ABN·AMRO

ABN AMRO Bank N.V.

Annual Report 2020

About this report

Welcome to ABN AMRO's 2020 Annual Report

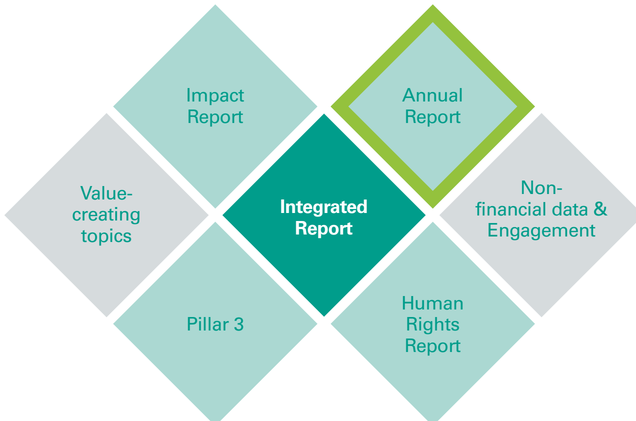
The purpose of this report is to provide information about ABN AMRO's financial and non-financial performance in compliance with regulatory requirements.

Our 'core and more' approach to reporting

The Integrated Report is the 'core' report covering our business, strategy and performance. Its primary purpose is to explain how, over time, we create value for our stakeholders – not only as a provider of banking and other financial services, but also as a responsible employer and an active contributor to society as a whole.

The Integrated Report takes information from a number of 'more' reports that are published at the same time.

This Annual Report is one of our 'more' reports - these reports are designed to regularly provide further details on information in the areas of risk and capital management, sustainability performance, disclosures on human rights, and background information (see illustration). For a list of our other corporate reports, please refer to our website: abnamro.com.



Presentation of information

The Annual Report 2020 consists of the Introduction chapter, the Executive Board report (chapters: Strategy & performance, Risk, funding & capital and Leadership & governance), the Report of the Supervisory Board, the Annual Financial Statements and Other information.

Information provided in the Annual Report is not an offer, investment advice or financial service. The information in this Annual Report is not intended to encourage any person to buy or sell any product or service from ABN AMRO Bank, or to be used as a basis for an investment decision. A decision to invest in products and services of ABN AMRO Bank N.V. can and should be based on the information in this Annual Report in conjunction with information included in a definitive prospectus and the Key Investor Information (if and to the extent required).

The financial information contained in this Annual Report has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU IFRS). Certain sections of the Risk, funding & capital chapter of this Annual Report contain audited information and are part of the Consolidated Annual Financial Statements. Audited information in these sections is labelled as 'Audited' in the respective headings. All capital metrics and risk exposures in this chapter are reported under the Basel III (CRD IV/CRR) framework (unless otherwise stated). All capital figures and ratios, including comparatives, are shown on a fully-loaded basis (unless otherwise stated). The Company Annual Financial Statements comply with Title 9, Book 2 of the Dutch Civil Code, and apply the EU IFRS valuation principles which are also applied in the Consolidated Annual Financial Statements. This report is presented in euros (EUR), which is ABN AMRO Bank's functional and presentation currency, rounded to the nearest million, and sets out the results for the entire ABN AMRO Bank organisation worldwide (unless otherwise stated). All financial year-end averages in this report are based on month-end figures. Management does not believe these month-end averages present trends that are materially different from those that would be presented by daily averages. Certain figures in this report may not tally exactly due to rounding. In addition, certain percentages in this document have been calculated using rounded figures.

To download this report or obtain more information, please visit us at abnamro.com/ir or contact us at investorrelations@nl.abnamro.com. The definitions and abbreviations used in this report can be found on the ABN AMRO website via abnamro.com/annualreport.

Covid-19

2020 was dominated by the effects of Covid-19 on both the bank and our clients. While it is difficult to estimate the specific impact of Covid-19, we expect the effects of the pandemic to persist into 2021. Numerous Covid-19-related topics are touched upon throughout this report:

- An overview of the different Covid-19-related effects can be found in the Introduction by the CEO (page 4).
- An explanation of the impact of Covid-19 on the global economy, and more specifically on the Dutch economy, can be found in the Economic environment section (page 10).
- More details on changes to regulations in response to Covid-19 are provided in the Regulatory environment section (page 14).
- More information on how Covid-19 impacted our clients and how we supported them is provided in the Strategy section (page 18) and in the Business performance sections: Retail Banking (page 40), Commercial Banking (page 44), Private Banking (page 47) and CIB (page 51).
- Update on Covid-19 in the Risk, funding & capital review section (page 93) provides additional details on the relief measures offered to our clients to provide them with liquidity. A description of the risk process changes made during the year is also included.
- The Operational (non-financial) risk section (page 79) in the Risk, funding & capital management section includes more information on business continuity management.
- More information on the impact of Covid-19 on our credit risk profile is included in Key developments (page 89) and Credit risk (page 96) in the Risk, funding & capital review section.
- More details on dividend are provided in the Capital (page 136) in the Risk, funding & capital review section.
- The impact of Covid-19 on remuneration in 2020 can be found in the Remuneration report in the Leadership & governance chapter (page 181).

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Introduction

This chapter provides an introduction by the CEO on the year 2020. Additionally, it includes the key figures and profile, ABN AMRO shares, and it describes the environment in which the Bank operated during the same period.

Introduction by the CEO

Introduction

2020 was a year like no other, full of change and paradigm-shifting events – not only because of the Covid-19 pandemic, but also due to heightened concerns over climate and social change. The Covid-19 pandemic is first and foremost a crisis of personal health and the effects have taken a toll on all of us; flexibility and resilience were put to the test. Social cohesion and solidarity are key to overcome a pandemic and over the last year we have witnessed how governments, businesses, interest groups and communities have taken responsibility and acted together. As many of us stayed home, we looked to connect and support each other. One effect is that the adoption of digital technologies has been accelerated and that many of these changes will be here for the long haul. The start of the roll-out of vaccination programmes at the end of 2020 provides perspective and brings us closer to the start of a new normal.

Navigating the bank through Covid-19 has been a priority in my first year as the CEO of ABN AMRO and we will continue to focus on the wellbeing of our clients and staff. My other priorities for 2020 were to review the strategy to ensure we deliver on our three strategic pillars going forward – customer experience, sustainability and future-proof bank – focus on our license to operate and further enhance the bank's culture.

Strategy review

A clear vision is essential in navigating the bank through current circumstances. In November, we presented the outcome of the strategy review after already taking decisive action at Q2 to wind down our Corporate & Institutional Banking (CIB) activities outside Northwest Europe. We made clear choices, creating a distinct profile and focus, and set out a new capital framework and targets for the longer term. We will be a personal bank in the digital age, serving clients where we have scale in the Netherlands and Northwest Europe. Our strong brand and attractive market positions provide us with a solid foundation. Our strategic pillars – customer experience, sustainability and future-proof bank – remain our guiding principles in acting on our purpose 'Banking for better, for generations to come'.

Our trusted relationships with clients, together with our capabilities across all client segments, enable us to support them at all important financial steps in their lives. We deliver a convenient daily banking experience increasingly digitally. At moments that matter, we support our clients with sector and sustainability expertise. We will focus on attractive segments where we can grow profitably, building on our strong market positions across all segments. Our clients increasingly need expertise to support them in the sustainability shift and we are their first-choice partner in climate change, the circular economy and social impact. We are building a future-proof bank by rigorously simplifying and centralising our operating model, enabling us to focus on clients and work more efficiently.

The wind-down of the CIB non-core portfolio as announced at Q2 was a first step towards bringing focus and scale in CIB. We are making good progress and we have seen a strong decline in the portfolio, mainly in Trade & Commodity Finance. As the wind-down progresses, CIB will align further with the bank's moderate risk profile, reducing the cost of risk going forward.

Enhancing the bank's culture and compliance

We also made progress in our licence to operate and in enhancing the bank's culture, my other priorities. As a value-driven organisation, our decisions and behaviour need to be in line with our purpose and strategy. Taking ownership, setting clear targets and being accountable are key to execution as well as to our licence to operate – as are risk management and compliance, including the fight against money laundering. We are fully committed to our moderate risk profile and our role as a gatekeeper of the financial system. Our culture and licence to operate remain clear priorities. We are making progress in our AML remediation programmes. In the past year, the number of FTEs committed to AML activities grew from around 2,000 FTEs to around 3,800 FTEs. The investigation into our AML activities is ongoing and we continue to fully cooperate.

Financial results and capital

Against the backdrop of Covid-19, we partly compensated high impairments recorded in the first half of the year and closed the year with a modest loss. The Dutch economy and housing market remained resilient as government programmes aimed at reducing the impact on the economy continued. The financial results for 2020 were marked by Covid-19, but were also impacted by large exceptional client files, continued pressure on deposit margins and lower corporate loan volumes as we reduced the CIB non-core portfolio. In order to re-establish our confirmed risk appetite, we have tightened risk standards, especially in CIB (including Clearing). We reached our cost target of EUR 5.1 billion for 2020 (excluding the restructuring provisions), delivering on a EUR 1.1 billion cost savings programme. The resulting return on equity (ROE) was an unsatisfactory -0.8%. Excluding CIB non-core, ROE was 5.4%.

Our capital position remained very strong, with a fully-loaded Basel III CET1 ratio of 17.7% and a Basel IV CET1 ratio above 15%. I am pleased with our very strong capital position, which provides resilience. Based on the revised ECB recommendation and the loss recorded in 2020, regrettably no dividend will be proposed over 2020. We reconfirm our intention to resume payment of dividends, sustainably, conditions permitting and taking into account ECB recommendations. With a Basel IV CET1 ratio above 15%, we are well placed to pay FY2019 dividend, conditions permitting.

In conclusion

I am proud of the commitment we have demonstrated to our clients in a year dominated by Covid-19, working closely with the government and other banks. From the start, our priority has been the wellbeing and safety of our clients and colleagues. We have been able to make a difference for many of our clients, true to our purpose 'Banking for better, for generations to come'. Our strategic investments in IT and digital services in the past years have enabled us to continue serving our clients without interruption as we leveraged our digital platforms in video banking, virtual call centres and working from home. We supported around 90,000 clients with automatic deferral of interest and principal payments. We will continue to provide support to our clients where possible.

In our strategy review we made clear choices, resulting in a distinct profile and focus. The bank continues to operate from a position of strength, with a distinct profile, clear strategic focus and a very strong capital position, providing a solid base for future growth in segments where we have focus and scale. We are cautiously optimistic about the prospects for the bank as we execute on our strategy.

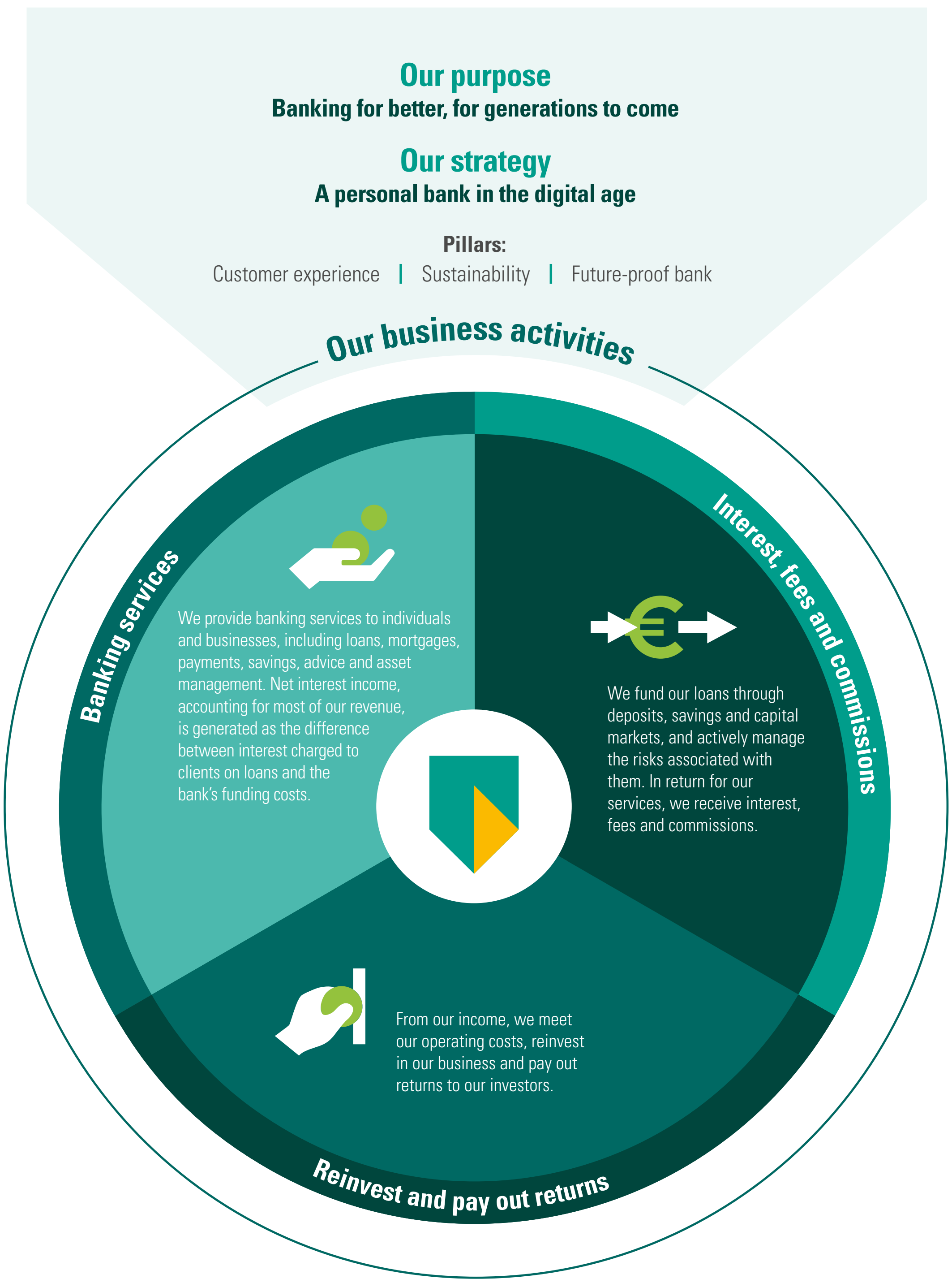
Robert Swaak
CEO of ABN AMRO Bank N.V.

Key figures and profile

ABN AMRO is one of the Netherlands' leading banks. We create value for our stakeholders by providing individuals and businesses with banking services such as loans, mortgages, payments, savings, advice and asset management. Our focus is on Northwest Europe, with over 19,000 ABN AMRO employees worldwide. Outside the Netherlands, ABN AMRO has offices in 13 countries. Our vision is to be a personal bank in the digital age, serving clients where we have scale in the Netherlands and Northwest Europe.

We fund our loans through savings and capital markets, and actively manage the risks associated with them. In return for our services, we receive interest, fees and commissions. We use our income to pay for our operating costs, reinvest in our business and pay out returns to our investors.

Our business activities are presented in our value creation model. For further information on this model, please refer to our Integrated Report <IR>.



Key figures

	Target 2020	2020	2019
Financial results			
Return on average equity	10-13%	-0.8%	10.0%
Cost/income ratio	56-58%	66.4%	61.2%
CET1	17.5-18.5%	17.7%	18.1%
CET1 (Basel IV)		15%	14%
Dividend payout ratio[1]	50%		62%
Non-financial results[2]			
Net Promoter Score	Best NPS of Dutch peers		
- Retail Banking		*-11*	*-10*
- Commercial Banking		*-1*	*1*
- Private Banking		*13*	*9*
- Corporate & Institutional Banking[3]		*35*	*29*
Employee engagement	≥ 80%	84%	80%
Trust monitor AFM/NvB	Leading among large Dutch banks	3.3	3.2
Dow Jones Sustainability Index ranking	Within 5% of sector banks[4]	top 10% of sector banks	top 10% of sector banks
Gender diversity (% women)[5]			
- total		*43%*	*44%*
- subtop	*35% women*	*28%*	*27%*
- top	*30% women*	*30%*	*28%*
FTEs[6]			
Employee FTEs			
Total employee FTEs		19,234	17,977
- of which the Netherlands		*16,049*	*14,800*
- of which Rest of Europe		*2,209*	*2,169*
- of which USA		*433*	*438*
- of which Asia		*405*	*429*
- of which Rest of the World		*139*	*141*
Non-employee FTEs			
Total non-employee FTEs		5,621	4,749

1 Net sustainable profit excludes exceptional items that significantly distort profitability. Based on the ECB's recommendations on dividend payments and the year-to-date loss, no dividend will be proposed over 2020. Furthermore, following the ECB recommendation, ABN AMRO did not yet submit the proposal for final dividend 2019 to the Annual General Meeting. The net sustainable loss for 2020 was identical to the net loss for 2020.
2 For definitions and measurement methods of the non-financial indicators, please refer to Strategy in the Strategy & performance chapter.
3 The NPS in 2020 does not include CIB non-core.
4 Please note that, under DJSI, scores are not directly comparable because of regular recalibration and changes to methodology (2020: 83; 2019: 79).
5 In the Netherlands.
6 As per 31 December.

ABN AMRO shares

Key developments

Between 31 December 2019 and 31 December 2020, ABN AMRO's share price (depositary receipts) declined by 51% while the STOXX Europe 600 Bank index declined by 24%. No dividend will be proposed for the year 2020, given that no profit was realised. The final dividend for FY2019, representing EUR 0.68 per share, will remain in the dividend reserve - its payment will be considered after expiry of the ECB's recommendation that banks under its remit show prudence in relation to dividend payments until 30 September 2021. Moreover, in line with the ECB's recommendation, no interim dividend will be paid in 2021, although in accordance with our dividend policy profits will be accrued at 50% of profit. A decision on the 2021 dividend will be made with the full-year 2021 results. More information on the bank's dividend policy can be found in the Risk, funding & capital chapter of this report.

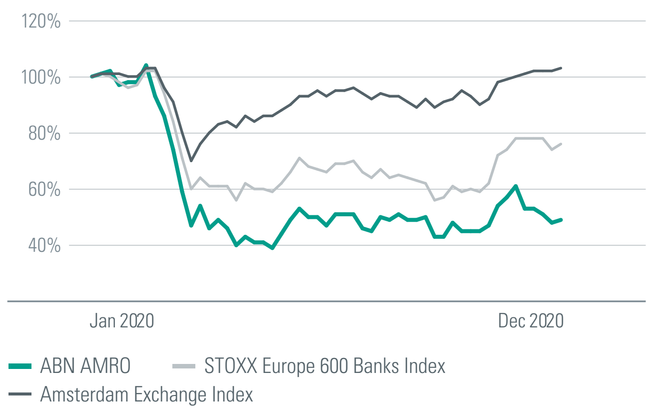
Listing information and substantial holdings

A total of 470.9 million shares, or 50.1% of the total, are held by the STAK AAB ('Stichting Administratiekantoor Continuïteit ABN AMRO Bank'). STAK AAB has issued depositary receipts representing such shares, which are listed on Euronext Amsterdam. NLFI holds 59.7 million (6.4%) of these depositary receipts and has waived, in its capacity of holder of depositary receipts only, any meeting and voting rights attached to the depositary receipts other than the right to vote in the shareholders meeting of ABN AMRO. The remaining 469.1 million shares (49.9%) are held directly by NLFI. More information is provided in the Leadership & governance chapter of this report.

For more information about STAK AAB or NLFI, please go to the 'About ABN AMRO > Profile > Corporate Governance' section of abnamro.com or visit 'abnamro.com/app#/stak-aab/nl/home' or 'nlfi.nl'. The depositary receipts are traded under ISIN code NL0011540547, Reuters ticker 'ABNd.AS' and Bloomberg ticker 'ABN:NA'.

Other than STAK AAB and NLFI, ABN AMRO is aware of one other current or potential shareholder or owner of depositary receipts with an interest of 3% or more as at 31 December 2020: Fidelity International (Ltd).

Share price development
(in %)



Source: S&P Global Market Intelligence.

(in millions)	31 December 2020	31 December 2019
Share count		
Total shares outstanding/issued and paid-up shares	940	940
- of which held by NLFI (shares and depositary receipts)	*529*	*529*
- of which held by other investors (depositary receipts)	*411*	*411*
- as a percentage of total outstanding shares	*44%*	*44%*
Average number of shares	940	940
Average diluted number of shares	940	940
Key indicators per share (EUR)		
Earnings per share[1]	-	2.06
Shareholder's equity per share	20.22	20.73
Tangible shareholder's equity per share	20.08	20.54
Dividend per share[2]		1.28
Share price development (EUR)		
Closing price (end of period)	8.02	16.22
High (during the period)	16.98	22.98
Low (during the period)	5.68	14.92
Market capitalisation (end of period, in billions)	7.54	15.25
Valuation indicators (end of period)		
Price/Earnings	-	7.87x
Price/Tangible book value	0.40x	0.79x
Dividend payout ratio[1, 2]		62%

1 Earnings per share: Profit for the period excluding reserved coupons for AT1 capital securities (net of tax) and results attributable to other non-controlling interests divided by the average outstanding and paid-up ordinary shares.
2 Dividend per share: No dividend is proposed for 2020. For 2019, an interim dividend of EUR 0.60 per share was paid in September 2019. A decision on the payment of the final 2019 dividend (initially proposed EUR 0.68 per share) has been postponed following ECB guidance on dividends in light of the Covid-19 pandemic and will prudently be considered at a later stage. For more information, please refer to Capital in the Risk, funding & capital review section.

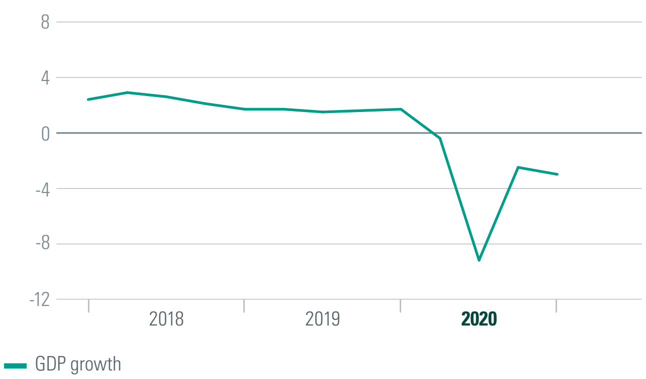
Economic environment

Covid-19 hits the global economy

In 2020, the global economy came to a halt. Global industrial output decreased by 4% relative to the previous year and international trade by 5%. The historic economic downturn reflects the unique nature of the Covid-19 crisis, as countries all around the world were plunged simultaneously into a dip and the global economy was confronted with a shock in both demand and supply. Consumers were cautious and stayed at home to minimise the risk of infection. Protective measures inhibited demand, with sectors involving high levels of personal contact, such as the hospitality sector, being forced to close their doors. This demand shock was compounded by a supply shock that saw entire production chains disrupted during the first wave of infections, with factories shutting down and deliveries of essential components stagnating.

Dutch economy suffers, but less than other economies

Sharp drop in GDP in NL
(GDP growth (% year-on-year))

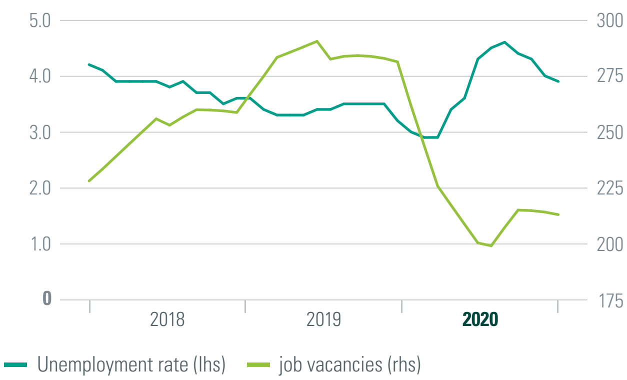


Source: Refinitiv.

Covid-19 also took its toll on the Netherlands as GDP declined by 3.8%, the biggest contraction since World War II. Consumption, investments and net exports were all hit hard. However, the Netherlands suffered less than other countries where ABN AMRO Bank operates, such as Belgium, France, Germany and the United Kingdom. This was because its lockdown measures during the first wave were less strict, while heavily affected sectors such as tourism account for a relatively limited share of the Dutch economy and the country has a well-developed digital infrastructure. Many employees were able to work from home and online shopping was already popular and picked up further. The government's announcement that it was willing to extend swift large-scale support bolstered confidence among businesses and households.
The financial support provided by the government was large, but much lower than in many other countries as the economic downturn was more limited. Public finances remained in relatively good shape.

Labour market deteriorates in NL

Steep increase in unemployment in NL
(in % of total labour force) (in thousands)

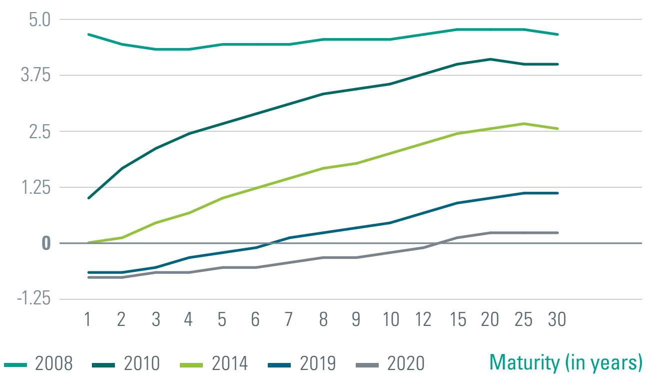


Source: Refinitiv.

After the outbreak of the first wave of Covid-19, the government took action immediately. A wage cost compensation scheme was launched in a bid to protect jobs. A total of 122,000 businesses made use of the temporary emergency bridging measure NOW-1. This scheme ran until June 2020 and provided protection for some 2.8 million employees, which is almost a third of the working population. Subsequent schemes were subject to stricter conditions and the take-up rate steadily decreased. Thanks to all this support, unemployment rose by only 95,000 to 368,000 between March and December. Young workers on flexible contracts, in particular, lost their job. Just before the outbreak, by contrast, the labour market had been extremely tight, with employers struggling to find suitable employees. They were consequently reluctant to lay off their employees and so accepted a temporary decline in productivity. Although the rise in unemployment from 2.9% in March to 3.9% in December was sharp, it was still low from an international perspective.

Interest rates continue to decline

Yield curve 3-months swap rates flattens
(coupon rate in %)



Source: Refinitiv.

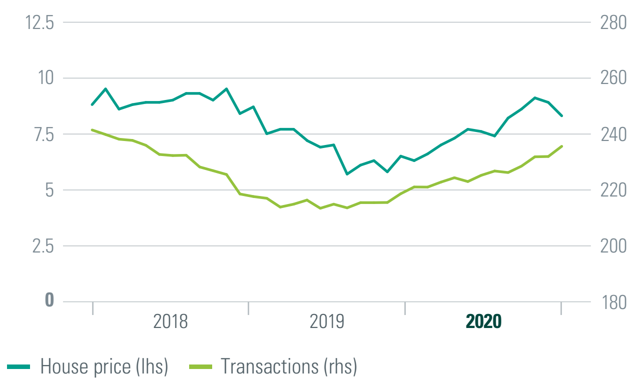
Covid-19 initially threw financial markets into turmoil. However, astute government and central bank action soon restored calm. Governments spent generously to protect jobs and issued credit guarantees to businesses. Although this caused a sharp deterioration in public finances, interest rates barely rose. European government leaders allayed fears of a repeat of the euro crisis by reaching agreement on a European Stability Fund. In the meantime, central banks expanded their monetary policy by providing extra liquidity to banks, lowering their official interest rates, increasing bond-buying budgets and relaxing banks' capital requirements. There was scope for these measures because falling demand kept inflation on a downward trend. Eurozone inflation in 2020 was 0.3%, well below the ECB's target level. In the Netherlands, inflation fell from 2.7% in 2019 to 1.1% in 2020. The various measures ensured that lending could continue as before, while also pushing swap rates even lower, particularly at the long end of the interest rate spectrum. This further flattening of the yield curve underlines the fact that, for banks, the 'lower for longer' discussion is not yet over.

Ambiguity in the Dutch real estate sector

The housing and commercial real estate markets reacted very differently to Covid-19. While the housing market received an extra boost, commercial real estate was dealt a severe blow.

Housing market remains upbeat

Continued rise in house prices and transactions in NL
(% year-on-year) (thousands on a yearly basis)

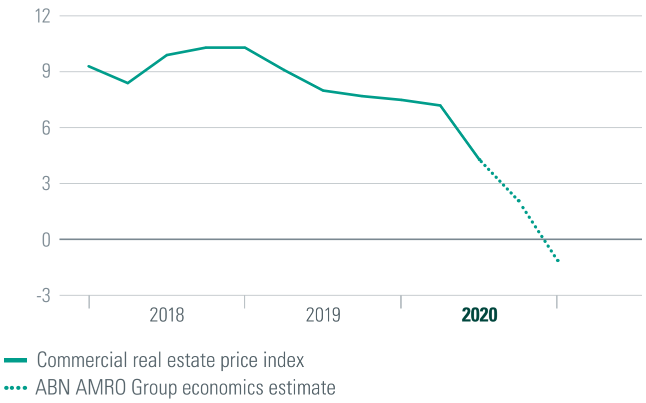


Source: Refinitiv.

The Dutch housing market remained in excellent shape during the year, despite the economic downturn and the impending deterioration in the labour market. The number of purchases totalled 236,000, close to the record high of 242,000 in 2017. Throughout the lockdown periods, house sales continued as before, while the number of properties for sale fell. Properties coming onto the market are rapidly snapped up, forcing would-be buyers to act fast. This shortage translated into a further acceleration in house price increases, from 6.9% in 2019 to 7.8% in 2020. Contrary to previous years the largest price increases were measured in more peripheric regions. The persistent decline in mortgage rates is probably the main factor sustaining buyer interest and rising prices. Residential preferences are also shifting due to people spending more time at home and also working from home. Real estate agents have therefore seen a growing interest in properties with a spare room and outdoor space. The higher demand for home conversion mortgages suggests that home owners are also looking to improve their properties in other, more sustainable ways.

Commercial real estate takes a hit

Shift to online lowers demand for offices and retail space in NL
(in % year on year)



Source: De Nederlandsche Bank & ABN AMRO Group economics

The mood on the commercial real estate market is much gloomier. Rental income and prices of office and retail space are under pressure. Businesses are having a hard time and so are postponing investments and soft-pedalling recruitment. This is dampening demand for office space. An even bigger drag on demand may be the trend of working from home. Post Covid-19, businesses are likely to continue to embrace this new practice, with many offices being transformed from workplaces into meeting places. In addition, the likely dwindling demand for office space will push the transformation to residential space even higher up the agenda. The same applies to shops, given that the rise in online shopping means increasing numbers of retail properties are lying vacant. If new uses cannot be found for empty offices and shops, write-downs may need to be made on property values and their collatoral value. This problem is less evident in the case of investments in hotels, and even less so in the case of investments in distribution centres and rental housing.

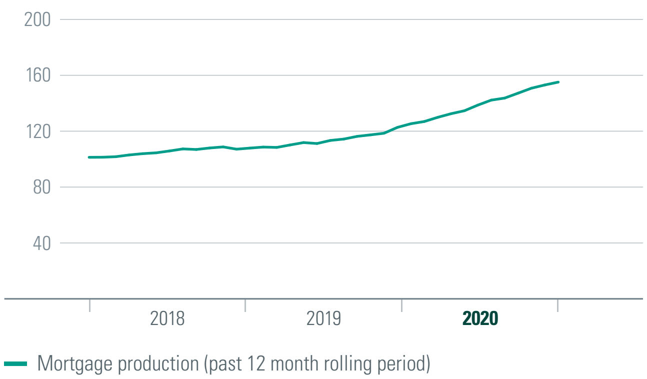
Temporary rise in bank lending in NL

Government credit guarantee program boosts credit in NL
(EUR billions)

Source: De Nederlandsche Bank.

Lending to companies toas a result of increased for the first time in years, partly as a result to government guaranteed emergency loans. However, the underlying decline in business lending remained the same as in recent years, as businesses are making less use of loans and prefer to finance investments from retained earnings. And if these are insufficient, they are increasingly turning to the public capital markets. This applies particularly to the larger companies. Although the Covid-19 crisis forced companies to tap into their financial reserves, the bankruptcy rate remained relatively low. In fact, the number of bankruptcies actually decreased, probably because the government support measures helped companies that would otherwise have gone under to stay afloat. Consequently, some bankruptcies have simply been postponed, and these companies are likely to fail when the government lifeline is withdrawn.

Strong increase in mortgage lending in NL
(EUR billions)



Source: Kadaster.

New mortgage business in the Netherlands showed strong growth in 2020. The higher volume of transactions and the rise in house prices contributed towards this buoyancy. In addition, many borrowers decided to refinance their mortgages. Low interest rates and the perception that interest rates may rise from this historically low level prompted many borrowers to see this as the right time to remortgage. They had abundant choice as mortgage lenders competed for market share. Most of the new mortgages have long fixed-rate terms, sometimes as long as 30 years. The lavish financial support provided by the government helped to keep mortgage arrears down. In fact, the use of special mortgage holiday schemes remained limited.

Turmoil on the oil market

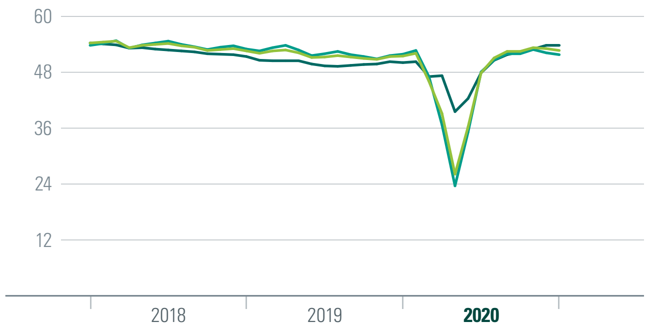
Oil prices down after drop in energy demand
(in $)

Source: Refinitiv.

Covid-19 has also severely disrupted the commodities market. The reduced economic activity provoked a sharp fall-off in demand for energy carriers. Factories came to a standstill during the first wave, while many cars stood idle when large numbers of people started working from home. Business travel declined and fewer people went on holiday, while those who did go opted less frequently to fly. The decline in demand for oil triggered a collapse in prices. After hitting an absolute low, oil prices subsequently rebounded in response to a pick-up in demand, but without recovering to their original level. Continued low energy demand in sectors such as aviation and excess refining capacity is keeping oil prices in check.

Outlook: companies' confidence returns after first wave

Swift recovery in confidence after first wave
(index, 50 = neutral)



Source: Refinitiv.

Following this year's sharp decline, the global economy is expected to embark on a recovery in 2021. As vaccines are progressively rolled out, economic activity will gradually be able to return to normal. Even so, it will be a while before this stage is reached. Though uncertainty persists, our expectation is that the social distancing rules will not be scaled back until the second half of 2021, and that we will have to wait until 2022 for a full relaxation of the restrictions. Until then, Covid-19 will continue to weigh on the economy. All in all, GDP growth is expected to pick up nicely, but the recovery will be incomplete, with the economy not returning to its pre-Covid-19 level before 2022 at the earliest.
The expansive monetary policy will definitely contribute to the recovery, as will public expenditure. Policymakers firmly believe that, in the current circumstances, it is better to stimulate the economy for too long than too short. Another positive development is that the risk of a hard Brexit has been averted at the eleventh hour and that, under President Biden, trade relations between China and the US will probably improve slightly. This will be of particular importance to the Netherlands, which has close ties with the British economy and is heavily reliant on international trade.

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Regulatory environment

Regulatory developments in 2020

A large number of regulatory developments had a direct bearing on ABN AMRO in 2020. The most important of these developments are summarised below.

Impact of Covid-19 on the regulatory environment

New regulations were adopted and existing regulations were amended in response to Covid-19, mainly to support lending while maintaining the bank's liquidity and solvency requirements. The need to focus on these regulatory measures meant the regulators had to postpone some other implementation deadlines and requirements.

CRR Quick Fix

In April 2020, the European Commission adopted a banking package aimed at facilitating lending to households and businesses in the EU in response to the Covid-19 crisis. This package came into force in June 2020 and included an initial set of amendments to the second Capital Requirements Regulation (CRR2). These amendments are unofficially referred to as CRR Quick Fix, or CRR2.5, and consist of an Interpretative Communication on the EU's accounting and prudential frameworks, as well as targeted amendments to the EU banking rules. Central bank exposures may also be temporarily excluded from the leverage ratio until June 2021. For additional information, please refer to Capital in the Risk, funding & capital review section.

Payment holidays and government-guaranteed loans

Measures providing for payment holidays on loans and advances were introduced in early 2020 to reduce the adverse economic impact of Covid-19. Because the EU Member States adopted these payment holidays in various different forms, the European Banking Authority (EBA) decided in April 2020 to publish Guidelines on the treatment of public and private moratoria in the light of Covid-19 measures. ABN AMRO offered many clients deferrals of interest and principal payments on loans and advances between March and October 2020.

ECB recommendation: dividend distributions, share buy-backs and variable remuneration

In response to the exceptional and challenging circumstances of Covid-19, the ECB recommended temporary suspension of all cash dividends and share buy-backs in March 2020. The revised ECB recommendation of December 2020 expects banks to exercise extreme prudence with regard to dividends and share buy-backs until 30 September 2021. In addition, ECB extended its expectation to banks to adopt extreme moderation with regard to variable remuneration until 30 September 2021. A similar position has been taken by the EBA, EIOPA, and ESRB in order to safeguard banks' capacity to absorb losses and lend to support the economy. For ABN AMRO's actions to reflect the supervisors' recommendations on this topic, please refer to Capital in the Risk, funding & capital review section.

SREP and ECB/DNB supervision

The ECB postponed verification of compliance with the qualitative Supervisory Review and Evaluation Process (SREP) measures by six months. Instead, the ECB/DNB supervision of ABN AMRO focused increasingly on sound credit risk management regarding the credit quality in the portfolios (e.g. which sectors, subsectors and clients are more vulnerable), the expected impact of the payment holiday measures and banks' operational capacity.

ECB Targeted longer-term refinancing operations (TLTROs)

TLTROs are one of the ECB's non-standard monetary policy tools. The ECB uses TLTROs to provide long-term loans to banks and offer them an incentive to increase their lending to businesses and consumers in the euro area. The third TLTRO programme (TLTRO III) consists of a series of seven TLTROs, each with a maturity of three years, starting in September 2019 at a quarterly frequency. On 30 April 2020, the ECB decided to modify some of the terms and conditions of TLTRO III in order to support the economy in the face of Covid-19. In 2020, ABN AMRO made use of the TLTRO III programme. For additional information, please refer to Funding and Liquidity risk in the Risk, funding & capital review section.

Sustainable Finance

The development of Sustainable Finance regulations received considerable attention over the past year. New regulations were published, existing regulations were amended and various supervisors and regulators included sustainable finance in their workplans.

EU Taxonomy Regulation

The Taxonomy Regulation, adopted by the European Parliament in June 2020, establishes the criteria for determining whether an economic activity qualifies as environmentally sustainable. The regulation is an essential step of the EU Action Plan on Financing Sustainable Growth in the efforts to channel investments into sustainable activities.

ECB guide on climate-related and environmental risks

The guide on climate-related and environmental risks explains how the ECB expects banks to consider climate-related and environmental risks when formulating and implementing in their business strategy, governance and risk management frameworks and how they disclose such risks transparently. The ECB will use the expectations set out in the guide in its supervisory dialogue with significant banks as ABN AMRO.

Sustainable Finance Disclosure Regulation (SFDR)

The SFDR introduces various disclosure-related requirements for ABN AMRO at an entity, service and product level. The majority of the new disclosure obligations will take effect on 10 March 2021. This regulation aims to create transparency on the integration of sustainability risks and how adverse sustainability impacts should be taken into account in investment processes, as well as on the provision of sustainability-related information on financial products. The disclosure requirements focus mainly on contractual and website disclosures, and on disclosures in periodic reports and marketing communications.

Developments regarding the Non-Financial Reporting Directive (NFRD)

The NFRD lays down the rules on disclosure of non-financial and diversity information by large companies such as ABN AMRO. A supplement to the NFRD on the reporting of climate-related information was published in 2019 as part of the EU Action Plan on Financing Sustainable Growth. Recommendations by the Task Force on Climate-related Financial Disclosures (TCFD) also set out requirements on this topic. To be able to report on these matters in its Annual Report, ABN AMRO is robustly embedding climate into its strategy, business model, governance, policies, risk management and key performance indicators. In addition, the European Commission published a questionnaire on the NFRD in February 2020, and the resulting input will be used in the future revision of the NFRD.

Revised EBA Guidelines on internal governance and suitability

In July 2020, the EBA launched a public consultation to review its Guidelines on internal governance. At the same time, the EBA and ESMA launched a public consultation to revise their joint Guidelines on suitability. These will take into account the amendments introduced by the fifth Capital Requirements Directive (CRD V) and the Investment Firms Directive (IFD) on credit institutions' sound and effective governance. These amendments mainly focus on i) mitigating money laundering and financing of terrorism risks, ii) mitigating Environmental, Social and Governance (ESG) risks, and iii) gender equality and diversity. ABN AMRO will integrate the revised Guidelines, which may be amended as a result of the current consultation and are expected to enter into force on 26 June 2021, into its internal policies and processes.

Revised EBA Guidelines on sound remuneration policies

In October 2020, the European Banking Authority (EBA) launched a public consultation to review its Guidelines on sound remuneration policies. This review takes into account the amendments introduced by CRD V in relation to institutions' sound remuneration policies and in particular the requirement that those remuneration policies should be gender neutral. The consultation may lead to amendments of the currently published Revised Guidelines, which ABN AMRO will integrate into its policies and processes.

EBA Guidelines on loan origination and monitoring

After consultations in Q2 2019, the EBA published its Guidelines on loan origination and monitoring in May 2020. These Guidelines: i) specify internal governance arrangements for granting and monitoring credit facilities throughout their lifecycle; ii) clarify the credit decision-making process, including the use of automated models and building on the requirements of the EBA Guidelines on internal governance, and iii) set requirements for assessing borrowers' credit-worthiness, along with requirements for handling information and data for such assessments. The requirements in the guidelines bring together the EBA's prudential and consumer protection objectives. The Guidelines will be integrated into ABN AMRO's internal policies and processes and apply from 30 June 2021. However, various transitional arrangements are already in place.

EU Court ruling on data transfers in 'Schrems II'

In July 2020, the European Union Court of Justice ruled that certain legal grounds for the transfer of personal data outside Europe are invalid or require supplementary measures. As a result of this ruling, ABN AMRO needs to assess the risks and monitor more actively its data transfers outside Europe. Furthermore, ABN AMRO may need to take extra measures regarding non-EU vendors, or in some cases stop the data transfer.

Update on regulatory developments originating in previous years

- **Anti-Money Laundering regulations:** The Act implementing the fifth EU Anti-Money Laundering Directive (also referred to as AMLD5) entered into force in May 2020. In October 2020, the European Commission added new countries to the list of high-risk third countries[1] with strategic deficiencies in their AML/CFT regimes that pose significant threats to the EU financial system. These include Botswana, Cambodia, Ghana and Panama. The Dutch government has approved the Bill on the Action Plan for Combating Money Laundering (Wet plan van aanpak witwassen) and, after receiving advice from the Council of State, will introduce it in the House of Representatives (Tweede Kamer). Lastly, Transaction

[1] Countries that are not members of the European Union, and countries or territories whose citizens do not enjoy the European Union right to free movement (Schengen Treaty).

Monitoring Netherlands (TMNL), a joint initiative set up by five Dutch banks, including ABN AMRO, to monitor payment transactions, was launched in September 2020. For additional information, please refer to the Non-financial review in the Strategy & performance chapter.

- **Banking reform package:** In order to implement the CRD V as part of the Banking Reform Package, the Ministry of Finance published consultations in 2020 on various implementing acts, degrees and ministerial regulations. The most comprehensive of these was the Implementation Act on Capital Requirements 2020 (Implementatiewet kapitaalvereisten 2020), implementing the amendments required in the Act on Financial Supervision (Wet op het financieel toezicht). Most articles of the Implementation Act entered into force on 29 December 2020. After consultations in Q4 2019, the Single Resolution Board (SRB) published its 'Expectations for banks' in April 2020 regarding the amended Bank Recovery and Resolution Directive (BRRD2). This document sets out the capabilities that the SRB expects banks to demonstrate in order to show that they are resolvable. For additional information, please refer to Capital in the Risk, capital & funding review section.
- **Brexit:** The UK left the EU on 31 January 2020 and the transition period ended on 31 December 2020. The UK and EU have agreed a trade and cooperation agreement which (provisionally) entered into force on 1 January 2021. The agreement contains a free trade agreement, a partnership for citizens' security and a horizontal agreement on governance. In addition, the UK and EU are seeking to agree a memorandum of understanding establishing a framework for regulatory cooperation regarding financial services by 31 March 2021.
- **Interbank offered rates (IBOR) reforms:** The reform of reference rates under the Benchmark Regulation (BMR) continues to take shape. In October 2019, the ECB began publishing its new overnight rate, €STR, which is being used alongside EONIA until the end of 2021, when EONIA will be discontinued. EURIBOR is BMR compliant following European Money Markets Institute's implementation of a new hybrid methodology. Nevertheless, the Working Group on Euro Risk-Free Rates is recommending fallback trigger events and measures for EURIBOR-related products, which banks need to implement in their contracts. LIBOR is expected to be discontinued. As such, banks need to get ready to remove LIBOR from existing contracts and replace it with the recommended alternative risk-free rates. They should also use these new rates in their product offering. The EC has received powers to designate rates for contracts that cannot be amended in time. ABN AMRO is running a bank-wide project to implement IBOR reforms. For more information, please refer to Note 1 Accounting policies in the Consolidated Annual Financial Statements.
- **Finalisation of Basel III reforms (Basel IV):** Owing to the Covid-19 pandemic, the Basel Committee on Banking Supervision announced that the implementation deadline for the Basel IV framework would be extended by one year to 1 January 2023.
- **MiFID 2.5:** MiFID II and MiFIR entered into force in January 2018. To review the regime, the European Commission will present a report on the operation of the new framework, presumably together with a legislative proposal for reform. A consultation was held between February and May 2020.
- **TRIM:** In December 2015, the ECB launched the Targeted Review of Internal Models (TRIM), with a view to reducing unwarranted variability (i.e. variability not justified by different risk profiles) in capital requirements and ensuring consistent supervisory practices across the euro area. After conclusion of the on-site phase of TRIM in 2019, the ECB provided ABN AMRO with a final decision and two draft decisions in December 2020. All these TRIM decisions grant ABN AMRO permission to continue using its internal model approach and specific models for calculating own funds requirements for credit risk, subject to certain conditions. In parallel, the supervisory follow-up on TRIM findings will continue and the institutions will be expected to work intensively to address those findings. For more information on the impact of TRIM, please refer to the Risk, funding & capital review section.
- **Definition of Default (DoD):** To increase consistency across countries and banks, the ECB and EBA have adopted detailed new standards on how banks have to classify credit defaults for prudential purposes. The deadline for implementation was 31 December 2020, with DoD-compliant reporting starting on 1 January 2021. ABN AMRO started applying the new definition of default pursuant to the DoD regulation in Q2 2020. For additional information, please refer to Credit risk management in the Risk, funding & capital management section.
- **Tax:** The EU Directive on Administrative Cooperation (DAC6) is aimed at achieving transparency and fairness in taxation. It sets out a reporting obligation for 'reportable cross-border arrangements' advised as of 25 June 2018. The European Commission decided to postpone this reporting obligation's entry into force from 1 July 2020 to 1 January 2021 owing to the difficulties faced by businesses and EU Member States as a result of the Covid-19 pandemic. Like many other EU Member States, the Netherlands has chosen to make use of this postponement option. Further amendments to the Directive on Administrative Cooperation include obligations for automatic exchange of information on income earned by sellers on digital platforms (DAC7), and a proposal to extend the scope of the Directive to include crypto assets and e-money (DAC8). These amendments demonstrate that tax transparency and exchange of information are continuously developing and will remain an important topic.

Strategy & performance

This chapter includes details of the strategy and performance of the Bank and the business lines during the past year.

Strategy

Banking for better, for generations to come

ABN AMRO has a clear purpose: Banking for better, for generations to come. This guides us through changes, is the basis for how we shape and deliver on our strategy, and encourages high performance and engagement from our employees. Our purpose is our compass in everything we do. Our strategic pillars – customer experience, sustainability, and a future-proof bank – are our guiding principles in acting on our purpose.

Throughout 2020, we continued with the execution of the strategy announced in 2018 and carried out an extensive strategy review to ensure we deliver on our three strategic pillars. We also constantly assessed the impact of Covid-19 on us and our clients, and the actions required to navigate through the crisis.

Customer experience

2020 was a year marked by Covid-19. In line with our purpose, we supported our clients wherever possible, improving our digital services, introducing Covid-19 support measures, and developing new propositions to better meet our clients' needs.

Our strong digital backbone enabled a transition to off-premise service within days of the Dutch government's announcement of the first lockdown on 12 March 2020. Throughout the year, we accelerated the roll-out of more intuitive video banking solutions, introducing improvements in our internet banking portal and digital channel optimisations such as live-chat, social platforms and our banking apps. This ensured that our clients were able to experience the same level of service remotely that they are accustomed to in person. Over 90% of our mortgage advice conversations are now conducted via video banking, with a consistently higher customer appreciation score than our traditional face-to-face on premise advice consultation. The relational Net Promotor Score results are included in the respective business segments in the Business Performance section.

On top of the support measures offered by the Dutch government, we took action to help our clients through Covid-19, providing around 90,000 Retail and Commercial Banking clients with automatic deferral of interest and principal payments.

Amid the urgency presented by Covid-19, we continued to develop new propositions beyond traditional financial services. For example, HROffice, our new recruitment service for SMEs, helps entrepreneurs in the SME sector to find suitable candidates for their vacancies. With another new product, 'Snel Betaald', we offer entrepreneurs invoice financing through an online platform, where they can be paid within 24 hours after confirming the debtor.

Sustainability

The transition to sustainability is increasingly important to our clients. Sustainability has been core to our purpose, and one of our strategic pillars since 2018. We continued to help our clients make their sustainability transition in 2020, focusing on climate change, the circular transition and positive social impact. Our efforts were recognised again with a high score in S&P Global's SAM Corporate Sustainability Assessment, putting us in the top 10% of most sustainable banks worldwide. To reach our ambition of being among the top 5% of most sustainable banks, we have identified areas of improvement in, among others, risk reporting and crisis management.

Within Retail Banking, we continued to offer a sustainability discount on mortgages, integrated the sustainability of houses into our advisory reports and trained 94% of our mortgage advisors as "Sustainable Living Advisors".
We also pushed forward on our target to improve the average energy label of our residential property portfolio to A-C label, reaching 62% by end of the year, just shy of our 63% target. While our target proved to be too ambitious for 2020, the inflow of A-labels (21%, representing a 7% increase compared to 2019) and the migrations from lower to higher energy labels have helped close the gap.
In Private Banking, our clients' sustainable investments increased to EUR 26 billion during the year – well above our target of EUR 22.5 billion, supported by an increase in demand for sustainable contracts as well as our improved offering of funds. An important step toward global mitigation of climate change was also achieved this year, when the Partnership for Carbon Accounting Financials (PCAF), of which ABN AMRO is a co-founder, released a tool to measure and report greenhouse gas emissions linked to loans and investments. The PCAF standard is already used by 96 financial institutions worldwide.

We contribute to the circular economy through the advice and financing that we provide to businesses. We support circular business initiatives – such as the Saltrex auction platform, which finds new ways of using rejected or damaged goods, or Schijvens Corporate Fashion, which uses fully recycled materials to produce sustainable corporate clothing. These are two examples of circular deals we have financed as part of our ambition to support the move to a circular economy.

Positive social impact is about shaping the future together and about creating a fair and resilient society. We do our part by contributing to financial resilience, financial inclusion and equal opportunities. For example, as one of the largest sponsors of field hockey in the Netherlands, we launched the 'Time To Catch Up' programme, whereby every field hockey club that we sponsor must give equal treatment and equal roles to men and women in the sport.

Future-proof bank

For us, building a future-proof bank means creating an efficient organisation with strong capital ratios and financial performance, supported by talented and engaged employees and a rigorous implementation of regulatory requirements.

Our employees are the foundation of the bank of the future. The continued commitment of our staff is clearly evidenced by our recent high employee engagement score of 84%, on target for 2020. While we still see a gap with gender diversity targets, we also note several improvements were achieved this year, ranging from gender neutral vacancy texts to the establishment of a diversity academy. To enable a future-proof bank, we have updated our data strategy with a strong focus on further enhancing and embedding our data management capabilities. In combination with our IT transformation programme, which will rejuvenate our IT landscape, our data strategy will further strengthen and simplify our organisation and enable personalised customer service.

The financial results for 2020 were marked by Covid-19, but were also impacted by large exceptional client files. The resulting return on equity (ROE) for 2020 was -0.8% and the cost/income ratio was 66%. Excluding CIB non-core, net profit for 2020 was EUR 1,140 million, corresponding to an ROE of 5.4%. In order to re-establish our confirmed risk appetite, we have tightened risk standards, especially in CIB (including Clearing). Our capital position remained very strong, with a fully-loaded Basel III CET1 ratio of 17.7% and a Basel IV CET1 ratio above 15%.

Risk management and compliance, including the fight against money laundering (AML), are key to our licence to operate. We are making progress in our AML remediation programmes and have significantly built up our capacity to address AML topics. In 2020, the number of FTEs committed to AML activities grew from around 2,000 to around 3,800 FTEs. Additionally, together with four other Dutch banks, we established the largely automated Transaction Monitoring Netherlands (TMNL) to facilitate the collective fight against financial crime. TMNL focuses on identifying unusual patterns in payments traffic in addition to our own transaction monitoring activities.

Partnerships are essential in realising our strategy and offering the best value to our customer while remaining efficient and flexible. In 2020, ABN AMRO and ODDO BHF formed a strategic partnership to combine our equity brokerage services in Benelux. The partnership will enhance the equity capital markets, corporate broking and equity brokerage services to both corporate and institutional clients, creating a broader range of high-quality equity research of over 500 stocks and an extended distribution network of more than 600 institutional clients in Europe and the United States.

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Strategic targets 2020

Group targets	Metric	2020 targets	2020 results	2019 results
Non-financial				
	Gender diversity at the top	30% women at the top	30%	28%
	Gender diversity at the subtop	35% women at the subtop	28%	27%
	Dow Jones Sustainability Index (DJSI) ranking	Top 5% of banking sector	Top 10% of banking sector	Top 10% of banking sector
	Banking Confidence Monitor	Leading among large Dutch banks	3.3	3.2
Financial				
	Return on average equity	10-13%	-0.8%[1]	10.0%
	Cost/income ratio	56-58%	66.4%	61.2%
	CET1 (fully-loaded)	17.5-18.5%	17.7%	18.1%
	Dividend payout ratio	At least 50% of net sustainable profit		62%[2]

Strategic pillars	Metric	2020 targets	2020 results	2019 results
Customer experience				
Net Promoter Score (relational)	Retail Banking	≥ -10	-11	-10
	Commercial Banking	≥ +1	-1	+1
	Private Banking	≥ +9	+13	+9
	Corporate & Institutional Banking	≥ +29	+35	+29
Sustainability				
We are committed to helping our clients become more sustainable	Renewable energy commitment as a % of energy portfolio	20%	21%	14%
	Sustainable financing	EUR 3.0 billion	EUR 5.0 billion	–[3]
	Sustainable investments (client assets)	EUR 22.5 billion	EUR 26.2 billion[4]	EUR 20.6 billion
We provide our clients with insight into their sustainability performance	Clients rated on our CASY[5] sustainability rating tool			
	▸ Commercial Banking	100%	59%	35%[6]
	▸ Corporate & Institutional Banking	100%	89%[7]	84%
We help our clients invest to make their homes and real estate more sustainable	Average energy label (residential properties)	63% rated A-C	62% rated A-C	60% rated A-C
	Average energy label (commercial properties)	31% average A	39% average A	22% average A[8]
Future-proof bank				
Employee engagement		≥ 80%	84%	80%

1 Excluding Corporate & Institutional Banking's non-core activities, return on equity for 2020 was 5.4%.
2 ABN AMRO has followed the ECB's recommendations on dividend payments and did not yet submit the proposal for final dividend 2019 to the Annual General Meeting.
3 In 2019, sustainable financing as a KPI was still under development and not reported externally.
4 During 2020, we enhanced the scope with ABN AMRO Investment Solutions and ISIN codes for bonds for sustainable advisory. We no longer include the whole volume of sustainable special mandates, but apply the same methodology as for sustainable advisory. Therefore, this figure is not comparable to the result in 2019.
5 CASY: Client Assessment on Sustainability.
6 During 2020, we enhanced the scope to specifically only include the main borrower for the loans in scope. This figure has been restated from 42% to reflect changes in methodology.
7 During 2020, we enhanced the scope with facilities under financial restructuring. Therefore, this figure is not comparable to the result in 2019.
8 During 2020, we have enhanced the calculation methodology from number of objects to number of square metres per object. This figure has been restated from 26% to reflect changes in methodology.

Strategy review: a personal bank in the digital age

In 2020, we performed a comprehensive strategy review on 30 November 2020, including our targets for the longer term and our vision for the bank.

In our strategy review we made clear choices, resulting in a distinct profile and focus. We will be a personal bank in the digital age, serving clients where we have scale in the Netherlands and Northwest Europe. Our strategic pillars – customer experience, sustainability and future-proof bank – remain our guiding principles in acting on our purpose 'Banking for better, for generations to come'.

The review also acknowledges our strong foundation. We are a leading Dutch bank with attractive market positions in the Netherlands and Northwest Europe. We have long-term client relationships built on trust and supported by sector and sustainability expertise. Our trusted relationships with clients, together with our capabilities across all client segments, enable us to support them at all important financial steps in their lives. We deliver a convenient daily banking experience increasingly digitally. At moments that matter, we support our clients with sector and sustainability expertise. Our clients increasingly need expertise to support them in the sustainability shift and we are their first-choice partner in climate change, the circular economy and social impact. We are building a future-proof bank by rigorously simplifying and centralising our operating model, enabling us to focus on clients and work more efficiently.

We target an ROE of around 8% by 2024 when the cost of risk is expected to have normalised, cost-savings programmes will be completed and growth initiatives will be delivering. We reconfirm our intention to resume payment of dividends, sustainably, conditions permitting and taking into account ECB recommendations. We are fully committed to our moderate risk profile and our role as a gatekeeper of the financial system. Our culture and licence to operate remain clear priorities.

The Corporate & Institutional Banking review

The wind-down of the CIB non-core portfolio, as announced in August, was a first step to bring focused scale in CIB. In line with our vision and strategic principles, we concluded to be successful that our CIB activities needed more focus and scale and CIB will need to reduce risk to adhere to a moderate risk profile and will align to the bank's overall strategy and financial and non-financial ambitions. Hence, our focus will be on clients in Northwest Europe and Clearing, and we will exit all non-European corporate banking activities, except for Clearing.

Stricter lending criteria and credit limits have been set to contribute to a moderate risk profile. The non-core activities consist of all non-European corporate banking activities. Trade & Commodity Finance activities are being discontinued completely, and Natural Resources and Transportation & Logistics will focus on European clients only. We expect to complete the wind-down of these non-core activities in the next 3 to 4 years. This will affect around 800 FTEs. We are making good progress in winding down the CIB non-core business with loan volumes down by 45% since 30 June 2020.

Customer experience: A personal bank in the digital age

We are a personal bank in the digital age, engraining the customer experience. Our trusted relationships, together with our capabilities across all client segments, allow us to support our clients at all important financial steps in their lives. We offer both convenience and expertise: a full digital self-service through end-to-end digitalisation for a convenient daily banking experience, and tailored solutions, based on sector-specific, financial and sustainability expertise enhanced with personal interaction at moments that matter.

Going forward, we will focus on attractive segments in the Netherlands and Northwest Europe. In the Netherlands, we will grow in the segments wealthy clients, affluent and high-income clients and mid-to-large corporates, where we leverage our expertise. We will further develop our leading positions in mortgages and SMEs with new propositions, aiming to achieve positive NPS scores and increase our market share to above 20% in both segments. In Northwest Europe, we build on our expertise in the Netherlands and will focus on the energy, mobility and digital transitions, aiming for a top 3 position in selected niches. We remain open to bolt-on acquisition opportunities, especially in private banking.

Sustainability: Core to our purpose

Sustainability has been a core element of our strategy since 2018, and is an important part of our purpose, 'Banking for better for generations to come'. We help our clients achieve their transition to more sustainable business models. In the Netherlands and Northwest Europe, we aim to be a first choice partner in sustainability for our clients.

We aim to integrate sustainability into all our businesses and to increase the volume of sustainable client loans and investments from around one-fifth now, to one-third by 2024. We will also lead by example.

Future-proof bank: Enabling client focus and efficiency

We are building a future-proof bank that is digital by design. We will significantly simplify and centralise our operating model, freeing up time for front office staff to engage with our clients. This means further digitising our business processes and further reducing our product offering: by 2024, we aim to have ~90% of high volume processes digitised end-to-end, and to achieve a ~60% reduction in the complexity of our product portfolio. As our clients make the shift to digital, we will continue to reduce the number of branch offices. Our financial coaches will, of course, continue to be available, ensuring that all our clients retain access to banking services. We expect a further ~15% reduction of staff by 2024, mostly from 2022 onwards. We will reduce the impact on our staff through natural attrition and reskilling to roles where we anticipate growth and want to prevent shortages.

Enhancing the bank's culture and compliance

As a value-driven organisation, our decisions and behaviour need to be in line with our purpose and strategy. We are fully committed to our moderate risk profile and our role as a gatekeeper of the financial system, which is why culture and licence to operate are clear priorities for us. We place great value on fostering a culture within the bank in which everyone feels respected and valued. Taking ownership, setting clear targets and being accountable are key to strategy execution and our license to operate. These are also essential for our commitment to deliver on our moderate risk profile and to continue our fight against money laundering.

Strategic targets 2024

Strategic pillars	Metric	2024 targets
Customer experience		
	Relational NPS mortgages[1]	> 0
	Relational NPS SMEs (incl. self-employed)[1]	> 0
	Market share growth in focus segments[2]	2-5 percentage points in focus segments
Sustainability		
	Percentage sustainability (acceleration) asset volume[3]	30%
	Percentage of women at subtop[4]	34%
Future-proof bank		
	Straight-through-processing rate of high volume processes	90%
	Absolute cost base	EUR ≤ 4.7 billion
	Cost of risk	25-30bps through-the-cycle
	Return on equity	8% (10% ambition with normalised rates)
	CET1 ratio (Basel IV)	13%

1 Net Promoter Score is calculated as the percentage of promoters minus the percentage of detractors.
2 Focus segments are mortgages, SMEs, wealthy and affluent clients, entrepeneurs, and corporate banking in Northwest Europe.
3 The definition of sustainability (acceleration) asset volume is based on ABN AMRO's Sustainability Acceleration Standards. These standards contain clear definitions with regard to clients' sustainability policies, practice and governance. The overall target for sustainability (acceleration) asset volume is calculated as the sum of sustainability (acceleration) asset volume (mortgages and corporate loans) and sustainability (acceleration) client asset volume, divided by the sum of the outstanding mortgage loan book, corporate loan book and relevant client asset volume.
4 Percentage of women at Hay scales 12 and 13 in the Netherlands.

Operational sustainability targets

We want to be a first choice partner in this field for our clients and lead by example. Our key strategic target on the volume of sustainable client loans and investment is based on the following operational targets.

	2021	2022	2023	2024
Percentage sustainability (acceleration) asset volume[1]				
ESG + impact investments	26%	29%	31%	35%
Mortgages	22%	24%	26%	28%
CIB (core) loans	12%	16%	20%	25%
CB loans	11%	15%	21%	27%
Total	21%	23%	26%	30%
External Rating				
S&P Global ESG Dow Jones Sustainability Index	top 5%	top 5%	top 5%	top 5%

1 The definition of sustainability (acceleration) asset volume is based on ABN AMROs Sustainability Acceleration Standards. These standards contain clear definitions with regard to clients' sustainability policies, practice and governance. The overall target for sustainability (acceleration) asset volume is calculated as the sum of sustainability (acceleration) asset volume (mortgages and corporate loans) and sustainability (acceleration) client asset volume, divided by the sum of the outstanding mortgage loan book, corporate loan book and relevant client asset volume.

Long-term value creation

In line with our purpose, our strategy is to increase long-term value for our stakeholders, while minimising the negative effects of our business, wherever possible.
We create value, not only as a provider of financial services, but also as an employer and investor. Like any company, however, our activities may also have negative effects. For example, our actions may also increase carbon emissions and cause damage to the environment.

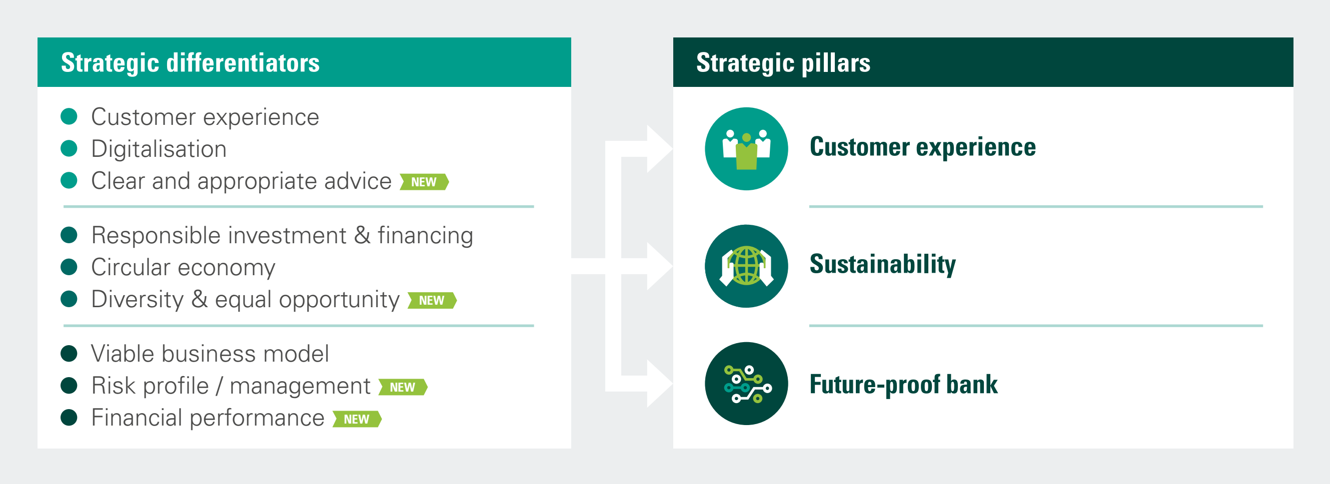
Our value-creating topics

We carry out an assessment of our operating environment every two years. This allows the bank to identify its most important value-creating topics (VCT) from various perspectives: social, economic, financial or environmental. This assessment is based on input from stakeholders. We distinguish four different groups of stakeholders: clients, employees, investors and society. Each group's input is asked and then weighted equally. The initial long list of VCTs is based on a review of internal and external sources, such as trend reports, peer analysis, ESG benchmarks, and Dutch media reports. This list is narrowed down to the 36 most important topics, based on their frequency of occurrence in the source documentation.

During 2020, we repeated our materiality assessment of value-creating topics. In separate surveys, stakeholders and senior management were asked to prioritise the short-listed

36 issues, according to their importance for value creation. The results were discussed and approved by the Executive Committee. Out of the 36, we categorised nine separate VCTs as Strategic Differentiators where we believe we can create most value for our stakeholders and that differentiate us from our competitors. These differentiators impact the bank's strategy and its execution - each differentiator is tied to one of our three strategic pillars (see the following graphic). Alongside these 9 differentiators, we call the remaining 27 VCTs Fundamental Value Creators - they are key to our ability to implement our strategy and help protect the bank's licence to operate.

Results of the 2020 materiality assessment of value-creating topics:



Compared to the previous value-creating topics materiality assessment, the following VCTs, although they are still among our 36 most important VCTs, are no longer considered strategic differentiators: Co-creation & innovation, Ethics & integrity, Talent attraction and System stability. In their place, the 2020 list of strategic differentiators includes four new topics: Clear and appropriate advice, Diversity & equal opportunity, Risk profile / management and Financial performance.

Sustainable Development Goals

In 2015, all United Nations Member States adopted the 2030 Agenda for Sustainable Development, a shared ambition for peace and prosperity for people and the planet, now and in the future. There are 17 integrated Sustainable Development Goals (SDGs) at the heart of this global partnership, with topics ranging from ending poverty and creating lifelong learning opportunities, to human rights and combating climate change.

In 2019, ABN AMRO signed the UN Principles for Responsible Banking, together with 129 other international banks. This connects the bank directly with the UN's 2030 agenda (Sustainable Development Goals). The signatories represent one-third of the total assets of all banks worldwide. By signing, ABN AMRO agrees to align the business strategy with the UN Sustainable Development Goals and with the Paris Climate Agreement.

ABN AMRO assesses its impact mainly on three SDGs where the bank believes it makes most impact as a provider of financial services:

SDG 8: Decent work and economic growth – "Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all."

SDG 12: Responsible production and consumption – "Ensure sustainable consumption and production patterns."

SDG 13: Climate action – "Take urgent action to combat climate change and its impacts."

These focus SDGs also resonate with our strategic themes for sustainability: social impact, the circular economy and climate change.

In 2019, we carried out an initial baseline analysis to measure our contribution to these goals. Our 2020 assessment shows a positive impact on SDG 8 – largely through lending to businesses, thus supporting economic growth during the Covid-19 crisis. During 2020, ABN AMRO – in close cooperation with the Dutch government – introduced a package of support measures for corporate clients affected by the pandemic. On SDG 12 and SDG 13, ABN AMRO's overall impact was negative – inevitably, lending to business results in damage to the environment. Our objective here is to reduce these negative impacts, where possible – largely by increasing financing for sustainable business.

Climate risks relevant for financial institutions

Climate change provides both opportunities and risks for us. The main risks associated with climate change for a financial institution are transition risk and physical risk. The former emanates mainly from technological developments and changes in policies and consumer preferences, while the latter arises from the physical effects of climate change. At the same time, climate change provides opportunities for banks in the form of new investment possibilities and emerging business models.

Transition risks relate to revaluations of assets, firms and business models due to climate change. We are a recognised expert in sustainability and leverage this expertise to support our clients in their own sustainability transition. In this way, we contribute to the broader transition of the economy and also mitigate the transition risks we are facing.

The impact of physical risks on financial institutions is complex and difficult to estimate. In the course of 2020, we published our first efforts at estimating physical risks for specific sectors. The scenarios and models used are described in more detail in the Risk, funding & capital management section. The analyses that we carry out on this front are in place to inform strategic decision-making, and may help in deciding what portfolios to focus on.

Bank performance

Financial review

This financial review presents a discussion and analysis of the results and financial condition of ABN AMRO.

Income statement

Financial highlights

- ABN AMRO recorded a modest loss of EUR 45 million in 2020, largely due to significant impairments, reflecting the current economic environment.
- Good progress continued to be made in the CIB non-core wind-down, with loans down EUR 7.8 billion or 45% since 30 June 2020.
- Net interest income was EUR 5,863 million (2019: EUR 6,468 million), mainly reflecting continued pressure on deposit margins and the CIB non-core wind-down.
- We delivered on our cost target of EUR 5.1 billion for 2020, excluding restructuring provisions for the CIB non-core wind-down, achieving EUR 1.1 billion in cost savings (in comparison with full-year 2015).
- Impairments charges were significant (EUR 2,303 million versus EUR 657 million in 2019), mainly reflecting the economic impact of Covid-19, oil price developments, and three exceptional client files. We expect the effect of Covid-19 to persist into 2021.
- Very strong capital position, with CET1 ratio at 17.7% under Basel III and above 15% under Basel IV.

