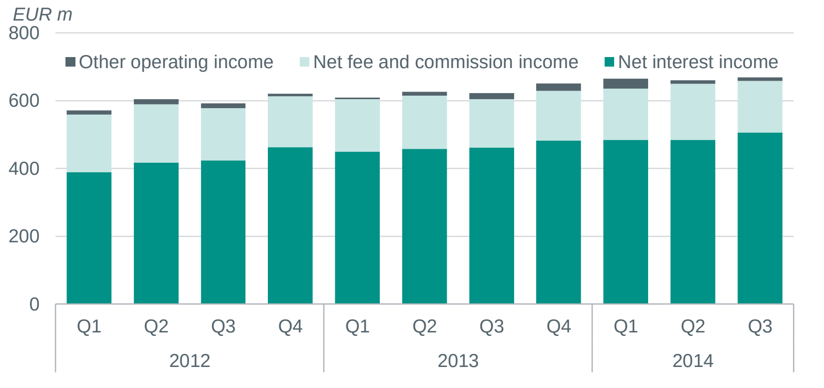
**Market position**

- Strong position in the Netherlands
- No. 2 Leasing company and No 1 Commercial Finance company in the Netherlands(1),(2)

## Financials and key indicators

| *EUR m* | *2014 Q3* | *2013 Q3* |
|---|---|---|
| Net interest income | 506 | 462 |
| Net fee and commission income | 153 | 142 |
| Other operating income | 29 | 65 |
| **Operating income** | **688** | **669** |
| Personnel expenses | 156 | 154 |
| Other expenses | 268 | 252 |
| **Operating expenses** | 424 | 406 |
| **Operating result** | **264** | **264** |
| Loan impairments | 217 | 144 |
| **Operating profit before taxes** | **47** | **119** |
| Income tax expenses | 6 | 28 |
| **Underlying profit for the period** | **41** | **91** |
| | | |
| Underlying cost/income ratio | 62% | 61% |
| Cost of risk (in bps) | 152 | 98 |
| | *30-Sep-14* | *30-Jun-14* |
| Loan-to-deposit ratio | 148% | 151% |
| Loans & receivables customers (in EUR bn) | 85.7 | 82.7 |
| Due to customers (in EUR bn) | 53.8 | 50.7 |
| RWA (in EUR bn) | 57.1 | 57.7 |
| FTEs (end of period) | 5,015 | 5,006 |

## Net interest income and fee & commission income




Note(s):
1. Source: NVL – Dutch association of leasing companies
2. Source: FAAN – Factoring & Asset based financing Association Netherlands
3. 31 Dec 2013 RWA based on Basel II, 30 Sep 2014 based on Basel III RWA

## Sub-segment results for Corporate Banking

### Third quarter results 2014 compared with previous year

| *In EUR millions* | *Commercial Clients* 2014 Q3 | 2013 Q3 | %change | *International Clients* 2014 Q3 | 2013 Q3 | %change | *Capital Markets Solutions* 2014 Q3 | 2013 Q3 | %change |
|---|---|---|---|---|---|---|---|---|---|
| Net interest income | 316 | 306 | 3% | 166 | 149 | 11% | 23 | 7 | |
| Net fee and commission income | 50 | 48 | 3% | 49 | 45 | 9% | 54 | 49 | 11% |
| Other operating income | 9 | 6 | 46% | 12 | 3 | | 9 | 56 | -84% |
| **Operating income** | **375** | **360** | **4%** | **227** | **197** | **15%** | **86** | **111** | **-23%** |
| **Operating expenses** | 189 | 186 | 1% | 114 | 111 | 2% | 121 | 108 | 12% |
| **Operating result** | **187** | **174** | **7%** | **113** | **86** | **31%** | **-36** | **3** | |
| Loan impairments | 167 | 142 | 18% | 51 | 3 | | -1 | -1 | -5% |
| **Operating profit before taxes** | **20** | **32** | **-39%** | **62** | **83** | **-26%** | **-35** | **4** | |
| Income tax expenses | 4 | 7 | -41% | 8 | 19 | -56% | -7 | 2 | |
| **Underlying profit for the period** | **15** | **25** | **-42%** | **53** | **64** | **-17%** | **-28** | **2** | |
| | | | | | | | | | |
| Underlying cost/income ratio | 50% | 52% | | 50% | 56% | | 141% | 97% | |
| Cost of risk (in bps) | 293 | 225 | | 99 | 6 | | -3 | -3 | |
| | *30-Sep-14* | *30-Jun-14* | | *30-Sep-14* | *30-Jun-14* | | *30-Sep-14* | *30-Jun-14* | |
| Loans & receivables customers (in EUR bn) | 39.2 | 39.4 | | 29.3 | 27.3 | | 17.3 | 16.0 | |
| Due to customers (in EUR bn) | 30.2 | 29.6 | | 16.2 | 14.7 | | 7.5 | 6.5 | |
| RWA (in EUR bn) | 22.2 | 23.2 | | 21.2 | 20.4 | | 13.7 | 14.1 | |

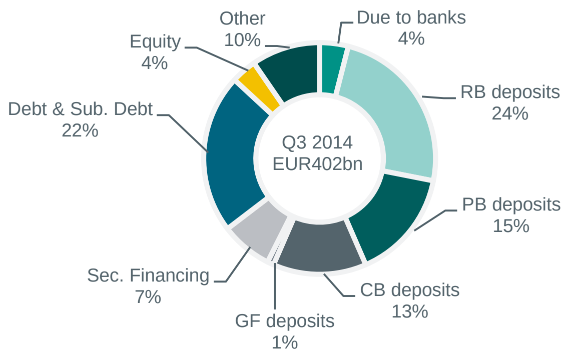
# funding & liquidity

# Liquidity actively managed

## Comments

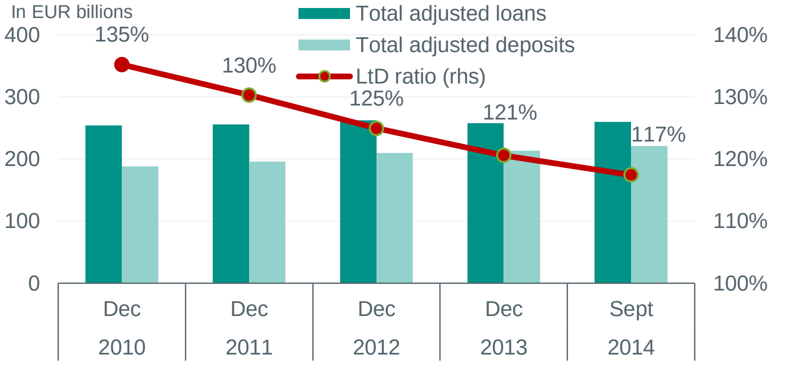
- Funding is primarily raised through savings and deposits from retail, private and corporate clients, through ABN AMRO, Neuflize OBC, Bethmann Bank and MoneYou
- At 3Q2014, client deposits represented 81% of client loans (excluding securities financing, YE2013: 81%)
- As a substantial part of Dutch consumer savings is placed with pension funds or invested in insurance products ABN AMRO meets remaining funding requirements through wholesale funding
- Both the LCR and NSFR comply to the minimum Basel III requirement of ≥100%

