Investor Relations

results Q3 2022

investor & analyst presentation | 9 November 2022

Highlights Q3 2022, good quarterly result with net profit of 743m

- Net profit reflecting strong recovery in deposit margins, book gains on disposals and low impairments
- Continued growth in mortgage and corporate loan books
- Underlying NII up by 85m vs Q2 as deposit margins showed a strong recovery; FY2022 NII expected around 5.3bn [1)]
- Fee income increased by 7% Y-o-Y, driven by higher payment volumes, pricing and strong results at Clearing
- Underlying costs down, driven by reduction in external FTEs. FY2022 costs expected around 5.3bn [2)]
- Releases of non-performing loans were offset by worsening macroeconomic outlook; well positioned for uncertainty about economic developments
- Strong capital position, with Basel III CET1 ratio of 15.2% and a Basel IV CET1 ratio of around 16%
- Following the change in TLTRO terms by the ECB, a net pre-tax impact of around 250m is expected in our Q4 results, including any remaining interest income under the original terms

1) NII guidance includes TLTRO and excludes incidentals (Q2 2022: -82m)
2) Excluding incidentals and additional costs for the new CLA (in total 156m)

Executing our strategy 'a personal bank in the digital age'

Customer experience **Sustainability** **Future proof bank**

Personal & Business Banking

- Good progress on location footprint
- Continued strong mortgage market share (19.1% in Q3)
- New 'Groepie' functionality in Tikkie for settling group spending
- Financing solutions for senior clients for intergenerational and informal caregiver homes

Wealth Management

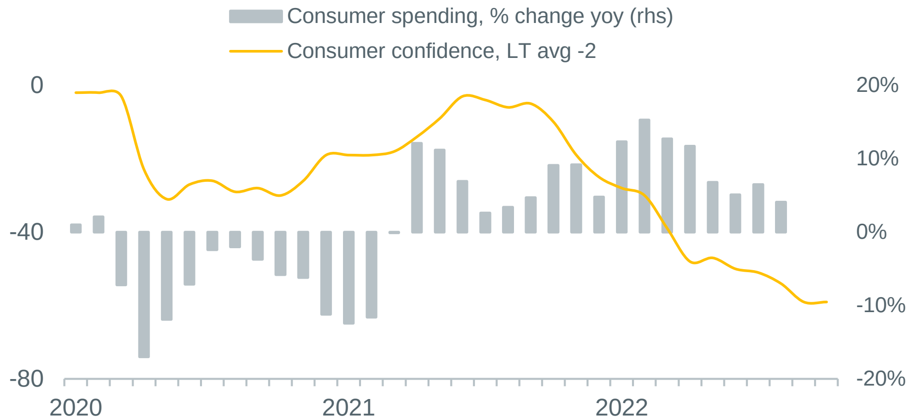
- Net new assets (excluding custody) increased by 1bn in Q3, mainly securities in the Netherlands and France
- Sustainable invested client assets grew to 38bn
- Branchification of Bethmann for further simplification, reducing liquidity and balance sheet costs

Corporate Banking

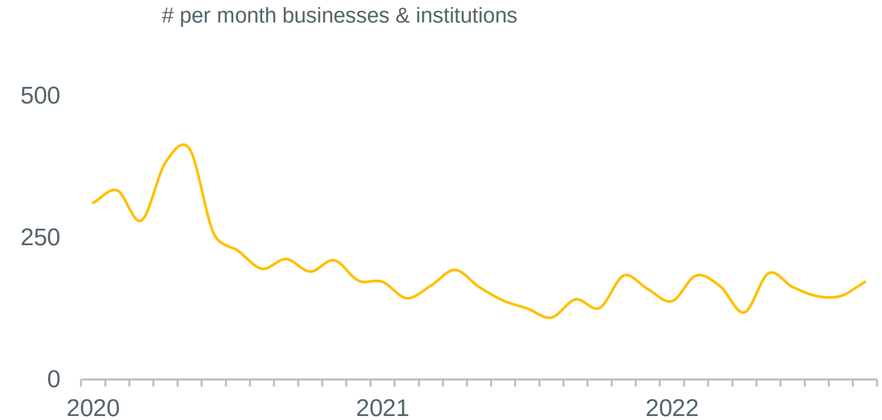
- Strong revenue development in and outside NL, reflecting successful NW-EU strategy
- ID & pay app providing a single digital identification and payment functionality
- ABN AMRO Groenbank reopened green savings deposit, over 70% will be used to finance sustainable projects