Operating results

(in millions)	2020	2019	Change
Net interest income	5,863	6,468	-9%
Net fee and commission income	1,558	1,632	-5%
Other operating income	494	504	-2%
Operating income	**7,916**	**8,605**	**-8%**
Personnel expenses	2,280	2,247	1%
Other expenses	2,976	3,021	-1%
Operating expenses	**5,256**	**5,268**	**-0%**
Operating result	**2,660**	**3,337**	**-20%**
Impairment charges on financial instruments	2,303	657	
Profit/(loss) before taxation	**356**	**2,680**	**-87%**
Income tax expense	401	634	-37%
Profit/(loss) for the period	**-45**	**2,046**	
Attributable to:			
Owners of the parent company	-45	2,046	
Other indicators			
Net interest margin (NIM) (in bps)	143	164	
Cost/income ratio	66.4%	61.2%	
Cost of risk (in bps)[1]	78	24	
Return on average equity[2]	-0.8%	10.0%	
Dividend per share[3]		1.28	
Earnings per share (in EUR)[4]	-	2.06	
Client assets (in billions)	289.3	296.5	
Risk-weighted assets (in billions)	110.5	109.8	
Employee FTEs	19,234	17,977	
Non-employee FTEs	5,621	4,749	

1 Annualised impairment charges on loans and advances customers divided by the average loans and advances customers (excluding at fair value through P&L) on the basis of gross carrying amount and excluding the fair value adjustments from hedge accounting.
2 Annualised profit for the period excluding coupons attributable to AT1 capital securities and results attributable to non-controlling interests divided by the average equity attributable to the owners of the company excluding AT1 capital securities.
3 Interim/final dividend per share over the relevant period as declared/proposed by the company, subject to approval at the annual general meeting (AGM). ABN AMRO has followed the ECB's recommendations on dividend payments and did not yet submit the proposal for final dividend 2019 to the AGM. For more information, please refer to Capital in the Risk, funding & capital review section.
4 Profit for the period excluding coupons attributable to AT1 capital securities and results attributable to non-controlling interests divided by the average outstanding and paid-up ordinary shares.

ABN AMRO results excluding CIB non-core

The wind-down of the CIB non-core portfolio as announced in August 2020 was a first step towards focus and scale, reducing risk and aligning CIB with the bank's moderate risk profile. The table below shows a financial overview of ABN AMRO excluding CIB non-core. Excluding CIB non-core, net profit for 2020 was EUR 1,140 million, corresponding to a return on equity of 5.4%. An analysis of ABN AMRO bank's performance is given in the next section.

(in millions)	2020	2020 non-core (pro forma)[4]	2020 excl. non-core (pro forma)[4]
Net interest income	5,863	361	5,502
Net fee and commission income	1,558	80	1,478
Other operating income	494	-64	559
Operating income	**7,916**	**376**	**7,539**
Personnel expenses	2,280	227	2,053
Other expenses	2,976	221	2,756
Operating expenses	**5,256**	**448**	**4,808**
Operating result	**2,660**	**-71**	**2,731**
Impairment charges on financial instruments	2,303	1,107	1,196
Profit/(loss) before taxation	**356**	**-1,178**	**1,535**
Income tax expense	401	7	394
Profit/(loss) for the period	**-45**	**-1,185**	**1,140**
Cost/income ratio	66.4%	119.0%	63.8%
Cost of risk (in bps)[1]	78	552	46
Other indicators			
Return on average equity[2]	-0.8%	-62.4%	5.4%
Loans and advances customers (in billions)	252.2	9.7	242.5
-of which Client loans (in billions)[3]	*235.5*	*11.0*	*224.5*
Risk-weighted assets (in billions)	110.5	11.4	99.1

1 Impairment charges on loans and advances customers divided by the average loans and advances customers (excluding at fair value through P&L) on the basis of gross carrying amount and excluding the fair value adjustments from hedge accounting.
2 Return on equity based on net profit/(loss) excluding minority interest. Equity based on Basel III risk-weighted assets multiplied with 13.75%.
3 Gross carrying amount excluding fair value adjustment from hedge accounting.
4 Pro forma figures subject to final allocation between CIB core and non-core and further review.

Large incidentals

Adjusted accounting estimates for amortisation of penalty interest on mortgages

In 2020, ABN AMRO adjusted its accounting estimate for amortisation of penalty interest on mortgages to reflect client behaviour over the past years. This resulted in a one-off charge of EUR 80 million, recorded in net interest income at ALM in Group Functions.

Positive revaluation DSB claim

2020 included a positive revaluation of EUR 23 million for a DSB claim, recorded in net interest income at Group Functions. 2019 included EUR 45 million for positive one-offs, largely relating to DSB.

Sale and leaseback office Paris

In 2020, ABN AMRO concluded the sale and lease-back transaction of the Neuflize OBC office building in Paris. The book gain before tax amounted to EUR 263 million (EUR 181 million net of tax) and was recognised in other operating income at Private Banking.

CIB non-core wind-down

2020 included a total of EUR 160 million for one-off costs relating to the wind-down of the CIB non-core portfolio, of which EUR 103 million was recorded in personnel expenses and EUR 57 million in other expenses. Furthermore, a EUR 120 million write-off for deferred tax assets was recorded in income tax expense.

Release for discretionary variable remuneration

Personnel expenses in 2020 included a EUR 22 million release for discretionary variable remuneration at CIB.

Provision for outstanding holiday entitlements

2020 included a provision of EUR 17 million in personnel expenses at Group Functions for outstanding holiday entitlements as employees took fewer holidays due to Covid-19.

Release relating to tax deductibility of AT1 coupon payments

In 2020, following a Dutch court ruling regarding the tax deductibility of AT1 coupon payments, a release of EUR 55 million was recorded in tax to reflect the tax relief on AT1 coupon payments in 2019 and 2020.

Provision for AML programme

Other expenses in 2020 included EUR 44 million in additions to the provision for AML remediation programmes (largely recorded at Group Functions). In 2019, a total of EUR 174 million was added to the provision (largely recorded at Retail Banking). Cumulative provisions taken for AML remediation programmes amount to EUR 303 million.

Goodwill impairment at Private Banking Belgium
Other expenses in 2020 included a EUR 34 million goodwill and intangible impairment at Private Banking Belgium.

Provision for SME derivates-related issues
2020 included a EUR 15 million release for the provision regarding client compensation for SME derivatives-related issues, recorded in other operating income (at CIB), while 2019 showed a charge of EUR 34 million. Furthermore, 2019 included a EUR 23 million provision charge for project costs relating to SME derivatives-related issues, recorded in other expenses (at CIB).

Divestments
In 2019, ABN AMRO sold 75% of its Stater shares to Infosys, resulting in a EUR 130 million book gain (tax exempt), recorded in other operating income at Group Functions.

Collective labour agreement (CLA)
2019 included a one-off payment of EUR 30 million to the pension fund, recorded in personnel expenses, as agreed under the collective labour agreement for 2020-2021.

Analysis

ABN AMRO recorded a modest loss of EUR 45 million in 2020, while 2019 recorded a profit of EUR 2,046 million. The decrease was largely due to significant impairments (EUR 2,303 million versus EUR 657 million in 2019), mainly reflecting the economic impact of Covid-19, oil price developments, and three exceptional client files.

Return on Equity for 2020 was 0.8% negative, compared with 10.0% in 2019, mainly as a result of record high impairments and, to a lesser extent, lower net interest income.

Return on Assets was 0.04% negative in 2020 (2019: 0.49%), due to higher assets and lower returns in 2020.

Net interest income was EUR 5,863 million, compared with EUR 6,468 million in 2019. Excluding incidentals and divestments, net interest income declined mainly as a result of continued pressure on deposit margins in a low interest rate environment and lower average corporate loan volumes due to the ongoing wind-down of the CIB non-core portfolio.

Net fee and commission income amounted to EUR 1,558 million, a decrease of EUR 74 million compared with 2019. Excluding divestments (mainly Stater), the decrease in net fee and commission income was largely attributable to lower credit card usage at ICS (Retail Banking) due to Covid-19, and the wind-down of the CIB non-core portfolio, which was partly offset by higher income at Clearing (CIB) as market volatility was higher in 2020.

Other operating income remained broadly stable, totalling EUR 494 million in 2020 (2019: EUR 504 million). 2020 included a EUR 263 million book gain for the sale of our Paris office and a EUR 96 million decline in income from volatile items, while 2019 included a EUR 130 million book gain for the sale of Stater.

Personnel expenses, excluding incidentals and divestments (mainly Stater), remained broadly flat, totalling EUR 2,280 million in 2020. This included lower pension costs (as agreed in the new CLA) and higher costs due to the upscaling of AML activities and wage inflation.

Other expenses, excluding incidentals, increased by EUR 10 million to EUR 2,976 million in 2020, largely due to higher regulatory levies. Costs for the upscaling of AML activities were largely offset by cost-saving programmes.

Impairment charges were significant in 2020, totalling EUR 2,303 million (2019: EUR 657 million), mainly reflecting the economic impact of Covid-19, oil price developments, and three exceptional client files. The full-year impairment charges were lower than guidance provided during 2020, largely because the CIB non-core portfolio performed better, and was reduced faster than expected. We still expect the effect of Covid-19 to persist into 2021. The cost of risk amounted to 78bps in 2020 (2019: 24bps).

Income tax expense amounted to EUR 401 million in 2020 (2019: EUR 634 million). The decrease is attributable to the result for 2020 being lower than the result for 2019. However, the effective tax rate increased significantly due to an unfavourable geographical mix of pre-tax income and pre-tax losses, as well as the fact that no full tax benefit was recognised on the provision for the CIB non-core wind-down, since deferred tax assets could not be recognised on losses incurred in specific tax jurisdictions. Furthermore, 2020 included a EUR 120 million write-off of deferred tax assets relating to the wind-down of the CIB non-core portfolio.

Balance sheet
Condensed statement of financial position

(in millions)	31 December 2020	31 December 2019
Cash and balances at central banks	60,190	27,558
Financial assets held for trading	1,315	1,137
Derivatives	6,381	5,730
Financial investments	47,455	45,277
Securities financing	16,725	14,905
Loans and advances banks	3,394	5,011
Loans and advances customers	252,159	267,604
Other	8,005	7,831
Total assets	**395,623**	**375,054**
Financial liabilities held for trading	563	675
Derivatives	7,391	6,505
Securities financing	11,363	8,234
Due to banks	36,719	12,785
Due to customers	238,570	234,991
Issued debt	66,949	75,275
Subordinated liabilities	8,069	10,041
Other	5,010	5,076
Total liabilities	**374,634**	**353,582**
Equity attributable to the owners of the parent company	20,989	21,471
Total equity	**20,989**	**21,471**
Total liabilities and equity	**395,623**	**375,054**
Committed credit facilities	55,207	54,673
Guarantees and other commitments	8,981	17,479

Main developments in assets compared with 31 December 2019

Total assets increased by EUR 20.6 billion, totalling EUR 395.6 billion at 31 December 2020, mainly driven by higher cash and balances at central banks (TLTRO III participation), partly offset by lower loans and advances customers (CIB non-core wind-down).

Cash and balances at central banks grew by EUR 32.6 billion to EUR 60.2 billion at 31 December 2020, largely as a result of participation in the TLTRO III facility and, to a lesser extent, because loans and advances customers decreased while the amounts due to customers increased. During 2020, ABN AMRO changed its presentation of instant payment facilities. For more information, please refer to Note 12 Cash and balances at central banks in the Consolidated Annual Financial Statements.

Loans and advances customers decreased by EUR 15.4 billion, totalling EUR 252.2 billion at 31 December 2020. The decline was largely attributable to a decline in client loans, while loans to professional counterparties remained broadly stable. During 2020, ABN AMRO changed its presentation of instant payment facilities. For more information, please refer to Note 20 Loans and advances customers in the Consolidated Annual Financial Statements.

Client loans declined by EUR 14.8 billion to EUR 235.5 billion at 31 December 2020. The decrease mainly reflected a decline in corporate loans at CIB, which was largely attributable to the ongoing wind-down of the CIB non-core portfolio. Furthermore, there was a slight decrease in residential mortgages, mainly as a result of higher mortgage redemptions, and in corporate loans at Commercial Banking, mainly due to lower demand as an effect of Covid-19.

Loans and advances customers

(in millions)	31 December 2020	31 December 2019
Residential mortgages	145,672	148,225
Consumer loans	11,232	12,294
Corporate loans to clients[1]	78,587	89,756
- of which Commercial Banking	*39,838*	*41,500*
- of which Corporate & Institutional Banking	*31,560*	*41,136*
Total client loans[2]	**235,491**	**250,276**
Loans to professional counterparties and other loans[3]	16,297	16,412
Total loans and advances customers[3]	**251,788**	**266,687**
Fair value adjustments from hedge accounting	3,838	3,342
Less: loan impairment allowance	3,467	2,426
Total loans and advances customers	**252,159**	**267,604**

1 Corporate loans excluding loans to professional counterparties.
2 Gross carrying amount excluding fair value adjustment from hedge accounting.
3 Loans to professional counterparties and other loans includes loans and advances to governments, official institutions and financial markets parties.

Main developments in liabilities and equity compared with 31 December 2019

Total liabilities increased by EUR 21.1 billion, totalling EUR 374.6 billion at 31 December 2020, mainly driven by an increase in the amount due to banks (TLTRO III participation), which was partly offset by lower issued debt securities.

Due to banks grew by EUR 23.9 billion to EUR 36.7 billion at 31 December 2020, largely as a result of participation in the TLTRO III facility.

Due to customers increased by EUR 3.6 billion, totalling EUR 238.6 billion at 31 December 2020. The increase was largely caused by higher professional deposits (largely Clearing), partly offset by lower client deposits (partly due to outflow resulting from lowering the threshold for negative interest rates).

Issued debt securities declined by EUR 8.3 billion compared with 31 December 2019, totalling EUR 66.9 billion at 31 December 2020, reflecting lower long-term and short-term funding, and lower amounts of newly issued debt (due to TLTRO III participation), partly offset by EUR 2.5 billion in new senior non-preferred funding. At 31 December 2020, issued debt included EUR 30.3 billion for covered bonds, EUR 28.8 billion for unsecured funding and EUR 2.5 billion for senior non-preferred funding. EUR 19.3 billion in outstanding issued debt securities matures within 12 months.

Total equity decreased by EUR 0.5 billion to EUR 21.0 billion at 31 December 2020, mainly due to a decrease in accumulated other comprehensive income (OCI).

Equity attributable to owners of the parent company, excluding AT1 securities, declined by EUR 0.5 billion to EUR 19.0 billion at 31 December 2020, resulting in a book value of EUR 20.22 per share based on 940,000,001 outstanding shares.

Due to customers

(in millions)	31 December 2020	31 December 2019
Retail Banking	89,038	90,359
Commercial Banking	52,537	46,269
Private Banking	61,513	69,153
Corporate & Institutional Banking	28,680	26,481
Group Functions	6,802	2,729
Total due to customers	**238,570**	**234,991**

Main developments off-balance sheet compared with 31 December 2019

(in millions)	Commercial Banking	Corporate & Institutional Banking	Other segments	Total
31 December 2020				
Committed credit facilities	12,711	30,102	12,394	55,207
Guarantees and other commitments	1,671	5,585	1,725	8,981
Revocable credit facilities	81	26,524	9,395	36,000
Total	**14,462**	**62,212**	**23,514**	**100,188**
31 December 2019				
Committed credit facilities	11,714	30,423	12,536	54,673
Guarantees and other commitments	1,692	13,572	2,214	17,479
Revocable credit facilities	147	37,236	9,327	46,710
Total	**13,554**	**81,231**	**24,077**	**118,861**

Committed credit facilities (undrawn) increased by EUR 0.5 billion, totalling EUR 55.2 billion at 31 December 2020, largely as a result of an increase in the number of outstanding mortgage offers.

Guarantees and other commitments decreased by EUR 8.5 billion to EUR 9.0 billion at 31 December 2020, largely due to progress made in the wind-down of the CIB non-core portfolio.

Revocable credit facilities declined by EUR 10.7 billion, totalling EUR 36.0 billion at 31 December 2020, mainly as a result of the CIB non-core wind-down.

Non-financial review

This non-financial review is based on the reporting requirements set out in Section 2:391, paragraphs 1 and 5, of the Dutch Civil Code (Burgerlijk Wetboek) pertaining to non-financial information. This section provides information on our policies with regard to climate, crime and integrity, responsible tax, our people, human rights, and our material topics.

Climate

In 2020, we made further progress in climate-related financial disclosures, in line with the recommendations of the TaskForce on Climate Related Financial Disclosures (TCFD) and the climate-related disclosure supplement to the Non-Financial Reporting Directive that was issued in 2019 by the European Commission. In 2021, we will focus on further disclosures in line with the Sustainable Finance regulations as mentioned in the Regulatory environment section. Our climate-related disclosures are presented throughout this report, as climate plays a role in every part of the organisation. Below is a cross-reference to where the recommended disclosures can be found in the Annual Report.

TCFD recommendations	NFRD 2019 supplement elements	Page
Governance		
Board oversight	Policies and due diligence processes	172
Management's role	Policies and due diligence processes	87
Strategy		
Risks and opportunities	Principal risks and their measurement	18, 19, 21-24, 41, 44, 45, 48, 52, 87
Impact on organisation	Businessmodel	24, 142-145
Resillience of strategy	Businessmodel	
Risk management		
Risk identification & assessment processes	Principal risks and their measurement	86, 87, 141-145
Risk management processes	Principal risks and their measurement	86, 87, 141-145
Integration into overall risk management	Principal risks and their measurement	86
Metrics and targets		
Climate-related metrics	Key performance indicators	142-145
Scope 1, 2 and 3 GHG emissions	Outcomes	145
Climate-related targets	Outcomes	

The table above sets out the current status of implementation of climate-related disclosures in ABN AMRO's processes and policies. We recognise that in the areas of climate governance, incorporating climate factors into our strategic process and setting actionable climate targets, we still have work to do. Other areas, such as risk management, are expected to further evolve in the coming years as the field of climate risk rapidly matures.

ABN AMRO is currently in the process of further implementing the NFRD 2019 climate guidelines and TCFD framework in the organisation. A bank-wide programme has been started to improve these disclosures and bring them more in line with the guidelines. The ECB guide on climate-related and environmental risks is included in this programme too.

Crime and integrity

We acknowledge the importance of our role as a gatekeeper in safeguarding the financial system against financial crime. We seek to continually improve our policies, procedures, systems and controls; to live up to our regulatory obligations and societal expectations; to minimise the risk of being involved in or associated with money laundering, the financing of terrorism, corruption or tax evasion, and to comply with internationally agreed economic sanctions.

In September 2019, the Dutch public prosecutor informed ABN AMRO that it is the subject of an investigation relating to requirements under the Dutch Act on the Prevention of Money Laundering and Financing of Terrorism (in Dutch: *Wwft*). The scope of the investigation includes whether the bank has complied with the *Wwft* in relation to having client files in good order, timely reporting of unusual transactions and discontinuing relationships with clients in good time. The timing of the completion of the investigation and the outcome are currently uncertain. Therefore, the financial impact of a potential fine, if any, cannot be reliably estimated as yet. ABN AMRO is cooperating fully.

Clients and third-party integrity

Before entering into and during business relationships, ABN AMRO carries out due diligence on its clients and third parties such as agents, intermediaries and suppliers. We do this using a risk-based approach, aimed at minimising the risk of being involved in or associated with money laundering, terrorism financing, corruption or tax evasion.

We systematically monitor the activities of our clients and report any suspicious or unusual transactions to the relevant authorities. Prospective and existing clients in high-risk situations (such as those involving politically exposed persons, adverse media, or clients in countries or sectors with an inherently higher risk of financial crime) undergo additional due diligence. We also consider geopolitical factors when assessing the risks of financial crime in relation to specific countries or sectors. Unacceptable risks lead to the prospective client or third party in question being rejected or, in the case of an existing client, to an exit.

In 2020, we continued executing our AML remediation programmes throughout the bank. Our activities designed to strengthen the foundations and remediate gaps have been reviewed by an independent expert and the plan has been shared with the regulator. At present, more than 3,800 employees are fully dedicated to AML activities. We are taking all remedial actions necessary to ensure full compliance with legislation, while remaining fully committed to complying with all current and future anti-money laundering and terrorist financing legislation and making the required investments.

Organisational and employee integrity

All our staff members undergo pre-employment screening, and integrity-sensitive positions require additional screening. The Code of Conduct sets out guidance for handling day-to-day business decisions, as well as major dilemmas. All staff members also participate in mandatory training aimed at learning how to recognise signs of financial crime, including 'red flags' of money laundering, corruption, fraud and conflicts of interest. We have policies in place that require employees to immediately report all actual or suspected incidents, irregularities and breaches relating to bribery or corruption. We encourage employees to speak up if they become aware of risks or behaviour that are not in line with ABN AMRO's purpose, cultural principles and strategy and, where possible, to first discuss such suspicions with their manager. If this is undesirable for any reason, they should report their suspicions through the bank's whistleblowing channels, which are also open to external parties.

Combating bribery and corruption

Corruption undermines fair and competitive business, restricts international trade, reduces investor confidence, and impacts on regional and global economic growth and international stability. In addition to the risks that corruption poses to the financial system, ABN AMRO itself can also face reputational and financial risks from potentially becoming directly exposed to or being abused for corrupt practices. We take these risks seriously and take mitigating measures aimed at limiting them.

In accordance with regulatory requirements, we monitor the risks of money laundering, terrorism financing, bribery and corruption in our organisation so as to maintain a strong control system and to mitigate risks. These risks are assessed as part of our Systematic Integrity Risk Analysis (SIRA), which is based on qualitative and quantitative information and helps us to gain insight into the inherent and residual risks we face, as well as ensure we operate within the bank's risk appetite. In addition to the SIRA, ABN AMRO continually strives to obtain data-driven insight into integrity risks. It is our corporate social responsibility to conduct business with integrity and without any form of bribery or corruption. More information about ABN AMRO's stance on corruption can be found in our anti-bribery and corruption policy. This key compliance document is available on our website.

Resilience to security threats

ABN AMRO's information infrastructures connect the bank's networks to public networks. As a result, banking processes and their supporting information systems are inherently vulnerable, threatening the security and availability of client data and services. We have established a structured information security framework to ensure the confidentiality, integrity and availability of information and its associated assets at all times. This framework defines the organisational structure, management and staff responsibilities, and sets out security directives applying to the bank, its vendors and third parties. The Corporate Information Security Office (CISO) strives to ensure the security of the bank, our clients and society by, among other things, systematically monitoring client transactions in order to detect fraudulent transactions. Security & Integrity Management (SIM) monitors and reports the number of incidents detected and the trends related to fraud, information security and compliance breaches, while also monitoring losses suffered by the bank's clients and the bank itself.

In addition, various departments in ABN AMRO work closely together in virtual teams to manage and prevent the risk of fraud, financial crime and unethical behaviour. In order to prevent abuse of client data or violations of privacy, for instance, we implemented a programme in 2020 to detect any cases of staff accessing client accounts without a valid business reason. The bank also faces a constant threat of cybercrime. As part of its security programme, therefore, it continuously monitors cybercrime threats and adapts the bank's defences wherever necessary. The closure of ATMs at night resulted in a decrease in the number of attacks on ATMs in 2020. However, we subsequently observed an increase in the number of attacks on seal bag machines. ABN AMRO, ING and Rabobank therefore decided to also close seal bag machines at night.

The bank is keen to raise awareness among clients and employees on how to recognise and prevent financial crime. We also collaborate with other banks, the Financial Intelligence Unit, the Fiscal Intelligence and Investigation Service (FIOD) and the Dutch police in various public-private partnerships to counter various forms of crime, including organised crime, terrorist financing and cybercrime.

Responsible tax

Tax is an integral part of our sustainability agenda; it is our corporate social responsibility to pay our share of taxes. We communicate about our tax policy transparently and publish our tax principles on our website. Our tax principles illustrate how we fulfil our social responsibility in this area. Our tax policy is based on these principles and provides guidance on what we believe is responsible tax behaviour for ABN AMRO, both regarding our own affairs and in our dealings with clients. Our tax policy has been approved by the Executive Committee, and tax and tax risk management are discussed in the Audit Committee.

Tax transparency

Our tax principles and tax policy, as well as our aim to be a good corporate citizen, support our objective to pay our share of taxes. Measures on increased transparency and accompanying reporting obligations have been implemented into national law, and therefore also affect ABN AMRO. We report taxable income in each country we operate in, and in line with the value created in that specific country. We also file a country-by-country report to the Dutch tax authorities. The country-by-country report in Note 10 of the Consolidated Annual Financial Statements shows our revenue and tax expenses for each country. We are transparent about our tax position, and transparency is embedded in our values and standards.

We also comply with transparency rules with respect to our clients. There are increasing legal obligations to exchange information on our clients, of which the European Common Reporting Standard CRS and the American Foreign Account Tax Compliance Act (FACTA) are well-known examples. Under these reporting obligations, information on our clients is exchanged with the tax autorities.

This year, we executed a programme to implement the requirements imposed by the EU Directive on Mandatory Disclosure Rules (DAC6). These requirements relate to arrangements that may fall within certain hallmarks indicating involvement in potentially aggressive cross-border tax arrangements entered into by ABN AMRO itself or its clients. These have to be reported to the local tax authorities, with the aim of preventing tax avoidance. We have made the necessary preparations to fulfil the DAC6 reporting obligations as at 1 January 2021.

Digitalisation of tax

ABN AMRO is increasingly required to exchange information with tax authorities, based on domestic and international regulations. These rules will extend in the coming years from (corporate) income taxes also to VAT. Moreover we expect increasing requirements for automated tax filing via full data lineage including an automated audit trail from source system to tax return, such as the Making Tax Digital requirements in the UK.

Client tax integrity

Client tax integrity norms are based on our organisation's values and tax risk appetite. Our moderate tax risk appetite is part of the bank-wide appetite for a moderate risk profile, which is an integral part of our corporate strategy. The Dutch Central Bank (DNB) has continued to increase its focus on client tax integrity risks. This resulted in the publication in 2019 of the DNB Good Practices on Client Tax Integrity, providing guidance on how to structure internal processes so as to identify and manage risks associated with tax integrity of clients. In 2020, ABN AMRO continued to focus on client tax integrity as wells as to ensure that our policies and tax principles are aligned and clear on this issue, and we will continue to do so going forward. ABN AMRO supports tax awareness sessions for client-facing staff so as to ensure they remain continuously aware of client tax integrity risks in the context of the evolving international tax landscape.

Lastly, and as we wish to steer clear of aggressive tax planning and tax avoidance, we want to offer products that comply with the intention and spirit of the law and that are commercially rather than tax-driven. This approach is also reflected in our tax principles and tax policy, and embedded in our product approval process.

Tax risk management

In 2020, we implemented further measures to enhance our tax risk management. Our Tax Control Framework is subject to ongoing enhancement so that changes in regulations and stakeholders' interests can be promptly implemented whenever necessary. Tax risk is part of the bank`s risk management cycle.

Tax integrity is part and parcel of our strategic integrity risk assessment, which supports our risk-based approach to tax integrity risks. Consideration of tax risks is also mandatory when preparing a risk assessment for a product or business.

A company-wide control was implemented in 2020 to ensure adherence to the tax policy throughout ABN AMRO.

Controls are in place and included in our Tax Control Framework to ensure that ABN AMRO files tax returns in good time in all the jurisdictions where we are required to do so and that tax risks and positions are promptly identified and reported. We are pro-actively seeking cooperation with the tax authorities in the various jurisdictions to align our tax obligations.

Our people

To live up to our purpose and achieve our strategic goals, we need to have the right talent on board and to be able to unleash the potential of our people. Being a people-centric bank, ABN AMRO continually invests in: 1) the people experience, 2) strategic workforce management, 3) culture and leadership development, and 4) diversity and inclusion.

People experience

People are our most valuable asset. We need engaged people in order to give our clients the best possible service and to ensure we achieve our strategic ambitions. Our Employee Engagement Survey (EES), conducted in September 2020, had a 76% employee participation rate. Our Engagement Index increased to 84, which is above our target of 80. Our Employee Net Promoter Score (eNPS) measures the extent to which colleagues promote ABN AMRO as an employer to friends and family. This score increased from -7.95 in 2019 to +6.35 in 2020, indicating that more people now feel they are brand ambassadors of ABN AMRO as an employer. In these difficult Covid-19 times, we have endeavoured to support people as much as we can and to offer them the best possible experience in order to be an employer of choice, both now and in the future. We are proud, therefore, to see that our employee engagement and experience scores have improved, even during these challenging times in which many employees have had to work from home. Going forward, and learning from the current Covid-19 situation, working at ABN AMRO means even greater autonomy and freedom in how, where and when our people perform their work. This will enable them to achieve a healthier work-life balance by being encouraged to focus on the job at hand, irrespective of the time and place.

Strategic Workforce Management

The nature of work is changing rapidly and on a large scale. This creates opportunities, but also risks and challenges. New jobs arise, existing ones disappear and others cannot yet even be conceived of. Strategic Workforce Management techniques provide insight into the current and future workforce and the critical skills that we need if we are to remain relevant for our clients and achieve our strategic ambitions.

Reskilling and upskilling

The critical skills that we need to have, both now and in the future, include skills in areas such as data and digital, learning agility, and risk and compliance awareness, but also in design and service design expertise. We therefore determine where we have skills gaps and invest in what is necessary to close these gaps. This means not only investing in training, but also in reskilling and upskilling as part of every employee's day-to-day routine.

Talent development

We continually invest in our people through coaching, on-the-job learning, formal training (classroom and e-learning) and mandatory courses. In this way, we enable them to develop their knowledge and skills so as to support them in securing long-term employability and contributing to the execution of our strategy. We develop their sustainability knowledge and skills at our CIRCL Academy and structurally invest in people development journeys through our Personalised Academy Platform. Trained skills represent the awareness of the future social, economic and environmental impact of decisions taken today. They also increase people's ability to integrate sustainability into business strategies dynamically and effectively by introducing innovative applications and transforming these into business assets. Our people are supported in their personal and professional development by ongoing dialogues with their team and coach or manager in our modern performance management process ('Together & Better'). Lastly, we use our EES to measure the extent to which they appreciate the bank's talent and development opportunities. In 2020, their overall satisfaction with talent and development was found to be 80% positive, an improvement of 1 percent point compared to 2019.

Talent attraction

If we cannot develop critical skills within our organisation, we have to find and attract people with these capabilities from outside the organisation. This means continually investing in being an employer of choice. We hired some 2,200 talented new employees in 2020. We were able to do so thanks to concerted employer branding efforts, including our sponsorship of The Next Web (Europe's biggest tech platform), digital branding campaigns (the *Darkside of Money* film on detecting financial crime and various IT podcasts) and several talent programmes. We also focused on skill-based recruitment and talent-pooling and on ensuring an engaging onboarding process. These activities combined to achieve a reduction in the lead time in our processes, a higher quality of inflow, a better balance in diversity and an improvement in the employee experience, all with the ultimate aim of encouraging people to act as ambassadors of our bank.

Culture and Leadership Development

In 2020, we continued along the path we set out in 2019 for engaging to achieve ABN AMRO's purpose and strategy.

We believe that creating the right culture, where people feel free and safe to speak up, give voice to their values and discuss dilemmas, as well as developing inclusive, collaborative and effective leaders, is crucial for creating the people experience we want to offer. The need for this was emphasised very clearly in 2020 by the sudden switch to remote working that was required as a result of the Covid-19 measures. Our efforts included developing and making available a wide variety of tools, training and tips to support and encourage leaders and teams to stay healthy, committed and productive, and to speak up.

We also continued the quarterly leadership get-togethers and regular leadership conversations, bringing together ABN AMRO's senior and executive managers. These meetings focused on providing and sharing insights on how the bank is helping clients and people navigate the Covid-19 crisis and what the role of leadership can and should be.

As well as bringing the Leading for Better Leadership programme completely online, we launched our Leading with Impact programme. The latter, which builds on the Leading for Better Leadership programme for ABN AMRO's most senior leaders, is accessible to leaders and prospective leaders with a minimum of two years' experience in such a role. Its curriculum is tuned to promoting cross-business collaboration, building relevant leadership skills and working on translating strategic work challenges into operational practice. By partnering with various external parties in these leadership programmes, we ensure we bring in plenty of outside-in views and thought leadership. As part of our global Speak Up programme, leaders are educated on ethical leadership and trained in how to create an environment that is free from barriers to do good and to do the right things right.

In 2020, we made substantial progress in our succession management process by taking the next steps to make sure we have the right people in the right place at the right time. We are also looking to ensure we have enough talented people in-house to safeguard business continuity by gaining more insight into our talent pipeline and becoming better able to identify talent and unique successors deeper in the organisation.

Diversity and inclusion

ABN AMRO views a diverse and inclusive workforce as being of paramount importance. This enables our people to perform optimally, yields winning ideas and initiatives, and places us at the centre of society. For many years we have been seeking to become an increasingly diverse and inclusive organisation. The various initiatives taken in this respect in 2020 included launching external and internal mentoring programmes for women and for employees with a bicultural background. We also held inclusion campaigns during Pride Week in Amsterdam and Rotterdam and, in October, over 6,500 of our employees participated in a total of 55 workshops during the Diversity and Inclusion Week.

To increase the impact of diversity and inclusion, both internally and externally, we have developed an integrated and innovative strategy in collaboration with our stakeholders. As part of this strategy, we conducted more than 40 interviews in 2020 and held various workshops with colleagues from relevant departments, with the close involvement of the Works Council.

In March, we signed the UN Women's Empowerment Principles to mark our commitment to structurally integrating the gender lens into our business strategy. In that context, we also carried out pay gap research and launched the Women and Assets (V*rouwen en Vermogen)* campaign, as well as an equal opportunities programme for field hockey.

Results to date show that the bank currently employs 116 colleagues with a disability, which means we have more than achieved our target for 2020. Given that 41% of our ExCo1 members are women, we have achieved our target of having women in 30% of senior management positions. However, we are behind on our 2020 gender targets, currently 28% for middle-management positions (target: 35%), and our cultural targets, currently 3.9% for senior management positions (target: 6%). We will therefore further intensify our efforts to achieve these objectives over the coming year by rolling out 50/50 gender-balanced inflow throughout the organisation, arranging bias awareness training for all managers and posting inclusively voiced job advertisements.

Despite these challenges, our efforts were rewarded over the past year in the form of the Diversity in Business Award, the Reuters D&I Leader Award (Highly Commended) and the Ambassador Award for the Best Workplace Pride Benchmark. The EES also showed 91% of our people experience the bank as an inclusive environment.

Human rights

For ABN AMRO, respecting human rights is part of responsible business practice. Through our products and services, we directly or indirectly have an impact on the lives of millions of people. We recognise that, in all our roles, human rights are at risk and that we have to actively perform human rights due diligence.

[1] This is the definition of salient human rights issues set out in the UN Guiding Principles (UNGP) Reporting Framework. We report on human rights in line with this framework.

Our salient human rights

In 2015, we conducted our first salience assessment, focusing on "the human rights at risk of the most severe negative impact through our activities and business relationships."[1] This focus helps us to prioritise our resources appropriately. In 2020, we decided to carry out a new salience assessment, incorporating all the insights gained since 2015. This new assessment provides the basis for our 2020 Human Rights Report. The process and outcomes of this latest assessment were endorsed at the Sustainability Advisory Committee meeting on 12 October 2020.
Our salient issues refer to ABN AMRO's roles as a provider of investment services, an employer, a procurer of goods and services, a lender and a service provider.

Summary of ABN AMRO 2020 salient human rights issues analysis

Bank's role	Salient issues	Who might be affected?
Employer	▶ Workplace discrimination ▶ Workplace harassment	ABN AMRO employees
Service provider	▶ Living standards and health impact caused by financial distress due to inadequate client protection ▶ Breaches of personal privacy ▶ Discrimination in banking services	Retail clients and non-profit organisations
Procurer of goods and services	▶ Labour rights	Workers of companies in our supply chain
Lender and provider of investment services	▶ Labour rights ▶ Land-related human rights ▶ Right to life and health ▶ Right to privacy[1] ▶ Freedom of opinion and expression[1]	Workers, local communities and consumers

[1] As a provider of investment services only.

More information on the 2020 salience assessment can be found in the Salience methodology document. As part of the salience assessment, we set up a Risk Register for all the relevant human rights risks. Our management of each salient issue is discussed in the 2020 Human Rights Report, which has been compiled in accordance with the UNGP Reporting Framework. We have used this report and the framework to identify gaps in our management of the salient issues that need to be addressed in 2021 and 2022. In 2021, we will use the Risk Register to track our progress not only on the salient issues, but also on other human right risks identified during the assessment.

Our main areas of progress in 2020

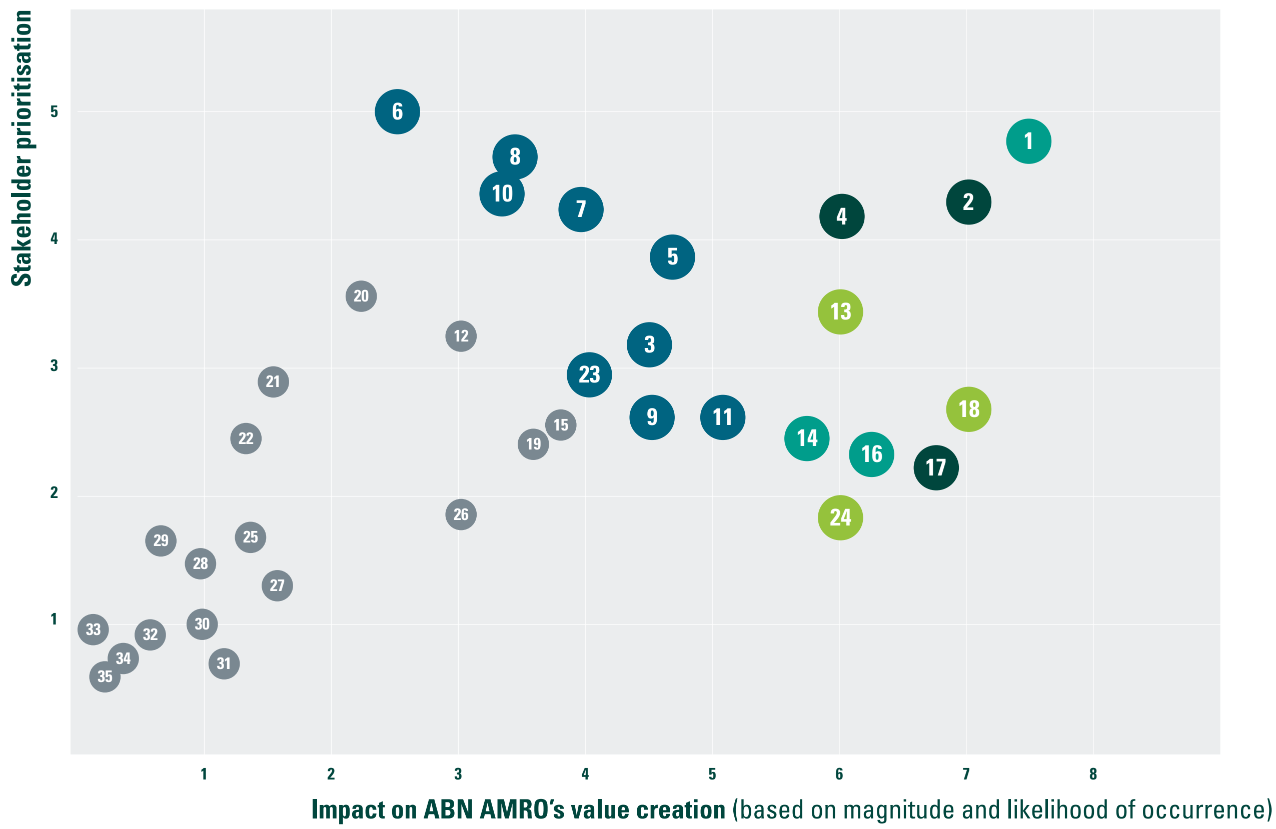
In 2020, we updated our Human Rights Statement. This statement is based on international guidelines and conventions, including the OECD guidelines and the UN Guiding Principles on Business and Human Rights. It defines how we understand our responsibility to respect human rights in the business we do, and also what we expect of our clients and business partners. The 2020 statement includes an elaboration on remedial action and the importance of human rights defenders and civic space. As part of our human rights programme in 2020, we also tested a potential grievance procedure, designed to provide remedy for people who have been harmed by our corporate clients. The aim of this project was to identify the practical challenges and implications of such a mechanism, to test certain options, and to gather feedback from internal stakeholders who may be involved in such a mechanism.

Our conversations with stakeholders, such as civil society organisations and clients, continued throughout 2020. Through dialogue and the exchange of information we are learning about the ways in which people's human rights have or could have been affected, and about our potential involvement. In the summer of 2020, our CEO Robert Swaak had several meetings with civil society organisations to discuss topics including human rights and ABN AMRO's activities, our level of transparency in this area and our approach towards engaging with clients.

Our material topics

As disclosed in the Strategy section, ABN AMRO performed a new materiality assessment, which was concluded in December 2020. However, given that the 2018 assessment was still in use during the year 2020, the 2018 materiality matrix is presented below.

Materiality matrix



Strategic differentiators
These are VCTs, central to ABN AMRO's strategy, where the bank believes it has most potential to create value for stakeholders.

1 Customer experience
14 Co-creation & innovation
16 Digitalisation
18 Responsible investment & financing
24 Circular economy
13 Ethics & integrity
2 Viable business model
4 System stability
17 Talent attraction

Fundamental value creators
These topics support value creation and implementation of ABN AMRO's strategy.

3 Adaptability
23 Anti-corruption
8 Client data protection
5 Corporate governance
9 Employee empowerment
10 Regulatory compliance
6 Secure banking
7 Strong balance sheet
11 Vision & leadership

Other value-creating topics
These VCTs may also enable ABN AMRO to create value, but the bank's impact is, by definition, less material than with its chosen strategic differentiators.

21 Clear & appropriate advice
34 Community investment
12 Customer journeys
31 Diversity & equal opportunity
30 Employee health & safety
32 Employee training & education
35 Environmental impact
33 (Fair) taxes
26 Human rights
28 Financial inclusion
22 Financial literacy
15 Financial performance
25 Platforms & eco-systems
19 Policy influence
29 Remuneration policy
20 Risk profile
27 Stakeholder engagement

Each of our strategic differentiators is linked directly to our overall strategy. We have grouped these topics in the matrix above by 'strategic pillar'.

- Strategic pillar: Customer experience
- Strategic pillar: Sustainability
- Strategic pillar: Future-proof bank
- Fundamental value creators
- Other value-creating topics

Material topics and reference

Below is a cross-reference to where the disclosures on the material VCTs can be found.

Topics	Examples	Page
1. Customer experience	Listen and respond to clients' needs with care, efficiency and effectiveness.	18, 20, 21, 40, 41, 44, 47, 48
2. Viable business model	Safeguard a viable business model that delivers results in the short, medium and long term.	6, 18-24, 51
3. Adaptability	Have the ability to constantly adapt to developments within the bank and the outside world.	14-16, 20-22
4. System stability	Ensure dependable and stable access to banking systems and services.	125
5. Corporate governance	Adhere to policies and practices that ensure accountability, fairness and transparency.	15, 146-148, 187-189
6. Secure banking	Protect the bank's systems against security breaches and attacks.	32, 33, 80, 125
7. Strong balance sheet	Ensure that the bank has sufficient assets to withstand possible economic challenges.	88-91
8. Client data protection	Protect client data.	15, 31-33, 80, 125, 147, 148
9. Employee empowerment	Create an open culture where employees are empowered to deliver to the best of their ability.	21, 34, 35
10. Regulatory compliance	Comply with law and regulations.	64, 146-148
11. Vision & leadership	Clearly define and communicate a company vision, purpose and strategy.	18-24
13. Ethics & integrity	Adhere to the highest moral standards.	21, 31, 32, 56, 63, 64
14. Co-creation & innovation	Collaborate on and invest in new businesses, revenue models and innovation.	45, 52, 56, 57
16. Digitalisation	Harness the advances in digital technology to better serve clients.	19-21, 40-57, 80, 125, 146, 147
17. Talent attraction	Attract and retain qualified and motivated professionals.	34
18. Responsible investment & financing	Sell and/or invest in products, companies and initiatives that endeavour to make positive environmental and societal impact.	18, 21, 48, 52
23. Anti-corruption	Detect and prevent corruption and illegal financial activities.	31, 32
24. Circular economy	Promote the responsible use of resources by financing circular business activities.	18, 44

Business performance

ABN AMRO

Retail Banking
- Leading position in the Netherlands
- Principal bank for 19%[1] of the Dutch population
- Market share of 19% in the savings and deposits market
- Ranked #2[2] in new mortgage production
- ± 5 million retail clients
- Seamless omni-channel distribution with a nationwide network of 112 branches, Contact Center and top-class digital and remote offering
- Green Loans' outstanding loans increased by EUR 5.8 million to a total of EUR 42.1 million

Commercial Banking
- Established business partner of the Dutch SME and corporate sector
- Over 350,000 clients with annual turnover of up to EUR 250 million in a variety of sectors
- Broad range of products and services based on in-depth client and sector knowledge
- Actively seeks collaboration with partners:
  - VraagHugo
  - Opportunity network
  - Lyanthe
- Asset-based finance offering in the Netherlands, Germany, France and the UK

Private Banking
- Market leader in the Netherlands
- Ranked #3 in Germany, #5 in France and a top 10 player in Belgium
- Fully integrated financial advice and a full array of digital services focused on wealth structuring, wealth protection and wealth transfer
- Present in the Netherlands, France, Germany and Belgium

Corporate & Institutional Banking
- Client base totalling more than 2,000, serving clients with revenues in excess of EUR 250 million
- Sector-led and a wide range of services and products in global markets and lending
- Specialised activities in Clearing

Group Functions
- Innovation & Technology
- Finance including Accounting, Controlling, Investor Relations, ALM, Treasury and Tax
- Risk Management
- HR & Transformation
- Group Audit, Strategy & Sustainability, Legal, Corporate Office and Brand, Marketing & Communications
- Detecting Financial Crime is an ongoing area of focus, with currently around 3,800 FTEs

[1] GfK online tracker, 2020.
[2] Calculated based on information provided by the Dutch Land Registry (Kadaster), 2020.

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Leadership & governance
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Retail Banking

Business description

Retail Banking provides a full range of transparent banking products and high-quality services to individuals with investable assets up to EUR 500,000. We offer our products and services under the ABN AMRO brand, and specific products and services under other labels. Our clients have access to a seamless omni-channel distribution network providing a top-class digital and remote offering, and supported by a nationwide network of 112 branches and our Contact Centre.

Retail Banking has a strong and recognised market position in the Netherlands. In 2020, we maintained our number three primary bank position for retail clients (19%[1] of the Dutch population). ABN AMRO captured a number two market position in new mortgage production in 2020, the combined market share of all ABN AMRO brands in the Dutch mortgage market was 15%.

Business developments

Introduction

The outbreak of the coronavirus has had an immediate impact on the financial situation of many of our clients. ABN AMRO has therefore introduced several support measures to help clients survive this crisis as healthily as possible. The action we have taken has included granting temporary relief to mortgage clients facing payment problems. Less than 1% of mortgage clients made use of these payment holidays, while around 98% of these clients restarted regular payments after six months.

The continued low interest rates have also increased the pressure on Retail Banking's traditional earning model. In response, we lowered the threshold for negative interest to EUR 500,000 per client, while the interest on deposits below EUR 500,000 euros remained unchanged at 0%. In addition, ABN AMRO decided to discontinue the Moneyou activities in the Netherlands and Germany, except for Moneyou's mortgage activities. This was because the low interest rate environment prevented Moneyou from differentiating itself in the market, while the bank as a whole has a liquidity surplus.

As part of the strategy review, Retail Banking is focusing on ABN AMRO's ambition to be a personal bank in the digital age. Combining convenience and expertise is a key differentiator in this respect. We provide expertise when it matters through video banking combined with personal interaction, with the aim of growing our client base and market share primarily in affluent client segments. We are targeting these clients with an improved investment offering so as to grow income beyond savings. In addition we will be broadening our intermediary offering so as to increase our mortgage production.

Customer experience

Client centricity is at the heart of our strategy. Ongoing digital and innovative developments require us to continually adjust and improve our services to meet changing client expectations. Our Net Promoter Score (NPS) is stabilising, with a score of -11 in 2020 (2019: -10). Our clients continue to remain positive about the remote and digital channels that are driving our shift to digital. Driven by the Covid-19 crisis, the use of video banking grew rapidly during the year, accounting for 86% of consultations with our advisors. Around 40% of our clients who used remote video banking rated their experience as 9+ on a 10-point scale. Mobile Banking, too, is highly appreciated, with 45% of our mobile banking users rating their experience 9+.

The bank's duty of care is an important driver for reinventing the customer experience. We reach out to our clients and respond to their needs. We offer products that are fit for purpose by improving our product approval & review process. We proactively challenge ourselves to think client-orientated, endorsed by culture & awareness programmes throughout the organisation.

In 2020, we reached a milestone by proactively reaching out to 100,000 clients with interest-only or investment mortgages. We have dedicated teams in place to inform these clients about their situation and to incentivise them to move towards product conditions that better fit their interests. Our clients highly appreciate these conversations, as evidenced by the strong NPS score at both ABN AMRO (24) and Florius (34).

To help clients manage their finances, ABN AMRO has added a subscription service to its Grip app so users can keep track of their subscriptions. This includes the option of cancelling subscriptions quickly and free of charge. Grip, our smart personal finance manager, is available for multi-bank clients and currently has around 620,000 users.

Our efforts to improve our offering and services are appreciated: ABN AMRO's mortgage label Florius was recognised as the best Dutch mortgage provider in 2020, winning a *Gouden Lotus* as well as a *Gouden Spreekbuis* award. We have also redesigned the ABN AMRO

[1] GfK online tracker, 2020

Pensioncheck and automated the process flow to offer our clients easy and seamless insights into their pension situation.

Variable interest rate complaints for consumer loans

The alternative dispute resolution body Kifid has given rulings on contractual terms that give credit providers the unconditional right to change the variable interest rate of loans provided to consumers (revolving credit and mortgage loans). In short, Kifid ruled that if the contractual term does not specify the grounds for changing the interest rate, the customer may expect the only relevant circumstances that can play a role in changing the interest rate to be market developments. As a result, the difference between the contractual rate and the average market rate is set at the moment the contract is entered into. From then on, the contractual rate should follow movements of the average market rate. In order to establish whether the credit provider followed market developments, Kifid compares the course of the contractual interest rate with certain average interest rates published by Statistics Netherlands and the Dutch Central Bank. In the event of deviations, it could lead to a possible repayment of the difference by the credit provider.

ABN AMRO has received similar complaints from customers. In a 15 July 2020 ruling, the Kifid Disputes Committee ruled that ABN AMRO had to recalculate the variable interest charged to a specific customer on a revolving credit. This ruling was upheld in a 3 March 2021 ruling by the Kifid Appeals Committee. ABN AMRO does not agree with the current rulings of Kifid on this matter and therefore considers taking several complaints cases to the civil courts. ABN AMRO has made a provision because it considers it more likely than not that there will be outflow on the basis of individual similar Kifid rulings until new civil case law becomes available. For civil case law, ABN AMRO considers it not more likely than not that there will be outflow, reason why no provision has been accounted for.

ABN AMRO cannot give a reliable estimate of the (potentially substantial) total financial risk of the contingent liabilities not provided for, because it is unclear what the exact scope of the verdict is and whether the verdict will have a certain knock-on effect on other products.

Sustainability

We are supporting our clients in their transition to sustainability by setting concrete goals and taking decisive action. A large share of carbon emissions in the Netherlands are attributable to the use of natural gas to heat homes and to electricity. Our significant mortgage portfolio EUR 146 billion therefore plays a vital role both in the risks associated with the physical impact of climate change (see: physical risk analysis in Sustainability risk in Risk, funding & capital review section) and in the opportunity to drive climate neutrality, as stated in our Mission 2030 ambition. We are also actively collaborating with the sustainability expert HomeQgo to fully integrate its sustainability advice into our mortgage offering. We take a personal and step-by-step approach in discussions with clients about making their homes more sustainable. 94% of ABN AMRO's mortgage advisors were trained as Sustainable Living Advisors, meaning they have the expertise needed to discuss these step-by-step plans with their clients. In addition, we offer interest rate discounts for energy-efficient homes. Currently 21% of the overall portfolio comprises homes with an energy-efficiency label A, an improvement compared to last year (14%).

We also offer clients a range of sustainable propositions. Until recently, ABN AMRO Groenbank clients could open a green deposit account with Moneyou. Following the discontinuation of the Moneyou activities, ABN AMRO will start offering a new green deposit account through its own channels during 2021. Our Green Loans subsidiary is also helping clients to invest in home improvement measures that will generate or save energy. In 2020, Green Loans' outstanding loans increased by EUR 5.8 million to a total of EUR 42.1 million.

ABN AMRO also aspires to have more social impact and is committed to improving senior citizens' financial independence in a rapidly digitalising world. Our Contact Centre has therefore introduced the 'Senior Line' that offers these clients easy access to dedicated human expertise and support.

Future-proof bank

We are continuing to focus on digitalisation and rationalisation to build a future-proof bank. In 2020, ABN AMRO switched to a single basic payment package – the BasisPakket Betalen – for all retail clients. This package includes a current account, bank card and access to online banking. Clients can buy additional payment products such as a credit card or a second bank card separately. In this way they have more flexibility to select payment products suiting their own needs and preferences.

We also aim to improve our mortgage offering by launching a price-competitive mortgage provider through our digital offering for target groups such as refinancers and starters, and by driving consistency and speed across our mid-office so as to remain a reliable partner.

Retail Banking is well on track with our AML remediation programme. We are actively approaching our clients to provide us with missing data. Besides joining the anti-money laundering organisation Transaction Monitoring Netherlands, we are also working on a new client onboarding process to reduce the risk of money laundering. This new flow is now available in the ABN AMRO app.

Overall, the Employee Engagement Survey showed an engagement score of 84%, which is an improvement compared to our score in 2019 (80%). One of the areas where we performed strongly is our inclusive environment.

Financial review

Financial highlights

- Net interest income decreased largely as a result of continued pressure on deposit margins. Furthermore, interest income from residential mortgages declined, reflecting slightly lower average volumes (mainly due to higher mortgage redemptions) and slightly lower margins (in a competitive market).
- Market share of new production in residential mortgages declined in 2020 to 15% (2019: 18%), reflecting our focus on price discipline in a competitive market.
- Net fee and commission income declined largely due to lower credit card usage (at ICS) as a result of Covid-19.
- Operating expenses decreased, largely due to lower provisioning for the AML programme in 2020.
- ABN AMRO decided to wind down the Moneyou savings activities to further mitigate the impact of the low interest rate environment.

Operating results

(in millions)	2020	2019	Change
Net interest income	2,638	2,903	-9%
Net fee and commission income	303	365	-17%
Other operating income	68	57	20%
Operating income	**3,009**	**3,324**	**-9%**
Personnel expenses	408	411	-1%
Other expenses	1,606	1,667	-4%
Operating expenses	**2,015**	**2,078**	**-3%**
Operating result	**994**	**1,246**	**-20%**
Impairment charges on financial instruments	77	81	-4%
Profit/(loss) before taxation	**917**	**1,165**	**-21%**
Income tax expense	229	299	-23%
Profit/(loss) for the period	**687**	**866**	**-21%**
Cost/income ratio	67.0%	62.5%	
Cost of risk (in bps)[1]	4	5	
Other indicators			
Loans and advances customers (in billions)	148.5	152.4	
- of which Client loans (in billions)[2]	*148.8*	*152.8*	
Due to customers (in billions)	89.0	90.4	
Risk-weighted assets (in billions)	26.7	28.4	
Employee FTEs	4,525	4,340	
Total client assets (in billions)	99.7	101.3	
- of which Cash	*89.0*	*90.4*	
- of which Securities	*10.6*	*11.0*	

[1] Annualised impairment charges on loans and advances customers divided by the average loans and advances customers (excluding at fair value through P&L) on the basis of gross carrying amount and excluding the fair value adjustments from hedge accounting.
[2] Gross carrying amount excluding fair value adjustment from hedge accounting.

Net interest income amounted to EUR 2,638 million in 2020 (2019: EUR 2,903 million). The decrease is largely attributable to continued deposit margin pressure. Furthermore, interest income on consumer loans declined as a result of lower appetite in the current economic situation. Income on residential mortgages declined, reflecting slightly lower margins (in a competitive market) and average volumes (mainly due to high mortgage redemptions).

Net fee and commission income decreased by EUR 62 million to EUR 303 million in 2020, largely due to lower credit card usage (at ICS) as an effect of Covid-19.

Other operating income increased by EUR 11 million to EUR 68 million in 2020, mainly as a result of positive revaluations.

Personnel expenses were EUR 408 million in 2020 and remained broadly flat compared with 2019, as lower pension costs (new CLA) were offset by the upscaling of AML activities, and to a lesser extent, minor restructuring provisions.

Other expenses declined by EUR 61 million in 2020 to EUR 1,606 million (2019: EUR 1,667 million). The decrease was mainly attributable to lower provisioning for the AML remediation programme. Regulatory levies amounted to EUR 192 million (2019: EUR 183 million).

Impairment charges declined by EUR 4 million to EUR 77 million in 2020, reflecting a limited impact of Covid-19.

Other indicators

Loans and advances customers decreased by EUR 3.9 billion to EUR 148.5 billion in 2020 (2019: EUR 152.4 billion), largely driven by higher mortgage redemptions.

Total client assets decreased by EUR 1.6 billion to EUR 99.7 billion in 2020 (2019: EUR 101.3 billion), mainly due to the sale of the Moneyou savings portfolio.

Commercial Banking

Business description

Commercial Banking is an established business partner of the Dutch SME and corporate sector, offering asset-based finance in the Netherlands, Germany, France and the UK. We serve over 350,000 clients with annual turnover of up to EUR 250 million in a variety of sectors. Commercial Banking offers a broad range of products and services, based on in-depth client and sector knowledge combined with innovative value propositions and offerings and a digital approach for convenience banking products.

Business developments

Introduction

The outbreak of the coronavirus had a direct impact on the financial situation of many of our clients. We therefore granted an automatic six-month deferral of interest and principal payments to clients with loans up to EUR 50 million, unless they actively opted-out from this support measure. Given the pandemic's huge impact on clients' operations, many clients were very pleased to be able to make use of this offer. In total, around 60,000 Commercial Banking clients were granted a deferral of interest and principal payments on business loans (including current accounts of which balances varied during the period). We also helped our clients navigate through the pandemic by offering additional liquidity through government-backed loans, and by offering advice as well as additional information and relevant services via our platform "Doorpakken". Internally, the pandemic accelerated the roll-out of several digital and remote tools like video banking and digital signing.

Customer experience

We want to deliver the best customer experience by continually improving our products and services. To do so, we use the drivers of our Net Promoter Score and engage with our clients so that we can better understand their wishes and challenges, and support them where needed. Our Net Promoter Score in 2020 was -1, remaining virtually flat compared to +1 in 2019.

We are seeking to reinvent the customer experience by:

- Staying relevant for our clients by staying focused on their challenges. To help our clients meet their challenges, we intend to offer banking and non-banking propositions called 'Beyond Banking'. To do so, we need to rethink our portfolio of products and services and also establish partnerships that add value and make our offering more innovative. Of our SME clients surveyed, 71% say it is interesting that a bank is offering Beyond Banking propositions. We have therefore launched a new support platform for SMEs, called Doorpakken, which provides a wide range of Beyond Banking services. Examples are bookkeeping, single invoice factoring, cyber security, networking, HR/recruitment and carbon footprint calculation. In 2021, we will invest in a multi-disciplinary in-house team to further develop this platform;
- Increasing clients' self-reliance with regard to their service needs. In essence, this means accelerating the digitalisation of our most important sales and service journeys. We are focusing on making the 25 service journeys most frequently used by clients likeable and digitally available. Our new, fast and convenient onboarding journey will also be extended to allow clients to opt for one of our three product packages and purchase other relevant products in one go;
- Extending the opportunities for commercial clients to interact with us in a convenient way of their choice through video banking, live chats, digital document exchange and digital signing. Video banking ensures a better, more flexible and sustainable experience for interacting with our staff and allows for personal contact in this Covid-19 period of social distancing. Over 50% of all client conversations are already being held via video banking. Thanks to live chats, digital document exchange and digital signing, we are also improving the speed and convenience with which clients can interact with us, while continuing to safeguard their privacy.

Sustainability

We want to help our clients accelerate their shift to sustainability. We do this by offering suitable sustainable products and services, embedding sustainability in our existing products and services, engaging in sustainable deals and partnerships, and actively educating our employees about this topic. This expertise helps us to be our clients' first-choice partner for sustainability in climate change, the circular economy and social impact.

Commercial Banking has continued to develop a sustainable investment tool that gives clients easy insight into ways to reduce the environmental footprint of their real estate. They can then use this insight to undertake targeted action.

In 2020, we supported clients' shift to sustainability by entering into various sustainable, circular and social impact deals, including:

- Financing a provider of electric buses for urban and rural public transport in the European market. In this way, ABN AMRO is helping to meet the growing demand for electric buses and so enable the provision of reliable, sustainable and emission-free public transport;
- Arranging a finance package for a healthcare group to help consolidate local healthcare services and so

improve the quality and safety of emergency and other healthcare services in the Dutch province of Drenthe;
- Signing an agreement to enable the Port of Rotterdam to host a floating climate centre, at which a UN climate committee will be based, for some five to ten years. The centre will be self-supporting and energy-neutral because, for example, water from the Maas river will be used for cooling and heating and solar panels will be installed on and around the building. As the centre will be built entirely from wood panels, it will be easy to construct and disassemble. This sustainable project is being financed by ABN AMRO Groenbank.

Our research indicates that 83% of our clients are willing to invest in sustainable business operations. About half of them have concrete plans for 2021. Sustainability is an important topic to our clients and is part of most of the conversations we have with clients.

Thanks to the close dialogues we have with our clients and our continued focus on offering sustainable solutions, ABN AMRO Groenbank's business volumes are increasing. Despite Covid-19, Groenbank had a successful year, doubling its volume to 234 million green certificates and increasing its market share to 13% as part of the government's Green Scheme.

During the year, we also launched a new initiative, Impact Nation, in the form of a national ecosystem aimed at uniting and facilitating entrepreneurs with the practical side of making their companies more sustainable. The initiative involves linking medium- and larger-sized companies with innovative tech and impact companies worldwide (mainly start-ups and scale-ups) so that, together, they can seek to solve the challenge in a 100-day programme designed in co-creation with The Next Web Amsterdam and the Impact Hub.

We also shared our knowledge on non-financial impact topics with our clients, including on Energy Transition Thursday. By sharing our knowledge of sustainable earning models we are building engagement with clients and raising awareness on topics relating to sustainability.

The year 2020 was a year of extensive dialogue with our clients, as well as a year of data analytics. As climate change can create both risks and opportunities, we started preparing climate scenario risk analyses for our activities in the commercial real estate, shipping, energy and mortgage sectors. Having this dialogue and analysing the data also resulted in a new E-learning programme, providing in-depth knowledge for all client-facing employees.

Future-proof bank

In 2020, we continued to work to equip CB for the future and made progress on the priorities that are essential for becoming future-proof. We further improved CB's operational efficiency by investing in easy-to-use client solutions and optimising processes and documentation. We also implemented new ways of working in an increasingly strict regulatory environment in order to ensure solid foundations. This will have a positive effect on the strategy review as the progress we have achieved has created a good basis for further developing our initiatives and efforts.

Know Your Client (KYC) is still a high priority for us. We are making progress in remedying our client files. We are gradually rolling out a new identification and verification tool that clients can use to authenticate their identity remotely. The first version of the digital Ultimate Beneficial Owner tool has gone live. We are also improving the way changes in boards and legal structures are processed. With regard to credits, we are running a series of projects that contribute to future-proof lending, while a substantial part of our product portfolio has been rationalised. We have started phasing in the use of a new customer relationship management (CRM) platform, Microsoft Dynamics Platform (MSD). This will help us to continue building strong, loyal relationships with our clients. To accelerate the workforce planning we are implementing a professional Workforce Management system, Verint.

Covid-19 has also had an impact on how we work at Commercial Banking. We had to adapt to the new way of working very quickly in order to continue serving our clients. With working from home now being the new norm, we put a lot of effort into the engagement of our employees. Overall, the Employee Engagement Survey showed an engagement score of (84%), which is an improvement compared to our score in 2019 (80%). We achieved good progress in various areas, including the strong improvement recorded for risk of turnover among employees and senior management.

Financial review

Financial highlights

- Net interest income declined mainly as a result of continued pressure on deposit margins. Lower average corporate loan volumes (largely reflecting lower demand) were partly offset by higher deposit volumes, both as a result of Covid-19.
- Net fee and commission income remained stable despite the impact of Covid-19, which particularly affected payment services ('pay per use'), factoring (volumes) and trade. This decline was fully offset by increased fixed pricing.
- Operating expenses increased mainly as a result of the upscaling of AML activities.
- Impairment charges amounted to EUR 542 million in 2020, and largely included individual stage 3 impairments (mainly attributable to the sectors food, shipping, and industrial goods & services), and to a lesser extent management overlays in stage 1 and 2 to cover expected credit losses that were not captured by the models.

- In 2020, several support measures were provided to clients to prevent liquidity shortages resulting from the Covid-19 pandemic, such as an automatic (opt-out) six-month deferral of interest and principal payments for clients with loans up to EUR 50 million.
- A Covid-19 support platform was introduced for SME clients, offering a broad scope of relevant information and easy solutions for doing business in these challenging times, including tools for making digital payments and drafting liquidity plans.

Operating results

(in millions)	2020	2019	Change
Net interest income	1,471	1,523	-3%
Net fee and commission income	256	256	-0%
Other operating income	26	27	-4%
Operating income	**1,753**	**1,807**	**-3%**
Personnel expenses	243	281	-14%
Other expenses	796	737	8%
Operating expenses	**1,039**	**1,018**	**2%**
Operating result	**714**	**789**	**-9%**
Impairment charges on financial instruments	542	182	
Profit/(loss) before taxation	**173**	**606**	**-71%**
Income tax expense	49	154	-68%
Profit/(loss) for the period	**124**	**453**	**-73%**
Cost/income ratio	59.3%	56.3%	
Cost of risk (in bps)[1]	128	42	
Other indicators			
Loans and advances customers (in billions)	39.2	41.8	
- of which Client loans (in billions)[2]	*40.4*	*42.6*	
Due to customers (in billions)	52.5	46.3	
Risk-weighted assets (in billions)	29.2	29.2	
Employee FTEs	2,197	2,470	

1 Annualised impairment charges on loans and advances customers divided by the average loans and advances customers (excluding at fair value through P&L) on the basis of gross carrying amount and excluding the fair value adjustments from hedge accounting.
2 Gross carrying amount excluding fair value adjustment from hedge accounting.

Net interest income amounted to EUR 1,471 million in 2020 (2019: EUR 1,523 million). The decline was mainly driven by ongoing deposit margin pressure and, to a lesser extent, lower average corporate loan volumes (largely reflecting lower demand) and slightly lower margins.

Net fee and commission income remained flat at EUR 256 million in 2020, despite the impact of Covid-19, which particularly affected payment services ('pay per use'), factoring (volumes) and trade. This decline was fully offset by increased fixed pricing.

Other operating income remained broadly flat at EUR 26 million in 2020.

Personnel expenses came down by EUR 38 million, totalling EUR 243 million in 2020, mainly due to the transfer of FTEs to Group Functions in order to centralise AML activities, and lower pension costs (new CLA).

Other expenses increased by EUR 59 million to EUR 796 million in 2020 (2019: EUR 737 million), mainly due to the upscaling of AML activities (via intersegment charges), which was partly offset by provisions recorded in 2019 for the AML remediation programme (EUR 52 million). Regulatory levies amounted to EUR 56 million (2019: EUR 55 million).

Impairment charges increased to EUR 542 million in 2020 (2019: EUR 182 million), and largely included individual stage 3 impairments (mainly attributable to the sectors food, shipping, and industrial goods & services), and to a lesser extent management overlays in stage 1 and 2 to cover expected credit losses that were not captured by the models.

Other indicators

Loans and advances customers declined by EUR 2.6 billion to EUR 39.2 billion in 2020 (2019: EUR 41.8 billion), reflecting lower demand in the current environment.

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Private Banking

Business description

Private Banking is a leading eurozone private bank in terms of client assets, with dedicated professionals who have in-depth knowledge of their clients. Our international expertise, local knowledge and over 350 years of experience in private banking form the basis of our long-standing client relationships. Private Banking is present in the Netherlands, France, Germany and Belgium.

We bring personal service, digital convenience and a proactive mentality to a full range of banking and wealth management products and services for high net worth clients in the Netherlands with more than EUR 500,000 in investable assets, or more than EUR 1 million outside the Netherlands, and for ultra-high net worth clients with more than EUR 25 million in investable assets. Our holistic approach provides families, entrepreneurs, institutions and charities with expert advice that is risk-controlling, forward-looking and sustainable, both economically and environmentally. We are modern and enterprising, embracing open architecture and keeping pace with investment trends. Our digital innovations are driven by client needs, industry advances and societal developments, giving clients real-time wealth insights and oversight.

Business developments

Introduction

Covid-19 was the overriding theme of 2020. With various degrees of lockdown in the countries in which we operate, our normal ways of doing business were obviously interrupted. Fortunately, video banking had already been introduced in every country in which we operate, and the exceptional circumstances greatly contributed to further adoption of opportunities for digital meetings. Private banking consistently and very actively reached out to clients throughout the year, keeping them well informed about market developments, but also seeking to connect across client communities through online seminars and virtual concerts and in other creative ways. ABN AMRO MeesPierson, for example, marked its 300-year anniversary by commissioning the contemporary artist Joseph Klibansky to make his biggest painting ever. This canvas, measuring over 38 square metres and entitled *Beyond the Clouds,* was divided into thousands of small works of art and shared with all ABN AMRO MeesPierson clients and employees. While Covid-19 impacted on how we were able to interact with clients, it did not affect what we could offer them and our endeavours to continue improving our private bank.

Customer experience

In 2020, we continued to work on delivering products and services that meet our clients' needs. We brought together and intensified marketing, sales management and data management to make our client offerings even more proactive, relevant and personal. We have also mapped out various customer journeys (such as onboarding new clients) to identify potential pain-points and improve the experience, thus working to combine convenience and expertise as a key differentiator, as laid out in our strategy review. To better meet specific client needs, we use a segmented approach (Entrepreneurs & Enterprises, Institutions & Charities, Professionals & Executives), including events with targeted information and opportunities for networking with peers and experts, in line with the focus segments defined in our strategy review.

We give clients easy, timely access to expertise by enabling our investment specialists to keep them abreast of trends and developments via, for example, client portals, newsletters and live webinars. The negative interest rate environment and the impact of Covid-19 have led investors to look for alternative investments. To address this, we have introduced advice on private equity and structured products and brokered tailored structured product deals for clients, as well as successfully launching private equity products such as Private Equity Coller International Partners VII (a secondaries fund) across the Private Banking countries.

In May we announced that agreement had been reached to transfer ABN AMRO MeesPierson's activities as testamentary administrator, executor and authorised representative ('Bewind & Executele') to Capital Support, a specialised Family and Charity Office. This fits in with our ambition to advise and serve clients independently and to partner with external experts where this is beneficial for clients. Our collaboration with Aegon Asset Management in the Global impact equity fund is another example of this approach.

In October 2020 we were pleased to be named the Best Overall European Private Bank by WealthBriefing, which referred to "an admirable focus on proactively going out to clients and unflinchingly asking for guidance on how they can improve to reinvent the customer experience. Strong NPS scores and a sustainability focus also really impressed the judges."

The year 2020 was a challenging year for the financial markets. Equity markets initially fell in response to the outbreak of the virus, but rebounded strongly in the second half of the year. As a result, most investment porfolios ended the year close to where they had been at the start of the year. During the year, we supported our clients through frequent webinars and regular digital communications. The Net Promoter Scores (NPS) for 2020 show that our clients continue to appreciate our efforts, with the NPS increasing significantly to +13 (from +9 in 2019).

