Investor Relations

results Q1 2019

investor and analyst presentation

15 May 2019

Highlights Q1, good progress on strategic execution

Financials

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- NII largely reflects elevated liquidity management costs
- Costs continue to benefit from cost saving programmes
- Impairments improved in Q1, CoR of 15bps
- Strong Basel III CET1 ratio at 18.0%, Basel IV CET1 ratio remained largely unchanged vs YE2018
- Leverage ratio at 4.1%, legal merger expected to close later this year

Strategic

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- Belgium PB acquisition finalised; announced sale Channel Islands will conclude the divestment of PB activities
- CIB refocus progressing well, largely delivered on 5bn RWA reduction
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- Focused on financial targets

Good progress on execution of ‘Banking for better’ strategy

Sustainability

Support our clients’ transition to sustainability as a business case

- Sustainable mortgage step-up of up to 25k to improve efficiency homes
- Mortgage solution for seniors to cash in equity without selling property
- Sole structuring advisor for first Green bond for the Dutch State

Customer experience

Effortless and recognisable customer experience through client and data focus

- Improve NPS step-by-step, e.g in customer on-boarding
- Improve access through digital channels, e.g. Kendu (investment app), wearables
- Extending into new client journeys, e.g. Lyanthe (accounting software), Komgo (digitalisation TCF processes)

Future-proof bank

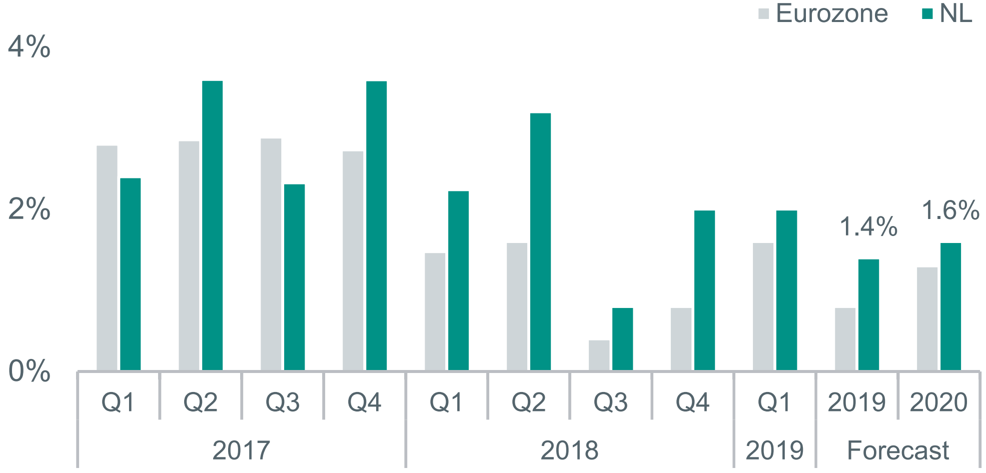
Organisational structure, processes and IT systems to realise our strategy

- IT Transformation on track; DevOps programme initiated
- Consistency & consolidation, e.g. in back office operations
- Product rationalisation for a simpler and more intuitive product suite
- Client Due Diligence foundation in place, CB and ICS remediation progressing

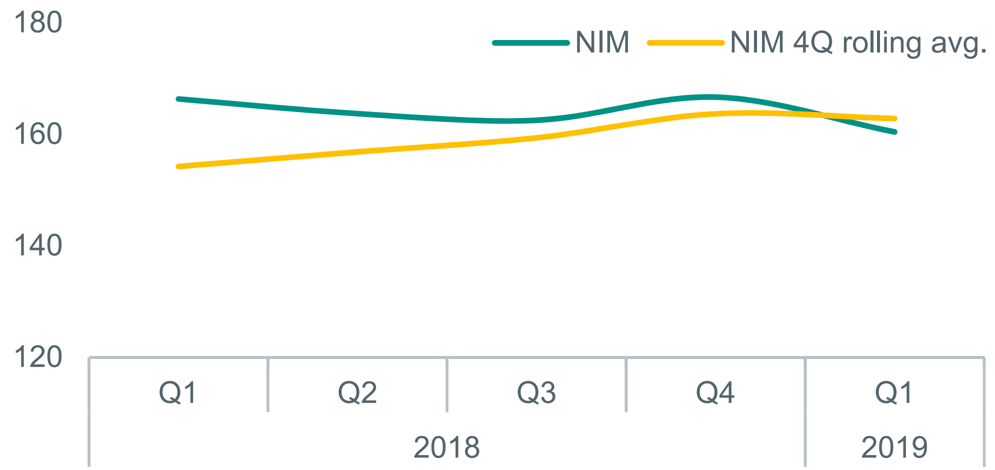
Management action in low interest rate environment

