Safeguarding our moderate risk profile

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16 November 2018
Refreshed strategy fully aligned to moderate risk profile

We are committed to our moderate risk profile by …

- Building long-term relationships with clients in strong economies
- Taking risks leading to sound asset quality and strong balance sheet
- Being well prepared to anticipate and absorb impact of changes in the economy, regulations and technology
## Serving clients in strong economies

<table>
<thead>
<tr>
<th>Business profile</th>
<th>Retail Banking</th>
<th>Private Banking</th>
<th>Commercial Banking</th>
<th>C&amp;I Banking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Client type</td>
<td>Mass affluent</td>
<td>Individuals, PWM, E&amp;E Institutions &amp; Charities</td>
<td>Small-mid sized companies</td>
<td>Large corporates and Financials</td>
</tr>
<tr>
<td>Footprint</td>
<td>Dutch</td>
<td>NW-Europe</td>
<td>Dutch</td>
<td>NW Europe and specific global sectors</td>
</tr>
<tr>
<td>Risk profile</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Client lending</td>
<td>156bn</td>
<td>13bn</td>
<td>42bn</td>
<td>44bn</td>
</tr>
<tr>
<td>Portfolio granularity</td>
<td>c.5m clients</td>
<td>c.100k clients</td>
<td>c.365k clients</td>
<td>c.3k clients</td>
</tr>
<tr>
<td>RWA allocation 1)</td>
<td>26%</td>
<td>9%</td>
<td>24%</td>
<td>36%</td>
</tr>
<tr>
<td>Avg. cost of risk since 2015 (IPO)</td>
<td>c.1bps</td>
<td>c.5bps</td>
<td>c.23bps</td>
<td></td>
</tr>
<tr>
<td>TTC cost of risk 1)</td>
<td>5-7bps on domestic mortgages</td>
<td></td>
<td></td>
<td>40-60bps</td>
</tr>
</tbody>
</table>

1) Based on 2018 Q3 RWA balances
2) Through-the-cycle (‘TTC’) cost of risk expressed as impairments over average gross loans (client lending)
Sound asset quality reflected in decline of impairments

- Sound credit quality loan portfolio reflected in clear and significant cost-of-risk improvement to well below through-the-cycle levels
- Elevated impairments in corporate loan niches (mainly CIB), resulted in implementation of mitigating measures
- Impairments in 2018 reflect mainly IFRS9 stage 3 charges on existing non-performing files

Overall **sound asset quality**, portfolio behaving well, **defaulted portfolio** expected to **decline further**
Impairments sector/file specific, not indicative for rest of loan book

<table>
<thead>
<tr>
<th>Sectors ¹)</th>
<th>Natural Resources</th>
<th>TCF (incl. D&amp;J)</th>
<th>GTL (incl. Shipping)</th>
<th>Healthcare</th>
</tr>
</thead>
<tbody>
<tr>
<td>Client lending</td>
<td>EUR 8.5bn</td>
<td>EUR 11.1bn</td>
<td>EUR 10.4bn</td>
<td>EUR 4.9bn (EAD)</td>
</tr>
<tr>
<td>Challenged markets</td>
<td>Offshore services</td>
<td>Diamond &amp; Jewellery</td>
<td>Offshore Service Vessels</td>
<td>Domestic hospitals &amp; cure</td>
</tr>
<tr>
<td></td>
<td>Upstream energy</td>
<td>TCF</td>
<td>Crude oil tankers</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Short sea</td>
<td></td>
</tr>
<tr>
<td>Impairments ²)</td>
<td>EUR 150m, 34% of YTD impairments</td>
<td>EUR 69m, 15% of YTD impairments</td>
<td>EUR 47m, 11% of YTD impairments</td>
<td>EUR 39m, 9% of YTD impairments</td>
</tr>
<tr>
<td>Market dynamics</td>
<td>Signs of recovery</td>
<td>Diamond production shifts to India</td>
<td>Recovery seen in dry bulk and containers</td>
<td>Regulatory changes</td>
</tr>
<tr>
<td></td>
<td>Higher oil prices should lead to new contracts</td>
<td>Antwerp &amp; Dubai focus more on trading</td>
<td></td>
<td>Overcapacity</td>
</tr>
<tr>
<td>De-risking</td>
<td>Offshore services</td>
<td>Diamond &amp; Jewellery</td>
<td>Offshore Service Vessels</td>
<td>Close monitoring</td>
</tr>
<tr>
<td></td>
<td>Several exposures sold</td>
<td>Dubai &amp; Moscow closure</td>
<td>Several exposures sold</td>
<td>Selective origination</td>
</tr>
</tbody>
</table>

Risk outlook: Material additional impairments currently not expected, though challenges are expected to remain

¹) Natural Resources includes Energy, Offshore Services and Basic Materials, Trade & Commodity Finance (TCF) includes EUR 1.1bn Diamond & Jewellery (D&J), Global Transportation & Logistics (GTL) includes Shipping.

