Investor Relations

results Q2 2019

investor and analyst presentation

7 August 2019

Highlights Q2; strong financial results and operational delivery

Financials

- Strong net profit at 693m and ROE of 13.6%
- NII strong despite low interest rates
- Good operating result (C/I ratio 56.4%)
- Moderate impairments, CoR of 18bps, reflecting de-risking of portfolio and continuing strong Dutch economy
- Strong Basel III CET1 ratio of 18.0%, leverage ratio at 4.2%, Basel IV CET1 ratio stable vs. YE2018 [1)]
- Interim dividend: DPS EUR 0.60, 50% pay-out

Strategic

- We have been working on programmes to strengthen detecting financial crime activities
- Continuing good progress on execution of “banking for better” strategy
- Cost savings programmes and CIB refocus on track
- Focused on financial targets in a more challenging environment
- Strongly capitalised and well positioned to manage transition through TRIM and Basel IV
- Material divestments concluded, open to bolt on acquisitions

1) Capital ratios exclude the accrual of HY2019 profit

Fully committed to preventing and detecting financial crime

Further strengthening of CDD foundation

- Client Due Diligence (CDD) foundation in place
- CDD workforce tripled since 2013 to more than 1,000 FTEs [1], expect to increase substantially in the next few years

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

- Centralising and bolstering Detecting Financial Crime activities;
  - investing in skills, capacity and systems
  - centralising skills & expertise to enhance control, uniformity and synergies
  - developing bank wide programmes
  - using more innovation incl. artificial intelligence
  - participating in public/private partnerships for intelligence and CDD

CDD remediation programmes extended to include Retail

- CDD review of main CIB portfolios, Private Bank clients and high risk retail clients undertaken in past years
- Acceleration of CDD remediation programmes in CB and ICS announced (incl. 85m provision) in Q4 2018 is making progress
- DNB has determined that we are to review all our retail clients in the Netherlands
- Consequently we will undertake further measures and extend the CDD remediation programme; we have made an additional provision of 114m
- Sanctions like for instance an instruction, fines, may be imposed by authorities
- Across the bank we will take all remedial actions necessary to ensure full compliance with legislation
- Welcome plans Dutch government to jointly combat financial crime and achieve broader cooperation

1) FTEs in both the business and support functions

Good progress on execution of ‘Banking for better’ strategy

Sustainability

Support our clients’ transition to sustainability as a business case

- ‘Western Europe’s Best Bank for Sustainable Finance’ (Euromoney)
- Investments in solar: Ideematic (tracking) and NorSun (ultra-high efficiency panels) [1)]
- Front office tool to improve sustainability dialogue with clients (Casy)

Customer experience

Effortless and proactive customer experience through client and data focus

- Improving NPS by extending our lead in video banking for all segments
- Partnering with YES Corporate Finance, offering M&A advice to SMEs
- Expanding blockchain pilot ‘DELIVER’ [2)], a supply chain management ecosystem for containers

Future-proof bank

Structure, capabilities and culture for competitiveness and compliance

- IT transformation on track; DevOps programme initiated
- Rationalising product portfolio (simpler, more intuitive), >50% in coming years
- Progressing to centralise, standardise and automate mid- and back-offices

Euromoney on CIB: “The Bank has been working hard not just to maintain its market share at home, but also to make sure the CIB business as a whole is sustainable in terms of its own profitability – and its impact on the environment”

1) ABN AMRO Energy Transition Fund
2) Developed in partnership with the Port of Rotterdam and Samsung SDS

Digitising to improve customer experience and IT cost efficiency

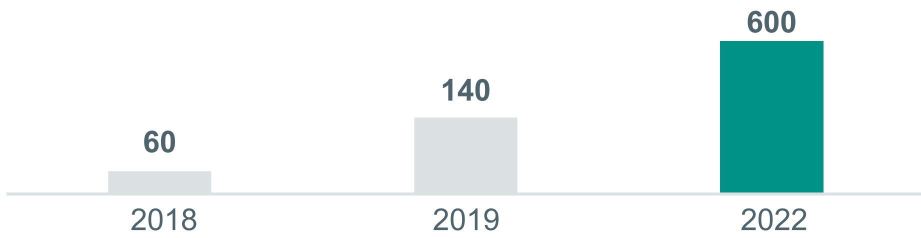
Video banking driving NPS and efficiency

