

# financial results Q1 2014

*analyst and investor call*

16 May 2014

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- ▶ Results – Kees van Dijkhuizen (CFO)
- ▶ Risk – Wietze Reehoorn (Head of Risk Management & Strategy)
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results

Kees van Dijkhuizen

# Quarterly result

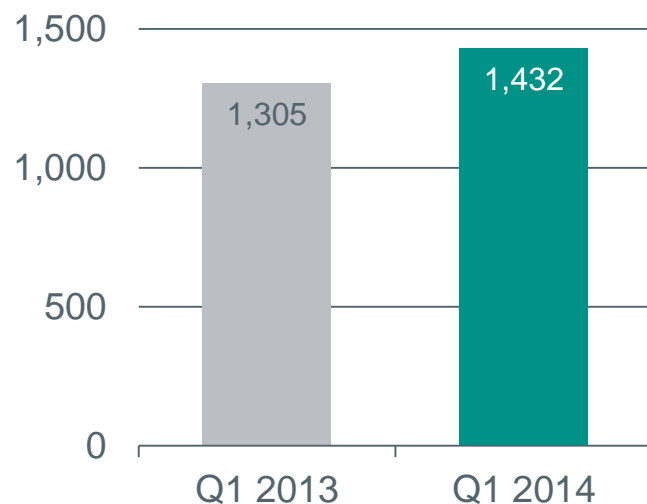
## Quarterly result

<i>In EUR m</i>	<b>Q1 2014</b>	<b>Q1 2013</b>	<b>Delta</b>	<b>Q4 2013</b>	<b>Delta</b>
Net interest income	1,432	1,305	10%	1,389	3%
Net fee and commission income	421	412	2%	413	2%
Other non-interest income	129	62	110%	47	169%
<b>Operating income</b>	<b>1,983</b>	<b>1,779</b>	<b>11%</b>	<b>1,849</b>	<b>7%</b>
Operating expenses	1,143	1,133	1%	1,316	-13%
<b>Operating result</b>	<b>840</b>	<b>646</b>	<b>30%</b>	<b>533</b>	<b>58%</b>
Impairment charges	361	259	39%	555	-35%
Income tax expenses	101	97	4%	25	304%
<b>Underlying profit for the period</b>	<b>378</b>	<b>290</b>	<b>30%</b>	<b>-47</b>	<b>-</b>
Special items and divestments	-67	125	-	0	-
Reported profit for the period	311	415	-25%	-47	-
Underlying cost/income ratio (%)	58%	64%		71%	
Underlying return on avg. IFRS equity (%)	11%	9%		-1%	
Net interest margin (bps)	148	128		143	

# Income

## Net interest income: +10%

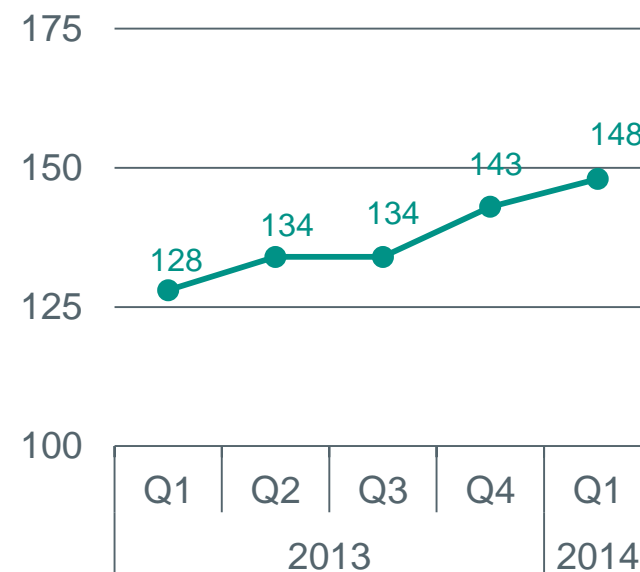
In EUR m



- ▶ NII improved, mainly due to an increase in deposit margins
- ▶ Deposit volumes were also higher

