ABN AMRO Investor Day

Strong capital generation and return

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16 November 2018

Banking for better, for generations to come

Sustainability

- Increasing fees with sustainability initiatives
- Fulfilling client demand for sustainable investments in Private Bank
- Better risk profile of clients engaged in sustainability

Customer experience

- Identifying key customer experience points generates new business opportunities
- Aligning core offering with changed client behaviour, e.g. enhancing insurance and investment offerings
- Establish new partnerships both within and outside the financial sector
- Lower cost through digital first

Future-proof bank

- Continuously manage the balance of efficient and sufficient IT investments
- Improve IT cost efficiency through demand, productivity and supply levers
- Further product and process rationalisation and improvement
- Delivering RoE >10% in 2021 in CIB through transforming the business model

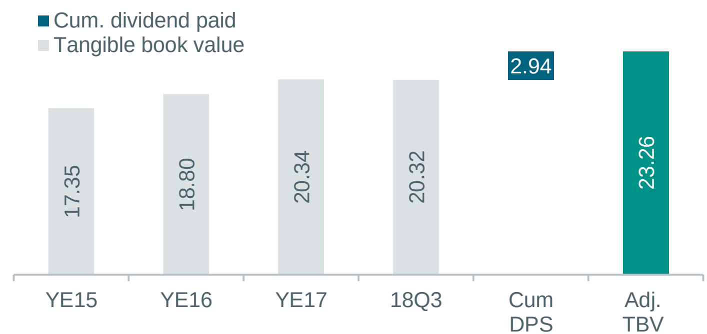
Strong capital generation and return

Our approach to value delivers …

- ✓ Reliable earnings from clients in strong economies
- ✓ Disciplined cost management
- ✓ Moderate risk profile
- ✓ Robust ROE delivering strong capital generation
- ✓ Strong and resilient capital position
- ✓ Attractive capital return to shareholders

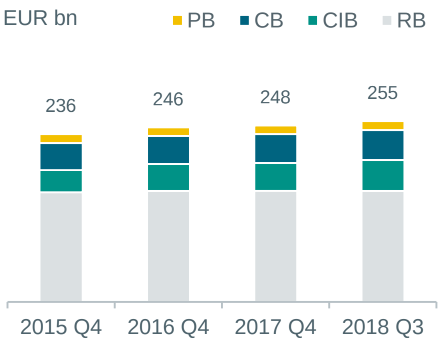
… strong capital generation and return

Average annual capital generation, including dividends, equals 11.2% since year-end 2015 (EUR per share)



Resilient NII, but pressure on deposit margins in the short-term

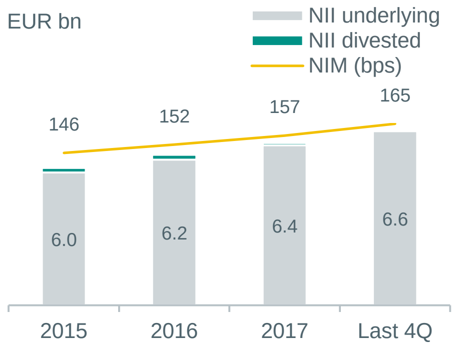
Client lending [1)]



Prospects on client lending

- Flat short-term client lending, reflecting CB increase, flat mortgages, decline from CIB refocus
- Thereafter modest increase, reflecting normalisation of CIB, RB and PB loan growth

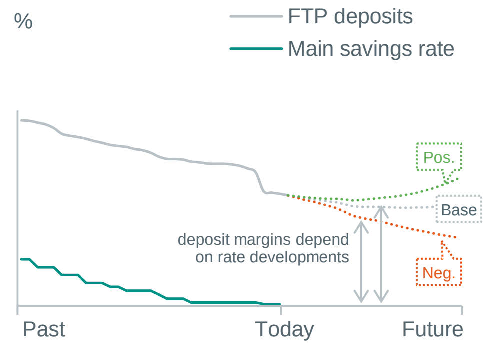
Net interest income and margins



Prospects on NII

- Modestly lower in short-term, reflecting margin pressure from deposits
- Thereafter NII improvements as deposit margin pressure eases and client lending normalises

Margin pressure deposits [2)]