## Liability breakdown




*RB: Retail Banking, PB: Private Banking, CB: Corporate Banking, GF: Group Functions*

## Loan-to-deposit (LtD) ratio




*LtD further improved, due mainly to increased savings levels*

# Liquidity buffer framework and policy to keep the bank safe

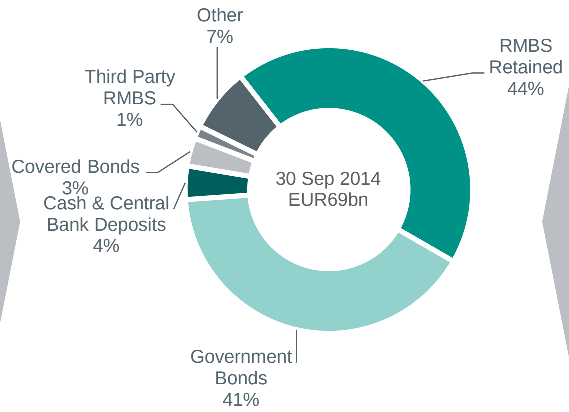
## Drivers of Size

**Internal risk appetite/guidelines:** based on desired survival period

**Core buffer:** determined by regulatory requirements, and includes a mix of stress assumptions regarding wholesale and retail funding for a 1 month period, rating triggers and off balance requirements

**Additional buffer:** for adhering to internal metrics, depending on risk appetite or upcoming Basel III metrics

**Encumbered assets:** to support ongoing payment capacity and collateral obligations




## Drivers of Composition

**Regulations:** such as new and pending Basel III developments (e.g. level1, level2)

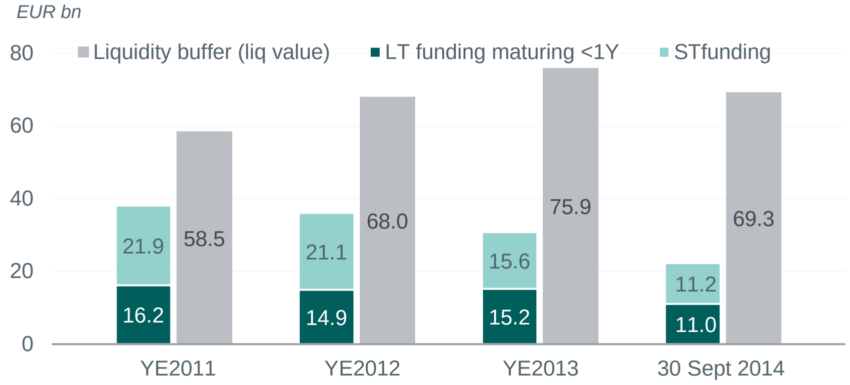
**Core buffer:** determined by internal risk appetite (e.g. split into maturities, countries, instruments)

**Additional buffer:** influenced by ECB eligibility criteria (e.g. ratings, currency, haircuts), market circumstances and operational capabilities (e.g. time to execute, testing (dry run) of contingency plans)

**Franchise:** balance sheet composition and businesses of the bank. Part of the buffers held outside the Netherlands as a result of local requirements

- The liquidity buffer functions as safety cushion in case of severe liquidity stress. In addition, sufficient collateral is retained for e.g. daily payment capacity and collateralisation.
- Regular reviews assess the buffer size based on multiple stress events
- The liquidity buffer, consists of unencumbered assets at liquidity value: c. 50% of the buffer is eligible for LCR (retained RMBSs not eligible)
- The level of the liquidity buffer is in anticipation of new LCR guidelines and the focus of regulators on strengthening the buffers in general
- Going forward focus is on optimising the buffer composition and reducing the negative carry in liquidity buffer

## Wholesale funding vs. liquidity buffer



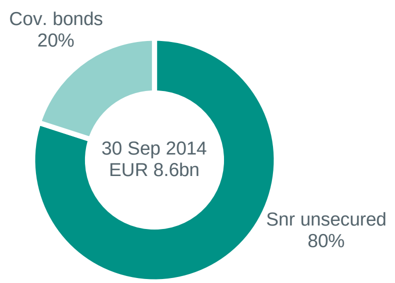

ABN·AMRO

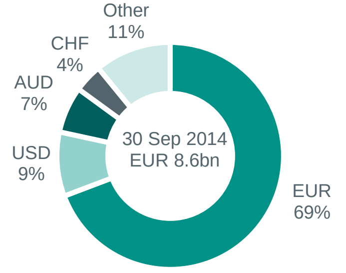
# Composition of wholesale funding further improved

## Funding strategy & focus

- Successful implementation of the funding strategy
  - through lengthening average maturities
  - diversifying funding sources
  - steering towards more foreign currencies

## Diversification issued term funding

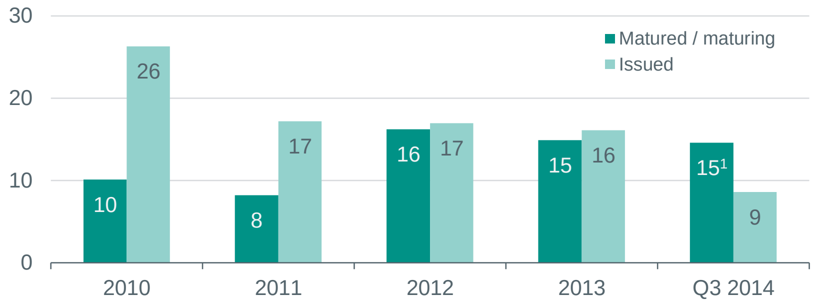



*In first nine months of 2014 EUR 6.9bn was raised in senior unsecured, and EUR 1.7bn in covered bonds. Approx. 31% of the term funding was raised in non-EUR currencies*