Sustainability

ABN AMRO sees a role for private banking to support clients towards more sustainable investment portfolios. And not only are we experiencing a growing demand for sustainable investments, but we also believe it is in our clients' interests to invest in a more sustainable manner as this can mitigate their investment risk. As climate-related risks can be material in investment portfolios, we measure and report on portfolio carbon emissions. We believe it is our responsibility to inform and advise clients on sustainability developments in sectors and industries and also to reflect our stance in policies and processes for ABN AMRO Investment Solutions.

In 2020, we significantly exceeded our ambition of having EUR 16 billion in client assets invested sustainably, reaching EUR 26 billion by the year-end (including EUR 1 billion in impact investments). This increase was attributable to an almost 50% increase in sustainable contracts, the transition from traditional to sustainable products and solutions, and financial market effects.

To enable our clients to make more sustainable choices, we have made a Sustainability Scan available in all Private Banking countries. This tool gives clients insight into the environmental, social and governance (ESG) performance of their portfolios, and our private bankers and investment advisors are well trained to discuss the outcomes with them. Over 1000 private bankers have participated in the 'Oxford Fundamentals of Sustainable and Impact Investing Programme' delivered by Oxford University's Saïd Business School, and more than 1500 of our staff have been certified by the PRI Academy following an on-line learning programme. They are supported by our specialised consultants working across countries to advise organisations on impact and sustainability.

By making more sustainable investment products and services available to our international client base, ABN AMRO has been able to make sustainable investing the default option for new clients in all countries where Private Banking is active. In Q4 2020 we launched the ABN AMRO Aegon Global Impact Fund, which invests in global listed companies that align their activities with the UN Sustainable Development Goals. Aegon Asset Management engages, on behalf of ABN AMRO clients, with portfolio companies on improving ESG standards and encouraging further SDG alignment, including commitments in the Paris Agreement. Clients now receive non-financial impact reporting so that they can track progress in achieving societal impact, including carbon emissions and SDG alignment. All discretionary portfolio management and advisory clients now receive such reporting on a quarterly basis, thus raising their awareness of portfolios' non-financial performance.

The EU Sustainable Finance Disclosure Regulation is expected to be implemented in March 2021. This will facilitate the introduction of products with environmental and social characteristics and that have sustainable investment as an objective. We will update our policies, based on new insights gained.

Future-proof bank

In 2020, we continued our 'One PB' approach aimed at harmonising processes, services and product offerings across private banking locations. This will enable us to further digitalise our services and processes, innovate efficiently and equip clients and staff with new digital capabilities, supporting the ambition expressed in the strategy review to be a personal bank in the digital age.

As part of the One PB approach, first-line risk management is being harmonised across the Private Banking countries, including the introduction and execution of new regulations, while we are also in the process of moving all countries to a single platform (with the exception of the Netherlands, which shares its platform with Retail Banking). The platform has been live in Belgium since 2019, with the private banking activities of Societe Generale now fully integrated, and web and app services were made available in 2020. As a result, clients have unlimited and secure access, at any time, to up-to-date views of their investment portfolios.

We have started preparations for rolling out the platform in Germany. This will be followed by France in a multi-year programme. All the private banking entities' websites have been renewed and now share the same 'look and feel', reflecting the One PB approach.

We are continuing to build a Private Banking culture as an important element of our One PB ambition. Unfortunately, Covid-19 has meant we have had to do so largely virtually. However, our scores improved in most of the 2020 EES categories, in line with the bank-wide results, with significant increases being achieved in 'vision and direction' and 'senior management', the dimensions focused on in the One PB. The score for 'work life balance and work pressure', on the other hand, was slightly lower, and this most probably reflects the impact of working from home in the sometimes challenging circumstances caused by Covid-19.

In previous years, Private Banking remediated its client files and now rigorously follows the New Client Take On (NCTO), periodic and event-driven review processes to ensure we continue to perform our gatekeeper role satisfactorily on a daily basis. Following the acquisition of the Societe Generale activities in Belgium in February 2019, ABN AMRO Belgium is in the process of remediating the related client files, applying the ABN AMRO standards and policies.

Together with the Detecting Financial Crime department, Private Banking is migrating towards the bank's target IT architecture in order to support our efforts to detect financial crime both efficiently and effectively.

Financial review

Financial highlights

- Net interest income was strongly impacted by the ongoing pressure on deposit margins and lower deposit volumes (as an effect of charging negative interest rates to an increased client base).
- Net fee and commission income was heavily impacted by stock market developments, with a steep decline in Q2 followed by steep recovery in Q4.
- Other operating income in 2020 included a EUR 263 million book gain on the sale of the Neuflize OBC office building in Paris, as the Neuflize OBC headquarters will be relocated to a more sustainable building with facilities that are in line with current remote working practices.
- Operating expenses were slightly higher as the upscaling of AML activities and a goodwill impairment were partly offset by divestments in 2019 (Channel Islands).
- The volume of client assets invested sustainably increased by EUR 6 billion to EUR 26 billion in 2020 (including EUR 1 billion in impact investments).
- ABN AMRO was awarded the best overall European Private Bank ('Wealth Briefing Awards'), recognising the strength of its franchise in Northwest Europe.

Operating results

(in millions)	2020	2019	Change
Net interest income	637	667	-5%
Net fee and commission income	502	509	-1%
Other operating income	286	50	
Operating income	**1,425**	**1,226**	**16%**
Personnel expenses	371	394	-6%
Other expenses	574	536	7%
Operating expenses	**945**	**930**	**2%**
Operating result	**480**	**296**	**62%**
Impairment charges on financial instruments	26	21	25%
Profit/(loss) before taxation	**454**	**275**	**65%**
Income tax expense	151	79	91%
Profit/(loss) for the period	**303**	**196**	**55%**
Cost/income ratio	66.3%	75.9%	
Cost of risk (in bps)[1]	19	14	
Gross margin on client assets (in bps)	79	63	
Other indicators			
Loans and advances customers (in billions)	14.6	14.1	
- of which Client loans (in billions)[2]	*14.7*	*14.2*	
Due to customers (in billions)	61.5	69.2	
Risk-weighted assets (in billions)	10.3	10.1	
Employee FTEs	2,848	2,751	
Total client assets (in billions)	189.6	195.2	
- of which Cash	*61.7*	*69.2*	
- of which Securities	*127.9*	*126.0*	

1 Annualised impairment charges on loans and advances customers divided by the average loans and advances customers (excluding at fair value through P&L) on the basis of gross carrying amount and excluding the fair value adjustments from hedge accounting.
2 Gross carrying amount excluding fair value adjustment from hedge accounting.

Net interest income amounted to EUR 637 million in 2020 (2019: EUR 667 million). Excluding the divestment of the Channel Islands (in 2019), net interest income largely declined due to ongoing pressure on deposit margins and lower deposit volumes (as an effect of charging negative interest rates to an increased client base).

Net fee and commission income came down slightly by EUR 7 million to EUR 502 million in 2020, impacted by stock market developments, with a steep decline in Q2 followed by steep recovery in Q4.

Other operating income amounted to EUR 286 million in 2020 (2019: EUR 50 million), largely because 2020 included a EUR 263 million book gain on the sale of the Neuflize OBC office building in Paris.

Personnel expenses decreased by EUR 23 million, totalling EUR 371 million in 2020, reflecting lower pension costs (new CLA) and the divestment of the Channel Islands (2019).

Other expenses increased to EUR 574 million in 2020 (2019: EUR 536 million). The increase was mainly attributable to the upscaling of AML activities and a goodwill impairment, which was partly offset by divestments in 2019 (Channel Islands). Regulatory levies amounted to EUR 27 million (2019: EUR 25 million).

Impairment charges amounted to EUR 26 million in 2020 (2019: EUR 21 million), reflecting a limited impact of Covid-19.

Due to customers decreased by EUR 7.7 billion to EUR 61.5 billion in 2020 (2019: EUR 69.2 billion), mainly in the Netherlands, impacted by lowering the threshold for charging negative interest rates to EUR 500 thousand per client.

Client assets

(in billions)	31 December 2020	31 December 2019
Opening balance client assets	**195.2**	**181.7**
Net new assets	-8.6	-2.4
Market performance	-3.0	9.9
Divestments/acquisitions	6.0	6.0
Closing balance client assets	**189.6**	**195.2**
Breakdown by type		
Cash	61.7	69.2
Securities	127.9	126.0
- of which Custody	*28.1*	*29.9*
Breakdown by geography		
The Netherlands	58%	60%
Rest of Europe	42%	40%

Client assets declined by EUR 5.6 billion to EUR 189.6 billion in 2020 (2019: EUR 195.2 billion), largely due to negative net new assets, partly offset by an improvement in market performance.

Net new assets totaled EUR 8.6 billion negative in 2020, mainly as a result of cash outflow, impacted by lowering the threshold for charging negative interest rates to clients, and to a lesser extent, outflow of custody assets.

Corporate & Institutional Banking

Business description

Corporate & Institutional Banking (CIB) has a client base totalling more than 2,000 clients. We have a strong market position in the Netherlands, serving clients with revenues in excess of EUR 250 million. CIB has been leveraging on the strong domestic franchise in selected Northwest European countries, where it serves clients in a variety of sectors. Globally the focus has been on three selected sectors (Natural Resources, Transportation and Logistics, Trade & Commodity Finance (TCF)), with a CIB presence in 14 countries or jurisdictions. CIB is sector-led and offers a wide range of services and products in global markets and lending. We have specialised activities in Clearing. In 2020, the bank conducted an in-depth review of the CIB activities, as a result of which CIB will be active only in markets where it has scale and can be sufficiently profitable, while CIB will further reduce risk in cyclical and historical global sectors.

Business developments

Introduction

When announcing its results for the 2019 financial year, the bank stated that it would be reviewing all the CIB activities in order to improve long-term profitability and reduce the very high cost of risk, with further elevated levels having been reported in both Q4 2019 and Q1 2020.

On 12 August 2020, reflecting the strategic principles underpinning the bank-wide strategy, ABN AMRO announced the following strategic direction for CIB:

- Sector-based relationship bank with strong domestic franchise;
- CIB maintains its leading market position in the Netherlands by providing a full-service offering across all sectors;
- CIB's core activities focus on servicing clients in Northwest Europe in selected sectors (such as financial institutions, shipping and energy) and transition themes (energy, mobility and digital transition) with a strong connection to the Netherlands across a focused geographical footprint;
- The corporate banking activities in the United States, Asia, Australia and Brazil will be wound down, while Clearing will retain its global presence;
- TCF activities will be discontinued globally;
- Natural Resources and Transportation & Logistics will focus on European clients only.

The wind-down of the CIB non-core portfolio is well on track, with the activities regarded as non-core expected to have been fully wound down by 2024. We have seen a strong decline in the portfolio, mainly in TCF. Where possible, we will accelerate the natural wind-down through loan disposals while safeguarding value.

The Covid-19 pandemic determined the course of the global economy in 2020 and impacted the countries in which CIB operates. However its impact varied between sectors and clients. And although it interrupted the normal ways of doing business, it also accelerated the adopting of new ways of working and interacting with clients. Client intimacy and short communication lines proved to be especially vital during this period. Throughout the year CIB offered support to its clients in various ways and also provided Garantie Ondernemingsfinanciering corona (GO-C) facilities on a case-by-case basis.

The financial results of CIB for 2020 were marked by Covid-19, but were also impacted by impairments in a number of large exceptional client files. Clearing has taken several de-risking measures following a large loss incurred earlier in 2020.

Customer experience

CIB focuses on a strong, personalised offerings and developing close relationships with our clients. CIB's business model is built on sustainable relationships with multi-product clients. We use the drivers of our Net Promoter Score (NPS) and continually engage with our clients in order to better understand their wishes and challenges, and to support them where needed. Our NPS in 2020 was 35, up from 29 in 2019. The NPS includes Clearing.

Reinventing the customer experience is helping CIB set new product and service standards that are both client-focused and data-driven, and is also raising the bar to continually improve this experience. At CIB, reinventing the customer experience consists of a series of initiatives, including:

- Implementing video banking to engage with our clients in a different way while continuing to service them as optimally as possible in order to: i) improve the customer experience, with our banker always being only one click away, and ii) reduce our CO_2 footprint through virtual meetings;
- Improving the customer journey through, for example, simplified New Client Take On (NCTO) and loan application processes. These initiatives aim to minimise the burden on our clients and to create smoother processes, thus enabling us to provide feedback to our clients more quickly;

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- Innovating through new business models, including continuing to expand our Franx and Banking as a Service (ABN AMRO Clearing Bank) platforms and our trade-related blockchain platforms Komgo and Vakt. These initiatives provide our clients with efficient and digital solutions for handling complex transactions securely;
- Expanding capabilities such as improved client dashboards and steering on NPS metrics. These tools enable us to gain better insight into clients' needs and to adapt our service on a continual basis.

Sustainability

CIB aims to create long-term value for and with the bank's clients and other stakeholders. We want to contribute to the transition to a sustainable economy that is greenhouse gas (GHG) emission-neutral and respectful of human rights, and that protects our planet's life, land and water. We are supporting our clients in their transition to more sustainable products and business models by making use of our data, knowledge and expertise. Our objective is to create a positive impact through the capital we mobilise for sustainability objectives, through the strategic dialogues we have with our clients and through actively participating in sustainability forums and platforms relevant to our sectors and clients.

In 2020, for example, we deployed multiple initiatives in support of our sustainable ambitions such as:

- Entering into green deals, for example to accelerate the energy transition by arranging finance for a portfolio of 12 onshore wind farms in Northern Spain;
- Encouraging shipping companies to set targets for reducing emissions by linking various ship finance transactions to the Poseidon Principles, to which ABN AMRO is a signatory;
- Providing support as lead arranger for one of our clients in its first Covid-19-related Social Bond to provide funding for investments needed to manage the effects of the pandemic;
- Contributing to the development of 'Blue Bonds' by actively participating in the UN Global Compact. These bonds support sustainable ocean business opportunities and make a significant contribution to the Sustainable Development Goals (SDGs);
- Participating in the International Capital Market Association (ICMA) working group developing 'Transition bond' guidelines.

ABN AMRO is also committed to achieving a Paris-proof economy by 2030. This means its financial exposure to climate-critical sectors must be aligned with the goals of the Paris Agreement. CIB is an active lender in sectors with high carbon intensity, such as the energy and shipping sectors. We conduct regular climate risk analyses to identify potential risks, to steer the portfolio and to set specific targets to mitigate these risks to a level that we are comfortable with and that is in line with our moderate risk profile. In 2020, for example, we benchmarked our energy portfolio against the 2 degree scenario in the Paris Agreement and publicly shared our analysis and the insights gained with our various stakeholders. The year 2020 was also the first year in which we benchmarked and reported our shipping portfolio under the Poseidon Principles. These principles create a framework for assessing and disclosing the climate alignment of ship finance portfolios and follow the targets for reducing GHG emissions set by the International Maritime Organisation (IMO). The insights gained through this analysis will allow us to steer our portfolio towards alignment with the IMO targets, and to engage and team up with our clients on decarbonising the shipping sector.

The topic of sustainability is at the top of many of our clients' minds. We are consequently seeing an increased interest in financing solution products related to sustainability. In 2020, for example, and despite the difficult circumstances caused by Covid-19, sustainability-linked loans (SLLs) more than doubled compared to 2019. These loans are contingent on borrowers meeting tangible sustainability objectives, such as an increase in the use of renewable energy, or an increase in diversity and supplier screening, with modest interest rate reductions offered to borrowers who achieve measurable progress during the life of the loan. In contrast to Green Loans, which are specifically linked to the financing of an identified green asset, SLLs are linked to the fulfilment of certain sustainable objectives. By entering into an SLL, a borrower 'financially' commits to meeting the sustainable objectives, and this acts as a strong signal to internal and external stakeholders alike.

The year 2020 was also a record year for our Sustainable Capital Markets team. This meant a very active year for debt capital market products, through which ABN AMRO mobilised capital and supported over EUR 10 billion of sustainable bonds, including 24 Green Bonds, 3 sustainability bonds and a Covid-19-related Social Bond, for a wide range of European institutions.

Lastly, and to ensure that we mobilise capital towards sectors, clients and transactions that meet our sustainability standards, the bank has developed a comprehensive Sustainability Risk Policy Framework. This defines the minimum standards for the sectors in which CIB is active, as well as the Equator Principles for our project-related financing. We use our Client Assessment on Sustainability (CASY) tool to assess clients and lending transactions for compliance with the bank's sustainability risk policies. The outcome of the CASY tool gives us insight into clients' sustainability performance and supports strategic dialogue with them, and may also form the basis for setting objectives in sustainability-linked transactions.

Future-proof bank

As part of the drive to build a future-proof bank, CIB focused its efforts in 2020 on improving our operational efficiency, focusing on making processes more simple and more data-driven. We took major strides with initiatives in areas such as IT transformation, where we aim to increase the speed, quality and efficiency of our delivery of IT solutions through the DevOps transformation. We also focused on building our Data Strategy by obtaining approval in early June for the Joint Master Plan (JMP) that enables end-to-end orchestration and predictability of our data journey. This plan spans all business lines, functions, grids, subsidiaries and entities (including our international entities) and incorporates all the existing data management-related interventions.

The Future Credit Landscape programme was launched to create a future-proof credit landscape and ensure we remain relevant for our customers. As lending represents the majority of our operating income, it is important to safeguard and increase this source of income, and essential to operate a bank-wide strategy in this respect. This strategy aims to create a customer-driven, digitally enabled end-to-end credit journey and covers the bank's entire credit lifecycle activities. All these activities reflect our purpose to have social impact and to positively contribute to climate change and the circular economy.

The future-proof bank initiative also focuses on people because we want to unleash the potential of our people throughout their careers and fully equip them so that, together, we can achieve our strategic objectives and contribute to the bank's purpose. This year's activities included the talent and succession management cycle and the participation by multiple leaders in the Leading for Better Programme. Meanwhile HR, Facility Management, Digital Workplace, Procurement and Communication continued to collaborate to shape the Future of Work in a 'remote is the norm' scenario. This year, we also organised the first digital version of the Learning Week, offering more than 150 courses based on the CIB strategic journey, the bank-wide strategy and the three pillars. This event is one way in which we are helping our employees to develop new skills and ensure they remain fit for the future.

CIB's employee engagement score for 2020 was 79. This takes account of the strategy review, with CIB core scoring 81 and CIB non-core (US, APAC and TCF) scoring 71. The 2019 score - for the full population - was 78.

The plans from 2021 onwards will build on our current efforts, with the outcome of the strategy review being taken into account. These plans include a streamlined product portfolio, sourcing decisions supporting the value proposition of customer segments and the IT transformation, and all enabled by a strong focus on people development, leadership and culture.

Financial review

Financial highlights

- Clear choices were made in the strategy review, with geographical focus on the Netherlands and Northwest Europe.
- Net interest income declined largely as a result of lower average corporate loan volumes (mostly in CIB non-core) and, to a lesser extent, ongoing deposit margin pressure.
- Net fee and commission income improved mainly as a result of higher market volatility (at Clearing), which was partly offset by the wind-down of the CIB non-core portfolio.
- Operating expenses in 2020 included EUR 160 million in one-offs for the CIB non-core wind-down, of which EUR 103 million was for personnel expenses.
- Impairment charges amounted to EUR 1,659 million in 2020 and largely included three exceptional client files and individual stage 3 impairments, mainly in the energy-services sector.
- ABN AMRO and ODDO BHF entered into a strategic partnership to combine their equity brokerage services in Benelux, strengthening their leading positions while reducing costs.

Operating results

(in millions)	2020	2019	Change
Net interest income	1,123	1,229	-9%
Net fee and commission income	529	505	5%
Other operating income	32	132	-76%
Operating income	**1,683**	**1,866**	**-10%**
Personnel expenses	484	428	13%
Other expenses	727	669	9%
Operating expenses	**1,211**	**1,097**	**10%**
Operating result	**472**	**768**	**-39%**
Impairment charges on financial instruments	1,659	376	
Profit/(loss) before taxation	**-1,187**	**392**	
Income tax expense	5	101	-95%
Profit/(loss) for the period	**-1,192**	**291**	
Cost/income ratio	71.9%	58.8%	
Cost of risk (in bps)[1]	250	62	
Other indicators			
Loans and advances customers (in billions)	45.3	55.1	
- of which Client loans (in billions)[2]	*31.6*	*41.2*	
Due to customers (in billions)	28.7	26.5	
Risk-weighted assets (in billions)	39.5	37.9	
Employee FTEs	2,480	2,517	

[1] Annualised impairment charges on loans and advances customers divided by the average loans and advances customers (excluding at fair value through P&L) on the basis of gross carrying amount and excluding the fair value adjustments from hedge accounting.
[2] Gross carrying amount excluding fair value adjustment from hedge accounting.

Net interest income amounted to EUR 1,123 million in 2020 (2019: EUR 1,229 million). The decline was mainly driven by lower average corporate loan volumes (mostly due to the CIB non-core wind-down) and, to a lesser extent, ongoing deposit margin pressure.

Net fee and commission income improved by EUR 24 million, totalling EUR 529 million in 2020, mainly as a result of higher market volatility (at Clearing), which was partly offset by the wind-down of the CIB non-core portfolio.

Other operating income amounted to EUR 32 million in 2020 (2019: EUR 132 million). The decrease was largely attributable to negative fair market value adjustments on financial investments held at fair value through profit or loss in 2020 (as an effect of Covid-19), while 2019 included positive fair market value adjustments.

Personnel expenses increased by EUR 56 million to EUR 484 million in 2020, largely due to a provision for the CIB non-core wind-down (EUR 103 million), which was partly offset by the release for discretionary variable remuneration in 2020 (EUR 22 million), and to a lesser extent, lower pension costs (new CLA).

Other expenses increased by EUR 58 million to EUR 727 million in 2020 (2019: EUR 669 million), mainly due to EUR 57 million recorded for provisioning related to the CIB non-core wind-down. Regulatory levies amounted to EUR 89 million (2019: EUR 83 million).

Impairment charges were significant in 2020, totalling EUR 1,659 million (2019: EUR 376 million), and largely included three exceptional client files and individual stage 3 impairments, mainly in the energy-services sector.

Other indicators

Loans and advances customers declined by EUR 9.8 billion to EUR 45.3 billion in 2020 (2019: EUR 55.1 billion), mainly reflecting the wind-down of the CIB non-core portfolio.

Due to customers increased by EUR 2.2 billion to EUR 28.7 billion in 2020 (2019: EUR 26.5 billion), largely caused by higher client deposits as Covid-19 led to limited investment opportunities for clients.

CIB core[1]

(in millions)	2020 (pro forma)	2019 (pro forma)	Change
Net interest income	762	767	-1%
Net fee and commission income	449	393	14%
Other operating income	96	111	-13%
Operating income	**1,307**	**1,271**	**3%**
Personnel expenses	257	278	-8%
Other expenses	506	522	-3%
Operating expenses	**763**	**799**	**-5%**
Operating result	**544**	**471**	**15%**
Impairment charges on financial instruments	553	101	
Profit/(loss) before taxation	**-9**	**371**	
Income tax expense	-2	91	
Profit/(loss) for the period	**-7**	**280**	
Cost/income ratio	58.4%	62.9%	
Cost of risk (in bps)[2]	131	26	
Other indicators			
Loans and advances customers (in billions)	35.6	36.2	
- of which Client loans (in billions)[3]	*20.6*	*21.7*	
Risk-weighted assets (in billions)	28.1	23.2	

1 Pro forma figures subject to final allocation between core and non-core and further review.
2 Annualised impairment charges on loans and advances customers divided by the average loans and advances customers (excluding at fair value through P&L) on the basis of gross carrying amount and excluding the fair value adjustments from hedge accounting.
3 Gross carrying amount excluding fair value adjustment from hedge accounting.

CIB non-core[1]

(in millions)	2020 (pro forma)	2019 (pro forma)	Change
Net interest income	361	462	-22%
Net fee and commission income	80	112	-29%
Other operating income	-64	21	
Operating income	**376**	**595**	**-37%**
Personnel expenses	227	150	51%
Other expenses	221	148	49%
Operating expenses	**448**	**298**	**50%**
Operating result	**-71**	**297**	
Impairment charges on financial instruments	1,107	275	
Profit/(loss) before taxation	**-1,178**	**22**	
Income tax expense	7	10	-34%
Profit/(loss) for the period	**-1,185**	**11**	
Cost/income ratio	119.0%	50.1%	
Cost of risk (in bps)[2]	552	136	
Other indicators			
Loans and advances customers (in billions)	9.7	18.9	
- of which Client loans (in billions)[3]	*11.0*	*19.5*	
Risk-weighted assets (in billions)	11.4	14.7	

1 Pro forma figures subject to final allocation between core and non-core and further review.
2 Annualised impairment charges on loans and advances customers divided by the average loans and advances customers (excluding at fair value through P&L) on the basis of gross carrying amount and excluding the fair value adjustments from hedge accounting.
3 Gross carrying amount excluding fair value adjustment from hedge accounting.

Group Functions

Business description

Group Functions consists of the following main departments: Innovation & Technology, Finance, Risk Management, HR & Transformation, Group Audit, Strategy & Sustainability, Legal, Corporate Office and Brand, Marketing & Communications. The majority of Group Functions' costs are allocated to the business lines.

Innovation & Technology

Innovation & Technology supports the group by powering innovation, managing group programmes (such as product rationalisation, and driving consistency and consolidation across customer processes) and providing services in the areas of technology, information security, data, back-office processing, facilities management and procurement. I&T has a group-wide scope in both the Netherlands and internationally. Its key deliverable is the IT Transformation, which focuses on automation (by implementing the DevOps way of working), optimising the workforce (by right-sourcing and up-skilling) and reducing complexity by adopting cloud services.

Finance

Finance enables and safeguards the execution of ABN AMRO's long-term strategy. It is the primary supplier of management and reporting information to the group's internal and external stakeholders. Finance has a leading role in the strategic and financial planning process. The function has an independent role in delivering management information and ensuring financially sound business cases and decisions. Finance provides a strong financial control environment and ensures compliance with relevant accounting standards and requirements set by the regulatory authorities. It consists of the following main departments: Financial Accounting, Controlling, Investor Relations, ALM, Treasury and Tax.

Risk Management

A strong, sustainable bank relies on sound risk management. Risk Management secures a sound risk/reward ratio by maintaining a bank-wide, moderate risk profile as part of the bank's long-term strategy. This risk profile is managed on the basis of an integrated risk management framework. All identified risk events are assessed and mapped according to risk types, sub-risk types and overarching risks in order to provide a single, integrated view of the risk profile of the bank and its various businesses. Risk Management takes careful account of this integrated risk profile and seeks to balance actions in order to ensure that the moderate risk profile is maintained in accordance with the Strategic Risk Appetite Statement. The main risk types we recognise are credit risk, market risk in the banking book, market risk in the trading book, liquidity risk, business risk and operational (non-financial) risk. These main risk types comprise various sub-risk types. Risk appetite statements are set for both the main and sub-risk types. The six main risk types cover all possible events that directly impact the franchise value of the bank. This includes its financial value, but also its 'goodwill', i.e. the value of the bank's reputation. The Risk, funding & capital management section of this report elaborates on the bank's risk profile, risk taxonomy and risk appetite.

Included in the Risk Mangement function is Compliance. The Compliance function is a bank-wide integrated function that maintains oversight of the countries in which ABN AMRO operates. Compliance responsibilities run deep in the bank's processes and procedures, and it is a strategic priority of ABN AMRO to embed a strong compliance culture in the culture of the bank and the behaviour of all staff. Effective compliance management is an essential contributor to protecting our integrity and reputation and supports the bank in achieving its mission and strategic objectives. Compliance management aims to protect the bank, its clients and its employees against compliance risks and behavioural risks. These can be defined as the risk of failure to comply with legislation and regulations, self-regulatory organisation standards, values and principles, and codes of conduct, or generally accepted market standards applicable to the bank's services and activities; the risk that actions, decisions and behaviour by ABN AMRO or its employees will lead to detrimental or poor outcomes for clients, employees, society or the bank itself, and the risk that we fail to maintain high standards of ethical behaviour and integrity.

HR & Transformation

HR & Transformation's primary responsibility is to support the group by investing in an optimal people experience and culture. HR&T makes sure we attract the right talent, develop the right skills and offer people a diverse workplace with inspiring, inclusive leadership and healthy working conditions. HR&T contributes to the group's ambitions by providing services such as talent attraction, learning, executive development, attractive financial and non-financial rewards, and organisational design and development. By aligning our people's experience and services to the group's ambitions we are accelerating ABN AMRO's transformation towards a purpose-driven and client-centric business.

Group Audit, Strategy & Sustainability, Legal, Corporate Office and Brand, Marketing & Communications

Group Audit provides independent oversight and control, on behalf of senior and executive management, of the core processes, policies and procedures that are designed to ensure the group complies with both the letter and spirit of general and industry-specific legislation and regulations. Group Audit is part of the third line of defence and in this way, it helps protect the group's reputation. Strategy & Sustainability provides advice on strategy and the implementation of various strategic initiatives and activities, including acquisitions and divestments, and strategic programmes for the group and its stakeholders. It also formulates the group's overall sustainability strategies and ensures that sustainable banking is embedded in the group's business practices. Legal is the exclusive and independent legal services provider for ABN AMRO and part of the second line of defence. It supports the business units (as 'risk owners') in performing their duties and responsibilities within the framework of the first line of defence. The Corporate Office supports the Supervisory Board, Executive Board, Executive Committee and Employee Council and advises them on executing their activities and responsibilities. In addition, it plays a central role in overseeing group governance. Brand, Marketing & Communications aims to position the bank as a sustainable organisation with a clear purpose ('Banking for Better, for generations to come') and to improve the bank's reputation through open and transparent dialogue with our stakeholders. It also aims to prevent reputational damage and to manage and improve the bank's reputation, brand name and brand value in the Netherlands and abroad in a consistent manner. As part of this process, ABN AMRO Foundation runs social projects and coordinates activities that promote social engagement.

Financial review

Financial highlights

- Net interest income declined mainly as a result of adjusted accounting estimates for amortisation of penalty interest on mortgages and, to a lesser extent, fewer other positive one-offs in 2020 (mainly DSB claim).
- Other operating income was lower as 2019 included a EUR 130 million book gain for the sale of Stater.
- Operating expenses, excluding divestments (Stater), were EUR 71 million lower than in 2019, as more costs were charged to the commercial business lines and cost-saving programmes were continued. The decrease was partly offset by the upscaling of AML activities.
- ABN AMRO partnered with Techstars, a global platform for investment and innovation, enabling ABN AMRO to identify and support innovative start-ups that will transform financial services, in order to accelerate digitalisation and innovation in line with its strategy.

Operating results

(in millions)	2020	2019	Change
Net interest income	-6	147	
Net fee and commission income	-31	-2	
Other operating income	82	238	-66%
Operating income	**45**	**383**	**-88%**
Personnel expenses	774	734	5%
Other expenses	-727	-589	-24%
Operating expenses	**47**	**145**	**-68%**
Operating result	**-1**	**238**	
Impairment charges on financial instruments	-1	-3	77%
Profit/(loss) before taxation	**-1**	**241**	
Income tax expense	-33	1	
Profit/(loss) for the period	**33**	**240**	**-86%**
Other indicators			
Securities financing – assets (in billions)	11.4	10.3	
Loans and advances customers (in billions)	4.7	4.2	
Securities financing – liabilities (in billions)	11.0	7.7	
Due to customers (in billions)	6.8	2.7	
Risk-weighted assets (in billions)	4.7	4.1	
Employee FTEs	7,184	5,899	

Net interest income amounted to EUR 6 million negative in 2020 (2019: EUR 147 million). The decline was largely due to a EUR 80 million one-off charge as a result of adjusted accounting estimates for amortisation of penalty interest on mortgages and, to a lesser extent, fewer other positive one-offs in 2020 (mainly DSB claim).

Net fee and commission income declined by EUR 29 million to EUR 31 million negative in 2020, largely due to lower income as an effect of the sale of Stater in Q2 2019.

Other operating income amounted to EUR 82 million in 2020 (2019: EUR 238 million). The decrease was largely attributable to the EUR 130 million book gain for the sale of Stater in 2019.

Personnel expenses increased by EUR 40 million to EUR 774 million in 2020, mainly due to the upscaling of AML activities (largely transfer from Commercial Banking) and, to a lesser extent, wage inflation, partly offset by lower pension costs (new CLA) and the sale of Stater.

Other expenses increased to EUR 727 million negative in 2020 (2019: EUR 589 million negative), largely due to more costs being allocated to commercial business lines.

Risk, funding & capital

This chapter discloses comprehensive information on the Bank's risk management, capital adequacy and funding. Certain IFRS disclosures in this chapter are labelled as 'Audited' in the respective headings. These disclosures are an integral part of the Consolidated Annual Financial Statements and are covered by the Audit opinion.

Introduction to risk, funding & capital

This section provides an introduction to the Risk, funding & capital chapter. As this chapter of the Annual Report contains information based on EU IFRS as well as CRD IV/CRR, this section provides more information on differences in scope and consolidation.

Contents

Risk, funding & capital management
This section sets out the bank's approach to risk, funding and capital management by describing strategy, policies, governance and measurement approaches.

Risk, funding & capital review
Portfolio composition and developments are described in the Risk, funding & capital review, which also describes developments in the bank's main types of risk and regulatory capital.

Additional risk, funding & capital disclosures
This section provides additional disclosures required under current regulations.

Regulatory requirements
The Risk, funding & capital chapter presents the disclosures required under the Dutch Financial Supervision Act (*Wet op financieel toezicht – Wft*), title 9 book 2 of the Dutch Civil Code and EU IFRS. ABN AMRO also embraces the Enhanced Disclosure Task Force (EDTF) principles and recommendations. For non-financial disclosures required under the Dutch Decree on non-financial disclosures, ABN AMRO follows the guidance of the Task Force on Climate-related Financial disclosures (TCFD) and the Non-Financial Reporting Directive (NRFD) including its guidelines.

Certain disclosures in the Risk, funding & capital chapter are an integral part of the Consolidated Annual Financial Statements (AFS) and contain audited information. The audited parts concern risk disclosures of financial instruments (IFRS 7) and capital disclosures (IAS 1). Audited information in these sections is labelled as 'Audited' in the respective headings.

Risk exposure measurement and scope differences
Risk measures vary according to the purpose for which the exposure is calculated: EU IFRS or the determination of regulatory or economic capital (CRD IV/CRR).

EU IFRS reporting scope
EU IFRS is mainly used to measure the bank's financial results and position by class of product. In addition, the financial position according to EU IFRS provides a liquidity view instead of a credit risk view. The consolidation scope of ABN AMRO is determined in accordance with IFRS 10 Consolidated Financial Statements and IFRS 11 Joint arrangements. More information can be found in Note 1 Accounting policies in the Consolidated Annual Financial Statements.

Regulatory reporting scope
The objective of regulatory reporting is to take a credit risk view on the bank's portfolio and to ensure that the bank maintains sufficient capital buffers for unexpected losses and sufficient liquidity buffers. The scope of consolidation for the purpose of calculating regulatory and economic capital (based on the CRD IV and CRR) is generally the same as the consolidation scope under EU IFRS and includes subsidiaries that are directly or indirectly controlled by ABN AMRO and active in the banking and financial sectors. Subsidiaries consolidated under EU IFRS but active in sectors other than banking and finance are excluded from the regulatory scope of consolidation.

Risk, funding & capital management

This section provides an overview of the bank's approach to risk, funding and capital management, including its risk strategies, measurement approaches and risk governance framework. Risk developments occurring during the reporting period are described in the Risk, funding & capital review section.

Risk approach

Topics described in this section:
- Risk taxonomy
- Risk appetite
- Risk culture
- Risk governance
- Risk measurement

ABN AMRO remains committed to being a well-capitalised bank with sufficient liquidity that focuses on delivering sustainable value to all of its stakeholders. We are committed to maintaining a sound balance between risk and reward and to pursuing a bank-wide moderate risk profile as part of our long-term strategy. We thoroughly evaluate the long-term risk and return implications of our operations on an ongoing basis. While the risk measurement, monitoring and management processes described in this chapter proved largely resilient, Covid-19 did reveal some shortcomings in our risk framework. High risk costs in CIB and specific individual client files led to tightened risk controls. Widespread liquidity support provided by banks and governments reduced the effectiveness of our existing risk framework and called for specific measures to correctly assess and classify our credit risk. For more detailed information on our response to Covid-19, please refer to the Update on Covid-19 in the Risk, funding & capital review section. We also redefined our risk appetite as part of the strategy review announced in November 2020.

We manage our risk profile by way of an integrated risk management framework, which identifies all types of risks and overarching risks, in order to provide a single, integrated view on the bank and its business lines. By taking an integrated view, we strive to carefully balance our actions to manage our moderate risk profile. The Enterprise Risk Management policy provides a formal approach to risk management at an enterprise level that is aligned with the bank's strategic objectives, including its risk profile.

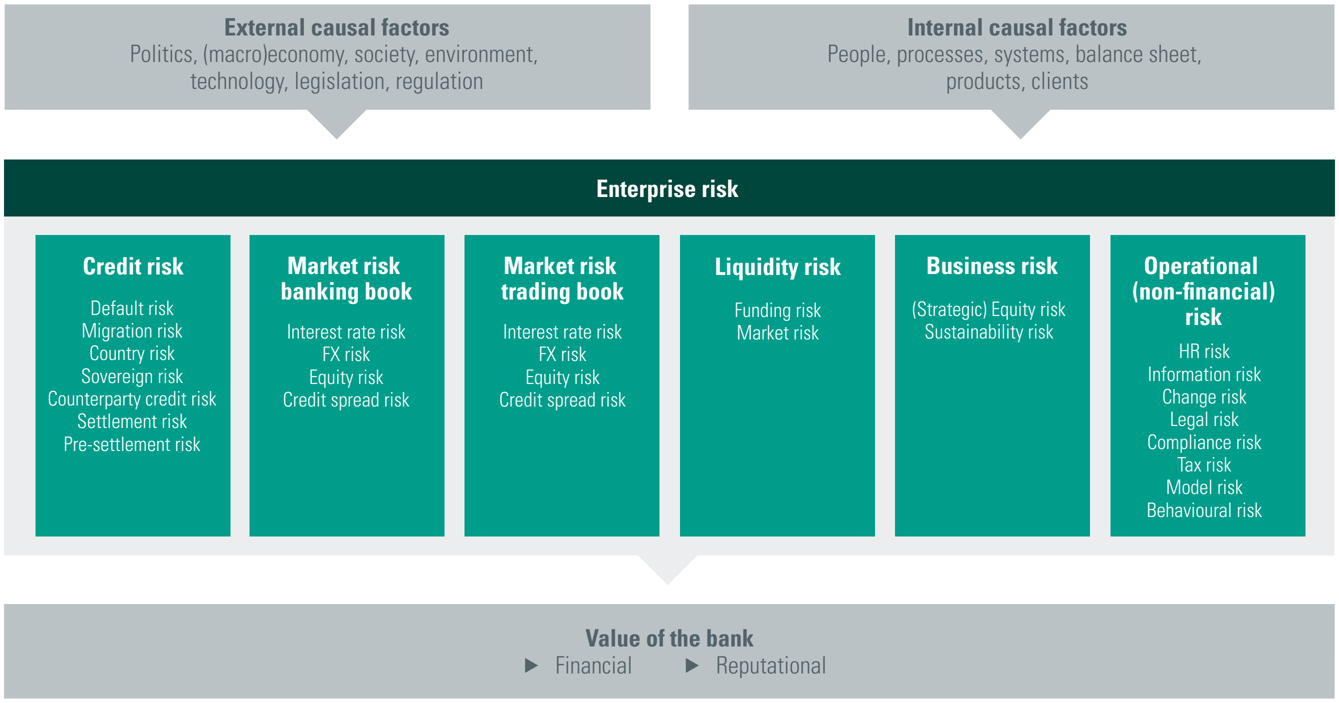
The following sections describe the risk taxonomy, risk appetite, risk culture, risk governance and risk measurement, and how they contribute to a moderate risk profile. For more information on the balance sheet and income statement composition, please refer to the Risk, funding & capital review section.

Risk taxonomy Audited

Our risk taxonomy classifies risks into risk types to which the bank is, or could be, exposed. It is reviewed and updated on an annual basis, or sooner if any new actual or emerging risk type(s) manifest itself and requires an update. The taxonomy ensures that all identified material risks are defined and are taken into account in the risk governance framework. It creates a common risk vocabulary, provides a checklist of risk types that are used in risk assessments, and helps to ensure that all material risks are managed and that roles and responsibilities are identified and defined.

The main risk types we recognise are credit risk, market risk in the banking book, market risk in the trading book, liquidity risk, business risk and operational (non-financial) risk. These main risk types comprise various sub-risk types. Risk appetite statements are set for both the main and sub-risk types. The six main risk types cover all possible events that directly impact on the franchise value of the bank. This includes its financial value, but also its 'goodwill', i.e. the value of the bank's reputation.

Risk taxonomy

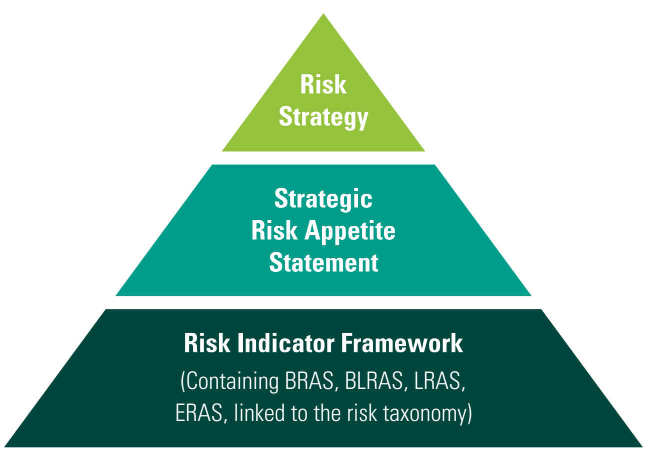


Risk appetite Audited

The risk appetite determines the level of risk that the bank is willing to take in order to pursue its strategy. It is regularly evaluated and updated to ensure alignment with the strategy.

The bank-wide risk appetite, which is to pursue a moderate risk profile, is an integral part of our corporate strategy. Specific business-line risk appetites further determine the bank-wide risk appetite. In addition, risk appetites exist at a local and material entity level. These risk appetites allow us to manage risk at every appropriate level within the bank, as shown in the figure below.

Risk appetite framework

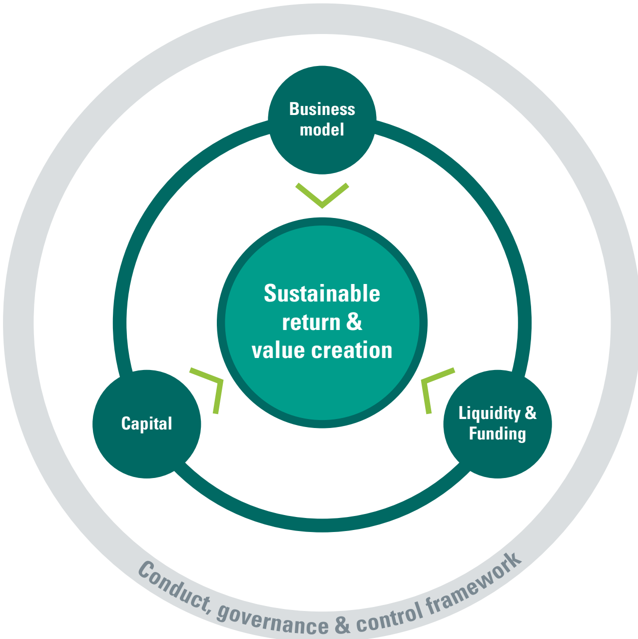


The risk appetite follows the structure presented in the risk appetite framework figure. The Strategic Risk Appetite Statement expresses ABN AMRO's strategy of pursuing a moderate risk profile and cascades into the risk indicator framework at various levels of the organisation: bank-wide (BRAS), business line (BLRAS), local (LRAS) and entity level (ERAS). The Strategic Risk Appetite Statement is approved by the Supervisory Board.

Senior management monitors the bank's activities, based on the risk appetite. The status of adherence to the risk appetite and the outlook are discussed monthly in the Executive Board and quarterly by the Supervisory Board, based on the Enterprise Risk Management report.

The elements of the Strategic Risk Appetite Statement ensure a coherent balance between return and value creation, supported by our client-centric business model, capital, and liquidity and funding management, while taking into account our conduct, governance and control framework shown in the following figure. For each element, key qualitative and/or quantitative statements are set.

Strategic Risk Appetite Statement



The statements in the Strategic Risk Appetite Statement are cascaded into and supported by an underlying risk indicator framework at bank, business line, entity and local levels. This risk indicator framework consists of statements set for each main and sub-risk type presented in the risk taxonomy. Each statement consists of one or more quantitative and/or qualitative indicators, referred to as key risk indicators (KRIs). For every KRI, a limit and checkpoint is set, against which the actual risk profile is monitored. If a KRI limit is breached, action is required to bring our risk profile back within the limit. Early warning checkpoints are in place to allow for timely action to prevent breaches and/or to have a strategic discussion.

Examples of KRIs in our risk appetite include:
- Regulatory and internal capital ratios;
- Risk-adjusted return measures;
- Concentration limits for single counterparties, sectors and countries;
- Economic capital and risk-weighted asset limits for various risk types;
- Liquidity ratios (LtD, LCR, NSFR);
- Market risk parameters (NII-at-Risk);
- Operational (non-financial) risk parameters (effectiveness of internal control environment);
- Reputational parameters (NPS, employee engagement score).

When setting the statement in the Strategic Risk Appetite Statement and the statements for each risk type in the risk indicator framework, the following aspects are considered: the corporate strategy, market standards (such as peer analyses), the economic environment, regulations, the views of our stakeholders and the actual risk profile, as well as internal insights and risk management tools. In addition to incorporating these views, balancing these aspects provides us with the means to substantiate risk statements for each risk type.

Risk culture

Strengthening our culture in the areas of risk, compliance and integrity was an important objective of the strategy review. ABN AMRO places strong emphasis on sound risk control in our remuneration policies, which are in line with our risk profile. More details are provided in the Remuneration Report in the Leadership & Governance chapter.

ABN AMRO ensures that our employees understand the need for and are able and willing to have a continuous focus on risk, compliance and integrity as an integral part of the bank-wide culture. Pursuing a moderate risk profile is embedded in our culture by means of continuous communication, awareness, education and training and steered through performance management and management KPIs that help underpin our belief that mitigating risks is everybody's responsibility.

Code of Conduct

Employees are expected to adhere to the ABN AMRO culture principles and to act in accordance with the bank's Code of Conduct, which sets out standards of behavior. These principles are fundamental to everything we do and describe how we act as a bank, how we make decisions and how we deal with various dilemmas and, as such, are included in our permanent education tool. The Code of Conduct is published on our website and we are intensifying our monitoring of compliance with it. In addition, our employees are required to confirm their adherence to the Code of Conduct annually. ABN AMRO's Ethics Committee, chaired by the CEO, meets regularly to discuss moral and ethical dilemmas within the bank and to clarify ABN AMRO's position, particularly in areas where policies cannot provide definitive guidance.

Ethics committee and Speak-Up

Where norms, rules or standards are insufficiently clear or pose a dilemma, ABN AMRO invests in moral learning and moral decision-making. ABN AMRO's Ethics Committee, chaired by the CEO, discusses ethical dilemmas on a strategic level to determine ABN AMRO's moral position in areas where regulations or policies do not provide clear guidance. Throughout the organisation, moral position sessions, dilemma dialogues and speak-up cafes are being used to help improve ethical decision-making skills and help determine what is right, taking into account the rights and interests of all stakeholders. ABN AMRO has strengthened the approachability and awareness of the various speak-up channels, ranging from speak-up ambassadors in the workplace to trusted persons and the whistleblowing hotline, in order to lower the threshold for speaking up, giving voice to values and signalling risks or possible issues.

Behavioural Risk
Behavioural Risk has been added as a non-financial risk to our risk taxonomy. As well as helping the bank to more effectively measure, monitor and steer on the risk that actions, decisions and behaviours by the bank and its employees (as a group and individually) lead to detrimental or poor outcomes for clients, society, stakeholders or the bank itself, this addition helps to maintain high standards of market behaviour and integrity. ABN AMRO's approach to behavioural risk management assesses the presence of risks that could lead to undesirable behaviour (behavioural risk assessment) and seeks to enable and promote desired behaviour through effective change measures (behavioural change).

Risk governance Audited
The Executive Board, Executive Committee and Supervisory Board of ABN AMRO define the governance arrangements designed to ensure effective and prudent management of the bank and oversee their implementation. They are accountable for setting, approving and overseeing the implementation of the bank's enterprise risk management framework, including:
- an adequate and effective internal governance and internal control framework. This includes a clear organisational structure and well-functioning independent internal control functions (Risk Management, Compliance and Group Audit) that have sufficient authority, stature and resources to perform their functions;
- the three lines of defence model at all levels of the bank;
- a risk culture that addresses risk awareness and risk-taking behaviour in the bank;
- key policies of the bank within the applicable legal and regulatory framework;
- the bank's overall strategy, risk strategy and risk appetite;
- the amounts, types and distribution of internal capital and regulatory capital needed to ensure that the risks that the Bank is exposed to are adequately covered;
- targets for the bank's liquidity and funding management.

The Risk Management organisation operates under the direct responsibility of the Chief Risk Officer, who is a member of the Executive Board.

Executive risk committees
The Executive Board is accountable for a balanced assessment of the bank's commercial interests and the risks to be taken within the boundaries of the risk appetite. In the risk decision-making framework, the Executive Board is supported by three executive risk committees: the Group Risk Committee, the Group Central Credit Committee and the Group Regulatory Committee, each of which is chaired by the Chief Risk Officer. The mandates of the executive risk committees are summarised below

Group Risk Committee
The Group Risk Committee (GRC) is mandated by the Executive Board to monitor, assess and manage the bank's risk profile within the approved risk appetite. GRC monitors and approves all material risks as defined in the Risk Taxonomy of the Bank. The GRC has delegated specific approval powers to sub-committees, including Business Risk Committees for the bank's main business lines, the Financial Crime Risk Committee, the Methodology Acceptance Group, the Scenario and Stress Testing Committee, and the Impairment and Provisioning Committee.

Group Central Credit Committee
The Group Central Credit Committee (CCC) is mandated by the Executive Board to make decisions on the acceptance of credit and counterparty risk in respect of individual persons, legal persons and public administrative bodies relating to credit proposals falling within the scope of the risk appetite and limits determined by the Executive Board. In addition, the CCC is also responsible for approving and monitoring large intercompany credit facilities.

Group Regulatory Committee
The Group Regulatory Committee is mandated by the Executive Board to ensure a good understanding and adequate overview, making choices and taking decisions on matters relating to timely regulatory compliance to new and changing national and international legislation and regulations affecting the bank.

Three lines of defence
The three lines of defence model aims to clarify the relationship between risk takers and the different internal control functions, and provide clarity for all employees within the bank with regards to their risk management responsibilities. The three lines of defence model must be applied across all risk types and covers the whole organisation, including the Executive Board, Executive Committee and Supervisory Board, the customer-facing business lines, functions, the Risk Management organisation, outsourced activities and distribution channels.
- The first line of defence consists of management within each business or function who must own and is responsible for managing the risks they incur in conducting their activities and for the design and execution of effective and efficient controls.
- The second line of defence consists of dedicated departments in the Risk Management organisation who are responsible for setting the risk management framework within which the first line must operate. These dedicated departments are headed by risk type owners.
- The third line of defence consists of Group Audit, which evaluates the effectiveness of the governance, risk management and control processes in order to strengthen management's solution focus and accountability. Group Audit has a coordinating role towards the external auditor and the supervisor.

Introduction
Strategy & performance
Risk, funding & capital
Introduction to risk, funding & capital
Risk, funding & capital management
Risk, funding & capital review
Management Control Statement
Additional risk, funding & capital disclosures
Leadership & governance
Annual Financial Statements 2020
Other

Three lines of defence Audited

1 1st Line of Defence Business lines and functions	2 2nd Line of Defence Risk Management	3 3rd Line of Defence Group Audit
Risk Ownership	**Risk Control & Oversight**	**Risk Assurance**
Responsible for ▶ Delivering value-added services to clients ▶ Identifying and assessing, measuring, mitigating, monitoring and reporting the risks that it incurs ▶ Operating within risk appetite ▶ Acting in accordance with policies	Responsible for ▶ Setting the risk management framework and policies ▶ Monitoring, reporting and escalating ▶ Providing expertise and challenge to 1st line ▶ Ensuring 1st line takes risk ownership	Responsible for ▶ Evaluating the design and effectiveness of governance, risk management and control processes ▶ Discussing with management on remediation and monitoring follow-up

Risk measurement

We develop and use internal models to quantify the risk for most risk types in the risk taxonomy. The models for credit, operational, market, liquidity and business risk are the most widely used and allow for measuring the level of risk. They support day-to-day decision-making, as well as periodic monitoring and reporting on developments in the bank's portfolios and activities. In most cases, models quantify the probability and severity of an event, i.e. the likelihood that an event will occur and the loss the bank may suffer as a consequence of that event. This information serves as the basis for ABN AMRO's internal measures of risk (economic capital) and as key input for calculating the minimum regulatory capital requirements according to the Basel framework (regulatory capital).

New models require approval before being implemented and used. Internal approval for the use (or continued use) of a model is obtained from the Methodology Acceptance Group (MAG), a sub-committee of the Group Risk Committee. When required, external approval is obtained from the regulator.

The modelling departments develop models in close cooperation with the relevant business and risk experts. In principle, we review models at least every three years, or earlier if there is a marked deterioration in performance of the model or a marked change in the risk profile of the portfolio to which the model relates. A model review includes back-testing against historical data and, where relevant, benchmarking the calibration of the models with external studies.

The independent model risk management department validates internal models. The model risk management framework, which includes model validation standards and procedures, ensures that models are validated independently. Model data, methodology, performance and implementation are checked according to these standards and reviewed against internal and regulatory requirements.

Capital measurement

Regulatory capital (CRD IV/CRR) Audited

Under the Basel framework as implemented in European legislation (CRD IV and CRR), banks are required to hold capital to cover financial risks. As an intermediate step in determining the minimum level of capital, banks need to calculate risk-weighted assets (RWA) for three major risk types (credit, operational and market risk). The outcome of the internal models are an input in this calculation. The capital requirements are stated as a percentage of RWA. Under Pillar 1, banks are required to hold a regulatory fixed percentage of RWA in capital. Under Pillar 2, supervisors impose a bank-specific percentage of RWA in addition to the Pillar 1 requirement.

Economic capital

In addition to regulatory required capital, for Pillar 2 we calculate economic capital (EC). Economic capital covers all risk types in our risk taxonomy for which capital is deemed to be the mitigating instrument to cover unexpected losses, and is used as the key metric for internal risk measurement and management. It is the amount of capital we reserve in order to achieve a sufficient level of protection against large unexpected losses that could result from extreme market conditions or events.

Internal models are used to calculate EC at a 99.95% confidence level and a one-year time horizon. This implies that the estimated capital figure for the coming year is sufficient to cover a level of loss that will be exceeded in only 0.05% of all possible cases. The confidence level is linked to the bank's target credit rating and aligned with the definition of total available financial resources (total AFR). In addition, the ratio of core AFR versus EC is monitored. Core AFR is the amount of capital that is available to cover losses on a continuity-based approach (i.e. excluding AT1, Tier 2 and Senior Non-Preferred instruments).

EC is aggregated for all risk types (without applying inter-risk diversification) to determine the total EC at a bank level and to support capital adequacy assessment, capital allocation, ex-post performance measurement and risk appetite setting, such as industry concentration risk limits.

EC quality assessment

The EC models described above form the core of the Internal Capital Adequacy Assessment Process (ICAAP). In order to monitor and secure the quality of the EC framework and its outcome in terms of capital adequacy, an EC Quality Assessment (ECQA) is performed annually as part of the ICAAP. For each main risk type, the calculated EC figure is evaluated in terms of risk coverage and responsiveness to internal and external developments such as in the areas of regulation and data quality. If considered necessary, an additional capital buffer ('EC add-on') is taken to cover any identified shortfalls in the EC.

Capital performance

RWA and EC are also used to evaluate capital performance at a business level, as well as at transactional level in loan-pricing tools. These tools act as a decision-making mechanism for assessing the profitability of a new or existing transaction. Both ex-ante and ex-post performance are evaluated in terms of risk-adjusted return on equity (RAROE) with a risk-adjusted return on risk-adjusted capital (RARORAC) limit to safeguard sufficient risk-sensitivity. EC is used as an ingredient in RARORAC, whereas RWA is used in RAROE.

Stress testing and scenario analysis Audited

ABN AMRO uses stress testing and scenario analysis as an important risk management instrument, looking at profitability, capital and liquidity from a bank-wide perspective in various scenarios on a regular basis. In addition, sub- portfolio and risk type-specific stress testing and scenario analysis are performed.

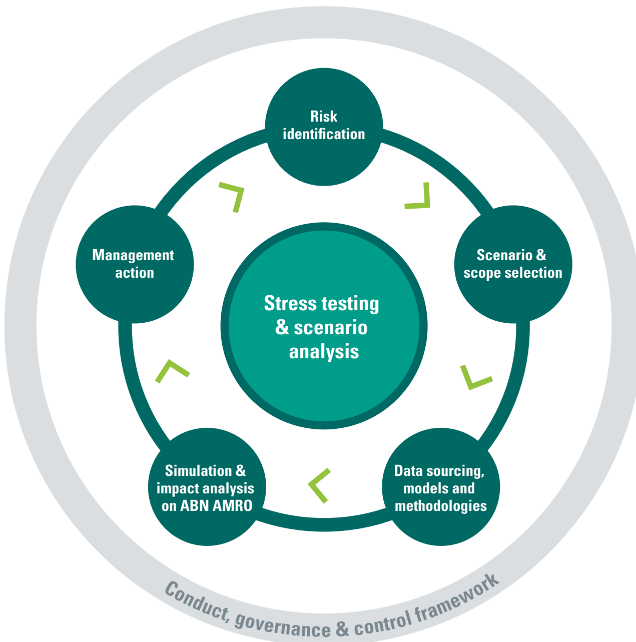
Stress testing purposes

ABN AMRO applies stress testing and scenario analyses for several purposes, including:

- Business planning: various macroeconomic scenarios for budget purposes;
- Capital planning: stress testing is used to gain insight into the resilience of our capital under adverse changes in the economic environment and ABN AMRO-specific circumstances;
- Risk appetite setting and monitoring: the outcome of stress testing is used for setting and monitoring risk appetite limits and targets, including limits under stress;
- Contingency planning: stress testing is used to assess and strengthen the triggers and measures in the liquidity and capital contingency and recovery plans. Reverse stress testing is performed to gain deeper insight into plausible events that could put the continuity of ABN AMRO under pressure;
- Risk type-specific and business line stress testing, such as market risk trading and banking book and mortgage stress testing;
- Supervisory stress testing, based on prescribed scenarios and assumptions. This includes the EBA's stress test programme designed to assess banks' resilience to adverse economic or financial developments.

The figure below shows the stress testing and scenario analysis cycle.

Stress test & scenario analysis cycle



The stress testing and scenario analysis cycle starts with the identification of material risks for ABN AMRO and individual business lines. Both systemic risks (e.g. macroeconomic risks) and ABN AMRO-specific risks (e.g. cyber attacks or adverse outcomes in legal proceedings) are considered. Scenario projections are based on quantitative models, as well as expert opinion procedures. In general, results are presented excluding and including potential mitigating actions, taking into account contingency plans.

Given the importance of stress testing in terms of sound risk management, the Executive Committee is involved throughout the process and its governance. The Executive Committee, together with the Scenario & Stress Test Committee (SSC, a sub-committee of the Group Risk Committee), discusses and decides on the scenario selection, the results and the implications.

Credit risk management

This section contains information on:
- Credit risk management approach
- Counterparty credit risk
- Credit concentration risk
- Credit risk measurement
- Credit quality and loan loss allowances
- Credit risk mitigation

Credit risk is the risk that the value and/or the earnings of the bank decline due to uncertainty in a counterparty's ability or willingness to repay a loan or meet the terms of a contractual obligation.

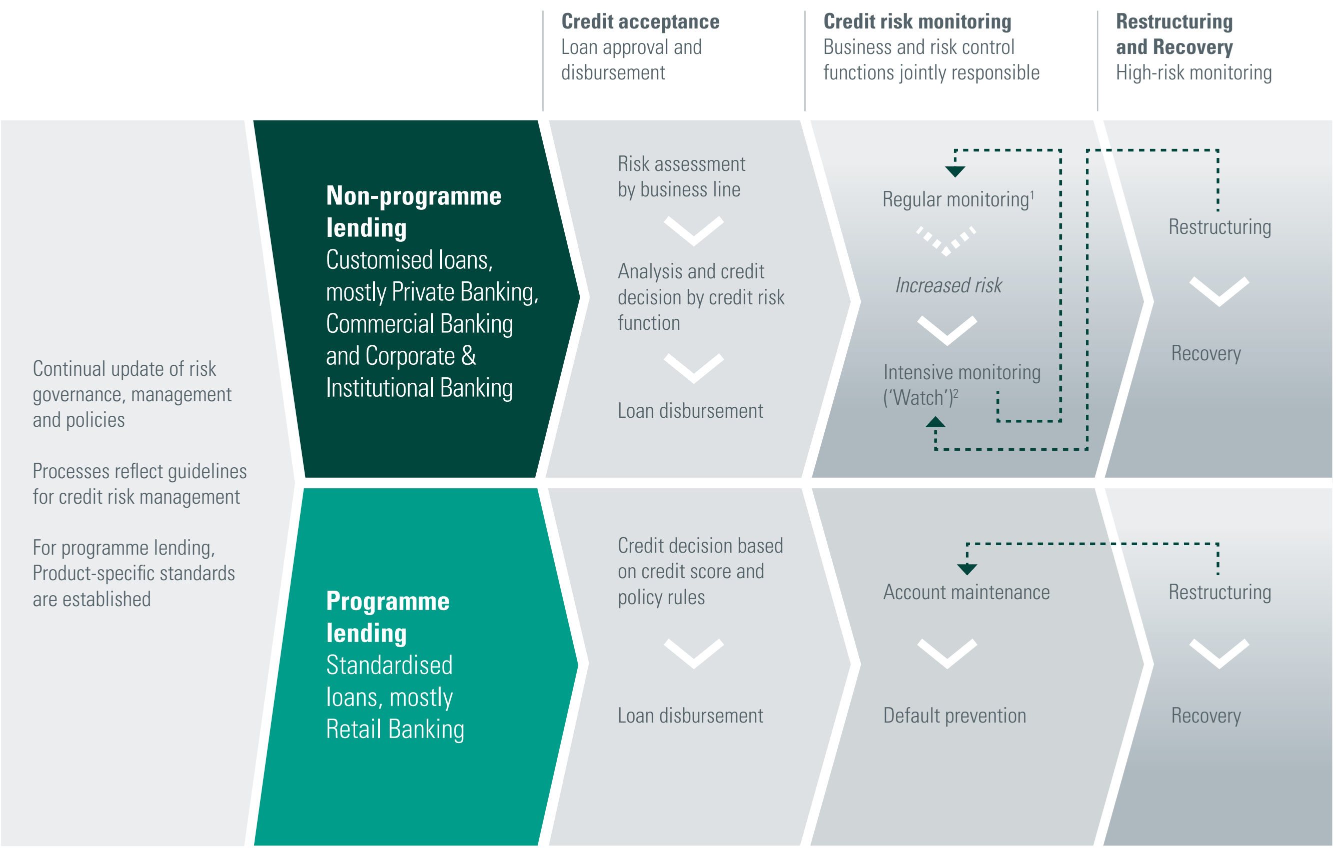
Credit risk management is the responsibility of the first and second lines of defence. The primary responsibility for intake, managing and monitoring credit risk lies with the business as the first line of defence. The second line of defence has a permanent and ongoing responsibility to define the boundaries and monitor whether the type and level of credit risk exposures are within the limits of the business lines' risk appetite. Credit risk management within the bank is governed by the bank-wide central credit risk policy and further detailed in underlying specific credit risk policies and standards.

Credit risk management approach Audited

ABN AMRO employs two separate approaches to managing credit risk. These reflect the bank's way of doing business. For customised lending to counterparties (non-programme lending), risks are assessed on an individual basis. Standardised products and processes are managed on a pooled basis (programme lending), to which uniform risk criteria are assigned. Effectively, any lending not specifically defined as programme lending is defined as non-programme lending.

The following figure presents a simplified overview of the credit risk management process.

Credit risk management process Audited



1 Daily monitoring or (semi-) annual credit review.
2 'Watch': status assigned to counterparties with an increased risk.

For more insight on our credit portfolio, please refer to Credit risk in the Risk, funding & capital review section.

Planning
Within programme lending, the credit cycle starts with a product planning phase, during which period the product is designed and/or reviewed. The goal of which is to optimise the key drivers of risk and return within the context of ABN AMRO's strategy, risk appetite, the client's best interests and sustainability.

Credit acceptance
For a credit approval decision within programme lending, client-specific aspects and internal and external data are taken into consideration to calculate a credit score (scorecard). The credit decision is based on the outcome of the scorecard and policy rules.

Within non-programme lending, the credit acceptance phase of a credit proposal starts with an assessment of the proposal by the relevant business line. The qualitative and quantitative details of the credit risk associated with the loan are assessed prior to approval. Information must be provided on matters such as the purpose, details and structure of the proposed credit facility, the borrower and other counterparties, the industry and geography, management and owners, and financial and non-financial analyses. Compliance with internal policies is checked. After the assessment, an analysis is performed by Risk Management. The credit decision is based on independent assessments by both the commercial and the credit risk functions.

Credit risk monitoring
Consistent and regular monitoring of the counterparty, exposures, risk mitigants and ongoing compliance with internal policies helps to safeguard the bank's position in relation to all risks associated with the counterparty, credit type or portfolio. Monitoring starts when the credit facility is granted and continues throughout the lifecycle of the credit facility and the relationship with the counterparty until such time as the exposure is repaid and/or the limit is cancelled. During 2020, individual credit risk assessments were intensified to monitor the impact of Covid-19 and the low oil price environment on clients and to make sure that ending the payment holiday would not have unforeseen financial difficulties.

If a situation arises in which an individual counterparty shows signs of credit risk deterioration, but is not in default, a 'watch' status is assigned. A 'watch' status indicates that a counterparty is subject to increased monitoring and appropriate follow-up measures in order to prevent further deterioration or a default. Indicators for this status are changes in risk profile, liquidity problems, management issues, the market outlook, a potential breach of a credit agreement, solvency issues and uncertain continuity.

Restructuring & Recovery
Credit facilities that are subject to a default event are mandatorily transferred to the Financial Restructuring & Recovery department (FR&R). Credit facilities identified as having a significantly high risk can be transferred to FR&R if specialised restructuring knowledge is required. If a 'going concern' approach is applicable and return to a performing status is considered likely, the credit facility is transferred to the Restructuring team, which will devise a plan aimed either at rehabilitation or at enhancing the likelihood of full repayment. In all other cases, the credit facility is transferred to the Recovery team.

Programme lending contracts are transferred to the Restructuring team if a default status is assigned because payments have been past due for more than 90 days or because another default trigger applies. If restructuring is ultimately ineffective, the client is transferred to other internal departments or external parties (such as Intrum) for debt collection.

Once a client is considered able to meet its future payment obligations and the involvement of FR&R is no longer required, the client is transferred back to the business line.

FR&R plays a significant role in the execution of the bank's non-performing exposure (NPE) strategy. Policies on the management of NPE include valuation of collateral, monitoring of the non-performing loan (NPL) ratio and ensuring this ratio remains well below the threshold of 5%. We have set NPE targets for each business segment and specific strategies for sectors with increased levels of non-performing loans. The definition of non-performing is similar to the definition of default and impaired. The differences are explained under 'Non-performing versus default and impaired'.

Counterparty credit risk
ABN AMRO primarily incurs counterparty credit risk (CCR) in two business activities, firstly within ABN AMRO Bank through over-the-counter (OTC) derivatives and securities financing transactions with other financial institutions (including positions taken to manage our interest rate hedging and liquidity position) and secondly in the business of ABN AMRO Clearing Bank. These two main sources of CCR are managed separately and are subject to various different features of risk management.

Credit concentration risk Audited
Credit concentration risk is the risk of loss arising from large exposures, relative to the bank's total risk exposure, to a single counterparty or to counterparties that are positively and highly correlated. As limiting excessive concentrations is fundamental to our credit risk strategy, we aim to keep the credit risk portfolio sufficiently granular and diversified.

To avoid excessive credit risk concentrations, Risk Management sets maximum levels for subgroups in the following categories:
- Single counterparty and groups of related counterparties (counterparty concentration);
- Countries (geographic concentration);
- Industry sectors (industry concentration).

Counterparty concentration

Counterparty concentration credit risk is the risk of loss arising from relatively large exposures to counterparties belonging to the same risk group. The One Obligor Exposure (OOE) is the exposure to a risk group and includes all drawn and undrawn credit facilities granted, plus all indirect exposure to the risk group, including guarantees and any other recourse claims. A risk group is an interrelated group of counterparties with a high degree of dependency on each other due to a control relationship. This control relationship may be due to direct or indirect majority interests being held by the same shareholder or group of shareholders. Counterparty credit concentration risk is measured by the OOE and the Economic Capital (EC) per counterparty. The bank limits its counterparty credit risk by setting OOE and EC limits. Additionally, all credit applications with an OOE and/or EC above a certain threshold are reviewed by the Executive Board.

Geographic concentration

ABN AMRO has branches and subsidiaries located outside the Netherlands, as well as clients who operate internationally. Consequently the bank is exposed to country risk, which is the risk of credit losses arising from country-specific events or circumstances. Under the new strategy for CIB announced in Q2 2020, geographical concentration continues to be relevant because we maintain a presence in multiple countries.

Management of country risk focuses on cross-border risk, which includes the risk that funds, goods or services cannot be transferred out of a country as a result of actions by local authorities in that country or other events. These risks are managed by setting country credit limits, based on individual country analyses by economic, compliance and country risk experts. Country limits are reviewed at least once a year. Each country also has an internal credit rating, which is reviewed and approved twice a year and is an important factor in managing country concentration risks. As the Netherlands is our home country, it is not included in any concentration risk appetite statement or setting of credit limits.

Industry concentration

Industry concentration risk is the risk of loss arising from a relatively large credit exposure to counterparties active in a single industry. Industry concentration risk arises when deterioration in a specific industry has an effect on all credit exposures relating to that industry. ABN AMRO manages its industry concentrations by setting limits on economic capital (EC) for credit risk for each industry as a percentage of total EC for credit risk. In addition to the EC limits, EC concentration checkpoints are set to facilitate timely and sufficient management interventions so as to avoid limits being breached.

Credit risk measurement Audited

The models used for the measurement and management of credit risk vary from purely statistical to expert-based models and employ both quantitative and qualitative risk drivers. All models are subject to the bank's model risk management framework. They undergo initial validation by the independent model validation function before their first use, and annually thereafter. Independent validation is also required when a model undergoes a material change.

Definition of default

All the models use a consistent definition of default, which has been specified to be in line with regulations. A default is deemed to have occurred when:
- the counterparty is past due by more than 90 days on any material financial credit obligation to the bank; or
- the bank considers the borrower to be unlikely to meet its contractual obligations (unlikely-to-pay or UTP).

The materiality of a financial obligation past due is assessed against an absolute and a relative threshold, in line with regulatory standards. To determine unlikeliness to pay, the bank has specified both mandatory default triggers (always resulting in the assignment of a default status and whereby no additional expert judgment is allowed) and judgmental triggers (requiring an assessment by credit risk managers to determine whether the UTP indications should result in a default classification).