Dutch economy still performing, slowdown expected towards year-end

Consumer confidence low, spending trending down



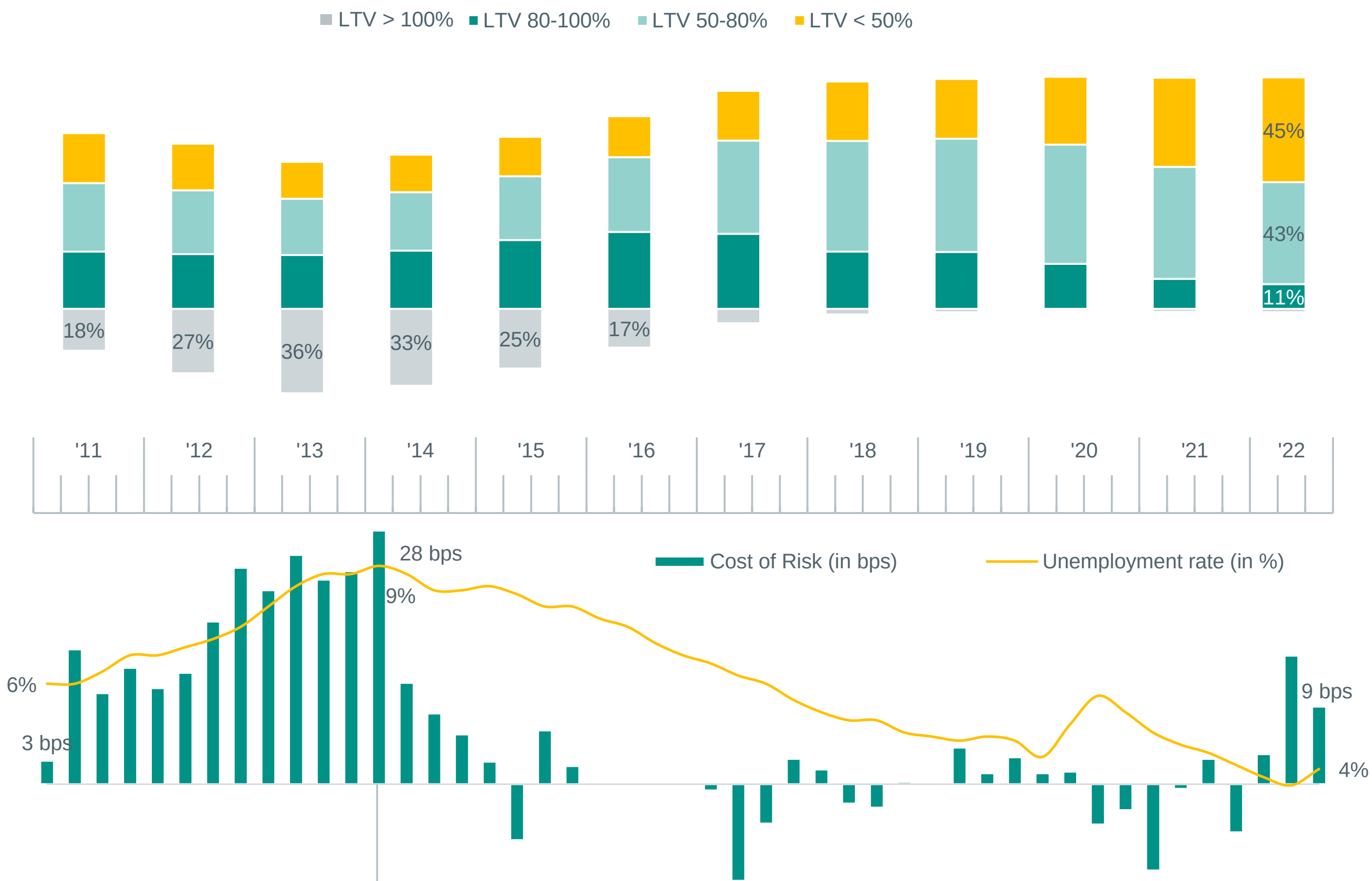
Dutch bankruptcies remain low



- Dutch economy still performing, but expected to slow down by the end of 2022 driven by weaker demand
- Consumer spending declining as an increasing number of households exposed to higher energy prices
- Government support package of c.40bn (c.5% of GDP) announced, leading to improvement of purchasing power for lower income households
- Apart from high energy prices, economy also faces headwind from higher interest rates as housing market is cooling