Prospects on deposit margins

- Main deposit rate at 3bps, little or no room to lower further
- FTP and NII depend on interest rate development
- Base case assumes ongoing deposit pressure in 2019 and improvements thereafter

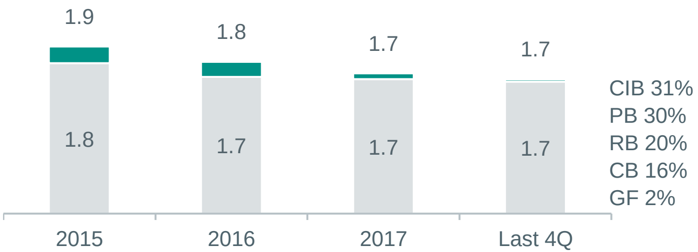
1) Client lending excludes divested activities of PB Asia (2017) & PB Luxembourg (2018)

2) ABN AMRO Group Economics Department interest rate outlook scenarios used for setting the FTP (Funds Transfer Price). Base scenario assumes a first rate hike towards YE2019 and further increases in 2020/22. Positive scenario assumes earlier rate hikes of the main policy rates up until 2021, whereas the negative scenario assumes more accommodative ECB measures (deposit cut and more QE). The dip in the FTP in Q3 2018 shows the implementation of the Non-Maturing Deposits (NMD) model

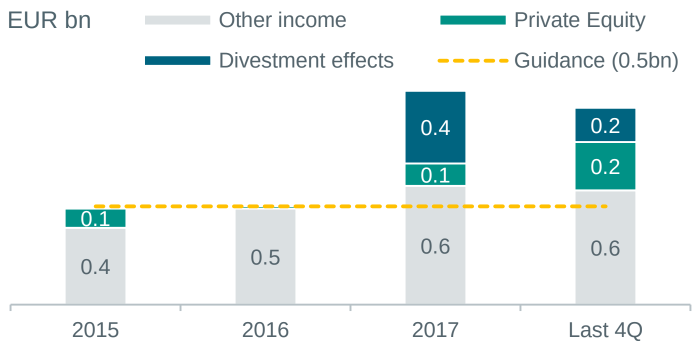
Resilient fees and other income

Fees

Annual fee income excluding divested activities of PB Asia and PB Luxembourg (EUR bn)



Other income



Prospects on fees

- Stable fees in short term, reflecting decline from CIB refocus, growth in PB and stable in other segments
- Thereafter modest pickup from growth initiatives, reflecting new services & business models and from partnerships
- PB to grow securities with focus on managed portfolios

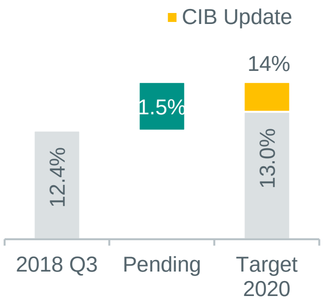
Prospects on other income

- Other income is volatile and includes accounting effects
- Outlook guidance unchanged as recent outperformance reflects divestments and large private equity disposal gains
- Third party funding of Private Equity not expected to impact materially in short term

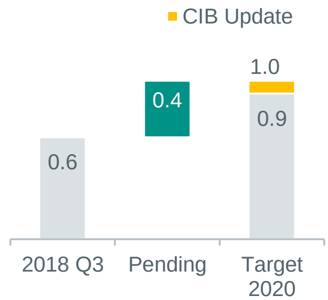
Good progress on cost savings, well on track

Cost saving programmes well on track

Targeted FTE reduction
nearly completed

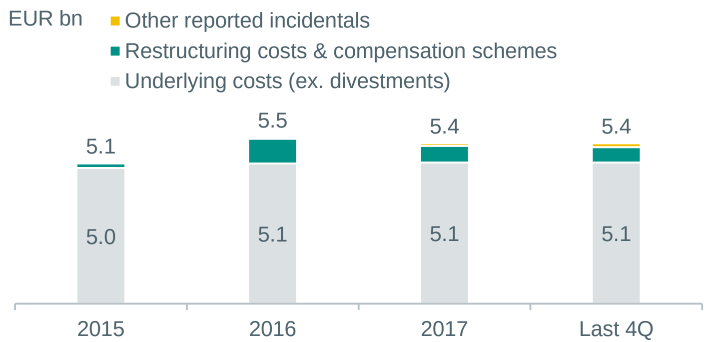


EUR c.0.6bn of targeted savings
realised



- Nearly 2/3rds of targeted cost savings delivered. FTE decrease drives progress on cost savings 2)
- On track to meet remaining cost target, through a) digitalisation & process optimisation, b) TOPS2020 & retail digitalisation, c) support & control activities
- Cost measures from CIB refocus now in implementation