Ending of the default classification for non-forborne exposures is considered when none of the default triggers continues to apply and a (probation) cure period of at least three months has passed since the default trigger ceased to apply. For forborne exposures, a twelve-month cure period starts from the moment the last forbearance measure or default trigger was applied. After the cure period, an assessment is completed to establish whether the improvement in the credit quality is factual and permanent (including, for example, no remaining past due amounts).

Probability of default

The Probability of Default (PD) indicates the likelihood that a counterparty or exposure will default within a one-year time horizon. For the non-programme lending portfolio, the PD maps to and is expressed as an internal uniform counterparty rating (UCR). The UCR rating scale consists of 14 performing ratings, each representing a fixed PD range. The indicative mapping of the internal UCR rating scale to external rating agency ratings is shown in the table below. For programme lending portfolios within Retail Banking and Commercial Banking, exposures with the same characteristics are pooled and a PD is assigned to each pool.

Internal rating scale mapped to external ratings Audited

Grade Category	UCR (internal rating)	Low PD%	High PD%	Standard & Poor's equivalent	Moody's equivalent	Fitch equivalent
Investment grade	UCR 1	0.00	0.03	AAA to A+	Aaa to Aa3	AAA to AA-
	UCR 2+	0.03	0.05	A+	A1	AA-
	UCR 2	0.05	0.07	A	A1	A+
	UCR 2-	0.07	0.13	A-	A3	A-
	UCR 3+	0.13	0.20	BBB+	Baa1	BBB+
	UCR 3	0.20	0.30	BBB	Baa2	BBB
	UCR 3-	0.30	0.46	BBB-	Baa3	BBB-
Sub-investment grade	UCR 4+	0.46	0.78	BB+	Ba1	BB+
	UCR 4	0.78	1.29	BB	Ba2	BB
	UCR 4-	1.29	2.22	BB-	B1	BB-
	UCR 5+	2.22	4.24	B+	B2	B
	UCR 5	4.24	8.49	B-	Caa1	B-
	UCR 5-	8.49	16.97	CCC/C	Caa2	CCC/C
	UCR 6+	16.97	100.00	CCC/C	Caa-C	CCC/C
Default	UCR 6-8			D	D	D

Loss Given Default
Loss Given Default (LGD) models estimate the amount the bank would lose if the counterparty were to default. LGD is expressed as a percentage of the outstanding amount at default. On credit facilities that are not in default, LGD estimates are influenced by the risk mitigating techniques used by the bank (such as the use of collateral), the collateral cover, the credit facility's seniority and structure, and the bank's view of the creditor-friendliness of the relevant country's legal framework.

Exposure at default
Exposure at Default (EAD) models estimate the expected exposure at the time a counterparty defaults. If all or part of a facility is undrawn (i.e. the outstanding amount is less than the approved limit) at the time of the EAD calculation, a portion of the undrawn amount is added to the exposure to reflect the tendency of counterparties to utilise larger portions of their approved credit facilities when nearing default.

Capital for credit risk
Regulatory capital
For the purpose of determining capital requirements for credit risk, ABN AMRO applies the Advanced Internal Rating Based (A-IRB) approach to the vast majority of its portfolio. Under this approach, the previously described internal estimates for PD, EAD and LGD are used to calculate Credit Risk RWA. For a number of smaller portfolios, RWA is determined according to the Standardised Approach (SA). This approach prescribes the risk weights to be applied to the exposure value in order to calculate RWA.

Economic capital
The EC model for credit risk uses a Monte Carlo simulation to determine a full portfolio loss distribution, taking into account specific portfolio characteristics and diversification effects. Loan facilities are valued on an economic value (mark-to-market) basis to ensure that loss estimates can be based not only on defaulting borrowers, but also on possible credit migrations and changes associated with the market values of loans.

Credit quality and impairment Audited
We continuously monitor the credit portfolio for signs indicating that the counterparty may become credit impaired in the future. Loans at risk are classified into different risk categories for individual counterparties and into days-in-arrears buckets for groups of aggregated counterparties in order to optimise monitoring and review of these loans.

Forbearance
Forbearance is the process of making concessions to clients who are or will soon be experiencing financial difficulty, with the intention of bringing them back within their payment capacity. A forborne asset is any contract that has been entered into with a counterparty who is in or about to face financial difficulty, and that has been refinanced or modified on terms and conditions that we would not have accepted if the counterparty had been

financially healthy. Collective concessions, such as the automatic moratoria on payments that were granted as part of the Covid-19 measures, do not necessarily lead to a forbearance classification. The Risk, funding & capital review section includes a separate section on Covid-19 to provide more information on the accounting treatment of measures relating to Covid-19.

Forbearance measures can be applied to contracts on which the counterparty has already defaulted, as well as to contracts that are still performing. If the contract is performing at the time the forbearance measure is taken, an assessment is made to determine whether the measure is likely to end in default. A forborne contract will cease to qualify as forborne only when all the following conditions are met:

- The contract is considered performing;
- A minimum probation period of at least two years has passed since the last forbearance measure and/or the date the forborne contract was considered performing (whichever is later);
- Regular and timely payments of more than an insignificant amount of principal or interest have been made during at least half of the probation period;
- The counterparty does not have any contract, within the credit agreement, that is more than 30 days past due at the end of the probation period.

If the forborne contract is or has become non-performing at the time of the forbearance measure, a mandatory cure period of at least one year applies to the contract before it is returned to performing status. The cure period starts when the contract becomes non-performing or, if the contract was already non-performing, when the last forbearance measure was taken. More information about non-performing contracts can be found at the end of this section.

Past due credit exposures

A financial asset is past due if a counterparty fails to make a payment on the contractually due date or if the counterparty has exceeded an agreed credit limit. ABN AMRO starts counting days past due from the first day that a counterparty is past due on any financial obligation.

Accounting policy for measuring allowances for credit losses Audited

ABN AMRO recognises loss allowances based on the Expected Credit Loss model (ECL) of IFRS 9, which is designed to be forward-looking. The IFRS 9 impairment requirements are applicable to financial assets measured at amortised cost or fair value through other comprehensive income (FVOCI), loan commitments and financial guarantee contracts. These financial instruments are divided into three groups, depending on the stage of credit quality deterioration:

Change in credit quality since initial recognition

	Stage 1	Stage 2	Stage 3
	Performing (Initial recognition)	**Credit quality deteriorated** (Assets with significant increase in credit risk since initial recognition)	**Default = Impaired** (Credit impaired assets)
Recognition of ECL	12 month ECL	Lifetime ECL	Lifetime ECL
Interest income	Effective interest on gross carrying amount	Effective interest on gross carrying amount	Effective interest on amortised cost (gross carrying amount less loss allowance)

Stage triggers

We use quantitative and qualitative stage triggers to determine whether a financial instrument should be classified as stage 1 or stage 2.

Quantitative stage trigger

The key quantitative metric that determines when a financial instrument is transferred from stage 1 to stage 2 is the deterioration in the lifetime probability of default (LPD) from the date of origination to the reporting date, based on internal data. The LPD represents the likelihood that a counterparty will default during the lifetime of the financial instrument and depends on credit risk drivers such as:

- product characteristics (e.g. repayment and interest terms, term of the product);
- the financial condition of the borrower;
- the number of days past due;
- expected developments in the economy.

The lifetime PD (LPD) deterioration (LPDD) measures the relative difference between the remaining lifetime PD at reporting (LPDR) and the remaining lifetime PD at origination (LPDO) as LPDD = LPDR/LPDO.
If the LPD deterioration of an exposure is above a predefined threshold, the LPD is considered to be significantly deteriorated, the exposure is transferred to stage 2 and impairment allowances equal to the lifetime expected credit loss are recognised. If the LPD deterioration subsequently reduces and falls below the threshold, the client is transferred back to stage 1. When determining the thresholds, ABN AMRO distinguishes between various portfolios within consumer lending, residential mortgages and corporate loans. A specific threshold is calculated for each portfolio, based on a statistical method. Due to limitations in the availability of historical data, ABN AMRO currently uses the 12-month PD as a proxy for LPD for consumer lending and corporate loans. We consider deterioration in the 12-month PD to be appropriately representative of LPD deterioration for the portfolios where the LPD is not available. The table below shows LPD deterioration thresholds for transfers to stage 2 that were applied at 31 December 2020. The values shown represent the ratio between LPD at reporting and LPD at origination at which transfer to stage 2 is triggered. As thresholds are determined for each ECL model and each product class uses multiple ECL models, ranges are shown.

Range of PD deterioration thresholds Audited

Product class	Range
Consumer lending	3.1x-8.3x
Residential mortgages	1.2x-2.8x
Corporate loans	1.7x-5.0x

Qualitative stage triggers

The bank transfers a financial instrument from stage 1 to stage 2 if the instrument meets any one of the following qualitative triggers:

- Forborne status of a borrower;
- Watch status of a borrower. ABN AMRO assigns the watch status to counterparties with an increased credit risk. This process allows for intensive monitoring, early detection of deterioration in the credit portfolio and appropriate follow-up measures;
- The client has become non-performing (but is not in default);
- A delinquency-based regulatory backstop is in place, such that the credit risk of financial assets that are more than 30 days past due will be assumed to have significantly increased.

To account for the widespread impact of Covid-19 on credit risk, we temporarily added the industry sector of the client as an additional qualitative trigger for clients in Commercial Banking. More information on this can be found in the Update on Covid-19 in the Risk, funding &

Introduction
Strategy & performance
Risk, funding & capital
Introduction to risk, funding & capital
Risk, funding & capital management
Risk, funding & capital review
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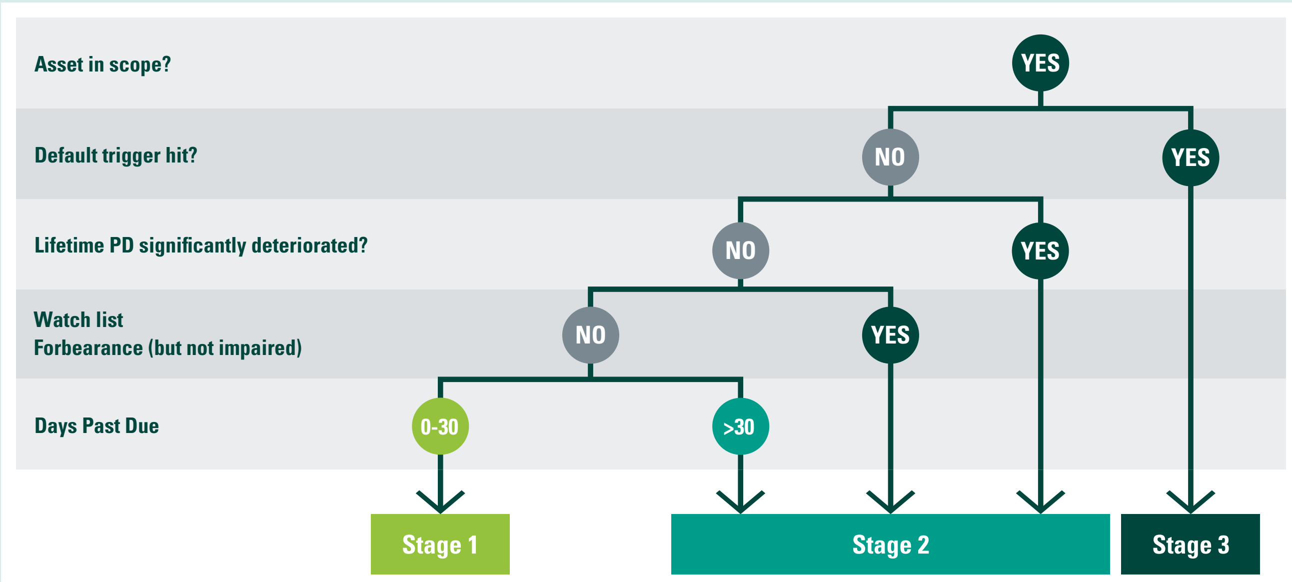
capital review section. A transfer to stage 3 will always be the result of the default of a financial instrument. A default is considered to have occurred when one of the default triggers (e.g. unlikelihood of payment, distressed debt restructuring, bankruptcy or fraud) has occurred. Materiality thresholds are applied for counterparties transferring to stage 3 (relative threshold of 1% on the past due amount compared to the on-balance sheet amount of the credit facility or product and an absolute threshold, with a minimum past due amount of EUR 100 for programme lending or EUR 500 for non-programme lending). These definitions are in line with the new definition of default introduced in the first half of 2020. Our definitions of default and impaired are aligned.



Favourable changes in credit risk are recognised consistently with unfavourable changes in credit risk, except when applying a probation period for financial instruments that are forborne or more than 30 days past due.

- Forborne financial instruments are transferred back from stage 2 to stage 1 only after a probation period of at least two years has ended in line with the ABN AMRO forbearance policy. Stage 3 forborne instruments transfer back to stage 2 after a cure period of at least one year;
- For financial instruments that are 30 days past due, a three-month probation period is applied for transfers from stage 2 to stage 1.

Calculation method

The amount of expected credit loss allowances is based on the probability-weighted present value of all expected cash shortfalls over the remaining life of the financial instrument for both on- and off-balance sheet exposures. ABN AMRO distinguishes between two types of calculation methods for credit loss allowances:

- Individual Lifetime ECL (LECL) for credit-impaired (stage 3) financial instruments with exposures above EUR 3 million;
- Collective 12-month ECL (stage 1) and LECL (stage 2 and 3) for financial instruments that have similar credit risk characteristics (e.g. residential mortgages, consumer loans and SME loans) are clustered in portfolios and collectively assessed for impairment losses. A collective impairment calculation approach based on individual parameters is also applied to stage 3 exposures below EUR 3 million.
  ABN AMRO has models to quantify the Probability of Loss (PL), Loss Given Loss (LGL) and Exposure at Loss (EAL) for the purpose of calculating the collective 12-month ECL and LECL for these financial instruments.

Lifetime expected credit loss

ABN AMRO defines the lifetime of credit as the maximum contractual period during which the bank is exposed to credit risk and not a longer period, even if that longer period is consistent with business practice. For some contracts, such as overdraft facilities or credit cards, no end date is specified or amounts can be contractually withdrawn by the lender at short notice. In these cases, ABN AMRO uses behavioural maturity models that rely on historical client behaviour to determine future expected exposures.

Forward-looking information

For expected credit loss calculations, ABN AMRO uses three different scenarios of future economic developments: a baseline (or most likely) scenario, negative scenario and a positive scenario.

The three scenarios are incorporated into the expected credit loss calculation and risk stage determination in a probability-weighted manner. In order to incorporate the latest economic outlook (including the macroeconomic repercussions of the Covid-19 pandemic), the scenarios and their weights are reviewed each quarter and adjusted if necessary. Details of the scenarios and their weights used in the reporting period can be found in Credit risk in the Risk, funding & capital review section.

The baseline scenario is based on Group Economics' regular macroeconomic forecasts and is reviewed at each reporting date. The Group Economics analysts consider a range of external sources in order to develop the forecasts for the different macroeconomic variables (MEVs) required, including GDP, the unemployment rate, the housing price index, oil prices and 3-month Euribor. They check their views and assumptions against external views and assumptions. The preliminary forecasts for the different countries undergo a challenge process to ensure they are reasonable and consistent. To reduce the risk of biased forecasts, the final MEVs are again checked against external forecasts and then submitted to the Scenario and Stress-testing Committee for approval.

Both alternative scenarios reflect the lower and upper levels for the different macroeconomic variables, whereby the whole range is meant to cover roughly 85% of the possible economic future. For most MEVs, Group Economics uses its standard deviations. These are calculated on the basis of realised figures in the past few decades. The extent to which MEVs actually deviate over time from their historical means reflects the past materialisation of negative and positive risks in the economy. A probability of about 85% roughly corresponds to a standard deviation of plus and minus one and a half.

For the purpose of scenario analysis, the forecasts period is five years. It is assumed that MEVs gradually move to their potential or equilibrium values after the second year. For each specific portfolio, a selection of variables is made for calculating the expected credit loss, based on statistical relevance and expert judgment.

Non-performing versus default and impaired

Definitions for default and impaired are aligned and form the basis for most credit risk reporting in this report. For specific reporting purposes ABN AMRO also distinguishes between performing and non-performing exposures. The criteria for non-performing exposures are broader than those applying to default or impaired.

An exposure is qualified as non-performing if:
- the counterparty is in default; or
- the counterparty is no longer in default, but has received an additional forbearance measure, or became more than 30 days past due during the forborne probation period

An exposure is categorised as non-performing for the entire amount, taking no account of any available collateral, and including the following revocable and irrevocable off-balance sheet items:
- loan commitments;
- financial guarantees at risk of being called, including the underlying guaranteed exposure that meets the criteria of non-performing;
- any other financial commitments.

The non-performing classification typically ends when the counterparty is no longer in default and the cure period has ended. For non-performing exposures that are not in default, a cure period of at least 12 months applies from the date the exposure became non-performing. After this 12-month period, an assessment is made to establish whether the improvement of the credit quality is factual and permanent (including a requirement for no past due amounts). This is comparable to the out-of-default assessment.

In monetary terms, the difference between non-performing and default or impaired amounts to less than 5% of total non-performing exposure.

Cured financial assets

When a credit impaired financial asset cures, the interest that was previously unrecognised is reported as an impairment release in the impairment charge rather than as a credit to the interest income calculated using the effective interest method.

Write-off

A loan is written off against the related loan loss allowance if the likelihood of repayment falls below a certain point or the financial asset reaches a certain stage of delinquency.
- For non-programme lending, a write-off must be taken if all possible means of recovery have been exhausted and it has become clear that there is a low probability of recovering the debt, either in part or full.
- Most of the programme lending facilities are automatically written-off after 1,080 days in default.

Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to impairment charges on financial instruments in the income statement.

Credit risk mitigation

Credit risk mitigation techniques are used by the bank to reduce the credit risk associated with its credit exposures. Such techniques relate mainly to collateral management and guarantees, offsetting financial assets and liabilities, and enforcing master netting agreements or similar instruments.

Credit risk mitigation techniques themselves entail risks and, as such, have to meet certain requirements so that they can be used effectively and in line with the bank's risk appetite. For this reason, ABN AMRO has established mandatory, bank-wide policies governing the use and management of credit risk mitigation techniques. These are in line with regulatory requirements, as well as with the needs of the bank and its clients. These bank-wide policies provide the overarching rules to be met by business-specific procedures and processes related to credit risk mitigation.

Collateral management and guarantees

Collateral and guarantees represent assets with material value that have been received by (or pledged to) the bank to secure obligations under a credit facility or other exposure. To be effective, such security must give the bank the right to appropriate and liquidate collateral on time and without impediment so that losses on the exposure at default are minimised.

In addition to minimising exposure risk, eligible collateral and guarantees can also reduce the regulatory and economic capital the bank is required to hold as a buffer for unexpected losses. The Capital Requirements Regulation prescribes the criteria that collateral must meet to become eligible for capital reduction. These criteria, which provide for legal effectiveness and for the enforceability, valuation and monitoring of collateral, are aimed at the effective and timely realisation of collateral.

Accounting policy for offsetting financial assets and liabilities Audited

Financial assets and liabilities are offset, and the net amount is reported on the EU IFRS balance sheet, if there is a legally enforceable right to set off the recognised amounts and there is an intention either to settle on a net basis or to realise the asset and settle the liability simultaneously. The bank applies netting to debtor and creditor balances, such as current accounts, where offsetting is justified by formal agreement with the client, provided they meet the applicable criteria.

Accounting policy for enforceable master netting agreements or similar instruments Audited

Enforceable master netting arrangements take into account all agreements containing conditions that allow offsetting in the event of default. In addition, agreements are enforceable if the bank has a legally enforceable right to offset and no ability and/or intention to realise the asset and settle the liability simultaneously. These arrangements include derivative clearing agreements, global master repurchase agreements and global master securities lending agreements.

Market risk management

This section provides information on:
- Market risk in the banking book
- Market risk in the trading book

Market risk in the banking book Audited

Market risk in the banking book is the risk that the economic value of equity or the income of the bank will decline because of unfavourable market movements. Market risk in the banking book consists predominantly of interest rate risk and credit spread risk in the liquidity portfolio. Funding spread risk, foreign exchange risk, equity risk and property risk are also recognised as market risks in the banking book. However, these are relatively immaterial.

Interest rate risk in the banking book

Interest rate risk is the risk of losses in the economic value of equity or the bank's net interest income (NII) due to unfavourable yield curve developments, including changes in the volatility of the yield curve. In order to model and measure interest rate risk, assumptions on client behaviour are made, most importantly with respect to the maturity of savings and the prepayment of mortgages. These assumptions influence the anticipated interest cash flow pattern. Interest rate risk is continuously managed in line with the risk appetite as the profile of assets and liabilities on the balance sheet can change if client behaviour changes.

The main sources of interest rate risk are:
- The maturity mismatch between assets and liabilities. ABN AMRO provides mortgages and commercial loans with fixed interest terms. These assets are funded by non-maturing deposits and wholesale funding with a shorter average interest maturity than the assets;
- Client behaviour, which determines the maturity profile of some of our products. As we use models to predict this behaviour, we are exposed to model risk.

Key assumptions for modelling client behaviour

From an interest rate risk perspective, the following aspects of client behaviour are the most important:
- Client behaviour with respect to early redemption of residential mortgages. This has a significant impact on the average interest maturity of the mortgage portfolio. Clients have the option to fully or partially prepay mortgages before maturity. Prepayments can be triggered by, for example, relocation, redemption or curtailment. An important driver of prepayments is the interest rate incentive, i.e. the difference between a client's current mortgage rate and prevailing mortgage rates. Future mortgage rates are simulated using a Monte Carlo approach. In addition to the interest rate incentive, other drivers such as loan age, seasonality and house price developments are also taken into account;
- Client acceptance of the volume offered and the deviation between the offered rate and the actual coupon on an offered residential mortgage;
- Client behaviour with respect to non-maturing deposits that are callable on demand. Future client rates for savings and current accounts are modelled using a replicating portfolio model. Modelled client rates depend on current or lagged yield curves and funding costs. A maximum maturity of 10 years is assumed. The resulting duration depends on product type and client behaviour. The average duration for retail portfolios is around 3 years, well below the requlatory 5-year cap.

The metrics used for market risk in the banking book are dependent upon the assumptions made in the behavioural models. Models must therefore be based on extensive research, including historical data on observed client behaviour. Models must be independently validated and approved by the mandated risk committees. Models are periodically assessed to determine whether they behave appropriately and are statistically sound; if required, they are adjusted.

Risk measurement for interest rate risk

Interest rate risk is measured by net interest income (NII) at risk, present value of 1 basis point (PV01), economic value of equity (EVE) at risk and economic capital for market risk in the banking book.

Economic capital for market risk in the banking book is calculated using a parametric Monte Carlo simulation model that determines the economic capital needed to absorb losses due to adverse movements in interest rates, client behaviour for mortgages and non-maturing deposits, volatility, credit spreads and foreign exchange rates.

These metrics are complemented with stress testing and scenario analysis, which are used to ensure a comprehensive approach to risk management and to identify potential weaknesses. Stress testing and scenario analyses go beyond determining the impact of alternative developments of interest rates. Assumptions with respect to modelling and client behaviour are also tested. A combination of market and product floors is applied. These floors are reviewed periodically.

For management purposes, the interest rate risk position is monitored by the Asset & Liability Committee (ALCO) on a monthly basis. The above metrics are also regularly reported to the Executive Board.

Credit spread risk in the banking book

Credit spread risk is the risk of losses due to adverse movements in the credit spread of assets. The main source is from bonds held for liquidity purposes. It is measured as the impact on economic value of a 1bp change in spreads to a swap rate. The sensitivity is measured for individual term points, as well as for a parallel shift of the curve.

Funding spread risk

Funding spread risk is the risk of losses due to adverse movements in the term structure of rates at which ABN AMRO can fund itself – expressed as a spread to a benchmark such as Euribor. Funding spread movements can arise due to changes in, for example, the perceived credit quality of ABN AMRO, changes in the competitive environment or changes in liquidity premiums. They may be entity-specific or systemic in nature. If funding spreads widen, it costs more to fund assets on the balance sheet. Unless this increased spread is passed on to clients by increasing client rates, projected net interest income will decrease. The funding spread risk is measured using an NII-at-risk approach whereby the funding spread increases.

Foreign exchange risk

Foreign exchange (FX) risk is the risk arising from adverse movements in FX spot and forward rates and/or FX volatility. It is managed within the bank by ALM and Treasury. As a general rule, foreign exchange risk is hedged by using cross-currency swaps to swap the exposure in foreign currency to EUR. If, for operational reasons, it is inefficient to hedge exposures in foreign currencies, an open currency position (OCP) remains. This is measured by the aggregated net position per currency, except for EUR. The OCP is monitored regularly, and limits apply on a local and aggregate level. Both for assets and for liabilities, USD is the largest non-EUR exposure.

Market risk management for the banking book

ABN AMRO has a detailed risk management framework in place to identify, measure and control market risk in the banking book. This framework provides assurance that the banking book activities remain consistent with the bank's strategy to pursue a moderate risk profile. The day-to-day management is delegated from the Asset & Liability Committee to Asset and Liability Management, while Treasury is responsible for the execution of hedge transactions. These departments form the first line of defence. Market & ALM/T Risk acts as the second line of defence.

The risk appetite is articulated in terms of net interest income, the economic value of equity and the economic capital for market risk in the banking book, and expresses the maximum loss the bank is willing to accept. The risk appetite is cascaded into a limit framework.

To manage the interest rate sensitivity in the banking book and keep in line with the bank's strategy and risk appetite, ABN AMRO uses a combination of portfolio (macro) hedges and specific asset or liability (micro) hedges to swap fixed interest rates for floating interest rate positions. Micro hedges are used to swap fixed funding transactions and fixed investments in the liquidity buffer for floating interest rate positions. In addition, macro hedging is applied in order to align with the bank's strategy to contribute to a stable NII while protecting the economic value of equity.

Market risk in the trading book

Positions held with trading intent and hedges for positions held with trading intent must be included in the bank's trading book. The Central Trading Risk policy describes the positions included in the trading book and the criteria for transferring risk and positions between the trading and banking books. As part of its business strategy, ABN AMRO facilitates client orders, acts as a market maker in key markets and provides liquidity to clients, including institutional investors and private clients. Market risk in the trading book is the risk of losses in market value due to adverse market movements. The following market risks are inherent in the trading book:

- Interest rate risk, arising from adverse changes in interest rate risk curves and/or interest rate volatilities;
- Credit spread risk, arising from adverse changes in the term structure of credit spreads and/or from changing credit quality of debt securities or CDS reference entities, with an impact on default probabilities;
- Equity risk, arising from adverse changes in equity prices, dividends and volatilities;
- Commodity risk, arising from adverse changes in commodity prices;
- Foreign exchange risk, arising from adverse changes in FX spot and forward rates and/or FX volatility.

Market risk measurement for the trading book Audited

ABN AMRO measures and manages market risk in the trading book on a daily basis. The key metrics used are economic capital, regulatory capital, Value-at-Risk (VaR), Stressed VaR (SVaR) and Incremental Risk Charge (IRC), together with a wide array of stress and scenario tests, sensitivity measures, concentration limits and notional limits. These metrics are measured and monitored on a daily basis. Appropriate limits are set at bank level in the Risk Appetite Statement and at bank and business-line levels in the limit framework, in line with the general risk principles in the Central Trading Risk policy.

Metrics and models are managed, reviewed, assessed and, if required, adjusted in a similar way as in the banking book. Other important tools to ensure the adequacy of the models, alongside the formal validation and review of models, are the daily explanation of risk reporting figures, periodic portfolio reviews and regular back-testing.

Validation procedure
For all models, including market risk models, we have a model risk policy in place. This policy requires that model assumptions and limitations are documented and independently validated by Model Validation. For material changes, the regulator performs an onsite investigation before such a model change is applied in production.

Economic capital
The calculation of economic capital for market risk in the trading book is based on a daily Value-at-Risk (VaR) market risk measure and historical scenarios simulating stress events such as 'Black Monday' and the financial markets crisis.

Stress testing and scenario analysis
Stress testing and scenario analysis are designed to focus specifically on the impact of tail events that are outside the VaR confidence interval. We perform daily stress tests for large movements in risk factors. Scenario analyses are also conducted frequently to evaluate the impacts of extreme market events that cover multiple risk factors, and the results of these tests are monitored. These scenarios can be based on historical or hypothetical events, or on a combination of the two.

Sensitivities
For each risk type sensitivities are monitored against limits. This includes all risk types mentioned above and the basis risks in the trading portfolio. In addition, the holding period is monitored as a measure of the liquidity of the positions.

Market risk management for the trading book Audited
ABN AMRO has in place a detailed risk management framework to identify, measure and control market risk in the trading book. This framework provides assurance that the bank's trading activities are consistent with its client-focused business strategy and moderate risk profile. In accordance with the strategy, the Business Risk Committee Trading annually approves trading mandates, which define the nature and amount of the permitted transactions and risks, and the associated constraints. The Business Risk Committee Trading is a subsidiary committee of the Group Risk Committee.

Valuation adjustments
For the trading book, we take into account adjustments for counterparty risk on our clients (Credit Valuation Adjustment), ABN AMRO funding costs (Funding Valuation Adjustment) and ABN AMRO credit risk (Debt Valuation Adjustment).

Trading book positions are subject to prudent valuation standards in accordance with regulatory requirements. The prudent value is derived from IFRS accounting fair value and includes additional potential value adjustments.

Operational (non-financial) risk management

This section provides information on:
- Operational risk management approach
- Operational risk measurement
- Specific operational risk areas

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition is in line with the definition by the Basel Committee on Banking Supervision. Operational risk covers multiple non-financial risks, such as HR risk, IT risk, compliance risk, legal risk, change risk, tax risk and model risk.

Operational risk management approach

ABN AMRO has a converged approach to operational risk management, providing the business with a clear and fair view on the operational risks that the bank faces and the way these should be managed. For this purpose, ABN AMRO has in place a framework that enables operational risks to be managed within the moderate risk profile. The Information and Operational Risk Management (I&ORM) department sets this framework for the bank in line with the requirements of the Advanced Measurement Approach (AMA). This framework evolves and is kept current as experience gained is incorporated. The main components of the framework are schematically shown in the following figure.

Framework for operational risk management

Management Control Statement

Strategic risk assessment

Operational risk management overview
- Non-financial (operational) risk
- Risk appetite reporting
- Operational risk capital

Operational risk assessments
- Business-as-usual (including scenarios)
- Changes

Monitoring
- Operational risk events
- Effectiveness of controls
- Key Risk Indicators

Operational risk responses
- Mitigation
- Avoidance
- Transfer
- Risk acceptance

ABN AMRO's operational risk management framework is supported by the three lines of defence (3LoD) model. Our Vision for 3LoD is as follows:

We achieve ABN AMRO's purpose of 'Banking for better, for generations to come' by organising 3LoD to deliver on our strategic priorities, secure the continuity of our bank, remain within our risk appetite and maintain our licence to operate. We are clear on each other's responsibilities and use a common language to communicate an integrated, transparent and consistent approach to managing our risks with the common goal of taking better decisions for all stakeholders.

The division and clarity in roles and responsibilities across the three lines of defence reflect the bank's view that managing operational risk requires a concerted effort from all. Operational risk views are provided in risk reports at various levels within the bank, up to the Executive Board and Supervisory Board.

Framework for operational risk management

Risk identification, assessments, response and monitoring activities are at the heart of our operational risk management framework. Despite preventive measures being in place, incidents and operational losses are inherent to our business. ABN AMRO systematically tracks and analyses such events in order to learn from them and use them as early warnings. Together with scanning external developments, emerging risks can also be identified for further assessment.
Key Risk Indicators (KRIs) are monitored to signal adverse risk developments.

Business managers perform assessments to identify and assess risks, including scenarios for rare events. Assessments are executed for business-as-usual activities and for new initiatives and provide support by creating risk awareness throughout the organisation. If a risk exceeds or is predicted to be outside the risk appetite, the business manager takes appropriate action. Actions may include strengthening controls.

At least once a year, business managers monitor the effectiveness of the controls in their areas of responsibility and update them as necessary. Management may also decide to avoid risks by ceasing certain operations, consciously accept a certain risk or transfer a risk to insurance companies. With respect to the latter option, the global insurance programme in place is reviewed annually by the Group Risk Committee.

Once a year, senior management also reviews the strategic business objectives and the measures taken from a risk perspective. At the end of each year, based on the effectiveness of the control environment and on the strategic risk outlook, senior management signs a

Management Control Statement (MCS), which is included directly after the Risk, funding & capital review section.

Specific operational risk areas

The bank has in place a dedicated organisation for operational risk areas that require specific knowledge, such as compliance risk, information security, business continuity management and model risk management.

Compliance risk

Compliance risk is defined as the risk of failure to comply with legislation and regulations, self-regulatory organisational standards, values and business principles, and codes of conduct or generally accepted market standards applicable to the bank's services and activities. It can result in security risks and incidents and in financial and reputational damage arising from financial or other crime and misconduct or illegal conduct on the part of clients, the bank or its employees.

ABN AMRO has to live up to continuing regulatory expectations and mitigate their compliance risk. It is expected to act as a gatekeeper in detecting financial and economic crime, and to fulfil obligations arising under its duty of care to clients and society. Increasing amounts of resources are therefore devoted to the various investigations and inquiries taking place, as well as to ensuring focused governance and to improving the risk and control framework.

Information security

Information is one of the bank's most valuable assets. Our clients rely increasingly on digitalisation and online banking, even more so during the Covid-19 outbreak. This means proper functioning of the bank's IT systems is crucial. These systems run in complex information infrastructures, connecting the bank's networks to public networks. Banking processes and their supporting information systems are therefore inherently vulnerable, with threats to the security of client data and services. Examples of such threats include social engineering and phishing, computer-assisted fraud, unauthorised disclosure of confidential information, virus infections and ransomware, and distributed denial of service attacks (DDoS).

In recognition of the vital importance of protecting its information, systems and infrastructure at all times, ABN AMRO has established a structured IT risk management approach to ensure the confidentiality, integrity and availability of information. This approach defines the organisational framework, management and staff responsibilities, and the information security directives that apply to ABN AMRO, its vendors and third parties with whom the bank exchanges information.

Business continuity management

Business continuity management (BCM) ensures organisational resilience at all levels of ABN AMRO. It focuses on setting up and maintaining ABN AMRO's crisis management capability (i.e., framework, process, tooling, people) to enable the organisation to remain well-prepared and able to respond in a controlled and effective crisis mode in the face of severe threats and calamities such as the current Covid-19 outbreak. Our key tasks include the following:

- Analysing threats and the business impact of calamities and crises;
- Determining the strategies and solutions to be applied in the event of a crisis – such as business recovery, crisis management and IT disaster recovery planning – so as to enable continuity of business operations;
- Documenting, periodically assessing and testing of these strategies and solutions.

Model risk management

Models are developed and used to quantify the risk for most risk types in the risk taxonomy. We define model risk as the potential for adverse consequences from decisions based on incorrect output of models, due to errors in the development, implementation or use of such models. This definition is in line with the definition in the EU Capital Requirements Regulation (CRR). To monitor and mitigate risks arising from the use of these models, the model risk management department functions as the second line of defence. As an independent department it sets the framework for the bank in line with regulatory requirements on model risk and independently validates models before they can be used. ABN AMRO has separate model validation standards and procedures in place for this purpose as part of the model risk management framework.

Operational risk measurement

In line with the Advanced Measurement Approach (AMA), the bank has in place an internally developed model to define the required own funds for operational risk (i.e. operational risk capital). The AMA model estimates potential operational risk losses (annually aggregated) by combining forward-looking and backward-looking views on operational risk events.

Risk self-assessments and scenario analyses provide a forward-looking view. Experts use these tools to build scenarios to evaluate future risks and estimate the severity of potential losses that could occur. The resulting estimates are used as data input for the model. In these scenarios, experts take into consideration the quality of the bank's control environment, its processes, systems and people, as well as external circumstances and changes that may have an influence. The ongoing relevance of the estimations (and hence of the capital) is safeguarded by reviewing the scenarios at regular intervals, as well as when major changes occur in the risk profile.

Alongside these expert-based estimations, the model also uses historical loss data from ABN AMRO and the banking industry. Historical loss data are included as these are assumed to provide some level of predictive information about future losses.

Capital for operational risk

The level of AMA capital is derived from the results of the model calculations. The bank applies a 99.95% confidence level to the annually aggregated losses when calculating the operational risk economic capital, whereas a 99.9% confidence level is applied to calculate regulatory operational risk capital. The adequacy of the capital levels is monitored on a quarterly basis; if issues occur – for example, regarding the reliability of data – add-ons can be applied.

Funding & liquidity risk management

Liquidity risk is the risk that actual and potential payments or collateral posting obligations cannot be met on a timely basis, or only at excessive costs. There are two types of liquidity risk:

- Funding liquidity risk is the risk of not being able to accommodate both expected and unexpected current and future cash outflows and collateral needs because insufficient cash is available. Eventually, this can affect the bank's daily operations or its financial condition;
- Market liquidity risk is the risk that the bank cannot sell an asset in a timely manner at a reasonable market price due to insufficient market depth (insufficient supply and demand) or market disruption. Market liquidity risk includes the sensitivity in liquidity value of a portfolio due to changes in the applicable haircuts and market value. It also concerns uncertainty about the time required to realise the liquidity value of the assets.

Strategy

Liquidity

We have a liquidity risk management framework in place that helps us maintain a moderate risk profile and safeguards the bank's reputation from a liquidity perspective. This framework enables the bank to meet the regulatory requirements and its payment obligations at a reasonable cost, even under severely adverse conditions. We have formulated a set of liquidity risk metrics and limits to manage the bank's liquidity position. By maintaining a smooth long-term maturity profile, limiting dependence on wholesale funding and holding a solid liquidity buffer in our main currencies, we maintain a prudent liquidity profile. The bank's liquidity position is monitored on a daily basis.

Funding

ABN AMRO's main source of funding consists of deposits from Retail Banking, Private Banking, Commercial Banking and CIB clients. The remainder of our funding is raised largely through various long-term wholesale funding instruments. In the short-term, funding is raised via commercial paper. The wholesale funding strategy is aligned to the moderate risk profile. This strategy aims to optimise and diversify the bank's funding sources in order to maintain market access and the targeted funding position. We aim to have a balance sheet with a diverse, stable and cost-efficient funding base.

The funding strategy takes the following guidelines into account:

- Maintain market access by diversifying funding sources in different funding markets (Europe, the US and the Asia-Pacific region);
- Continually monitor attractive funding opportunities and maintain strong relationships with the investor base through active marketing;
- Optimise the balance between private placements and public benchmark deals;
- Optimise funding costs within the targets set for volumes and maturities and manage credit curves in different funding programmes and currencies;
- Optimise the planning and execution of funding in different market windows and currencies.

Risk management approach Audited

The natural maturity mismatch between loans and funding requires liquidity risk management. We consider maturity transformation to be an integral part of the bank's business model, which is why we closely monitor our liquidity position and the resulting risks. We diversify our funding sources to maintain market access, and we diversify funding tenors to avoid a concentration of outflows. We also hold a portfolio of highly liquid assets that can be converted into cash in the event of unforeseen market disruptions, thus allowing us to meet payment and collateral obligations at all times.

Funding and liquidity risk is managed centrally. We incorporate liquidity costs into the pricing of our day-to-day business activities.

In managing the risks, a clear distinction is made between going-concern and contingency risk management.

Going-concern management

Going-concern management entails management of the day-to-day liquidity position within specified limits. This allows us to meet payment obligations on a timely basis. The most important metrics we use are:

- Stress testing: We conduct monthly and ad hoc stress tests in which we evaluate the impact of cash in- and outflows under plausible stress scenarios. Both market-wide and bank-specific stress scenarios are defined and analysed. The goal of stress testing is twofold. Firstly, it helps us to review our risk framework, i.e. the liquidity buffer size, risk appetite and limits. Secondly, it allows us to identify ways to reduce outflows in times of crisis;
- Liquidity Coverage Ratio (LCR): The objective of the LCR is to assess the bank's short-term resilience by ensuring sufficient high-quality liquid assets to survive a significant stress scenario lasting 30 calendar days;
- Survival period: The survival period reflects the period that the bank's liquidity position is expected to remain positive in an internal stress scenario in which wholesale funding markets deteriorate and retail and commercial clients withdraw a proportion of their deposits;

- Net Stable Funding Ratio (NSFR): The objective of the NSFR is to assess resilience over a longer time horizon by creating additional incentives for banks to fund their activities from stable sources of funding on an ongoing basis;
- Loan-to-Deposit ratio (LtD): The LtD ratio measures the relationship between the loan book (loans and advances customers) and deposits from clients (due to customers). The ratio includes all client-driven loans and deposits. The LtD ratio gives an indication of our dependence on wholesale funding for financing client loans. Due to the mandatory and collective Dutch pension savings schemes, mortgage loans outweigh client savings balances in the Netherlands, thus driving the LtD ratio above 100%.

Contingency risk management

Contingency risk management aims to ensure that, in the event of either a bank-specific or general market stress event, the bank is able to generate sufficient liquidity to withstand a short- or long-term liquidity crisis.

- Contingency Funding Plan: The Contingency Funding Plan sets out the guidelines and responsibilities for addressing possible liquidity shortfalls in emergency situations. This only comes into effect if the liquidity position is threatened, or if strong indications exist that liquidity stress is imminent. The Contingency Funding Plan is aligned with the Recovery Plan, as required by the regulators. It enables us to manage our liquidity without unnecessarily jeopardising business lines, while limiting excessive funding costs in severe market circumstances;
- Collateral posting in the event of a rating downgrade: If ABN AMRO's credit rating is downgraded, collateral requirements may increase. We monitor these potential additional collateral postings in the liquidity management framework;
- Liquidity buffer: We hold a liquidity buffer to accommodate cash outflows during stress. This buffer consists of unencumbered, high-quality liquid assets, including government bonds, retained securities (RMBS and covered bonds) and cash.

Capital management

Capital management strategy

The primary objective of the capital management strategy is to ensure that capital adequacy requirements are met at all times and that sufficient capital is available to support the bank's strategy. Capital is a necessary resource for doing business and defines the bank's commercial possibilities. The balance between available and required capital is managed centrally to optimise the use of available capital. The basis of the capital management strategy is the bank's risk appetite and its business plans. Other important factors taken into account when managing the capital position are expectations and requirements of external stakeholders (such as regulators, investors, shareholders, equity analysts, rating agencies and clients), the bank's position in the market, market developments, contingent capital needs and the feasibility of capital management actions. Although ABN AMRO manages its capital centrally, the group companies are sufficiently capitalised to comply with all local regulatory solvency requirements and to meet any local business needs. ABN AMRO's banking activities are carried out by legal entities that are part of the bank's corporate tax unit. Apart from prevailing statutory and regulatory legislation, there are no specific material impediments for prompt transfer of the bank's regulatory capital.

Dividend

The dividend policy takes into account matters including current and pending regulatory capital requirements, our risk profile, growth in commercial activities and market factors. The dividend payout is set in the light of the bank's moderate risk profile and regulatory changes and to ensure that dividend payments can be maintained in the future.

From 2018 onwards, the dividend payout policy was set at 50% of net sustainable profit attributable to owners of the parent company, excluding exceptional items that significantly distorted profitability and excluding AT1 capital securities. Additional distributions of above 50%, which could be either special dividends or share buy-backs (subject to regulatory approval), were considered if capital was within or above the Basel III target range of 17.5-18.5% and were also subject to other circumstances, including regulatory and commercial considerations. The combined distribution was at least 50% of net sustainable profit.

From 2021 onwards, the dividend payout has been set at 50% of reported net profit, after deduction of AT1 coupon payments and minority interests. Interim dividends will be considered at 40% of the reported H1 net profit, provided profit is expected to be sustainable throughout the year, at the discretion of the Board.

We have updated our CET1 capital target ratio to 13% under Basel IV. When our Basel IV CET1 ratio is above the threshold of 15%, we will consider share buy-backs, subject to conditions and regulatory approval. Our threshold of 15% reflects current uncertainties, as well as a buffer for potential M&A. We intend to review the threshold when current uncertainties have reduced. Buy-backs will not be considered before the end of 2021.

Any distribution of dividend remains discretionary, and ABN AMRO may propose deviations from the above policy.

Capital measurement and allocation

Capital adequacy is measured and monitored on an ongoing basis against target capital ratios, which are derived from the bank's overall risk appetite and strategy. Capital projections and stress test scenarios, both market-wide and bank-specific, are used to ensure that actual and future capital levels remain above the targets. Capital is allocated to businesses in a way that optimises the long-term value of the bank while serving the bank's strategic objectives. In the capital allocation process, both risk-based and non-risk-based return parameters are considered, taking into account economic and regulatory capital requirements. This process ensures that the bank meets its return targets while maintaining a moderate risk profile in line with its risk appetite.

Contingency capital management

Contingency plans are in place to address any capital issues arising. The Contingency Capital Plan provides a framework to detect capital adequacy stress by setting out various early warning indicators. The plan also sets out a range of actions that can be undertaken, based on the level of severity and urgency of the issues.

Recovery and resolution planning

The Bank Recovery and Resolution Directive requires a recovery plan and a resolution plan to be in place. ABN AMRO submitted a reviewed and updated version of its bank recovery plan to the ECB in December 2020. The Single Resolution Board (SRB) has prepared a resolution plan, in which it concluded that the preferred resolution strategy is a Single-Point-of-Entry strategy, with ABN AMRO Bank N.V. as the resolution entity.

Business risk management

Business Risk is the risk that business earnings and franchise value will decline and/or deviate from expectations because of uncertainty in business income or in the expenses needing to be incurred to generate business income. ABN AMRO manages business risk by seeking to minimise the effect of unexpected internal and/or external developments.

The key criteria for classifying a risk as a business risk are:
- An unexpected event that leads to uncertainty in present or future business earnings and/or franchise value;
- Changes of drivers of future business earnings such as uncertainty in volumes, margins, fee and commission rates and/or business expenses.

Earnings are affected by various internal and external factors, such as changes in client preferences, competition and regulation. In addition, earnings are affected by technical, societal, geopolitical and economic developments, such as the outbreak of Covid-19 and subsequent lockdowns. When assessing the pressure from external factors contributing to an increase or decrease in the business risk, at least the following elements are considered:
- The key macroeconomic variables within which the bank operates or will operate based on its main geographies. Examples of key variables include gross domestic product (GDP), unemployment rates, interest rates and house price indices;
- The competitive landscape and how it is likely to evolve, considering the activities of the bank's peers;
- Expected growth in target markets, and the activities and plans of key competitors in these target markets;
- Overall trends in the market that may have an impact on performance and profitability. This should include, as a minimum, regulatory trends, technological trends and societal/demographic trends;
- The contamination effects that risks may have on other risk types, and risks downstream or upstream in client supply chains that may cause domino effects (this includes the impact of Covid-19).

ABN AMRO continually monitors and responds to the key external and internal factors and elements within these factors. The disclosure and monitoring of the business risk drivers is based, among other things, on the ERM report. The bank mitigates sensitivity to business risk drivers through discussions at senior management and board level that address developments in these drivers in an effective and timely manner. Business risk is also included in the capital buffer that is meant to safeguard our position in the case of extreme events.

The bank's strategy and business risk are related. The strategy incorporates mitigation of unexpected events and changes in business risk drivers. Regular review of the strategy ensures alignment with developments in business risk. To ensure that the bank's strategy is pursued and the long-term strategic goals (financial and non-financial) are met, our business plans and budgets take these strategic goals into account.

Economic capital for business risk

Economic capital is used to mitigate the negative effects of unexpected business risk events. The economic capital for business risk reflects the maximum downward deviation of actual versus expected net operating profit in one year, excluding any impact already covered by other risk types (e.g. impairments for credit risk).

To determine the economic capital for business risk, a combination of historical and forward-looking scenarios is collected from experts in each business line and from Group Economics. These scenarios determine the sensitivity of macroeconomic variables or industry performance indicators to the business lines' income. This sensitivity is used to determine the volatility of income for each business line, as well as any correlation between business lines. Based on the individual volatilities, we use simulation to calculate bank-wide volatility.

Sustainability risk management

This section provides information on:
- Sustainability risk policy framework
- Client assessment
- Risk measurement, monitoring and steering
- Climate risk approach

In our roles as lender and investor we may be exposed to environmental, social and governmental (ESG) risks, either through direct activities of our clients and the companies in which we invest on behalf of our clients, or through activities in these companies' value chains. We manage these sustainability risks in line with the bank's moderate risk profile. Sustainability risk management also goes hand in hand with the bank's sustainability strategy to support our clients' transition and accelerate the sustainability shift.

We define sustainability risk as the potential impact of ESG issues on the earnings and value of the bank. In line with regulatory and societal expectations we consider two sides:
- Inside-out risk: the impact of the bank and its clients on ESG in the form, for example, of greenhouse gas emissions, pollution and human rights infringements;
- Outside-in risk: the impact of ESG issues on the bank and its clients in the form, for example, of physical risks of global warming, biodiversity loss and transition risks.

Sustainability risk is a driver of other risk types, such as credit risk, market risk and business risk. It can materialise in the short term (directly), the medium term (1-5 years) and the long term (5-30 years).

Sustainability risk policy framework

ABN AMRO applies a sustainability risk policy framework that operates in accordance with the bank's 'three lines of defence' model. This policy framework covers activities primarily focused on corporate lending and payment and investment services, but also extending to procurement, human resources and product development. We updated the framework in 2020 to reflect regulatory expectations and have now integrated sustainability risk – and climate and environmental risk, in particular – into our entire risk management practice.

Specific requirements apply to clients operating in sectors considered to have a particularly high sustainability risk. The requirements we set define how we expect clients to manage their sustainability risks: these risks are primarily inside-out risks, but increasingly also include outside-in risks. In line with our risk taxonomy, the requirements relate to ESG risks, but also link to the themes on which our corporate strategy is focused: climate, circularity and social impact/human rights.

The requirements and other elements of the framework are updated regularly. The updating in 2020 included new requirements for financial institutions and for clients active in animal protein production, as well as an updating of the country sustainability risk list (containing a sustainability risk rating for each country) and the controversial weapons list (containing a list of the companies we will not finance or invest in on behalf of our clients because the companies manufacture or trade controversial weapons such as cluster ammunition).

Client assessment

First-line relationship managers continue to use the Global Sustainability Risk Index (GSRI) tool, developed by the bank, to assess clients' risk level based on the country and sector sustainability risk ratings, and to assess adherence to our sustainability risk framework and the applicable sector-specific requirements. We aim to extend the use of the GSRI from clients in medium- and high-risk sectors to all sectors. For clients in high-risk sectors, second-line advice is mandatory.

Risk measurement, monitoring and steering

We measure and steer on sustainability risk in several ways, reflecting both inside-out and outside-in risks.
In relation to climate change, for instance, we measure:
- the carbon intensity of our lending and investment portfolios (using the PCAF methodology) and their alignment with the objectives in the Paris Climate Agreement (using the science-based target methodology);
- progress on key carbon-reduction targets;
- coverage of physical and transition risk analyses in relevant sector portfolios.

We also closely monitor our engagement activities.
We distinguish three types of engagement as a mitigation strategy towards clients that do not fully comply with the requirements in our Sustainability Risk Policy Framework: normal-intensity engagement, high-intensity engagement and thematic engagement. Normal-intensity engagement is part of the regular client communication and review cycle and addresses minor deviations or opportunities for improvement. High-intensity engagement, on the other hand, is a formal process in which the bank reaches agreement with a client on significant improvements as a condition of credit approval. Lastly, thematic engagement entails engagement with multiple clients, and possibly other stakeholders, on wider-ranging sustainability issues.

In 2020 we formalised the Engagement Advisory Committee mandated by the Executive Board to oversee high-intensity and thematic engagement.

In addition to a mitigation strategy, we also use engagement as a tool to accelerate the sustainability shift. The bank's ambition of 'Banking for better for generations to come' is best served by our inclusive approach: rather than excluding underperforming companies, we support them in improving their performance. In this way, sustainability risk management contributes to achieving our sustainability strategy. In 2020 we published an updated climate statement in which the intertwining of our sustainability risk management and our sustainability strategy is set out specifically in relation to climate change.

Climate risk approach

ABN AMRO is strongly committed to implementing the recommendations of the Financial Stability Board's Taskforce on Climate-related Financial Disclosures (TCFD), which we endorsed back in 2017. In 2019, we took our first steps in using scenario analysis to measure and disclose climate risk in our mortgage and upstream oil and gas portfolios. In 2020 we extended the use of climate scenario analysis to four additional sectors: commercial real estate, agriculture, energy and shipping.

These sectors were identified as priority sectors following a heatmap exercise based on the methodology provided by the UN Environmental Programme for Financial Institutions. The resulting heatmap shows the material sectors in terms of sensitivity to transition and physical climate risks and lending exposure (please refer to Sustainability Risk in the Risk, funding & capital review section). The scenario analysis then focuses on measuring the actual climate risk of our portfolios in these sectors. These scenario analyses focus on risk materialising both in the short term and the long term (up to 30 years).

Progress has also been made in implementing other recommendations in the four TCFD pillars: governance, strategy, risk management, and metrics and targets. Information can be found on this throughout the report. Please also refer to the Climate disclosure index in the Non-financial review in the Strategy & performance chapter. As climate risk is defined in the ABN AMRO Taxonomy as part of sustainability risk it falls under the responsibility of the CRO. Further steps have been taken to integrate the management of climate risk within the three lines of defence model, impacting a broad variety of business lines and functions. The imminent regulatory changes will further contribute to setting the standard for climate risk management, which will gradually be implemented in the coming years.

Risk, funding & capital review

Risk profile

ABN AMRO aims to maintain a moderate risk profile. We actively manage our business and balance sheet composition to remain within our risk appetite.

Risk profile assessment

ABN AMRO periodically assesses its risk profile in conjunction with the bank's risk appetite. The strategic Risk Appetite Statement expresses ABN AMRO's strategy of pursuing a moderate risk profile. The five elements of this strategic Risk Appetite Statement ensure a coherent balance between a sustainable return and value creation, our client centric business model, capital, and liquidity and funding, taking into account the conduct, governance and control framework. The main conclusions of this assessment are summarised below.

Client-centric business model and sustainable return and value creation

ABN AMRO focuses on growth, with a focus on clients and sustainability, within the boundaries of our moderate risk profile in order to achieve a healthy long-term, risk-adjusted return. The bank aims to remain profitable even under severe market conditions. The current economic and monetary conditions, specifically developments relating to Covid-19 and sustained low and negative interest rates, are having an impact on global trade, current business and margins and revenues.

Capital, liquidity and funding

Comfortable buffers are in place to meet capital and liquidity requirements from a regulatory and internal (i.e. economic capital) perspective. In addition, stress testing indicates that sufficient buffers are in place for times of stress.

Conduct, governance and control framework

Capital buffers are also in place to cover non-financial risks. In managing these risks, we face challenges regarding our ability to fully comply with all regulatory requirements. Specific areas where the risk of non-compliance with regulations requires an ongoing and substantial effort are:

- Customer Due Diligence/Know Your Client, Anti-Money Laundering (AML) and Counter-Terrorism Financing (CTF);
- Duty of care;
- Credit risk model management.

Over the past few years, the number of FTEs working on DFC has increased to around 3,800. Regulatory compliance risk is mitigated by ensuring staff remain aware of regulatory programmes through ongoing training and presentations.

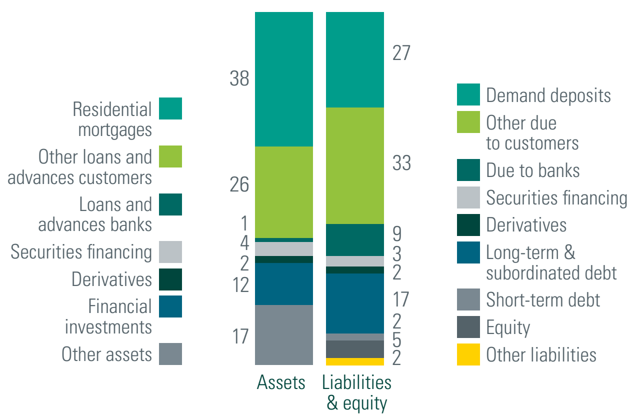
Behavioural risk has also been introduced as a new risk type in our risk taxonomy.

In addition, the bank has to meet requirements in the field of data aggregation and risk reporting that require a substantial effort. These aspects of data management, combined with issues regarding data quality and data knowledge, may result in suboptimal decision-making and business process execution, as well as in elevated model risk and missed opportunities in the application of new technologies. A multi-year approach continues to be required in order for the bank to reach the desired level.

Balance sheet composition

ABN AMRO is mainly active in the Dutch market and in international operations where we have specific expertise and hold leading positions in selective activities.

Balance sheet composition at 31 December 2020
(in %)



The balance sheet composition reflects the bank's moderate risk profile. The characteristics that limit risk in the balance sheet include:

- Loan portfolio matched by deposits, long-term debt and equity;
- Strong focus on collateralised lending;
- Reducing concentration on single client exposure;
- Limited market risk and trading portfolios;
- Strong capital position reflected in a leverage ratio of at least 4%;
- CET1 ratio well above the regulatory requirements so as to achieve Basel IV compliance early in the phase-in period;
- Strategic focus on limiting LtD ratio by diversifying the funding structure and maintaining LtD at < 129%;
- Sufficient liquidity buffers to survive 12 months of severe stress.

Key developments

Key figures

(in millions)	31 December 2020	31 December 2019
Total loans and advances, gross excluding fair value adjustments[1]	**254,781**	**270,437**
- of which Banks	*3,399*	*5,016*
- of which Residential mortgages	*145,672*	*148,225*
- of which Consumer loans	*11,232*	*12,294*
- of which Corporate loans[1]	*86,745*	*98,610*
- of which Other loans and advances customers[1]	*7,733*	*6,292*
On-balance sheet maximum exposure to credit risk	392,038	370,953
Total Exposure at Default (EAD)	**407,354**	**393,247**
- of which Retail Banking	*163,948*	*167,453*
- of which Commercial Banking	*48,029*	*50,537*
- of which Private Banking	*18,942*	*19,289*
- of which Corporate & Institutional Banking	*63,984*	*78,586*
- of which Group Functions	*112,450*	*77,381*
Credit quality indicators[1]		
Forbearance ratio	5.1%	2.4%
Past due ratio	1.0%	1.2%
Stage 3 impaired ratio	3.4%	2.5%
Stage 3 coverage ratio	32.7%	29.6%
Cost of risk (in bps)[2]	78	24
Regulatory capital		
Total RWA	110,481	109,825
- of which Credit risk[3]	*92,462*	*89,071*
- of which Operational risk	*16,685*	*19,391*
- of which Market risk	*1,334*	*1,362*
Total RWA/total EAD	27.1%	27.9%
Liquidity and funding indicators		
Loan-to-Deposit ratio	106%	114%
LCR[4]	149%	134%
NSFR	>100%	>100%
Capital ratios		
Fully-loaded CET1 ratio	17.7%	18.1%
Fully-loaded leverage ratio	5.0%	4.5%

1 Excluding loans and advances measured at fair value through P&L.
2 Annualised impairment charges on loans and advances customers for the period divided by the average loans and advances customers on the basis of gross carrying amount and excluding fair value adjustment from hedge accounting.
3 RWA for credit value adjustment (CVA) is included in credit risk. CVA per 31 December 2020 is EUR 0.2 billion (31 December 2019 EUR 0.4 billion).
4 Consolidated LCR based on a 12-month rolling average.

Key figures per business segment

(in millions)	Retail Banking	Commercial Banking	Private Banking	Corporate & Institutional Banking	Group Functions	Total
						31 December 2020
Total assets	150,477	41,477	17,199	62,525	123,946	395,623
Total Exposure at Default	163,948	48,029	18,942	63,984	112,450	407,354
RWA						
Credit risk[1]	21,109	25,606	7,771	34,523	3,453	92,462
Operational risk	5,591	3,622	2,529	3,688	1,254	16,685
Market risk				1,334		1,334
Total RWA	**26,700**	**29,228**	**10,300**	**39,545**	**4,707**	**110,481**
Total RWA/Total Exposure at Default	16.3%	60.9%	54.4%	61.8%	4.2%	27.1%
Economic capital						
Credit risk	1,908	2,554	722	3,492	1,031	9,707
Operational risk	643	422	296	430	157	1,947
Market risk				58	3,462	3,520
Business risk	321	452	260	300		1,333
Other risk types[2]	238	53	176	55	2,003	2,525
Economic capital	**3,109**	**3,482**	**1,454**	**4,334**	**6,652**	**19,031**
						2020
Average risk exposure amount	27,617	30,223	10,285	39,587	4,368	112,081
Cost of risk (in bps)[3]	4	128	19	250		78

[1] RWA for credit value adjustment (CVA) is included in credit risk. CVA per 31 December 2020 is EUR 0.2 billion (31 December 2019 EUR 0.4 billion).
[2] Other risk types include own funding spread risk, equity risk and property risk.
[3] Annualised impairment charges on loans and advances customers for the period divided by the average loans and advances customers on the basis of gross carrying amount and excluding fair value adjustment from hedge accounting.

(in millions)	Retail Banking	Commercial Banking	Private Banking	Corporate & Institutional Banking	Group Functions	Total
						31 December 2019
Total assets	154,240	43,968	17,492	72,157	87,196	375,054
Total Exposure at Default	167,453	50,537	19,289	78,586	77,381	393,247
RWA						
Credit risk[1]	22,068	24,958	7,218	31,845	2,982	89,071
Operational risk	6,351	4,291	2,866	4,720	1,162	19,391
Market risk				1,362		1,362
Total RWA	**28,420**	**29,249**	**10,084**	**37,928**	**4,144**	**109,825**
Total RWA/Total Exposure at Default	17.0%	57.9%	52.3%	48.3%	5.4%	27.9%
Economic capital						
Credit risk	1,950	2,008	550	2,514	973	7,995
Operational risk	465	307	203	342	87	1,405
Market risk				60	2,187	2,246
Business risk	237	311	197	523		1,268
Other risk types[2]	278	67	177	96	1,996	2,614
Economic capital	**2,930**	**2,694**	**1,127**	**3,534**	**5,243**	**15,528**
						2019
Average risk exposure amount	27,903	27,515	9,886	36,885	5,096	107,285
Cost of risk (in bps)[3]	5	42	14	62		24

[1] RWA for credit value adjustment (CVA) is included in credit risk. CVA per 31 December 2020 is EUR 0.2 billion (31 December 2019 EUR 0.4 billion).
[2] Other risk types include own funding spread risk, equity risk and property risk.
[3] Annualised impairment charges on loans and advances customers for the period divided by the average loans and advances customers on the basis of gross carrying amount and excluding fair value adjustment from hedge accounting.

Impact of Covid-19 on credit risk profile

The impact of Covid-19 and the subsequent lockdowns in the Netherlands and other countries in which we are active affected our processes and our clients. The Netherlands went through two periods of lockdown measures during the year, and the government engaged in large-scale support programmes aimed at reducing the impact of the lockdown on the economy. Together with the relief measures provided by banks, the government support had a positive effect on payment behaviour by reducing clients' payment obligations. As a result, the number of bankruptcies reported in the Netherlands was at a very low level throughout the year.

Most payment holiday schemes we offered to clients ended by 1 October 2020. After these payment holidays ended, no 'cliff effect' was observed and significant numbers of clients re-initiated repayments. The impact of Covid-19 on the credit quality of the portfolio was limited, with some increases in credit arrears and forborne exposure. Although impairments related to Covid-19 were high in the first half of the year, these were more moderate in the second half of the year. The current stage ratios reflect the Commercial Banking activities' exposure to downside risk as a result of Covid-19, for which we have made provisions. We continue to expect the impact of Covid-19 to persist into 2021, albeit with lower impairment levels than in 2020.

Portfolio review

Total loans and advances decreased to EUR 254.8 billion at 31 December 2020 (31 December 2019: 270.4 billion). All product groups contributed to this decrease, except for other loans and advances. The largest decline was in corporate loans, owing to the wind-down of the non-core portfolio of Corporate & Institutional Banking (CIB) in line with the CIB review announced in the second quarter of 2020. Residential mortgages decreased because redemptions in 2020 exceeded the new production of mortgage loans. Other loans and advances increased owing to higher cash collateral demands within Clearing.

Exposure at Default

Exposure at Default (EAD) increased to EUR 407.4 billion (31 December 2019: EUR 393.2 billion) in relation to the ECB's targeted long-term refinancing operations (TLTRO). ABN AMRO increased its participation in TLTRO to support clients and their potential future needs due to Covid-19. The EAD increase in Group Functions was offset by volume declines in all other business lines, but mainly in CIB because of the wind-down of the non-core portfolio.

Credit quality indicators

The credit quality indicators in 2020 were strongly impacted by Covid-19. The forbearance ratio almost doubled compared to last year, due to an inflow of forborne assets. These were mainly generated by European corporate loans and to a lesser extent by Dutch residential mortgages, for which loans with a payment deferral were classified as forborne in Q3.

The past due ratio improved to 1.0% compared with year-end 2019 (1.2%). Arrears decreased in all product groups, but mainly in residential mortgages and to a lesser extent in consumer and corporate loans. This decrease was driven by short-term arrears and supported by Covid-19 circumstances (lower consumer spending and/or payment holidays granted until 1 October 2020).

The stage 3 coverage ratio increased to 32.7% at year-end 2020 (2019: 29.6%). The increase was attributable to the first half of the year, when all stage 3 CIB clients were re-evaluated to assess the impact on them of the outbreak of Covid-19. Increases in allowances were recorded for existing stage 3 clients in the energy services sector in CIB and in the food and shipping sectors in CIB and CB. The stage 3 impaired ratio increased to 3.4% during 2020 (2019: 2.5%), with the main contribution being attributable to the first half of the year. This was the result of inflow from stage 2 within corporate loans. In addition, decreasing total exposure as a result of the wind-down of the non-core CIB portfolio contributed to the increase in the stage 3 impaired ratio.

The impairment charges in 2020 amounted to EUR 2,303 million (2019: EUR 657 million), resulting in a cost of risk of 78bps. This was sharply higher than the through-the-cycle cost of risk (25-30bps) and the cost of risk in 2019 (24bps) and mainly attributable to three large exceptional client files and the economic impact of Covid-19 and oil price developments in 2020. In addition, management overlays were recorded to incorporate risks not fully captured by the outcomes of our ECL models. We expect Covid-19 to continue affecting impairment charges in 2021.

Regulatory capital

Total RWA increased to EUR 110.5 billion (31 December 2019: EUR 109.8 billion) due to an increase in credit risk RWA offset by a decrease in operational risk RWA. Market risk RWA remained stable. The increase in credit risk was predominantly driven by regulatory add-ons (partly TRIM) and the introduction of the new definition of default. This movement was partly offset by business developments, largely related to the wind-down of the non-core portfolio in CIB. Operational risk decreased in line with the declining trend of operational losses and the removal of regulatory capital add-ons.

Definition of default Audited

In Q2 2020, we implemented a uniform definition of default (DoD) for all credit exposures except mortgages. The revised DoD is accounted for as a change in accounting estimates and recognised prospectively from 30 June 2020. The implementation increased the total stage 3 exposure by approximately EUR 0.3 billion and impairment allowances by approximately EUR 28 million. As the credit risk models have not yet been adjusted to the new default definition, an RWA add-on of EUR 2.1 billion was taken. For mortgages, we will apply a one-step approach, meaning that the new definition and updated credit risk models will be implemented simultaneously. Implementation of the updated models depends on approval by the ECB. This is expected in Q2 2021.

Economic capital

Economic capital (EC) increased to EUR 19.0 billion (31 December 2019: EUR 18.2 billion) due to increases in credit risk EC (EUR 1.2 billion) and market risk in the banking book (MRBB) EC (EUR 0.4 billion), which were offset by lower operational risk EC (EUR 0.4 billion) and business risk EC (EUR 0.3 billion).

The increase in credit risk EC was predominantly driven by add-ons mirrored by regulatory capital and the introduction of the new definition of default. This movement was partly offset by business developments, including those related to the wind-down of the non-core portfolio in CIB. The increase in EC for MRBB was mainly due to the higher EC for client behaviour risk, driven by the decrease in the yield curve compared to year-end 2019. Operational risk EC decreased in line with the declining trend in operational losses and the removal of regulatory capital add-ons. The decrease in business risk EC was driven by the wind-down of non-core CIB activities.

Liquidity and funding

The decrease in the loan-to-deposit (LtD) ratio was attributable to a decrease in loans and advances customers because of a decline in the corporate loan book. Due to customers increased, reflecting increased client savings in response to the impact of Covid-19. The consolidated LCR is reported on the basis of a 12-month rolling average. The increase in LCR reflects our participation in TLTRO III, a decreasing loan book and an increasing deposit base.

Capital ratios

At 31 December 2020, the Basel III Common Equity Tier 1 (CET1) ratio was 17.7%. The CET1 capital position decreased compared to 31 December 2019, mainly driven by a capital deduction of EUR 0.2 billion related to the regulatory guidance on non-performing exposure (NPE) and, to a lesser extent, by FX movements and the loss for 2020. The leverage ratio increased to 5.0% (31 December 2019: 4.5%), mainly reflecting the temporary exemption of central bank reserves from the exposure measure, partly offset by a decline in Tier 1 capital.

Reporting scope risk

	31 December 2020			31 December 2019		
(in millions)	Gross carrying amount	Loan impairment allowance	Carrying amount	Gross carrying amount	Loan impairment allowance	Carrying amount
Loans and advances banks	**3,399**	**6**	**3,394**	**5,016**	**5**	**5,011**
Residential mortgages	148,857	116	148,741	151,020	140	150,880
Less: Fair value adjustment from hedge accounting on residential mortgages	3,186		3,186	2,795		2,795
Residential mortgages, excluding fair value adjustments	**145,672**	**116**	**145,555**	**148,225**	**140**	**148,085**
Consumer loans	**11,232**	**294**	**10,937**	**12,294**	**298**	**11,997**
Corporate loans	87,397	3,053	84,344	99,157	1,982	97,174
Less: Fair value adjustment from hedge accounting on corporate loans	652		652	547		547
Corporate loans, excluding fair value adjustments	**86,745**	**3,053**	**83,692**	**98,610**	**1,982**	**96,627**
Corporate loans at fair value through P&L	400		400	1,261		1,261
Other loans and advances customers	7,734	3	7,730	6,292	6	6,287
Less: Fair value adjustment from hedge accounting on other loans and advances customers	1		1	1		1
Other loans and advances customers, excluding fair value adjustments	**7,733**	**3**	**7,729**	**6,292**	**6**	**6,286**
Other loans at fair value through P&L	6		6	5		5
Total loans and advances customers, excluding fair value adjustments	**251,788**	**3,467**	**248,321**	**266,687**	**2,426**	**264,262**
Fair value adjustments on loans and advances customers	3,838		3,838	3,342		3,342
Total loans and advances customers	**255,626**	**3,467**	**252,159**	**270,030**	**2,426**	**267,604**
Total loans and advances, excluding fair value adjustments	**255,187**	**3,472**	**251,715**	**271,704**	**2,431**	**269,273**
Total fair value adjustments on loans and advances	3,838		3,838	3,342		3,342
Total loans and advances	**259,025**	**3,472**	**255,553**	**275,046**	**2,431**	**272,615**
Other		13	140,071		4	102,438
Total assets		**3,485**	**395,623**		**2,436**	**375,054**

All figures reported in the Risk, funding & capital review section are gross of loan impairment allowances and exclude fair value adjustments. The above table provides a comparison with the figures reported in the consolidated balance sheet, which are shown net of allowances and include fair value adjustments.

Update on Covid-19

The impact of Covid-19 and the subsequent lockdowns in the Netherlands and other countries in which we are active affected our processes and our clients. In response to these developments, we took a number of measures to ensure we could continue providing services to our clients. These measures included remote working, a sharp increase in video banking, arranging for onboarding of new employees to be done virtually, and assisting our clients to absorb the impact of the pandemic on their financial situation.

This section provides more details on the measures we offered our clients to provide them with liquidity. It also describes the way forward and the additional process changes we made during the year. The two primary relief measures we offered clients were Covid-19-related credit facilities supported by public guarantee schemes, and deferral of payments of interest and principal.

