ABN·AMRO

Investor Relations

results Q1 2018

investor and analyst presentation

14 May 2018

Highlights of Q1, a solid quarter

Financial progress

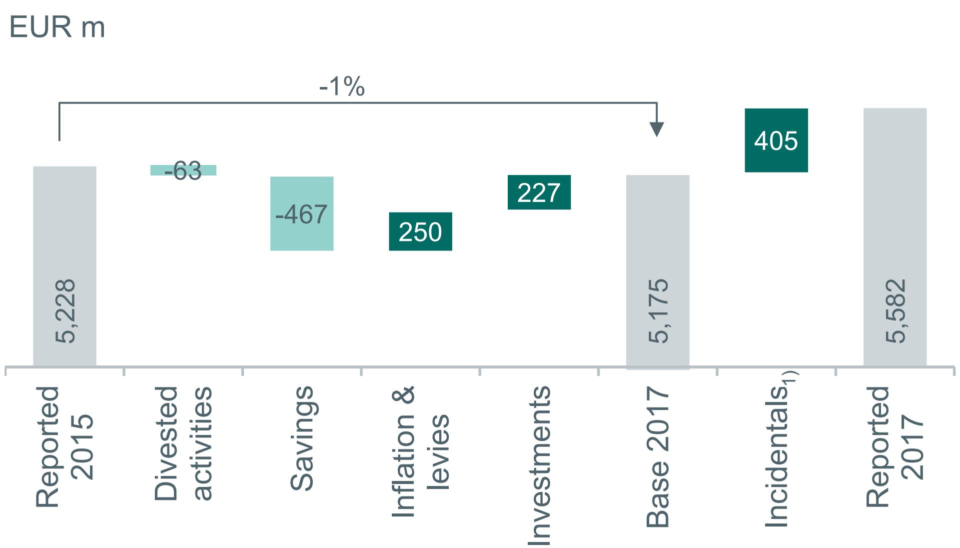
- Net profit at EUR 595m and ROE of 11.5%, reflecting a strong operating result offset by high impairments
- NII remained strong, benefitting from loan growth, driven by corporate loans, including Dutch SMEs
- Improved operating result led to a C/I ratio of 57.9%
- Strong CET1 capital ratio of 17.5%

Strategic progress

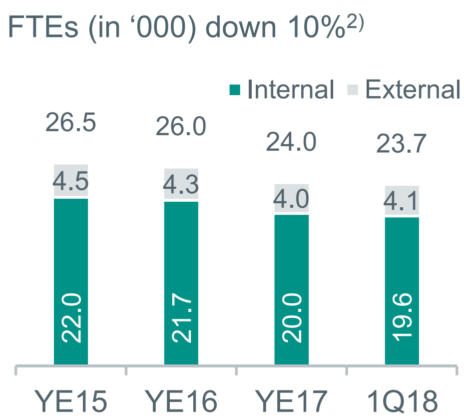
- Cost savings from transformation and business simplification coming through
- Progress on IT transformation, digital and innovation
- Private Banking transformation taking shape
- Bringing more focus to CIB, update at Q2
- A leading franchise in sustainability is developing
- On track to achieve 2020 financial targets

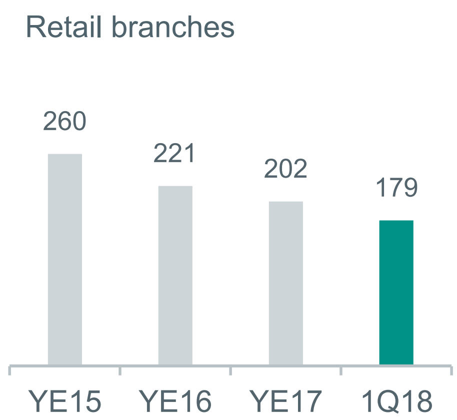
Cost savings from transformation and business simplification coming through

Costs development 2015-2017



Business simplification: lower headcount & branches





- Transformation progressing: cost savings enable investments in digital, innovation and growth initiatives
- Digitalisation of processes and agile working methods lower headcount and size of retail branch network
- Cost/income 57.9% in Q1 2018: on track to deliver EUR 0.9bn costs savings and 56-58% target by 2020 through further savings
- Further cost savings come from existing programmes, mainly from further FTE reductions, IT run costs and extending agile way of working

1) Sum of incidental costs (2017): personnel expenses EUR 177m (restructuring provisions EUR 156m, sale PB Asia EUR 21m), other expenses EUR 228m (SME Derivatives EUR 139m, goodwill impairment EUR 36m, sale PB Asia 35m and some smaller items in total EUR 18m)
2) 9% excluding PB Asia divestment

Progress on IT transformation, digital and innovation

What is achieved

Efficiency & speed
- IT run cost reduced and back-office efficiency increased
- Agile way of working implemented

IT infrastructure and system landscape
- IT transformation (start 2013) well on track, milestones & savings secured
- Adoption of cloud

Digitalisation
- Enhanced digital experience with award winning apps: mobile, Tikkie, Grip
- Retail client sales and services now 59% online and increasing