## Net interest margin: +20bps

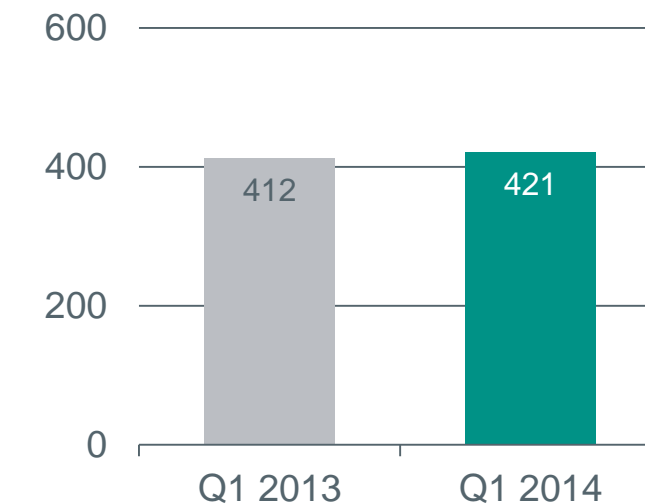
In EUR m



- ▶ NIM improved: higher NII
- ▶ Lower assets y-o-y

## Net fees: +2%

In EUR m

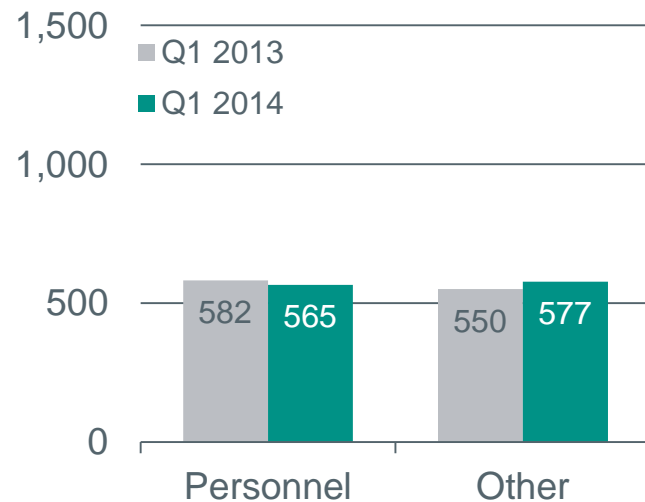


- ▶ Net fees were virtually unchanged in all businesses

# Expenses and impairments

## Operating expenses: +1%

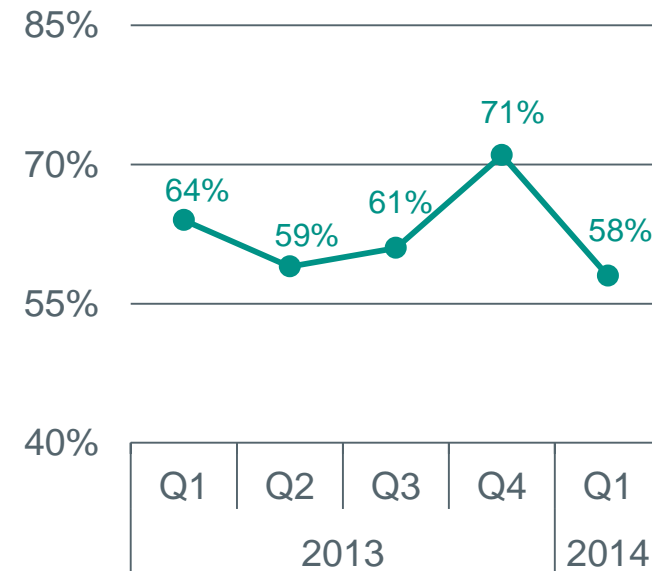
In EUR m



- ▶ Lower personnel expenses due to decline in FTE (closing of branches) were offset by higher other expenses

## Cost/income ratio

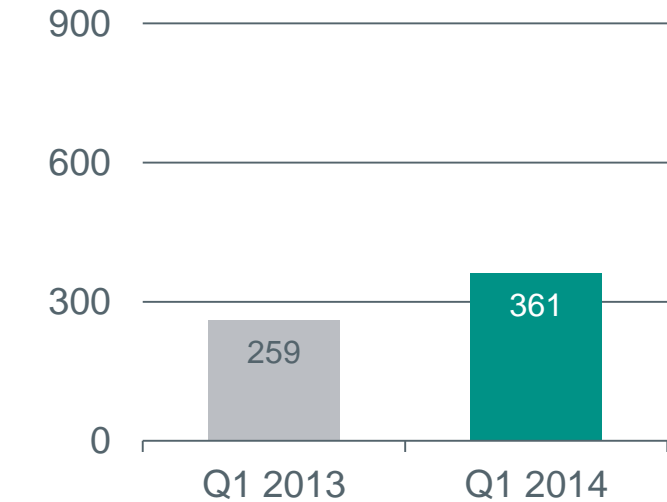
In EUR m



- ▶ Cost/income ratio declined
- ▶ Operating income increased 11% and operating expenses were virtually unchanged