Loans and advances under public guarantee schemes Audited

Clients facing short-term financial difficulties owing to Covid-19 and who have exhausted their credit facilities can apply for government-supported loans based on the terms and conditions set by the local or central government. The final date for application varies depending on the type of government-supported loan. For most of these loans, clients could apply until 1 January 2021. For some others, this will be possible until 1 April 2021. The guarantee covers a significant share of the financial asset exposure. In return for the credit guarantee, the client pays a fee to ABN AMRO, which subsequently transfers the fee to the government (the credit guarantor). The facilities provided in the Netherlands include the SME Credit Guarantee Scheme (BMKB-C) scheme, the Corporate Finance Guarantee Scheme (GO-C) and the small credit facility (Klein Krediet Corona, or KKC) for the self-employed. Similar facilities are offered in other countries in which we operate, most notably in France. The demand for publicly guaranteed loans was relatively low, primarily due to the extensive range of other support measures made available by both the government and the bank.

		Gross carrying amount in millions by residual maturity of the guarantee					
	Number of clients	≤ 6 months	> 6 months & ≤ 12 months	> 1 year & ≤ 2 years	> 2 years	Total	Maximum amount in millions of the guarantee that can be considered
31 December 2020							
Retail Banking							
Commercial Banking	941			44	82	126	94
Private Banking	258	74	96			170	153
Corporate & Institutional Banking	11		19	14	73	105	69
Total	**1,210**	**74**	**115**	**58**	**155**	**402**	**316**

Deferral of interest and principal payments on loans and advances Audited

While terms and conditions varied by product and client group, the two main programmes started on 1 April 2020 were:

- Automatic (opt-out) deferral for 6 months for corporate clients with a credit limit up to EUR 50 million in Commercial Banking and Retail Banking;
- Deferral upon request (opt-in) for 3 months, including the option of extending the deferral period by an additional 3 months, for individuals – including the self-employed – with a mortgage loan or consumer loan.

The following table shows the number of clients and total amounts of loans and advances for which a deferral of payment was outstanding on 31 December 2020. It includes EBA-compliant and non-EBA-compliant moratoria and clients granted a grace period as an individual forbearance measure. Active loans where the moratorium has ended are reported as expired.

Most moratoria ended on 1 October 2020. For these loans, no 'cliff effect' was observed and a significant number of clients initiated repayment. The remaining payment deferrals as at 31 December 2020 relate primarily to grace periods provided in tailored forbearance solutions.

	Number of clients	Gross carrying amount in millions by residual maturity of the deferral						
		≤ 3 months	> 3 months & ≤ 6 months	> 6 months & ≤ 9 months	> 9 months & ≤ 12 months	> 12 months	Expired	Total
31 December 2020								
Retail Banking	41,420	15					3,485	3,501
Commercial Banking	43,315	186					15,611	15,797
Private Banking	487	42	9				733	785
Corporate & Institutional Banking	34	295					409	704
Total	**85,256**	**538**	**9**				**20,239**	**20,787**

Repayment of relief measures

Automatic (opt-out) deferral

The opt-out deferral consisted primarily of Commercial Banking clients whose interest deferral ended on 1 October 2020. To make sure that ending the payment holiday would not lead to unforeseen financial difficulties, individual credit risk assessments were made in Q3 2020. All clients with an increased risk of non-repayment were classified as stage 2, and clients with default triggers were transferred to stage 3. Deferred interest payments for current account and overdraft facilities will be collected on 31 December 2021. For loans, the deferred interest will be added to the final repayment of principal. Deferred interest payments are not interest-bearing. Deferred repayments of principal will be added to the final repayment instalment of the loan, and became interest-bearing on 1 October 2020.

Deferral upon request (opt-in)

Clients were able to apply for an opt-in measure until 1 October, which means the last of these measures will end by 1 April 2021 at the latest. Repayments of deferred payments on our mortgage loans started in batches in October 2020 (with the next batches starting in February and April 2021) and will be spread over 5 years for 3-month deferrals, or 10 years if the period was extended to 6 months. Other business lines have implemented customised collection dates that vary depending on the product or client.

Measures to mitigate Covid-19 impact

As at 1 October 2020 we decided not to continue providing collective measures, but instead to offer tailored measures to clients affected by Covid-19. The measures we offer carefully assess the viability of the client's business and the resilience of the relevant sector to the economic challenges posed by Covid-19.

In addition to adopting a customised approach, we took measures to limit the adverse effects of Covid-19 on our clients and the bank. In the loan origination process for new clients we introduced extra checks to assess the resilience of the client's economic sector, while we are also applying stricter acceptance criteria for people on temporary contracts and the self-employed. In the case of mortgage applications, we have added Covid-19-related questions to reflect the client's situation in the current circumstances. Lastly, all clients with an increased risk of non-repayment were classified as stage 2 and clients with default triggers were transferred to stage 3 during the year.

Impact of relief measures on credit risk measurement Audited

The objective, scope and conditions of the relief measures co-determine how the regulatory framework should be applied in this context. Where relevant, application of the appropriate risk classification (e.g. forbearance, default or stage shifts) reflects recently issued supervisory guidance. The impact of the various relief measures on these risk classifications is explained in the credit risk section.

Impact of Covid-19 on determining SICR

Assets with a significant increase in credit risk (SICR) since initial recognition are classified in stage 2. Covid-19 significantly impacted some of the SICR triggers, mainly forbearance and watch. To account for the widespread impact of Covid-19 on credit risk, we temporarily added the industry sector of the client as an additional qualitative trigger. This section explains the relationship between Covid-19 and these three SICR triggers. The quantitative impact of Covid-19 on our risk classifications is presented in the credit risk section.

Forbearance

Forbearance applies to all individual clients with a liquidity need or who are facing financial difficulties and are offered borrower-specific arrangements to ensure they have sufficient liquidity to return to a healthy financial situation. Opt-out measures do not in themselves trigger forbearance. Instead, opt-in measures are assessed on a client level to establish whether the specific client is experiencing financial difficulties, and subsequently if the forbearance status is applicable.

Watch

Besides the normal review process ABN AMRO performed additional actions to ensure correct risk classification. These included additional client reviews, primarily of clients granted a payment moratorium. The outcome of these client reviews led primarily to changes in the watch status of clients, but also to changes in forbearance or default status.

Additional qualitative trigger: Industry sector

Covid-19 developments and the government measures resulted in the economic outlook for specific subsectors changing rapidly. Each month, therefore, ABN AMRO identified the subsectors with an SICR. All clients in the subsectors with an elevated risk were transferred to stage 2, except for clients that had opted out of the payment holiday scheme. The increase in ECL that resulted from these stage overrides was recorded as a management overlay.

Modification in relation to relief measures

Relief measures provided by ABN AMRO, including payment moratoria, may result in modification of a financial asset. Deferred collection of payments without compound interest being charged on the delay will have a negative impact on the net present value of a financial asset. If a financial asset is modified, its gross carrying amount is recalculated, based on the net present value of the modified or renegotiated contractual cash flows. These are then discounted at the financial asset's original effective interest rate and accounted for as an adjustment of the financial asset's gross carrying value. The effect is recognised as a modification loss in the income statement. As relief measures relating to Covid-19 have not resulted in substantial modification, the financial assets have not been derecognised.

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Credit risk

Credit risk exposure

Credit risk overview Audited

(in millions)		31 December 2020		31 December 2019
Cash and balances at central banks		60,190		27,558
Financial assets held for trading		1,315		1,137
Derivatives		6,381		5,730
Financial investments[1]		47,455		45,277
Securities financing		16,725		14,905
Loans and advances banks		3,394		5,011
Loans and advances customers		252,159		267,604
Other assets	4,925		4,530	
Less: Other[1]	505		800	
Other assets		4,420		3,731
On-balance sheet maximum exposure to credit risk		**392,038**		**370,953**
Off-balance sheet				
Committed credit facilities	55,207		54,673	
Guarantees and other commitments	8,981		17,479	
Revocable credit facilities	36,000		46,710	
Off-balance sheet credit facilities and guarantees		**100,188**		**118,861**
Maximum exposure to credit risk[2]		**492,226**		**489,815**
Adjustments on assets[2, 3]		-806		287
Valuation adjustments[4]		14,202		14,414
Offsetting and netting		-24,626		-21,999
Off-balance sheet credit facilities and guarantees		-100,188		-118,861
Off-balance sheet exposure fraction expected to be drawn prior to default (credit conversion factors)		26,546		29,592
Total Exposure at Default		**407,354**		**393,247**
Credit risk RWA/Total Exposure at Default		22.7%		22.7%

1 This contains non-credit obligation assets and assets on accounts which are out of scope for credit risk.
2 Adjustment on assets includes equity positions.
3 Main adjustments on assets relate to selected financial assets held for trading and fair value adjustments from hedge accounting.
4 Adjustments on valuation include loan impairment allowances.

The above table shows the maximum exposure to credit risk and reconciliation with the total exposure at default.

Overall credit risk EAD and RWA Audited

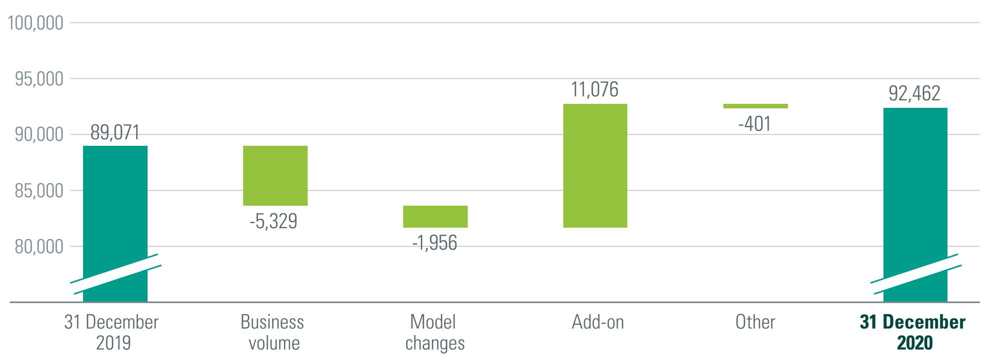
(in millions)	Original Exposure at Default	Netting/ Exposure at Default mitigation[3]	Exposure at Default	- of which: Derivatives	Securities financing transactions	RWA	RWA/ Exposure at Default
						31 December 2020	
Credit risk IRB							
Central governments and central banks	97,011	-1,889	98,900	197	24	1,033	1.0%
Institutions[1]	12,464	1,681	10,783	1,059	2,075	1,905	17.7%
Corporates	139,224	42,867	96,357	2,350	1,251	50,985	52.9%
Retail	181,370	8,273	173,097			15,508	9.0%
- of which secured by immovable property	*164,871*	*1,779*	*163,092*			*12,080*	*7.4%*
- of which qualifying revolving exposures	*9,313*	*5,551*	*3,762*			*1,240*	*33.0%*
- of which other retail	*7,186*	*944*	*6,243*			*2,188*	*35.0%*
Securitisation positions	764		764			70	9.2%
Subtotal	**430,832**	**50,932**	**379,900**	**3,606**	**3,350**	**69,501**	**18.3%**
Equities not held for trading	898		898			3,397	378.5%
Other[2]	1,114		1,114			10,432	936.7%
Total IRB	**432,843**	**50,932**	**381,911**	**3,606**	**3,350**	**83,330**	**21.8%**
Credit risk SA							
Central governments and central banks	6,738	-11	6,749	38		12	0.2%
Institutions[1]	21,533	12,765	8,767	3,221	3,035	846	9.7%
Corporates	16,744	10,861	5,883	941	1,271	5,309	90.2%
Retail	5,455	3,387	2,068			1,550	75.0%
Secured by mortgages on immovable property	801	137	664			233	35.0%
Exposures in default	387	276	111			146	131.9%
Credit valuation adjustment						175	
Subtotal	**51,657**	**27,415**	**24,242**	**4,199**	**4,306**	**8,272**	**34.1%**
Other[2]	1,200		1,200			859	71.6%
Total SA	**52,858**	**27,415**	**25,443**	**4,199**	**4,306**	**9,131**	**35.9%**
Total	**485,701**	**78,347**	**407,354**	**7,805**	**7,656**	**92,462**	**22.7%**

[1] Institutions include exposures to banks and investment undertakings, regional governments and local authorities, and pension funds.
[2] Other includes default fund contribution under the IRB approach and non-credit obligation assets under the IRB and Standardised Approach.
[3] Consists mainly of netting, secured funding trades, guarantees, credit conversion factors and impairments under the Standardised Approach.

(in millions)	Original Exposure at Default	Netting/ Exposure at Default mitigation[3]	Exposure at Default	- of which: Derivatives	Securities financing transactions	RWA	RWA/ Exposure at Default
							31 December 2019
Credit risk IRB							
Central governments and central banks	61,923	-2,068	63,991	220	42	926	1.4%
Institutions[1]	14,324	2,165	12,159	1,025	2,067	1,639	13.5%
Corporates	165,251	51,383	113,868	2,665	1,271	39,917	35.1%
Retail	183,858	8,483	175,375			17,378	9.9%
- of which secured by immovable property	*165,495*	*1,634*	*163,860*			*13,703*	*8.4%*
- of which qualifying revolving exposures	*10,457*	*5,917*	*4,540*			*1,439*	*31.7%*
- of which other retail	*7,906*	*932*	*6,974*			*2,237*	*32.1%*
Credit valuation adjustment						370	
Securitisation positions	295		295			32	10.7%
Subtotal	**425,651**	**59,962**	**365,689**	**3,911**	**3,380**	**60,263**	**16.5%**
Equities not held for trading	1,010		1,010			3,669	363.3%
Other[2]	1,247		1,247			16,443	1318.9%
Total IRB	**427,908**	**59,962**	**367,946**	**3,911**	**3,380**	**80,376**	**21.8%**
Credit risk SA							
Central governments and central banks	6,251	-25	6,276	30		2	0.0%
Institutions[1]	23,256	13,701	9,555	3,225	4,535	1,366	14.3%
Corporates	18,546	12,848	5,698	351	1,330	4,756	83.5%
Retail	4,890	3,419	1,471			1,099	74.7%
Secured by mortgages on immovable property	928	214	715			259	36.2%
Exposures in default	257	162	95			130	137.7%
Subtotal	**54,128**	**30,319**	**23,809**	**3,606**	**5,865**	**7,612**	**32.0%**
Other[2]	1,492		1,492			1,084	72.6%
Total SA	**55,620**	**30,319**	**25,301**	**3,606**	**5,865**	**8,695**	**34.4%**
Total	**483,528**	**90,281**	**393,247**	**7,517**	**9,245**	**89,071**	**22.7%**

1 Institutions include exposures to banks and investment undertakings, regional governments and local authorities, and pension funds.
2 Other includes default fund contribution under the IRB approach and non-credit obligation assets under the IRB and Standardised Approach.
3 Consists mainly of netting, secured funding trades, guarantees, credit conversion factors and impairments under the Standardised Approach.

RWA flow statement credit risk
(in millions)



Total credit risk RWA increased to EUR 92.5 billion (31 December 2019: EUR 89.1 billion), primarily because of regulatory add-ons and changed methodology (mainly the definition of default). This increase was partly offset by the decline in business volumes, mostly in CIB, and fewer overdue models.

Credit quality by exposure class Audited

The increase in EAD in the investment grade portfolio is mainly visible in the exposure class of central governments and central banks, and primarily attributable to our participation in the TLTRO III facility. This increase was partly offset by lower exposure to corporates and institutions mainly due to the wind-down of the non-core portfolio in CIB. This also explains the decrease in the sub-investment grade portfolio. The increase in the impaired portfolio was largely attributable to inflow in the corporate portfolio in both Commercial Banking and CIB.

	31 December 2020			
(in millions, Exposure at Default)	Investment grade	Sub-investment grade	Impaired	Total
Central governments and central banks	98,800	91	9	98,900
Institutions[1]	10,326	457		10,783
Corporates	37,652	51,824	6,881	96,357
Retail	152,993	18,322	1,782	173,097
- of which secured by immovable property	147,521	14,323	1,248	163,092
- of which qualifying revolving exposures	2,232	1,308	221	3,762
- of which other retail	3,240	2,691	312	6,243
Securitisation positions	764			764
Total IRB[2]	**300,536**	**70,693**	**8,672**	**379,900**
Total SA[3]				24,242
Total				**404,142**

	31 December 2019			
	Investment grade	Sub-investment grade	Impaired	Total
Central governments and central banks	63,821	170		63,991
Institutions[1]	11,291	869		12,159
Corporates	47,507	61,244	5,117	113,868
Retail	151,868	22,011	1,496	175,375
- of which secured by immovable property	*145,778*	*16,916*	*1,167*	*163,860*
- of which qualifying revolving exposures	*2,541*	*1,881*	*118*	*4,540*
- of which other retail	*3,550*	*3,214*	*210*	*6,974*
Securitisation positions	295			295
Total IRB[2]	**274,782**	**84,294**	**6,613**	**365,689**
Total SA[3]				23,809
Total				**389,498**

1 Institutions include exposures to banks and investment undertakings, regional governments and local authorities, and pension funds.
2 Does not include other non-credit obligations and equities not held for trading, because these items are not subject to credit risk grading.
3 Does not include other non-credit obligations because these items are not subject to credit risk grading.

Credit quality by internal rating scale mapped to stages Audited

The following table presents the gross carrying amount of loans and the contractual amount of undrawn loan commitments, classified by internal rating and risk stage. In order to classify a client as stage 2, several qualitative triggers are needed, which are not necessarily dependent on internal ratings. Reference is made to the credit risk management section for more information on internal ratings and stage determination.

			31 December 2020				31 December 2019			
(in millions)	PD scale	UCR range	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Residential mortgages										
	0.00 - < 0.03	1	10,074	176		10,250	9,983	94		10,078
	0.03 - < 0.13	2	68,222	1,628		69,851	64,277	629		64,906
	0.13 - < 0.46	3	48,509	2,567		51,076	53,838	1,120		54,958
	0.46 - < 2.22	4	7,613	2,085		9,697	10,970	1,742		12,713
	2.22 - < 16.97	5	970	2,538		3,508	1,043	3,223		4,266
	16.97 - < 100	6+	20	147		166	132	134		267
	100	6-8			1,124	1,124			1,038	1,038
Total residential mortgages			**135,407**	**9,141**	**1,124**	**145,672**	**140,244**	**6,943**	**1,038**	**148,225**
Consumer loans										
	0.00 - < 0.03	1	976	3		978	1,339	3		1,342
	0.03 - < 0.13	2	1,286	18		1,305	1,256	20		1,275
	0.13 - < 0.46	3	2,842	128		2,970	3,952	94		4,046
	0.46 - < 2.22	4	3,776	263		4,039	3,545	174		3,719
	2.22 - < 16.97	5	572	554		1,126	814	504		1,318
	16.97 - < 100	6+	255	102		357	92	134		226
	100	6-8			456	456			368	368
Total consumer loans			**9,707**	**1,068**	**456**	**11,232**	**10,999**	**928**	**368**	**12,294**
Corporate loans										
	0.00 - < 0.03	1	9,237	261		9,499	11,137	31		11,168
	0.03 - < 0.13	2	7,669	447		8,115	8,313	170		8,484
	0.13 - < 0.46	3	12,003	1,495		13,497	17,776	716		18,492
	0.46 - < 2.22	4	30,031	6,923		36,954	39,136	3,805		42,940
	2.22 - < 16.97	5	3,244	5,179		8,423	5,248	3,553		8,801
	16.97 - < 100	6+	2,333	1,050		3,384	2,545	849		3,394
	100	6-8			6,873	6,873			5,331	5,331
Total corporate loans			**64,517**	**15,356**	**6,873**	**86,745**	**84,155**	**9,125**	**5,331**	**98,610**
Other loans[1]										
	0.00 - < 0.03	1	15,983			15,983	11,780			11,780
	0.03 - < 0.13	2	7,538			7,538	6,955			6,955
	0.13 - < 0.46	3	3,394	4		3,398	5,787	6		5,793
	0.46 - < 2.22	4	650			650	1,140			1,140
	2.22 - < 16.97	5	23	33		55	101	64		165
	16.97 - < 100	6+	211			211	374	1		375
	100	6-8			21	21			4	4
Total other loans[1]			**27,798**	**37**	**21**	**27,856**	**26,139**	**70**	**4**	**26,213**
Loan commitments and financial guarantee contracts										
	0.00 - < 0.03	1	7,885	13		7,898	7,195	3		7,198
	0.03 - < 0.13	2	12,967	275		13,242	15,164	235		15,399
	0.13 - < 0.46	3	13,679	809		14,488	16,791	537		17,328
	0.46 - < 2.22	4	12,383	3,514		15,897	17,268	1,150		18,418
	2.22 - < 16.97	5	1,328	1,259		2,587	1,727	930		2,657
	16.97 - < 100	6+	2,952	313		3,265	3,027	62		3,089
	100	6-8			1,275	1,275			1,329	1,329
Total loan commitments and financial guarantee contracts[2]			**51,194**	**6,183**	**1,275**	**58,653**	**61,172**	**2,918**	**1,329**	**65,419**
Total										
	0.00 - < 0.03	1	44,155	453		44,608	41,435	131		41,566
	0.03 - < 0.13	2	97,682	2,369		100,051	95,966	1,054		97,019
	0.13 - < 0.46	3	80,426	5,004		85,430	98,144	2,473		100,617
	0.46 - < 2.22	4	54,453	12,785		67,238	72,060	6,871		78,931
	2.22 - < 16.97	5	6,137	9,563		15,700	8,933	8,274		17,208
	16.97 - < 100	6+	5,771	1,612		7,383	6,170	1,181		7,351
	100	6-8			9,749	9,749			8,070	8,070
Total			**288,624**	**31,785**	**9,749**	**330,158**	**322,708**	**19,984**	**8,070**	**350,761**

[1] Includes Banks, Securities Financing and Government and official institutions.
[2] Total loan commitments and financial guarantee contracts exclude irrevocable letters of credit as these facilities are not in scope of IFRS 9.

The largest part of our portfolio is classified in the highest and medium internal ratings of stage 1. Stage 2 clients are primarily in the medium internal UCRs, primarily visible for mortgages loans and corporate loans. Compared to 2019, the share of the portfolio with an investment grade increased marginally, mainly due to lower total exposure attributable to the decrease in sub-investment grade clients in CIB's non-core corporate loans. In addition, payment moratoria and government support measures had a positive effect on clients' payment behaviour. UCR 6+ is also the default rating for clients that are being revised until a new rating is available. The impact of Covid-19 on the stage movements and the measures taken by the bank are explained in more detail in the information on coverage and stage ratios.

Credit risk concentration Audited

Geographic concentration

The exposures in the table below have been classified on the basis of the geographical regions where clients are domiciled. The bank monitors and manages country risk based on the country at risk. The country at risk may be different from the country of domicile, for example if the bank finances a project in a country other than the country in which the borrower is domiciled. The bank actively manages and monitors the development of its country risk exposures.

Geographic concentration by EAD Audited

						31 December 2020
(in millions, Exposure at Default)	The Netherlands	Rest of Europe	USA	Asia	Rest of the world	Total
Central governments and central banks	64,973	21,685	6,501	4,526	1,215	98,900
Institutions[1]	2,729	6,448	862	364	380	10,783
Corporates	56,406	25,201	6,460	2,301	5,988	96,357
Retail	172,418	523	45	70	41	173,097
- of which secured by immovable property	162,555	396	42	64	34	163,092
- of which qualifying revolving exposures	3,722	34	1	1	4	3,762
- of which other retail	6,142	92	1	5	4	6,243
Securitisation positions	764					764
Total IRB[2]	**297,290**	**53,856**	**13,868**	**7,262**	**7,624**	**379,900**
Total SA[3]	6,385	14,105	1,841	844	1,067	24,242
Total	**303,674**	**67,961**	**15,709**	**8,106**	**8,692**	**404,142**
Percentage of total	75.1%	16.8%	3.9%	2.0%	2.2%	100.0%

						31 December 2019
	The Netherlands	Rest of Europe	USA	Asia	Rest of the world	Total
Central governments and central banks	32,013	20,294	7,138	3,609	937	63,991
Institutions[1]	3,530	6,436	936	765	492	12,159
Corporates	60,669	29,569	8,740	6,496	8,395	113,868
Retail	174,650	549	48	83	46	175,375
- of which secured by immovable property	*163,318*	*391*	*43*	*73*	*35*	*163,860*
- of which qualifying revolving exposures	*4,491*	*41*	*2*	*2*	*5*	*4,540*
- of which other retail	*6,840*	*116*	*4*	*8*	*6*	*6,974*
Securitisation positions	295					295
Total IRB[2]	**271,157**	**56,847**	**16,862**	**10,953**	**9,869**	**365,689**
Total SA[3]	5,108	14,111	2,268	500	1,822	23,809
Total	**276,264**	**70,958**	**19,130**	**11,453**	**11,692**	**389,498**
Percentage of total	70.9%	18.2%	4.9%	2.9%	3.0%	100.0%

[1] Institutions include exposures to banks and investment undertakings, regional governments and local authorities, and pension funds.
[2] Total Exposure at Default does not include EAD calculated for equities not held for trading and other non-credit obligations.
[3] Exposure at Default does not include EAD calculated for other non-credit obligations.

The EAD concentrated in the Netherlands increased to 75.1% of the bank's portfolio in 2020 (2019: 70.9%). EAD in the Netherlands increased to EUR 303.7 billion at 31 December 2020 (31 December 2019: EUR 276.3 billion) as a result of the ECB's TLTRO to support clients and potential future needs arising because of Covid-19. This increase is reflected in central governments and central banks. All other regions showed declines in EAD, largely attributable to the wind-down of the non-core CIB portfolio. Businesses outside the Netherlands are primarily located in neighbouring countries in Europe. Clearing and Securities Financing are also located outside Europe. The non-core CIB portfolio is also partly located outside Europe.

Industry concentration

ABN AMRO applies industry concentration limits in line with the Industry Classification Benchmark (ICB). In the exposure table, non-material industry clusters are aggregated under Other. Industry concentration limits are established within the bank's risk appetite, with the thresholds for concentrations being based on relative risk, the importance of the industry to the Dutch economy and expert opinion.

Industry concentration is presented both in terms of the original obligor and the resultant obligor. The original obligor is the counterparty (often referred to as the borrower) with whom ABN AMRO has the original contractual relationship. The resultant obligor is the counterparty bearing the ultimate credit risk and is often referred to as the guarantor. The industry classification of the original obligor may differ from that of the resultant obligor in, for example, the real estate, healthcare and public administration sectors. While government-guaranteed exposures are included in the applicable industry in the original obligor view, these exposures are included in public administration in the resultant obligor view as they entail government-related exposures.

Industry concentration by EAD Audited

	31 December 2020			
(in millions, Exposure at Default)	Exposure at Default (original obligor)	Percentage of total	Exposure at Default (resultant obligor)	Percentage of total
Industry sector				
Banks	15,277	3.8%	15,429	3.8%
Financial services[1]	18,823	4.7%	18,451	4.6%
Industrial goods and services	21,503	5.3%	20,372	5.0%
Real estate	13,769	3.4%	13,534	3.3%
Oil and gas	8,753	2.2%	8,148	2.0%
Food and beverage	14,622	3.6%	14,446	3.6%
Retail	5,469	1.4%	5,341	1.3%
Basic resources	2,335	0.6%	2,238	0.6%
Healthcare	4,427	1.1%	4,284	1.1%
Construction and materials	4,065	1.0%	3,909	1.0%
Other[2]	20,554	5.1%	21,371	5.3%
Subtotal industry classification benchmark	**129,597**	**32.1%**	**127,521**	**31.6%**
Private individuals (non-industry classification benchmark)	174,979	43.3%	174,979	43.3%
Public administration (non-industry classification benchmark)	99,567	24.6%	101,642	25.2%
Subtotal non-industry classification benchmark	**274,546**	**67.9%**	**276,621**	**68.4%**
Exposure at Default[3]	**404,142**	**100.0%**	**404,142**	**100.0%**

1 Financial services include asset managers, credit card companies and providers of personal financial services and securities and brokers.
2 Other includes travel and leisure, utilities, personal and household goods, media, technology, automobile and parts, chemicals, telecommunication and insurance, in addition to unclassified.
3 Exposure at Default does not include other non-credit obligations and equities not held for trading.

(in millions, Exposure at Default)	Exposure at Default (original obligor)	Percentage of total	Exposure at Default (resultant obligor)	Percentage of total
				31 December 2019
Industry sector				
Banks	17,745	4.6%	18,232	4.7%
Financial services[1]	18,788	4.8%	18,007	4.6%
Industrial goods and services	25,077	6.4%	24,098	6.2%
Real estate	13,678	3.5%	13,290	3.4%
Oil and gas	14,682	3.8%	13,793	3.5%
Food and beverage	17,515	4.5%	17,339	4.5%
Retail	6,277	1.6%	6,245	1.6%
Basic resources	4,563	1.2%	4,466	1.1%
Healthcare	4,396	1.1%	4,361	1.1%
Construction and materials	4,459	1.1%	4,368	1.1%
Other[2]	20,582	5.3%	21,765	5.6%
Subtotal industry classification benchmark	**147,763**	**37.9%**	**145,964**	**37.5%**
Private individuals (non-industry classification benchmark)	177,107	45.5%	177,107	45.5%
Public administration (non-industry classification benchmark)	64,628	16.6%	66,427	17.1%
Subtotal non-industry classification benchmark	**241,735**	**62.1%**	**243,534**	**62.5%**
Exposure at Default[3]	**389,498**	**100.0%**	**389,498**	**100.0%**

1 Financial services include asset managers, credit card companies and providers of personal financial services and securities and brokers.
2 Other includes travel and leisure, utilities, personal and household goods, media, technology, automobile and parts, chemicals, telecommunication and insurance, in addition to unclassified.
3 Exposure at Default does not include other non-credit obligations and equities not held for trading.

The total increase in EAD is largely explained by an increase in public administration (non-ICB) relating to the ECB's TLTRO programme, which is intended to be used to support clients and potential future needs arising as a result of Covid-19. This EAD increase was partly offset by EAD declines in CIB-related sectors such as basic resources, oil and gas, and chemicals. In addition, EAD to private individuals decreased because mortgage redemptions exceeded new mortgage production.

Credit risk mitigation Audited

Collateral reporting is based on the net collateral value (NCV). The NCV represents the amount the bank expects to recover from the collateral pledged to the bank if the client defaults. Where necessary, certain discounts are applied. The NCV is approached by an average recovery rate observed for the specific type of collateral and, where applicable, by applying haircuts, for example in the event of currency mismatches. Surplus collateral is the amount of over-collateralisation, calculated on an individual basis. A surplus is not included for guarantees as the debtor cannot be liable for more than the maximum debt.

Financial assets: offsetting, netting, collateral and guarantees Audited

31 December 2020

(in millions)	Offset in the statement of financial position			Not offset in the statement of financial position						Net exposure[4]
	Carrying amount before balance-sheet netting	Balance sheet netting with gross liabilities	Carrying amount[2]	Master netting agreement[3]	Financial instruments collateral	Property & equipment	Other collateral and guarantees	Total risk mitigation	Surplus collateral	
Financial assets held for trading	**1,315**		**1,315**							**1,315**
Derivatives	**6,381**		**6,381**	**4,209**				**4,209**		**2,172**
Financial investments	**47,455**		**47,455**							**47,455**
Securities financing	**18,423**	**1,699**	**16,725**	**144**	**22,255**			**22,399**	**5,899**	**225**
Interest-bearing deposits	2,056	316	1,739	20	244			264		1,475
Loans and advances	1,339		1,339	890	87	98		1,075	129	394
Other	315		315							315
Total loans and advances banks	**3,710**	**316**	**3,394**	**910**	**331**	**98**		**1,339**	**129**	**2,184**
Residential mortgages	145,555		145,555		2,799	228,790	826	232,415	90,618	3,759
Consumer loans	10,938		10,937		6,504	7,010	55	13,570	7,523	4,891
Corporate loans	84,956	1,264	83,692	3,534	24,951	53,992	6,768	89,244	28,069	22,517
Other loans and advances customers	7,729		7,729	709		95	13	817	43	6,954
Fair value adjustment from hedge accounting	3,838		3,838							3,838
Total loans and advances customers[1]	**253,017**	**1,264**	**251,753**	**4,243**	**34,255**	**289,887**	**7,662**	**336,046**	**126,252**	**41,959**
Loans at fair value through P&L	406		406				347	347	1	60
Total loans and advances customers	**253,423**	**1,264**	**252,159**	**4,243**	**34,255**	**289,887**	**8,008**	**336,393**	**126,253**	**42,019**
Other assets	**3,813**		**3,813**	**2**			**64**	**66**		**3,747**
Total on-balance sheet subject to netting and pledged agreements	**334,521**	**3,279**	**331,242**	**9,508**	**56,840**	**289,985**	**8,072**	**364,405**	**132,281**	**99,118**
Assets not subject to netting and pledged agreements	64,381		64,381							64,381
Total assets	**398,902**	**3,279**	**395,623**	**9,508**	**56,840**	**289,985**	**8,072**	**364,405**	**132,281**	**163,499**
Total off-balance sheet	100,188		100,188		6,901	9,071	4,499	20,470	6,476	86,194
Total on- and off-balance sheet	**499,091**	**3,279**	**495,811**	**9,508**	**63,741**	**299,056**	**12,571**	**384,876**	**138,758**	**249,693**

[1] Excluding loans at fair value through P&L.
[2] Carrying amount includes loan impairment allowances where applicable.
[3] Collateral in the column Master netting agreement is mainly markets related and consists of master netting agreements which also includes cash collateral as part of these agreements. Cash collateral not part of master netting agreements has been reported under the column Financial instruments.
[4] Net exposure represents the portfolio corrected for the surplus amount and gives a view on the potential shortfall in collateral on the total portfolio.

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										31 December 2019
	Offset in the statement of financial position			Not offset in the statement of financial position						Net exposure[4]
(in millions)	Carrying amount before balance-sheet netting	Balance sheet netting with gross liabilities	Carrying amount[2]	Master netting agreement[3]	Financial instruments collateral	Property & equipment	Other collateral and guarantees	Total risk mitigation	Surplus collateral	
Financial assets held for trading	**1,137**		**1,137**							**1,137**
Derivatives	**5,730**		**5,730**	**3,760**	**194**			**3,954**		**1,776**
Financial investments	**45,277**		**45,277**							**45,277**
Securities financing	**16,994**	**2,089**	**14,905**	**474**	**16,810**			**17,283**	**2,637**	**258**
Interest-bearing deposits	2,034	526	1,508	16			39	55		1,453
Loans and advances	1,784		1,784	1,014	323	106		1,443	323	664
Other	1,719		1,719				1	1		1,718
Total loans and advances banks	**5,537**	**526**	**5,011**	**1,030**	**323**	**106**	**40**	**1,499**	**323**	**3,836**
Residential mortgages	148,085		148,085		2,757	222,219	1,245	226,221	81,051	2,915
Consumer loans	11,999	2	11,997		5,510	5,939	119	11,569	5,722	6,149
Corporate loans	98,385	1,758	96,627	2,834	30,631	55,424	10,193	99,083	30,985	28,530
Other loans and advances – customers	6,297	10	6,286	990		100	76	1,166	44	5,164
Fair value adjustment from hedge accounting	3,342		3,342							3,342
Total loans and advances customers[1]	**268,108**	**1,771**	**266,337**	**3,824**	**38,899**	**283,683**	**11,634**	**338,039**	**117,802**	**46,101**
Loans at fair value through P&L	1,267		1,267			12	1,198	1,210	3	60
Total loans and advances customers	**269,375**	**1,771**	**267,604**	**3,824**	**38,899**	**283,695**	**12,831**	**339,248**	**117,806**	**46,161**
Other assets	**3,200**		**3,200**	**3**			**65**	**68**		**3,132**
Total on-balance sheet subject to netting and pledged agreements	**347,251**	**4,386**	**342,865**	**9,090**	**56,226**	**283,801**	**12,937**	**362,053**	**120,766**	**101,578**
Assets not subject to netting and pledged agreements	32,189		32,189							32,189
Total assets	**379,440**	**4,386**	**375,054**	**9,090**	**56,226**	**283,801**	**12,937**	**362,053**	**120,766**	**133,767**
Total off-balance sheet	118,861		118,861		7,290	8,648	8,839	24,778	7,494	101,578
Total on- and off-balance sheet	**498,301**	**4,386**	**493,915**	**9,090**	**63,516**	**292,449**	**21,776**	**386,831**	**128,260**	**235,345**

[1] Excluding loans at fair value through P&L.
[2] Carrying amount includes loan impairment allowances where applicable.
[3] Collateral in the column Master netting agreement is mainly markets related and consists of master netting agreements which also includes cash collateral as part of these agreements. Cash collateral not part of master netting agreements has been reported under the column Financial instruments.
[4] Net exposure represents the portfolio corrected for the surplus amount and gives a view on the potential shortfall in collateral on the total portfolio.

In line with the decrease in carrying amount, total risk mitigation declined due to collateral movements in corporate loans. This was evidenced by a decline in financial instruments, mainly driven by lower clearing business, and by declines in other collateral and guarantees and property and equipment. The decline in total risk mitigation was partly offset by residential mortgages. The main reason for the increase in property and equipment was indexation, which resulted in an increase in surplus collateral. The impact of Covid-19 on the housing market in 2020 was limited.

The total net exposure of loans and advances customers decreased to EUR 42.0 billion in 2020 (31 December 2019: EUR 46.1 billion). This was primarily driven by lower corporate loan exposure and partly offset by other loans and advances. The decline in net exposure of corporate loans was related to the wind-down of non-core business in CIB that was announced in Q2 2020. Net exposure in other loans and advances increased due to clearing activities (i.e. posting cash collateral and default fund contributions).

Financial assets: offsetting, netting, collateral and guarantees for credit-impaired assets Audited

										31 December 2020
	Offset in the statement of financial position			Not offset in the statement of financial position						Net exposure[4]
(in millions)	Carrying amount before balance-sheet netting	Balance sheet netting with gross liabilities	Carrying amount[1]	Master netting agreement[2]	Financial instruments collateral	Property & equipment	Other collateral and guarantees	Total risk mitigation	Surplus collateral[3]	
Loans and advances banks										
Residential mortgages	1,066		1,066		10	1,379	5	1,394	338	10
Consumer loans	241		241		49	126	8	182	68	127
Corporate loans	4,379		4,379		756	3,152	644	4,552	863	690
Other loans and advances customers	18		18				9	9		9
Total loans and advances customers	**5,703**		**5,703**		**815**	**4,656**	**666**	**6,137**	**1,269**	**835**
Total loans and advances	**5,703**		**5,703**		**815**	**4,656**	**666**	**6,137**	**1,269**	**835**

										31 December 2019
Loans and advances banks										
Residential mortgages	973		973		11	1,207	10	1,228	260	5
Consumer loans	170		170		5	98		103	30	96
Corporate loans	3,604		3,604		581	2,930	347	3,858	811	557
Other loans and advances customers										
Total loans and advances customers	4,747		4,747		597	4,235	357	5,189	1,101	659
Total loans and advances	**4,747**		**4,747**		**597**	**4,235**	**357**	**5,189**	**1,101**	**659**

[1] Carrying amount includes loan impairment allowances where applicable.
[2] Collateral in the column Master netting agreement is mainly markets related and consists of master netting agreements which also includes cash collateral as part of these agreements. Cash collateral not part of master netting agreements has been reported under the column Financial instruments.
[3] Surplus collateral is the amount of over-collateralisation, calculated on an individual basis.
[4] Net exposure represents the portfolio corrected for the surplus amount and gives a view on the potential shortfall in collateral on the total portfolio.

Collateral and guarantees for credit-impaired assets (stage 3) represent credit risk mitigation based on the NCV for clients in default. The carrying amount includes expected credit loss allowances, based on the probability-weighted present value of all expected cash shortfalls over the remaining life of the financial instrument for both on- and off-balance sheet exposures. The Financial Restructuring & Recovery department identifies the most likely scenarios for non-programme lending defaulted clients (going concern or gone concern) and, using its professional judgement, the amounts and timing of expected future cash flows. This explains why a net exposure remains after collateral pledged to the bank is taken into account.

In line with the increase in the stage 3 carrying amount to EUR 5.7 billion (31 December 2019: EUR 4.7 billion), total risk mitigation increased to EUR 6.1 billion in 2020 (31 December 2019: EUR 5.2 billion). This increase was observed in property and equipment, other collateral and guarantees, and financial instruments. Property and equipment moved up for corporate loans and residential mortgages. The movement in property and equipment for corporate loans was due to increases in corporate and commercial real estate from Commercial Banking clients, partly offset by a decrease in moveable property and equipment from CIB clients. In the case of residential mortgages, the increase was due to indexation. The main reason why other collateral and guarantees moved up was higher intangibles and other non-financial collateral from CIB clients in the United States. Financial instruments in corporate loans recorded higher collateral in the form of receivables from Asset-Based Finance clients. As the increase in total risk mitigation partly included surplus collateral, net exposure increased by EUR 176 million to EUR 835 million at 31 December 2020.

During 2020 ABN AMRO obtained property and equipment by taking possession of collateral held as security for loans and advances. The total amount of such assets held on 31 December 2020 amounted to EUR 3 million (2019: EUR 4 million). ABN AMRO does not intend to use these assets in its operations and will pursue timely and orderly realisation of the collateral.

Financial liabilities: offsetting, netting, collateral and guarantees Audited

31 December 2020

(in millions)	Offset in the statement of financial position			Not offset in the statement of financial position				Net exposure
	Carrying amount before balance-sheet netting	Balance sheet netting with gross assets	Carrying amount	Master netting agreement[1]	Financial instruments collateral	Total risk mitigation	Surplus collateral	
Financial liabilities held for trading	**563**		**563**					**563**
Derivatives	**7,391**		**7,391**	**6,653**		**6,653**		**738**
Securities financing	**13,061**	**1,699**	**11,363**	**144**	**12,344**	**12,488**	**3,801**	**2,676**
Deposits	36,782	73	36,709	731		731		35,978
Other	10		10					10
Due to banks	**36,792**	**73**	**36,719**	**731**		**731**		**35,988**
Deposits	239,112	1,508	237,604	1,221		1,221		236,383
Other borrowings	966		966	758		758		208
Due to customers	**240,078**	**1,508**	**238,570**	**1,979**		**1,979**		**236,591**
Other liabilities	**4,054**		**4,053**					**4,053**
Total liabilities subject to netting arrangements	**301,938**	**3,279**	**298,659**	**9,508**	**12,344**	**21,851**	**3,801**	**280,609**
Remaining liabilities not subject to netting	75,975		75,975					75,975
Total liabilities	**377,913**	**3,279**	**374,634**	**9,508**	**12,344**	**21,851**	**3,801**	**356,583**

[1] Collateral in the column Master netting agreement is mainly markets related and consists of master netting agreements which also includes cash collateral as part of these agreements. Cash collateral not part of master netting agreements has been reported under the column Financial instruments.

31 December 2019

(in millions)	Offset in the statement of financial position			Not offset in the statement of financial position				Net exposure
	Carrying amount before balance-sheet netting	Balance sheet netting with gross assets	Carrying amount	Master netting agreement[1]	Financial instruments collateral	Total risk mitigation	Surplus collateral	
Financial liabilities held for trading	**675**		**675**					**675**
Derivatives	**6,505**		**6,505**	**5,907**	**192**	**6,099**		**406**
Securities financing	**10,323**	**2,089**	**8,234**	**474**	**10,035**	**10,509**	**2,868**	**594**
Deposits	13,047	262	12,785	625		625		12,160
Other								
Due to banks	**13,047**	**262**	**12,785**	**625**		**625**		**12,160**
Deposits	236,059	2,035	234,023	1,281		1,281		232,742
Other borrowings	967		967	802		802		165
Due to customers	**237,026**	**2,035**	**234,991**	**2,083**		**2,083**		**232,908**
Other liabilities	**4,030**		**4,030**					**4,030**
Total liabilities subject to netting arrangements	**271,606**	**4,386**	**267,220**	**9,090**	**10,227**	**19,317**	**2,868**	**250,771**
Remaining liabilities not subject to netting	86,362		86,362					86,362
Total liabilities	**357,969**	**4,386**	**353,582**	**9,090**	**10,227**	**19,317**	**2,868**	**337,134**

[1] Collateral in the column Master netting agreement is mainly markets related and consists of master netting agreements which also includes cash collateral as part of these agreements. Cash collateral not part of master netting agreements has been reported under the column Financial instruments.

Management of forborne, past due and credit-impaired loans Audited

Forborne exposures

Clients in (or potentially in) financial difficulty and whose contracts have been amended in ways that are regarded as concessions on the part of the bank are accounted for as forborne assets. The following table provides an overview of forborne assets, broken down into performing and non-performing assets, and classified by the type of forbearance measure.

Overview of forborne assets Audited

31 December 2020

(in millions)	Gross carrying amount[2]	Performing assets: Temporary modification	Performing assets: Permanent modification	Performing assets: Refinancing	Total performing forborne assets	Non-performing assets: Temporary modification	Non-performing assets: Permanent modification	Non-performing assets: Refinancing	Total non-performing forborne assets	Total forborne assets	Forbearance ratio
Loans and advances banks	**3,399**										**0.0%**
Residential mortgages	145,672	2,723	11	1	2,735	581	14	4	599	3,334	2.3%
Consumer loans	11,232	47	52	32	131	25	23	81	129	260	2.3%
Corporate loans	86,745	1,789	2,924	525	5,238	689	2,461	911	4,060	9,298	10.7%
Other loans and advances customers	7,733		5		5					5	0.1%
Total loans and advances customers[1]	**251,381**	**4,559**	**2,991**	**558**	**8,108**	**1,294**	**2,499**	**996**	**4,788**	**12,896**	**5.1%**
Loans at fair value through P&L	406										
Total loans and advances	**255,187**	**4,559**	**2,991**	**558**	**8,108**	**1,294**	**2,499**	**996**	**4,788**	**12,896**	**5.1%**
Other assets	**3,813**										
Total on-balance	**259,000**	**4,559**	**2,991**	**558**	**8,108**	**1,294**	**2,499**	**996**	**4,788**	**12,896**	**5.0%**

1 Excluding loans at fair value through P&L.
2 Gross carrying amount excludes fair value adjustments from hedge accounting.

In 2020, the total forborne portfolio increased to EUR 12.9 billion (2019: EUR 6.4 billion). This rise was mainly driven by growth in forborne corporate loans and, to a lesser extent, in forborne residential mortgages. The increase in forborne corporate loans was primarily due to new forborne clients in Commercial Banking and CIB, caused mainly by increased forborne exposures in the European industrial goods and services sector, travel and leisure, and in the oil and gas sector in the United States. The inflow of corporate loans was largely a result of covenant waivers and resets. The mortgage loans for which a payment deferral had been granted were classified as forborne in Q3, resulting in an increase in residential mortgages classified as forborne.

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(in millions)	Gross carrying amount[2]	Performing assets: Temporary modification	Performing assets: Permanent modification	Performing assets: Refinancing	Total performing forborne assets	Non-performing assets: Temporary modification	Non-performing assets: Permanent modification	Non-performing assets: Refinancing	Total non-performing forborne assets	Total forborne assets	Forbearance ratio
Loans and advances banks	**5,016**										**0.0%**
Residential mortgages	148,225	332	8	9	350	479	6	19	503	853	0.6%
Consumer loans	12,294	28	14	159	200	22	16	63	102	302	2.5%
Corporate loans	98,610	537	1,169	276	1,983	407	1,946	869	3,221	5,204	5.3%
Other loans and advances customers	6,292		6		6					6	0.1%
Total loans and advances customers[1]	**265,421**	**897**	**1,198**	**444**	**2,538**	**907**	**1,969**	**951**	**3,827**	**6,365**	**2.4%**
Loans at fair value through P&L	1,267										
Total loans and advances	**271,704**	**897**	**1,198**	**444**	**2,538**	**907**	**1,969**	**951**	**3,827**	**6,365**	**2.3%**
Other assets	**3,200**										
Total on-balance	**274,904**	**897**	**1,198**	**444**	**2,538**	**907**	**1,969**	**951**	**3,827**	**6,365**	**2.3%**

1 Excluding loans at fair value through P&L.
2 Gross carrying amount excludes fair value adjustments from hedge accounting.

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Past due exposures Audited

When a counterparty is past due or exceeds its credit limit, all loans and advances (total gross carrying amount) in the related credit arrangement are considered to be past due. The absolute and relative materiality thresholds used for determining a defaulted status do not apply for the purposes of classification as past due. Below these thresholds, arrears of more than 90 days are reported as past due.

Past due not classified as stage 3 Audited

							31 December 2020
					Days past due		
(in millions)	Gross carrying amount[2]	Assets not classified as stage 3	≤ 30 days	> 30 days & ≤ 90 days	> 90 days	Total past due but not stage 3	Past due ratio
Securities financing	**16,725**	**16,725**					
Loans and advances banks	**3,399**	**3,399**					**0.0%**
Residential mortgages	145,672	144,548	858	69	9	936	0.6%
Consumer loans	11,232	10,775	206	64	59	329	2.9%
Corporate loans[1]	86,745	79,872	756	348	243	1,348	1.6%
Other loans and advances customers[1]	7,733	7,712					0.0%
Total loans and advances customers[1]	**251,381**	**242,907**	**1,821**	**482**	**311**	**2,614**	**1.0%**
Loans at fair value through P&L	406	406					
Total loans and advances customers	**251,788**	**243,314**	**1,821**	**482**	**311**	**2,614**	**1.0%**
Other assets	**3,813**	**3,809**	**295**	**57**		**352**	**9.2%**
Total assets	**275,724**	**267,246**	**2,116**	**539**	**311**	**2,966**	**1.1%**

1 Excluding loans at fair value through P&L.
2 Gross carrying amount excludes fair value adjustments from hedge accounting.

							31 December 2019
					Days past due		
(in millions)	Gross carrying amount[2]	Assets not classified as stage 3	≤ 30 days	> 30 days & ≤ 90 days	> 90 days	Total past due but not stage 3	Past due ratio
Securities financing	**14,905**	**14,905**					
Loans and advances banks	**5,016**	**5,016**					**0.0%**
Residential mortgages	148,225	147,187	1,314	69	9	1,393	0.9%
Consumer loans	12,294	11,927	245	100	93	437	3.6%
Corporate loans[1]	98,610	93,279	1,035	246	76	1,357	1.4%
Other loans and advances customers[1]	6,292	6,288					0.0%
Total loans and advances customers[1]	**265,421**	**258,680**	**2,594**	**415**	**178**	**3,187**	**1.2%**
Loans at fair value through P&L	1,267	1,267					
Total loans and advances customers	**266,687**	**259,947**	**2,594**	**415**	**178**	**3,187**	**1.2%**
Other assets	**3,200**	**3,198**	**265**	**48**	**1**	**314**	**9.8%**
Total assets	**289,809**	**283,066**	**2,859**	**463**	**179**	**3,501**	**1.2%**

1 Excluding loans at fair value through P&L.
2 Gross carrying amount excludes fair value adjustments from hedge accounting.

Overall, the past due ratio for loans and advances customers improved to 1.0% compared with year-end 2019 (1.2%). Total past due exposure declined to EUR 2.6 billion compared with year-end 2019 (EUR 3.2 billion). Arrears decreased in all product groups, but mainly in residential mortgages and to a lesser extent in consumer loans and corporate loans. The decrease in past due exposure was driven by short-term arrears and supported by Covid-19 circumstances (including lower consumer spending and/or payment holidays granted in the period to 1 October 2020). The decrease in short-term arrears was partly offset by increases in mid- and long-term arrears (>30-90 and >90 days respectively), which were related mainly to corporate loans and more specifically to some larger Asset-Based Finance clients in Commercial Banking.

Exposures per stage Audited

Coverage and stage ratios Audited

(in millions)	31 December 2020 Gross carrying amount	Allowances for credit losses[2]	Coverage ratio	Stage ratio	31 December 2019 Gross carrying amount	Allowances for credit losses[2]	Coverage ratio	Stage ratio
Stage 1								
Loans and advances banks	**3,399**	**6**	**0.2%**	**100.0%**	**5,016**	**5**	**0.1%**	**100.0%**
Residential mortgages	135,407	14	0.0%	93.0%	140,244	7	0.0%	94.6%
Consumer loans	9,707	38	0.4%	86.4%	10,999	30	0.3%	89.5%
Corporate loans	64,517	243	0.4%	74.4%	84,155	137	0.2%	85.3%
Other loans and advances customers	7,675		0.0%	99.3%	6,218		0.0%	98.8%
Total loans and advances customers	**217,305**	**296**	**0.1%**	**86.4%**	**241,615**	**174**	**0.1%**	**91.0%**
Stage 2								
Loans and advances banks			**0.0%**	**0.0%**	**1**		**0.4%**	**0.0%**
Residential mortgages	9,141	44	0.5%	6.3%	6,943	68	1.0%	4.7%
Consumer loans	1,068	41	3.8%	9.5%	928	70	7.5%	7.5%
Corporate loans	15,356	316	2.1%	17.7%	9,125	119	1.3%	9.3%
Other loans and advances customers	37		0.3%	0.5%	70	1	1.6%	1.1%
Total loans and advances customers	**25,602**	**400**	**1.6%**	**10.2%**	**17,065**	**258**	**1.5%**	**6.4%**
Stage 3								
Loans and advances banks				**0.0%**				**0.0%**
Residential mortgages	1,124	58	5.2%	0.8%	1,038	65	6.2%	0.7%
Consumer loans	456	215	47.2%	4.1%	368	198	53.8%	3.0%
Corporate loans	6,873	2,494	36.3%	7.9%	5,331	1,727	32.4%	5.4%
Other loans and advances customers	21	3	14.6%	0.3%	4	4	100.0%	0.1%
Total loans and advances customers	**8,474**	**2,771**	**32.7%**	**3.4%**	**6,740**	**1,993**	**29.6%**	**2.5%**
Total of stages 1, 2 and 3								
Total loans and advances banks	**3,399**	**6**	**0.2%**		**5,016**	**5**	**0.1%**	
Residential mortgages	145,672	116	0.1%		148,225	140	0.1%	
Consumer loans	11,232	294	2.6%		12,294	298	2.4%	
Corporate loans	86,745	3,053	3.5%		98,610	1,982	2.0%	
Other loans and advances customers	7,733	3	0.0%		6,292	6	0.1%	
Total loans and advances customers[1]	**251,381**	**3,467**	**1.4%**		**265,421**	**2,426**	**0.9%**	
Loans at fair value through P&L	**406**				**1,267**			
Fair value adjustments from hedge accounting on loans and advances customers	**3,838**				**3,342**			
Total loans and advances banks	3,399	6	0.2%		5,016	5	0.1%	
Total loans and advances customers	255,626	3,467	1.4%		270,030	2,426	0.9%	
Total loans and advances	**259,025**	**3,472**	**1.3%**		**275,046**	**2,431**	**0.9%**	
Other balance sheet items	140,083	13	0.0%		102,443	4	0.0%	
Total on-balance sheet	**399,108**	**3,485**	**0.9%**		**377,489**	**2,436**	**0.6%**	
Irrevocable loan commitments and financial guarantee contracts	58,653	48	0.1%		65,419	16	0.0%	
Other off-balance sheet items	5,535				6,733			
Total on- and off-balance sheet	**463,296**	**3,533**	**0.8%**		**449,641**	**2,452**	**0.5%**	

1 Excluding loans at fair value through P&L and fair value adjustments from hedge accounting.
2 The allowances for credit losses excludes allowances for financial investments held at FVOCI (31 December 2020: EUR 1 million; 31 December 2019: EUR 1 million).

The stage 3 impaired ratio increased to 3.4% in 2020 (2019: 2.5%). This was the result of inflow from stages 1 and 2 in corporate loans. In addition to stage migrations, the increase in the stage 3 impaired ratio was caused by a net decrease in exposure to corporate loans in the other stages, partly as a result of the wind-down of the non-core CIB portfolio.

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The stage 3 coverage ratio increased to 32.7% at year-end 2020 (2019: 29.6%). In response to the outbreak of the Covid-19 pandemic, all stage 3 corporate clients were re-evaluated which resulted in increases in allowances. Increases for existing stage 3 clients were mainly recorded in the energy services sector, while the stage 3 coverage ratio also rose because of increases for new inflow and existing clients in the food and shipping sectors in CIB and CB.

As a result of measures taken to mitigate the economic impact of Covid-19, the stage 2 ratio increased to 10.2% (2019: 6.4%). All credit portfolios were reviewed to identify any significant increase in credit risk in the context of IFRS 9. This resulted in an increase in stage 2 exposure, mainly in corporate loans. At the start of Covid-19, several sub-sectors within Commercial Banking were identified as having a significant increased credit risk and were therefore transferred to stage 2. In the subsequent months, this subsector-based assessment was replaced by individual assessments. For Retail Banking, identification of significant increased credit risk was initially carried out by profession. During the second half of 2020, this assessment, too, was replaced by individual assessments.

The stage 2 coverage ratio increased to 1.6% in 2020 (2019: 1.5%). This was mainly the result of management overlays , which were taken in Commercial Banking for risks not fully captured by the risk parameters, and in CIB for risk costs related to the wind-down of the non-core portfolio. Without management overlays, the stage 2 coverage ratio for corporate loans would have been 1.2% at year-end 2020 (2019: 1.3%). The increase in the stage 1 coverage ratio for corporate loans to 0.4% (2019: 0.2%) was also entirely related to management overlays.

The stage 2 coverage ratios for consumer loans and residential mortgages decreased at year-end 2020, both mainly as a result of decreased management overlays. For residential mortgages, a release was recorded for the total management overlay for interest-only mortgages. For consumer loans, there was a transfer of service loans to both stage 1 and stage 3 during the year. This resulted in a release of the management overlay in stage 2, and therefore in a decrease in the coverage ratio.

Exposure flow Audited

Gross carrying amount of total loans and advances Audited

				2020				2019
(in millions)	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	**246,631**	**17,066**	**6,740**	**270,437**	**256,938**	**13,137**	**5,887**	**275,962**
Transfer to stage 1	5,250	-5,202	-48		3,499	-3,456	-43	
Transfer to stage 2	-18,455	19,122	-667		-12,374	12,758	-384	
Transfer to stage 3	-2,451	-2,140	4,591		-1,521	-1,433	2,954	
Additional drawdowns and partial repayments	-11,199	1,110	797	-9,292	-21,333	-1,591	-540	-23,464
Originated or purchased	35,887			35,887	43,058			43,058
Matured or sold	-32,568	-4,035	-1,521	-38,123	-22,760	-2,284	-597	-25,640
Write-offs			-1,194	-1,194			-608	-608
Foreign exchange	-2,385	-289	-209	-2,883	1,046	61	36	1,143
Other movements	-6	-29	-15	-51	78	-126	35	-13
Balance at 31 December	**220,705**	**25,602**	**8,474**	**254,781**	**246,631**	**17,066**	**6,740**	**270,437**

1 Excluding loans at fair value through P&L.
2 Gross carrying amount excludes fair value adjustments from hedge accounting.

The total on-balance sheet exposure decreased in 2020, in combination with a stage shift from stage 1 to stages 2 and 3. The decrease in exposure of EUR 15.7 billion was primarily due to CIB (EUR 10.3 billion) and to a lesser extent to residential mortgages in Retail Banking (EUR 2.7 billion) and Commercial Banking (EUR 2.2 billion). The decrease in CIB is primarily explained by the strategy review and to a lesser extent by the dollar's depreciation against the euro. These movements are reflected in the increased matured positions and a larger reduction in FX movements. The mortgage portfolio decreased slightly because of a modest slowdown in mortgage production resulting in lower originated amounts than in 2019. The exposure flows per product class are disclosed in the Additional risk, funding & capital disclosures.

Loan impairment charges and allowances Audited

							2020
(in millions)	Banks	Residential mortgages	Consumer loans	Corporate loans	Other loans	Total loans and advances	Off-balance
Balance at 1 January 2020	**5**	**140**	**298**	**1,982**	**6**	**2,431**	**16**
Transfer to stage 1		-7	-4	-12		-23	1
Transfer to stage 2		4	5	110		119	6
Transfer to stage 3		27	91	518		636	179
Remeasurements[1]	-2	-49	42	1,922	-3	1,910	5
Changes in models		6				6	
Changes in risk parameters	2	28	3	132		165	11
Originated or purchased		4	4	31		40	20
Matured or sold loans	-1	-13	-11	-668		-692	-9
Impairment charges (releases) on loans and advances	**-1**	**1**	**130**	**2,033**	**-3**	**2,161**	**214**
Write-offs		-16	-143	-1,035		-1,194	
Unwind discount/unearned interest accrued		2	-1	31		31	
Foreign exchange and other movements	1	-10	11	42		43	-182
Balance at 31 December 2020	**6**	**116**	**294**	**3,053**	**3**	**3,472**	**48**
Impairment charges (releases) on loans and advances	-1	1	130	2,033	-3	2,161	214
Credit-related modifications[2]				36		36	
Recoveries and other charges (releases)		-19	-38	-33		-90	-17
Total impairment charges for the period[3]	**-1**	**-18**	**92**	**2,035**	**-3**	**2,106**	**197**

1 Remeasurements represents the current year change of expected credit loss allowances mainly attributable to changes in volumes such as partial repayments and changes in the credit quality of existing loans remaining in their stage.
2 The underlying exposure on which the modification loss is calculated is EUR 16.9 billion, almost fully related to the payment holidays.
3 The impairment charges for the period excludes charges (releases) for financial investments held at FVOCI 31 December 2020: EUR 0 million (31 December 2019: EUR 0 million).

							2019
(in millions)	Banks	Residential mortgages	Consumer loans	Corporate loans	Other loans	Total loans and advances	Off-balance
Balance at 1 January 2019	**9**	**108**	**318**	**1,825**	**9**	**2,269**	**12**
Transfer to stage 1		-7	-10	-21		-38	
Transfer to stage 2		2	4	14		19	1
Transfer to stage 3		48	47	298		393	3
Impairment charges for the period	3	44	144	765		956	9
Reversal of impairment allowances no longer required	-2	-14	-103	-487	-2	-608	-10
Modifications							
Remeasurements[1]		31	41	278	-2	348	-1
Changes in models		-13	4	20	-1	9	-2
Changes in risk parameters		2	8	13		23	2
Originated or purchased	1	4	12	36		53	5
Matured or sold loans	-5	-12	-13	-49		-78	-6
Impairment charges (releases) on loans and advances	**-3**	**54**	**93**	**589**	**-3**	**730**	**3**
Write-offs		-22	-122	-464		-608	
Unwind discount/unearned interest accrued		2	1	28		31	
Foreign exchange and other movements		-3	8	5		10	1
Balance at 31 December 2019	**5**	**140**	**298**	**1,982**	**6**	**2,431**	**16**
Impairment charges (releases) on loans and advances	-3	54	93	589	-3	730	3
Recoveries and other charges (releases)		-23	-43	-21		-87	11
Total impairment charges for the period[2]	**-3**	**31**	**50**	**568**	**-3**	**643**	**14**

1 Remeasurements represents the current year change of expected credit loss allowances mainly attributable to changes in volumes such as partial repayments and changes in the credit quality of existing loans remaining in their stage.
2 The impairment charges for the period excludes charges (releases) for financial investments held at FVOCI (31 December 2019: EUR 0 million).

Loan impairment charges and allowances per stage Audited

				2020				2019
(in millions)	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	**180**	**258**	**1,993**	**2,431**	**214**	**192**	**1,862**	**2,269**
Transfer to stage 1	39	-53	-9	-23	45	-66	-17	-38
Transfer to stage 2	-45	200	-36	119	-31	126	-76	19
Transfer to stage 3	-13	-76	725	636	-5	-32	429	393
Remeasurements[1]	472	50	1,388	1,910	-97	25	420	348
Changes in models	1	2	4	6	16	22	-29	9
Changes in risk parameters	100	46	19	165	9	12	3	23
Originated or purchased	40			40	53			53
Matured or sold	-479	-19	-195	-692	-22	-25	-30	-78
Impairment charges (releases) on loans and advances	**115**	**149**	**1,896**	**2,161**	**-33**	**62**	**701**	**730**
Write-offs			-1,194	-1,194			-608	-608
Unwind discount/unearned interest accrued			31	31			31	31
Foreign exchange and other movements	7	-8	44	43	-2	4	8	10
Balance at 31 December	**301**	**400**	**2,771**	**3,472**	**180**	**258**	**1,993**	**2,431**
Impairment charges (releases) on loans and advances	115	149	1,896	2,161	-33	62	701	730
Credit-related modifications		29	7	36				
Recoveries and other charges (releases)			-90	-90			-87	-87
Total impairment charges for the period	**115**	**179**	**1,813**	**2,106**	**-33**	**62**	**613**	**643**

[1] Remeasurements represents the current year change of expected credit loss allowances mainly attributable to changes in volumes such as partial repayments and changes in the credit quality of existing loans remaining in their stage.

The impairment charges in 2020 amounted to EUR 2,303 million (2019: EUR 657 million). These charges were high due to the impact that Covid-19 and oil price developments had on our client portfolio and to three exceptional client files. Individual impairments in stage 3 were recorded mainly for corporate loans. The impairment charges in stage 1 and stage 2 related mainly to management overlays.

Impairment charges for CIB amounted to EUR 1,659 million, which was considerably higher than the EUR 376 million recorded in 2019. Since the start of Covid-19, all individual CIB exposures have been reviewed, leading to a significant increased credit risk in stage 3.Of the total impairment charges for CIB, an amount of EUR 629 million was attributable to three exceptional client files. The other impairment charges related to other individual client files and were mostly recorded in the oil and gas and energy-offshore sectors.

Additions for Commercial Banking amounted to EUR 542 million (2019: EUR 182 million). The main contributions related to individual client files in the food and shipping sectors, and to a lesser extent to new inflow from industrial goods and services and the travel and leisure sector. In addition, management overlays were recorded for CB to incorporate risk not adequately captured by the models. The ECL outcomes would not appear to represent deteriorations that had been expected for individual counterparties, given that payment moratoria and government support measures had a positive effect on clients' payment behaviour. An increase in impairment charges was also observed because of the transfer of clients from stage 1 to stage 2, with almost all CB clients being individually assessed during 2020 after the effects of Covid-19 became apparent. Some of these clients, mainly in the food, travel and leisure and real estate sectors, were transferred to stage 3 in 2020.

Impairment charges for consumer loans amounted to EUR 92 million (2019: EUR 50 million). The main additions were attributable to the economic impact of Covid-19, with clients being transferred to stage 2 due to a significant increased credit risk. The main client groups impacted were dentists, physiotherapists and pilots. During 2020, the various client groups were re-evaluated, and some of them were transferred back to stage 1. The new definition of default also resulted in higher impairments in 2020 because of some Retail Banking clients being transferred to stage 3.

A release of EUR 18 million was recorded for residential mortgages in 2020 (2019: EUR 31 million). This release was mainly attributable to the third quarter of the year. At that time, the 12-month PD deterioration was still being used as a proxy for lifetime PD deterioration. This proxy is more sensitive to steep economic downturns and to the subsequent recovery seen in later quarters. This resulted in a transfer from stage 2 to stage 1 in Q3. In addition, a release was recorded for interest-only mortgages. These releases were partly offset by increases resulting from transfers to stage 2 at the start of Covid-19, and from model refinements, including implementation of lifetime PD, and related mainly to stage 3.

Individual and collective loan impairment allowances Audited

	31 December 2020						
(in millions)	Banks	Residential mortgages	Consumer loans	Corporate loans	Other loans	Total loans and advances	Off-balance
Individual impairments							
Stage 3		2	58	2,296	3	2,359	19
Total individual impairments		**2**	**58**	**2,296**	**3**	**2,359**	**19**
Collective impairments							
Stage 1	6	14	38	243		301	16
Stage 2		44	41	316		400	10
Stage 3		56	158	198		412	2
Total collective impairments	**6**	**114**	**237**	**757**		**1,113**	**29**
- of which management overlay		*15*	*33*	*242*		*290*	
Total impairments	**6**	**116**	**294**	**3,053**	**3**	**3,472**	**48**
Carrying amount of loans, determined to be impaired, before deducting any assessed impairment allowance		1,124	456	6,873	21	8,474	

	31 December 2019						
(in millions)	Banks	Residential mortgages	Consumer loans	Corporate loans	Other loans	Total loans and advances	Off-balance
Individual impairments							
Stage 3		9	66	1,519	4	1,599	1
Total individual impairments		**9**	**66**	**1,519**	**4**	**1,599**	**1**
Collective impairments							
Stage 1	5	7	30	137		180	8
Stage 2		68	70	119	1	258	4
Stage 3		55	132	208		394	4
Total collective impairments	**5**	**130**	**232**	**463**	**1**	**832**	**15**
- of which management overlay		*45*	*32*			*77*	
Total impairments	**5**	**140**	**298**	**1,982**	**6**	**2,431**	**16**
Carrying amount of loans, determined to be impaired, before deducting any assessed impairment allowance		1,038	368	5,331	4	6,740	

Total collective impairment allowances amounted to EUR 1,113 million at 31 December 2020 and included expected credit losses (ECL) as calculated by our IFRS models and management overlays. For most clients, ECL is calculated taking into account a probability-weighted average of three economic scenarios. For our CIB portfolio, a benchmark model based on Moody's default rates is used.

The ECL outcomes are continually analysed and challenged, since model outcomes do not always reflect current economic environment and circumstances. This resulted in additional ECL of EUR 290 million, which were recorded as management overlays.

The overlays in corporate loans amounted to EUR 242 million and were recorded for the following risks, which were not captured by the ECL models:

- As payment moratoria and government support measures had a positive effect on clients' payment behaviour, ECL outcomes for Commercial Banking did not take into account all of the expected credit risk deterioration. A management overlay was recorded for some of our performing Commercial Banking clients, based on an expected deterioration of one class in the risk-grade.
- An overlay was recorded for the CIB non-core portfolio, in anticipation of additional risk costs associated with the wind-down of this portfolio. The overlay is adjusted each quarter to reflect progress made in the wind-down, and will be released once the wind-down has been completed.
- An SME portfolio with an increased risk not captured by models was transferred to stage 2 with a higher coverage ratio.

- All clients in subsectors with elevated risk in Commercial Banking that had not yet been individually assessed were classified in stage 2. Identification of subsectors with increased credit risk takes place on a monthly basis.

For residential mortgages, a management overlay to cover the refinancing risk of interest-only mortgages was continued. The overlays in consumer loans amounted to EUR 33 million and related mostly to clients with forbearance measures. All management overlays represent best estimates of the risks involved. Underlying reasoning and calculations are documented and discussed and approved by the Impairments and Provisioning Committee (IPC).

Macroeconomic scenarios and ECL sensitivity

The calculation of the ECL takes three economic scenarios into account, each of which contains estimates for a large number of macroeconomic variables. The relative weighting of individual variables in the calculation depends on the factor loading in the ECL models and on the projected values in the scenarios. For corporates, the most influential macroeconomic variable in terms of expected credit loss is Dutch GDP growth, while the risk profile of Retail Banking is most affected by changes in affordability (for example, the unemployment rate) and collateral values (for example, house prices).

The tables show the scenarios used for calculating the ECL. To reflect the more negative economic outlook following the stricter Covid-19 measures imposed by the Dutch government in the fourth quarter of 2020, the weighting of the negative scenario was increased to 40% on 31 December 2020. The scenarios themselves are also strongly influenced by recent developments relating to Covid-19. The second wave of registered cases led to new nationwide lockdowns, which will have a negative impact on growth. A new 'British' strain and vaccine supply disruptions in Q1 will delay the lifting of restrictions and have lowered our growth forecast for the first half of 2021. Once half of the population over 50 years old has been vaccinated, restrictions can be wound down, and this will lead to a stronger rebound in the second half. As we expect government measures to remain dynamic and dependent on the economic situation, we have assumed the impact to be constant.

Unemployment estimates for 2021 are significantly higher than in the 2019 scenarios, but in the final quarter of 2020 we became slightly more positive on the labour market. The wage cost subsidy (NOW) provided by the Dutch government has been continued in order to limit the number of lay-offs. This measure has proven to be very effective in dampening the adverse effects on the labour market and we expect the stimulus package to continue under the same conditions until at least the second quarter of Q2 2021.

