Q1 trading update 2020

7 May 2020

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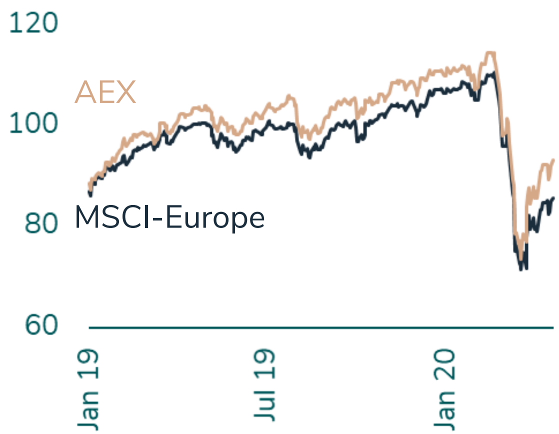
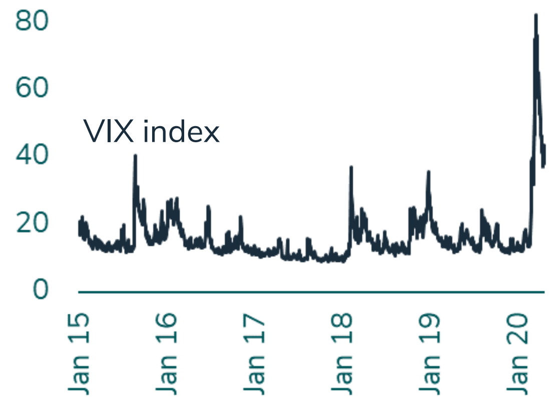
Exceptional market circumstances in Q1 2020

Challenging markets

- The coronavirus outbreak is having a major impact on the Dutch economy and on the financial sector
- It triggered a chain of events in the markets that has led to an increase in the volatility and illiquidity of these markets
- The deterioration in the economic outlook has led to an unprecedented monetary policy response from central banks and governments around the world
- The long-term impact of the coronavirus crisis on the economy and on our clients is still uncertain





The core of our wealth management model delivers to our clients

Strong AuM inflow

- Net inflow at Private Banking €0.5bn (Q1 2019: -€0.1bn)
- Net inflow at Asset Management €1.4bn (Q1 2019: -€0.2bn)
- We continued to provide proactive communication combined with tailored advice
- Healthy AuM pipeline for 2020

Stable client savings and loan portfolio

- Client savings stable at €9.5bn
- Loan portfolio increased by €0.2bn to €8.8bn
- Tailored solutions and products for our clients, for example payment holidays

Good Corporate Finance transactions

- Active in five public takeovers in three different countries
- Financial adviser to ADO Properties in its bid for Adler Real Estate in Germany
- Sole financial adviser to Reggeborgh in the public takeover of Koninklijke VolkerWessels
- Financial adviser in the sale and capital increase of TerraPay
- Co-manager in DBV Technologies' global offering of USD 154 million

Relatively low addition to loan losses

- Relatively low addition to loan losses of €2.4m, thanks to stable Dutch residential mortgages and run-off of Corporate Banking portfolio
- Dutch residential mortgages: 73% of the loan portfolio
- Corporate Banking portfolio: €0.3bn

Our Q1 results

- **Net result -€10.5m (Q1 2019: €15.3m, excluding one-off sale proceeds)**
    - Decline driven by incidental losses due to market circumstances

- **15% increase in commission income compared with Q1 2019**
    - Increase in securities commission, thanks to higher average AuM compared with Q1 2019, also higher than Q4 2019
    - Transaction commission at Private Banking up to €4.9m (Q1 2019 €2.6m)
    - After a strong increase in 2019, annualised management fee down as result of market decline
    - Other commissions up thanks to higher deal flow at Merchant Banking

- **Interest income under continuous pressure**
    - Decrease in interest income, partly due to a one-off interest expense of €2.9m related to Kifid
    - Since 1 April 2020 we are charging negative interest on accounts with > €1.0m

- **Addition to loan loss provision relatively low at €2.4m**
    - Loan book relatively stable with 73% Dutch mortgages and continued run-off of Corporate Banking portfolio
    - IFRS 9 impact limited