Innovation & Partnering
- Key building blocks in place: digital challenger concepts, API developer portal, Blockchain pilots
- Focussed investments by Digital Investment Fund

Future focus

- Cost discipline and next round of efficiency levers (AI, automation)
- Further extend agile ways-of-working

- No new core systems, modernise system landscape
- Fully leverage flexibility and scalability of cloud

- Enhance client experience in key client journeys and establish ecosystems
- Strengthen digital offering in Commercial and Private Banking, use ‘challenger’ lessons

- Intensify partnerships (big and small) and leverage our API platform
- Unlock potential of AI, open banking and Blockchain

FTEs in operations in I&T

Applications migrated to cloud [1)]

Retail client sales and services online

1) Around 1,500 applications have been decommissioned from a YE2019 target of around 2,000 applications

Digital innovation enhancing customer experience, supporting future growth

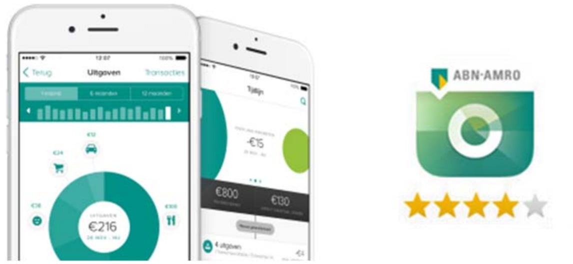
Ready for open banking & PSD2

- Open banking enables new solutions and allows targeting of new clients
- Capabilities in place to build and launch PSD2 propositions
- API Developer Portal launched in 2017 to accelerate innovation with (FinTech) partners
- Building developer community to foster API opportunities & innovation

Tikkie App, Portal and API

- Developed ahead of PSD2
- c. 3m users, 80% of payment requests paid ≤24hours, NPS +74
- Recently launched in Germany
- Well embraced by Dutch SMEs, corporates and charities
- Tikkie API & Portal now adopted by third parties

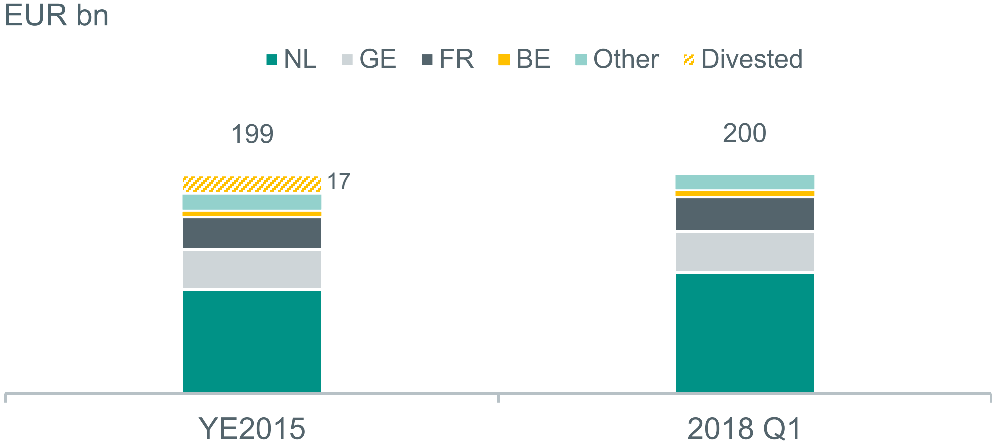
GRIP App



- Offers a convenient breakdown of personal income and expenses
- Includes financial planning features to get a grip on spending
- c.450k users, NPS +16
- Co-developed with an experienced FinTech aggregator of data
- Provides valuable insights for personalised client propositions, subject to data privacy rules

Private Banking transformation taking shape

AUM managed though an open architecture model



Private Banking FTE reduction

Strong market positions

- One private bank leveraging scale across Europe
- Strong local brands with focus on NW-Europe
- Asia divested, Luxembourg sale announced
- Operational simplification and digitalisation progressing: harmonised client segments, service offering and platforms across countries resulting in cost savings, delivering scale and lower FTEs
- Basel IV impact on private banking is neutral

Next steps & aspirations

- Further invest in IT and digital banking to improve processes, client convenience and client portals
- Improve C/I ratio and ROE in individual countries
- Leveraging on a modern open architecture
- Increase sustainable client assets to EUR 16bn by 2020 (>10bn Q1 2018)
- Well positioned for organic NNA growth and bolt-on M&A

Building a leading franchise in sustainability

Support corporates with sustainability expertise

Solar parking lot at TT Assen, the Netherlands

- First bank to issue a Dutch green bond in 2015
- Track record as lead manager and structurer of green bonds for international banks and other issuers [1)]
- Global coordinator in Alfen IPO, an energy solutions provider of sustainable and innovative electricity grids
- First Asian sustainability linked loan to a leading Asian agri-corporate

Commitment to building a circular economy

Circularity: continued use and re-use of resources for the longest possible time. Reduce waste, address the problem of shrinking stocks of resources and reduce carbon emissions