So far the economic downturn has not led to lower house prices. House prices are supported by the low interest rate environment and uninterrupted credit supply. Forecasts are based on very detailed analyses of the Covid-19 situation. However, the uncertainty surrounding these projections currently remains very high.

Macroeconomic scenarios in 2020 Audited

(in millions)	Weight	Macroeconomic variable	2021	2022	2023	2024	Unweighted ECL[4]	Weighted ECL[4]
		Real GDP Netherlands[1]	4.4%	4.3%	2.0%	1.7%		
Positive	10%	Unemployment[2]	6.2%	6.2%	5.6%	4.8%	653	
		House price index[3]	5.0%	3.0%	2.0%	3.0%		
		Real GDP Netherlands	3.0%	3.6%	2.3%	1.8%		
Baseline	50%	Unemployment	6.4%	7.9%	6.9%	6.1%	688	703
		House price index	0.0%	0.0%	2.0%	3.0%		
		Real GDP Netherlands	0.7%	3.0%	1.0%	1.4%		
Negative	40%	Unemployment	6.8%	8.4%	7.8%	6.8%	734	
		House price index	-3.0%	-5.0%	0.0%	3.0%		

1 Real GDP Netherlands, % change year-on-year.
2 Unemployment Netherlands, % of labour force.
3 House price index Netherlands – average % change year-on-year.
4 Excluding ECL for stage 3.

Macroeconomic scenarios in 2019 Audited

(in millions)	Weight	Macroeconomic variable	2020	2021	2022	2023	Unweighted ECL[4]	Weighted ECL[4]
		Real GDP Netherlands[1]	3.2%	3.5%	3.2%	2.8%		
Positive	15%	Unemployment[2]	3.0%	3.0%	2.9%	2.9%	358	
		House price index[3]	9.7%	9.6%	7.3%	5.0%		
		Real GDP Netherlands	0.9%	1.2%	1.6%	1.6%		
Baseline	60%	Unemployment	3.7%	4.0%	4.1%	4.1%	418	438
		House price index	4.0%	3.0%	3.0%	3.0%		
		Real GDP Netherlands	-0.5%	0.0%	0.2%	0.8%		
Negative	25%	Unemployment	4.7%	6.0%	6.5%	6.8%	533	
		House price index	2.9%	-1.0%	-4.5%	-3.3%		

[1] Real GDP Netherlands, % change year-on-year.
[2] Unemployment Netherlands, % of labour force.
[3] House price index Netherlands – average % change year-on-year.
[4] Excluding ECL for stage 3.

Forborne, past due and credit-impaired loans by geography and industry

Forborne, past due and credit-impaired loans by geography

					31 December 2020
(in millions)	Forborne exposure	Exposures past due, but not stage 3	Stage 3 exposures	Allowances for stage 3	Stage 3 charges for the period
The Netherlands	9,631	1,811	5,706	1,429	565
Rest of Europe	1,622	764	1,126	428	369
USA	781	4	491	157	397
Asia	197	4	662	489	307
Rest of the world	666	32	489	268	175
Total on-balance	**12,896**	**2,614**	**8,474**	**2,771**	**1,812**
Off-balance			1,273		198
Total	**12,896**	**2,614**	**9,747**	**2,771**	**2,010**

					31 December 2019
	Forborne exposure	Exposures past due, but not stage 3	Stage 3 exposures	Allowances for stage 3	Stage 3 charges for the period
The Netherlands	4,543	2,530	4,939	1,240	286
Rest of Europe	704	579	937	361	107
USA	278	1	142	120	127
Asia	192	52	192	93	47
Rest of the world	649	25	531	180	46
Total on-balance	**6,365**	**3,187**	**6,740**	**1,993**	**614**
Off-balance			1,329		4
Total	**6,365**	**3,187**	**8,070**	**1,993**	**618**

The forborne portfolio is mainly concentrated in the Netherlands. The increase here was primarily driven by the inflow of performing forborne corporate loans and residential mortgages. The increase in the rest of Europe and in the United States was related mainly to new performing forborne corporate loans in CIB and to a lesser extent in Commercial Banking.

The Netherlands contributed the most to the decline in past due but not stage 3 exposures, mainly due to a decrease in domestic residential mortgages. This movement was partly offset by the movement in the rest of Europe, which related mainly to the inflow of Asset-Based Finance clients from the UK. In addition, Asia past due exposure decreased as result of the wind-down of the CIB non-core portfolio.

In 2020, impaired exposures and allowances increased in all geographies except Rest of the world. A relatively large increase in exposure and impairment charges was observed in the United States as a result of inflow from stage 2 in the energy sectors. Increases in impaired exposures and allowances in the Netherlands were attributed to new inflow from stages 1 and 2, mainly in the food and shipping sectors in commercial banking and CIB, partly offset by write-offs. The increase in Asia was attributable to an exceptional client file in Singapore in Q1 2020.

Forborne, past due and credit-impaired loans by industry

(in millions)	Exposure at Default	Forborne exposures	Forborne ratio (EAD)	Exposures past due, but not stage 3	Past due ratio (EAD)	Stage 3 exposures	Stage 3 ratio (EAD)	Allowances for impairments for identified credit risk[4]	Stage 3 impairment charges for the period
									31 December 2020
Industry sector									
Banks	15,277								
Financial services[1]	18,823	263	1.4%	104	0.6%	209	1.1%	96	219
Industrial goods and services	21,503	2,684	12.5%	444	2.1%	1,764	8.2%	516	262
Real estate	13,769	425	3.1%	182	1.3%	381	2.8%	67	27
Oil and gas	8,753	1,204	13.8%		0.0%	1,120	12.8%	637	521
Food and beverage	14,622	1,299	8.9%	95	0.6%	1,283	8.8%	399	155
Retail	5,469	741	13.6%	172	3.1%	400	7.3%	185	110
Basic resources	2,335	75	3.2%	62	2.6%	469	20.1%	245	114
Healthcare	4,427	432	9.8%	20	0.5%	293	6.6%	44	-9
Construction and materials	4,065	338	8.3%	78	1.9%	268	6.6%	154	43
Other[2]	20,554	1,846	9.0%	190	0.9%	777	3.8%	178	266
Subtotal industry classification benchmark	**129,597**	**9,307**	**7.2%**	**1,347**	**1.0%**	**6,966**	**5.4%**	**2,522**	**1,710**
Private individuals (non-industry classification benchmark)	174,979	3,576	2.0%	1,248	0.7%	1,482	0.8%	248	100
Public administration (non-industry classification benchmark)	99,567	13	0.0%	18	0.0%	26	0.0%	1	3
Subtotal non-industry classification benchmark	**274,546**	**3,589**	**1.3%**	**1,266**	**0.5%**	**1,508**	**0.5%**	**249**	**103**
Total[3]	**404,142**	**12,896**	**3.2%**	**2,614**	**0.6%**	**8,474**	**2.1%**	**2,771**	**1,812**

[1] Financial services include asset managers, credit card companies and providers of personal financial services and securities and brokers.
[2] Other includes personal and household goods, media, technology, automobiles and parts, chemicals, telecommunication, travel and leisure, and insurance, in addition to unclassified.
[3] Exposure at Default does not include EAD calculated for equities not held for trading and other non-credit obligations.

Forborne, past due and credit-impaired loans by industry

(in millions)	Exposure at Default	Forborne exposures	Forborne ratio (EAD)	Exposures past due, but not stage 3[3]	Past due ratio (EAD)	Stage 3 exposures	Stage 3 ratio (EAD)	Allowances for impairments for identified credit risk[4]	Stage 3 impairment charges for the period
									31 December 2019
Industry sector									
Banks	17,745								
Financial services[1]	18,788	76	0.4%	168	0.9%	133	0.7%	90	-4
Industrial goods and services	25,077	1,555	6.2%	273	1.1%	1,770	7.1%	518	176
Real estate	13,678	209	1.5%	186	1.4%	173	1.3%	63	-1
Oil and gas	14,682	863	5.9%	36	0.2%	609	4.2%	276	186
Food and beverage	17,515	1,035	5.9%	123	0.7%	850	4.9%	225	109
Retail	6,277	286	4.5%	95	1.5%	296	4.7%	77	12
Basic resources	4,563	92	2.0%	120	2.6%	278	6.1%	132	26
Healthcare	4,396	242	5.5%	11	0.3%	398	9.1%	62	1
Construction and materials	4,459	357	8.0%	221	5.0%	342	7.7%	132	14
Other[2]	20,582	503	2.4%	126	0.6%	481	2.3%	129	73
Subtotal industry classification benchmark	**147,763**	**5,218**	**3.5%**	**1,359**	**0.9%**	**5,331**	**3.6%**	**1,705**	**594**
Private individuals (non-industry classification benchmark)	177,107	1,141	0.6%	1,828	1.0%	1,407	0.8%	288	19
Public administration (non-industry classification benchmark)	64,628	6	0.0%		0.0%	2	0.0%	1	
Subtotal non-industry classification benchmark	**241,735**	**1,147**	**0.5%**	**1,828**	**0.8%**	**1,409**	**0.6%**	**289**	**19**
Total	**389,498**	**6,365**	**1.6%**	**3,187**	**0.8%**	**6,740**	**1.7%**	**1,993**	**614**

[1] Financial services include asset managers, credit card companies and providers of personal financial services and securities and brokers.
[2] Other includes personal and household goods, media, technology, automobiles and parts, chemicals, telecommunication, travel and leisure, and insurance, in addition to unclassified.
[3] Exposures past due, but not stage 3 have been restated.
[4] Exposure at Default does not include EAD calculated for equities not held for trading and other non-credit obligations.

Broken down by industry, the increase in forborne assets in the industrial goods and services sector was primarily generated by the inflow of performing forborne corporate loans in CIB. The increase in the other sector was mainly caused by the inflow of performing forborne corporate loans in the travel and leisure sector in CIB and Commercial Banking. The addition of forborne loans in the private individuals sector was attributable to the mortgage loans for which a payment deferral had been granted and which were therefore classified as forborne in Q3.

Private individuals, supported by Covid-19 circumstances (lower consumer spending and/or payment holidays granted till 1 October 2020), were the main drivers of the decline in past due but not stage 3 exposures. This decline was partly offset by increases in industrial goods and services and retail.

Impaired exposures increased strongly during 2020. The main contributions were attributable to the oil and gas and food and beverage sectors, where increases were observed mainly for existing stage 3 clients. Smaller contributions came from the travel and leisure (included in other) and real estate sectors, where new inflow in stage 3 exposure was observed in 2020. The healthcare sector benefited from releases in both credit-impaired exposures for credit losses and allowances. These were attributable to a few larger files in Commercial Banking.

Developments in specific portfolios

The following section provides a more detailed overview of developments in specific portfolios and products.

Residential mortgages

The Dutch housing market is being impacted by a shortage of homes available for sale. Despite Covid-19, residential property prices continued to rise as a result of consumer confidence, the housing shortage and low interest rates. The housing price index published by Statistics Netherlands (CBS) at the end of 2020 was 8.4% higher than at the end of 2019. Overall price levels in December 2020 (not adjusted for inflation) were 20.8% higher than before the global financial crisis. According to the Land Registry, the number of transactions in the Dutch housing market in 2020 was 8.5% higher than in 2019. This was 2.6% lower than the peak seen in 2017, but still well above the 10-year moving average.

Residential mortgage indicators

(in millions)	31 December 2020	31 December 2019
Gross carrying amount excluding fair value adjustment from hedge accounting	145,672	148,225
- of which Nationale Hypotheek Garantie (NHG)	*33,367*	*35,304*
Fair value adjustment from hedge accounting	3,186	2,795
Carrying amount	145,555	148,085
Exposure at Default[1]	163,756	164,575
RWA[1]	16,459	16,665
RWA/Exposure at Default	10.1%	10.1%
Forbearance ratio	2.3%	0.6%
Past due ratio	0.6%	0.9%
Stage 3 ratio	0.8%	0.7%
Stage 3 coverage ratio	5.2%	6.2%
Cost of risk (in bps)[2]	-1	2
Average LtMV (indexed)[3]	61%	64%
Average LtMV – excluding NHG loans (indexed)[3]	59%	62%
Total risk mitigation	232,415	226,221
Total risk mitigation/carrying amount	159.7%	152.8%

1 The RWA and Exposure at Default amounts are based on the exposure class Secured by immovable property. This scope is slightly broader than the residential mortgage portfolio.
2 Annualised impairment charges on loans and advances customers for the period divided by the average loans and advances customers on the basis of gross carrying amount and excluding fair value adjustment from hedge accounting.
3 The collateral valuation method changed and became more accurate, i.e. increases in the price index are now subject to a haircut, while decreases are not, which provides a better estimate of the actual house price.

The residential mortgage portfolio decreased by 1.7% to EUR 145.7 billion in 2020 (31 December 2019: EUR 148.2 billion) as redemptions exceeded new production of mortgage loans. ABN AMRO's market share of new mortgage production in 2020 came out at 15.3% (2019: 17.8%) as we maintained strict pricing discipline in a competitive market. The proportion of amortising mortgages continued to increase, totalling 37% at 31 December 2020 (31 December 2019: 33%). Total redemptions were 15% higher than in 2019. Contractual redemptions gradually increased, in line with changes in the portfolio composition. Extra repayments in 2020 amounted to EUR 2.2 billion, a decrease of 13% compared with 2019. The share of mortgages covered by the National Mortgage Guarantee (NHG) scheme decreased slightly compared with 31 December 2019, from 24% to 23%.

Regulatory capital

The RWA for the residential mortgage portfolio decreased to EUR 16.5 billion (2019: EUR 16.7 billion). The decrease in the RWA was mainly due to a decrease in exposure. Exposure at default (EAD) decreased to EUR 163.8 billion (2019: EUR 164.6 billion).

Credit quality indicators

In general, the credit quality indicators for residential mortgages improved in line with the performance of the Dutch housing market. The past due ratio decreased, mainly due to the limited inflow into past due exposures in short-term arrears. Affordability of mortgages remained good this year due to the government's Covid-19 support measures in combination with lower consumer spending. The coverage ratio decreased as a result of improved credit quality and higher collateral values. The stage 3 exposure increased as a result of the UTP trigger regarding clients with interest-only mortgages and the high refinancing risk at maturity. The forborne ratio increased owing to Covid-19 payment holidays.

Residential mortgages to indexed market value

	31 December 2020				31 December 2019			
(in millions)	Gross carrying amount	Percentage of total	- of which guaranteed[2]	- of which unguaranteed	Gross carrying amount	Percentage of total	- of which guaranteed[2]	- of which unguaranteed
LtMV category[1]								
<50%	42,205	29.0%	3.6%	25.3%	37,819	25.5%	3.0%	22.5%
50% - 80%	73,972	50.8%	13.9%	36.9%	71,458	48.2%	13.2%	35.0%
80% - 90%	17,859	12.3%	3.4%	8.8%	22,428	15.1%	4.5%	10.6%
90% - 100%	9,983	6.9%	1.8%	5.0%	13,574	9.2%	2.7%	6.4%
>100%	1,347	0.9%	0.2%	0.8%	2,160	1.5%	0.3%	1.1%
Unclassified	306	0.2%			787	0.5%		
Total	**145,672**	**100%**			**148,225**	**100%**		

1 Loan-to-Market Value is calculated using the indexation of the CBS (Central Bureau of Statistics).
2 NHG guarantees.

Rising housing prices and restrictions set for the maximum loan-to-market value (LtMV) of new mortgages led to further improvements in the underlying average indexed LtMV, both guaranteed and unguaranteed.

The long-term LtMV of the bank's portfolio is expected to decrease further as a combined result of rising housing prices, contractual and extra redemptions, and the gradual reduction in mortgage interest tax relief.

The gross carrying amount of mortgages with an LtMV in excess of 100% declined significantly, totalling EUR 1.3 billion at year-end 2020 (2019: EUR 2.2 billion). Note that LtMVs in excess of 100% do not necessarily indicate that these clients are in financial difficulties. ABN AMRO actively approaches clients with an interest-only mortgage in combination with a high LtMV level to discuss changing their mortgage product. Mortgages with an LtMV >100% account for 0.9% of total mortgages, while approximately 3% of the extra repayments relate to this category.

Breakdown of residential mortgage portfolio by loan type

	31 December 2020		31 December 2019	
(in millions)	Gross carrying amount	Percentage of total	Gross carrying amount	Percentage of total
Interest only (partially)	43,174	30%	44,861	30%
Interest only (100%)	22,847	16%	24,282	16%
Redeeming mortgages (annuity/linear)	54,084	37%	49,251	33%
Savings	12,240	8%	14,161	10%
Life (investment)	8,571	6%	7,072	5%
Other[1]	4,756	3%	8,598	6%
Total	**145,672**	**100%**	**148,225**	**100%**

1 Other includes hybrid and unclassified mortgage types. The hybrid portfolio consists of a combination of savings and investment mortgages.

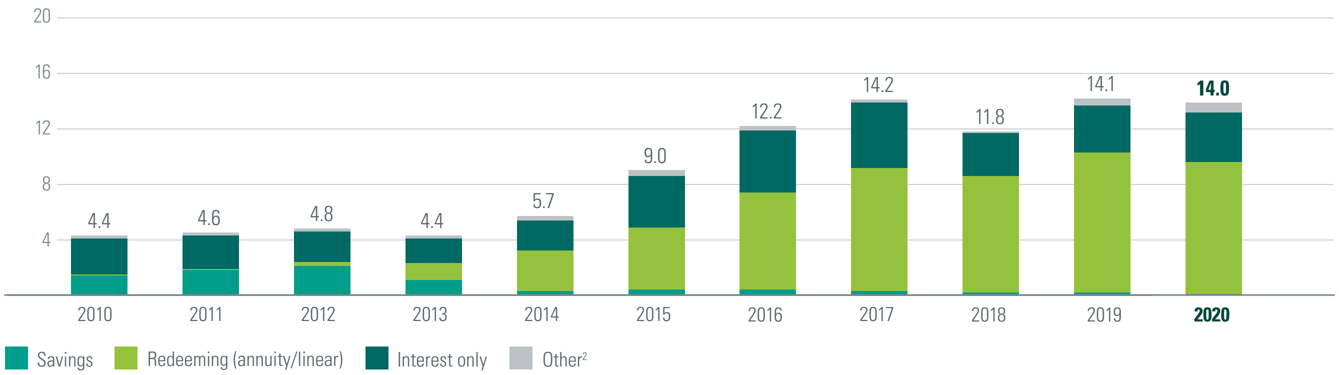
Fully interest-only mortgages remained 16% of the total mortgage portfolio, and approximately 20% of the extra repayments related to this type of loan. We have almost no fully interest-only mortgages with an LtMV >100%. The only categories that increased in volume during the year were redeeming mortgages and, to a lesser extent, Life (investment).

Residential mortages to indexed market value for 100% interest-only

	31 December 2020	31 December 2019
	Percentage of total	Percentage of total
Loan-to-Market Value category[1]		
<50%	11%	10%
50% - 70%	4%	4%
70% - 100%	1%	2%
>100%	0%	0%
Total[2]	**16%**	**16%**

1 Loan-to-Market Value is calculated using the indexation of the CBS (Central Bureau of Statistics).
2 Percentages of the total mortgage portfolio.

Breakdown of the residential mortgage portfolio by year of latest adjustment[1]
(in billions)



1 Includes the new mortgage production and all mortgages with an adjustment date.
2 Other includes universal life, life investment, hybrid and unclassified mortgage types. The hybrid portfolio consists of a combination of savings and investment mortgages.

The effects of the changes in the Dutch tax regulations are clearly reflected in the loan modification breakdown by year. Mortgage loan type originations in 2020 (defined as new production and mortgages with a loan type modification) comprised 26.1% interest-only, 67.8% redeeming mortgages and 0.8% savings mortgages. Interest-only and savings mortgages can still be produced for clients who want to refinance loans originated before 2013. The majority of the interest-only inflow is part of a mixed mortgage.

Commercial real estate (CRE)

The Dutch commercial real estate (investment) market shrank in 2020 due to the economic uncertainty caused by Covid-19 and the negative implications for various asset types. A total of EUR 17.9 billion was invested in 2020. This was a decrease of 17.2% compared with 2019 and the first decline in 10 years. The number of transactions (rental and buying) also decreased in 2020, by 20.9%.

Demand for office space is declining due to the economic contraction, rising unemployment and the work-from-home trend triggered by Covid-19. Although the number of transactions declined rapidly in 2020, most of the negative effects will be visible in 2021. Lower demand for office space will in future create scope for transforming offices into residential space.

The residential market is a late-cyclical market. Private rental prices consequently continued rising by 0.2% in 2020, but the growth rate is declining. The residential market will be affected by consumers' lower disposable income and by rising unemployment. This will put pressure on rents and on the value of residential buildings, although demand for private rental properties remains high due to rising house prices, stricter rules on mortgage lending, a lack of new-builds, and more limited access to rental properties in the social housing sector.

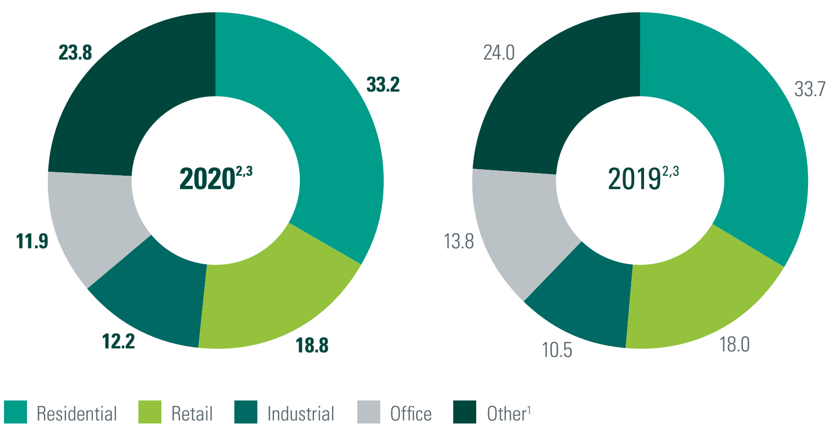
The industrial market benefited in 2020 from the strong rise in e-commerce. Although this trend had already been visible in the past few years, it gained momentum due to retail premises being closed in order to get Covid-19 under control. At the same time, the continuing rise of e-commerce is putting pressure on the retail market, which is struggling. As a result, vacancy rates for retail properties are increasing.

Commercial real estate (CRE) portfolio

In Q2 2020, we redefined the scope of our CRE portfolio in line with EBA guidelines on loan origination and monitoring. The CRE portfolio includes all loans aimed at acquiring CRE property or secured by CRE property, whereby CRE means any income-producing real estate, either existing or under development or renovation. It excludes social housing, property owned by end-users, buy-to-let housing below a market value of EUR 2 million and unsecured general purpose lending. The credit exposure relating to the above definition is monitored on a quarterly basis and subject to an EAD limit.

Adjusted for the new definition, the EAD increased to EUR 12.9 billion in 2020 (2019: EAD 12.2 billion). The stage 3 impaired ratio increased moderately to 3.5% (31 December 2019: 1.5%) as a result of Covid-19. The increase in the impairment rate was mainly visible for retail properties. The CRE loan portfolio is largely based on Dutch properties and consists primarily of investment loans that are well diversified across different asset types.

Asset type
(in %)



[1] Other asset types include mixed real estate and properties in the hospitality and parking industries.
[2] Excluding Private Banking International.
[3] Excluding collateral not defined as commercial real estate collateral, such as currency and deposits, financial guarantees and life insurance policies pledged.

Market risk

ABN AMRO is exposed to market risk in its trading book and banking book. The following table presents the market risk factors to which the assets and liabilities in the balance sheet are sensitive.

Total market risk exposure

Market risk exposure traded and non-traded risk

	31 December 2020			31 December 2019		
	Carrying amount	Market risk measure		Carrying amount	Market risk measure	
(in millions)		Traded risk	Non-traded risk		Traded risk	Non-traded risk
Assets subject to market risk						
Cash and balances at central banks	60,190		60,190	27,558		27,558
Financial assets held for trading	1,315	1,315		1,137	1,137	
Derivatives	6,381	5,040	1,341	5,730	4,498	1,232
Financial investments	47,455		47,455	45,277		45,277
Securities financing	16,725		16,725	14,905		14,905
Loans and advances banks	3,394		3,394	5,011		5,011
Loans and advances customers	252,159		252,159	267,604		267,604
Other assets	8,005		8,005	7,831		7,831
Total assets	**395,623**	**6,355**	**389,268**	**375,054**	**5,635**	**369,418**
Liabilities subject to market risk						
Financial liabilities held for trading	563	563		675	675	
Derivatives	7,391	6,159	1,233	6,505	5,347	1,158
Securities financing	11,363		11,363	8,234		8,234
Due to banks	36,719		36,719	12,785		12,785
Due to customers	238,570		238,570	234,991		234,991
Issued debt	66,949		66,949	75,275		75,275
Subordinated liabilities	8,069		8,069	10,041		10,041
Other liabilities	5,010		5,010	5,076		5,076
Total liabilities	**374,634**	**6,722**	**367,912**	**353,582**	**6,022**	**347,560**
Equity	20,989		20,989	21,471		21,471
Total liabilities and equity	**395,623**	**6,722**	**388,901**	**375,054**	**6,022**	**369,032**

Market risk in the banking book

Market risk in the banking book is the risk that the bank's value or income declines because of unfavourable market movements. The market risk in the banking book consists predominantly of interest rate risk and credit spread risk in the liquidity portfolio.

Interest rate risk

Interest rate risk arises from holding assets such as loans with interest rate maturities that are different from the interest rate maturities of liabilities, such as deposits. The assets have a longer average maturity than the liabilities. This applies to contractual as well as behavioural maturities.

ABN AMRO uses a combination of portfolio (macro) hedges and specific asset or liability (micro) hedges to swap fixed interest rates for floating interest rate positions. The resulting interest rate position, after application of interest rate hedges, is in line with the bank's strategy and risk appetite.

	31 December 2020	31 December 2019
NII-at-risk (in %)	-1.6	-1.0
PV01 (in EUR million)	-3.9	-7.0

NII-at-Risk

NII-at-Risk is the difference in net interest income (NII) between a base scenario and four alternative scenarios. It is defined as the worst outcome of the following scenarios: gradual increase or decrease in interest rates by 200bps and instantaneous increase or decrease of 100bps. All scenarios are measured over a time horizon of one year. NII-at-Risk covers all expected cash flows, including commercial margins and other spread components, from interest-rate-sensitive assets and liabilities and off-balance sheet items in the banking book. NII-at-Risk figures of December 2020 are calculated assuming balance sheet developments in line with corporate planning. For the NII-at-Risk calculated in December 2019, portfolio volumes were assumed to be static. Floors on the markets rates and specific products are applied. The interest rate floors define how low ABN AMRO assumes interest rates to go and consequently impact the downward scenarios used in NII-at-Risk. ABN AMRO periodically reviews the level of these interest rate floors.

The NII-at-Risk in December 2020 increased to -1.6% and reflects a reduction of NII in the scenario of a gradual decrease in interest rates by 200bps. The scenario with the worst outcome for NII differs from December 2019, which was an instantaneous decrease of interest rates by 100bps. The most positive NII occurs for the scenario where interest rates rise gradually by 200bps, in which NII would decrease from 5.6% to 4.6%, or an NII-at-Risk of -1.0%.

PV01

PV01 measures value changes resulting from a 1bp parallel shift of the yield curve. For internal risk management, shocks on individual maturities and larger shocks are also applied. PV01 exposure decreased by EUR 3.1 million in 2020. This decrease was due to various developments in markets and the balance sheet (such as the increase in saving deposits), which partially resulted from Covid-19 developments. ABN AMRO actively manages interest rate risk to keep it within the risk appetite.

Foreign exchange risk Audited

ABN AMRO monitors its foreign exchange risk through the bank's aggregated open currency position (OCP). The most material single open foreign exchange exposures are GBP and USD. The OCP position remained relatively stable throughout 2020.

	31 December 2020	31 December 2019
Total OCP (long, in EUR million)	95	122
OCP as % Total capital	0.4%	0.4%

Market risk in the trading book

Market risk exposure

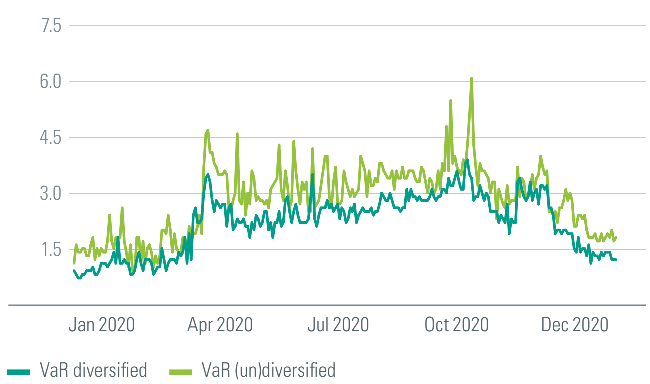
ABN AMRO applies a diversified portfolio VaR approach. This takes into account the fact that returns across risk factors may offset one another to a certain extent and consequently reduce risk. As long as these returns are not perfectly correlated to one another, VaR figures based on a diversified portfolio approach will be lower than if the figures are calculated using undiversified VaR.

Undiversified VaR means that the VaR figures computed for the different risk factors are summed up without taking into account any offset across risk factors, and therefore negates the potential for risk reduction.

The following graph shows the total 1-day VaR at a 99% confidence level ('VaR diversified') and aggregation of the stand-alone risk factors ('VaR undiversified').

VaR diversified and undiversified

(in millions)



Internal aggregated diversified and undiversified VaR for all trading positions Audited

(in millions)	31 December 2020 Diversified	31 December 2020 Undiversified	31 December 2019 Diversified	31 December 2019 Undiversified
VaR at last trading day of period	1.2	1.8	0.9	1.4
Highest VaR	3.9	6.1	2.4	4.9
Lowest VaR	0.7	0.9	0.6	0.9
Average VaR	2.2	2.8	1.1	1.9

Comparing 2019 to 2020, the average diversified 1-day VaR at a 99% confidence level moved from EUR 1.1 million to EUR 2.2 million. The highest diversified VaR in 2020 was EUR 3.9 million. The average undiversified VaR moved from EUR 1.9 million to EUR 2.8 million. The increase in the average VaR observed from 2019 to 2020 was driven by the market volatility observed in H1 2020, which resulted from Covid-19. The increasing effect of market volatility on VaR is partially offset by reduced positions.

Regulatory capital

RWA for market risk was EUR 1.3 billion (2019: EUR 1.4 billion). The RWA decrease was due to a decline in the stressed VaR, which was mainly driven by position changes. The effect of the Stressed VaR on market risk RWA was partially offset by an increase in the VaR, which was mainly driven by model changes, i.e. the increased market volatility in the 300-day VaR window.

IBOR Reform

In 2014, at the request of the G20, the Financial Stability Board issued a report on 'Reforming Major Interest Rate Benchmarks'. This report set out several recommendations for strengthening existing benchmarks for key interbank offered rates (IBORs) in unsecured lending markets, and for promoting the development and adoption of alternative nearly risk-free reference rates, where appropriate. These recommendations led to a fundamental review of the key interest rate benchmarks used in global financial markets.

In 2020, public authorities in various jurisdictions continued to make progress on reforming or replacing the existing benchmarks. In order to ensure a smooth transition, ABN AMRO introduced a bank-wide project, under the responsibility of the CFO and led by ALM and Treasury, to prepare the bank for the forthcoming changes in IBORs. This project includes senior representatives from all relevant functions across the bank. During 2020, the bank successfully completed the switch in the discounting regime for centrally cleared swaps. The change in the discounting regime for bilateral counterparties was also started during the year and will continue in 2021. The preparations made as part of the project and the changes already executed give confidence that the changes required in 2021, such as moving away from LIBOR, will be able to be executed successfully. For other benchmark interest rates, such as EURIBOR, that have been reformed and can therefore continue, financial instruments referencing those rates will not need to transition.

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Operational (non-financial) risk

Operational risk by risk type

Operational losses include direct losses as well as provisions for legal claims. Net operational loss may be negative, meaning provisions formed in the past are released when no payments are ultimately made to claimants. Losses are reported according to event categories such as External Fraud; Internal Fraud; Clients, Products & Business Practices; Execution, Delivery & Process Management; Employee Practices & Workplace Safety; Disaster & Public Safety, and Technology & Infrastructure Failures.

An overall negative net operational loss was recorded in 2020 due to a combination of released provisions and lower losses in some event categories. There were significant releases of provisioned legal claims in the event categories of External Fraud (including forgery, skimming and phishing) and Clients, Products & Business Practices (including disputes with clients). Secondly, losses due to External Fraud and Clients, Products & Business Practices were significantly lower than in 2019. In addition, the number of attacks on ABN AMRO ATMs in 2020 was 3, compared to 52 in 2019.

The highest total net loss in 2020 was recorded in the event category of Execution, Delivery & Process Management. This primarily consisted of one large loss incurred as a result of a flaw in execution. This loss also caused total loss in this event category to be slightly higher than in 2019. Risk awareness and continued strengthening of controls are helping to limit these losses.

Similarly, the net loss for Employee Practices & Workplace Safety increased compared to 2019. This category includes a provision formed for arbitration proceedings initiated by the pension fund in relation to the renewed collective labour agreement.

IT & Cyber risk

Remote capabilities for clients, vendors and employees were implemented on a large scale in 2020 as a result of the Covid-19 pandemic. Digital signing and video conferencing, for example, enabled ABN AMRO to continue offering a seamless service to clients. Similarly, our staff were able to work remotely as a result of our enhanced network capacity.

IT transformation continued through the adoption of Cloud services and DevOps ways of working. These were accompanied by improvements to safeguard ABN AMRO's overall security position against evolving threats (such as phishing and ransomware) and ensure regulatory compliance. We also devoted great efforts to ensuring the overall stability of our digital payment services and maintaining the operating effectiveness of our risk and control framework. Enhanced Distributed Denial of Service (DDoS) capabilities helped to mitigate incidents and limit disruption.

With our transition to open banking (PSD2), customer data (such as transactions and balances) can be aggregated, transferred, stored and used in a third party's infrastructure. This is associated with an increased risk profile for ABN AMRO's cyber security as it increases the attack surface for potential threats. We are continuously updating our risk management architecture to repel these threats.

Overall, information risk management remains a prominent area of attention for senior management and our supervisor. The robustness of the control environment, stability and availability of systems, and the underlying infrastructure and architecture are focus points both for strengthening our cyber posture and future-proofing our organisation.

Stability of digital services

The availability of the bank's internet banking services during prime time was an average of 99.82% in 2020, compared to 99.90% in 2019. Availability was impacted by a few operational incidents in 2020 that caused the bank to underperform the WfT norm on some occasions. However, these incidents were fully resolved and used as input for further improvements to processes and underlying systems.

ATM attacks

Although the number of attacks on ABN AMRO ATMs and seal bag machines decreased in 2020, these acts of criminality continue to pose risks to society as a whole as the use of heavy-duty explosives impact on the safety of people living near an ATM. ABN AMRO is continuing to work with the Dutch Banking Association and other relevant authorities to implement countermeasures.

Business continuity

Business continuity management (BCM) is a core part of our risk management framework. BCM respects the bank's three lines of defence model and is embedded in business and support functions, subsidiaries and countries. Mitigations such as business continuity plans, crisis management, business relocation plans and IT disaster recovery plans are in place to prepare for and deal with incidents and crises threatening the continuity of critical business processes. Evaluations and root cause analyses are also performed to analyse incidents and implement lessons learned.

During 2020 ABN AMRO's crisis management organisation proved able to respond adequately to the ongoing Covid-19 pandemic. Our measures, including large-scale working from home, reflected our twofold priority to protect employee safety and ensure business continuity. Nevertheless, these measures concurrently resulted in a higher reliance on remote access and therefore in elevated risks regarding network stability and cyber security. We are continuing to proactively manage these risks to business continuity in line with developments in the Netherlands and other geographies relevant to our businesses and operations.

Change risk

An increasingly high pace of change is necessary to achieve our strategic ambitions and deliver on stakeholders' expectations. To this end, the 2020 strategy review focused on rigorously simplifying the product landscape and centralising the operating model. This will further support the bank's efforts to better serve its clients and work more efficiently. Against this backdrop, change management has become an even more important pillar of ABN AMRO's risk management framework. In 2020, we therefore matured our change management framework by implementing a new change management policy, together with enhanced key risk indicators (KRIs), standards and agile practice guides, and strengthened governance.

Data management

Data management remained within the purview of both senior management and local stakeholders during 2020. ABN AMRO made further steps to strengthen its data management capabilities by introducing a data governance policy, a Joint Master Plan on data and more granular data quality reporting. These were important milestones in our multi-year approach to improve the data management framework. ABN AMRO fully recognises that inadequate data management poses significant risks to innovation, risk management and decision-making, as well as to regulatory compliance.

Compliance risk

As reconfirmed in the update of the bank's strategy, our licence to operate and our culture remain clear priorities, also for the Compliance function. ABN AMRO has been making progress in enhancing its Compliance function and 'trust by design'. Management of compliance risk across the organisation is one of Risk Management's priorities that translates into further enhancement of the Compliance function on the basis of continuing structural improvements and a focus on the stature, permanence and maturity of the function.

Regulatory capital

Operational risk RWA calculated using the Advanced Measurement Approach (AMA) decreased in 2020 to EUR 16.7 billion (2019: EUR 19.4 billion). This outcome was partly explained by a continued trend of declining operational risk losses. The decrease was also attributable to the removal of regulatory capital add-ons. In 2020, the vast majority of the ECB's findings on the capital calculation process were resolved by ABN AMRO, and this meant the associated capital add-ons could be removed.

ABN AMRO's current operational risk capital level (15% of gross income) is still relatively conservative compared with peer banks with a moderate risk profile (14% of gross income, based on ORX benchmark data).

Liquidity risk

The objective of liquidity management is to manage the bank's liquidity position and to comply at all times with internal, regulatory and other relevant liquidity requirements. Various indicators are used to measure the liquidity objectives.

Liquidity risk management

Liquidity risk indicators

	31 December 2020	31 December 2019
Available liquidity buffer (in billions)[1]	106.3	80.5
Survival period (moderate stress)	> 12 months	> 12 months
LCR[2]	149%	134%
NSFR	>100%	>100%
Loan-to-Deposit ratio	106%	114%

[1] The mandatory cash reserve with the central bank has been deducted from the cash and central bank deposits in the liquidity buffer.
[2] Consolidated LCR based on a 12-month rolling average.

The survival period reflects the period that the liquidity position is expected to remain positive in an internally developed (moderate) stress scenario. This scenario assumes wholesale funding markets deteriorate and retail, private and corporate clients withdraw part of their deposits. The survival period in 2020 was consistently above 12 months. The liquidity coverage ratio (LCR) and the net stable funding ratio (NSFR) both remained above 100% throughout 2020.

Loan-to-Deposit ratio Audited

Loans and advances customers decreased to EUR 252.2 billion at 31 December 2020 (31 December 2019: EUR 268.1 billion) due to a decline in the corporate loan book, mainly in CIB non-core. Due to customers increased to EUR 238.6 billion at 31 December 2020 (31 December 2019: EUR 235.0 billion), reflecting increased client savings behaviour in response to the impact of Covid-19. The Loan-to-Deposit (LtD) ratio decreased to 106% at 31 December 2020 (31 December 2019: 114%) as loans and advances customers decreased while due to customers increased.

Liquidity buffer composition Audited

	31 December 2020			31 December 2019		
	Liquidity buffer	LCR eligible		Liquidity buffer	LCR eligible	
(in billions)		Level 1	Level 2		Level 1	Level 2
Cash & central bank deposits[1]	58.0	58.0		25.1	25.1	
Government bonds	35.8	33.6	2.5	35.1	33.5	2.1
- of which green bonds	*0.8*	*0.8*		*0.3*	*0.3*	
Covered bonds	3.1	2.8	0.2	3.2	2.9	0.2
- of which green bonds	*0.2*	*0.1*		*0.1*	*0.1*	
Retained issuances	2.9			9.6		
Other	6.5	6.5	0.1	7.5	7.0	0.6
Total liquidity buffer	**106.3**	**100.9**	**2.8**	**80.5**	**68.5**	**2.9**
- of which in EUR	*88.2%*			*84.5%*		
- of which in other currencies	*11.8%*			*15.5%*		

[1] The mandatory cash reserve with the central bank has been deducted from the cash and central bank deposits in the liquidity buffer.

The liquidity buffer consists largely of cash and deposits at central banks, government bonds and retained RMBS securities. Most of the securities in the liquidity buffer, with the exception of retained RMBS and retained covered bonds, qualify for the LCR. Furthermore, the liquidity buffer faces haircuts based on the market value. These haircuts are used to determine the liquidity value. Haircuts may differ between the liquidity buffer and the LCR eligible buffer as the internal assessment of the liquidity buffer may deviate from the LCR definition. The liquidity buffer increased by EUR 25.8 billion to EUR 106.3 billion at 31 December 2020 (31 December 2019: EUR 80.5 billion), mainly driven by an increase in cash and central bank deposits reflecting our participation in TLTRO III, a decreasing loan book and an increasing deposit base. This was partly offset by a decrease in retained issuances.

Liquidity buffer currency diversification Audited

(in billions, liquidity value)	31 December 2020	31 December 2019
EUR	93.7	68.0
USD	8.0	8.9
JPY	2.5	2.1
GBP	0.3	0.3
Other	1.7	1.2
Total	**106.3**	**80.5**

The above table shows the breakdown per currency in the liquidity buffer. The currency composition reflects the composition of the balance sheet, which mainly consists of EUR and USD exposures. The monthly averages of the liquidity buffer are shown in the table below.

Liquidity buffer composition – monthly average Audited

(in billions, liquidity value)	2020	2019
Cash & central bank deposits[1]	43.3	28.0
Government bonds	36.6	36.0
Covered bonds	3.2	3.5
Retained issuances	7.6	6.2
Other	7.6	8.4
Total	**98.3**	**82.0**

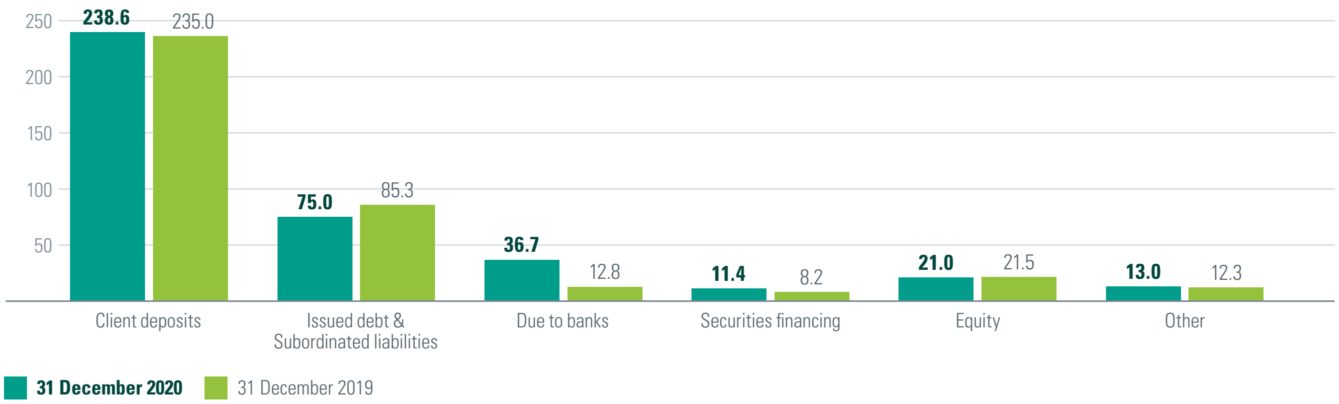
[1] The mandatory cash reserve with the central bank has been deducted from the cash and central bank deposits in the liquidity buffer.

Funding

Liability and equity breakdown Audited

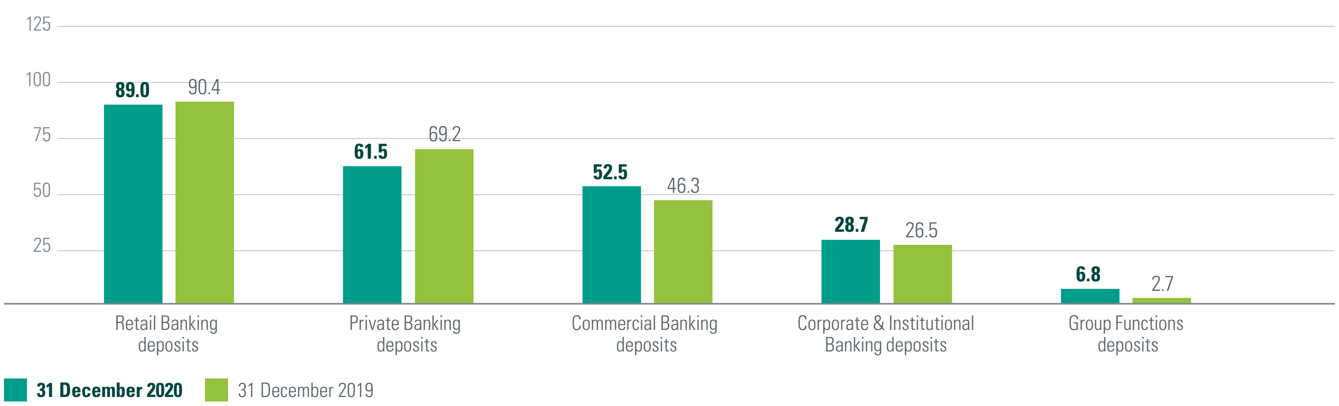
Client deposits are our main source of funding, complemented by a well-diversified book of wholesale funding. The graph below shows the liability and equity breakdown for the full balance sheet.

Liability and equity breakdown Audited
(in billions)



The graph below shows the breakdown of client deposits by segment.

Breakdown of client deposits Audited
(in billions)



Available funding instruments Audited

A key goal of the funding strategy is to diversify funding sources. Our funding programmes allow us to issue various instruments in different currencies and markets, enabling us to diversify our investor base. The table below shows a breakdown of total funding instruments.

Overview of funding types Audited

(in millions)	31 December 2020		31 December 2019	
Total Commercial Paper/Certificates of Deposit		**9,283**		**14,666**
Covered bonds	34,443		34,014	
Secured funding (long term)		**34,443**		**34,014**
Senior preferred (medium-term notes)	20,679		26,595	
- of which green bonds	*2,047*		*2,542*	
Senior non-preferred	2,544			
Unsecured funding (long term)		**23,223**		**26,595**
Total issued debt		**66,949**		**75,275**
Subordinated liabilities		8,069		10,041
Other long-term funding[1]		32,755		8,733
Total funding instruments[2]		**107,773**		**94,049**
- of which matures within one year		*21,213*		*28,822*

[1] Includes TLTRO funding (recorded in due to banks) and funding with the Dutch State as counterparty (recorded in due to customers).
[2] Includes FX effects, fair value adjustments and interest movements.

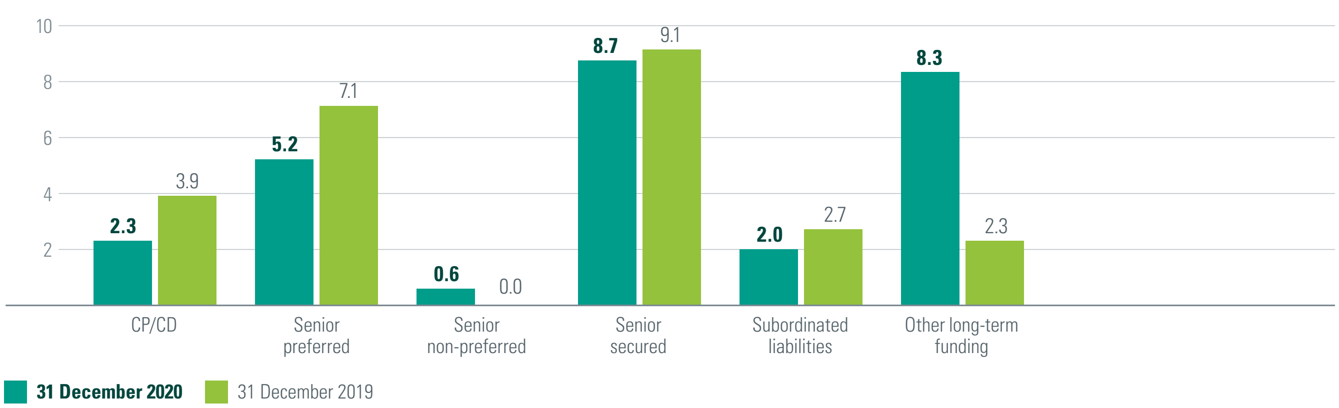
Total funding instruments increased to EUR 107.8 billion at 31 December 2020 (31 December 2019: EUR 94.0 billion). Total wholesale funding (issued debt and subordinated liabilities excluding TLTRO funding and funding with the Dutch State as counterparty) decreased to EUR 75.0 billion at 31 December 2020 (31 December 2019: EUR 85.3 billion), driven by a decrease in unsecured medium-term notes, subordinated liabilities and commercial paper and certificates of deposits. This reflects the increase in central bank (TLTRO III) funding and a decline in the corporate loan book, resulting in a lower wholesale funding need. The following graph shows the development of the total funding instruments relative to the balance sheet totals at 31 December 2020 and 31 December 2019.

Long-term funding components

The following graph shows an overview of long-term funding outstanding at 31 December 2020 and 31 December 2019. The information presented is based on notional values and therefore differs from the above information owing to discrepancies between the notional values and issue prices and the fair value hedge accounting adjustments.

Funding vs balance sheet total Audited

(as % of total assets)



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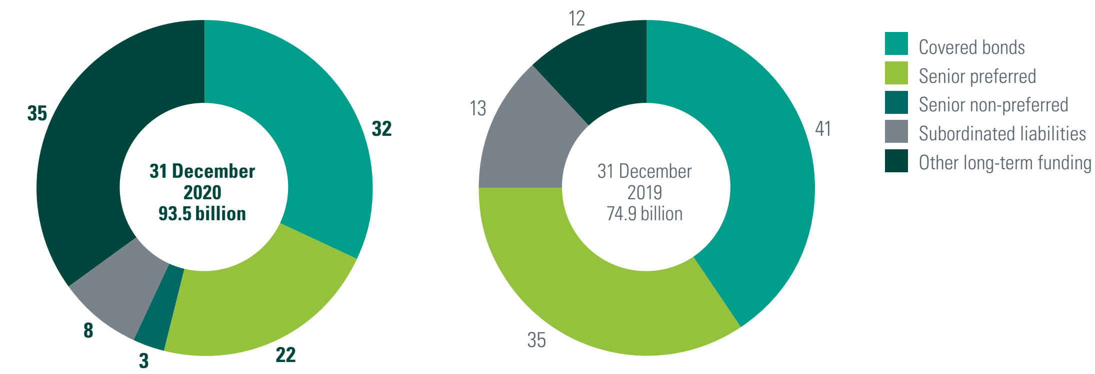
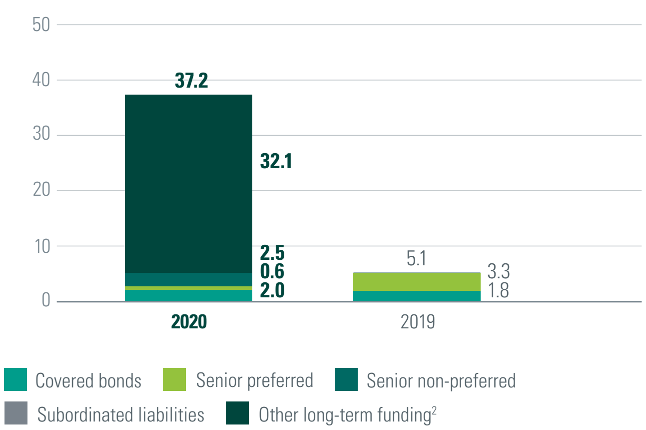
Long-term funding components Audited
(in %)



Funding issuance in 2020 Audited

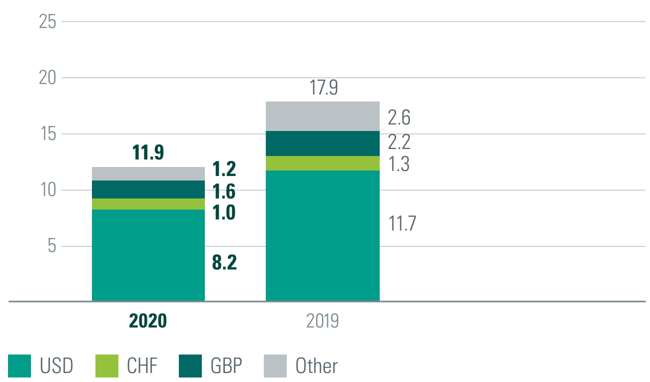
Total wholesale funding raised in 2020 amounted to EUR 5.1 billion. This included EUR 2.0 billion of covered bonds, EUR 0.6 billion of senior preferred funding and EUR 2.5 billion of senior non-preferred funding. The senior non-preferred funding replaced the redemption of EUR 2.5 billion subordinated liabilities. In addition, ABN AMRO repaid EUR 8.0 billion TLTRO II borrowings and participated for EUR 32.0 billion in TLTRO III. Capital instruments are excluded in the long-term funding overview and included in the Capital review section, which provides a complete overview of all outstanding capital instruments.

Long-term funding raised in 2019 and 2020[1] Audited
(notional amounts at issuance, in billions)



Long-term wholesale funding in non-euro currencies declined to 19.7% of total outstanding long-term wholesale funding, compared with 25.4% at 31 December 2019. In 2020, the bank raised its long-term funding and capital instruments mainly in euros. The diversification of the outstanding long-term funding in non-euro currencies is shown in the following graph.

Non-euro currency diversification of total outstanding long-term funding Audited
(in billions)



Maturity calendar

We target a maturity profile where redemptions of funding instruments are well spread over time. The average remaining maturity of newly issued wholesale funding increased to 8.6 years at year-end 2020 (8.4 years at year-end 2019), not taking into account other long-term funding. The average remaining maturity of outstanding long-term funding decreased to 4.6 years at year-end 2020 (down from 4.8 years at year-end 2019). The maturity calendar assumes redemption on the earliest possible call date or the legal maturity date, which does not mean that the instruments will be called at the earliest possible call date. Early redemption of subordinated instruments is subject to approval by the regulator.

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Maturity calendar Audited

(notional amounts, in billions)	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	≥ 2031	Total
												31 December 2020
Covered bonds	2.5	2.7	1.9	1.8	0.5	1.6	0.6	0.7	0.4	1.9	15.5	30.2
Senior preferred	7.3	4.5	2.4	1.8	3.0	0.8	0.2	0.1		0.1	0.3	20.4
Senior non-preferred					1.3		1.3					2.5
Subordinated liabilities	1.5	1.5	2.3		1.2	0.8					0.2	7.6
Other long-term funding[1,2]	0.4		32.0			0.3	0.2					32.8
Total long-term funding	**11.7**	**8.6**	**38.7**	**3.6**	**5.9**	**3.5**	**2.2**	**0.7**	**0.4**	**2.0**	**16.1**	**93.5**

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	≥ 2030	Total
												31 December 2019
Total long-term funding	14.1	16.0	8.5	6.8	3.6	4.2	3.6	1.0	0.7	0.5	16.0	74.9

1 Other long-term funding includes Targeted Long-Term Refinancing Operations (TLTRO) III and funding with the Dutch State as counterparty.
2 The TLTRO III of EUR 32.0 billion is reported at the legal maturity of three years, although there is a voluntary repayment option after one year.

Capital

Capital structure

Regulatory capital structure Audited

(fully-loaded, in millions)		31 December 2020		31 December 2019
Total equity (EU IFRS)		**20,989**		**21,471**
Cash flow hedge reserve		1,854		1,648
Dividend reserve		-639		-668
AT1 capital securities (EU IFRS)		-1,987		-1,987
Regulatory and other adjustments		-669		-551
Common Equity Tier 1		**19,548**		**19,913**
AT1 capital securities (EU IFRS)		1,987		1,987
Regulatory and other adjustments		-5		-5
Tier 1 capital		**21,530**		**21,895**
Subordinated liabilities (EU IFRS)	8,069		10,041	
Regulatory and other adjustments	-3,405		-3,505	
Tier 2 capital		**4,664**		**6,536**
Total regulatory capital		**26,195**		**28,431**

Regulatory capital flow statement Audited

(fully-loaded, in millions)	2020	2019
Common Equity Tier 1 capital		
Balance at 1 January	**19,913**	**19,346**
Addition of net profit attributable to owners of the parent company	-45	2,046
Reserved dividend		-668
Interim dividend paid		-564
Other, including regulatory adjustments	-320	-246
Balance at 31 December	**19,548**	**19,913**
Additional Tier 1 capital		
Balance at 1 January	**1,982**	**1,981**
Newly issued Tier 1 eligible capital instruments	992	
Redeemed Tier 1 eligible capital instruments	-994	
Other, including regulatory adjustments	1	2
Balance at 31 December	**1,982**	**1,982**
Tier 1 capital	**21,530**	**21,895**
Tier 2 capital		
Balance at 1 January	**6,536**	**6,441**
Redeemed Tier 2 ineligible capital instruments	-1,493	
Other, including regulatory adjustments	-379	95
Balance at 31 December	**4,664**	**6,536**
Total regulatory capital	**26,195**	**28,431**

RWA Audited

(in millions)	31 December 2020	31 December 2019
Credit risk	**92,462**	89,071
- of which standardised	*9,131*	*8,695*
- of which advanced	*83,330*	*80,376*
Operational risk	**16,685**	19,391
- of which standardised	*678*	*910*
- of which advanced	*16,007*	*18,481*
Market risk	**1,334**	1,362
- of which standardised	*8*	*6*
- of which advanced	*1,327*	*1,357*
Total RWA	**110,481**	**109,825**

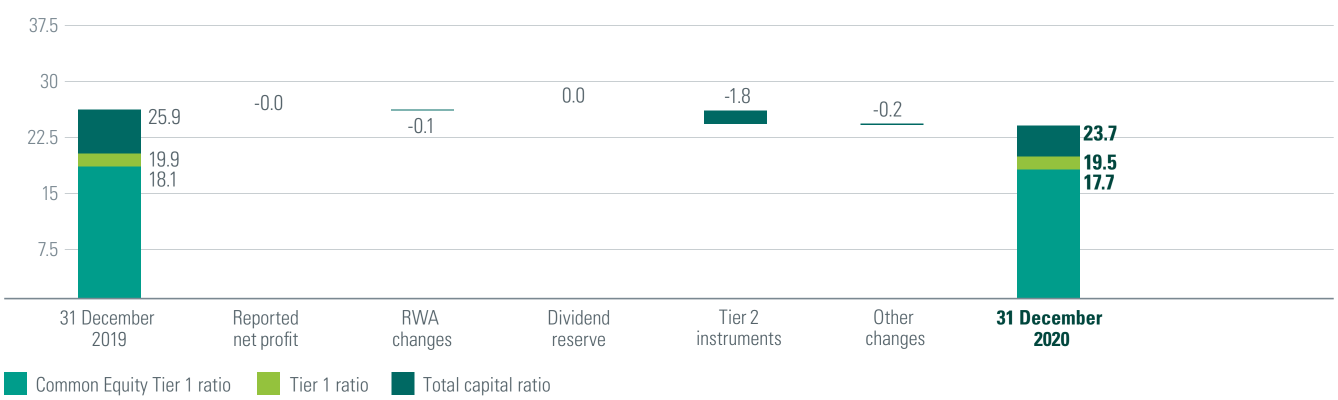
Main developments in capital position

We set out our updated capital framework at the Investor Update of November 2020, despite various uncertainties. This updated framework reflects regulatory developments as well as the current environment and our strategy. We continue to report on and comply with Basel III as current solvency requirements are based on Basel III. However, according to the Basel Committee, Basel IV is to be implemented by January 2023. Since Basel IV requirements are more onerous and imminent, we have adopted Basel IV as our primary capital metric, with a Basel IV CET1 target ratio of 13%.

At 31 December 2020, the Basel III Common Equity Tier 1 (CET1), Tier 1 and total capital ratios were 17.7%, 19.5%, and 23.7% respectively (December 2019: 18.1%, 19.9% and 25.9% respectively). The CET1 capital position decreased compared to 31 December 2019, mainly driven by a capital deduction of EUR 0.2 billion related to the regulatory guidance on non-performing exposure (NPE) and, to a lesser extent, by FX movements and the year-to-date loss over 2020. The final dividend for 2019 remains reserved as dividend and has not been included in the CET1 capital (inclusion in CET1 capital would result in a pro forma CET1 ratio of 18.3%). All capital ratios were in line with the bank's risk appetite and were comfortably above regulatory requirements.

The following chart shows the primary drivers of the Basel III capital ratios in 2020.

Developments impacting capital ratios in 2020
(in %)



The targeted review of internal models (TRIM) has become much clearer, given that we have received the final TRIM letter for advanced IRB models applied to corporate exposures. The final two draft TRIM letters for commodities, as well as for banks and financial institutions, have also been received. Since Q4 2018, we have recorded approximately EUR 21 billion of RWA add-ons in respect of TRIM, model reviews and the new definition of default. The TRIM process is finalising. In the upcoming quarters, further increases in RWA may be required as the final outcomes of two draft TRIM letters are expected and models (including mortgage models) are reviewed. The risk weight floor for mortgages announced by DNB, which could further increase Basel III RWA for mortgages, has been postponed until further notice.

We have updated our CET1 target ratio to 13% under Basel IV. This consists of a management buffer on top of our SREP capital requirement and Pillar 2 guidance. Based on our interpretation of the Basel IV framework and on our expectation of how Basel IV standards will be implemented in EU legislation, the fully-loaded Basel IV CET1 ratio was estimated to be above 15% on 31 December 2020, comfortably above target. The assumptions applied in our calculations will be updated once we have more information on EU implementation. Basel IV calculations are also subject to uncertainties stemming from data limitations, management actions and other portfolio developments (including the wind-down of the CIB non-core portfolio). The first effects of measures implemented to mitigate Basel IV inflation are visible in the RWA and we are continuing to work on further mitigations to reduce the Basel IV RWA inflation.

The wind-down of the non-core portfolio in CIB is progressing steadily, contributing to our current strong capital ratios under Basel III and Basel IV and strengthening our future outlook. The finalisation of TRIM for corporates and the draft TRIM letter for commodities and for banks and financial institutions provided us with more clarity on the TRIM impact. However, we are currently also encountering a number of capital headwinds and uncertainties, including elevated impairments due to Covid-19, the low interest rate environment, the final TRIM outcome and model reviews, EU implementation of Basel IV, the AML investigation and the NPE calendar provisioning.

We continue to expect regulatory capital headwinds from the industry-wide non-performing exposure (NPE) guidance and minimum coverage levels for the existing stock of NPEs expected by the supervisory authorities. In Q2 2019, we recorded a supervisory capital deduction of around EUR 0.2 billion. An additional capital deduction of EUR 0.2 billion was recorded in Q4 2020 to meet supervisory expectations on NPE. During the phase-in from 2021 to 2024, we estimate that the combined annual impact of NPE regulations will be of a similar order of magnitude. The wind-down of the CIB non-core portfolio may result in a lower impact, while the effect of recalibrations based on Covid-19 and recent impairments is still uncertain. We are working on mitigating actions aimed at increasing NPE velocity by intensifying management attention for clients in FR&R and realising potential NPE divestments, subject to market conditions.

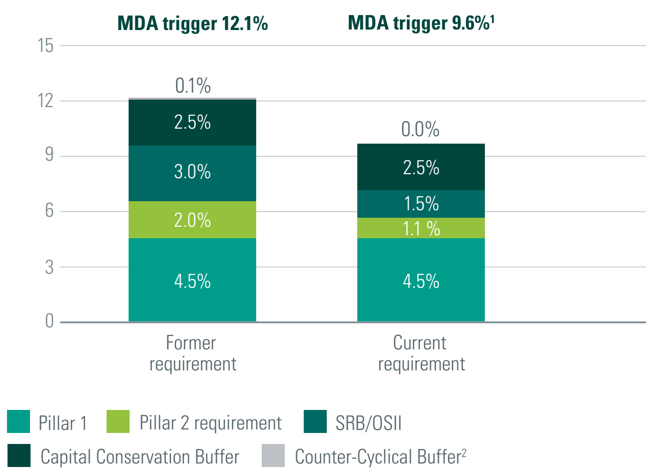
Developments impacting capital ratios in 2020

Common Equity Tier 1 capital

CET1 capital decreased in 2020, mainly reflecting a capital deduction of EUR 0.2 billion related to the regulatory guidance on non-performing exposure (NPE) and, to a lesser extent, FX movements and the year-to-date loss over 2020. The final dividend for 2019 remains reserved as dividend and has not been included in the CET1 capital.

The maximum distributable amount (MDA) trigger level has been temporarily reduced to 9.6% (excluding AT1 shortfall) owing to several capital relief measures announced by the European Central Bank (ECB) and the Dutch Central Bank (DNB) in March 2020 to support banks in serving the economy and addressing operational challenges. The ECB brought forward changes in CRDV, allowing banks to use Additional Tier 1 and Tier 2 to satisfy parts of the Pillar 2 requirements. DNB abolished the systemic risk buffer and lowered the other systemically important institutions (OSII) buffer from 2% to 1.5%. In the future, DNB is expected to gradually increase the counter-cyclical capital buffer from 0% to 2% of Dutch risk-weighted exposures as the economy improves. The reported CET1 ratio of 17.7% under Basel III is considerably above the MDA trigger level of 9.6%. The bank remains committed to maintaining a significant buffer in excess of its regulatory requirements at all times.

Capital requirements before and after relief measures



[1] Excluding AT1 shortfall of 0.1%.
[2] CCyB decreased due to reduction of local CCyBs in countries where ABN AMRO is present.

Additional Tier 1

In May 2020, ABN AMRO issued an AT1 instrument to replace an outstanding AT instrument that was redeemed in September 2020. A total of EUR 2.0 billion of AT1 instruments is currently outstanding. The AT1 instruments have triggers at the bank consolidated level (7.0% CET1) and solo level (5.125% CET1). If the CET1 ratio breaks through the trigger level, the AT1 is temporarily written down. ABN AMRO is comfortably above the trigger levels, with the bank consolidated CET1 ratio at 17.7% and the bank solo CET1 ratio at 17.3%. Available distributable items at 31 December 2020 amounted to EUR 17.9 billion (December 2019: EUR 18.5 billion).

Tier 2 capital

The fully-loaded total capital ratio (23.7%) decreased by 2.2 percentage points compared to 31 December 2019 (25.9%). This was mainly due to the redemption of a EUR 1.5 billion Tier 2 instrument at 30 June 2020 and, to a lesser extent, to the capital deduction of EUR 0.2 billion related to the regulatory guidance on NPE.

Senior non-preferred capital

A total of EUR 2.5 billion of senior non-preferred instruments is currently outstanding. The bank issued its first tranche of EUR 1.25 billion in senior non-preferred notes in January 2020 and its second tranche of EUR 1.25 billion in May 2020.

Risk-weighted assets

Total RWA increased to EUR 110.5 billion (31 December 2019: EUR 109.8 billion) due to an increase in credit risk RWA, offset by a decrease in operational risk RWA. Market risk RWA remained stable. The increase in credit risk was predominantly driven by regulatory add-ons (including TRIM) and the introduction of the new definition of default. This movement was partly offset by business developments, largely related to the wind-down of the non-core portfolio of CIB. Operational risk decreased in line with the declining trend of operational losses and the removal of regulatory capital add-ons.

Further information on share capital, dividend and capital instruments

Share capital

The share capital remained unchanged in 2020. At 31 December 2020, the authorised share capital amounted to EUR 2,400 million, distributed as 2,200 million class A ordinary shares and 200 million class B ordinary shares. Class A and B ordinary shares have a nominal value of EUR 1.00 each.

At 31 December 2020, issued and paid-up capital amounted to EUR 940 million and consisted of 940 million class A ordinary shares. Further information is provided in Note 32 Equity attributable to owners of the parent company in the Consolidated Annual Financial Statements.

Dividend

On 15 December 2020, the ECB revised its recommendation on dividend payments and reiterated that banks should exercise extreme prudence with regard to capital distributions. To this end, the ECB recommends that banks refrain from distributing any cash dividends or conducting share buy-backs, or to limit such distributions, until 30 September 2021. Given the persisting uncertainty over the economic impact of the Covid-19 pandemic, the ECB expects dividends and share buy-backs to remain below the lower of 15% of the cumulated profit for 2019-2020 and 20 basis points of the CET1 ratio. Moreover, for banks that have already distributed dividends or conducted share buy-backs to remunerate shareholders with regard to the 2019 financial year, the profit definition includes only the 2020 profit. Banks that intend to pay dividends or buy back shares need to be profitable and have robust capital trajectories. After 30 September 2021, and subject to the absence of materially adverse developments, the ECB intends to repeal the recommendation and return to assessing banks' capital and distribution plans based on the outcome of the normal supervisory cycle.

Based on this revised ECB recommendation and the year-to-date loss, no dividend will be proposed over 2020. Furthermore, the profit for 2019 (including the full-year 2019 dividend reserve) is out of scope for payment at Q4 2020 due to the interim dividend paid in 2019. The payment of AT1 coupons is not affected by the ECB's recommendation as the CET1 ratio is well above the MDA trigger level and there are no constraints in availability of distributable items (EUR 17.9 billion).

ABN AMRO is committed to resuming payment of dividends sustainably, conditions permitting. For the time being, we will follow the ECB recommendation and refrain from distributing capital. The payout (or release) of accrued full-year 2019 dividend will be prudently considered after 30 September 2021, taking account of the status of the ECB dividend recommendation, as well as conditions and prospects at that time. Until a decision has been made, the final dividend for 2019 will not be included in the CET1 capital.

Capital instruments

Capital instruments Audited

(in millions)	ISIN/CUSIP	Maturity date	First possible call date	31 December 2020 Nominal amount	31 December 2020 Carrying amount	31 December 2019 Nominal amount	31 December 2019 Carrying amount
Tier 1[1]							
EUR 1,000 million 5.75% per annum[2]	XS1278718686					1,000	994
EUR 1,000 million 4.375% per annum	XS2131567138	Perpetual	September 2025	1,000	993		
EUR 1,000 million 4.75% per annum	XS1693822634	Perpetual	September 2027	1,000	994	1,000	994
Total Tier 1 capital instruments				**2,000**	**1,987**	**2,000**	**1,987**
Tier 2							
EUR 1,228 million 6.375% per annum	XS0619548216	April 2021		1,228	1,280	1,228	1,345
USD 595 million 6.250% per annum	XS0619547838	April 2022		484	508	522	559
EUR 1,000 million 7.125% per annum	XS0802995166	July 2022		1,000	1,061	1,000	1,096
USD 113 million 7.75% per annum	US00080QAD79/ USN0028HAP03	May 2023		92	96	99	103
EUR 1,500 million 2.875% per annum[2]	XS1253955469					1,500	1,522
USD 1,500 million 4.75% per annum	US00080QAF28/ XS1264600310	July 2025		1,221	1,354	1,317	1,408
SGD 450 million 4.7% per annum	XS1341466487	April 2026	April 2021	277	281	292	302
USD 1,000 million 4.8% per annum	US0008DAL47/ XS1392917784	April 2026		814	869	878	891
EUR 1,000 million 2.875% per annum	XS1346254573	January 2028	January 2023	1,000	1,045	1,000	1,047
USD 1,500 million 4.4% per annum	XS1586330604	March 2028	March 2023	1,221	1,284	1,317	1,371
USD 300 million 5.6% per annum	XS1385037558	April 2031		244	274	263	275
EUR various smaller instruments		2023 -2025		15	16	121	122
Total Tier 2 capital instruments				**7,595**	**8,069**	**9,540**	**10,041**
- of which eligible for regulatory capital:							
Basel III, Tier 1 (fully-loaded)				2,000		2,000	
Basel III, Tier 2 (fully-loaded)				4,664		6,536	

[1] AT1 capital securities. For both AT1 instruments, the CET1 Trigger levels are 7.0% for ABN AMRO Bank level, and 5.125% for ABN AMRO Bank solo level. The amount of available distributable items for ABN AMRO Bank N.V. per 31 December 2020 totals EUR 17.9 billion (31 December 2019: EUR 18.5 billion).
[2] Redeemed in 2020.