- Clients value personal contact, video banking (VB) a substitute for physical contact at a branch
- Key enabler moving clients towards digital channels, driving operational efficiencies while improving Net Promotor Score
- ABN AMRO frontrunner in branch reductions in NL, with branches per inhabitant already lowest in Europe
- High adoption rate in Retail Banking: two-thirds of mortgage meetings, half of all meetings
- Good first adoption in PB (c.20%), rollout starting in CB

On track with IT transformation

- Steadily reducing IT spend to move to sweet spot of 12-13% IT C/I ratio
- Focused on demand, productivity and supply levers
- To improve productivity; shift from Agile to DevOps [1)] to further automate and speed software testing and delivery
- Leads to cost reduction and increasing IT change capacity
- DevOps programme initiated and expect c. 600 teams with DevOps capabilities by 2022

Number of teams with DevOps capabilities

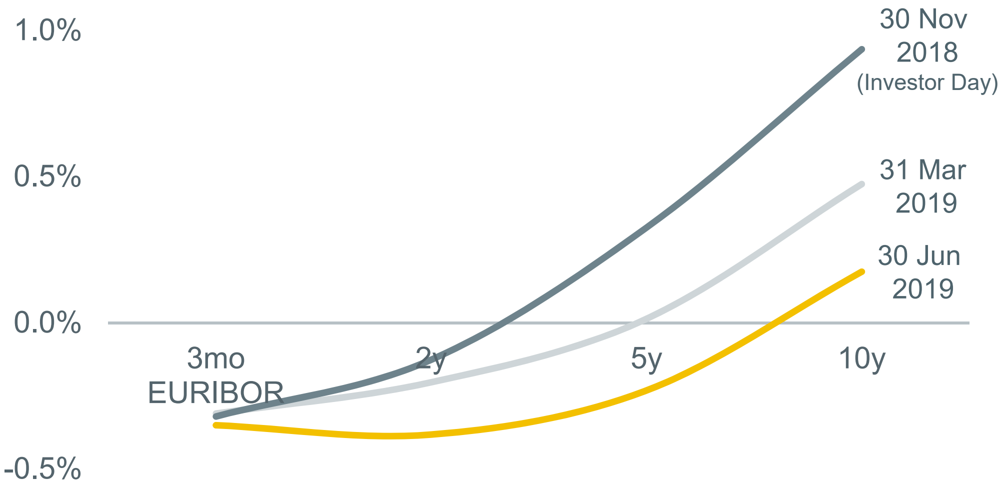


1) DevOps way of working: small teams with operations and developers working together

Focused on financial targets in a more challenging interest environment

NII outlook impacted by decline in interest rates

Historical swap curves



Mortgages continue to perform well

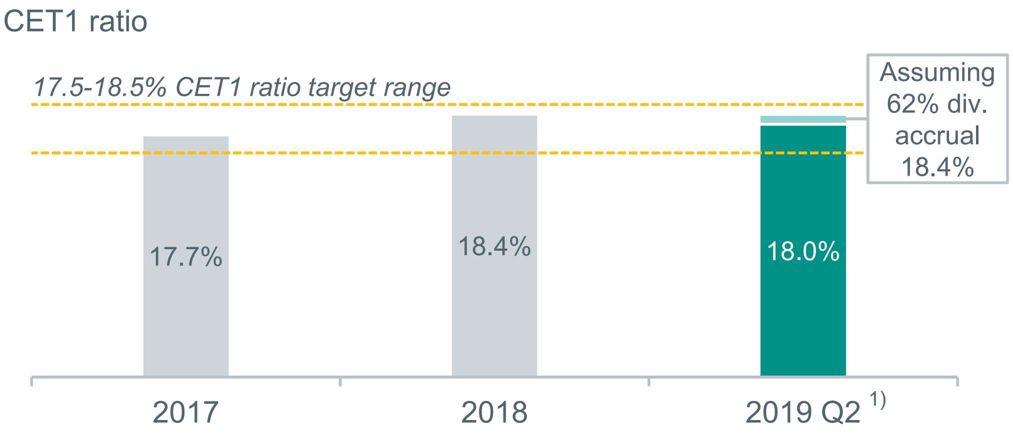
- Mortgage volume increased reflecting recovering market share (17%) vs. Q1 2019 (14%), and increasing further
- Dutch economy and housing market remain healthy
- Margins remain good, focussing on margins over volume and more granular pricing
- Launched originate-to-distribute for 30 year mortgages

- Margins resilient across client lending, expect further mortgage and SME loan growth, flat CIB volumes reflecting refocus and discipline
- Limited scope to reduce deposit rates further, passing on negative rates where appropriate
- While low rates persist expect c. 20m sequential quarterly NII impact into 2020 reflecting lower deposit margins [1)]
- Focused on delivering existing cost programmes, fees and further cost action to mitigate cost and income headwinds

