Investor Relations

# Q3 2017 results

**analyst & investor call presentation**

8 November 2017

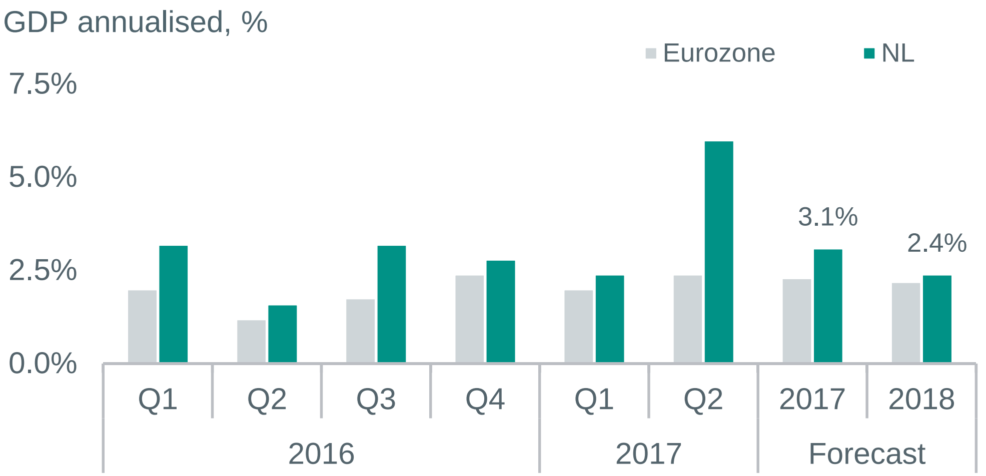
# Highlights at Q3

- Net profit up 11% at EUR 673m reflecting lower costs and low impairments
- Mortgage, commercial and corporate loan books up in constant currencies
- Resilient NII despite low rate environment
- Costs continue to trend down benefitting from cost saving programmes
- Strong Dutch economy supports low cost of risk
- On track to achieve financial targets
- New management team completed
- Strong capital position, CET1 ratio 17.6% and pro forma leverage ratio 4.0% (both fully loaded)

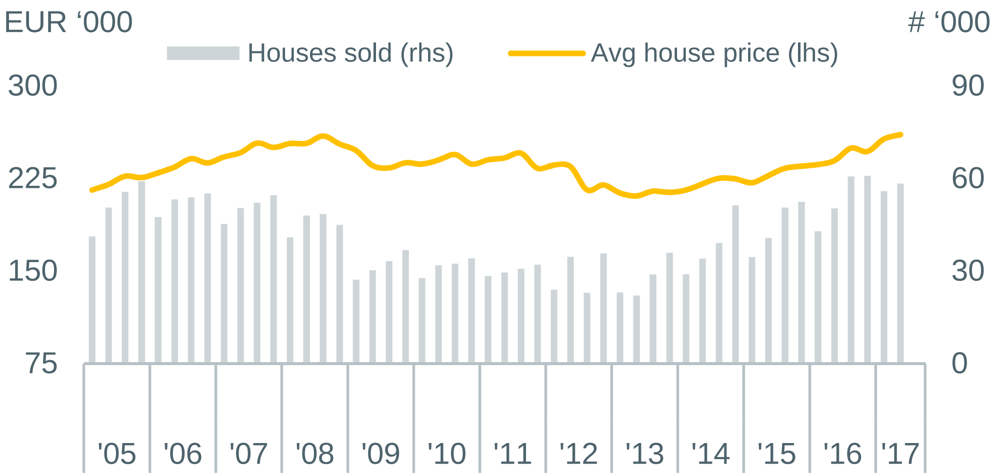
Highlights Q3 2017 are vs. Q3 2016

# Strong Dutch economy and housing market

## Dutch economy outperforming Eurozone [1)]




## Dutch housing market recovering [1)]

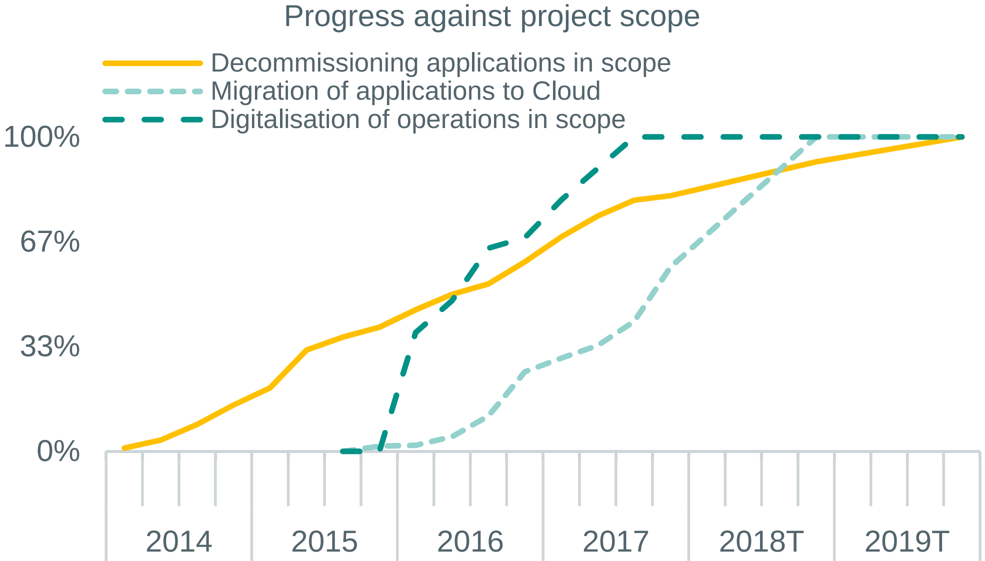



- Strong Dutch economy supports growth in client lending and asset quality
- Housing market recovering strongly resulting in healthy mortgage market
- Government coalition in place and coalition agreement well received

