Investor Relations

results Q3 2019

investor and analyst presentation

13 November 2019

Highlights of Q3; robust financial results and operational delivery

Financials

- Robust net profit at 558m and ROE of 11.0%
- NII remained strong despite low interest rates, decreasing in line with guidance
- Cost saving programmes on track
- Continued moderate impairments, CoR of 16bps, reflecting de-risking of portfolio and resilient Dutch economy
- Strong Basel III CET1 ratio of 18.2%, leverage ratio at 4.2% [1)]

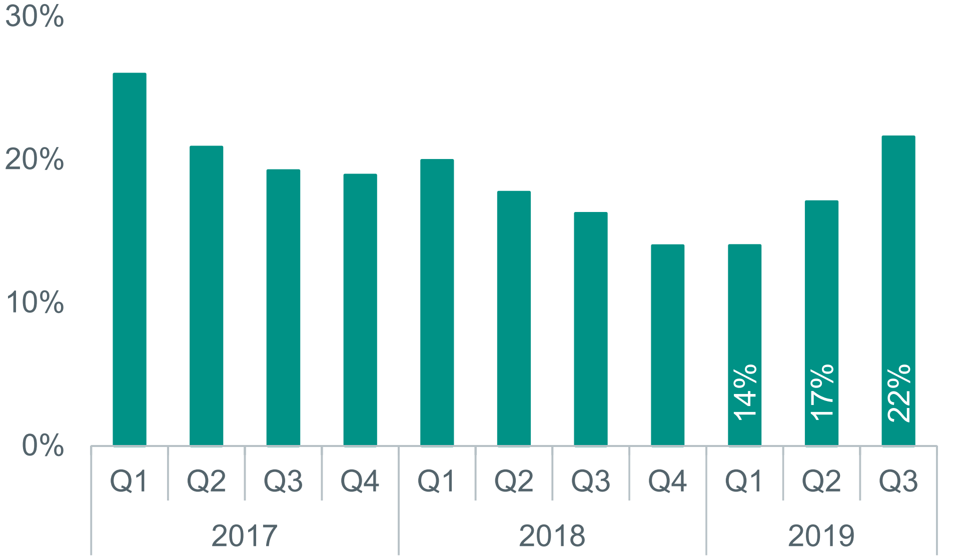
Strategic

- Delivering on solid operational performance while navigating challenges of lower for longer and Detecting Financial Crime
- Dutch public prosecutor started investigation under Act on prevention of money laundering and financing of terrorism (Wwft)
- Implementing comprehensive delivery plan on detecting financial crime
- C/I target of 56%-58% delayed reflecting income pressure from lower for longer
- CIB refocus on track; RWA reduction realized, continue focus on ROE improvement through cost reduction and business model transformation
- Strongly capitalised and well positioned to manage transition through TRIM and Basel IV

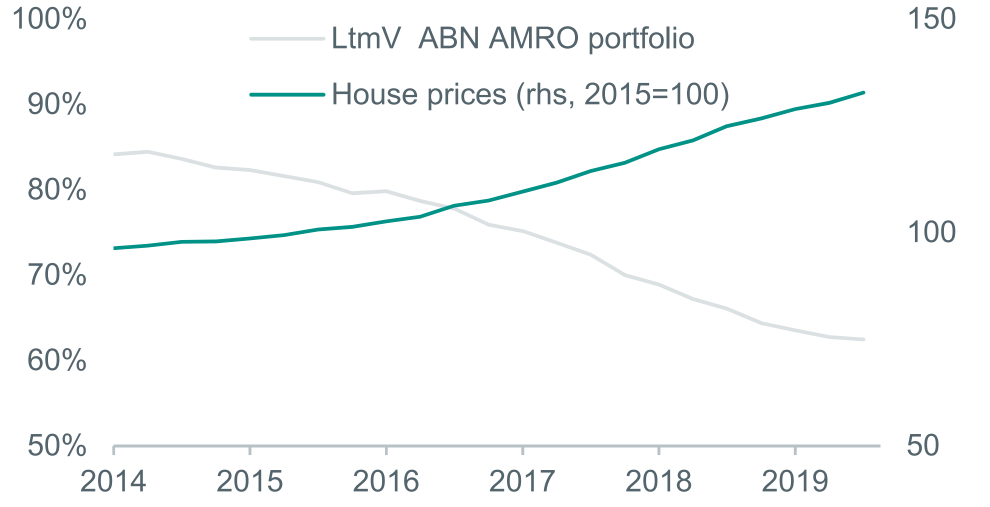
1) Capital ratios exclude the accrual of YTD2019 profit

Excellent performance in mortgages

Mortgage market share picking up [1]