1) Excluding possible deposit tiering or other ECB mitigating measures

Strongly capitalised, well positioned for Basel IV

Basel III within strategic target range



Basel IV strong and stable

- Q2 Basel IV CET1 ratio largely unchanged vs. YE2018 excluding profit accrual
- At YE2018 Basel IV CET1 ratio c. 13.5% before mitigations [2)]
- Well positioned for at least 13.5% Basel IV CET1 target early in the phase-in [3)]
- EBA recommendation closely followed Basel IV

- Strong regulatory focus on TRIM, NPE and provision reviews, Basel IV and economic outlook
- Focus impacted current capital position via additional RWAs and supervisory capital deduction following ECB review
- Our prudent capital management reflects current economic and regulatory outlook as well as our approach to sustainable dividends
- Interim dividend of 0.60 that is 50% pay-out in line with interim pay-out H1 2018, well placed to consider additional distributions above 50% pay-out at FY results

1) Interim profits are not included in CET1 capital as from Q1 2019. HY2019 accrued dividend based on 62% (pay-out 2018) of sustainable profit would add +0.4% on the CET1 ratio amounting to 18.4%
2) Mitigations to reduce Basel IV RWA inflation by c. 20%
3) Anticipate EU implementation as from 2022 with ongoing uncertainties on details

Strong financial results

EUR m	2019 Q2	2018 Q2	Delta
Net interest income	1,681	1,656	2%
Net fee and commission income	413	425	-3%
Other operating income	228	207	10%
Operating income	**2,321**	**2,288**	**1%**
Operating expenses	1,310	1,261	4%
Operating result	**1,012**	**1,027**	**-1%**
Impairment charges	129	134	-4%
Income tax expenses	190	204	-7%
Profit	**693**	**688**	**1%**

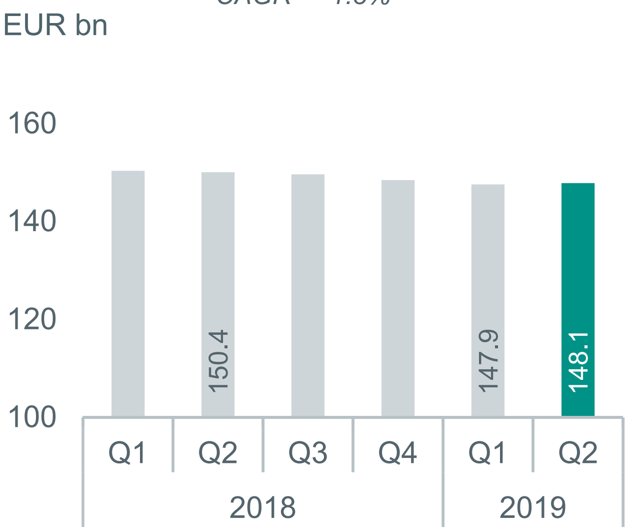
Key points

- Strong net profit of 693m, reflecting higher income and moderate impairments
- NII strong despite low interest rates
- Fees stable vs. Q2 2018 excluding divestment Stater
- Other income includes 130m Stater divestment gain
- Operating expenses higher due to 114m CDD provision
- Underlying costs continue to trend down, reflecting cost savings and lower FTEs
- Moderate impairments, CoR of 18bps, reflecting de-risking and continuing strong Dutch economy

SME loan growth reflecting healthy economy; delivering on CIB refocus

Mortgage client lending

CAGR = -1.3% [1)]

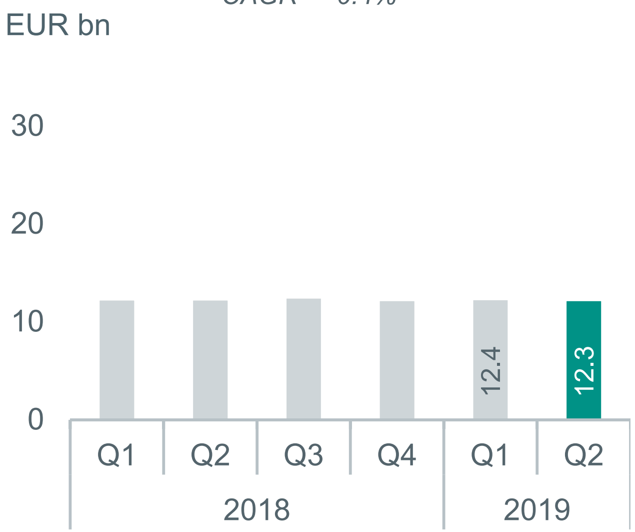


Corporate client lending

CAGR = 3.5% CB, 2.9% CIB [1)]