Targeted cost savings offset cost increases 1)

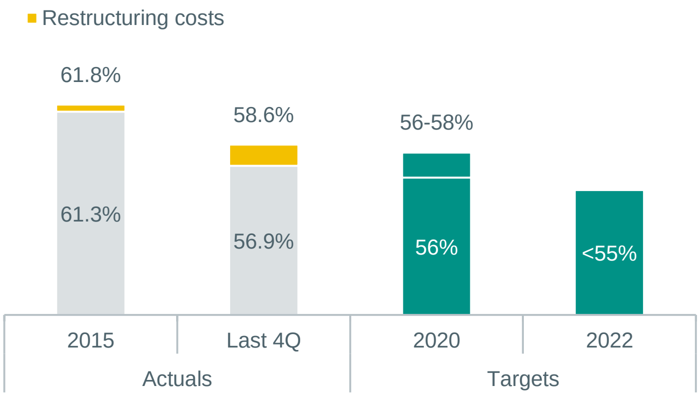


- Stable underlying costs from disciplined cost management
- Majority incidental costs relate to ongoing restructuring and compensation schemes
- On track to meet 2020 cost ambition of c.5.0bn

1) Operating costs, excluding costs from divested activities (PB Asia, PB Lux). Costs of compensation schemes refer to costs associated with SME derivatives and ICS credit cards
2) FTE decrease is a reduction of internal and external FTEs

On track to meet 56-58% target (2020) and raising ambition to <55% (in 2022)

Cost savings deliver continued C/I improvements, despite headwinds



Short term headwinds

- Flat NII outlook on lending
- Deposit margin pressure from low rate environment
- Costs of regulatory change, required digital investments

On track to meet 56-58% in 2020 through

- Remaining savings from digitalisation & process optimisation, TOPS2020 & retail digitalisation, support & control activities
- CIB cost reduction
- Restructuring provisions foreseen in Q4 of around 50m

Despite headwinds, C/I target sharpened to <55% for 2022

- Income benefitting from lending and deposit margin normalisation, growth initiatives
- Based on our Group Economics base scenario including GDP, interest rates and housing market developments
- Improve IT cost efficiency, further product and process rationalisation and improvement across business lines and support functions

Capital and dividend framework

Robust ROE
ROE

- ROE target 10-13%
- ROE 13.1% YTD
- c.200bps CET1 generation [1)]

Well controlled RWAs
RWA

- Flat client lending in short term
- Basel IV output floor reduces volatility
- Basel IV management response

Strong capital position
Capital

- CET1 well placed in 17.5-18.5% range
- Basel IV well placed at c.13% ex. mitigations, >13.5% incl. mitigations
- Leverage ratio >4.0%

Committed to return excess capital
€

- Dividend pay-out of ≥50% of sustainable profit
- Additional distributions considered when capital is within (or above) target range
- Preference for additional dividend pay-out in cash vs. buyback

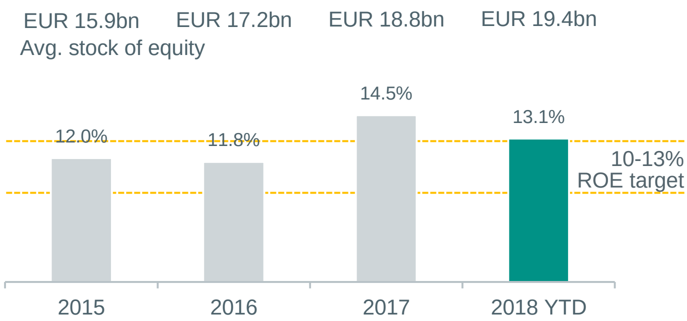
Strong capital position and capital generation but constrained by leverage ratio (today)