Mortgage portfolio significantly more resilient versus previous downturn

Significantly better LTVs compared to previous cycle



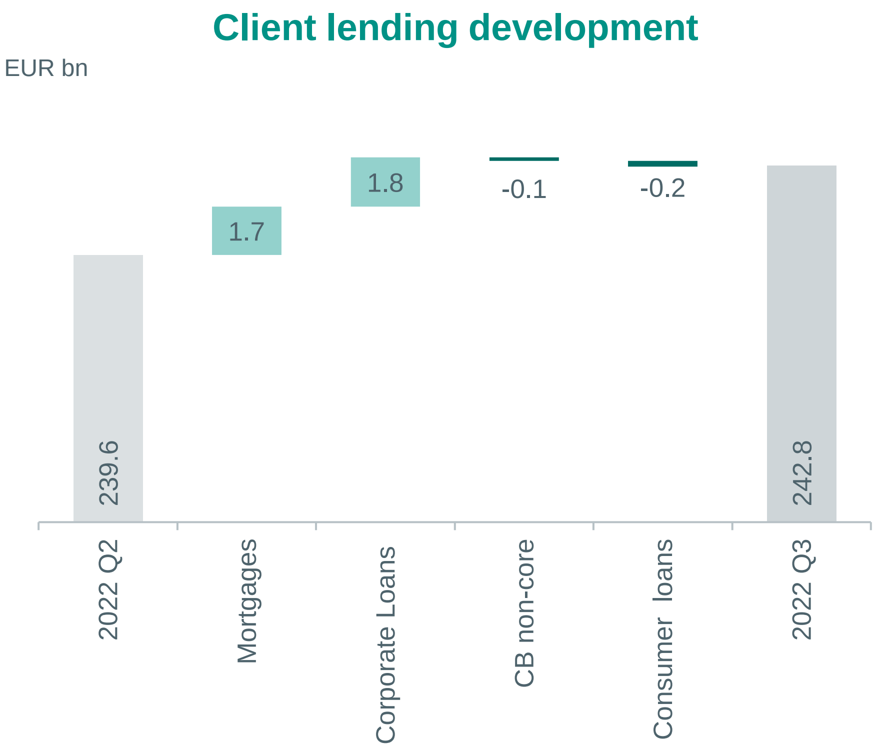
Cost of Risk peaked at 28bps, average CoR c.5bps

- Mortgage losses mainly materialise from combination of underwater mortgage and unemployment
- In 2013, following a 20% house price decline, over 1/3 of mortgages were under water [1)]
- Today, a 20% house price decline would only lead to 11% additional mortgages under water
- Unemployment rate was almost 9% in 2013 versus 3.7% at Q3 and expected to increase slightly next year to 4.2% [2)]

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

2) Sources: ABN AMRO Group Economics forecast of 27/10/2022 and CBS

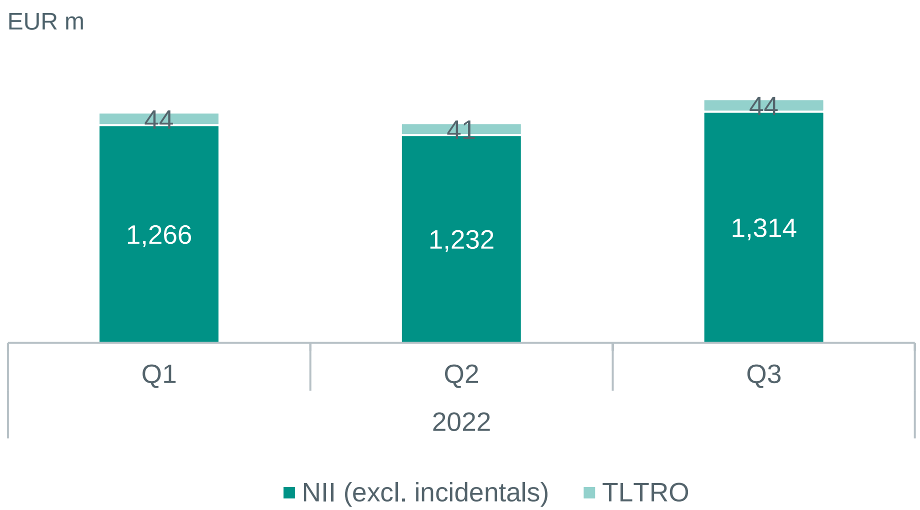
No slowdown in growth in mortgages and corporate loans



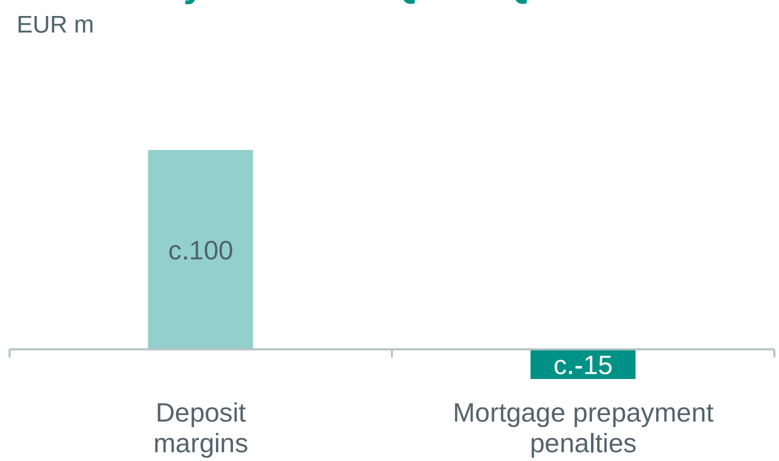
- Recent house price correction gave support to house purchases, which is reflected in high production and further increase of mortgage portfolio
- Business momentum remains good, healthy inflow of new deals in Corporate banking including NW Europe
- Client deposits remained stable at 228bn