## Impairments: +39%

In EUR m

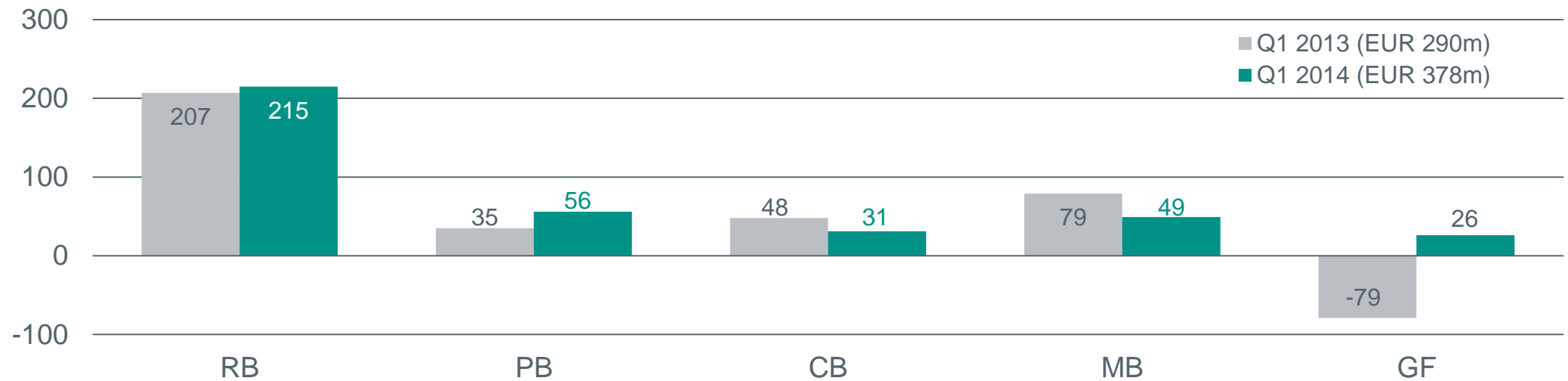


- ▶ Impairment charges remained elevated
- ▶ Q1 2013 included some releases

# Results by segment

## Results by segment

In EUR m

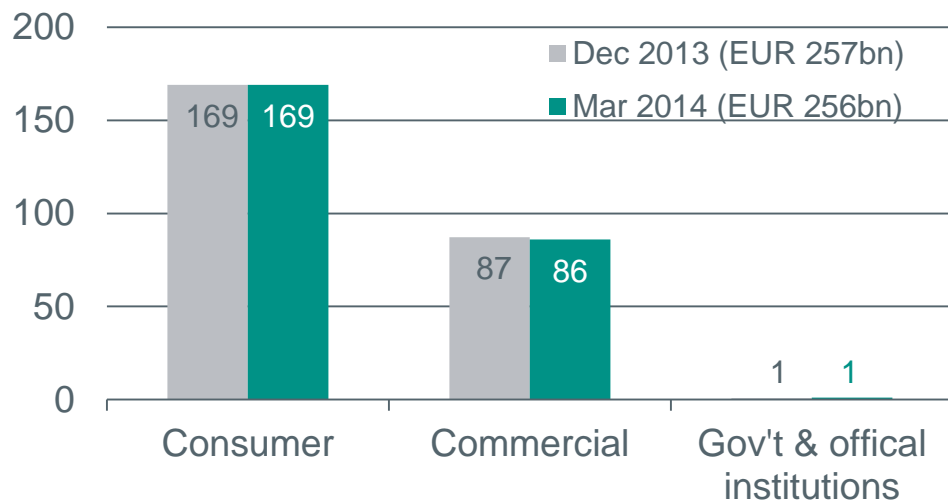


- ▶ RB: higher revenues compensate higher costs and impairments
- ▶ PB: improved operating result and lower impairments
- ▶ CB: improved operating result offset by higher impairments
- ▶ MB: lower operating result, higher impairments
- ▶ GF: improved operating result, higher cost allocation to businesses

# Loan & savings volumes customers

## Loans & receivables customers: unchanged

In EUR bn

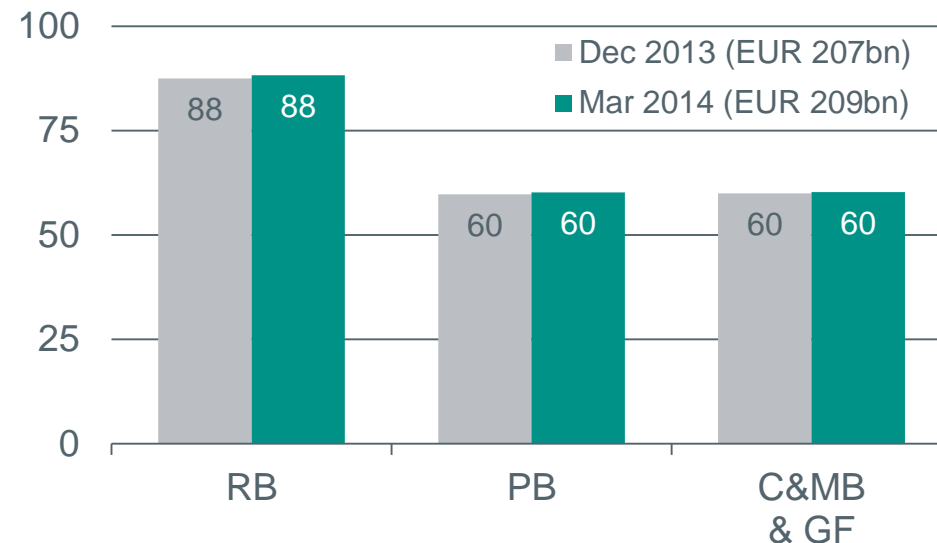


### Client lending\* stable

- ▶ Consumer: mortgage book stable
- ▶ Commercial: growth in ECT partially offset decline at Commercial Banking

## Savings: +1%

In EUR bn



- ▶ Savings\* increased, mainly in Retail (Moneyou) and Merchant Banking offset by some outflow in Commercial Banking



## Capital ratios (Basel III)

Strong capital position

- ▶ CET1 of 14.5% and Total Capital of 19.9%
- ▶ Fully Loaded CET1 of 12.9%
- ▶ B3 migration: RWA increase, AT1 partial loss of eligibility
- ▶ Q1: RWA decline, retained earnings increase