1) Annual capital generation before dividend. Calculated as midpoint ROE target times CET1 capital divided by Basel III RWAs

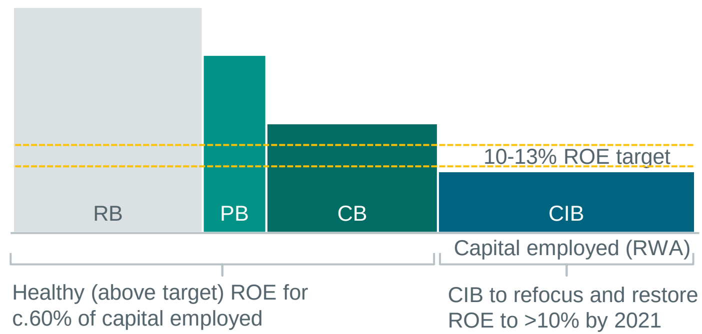
Robust ROE delivery, meeting target

ROE

Consistent ROE delivery inside target range (EUR)



Strong focus on segment ROEs [1]



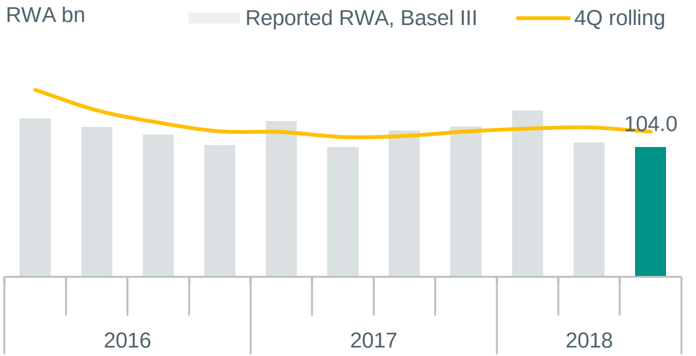
- Since IPO consistently strong ROE delivered, beating ROE target
- Retail, Private and Commercial Banking deliver healthy ROEs
- CIB measures announced to reduce capital usage and improve ROE to >10% [2]

1) ROE based on annualised 2018 YTD segment results and 13.5% CET1 (Basel III) over period end RWAs
2) Reduce capital by 2020 and improve ROE, also excluding changes NII allocation by ALM, by 2021

Well controlled RWAs for both Basel III and Basel IV

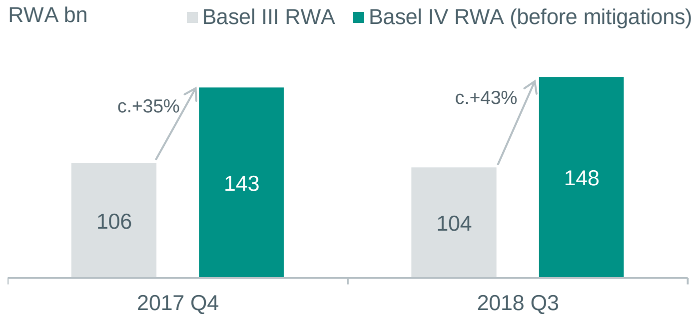
RWA

Stable outlook underlying Basel III RWAs



- Stable underlying Basel III RWAs, although quarterly volatility
- Volatility reflects e.g. changes from credit and data quality, volume and business mix, impairments and/or model adjustments
- TRIM: no material impact so far, reviews ongoing. Possible early adoption of standardised elements

Less underlying RWA volatility expected in Basel IV



- Basel IV RWAs up, reflecting calculation refinements and corporate loan growth, resulting in Basel IV CET1 of c.13%
- Over this period Basel III RWAs declined, reflecting credit quality improvements (not impacting Basel IV) [1]. So Basel IV RWA inflation is estimated to go up from c.35% to c.43% before mitigations
- Going forward, implementation of mitigations and CIB refocus are expected to lower Basel IV RWA inflation

1) RWA increase from Basel III to Basel IV mainly reflects the effect of the binding 72.5% output floor