Consumer loans client lending

CAGR = -0.4% [1)]

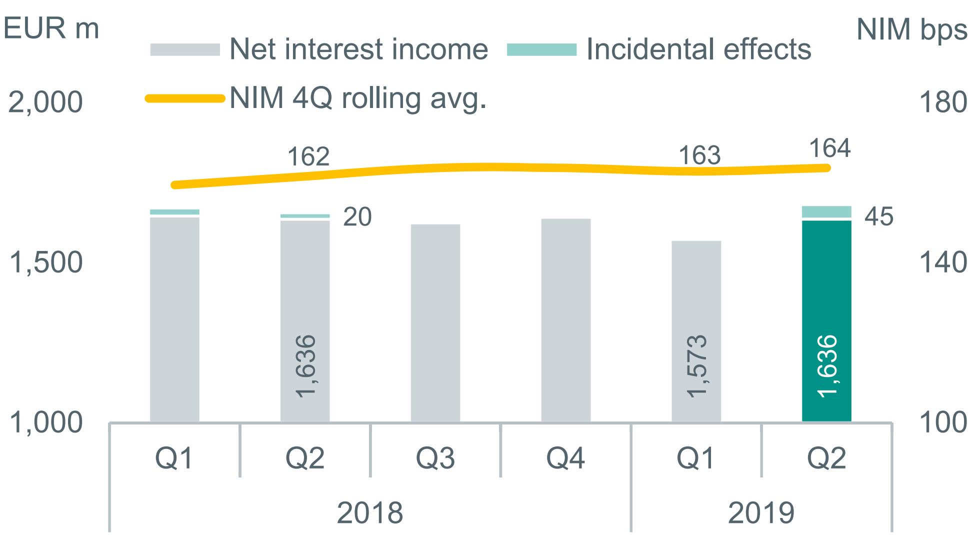


- Mortgage volume higher. Market share of new production increased to 17% in Q2 (14% Q1)
- CIB client loans down in Q2 [2)] reflecting progress of CIB refocus, mainly TCF [3)] and GTL [3)]
- Sustained Commercial Banking loan growth reflecting strong Dutch economy

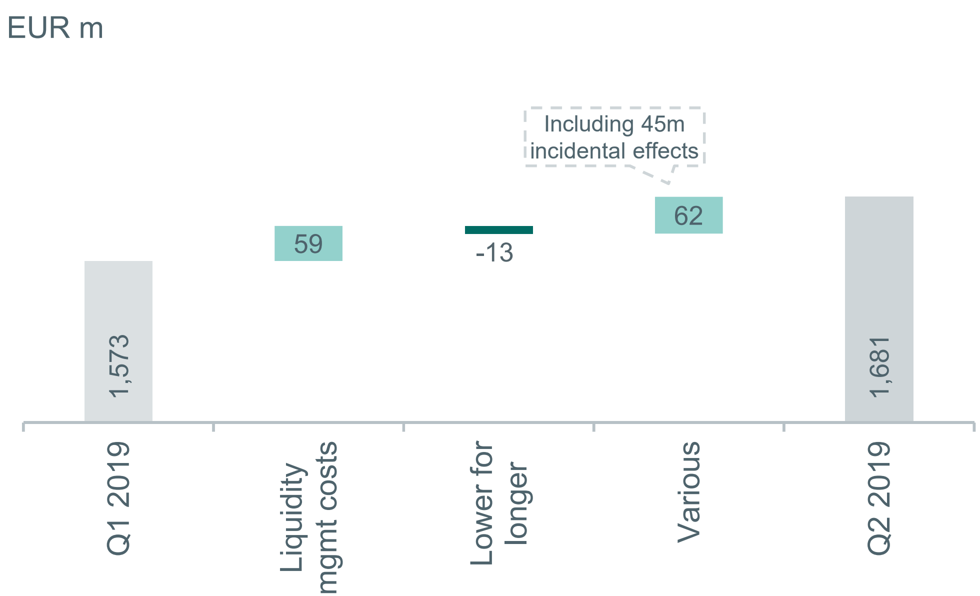
1) CAGR Q1 2018 – Q2 2019
2) FX effect -0.4bn in CIB client lending vs. Q1 2019
3) TCF – Trade and Commodities Finance, GTL – Global Transport and Logistics

