ABN·AMRO

Investor Relations

results Q4 2018

investor and analyst presentation

13 February 2019

Highlights – solid operational delivery in Q4, good FY2018 net profit

Financials

- Net profit of 316m in Q4, reflecting expense provision and elevated impairments
- NII and fees remained strong in Q4
- Costs in Q4 continue to trend down reflecting benefits from cost saving programmes
- Elevated impairments in corporate loans in Q4. CoR of 24bps in FY2018
- FY2018 net profit at 2,325m, C/I ratio of 58.8% and ROE of 11.4%
- Strong CET1 ratio at 18.4%, leverage ratio at 4.2%. Basel IV CET1 ratio at c.13.5% excluding mitigations
- Total dividend of 1.45 per share with pay-out ratio at 62%, up from 50% [1)]

Strategic

- Well on track to deliver on 2020 financial targets
- CIB refocus progressing well. Cost reduction on track, profitability up
- Acceleration of Client Due Diligence remediation programmes
- Dutch GDP expected to continue to outperform Eurozone in 2019, Investor Day guidance remains in place
- Intention to execute legal merger, subject to approval from depositary receipts holders, shareholders and regulators [2)]

1) Dividend proposal FY2018 includes 12% additional amount above target pay-out ratio of 50% of sustainable profits
2) Please refer to press release of 13 February 2019

Banking for better, for generations to come

Sustainability

Support transition to sustainable business model

- Sustainable investments at 14bn AuM vs. 2020 target of 16bn
- Renewable energy financing to reach 1.5bn by 2020

Customer experience

Effortless and recognisable customer experience

- Wearables for contactless payments
- ABN AMRO: enhanced web-shop payment experience and security
- Client appreciation of video banking continues to rise
- Tikkie: web-shop module and QR-code for easy payments [1)]
- Share of digital sales/services >70%

Future-proof bank

Continued operational improvements

- CIB refocus progressing well
- Private Banking cost/income ratio strongly improved [2)]
- 84% of identified IT applications migrated to the cloud
- All identified IT applications decommissioned

1) Pay without request introduced on the popular payment app Tikkie which has over 5 million retail users and 3,000 business clients in the Netherlands
2) Reported cost/income ratio of 69.3% for 2018 (2017: 71.1%), adjusted for disclosed incidentals and divestments 71.5% (2017: 78.3%)

Accelerating Client Due Diligence

Our gatekeeper role in preventing financial crime

- Client Due Diligence (CDD) foundation in place
- Workforce tripled to c.1,000 FTEs and costs to c.100m per annum, since 2013 [1)]

Foundation Client Due Diligence (CDD) in place

Client Identification & Verification	Know Your Client	Risk Assessment	Transaction Monitoring
verify client identification details	collect client information	determine client profile	detecting & analysis of unusual transactions

- CDD review of main CIB portfolios completed. Review of Private Bank clients and high risk retail clients largely completed
- Now accelerating on remediation programmes with expense provision of 85m in Commercial Banking (55m) and in ICS (30m), expanding teams by c.400 FTEs

Raising the bar on detecting financial crime

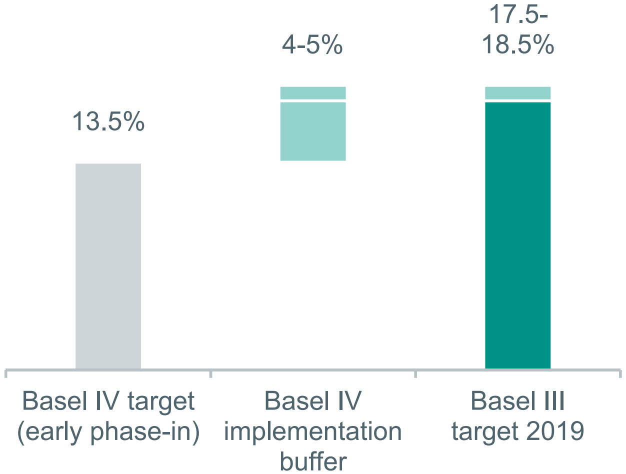
- Regulatory requirements and scrutiny are intensifying further
- Enhance client identification & verification for retail clients
- Further strengthening and enhancement of CDD activities
  - skills, capacity and systems
  - bank-wide governance, centralise selected skills & expertise to enhance control, uniformity and synergies
  - more innovation and use of artificial intelligence, while creating an effortless client experience
  - continue building out public/private partnerships for intelligence, solutions and CDD ecosystem

1) FTEs in both the business and support functions

Strong capital generation and return

Capital target range 2019

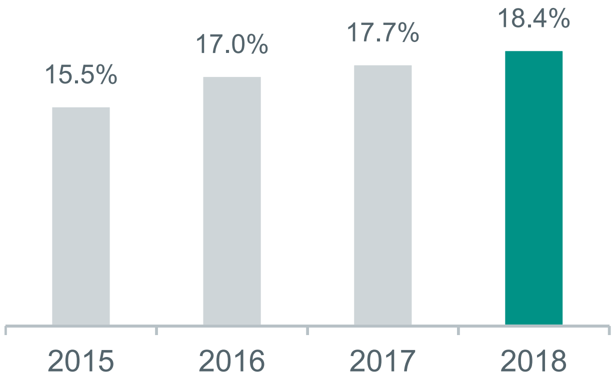
Capital ratio



- SREP at 11.75%, excl. P2G and management buffer 1)
- Basel IV target remains at >13.5%, early in the phase-in
- Basel III capital target range recon-firmed at 17.5-18.5% for 2019