²) Impairments year-to-date 2018, expressed as percentage of total reported year-to-date impairments of EUR 447m.
Maintaining a clean and strong balance sheet requires continuous steering.

**Risk Appetite**

 Defines exposure limits for
- Countries and industry sectors
- Products and clients

**Examples of limits**
- CIB Refocus de-risks activities in TCF, Diamond & Jewellery and Offshore energy
- Shipping, incl. offshore, energy labels
- Acquisition & Leveraged Finance (ALF)
- CRE, incl. LTV caps and energy labels

**Stress testing**

 Downturn assessment through
- Stress testing and reverse stress testing
- Portfolio or sector deep dives
- Scenario and sensitivity analyses

**Examples**
- Internal stress testing on capital & liquidity
- External: EBA stress test
- Oil & Gas scenario
- Shipping scenario
- Commercial Real Estate

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**Risk appetite** setting and **stress testing** are key in strengthening **bank resilience**
Moderate risk profile demonstrated by resilience to stress

Resilience under EBA stress test
Loss of fully loaded CET1 under adverse scenario vs YE2017 starting point under IFRS9

- ABN AMRO CET1
- Scenario impact
- IFRS9

1. Stressed scenario would result in a CET1 impact of -2.67% vs. -5.91% in the stress test of 2016
2. Stress test does not contain a pass or fail. Under adverse stress the CET1 remained well above the 2018 SREP of 10.425%
3. Impact of stress under Basel IV expected to be less significant given binding output floor

More resilient than peers
With -2.67% fully loaded CET1 deduction under the adverse stress scenario ABN AMRO scored versus the EBA sample

- Low
- Average
- High

1) Source: www.eba.europa.eu
Healthy outlook on credit quality, short-term outlook of below TTC cost of risk

**Domestic mortgage loans (150bn)**
- Growing share amortising and savings loans, full interest-only declining
- NHG remains popular
- Strong focus on duty of care, full recourse on collateral
- Avg. LtMV: 66%, vs. 82% at YE2012
- LtMV>100%: 3.3% of mortgages, vs. 21.1% at YE2012
- Positive outlook on credit quality in mortgage book

**Corporate loans (92bn)**
- Mostly NW Europe, more than half in the Netherlands
- Benefit from Dutch economy and positive consumer sentiment
- Large diversified corporates expected to remain less sensitive to shocks
- Limited direct Brexit & trade war exposure, indirect effects possible

**Consumer loans (13bn)**
- Granular and stable loan book
- Predominantly Dutch
- Limited exposure to credit cards
- Small average loan size
- Strong duty of care rules
- Low level of impairments
- Good risk/return profile

Strong shift in mortgage portfolio towards amortisation

Historic low Dutch bankruptcy rate (monthly businesses & institutions, CBS)

Consumer loan book well diversified, 3.9% impaired, 50.9% coverage ratio (Q3 2018)
Well prepared to absorb impact of industry-wide regulatory changes

**Capital**
- Basel IV implementation in EU
- Leverage ratio & MREL
- Model reviews & TRIM

**Impairments**
- IFRS9 replaced IAS39 accounting standard
- Overhaul of impairment methodology

**Prudential regulation**
- NPE guidelines
- NPE reviews & backstops
- Definition of Default

**Prospects**
- Implementation risks: transition to new models and lack of guidance
- Material RWA impact, reflecting 72.5% output floor
- Aim to be fully loaded compliant early in the phase-in period

- Recognise impairments earlier, in stage 2
- Expected more P&L volatility from stage 2
- No change in incurred loss

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1) ECB & EBA: Banks with gross NPL ratios of >5% should establish an NPE strategy, effective June 2019. ABN AMRO’s gross NPL ratio is well below the 5% threshold
2) ECB: Banks should book maximum level of P&L provisions. If accounting standards do not fulfil prudential provisioning backstop, banks should adjust their CET1 capital
3) EBA aims to harmonise the definition of default, guidelines aim to increase comparability of risk estimates and own funds requirements across banks, effective Jan 2021
Strong focus on non-financial risk in changing world

Cyber risk
- Cyber attacks grow in number, severity and risk: DDoS, phishing, hacking
- New risks arise from digital developments: open banking, PSDII, APIs, electronic contracting, etc.

Activities
- Cyber risk oversight in place and further strengthened
- Continuous investments in security measures, penetration testing
- Close cooperation with suppliers, peers, authorities and law enforcement agencies is key

Conduct & AML
- Key focus area of regulators, society and management
- Financial crime often internationally organised and becoming more sophisticated
- KYC upgrades in implementation

Activities
- Continuous investments in capabilities, (new) systems and people
- Develop public-private partnerships for intelligence and solutions
- Ongoing programmes to enhance client files
- Open dialogue with authorities

Innovation
- Providing financial services in new ways
- Energy transition and financing of clean, circular or new business models
- Social Impact Finance (AASIF)

Activities
- Training to enhance risk identification of new technologies
- Assessments on climate risk and stranded assets
- Define risk appetite for innovative activities
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