ABN·AMRO

Investor Relations

results Q2 2018

investor and analyst presentation

8 August 2018

Highlights of Q2, a quarter of progress

Financials

- Solid net profit at EUR 688m and ROE of 13.5%
- Good operating result (C/I ratio 55.1%), NII remained strong despite low interest environment
- Impairments well below Q1, although still elevated
- Strong CET1 ratio of 18.3%, well placed within our target range
- Interim dividend: DPS EUR 0.65 in line with H1 2017
- Continuing capital generation expected, improving our position for additional distributions

Strategic

- Well on track to achieve 2020 financial targets
- Building a leading franchise in sustainability
- CIB to refocus global sectors, lower Basel III RWA by EUR 5bn and deliver ROE >10% by 2021 [1)]
- Private Banking acquisition in Belgium of EUR 6bn AuM
- Investor Day in London on 16 November 2018

1) Under Basel III RWAs and a CET1 target of 13.5%

Building a leading franchise in sustainability

Sustainable investments new norm in Private Banking

FMO Privium Impact Fund

- Sustainable investments new norm in the Netherlands and to be rolled out in Germany, Belgium and France in 2018/2019
- On track to double sustainable assets under management in four years to EUR 16bn by 2020, currently at EUR 11bn
- Focus in the Netherlands resulted in 80% of new clients choosing for sustainable mandates
- Clients invested EUR 100m in the FMO Impact Fund in H1

Proven track record in sustainability for corporates


Solar project Cerro Dominador Chile

- EUR 200m Energy Transition Fund (Private Equity fund) introduced to focus on opportunities in sustainable energy, carbon reduction, smart infrastructures and clean mobility
- Examples of recent corporate transactions:
  - Financing dual-fuel vessel (diesel/LNG), reducing emissions by 10x
  - Project financing of 110MW solar project in Chile
  - Debt and equity raising for 600MW Dutch wind farm

Strong CIB franchises rooted in the open nature of the Dutch economy

Client Franchises	Market position
Corporates NL [1]	▪ Strong domestic franchise (top 3 NL) ▪ Sector based relationship bank ▪ Growing in NW-Europe, leverage NL capabilities
Clearing	▪ Top 3 global position in derivatives clearing ▪ Connected to >150 exchanges
Global sectors Natural Resources (NR) Trade & Commodity Finance (TCF) [1] Global Transport & Logistics (GTL)	▪ Based on deep sector expertise ▪ Market leading positions in specific sectors ▪ Present in main shipping hubs globally
Product units Global Markets (GM) [1] Private Equity (PE)	▪ Supports clients across the bank (PB and CB) ▪ Dutch mid market focus

EUROMONEY AWARDS FOR EXCELLENCE

Best bank of the Netherlands 2018

GREENWICH ASSOCIATES

#1 in Net Promoter Score
#1 overall relationship

FOW INTERNATIONAL AWARDS 2017

Proprietary Traders' Clearing firm of the Year 2017

Trade Finance Awards

Best Commodity Trade Finance Bank 2017

EXTEL

#1 Brokerage Benelux, 2015,2016,2018

Environmental Finance Green Bond Awards 2018 Winner Lead manager of the year – bank

Key figures CIB (Q2 2018)

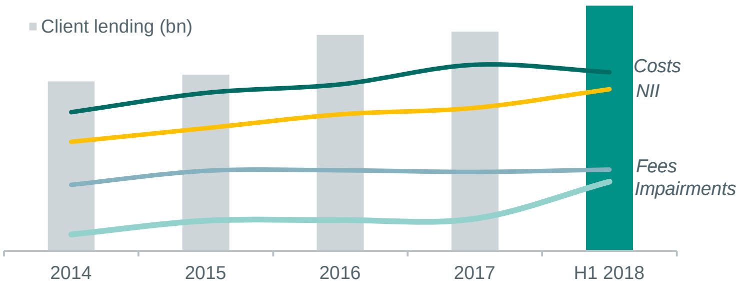
Client lending	EUR 43.4bn	Clients	±3k	Countries	15
Professional lending	EUR 19.1bn	FTEs	2,571	Geographies	Europe, APAC, Americas