CET1 remains strong

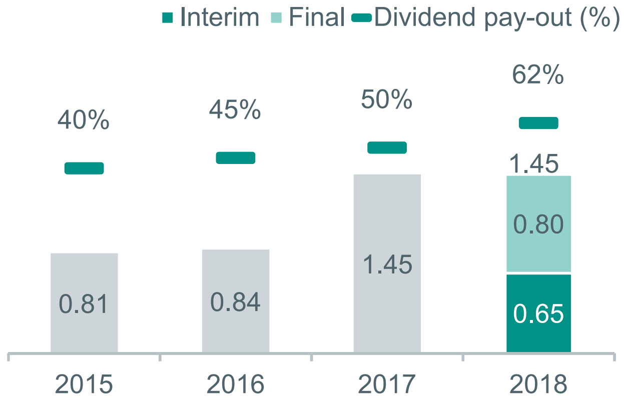
FL CET1 in %, Basel III



- CET1 of 18.4%
- Regulatory headwinds expected, mostly impacting Basel III RWA
- Basel IV CET1 c.13.5% before mitigations and >14% post mitigations 2)

Final dividend

EUR per share, % pay-out

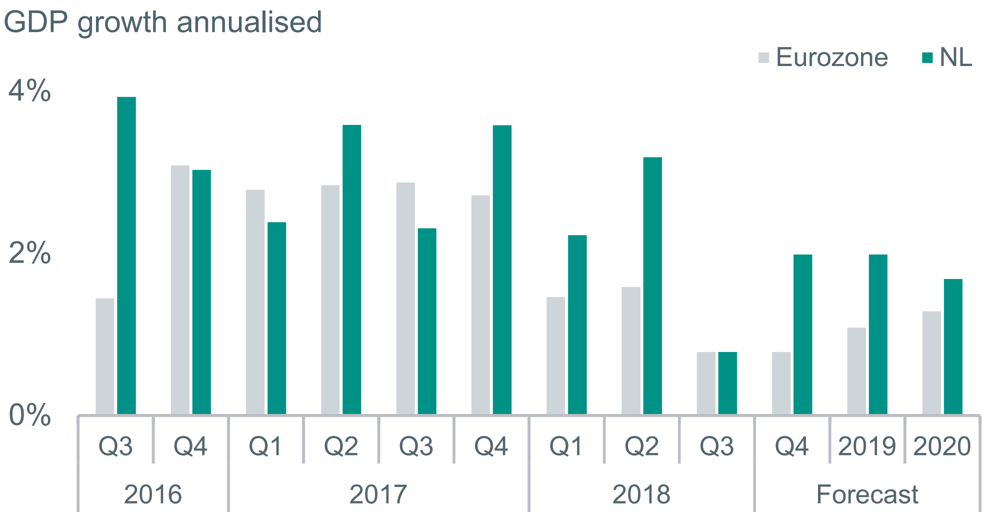


- Dividend proposal of 1.45 per share, o/w 0.80 as final dividend. Total pay-out 62%
- Continue prudent approach to distributions with 2019 dividend determined at YE2019 3)

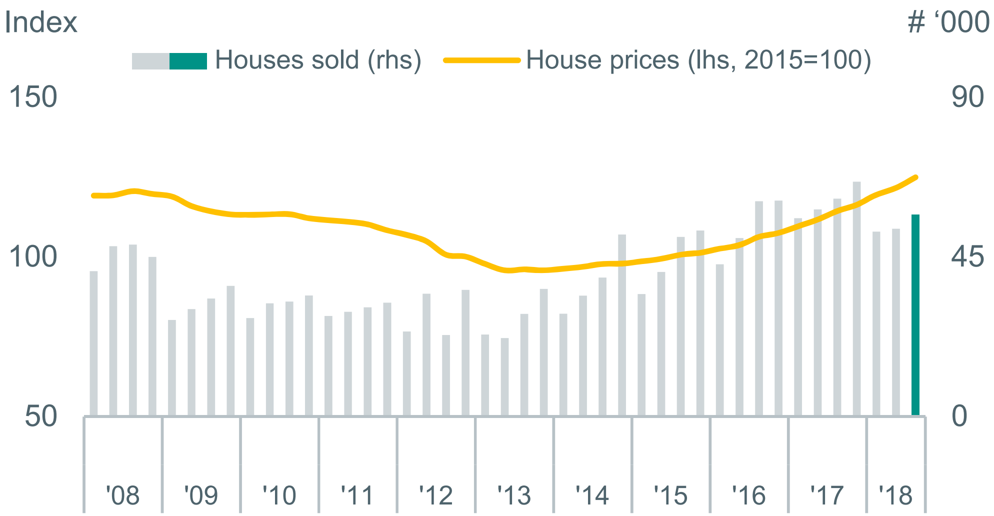
1) Based on 4.5% Pillar 1, 5.5% Combined Buffer Requirement, 1.75% Pillar 2R. Excludes 7bps Counter Cyclical Buffer, Pillar 2G and management buffer
2) Basel IV RWA inflation at c.36% before mitigations. Implementation of mitigations to reduce Basel IV RWA inflation by c.1/5th
3) Dividend policy: 50% pay-out ratio of net sustainable profit, excluding exceptional items that significantly distort profitability. Additional distributions will be considered when capital is within or above target range and will be subject to other circumstances, including regulatory considerations. The combined distribution will amount to at least 50% of sustainable profit.