Strong recovery of NII driven by rebound of deposit margins

Significant step-up in underlying NII of c.85m [1)]



Key NII drivers Q3 vs Q2 2022

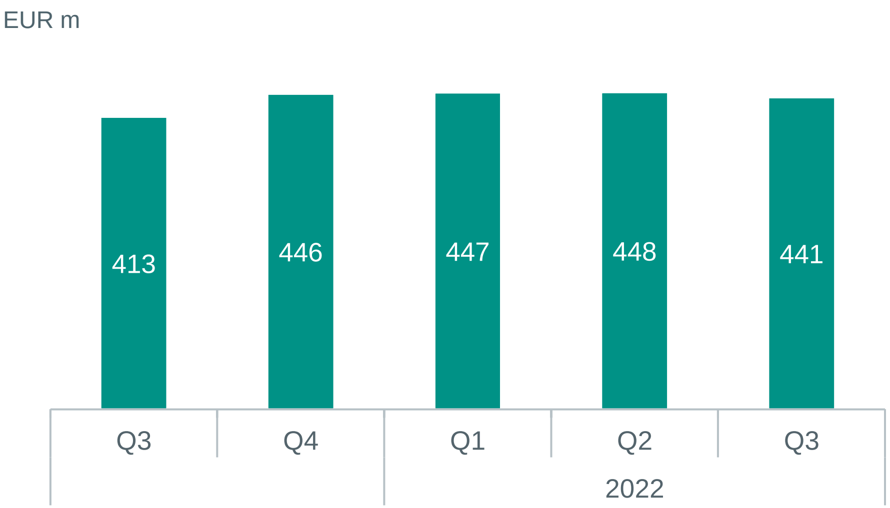


- Q3 NII driven by strong rebound of deposit margins, while mortgage prepayment penalties were negligible
- Will resume compensating clients on their deposits, +25bps on savings accounts with variable rate per December 1st
- Reflecting strong Q3 NII, FY2022 NII expected around 5.3bn excluding incidentals
- Going forward, deposit margins are expected to be increasingly driven by competitive forces

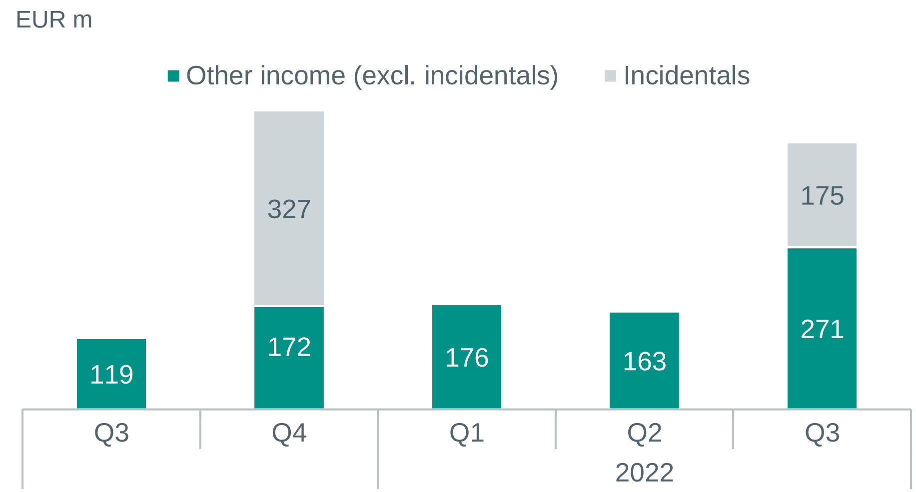
1) Underlying NII includes TLTRO and excludes incidentals (Q3 2022: -82m)

Both fee income and other income remain strong

Net fee and commission income



Other income [1)]