NII strong despite low interest rates

Net Interest Income (NII) and Net Interest Margin (NIM)



Transition NII

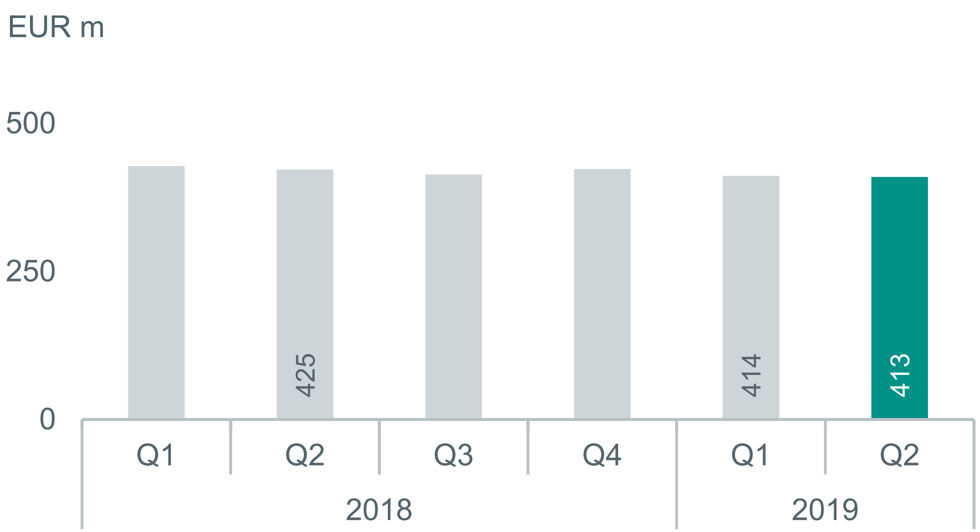


- NII up reflecting lower liquidity management costs and various items (largely incidental effects), partly offset by 13m impact from continued low interest rates
- Liquidity management costs in NII have normalised after temporarily elevated levels in Q1 2019
- While low rates persist expect c. 20m sequential NII impact into 2020 reflecting lower deposit margins [1)]

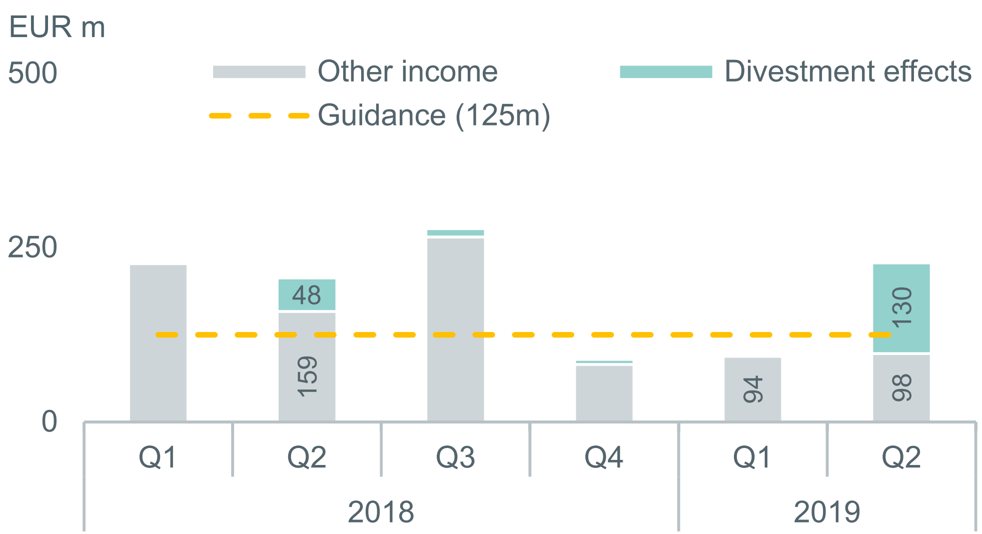
1) Excluding deposit tiering or ECB mitigations