Focusing now on ensuring well placed for Basel IV from 2022

RWA

Response	Objective	Actions
Mitigations of c.1/5th of Basel IV inflation	Reduce RWA inflation	Specific initiatives to reduce static Basel IV RWA inflation ▪ Enhance data quality: eg source SME turnover to lower risk weight from 100% to 85%, CRE to RRE [1)] ▪ Procure external credit ratings: externally rated clients can have risk weight <100% [1)] ▪ Rationalise product offering: eg from committed to uncommitted, reduce undrawn headroom in credit lines, restructure clearing credit lines, centrally clear securities transactions ▪ Improve collateral: eg financial collateral lowers exposure, improve data sourcing
Reduce capital intensive activities	Reduce RWAs	▪ CIB refocus lowers Basel III RWAs by 5bn ▪ Focus on reducing NPLs
New business model	Enhance returns	▪ CIB adopts more capital efficient business model, i.e. active portfolio management, originate to distribute, increase risk mitigation ▪ CB: co-lending partners, credit insurance ▪ RB: externally funded long-term mortgage funds
Pricing	Enhance returns	▪ Mortgages priced for Basel IV requirements for some time ▪ Pricing for long term products allows for Basel IV phase-in: eg CRE, Shipping ▪ CB: sector based pricing

Anticipate EU implementation from 2022 with ongoing uncertainties on details

- Active regulatory dialogue on uncertainties: eg indexing mortgage collateral, NHG eligibility, specialised lending risk weights
- Implement low cost and no regret actions: eg data enhancements, CIB refocus
- Cautious approach to repricing to safeguard franchise through implementation uncertainties and transition

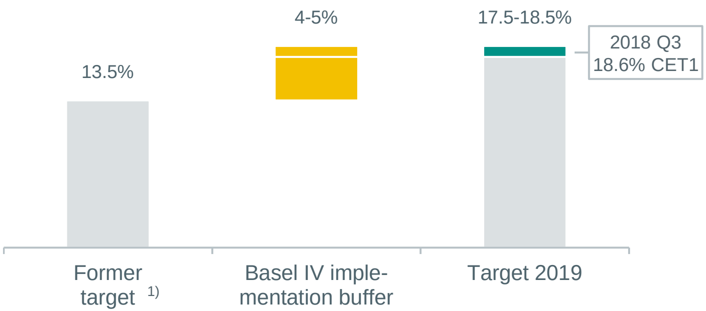
1) Risk weights prior to the application of the 72.5% output floor

Basel III capital target range remains 17.5-18.5% for 2019

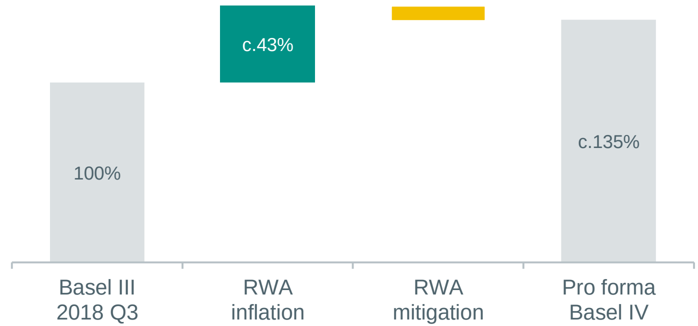
Capital

Capital target unchanged for 2019

Fully loaded CET1 target range stated in Basel III terms, in view of current capital rules



Estimated Basel IV RWA inflation & mitigation



- RWA inflation increased to c.43% as Basel III RWAs declined. Net of identified mitigations of c.1/5th, net RWA inflation remains c.35%, before CIB Refocus, reducing capital intensive activities, changes to business model and pricing
- Aim to meet fully loaded Basel IV early in phase-in period. Prudent buffer for Basel IV implementation, expected unchanged for 2019, and adequate to address implementation risks
- Capital position at top of the range. Expect to review range annually or upon material changes (eg SREP, NPE guidance, TRIM, provision reviews)

1) Former CET1 target based on 4.5% Pillar 1, 5.5% Combined Buffer Requirement, 1.75% Pillar 2R, 5bps Counter Cyclical Buffer and the remainder of Pillar 2G and management buffer