## Maturing vs. issued term funding[1]

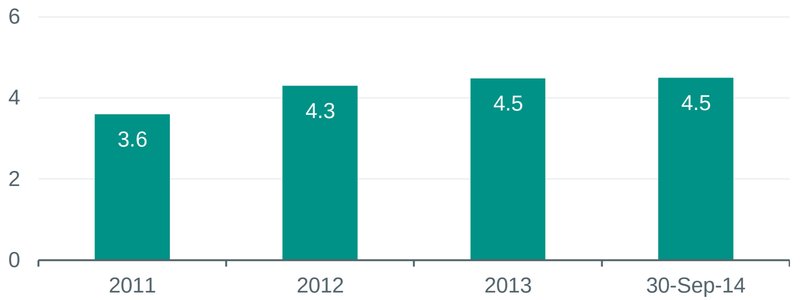
*EUR bn*




*Issued long term wholesale funding amounted to EUR 8.6bn 2014 YtD: EUR 6.9bn raised in senior unsecured, EUR 1.7bn in covered bonds. Approx. 31% of the term funding was raised in non-EUR currencies.*

## Funding risk mitigation by lengthening maturities

*In years (average remaining maturity incl. Sub Debt)*




*The average original maturity of funding issued in 2014 was 5.5 years. The average maturity of outstanding long-term funding (including subordinated liabilities) remained at 4.5 years as of 30 September 2014*

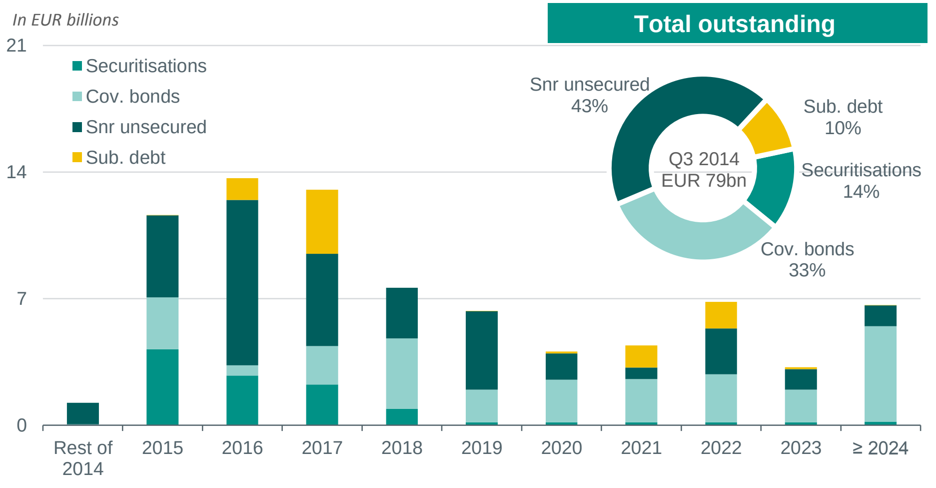
*Note(s):*
*1. For 2014 the figure for matured funding shows the total amount of wholesale funding maturing in 2014*

# Maturity calendar and funding profile

## Funding profile strengthened

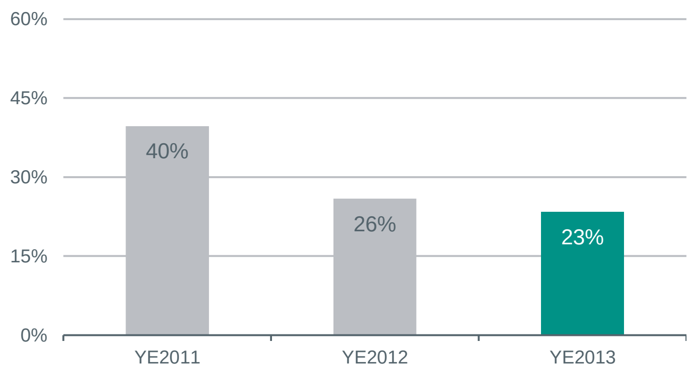
- Significant shift over last number of years from secured funding to senior unsecured funding: use of RMBS declined strongly, while use of covered bonds remains stable
- A smooth and controlled redemption profile in term wholesale funding
- No use was made of LTRO and guaranteed funding
- The outstanding amount of wholesale programme funding, as percentage of total assets, is stable around a quarter of the balance sheet
- Improving asset encumbrance

## Maturity calendar LT programme funding at 30 September 2014[2]

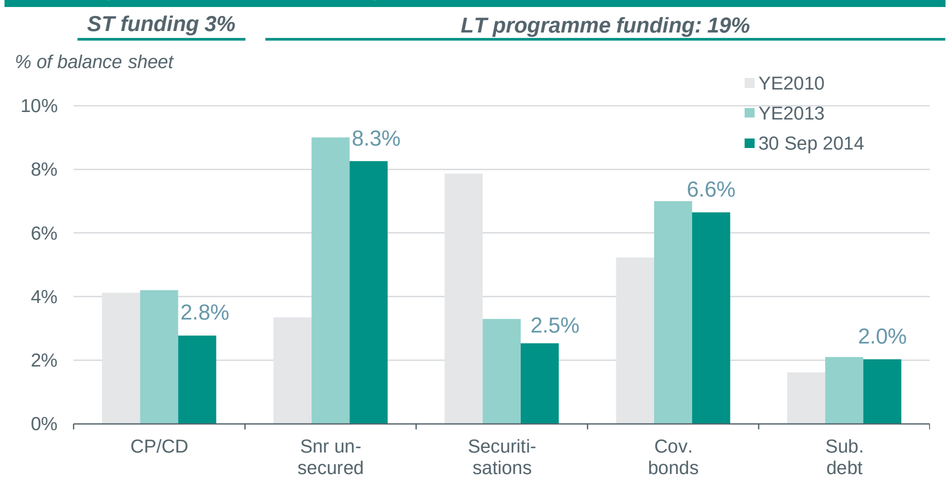



## Improved and declining asset encumbrance YE2013

*Total encumbered assets as % of total assets*




## Funding structure by funding type




*Note(s):*
*1. No CP government guaranteed nor ECB facilities outstanding*
*2. Securitisation = Residential Mortgage Backed Securities and other Asset Backed Securities and includes long-term repos*