Dutch economy continues to outperform Eurozone [1)]

GDP growth annualised



Actively managing NIM in low rate environment



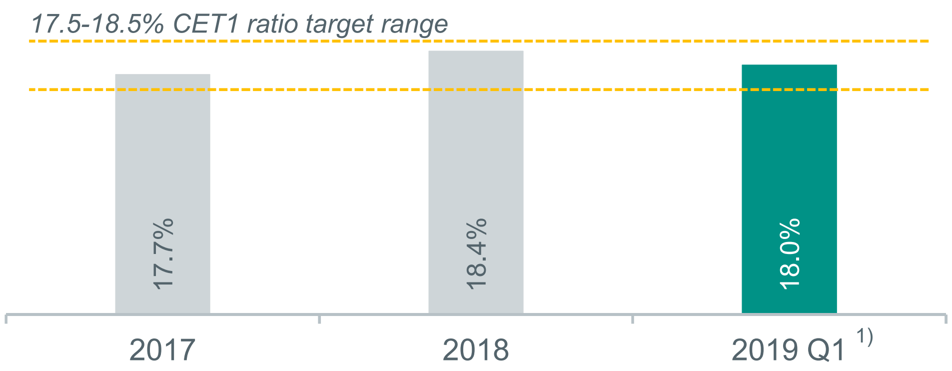
- Dutch GDP growth revised to 1.4% in 2019, outperforming Eurozone at 0.8% [1)]
- Net interest margin resilient so far despite low rates; mitigating future income headwinds through focus on margins, developing new revenue opportunities and further reducing deposit rates
- Continued cost discipline to mitigate headwinds including compliance and regulatory costs
- We are focussed on our financial targets

1) Source: ABN AMRO Group Economics forecasts of 18 April 2019, CBS Statline

Strongly capitalised, well positioned to manage transition to Basel IV

Basel III

CET1 ratio



Basel IV

- Basel IV CET1 ratio remained largely unchanged vs YE2018
- At YE2018 Basel IV CET 1 ratio c. 13.5% before mitigations and >14% post mitigations [2)]
- Well positioned for >13.5% Basel IV CET1 target early in the phase-in [3)]
- RWA developments reflect volumes, mitigation and management response

- Strongly capitalised under Basel III and well positioned to manage transition through TRIM, model and provision reviews [4)]
- Expect further impact from TRIM and model reviews under Basel III, reducing Basel IV RWA impact. To reflect this, we will reduce the Basel III capital target range accordingly
- Well positioned for Basel IV; mitigations will improve this further

1) Interim profits are not included in CET1 capital as from Q1 2019. Accrued dividend based on 62% (pay-out 2018) of sustainable profit would add +0.16% on the CET1 ratio
2) Mitigations to reduce Basel IV RWA inflation by c. 1/5th
3) Anticipate EU implementation as from 2022 with ongoing uncertainties on details
4) Provision reviews include industry-wide NPE guidance