Movements in subordinated liabilities Audited

(in millions)	2020 Carrying amount	2019 Carrying amount
Balance as at 1 January	**10,041**	**9,805**
Cash flows		
Issuance	35	
Redemption	-1,669	-8
Non-cash changes		
Foreign exchange differences	-445	102
Other	108	141
Balance as at 31 December	**8,069**	**10,041**

Minimum capital requirements Audited

The Pillar 1 capital requirement is the absolute minimum amount of capital required to cover the three major types of risk a bank faces: credit risk, operational risk and market risk, as determined in the Capital Requirements Directive (CRD) IV Pillar 1 framework. The following table provides an overview of RWA and minimum capital requirements per risk type, category of exposure and regulatory approach.

Minimum capital requirements Audited

	31 December 2020		31 December 2019	
(in millions)	Capital requirement	RWA	Capital requirement	RWA
Credit risk IRB				
Central governments and central banks	83	1,033	74	926
Institutions[1]	152	1,905	131	1,639
Corporates	4,079	50,985	3,193	39,917
Retail	1,241	15,508	1,390	17,378
- of which secured by immovable property	*966*	*12,080*	*1,096*	*13,703*
- of which qualifying revolving exposures	*99*	*1,240*	*115*	*1,439*
- of which other retail	*175*	*2,188*	*179*	*2,237*
Equities not held for trading	272	3,397	294	3,669
Securitisation positions	6	70	3	32
Credit valuation adjustment			30	370
Other[2]	835	10,432	1,315	16,443
Total credit risk IRB	**6,666**	**83,330**	**6,430**	**80,376**
Credit risk SA				
Central governments and central banks	1	12		2
Institutions[1]	68	846	109	1,366
Corporates	425	5,309	380	4,756
Retail	124	1,550	88	1,099
Secured by mortgages on immovable property	19	233	21	259
Exposures in default	12	146	10	130
Credit valuation adjustment	14	175		
Other[2]	69	859	87	1,084
Total credit risk SA	**730**	**9,131**	**696**	**8,695**
Other risks				
Market risk	107	1,334	109	1,362
- of which Standardised Approach	*1*	*8*		*6*
- of which Internal Model Approach	*106*	*1,327*	*109*	*1,357*
Operational risk	1,335	16,685	1,551	19,391
- of which Standardised Approach[3]	*54*	*678*	*73*	*910*
- of which Advanced Measurement Approach	*1,281*	*16,007*	*1,478*	*18,481*
Total other risks	**1,442**	**18,019**	**1,660**	**20,754**
Total	**8,838**	**110,481**	**8,786**	**109,825**

1 Institutions include exposures to banks and investment companies, regional and local governments and pension funds.
2 Other includes non-credit obligations.
3 Including Basic Indicator Approach.

Main regulatory developments

According to the Basel Committee, Basel IV needs to be implemented by January 2023, with a 5-year phase-in period of the output floor. An EU proposal for Basel IV is expected in Q2 2021. Given recent TRIM and model review developments, constrained IRB RWA and output floored RWA are no longer expected to be materially different in a Basel IV fully-loaded situation at bank level. As a result, the benefit of the phase-in period will effectively be eliminated. The gap between Basel III and Basel IV is expected to converge further in 2021 to below 10% by year-end 2021. This is largely due to add-ons from a possible DNB mortgage floor and the move of specific portfolios to the Basel III foundation or standardised approach. We have updated our CET1 target ratio to 13% under Basel IV.

Based on our interpretation of the Basel IV framework and on our expectations of how Basel IV standards will be implemented in EU legislation, the fully-loaded Basel IV CET1 ratio was estimated to be above 15% on 31 December 2020, comfortably above target.

The CRR fully-loaded CET1 ratio at 31 December 2020 was 17.7%, which was equal to the CRR phase-in CET1 ratio. Under the CRD IV/CRR fully-loaded rules, the amount of CET1 capital and RWA are equivalent to those under the phase-in rules. The CRR fully-loaded total capital ratio at 31 December 2020 was 23.7%, which was slightly lower than the CRR phase-in total capital ratio of 23.9%. In 2020, the fully-loaded ratio was lower than the phase-in ratio due to the grandfathering of some T2 capital instruments.

Impact of CRD IV/CRR fully-loaded rules on capital ratios

	Fully-loaded
31 December 2020	
Common Equity Tier 1 capital	19,548
Common Equity Tier 1 ratio	17.7%
Common Equity Tier 1 ratio (Basel IV)[1]	15%
Tier 1 capital	21,530
Tier 1 ratio	19.5%
Total regulatory capital[2]	26,195
Total capital ratio[2]	23.7%
RWA	110,481
Leverage ratio (CDR)	5.0%

[1] Basel IV results are based on fully-loaded figures, rounded to the nearest whole percent and subject to the implementation of Basel IV standards into EU legislation.
[2] Under the current CRD IV/CRR phased-in rules the total regulatory capital is EUR 24 million and the total capital ratio is 21.5% per 31 December 2020 as reported in the prudential returns to DNB.

The fully-loaded total capital ratio is lower than the phase-in ratio because the non-CRR-compliant Tier 2 capital ('grandfathered') instruments are excluded from the fully-loaded ratio. The grandfathering provisions were introduced in the CRR to ensure that institutions had sufficient time to meet the requirements set out by the new definition of 'own funds', which relates to the total regulatory capital. Certain capital instruments that did not comply with the new definition were grandfathered for a transition period, with the objective of phasing them out from the total regulatory capital. The transition period will expire at the end of 2021.

Leverage ratio

	31 December 2020	31 December 2019
(in millions)	Fully-loaded	Fully-loaded
Tier 1 capital	**21,530**	**21,895**
Exposure measure (under CDR)		
On-balance sheet exposures	395,623	375,054
Off-balance sheet exposures	32,781	36,416
On-balance sheet netting	6,263	8,275
Derivative exposures	58,497	67,738
Securities financing exposures	3,115	4,376
Other regulatory measures	-65,801	-7,550
Exposure measure	**430,478**	**484,309**
Impact CRR2 (incl. SA-CCR)	-56,879	-64,752
Central bank exposure	56,133	
Exposure measure (incl. CRR2)	**429,732**	**419,557**
Leverage ratio (CDR)	5.0%	4.5%
Leverage ratio (incl. CRR2)	5.0%	5.2%

The Capital Requirements Regulation (CRR) includes a non-risk-based leverage ratio. Based on the current requirement (i.e. CEM methodology for derivative exposures), the leverage ratio increased to 5.0% (31 December 2019: 4.5%), mainly reflecting the temporary exemption of central bank reserves from the exposure measure, partly offset by a decline in Tier 1 capital. This temporary exemption had a positive impact of 0.6 percentage points as at 31 December 2020 and ends on 27 June 2021.

The current leverage ratio requirements will be amended by CRR2, which introduces a binding leverage ratio requirement of at least 3% and amends the requirements for calculating the exposure measure. The amendment includes the application of SA-CCR to clearing guarantees on derivative exposures. ABN AMRO estimates that the cumulative effect of the CRR2 adjustments, including application of SA-CCR, will lower the exposure measure by approximately EUR 56.9 billion and equals 0.6 percentage points of the leverage ratio. As the temporary measure to exempt central bank reserves ends on 27 June 2021 and CRR2 applies from 28 June 2021 onwards, we currently estimate these two effects will largely be offset, with no material impact on the leverage ratio. The fully-loaded leverage ratio based on SA-CCR decreased to 5.0% at 31 December 2020 (31 December 2019: 5.2%), mainly reflecting a decline in Tier 1 capital. The CRR2 leverage ratio (including SA-CCR) would be 5.8% if central bank reserves were to continue being exempted from the exposure measure.

Going forward, ABN AMRO will monitor and report the leverage ratio based on currently applicable rules and CRR2, and we expect the leverage ratio to remain above the anticipated regulatory requirements.

The exposure measure is reported to the Asset and Liability Committee (ALCO) at the business line level and monitored closely in order to ensure the leverage ratio remains within the bank's risk appetite. The leverage ratio outlook takes account of business-specific plans, as well as macroeconomic conditions, regulatory developments and capital-related uncertainties. In the event of risk appetite breaches for the leverage ratio, the bank-wide escalation paths for capital and funding are followed.

MREL

(fully-loaded, in millions)	31 December 2020	31 December 2019
Regulatory capital	26,195	28,431
Other MREL eligible liabilities[1]	4,127	2,885
Total MREL eligible liabilities	**30,322**	**31,316**
Total risk-weighted assets	110,481	109,825
MREL[2]	27.4%	28.5%

1 Other MREL eligible liabilities consists of subordinated liabilities that are not included in regulatory capital.
2 MREL is calculated as total regulatory capital plus other MREL eligible subordinated liabilities divided by total risk-weighted assets.

The preliminary intermediate MREL target received in Q4 2020 from the Single Resolution Board is set at 27.1% of Basel III RWA, of which 26.6% should be met by own funds, subordinated instruments and senior non-preferred (SNP) notes. This includes the currently applicable combined buffer requirement of 4%. This will apply with effect from 1 January 2022, one year earlier than expected, as reflected by our previously communicated MREL ambition of 27% by 2022. Based on own funds, subordinated instruments and SNP notes, MREL was 27.4% as at 31 December 2020 (31 December 2019: 28.5%). Compared to 31 December 2019, MREL decreased mainly due to a capital deduction of EUR 0.2 billion related to the regulatory guidance on NPE, the redemption of a EUR 1.5 billion Tier 2 instrument on 30 June 2020, and a EUR 1.2 billion grandfathered Tier 2 instrument that was no longer eligible for MREL as of April 2020 because of maturing within a year. This was partly offset by the issuance of the senior non-preferred notes in 2020. While we are compliant with the preliminary intermediate MREL target, we will review our targets after receiving the final MREL letter to ensure we continue to operate in line with our requirements. The final MREL letter is expected in the coming months. Issuances will reflect the new targets.

Sustainability risk

The sustainability risk review provides an in-depth overview of three important components of sustainability risk management. Firstly, we provide more details on due diligence for individual clients considered high risk from a sustainability perspective and on the role of the second line of defence in this respect. Secondly, more information is provided on various analyses that were performed to assess the climate risk of portfolios in sectors that are considered highly sensitive to climate risk. Thirdly, we provide insight into how greenhouse gas emissions are measured and steered. The latter two are in line with the recommendations of the Taskforce on Climate-related Financial Disclosures.

Advice on increased sustainability risk

Certain industries face more sustainability risks than others, while the nature of these risks also varies considerably. Sustainability risk analysts in the credit risk department provide advice on clients operating in industries with a higher sustainability risk profile. These analysts are the second line of defence for environmental, social and ethical risks. Sustainability risk assessments are done as part of two processes: KYC (assessing the client relationship as a whole) and, in the event of a lending relationship, credit risk assessments.

Sustainability risk management for corporate clients is integrated in the due diligence and risk processes of the bank. The first line of defence is responsible for managing these risks. In cases where the client's activities or performance lead to a high sustainability risk profile, the second line provides expert advice to the relevant decision-making authority. In most cases, this advice is fully integrated in the client or credit decisions. If a client does not fully meet our Sustainability Risk Policy framework, the second line will either advise negatively on the relationship/credit or accept it subject to conditions. In most cases, conditions are set. This is in line with the bank's inclusive strategy. Conditions are set in order to become or remain comfortable that the client is moving towards full compliance and usually consist of monitoring, client engagement or a combination of the two. The processes are described in more detail below.

Know Your Client (KYC)

For all corporate clients, sustainability risk due diligence takes place at the moment of onboarding (Client Acceptance) and subsequently in periodic reviews. Sometimes, event-driven reviews are performed. In the KYC process, the Detecting Financial Crime (DFC) analysts screen for sustainability risk triggers. In the event of a potentially high sustainability risk, DFC sends the file to the second line. This happened 433 times in 2020. Out of these, there were 102 cases where a high sustainability risk was found and where formal advice was issued by the second line.

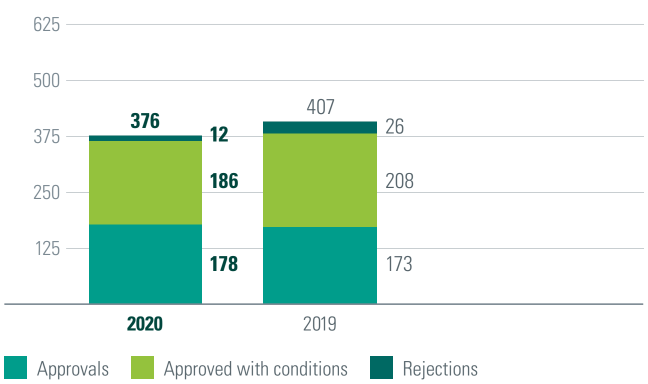
Sustainability risk assessments related to lending

In lending relationships, a more extensive sustainability assessment takes place. In the case of these relationships, assessments take place at the moment of loan origination and are repeated in periodic (usually annual) monitoring. ABN AMRO applies specific policy requirements for its lending clients in nine high-risk sectors. Each sector is divided into multiple subsectors and activities at different places in the supply chain and matched with specific requirements. The first line of defence assesses the level of clients' compliance with these policies, and the second line validates these assessments. In the event of insufficient comfort, for example due to a major policy gap or incident, a high-intensity engagement trajectory can be started for a maximum of three years or the second line will issue negative advice. In 2020, advice on a lending relationship was given on 274 occasions.

Sustainability risk advice in 2020

In 2020, 376 cases were identified with a high sustainability risk profile and where expert advice was consequently required from the second line. In 12 of these cases, the advice given by the second line was negative, while 178 cases were approved and 186 cases were approved subject to conditions.

Conclusion of advice



Climate Risk Management

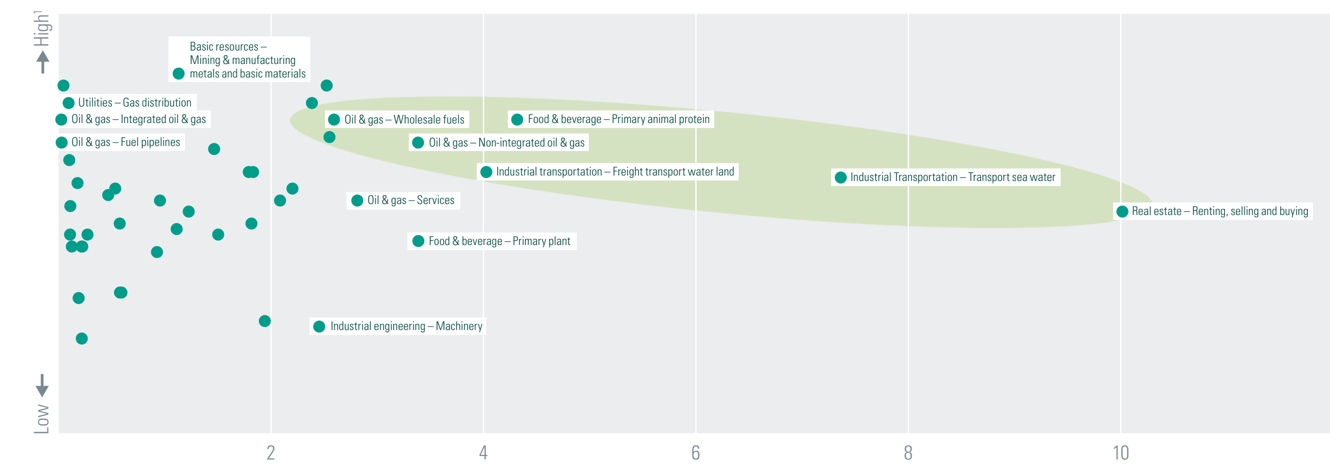
ABN AMRO is strongly committed to implementing the recommendations of the Financial Stability Board's Taskforce on Climate-related Financial Disclosures (TCFD). In 2019, we took our first steps in using scenario analysis to measure and disclose the climate risk in our residential mortgages and upstream oil and gas portfolios. In 2020 we continued working to improve these analyses and extended the use of climate scenario analysis to assess the climate risk of portfolios in the commercial real estate and shipping sectors.

Climate Risk Heatmap

The above sectors were identified as priority sectors following a heatmap exercise based on the methodology provided by the UN Environment Programme Finance Initiative (UNEP FI). The heatmap shows material sectors in terms of sensitivity to transition or physical climate risks and corporate lending exposure. The sectors in the heatmap are subsectors of the Industry Classification Benchmark (ICB) segments, as presented in the Credit risk section. This higher level of granularity allowed us to consider varieties of climate risk sensitivity within sectors. The strategy review was announced in 2020 and exposure in some sectors started to decrease. Although the actual and foreseen decreases in these sectors have not yet impacted the list of priority sectors, they have been taken into account in the further scenario analyses. It was decided to repeat the heatmap exercise on a regular basis to reflect changes in exposure, and also new insights into climate risk vulnerabilities.

This figure shows the heatmap of climate risk sensitivity, based on the lending exposure in the sector and the sector's inherent sensitivity to climate risk.

Climate sensitivity



[1] Climate sensitivity is the average between physical and transition sensitivity.

Exposure per sector and inherent sensitivity to climate risk

Where the heatmap focuses on the inherent vulnerability of a sector to climate risk, the scenario analyses then focus on measuring the actual climate risk of our portfolios in these sectors. The overview presented below shows the methodologies used and the insights obtained from these scenario analyses so far.

Residential and Commercial Real Estate

In 2019, we analysed the physical risk associated with flooding (causing direct damage) and drought (causing damage through decreasing ground water levels and foundation pole rot) of our Dutch mortgage portfolio. In 2020, we improved the portfolio analysis by including more granular pole rot data provided by Kennis Centrum Aanpak Funderingsproblematiek (KCAF). We also performed a similar analysis on commercial real estate to examine the effects of flooding and drought on the collateral value of our commercial real estate portfolio.

Flooding

In 2019, the analysis showed that relatively few properties had a significant risk of flooding (probabilities ranging from 1/300–1/30). The analysis in 2020 showed that the climate risk in our mortgage portfolio at year-end 2020 was not significantly higher or lower than at year-end 2019. The picture showed by commercial real estate (CRE) assets was similar to that of residential mortgages in terms of probabilities. From a damage perspectve, however, the variance was found to be much greater. Among other things, this is because of the greater variety in asset types in commercial real estate and the corresponding calculation of damage. For residential mortgages, we used the damage calculation provided by Deltares ('Standaard Schade en Slachtoffer Module 2017') for residential buildings, whereas for commercial real estate we used Deltares' damage calculations for other asset types such as retail properties, industrial real estate and healthcare premises.

This table shows the different asset types in our commercial real estate portfolio and the corresponding potential and expected damage as a percentage of the market value of that segment of our portfolio.

	Expected damage percentage	Potential damage percentage
Business	0.18%	66.53%
Health care	0.04%	26.77%
Hotel	<0.01%	3.07%
Logistics	0.02%	51.75%
Mixed object	<0.01%	13.67%
Office	0.03%	20.70%
Recreation	<0.01%	0.50%
Residential	<0.01%	4.71%
Restaurant	<0.01%	2.95%
Shop	0.02%	25.77%
Studenthousing	<0.01%	3.21%
Other	<0.01%	5.99%

Besides assessing the direct impact of flooding on our portfolio in 2020, we also assessed the indirect impact of flooding on the macroeconomy and the resulting impact on the residential mortgage and CRE portfolios. The applied scenarios contained flooding events of different magnitudes (0.5 and 2 metres) affecting the macroeconomy, and specifically including the Dutch house price index. The outcome showed a substantial increase in credit risk, with increasingly adverse implications of the scenarios. We plan to perform more stress testing on other portfolios and climate risks in 2021. The objective is to develop a methodology that can ultimately be included in the regular stress testing cycle.

Drought, subsidence and pole rot

For the mortgage portfolio we used the new 2020 data from KCAF. These new data are significantly more granular and show greater variety in terms of the probability of foundation issues and subsidence for the properties in our portfolio. As the availability and quality of data are continually improving, we have to regularly update our analyses.

Compared to the analysis in 2019, the number of properties with a high or very high probability of pole rot and subsidence has increased. The effect of this at a bank level has required additional research. Based on property and client characteristics we are now working to identify the clients that are most vulnerable to this risk and have started strategic discussions internally to develop mitigation measures and create a positive impact for these vulnerable client groups in particular.

The new KCAF data will be available for our CRE portfolio from 2021 onwards. In 2020 we therefore used the older, less granular data to create an initial overview of the risks. As our commercial real estate portfolio is smaller and much more concentrated in the Randstad area, the picture it portrays is somewhat different from that of the mortgage portfolio. A relatively high percentage (approximately 21%) of the CRE collateral has a high probability (up to 30%) of pole rot and subsidence. Once the new KCAF data can also be used for CRE, and if strategic mitigating actions are needed, we will be able to determine the overall impact on the bank.

This map shows all the properties in our mortgage portfolio in the Netherlands and their risk of pole rot and subsidence occurring within the next 30 years.

Wooden pole rot risk the coming 30 years

This map shows all the assets in our commercial real estate portfolio and their risk of pole rot and subsidence occurring within the next 30 years.

Positions of collaterals with pole rot chance

The effect of lost revenues has not been included in the CRE analysis. This is an important factor as the assets in the CRE portfolio are a source of income for the owners and tenants. This aspect will also be included in the analysis in 2021. In addition, and contrary to the mortgage portfolio, multiple clients in the CRE portfolio own multiple assets. We also plan, therefore, to include the concentration risk in our portfolio and also in clients' portfolios in the analysis in 2021.

To examine the financial impact for the bank – and in line with regulatory expectations – a preliminary assessment of how the potential damage impacts our risk-weighted assets is being performed. These insights will be considered when climate risk is further integrated into our risk management policies and practices.

Shipping

Given the large volumes of goods that can be transported by one vessel, shipping can be considered relatively cost- and GHG-efficient compared to other modes of transportation such as road or air. Nevertheless the sector is responsible for approximately 2.5% of global GHG emissions. Given the expected growth in international trade, and hence in the demand for transport, this could increase to 10% in 2050, according to the International Maritime Organization (IMO). This would undermine the Paris Agreement. The IMO has therefore set targets to reduce GHG emissions by at least 50% by 2050 compared to 2008 ("the IMO Absolute Target") and CO_2 emissions per transport work by at least 40% by 2030, with efforts to achieve a 70% reduction by 2050 compared to 2008 ("the IMO Intensity Targets").

Our analysis in 2020 focused on seagoing vessels and their alignment with the IMO targets. We assumed that the value of the collateral securing our shipping exposure may be reduced by the need for fleets to be more fuel-efficient and less carbon-dependent in order to achieve these targets. Two measures were used to assess alignment: the Rightship rating and the Poseidon Principles.

Rightship rating

Based on ship design and engine performance the Rightship rating measures a ship's theoretical CO_2 emissions performance. It is presented using the standard European energy efficiency scale: the relative performance of a vessel is given a rating of A to G, with the most efficient being A and the least efficient being G. The ratings is relative to other vessels. Almost all the vessels we finance have a Rightship rating. The table below shows the exposure per risk label, based on the June 2020 fleet data. We assume that the most efficient vessels are best-positioned to align with the IMO target.

This table shows the normal (global) label distribution, as well as the label distribution within the ABN AMRO portfolio.

Labels	Normal distribution	ABN AMRO
A	2.5%	6.0%
B	13.5%	26.0%
C	16.0%	12.0%
D	36.0%	36.0%
E	16.0%	13.0%
F	13.5%	7.0%
G	2.50%	0.0%

Poseidon Principles

The Poseidon Principles measure alignment by comparing carbon intensity relative to the IMO decarbonisation trajectories. In contrast to the Rightship ratings, the Poseidon reporting is based on real fuel consumption data. ABN AMRO, one of the founding signatories of the Poseidon Principles, is currently slightly behind on the IMO targets (5% at a portfolio level). A deep dive into the portfolio showed a wide variety among types of vessels and loan portfolios. Engagement has therefore started with those clients whose performance is in need of greatest improvement. A further analysis in 2021 will look into the optimal portfolio composition, taking into account scenarios assuming different levels of carbon taxes and other regulatory measures in the future.

Energy

In 2019, we performed a qualitative analysis of the transition risk in our upstream oil and gas portfolio. We complemented this in 2020 with a quantitative analysis. In accordance with the UNEP FI recommendations, we applied the Sustainable Development Scenario (SDS) of the International Energy Agency (IEA) and various REMIND scenarios of the Potsdam Institute for Climate Impact Research to our upstream oil and gas portfolio, using a variety of methodologies.

We first used a Transition Risk Tool developed by UNEP FI to assess how the portfolio is developing in terms of the probability of default and expected loss. The scenarios showed the greatest variance in the medium term (5-10 years), but all 2°C scenarios showed limited but increasing expected losses in the long term (30 years). As the tenors in our upstream oil and gas portfolio are relatively short, we assume there is time to adapt.

It is assumed that the adaptation pathway will include an increasing portfolio of renewables. We therefore assessed the required development in the portfolio composition to align with the SDS scenario. In 2021, we will strengthen the analysis by using the Paris Agreement Capital Transition Assessment (PACTA) tool developed for banks by the 2° Investing Initiative. An initial exercise using this tool was performed in early 2020 to assess the bank's energy portfolios.

Lastly, we performed a break-even price analysis, using Rystad data. The purpose of this analysis was to test the resilience of the ABN AMRO portfolio against oil, gas and CO_2 prices in the above scenarios. This analysis showed our clients' positions compared to those of the rest of the world in terms of break-even prices and CO_2 intensities in 2020. We will complement this analysis in 2021, taking account of developments in break-even prices.

GHG measuring and steering

Further steps were taken in respect of measuring and steering GHG emissions. Based on the Partnership for Carbon Accounting Financials (PCAF) methodology, we measure and report the scope 3 GHG emissions in our lending and investment portfolios. We have also committed to the Science-Based Target Initiative to start steering on carbon reduction in various key portfolios: energy, mortgages, commercial real estate, and investments. In 2020, we analysed the Paris alignment of these portfolios. We plan to publish the results in Q2 2021.

The table below reflects the scope 1, 2 and 3 GHG emissions from our operations and lending portfolio, expressed in ktons of CO_2 equivalent. The definitions of these scopes are based on the GHG protocol of the World Resources Institute (WRI).

CO_2 emissions summary table – totals

(in ktons)	2020	2019	Delta
Total scope 1[1]	6	13	-7
Total scope 2[2]	3	8	-5
Total scope 3 – air travel[3]	1	10	-9
Total scope 3 – emissions of lending portfolio[4]	25,729	27,433	-1,704
Total scope 3 – emissions of client assets[5]	6,633	7,156	-523
Total CO_2 Emission	**32,373**	**34,621**	**-2,248**

1 Natural gas/biogas, solar energy (the Netherlands and rest of world) and mobility lease cars (Netherlands).
2 Electricity (excluding solar energy) and heating & cooling, location based figures provided by energy suppliers (the Netherlands and rest of world).
3 Mobility business air travel (the Netherlands and rest of world).
4 Based on PCAF methodology, using total assets as the denominator and EAD as attribution metric. Excluding central governments and central banks, institutions and private individuals.
5 Calculation based on PCAF methodology listed companies, using Enterprise value including cash as the denominator. The scope of the calculation includes equities and corporate bonds, both direct and indirect in funds.

The lending portfolio's emissions are calculated in accordance with the principles set by the Platform Carbon Accounting Financials (PCAF). These combine various sources of information, including company-level emissions data (for stock exchange-listed corporate clients) and average carbon intensities by energy label (for residential mortgages and corporate real estate finance) and by sector (for other corporates). We updated our methodology and data sources in 2020. Among other changes, we started to use the PCAF emission factor database as a data source for corporates outside the Netherlands. Comparative figures on CO_2 have been adjusted accordingly. More detailed emission reporting can be found in our Non-Financial Data & Engagement 2020 report.

Management Control Statement

By virtue of Principle 1.4 (Risk management accountability) of the Dutch Corporate Governance Code, ABN AMRO's Executive Board is required to account for the effectiveness of the design and operation of the bank's internal risk management and control systems. By virtue of Principle 2.5 (Culture) of the Code, the Executive Board is responsible for promoting a culture aimed at creating long-term value for the company and its affiliated enterprises. By virtue of Principle 2.5.4 (Accountability regarding culture), the Executive Board is required to explain the bank's values and how these values are incorporated into the activities of the company and its affiliated enterprises, and to account for the effectiveness of and the bank's compliance with the Code of Conduct.

ABN AMRO's internal risk management and control process is effectuated by the Executive Board, management and other staff. It is designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- effectiveness and efficiency of operations;
- reliability of financial and non-financial information;
- compliance with laws, regulations and internal policies;
- safeguarding of assets, identification and management of liabilities; and
- strategic and business objectives.

ABN AMRO's first and second lines of defence perform their roles in risk assessments, stress tests, evaluations of the operating effectiveness of controls, and reporting on risk management and control systems. The concluding results are reported in formal risk reports and discussed at senior management level. Group Audit, as the third line of defence, evaluates the design and effectiveness of ABN AMRO's governance, as well as its risk management and control systems. Audit reports are discussed with relevant Executive Committee members. Group Audit attended the Executive Board and/or Executive Committee meetings every quarter to discuss the Quarterly Audit Opinions. In 2020, the evaluation of the adequacy of ABN AMRO's internal risk management and control systems was regularly discussed with the Audit Committee, the Risk & Capital Committee and the full Supervisory Board.

In compliance with best practice provision 1.4.3 of the Corporate Governance Code (Statement by the management board) and based on ABN AMRO's risk management processes, the Executive Board makes the following statements and provides clear substantiation regarding the internal risk management and control systems, taking into account ABN AMRO's strategy of pursuing a moderate risk profile:

- The Executive Board's report in ABN AMRO's 2020 Annual Report provides sufficient insights into any failings in the effectiveness of the internal risk management and control systems (best practice 1.4.3.i);
- The internal risk management and control systems provide reasonable assurance that the financial reporting for 2020 does not contain any material inaccuracies (best practice 1.4.3.ii);
- Based on the current state of affairs, preparation of the financial reporting for 2020 on a going-concern basis is justified (best practice 1.4.3.iii). For further information, please refer to Note 1 Accounting policies in the Consolidated Annual Financial Statements;
- The Executive Board's report states those material risks and uncertainties that are relevant to expectations regarding ABN AMRO's continuity for the period of twelve months following the preparation of this report (best practice 1.4.3.iv);
- The Executive Board's report explains the bank's values and how they are incorporated into the activities of the company and its affiliated enterprises, and accounts for the effectiveness of and the bank's compliance with the Code of Conduct (best practice 2.5.4). For further information, please refer to Risk culture in the Risk, funding & capital management section.

Regarding internal risk management and control systems, the Executive Board has identified the following external factors as potentially having an impact on ABN AMRO's current business model:

- As the Covid-19 health crisis continues to affect us all, the well-being of the bank's clients and staff remains its main focus. The bank's strong digital backbone combined with the dedication and flexibility of its staff ensured the services to clients remained consistent and the operating result resilient. The bank strengthened its risk management activities and reporting during the crisis, also in response to the increase in regulatory requirements. Covid-19 has had a significant impact on our financial performance and has resulted in high impairments. The main business continuity measures taken are detailed in Operational (non-financial) risk in the Risk, funding & capital review section of this report. In December 2020, the Netherlands entered into another partial lockdown. The bank is therefore cautious about the outlook and concerned about the long-term impact on society, but also more positive as vaccines are being made available and rolled out;
- Adverse macroeconomic and monetary conditions (such as a downturn in the economy, and persistently low or negative interest rates), reformed fiscal policies, geopolitical uncertainty (such as the impact of the Brexit deal, trade tensions and sanctions) and competition

(for instance, pressure on the bank's market share in mortgages) that could limit execution of the bank's planned growth strategies;
- Laws and regulations that could have an impact on the bank's strategic position, revenues, costs and capital adequacy (examples include additional capital requirements for the Dutch mortgage market, GDPR and sustainable finance regulations);
- Developments in the field of sustainability that could impair asset values and thus the creditworthiness of clients.

These external factors may impact specific businesses, thus hindering ABN AMRO in the achievement of its strategic goals. As part of its recent strategy review, the Executive Board has defined client segments and value propositions that will be developed to compensate for these external developments (such as a more fee-based business model and rigorously simplifying and centralising the operating model, enabling the bank to focus on clients and work more efficiently).

Not being compliant with laws and regulations may lead to reputational damage, fines and changes in ABN AMRO's income and costs or capital basis and could endanger long-term goals. Ensuring demonstrable compliance requires robust risk governance, enhanced data management and a substantial share of the bank's resources.

Specific areas where the risk of non-compliance with regulations and heightened regulatory scrutiny require substantial effort by the bank are:
- **Anti-Money Laundering (AML) and Counter-Terrorism Financing (CTF), including Customer Due Diligence/ Know Your Client**. ABN AMRO is fully cooperating in an investigation by the Dutch Public Prosecutor relating to requirements under the Act on the prevention of money laundering and financing of terrorism (Wwft). More information on this is provided in the Regulatory environment section, the Non-financial review section and Note 34 Commitments and contingent liabilities in the Consolidated Annual Financial Statements;
- **Duty of care towards the bank's clients**. Good progress was made in the bank-wide Duty of Care framework, reflecting regulatory requirements, regulatory expectations and the bank's duty of care ambition. More information on this is provided in the Crime & integrity disclosure in the Non-financial review in the Strategy & performance section of this report. In addition, the bank is seeing an increased claim risk in respect of variable interest rates for several products, e.g. revolving consumer loans;
- **Credit Risk Management**. Collateral management, credit risk modelling and credit risk monitoring and reporting require remediation. More information on this is provided in the Credit risk management section.

Remediation programmes, related to Anti-money laundering (AML) and Counter-Terrorism Financing (CTF), Duty of care and Credit Risk Management aimed at improving ABN AMRO's performance in these areas, were initiated and were well underway in 2020 in order to remedy shortcomings and ensure full compliance with legislation bank-wide. In 2019, the bank established a centralised Detecting Financial Crime department, started programmes to address potential issues involving products sold in the past (such as consumer credit and mortgages) and further improved the monitoring of regulatory changes and overseeing their implementation. From 2021, the remediation will require a substantial, multi-year effort, especially with regard to the regulatory areas mentioned above. In addition to its remediation programmes, the bank is investing to improve regular processes aimed at ensuring it stays compliant going forward.

In the past, ABN AMRO's legal predecessor, Fortis Bank (Nederland) N.V., ABN AMRO and several (former) subsidiaries were directly or indirectly involved in transactions relating to equity trading extending over dividend record dates, including several forms of tainted dividend arbitrage, i.e. dividend stripping.

It cannot be excluded that ABN AMRO or subsidiaries will face financial consequences as a result of their involvement in these transactions, including penalties and other measures under criminal law and civil law claims. The bank has been implementing measures to prevent it from being involved in tainted dividend arbitrage in the future.

More information on this risk is provided under Note 34 Commitments and contingent liabilities in the Consolidated Annual Financial Statements.

The Executive Board has identified and agreed on the following six areas for improvement, which are being actively managed by senior management:
- **IT environment:** The bank is enhancing its IT landscape via digitalisation and innovation. Substantial efforts are required to improve the IT infrastructure, identity and access management and IT controls to strengthen its cyber posture. These IT issues, combined with a complex IT infrastructure and multiple third parties, may result in ineffective business process execution and missed opportunities in the application of new technologies. The bank is subject to increasing risks from cyber attacks potentially jeopardising confidential data or business processes.
- **Data management:** The financial services industry and its supervision are becoming increasingly data-driven, and data privacy is a key aspect of data management. The bank needs to make substantial efforts in order to improve the control of its data quality and availability so as to meet requirements regarding data aggregation,

data use and risk reporting (e.g. Principles for Effective Risk Data Aggregation and Risk Reporting). These aspects of data management, combined with issues concerning the quality of (historical) data, data ownership, data knowledge and a complex IT infrastructure, may result in suboptimal decision-making and business process execution, as well as in elevated model risk. Data management and preventing data leakage also play an important role in addressing privacy risk. An improved data policy was delivered in 2020, and progress was made in many areas, e.g. strengthening the banks' data quality controls and the data quality issue remediation process. However, data management requires a multi-year approach in order for the bank to reach the desired level.

- **Change accumulation:** The complexity, accumulation and interdependencies of the bank's transformation programmes, including all prioritised regulatory changes/ issues and the wind-down of the non-core activities of CIB (exiting all non-European corporate banking activities, except for Clearing), are leading to an accumulation of change risk. This may cause delays, potentially resulting in increased operational costs and time-to-market issues, and the bank possibly lagging behind new entrants. Alignment of these changes has been realised via a revised strategy plan and an improved transition plan and governance to further improve execution discipline. The CIB non-core wind-down to pursue our moderate risk profile is well underway.
- **External fraud:** The continued increase in advanced external crime threats may expose the bank and its clients to cyber fraud attacks, disruptions of in-house and outsourced IT, ATM and sealbag attacks and loan fraud. ABN AMRO is working with crime-fighting authorities and other relevant authorities, as well as with other banks, to tackle these issues. We note that regulatory initiatives are increasingly aimed at protecting clients from payment fraud, even if banks are not liable. For example, the Dutch Parliament recently approved a motion that expects clients to be compensated by banks if they become victims of spoofing by criminals. We expect more duty of care developments and/or regulations regarding fraud going forward.
- **People and culture:** The difficulties of attracting, developing and retaining qualified staff in certain areas remain a point of attention, especially in the context of the lockdown impacting the well-being of staff. This risk is mitigated by various programmes focused on strategic workforce management, culture and leadership in transformation. A further reduction of around 15% of staff is expected by 2024, mostly from 2022 onwards. The impact on staff will be reduced through natural attrition and by reskilling to roles where we expect shortages. These improvements, alongside the implementation of a significant culture change, with focus on performance management and strategy execution and ownership, will help the bank achieve its strategic goals.
- **Risk Control Framework:** The effectiveness of the Risk Control Framework is under continuous improvement to assure management is in control. Management is improving the Risk Control Framework via several additional control-related assessments.

In the meantime, measures have been taken to minimise and mitigate the risks with regard to all areas of improvement.

It should be noted that ABN AMRO's internal risk management and control systems do not provide complete assurance on the realisation of business objectives, nor do they prevent or detect inaccuracies, fraud and non-compliance with rules and regulations at all times.

Additional risk, funding & capital disclosures

The following section includes additional disclosures on risk, funding and capital. This mandatory information is provided in accordance with EU IFRS and EDTF. This section is supplemental to the core analysis provided in the Risk, funding & capital review section and provides additional or more detailed information.

Credit quality by exposure class under the Internal Ratings-Based (IRB) approach

The following tables provide an overview of the EAD, REA and LGD buckets by exposure class and grade category.

IRB approach: credit quality by exposure class

							31 December 2020
		Total			LGD 0-20%	LGD 20-50%	LGD >50%
(in millions)		EAD	RWA	RWA/EAD	EAD (%)	EAD (%)	EAD (%)
Exposure class	**Grade category**						
Central governments and central banks	Investment grade	98,800	803	1%	92%	7%	0%
	Sub-investment grade	91	123	136%	20%	44%	36%
	Impaired	9	107				100%
	Total	**98,900**	**1,033**	**1%**	**92%**	**7%**	**0%**
Institutions[1]	Investment grade	10,326	1,568	15%	46%	53%	1%
	Sub-investment grade	457	337	74%	4%	94%	1%
	Impaired						
	Total	**10,783**	**1,905**	**18%**	**44%**	**55%**	**1%**
Corporates	Investment grade	37,652	21,242	56%	36%	63%	1%
	Sub-investment grade	51,824	22,752	44%	59%	41%	0%
	Impaired	6,881	6,991	102%	29%	53%	18%
	Total	**96,357**	**50,985**	**53%**	**48%**	**50%**	**2%**
Retail	Investment grade	152,993	7,471	5%	96%	3%	1%
	Sub-investment grade	18,322	6,682	36%	77%	15%	8%
	Impaired	1,782	1,355	76%	61%	31%	8%
	Total	**173,097**	**15,508**	**9%**	**94%**	**4%**	**2%**
Securitisation positions	Investment grade	764	70	9%	100%		
	Sub-investment grade						
	Impaired						
	Total	**764**	**70**	**9%**	**100%**	**0%**	**0%**
Total	Investment grade	300,536	31,155	10%	86%	14%	1%
	Sub-investment grade	70,693	29,894	42%	63%	34%	2%
	Impaired	8,672	8,452	97%	36%	48%	16%
	Total[2]	**379,900**	**69,501**	**18%**	**80%**	**18%**	**1%**

[1] Institutions include exposures to banks and investment undertakings, regional governments and local authorities, and pension funds.
[2] Exposure at Default does not include other non-credit obligations and equities not held for trading, because these items are not subject to credit risk grading.

IRB approach: credit quality by exposure class

							31 December 2019
		Total			LGD 0-20%	LGD 20-50%	LGD >50%
(in millions)		EAD	RWA	RWA/EAD	EAD (%)	EAD (%)	EAD (%)
Exposure class	**Grade category**						
Central governments and central banks	Investment grade	63,821	761	1%	89%	5%	6%
	Sub-investment grade	170	165	97%	16%	84%	
	Impaired						
	Total	**63,991**	**926**	**1%**	**89%**	**6%**	**6%**
Institutions[1]	Investment grade	11,291	1,246	11%	50%	50%	0%
	Sub-investment grade	869	393	45%	2%	98%	
	Impaired						
	Total	**12,159**	**1,639**	**13%**	**47%**	**53%**	**0%**
Corporates	Investment grade	47,507	11,071	23%	40%	59%	1%
	Sub-investment grade	61,244	23,464	38%	67%	33%	0%
	Impaired	5,117	5,382	105%	21%	64%	15%
	Total	**113,868**	**39,917**	**35%**	**53%**	**46%**	**1%**
Retail	Investment grade	151,868	7,763	5%	94%	5%	1%
	Sub-investment grade	22,011	8,303	38%	75%	15%	10%
	Impaired	1,496	1,313	88%	72%	17%	12%
	Total	**175,375**	**17,378**	**10%**	**91%**	**6%**	**3%**
Securitisation positions	Investment grade	295	32	11%	100%		
	Sub-investment grade						
	Impaired						
	Total	**295**	**32**	**11%**	**100%**	**0%**	**0%**
Credit valuation adjustment	Investment grade						
	Sub-investment grade		370				
	Impaired						
	Total		**370**				
Total	Investment grade	274,782	20,872	8%	82%	16%	2%
	Sub-investment grade	84,294	32,696	39%	68%	29%	3%
	Impaired	6,613	6,695	101%	33%	53%	14%
	Total[2]	**365,689**	**60,263**	**16%**	**78%**	**20%**	**3%**

[1] Institutions include exposures to banks and investment undertakings, regional governments and local authorities, and pension funds.
[2] Exposure at Default does not include other non-credit obligations and equities not held for trading, because these items are not subject to credit risk grading.

Additional information on exposure flows

Gross carrying amount of residential mortgages Audited

				2020				2019
(in millions)	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	**140,244**	**6,943**	**1,038**	**148,225**	**145,337**	**2,691**	**763**	**148,791**
Transfer to stage 1	3,223	-3,205	-18		818	-798	-20	
Transfer to stage 2	-7,002	7,402	-400		-6,625	6,847	-222	
Transfer to stage 3	-280	-460	740		-329	-348	677	
Additional drawdowns and partial repayments	-5,228	50	17	-5,161	-5,866	28		-5,838
Originated or purchased	14,325			14,325	15,481			15,481
Matured or sold	-9,875	-1,589	-226	-11,691	-8,521	-1,472	-138	-10,131
Write-offs			-16	-16			-22	-22
Foreign exchange								1
Other movements			-10	-10	-52	-5		-57
Balance at 31 December	**135,407**	**9,141**	**1,124**	**145,672**	**140,244**	**6,943**	**1,038**	**148,225**

[1] Excluding loans at fair value through P&L.
[2] Gross carrying amount excludes fair value adjustments from hedge accounting.

Gross carrying amount of consumer loans Audited

(in millions)	Stage 1	Stage 2	Stage 3	2020 Total	Stage 1	Stage 2	Stage 3	2019 Total
Balance at 1 January	**10,999**	**928**	**368**	**12,294**	**10,768**	**1,014**	**481**	**12,263**
Transfer to stage 1	253	-249	-3		324	-319	-5	
Transfer to stage 2	-731	740	-9		-552	562	-10	
Transfer to stage 3	-116	-88	204		-64	-55	119	
Additional drawdowns and partial repayments	-623	-27	107	-543	-674	-164	-81	-918
Originated or purchased	1,690			1,690	2,371			2,371
Matured or sold	-1,761	-234	-67	-2,063	-1,365	-87	-18	-1,469
Write-offs			-143	-143			-122	-122
Foreign exchange	-4			-5	5			6
Other movements					184	-24	3	163
Balance at 31 December	**9,707**	**1,068**	**456**	**11,232**	**10,999**	**928**	**368**	**12,294**

Gross carrying amount of corporate loans Audited

(in millions)	Stage 1	Stage 2	Stage 3	2020 Total	Stage 1	Stage 2	Stage 3	2019 Total
Balance at 1 January[3]	**84,155**	**9,125**	**5,331**	**98,610**	**87,255**	**9,271**	**4,636**	**101,163**
Transfer to stage 1	1,773	-1,747	-27		2,357	-2,339	-17	
Transfer to stage 2	-10,721	10,980	-258		-5,190	5,342	-152	
Transfer to stage 3	-2,055	-1,575	3,630		-1,128	-1,030	2,158	
Additional drawdowns and partial repayments	-7,344	1,096	675	-5,573	-12,462	-1,407	-457	-14,326
Originated or purchased	19,699			19,699	23,254			23,254
Matured or sold	-19,003	-2,206	-1,227	-22,437	-10,559	-675	-441	-11,675
Write-offs			-1,035	-1,035			-464	-464
Foreign exchange	-1,975	-289	-209	-2,473	817	59	35	912
Other movements	-11	-29	-5	-45	-190	-97	33	-254
Balance at 31 December	**64,517**	**15,356**	**6,873**	**86,745**	**84,155**	**9,125**	**5,331**	**98,610**

[1] Excluding loans at fair value through P&L.
[2] Gross carrying amount excludes fair value adjustments from hedge accounting.

Gross carrying amount of off-balance Audited

(in millions)	Stage 1	Stage 2	Stage 3	2020 Total	Stage 1	Stage 2	Stage 3	2019 Total
Balance at 1 January 2020	**61,172**	**2,918**	**1,329**	**65,419**	**67,303**	**2,979**	**180**	**70,462**
Transfer to stage 1	975	-965	-10		82	-79	-3	
Transfer to stage 2	-3,585	3,644	-59		-266	266	-1	
Transfer to stage 3	-169	-246	415		-241	-21	261	
Additional drawdowns and partial repayments	-6,763	1,054	-369	-6,078	-8,693	-124	895	-7,922
Originated or purchased	5,593			5,593	9,134			9,134
Matured or sold	-4,577	-151		-4,728	-6,788	-132		-6,920
Write-offs								
Foreign exchange	-1,450	-71	-31	-1,552	547	12		559
Other movements	-1			-1	92	17	-3	106
Balance at 31 December 2020	**51,194**	**6,183**	**1,275**	**58,653**	**61,172**	**2,918**	**1,329**	**65,419**

Additional information on impairment charges

Loan impairment charges and allowances – residential mortgages

(in millions)	Stage 1	Stage 2	Stage 3	2020 Total	Stage 1	Stage 2	Stage 3	2019 Total
Balance at 1 January	**7**	**68**	**65**	**140**	**18**	**14**	**77**	**108**
Transfer to stage 1	6	-10	-3	-7	8	-8	-7	-7
Transfer to stage 2	-2	20	-14	4	-3	52	-47	2
Transfer to stage 3	-1	-21	49	27	-1	-9	58	48
Remeasurements[1]	-10	-22	-17	-49	-10	28	14	31
Changes in models	1	2	4	6	-7	1	-7	-13
Changes in risk parameters	10	13	5	28	1		1	2
Originated or purchased	4			4	4			4
Matured or sold	-1	-7	-5	-13	-2	-9	-1	-12
Impairment charges (releases) on loans and advances	**7**	**-25**	**19**	**1**	**-11**	**55**	**10**	**54**
Write-offs			-16	-16			-22	-22
Unwind discount/unearned interest accrued			2	2			2	2
Foreign exchange and other movements			-11	-10		-1	-2	-3
Balance at 31 December	**14**	**44**	**58**	**116**	**7**	**68**	**65**	**140**
Impairment charges (releases) on loans and advances	7	-25	19	1	-11	55	10	54
Credit-related modifications								
Recoveries and other charges (releases)			-19	-19			-23	-23
Total impairment charges for the period	**7**	**-25**		**-18**	**-11**	**55**	**-14**	**31**

[1] Remeasurements represents the current year change of expected credit loss allowances mainly attributable to changes in volumes such as partial repayments and changes in the credit quality of existing loans remaining in their stage.

Loan impairment charges and allowances – consumer loans

(in millions)	Stage 1	Stage 2	Stage 3	2020 Total	Stage 1	Stage 2	Stage 3	2019 Total
Balance at 1 January	**30**	**70**	**198**	**298**	**34**	**55**	**229**	**318**
Transfer to stage 1	16	-18	-1	-4	12	-20	-3	-10
Transfer to stage 2	-4	17	-8	5	-8	20	-8	4
Transfer to stage 3	-1	-11	103	91	-1	-4	52	47
Remeasurements[1]	-9	-11	62	42	-22	21	42	41
Changes in models					4	-1	2	4
Changes in risk parameters	1	1	1	3	2	6		8
Originated or purchased	4			4	11			12
Matured or sold	-3	-3	-5	-11	-3	-6	-3	-13
Impairment charges (releases) on loans and advances	**4**	**-25**	**151**	**130**	**-4**	**15**	**82**	**93**
Write-offs			-143	-143			-122	-122
Unwind discount/unearned interest accrued			-1	-1			1	1
Foreign exchange and other movements	4	-4	11	11			8	8
Balance at 31 December	**38**	**41**	**215**	**294**	**30**	**70**	**198**	**298**
Impairment charges (releases) on loans and advances	4	-25	151	130	-4	15	82	93
Credit-related modifications								
Recoveries and other charges (releases)			-38	-38			-43	-43
Total impairment charges for the period	**4**	**-25**	**113**	**92**	**-4**	**15**	**39**	**50**

[1] Remeasurements represents the current year change of expected credit loss allowances mainly attributable to changes in volumes such as partial repayments and changes in the credit quality of existing loans remaining in their stage.

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Loan impairment charges and allowances – corporate loans

				2020				2019
(in millions)	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	**137**	**119**	**1,727**	**1,982**	**154**	**119**	**1,552**	**1,825**
Transfer to stage 1	17	-25	-4	-12	24	-39	-7	-21
Transfer to stage 2	-39	163	-14	110	-19	54	-21	14
Transfer to stage 3	-10	-45	573	518	-3	-18	319	298
Remeasurements[1]	492	84	1,345	1,922	-65	-22	365	278
Changes in models					19	24	-23	20
Changes in risk parameters	87	32	14	132	6	5	2	13
Originated or purchased	31			31	36			36
Matured or sold	-474	-8	-185	-668	-14	-9	-26	-49
Impairment charges (releases) on loans and advances	**104**	**200**	**1,728**	**2,033**	**-15**	**-6**	**609**	**589**
Write-offs			-1,035	-1,035			-464	-464
Unwind discount/unearned interest accrued			31	31			28	28
Foreign exchange and other movements	2	-4	43	42	-3	5	2	5
Balance at 31 December	**243**	**316**	**2,494**	**3,053**	**137**	**119**	**1,727**	**1,982**
Impairment charges (releases) on loans and advances	104	200	1,728	2,033	-15	-6	609	589
Credit-related modifications		29	7	36				
Recoveries and other charges (releases)			-33	-33			-21	-21
Total impairment charges for the period	**104**	**229**	**1,702**	**2,035**	**-15**	**-6**	**588**	**568**

1 Remeasurements represents the current year change of expected credit loss allowances mainly attributable to changes in volumes such as partial repayments and changes in the credit quality of existing loans remaining in their stage.

Loan impairment charges and allowances – off-balance

				2020				2019
(in millions)	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	**8**	**4**	**5**	**16**	**10**	**2**	**1**	**12**
Transfer to stage 1	1			1		-1		
Transfer to stage 2	-5	11		6	-1	2		1
Transfer to stage 3	-1	-1	180	179		-1	4	3
Remeasurements[1]	-10	-4	19	5	-4	3	1	-1
Changes in models					-1	-1		-2
Changes in risk parameters	9	2		11	2			2
Originated or purchased	20			20	5			5
Matured or sold	-6	-2		-9	-3	-2		-6
Impairment charges (releases)	**9**	**6**	**198**	**214**	**-2**	**1**	**4**	**3**
Foreign exchange and other movements			-182	-182				1
Balance at 31 December	**16**	**10**	**21**	**48**	**8**	**4**	**5**	**16**
Impairment charges (releases) on off-balance	9	6	198	214	-2	1	4	3
Other charges (releases)[2]			-17	-17			11	11
Total impairment charges for the period	**9**	**6**	**181**	**197**	**-2**	**1**	**15**	**14**

1 Remeasurements represents the current year change of expected credit loss allowances mainly attributable to changes in volumes such as partial repayments and changes in the credit quality of existing loans remaining in their stage.
2 These charges (releases) relate to the off-balance sheet items that do not fall within the scope of IFRS 9 and for which stage information is not applicable.

Additional information on forborne, past due and impaired (stage 3) loans

Forbearance credit quality Audited

							31 December 2020
(in millions)	Total forborne assets	Forborne assets not past due and not stage 3	Forborne assets past due but not stage 3	Impaired forborne assets	Specific allowance	Collective allowance	Total allowance
Loans and advances banks							
Residential mortgages	3,334	2,738	194	401		33	33
Consumer loans	260	134	11	115	3	70	73
Corporate loans	9,298	5,222	141	3,935	1,176	144	1,320
Other loans and advances customers	5	5					
Total loans and advances customers[1]	**12,896**	**8,099**	**346**	**4,452**	**1,179**	**247**	**1,426**
Other assets							
Total	**12,896**	**8,099**	**346**	**4,452**	**1,179**	**247**	**1,426**

[1] Excluding loans at fair value through P&L.

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(in millions)	Total forborne assets	Forborne assets not past due and not stage 3	Forborne assets past due but not stage 3	Impaired forborne assets	Specific allowance	Collective allowance	Total allowance
							31 December 2019
Loans and advances banks							
Residential mortgages	853	342	125	386	6	20	26
Consumer loans	302	186	16	100	24	68	92
Corporate loans	5,204	2,025	45	3,133	862	101	963
Other loans and advances customers	6	6					
Total loans and advances customers[1]	**6,365**	**2,560**	**186**	**3,619**	**892**	**189**	**1,081**
Other assets							
Total	**6,365**	**2,560**	**186**	**3,619**	**892**	**189**	**1,081**

[1] Excluding loans at fair value through P&L.

Forborne assets by geography Audited

(in millions)	The Netherlands	Rest of Europe	USA	Asia	Rest of the world	Total
						31 December 2020
Loans and advances banks						
Residential mortgages	3,308	20	3	3	1	3,334
Consumer loans	199	60		1		260
Corporate loans	6,124	1,542	779	188	664	9,298
Other loans and advances customers				5		5
Total loans and advances customers[1]	**9,631**	**1,622**	**781**	**197**	**666**	**12,896**
Other assets						
Total	**9,631**	**1,622**	**781**	**197**	**666**	**12,896**

[1] Excluding loans at fair value through P&L.

(in millions)	The Netherlands	Rest of Europe	USA	Asia	Rest of the world	Total
						31 December 2019
Loans and advances banks						
Residential mortgages	845	8				853
Consumer loans	285	17				302
Corporate loans	3,413	679	278	186	648	5,204
Other loans and advances customers				6		6
Total loans and advances customers[1]	**4,543**	**704**	**278**	**192**	**649**	**6,365**
Other assets						
Total	**4,543**	**704**	**278**	**192**	**649**	**6,365**

[1] Excluding loans at fair value through P&L.

Forborne assets by business segment Audited

(in millions)	31 December 2020	31 December 2019
Retail Banking	3,547	1,087
Commercial Banking	4,929	3,045
Private Banking	355	138
Corporate & Institutional Banking	4,065	2,095
Total forborne assets	**12,896**	**6,365**

Maturity overview of assets and liabilities

The following tables show financial assets and liabilities arranged by the earliest possible contractual maturity.

Contractual maturity of assets and liabilities Audited

(in millions)	On demand	Trading derivatives	Up to one month	Between one and three months	Between three and six months	Between six and twelve months	Between one and two years	Between two and five years	More than five years	No maturity	Total
											31 December 2020
Assets											
Cash and balances at central banks	60,190										60,190
Financial assets held for trading	5		8	37	254	308	73	264	367		1,315
Derivatives	7	5,040	94	8	69	12	8	82	1,060		6,381
Financial investments	1,936		1,361	2,933	3,308	1,997	5,054	15,561	14,451	855	47,455
Securities financing	1,212		12,173	2,985	354						16,725
Loans and advances banks	1,462		72	74	379	5	237	7	1,158		3,394
Loans and advances customers	20,400		7,260	5,394	3,291	6,568	13,197	33,679	162,369		252,159
Other assets	4,375		2,321	409	450	23	73	273	80		8,005
Total assets	**89,588**	**5,040**	**23,290**	**11,840**	**8,105**	**8,913**	**18,641**	**49,865**	**179,486**	**855**	**395,623**
Liabilities											
Financial liabilities held for trading			4	24	1	1	26	153	355		563
Derivatives	23	6,159	36	29	48	67	86	245	698		7,391
Securities financing	829		9,164	1,370							11,363
Due to banks	1,364		1,876	338	225	67	317	32,101	432		36,719
Due to customers	212,421		15,887	1,142	468	611	808	1,124	6,109		238,570
Issued debt			7,124	3,862	4,145	4,147	7,246	13,317	27,108		66,949
- of which senior secured			*32*	*168*	*2,295*	*115*	*2,858*	*4,666*	*24,309*		*34,443*
- of which senior unsecured			*2,778*	*333*	*255*	*4,020*	*4,388*	*8,651*	*2,798*		*23,223*
- of which other			*4,314*	*3,361*	*1,595*	*12*					*9,283*
Subordinated liabilities					1,561		1,570	3,796	1,143		8,069
Other liabilities	2,654		1,135	418	92	14	569	21	107		5,010
Total liabilities	**217,290**	**6,159**	**35,226**	**7,182**	**6,541**	**4,908**	**10,622**	**50,756**	**35,951**		**374,634**
Total equity										**20,989**	**20,989**
Total liabilities and equity	**217,290**	**6,159**	**35,226**	**7,182**	**6,541**	**4,908**	**10,622**	**50,756**	**35,951**	**20,989**	**395,623**
Off-balance sheet liabilities											
Committed credit facilities	55,207										55,207
Guarantees	1,890										1,890
Irrevocable facilities	5,535										5,535
Recourse risks arising from discounted bills	1,556										1,556
Total off-balance sheet liabilities	**64,188**										**64,188**

(in millions)	On demand	Trading derivatives	Up to one month	Between one and three months	Between three and six months	Between six and twelve months	Between one and two years	Between two and five years	More than five years	No maturity	Total
											31 December 2019
Assets											
Cash and balances at central banks	27,558										27,558
Financial assets held for trading	6		11	55	340	82	85	312	246		1,137
Derivatives	10	4,498	36	7	26	69	90	45	949		5,730
Financial investments	1,791		1,187	1,538	1,806	2,767	4,806	15,462	15,086	833	45,277
Securities financing	848		11,034	2,952	17	54					14,905
Loans and advances banks	1,103		1,416	555	386	219	341	35	956		5,011
Loans and advances customers	21,258		10,857	6,868	2,908	7,474	12,903	38,062	167,275		267,604
Other assets	4,056		1,892	511	145	34	752	334	107		7,831
Total assets	**56,631**	**4,498**	**26,432**	**12,486**	**5,628**	**10,699**	**18,977**	**54,250**	**184,620**	**833**	**375,054**
Liabilities											
Financial liabilities held for trading	4		28	11	9	23	75	211	313		675
Derivatives	25	5,347	63	8	21	81	127	218	616		6,505
Securities financing	179		6,795	1,260							8,234
Due to banks	1,562		1,123	254	608	4,364	4,092	398	385		12,785
Due to customers	212,967		6,144	5,194	888	1,107	957	1,636	6,098		234,991
Issued debt			4,536	6,958	8,643	3,011	10,427	15,929	25,771		75,275
- of which senior secured			*174*		*2,067*	*248*	*2,746*	*7,070*	*21,709*		*34,014*
- of which senior unsecured			*137*	*538*	*3,471*	*1,848*	*7,681*	*8,858*	*4,062*		*26,595*
- of which other			*4,225*	*6,421*	*3,106*	*915*					*14,666*
Subordinated liabilities			3		1,522	103	1,647	4,186	2,580		10,041
Other liabilities	2,998		999	469	85	22	277	43	183		5,076
Total liabilities	**217,734**	**5,347**	**19,690**	**14,154**	**11,778**	**8,710**	**17,602**	**22,620**	**35,947**		**353,582**
Total equity										**21,471**	**21,471**
Total liabilities and equity	**217,734**	**5,347**	**19,690**	**14,154**	**11,778**	**8,710**	**17,602**	**22,620**	**35,947**	**21,471**	**375,054**
Off-balance sheet liabilities											
Committed credit facilities	54,673										54,673
Guarantees	2,407										2,407
Irrevocable facilities	6,733										6,733
Recourse risks arising from discounted bills	8,339										8,339
Total off-balance sheet liabilities	**72,152**										**72,152**

Maturity based on contractual undiscounted cash flows Audited

The following tables provide a maturity analysis of the earliest contractual undiscounted cash flows for financial assets and liabilities. Financial assets and liabilities held for trading are recorded in On demand, at fair value.

We believe this best represents the short-term nature and cash flows of these activities. The contractual maturity of the instruments may be extended over significantly longer periods.

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(in millions)	On demand	Trading deriva-tives	Up to one month	Between one and three months	Between three and six months	Between six and twelve months	Between one and two years	Between two and five years	More than five years	No maturity	Total
											31 December 2020
Assets											
Cash and balances at central banks	60,190										60,190
Financial assets held for trading	5		8	39	77	314	262	276	378		1,358
Derivatives	7	5,040	163	264	688	1,147	2,140	4,758	5,671		19,879
Financial investments	1,936		1,385	3,023	5,255	2,339	3,889	16,341	15,129	855	50,151
Securities financing	1,212		12,177	2,987	1	2	354				16,734
Loans and advances banks	1,462		71	71	228	-10	357	-44	1,107		3,241
Loans and advances customers	20,639		7,521	6,398	15,586	10,855	11,232	49,537	177,823		299,592
Other assets	4,375		2,322	410	75	27	453	276	81		8,020
Total undiscounted assets	**89,827**	**5,040**	**23,647**	**13,191**	**21,910**	**14,674**	**18,688**	**71,144**	**200,190**	**855**	**459,165**
of which:											
Gross settled derivatives not held for trading:											
Contractual amounts receivable			3	5	11	8	13	20	6		66
Contractual amounts payable			54	11	36	55	80	59	14		308
Total undiscounted gross settled derivatives not held for trading			**-51**	**-6**	**-25**	**-47**	**-67**	**-38**	**-8**		**-242**
Net settled derivatives not held for trading			212	22	221	85	376	726	2,208		3,850
Liabilities											
Financial liabilities held for trading			4	25	28	5	7	164	365		598
Derivatives	23	6,159	100	276	668	1,077	1,848	3,525	3,865		17,541
Securities financing	829		9,165	1,370							11,364
Due to banks	1,364		1,874	331	300	34	165	32,076	430		36,573
Due to customers	212,421		15,888	1,144	812	617	479	1,146	6,130		238,637
Issued debt			7,142	4,022	7,601	4,734	5,140	14,991	28,708		72,339
Subordinated liabilities			15	62	1,708	235	1,905	4,078	1,328		9,332
Other liabilities	2,654		1,136	419	571	15	93	23	109		5,019
Total liabilities	**217,290**	**6,159**	**35,324**	**7,647**	**11,687**	**6,718**	**9,638**	**56,004**	**40,936**		**391,403**
- of which:											
Gross settled derivatives not held for trading:											
Contractual amounts receivable			186	8	4	5	5	6			214
Contractual amounts payable			1	2	2	5	3	3			15
Total undiscounted gross settled derivatives not held for trading			**-185**	**-6**	**-1**	**-1**	**-2**	**-4**			**-199**
Net settled derivatives not held for trading			69	131	164	336	645	1,591	2,544		5,480
Net liquidity gap	**-127,463**	**-1,119**	**-11,677**	**5,544**	**10,223**	**7,956**	**9,050**	**15,140**	**159,253**	**855**	**67,762**
Off-balance sheet liabilities											
Committed credit facilities	55,207										55,207
Guarantees	1,890										1,890
Irrevocable facilities	5,535										5,535
Recourse risks arising from discounted bills	1,556										1,556
Total off-balance sheet liabilities	**64,188**										**64,188**

											31 December 2019
(in millions)	On demand	Trading derivatives	Up to one month	Between one and three months	Between three and six months	Between six and twelve months	Between one and two years	Between two and five years	More than five years	No maturity	Total
Assets											
Cash and balances at central banks	27,558										27,558
Financial assets held for trading	5	291	15	60	344	87	103	334	290		1,530
Derivatives	11	4,207	108	298	751	1,370	2,319	5,028	5,810		19,903
Financial investments	1,791		1,214	1,642	2,052	3,198	5,506	16,397	15,897	833	48,530
Securities financing	848		11,045	2,959	17	54					14,924
Loans and advances banks	1,103		1,417	557	390	225	349	53	974		5,068
Loans and advances customers	21,258		11,179	8,092	5,881	12,941	22,612	57,152	186,100		325,216
Other assets	4,056		1,893	514	150	43	759	339	110		7,864
Total undiscounted assets	**56,631**	**4,498**	**26,870**	**14,122**	**9,587**	**17,917**	**31,649**	**79,303**	**209,181**	**833**	**450,591**
of which:											
Gross settled derivatives not held for trading:											
Contractual amounts receivable			23	10	11	11	12	8	7		81
Contractual amounts payable			47	11	24	63	41	50	16		252
Total undiscounted gross settled derivatives not held for trading			**-24**	**-1**	**-13**	**-52**	**-30**	**-42**	**-10**		**-171**
Net settled derivatives not held for trading			119	28	298	124	520	853	2,179		4,119
Liabilities											
Financial liabilities held for trading	4		29	12	12	28	84	224	326		719
Derivatives	25	5,347	122	234	578	1,063	1,728	3,113	3,411		15,622
Securities financing	179		6,800	1,262							8,242
Due to banks	1,562		1,127	269	644	4,406	4,106	412	398		12,923
Due to customers	212,967		6,147	5,201	901	1,128	992	1,703	6,163		235,202
Issued debt			4,599	7,190	9,142	4,003	11,595	17,923	27,581		82,033
Subordinated liabilities			22	78	1,703	415	2,127	4,719	3,006		12,070
Other liabilities	2,998		1,000	471	88	27	281	51	191		5,108
Total liabilities	**217,734**	**5,347**	**19,846**	**14,718**	**13,069**	**11,070**	**20,912**	**28,146**	**41,075**		**371,918**
- of which:											
Gross settled derivatives not held for trading:											
Contractual amounts receivable			334	54	19	30	36	36	4		512
Contractual amounts payable			29	37	66	163	187	196	1		679
Total undiscounted gross settled derivatives not held for trading			**-305**	**-16**	**46**	**133**	**152**	**160**	**-3**		**166**
Net settled derivatives not held for trading			37	129	159	304	639	1,645	2,663		5,576
Net liquidity gap	**-161,104**	**-849**	**7,024**	**-596**	**-3,482**	**6,847**	**10,737**	**51,158**	**168,105**	**833**	**78,674**
Off-balance sheet liabilities											
Committed credit facilities	54,673										54,673
Guarantees	2,407										2,407
Irrevocable facilities	6,733										6,733
Recourse risks arising from discounted bills	8,339										8,339
Total off-balance sheet liabilities	**72,152**										**72,152**

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Maturity based on behavioural models Audited

The table below provides an overview of the amounts expected to be settled within twelve months and after twelve months, based on the behavioural maturity profile.

	31 December 2020			31 December 2019		
(in millions)	Up to one year	More than one year	Total	Up to one year	More than one year	Total
Assets						
Cash and balances at central banks	60,190		60,190	27,558		27,558
Financial assets held for trading	1,315		1,315	1,137		1,137
Derivatives	5,040	1,341	6,381	4,498	1,232	5,730
Financial investments	11,422	36,034	47,455	9,005	36,272	45,277
Securities financing	15,784	940	16,725	14,436	468	14,905
Loans and advances banks	2,470	924	3,394	3,570	1,441	5,011
Residential mortgages	27,202	121,539	148,741	28,069	122,811	150,880
Consumer loans	2,641	8,297	10,937	3,196	8,800	11,997
Corporate loans at amortised cost	28,906	55,438	84,344	34,957	62,217	97,174
Corporate loans at fair value through P&L	400		400	816	445	1,261
Other loans and advances customers	5,736	2,000	7,736	4,093	2,199	6,292
Equity-accounted investments		593	593		639	639
Property and equipment	516	739	1,255	598	1,108	1,706
Goodwill and other intangible assets	26	102	128	36	142	178
Assets held for sale	254		254	14		14
Tax assets	851		851	764		764
Other assets	1,625	3,299	4,925	1,515	3,016	4,530
Total assets	**164,378**	**231,245**	**395,623**	**134,263**	**240,790**	**375,054**
Liabilities						
Financial liabilities held for trading	563		563	675		675
Derivatives	6,159	1,233	7,391	5,347	1,158	6,505
Securities financing	9,742	1,621	11,363	8,082	152	8,234
Due to banks	2,879	33,840	36,719	6,797	5,988	12,785
Current accounts	39,046	71,987	111,033	29,836	62,064	91,900
Demand deposits	17,730	89,804	107,534	20,826	100,066	120,892
Time deposits	11,358	7,680	19,037	8,090	13,142	21,232
Other due to customers	251	715	966	200	768	967
Issued debt	19,261	47,688	66,949	23,637	51,638	75,275
Subordinated liabilities	1,537	6,532	8,069	1,624	8,417	10,041
Provisions	926		926	983		983
Tax liabilities	30		30	63		63
Other liabilities	1,588	2,465	4,053	1,698	2,332	4,030
Total liabilities	**111,069**	**263,564**	**374,634**	**107,858**	**245,724**	**353,582**

The behavioural maturity profile is based on internally developed liquidity risk models. These models cover residential mortgages, consumer and corporate loans, non-maturing assets (mainly current accounts), credit cards, non-maturing liabilities (demand deposits and current accounts) and term deposits. The liquidity risk models predict the behavioural cash flows, which can differ from the contractual cash flows as a result of, for example, prepayments or because some products do not have a defined contractual maturity date. The models are based on historically observed client behaviour and use a combination of internal and external risk drivers. The models are used for monitoring the bank's liquidity mismatch position.

The liquidity risk models are included in the bank's model risk management framework. This means that the models have to follow a regular monitoring and validation schedule. Approval of the models is given by the Methodology Acceptance Group (MAG) ALM/T, based on independent advice from Model Validation.

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Total assets overview

This table provides a detailed overview of the ABN AMRO portfolio by EAD, based on the Industry Classification Benchmark (ICB) and the bank's internal industry classifications.