- Become partner of choice to support clients making a step-change towards a circular business model
- Finance EUR 1bn in circular corporate loans by 2020 and reduce CO_2 emission
- Examples of circular transactions recently financed
  - Bajes Kwartier, redevelopment of a former prison
  - 'Light as a service' with smart LEDs
  - Circular dismantling of airplanes
  - Vibers, a new natural material to replace plastic

1) ABN AMRO was bookrunner in 11 green bond deals (o/w 8 from bank issuers) with a combined deal value of USD 1.6bn in 2017. ABN AMRO was structuring advisor and/or bookrunner on inaugural issues from SEB, Swedbank, Barclays, Hypo Vorarlberg, Deutsche Hyp and LBBW, and had repeat mandates from Berlin Hyp and DKB

Solid quarter

EUR m	2018 Q1	2017 Q1	Delta
	IFRS9	IAS39	
Net interest income	1,671	1,596	5%
Net fee and commission income	431	452	-5%
Other operating income	227	198	15%
Operating income	**2,329**	**2,246**	**4%**
o/w incidentals	*25*	*31*	
Operating expenses	1,348	1,353	0%
o/w incidentals	*46*	*41*	
Operating result	**981**	**893**	**10%**
Impairment charges	208	63	
Income tax expenses	178	215	-17%
Profit	**595**	**615**	**-3%**

Key points 1)

- Net profit of EUR 595m, down 3%
- Limited effect of incidentals
- Operating income up 4%, reflecting strong NII and good Equity Participations results
- Operating expenses flat, despite new collective labour agreement
- Impairments up, reflecting challenges in specific sectors such as Shipping and Offshore services (both oil & gas related) and Diamond & Jewellery

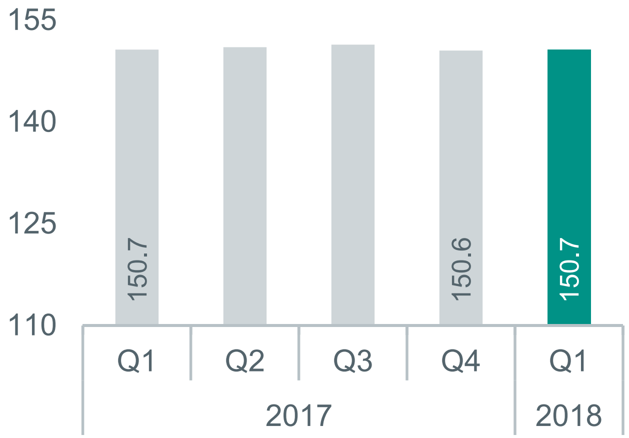
1) In this presentation all 2018 financials are presented in accordance with IFRS9, whereas historic financials are presented in accordance with IAS39

Client lending picking up through corporate loans

Mortgage client lending

CAGR = 0%

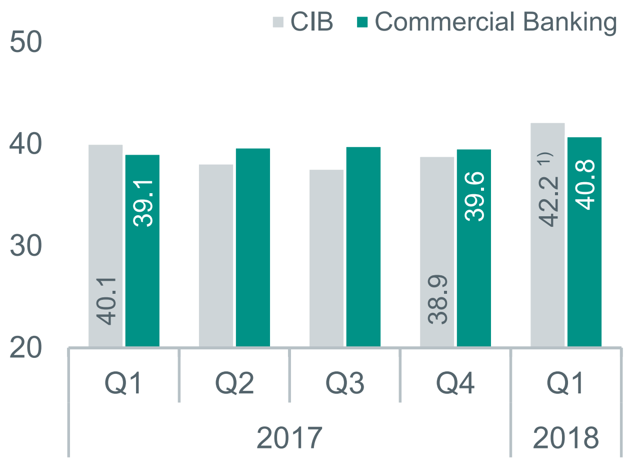
EUR bn



Corporate client lending

CAGR = 4% CB, 1% CIB (ex reclass)