# Proven access to global capital markets

## Highlights

- Maintain excellent market access and long-term funding position and liquidity profile
- Active in core funding markets in Europe, US and Asian-Pacific region
- Strong relationships with investor base through active marketing and issuance
- Balance between private placements and (public) benchmark deals
- Attractive investment proposition to investors
- Maintain credit curve and issuance levels for both Senior Unsecured and Covered Bonds
- Decrease funding costs within the targets set for volume, maturity and diversification, in anticipation of Basel III liquidity requirements

## Geographic focus

## Targeting both institutional and retail investors

| *Long term programmes* | | Europe | US | Asia / Rest of the world |
|---|---|---|---|---|
| **Unsecured** | *Institutional* | Euro MTN | 144A MTN programme | Euro MTN<br>AUD Note Issuance |
| | *Retail* | Private Investor Products | | |
| **Secured** | *Institutional* | Covered Bond<br>Securitisation | Covered Bond | Covered Bond<br>Securitisation |

| *Short term programmes* | | Europe | US | Asia / Rest of the world |
|---|---|---|---|---|
| **Unsecured** | *Institutional* | European CP<br>French CD<br>London CD | US CP | - |

# *Capital instruments*

| | |
|---|---|
| **Tier 1** | **Perpetual Bermudan Callable (XS0246487457)**<br>▪ EUR 1,000m subordinated Tier 1 notes, coupon 4.31%<br>▪ Callable March 2016 (step-up) |
| **Upper Tier 2[1]** | **Upper Tier 2 (XS0244754254)**<br>▪ GBP 150m (originally GBP 750m) subordinated Upper Tier 2 perpetual notes<br>▪ Callable February 2016 (step-up), coupon 5% |
| **Lower Tier 2[1]** | **Lower Tier 2 instruments**<br>▪ EUR 82m, 6mE+50bps, maturity 30 June 2017, (XS0113243470)[1]<br>▪ EUR 1,227m, 6.375% per annum, maturity 27 April 2021 (XS0619548216)[1]<br>▪ USD 595m, 6.250% per annum, maturity 27 April 2022 (XS0619547838)[1]<br>▪ USD 113m, 7.75% per annum, maturity 15 May 2023 (US00080QAD7 (144A)/USN0028HAP0 (Reg S))[1]<br>▪ EUR 1,000m, 7,125% per annum, maturity 6 July 2022 (XS0802995166)[1]<br>▪ USD 1,500m, 6.25% per annum, callable September 2017, maturity 13 September 2022, (XS0827817650)[1]<br>▪ SGD 1,000m, 4.70% per annum, callable October 2017, maturity 25 October 2022, (XS0848055991)[1]<br><br>**Lower Tier 2 instrument held by the State[1]**<br>▪ EUR 1,650m, maturity 16 October 2017 |

*Note(s):*
*1. Subordinated debt expected to be at least eligible for grandfathering after 1 January 2014 based on current Basel III insights*

# Wholesale funding benchmark transactions

## Recent benchmark transactions

| Type[1] | Series[2] | Size (m) | Maturity | Spread (coupon) [3] | Pricing | Maturity | ISIN |
|---|---|---|---|---|---|---|---|
| **2014 YTD: four benchmarks** | | | | | | | |
| RMBS | | EUR 500 | 4.9yrs | 3mE+37bps | 15.10.'14 | 28.09.'19 | XS1117961653 |
| Sr Un | A$NIP02 | AUD100 | 3yrs | 3mBBSW +135 | 29.01.'14 | 05.02.'17 | AU3FN0021994 |
| Sr Un | A$NIP01 | AUD400 | 5yrs | ASW+135 (4.75%) | 29.01.'14 | 05.02.'19 | AU3CB0218345 |
| CB | CBB13 | EUR1,500 | 10yrs | ms+34 (2.375%) | 16.01.14 | 23.01.24 | XS1020769748 |
| **2013: eight benchmarks** | | | | | | | |
| Sr Un | EMTN161 | EUR750 | 7yrs | m/s+75 (2.125%) | 19.11.'13 | 26.11.20 | XS0997342562 |
| RMBS | 2013-2 | EUR750 | 5yrs | 3me+85 | 15.10.'13 | 28.10.'18 | XS0977073161 |
| Sr Un | USMTN08 | USD1,500 | 3yrs | 3ml+80 | 23.10.'13 | 30.10.'16 | XS0987211348/US00084DAH35 |
| Sr Un | USMTN07 | USD1,000 | 5yrs | T+127 (2.534%) | 23.10.'13 | 30.10.'18 | XS0987211181/US00084DAG51 |
| CB | CBB13 | EUR1,500 | 10yrs | m/s+37 (2.50%) | 29.08.'13 | 05.09.'23 | XS0968926757 |
| Sr Un | EMTN135 | EUR1,000 | 3yrs | 3me+58 | 24.07.'13 | 01.08.'16 | XS0956253636 |
| Sr Un | EMTN117 | EUR1,000 | 10,5yrs | m/s+90 | 22.05.'13 | 29.11.'23 | XS0937858271 |
| **2012: twelve benchmarks** | | | | | | | |
| LT2 | EMTN101 | SGD1,000 | 10yrs | 4.70% | 17.10.'12 | 25.10.'22 | XS0848055991 |
| LT2 | EMTN97 | USD1,500 | 10yrs | 6.25% | 06.09.'12 | 13.09.'22 | XS0827817650 |
| Sr Un | EMTN96 | CNY500 | 2yrs | 3.50% | 05.09.'12 | 05.09.'14 | XS0825401994 |
| CB | CBB12 | EUR1,500 | 7yrs | m/s+52 (1.875%) | 24.07.'12 | 31.07.'19 | XS0810731637 |
| LT2 | EMTN88 | EUR1,000 | 10yrs | m/s+525 (7.125%) | 06.07.'12 | 06.07.'22 | XS0802995166 |
| Sr Un | EMTN73 | EUR1,250 | 10yrs | m/s + 180 (4.125%) | 21.03.'12 | 28.03.'22 | XS0765299572 |
| Sr Un | USMTN05 | USD1,500 | 5yrs | T + 355 (4.20%) | 30.01.'12 | 02.02.'17 | US00084DAE04 / XS0741962681 |
| CB | CBB10 | EUR1,000 | 10yrs | m/s + 120 (3.50%) | 11.01.'12 | 18.01.'22 | XS0732631824 |
| Sr Un | EMTN65 | CHF250 | 2yrs | m/s + 148 (1.50%) | 11.01.'12 | 10.02.'14 | CH0147304601 |
| Sr Un | EMTN64 | GBP250 | 7yrs | G + 345 (4.875%) | 09.01.'12 | 16.01.'19 | XS0731583208 |
| Sr Un | EMTN63 | EUR1,000 | 7yrs | m/s + 275 (4.75%) | 04.01.'12 | 11.01.'19 | XS0729213131 |
| Sr Un | EMTN62 | EUR1,250 | 2yrs | 3me + 150 | 04.01.'12 | 10.01.'14 | XS0729216662 |