- **Costs slightly higher compared with Q1 2019, in line with expectations**
    - As mentioned during the FY 2019 presentation, salary costs slightly up
    - Resolution contribution and Belgium Bank Tax are fully recognised in the first quarter
    - We have proactively initiated a series of additional cost saving measures

- **Incidental losses on our structured products activities and co-investments**
    - Due to the exceptional volatility and illiquidity of the markets, our structured products activities at Merchant Banking show losses of €21.9m
    - Losses on co-investments amount to €10.7m. We expect improvement of this position when markets recover

Further explanation on incidentals

Losses on structured products activities amount to €21.9m

- Structured products involve using company-issued debt with embedded derivates linked to equity indices
- The structured products cater to the need of our Private Banking clients offering an alternative instrument to diversify their portfolios to align risk and return in line with their wishes
- The underlying risks are being run on our books at Merchant Banking and we apply macro hedging with respect to these positions
- These hedges are effective under most market conditions
- Market dislocations in March resulted in a breach of the underlying correlations and caused ineffectiveness of the hedge
- Under normal circumstances and stress scenarios of previous years, the structured products portfolio doesn't show wide fluctuations in valuation

Losses on co-investments amount to €10.7m

- We keep positions in our own funds to invest together with our clients and to provide seed capital for new funds
- The book value of these positions amounts to €111m as per end of March 2020
- These investments are partially hedged
- The gains and losses on the position are shown in the line item "Income from securities and associates". The gains and losses on the hedges are shown in the line item "Result on financial transactions"
- When markets go up, we expect better results from this portfolio

Well positioned under difficult circumstances

State of business

- Sentiment among clients still good
- Asset Management won two new mandates, which will start in the course of 2020
- Evi welcomed c. 6,600 clients with over €150m in AuM from the partnership agreement with a.s.r. bank
- Annualised recurring management fee back to early 2019 levels

Package of cost measures

- Initiated a whole string of cost measures to compensate for materially lower projected revenues
- Measures include reducing labour costs and costs related to IT projects
- Additional measures are under consideration and strict cost management will be applied

Strong buffers and stable loan book

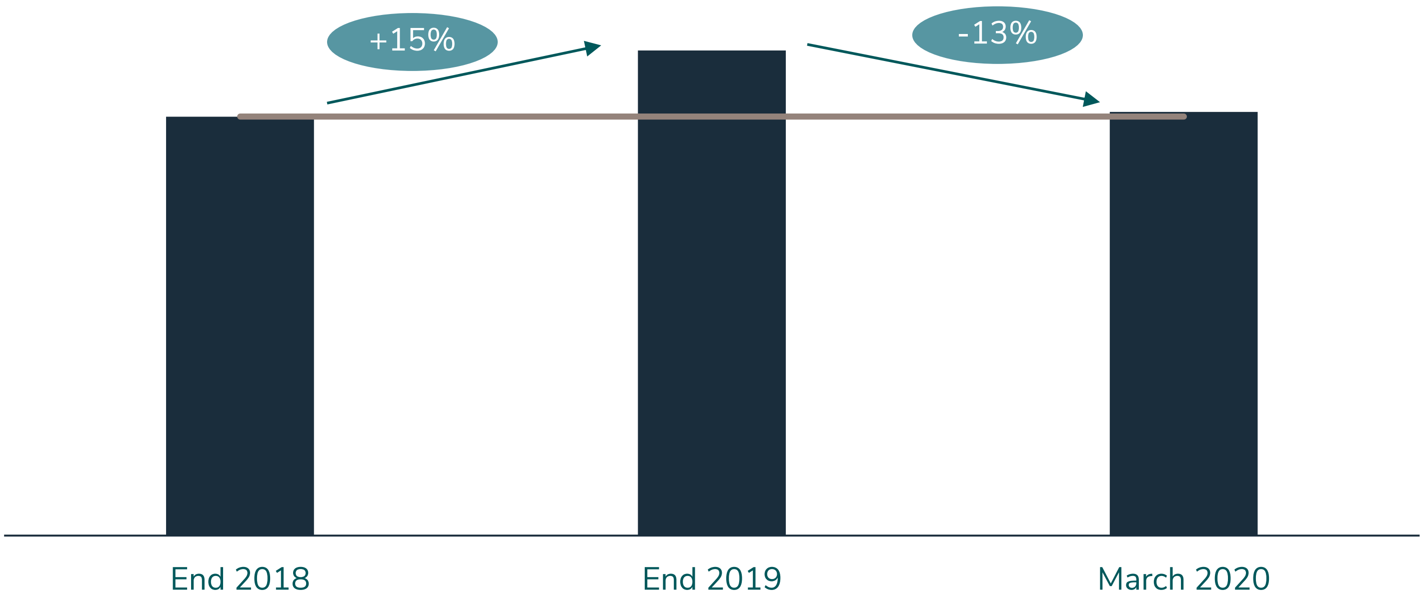
- Strong CET 1 ratio of 22.8% (end 2019: 23.8%),
- Strong liquidity buffer and LCR ratio of 151.6% (end 2019: 156.9%)
- Stable loan book with mostly Dutch mortgages (€6.5bn vs €8.9bn total loan portfolio)
- Run-off of Corporate Banking loan portfolio to €0.3bn