Lower income, good cost control and improved impairments

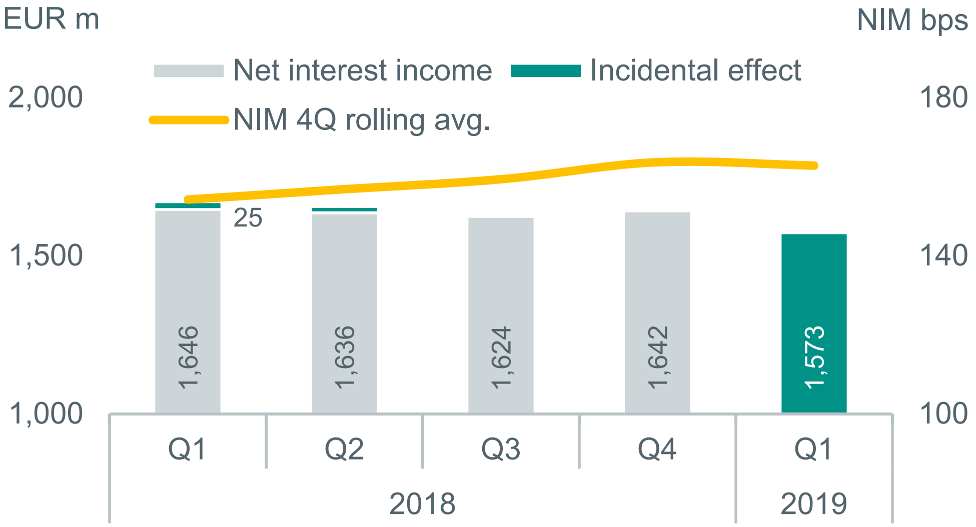
EUR m	2019 Q1	2018 Q1	Delta
Net interest income	1,573	1,671	-6%
Net fee and commission income	414	431	-4%
Other operating income	94	227	-59%
Operating income	**2,081**	**2,329**	**-11%**
Operating expenses	1,327	1,348	-2%
Operating result	**754**	**981**	**-23%**
Impairment charges	102	208	-51%
Income tax expenses	174	178	-3%
Profit	**478**	**595**	**-20%**

Key points

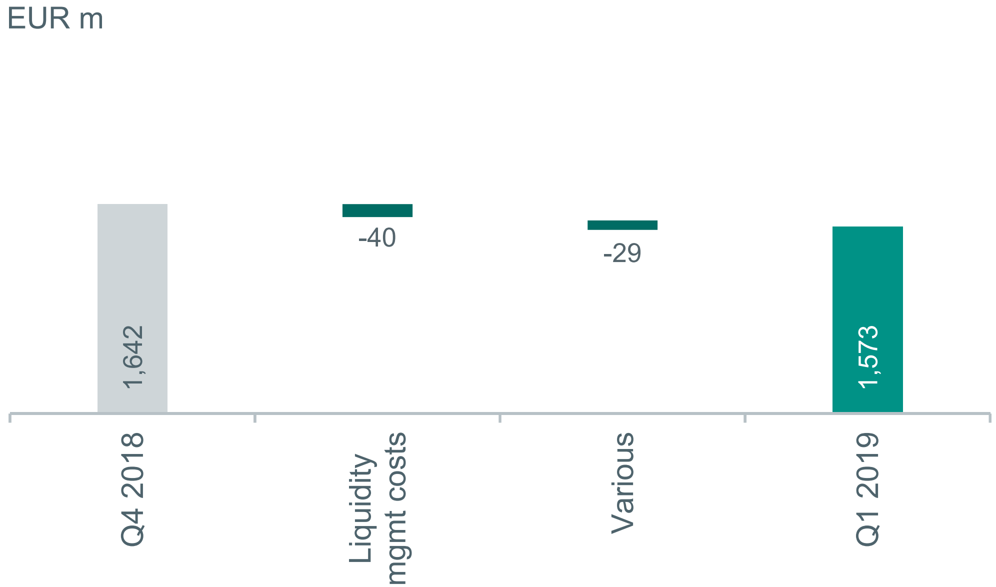
- Net profit down to 478m, reflecting lower income, partly offset by lower impairments
- NII largely reflects elevated liquidity management costs
- Fees down modestly reflecting developments in financial markets
- Other income impacted by 34m provision related to SME-derivatives in Q1 2019 and low gains on participations
- Expenses continue to trend down, reflecting cost savings and lower FTEs
- Impairments improved; CoR of 15bps