Maintaining guidance for Non-interest income

Net fee income



Other operating income



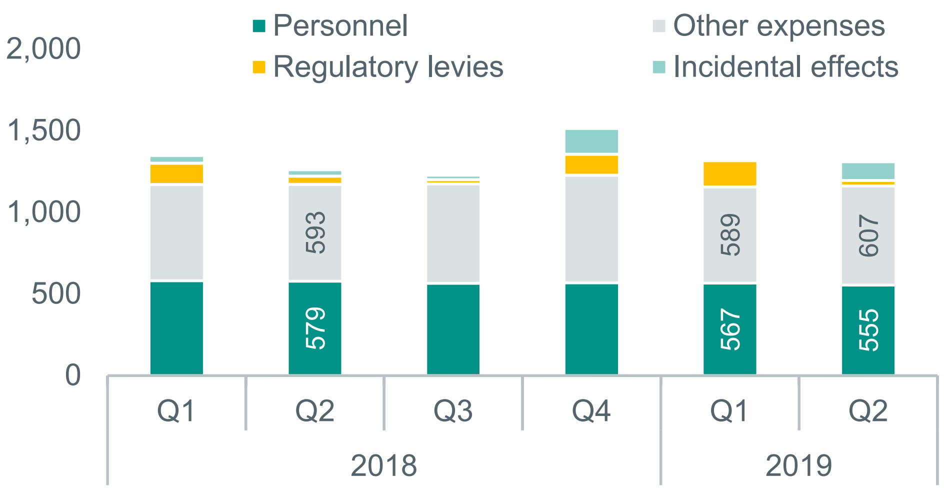
- Fees up vs. Q1 2019 and stable vs. Q2 2018, excluding divestment Stater (7m) [1)]
- Other income above 125m guidance, reflecting 130m Stater divestment gain. Other income stable excl. incidentals and volatile items
- Volatile items Q2 2019 (Q2 2018): gains on participations 15m (29m), hedge accounting/RFT/liquidity management costs 6m (16m), CVA/DVA/FVA -2m (3m)

1) Q2 2019 included two months of Stater fees, impact Stater is 80m lower fee income per annum

Remain on track for 5bn cost base by 2020

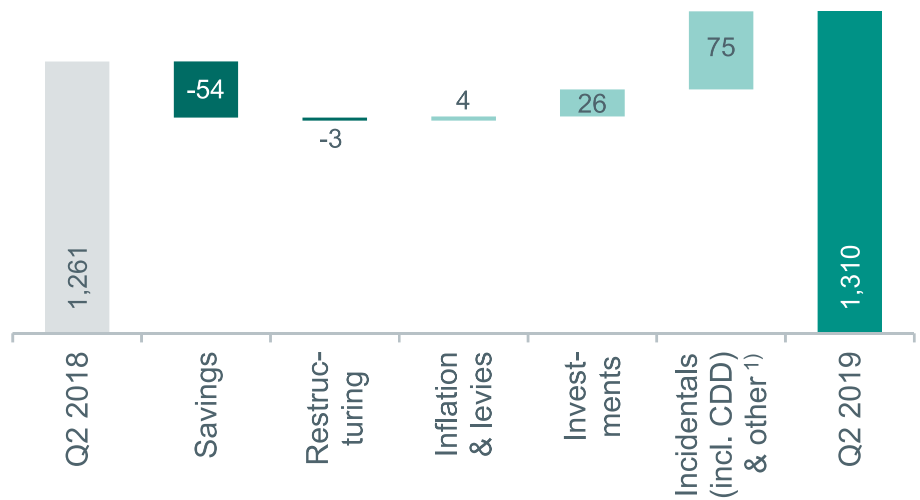
Operating expenses

EUR m



Transition operating expenses

EUR m



- Personnel expenses continue to trend down, reflecting lower FTEs
- Other expenses includes 114m CDD remediation provision, higher IT investments vs. Q2 2018
- Costs for CDD rising, provisions in Q2 2019 114m and Q4 2018 85m, ongoing costs c. 100m annualised and increasing
- Remain on track to achieve cost base of 5bn by 2020, cumulative savings achieved c. 800m [2)]

1) Incidentals & other includes 114m CDD provision (Q2 2019) and 37m project costs for SME derivatives-related issues (Q2 2018)
2) Targeted cumulative cost savings vs. FY2015 cost base on the back of cost savings programmes in total 1.0bn by 2020

Impairments below through-the-cycle also reflecting de-risking of portfolio

Impairments by industry sector

Industry	Q2	Segment	Comment current quarter
Dutch SMEs	12	CB	Across various sectors
Natural Resources	11	CIB	Energy upstream related
TCF [1)]	17	CIB	o/w Diamonds (6m)
GTL [1)]	21	CIB	Shipping
Other	68		o/w Industrials 25m, Food & Retail 20m
Total (EUR m)	129		
Cost of risk (bps)	18		

Impaired portfolio (stage 3 IFRS9)