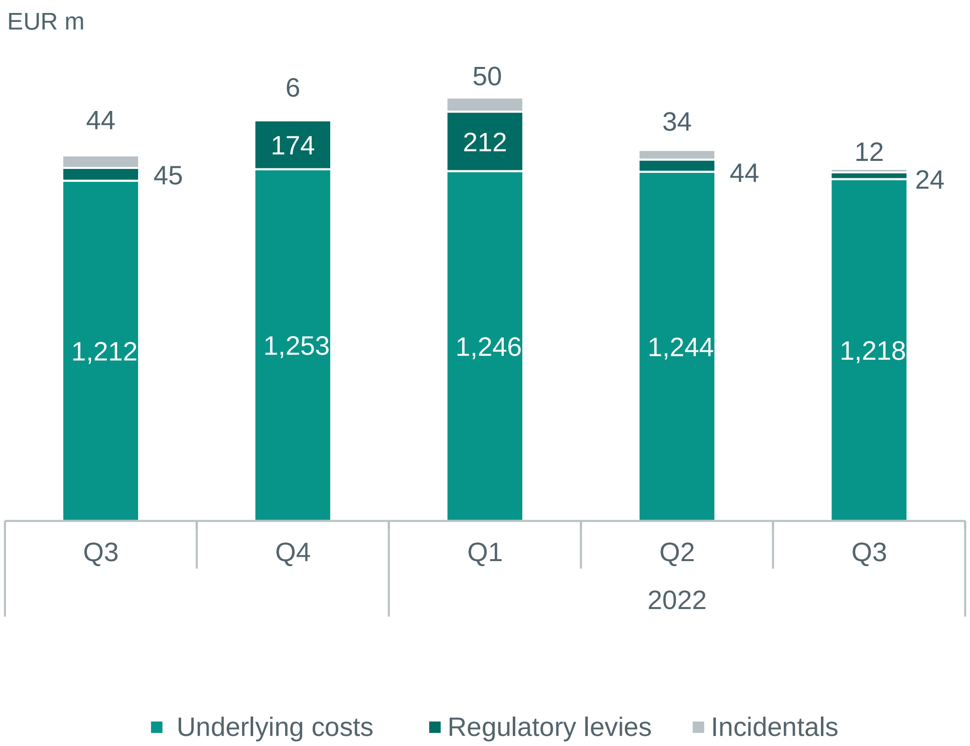


- Y-o-Y fees up 7% driven by higher income from payment services (volumes and pricing) and strong results at Clearing
- Q-o-Q fees resilient, higher payment transaction volumes and payment package pricing were offset by lower asset management fees and seasonally lower Capital Markets activity
- Other income excluding incidentals significantly up versus Q2, mainly supported by strong results for ALM and an equity stake revaluation
- Looking ahead, Q4 to include negative incidental of c.250m, mainly in other income, due to change in TLTRO terms

1) Incidentals: Q4 2021 sale HQ: 326m; Q3 2022 sale AA leven: 42m, sale MP Solar: 60m and sale PPI: 73m

Further decline of underlying costs in Q3 2022

Operating expenses [1)]

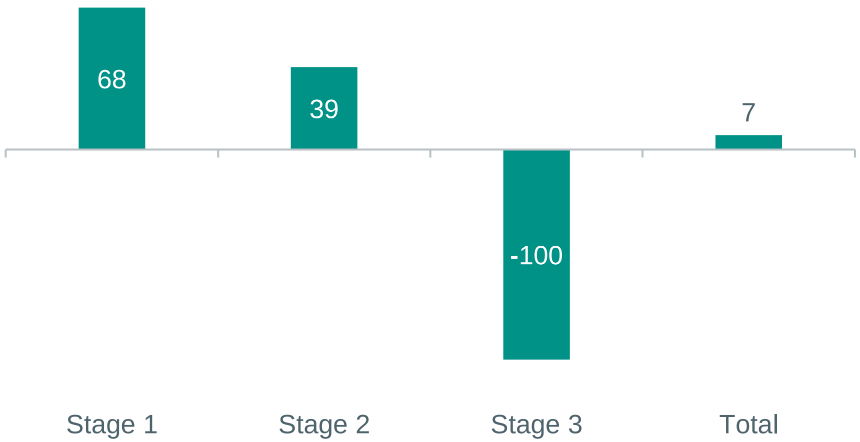


- Underlying costs declining as external FTEs came down in Q3
- Cost saving programs delivering further savings (c.280m since YE2020)
- FY2022 costs expected around 5.3bn excluding incidentals and additional costs for new CLA (c.60m)

1) Incidentals related to handling costs revolving consumer credit (Q3 20221: 44m, Q4 2021: 6m and Q3 2022: 12m) and AML remediation provision (Q1 2022: 50m & Q2 2022: 34m)