Lower net interest income largely due to elevated liquidity management costs

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



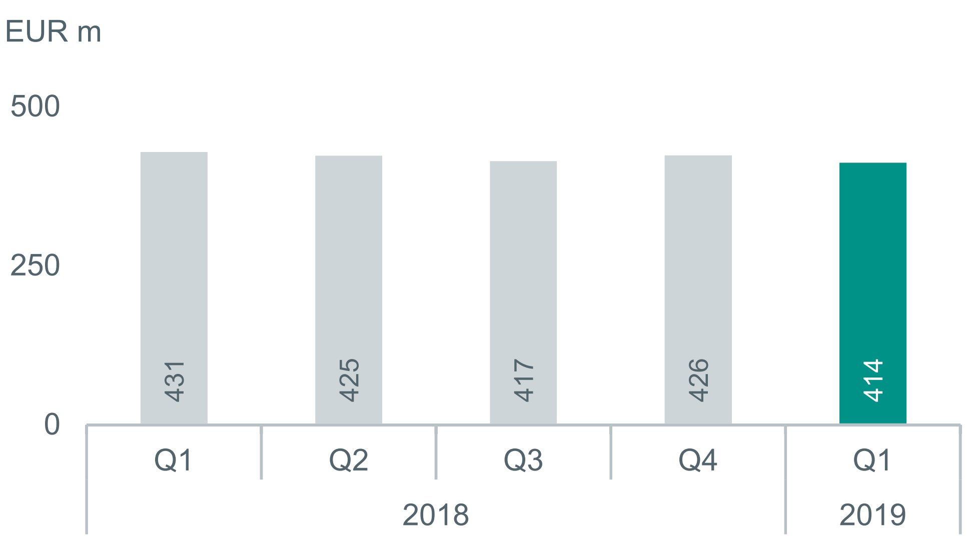
Transition NII



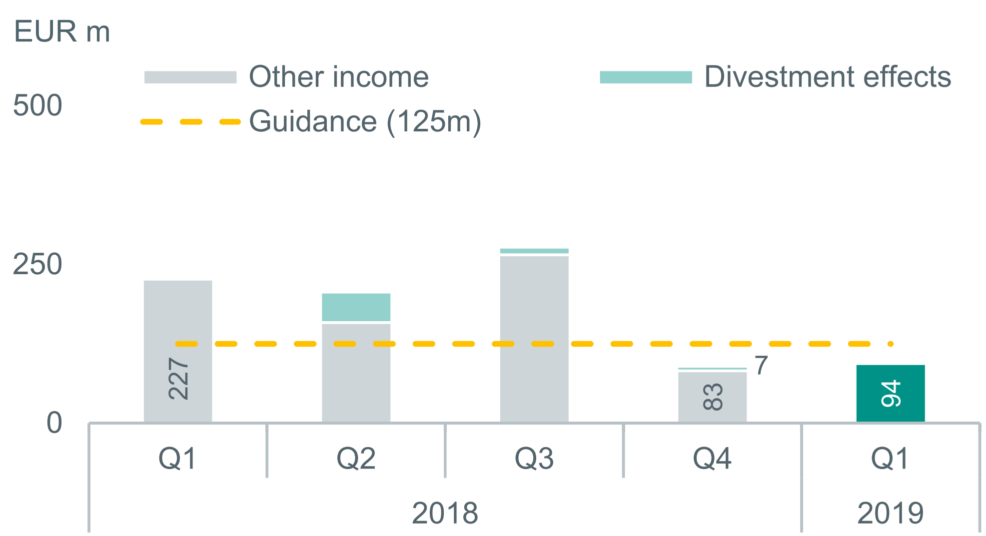
- NII lower, reflecting elevated liquidity management costs, various one-offs, a small impact from continued low interest rates, partly offset by corporate loan growth
- Elevated liquidity management costs, relating to temporarily elevated FX positions, are fully offset in other income
- Client lending rose by 3bn due to growth in CB (strong economy), CIB (largely seasonal effects) and lower mortgage book reflecting our market share of new production stabilising at 14% at stable margins