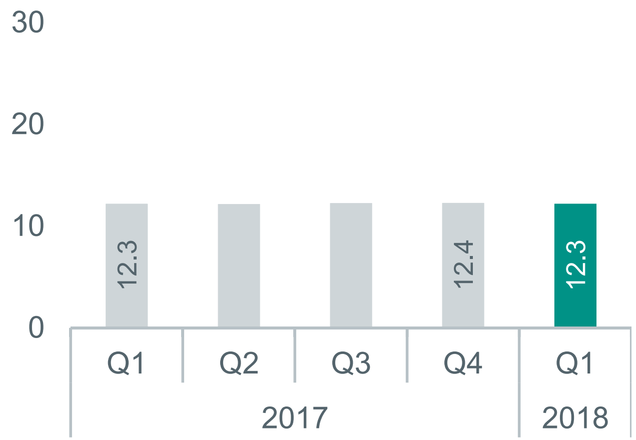
EUR bn



Consumer loans client lending

CAGR = 0%

EUR bn

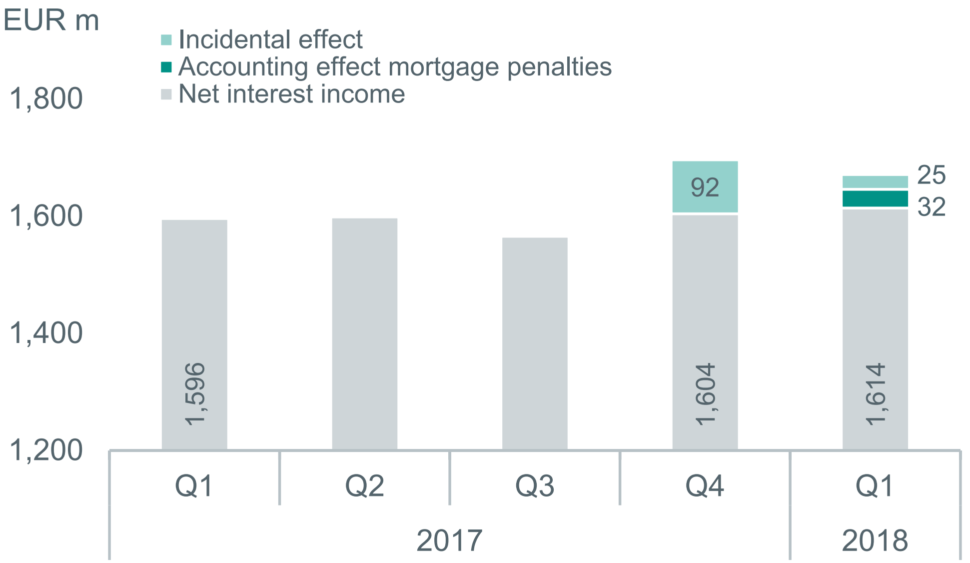


- Mortgage loans flat in Q1, despite strong competition in Dutch mortgage market and rising amortisation levels
- Corporate loan growth, reflecting strong growth in Dutch SMEs (in CB) and Financial Institutions, Food & Retail and a EUR 1.8bn reclass (in CIB) [1)]
- Stable volumes maintained for Consumer loans in Q1

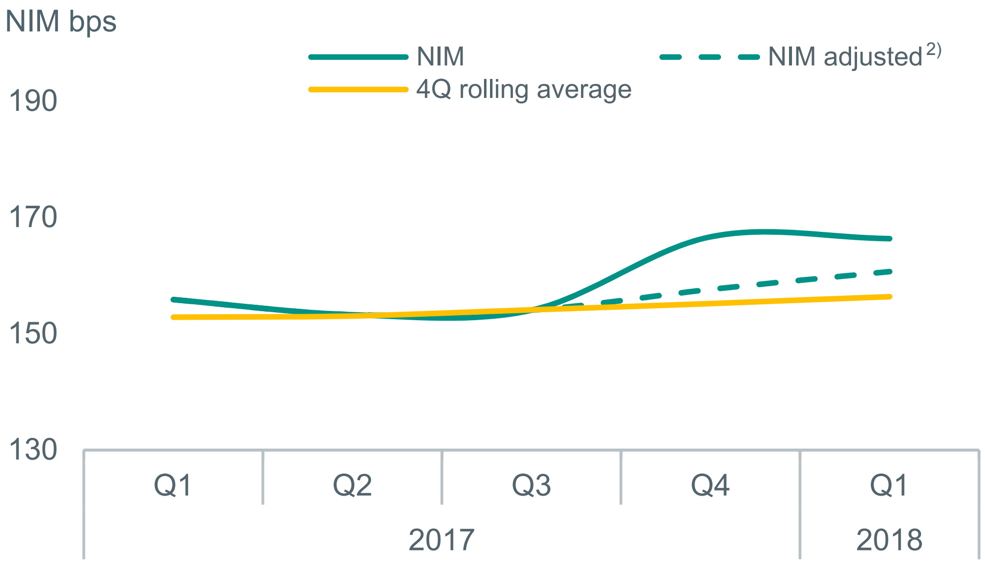
1) Corporate loans CIB: increase of EUR 3.3bn vs. Q4 2017 (o/w EUR 1.8bn reclassification from professional lending), and includes effect of USD depreciation (EUR -0.7bn). Effect of USD depreciation vs. Q1 2017 EUR -4.3bn

Net interest income resilient despite low rate environment

Net Interest Income (NII)



Net Interest Margin (NIM)