	Stage 3 loans (EUR m)		Coverage ratio	
	Q2 2019	Q1 2019	Q2 2019	Q1 2019
Mortgages	1,140	739	7.4%	9.3%
Consumer loans	386	411	53.6%	49.8%
Corporates	4,858	4,904	31.2%	29.8%
Other	5	6	87.7%	68.9%
Total	6,388	6,060	28.4%	28.7%
Impaired ratio (stage 3)	2.3%	2.2%		

- Impairments in energy offshore and diamonds relatively low reflecting previous de-risking. Other impairments from limited number of clients and file specific. Dutch economy remains healthy.
- Increase stage 3 mortgages following alignment of the ‘unlikely to pay’ default triggers for mortgage clients with the regulatory method
- Q2 cost of risk at 18bps; we reconfirm our expectation below the through-the-cycle cost of risk of 25-30bps for FY2019

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

Update on regulatory focus items

Non-Performing Exposures (NPE)

- Industry wide NPE guidance sets minimum coverage levels for non-performing exposures originated after April 2019[1)]
- Supervisor also expects us to phase-in minimum coverage levels for current stock of NPE from 2020 to 2024
- Supervisory capital deduction of 0.2bn in Q2 following ECB review, incl. provisions, ahead of NPE phase-in
- Estimate similar order of magnitude for annual impact during phase-in (2020 – 2024)
- Actively working on mitigating impact through restructuring, work-out and loan sales

TRIM

- TRIM is a regulatory assessment to harmonise internal RWA models, expected to cover credit and market risk in full
- Impact mortgages and market risk included. Portfolios in progress: corporates, financial institutions and specialized lending, already included some add-ons
- Expect increased RWAs as TRIM is finalised through 2020
- Already well capitalised to meet higher expected Basel IV RWAs

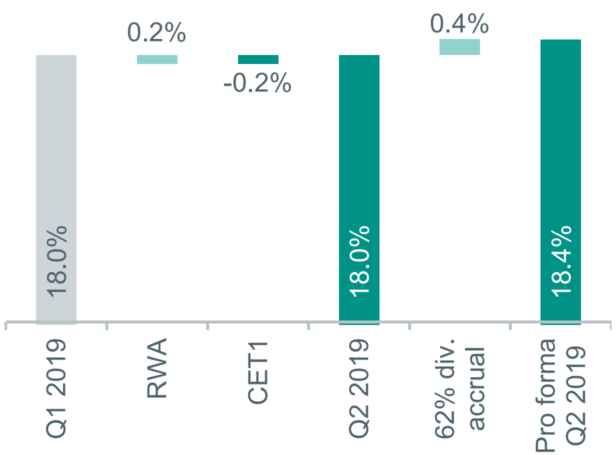
Basel IV

- EBA published response, using quantitative impact study of EU banks
- Response remained close to a full and unconditional implementation of Basel IV
- We remain comfortable with our Basel IV assumptions and approach

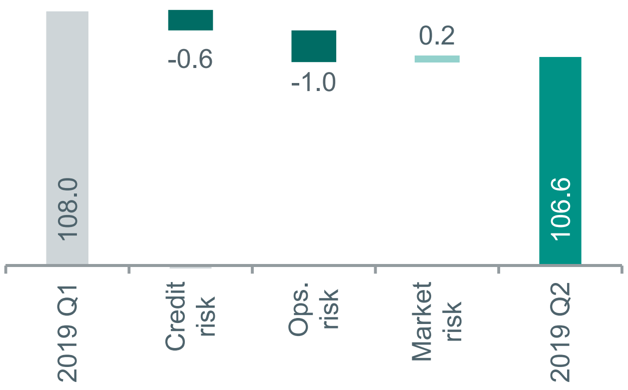
1) On 14 Mar 2019 the European Parliament approved a proposal on the minimum loss coverage for non-performing exposures (referred to as ‘Pillar 1 backstop’ or ‘prudential backstop’) which applies to exposures newly originated after April 2019. The ECB published final guidelines on supervisory expectations on NPE in March 2017 and on prudential provisions (‘ECB NPL addendum') in March 2018. Guidance applies to newly defaulted assets after 31 March 2018