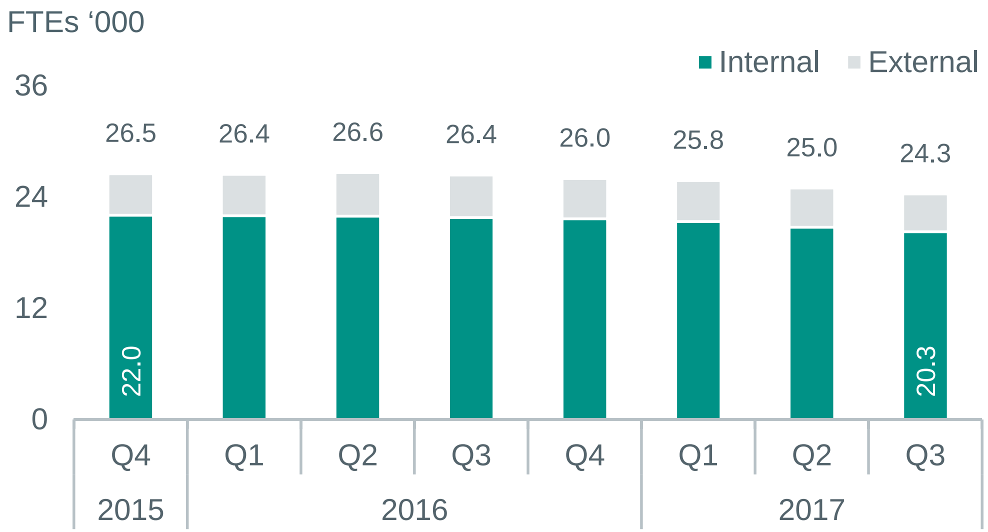
1) Source: ABN AMRO Group Economics, CBS Statline

# Cost savings from IT Transformation and business simplification

## IT Transformation reduces complexity



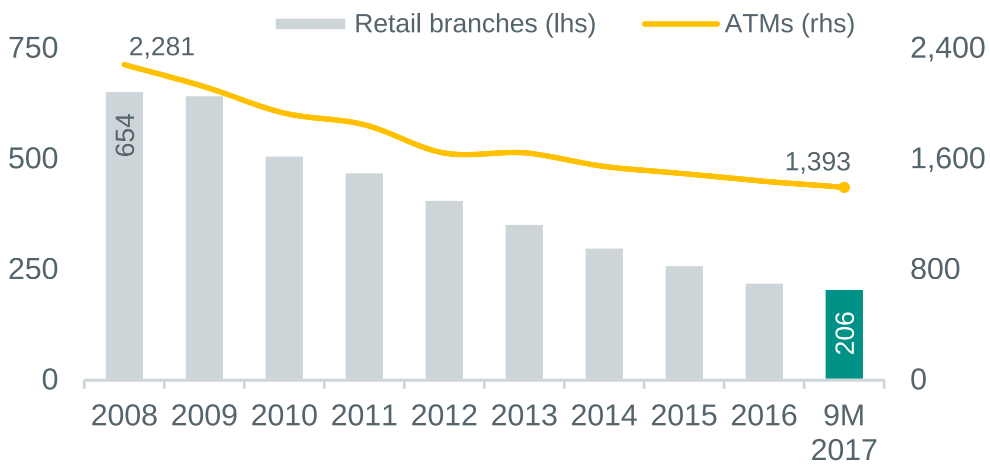

## Business simplification drives headcount reduction




- IT Transformation delivering on milestones and cost savings
- Agile implementation reducing cost of change and increasing speed and capacity for digital innovation
- Total FTEs down 8% from YE2015 versus our 13% target by 2020 reflecting business simplification