Loan-to-Market Value (LtMV) improving with house prices [2]

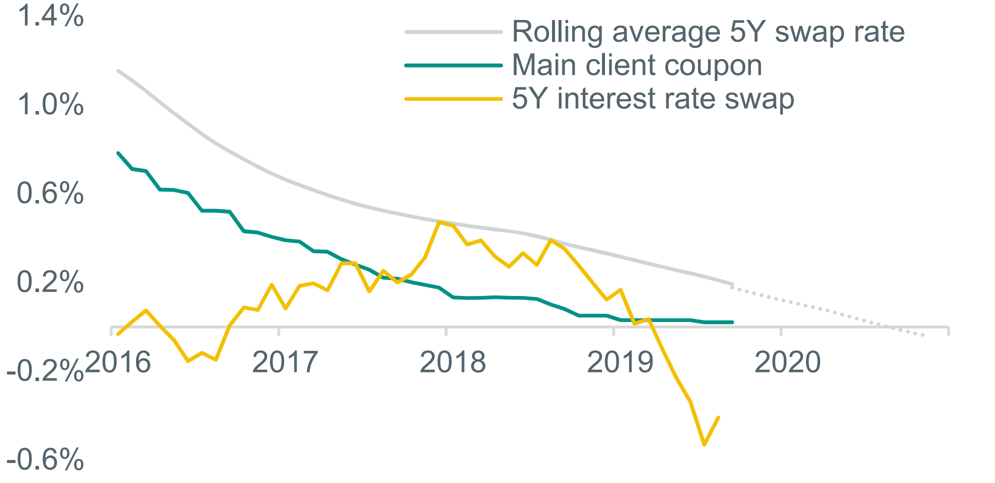


- Market share rising while maintaining pricing discipline and margins on new production
- Proposition strengthened by new products: originate-to-distribute platform extends our offering to 30 year fixed rate mortgages and home equity mortgage is a success with elderly people
- New production meets ROE hurdle also under higher risk weights imposed by DNB in 2020 as well as Basel IV
- Quality of portfolio improving further as LtMV declines with rising housing prices and accelerating (contractual) redemptions
- Outlook positive given structural housing shortage and expected growth of Dutch economy of 1.6% for 2019 and 1.0% in 2020 [3]

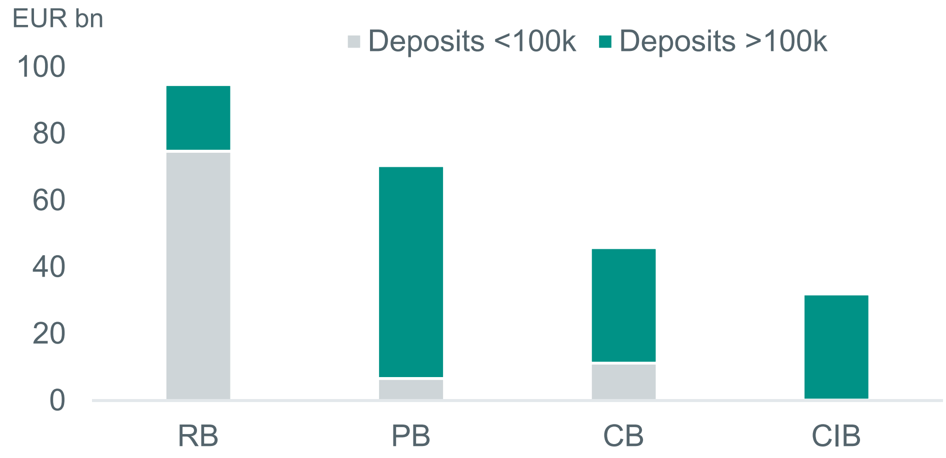
1) Source: Kadaster
2) Source: CBS, Kadaster
3) Source: ABN AMRO Group Economics forecast of 17 October 2019

Taking action as margin pressure on deposits builds further

Margin pressure on deposits building



Breakdown of deposit base per business line



- While low rates persist, expect c. 20m sequential quarterly NII impact into 2020 reflecting lower deposit margins [1)]
- Positive impact of deposit tiering (as of November) approx. 60m per annum [2)]
- Currently charging negative rates to CIB clients as well as largest PB and CB clients
- Will not charge negative rates on deposits below 100k, safeguarding around 95% of clients, representing around 40% of total deposits
- In addition, around 40% [3)] of total deposit volume is above 100k and is currently not subject to negative pricing