Dutch economy performing well

Dutch economy outperforming Eurozone [1]



Strong performance Dutch housing market [1]



- Dutch GDP growth expected at 2.0% in 2019, outperforming Eurozone estimate of 1.1%. Dutch unemployment estimated at 3.6% by YE2019, well below 8.0% for Eurozone [1]
- Dutch housing market performs well, though shortage in supply continues. Price increase expected to continue until 2021 [2]
- Infrastructure and contingency plans for no-deal Brexit in place, limited direct UK exposure. Macro-economic impact remains uncertain

1) Source: ABN AMRO Group Economics forecasts of 17 January 2019, CBS Statline
2) ABN AMRO Group Economics expects a 5% decrease in housing transactions per year for 2019, 2020 and 2021 and a 6% house price increase in 2019, 6% in 2020 and 4% in 2021

Solid operational delivery in Q4, good FY2018 net profit

EUR m	2018 Q4	2017 Q4	Delta	2018	2017	Delta
	IFRS9	IAS39		IFRS9	IAS39	
Net interest income	1,642	1,696	-3%	6,593	6,456	2%
Net fee and commission income	426	443	-4%	1,699	1,747	-3%
Other operating income	90	290	-69%	800	1,086	-26%
Operating income	**2,157**	**2,429**	**-11%**	**9,093**	**9,290**	**-2%**
o/w incidentals	*20*	*208*		*185*	*475*	
Operating expenses	1,514	1,653	-8%	5,351	5,582	-4%
o/w incidentals	*158*	*237*		*271*	*405*	
Operating result	**643**	**776**	**-17%**	**3,742**	**3,708**	**1%**
Impairment charges	208	-34		655	-63	
Income tax expenses	119	268	-55%	762	979	-22%
Profit	**316**	**542**	**-42%**	**2,325**	**2,791**	**-17%**

Key points [1,2)]

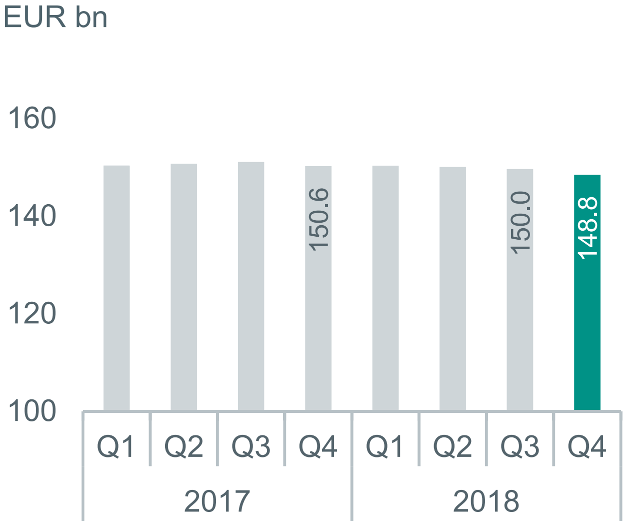
- Net profit of 316m in Q4. FY at 2,325m, reflecting steady progress on strategy execution
- Adjusted for incidentals, strong NII in both Q4 and FY
- Expenses trending down in both Q4 and FY, reflecting cost savings, lower FTEs and lower restructuring costs
- Elevated impairments on specific clients & sectors in CIB and CB throughout 2018

1) In this presentation all 2018 financials are presented in accordance with IFRS9, whereas historic financials are presented in accordance with IAS39
2) FY2017 incidentals include a large contribution from the divestment of PB Asia: 265m proceeds and 56m expenses

Client lending modestly lower reflecting mortgage discipline and CIB refocus

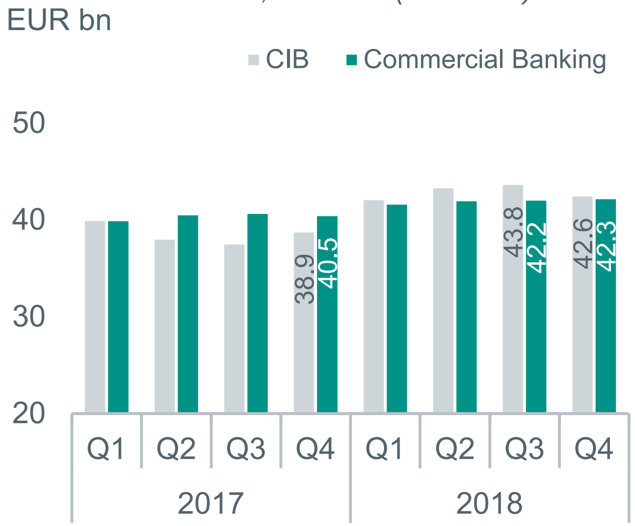
Mortgage client lending

CAGR = -0.7% [1)]



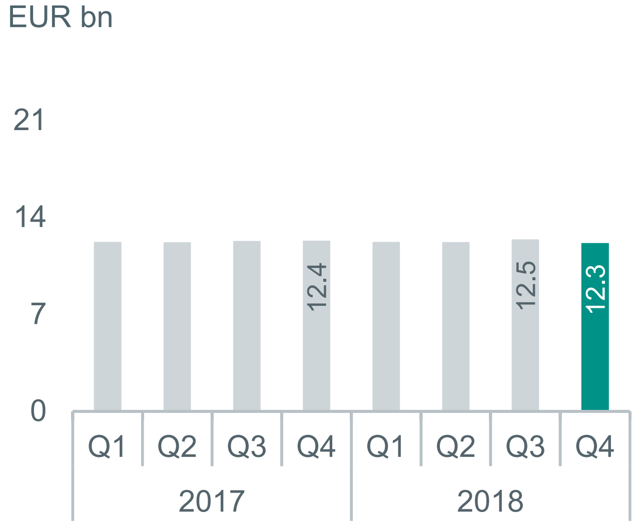
Corporate client lending

CAGR = 4.1% CB, 3.6% CIB (ex reclass) [1,2,3)]