Impact pension agreement (expected)\*

- ▶ 160bps decline of CET1 ratio
- ▶ Limited impact on Fully Loaded CET1 ratio

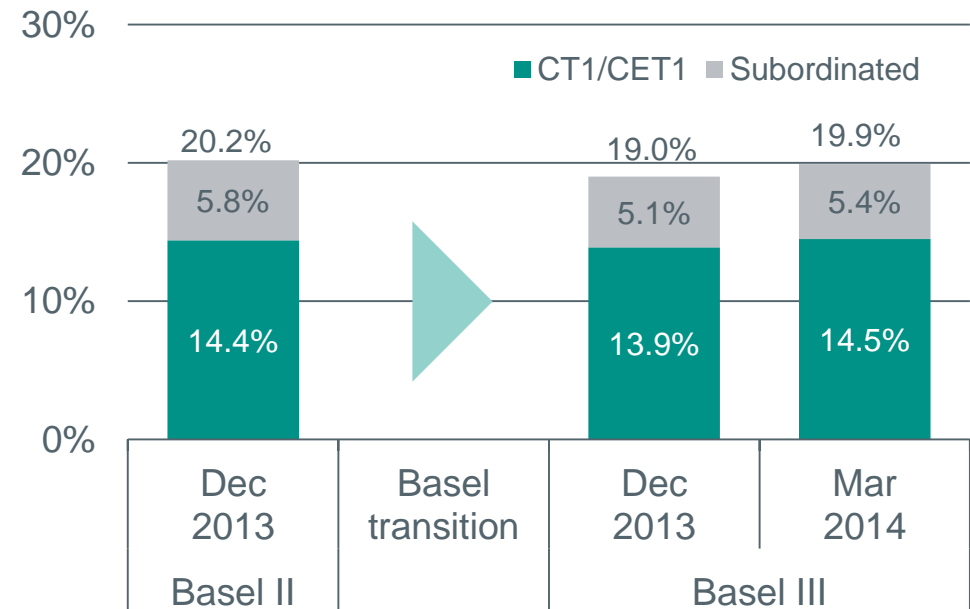
Leverage ratio: 3.6%\*\*

\* Press release 2 April 2014

\*\* Fully Loaded ratio. Based on IFRS definition of B/S

## Transition effect on capital

In %



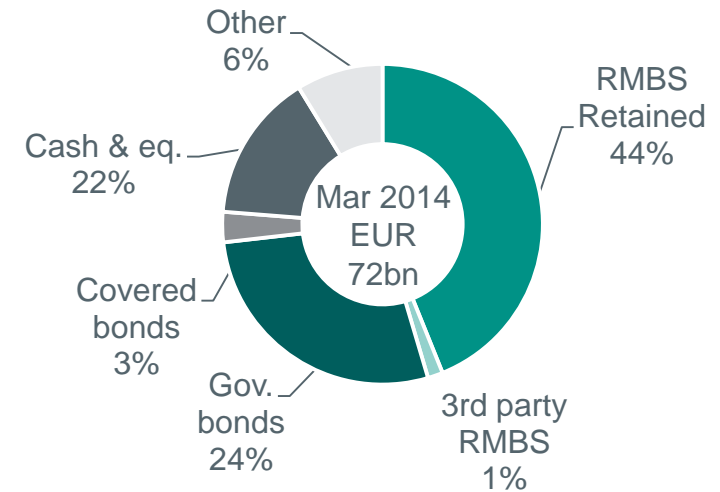
# Liquidity

## Liquidity parameters

	Q1 2014	Q4 2013
Loan to deposit ratio (LtD, %)	119	121
LCR (%)	97	100
NSFR (%)	111	105
Liquidity buffer (EUR bn)	72	76

- ▶ LtD ratio improved further
- ▶ LCR declined to 97%: target 100% in 2014
- ▶ NSFR improved further to 111%
- ▶ Liquidity buffer declined to EUR72bn