Financial market developments and incidentals impact non-interest income

Net fee income



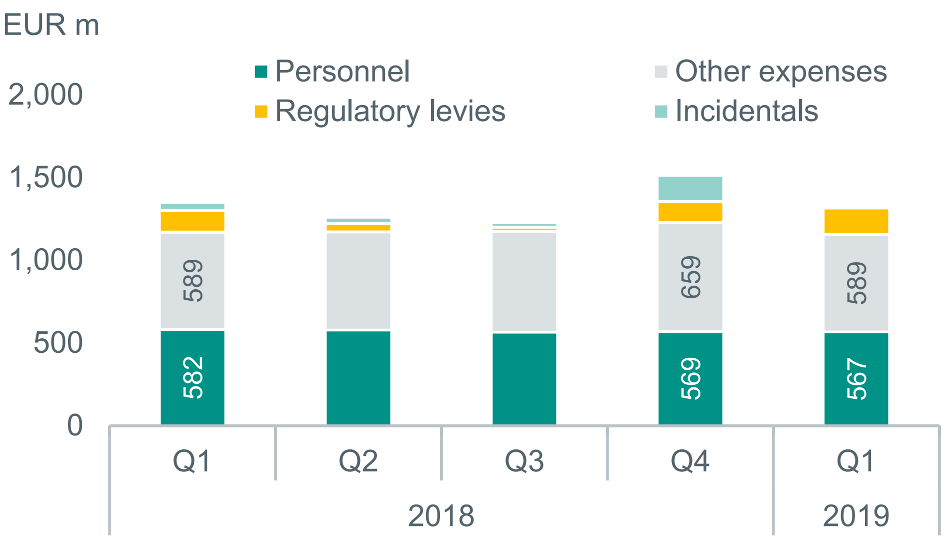
Other operating income



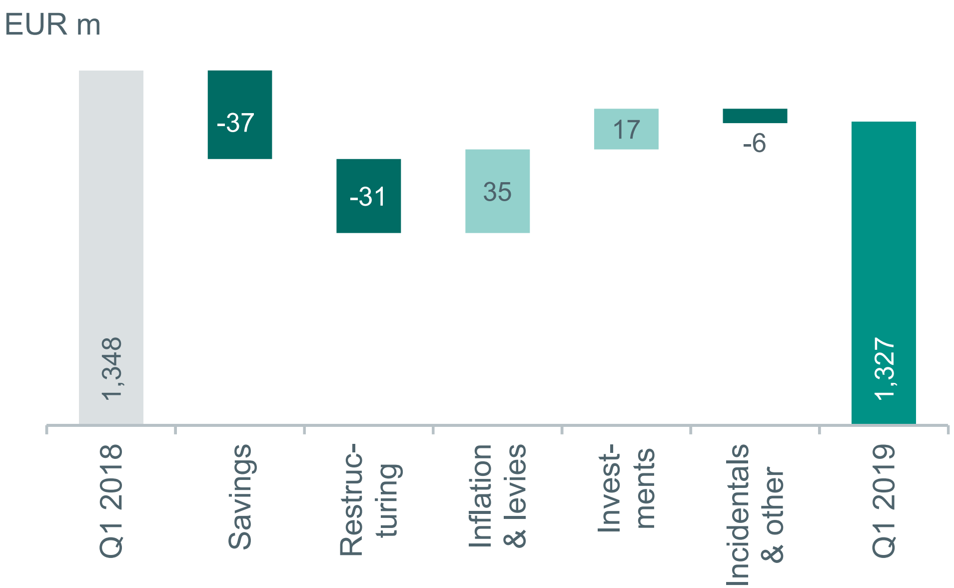
- Fees lower vs Q1 2018 reflecting developments in financial markets impacting PB and CIB. Fees slightly lower vs Q4 as Q4 included annual payments to ICS
- Other income below 125m guidance, reflecting 34m provision related to SME-derivatives in Q1 2019 and low gains on participations
- Accounting effects Q1 2019 (Q1 2018): hedge accounting/RFT incl. liquidity management costs 63m (24m), CVA/DVA/FVA -7m (-4m)

Costs continue to benefit from cost saving programmes

Operating expenses



Transition operating expenses



- Personnel expenses continue to trend down, reflecting lower FTEs
- Other expenses, excl. incidentals and higher levies, stable vs Q1 despite increasing compliance costs. Down after seasonally higher costs in Q4
- Cumulative cost savings of 742m delivered at 31 March 2019 [1)]