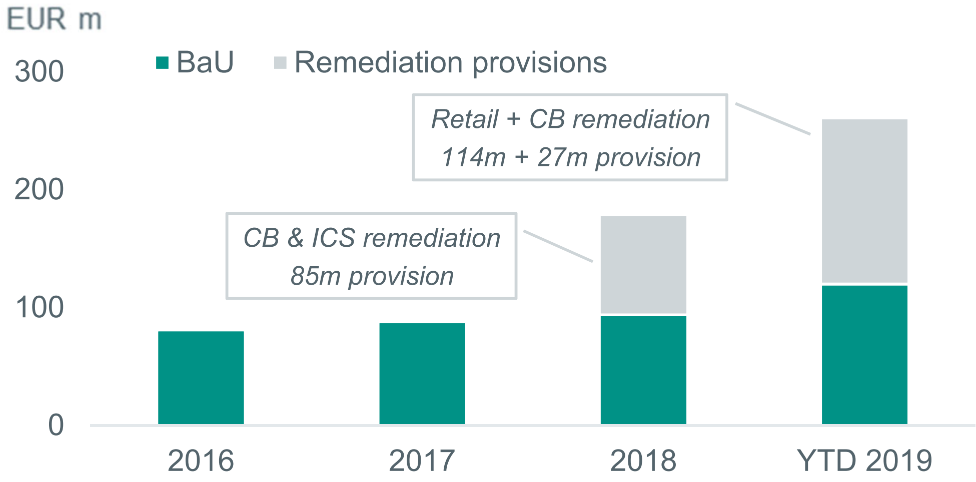
1) Excluding ECB deposit tiering and mitigating measures.
2) Average 30bn cash at ECB of which 2bn mandatory reserve; hence 6*2bn = 12bn will benefit from tiering
3) Excludes time deposits, CIB and GF deposits

Committed to Detecting Financial Crime (DFC)

Dutch public prosecutor initiated investigation

- Announced on 26 September that Dutch public prosecutor started an investigation under the Dutch Act on prevention of money laundering and financing of terrorism (Wwft)
- Investigation to focus on client files being in good order, timely reporting of unusual transactions, and timely discontinuation of client relationships
- Timing of completion investigation is uncertain
- Investigation may result in sanctions, such as a fine, which could be material
- ABN AMRO is cooperating fully with the investigation

Significant spend on Detecting Financial Crime



- Client Due Diligence (CDD) review of main CIB portfolios, PB clients and high risk retail clients already undertaken in past years
- Acceleration of CDD remediation programmes in CB and ICS announced in Q4 2018 is making progress, Retail started
- External review of current DFC activities completed during Q3. Recommendations incorporated in new Delivery Plan in collaboration with regulator

Robust financial results

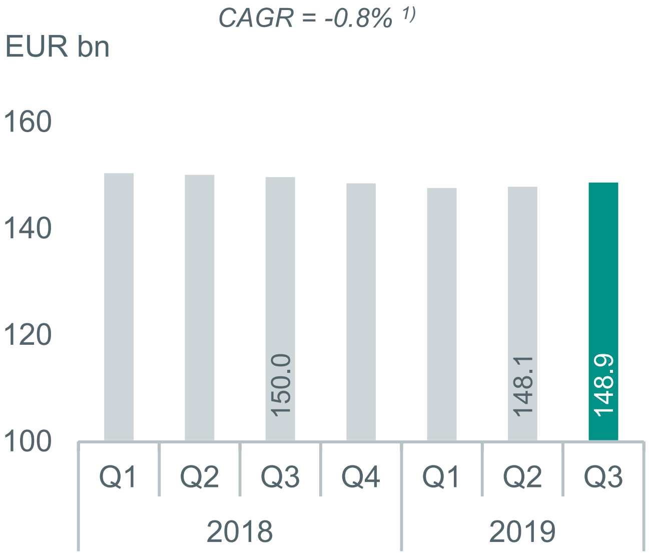
EUR m	2019 Q3	2018 Q3	Delta
Net interest income	1,628	1,624	0%
Net fee and commission income	409	417	-2%
Other operating income	63	277	-77%
Operating income	**2,101**	**2,318**	**-9%**
Operating expenses	1,247	1,227	2%
Operating result	**854**	**1,091**	**-22%**
Impairment charges	112	106	6%
Income tax expenses	184	247	-26%
Profit	**558**	**738**	**-24%**