## Composition liquidity buffer

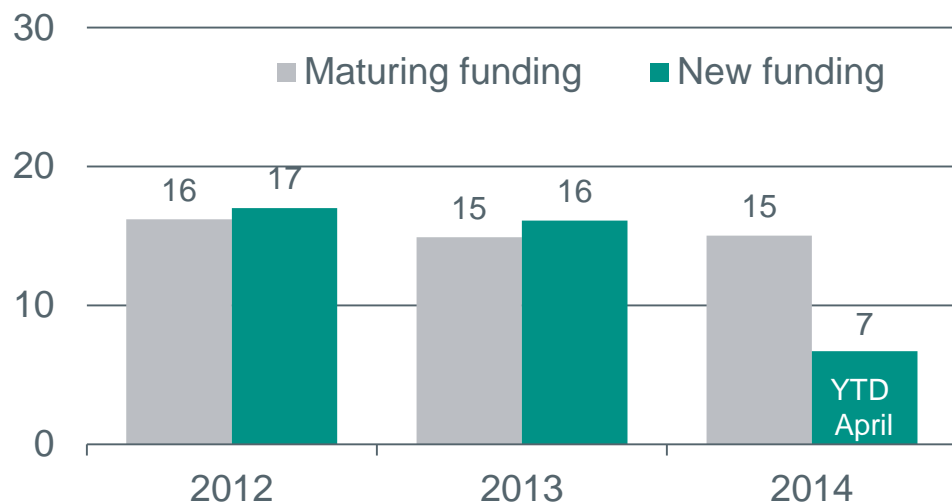


- ▶ Strong liquidity buffer
- ▶ 95% EUR denominated

# New long term wholesale funding

## New vs. maturing LT wholesale funding\*

In EUR bn

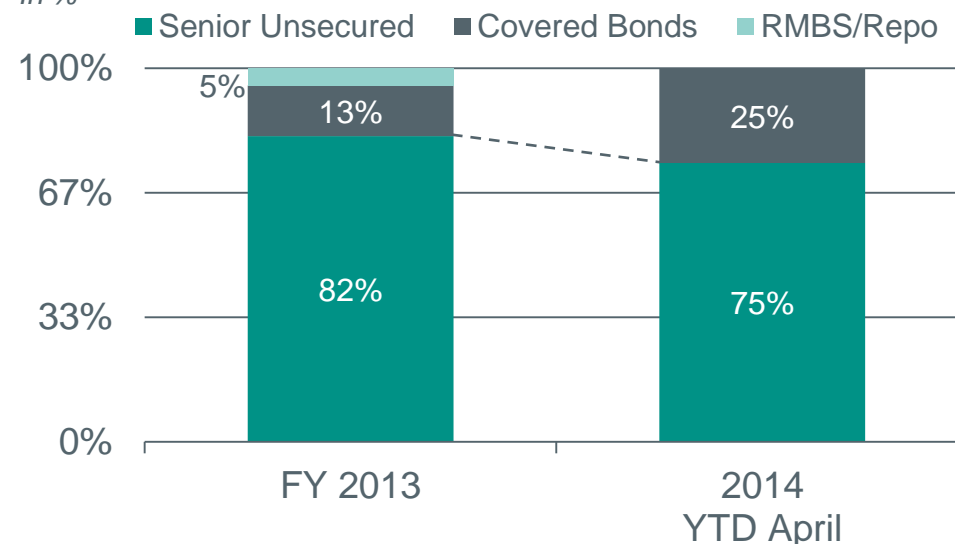


- ▶ Focus on optimising Basel III liquidity requirements and funding costs
- ▶ Higher customer deposits lead to reduction in wholesale funding requirements

\* Excluding hybrid capital

## Composition new LT wholesale funding

In %



- ▶ Focus on senior unsecured (multi currency) issuance
- ▶ Average maturity of LT wholesale funding 4.7 years

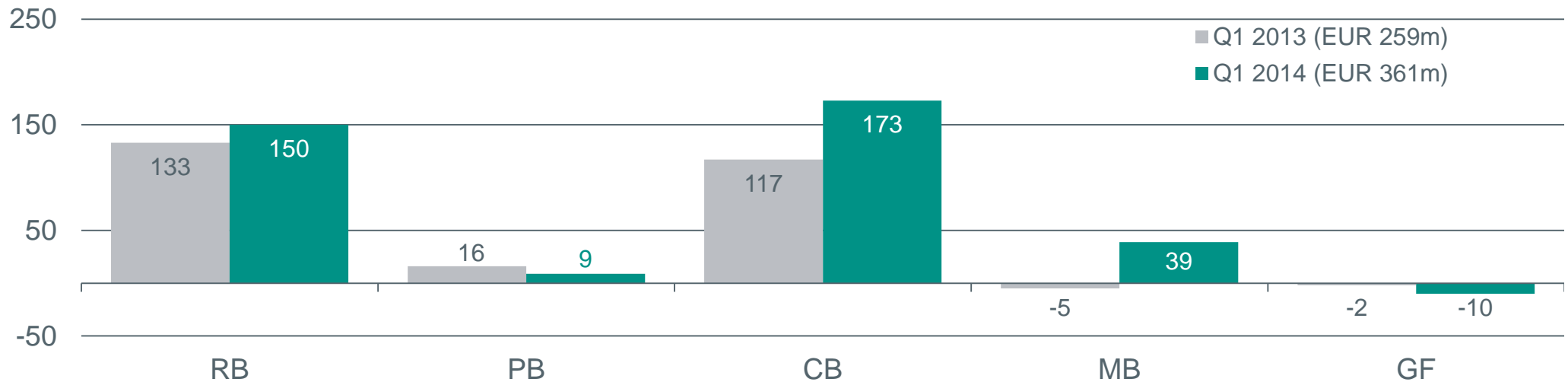
risk

Wietze Reehoorn

# Risk management: Impairments

## Impairments by business

In EUR m



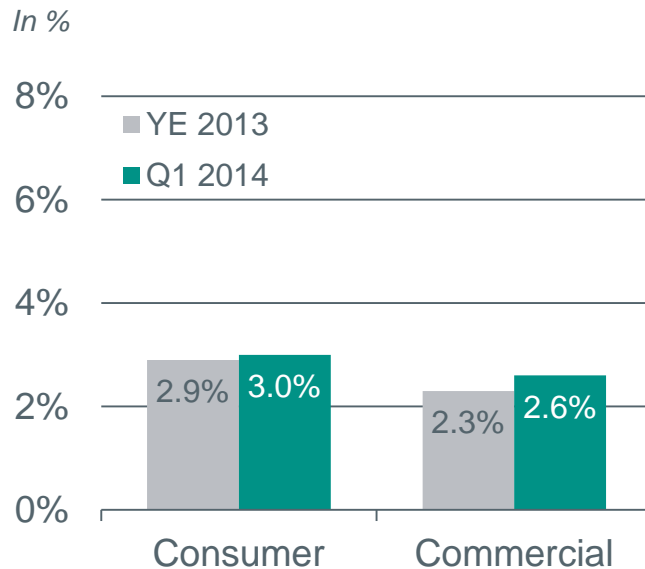
Impairment charges remained elevated

▶ Q1 2013: releases in CB & MB

- ▶ RB: higher mortgage impairments (higher credit losses and additional provisions for impaired portfolio)
- ▶ CB: impairments remained elevated. SME clients still facing difficulties
- ▶ MB: volatile impairment pattern