# Clients are quickly adopting our digital services

## Offline service points declining




## Increasing digital services

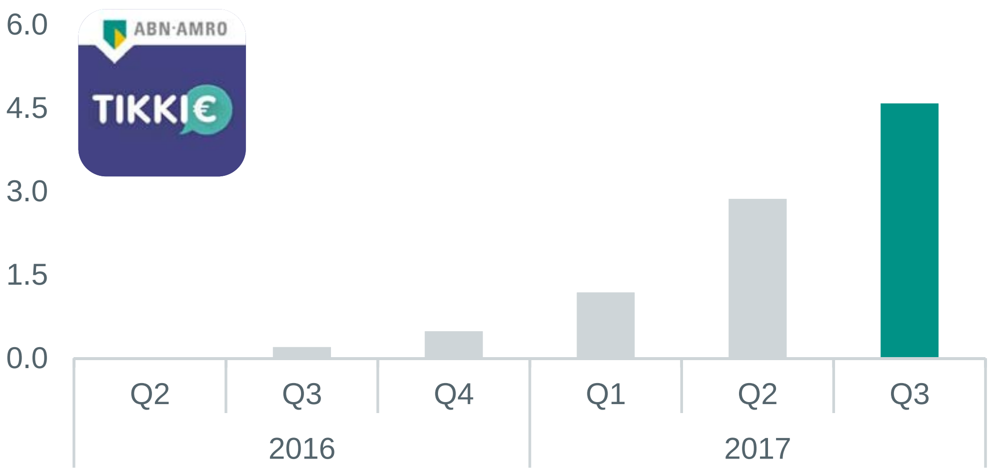
| | Jan 2015 | Sept 2017 |
|---|---|---|
| RB client sales and services digitally | 31% | 50% |
| Direct channel retail contacts | | |
| - Mobile banking | 76% | 84% |
| - Internet banking | 24% | 15% |
| - Call centre | 1% | 1% |
| Mortgage webcam advice | - | 52% |

- Retail branch network continues to decline while digital banking services continue to grow strongly
- Digitalisation allows clients to become self directed in a convenient and 24/7 manner
- Half of retail client sales and services via digital channels, a growing trend

# Digital innovation enhancing customer experience

## Tikkie users accelerate transaction numbers

*Number of Tikkie P2P payments made per quarter (in millions)*




## Digital innovation across products and businesses

*Cloud based SME Lending*

*Mortgage within 24 hours and Equity Release Mortgage*

*Digital wealth manager*

*Digital Impact Fund*

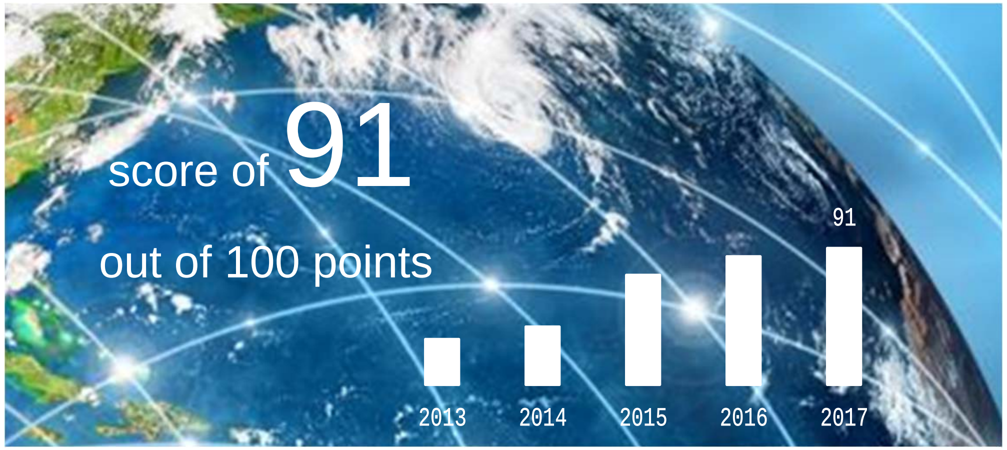
- Award winning ‘Tikkie’ has 1.4m retail users and is attracting business clients
- New digital services: New10 cloud based SME lending (NL), Prospery digital wealth manager (Germany)
- Investments in promising starts-ups through our Digital Impact Fund

# Sustainability embedded in our products and services

## Environmental, Social & Governance (ESG) essential for the future

- Better bank, better world
- Environmental, Social & Governance as a business opportunity
- Environmental, Social & Governance as a risk mitigant

## High score in annual sustainability assessment [1)]




- Target sustainable assets under management in Private Banking to double from EUR 8bn to EUR 16bn by YE2020
- Annual sustainability score is one of the best worldwide in the sustainability ranking for banks [1)]
- Financing Dutch sustainable residential and commercial real estate and improving the portfolio to ‘A’ label by 2030

1) Source: RobecoSAM’s annual sustainability assessment which serves as the basis for the Dow Jones Sustainability Index. The average score for the banking industry is 58 points

# Clearly on track to achieve financial targets

| | 2016 | **YTD 2017** | **Q3 2017** | Target |
|---|---|---|---|---|
| Return on Equity | 11.8% | 15.7% [1)] | 13.8% | 10-13% |
| Cost/Income ratio | 65.9% [2)] | 57.3% [3)] | 56.9% | 56-58%<br>(by 2020) |
| CET1 ratio (FL) | 17.0% | 17.6% | 17.6% | 11.5-13.5% [4)] |
| Dividend<br>- per share (EUR)<br>- pay-out ratio | 0.84<br>45% | 0.65<br>Interim | -<br>- | -<br>50%<br>(as from and over 2017) [5)] |