Key points

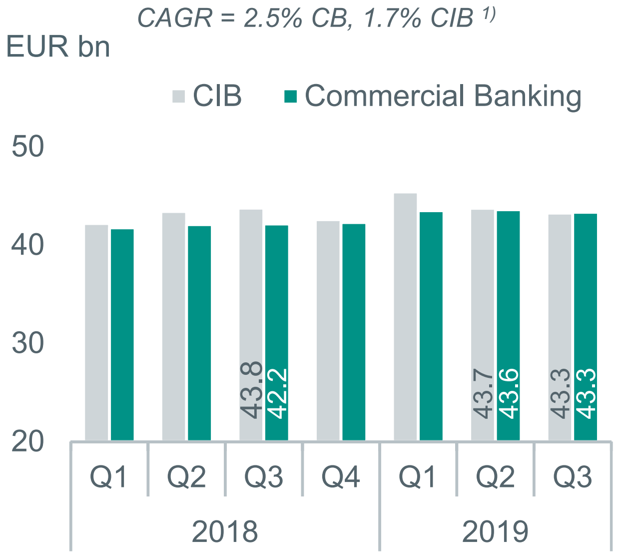
- Net profit of 558m, reflecting solid operational performance, moderate impairments and low other income
- NII remained strong despite low interest rates
- Fees up vs. Q3 2018 (excluding sale of Stater) reflecting higher asset management fees due to acquisition in Belgium
- Other income impacted by low gains on Equity participations
- Effective cost management mitigates impact of increase in DFC costs including remediation provision
- Moderate impairments, CoR of 16bps, reflecting de-risking and continuing resilient Dutch economy

Mortgage book up due to increased market share

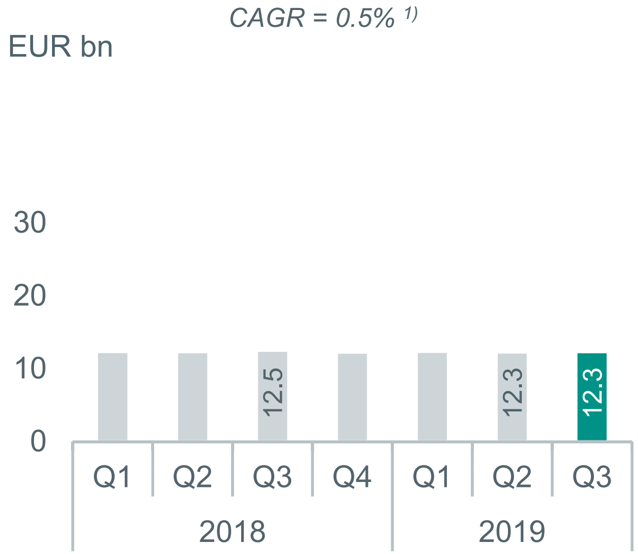
Mortgage client lending



Corporate client lending



Consumer loans client lending

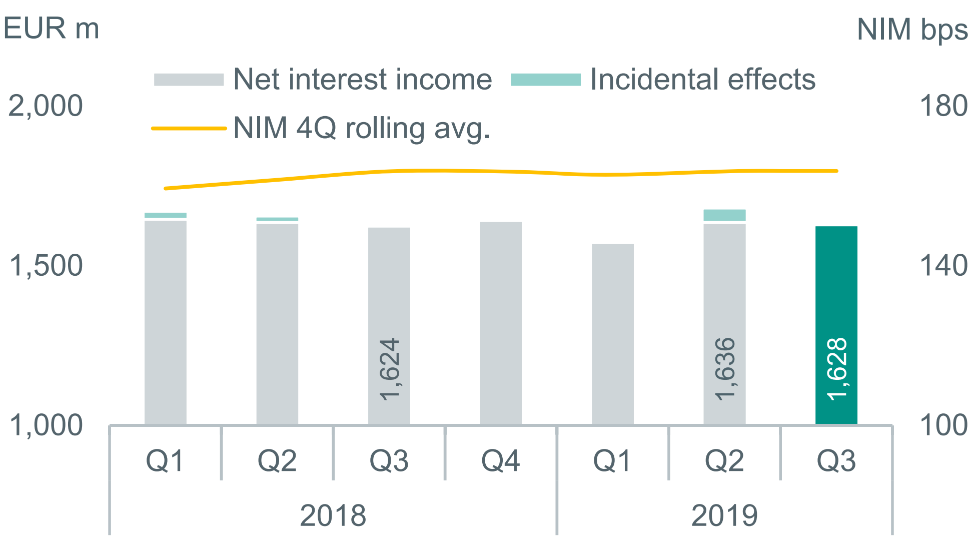


- Mortgage volume higher. Market share increased to almost 22% in Q3 (17% Q2) while maintaining pricing discipline
- CIB refocus towards a capital efficient business model taking shape; loan book declined further this quarter
- Commercial Banking loan book down slightly, reflecting focus on margins