Consumer loans client lending

CAGR = -0.3% [1)]

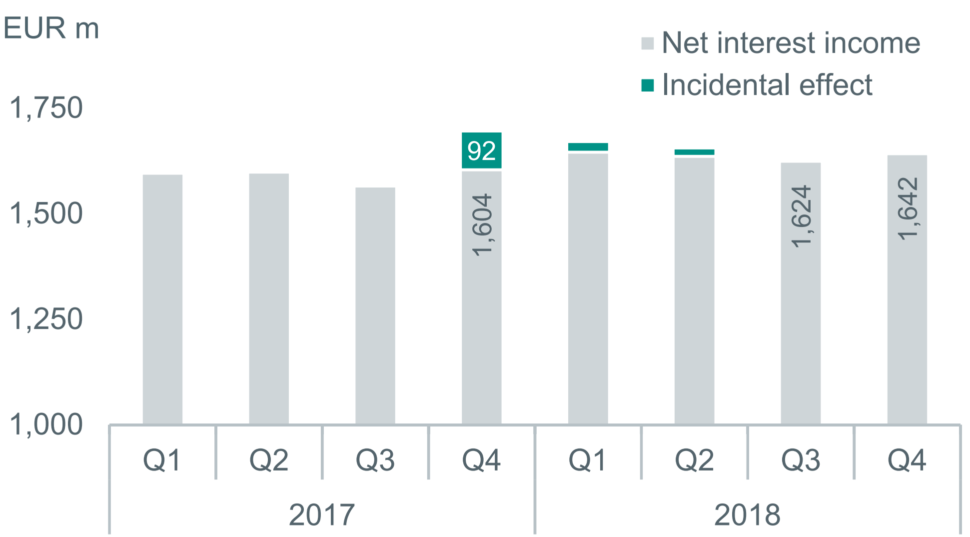


- Lower mortgage volume, reflecting year-end redemptions and lower origination from maintaining pricing discipline in a competitive environment
- Corporate loans down in Q4 reflecting progress CIB refocus (mainly TCF incl. Diamonds, incl. seasonal effects)
- Commercial Banking saw growth in corporate loans

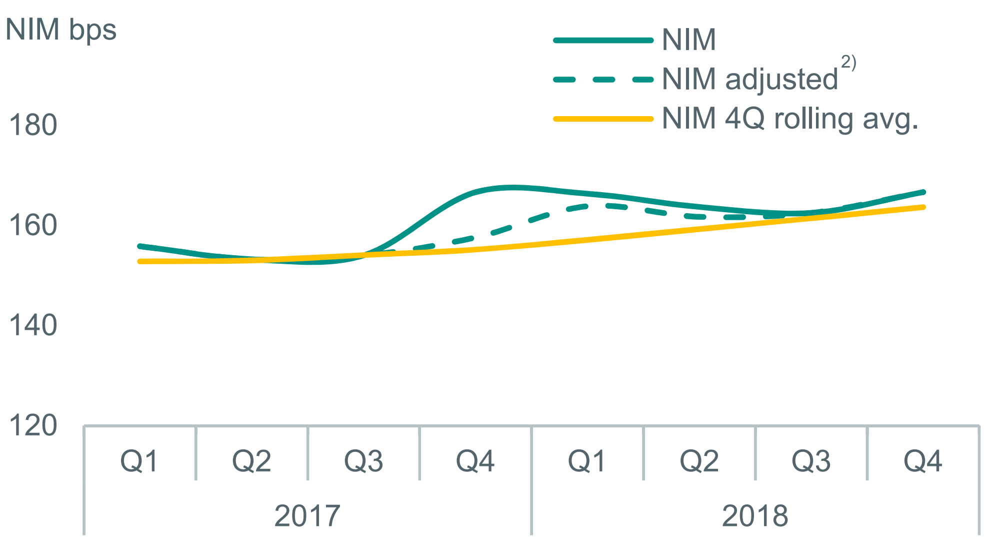
1) CAGR Q1 2017 – Q4 2018
2) In Q1 2018 EUR 1.8bn was reclassified from professional lending to client lending in CIB
3) USD appreciation +0.4bn in CIB client lending vs. Q3 2018; NR = Natural Resources, GTL = Global Transportation and Logistics, TCF = Trade and Commodity Finance (incl. Diamond & Jewellery)

Strong net interest income

Net Interest Income (NII) [1]



Net Interest Margin (NIM)

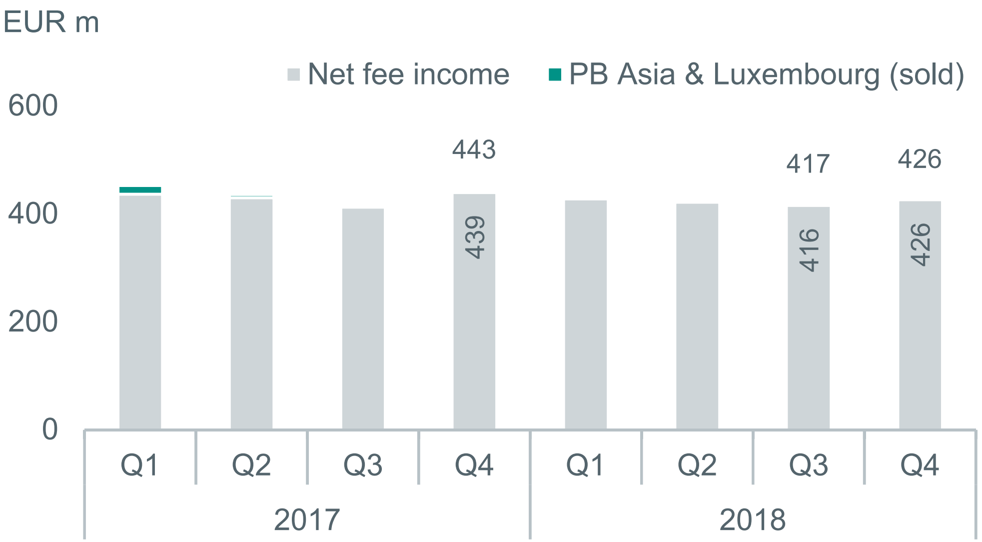


- NII, excluding Q4 2017 incidentals, up 2%, reflecting corporate loan growth, margin discipline, partly offset by lower mortgage loans
- NIM flat vs Q4 last year, up vs Q3 reflecting balance sheet management and higher ALM results
- NII headwinds expected reflecting pressure on deposit margins and funding spreads