1) Excluding gain on the sale of PB Asia and impairment releases from model refinements, the ROE was 13.6% over 9M 2017
2) Excluding EUR 348m restructuring provisions the FY2016 C/I ratio was 61.8%
3) Excluding gain on the sale of PB Asia, the C/I ratio was 58.6% in 9M 2017
4) A future CET1 target of 13.5% is anticipated (following an expected SREP of 11.75% in 2019) and includes a P2G and management buffer. We will present an updated view on our capital position in the course of Q1 2018, also if there is no clarity on Basel IV
5) Management discretion and subject to regulatory requirements. Envisaged dividend-pay-out is based on reported net profit attributable to shareholders

# Strong growth in profit at Q3 2017

| EUR m | Q3 2017 | Q3 2016 | Delta |
|---|---|---|---|
| Net interest income | 1,566 | 1,575 | -1% |
| Net fee and commission income | 397 | 437 | -9% |
| Other operating income [1, 2] | 160 | 210 | -24% |
| **Operating income** | **2,123** | **2,222** | **-4%** |
| Operating expenses [3] | 1,209 | 1,372 | **-12%** |
| **Operating result** | **914** | **849** | **8%** |
| Impairment charges | 5 | 23 | -80% |
| Income tax expenses | 236 | 220 | 8% |
| **Underlying profit** | **673** | **607** | **11%** |
| Special items | - | - | |
| **Reported profit** | **673** | **607** | **11%** |

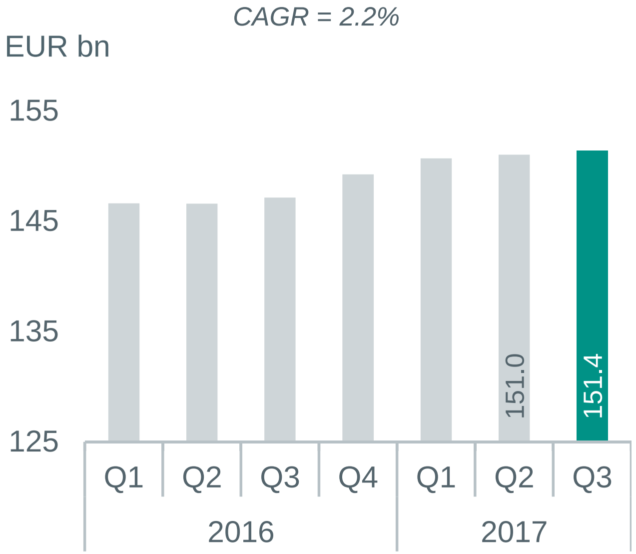
## Key points

- Net profit up 11%
- NII resilient despite low rate environment
- Fees declined due to PB Asia sale,  lower payment fees in Retail and lower Clearing volumes
- Other income elevated in Q3 2016 due to revaluation of Equens and higher accounting effects [2]
- Costs trending down benefitting from cost saving programmes [3]
- Continued low impairments reflecting good performance Dutch economy
- No special items

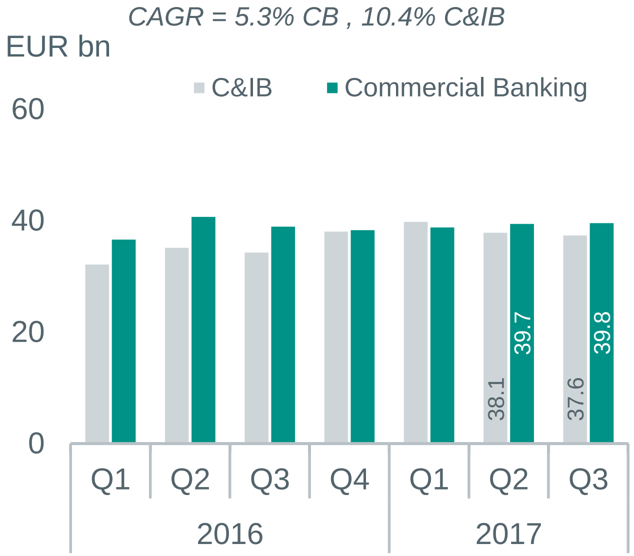
1) Q3 2017 includes EUR 27m provision release from discontinued securities financing activities. Q3 2016 includes EUR 52m gain on revaluation of Equens stake
2) Accounting effects Q3 2017 (Q3 2016): hedge accounting EUR 9m (EUR 28m), CVA/DVA/FVA EUR 1m (EUR 20m)
3) Q3 2017 includes EUR 29m restructuring provision, EUR 8m gain from insurance settlement. Q3 2016 includes EUR 144m restructuring provision

# Client lending picking up

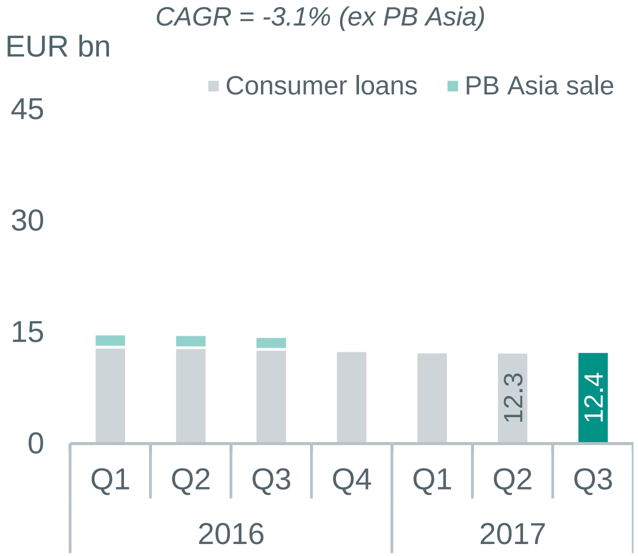
## Mortgage client lending 1)