1) Corporates NL includes NW-European clients and Financial Institutions, TCF includes Diamonds & Jewellery Clients, GM excluding Clearing

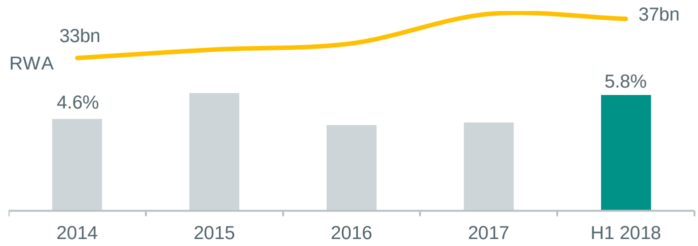
CIB client business rebuilt, but returns below Group target

Growth of CIB business

Loan book 2014 – H1 2018 CAGR +11%



Return on Equity [1)]



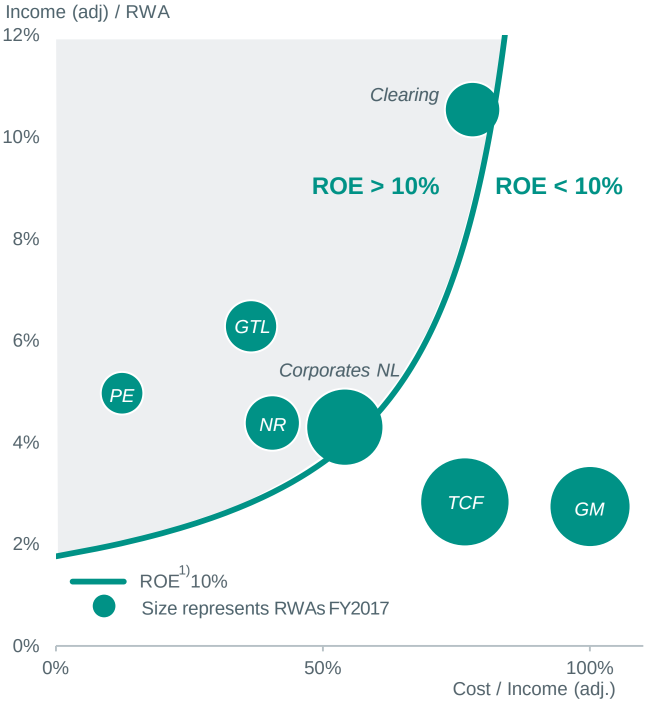
- Growth in CIB loan book has not delivered on ROE
- CIB costs have grown reflecting limited benefits of scale realised and CIB has incurred substantial impairments
- Global Markets refocused since 2014 releasing RWA, while total RWAs increased reflecting CIB loan growth
- December 2017 Basel IV announcement confirms increasing capital requirements for CIB

1) ROE based on Basel III RWAs and a CET1 capital target of 12.5% until 2016 and 13.5% as of 2017

Refocus CIB on core clients in profitable sectors

Most CIB sectors deliver >10% ROE TTC impairments [1)]

Operating Income adjusted for through-the-cycle impairments FY2017



1) ROE on basis of Basel III RWA and CET1 target of 13.5%. TTC = through-the-cycle
2) Global Markets plans were announced in Q1 2018

Global sectors to de-risk and improve efficiency

Corporates NL – maintain leading NL position

- Develop NW-Europe by leveraging sector knowledge

Clearing - maintain global top 3 position

- No longer leverage constrained once SA-CCR implemented

Global sectors – refocus and downsize portfolios

- GTL and NR: reduce exposure to highly cyclical subsectors, increase focus on energy transition and sustainability
- TCF: address low return clients, de-risking diamonds, downsize organisation