*Note(s):*
1. *Sr Un = Senior Unsecured, CB = Covered Bond, RMBS = Residential Mortgage Backed Security, LT2 – Lower Tier 2*
2. *Internal classification*
3. *3me = three months Euribor, T= US Treasuries, 3ml= three months US Libor, G=Gilt*

# Covered bond & RMBS programme

| CB programme: dual recourse to issuer and the cover pool | |
|---|---|
| **Issuer** | ABN AMRO Bank N.V. |
| **Programme Size**(1) | Up to EUR 30bn, EUR 25.5bn of bonds outstanding |
| **Ratings** | AAA (S&P), Aaa (Moody's), AAA (Fitch) |
| **Format** | Legislative Covered Bonds , UCITS/CRD compliant (10% risk weighting) |
| **Redemption type** | Hard bullet(2) |
| **Asset percentage** | Required overcollateralisation (OC) from rating agencies = 33.1% |
| **Currency** | Any |
| **Collateral** | Dynamic pool of EUR 36.1bn Dutch Standard Prime Residential Mortgages (all owner occupied) |
| **Weighed average (indexed) LtV** | 82.5% |
| **Pool Status** | 100% performing loans , no arrears > 90 days or defaults |
| **Guarantor** | Bankruptcy remote Covered Bond Company (CBC) |
| **Governing law** | Dutch law |
| **Regulatory & industry compliance** | ECBC Covered Bond label |

| Main RMBS programme: Dolphin Master Issuer | |
|---|---|
| **Issuer** | Dolphin Master Issuer B.V. |
| **Programme Size**(1) | Up to EUR 50bn, EUR 30.7bn of bonds outstanding (of which EUR 8.1bn externally) |
| **Ratings class A notes** | AAA (S&P), Aaa (Moody's), AAA (DBRS) |
| **Format** | Dutch Standard Prime Residential Mortgage Backed notes |
| **Redemption type** | Soft bullet(3) |
| **AAA Credit Enhancement** | 8.9% class A subordination |
| **Currency** | Multiple (currently only EUR outstanding) |
| **Collateral** | Revolving pool of EUR 30.1bn Dutch Standard Prime Residential Mortgages (all owner occupied) |
| **Weighed average (indexed) LtV** | 79.9% |
| **Pool Status** | 96.0% performing loans, 1.1% arrears>90 days |
| **Asset purchaser swap counterparty** | ABN AMRO |
| **Governing law** | Dutch law |
| **Regulatory & industry compliance** | Loan level data at EDWIN, DSA and PCS compliant |

*Note(s):*

1. *Investor reports to be found on www.abnamro.com/investor-relations/debt-investors*
2. *The programme accounts for flexibility in terms of issuance of soft bullet bonds, but this will imply certain modifications to the Programme documentation*
3. *The programme allows for issuance of Pass-Trough notes, currently only Soft bullet notes are issued*

# *Credit ratings ABN AMRO Bank*

*ABN AMRO provides this slide for information purposes only. ABN AMRO does not endorse Moody's, Fitch Ratings, Standard & Poor's or DBRS ratings or views and does not accept any responsibility for their accuracy*

*For more information please visit:*
- *www.abnamro.com/ratings* or
- *www.standardandpoors.com*
- *www.moodys.com*
- *www.fitchratings.com*
- *www.dbrs.com*

**Ratings hybrid capital instruments (S&P/Moody's/Fitch/DBRS):**
- T1: BBB-/Ba2(hyb)/BB+/A$^{low}$
- UT2: BBB-/Ba1(hyb)/BBB-/A$^{low}$
- LT2: BBB/Baa3/BBB+/ A$^{low}$

*Note(s): Ratings of ABN AMRO Bank NV on 13 November 2014*

| Rating agency[1] | Long term | Short term | Stand alone rating | Outlook | Latest rating change |
|---|---|---|---|---|---|
| S&P | A | A-1 | bbb+ | Negative | 30/04/2014 |
| Moody's | A2 | P-1 | C- (baa2) | Negative | 13/03/2013 |
| Fitch Ratings | A+ | F1+ | a | Negative | 24/07/2014 |
| DBRS[2] | A$^{high}$ | R-1$^{middle}$ | A | Stable | 25/06/2010 |

## Standard & Poor's

***4/11/2014:*** *"On Nov. 4, 2014, Standard & Poor's Ratings Services affirmed its 'A/A-1' counterparty credit ratings on Netherlands-based ABN AMRO Bank N.V. (ABN AMRO). The outlook is negative."*

*"The affirmation reflects our view that the domestic economic risks under which Dutch banks operate are now stabilizing…"*

*"Beyond our view of the stable banking environment in The Netherlands, which underpins ABN AMRO's 'bbb+' anchor … our view of the bank's stand-alone credit factors remains unchanged."*

*"We consider that ABN AMRO's capitalization is on an improving trend. We project that the bank's risk-adjusted capital (RAC) ratio will increase to 8.0%-8.5% by end-2016…"*

*"The negative outlook indicates that we may lower the ratings … by year-end 2015 if we believe there is a greater likelihood that senior unsecured liabilities may incur losses if the bank fails. Specifically, we may lower the long-term counterparty credit rating by up to two notches if we consider that extraordinary government support is less predictable under the new EU legislative framework."*

*"In addition …, we will review other relevant rating factors in making any rating actions. These include potential changes in the SACP and any steps the bank might take to mitigate bail-in risks to senior unsecured creditors, such as building a large buffer of subordinated instruments."*