## Corporate loans client lending 1)




## Consumer loans client lending

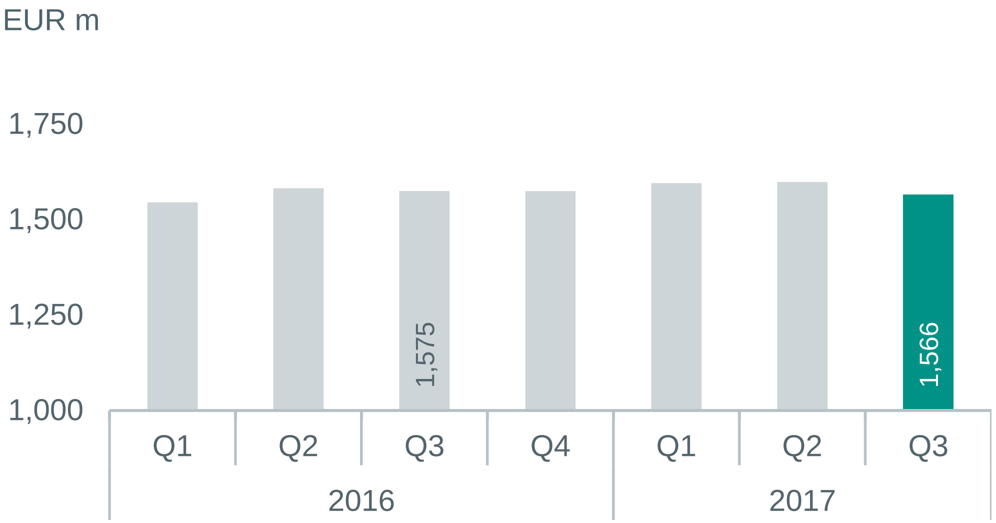



- Growth in client lending in mortgages and SME/Commercial Banking
- Underlying volume growth in C&IB client lending is offset by currency movements
- Decline in consumer lending has been halted with loan book stabilised over the last 4 quarters

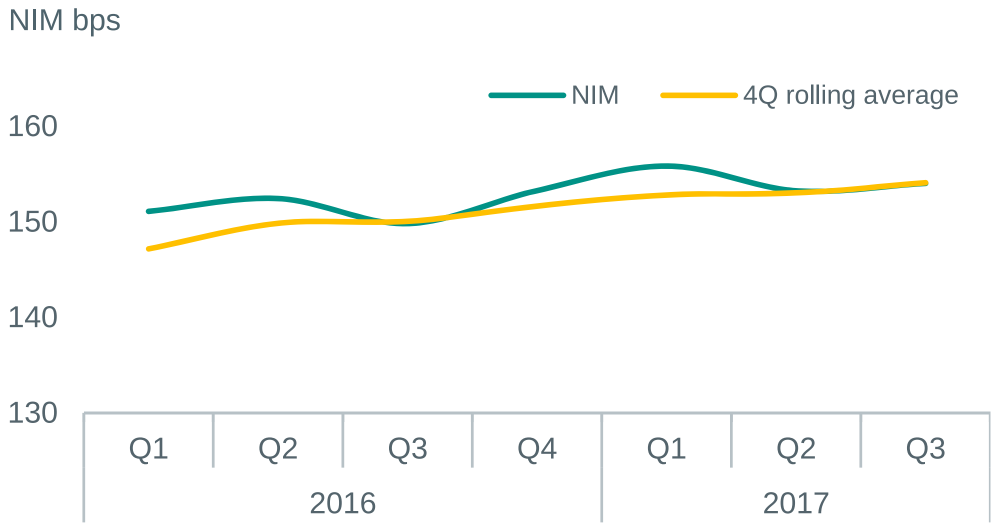
1) As of Q4 2016 reported IFRS figures are used, historic figures before Q4 2016 exclude the impact of IFRIC adjustments