Product units

- GM: subscale, serving core clients, improve efficiency through further product and client focus and cost discipline [2)]
- PE: very profitable, supports Dutch client franchise, explore external funding

Improve capital & cost efficiency, CIB ROE to deliver on Group target by 2021

Reduce capital

- Reduce global, highly cyclical sectors
- Impacts TCF, energy offshore, shipping
- Focus GM's products and clients [1)]

Lower cost

- Address low return clients
- FTE reduction & IT rationalisation
- Right-size geographies & support

Transform business model

- Capital efficient, focus on distribution
- Focus on high share of wallet clients
- Develop further sustainability franchise

Net RWA reduction 5bn [2)]
Revenue impact c.100m

80m cost reduction
c.250 FTE reduction
Restructuring cost: c.50m [3)]

CIB ROE >10% by 2021 [4)]

Group CET1 benefit c.90bps [2)]

Reconfirm Group C/I target

Focus on capital generation

1) Announced in Q1 2018, a provision of EUR 7m was taken in Q1 2018
2) RWA EUR 5bn reduction (equals CET1 c. 0.9%) compared to Q1 2018, from around EUR 39bn to around EUR 34bn to be achieved by 2020, assuming static risk weighting, i.e. excluding possible impact, of TRIM or credit quality migrations. RWA of around EUR 1.5bn reduction (equals CET1 c. 0.25%) was already achieved during Q2 2018
3) To be taken during H2 2018
4) Under Basel III RWAs and a CET1 target of 13.5%

CIB update key highlights

Refocus CIB to deliver on group ROE target

- CIB core to Dutch, internationally active, client base
- Most sectors meet the group ROE through the cycle
- CIB to refocus and reduce lending to highly cyclical sectors
- Cost reduction reflecting FTE reduction, IT rationalisation and right-size geographies & support
- Become capital efficient, focusing on core clients
- Capital reduction of EUR 5bn RWA is accretive for the group

CIB to deliver >10% ROE by 2021[1,2,3)]

Assumes through-the-cycle impairments and static risk weights

1) Under Basel III RWAs and a CET1 target of 13.5%
2) Normalising for: Private Equity operating income (H1 2018 EUR 131m) to EUR 75m p.a. tax exempt, excluding EUR 9m provision for restructuring in H1 2018 and EUR 37m provision for SME derivatives in Q2 2018, using 40bps through-the-cycle cost of risk on client lending excluding professional lending and effective tax rate of 25%
3) RWA reduction of EUR 5bn vs. Q1 2018

Solid results

EUR m	2018 Q2	2017 Q2	Delta
	IFRS9	IAS39	
Net interest income	1,656	1,599	4%
Net fee and commission income	425	436	-2%
Other operating income	207	457	-55%
Operating income	**2,288**	**2,492**	**-8%**
o/w incidentals	*97*	*247*	
Operating expenses	1,261	1,367	-8%
o/w incidentals	*39*	*153*	
Operating result	**1,027**	**1,124**	**-9%**
Impairment charges	134	-96	
Income tax expenses	204	260	-21%
Profit	**688**	**960**	**-28%**

Key points [1)]

- Net profit of EUR 688m. Down vs. last year given the Private Banking Asia divestment and impairment releases
- Strong NII, despite low interest rate environment
- Operating expenses continue to trend down due to cost-savings programmes
- Impairments well below Q1 2018, although still elevated reflecting challenges for specific clients in specific sectors

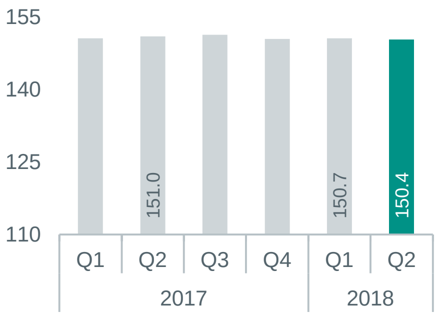
1) In this presentation all 2018 financials are presented in accordance with IFRS9, whereas historic financials are presented in accordance with IAS39