Impairments low on back of a further reduction in non-performing loans

Impairments in Q3

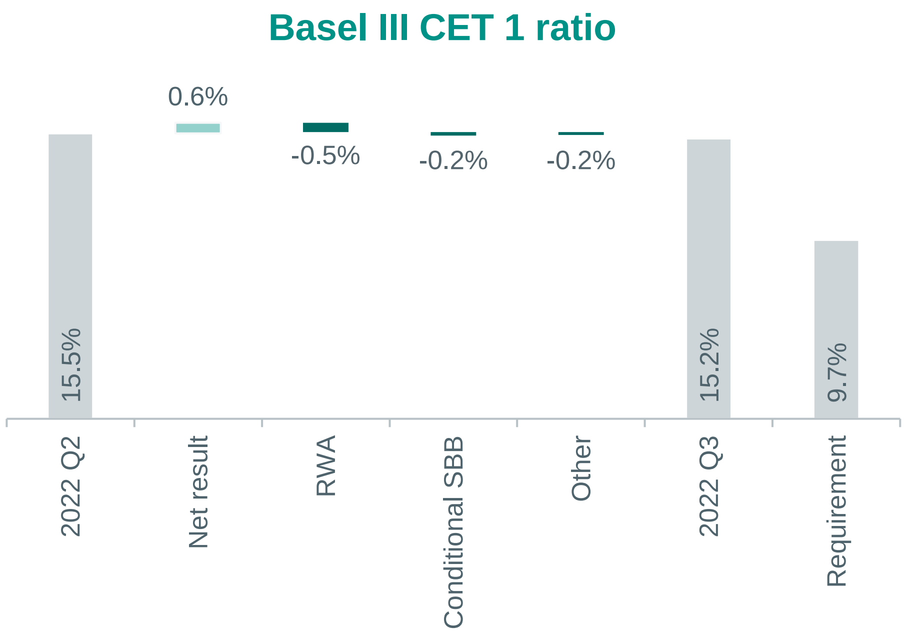


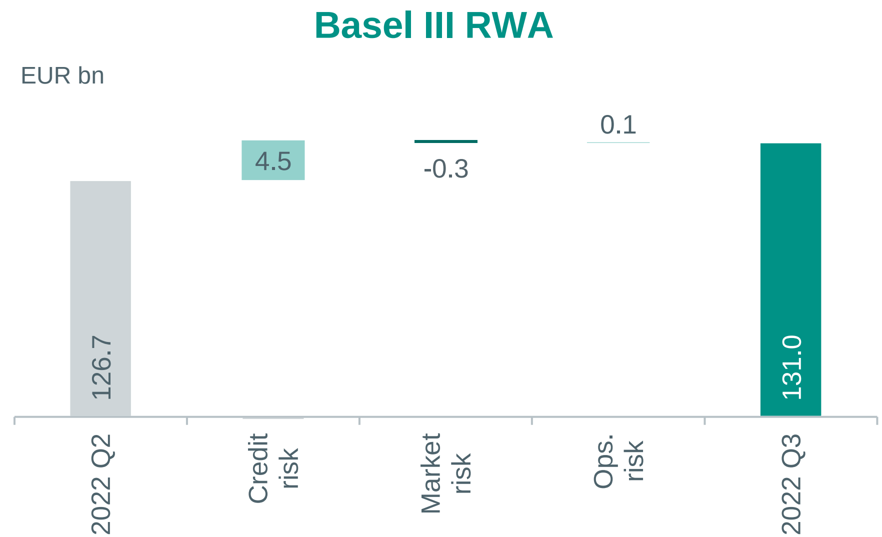
Impaired ratio client loans down

	Stage 3 loans (EUR m)		Stage 3 coverage ratio	
	Q3	Q2	Q3	Q2
Mortgages	1,118	1,158	7.9%	7.2%
Corporate loans	3,962	4,531	30.5%	32.2%
- of which CB non-core	*607*	*643*	*52.4%*	*62.9%*
Consumer loans	368	380	58.9%	57.1%
Total	**5,452**	**6,074**	**27.8%**	**29.0%**
Impaired ratio (stage 3)	**2.0%**	**2.3%**		

- Impairment charge of 7m, additions in stage 1 and 2 mainly caused by worsened economic outlook (c.60m) and new management overlay for potential impact from measures targeting nitrogen emissions reductions (c.30m)
- A management overlay for potential second and third order effects of war in Ukraine is continued
- Offsetting these additions and overlays were releases in stage 3, mainly from better performance of existing defaulted portfolio, repayments, outflow to performing portfolio and recoveries
- Significant drop in non-performing loans, reflecting repayments, write-offs and clients returning to stage 2

Strong capital position





- Well capitalised with a Basel III CET1 ratio of 15.2%, which includes 250m capital deduction for conditional SBB (c.20bps)
- Maximum Distributable Amount (MDA) of 9.7%, sufficient room to absorb increase countercyclical buffer from 0% to 2% [1)]
- Credit risk RWA increased, largely reflecting an adjustment in application of SME support factor and changes in regulatory approach of models, partly offset by a change in asset quality
- Following Basel III model add-ons, Basel III RWAs now higher than Basel IV; Basel IV CET1 ratio c.16%