# Net interest income resilient despite low rate environment

## Net Interest Income (NII)



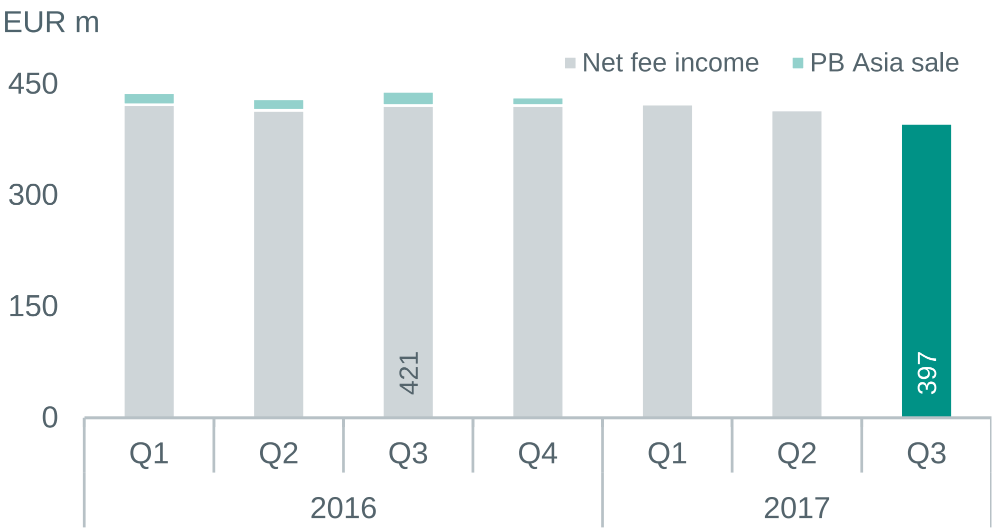

## Net Interest Margin (NIM)



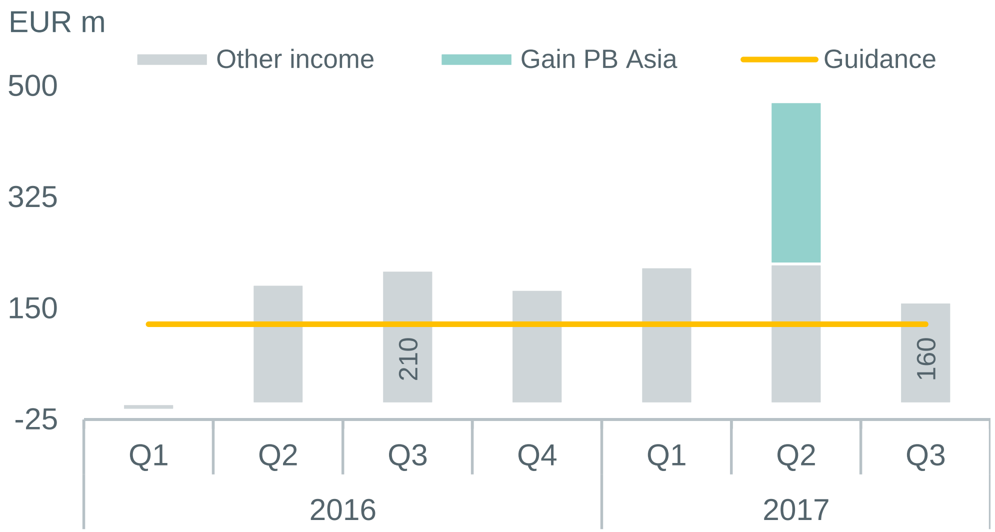

- NII modestly up, excluding PB Asia sale, reflecting volume growth and despite higher liquidity buffer costs
- Mortgage and corporate loan margins stable while we lowered rates further on retail deposits
- NIM improved reflecting balance sheet deleveraging of lower yielding assets

# Non-interest income declining

## Net fee income




## Other operating income

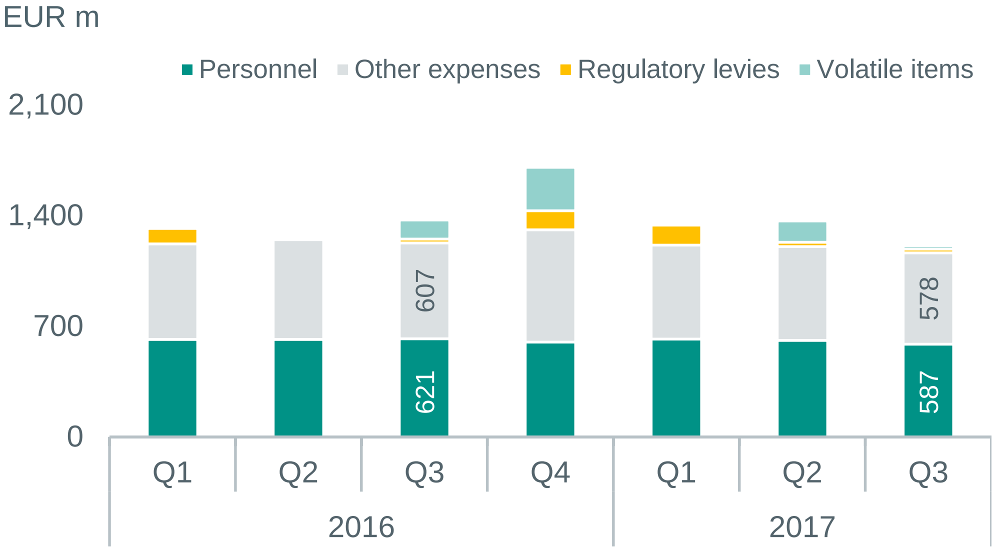



- Fees declined, excluding PB Asia, mainly from lower prices for payment packages in Retail Banking and lower Clearing volumes
- Q3 2017 other operating income broadly in line with long term guidance
- Other income elevated in Q3 2016 primarily due to a revaluation of Equens and higher accounting effects [1)]