Client lending growth through SME and corporate loans

Mortgage client lending

CAGR = 0%

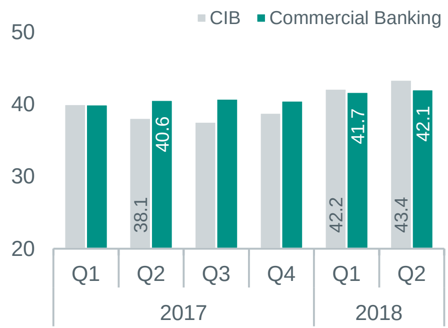
EUR bn



Corporate client lending

CAGR = 4% CB, 3% CIB (ex reclass) 1)

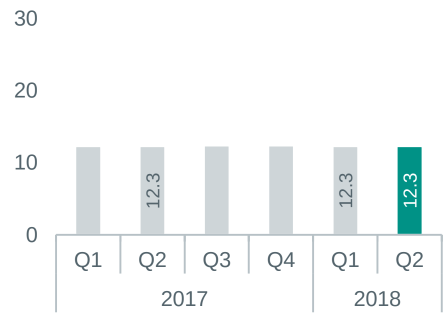
EUR bn



Consumer loans client lending

CAGR = 0%

EUR bn

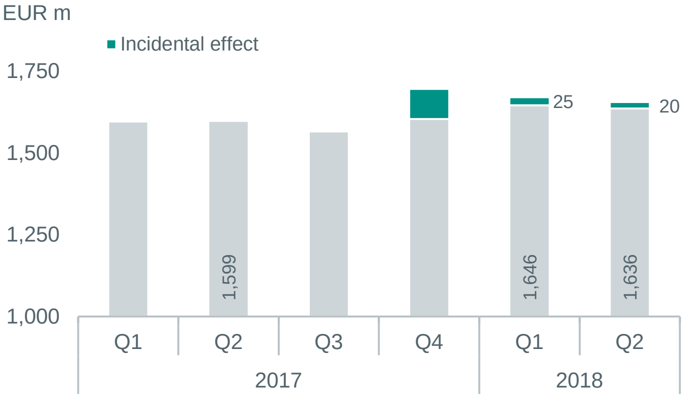


- Consumer and mortgage loans remained fairly stable, mortgage market share on new production 19% in H1 2018
- Dutch economic growth drives Commercial Banking loan growth across sectors
- CIB loan growth driven by USD appreciation (impact EUR 1.5bn vs. Q1 2018), first measures CIB refocus already in implementation

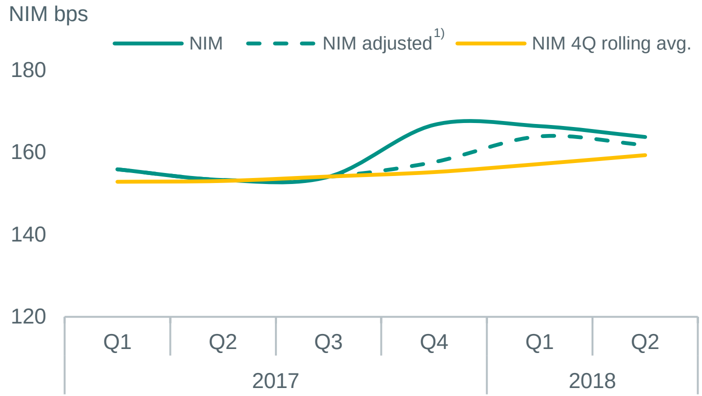
1) In Q1 2018 EUR 1.8bn was reclassified from professional lending to client lending in CIB

Continued strong net interest income

Net Interest Income (NII)



Net Interest Margin (NIM)