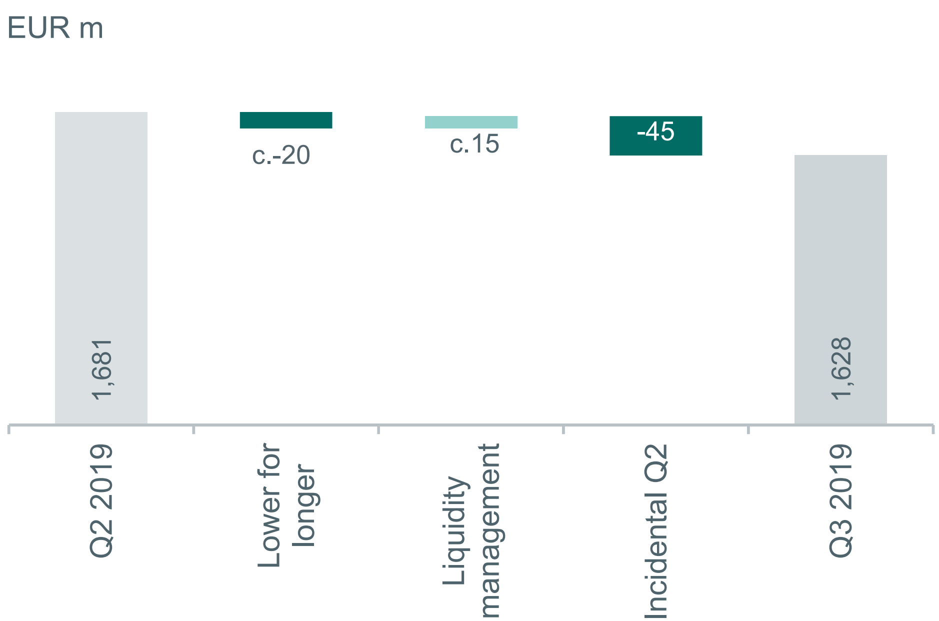
1) CAGR Q1 2018 – Q3 2019

Net Interest Income strong despite low interest rates

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



Transition NII

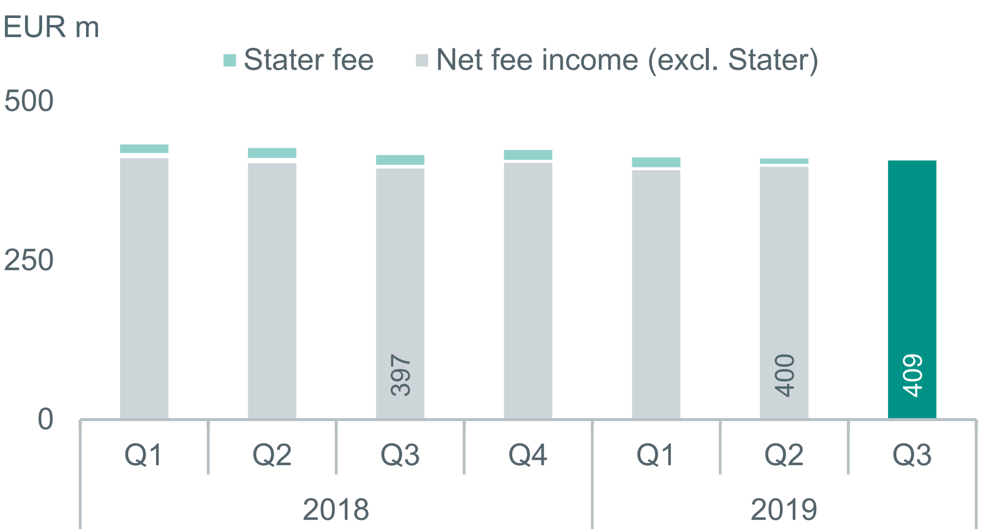


- NII down reflecting impact from continued low interest rates (~20m in Q3), mostly offset by a 15m positive liquidity management result (expected to reverse in Q4 2019)
- While low rates persist, expect c. 20m sequential quarterly NII impact into 2020 reflecting lower deposit margins [1)]
- Positive impact of deposit tiering around 60m p.a. from November 2019