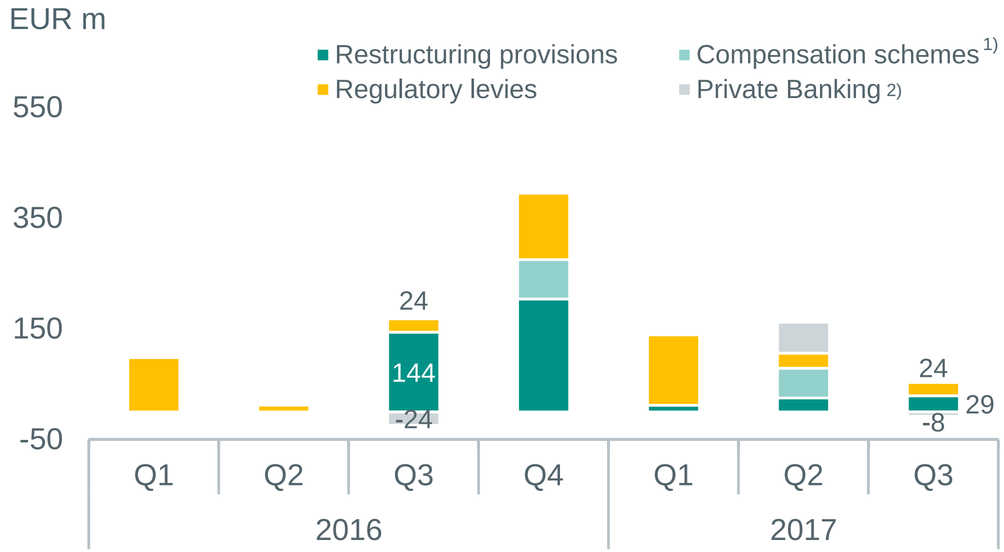
1) Accounting effects Q3 2017 (Q3 2016): hedge accounting EUR 9m (EUR 28m), CVA/DVA/FVA EUR 1m (EUR 20m)

# Operating expenses trending down

## Operating expenses




## Volatile items and levies in operating expenses

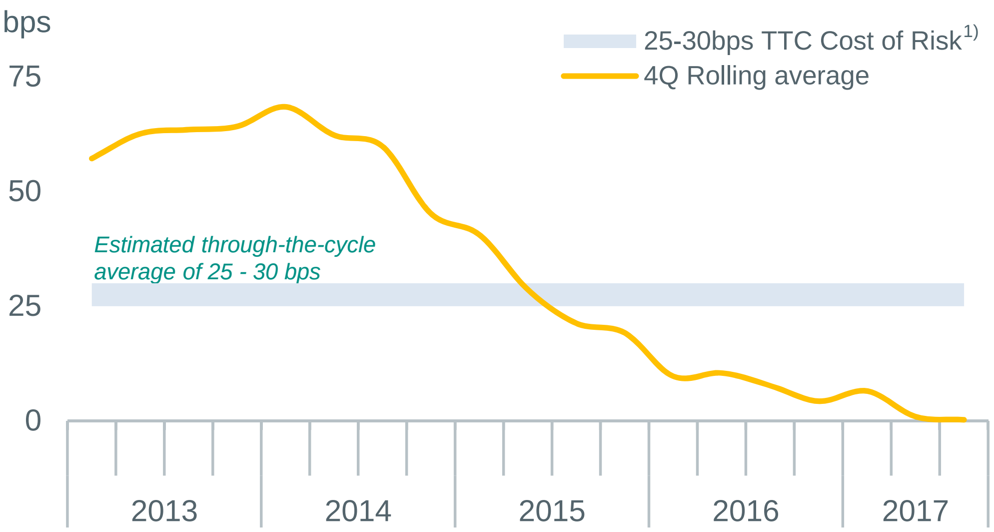



- Personnel expenses before restructuring costs and volatile items trending down, mainly reflecting lower FTE levels and in part the PB Asia divestment
- Other expenses before levies and volatile items also trend down, benefitting from IT Transformation and cost saving programmes
- Restructuring provision (EUR 29m) relating to further FTE reductions in Support & Control functions

