

ABN AMRO Investor Day

Safeguarding our moderate risk profile

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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



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

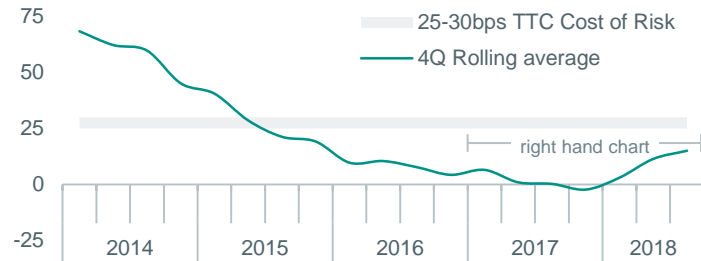
1) Based on 2018 Q3 RWA balances

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

Cost of risk well below TTC level ...

Average of 4Q cost of risk (bps)



... mainly driven by corporate loans

Average of 4Q impairments by product (EUR m)



- 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

Part of Corporate & Institutional Banking

Part of Commercial Banking

	 Natural Resources	 TCF (incl. D&J)	 GTL (incl. Shipping)	 Healthcare
Sectors ¹⁾	Natural Resources	TCF (incl. D&J)	GTL (incl. Shipping)	Healthcare
Client lending	<ul style="list-style-type: none"> EUR 8.5bn 	<ul style="list-style-type: none"> EUR 11.1bn 	<ul style="list-style-type: none"> EUR 10.4bn 	<ul style="list-style-type: none"> EUR 4.9bn (EAD)
Challenged markets	<ul style="list-style-type: none"> Offshore services Upstream energy 	<ul style="list-style-type: none"> Diamond & Jewellery TCF 	<ul style="list-style-type: none"> Offshore Service Vessels Crude oil tankers Short sea 	<ul style="list-style-type: none"> Domestic hospitals & cure
Impairments ²⁾	<ul style="list-style-type: none"> EUR 150m, 34% of YTD impairments 	<ul style="list-style-type: none"> EUR 69m, 15% of YTD impairments 	<ul style="list-style-type: none"> EUR 47m, 11% of YTD impairments 	<ul style="list-style-type: none"> EUR 39m, 9% of YTD impairments
Market dynamics	<ul style="list-style-type: none"> Signs of recovery Higher oil prices should lead to new contracts 	<ul style="list-style-type: none"> Diamond production shifts to India Antwerp & Dubai focus more on trading 	<ul style="list-style-type: none"> Recovery seen in dry bulk and containers 	<ul style="list-style-type: none"> Regulatory changes Overcapacity Government cost focus impacts client revenues
De-risking	<ul style="list-style-type: none"> Offshore services Several exposures sold 	<ul style="list-style-type: none"> Diamond & Jewellery Dubai & Moscow closure 	<ul style="list-style-type: none"> Offshore Service Vessels Several exposures sold 	<ul style="list-style-type: none"> Close monitoring Selective origination
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

Risk appetite setting and **stress testing** are **key** in strengthening **bank resilience**

Moderate risk profile demonstrated by resilience to stress



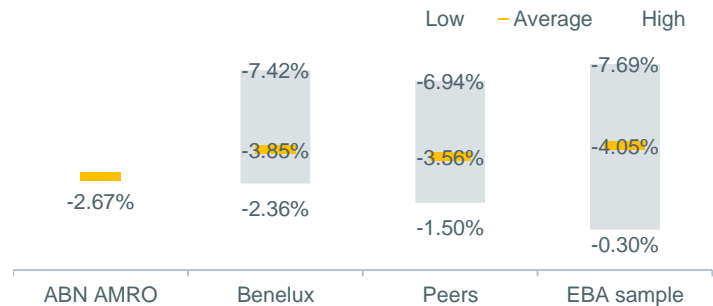
Resilience under EBA stress test

Loss of fully loaded CET1 under adverse scenario vs YE2017 starting point under IFRS9



More resilient than peers

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



- Stress test confirms ABN AMRO's resilient capital position: performed well vs. EBA sample
- Adverse stress test scenario resulted in CET1 impact of -2.67% vs. -5.91% in the stress test of 2016
- Stress test does not contain a pass or fail. Under adverse stress the CET1 remained well above the 2018 SREP of 10.425%
- Impact of stress under Basel IV expected to be less significant given binding output floor

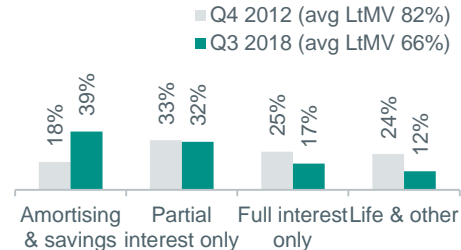
1) Source: www.eba.europa.eu

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

Strong shift in mortgage portfolio towards amortisation



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

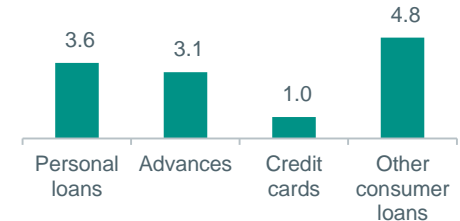
Historic low Dutch bankruptcy rate (monthly businesses & institutions, CBS)



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

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

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



Impairments

- IFRS9 replaced IAS39 accounting standard
- Overhaul of impairment methodology

Prospects

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



Prudential regulation

- NPE guidelines ¹⁾
- NPE reviews & backstops ²⁾
- Definition of Default ³⁾

Prospects

- Governance, operating model, NPE targets and implementation in risk framework and recovery planning will need to be developed
- Prepare impact assessment
- Lowers available capital

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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We are

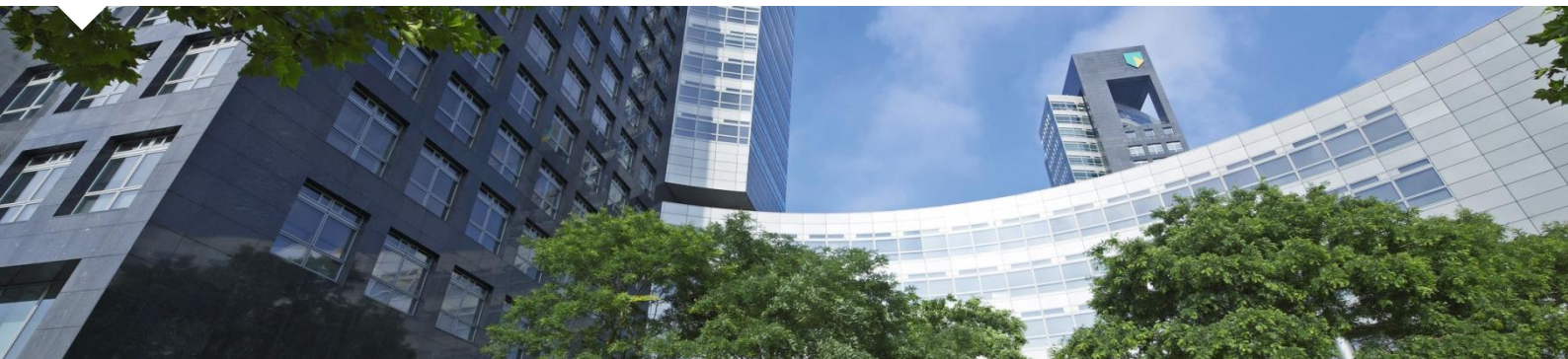
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