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

Our long term financials targets

	Long term targets	YTD2022
Return on Equity	c.8% by 2024 (10% ambition with normalised rates)	9.4%
Absolute cost base	Below 4.7bn FY2024	c.4.0bn [1)]
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 [2)]	0.32 interim dividend

1) Excluding incidentals
2) After deduction of AT1 coupon payments and minority interests

Appendices

Good quarterly result with net profit of 743 million

EUR m

	2022 Q3	2022 Q2	Change
Net interest income	1,276	1,273	0%
Net fee and commission income	441	448	-2%
Other operating income	446	163	173%
Operating income	**2,162**	**1,884**	**15%**
- of which CB non-core	*21*	*22*	*-4%*
Operating expenses	1,254	1,321	-5%
- of which CB non-core	*39*	*44*	*-11%*
Operating result	**908**	**563**	**61%**
Impairment charges	7	-62	-111%
Income tax expenses	159	151	5%
Profit	**743**	**475**	**56%**
- of which CB non-core	*18*	*7*	
Loans & advances (bn)	260.9	259.6	1.3
- of which CB non-core	*1.3*	*1.3*	*-*
Basel III RWA (bn)	131.0	126.7	4.3
- of which CB non-core	*2.4*	*2.5*	*-0.1*

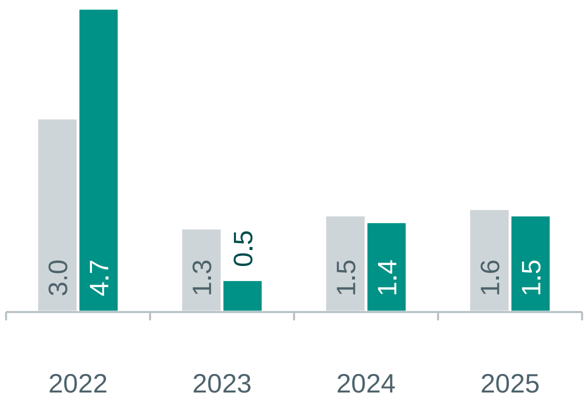
- Underlying NII up in Q3, mainly from higher deposit margins
- Fees slightly down, mainly from lower asset management fees and seasonally lower Capital Markets activity
- Expenses down versus Q2 reflecting lower external FTE at AML and I&T
- Limited impairments in Q3 mainly related to releases on non-performing loans, partly offset by weakened macroeconomic outlook

Macroeconomic scenarios to calculate credit losses [1)]

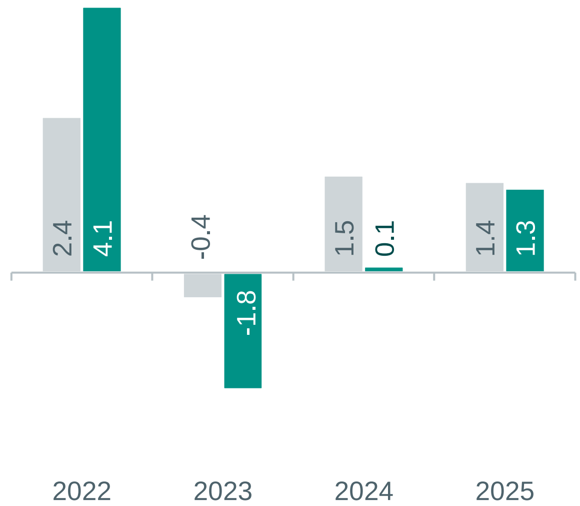
GDP growth NL

Q2 2022 Q3 2022

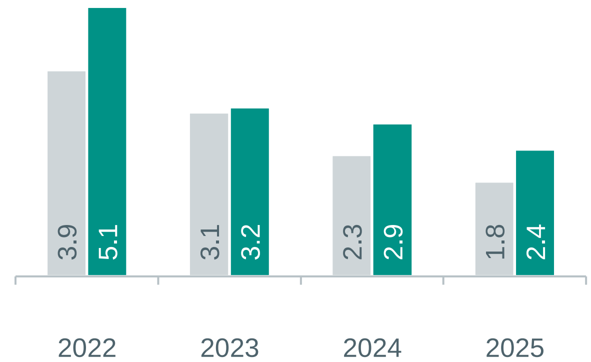
Baseline - 30% [2)]



Negative - 60% [2)]



Positive - 10% [2)]



Differences Q3 2022 vs Q2 2022, growth forecasts in baseline and negative scenario further down

- In baseline a partial gas-cut off from Russia is captured, with prospect of energy shortages in the EU, leading to potential (inter-)national industry stoppages and supply chain disruptions
- In negative a complete shut-off of Russian gas to Europe is assumed with less prevalent and effective risk-mitigating policies, leading to widespread and persistent industry stoppages and stronger government rationing of energy supplies
- Following the explosion in the Nord Stream gas pipeline, a complete shutdown of Russian gas flows to Europe is now considered as new base case, reflected in an increased weight of negative scenario to 60%