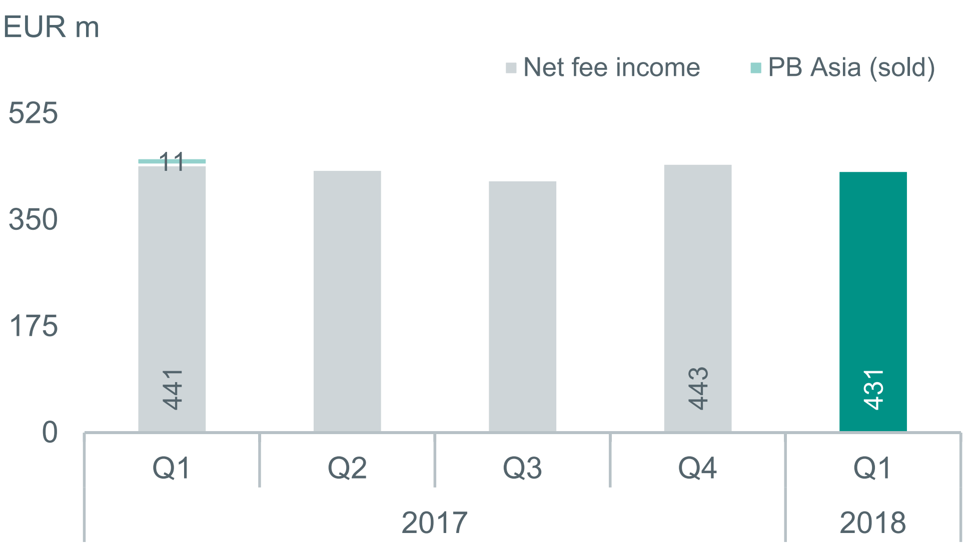


- NII up 5% vs. Q1 2017, reflecting loan growth and an accounting effect of mortgage penalties 1)
- NIM increased largely due to accounting effect of mortgage penalties and improved margins on corporate and consumer loans
- Limited sensitivity to interest rate (as a result of hedging), pressure on future deposit margins remains (when rates stay low)

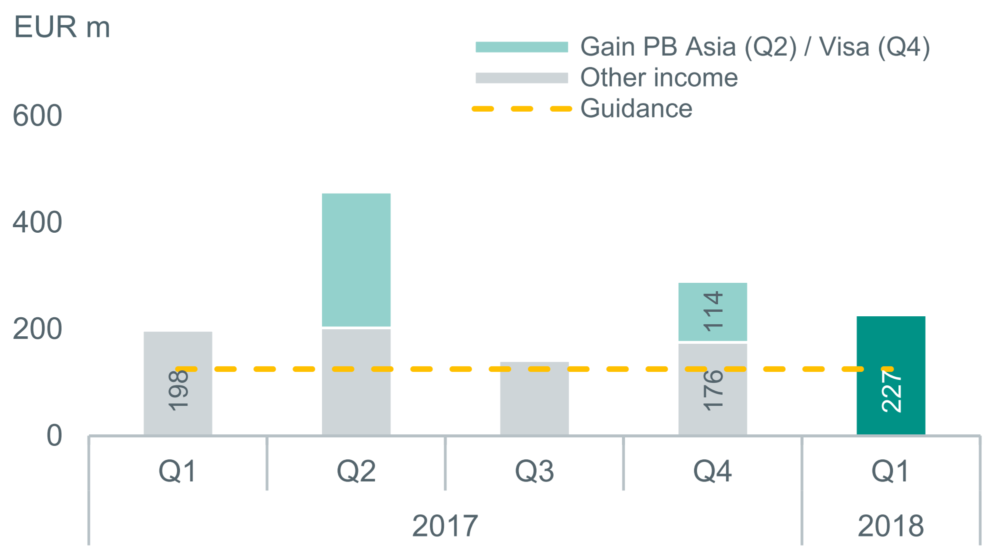
1) Q1 2018 includes: accounting policy change for mortgages interest rate renewals ('interest rate averaging') prior to the end of the interest period has led to a EUR 25m release in NII for faster amortisation penalties; EUR 32m is the 'recurring' effect for faster amortisation of mortgage penalties. Q4 2017 included EUR 49m release of upfront penalties for mortgage interest rate renewals. Q4 2017 further included a release of unearned interest on defaulted loans (EUR 74m), T-LTRO benefit for 2017 (EUR 29m), partly offset by provisions for Euribor based mortgages (EUR -52m) and the ICS compensation scheme (EUR -8m)
2) NIM adjusted for incidental items and accounting effect of mortgage penalties

Non-interest income is slightly up

Net fee income



Other operating income

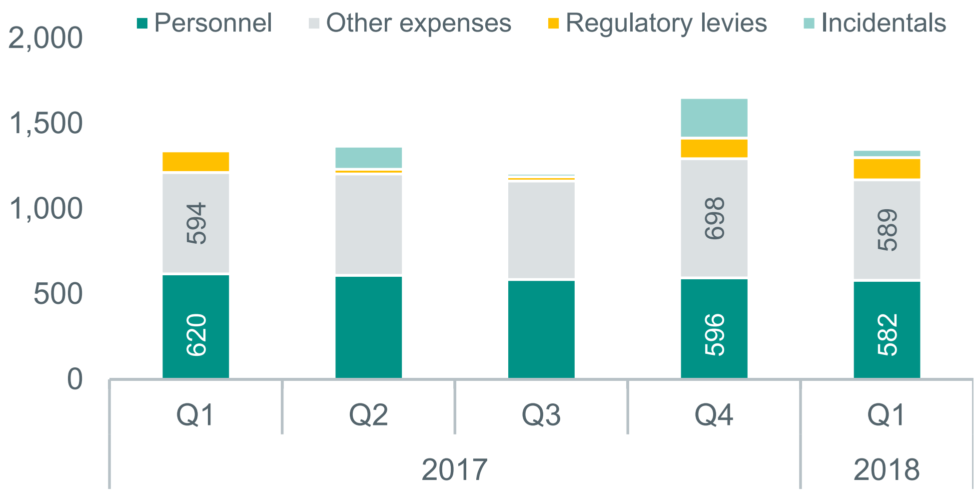


- Fees slightly lower vs. Q1 2017 reflecting the sale of PB Asia and lower fee income in Retail and CIB
- Higher other income for the quarter, reflecting good Equity Participation results (EUR 102m) in CIB and a revaluation of the equensWordline stake (EUR 46m)
- Lower accounting effects Q1 2018 (Q1 2017): hedge accounting EUR 24m (EUR 50m), CVA/DVA/FVA EUR -4m (EUR 23m)

