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IR/Press Release

ABN AMRO hosts 'Banking for Better' Investor Day

Investor Day highlights

- A high-return responsible investment proposition
- Strong progress on strategy execution and disciplined delivery on financial targets since IPO
- Refreshed strategic priorities: supporting clients' transition to sustainability; reinventing the customer experience; and building a future-proof bank
- Focused, moderate, profitable growth, increasingly working with partners
- Demonstrable delivery on cost savings, with Innovation & Technology a critical enabler for efficiency
- Moderate risk, delivering attractive results and high capital returns

Guidance and financial targets

- Flattish loan book in 2019-20 period, moderate growth in the medium term
- On track for cost savings by 2020, around EUR 50 million of restructuring charges foreseen in Q4 2018
- New cost/income target <55% by 2022, based on ABN AMRO Group economic outlook, including for GDP, interest rates and the housing market
- Estimated Basel IV RWA inflation around 43%; Basel IV CET1 post mitigations (excluding CIB refocus) above 13.5%
- Basel III capital target range 2019 unchanged at 17.5-18.5%, subject to 2019 SREP requirement
- Legal merger of ABN AMRO Group and ABN AMRO Bank to be explored, to simplify the group structure and expected to improve the leverage ratio by 20bps in 2019
- Well-placed to consider additional dividends, on top of 50% of sustainable profit

'Banking for Better'

Today, ABN AMRO's Executive Committee is hosting an Investor Day in London. Its theme: 'Banking for Better'.

Kees van Dijkhuizen, CEO, comments: "Today, the Executive Committee presents what we have delivered since our IPO almost three years ago. We have shown strong revenue growth, while actively managing our cost base, resulting in significantly increased profitability which has enabled us to increase our dividend every year. At the same time, we have grown our capital position in anticipation of Basel IV and are well on track to achieve all of our four financial targets for 2020."

"We will also elaborate on our refreshed strategic priorities today. ABN AMRO is successfully making a serious contribution to a sustainable society. And we can do more. Our purpose guiding us through this change is

ABN AMRO Press Office

Gustav Mahlerlaan 10 (HQ9140), 1082 PP Amsterdam, The Netherlands | + 31 20 6288900 | pressrelations@nl.abnamro.com

‘Banking for better, for generations to come.’ We will be focusing on three value-creating strategic pillars: supporting our clients’ transition to sustainability; reinventing the customer experience; and building a future-proof bank. In doing so, we will focus on further digitalisation of products and processes to increase speed and efficiency, and we will team up with partners to offer more innovative products. We expect to deliver attractive results and high capital returns.”

A high-return responsible investment proposition

Today’s presentations demonstrate that ABN AMRO is a domestic champion in Retail, Private, Commercial and Corporate Banking in a digitally-savvy Dutch market. The majority of our clients conduct their banking activities digitally. Five years ago, we started rejuvenating our core systems, giving us a competitive digital offering and a solid IT basis today. Going forward, we will further simplify the IT landscape and gradually reduce the IT spend while increasing competitiveness. We’ll evolve client offerings by reinventing client journeys and further leveraging partnerships.

Reinventing the customer experience is Retail Banking’s key priority. Retail Banking is the largest contributor to group profit, with a client-driven and digitally-focused business model, consistently focusing on improving the customer experience, both digital and non-digital. Short-term revenue pressures caused by continued low interest rates should be mitigated by accelerating the shift to digital first, expanding the product offering and growing fee income through investments and insurance products.

Private Banking is transforming into a more scalable Private Bank in North West Europe, with organic and inorganic growth potential. Its standard client offering today is sustainable investments. Efficiency will be further enhanced through harmonisation and digitalisation, the aim being to reduce the cost/income ratio to below 70% by 2021.

Commercial Banking is also a solid contributor to the group results. Sustainability is a clear business opportunity for the Commercial Bank, in response to the needs of clients and markets. New propositions, for instance in energy and the circular transition, offer additional sources of income. In doing so, we will leverage on partners like we do in other parts of the bank as well.

Actions are being taken to make Corporate and Institutional Banking (CIB) future-proof and increase their ROE to above 10%. Long-term relationships with multi-product clients are at the core of its business model, and its profitability should be improved through focus, reduction of costs and RWA, and disciplined capital allocation.

Guidance and financial targets

We aim to deliver reliable earnings and strong capital generation through profitable growth and disciplined cost management while maintaining our moderate risk profile. Our financial targets for ROE and dividend pay-out target remain unchanged, we extend the current capital range to 2019 and we set an additional C/I target for 2022.

We are on track to meet the 56-58% C/I by 2020, having realised nearly two-thirds of the targeted EUR 1 billion cost savings. As interest rates are expected to remain low in the next two years, negatively impacting deposit margins and growth prospects, we will focus strongly on realising the remaining savings by 2020, also to enable investments in innovation. Further restructuring charges are foreseen to be taken, of which around EUR 50 million in Q4 2018 for existing programmes in Commercial Banking, Retail Banking and I&T. We have decided to sharpen our C/I target for 2022 to <55%, based on ABN AMRO Group economic outlook, including for GDP, interest rates and the housing market. The new target for 2022 is based on the following assumptions: loan

volumes to normalise and grow again after 2020 by 1-3% per annum; our sustainability growth initiatives to contribute, also resulting in modest fee growth; and the expectation that IT spend as a percentage of income will start to decline.

With a Basel III CET1 ratio of 18.6% (Q3 2018), we are well-positioned in our current target capital range of 17.5-18.5%. Estimated Basel IV RWAs increased from around 35% (YE 2017) to around 43% (Q3 2018) due to some updates to our calculations and also to relative growth in corporate lending and some data adjustments. We expect to be able to mitigate approximately 20% of this increase through mitigations, keeping RWA inflation around 35% and the Basel IV CET1 ratio above 13.5%. As a result, the Basel III capital target range remains unchanged at 17.5-18.5% for 2019, subject to the SREP 2019 requirement. We have not changed our ambition to meet the fully loaded Basel IV requirements early in phase-in period.

The leverage ratio of 4.1% (Q3 2018) is a constraint in the short term. In the longer term, we expect to realise a 0.5%-point uplift from new SACCR rules for clearing exposures. To manage the leverage ratio in the short term, we are exploring the option to merge the holding company ABN AMRO Group into ABN AMRO Bank in 2019. This would simplify the legal structure and also improve the leverage ratio by 0.2%. Such a merger is subject to several approvals, including from regulators and various stakeholders.

The year-to-date dividend accrual for 2018 was increased to 60% with the Q3 results. The final decision on the 2018 dividend will be taken at the time of the FY2018 results, reflecting the SREP, leverage ratio, Basel IV outlook and industry-wide NPE guidance. We expect to be well-placed to consider additional dividends on top of 50% of sustainable profit attributable to shareholders, subject to similar preconditions.

Webcast

All Investor Day presentations are available online and can be followed live via webcast from 10.30 CET on <https://www.abnamro.com/ir>.

ABN AMRO Press Office

Jeroen van Maarschalkerweerd
Head of Media Relations & PR
pressrelations@nl.abnamro.com
+31 20 6288900

ABN AMRO Investor Relations

Dies Donker
Head of Investor Relations
investorrelations@nl.abnamro.com
+31 20 6282282

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