1) Group Economics scenarios per May 2022 used for Q2 2022, per September 2022 used for Q3 2022

2) Weights for Q2 2022: 35% Baseline, 50% Negative and 15% Positive

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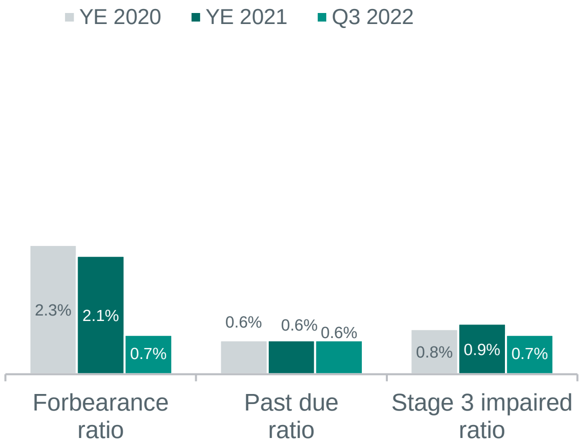
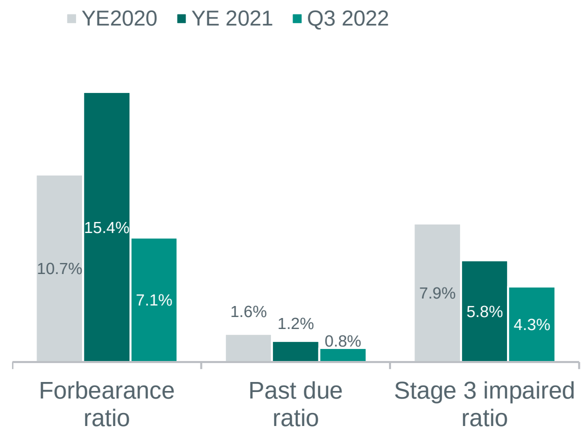
Continued strong credit quality, no signs of asset quality deterioration

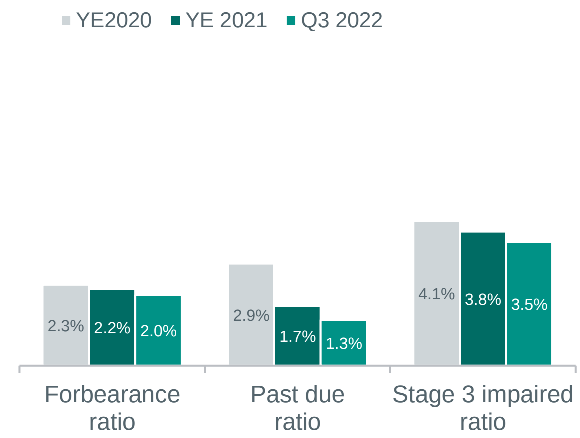
Residential mortgages (c.151bn)



Corporate loans (c.82bn)



Consumer loans (c.10bn)



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

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

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

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

Diversified corporate loan book with limited stage 3 loans

EUR bn	Stage 1 exposure	ΔQ2	Stage 2 exposure	ΔQ2	Stage 3 exposure	ΔQ2	Total exposure	ΔQ2	Stage 3 coverage ratio
Financial Services	17.2	-1.2	1.3	0.7	0.2	-	18.6	-0.4	45%
Industrial Goods & Services	13.0	-0.6	3.2	0.8	0.9	-0.3	17.1	-	26%
Real Estate	14.4	0.5	1.4	0.1	0.1	-	16.0	0.6	15%
Food & Beverage	7.5	-1.2	1.9	0.2	0.7	-0.1	10.1	-1.1	17%
Non-food Retail	3.2	-0.3	1.2	0.3	0.5	-	4.9	-	36%
Health care	2.6	-0.2	0.8	0.1	0.2	0.1	3.6	-	16%
Construction & Materials	2.6	-	0.3	-	0.3	-	3.3	-	31%
Oil & Gas	1.9	-0.7	0.9	0.8	0.4	-0.1	3.2	-	60%
Travel & Leisure	1.3	-0.2	1.4	0.1	0.3	-0.1	3.0	-0.2	15%
Utilities	2.4	0.7	0.4	0.2	0.1	-	2.9	0.9	19%
Other smaller sectors	8.1	1.0	1.4	0.1	0.4	-	9.9	1.0	51%
Total 1)	**74.3**	**-2.2**	**14.3**	**3.5**	**4.0**	**-0.6**	**92.6**	**1.0**	**31%**

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

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