Strong capital ratios; further Basel III RWA headwinds expected

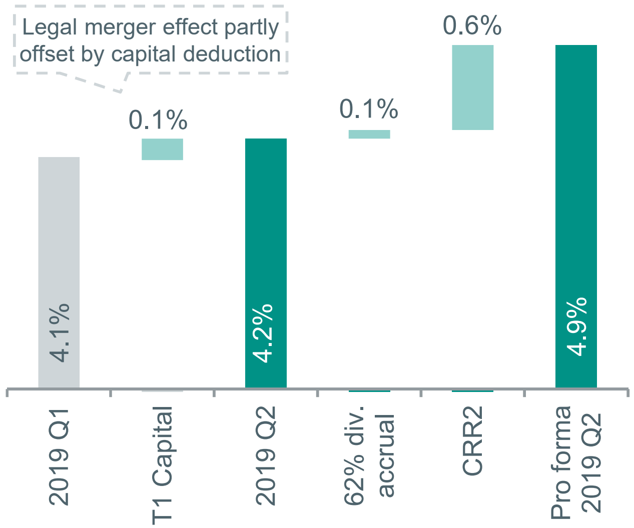
Basel III CET1 ratio 1)



Risk weighted assets (bn)



Leverage ratio 2)



- CET1 at 18.0% 1) reflecting RWA decrease from CIB, offset by 0.2bn capital deduction related to ECB provision review
- No additional TRIM or model review add-ons recorded in Q2 2019, expect further add-ons in due course
- CIB RWAs around 34bn refocus target (excluding TRIM and model related add-ons)
- Leverage ratio 4.2%, up due to legal merger partly offset by impact of capital deduction

1) Interim profits are not included in CET1 capital as from Q1 2019. HY2019 accrued dividend based on 62% (pay-out 2018) of sustainable profit would add +0.4% on the CET1 ratio to pro forma 18.4%
2) Q1 2019 leverage ratio on ABN AMRO group, Q2 2019 on ABN AMRO Bank reflecting legal merger. Leverage ratio including CRR2 and HY accrued dividend based on 62% (pay-out 2018) at 4.9%. CRR2 assumes SA-CCR calculation methodology for clearing guarantees and is estimated to decrease Exposure Measure by c. 61bn. Interim profits are not included in Tier 1 capital. HY2019 accrued dividend based on 62% (pay-out 2018) of sustainable profit would add +0.1% on leverage ratio.

Financial targets

	2018	YTD 2019	Q2 2019	Targets
Return on Equity	11.4%	11.4%	13.6%	10-13%
Cost/Income ratio	58.8%	59.9%	56.4%	56-58% by 2020 <55% by 2022
CET1 ratio (FL)	18.4%	18.0% [1)]	18.0% [1)]	17.5-18.5% (2019)
Dividend - per share (EUR) - pay-out ratio	1.45 62%	0.60 Interim	-	▪ 50% of sustainable profit [2)] ▪ Additional distributions will be considered [2)] ▪ Combined at least 50%

1) Interim profits are not included in CET1 capital as from Q1 2019. HY2019 accrued dividend based on 62% (pay-out 2018) of sustainable profit would add +0.4% on the CET1 ratio to pro forma 18.4%
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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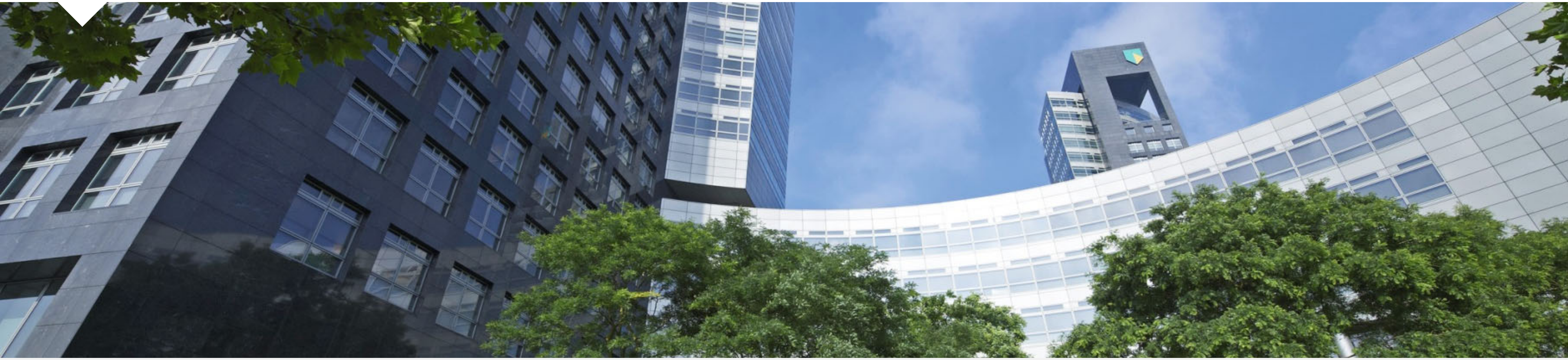

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