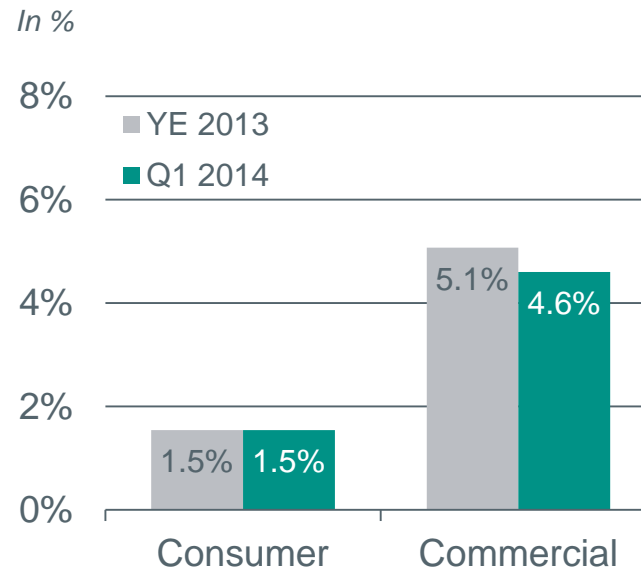
# Risk management: consumer & commercial loans

## Past due ratio



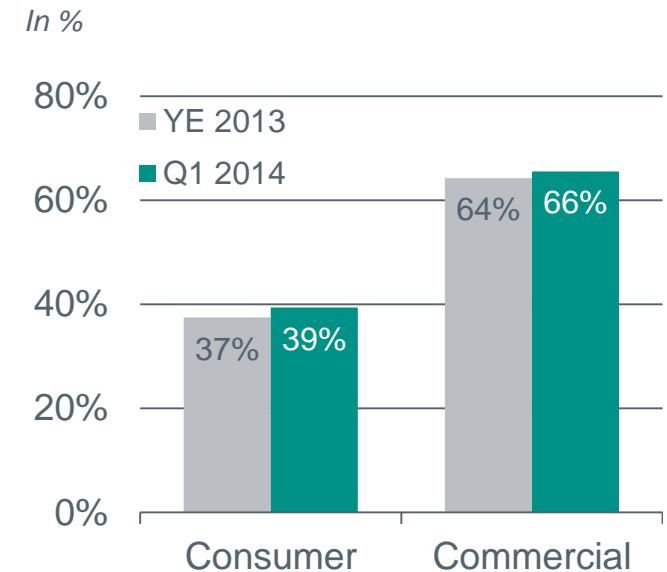
- ▶ Total past due portfolio slightly higher

## Impaired ratio



- ▶ Impaired ratio for commercial loans declined due to increase in securities financing exposures
- ▶ Total impaired portfolio slightly lower

## Coverage ratio



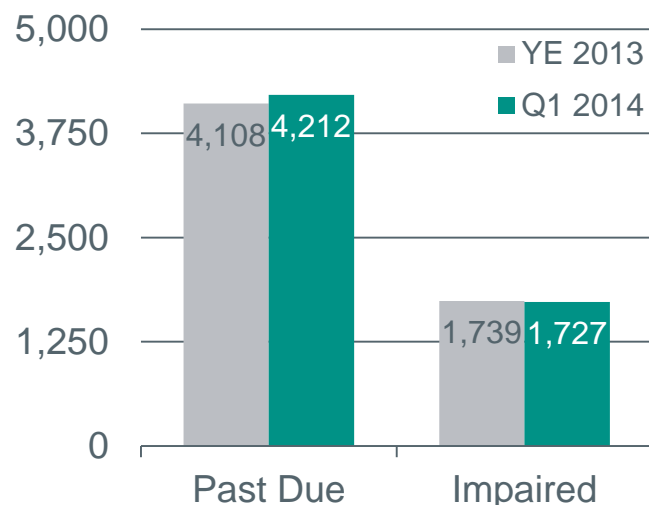
## Coverage ratio

- ▶ rose for consumer loans, mainly for mortgages

# Risk management: mortgage loans

## Past due & impaired

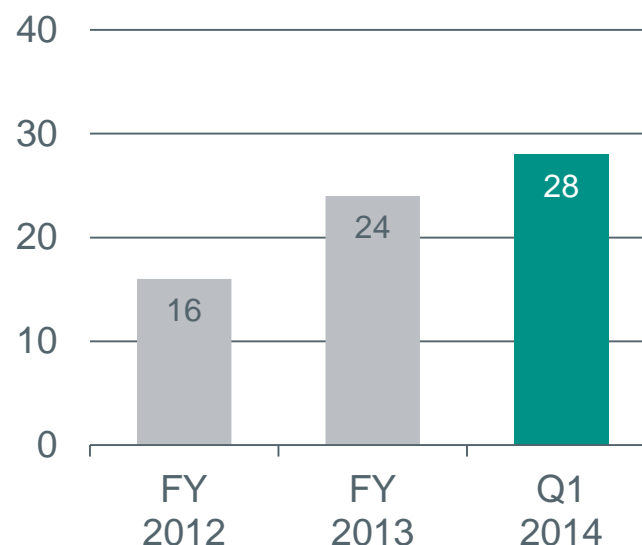
In EUR m



- ▶ Past due ratio and impaired ratio remained unchanged at 2.7% and 1.1%

## Cost of risk

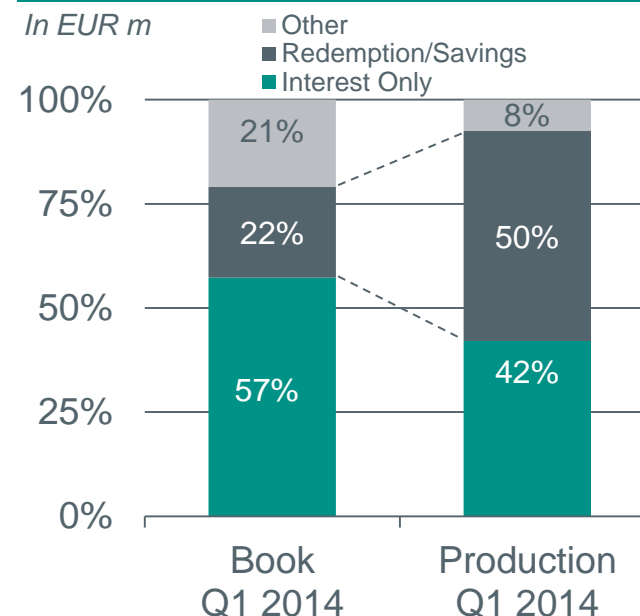
In bps



- ▶ Q1 impairments higher due to somewhat higher credit losses and additional provisions taken for mortgages which have been impaired for a longer period