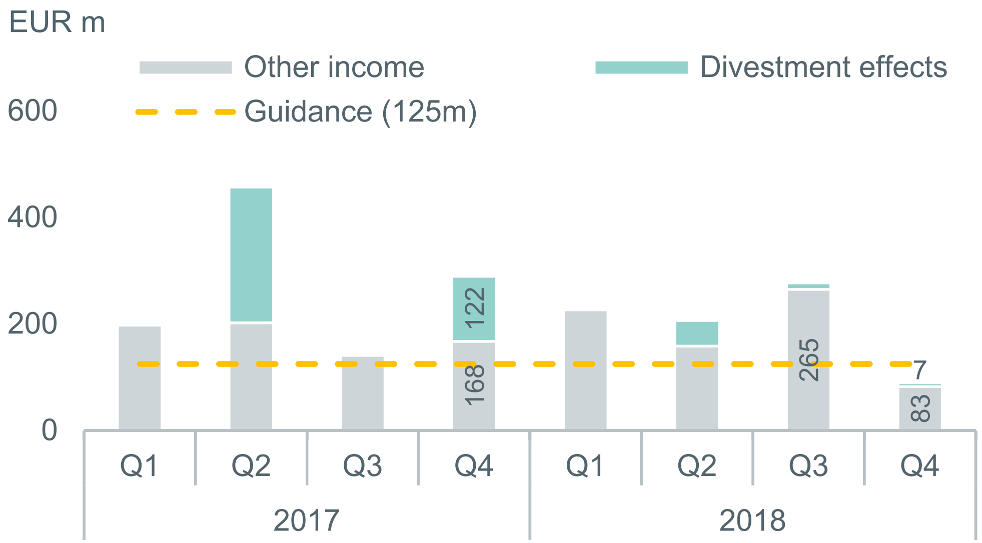
1) Incidental NII effect of 92m in 2017 Q4 reflects NII releases of unearned interest on default recoveries, mortgage penalties, T-LTRO benefit, partly offset by Euribor mortgage provision and ICS provisions
2) NIM adjusted for incidental items and accounting effect of mortgage penalties

Fees flat, low other income

Net fee income



Other operating income



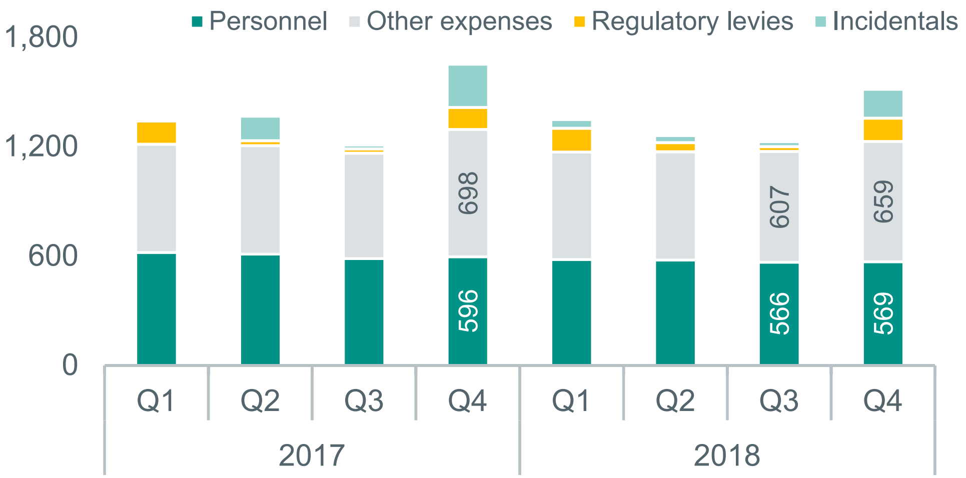
- Fees flat when adjusted for Q4 reclass last year and up vs Q3, mainly in CB and PB [1)]
- Other operating income below 125m guidance, mainly from lower accounting effects, sale of public sector loans, partly offset by higher private equity results
- Accounting effects Q4 2018 (Q4 2017): hedge accounting/RFT -32m (54m), CVA/DVA/FVA -11m (EUR 32m)
- Market volatility was net positive for Other operating income, increase in Clearing largely offset by Markets