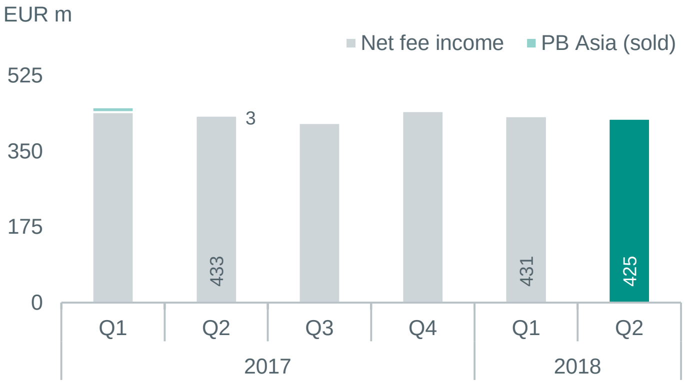


- NII up vs. Q2 2017 reflecting volume and margin improvements in corporate loans, higher mortgages penalty fees, partly offset by declining duration related interest result
- Overall margins stable, NIM up vs. Q2 2017 due to strong NII and balance sheet deleveraging
- NII headwinds from continuing low interest rates

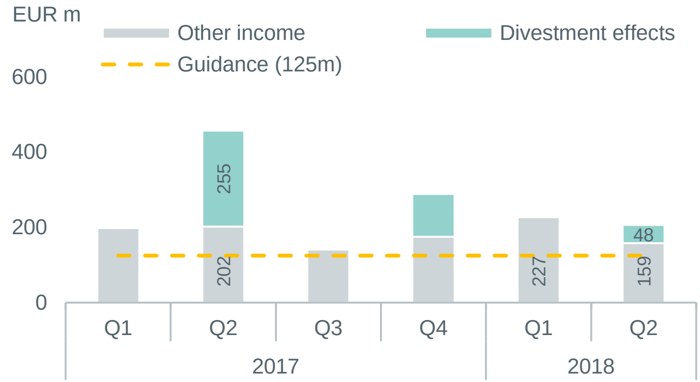
1) NIM adjusted for incidental items and accounting effect of mortgage penalties

Fees almost flat, other income above guidance

Net fee income



Other operating income

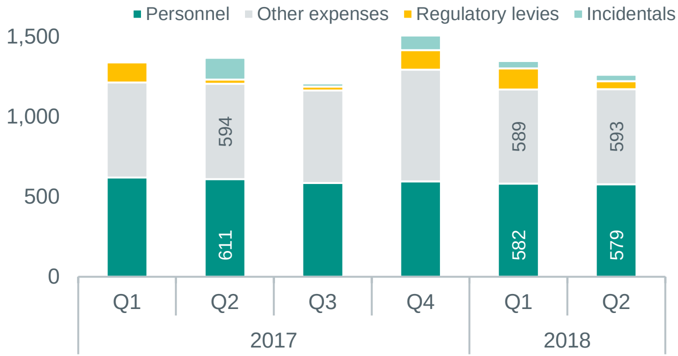


- Fees remained almost flat vs. Q2 2017 as well as Q1 2018
- Other income benefitted from divestment effects in Private Banking, remained well above our EUR 125m guidance
- Lower accounting effects Q2 2018 (Q2 2017): hedge accounting EUR 16m (EUR 68m), CVA/DVA/FVA EUR 3m (EUR 19m) as well as lower private equity results EUR 29m (EUR 52m)

Operating expenses continue to trend down

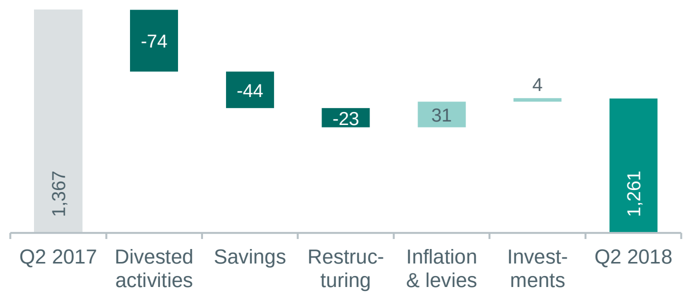
Operating expenses

EUR m



Transition operating expenses [1)]