1) Targeted cumulative cost savings vs. FY2015 cost base on the back of cost savings programmes in total 1.0bn by 2020

Improved impairments in Q1

Impairments by industry sector

Industry	Q1	Segment	Comment current quarter
Dutch SMEs	61	CB	Across various sectors
Natural Resources	24	CIB	Energy incl. offshore
TCF [1)]	7	CIB	Largely Diamonds
GTL [1)]	-1	CIB	Shipping
Other	11		
Total (EUR m)	102		Mainly stage 3 impairments
Cost of risk (bps)	15		

Impaired portfolio (stage 3 IFRS9)

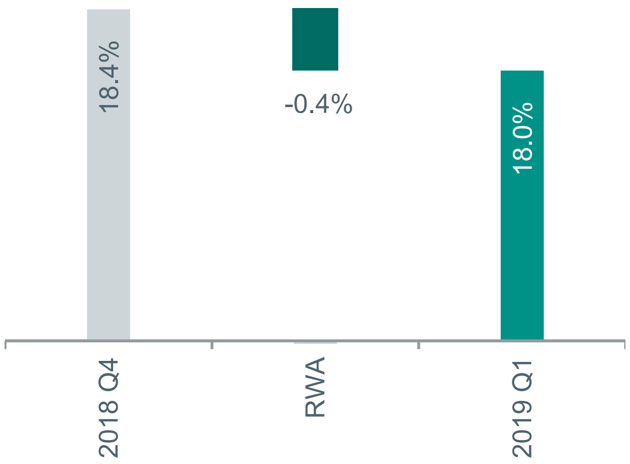
	Impaired loans (EUR m)		Coverage ratio	
	Q1 2019	Q4 2018	Q1 2019	Q4 2018
Mortgages	739	763	9.3%	10.0%
Consumer loans	411	481	49.8%	47.7%
Corporates [2)]	4,904	4,636	29.8%	33.5%
Other [2)]	6	6	68.9%	68.9%
Total	6,060	5,887	28.7%	31.6%
Impaired ratio (stage 3)	2.2%	2.2%		

- Impairments at 102m; primarily across various sectors in CB, Energy including offshore, and Diamonds
- Coverage ratio on corporates lower due to write-off of some highly provisioned files and some new inflow with lower coverage
- Q1 cost of risk at 15bps; we reconfirm our expectation below the through-the-cycle cost of risk of 25-30bps for 2019

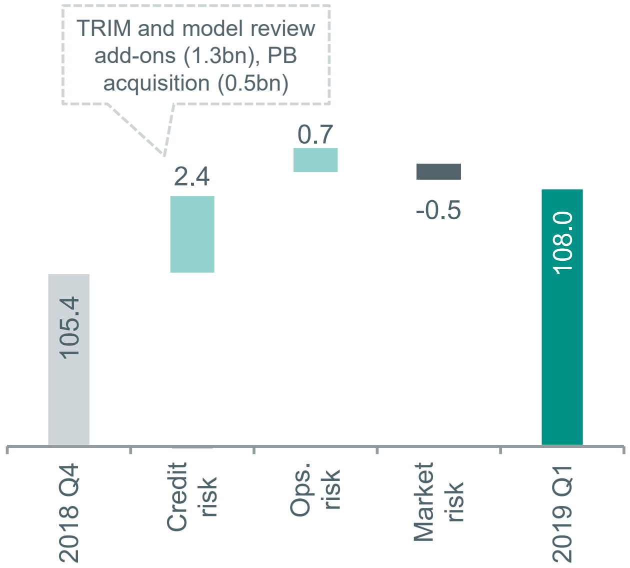
1) GTL = Global Transportation & Logistics, TCF = Trade & Commodity Finance
2) As of Q1 2019 Lease & Factoring business moved from Other to Corporates, Q4 2018 was restated