1) Reclass of 12m to Fees from NII in Q4 2017 in Commercial Banking

Operating expenses continue to trend down

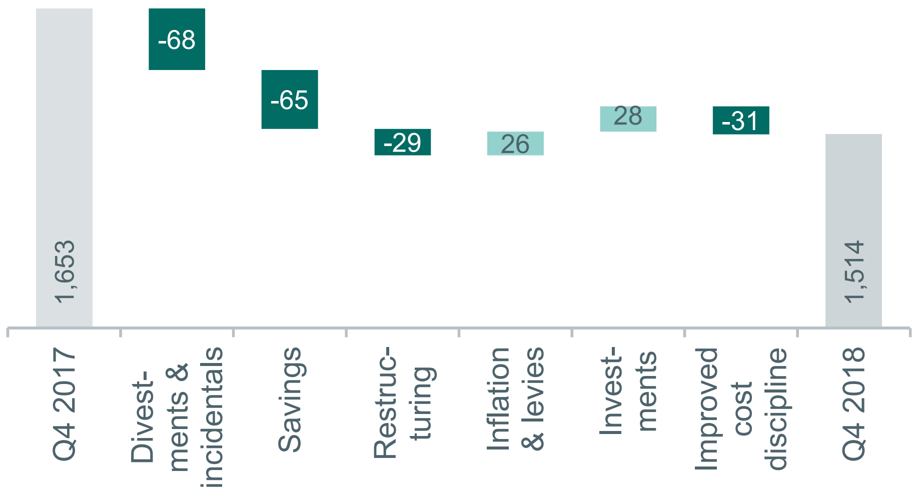
Operating expenses

EUR m



Transition operating expenses 1)

EUR m



- Personnel expenses, excl. restructuring provisions, continue to trend down, reflecting lower FTEs
- Other expenses excl. levies and incidentals down, mainly reflecting branch & ATM reduction and divestments. Cost up vs Q3, mainly reflecting higher I&T costs and consultancy costs
- Cost savings 65m vs. Q4 2017, cumulative cost savings of 695m delivered at YE2018 2)
- Expense provision of 85m for accelerating Client Due Diligence remediation programmes

1) Divestments lowered operating expenses by 18m. Disclosed incidentals (excl. restructuring costs) declined by 50m from: 81m provision for SME derivatives, 36m goodwill impairment, 17m ATM depreciation offset by 85m expense provision for accelerating CDD remediation programmes. Incidentals Q4 2018: 85m for accelerating CDD remediation programmes, 69m restructuring provision for support & control and digitalisation & process optimisation (Q4 2017: 98m), 4m for SME Derivatives. Improved cost discipline resulting in lower costs mainly for I&T, housing and marketing
2) Targeted cumulative cost savings vs. FY2015 cost base on the back of cost savings programmes in total 1.0bn by 2020

Impairment challenges continue in specific sectors

Impairments by industry sector

Industry [1)]	Q4	FY	Segment	Comment current quarter
Dutch SMEs	76	253	CB	o/w c. half from model reviews
Natural Resources	43	194	CIB	Oil & Gas: Offshore Services
TCF	78	148	CIB	Diamonds 52m, Food/Agri 26m
GTL	5	53	CIB	Offshore Service Vessels (OSV)
Other	3	6		
Total (EUR m)	208	655		Mainly stage 3 impairments
Cost of risk (bps)	27	24		

Impaired portfolio (stage 3 IFRS9)

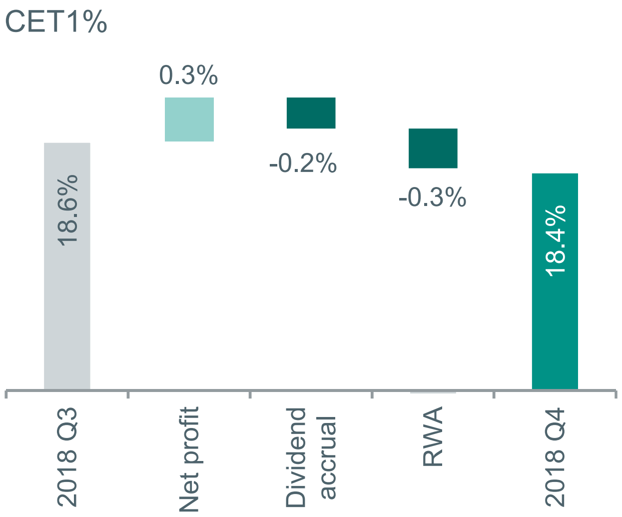
	Impaired loans (EUR m)		Coverage ratio	
	Q4 2018	Q3 2018	Q4 2018	Q3 2018
Mortgages	763	809	10%	11%
Consumer loans	481	485	48%	51%
Corporates	4,335	4,502	35%	33%
Other	308	263	17%	16%
Total	5,887	6,059	32%	31%
Impaired ratio (stage 3)	2.2%	2.2%		

- Impairments elevated: mostly on already impaired corporate loans, primarily in offshore energy and diamonds, and in CB across various industries
- Credit performance of mortgages and consumer loans remained stable
- FY2018 cost of risk at 24bps. Coverage ratios remained solid

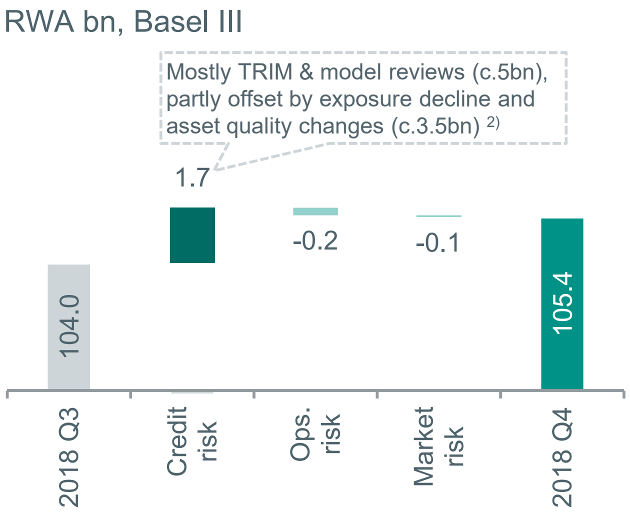
1) Natural Resources, GTL = Global Transportation & Logistics, TCF = Trade & Commodity Finance