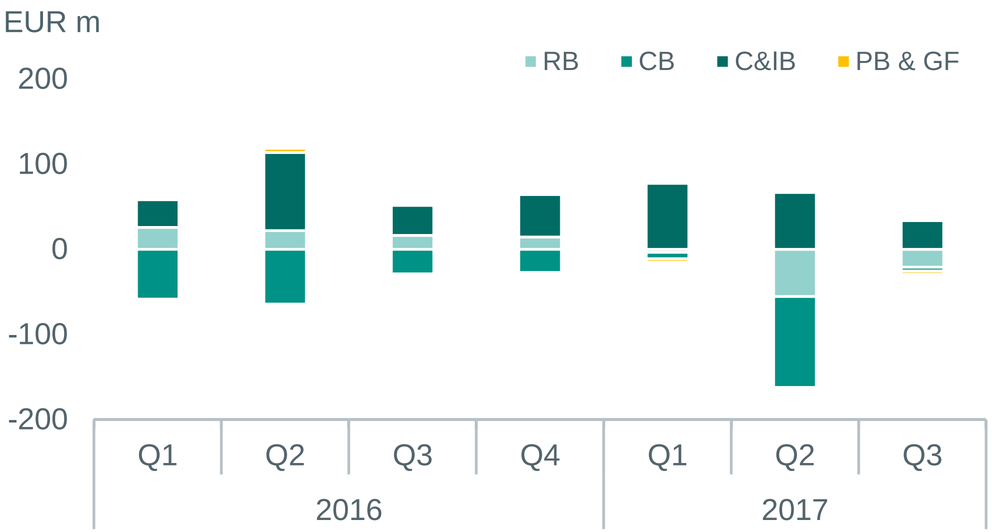
1) Compensation schemes for SME derivatives and ICS credit cards
2) Private Banking volatile items: Q3 2016 settlement of insurance claim, Q2 2017 costs relating to sale of PB Asia, Q3 2017 settlement of insurance claim

# Strong Dutch economy drives low cost of risk

## Cost of risk




## Impairments by business segment [2)]

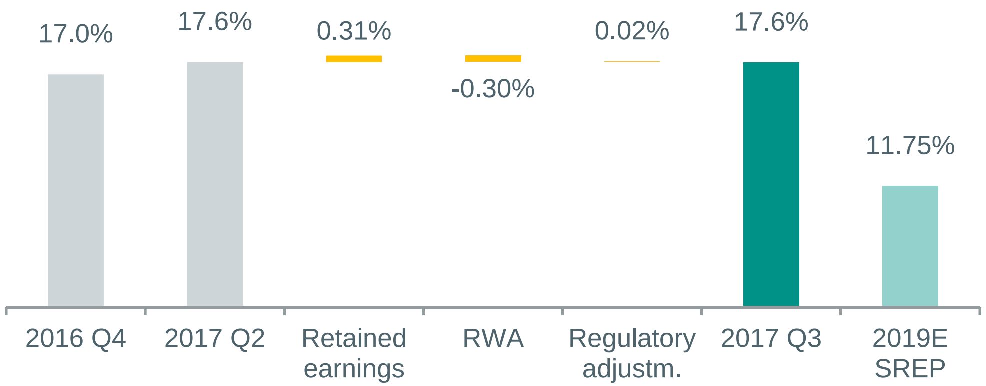



- Strong Dutch economy contributes to negligible impairment charges with cost of risk of 1bps
- Net impairment releases on mortgages, SME loans and consumer loans
- ECT impairments EUR 12m in Q3 and EUR 153m YTD 2017

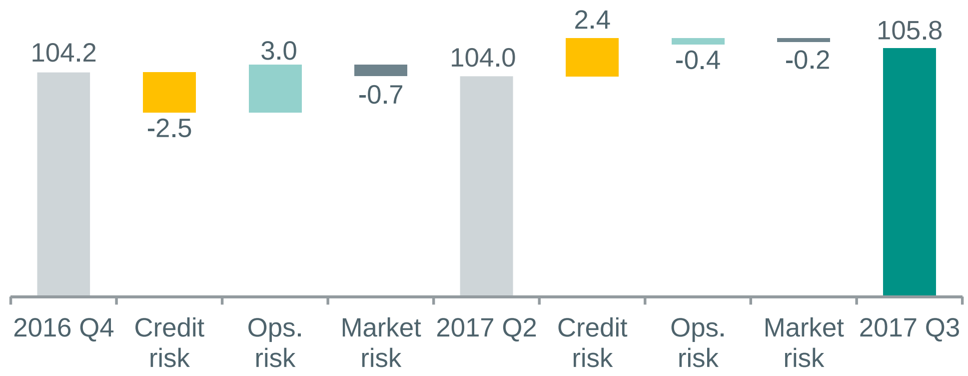
1) TTC = Trough-the-cycle
2) Impairments in Q3 2017 (Q3 2016): Retail Banking EUR -21m (16m), Commercial Banking EUR -5m (-29m), Private Banking EUR -6m (1m), C&IB EUR 34m (35m), Group Functions EUR 3m (-1m)

# Strong capital position provides resilience for regulatory uncertainties

## CET1 fully loaded capital [1)]




## Risk weighted assets




- Strong CET1 position provides resilience for Basel IV and TRIM uncertainties. Even if no agreement on Basel IV by YE2017, an updated view on capital position will be presented in Q1 2018
- RWA up reflecting credit risk, in particular modelling effects and on and off-balance sheet business growth
- Pro forma fully loaded leverage ratio of 4.0%, including new AT1 and after EBA Q&A [2)]. Expected change in approach to Clearing would result in 45-55bps pick up in due course

1) Based on SREP requirements for 2017, we expect SREP in 2019 to be: Pillar 1 (4.50%), Pillar 2R (1.75%), Capital Conservation Buffer (2.50%), Systemic Risk Buffer (3.00%) all in CET1
2) EBA interpretation on CRR: portion of AT1 & T2 instruments, issued by AAB (resolution entity) exceeding minimum own funds, can no longer fully contribute to consolidated capital ratios of AAG

# Wrap up

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