Operating expenses trending down

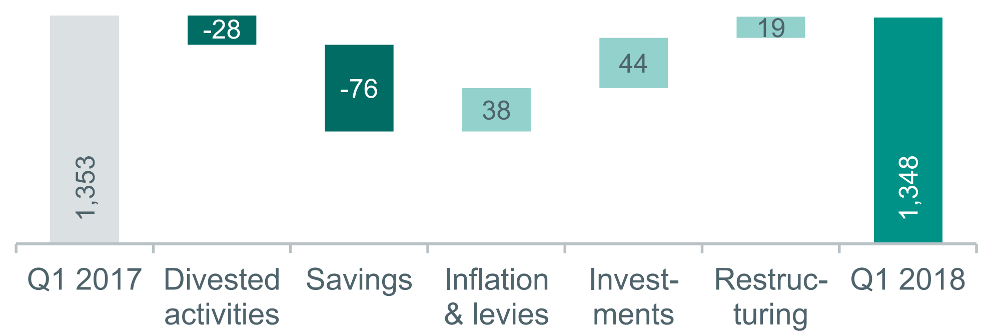
Operating expenses [1)]

EUR m



Transition operating expenses [2)]

EUR m

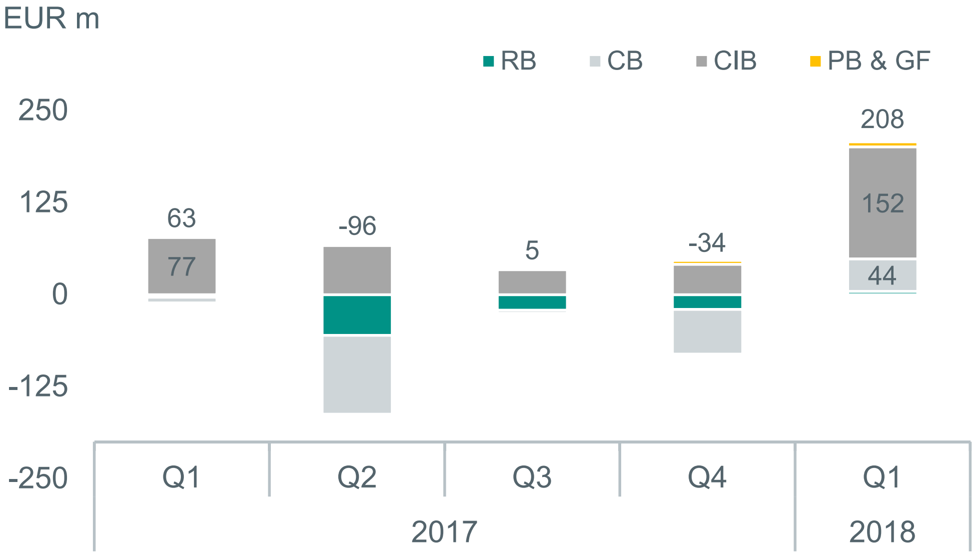


- Personnel expenses trending down, mainly reflecting lower FTE levels
- Restructuring provision (EUR 31m) relates to reorganisation of control and support activities (in GF) and Markets (in CIB) [3)]
- Other expenses remained flat vs. Q1 2017, reflecting mainly I&T run cost savings offset by higher IT costs for innovation

1) Q1 2017 still includes costs for PB Asia activities, which were divested on 1 April 2017
2) Inflation & Levies up EUR 38m, o/w EUR 16m one-off CLA payment and EUR 4m regulatory levies, remainder being mainly wage inflation
3) Q1 2018 incidentals: restructuring provision EUR 31m (Q1 2017 EUR 12m), one-off CLA effect EUR 16m

High impairments in specific industry sectors

Impairments by business segment



Breakdown Q1 2018 impairments

Industry sector	Impairments	Segment	Comment
Shipping - OSV	46m	CIB	Global Transportation & Logistics, former ECT-Transportation
Dutch SMEs	44m	CB	Health care, manufacturing
Off-shore services	42m	CIB	Natural Resources, former ECT-Energy
Diamond & Jewellery	41m	CIB	
Commodities	8m	CIB	Part of Trade & Commodity Finance, , former ECT-Commodities
Other	27m	All	
Total	**208m**		