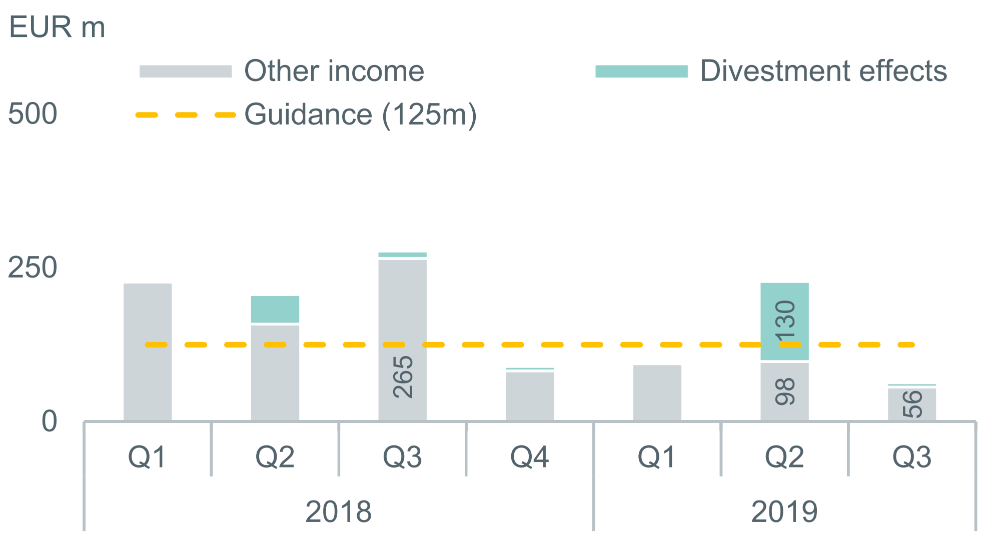
1) Excluding deposit tiering and mitigating measures

Fees up excluding divestment of Stater

Net fee income



Other operating income

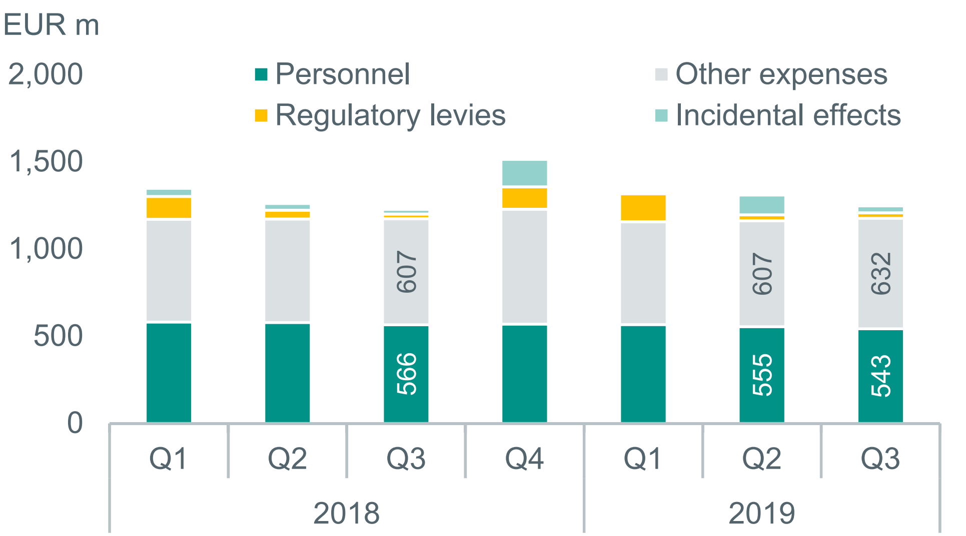


- Fees up (excluding divestment Stater[1)]) reflecting higher asset management fees due to the acquisition of PB activities in Belgium
- Other income below 125m guidance, mainly due to less favourable XVA results reflecting a decrease in interest rates and a lower liquidity management result
- Low volatile items Q3 2019 (Q3 2018): gains on participations 20m (107m), hedge accounting/RFT/liquidity management costs 9m (70m), CVA/DVA/FVA -23m (9m)

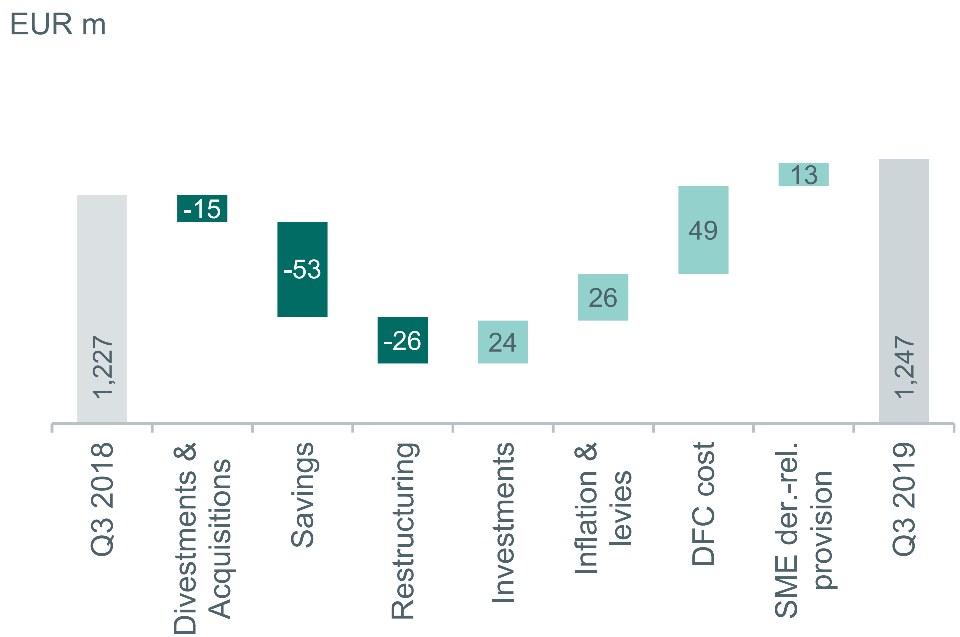
1) Q3 2018 included EUR 20m and Q2 2019 included EUR 13m Stater fees, impact Stater is c.80m lower fee income per annum