Strong capital ratios, further RWA headwinds expected

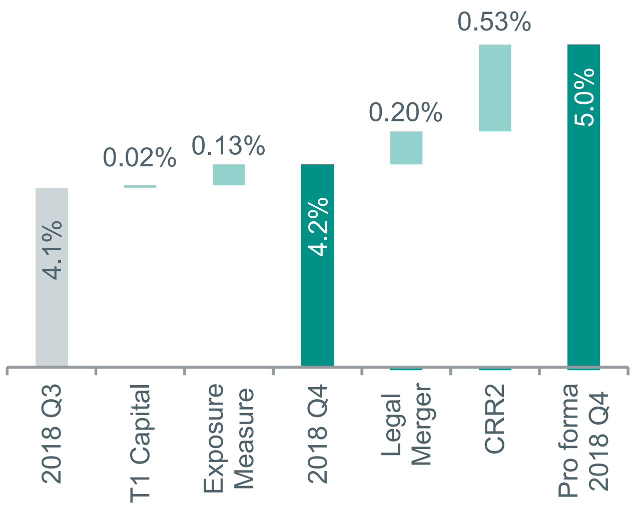
Fully loaded Basel III CET1 capital



Risk weighted assets



Fully loaded leverage ratio [1)]



- CET1 at 18.4%, reflecting dividend accrual and net RWA increase from TRIM & model reviews, no material impact on Basel IV [2)]
- Headwinds expected from industry-wide NPE guidance, model reviews (TRIM), partly offset by CIB refocus. Most impact expected in Basel III and to a lesser extent in Basel IV
- Leverage ratio at 4.2%. Legal Merger expected to result in 0.2% uplift, CRR2 implementation another 0.5% uplift

1) Leverage ratio including CRR2 and after legal merger at 5.0%. CRR2 assumes SA-CCR calculation methodology for clearing guarantees and is estimated to decrease Exposure Measure by c.53bn. Intention to execute legal merger, subject to approval from depositary receipts holders, shareholders and regulators. Implementation expected in the course of 2019 (impact leverage ratio +0.2%)
2) RWA increase from TRIM & model reviews mostly in corporate lending, Clearing and mortgages, partly offset by an exposure decline in the business segments

Financial targets

	2017	2018	Targets
Return on Equity	14.5% [1)]	11.4%	10-13%
Cost/Income ratio	60.1% [1)]	58.8%	56-58% by 2020 <55% by 2022
CET1 ratio (FL)	17.7%	18.4%	17.5-18.5% (2019)
Dividend - per share (EUR) - pay-out ratio	1.45 50%	1.45 62%	▪ 50% of sustainable profit [2)] ▪ Additional distributions will be considered [2)] ▪ Combined at least 50%

1) Excluding the gain on PB Asia sale the ROE was 13.4% and C/I was 61.2%
2) Sustainable profit attributable to shareholders excludes exceptional items that significantly distort profitability; examples from the past e.g. book gain on PB Asia divestment (2017) and provision for SME derivatives (2016). Additional distributions will be considered when capital is within or above the target range, and are subject to other circumstances, including regulatory considerations

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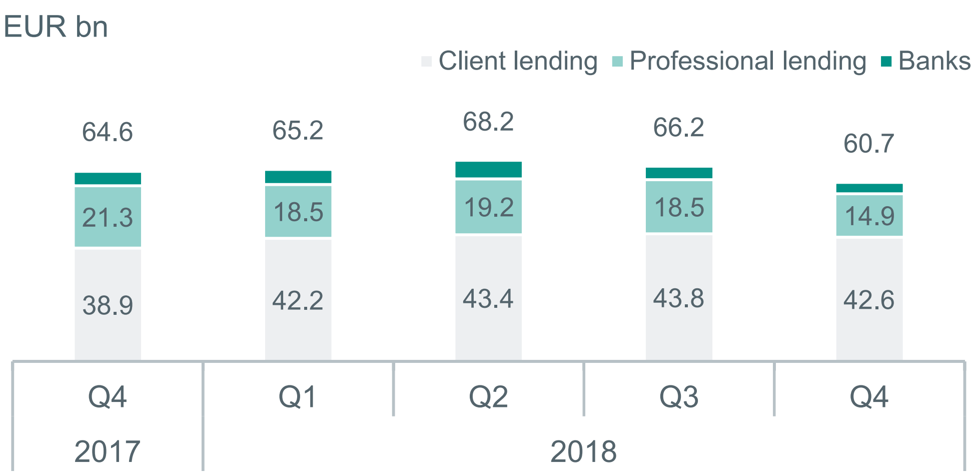
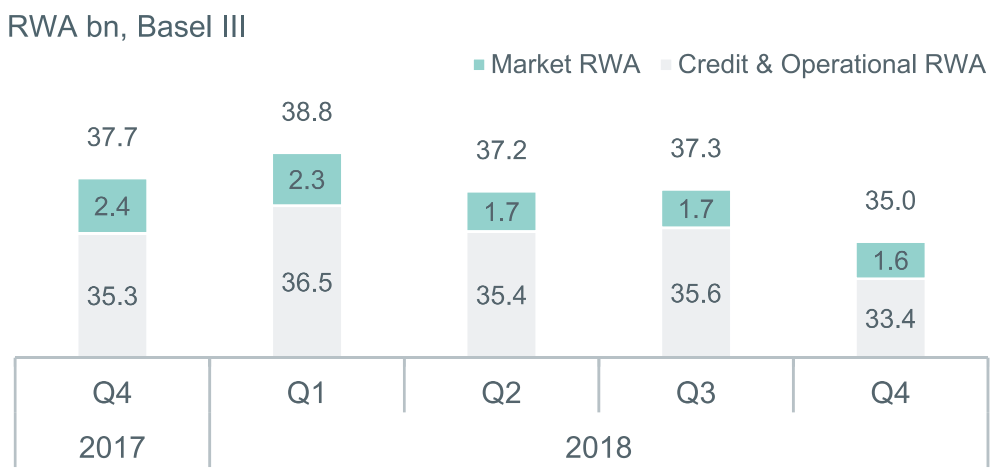
Appendix