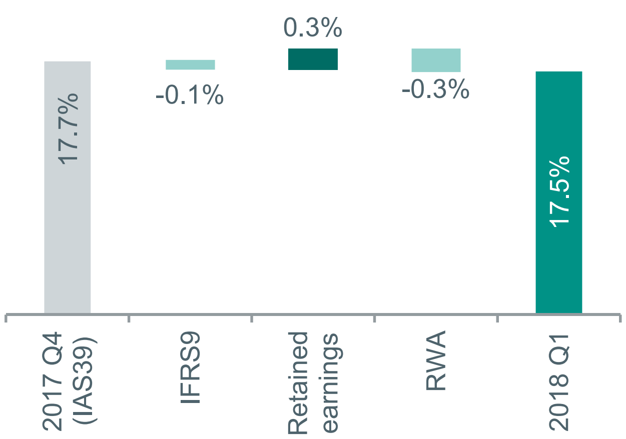
- Higher impairments, largely recorded in stage 3 on defaulted loans and unrelated to IFRS9 implementation
- Oil & gas related impairments particularly in Off-shore Support Vessels (Shipping) and Off-shore services [2)]
- Impairments on several CB clients, predominantly in healthcare
- Diamond & Jewellery sector faces challenges causing impairments, portfolio declined in recent years

1) As of 2018 impairments are recognised under IFRS9 accounting rules, which replaced IAS39 accounting rules
2) ECT has been reorganised into new CIB industry lending sectors. Impairments in 'former ECT' were EUR 97m over Q1 2018 (FY2017 EUR 186m, FY2016 EUR 209m)

Strong CET1 capital provides resilience against Basel IV impact

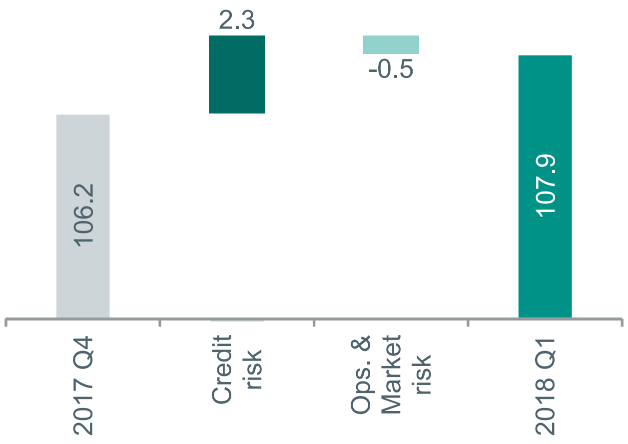
CET1 fully loaded capital

Fully loaded CET1%

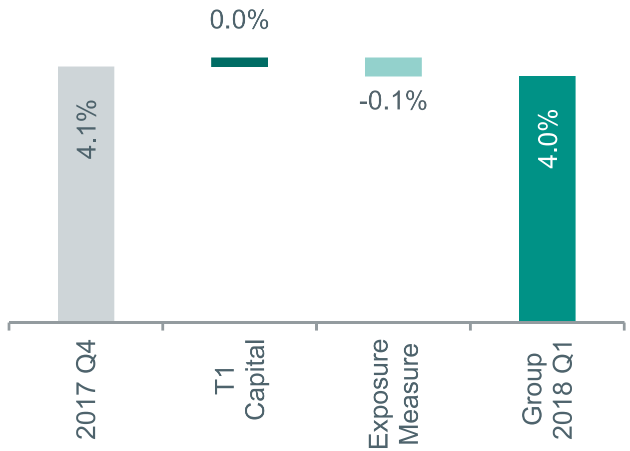


Risk weighted assets

RWA bn



Leverage ratio fully loaded



- Strong CET1 ratio 17.5%, includes IFRS9 impact of -12bps
- RWAs up, driven by credit risk reflecting loan growth to Dutch SMEs, CIB (mainly FIs, Food & Retail) as well as higher RWAs for defaulted loans
- Fully loaded group leverage ratio at 4.0%, excluding a change in Clearing exposure measure improving the ratio by 0.5-0.6% [1)]
- MREL of 27.8% of RWA, on track to meet our 29.3% ambition by YE2019 (see appendix)

1) Basel IV and draft CRR propose a change in calculation of derivative exposures and credit conversion factors for off-balance sheet items. The revised calculation results in a decreasing exposure measure for clearing guarantees by approximately EUR 55-60bn

Capital management developments

Capital management framework

- Aim to meet fully loaded Basel IV CET1 requirements early in the phase-in period
- Capital target range of 17.5-18.5% to be reviewed at YE2018, to reflect RWA developments under Basel III and Basel IV
- Dividend pay-out of 50% of sustainable profit, from 2018
- Additional distributions will be considered when capital is within or above the target range and depending on other circumstances, including regulatory and commercial considerations. Combined distribution amounts to at least 50% of sustainable profit

Basel III Capital & RWA drivers

- Regulatory: AMA, TRIM, FRTB, add-ons, NPL guidance
- Capital requirements, SREP & stress test
- Business developments
- Credit quality migration/developments
- Model reviews and updates
- FX movements
- Management actions