Costs continue to benefit from cost saving programmes

Operating expenses



Transition operating expenses



- Personnel expenses continue to trend down, reflecting lower FTEs
- DFC cost rose due to combination of higher BaU cost and a further provision of 27m for CDD remediation in CB
- On track to achieve planned EUR 1bn cost savings with cumulative savings achieved c. EUR 850m [1)]
- YTD annualized run rate excluding remediation provisions is around 5bn

1) Targeted cumulative cost savings vs. FY2015 cost base is 1bn by 2020

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

Impairments by industry sector

Industry	Q3	Segment	Comment current quarter
Dutch SMEs	50	CB	Utilities and Shipping
Natural Resources	35	CIB	Energy Offshore services, up- & mid stream related
TCF [1)]	9	CIB	including Diamonds
GTL [1)]	16	CIB	Shipping
Other	2		
Total (EUR m)	112		
Cost of risk (bps)	16		

Impaired portfolio (stage 3 IFRS9)

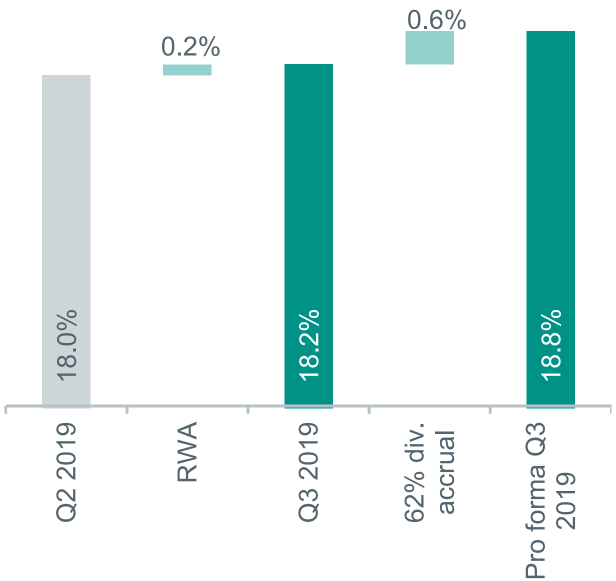
	Stage 3 loans (EUR m)		Coverage ratio	
	Q3 2019	Q2 2019	Q3 2019	Q2 2019
Mortgages	1,119	1,140	6.8%	7.4%
Consumer loans	366	386	54.5%	53.6%
Corporates	5,173	4,858	30.3%	31.2%
Other	4	5	100.0%	87.7%
Total	6,662	6,388	27.8%	28.4%
Impaired ratio (stage 3)	2.4%	2.3%		

- Moderate cost of risk at 16bps in Q3
- Resilient Dutch economy, impairments in CB reflect offshore support vessels and a file related to the utilities sector
- Moderate impairments in CIB, mainly in Energy offshore services, up- & midstream and to a lesser extent in diamonds
- For the full year expect cost-of-risk to remain below through-the-cycle range of 25-30bps, although Q4 likely elevated in Offshore and Retail Banking (model refinements)
- Decrease of coverage ratio Corporates mainly related to new inflow with a relative low coverage ratio

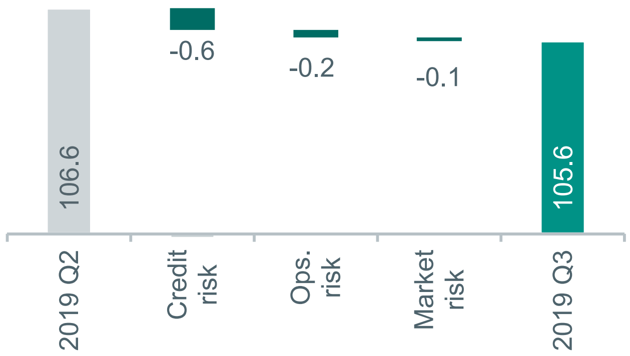
1) GTL = Global Transportation & Logistics, TCF = Trade & Commodity Finance