Well positioned for Basel III & Basel IV, leverage ratio constrained short-term

Capital

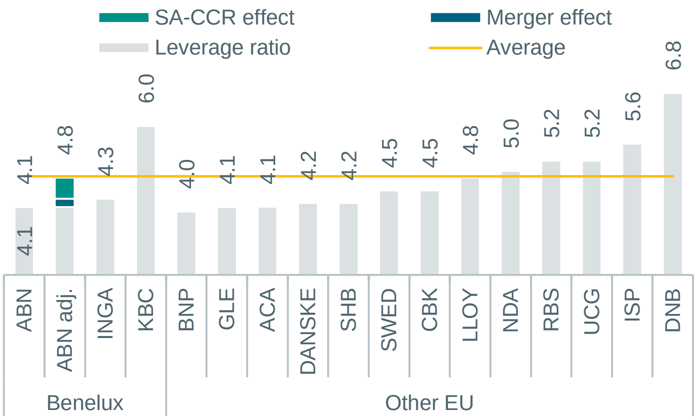
	Basel III	Basel IV	Leverage ratio
Actual	▪ 18.6%	▪ c.13% before mitigations ▪ >13.5% post mitigations	▪ 4.1%
Target	▪ 10.425% SREP (2018) ▪ 17.5-18.5% target	▪ 13.5% early in phase-in period	▪ >4.0% ambition
Status	▪ Well positioned	▪ Well positioned	▪ Constrained short-term
Prospects [1)]	▪ Credit and business developments ▪ Model reviews (TRIM) ▪ Capital: provision reviews, industry-wide NPE guidance ▪ SREP (2019)	▪ EU implementation Basel IV ▪ Mitigation and management response ▪ Capital: provision reviews, industry-wide NPE guidance	▪ Capital: provision reviews, industry-wide NPE guidance ▪ Legal merger and SA-CCR implementation provide relief

1) Non-performing Exposure Guidelines aim to harmonise the impairment approach and treatment of non-performing exposures across European banks

Leverage ratio benefits from legal merger and from future SA-CCR rules

Capital

Implied leverage ratio at par with peer average [1)]



Leverage ratio developments

	Minority Interest Rules	Current exposure calculation
Impacts	Group T1 and T2 capital (numerator) [2)]	Exposure from derivative clearing (denominator)
Solution	Legal merger of group into bank (2019) [3)]	Application of SA-CCR rules (≤2021)
Relief	c.0.2% of LR	c.0.5% of LR

- Exploring legal merger, targeting to improve leverage ratio by c.0.2%, through optimising the AT1 effectiveness [2,3)]
- Regulatory dialogue continues and targets early SA-CCR adoption, improves leverage ratio by c.0.5%
- Exposure measure actively managed and well controlled and benefits from CIB refocus

1) Source: ABN AMRO, S&P Global Market Intelligence, dated 2018 Q2
2) Instruments, exceeding ABN AMRO Bank's requirements, do not fully contribute to consolidated group capital ratios, impacting T1, total capital and leverage ratio. No impact on group CET1 ratio.
3) Legal merger has no material impact on shareholders, DR holders and creditors. No impact on effectiveness of defence mechanism or anti-takeover mechanism. STAK to hold ABN AMRO Bank shares for depositary receipts. Subject to internal and external approvals, including from regulators, general meeting and depositary receipt holders, and consent of or alignment with other stakeholders

Committed to return excess capital through dividend

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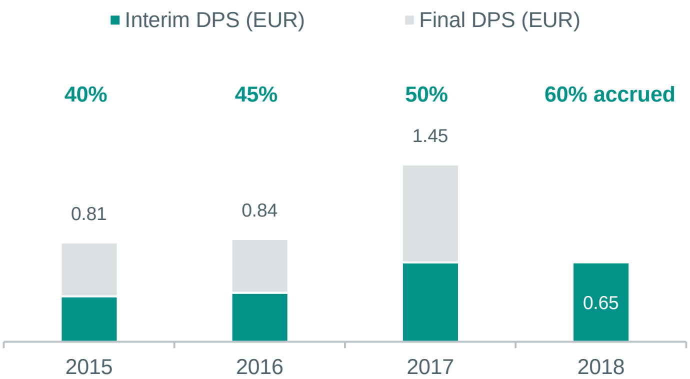
Track record of increased dividend



Approach to additional dividends

Dividend policy

- Dividend policy: 50% of sustainable profit plus additional distributions
- Preference for additional distributions in dividend vs. buybacks