Key figures loan book

- As per the end of March, we are seeing limited coronavirus impact in the shape of increasing arrears and requests for suspension of repayments or interest
- We have very limited exposure to corona-impacted sectors such as leisure, travel, retail and energy
- We have assisted some of our Other Private Banking Loan clients with (relatively limited) additional financing
- Around €0.5bn of loans are related to non-residential real estate, of which only 14% in the retail sector

Annualised recurring management fee back to early 2019 levels

Development annualised recurring management fees



- As result of the significant market decline in Q1 2020, the impact on our annualised recurring management fee is estimated at -13%; this brings us back to levels comparable with early 2019
- As a rule of thumb, our consolidated recurring management fee is slightly over 50% related to equities and 7% is fixed. The remainder is linked to other asset classes (predominantly fixed income and real estate)
- We note that in April 2020 equity markets have recovered approximately 1/3rd of the Q1 decline, resulting in an improvement of our management fees by approximately 3-5%

Strong capital position

Common Equity Tier 1 ratio

- A strong CET 1 ratio of 22.8% (end 2019: 23.8%), with a 2023 target of 15–17%
- The capital ratio decreased due to the first quarter loss, higher RWA and other effects
- Compared with the midpoint of our target range, the excess capital amounts to €290 million at this point

Floor for residential mortgages postponed

- In March 2020, the Dutch Central Bank announced the postponement of the introduction of the floor for residential mortgage risk weights (scheduled for autumn of 2020)
- As indicated before, the introduction of the floor would have led to a 15% RWA increase with an impact on the CET 1 ratio of around 300bp

Payment of 2019 dividend postponed

- The proposal to adopt the 2019 dividend will be put on the agenda for the annual general meeting 2020
- Dividend can be paid to our shareholders as soon as circumstances related to the coronavirus (Covid-19) allow and so long as we remain in compliance with our stated capital ratio targets. Payment will not be earlier than 1 October 2020


Appendix
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Overview net result

€ m	Q1-2020	Q1-2019*	% change
Commission	78.3	68.3	15%
Interest	37.0	43.5	-15%
Other income	-26.9	8.4	-
Income from operating activities	**88.3**	**120.2**	**-27%**
Operating expenses	-99.3	-95.9	4%
Gross result	**-10.9**	**24.4**	**-**
Loan loss provision	-2.4	0.4	-
Other impairments	-0.2	0.7	-
Operating profit before tax of non-strategic investments	0.4	0.2	74%
Operating profit before special items and tax	**-13.2**	**25.6**	**-**
Strategic investment programme	0.0	-5.4	-
Amortisation of intangible assets arising from acquisitions	-1.6	-1.6	0%
Operating profit before tax	**-14.7**	**18.6**	**-**
Income tax	4.3	-3.3	-
Net profit	**-10.5**	**15.3**	**-**
Efficiency ratio (%)	112.4%	79.7%	

* Result for 2019 has been normalised for the realised book profits on the stakes in AIO II and VLC & Partners.

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