Basel IV RWA drivers

- Framework published on 7 Dec 2017
- Awaiting regulatory decisions to be made
  - Quantitative Impact Study (QIS)
  - EU implementation
  - Future supervisory decisions
- Assessing opportunities for remediation
- Investigating opportunities for repricing and adapting business mix and model

Financial targets

	2017	**2018 Q1**	Targets
Return on Equity	14.5% [1)]	11.5%	10-13%
Cost/Income ratio	60.1% [1)]	57.9%	56-58% (by 2020)
CET1 ratio (FL)	17.7%	17.5%	17.5-18.5% [2)] (2018)
Dividend - per share (EUR) - pay-out ratio	1.45 50%	-	▪ 50% of sustainable profit [3)] ▪ Additional distributions will be considered [3)] ▪ Combined at least 50%

1) Excluding the gain on PB Asia sale the ROE was 13.4% and C/I was 61.2%
2) Capital target range to be reviewed at YE2018
3) Sustainable profit excludes exceptional items that significantly distort profitability; examples from the past would have been the book gain on PB Asia sale (2017) and the 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 and commercial considerations

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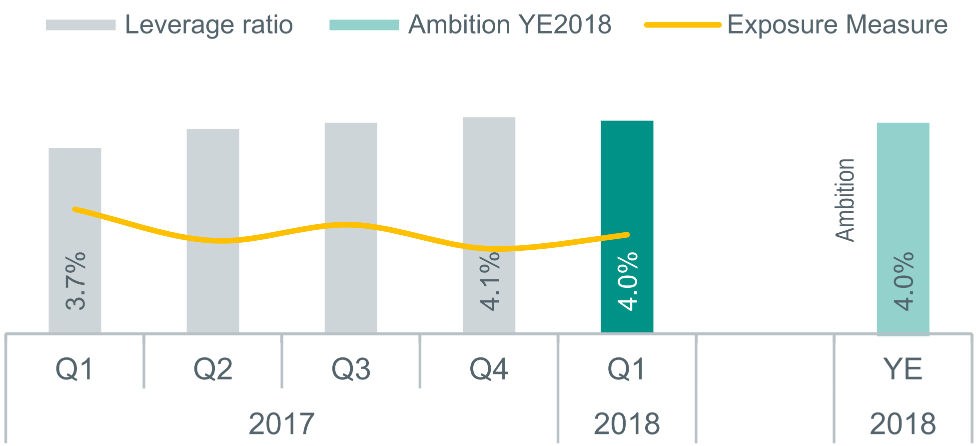
appendix

Capital ambitions on track

Leverage ratio around ambition

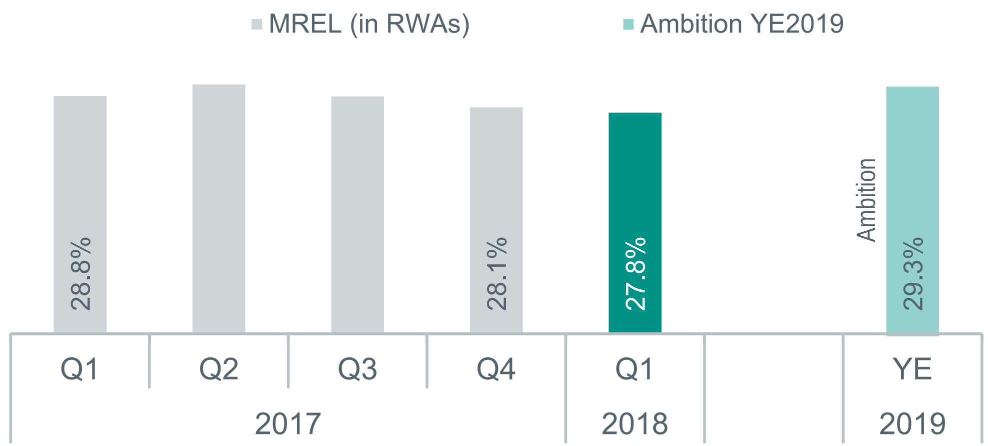
Leverage ratio (FL) based on Tier 1 (CET1 and AT1) capital



- Fully loaded group leverage ratio at 4.0%
- Negative impact EBA Q&A ruling on minority interest of -0.2%
- Basel IV/CRR2 are estimated to decrease the exposure measure resulting in c. 0.5-0.6% improvement of the leverage ratio

MREL on track towards ambition

Based on Own Funds (CET1, AT1, T2), subdebt and NPS [1)]



- MREL framework now based on RWAs
- Steering through profit retention, sub debt, NPS, balance sheet management and excludes use of senior unsecured
- Increase of c. EUR 1.6bn in CET1 or eligible instruments required to meet 29.3% ambition of YE2019, assuming no change in RWAs
- Implementation NPS in Dutch law expected in H2 2018. NPS issuance not before YE2018

1) ABN AMRO Bank appointed as resolution entity: therefore external MREL eligible instruments continue to be issued through ABN AMRO Bank

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ABN·AMRO

Address
Gustav Mahlerlaan 10
1082 PP Amsterdam
The Netherlands

Website
ABN AMRO Group www.abnamro.com/ir

Questions
investorrelations@nl.abnamro.com