EUR m

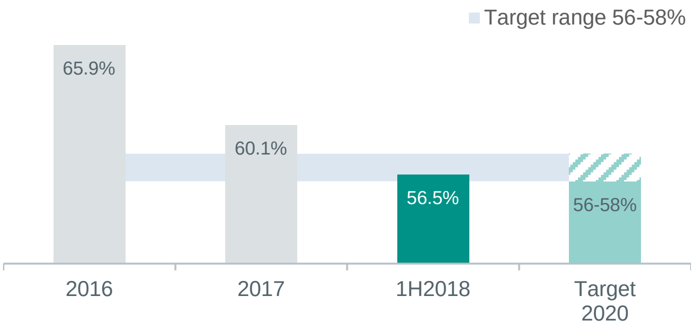


- Personnel expenses trending down, driven by lower FTEs (down 401 vs. Q1) partly offset by wage inflation
- Other expenses stable excluding incidentals [2)]
- Cost savings EUR 44m vs. Q2 2017, cumulative cost savings of EUR 570m delivered at the end of Q2 2018 [3)]

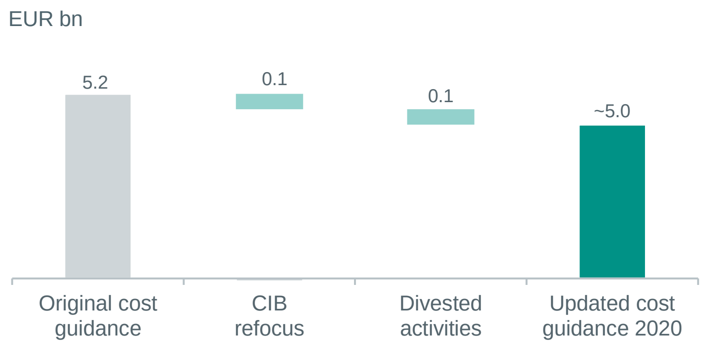
1) Divested activities includes transaction and wind-down costs PB Asia (EUR 56m). Inflation & levies includes SME derivatives project costs (EUR -17m), regulatory levies (EUR 22m) and remainder being mainly wage inflation
2) Q2 2018 EUR 37m (SME derivatives project costs), Q2 2017 EUR 89m (PB Asia divestment costs and SME derivatives project costs)
3) Cumulative cost savings vs. FY2015 cost base on the back of cost savings programmes

Target C/I ratio reconfirmed, group cost guidance lowered

Cost/Income ratio target reconfirmed 1)



Updated group cost guidance 2020



- On track to reach 56-58% cost/income ratio target by 2020
- Existing programmes delivering on targeted cost reductions 2)
- Cost guidance lowered to c. EUR 5.0bn following CIB refocus (EUR -0.1bn) and PB Asia divestment (EUR -0.1bn)

1) FY2017 C/I ratio 61.2% excluding the PB Asia divestment result. The C/I of 2016 excluding EUR 271m special item for SME derivatives
2) EUR 570m cumulative cost savings vs. FY2015 cost base

Impairments well below Q1, although still elevated

Impairments by industry sector

Industry [1]	Q1	Q2	Segment	Comment
Dutch SMEs	45	69	CB	o/w Healthcare 37m
Natural Resources	42	66	CIB	Offshore services and Upstream
TCF	49	27	CIB	Diamonds & Jewelry 16m, Commodities 11m
GTL	46	-4	CIB	Q1 related to Shipping-OSV
Other	26	-24	All	o/w 23m releases in Retail
Total (EUR m)	208	134		
Cost of risk (bps)	32	22		