CIB refocus progressing well

Loans & receivables developments



RWA developments



Progressing on CIB refocus

- Reducing exposure to non-core and cyclical clients, supported by seasonal effects
- Down by 1.2bn, largely in TCF incl. Diamonds and to a lesser extent in Global Transportation & Logistics
- Professional lending low towards year-end 2018

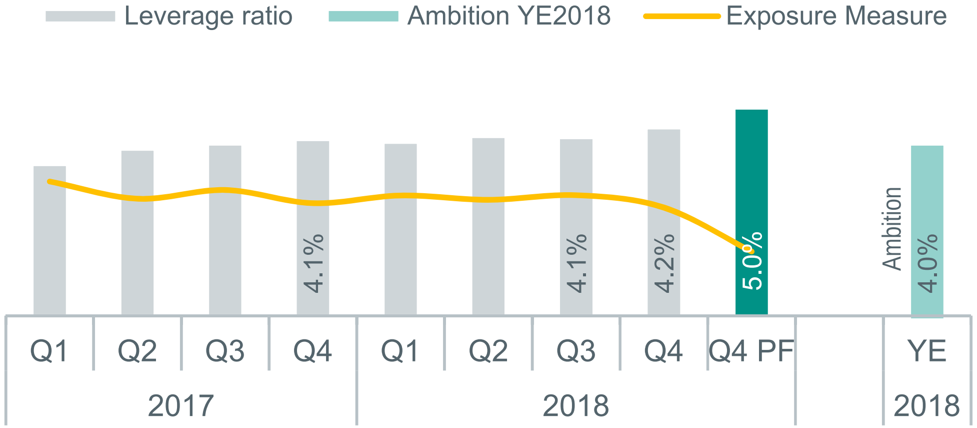
Delivering on RWA reduction

- Mainly in TCF incl. Diamonds
- Further supported by seasonal effects, partly offset by TRIM and model reviews
- Going forward RWA headwinds expected from unwinding of seasonal effects, changes in business mix, further TRIM and model reviews

Capital ambitions on track

Leverage ratio around ambition level 1)

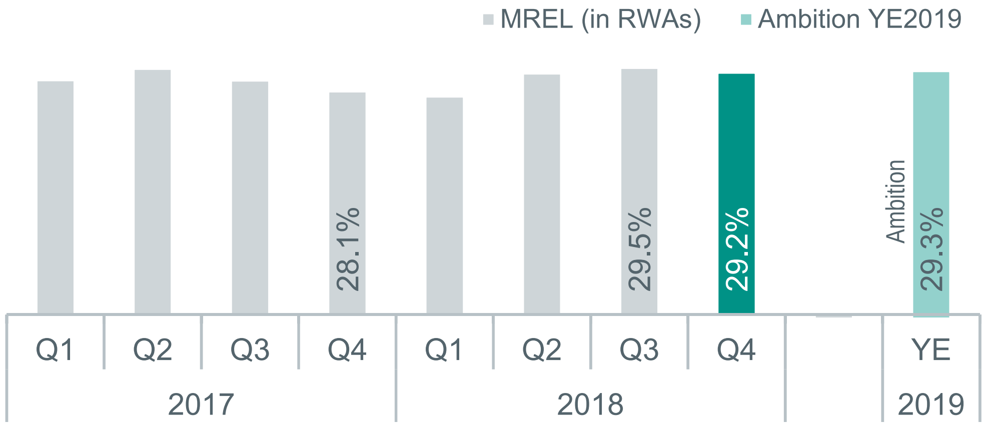
Leverage ratio (FL) based on Tier 1 (CET1 and AT1) capital



- Fully loaded group leverage ratio above 4.0% ambition
- Including CRR2 and the Legal Merger the leverage ratio is expected to increase to 5.0% 1)
- Negative impact EBA Q&A ruling on minority interest of -0.2% from Q4 2017
- Intention to execute legal merger, subject to approval from depositary receipts holders, shareholders and regulators

MREL around ambition level

Based on Own Funds (CET1, AT1, T2), subdebt and SNP 2)



- MREL close to the ambition of YE2019
- Steering through profit retention, sub debt, SNP, balance sheet management and excludes use of senior unsecured
- SNP in Dutch law implemented, inaugural SNP issuance expected towards year-end 2019
- Headwinds expected from industry-wide NPE guidance, model reviews (TRIM), partly offset by CIB refocus

1) Leverage ratio including CRR2 and after legal merger at 5.0%. CRR2 assumes SA-CCR calculation methodology for clearing guarantees and is estimated to decrease Exposure Measure by c.53bn. Intention to execute legal merger, subject to approval from depositary receipts holders, shareholders and regulators. Implementation expected in the course of 2019 (impact leverage ratio +0.2%)
2) ABN AMRO Bank appointed as resolution entity: therefore external MREL eligible instruments continue to be issued through ABN AMRO Bank

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Address
Gustav Mahlerlaan 10
1082 PP Amsterdam
The Netherlands

Website
ABN AMRO Group www.abnamro.com/ir

Questions
investorrelations@nl.abnamro.com