## Moody's

***3/10/2014:*** *"We assign long-term global local-currency ratings of A2 to ABN AMRO N.V. (ABN AMRO), which incorporate a three-notch uplift for systemic support from the bank's baa2 baseline credit assessment (BCA). The ratings' uplift is based on (1) our assessment of a very high probability of systemic support from the Dutch government, …, and to a lesser extent (2) the Dutch state's full ownership of ABN AMRO, which is temporary in nature."*

*"We assign a C- bank financial strength rating (BFSR) to ABN AMRO, which is equivalent to a baa2 BCA, reflecting the bank's overall good financial fundamentals including solid capitalization and comfortable liquidity position. It further captures the bank's strong franchise in the Dutch market, its balanced business mix…"*

*"Nevertheless, the standalone BFSR is constrained by the bank's modest financial performance, which has been impacted by rising impairment charges in recent quarters. Furthermore, we anticipate that, despite signs of improvement in 2014, the still challenging business environment in the Netherlands will continue to weigh on ABN AMRO's asset quality with negative effects on its already weak profitability throughout 2014 and possibly beyond."*

*"The negative outlook on the BFSR reflects our view that the still challenging operating environment in the Netherlands will likely continue to affect the bank's overall asset quality profile and earnings potential over the next 12-18 months, despite early signs of improvement in the Dutch economy and the residential sector"*

## Fitch Ratings

***30/9/2014:*** *"ABN AMRO Bank N.V.'s Long-Term Issuer Default Rating (IDR) [of 'A+'] is at its Support Rating Floor (SRF), reflecting Fitch Ratings' belief that the Dutch state (AAA/Stable) would support the bank if required due to its importance to the domestic economy."*

*"ABN AMRO's Viability Rating (VR) [of 'a'] reflects the bank's strong Dutch franchise providing it with resilient revenue generation. The VR also takes into account the bank's continued focus on maintaining a moderate risk profile, expected gradual improvement of asset quality and solid capitalisation."*

*"The Long-Term IDR is support driven, and sensitive to a change in Fitch's assumptions about the ability or propensity of the Dutch state to provide timely support. The rating is primarily sensitive to further progress made in implementing the Bank Recovery and Resolution Directive and the Single Resolution Mechanism, and Fitch expects to downgrade the Long-Term IDR to the level of the VR by mid-2015."*

*"The bank's VR incorporates Fitch's expectations of gradual improvements in asset quality, profitability and leverage. Upside potential is limited due to the high rating. A material deterioration in the bank's earnings generation or asset quality, affecting its capital or access to/cost of wholesale funding, would be likely to result in a downgrade of the VR."*

## DBRS[2]

***17/10/2014:*** *"DBRS … has today confirmed the 'A' Issuer & Long-Term Debt ratings of ABN AMRO Group N.V. (ABN AMRO Group or the Group), and the A (high) Long-Term Debt & Deposits Rating of ABN AMRO Bank N.V. (ABN AMRO or the Bank). The trend is Stable on all of the ratings. DBRS designates a support assessment of SA-2 to ABN AMRO, indicating DBRS's view that timely systemic support would be provided to ABN AMRO should it be required. As such, the long-term ratings are positioned one notch above the Group's intrinsic assessment (IA) of A (low) and the Bank's intrinsic assessment of 'A'."*

*"DBRS views the Bank's 'A' IA as underpinned by the strong franchise in the Netherlands, the improving underlying earnings generation ability and its improved liquidity and capital position."*

*"ABN AMRO continues to report improving underlying earnings generation capacity which is underpinned by its well-positioned franchise in the Netherlands."*

*"DBRS views ABN AMRO's risk profile as relatively low, consistent with its retail and commercial banking franchise, with 80% of total risk weighted assets (RWAs) being credit-linked."*

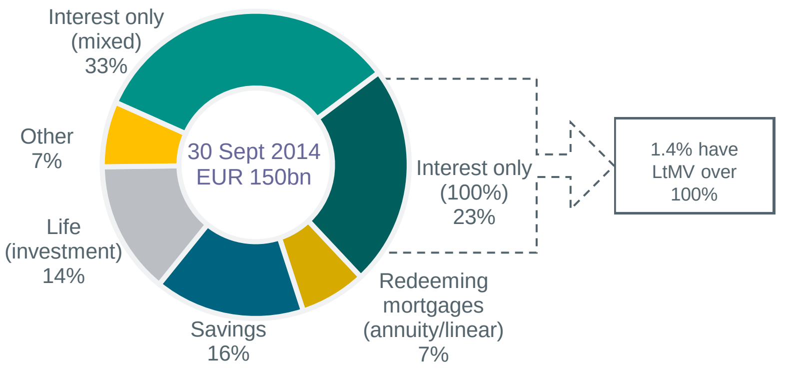
*"The Group's funding profile is viewed by DBRS as solid, reflecting the strong core retail and private banking funding base and well diversified wholesale funding sources."*

*"Despite the pressure on earnings the Bank's capital position remains solid…"*

# mortgages & CRE

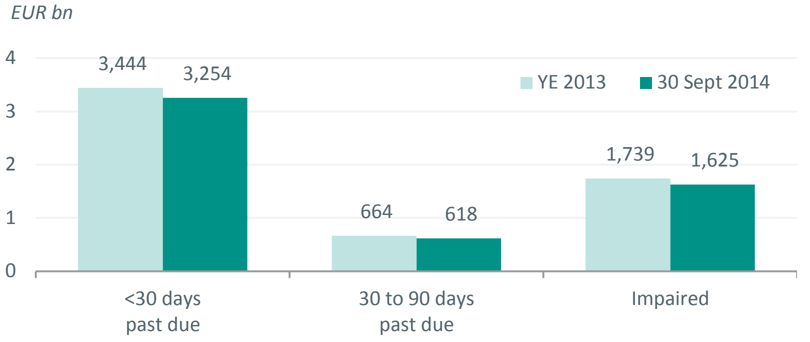
# Additional mortgage portfolio parameters