Impaired portfolio (stage 3 IFRS9) trending down

Impaired portfolio (EUR m)	YE2016	Q2 2018	Delta	Coverage Ratio
Mortgages	1,257	927	-26%	13%
Consumer loans	738	437	-41%	54%
Corporates	6,695	5,304	-21%	37%
Other	222	289	30%	12%
Total	**8,912**	**6,957**	**-22%**	**34%**

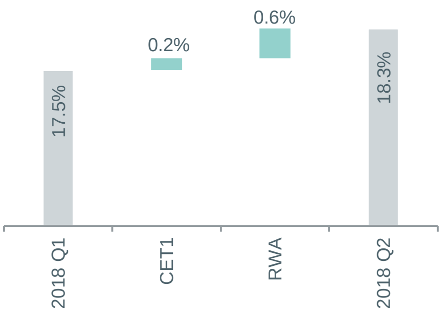
- Impairments in Q2 well below Q1: CIB mostly on already impaired files, in CB on both existing and new files
- Overall defaulted portfolio expected to decline further, although challenges continue in identified corporate sectors
- Further downside risk mitigated by selling exposures in these sectors
- FY2018 impairment outlook reconfirmed and expected to remain below 25-30bps through-the-cycle cost of risk

1) Natural Resources (former ECT – Energy), GTL = Global Transportation & Logistics (former ECT – Transportation), TCF = Trade & Commodity Finance (former ECT – Commodities)

Strong capital ratios reflecting active balance sheet management

CET1 fully loaded capital

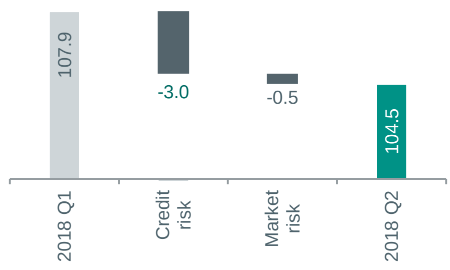
Fully loaded CET1%



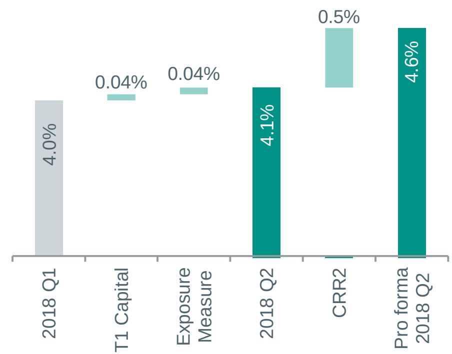
Risk weighted assets

Segment changes: CIB -1.7bn and GF -1.0bn, CB -0.7bn, both RB and PB nil

RWA bn



Leverage ratio fully loaded [1)]



- Strong increase in CET1 ratio, reflecting lower RWA mainly due to active balance sheet management
- Lower exposure measure drives improvement in leverage ratio to 4.1% and including CRR2 effects to 4.6% [1)]
- Monitoring developments on Basel IV and working on plans and responses

1) CRR2 includes expected changes to calculation methodology for clearing guarantees (SA-CCR) and are estimated to decrease the Exposure Measure by c. EUR 52bn

Financial targets

	2017	**YTD 2018**	**Q2 2018**	Targets
Return on Equity	14.5% 1)	12.5%	13.5%	10-13%
Cost/Income ratio	60.1% 1)	56.5%	55.1%	56-58% (by 2020)
CET1 ratio (FL)	17.7%	18.3%	18.3%	17.5-18.5% 2) (2018)
Dividend - per share (EUR) - pay-out ratio	1.45 50%	0.65 Interim	-	▪ 50% of sustainable profit 3) ▪ Additional distributions will be considered 3) ▪ Combined at least 50%

1) Excluding the gain on PB Asia sale the ROE was 13.4% and C/I was 61.2%
2) Capital target range to be reviewed at YE2018
3) Sustainable profit attributable to shareholders excludes exceptional items that significantly distort profitability; examples from the past would have been the book gain on PB Asia divestment (2017) and the 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 and commercial considerations

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