Strong capital ratios; Basel III RWA headwinds expected

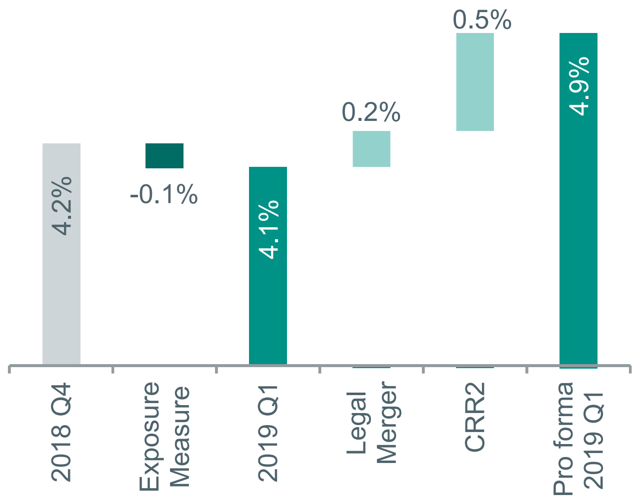
Basel III CET1 ratio [1]



Risk weighted assets (bn)



Leverage ratio [2]



- CET1 at 18.0%, reflects exclusion of interim profits and net RWA increase from seasonal volume recovery, TRIM and model reviews, and PB acquisition in Belgium
- Headwinds expected from further TRIM, model and provision reviews. Most impact Basel III and to a lesser extent Basel IV
- Largely delivered on 34bn RWAs in CIB, 5bn net reduction versus Q1 2018 (excluding TRIM and model review add-ons)
- Leverage ratio 4.1%. Legal merger results in 0.2% uplift in 2019, CRR2 implementation another 0.5% uplift in 2021

1) Interim profits are not included in CET1 capital as from Q1 2019. Accrued dividend based on 62% (pay-out 2018) of sustainable profit would add +0.16% on the CET1 ratio
2) Leverage ratio including CRR2 and after legal merger at 4.9%. CRR2 assumes SA-CCR calculation methodology for clearing guarantees and is estimated to decrease Exposure Measure by c. 58bn. Legal merger impact leverage ratio +0.2%. Interim profits are not included in Tier 1 capital. Accrued dividend based on 62% of sustainable profit would add +0.03% on leverage ratio

Financial targets

	2018	Q1 2019	Targets
Return on Equity	11.4%	9.2% 1)	10-13%
Cost/Income ratio	58.8%	63.8% 1)	56-58% by 2020 <55% by 2022
CET1 ratio (FL)	18.4%	18.0% 2)	17.5-18.5% (2019)
Dividend - per share (EUR) - pay-out ratio	1.45 62%	-	▪ 50% of sustainable profit 3) ▪ Additional distributions will be considered 3) ▪ Combined at least 50%

1) Reflect high regulatory levies this quarter. When regulatory levies are evenly divided over the year the Return on Equity is 10.2% and cost/income ratio 60.2% for Q1 2019
2) Interim profits are not included in CET1 capital as from Q1 2019. Accrued dividend based on 62% (pay-out 2018) of sustainable profit would add +0.16% on the CET1 ratio
3) 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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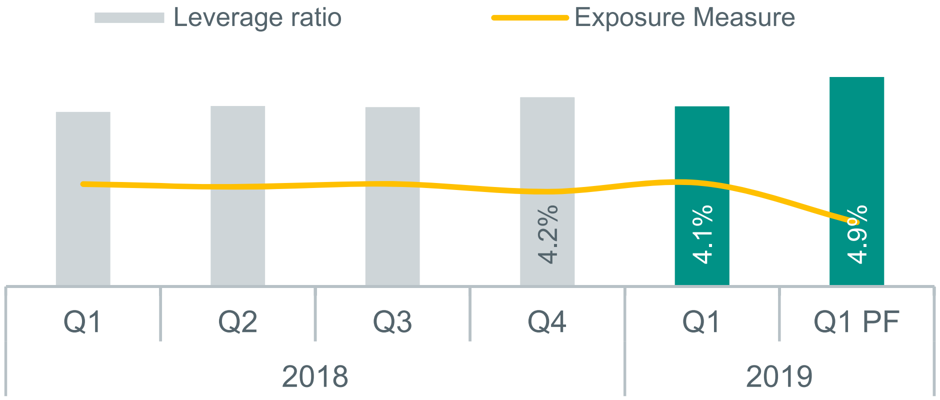
Appendix