## Book vs. production

In EUR m



- ▶ New production showed an increase in redemption/savings mortgages
- ▶ Mortgage book composition slowly changing

# concluding

Wietze Reehoorn



# Concluding

- ▶ Quarterly results improved due to higher operating income (higher NII) and cost control, partially offset by higher impairments
- ▶ Impairments remained elevated
- ▶ Strong capital position, both under current Basel III and fully-loaded rules
- ▶ Strong liquidity position and good start in 2014 issued LT wholesale funding
- ▶ Outlook 2014:
  - ▶ Signs of economic improvement
  - ▶ Impairments to remain elevated through 2014 but expected to end slightly below 2013 levels
  - ▶ Negotiated result reached on collective labour agreement including change of pension scheme to CDC, removing volatility from B/S

# questions & answers

# appendix

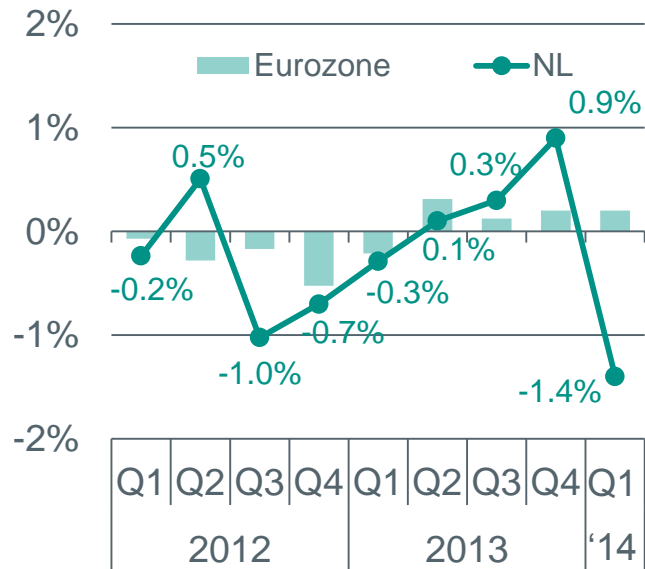
# Balance sheet

In EUR bn	31 March 2014	31 December 2013
Cash and balances at central banks	5.5	9.5
Financial assets held for trading	27.7	23.9
Financial investments	31.8	28.1
Loans and receivables – banks	37.2	31.2
<i>o/w securities financing</i>	14.6	7.3
Loans and receivables – customers	276.1	268.1
<i>o/w securities financing</i>	19.8	11.1
Other	12.1	11.2
<b>Total assets</b>	<b>390.3</b>	<b>372.0</b>
Financial liabilities held for trading	15.8	14.2
Due to banks	16.6	15.8
<i>o/w securities financing</i>	6.0	4.2
Due to customers	229.6	215.6
<i>o/w securities financing</i>	20.6	8.1
Issued debt	89.4	88.7
Subordinated liabilities	8.0	7.9
Other	17.0	16.1
<b>Total liabilities</b>	<b>376.4</b>	<b>358.5</b>
<b>IFRS Equity</b>	<b>13.9</b>	<b>13.6</b>
<b>Total liabilities &amp; equity</b>	<b>390.3</b>	<b>372.0</b>

# Economic developments

## GDP

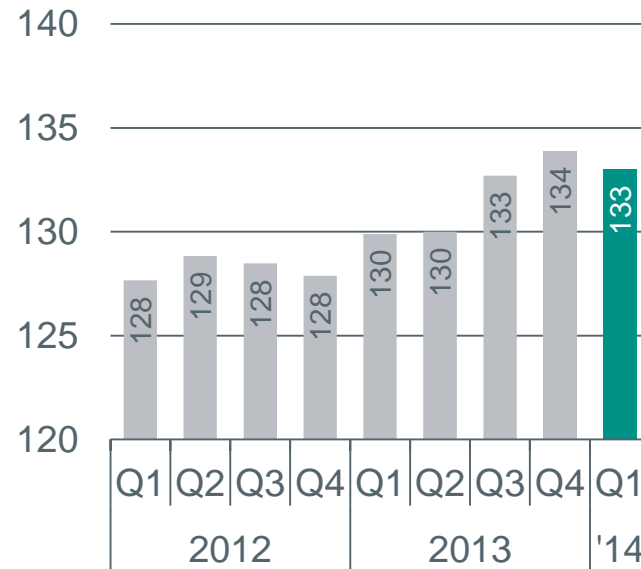
Q-o-Q, source Thomson Reuters Datastream, CBS



- ▶ Improving economic activity despite weak Q1
- ▶ ... but impairments to remain high for some time