Good progress made on additional distributions

- ✓ Well placed vs. Basel III capital range
- ✓ Well controlled Basel III RWA development
- ✓ Good progress on Basel IV management response
- ✓ CIB refocus in execution

- Steadily increasing dividend pay-out delivered to 50% in 2017
- Dividend accrual raised to 60% of YTD profit to provide dividend flexibility. Final decision with FY2018 results, reflecting SREP, leverage ratio, Basel IV outlook and industry-wide NPE guidance
- Beyond 2018 we expect to be well placed to consider additional cash dividend pay-out on top of 50% of sustainable profit, subject to regulatory, business and economic conditions

We are committed to delivering on our promises and targets

We are committed to…

- ✓ Reliable earnings from clients in strong economies
- ✓ Disciplined cost management
- ✓ Moderate risk profile
- ✓ Robust ROE delivering strong capital generation
- ✓ Strong and resilient capital position
- ✓ Attractive capital return to shareholders

Good progress on financial targets

- Strong earnings track record in low rate environment
- C/I ratio on track: 56-58% (2020) and to <55% (2022)
- Sound asset quality, healthy credit outlook
- Since IPO: ROE >11% delivered
- Above target capital at 18.6%, resilient stress test result
- 60% accrued for 2018, well placed beyond 2018

A Additional slides

Merger releases CET1 and AT1 capital and improves leverage ratio

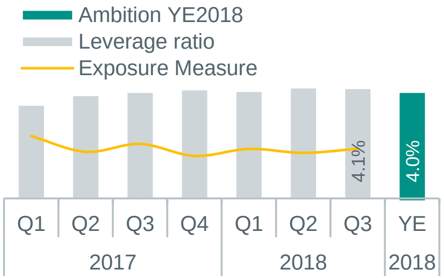
Current structure	Legal merger	Post merger
Shareholders & DR-holders ABN AMRO Group	Share Exchange AAB shares for AAG shares	Shareholders & DR-holders ABN AMRO Bank
ABN AMRO Group	**ABN AMRO Group** (Disappearing Company)	
ABN AMRO Bank	**ABN AMRO Bank** (Acquiring Company)	**ABN AMRO Bank**

- Exploring legal merger, targeting to improve leverage ratio by c.0.2%, through optimising the AT1 effectiveness [1)]
- Merger also simplifies legal and reporting structure
- No material effect on investors in equity & debt instruments and defence mechanism remains in place
- Timing is subject to regulatory and stakeholder approvals. Completion targeted in the course of 2019

1) EBA interpretation of Minority Interest Rules (MIR) applies to EU banks. At the holding company MIR limits the effectiveness of the portion of capital instruments exceeding the minimum own funds requirement at the operating company. This portion of instruments can no longer fully contribute to consolidated capital ratios of ABN AMRO Group. The legal merger removes these capital restrictions and results in higher effective amount of AT1, Tier 1, total capital and improves leverage ratio

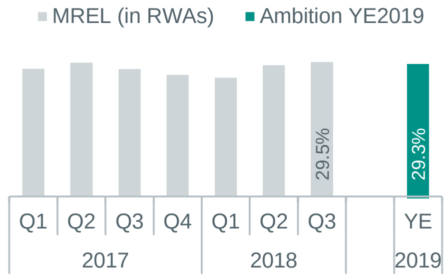
Limited issuance of capital and funding instruments in 2019

Leverage ratio



- Leverage ratio managed to above 4.0%
- Expectation 2019
  - No AT1 issuance, no redemptions
  - Legal merger to release trapped equity and AT1
  - Further profit accrual
  - Exposure measure actively managed

MREL



- MREL ambition met, excluding any senior preferred instruments
- Finalisation MREL framework pending (2019)
- Outlook 2019
  - Possible inaugural SNP issuance to optimise MREL mix
  - No T2 redemptions

Wholesale Funding

Key considerations

- Regulatory requirements: LCR, NSFR
- Internal limits: LtD, buffer, asset encumbrance
- Diversification and redemption profile
- Market dynamics

LT funding need 2019: EUR 10-15bn

- Senior preferred (unsecured) in various currencies and maturities and under various programmes
- Covered Bonds to facilitate long dated mortgage origination

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