Capital ambitions on track

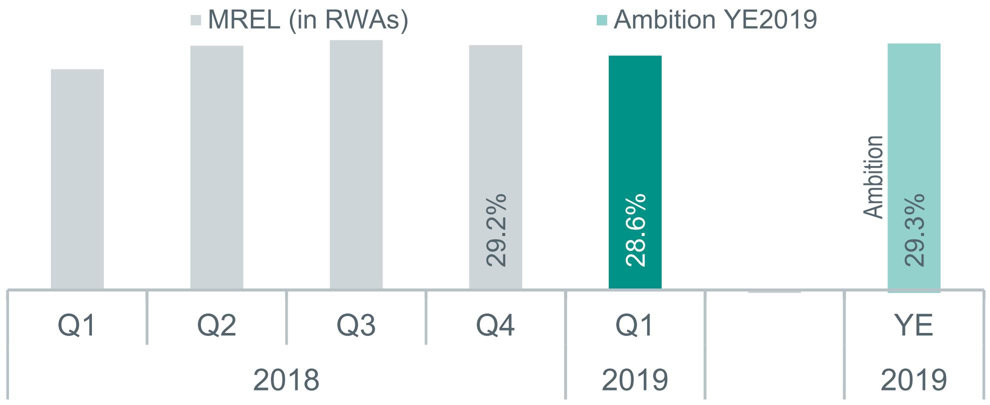
Leverage ratio [1)]

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



MREL (in RWAs)

Based on Own Funds (CET1, AT1, T2), sub debt and SNP [2)]



- Group leverage ratio at 4.1%
- Including CRR2 and the Legal Merger the leverage ratio is expected to increase to 4.9% [1)]
- Legal merger approved by depository receipt holders, subject to approval from regulators

- MREL around ambition at 28.6%
- 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 YE2019
- Headwinds expected from further TRIM, model reviews and provision reviews

1) Leverage ratio including CRR2 and after legal merger at 4.9%. CRR2 assumes SA-CCR calculation methodology for clearing guarantees and is estimated to decrease Exposure Measure by c. 58bn. Legal merger impact leverage ratio +0.2%. Interim profits are not included in Tier 1 capital. Accrued dividend based on 62% (pay-out 2018) of sustainable profit would add +0.03% on leverage ratio
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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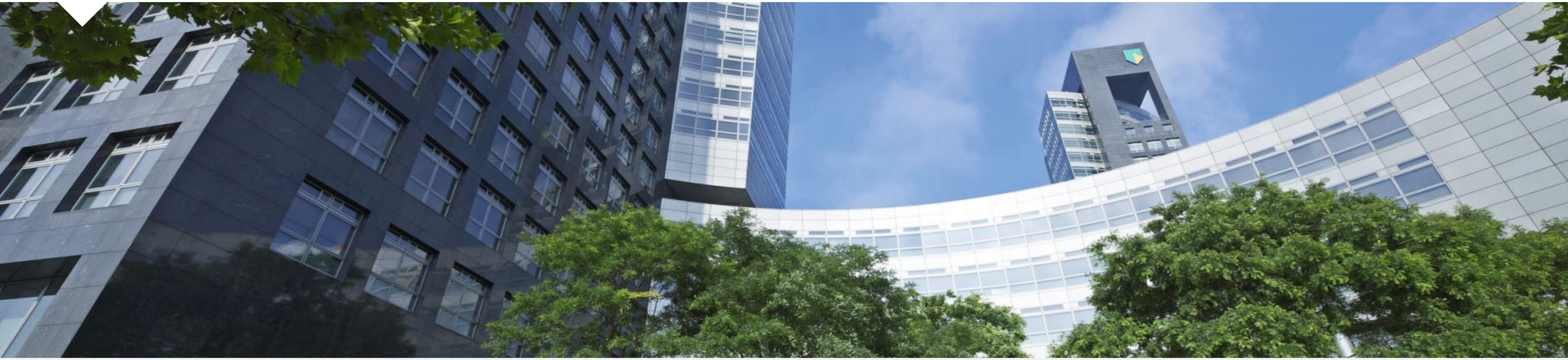

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