## World trade

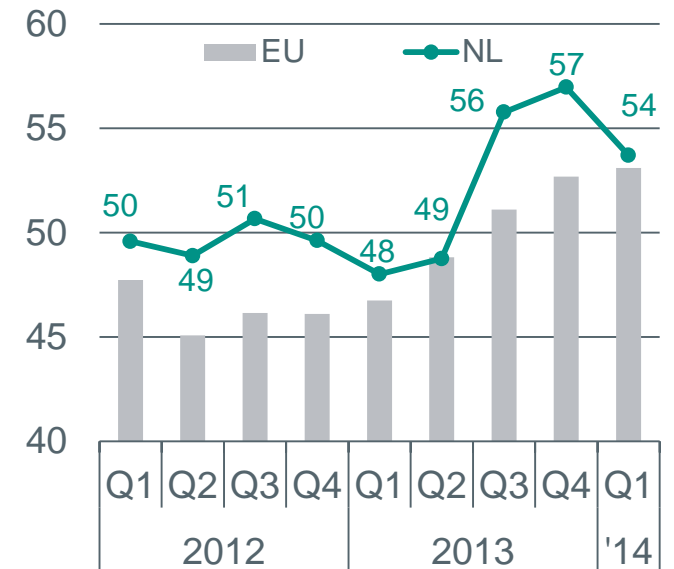
World trade monitor, source CPB



- ▶ World trade is on an upward trend

## PMI

PMI indices, source Thomson Reuters Datastream

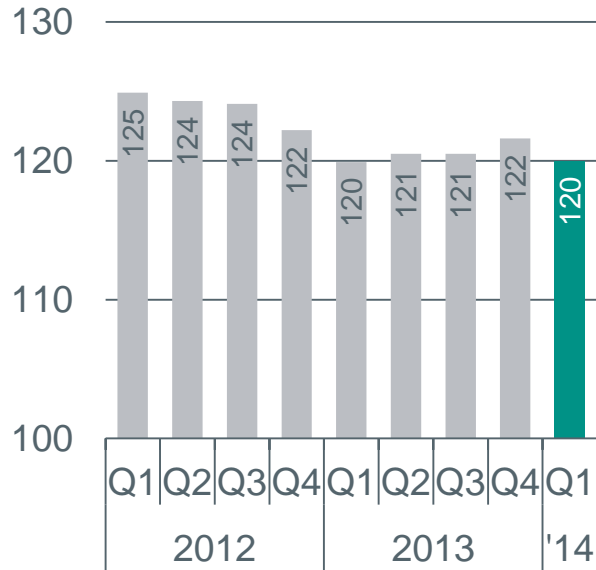


- ▶ PMI indices continue to show expansion (>50)

# Economic developments

## Domestic demand

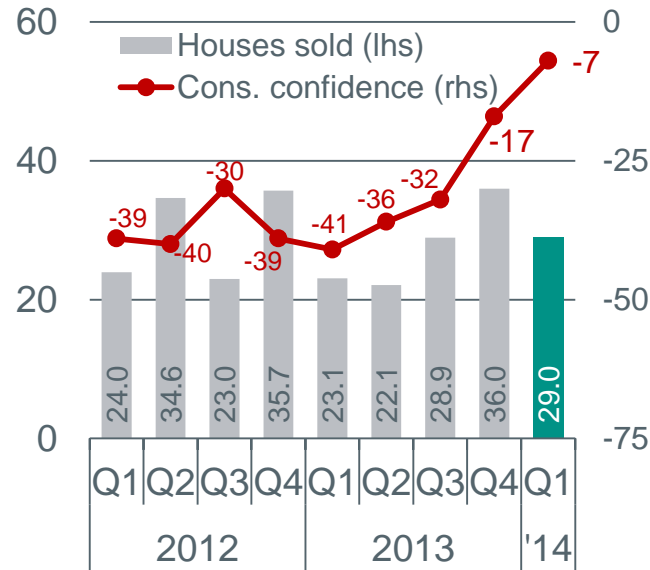
In EUR bn, source ABN AMRO Group Economics



- ▶ Q1 affected by low gas sales due to soft winter
- ▶ Trend points upwards as of Q2 2013

## Housing & confidence

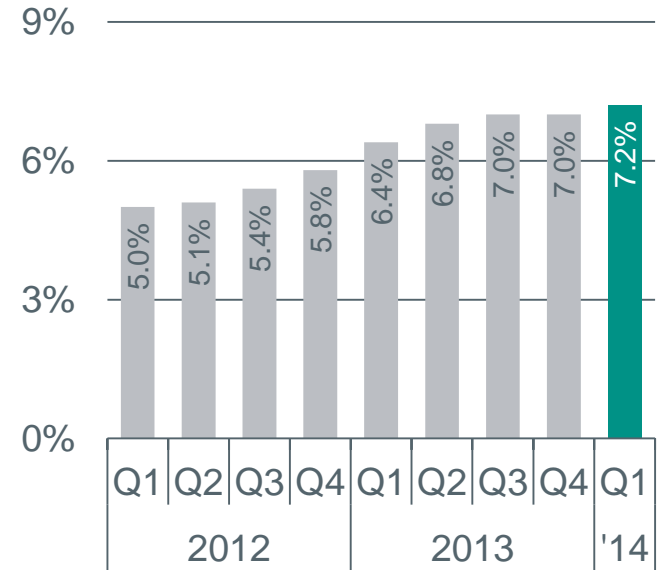
The Netherlands, seasonally adjusted confidence, house sales in '000, source CBS



- ▶ Dutch house sales picked up y-o-y
- ▶ Dutch consumer confidence at -5 per April 2014

## Unemployment

The Netherlands, source Eurostat



- ▶ Dutch unemployment continues to slowly rise



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