Strong capital ratios; Basel III RWA inflation expected

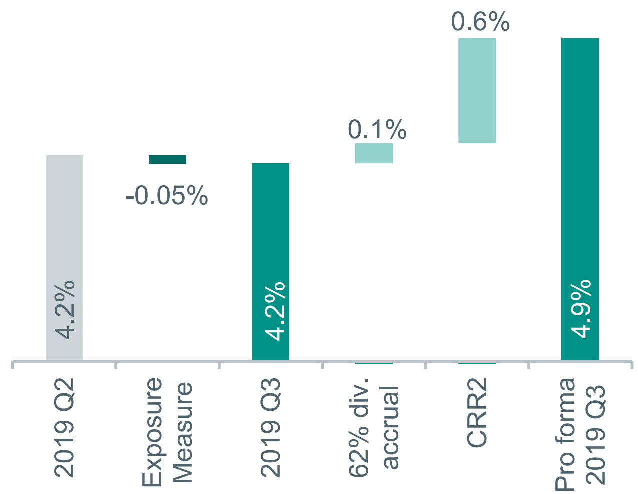
Basel III CET1 ratio [1]



Risk weighted assets (bn)



Leverage ratio [2]



- CET1 at 18.2% [1] reflecting RWA decrease from divestment of PB Channel Islands and stake in equensWorldline
- No additional TRIM or model review add-ons recorded at Q3 2019. Expect further Basel III RWA inflation in 2020 from TRIM, definition of default, model reviews and announced risk weight floor on mortgages by DNB
- Q3 Basel IV CET1 ratio remained strong and stable at c.13.5% excluding profit accrual
- Leverage ratio flat at 4.2%, full year profit will be included in Q4
- At full-year results additional distributions in excess of 50% will be considered if capital is within or above the target range and subject to other circumstances including regulatory and commercial considerations

1) Interim profits are not included in CET1 capital as from Q1 2019. YTD2019 accrued dividend based on 62% (pay-out 2018) of sustainable profit would add +0.6% on the CET1 ratio to pro forma 18.8%
2) Leverage ratio including CRR2 and YTD 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. 66bn.

Financial targets

	2018	YTD 2019	Q3 2019	Targets
Return on Equity	11.4%	11.3%	11.0%	10-13%
Cost/Income ratio	58.8%	59.7%	59.4%	56-58%
CET1 ratio (FL)	18.4%	18.2%[1)]	18.2%[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%

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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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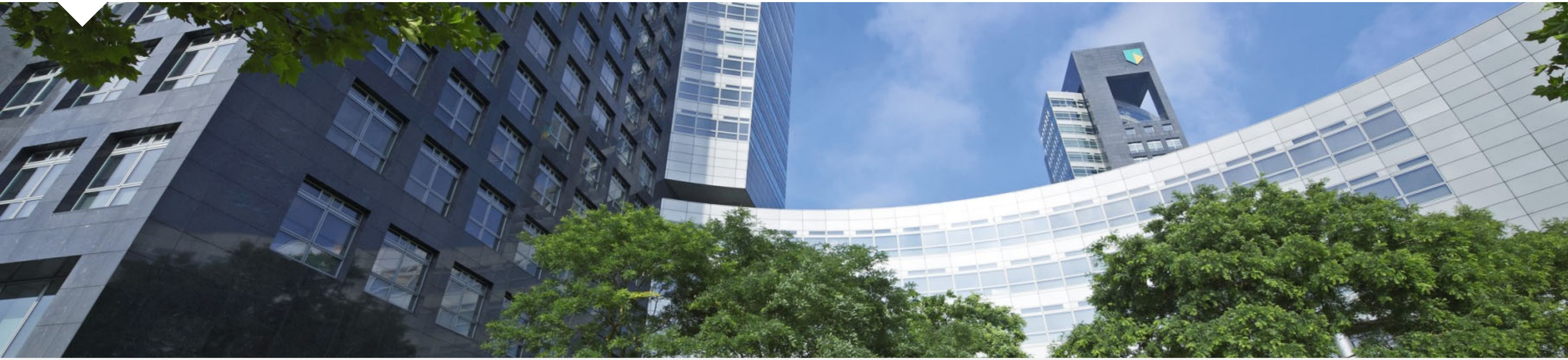

Address
Gustav Mahlerlaan 10
1082 PP Amsterdam
The Netherlands

Website
ABN AMRO www.abnamro.com/ir

Questions
investorrelations@nl.abnamro.com