## Portfolio product split



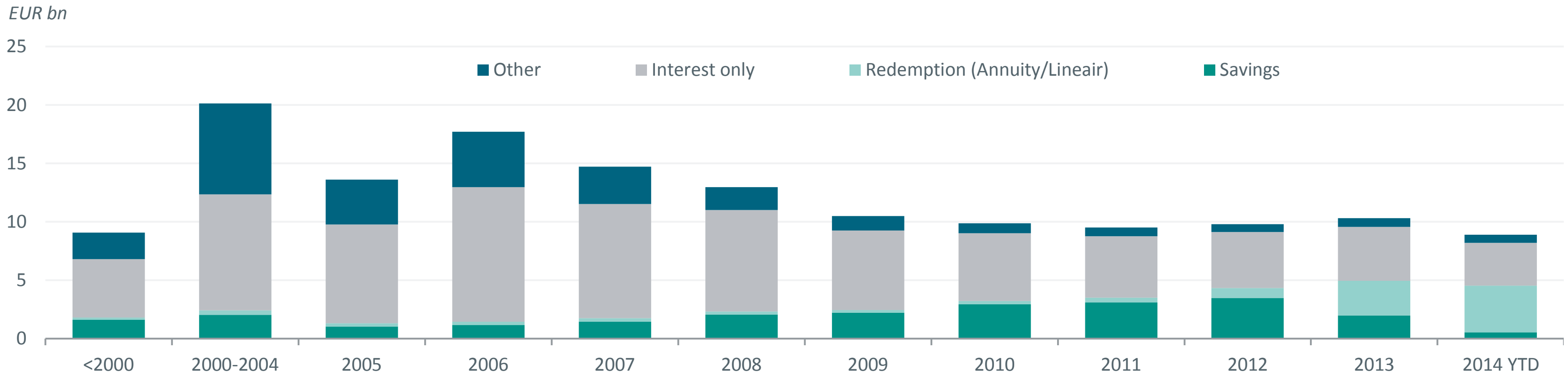

*As of Jan 2013, new production shows sharp increases in linear, annuity & savings mortgages (51% of new production YTD 2014). Other types decline. This gradually changes the mortgage book composition over time*

## Past due and impaired exposures




*Past due ratio declined to 2.5% from 2.7% in Q2 2014. Impaired exposures declined leading to*

## Breakdown portfolio per year of origination




*New tax legislation causes interest only mortgages production to trend down, while the share of Annuity & Linear mortgages increases. Volumes significantly below pre-crisis levels*

*Note(s):*
*1. Interest-Only (mixed) mortgages are mixed mortgages and include an interest-only tranche*

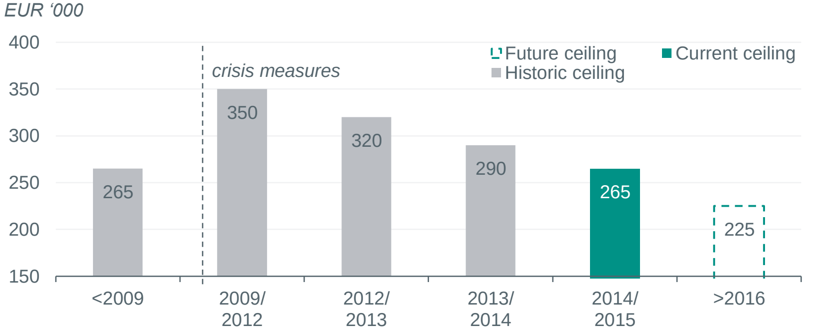
# *Recent changes in the mortgage market*

## Tax and amortisation features

| Mortgage type | Coupon tax deduction for mortgages: existing mortgages (≤2013) | Coupon tax deduction for mortgages: new production (≥2014) | Amortisation | Accrual for redemption |
|---|---|---|---|---|
| Annuity & Linear | ✓ | ✓ | ✓ | × |
| Savings | ✓ | × | × | ✓ |
| Interest only | ✓ | × | × | × |
| Life, hybrids & investments | ✓ | × | × | ✓ |

*Tax rules impact new mortgage production: mortgages originated prior to 2014 are grandfathered from impact of new rules for coupon tax deduction. The tax rate declines for all mortgages by 0.5% p.a. from 52% in 2013 to ultimately 38%*

## Development NHG ceiling[1]

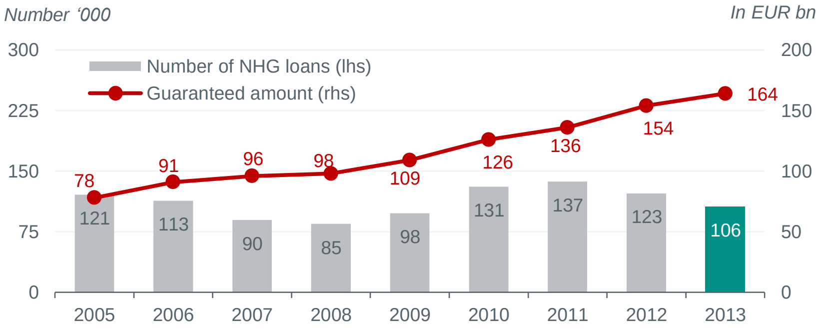



*NHG ceiling declines to the original amount of EUR 265,000 by mid 2014 and declines further as of mid 2016. New NHG rules require annuity/linear mortgages with max. 30 years maturity*

## Other regulatory developments

- Maximum LTV at origination: 104% (102% + 2% transfer tax) in 2014, which declines by 1% per annum to 100% in 2018
- Interest-only mortgage tranche maximum 50% LTV
- Stricter regulations for non-compliance (on a comply or explain basis)

## NHG loans and outstandings[1]




*In 2013, NHG recorded a 14% decline in new NHG mortgages. The number of calls for compensation rose 27%. Calls for compensation are mostly caused by cancelled relationships (65% in 2013) and to a lessor extent to unemployment (16% in 2013)*

*Source:*
*1. Nationale Hypotheek Garantie (NHG)*

# Overview Dutch mortgage market

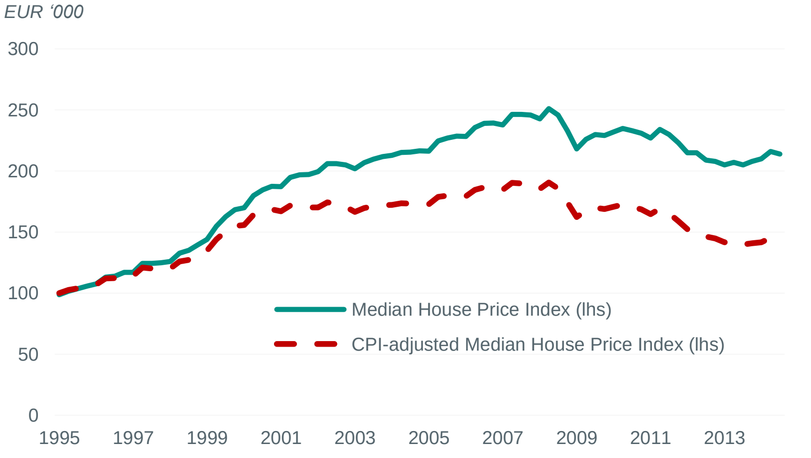
## Latest developments in Dutch market

- A competitive and mature market of almost EUR 631bn[1] in total size (June 2014)
- House prices have increased marginally from year-end 2013. But prices are still down 19% since high point in August 2008[3]
- New mortgage production of EUR 32.2bn in 9M 2014, up from 25.32bn in 9M 2013[2]
- House sales show a 38% improvement for 9M 2014 (102,197) compared with 9M 2013 H1 (74,126)

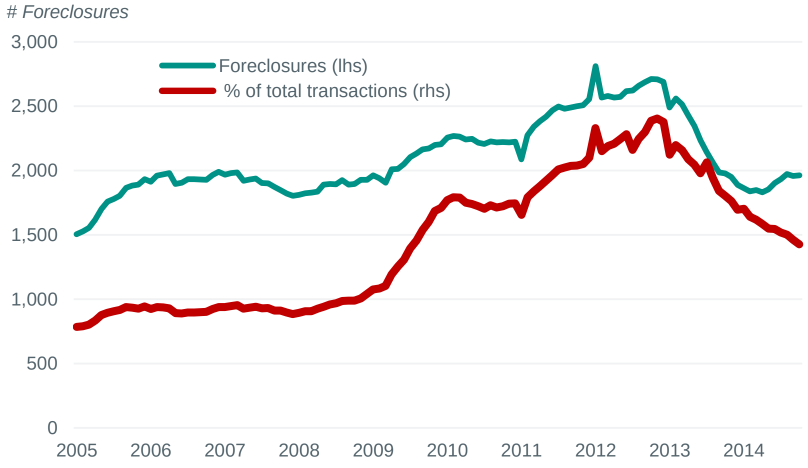
## Unique aspects of Dutch residential mortgage market

- Dutch consumers generally prefer fixed interest rates: 5 and 10 years being the most popular fixed-rate periods
- Interest paid on mortgages is tax-deductible (subject to requirements)
- Thorough underwriting process: e.g. notary required, verification of credit quality of loan applicants using national credit registry (BKR), strict code of conduct and duty of care principles to prevent over-indebtedness of the borrower
- Full recourse to borrowers upon default
- The NHG fund can grant guarantees (for principal and interest) to borrowers provided requirements are met
- Historically the Dutch residential mortgage market has seen very low defaults and foreclosures remain at low levels

## Transaction prices (quarterly, 1995=100)[4]




## Number of foreclosures (rolling 12 month average)[5]




Note(s):
1. Source: DNB
2. Source: Dutch Land Registry Office (Kadaster)
3. Source: Bureau of Statistics (CBS) and Kadaster (Land Registry)
4. Source: CBS
5. Source Land Registry, foreclosures are execution sales

# Real estate

## Key messages

*Commercial Real Estate (CRE) is a part of the Real Estate Sector and is defined as: 'land and property owned by project developers or investors with the purpose to develop, to trade or to rent'*

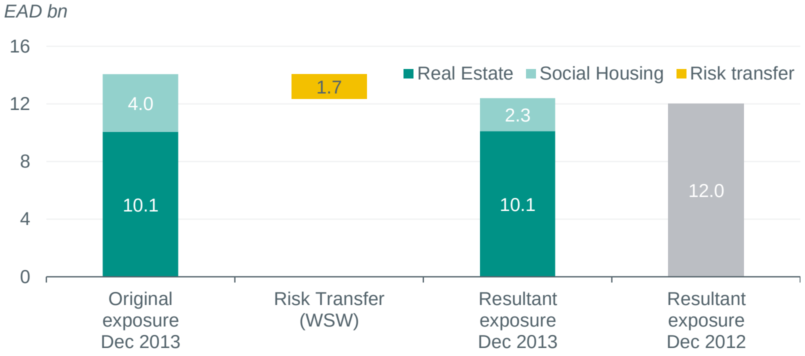
### Market

- The Dutch property market remained under pressure in 2013
- Offices in particular have structurally higher vacancy risk. Vacancy levels for offices were 14.5%, while levels in retail were 7.3% [1] at YE2013

### ABN AMRO Portfolio

- Includes Social Housing, partly guaranteed by WSW[2], and Private Banking clients (real estate for investment purposes)
- The C&MB portfolio consists of:
  - Corporate based real estate: lending to (listed) institutional real estate funds & investment companies, mainly residential/retail
  - Asset based real estate lending to real estate investment or development companies. Exposure to developers is limited. Financing to developers can take place when pre-let and/or pre-sold requirements are met
  - Real estate exposures to SME companies, with fully secured senior loans. Has relatively low LtVs, almost exclusively Dutch properties, mainly investment loans diversified across asset types. Limited exposures to offices and land banks. Loans may have additional collateral, e.g. parent company guarantees
- Policies do not approve equity stakes nor direct exposure to development risk. New intake requires 60-65% LtMV in Private Banking and Commercial Banking, 70-75% in Merchant Banking

## Real estate as of YE2013




*Transfer of Risk is mainly related to the WSW guarantee on part of the social housing portfolio*

## Real estate indicators YE2013

| | YE2013 | YE2012 |
|---|---|---|
| EAD original obligor (EUR bn) | 14.1 | 14.7 |
| EAD resultant obligor (EUR bn) | 12.3 | 12.0 |
| Impaired ratio[4] | 5.8% | 4.7% |
| Coverage ratio | 63% | 66% |

*Impaired exposures on real estate amounted to EUR 709m at H12013, down from EUR 819m at YE2013*

*Note(s):*
1. *Source: ABN AMRO Research, DTZ (offices) en Locatus (retail)*
2. *'Waarborgfonds Sociale Woningbouw',*
3. *Based on original obligor*

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