(in millions)		31 December 2020		31 December 2019	
Industry classification benchmark (ICB)	ABN AMRO global industry classification (AGIC)	Original	Resultant	Original	Resultant
Automobiles and parts	Leasing moter verhicles	915	915	951	950
	Manufactoring automotive components	81	81	93	93
	Manufactoring motor vehicles	3	3	6	6
	Manufactoring tires	1	1	27	27
Banks	Commercial banks	15,277	15,429	17,745	18,232
Basic resources	Forestry	6	6	6	6
	Manufacturing and wholesale diamonds	2	2	2	2
	Manufacturing other non-ferrous metals	477	445	592	576
	Manufacturing pulp and paper	52	52	240	178
	Manufacturing steel	184	184	375	375
	Mining and manufacturing gold	20	20	23	23
	Mining and manufacturing other basic materials	290	290	363	363
	Mining and manufacturing other precious metals	11	1	2	2
	Mining bauxite and manufacturing aluminum	144	144	140	140
	Wholesale other basic materials	568	521	744	744
	Wholesale other non-ferrous metals	336	331	1,834	1,815
	Wholesale raw lumber, pulp and paper	25	25	5	5
	Wholesale steel	219	216	237	237
Chemicals	Manufacturing basic chemicals	448	447	560	474
	Manufacturing industrial gasses	30	30	30	30
	Manufacturing specialty chemicals	485	435	635	545
	Wholesale chemicals	242	222	513	476
Construction and materials	Construction of residential and non-residential buildings	847	826	824	809
	Heavy construction	552	514	662	607
	Manufacturing non-metallic mineral products	257	257	341	341
	Manufacturing other building materials	396	385	498	488
	Manufacturing wood products	135	133	166	164
	Sub-contractors	1,221	1,193	1,204	1,197
	Wholesale building materials	658	601	765	763
Financial services	Asset managers	1,502	1,541	1,573	1,614
	Commercial finance	859	867	787	796
	Consumer finance	679	678	629	628
	Exchanges and clearing	3,145	3,145	2,665	2,665
	Hedge funds	1	1	199	199
	Investment bank	10	10	3	3
	Leveraged funds – non-hedge funds	21	21	22	22
	Mortgage finance	1,445	1,445	1,451	1,451
	Other funds	253	253	232	232
	Pension funds	272	585	380	380
	Private equity investment and venture capital	1,248	1,251	1,543	1,544
	Securities brokers and dealers	3,660	2,793	3,559	2,654
	Specialty finance	1,841	2,028	1,761	1,895
	Unleveraged funds	3,886	3,831	3,984	3,926

continued>

(in millions)		31 December 2020		31 December 2019	
Industry classification benchmark (ICB)	ABN AMRO global industry classification (AGIC)	Original	Resultant	Original	Resultant
Food and beverage	Agricultural related auctions	63	63	50	50
	Agriculture	1,803	1,801	1,812	1,809
	Farming cattle	3,014	3,011	3,035	3,032
	Farming other animals	774	765	822	805
	Fishery	443	443	445	445
	Floriculture	709	699	344	342
	Horticulture	864	854	1,434	1,419
	Manufacturing beer	118	118	131	131
	Manufacturing meat	282	281	523	522
	Manufacturing other food products	1,658	1,633	1,477	1,476
	Manufacturing soft drinks	150	149	181	181
	Manufacturing sugar	354	329	444	407
	Manufacturing wine and spirits	89	82	123	114
	Other agriculture	121	120	132	131
	Raising of calves/live cattle	164	164	166	165
	Raising of poultry/eggs	237	234	220	217
	Support activities for agriculture	51	51	48	48
	Wholesale agriculture	1,475	1,447	2,462	2,427
	Wholesale food	2,253	2,202	3,642	3,594
	Wholesale of live cattle	1	1	24	24
Healthcare	Biotechnology drugs	32	32	27	27
	General health services	1,653	1,549	1,804	1,802
	Manufacturing and wholesale medical and surgical equipment	154	152	107	105
	Manufacturing and wholesale medical supplies			2	2
	Manufacturing drugs	139	138	95	95
	Medical practices	1,193	1,192	1,076	1,076
	Nursing and personal care services	942	913	944	917
	Retail drugs	178	175	183	178
	Wholesale drugs	137	132	158	158
Industrial goods and services	Dealers commercial vehicles	75	75	83	83
	Delivery services	75	75	58	58
	Employment services and management training	683	672	882	878
	Financial administration	21	20	75	75
	Freight transport inland water	614	610	671	665
	Freight transport rail	79	79	71	71
	Freight transport road	1,372	1,360	1,425	1,424
	Freight transport sea	6,958	6,246	8,617	7,837
	Leasing aircraft	77	77	191	191
	Leasing commercial vehicles	1,391	1,351	1,359	1,319
	Leasing machinery and metal products	566	547	827	806
	Legal and accounting activities	597	592	697	695
	Management consultancy	849	840	809	806
	Manufacturing and wholesale aircraft	8	7	20	20
	Manufacturing and wholesale packaging materials	933	866	1,063	1,060
	Manufacturing appliance components	158	116	198	198
	Manufacturing commercial vehicles	84	84	110	110
	Manufacturing defense equipment	1	1	1	1
	Manufacturing electrical machinery	204	204	203	203
	Manufacturing electronic equipment	6	6	17	17
	Manufacturing general machinery	459	452	547	545
	Manufacturing lifting and handling equipment	48	47	45	45
	Manufacturing measuring and control machinery	80	75	111	106

continued>

(in millions)		31 December 2020		31 December 2019	
Industry classification benchmark (ICB)	ABN AMRO global industry classification (AGIC)	Original	Resultant	Original	Resultant
Industrial goods and services (continued)	Manufacturing metal products	198	198	228	227
	Manufacturing optical instruments	9	8	3	3
	Manufacturing other transportation equipment	99	99	72	72
	Manufacturing plastic products	174	172	186	185
	Manufacturing rubber products	18	18	61	61
	Manufacturing ships	536	534	537	485
	Manufacturing special industrial machinery	297	295	362	359
	Metal working	352	347	412	409
	Other commercial services	1,168	1,127	1,493	1,489
	Research and engineering	88	86	36	35
	Transport services air	153	153	154	154
	Transport services land	1,954	1,863	2,109	2,098
	Transport services water	412	363	466	438
	Wholesale commercial vehicles	273	272	336	335
	Wholesale machinery and metal products	433	431	517	515
	Wholesale rubber and plastic products			20	20
Insurance	Insurance brokers	105	148	140	169
	Insurance composite	190	194	118	132
	Life insurance	555	594	499	568
	Non life insurance	621	1,485	495	1,677
	Reinsurance	22	339	1	404
Media	Marketing communications	178	166	181	176
	Motion picture production and distribution	642	594	423	421
	Printing	195	190	152	152
	Publishing	356	354	419	418
	Publishing sound recordings	34	34	18	18
	Radio, TV and cable	159	154	187	187
Oil and gas	Fuel pipelines	3	3	7	7
	Integrated oil and gas			3	3
	Non-integrated oil and gas	3,373	3,157	4,681	4,458
	Oil and gas services	2,798	2,505	3,975	3,530
	Wholesale fuels	2,578	2,482	6,017	5,795
Personal and household goods	Manufacturing accessories	42	37	46	46
	Manufacturing apparel and sportswear	50	48	41	41
	Manufacturing consumer electronics	55	55	41	41
	Manufacturing domestic appliances	15	15	13	13
	Manufacturing footwear	2	2	1	1
	Manufacturing furniture	56	56	70	70
	Manufacturing leather	2	2	4	3
	Manufacturing non-durable household products	118	118	118	118
	Manufacturing other durable household products	116	115	291	290
	Manufacturing other furnishings	108	108	130	130
	Manufacturing other recreational products	135	135	119	119
	Manufacturing personal care	26	26	30	30
	Manufacturing photographic equipment	3	3	7	7
	Manufacturing textiles	146	135	162	162
	Manufacturing toys and games	17	17	16	16
	Renting recreational products	7	7	8	8
	Wholesale hides, skins and leather	21	21	25	25
Private individuals	Private individuals	174,979	174,979	177,107	177,107

continued>

(in millions)		31 December 2020		31 December 2019	
Industry classification benchmark (ICB)	ABN AMRO global industry classification (AGIC)	Original	Resultant	Original	Resultant
Public administration (non-icb)	Central administration and public services	28,388	30,211	32,862	34,282
	Central bank	68,019	68,017	28,017	27,948
	Educational services	165	165	176	176
	Export credit agency/insurance	13	268	13	461
	International and supranational organisations	2,822	2,822	2,413	2,413
	Multilateral finance institutions	132	132	49	49
	Regional administration and public services	27	27	1,098	1,098
Real estate	Buying and selling of own real estate	2,726	2,721	2,790	2,780
	Housing associations and corporations	983	773	949	573
	Management of real estate on a fee or contract basis	1,482	1,472	1,411	1,408
	Real estate agencies	442	440	457	456
	Real estate developments (project development)	1,813	1,805	1,671	1,679
	Real estate investment entities	3,657	3,656	3,818	3,808
	Renting of non-residential buildings	2,009	2,010	2,025	2,028
	Renting of other residential buildings	656	656	558	558
Retail	Automotive service	97	95	105	104
	Independent fuel stations	44	44	45	45
	Personal services	194	194	241	241
	Renting of personal and household goods	70	69	70	70
	Retail accessories	150	150	179	179
	Retail apparel, footwear and sports goods	333	324	346	344
	Retail broadline	108	82	77	76
	Retail car parts and accessories	14	14	8	8
	Retail consumer appliances	78	78	82	82
	Retail food	1,495	1,490	1,661	1,654
	Retail home decoration	352	327	371	366
	Retail motor vehicles	514	512	708	705
	Retail other household goods	303	301	323	321
	Wholesale accessories	242	238	315	314
	Wholesale apparel, footwear and sports goods	428	408	444	440
	Wholesale broadline	182	179	267	267
	Wholesale car parts and accessories	184	184	176	175
	Wholesale consumer appliances	128	106	121	120
	Wholesale home decoration	151	147	166	164
	Wholesale motor vehicles	52	52	74	74
	Wholesale other household goods	352	348	499	497
Technology	Internet services	302	282	515	514
	IT services	582	563	733	725
	Leasing technology goods	15	14	15	15
	Manufacturing computer hardware	125	125	32	32
	Manufacturing office equipment			3	3
	Manufacturing telecom equipment	44	44	20	20
	Publishers computer software	13	12	69	66
	Wholesale technology goods	294	238	280	277
Telecommunications	Fixed line telecom	649	649	531	509
	Mobile telecom	161	160	252	251

continued>

(in millions)		31 December 2020		31 December 2019	
Industry classification benchmark (ICB)	ABN AMRO global industry classification (AGIC)	Original	Resultant	Original	Resultant
Travel and leisure	Commercial sports and facilities	312	286	279	278
	Cultural activities	152	145	169	159
	Gambling and casino facilities	95	95	116	116
	Hotels and resorts	1,336	1,304	1,100	1,081
	Passenger transport air	267	194	125	125
	Passenger transport rail, road and water	245	244	207	206
	Recreational services	421	416	450	446
	Restaurants and bars	436	432	453	449
	Travel & tourism related services	163	162	274	274
Unclassified	Unclassified	4,966	4,960	4,930	4,752
Utilities	Activities of head office	160	160	183	183
	Financial holdings	299	294	245	245
	Gas distribution	69	69	97	97
	Integrated power	132	132	132	132
	Power distribution and transportation	589	589	696	696
	Power generation	1,788	1,758	1,264	1,230
	Waste and disposal services	510	509	563	563
	Water collection, treatment and distribution	248	248	280	280
Total		**404,142**	**404,142**	**389,498**	**389,498**

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Leadership & governance

This chapter presents the Bank's leadership which includes the Executive Board, Executive Committee and Supervisory Board. Additionally, it presents the Report of the Supervisory Board over the year 2020 and an overview of the Bank's corporate governance framework, including information on the Bank's legal structure and remuneration policy.

Introduction to leadership & governance

This section presents ABN AMRO's leadership and corporate governance framework. It provides information on ABN AMRO's Executive Board, Executive Committee and Supervisory Board, as well as on its legal structure and remuneration policy. This section also presents the Report of the Supervisory Board for 2020.

Executive Board and Executive Committee

ABN AMRO's management structure includes an Executive Board and an Executive Committee.

The terms of office of the members of the Executive Committee who are not members of the Executive Board were all due to end in March 2020. These terms were extended by either two or four years in March 2020. The terms of Frans van der Horst (CEO of Retail Banking) and Pieter van Mierlo (CEO of Private Banking) were extended by two years, while those of Daphne de Kluis (CEO of Commercial Banking) and Rutger van Nouhuijs (CEO of Corporate & Institutional Banking) were extended by four years. The bank has opted for staggered terms to ensure that members of the Executive Committee are not all up for reappointment at the same time.

On 22 April 2020, the Supervisory Board appointed Robert Swaak as the new CEO of ABN AMRO. Kees van Dijkhuizen's term as CEO expired at the Annual General Meeting on 22 April 2020 as he announced his intention not to serve a new term of office. The Employee Council and NLFI issued a positive advice on Robert Swaak's appointment.

Gerard Penning was appointed as the new Chief Human Resources Officer and a member of the Executive Committee from 1 August 2020. A search process for a new Executive Committee member responsible for HR was started after Gert-Jan Meppelink stepped down as Executive Committee member responsible for the bank's HR, Transformation & Communications (HTC) by mutual agreement in response to the proposed decision to regroup the HTC portfolio in view of ABN AMRO's strategy. Interim arrangements were put in place for the period until the appointment (and start) of the new Executive Committee member to ensure continuity of decision-making.

On 17 November 2020, ABN AMRO announced that Clifford Abrahams, CFO of ABN AMRO and Vice-Chairman of the Executive Board and Executive Committee, would leave the bank with effect from 28 February 2021 to pursue an opportunity closer to home in the UK. The Supervisory Board then started an external search for a new CFO, resulting in the Supervisory Board's nomination of Lars Kramer to succeed Clifford Abrahams as ABN AMRO's CFO. His appointment is subject to approval by the ECB. Until that time, Annemieke Roest, Head of Controlling at ABN AMRO, will serve as acting CFO.

Role and responsibilities of the Executive Board

The Executive Board is the statutory managing board of ABN AMRO within the meaning of Section 2:129 of the Dutch Civil Code. It is responsible for (i) the general course of business of ABN AMRO, ensuring compliance with laws and regulations and the adequate financing of its activities; (ii) the continuity of ABN AMRO and its business, aimed at long-term value creation for ABN AMRO and taking into account interests of stakeholders, and (iii) setting ABN AMRO's mission, vision, strategy, risk appetite, corporate standards and values, risk framework, main policies, budgets, financial and non-financial targets, and for the realisation thereof. In respect of these duties, and to the extent they relate to ABN AMRO and its subsidiaries, the Executive Board consults the Executive Committee, without prejudice to the Executive Board's statutory collective management responsibilities. The Executive

Board is also required to consult the Executive Committee regarding the strategic direction of the bank.

The Executive Board ensures close cooperation with the Supervisory Board in the discharge of its responsibilities and seeks the approval of the Supervisory Board for the bank-wide strategy (in line with the pursued culture aimed at long-term value creation) and targets. The Executive Board is accountable to the Supervisory Board and to the General Meeting for the performance of its duties. In performing its duties, the Executive Board develops a view on long-term value creation for ABN AMRO and its business and considers relevant stakeholder interests.

Role and responsibilities of the Executive Committee

The Executive Committee is part of ABN AMRO's 'management body' (together with the Supervisory Board) as defined in CRD V and has duties and responsibilities that have been delegated to it by the Executive Board. The Executive Committee is entrusted with the effective direction of ABN AMRO and its subsidiaries. The Executive Committee is specifically mandated to ensure that ABN AMRO's mission, vision, strategy, policies, annual budget, risk appetite, standards and values, and financial and non-financial targets are translated into specific group-aligned strategies, policies, budgets, risk appetites, standards and performance targets for each business line, with the aim of contributing to long-term value creation by ABN AMRO, and building and maintaining the culture required for that purpose. The respective members of the Executive Committee are also responsible for the daily management of their own business lines.

In addition, the Executive Committee helps define the strategic direction of the bank: the Executive Board is required to consult the Executive Committee in respect of decisions regarding the bank's (i) mission, vision and strategy, and (ii) risk policies, risk appetite framework and statement. The Executive Committee ensures an open dialogue with the Supervisory Board, both on specific issues and in general, in order to inform the Supervisory Board adequately. The Executive Committee provides the Supervisory Board and its committees with all the information they need for the proper performance of their supervisory duties and as requested by the Supervisory Board through the Chairman of the Executive Committee.

In the execution of its duties, the Executive Committee focuses on client centricity, the activities and needs of the business lines, transformation, innovation, digitalisation and sustainable growth of operating income, and promotes the values of ABN AMRO and its subsidiaries through leading by example.

Composition and diversity

The Executive Board consists of the Chief Executive Officer (CEO), the Chief Financial Officer (CFO), the Chief Risk Officer (CRO) and the Chief Innovation & Technology Officer (CI&TO). The Executive Committee is chaired by the CEO and consists of the four statutory Executive Board members and five non-statutory senior executives, including four business line roles (Retail Banking, Commercial Banking, Private Banking and Corporate & Institutional Banking) and one role with bank-wide responsibilities (HR & Transformation). The management structure is thus designed to create an enhanced focus on the bank's business activities at a senior executive level.

The Executive Committee's composition is based on ABN AMRO's guiding principle that diversity of thought, expertise, background, competences and interpersonal styles, including but not limited to gender diversity, is a prerequisite for effective management and, by extension, for long-term value creation. In line with ABN AMRO's diversity policy, ABN AMRO strives to meet the gender target of at least 30% for the Executive Committee and Executive Board. Gender diversity within the Executive Committee at 31 December 2020 was 22%, and 25% within the Executive Board. When vacancies arise, ABN AMRO gives due consideration to any applicable gender requirements in its search for suitable new members who meet the fit and proper requirements stipulated in the Dutch Financial Markets Supervision Act.

The Rules of Procedure of the Executive Board and the Executive Committee are available on abnamro.com.

Personal details of the members of the Executive Board and Executive Committee

The information below refers to the members of the Executive Board and Executive Committee as at 9 March 2021.

Robert Swaak (Dutch, male, 1960)

Chief Executive Officer and Chairman of the Executive Board and Executive Committee

Robert Swaak was appointed as CEO and Chairman of the Executive Board of ABN AMRO on 22 April 2020. As CEO, Robert Swaak is also responsible for Audit, Legal & Corporate Office, Strategy & Sustainability, and Brand and Marketing & Communications. His current term ends at the close of ABN AMRO's Annual General Meeting in 2024.

Relevant positions pursuant to CRD V: Chief Executive Officer and Chairman of the Executive Board and Executive Committee of ABN AMRO Bank N.V.

Other positions: Member of the Supervisory Council of Stichting Nationale Opera & Ballet, member of the Supervisory Council of Stichting Paleis Het Loo, member of the Board of Stichting Amerika-Europese Gemeenschap (Nederland) of Stichting American European Community Association (Netherlands), member of the Management Board of the Nederlandse Vereniging van Banken (NVB).

Tanja Cuppen (Dutch, female, 1969)

Chief Risk Officer of the Executive Board and Executive Committee

Tanja Cuppen was appointed to the Executive Board of ABN AMRO on 1 October 2017 and was appointed CRO with effect from 1 November 2017. As CRO, she is responsible for Risk Management, Financial Restructuring & Recovery, and Compliance. Her current term expires at the close of the Annual General Meeting in 2021. It is proposed to reappoint Tanja Cuppen as with effect from the Annual General Meeting in April 2021 for a period of three years.

Relevant positions pursuant to CRD V: Chief Risk Officer of the Executive Board and Executive Committee of ABN AMRO.

Other relevant ancillary positions: Member of the Supervisory Board Coöperatie Menzis U.A.

Christian Bornfeld (Danish, male, 1976)

Chief Innovation & Technology Officer and Vice-Chairman of the Executive Board and Executive Committee

Christian Bornfeld was appointed to the Executive Board of ABN AMRO as CI&TO on 1 March 2018. As CI&TO, he is responsible for Innovation, IT, Corporate Information Security and Business Services. His current term expires at the close of the Annual General Meeting in 2021. It is proposed to reappoint Christian Bornfeld with effect from the Annual General Meeting in April 2021 for a period of four years. Christian Bornfeld was appointed as Vice-Chairman of the Executive Board and Executive Committee with effect from 1 March 2021.

Relevant positions pursuant to CRD V: Chief Innovation & Technology Officer and Vice-Chairman of the Executive Board and Executive Committee of ABN AMRO.

Frans van der Horst (Dutch, male, 1959)

CEO Retail Banking and member of the Executive Committee

Frans van der Horst was appointed to the Executive Committee of ABN AMRO as CEO Retail Banking on 5 February 2017, subject to regulatory approval. The appointment was formally approved by the regulator on 3 November 2017. As his term was due to expire on 1 March 2020, the Supervisory Board approved the Executive Board's decision to reappoint him for another term of two years with effect from 1 March 2020. His current term expires on 1 March 2022.

Relevant positions pursuant to CRD V: CEO Retail Banking and member of the Executive Committee of ABN AMRO, Chairman of the Supervisory Board of ABN AMRO Clearing Bank N.V., member of the Supervisory Board of Nationale Nederlanden ABN AMRO Verzekeringen Holding B.V., ABN AMRO Levensverzekering N.V., ABN AMRO Verzekeringen B.V. and ABN AMRO Schadeverzekering N.V.

Other relevant ancillary positions: Member of the Management Board of the Nederlandse Vereniging van Banken (NVB).

Daphne de Kluis (Dutch, female, 1969)

CEO Commercial Banking and member of the Executive Committee

Daphne de Kluis was appointed to the Executive Committee of ABN AMRO as CEO Commercial Banking on 5 February 2017, subject to regulatory approval. The appointment was formally approved by the regulator on 3 November 2017. As her term was due to expire on 1 March 2020, the Supervisory Board approved the Executive Board's decision to reappoint her for another term of four years with effect from 1 March 2020. Her current term expires on 1 March 2024.

Relevant positions pursuant to CRD V: CEO Commercial Banking and member of the Executive Committee of ABN AMRO, member of the Supervisory Board of Stadsherstel N.V., member of the Supervisory Board of Euronext Amsterdam N.V., member of the Managing Board of Stichting Hoge Veluwe Fonds, member of the Advisory Board of ITvitae.

Pieter van Mierlo (Dutch, male, 1961)

CEO Private Banking and member of the Executive Committee

Pieter van Mierlo was appointed to the Executive Committee of ABN AMRO as CEO Private Banking on 5 February 2017, subject to regulatory approval. The appointment was formally approved by the regulator on 3 November 2017. As his term was due to expire on 1 March 2020, the Supervisory Board approved the Executive Board's decision to reappoint him for another term of two years with effect from 1 March 2020. His current term expires on 1 March 2022.

Relevant positions pursuant to CRD V: CEO Private Banking and member of the Executive Committee of ABN AMRO.

Other relevant ancillary positions: Member of the Supervisory Board of Stichting Ruysdael Clinics.

Rutger van Nouhuijs (Dutch, male, 1962)

CEO Corporate & Institutional Banking and member of the Executive Committee

Rutger van Nouhuijs was appointed to the Executive Committee of ABN AMRO as CEO Corporate & Institutional Banking on 5 February 2017, subject to regulatory approval. The appointment was formally approved by the regulator on 3 November 2017. As his term was due to expire on 1 March 2020, the Supervisory Board approved the Executive Board's decision to reappoint him for another term of four years with effect from 1 March 2020. His current term expires on 1 March 2024.

Relevant positions pursuant to CRD V: CEO Corporate & Institutional Banking and member of the Executive Committee of ABN AMRO.

Other relevant ancillary positions: Member of the Board of Directors of AmCham (American Chamber of Commerce in the Netherlands), member of the Advisory Board of Euronext, member of the Executive Board of Vereniging VNO-NCW (Confederation of Netherlands Industry and Employers), member of the Board of Stichting VandenEnde Foundation, member of the Board of Stichting DeLaMar Theater.

Gerard Penning (Dutch, male, 1963)

Chief Human Resources Officer and member of the Executive Committee

Gerard Penning was appointed as Chief Human Resources Officer (CHRO) and a member of the Executive Committee with effect from 1 August 2020. His current term expires on 1 August 2024.

Relevant positions pursuant to CRD V: Chief Human Resources Officer and member of the Executive Committee of ABN AMRO.

Other relevant ancillary positions: Member of the Administrative Board of Sustainable Energy for All, member of the Supervisory Board of Alliander N.V.

Appointment, suspension and dismissal

Members of the Executive Board are appointed and reappointed by the Supervisory Board for a term of up to four years, provided that the term of office continues up to and including the first General Meeting to be held after expiry of the term. The diversity objectives laid down in ABN AMRO's internal policies are taken into consideration when preparing the appointment and reappointment of the members of the Executive Board. The Supervisory Board notifies the General Meeting of the intended appointment or reappointment of a member of the Executive Board. Only candidates who meet the fit and proper test under the Dutch Financial Markets Supervision Act are eligible for appointment. The Supervisory Board may appoint one of the members of the Executive Board as Chairman (to be awarded the title of Chief Executive Officer). Pursuant to the relationship agreement with NLFI, the Supervisory Board will give NLFI the opportunity to advise on the decision to appoint or reappoint a member of the Executive Board and on the decision to appoint the chairman of the Executive Board, as long as NLFI directly or indirectly holds at least 10% of the issued share capital of the bank. The Supervisory Board may at all times suspend or dismiss a member of the Executive Board.

Further information on the suspension and dismissal procedure of the Executive Board is provided in ABN AMRO's Articles of Association and the Executive Board Rules of Procedure as published on the ABN AMRO website.

Members of the Executive Committee (other than members of the Executive Board) are appointed, suspended and/or dismissed by the Executive Board, subject to the approval of the Supervisory Board and advice of the Selection and Nomination Committee. The Executive Board takes into account ABN AMRO's diversity objectives in respect of the composition of the Executive Committee. Only candidates who meet the fit and proper test under the Dutch Financial Markets Supervision Act are eligible for appointment. The CEO is the Chairman of the Executive Committee. The Supervisory Board, on the proposal of the Executive Board and the advice of the Selection and Nomination Committee, appoints one member of the Executive Board as Vice-Chairman of the Executive Board and Executive Committee. Members of the Executive Committee are appointed and reappointed for a maximum term of four years.

Committees

The Executive Board has established a number of committees that are responsible for preparing the decision-making on certain subjects, taking certain delegated decisions and advising the Executive Board on certain matters. The committees include the following three risk-related committees: the Group Risk Committee, the Group Regulatory Committee and the Group Central Credit Committee. More information on the delegated authority of these committees is provided in the Risk, funding & capital management section.

In addition, the Executive Board has installed a Group Disclosure Committee and a Group Asset & Liability Committee.

The Group Disclosure Committee's responsibilities include advising and supporting the Executive Board in relation to (i) supervision of the accuracy, effectiveness and timeliness of public disclosures by the group, and (ii) integrity with regard to the financial statements and other public disclosures as required by Dutch and European legislation, in particular (but not limited to) financial and non-financial disclosures, changes to group target ratios, prospectus disclosures, stress tests, public corporate governance statements, changes in key capital requirements (SREP), changes in dividend policy, changes in ratings and disclosures about environmental, social and governance (ESG) performance, social and employee matters, human rights performance and anti-corruption and anti-bribery matters.

The Group Asset & Liability Committee has been mandated by the Executive Board to decide on matters relating to the interest rate and liquidity risk profile, as well as the solvency of the group, within the parameters set by the Executive Board.

Supervisory Board

Role and responsibilities of the Supervisory Board
The Supervisory Board supervises, advises, challenges and supports the Executive Board and the Executive Committee in the exercise of their powers and duties. Together with the Executive Board, the Supervisory Board is responsible for ABN AMRO's long-term value creation, requiring members to execute their duties in a sustainable manner with due observance of the long-term viability of the strategy being pursued. In discharging its task, the Supervisory Board takes into account the dynamics and the relationship between the Executive Board and the Executive Committee and its members. The Supervisory Board's early and close involvement with the Executive Board is required when formulating the bank-wide strategy and targets in line with the pursued culture aimed at long-term value creation.

In performing their duties, the members of the Supervisory Board are guided by the interests of ABN AMRO and its businesses, taking due consideration of the legitimate interests of all of ABN AMRO's stakeholders (such as its clients, savers and deposit holders, shareholders, holders of depositary receipts, employees and the society in which ABN AMRO operates). Certain decisions taken by the Executive Board are subject to the approval of the Supervisory Board.

Changes in 2020
At the Annual General Meeting of 22 April 2020, Arjen Dorland was reappointed to the Supervisory Board for a period of four years, Jurgen Stegmann was reappointed to the Supervisory Board for a period of three years and Tjalling Tiemstra was reappointed to the Supervisory Board for a period of two years. These reappointments end at the close of ABN AMRO's Annual General Meeting in 2024, 2023 and 2022, respectively.

At the Extraordinary General Meeting of 15 December 2020, Mariken Tannemaat was appointed as a member of the Supervisory Board for a term of office starting at the close of that Extraordinary General Meeting and ending at the close of the Annual General Meeting of ABN AMRO in 2025. No other changes in the Supervisory Board were made during 2020.

Composition and diversity
The Supervisory Board's composition is based on the guiding principle that diversity of thought, expertise, background, competences and interpersonal styles, including but not limited to gender diversity, is a prerequisite for effective supervision and, by extension, for long-term value creation. In line with its diversity policy, ABN AMRO strives to meet the gender target of at least 30% for the Supervisory Board. Gender diversity within ABN AMRO's Supervisory Board is currently 37.5%. When vacancies arise, the Supervisory Board gives due consideration to any applicable gender requirements in its search for suitable new members meeting the fit and proper requirements stipulated in the Dutch Financial Markets Supervision Act. Collectively, the members have expertise in retail and private banking, commercial banking, corporate & institutional banking, investment banking, risk management, financial management, strategy formulation and execution, cultural and other change management, IT, digitalisation, innovation, economics, remuneration and human resources management, sustainability and corporate social responsibility, legal and compliance matters and the development of products and services, and experience in the key markets in which the bank is active. The Supervisory Board has one financial expert (CPA/RA), in accordance with the formal definition and requirements, and five highly experienced bankers combined representing an extensive broad and deep banking experience across all key areas of domestic and international banking.

2020	Executive experience	Banking, finance, audit, risk experience	IT, digitalisation, transformation, innovation experience	Legal, corporate governance experience
T. de Swaan (chair)	**	**	*	**
A.C. Dorland	**	*	**	*
L.J. Griffith	*	*	*	**
M.P. Lap	**	**	*	*
J.B.J. Stegmann	**	**	*	**
A.M. Storåkers	**	**	*	*
M.L. Tannemaat	**	**	**	*
J.S.T. Tiemstra	**	**	*	**

* = has good understanding of the subject but is not expert.
** = can make a balanced independent judgement on the subject (expert).

All members of the Supervisory Board have passed the fit and proper test required under the Dutch Financial Supervision Act. The Supervisory Board confirms that all members of the Supervisory Board are independent within the meaning of best practice provision 2.1.10 of the Dutch Corporate Governance Code.

Personal of the members of the Supervisory Board

The information below refers to the members of the Supervisory Board as at 9 March 2021.

Tom de Swaan (Dutch, male, 1946)
Chairman of the Supervisory Board
Tom de Swaan was appointed to the Supervisory Board of ABN AMRO on 12 July 2018. His current term expires at the close of the Annual General Meeting in 2022.
Last executive position held: CFO, ABN AMRO Bank N.V.
Relevant positions pursuant to CRD V: Chairman of the Supervisory Board of ABN AMRO.
Other relevant ancillary positions: Chairman of the Board of Foundation National Opera & Ballet Fund, the Netherlands, member of the Board of Foundation Premium Erasmianum, member of the International Advisory Board of Akbank, Chairman of the Management Board of Foundation Funds Netherlands Cancer Institute, member of the Advisory Board of Stichting tot Instandhouding van de Diergaarde van het Koninklijk Zoölogisch Genootschap Natura Artis Magistra, member of the Supervisory Board of the Holland Festival Foundation, member of the Board of Stichting Liszt Concours.

Arjen Dorland (Dutch, male, 1955)
Vice-Chairman of the Supervisory Board
Arjen Dorland was appointed to the Supervisory Board of ABN AMRO on 18 May 2016. His current term expires at the close of the Annual General Meeting in 2024.
Last executive position held: Executive Vice-President of Technical and Competitive IT, Royal Dutch Shell.
Relevant positions pursuant to CRD V: Vice-Chairman of the Supervisory Board of ABN AMRO, Vice-Chairman of the Supervisory Board of Essent N.V.
Other relevant ancillary positions: Chairman of the combined Supervisory Council of Stichting Naturalis Biodiversity Center and Stichting Japanmuseum Sieboldhuis, Chairman of the Supervisory Council of Haaglanden Medisch Centrum, member of the Supervisory Board of Bovemij N.V.

Laetitia Griffith (Dutch, female, 1965)
Member
Laetitia Griffith was appointed to the Supervisory Board of ABN AMRO on 17 December 2019. Her current term expires at the close of the Annual General Meeting in 2024.
Last executive position held: Member of Parliament on behalf of the VVD (portfolio: Home Affairs), House of Representatives of the Netherlands.
Relevant position pursuant to CRD V: Member of the Supervisory Board of ABN AMRO, member of the Supervisory Board of Tennet TSO GmbH, member of the Supervisory Board of Tennet Holding B.V., member of the Supervisory Board of Benno Leeser Holding B.V.
Other relevant ancillary positions: Chairman of the Supervisory Board of Holding Nationale Goede Doelen Loterijen N.V., chairman of the Supervisory Board of the Dutch Film Fund.

Michiel Lap (Dutch, male, 1962)
Member
Michiel Lap was appointed to the Supervisory Board of ABN AMRO on 24 April 2019. His current term expires at the close of the Annual General Meeting in 2023.
Last executive position held: Partner and Head of Northwest Europe, Goldman Sachs.
Relevant position pursuant to CRD V: Member of the Supervisory Board of ABN AMRO, vice-chairman and member of the Supervisory Board of Arcadis N.V., non-executive board member of Rijn Capital B.V.
Other relevant ancillary positions: Member of the Supervisory Board of Stichting Het Nederlands Kanker Instituut – Antoni van Leeuwenhoek Ziekenhuis

Jurgen Stegmann (Dutch, male, 1960)
Member
Jurgen Stegmann was appointed to the Supervisory Board of ABN AMRO on 12 August 2016. His current term expires at the close of the Annual General Meeting in 2023.
Last executive position held: Director, Stegmanagement B.V.
Relevant positions pursuant to CRD V: Member of the Supervisory Board of ABN AMRO, member of the Supervisory Board of Janssen de Jong Groep B.V., member of the Supervisory Board of MN Services N.V.
Other relevant ancillary positions: Chairman of the Supervisory Board of Stichting tot Beheer Museum Boijmans Van Beuningen.

Anna Storåkers (Swedish, female, 1974)

Member

Anna Storåkers was appointed to the Supervisory Board of ABN AMRO on 24 April 2019. Her current term expires at the close of the Annual General Meeting in 2023.

Last executive position held: Head of Personal Banking Sweden, Nordea Bank AB.

Relevant positions pursuant to CRD V: Member of the Supervisory Board of ABN AMRO, non-executive director of NDX Holding AB, non-executive director of Nordax Bank AB, non-executive director (and chairman) of Kreditz AB, non-executive director of MM Holding AB.

Mariken Tannemaat (Dutch, female, 1971)

Member

Mariken Tannemaat was appointed to the Supervisory Board of ABN AMRO on 15 December 2020. Her current term expires at the close of the Annual General Meeting in 2025.

Last executive position held: Chief Innovation Officer at Robeco N.V.

Relevant positions pursuant to CRD V: Member of the Supervisory Board of ABN AMRO, member of the Supervisory Board of CM.com N.V., member of the Supervisory Board of Wehkamp B.V., member of the Supervisory Board of VLC & Partners B.V.

Tjalling Tiemstra (Dutch, male, 1952)

Member

Tjalling Tiemstra was appointed to the Supervisory Board of ABN AMRO on 18 May 2016. His current term expires at the close of the Annual General Meeting in 2022.

Current position: Drs J.S.T. Tiemstra Management Services B.V.

Relevant positions pursuant to CRD V: Member of the Supervisory Board of ABN AMRO, member of the Supervisory Board of Royal Haskoning DHV B.V.

Other relevant positions: Board member of Stichting Continuïteit KBW N.V. (Continuity Foundation Koninklijke Boskalis Westminster), board member of Stichting Preferente Aandelen Wolters Kluwer (Preference Shares), board member of Stichting Administratie Kantoor van Aandelen N.V. Twentsche Kabel Holding (Administration Office for Shares), member of the Monitoring Committee of the Dutch Pension Funds Code, deputy expert member of the Enterprise Court at the Amsterdam Court of Appeal, member of the Beursgenoteerde Organisaties van Openbaar Belang Commissie (BOC) of NBA (Dutch Institute of Chartered Accountants), chairman of the European Leadership Platform's Advisory Board, member of the Advisory Board of Van der Heijden Instituut.

Appointment, suspension and dismissal

Members of the Supervisory Board are appointed by the General Meeting, following nomination by the Supervisory Board itself. Only candidates who have passed the fit and proper test under the Dutch Financial Markets Supervision Act are eligible for appointment. The General Meeting and the Employee Council may recommend candidates to the Supervisory Board to be nominated as members of the Supervisory Board.

In accordance with the best practice provisions of the Dutch Corporate Governance Code, Supervisory Board members are appointed for a period ending at the close of the first Annual General Meeting held after four years have passed since their last appointment, unless a shorter period was set at the time of the appointment. The Supervisory Board is required to nominate a candidate recommended by the Employee Council in respect of one third of the members of the Supervisory Board (the 'enhanced recommendation right'). The Supervisory Board must accept the recommendation of the Employee Council unless it believes that the candidate recommended is unsuitable to fulfil the duties of a member of the Supervisory Board or the Supervisory Board would not be properly composed if the appointment were made as recommended.

The Supervisory Board may suspend any of its members at any time. The General Meeting may dismiss the Supervisory Board in its entirety due to lack of confidence in the Supervisory Board. This requires an absolute majority of the votes cast, representing a quorum of at least one third of the issued share capital. If this quorum is not met, there is no possibility to hold a second General Meeting at which no quorum applies. Further information on the suspension and dismissal procedure is provided in ABN AMRO's Articles of Association and the Supervisory Board Rules of Procedure as published on the ABN AMRO website.

Committees

The Supervisory Board has established four committees to prepare its decision-making and to advise the Supervisory Board on specific matters. These committees are composed exclusively of Supervisory Board members.

These committees are the:

- Audit Committee;
- Risk & Capital Committee;
- Remuneration Committee;
- Selection & Nomination Committee.

Report of the Supervisory Board

Meetings of the Supervisory Board

During 2020, the Supervisory Board held six regular meetings according to the pre-set schedule and thirty-three additional meetings. In addition, the Supervisory Board and the Executive Committee jointly had five strategy meetings. The Supervisory Board had five informal meetings.

Regular Supervisory Board meetings take place following the meetings of the Remuneration Committee, Selection & Nomination Committee, Risk & Capital Committee and the Audit Committee. These committees report to the Supervisory Board on their deliberations and findings after their meeting, and the Supervisory Board takes into account their outcomes and recommendations. The Company Secretary (or deputy Company Secretary) attends all meetings and is the secretary to the Supervisory Board and its committees. The Executive Board attends the regular meetings of the Supervisory Board and prepares detailed supporting documents. The regular meetings take four hours on average. Other bank staff and the internal and external auditor are frequently invited to give presentations on specific topics such as performance highlights, the capital & funding plan, dividend payments, strategy, an investor relations update, the risk appetite, quarterly risk reports, quarterly audit reports and quarterly compliance reports. This year, a large number of additional meetings were held to discuss the Covid-19 situation and the impact on the bank. These meetings were also attended by the Executive Board. The CEO, CFO and CI&TO provided updates on the Covid-19 related developments in their domain. Each meeting was attended by a CEO of one of the business lines to provide the Supervisory Board with a business lines update on Covid-19-related developments. Within the CRO update, the latest risk developments memo prepared by Risk Management was discussed. The new CIB strategy focuses on Northwest Europe and its aspirations were discussed and approved. The review of the bank's strategy was discussed at five joint meetings with the Executive Board and Executive Committee. The outcomes of the strategy review were discussed and approved during an additional meeting of the Supervisory Board. It was decided that ABN AMRO would continue to evolve its purpose and the three pillars of the existing strategy.

In addition to the regular subjects, the meetings focused on specific subjects such as the Executive Committee's succession planning, particularly the succession of the CEO, CHRO and the CFO and the appointment of the new Supervisory Board member. Another important subject discussed by the Supervisory Board was the investigation by the Dutch public prosecutor. The suitability self-assessments of the management body were extensively debated. Other topics on the agenda were the financial plan for 2021-2025, monitoring of the progress in the areas of improvement identified in the performance evaluation of 2019, the duty of care, and ancillary positions of Supervisory Board members and members of the Executive Committee.

Details of the composition of the Supervisory Board throughout 2020 can be found in the Composition and diversity paragraph in the Supervisory Board section. The personal details of the members of the Supervisory Board are considered to be incorporated, by reference, in this Report of the Supervisory Board.

Attendance of the Supervisory Board members at the Board's meetings in 2020 was as follows:

2020	Formal meetings (6)	Additional meetings (33)	Total meetings (39)	Attendance (%)
T. de Swaan (chair)	6	33	39	100%
A.C. Dorland	6	32	38	97%
L.J. Griffith	5	32	37	95%
M.P. Lap	6	32	38	97%
J.B.J. Stegmann	6	29	35	90%
A.M. Storåkers	6	32	38	97%
M.L. Tannemaat[1]	1	1	2	100%
J.S.T. Tiemstra	6	30	36	92%

1 Appointment date 15 December 2020 after which 2 meetings were held.

Focus areas and activities of the Supervisory Board

The Supervisory Board's key areas of focus included the bank's compliance with legislation, codes and regulations. Regarding the regulatory environment, ABN AMRO continued to work on retaining trust and only making proper use of client data. On 25 September 2019, the Dutch public prosecutor informed ABN AMRO that the bank was the subject of an investigation relating to requirements under the Act on the prevention of money laundering and financing of terrorism (Wwft). The public prosecutor is investigating whether ABN AMRO has complied with the requirements of the Wwft and ABN AMRO is cooperating fully with the investigation. The developments with regard to the investigation were extensively discussed by the Supervisory Board during the year. The Detecting Financial Crime department provided the Supervisory Board with regular updates on the progress made as the licence to operate was an important subject during the year under review.

The Supervisory Board was also regularly updated on ABN AMRO's key financial and non-financial risks and the design of the internal risk management and control systems. During these updates the Executive Board's assessment of the adequacy and effectiveness of the risk management and control systems was monitored and discussed. Given the Covid-19 pandemic and related lockdowns, Risk Management played a key role in preparing the latest risk developments memo outlining the Covid-19 implications for ABN AMRO from a risk perspective. This memo included topics such as enterprise risk management, liquidity risk, market risk, credit risk and operational risk and was often and extensively discussed during meetings of the Supervisory Board. The bank's risk appetite and ICAAP/ILAAP were also discussed and approved. In addition, the Supervisory Board had in-depth discussions on material legal, credit, tax and compliance files. The AFM activities report, DNB-ECB activities report, ERM report and policy approval report were also discussed each quarter.

In March 2020, the bank launched a review to define the new CIB strategy and to detail the future blueprint of the business model. This is aimed at achieving healthy returns and medium/long-term sustainability within ABN AMRO's moderate risk profile, while also enhancing its strategy and purpose. Potential directions and choices were discussed during the meetings between the Executive Committee and the Supervisory Board. The new strategy for CIB was announced on 12 August 2020. Going forward, CIB will focus on clients in Northwest Europe and Clearing. In Q3 2020, the strategy review was extensively debated with the Executive Committee. The starting point was to further evolve the three pillars of the existing strategy and not to change the purpose of the bank. The important items to be decided on with regard to ABN AMRO's new vision and strategic priorities include data and digital, sustainability, client centricity and focus segments. The Supervisory Board had various meetings with the Executive Committee to discuss and challenge these items. The licence to operate is key in the refreshed strategy, and the transition plan safeguards the core regulatory initiatives.

The Supervisory Board continued to actively engage with its key stakeholders in 2020, mainly by way of digital meetings, in order to obtain client and staff feedback regarding the bank's duty of care, integrity, client focus, culture and competitive differentiation. The two members appointed pursuant to the enhanced recommendation right of the Employee Council, Laetitia Griffith and Arjen Dorland, met regularly with the Employee Council throughout the year to maintain an active dialogue and obtain the Employee Council's thoughts and input on various matters, including diversity, work satisfaction, the strategy review and the new target operating model. The Chairman and other members of the Supervisory Board also met with the Employee Council on several formal and informal occasions during the year. These included the annual half-day three-council meeting of the Supervisory Board, the Executive Committee and the Employee Council (*drie raden overleg*) held on 29 October 2020. The objectives for this meeting were i) to recognise and understand what has made us successful in bank-wide collaboration in the past, ii) to jointly share and discuss the shared point of view on how to take these positive lessons on board so as to move towards strategy execution, and iii) to use the exploration of this theme as a vehicle for further strengthening the collaboration and the shared story of the strategy review (and the subsequent transition and execution). The Supervisory Board appreciates the constructive relationship it has with the Employee Council, and highly values the input, engagement, suggestions and considerations provided by the Employee Council in the interests of the bank. Active engagement was also maintained throughout the year with the Dutch Central Bank (DNB), the European Central Bank (ECB), the AFM, STAK AAB and NLFI. The Supervisory Board's aim continues to be to ensure that the bank is well positioned to create long-term value for its shareholders and for society, while focusing firmly on clients' interests and balancing the interests of all stakeholders.

In October 2019, the Supervisory Board and Executive Board established a joint temporary committee, as referred to in the Supervisory Board's and Executive Board's Rules of Procedure. This committee coordinates, advises on and supervises the main activities following the investigation initiated by the Dutch public prosecutor regarding the possible breach of the Wwft. The committee has only an assisting and advisory function and does not replace or change the regular governance structure and procedures in place for ABN AMRO.

On 15 December 2020, at the Extraordinary General Meeting of ABN AMRO, Mariken Tannemaat was appointed as the eighth Supervisory Board member. The Supervisory Board nominated her because she meets the profile requirements of the Supervisory Board, in particular with regard to her extensive knowledge, and executive experience, in the field of innovation and digitalisation. The Supervisory Board regards her as a welcome addition to the Supervisory Board of ABN AMRO.

Following an evaluation on the composition of the Supervisory Board committees in 2020, the composition of the various committees was changed in Q1 2021.

A description of the duties, responsibilities and current composition of the Supervisory Board, including its committees and other positions held by members of the Supervisory Board, is provided in the Supervisory Board section of this chapter. More information on remuneration is provided in the Remuneration report section of this chapter. These subjects are considered to be incorporated, by reference, in this Report of the Supervisory Board.

Supervisory Board Committees

Audit Committee

The Audit Committee is tasked with the direct supervision of all matters relating to financial reporting and controlling. In doing so, it is responsible for supervising, and advising the complete Supervisory Board on, such things as (i) the assessment of the principles of valuation and determination of results for the financial statements, (ii) internal control and financial reporting functions, (iii) internal and external audit, (iv) risk assessment of issues that could impact the financial reporting, (v) regulatory compliance in relation to financial reporting, (vi) mediation between internal or external auditors and/or management where needed, and (vii) reporting to the Supervisory Board.

Throughout 2020, the Audit Committee consisted of Tjalling Tiemstra (Chairman), Michiel Lap, Jurgen Stegmann and Tom de Swaan. The Audit Committee held six regular plenary meetings in 2020 and one additional meeting.

The attendance rate of the Committee's members is shown in the following table.

2020	Regular meetings (6)	Additional meetings (1)	Total meetings (7)	Attendance (%)
J.S.T. Tiemstra (chair)	6	1	7	100%
M.P. Lap	6	1	7	100%
J.B.J. Stegmann	6	1	7	100%
T. de Swaan	6	1	7	100%

In addition, Arjen Dorland, in his capacity as Supervisory Board member, attended one plenary meeting in May 2020 and Laetitia Griffith attended all plenary meetings of the Audit Committee in 2020 in order to keep abreast of the most important developments relating to the Committee's tasks. All regular plenary meetings of the Audit Committee were also attended by the CEO, the CFO and the CRO. The Director Group Audit, the Director Financial Accounting, the Director Corporate Controlling, the external auditor and the Company Secretary (or deputy Company Secretary) also attended the full plenary meetings.

The Audit Committee held an additional meeting in January 2020 to discuss the approach to the dividend payment. In April 2020 the Audit Committee took a decision, without holding a meeting, on evaluating the external auditor's performance for the purpose of the Annual General Meeting.

In addition to the plenary meetings, the Chairman and other members of the Audit Committee regularly held separate meetings in 2020 with the Director Group Audit, the CFO, the CRO, the Director Financial Accounting and the Director Corporate Controlling, and others. The Chairman of the Audit Committee met the external auditor bilaterally on several occasions in 2020, focusing on the progress of the external audit and other subjects relevant to the Committee's responsibilities. The Chairman also met with the European Central Bank and the Dutch Central Bank on one occasion during the year. In addition, the Committee's members met managers of various departments so as to remain well informed on topics subject to the Committee's supervision. Directly after the meeting in March 2020, at which the annual accounts were discussed, the Audit Committee met the external auditor bilaterally to seek confirmation that all relevant matters emerging from the audit had been brought to the Committee's attention.

The Audit Committee's discussions in the plenary meetings covered topics including the quarterly reports, the interim and annual accounts, the quarterly press releases, the approach to dividend payments, the 2019 Integrated Annual Review and 2019 Annual Report of ABN AMRO and key audit matters reported by internal and external audit. In relation to the latter, the Audit Committee discussed all control observations and key audit matters of the internal and external auditors, including progress on improvements. Please refer to the Management Control Statement in the Annual Report (see Risk, funding & capital management) and the Audit Opinion of EY (see Other) for further details. The Audit Committee also discussed financial reporting, the overall internal control environment, the governance and internal controls of financial reporting, adherence to laws and regulations governing financial and regulatory reporting, regular reports on any signals from clients or employees suggesting possible internal control issues and updates on tax and tax-related issues.

The Audit Committee extensively discussed the financial performance, with an increased focus on the impairments taken as a result, among other things, of the Covid-19 pandemic. The Audit Committee also monitored the effects of the measures taken by ABN AMRO to limit the negative impact of the pandemic on its clients, such as the payment holidays. The Audit Committee continually paid attention to current and future operational results, also in view of the low interest rate environment. In addition, the Committee discussed the audit ratings of the bank's first and second line departments every quarter. During each meeting the Committee devoted attention to the procedures for financial reporting, including the procedure for establishing loan impairments, the timelines for establishing impairments, and the robustness and development of the financial results and ratios, including the level of loan impairments. The Committee also took note of financial reports issued to supervisory authorities, such as the COREP and FINREP reports.

In addition, the Audit Committee considered the role, performance and reports from Group Audit, reports from the external auditor, management letters and the auditor's independence and fees. The Committee was also informed of, and discussed, all relevant letters from the European Central Bank and the Dutch Central Bank. The Audit Committee closely monitored the financial and regulatory reporting improvement programmes in 2020 and was regularly updated on the progress of these programmes by the Executive Board, Group Audit and the external auditor.

In addition to the regular topics noted above, the Audit Committee received the external auditor's report on the 2019 consolidated financial statements and the 2019 overview of whistleblowing cases in February 2020. The Committee also exchanged views on the letter from the VEB to audit firms focusing on the contribution expected of auditors at annual general meetings.

In March 2020, the Audit Committee reviewed and discussed the Integrated Annual Review 2019, the Annual Report 2019, the audits by the external auditor, the Management Control Statement and the updated rating methodology of Group Audit.

In May 2020, in addition to the regular agenda items, the Audit Committee discussed the 2020 Audit Plan of the external auditor and advised the Supervisory Board to approve the annually updated auditor independence policy.

In August 2020, apart from the standard agenda items, the Audit Committee discussed and subsequently advised the Supervisory Board to approve the Corporate Reporting approach for 2020.

In November 2020, in addition to the regular agenda items, the Audit Committee advised the Supervisory Board to approve the Group Audit Plan 2021 and the annual review of the Group Audit Charter. The Committee was informed of the most important developments in tax matters and related risks for ABN AMRO. The Committee also discussed the recommendation to the Annual General Meeting to appoint EY for the external audit of the 2022 and 2023 financial years and issued positive advice to the Supervisory Board in this respect.

Risk & Capital Committee

The Risk & Capital Committee (R&CC) is responsible for supervising, and advising the Supervisory Board on, such things as (i) risk management and risk control, (ii) the strategies for capital and liquidity management, (iii) the bank's risk appetite and risk strategy and reviewing the business activities in relation to these matters, (iv) compliance with applicable laws and regulations (including codes of conduct and internal procedures), (v) risk and compliance awareness within the bank, (vi) sound remuneration policies and practices in the light of risk, capital, liquidity and expected earnings, (vii) proposing corrective and/or disciplinary measures against members of the Executive Board in the event of a breach of applicable laws and regulations, and (viii) periodic review of the bank's actual risk profile.

The R&CC consisted of Jurgen Stegmann (Chairman), Arjen Dorland, Anna Storåkers, Tom de Swaan and Tjalling Tiemstra throughout 2020. In addition, Laetitia Griffith and Michiel Lap, in their capacity as Supervisory Board members, attended seven and eight meetings, respectively, of the R&CC in 2020 in order to keep abreast of the most important developments relating to the Committee's tasks. All regular plenary meetings of the R&CC were also attended by the CEO, the CFO and the CRO of ABN AMRO. The Director Group Audit and the Director Compliance, the external auditor and the Company Secretary (or deputy Company Secretary) also attended the full plenary meetings. In addition, when deemed relevant and useful, individual staff members and responsible management were invited to present their case, respond to questions and participate in discussions.

The R&CC held twelve plenary meetings in 2020, four of which were regular meetings and eight of which were additional meetings. These additional meetings were held to discuss (i) the annual ICAAP and ILAAP submission, (ii) progress on specific compliance-related topics and (iii) detecting financial crime. All matters discussed in the R&CC's plenary meeting that were relevant for the Supervisory Board were reported on orally at the subsequent meetings of the full Supervisory Board. The full Supervisory Board also received minutes of the R&CC meetings.

Attendance of the Risk & Capital Committee members at the Committee's meetings in 2020 was as follows:

2020	Regular meetings (4)	Additional meetings (8)	Total meetings (12)	Attendance (%)
J.B.J. Stegmann (chair)	4	8	12	100%
A.C. Dorland	4	8	12	100%
A.M. Storåkers	4	8	12	100%
T. de Swaan	4	8	12	100%
J.S.T. Tiemstra	4	8	12	100%

Recurring items on the R&CC's agenda in 2020 were the Enterprise Risk Management (ERM) Report, including Covid-19 related progress reporting, the Capital & Funding Plan Update, the Credit Risk Report, Quarterly Model Risk Updates, Compliance and Legal Updates, regulatory correspondence with the ECB and DNB and the Risk Policy Approval Report Update, in which a quarterly overview is provided of changes to relevant risk policies. Additionally, the CRO and CFO provided quarterly updates at the regular R&CC meetings on relevant developments in their respective areas of control.

The ERM Report provides a concise overview of ABN AMRO's position on all risk types identified in the risk taxonomy. It also aims to identify cross-risk type issues and effects and to provide a single integrated view on the bank's risk profile, benchmarked against the bank's strategy and risk appetite (which is established annually by the Executive Board and approved by the Supervisory Board after obtaining advice from the R&CC). Other important subjects included in the ERM Report are the bank's largest single exposures and lessons learned in relation to specific impairments. Based on the ERM Report, the R&CC also discussed Covid-19 related risks and matters related to interest rate risk, change risks, model risks, operational risks, compliance risks and credit risks. The ERM Report and all other regular and one-off reports were used by the R&CC to maintain oversight and advise the Executive Board on the operation and efficiency of the bank's operations versus its risk appetite, including the functioning of its internal Risk Management function.

Every quarter, the R&CC assessed the updated Capital & Funding Plans and was informed about the bank's current capital and funding positions. The R&CC discussed the bank's management of its capital and liquidity ratios, including the issuance plans for capital and funding and options for RWA steering. In all instances, the R&CC advised the Supervisory Board to approve the Capital & Funding Plan.

Based on the quarterly Compliance and Legal Reports, the R&CC discussed individual Legal, Tax and Compliance files, the performance of the Compliance function, Compliance policies and procedures, the relationship with the supervisory authorities and the impact of national and international laws and regulations. Examples of files that were discussed include cum/ex-related legacy issues (i.e. dividend stripping), the investigation by the Dutch public prosecutor related to requirements under the Dutch Act on the prevention of money laundering and financing of terrorism, complaints relating to Euribor-based mortgages and interest rate derivatives for SME clients. Lastly, the R&CC discussed the annual plans of the Compliance and Legal departments.

The R&CC was informed of the bank's correspondence and development of the relationship with the Dutch Central Bank, the European Central Bank, the AFM and other relevant supervisory authorities in quarterly oversight reports prepared by Legal and Compliance.

The R&CC also paid specific attention to the reformulated risk appetite of the bank, also in the light of the ongoing strategy discussions, and the risk enhancement programme for AACB. The R&CC has a continuing focus on compliance-related matters, and particularly on the duty of care, client due diligence and anti-money laundering and the countering of terrorism financing.

The activities of the Detecting Financial Crime unit were also discussed at various R&CC meetings, when the R&CC zoomed in on transaction monitoring and the DFC activities of several of the bank's subsidiaries. The R&CC also discussed the cash improvement plan and was periodically updated on the remediation programmes and the CIB non-core risk governance. Given the prominence of these subjects, the R&CC expects to continue devoting substantial attention to various DFC-related topics in 2021.

More information on the risk, capital, liquidity and funding-related topics discussed in the R&CC is provided in the Risk, funding & capital chapter.

Remuneration Committee

The Remuneration Committee is responsible for supervising, and advising the complete Supervisory Board on, such things as (i) remuneration policies and their execution for members of the Executive Board, the Supervisory Board and selected members of senior management, and (ii) reporting on the execution of the bank's remuneration policies in a remuneration report.

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Other

In 2020, the Remuneration Committee held five formal meetings and four additional meetings. One decision was made without a meeting being held. The Company Secretary (or deputy Company Secretary) attended the meetings. In accordance with stricter legislation, the Supervisory Board will continue in 2021 to ratify all decisions made by the Selection & Nomination Committee either at a meeting or in writing without a meeting being held.

Attendance of the Remuneration Committee members at the Committee's meetings was as follows:

2020	Formal meetings (5)	Additional meetings (4)	Total meetings (9)	Attendance (%)
A.C. Dorland (chair)	5	4	9	100%
L.J. Griffith	5	4	9	100%
M.P. Lap	5	4	9	100%
A.M. Storåkers	4	4	8	89%
T. de Swaan	5	4	9	100%

At its meetings the Remuneration Committee discussed the remuneration policies for the Executive Board and Supervisory Board. A link to the strategy, long-term values and sustainability has been added to comply with the new Shareholders Rights Directive (SRD II). With regard to the Executive Board remuneration policy, performance criteria based on financial and non-financial measures were included. The remuneration policy for the Supervisory Board was a new policy and includes an increase in the annual fixed fee for Supervisory Board members, with annual indexation in accordance with the Dutch general banks' collective labour agreement (no indexation had been applied since 2010). Both policies were adopted at the Annual General Meeting on 22 April 2020. The remuneration report was published separately, following the new SRD II regulation.

Another important subject discussed by the Remuneration Committee was the impact of the Covid-19 crisis on people. One element of these discussions was whether targets in the KPI framework for 2020 needed to be changed. The Remuneration Committee advised not to change these targets. The Covid-19 crisis certainly impacted on the awarding of variable remuneration for 2020 and, after extensive debate, it was decided to limit this. Other items on the Remuneration Committee's agenda included strategic workforce management to ensure people are adaptable and stay fit for the future, diversity and inclusion focusing on gender and cultural diversity (for which targets have been set), the bank-wide Global Reward Policy and retention packages related to divestments in view of the updated CIB strategy. Lastly, the annual end-of-year topics such as the 2019 performance management review and KPI setting for 2020 were discussed, along with the outcomes of the Employee Engagement Survey, which showed positive developments across the bank.

Selection & Nomination Committee

The Selection & Nomination Committee is responsible for supervising, and advising the complete Supervisory Board on, such things as (i) the selection, appointments and reappointments regarding the Supervisory Board and the Executive Board, (ii) succession plans of the Supervisory Board and the Executive Board, (iii) the knowledge, skills, experience, performance, size, composition and profile of these boards, and (iv) the performance of the members of these boards.

In 2020, the Selection & Nomination Committee held four formal meetings and seventeen additional meetings. One decision was made without a meeting being held. The Company Secretary (or deputy Company Secretary) attended the meetings. In accordance with stricter legislation, the Supervisory Board will continue in 2021 to ratify all decisions made by the Selection & Nomination Committee either at a meeting or in writing without a meeting being held.

Attendance of the Selection & Nomination Committee members at the Committee's meetings (from 12 November 2019) was as follows:

2020	Formal meetings (4)	Additional meetings (17)	Total meetings (21)	Attendance (%)
T. de Swaan (chair)	4	17	21	100%
A.C. Dorland	4	15	19	90%
L.J. Griffith	4	15	19	90%
M.P. Lap	4	17	21	100%
A.M. Storåkers	3	16	19	90%

The main topics that the Selection & Nomination Committee discussed and provided advice on to the Supervisory Board related to successors for the Chief Executive Officer, the Chief Human Resources Officer, the Chief Compliance Officer and lastly the Chief Financial Officer, who announced his decision to leave with effect from 28 February 2021. Another important subject was succession management, consisting of the people review and position management. Talents were assessed in the people review, while successors for key positions (Executive Board, Executive Committee and the management level below) were identified during position management.

In addition, the Selection & Nomination Committee discussed the nominations for reappointing three Supervisory Board members whose terms of office were due to end in April 2020; the nomination for appointing an eighth Supervisory Board member, taking into account the diversity policy for management bodies and experience in the areas of IT and innovation; the assessment of various ancillary positions of members of the Supervisory Board, Executive Board and Executive Committee and lastly the envisaged reappointment of two Executive Board members whose terms of office are due to end in April 2021.

Performance evaluation

In Q4 2019, the annual assessment of the Executive Board, the Executive Committee, the Supervisory Board and the Supervisory Board Committees for the 2019 performance year was carried out externally. The functioning of the Executive Board and Executive Committee and its members was assessed on the basis of interviews with all members of the Executive Board and Executive Committee, as well as key individuals within ABN AMRO, and discussions at their meetings, which were evaluated by the Supervisory Board. The assessment of the Supervisory Board, its individual members and committees was based on interviews with all members of the Supervisory Board, as well as key individuals within ABN AMRO, and discussions within the Supervisory Board. Areas of improvement identified on the basis of these assessments and evaluations included a joint focus on long-term rather than short-term solutions, the history-based corporate culture and optimisation of the use of time. These areas were also addressed and discussed in reflection sessions during 2020.

The assessments of the Supervisory Board, Executive Board and Executive Committee for the 2020 performance year will be carried out in 2021, with due observance of succession planning.

Induction Programme and Lifelong Learning Programme

Induction Programme

Following their appointment, all new members of the Supervisory Board, Executive Board and Executive Committee complete an extensive induction programme designed to ensure they have the relevant knowledge needed to fulfil their role, including thorough knowledge of ABN AMRO and its business activities, financial reporting of the group ABN AMRO belongs to and general financial, social, risk, compliance and legal matters. In view of the different knowledge, background and experience of newly appointed members of these boards, each induction programme has a tailor-made curriculum.

Lifelong Learning Programme

A lifelong learning programme is in place for members of the Supervisory Board, Executive Board and Executive Committee. This is designed to keep their expertise up-to-date and to broaden and deepen their knowledge, where necessary. The objective is for members of the Supervisory Board, Executive Board and Executive Committee to participate in the same training sessions so as to foster knowledge-sharing. The curriculum is developed and updated continually to ensure the programme is of high quality, covers developments related to regulatory requirements and takes into account current developments in the global financial industry. Topics covered in 2020 and attended by the Supervisory Board, together with the Executive Board and Executive Committee, included regulatory compliance, Europe's circular economy, detecting financial crime, the duty of care, data sharing and open banking, viable business models and digitalisation, adaptability, client data protection, customer and employee experience, and in-depth sessions on anti-money laundering, ethics and leadership.

The Lifelong Learning Programme was adapted to accommodate the measures taken in relation to Covid-19 and, as a result, all sessions between March and December were offered online.

General Meeting and shareholder structure

General meeting

The Annual General Meeting is held each year by 30 June at the latest. The agenda for the Annual General Meeting must contain certain subjects specified in ABN AMRO's Articles of Association and under Dutch law, for example the adoption of the annual financial statements. Shareholders or holders of depositary receipts who alone or jointly represent at least 3% of the issued share capital of ABN AMRO are allowed to add items to the agenda of the General Meeting, provided they submit a request for this (including reasons) to ABN AMRO at least 60 days prior to the General Meeting.

The Supervisory Board and the Executive Board are both entitled to convene a General Meeting. Shareholders or holders of depositary receipts (DRs) issued with the cooperation of ABN AMRO may also convene a General Meeting, provided they represent at least 10% of the issued share capital. NLFI may also request the Executive Board or Supervisory Board to convene a General Meeting, as stated in the Relationship Agreement.

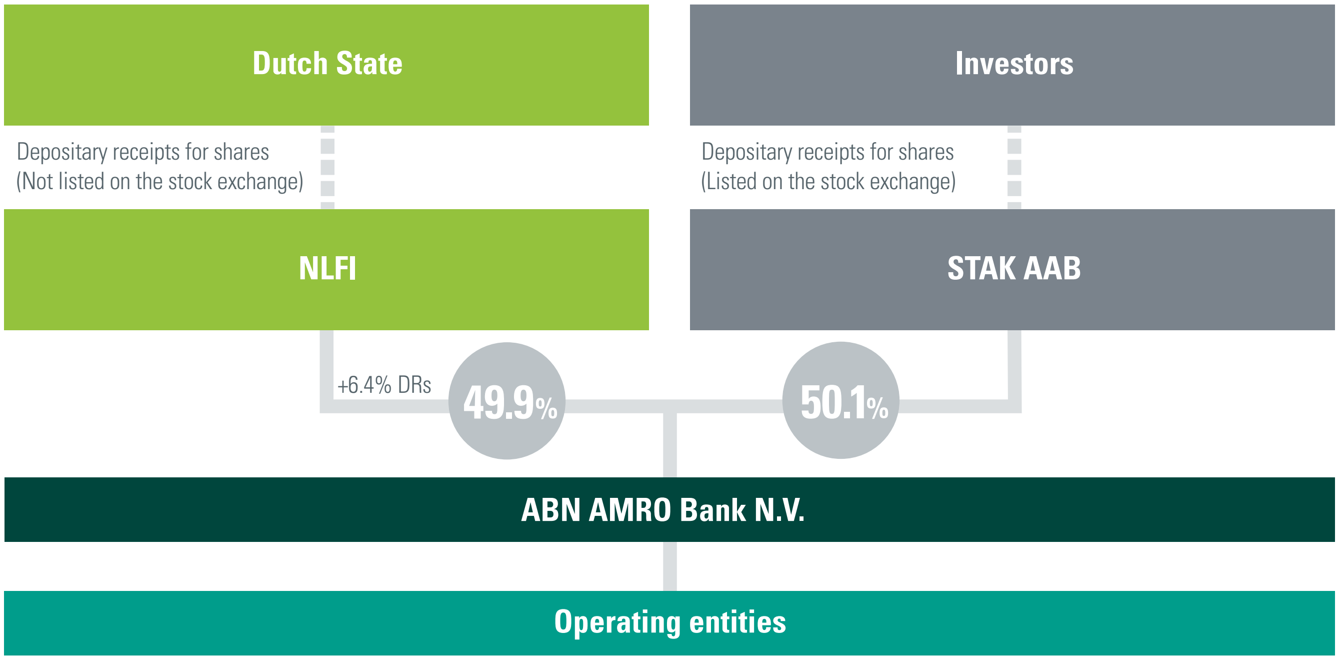
Extraordinary General Meetings may be convened if deemed necessary to resolve important decisions, such as major acquisitions and divestments or appointments of Supervisory Board members that cannot be deferred until the next Annual General Meeting.

ABN AMRO held two General Meetings in 2020: the Annual General Meeting on 22 April and an Extraordinary General Meeting on 15 December.

The agenda of the Annual General Meeting on 22 April 2020 included:

- the adoption of the 2019 annual financial statements;
- the discharge of each member of the Executive and Supervisory Boards in office during the financial year 2019;
- the amendment of the Articles of Association;
- the adoption of the remuneration policy for the Executive Board and the remuneration policy for the Supervisory Board;
- the remuneration report;
- the amendment of the collective profile of the Supervisory Board;
- the re-appointment of Mr Arjen Dorland, Mr Jurgen Stegmann and Mr Tjalling Tiemstra as members of the Supervisory Board;
- the authorisation for the Executive Board to (a) issue shares and/or grant rights to subscribe for shares, (b) limit or exclude pre-emptive rights, and (c) acquire (depositary receipts for) shares in ABN AMRO's own capital, for a period of 18 months as from the date of the General Meeting, subject to the approval of the Supervisory Board and provided the total number of shares or depositary receipts held by ABN AMRO is limited to 10% of the issued share capital of ABN AMRO;
- the cancellation of (depositary receipts for) shares representing shares in ABN AMRO's own capital held by ABN AMRO, and the related reduction of the authorised capital (excluding, for the avoidance of doubt, ordinary shares B); and
- the introduction of Robert Swaak as a member of the Executive Board.

Shareholder structure



At 31 December 2020, all shares in the capital of ABN AMRO were held by two foundations: Stichting Administratie-kantoor beheer financiele instellingen (NLFI) and Stichting Administratiekantoor Continuïteit ABN AMRO Bank (STAK AAB). On that date, NLFI held 56.3% in the share capital of ABN AMRO, of which 49.9% was directly held via ordinary shares and 6.4% was indirectly held via depositary receipts for shares in the capital of ABN AMRO. On that date, STAK AAB held 50.1% of the shares in the issued capital of ABN AMRO. Only STAK AAB's depositary receipts have been issued with the cooperation of ABN AMRO and are traded on Euronext Amsterdam.

NLFI

The Dutch State holds an interest in ABN AMRO through NLFI. NLFI was set up to avoid potential conflicting responsibilities that the Dutch Minister of Finance might otherwise face and to avoid undesired political influence being exerted. NLFI holds 56.3% in ABN AMRO, of which 49.9% is directly held via ordinary shares and 6.4% is indirectly held via depositary receipts for shares in ABN AMRO issued by STAK AAB. NLFI is responsible for managing these shares and depositary receipts and for exercising all rights associated with these shares under Dutch law, including voting rights.

NLFI acts as a stand-alone shareholder that is independent of the Dutch State, including the Dutch Ministry of Finance. However, important decisions taken by NLFI require prior approval by the Dutch Minister of Finance, who can also give binding voting instructions to NLFI with respect to such decisions. NLFI is not permitted to dispose of or encumber the ordinary shares in the capital of ABN AMRO without the authorisation of the Dutch Minister of Finance.

NLFI entered into a Relationship Agreement with ABN AMRO governing their relationship after the initial public offering (IPO). The full text of the Relationship Agreement is available on abnamro.com. The Relationship Agreement will terminate if and when NLFI (directly or indirectly) holds less than 10% of ABN AMRO's issued share capital. A limited number of clauses will not terminate under any circumstances.

The Relationship Agreement includes the following provisions, subject to certain conditions stated in the agreement:

- NLFI's right to be consulted by (a) the Supervisory Board on the appointment or reappointment of (i) members of the Executive Board and (ii) the Chairman of the Executive Board or the Supervisory Board, and (b) the Executive Board on a proposal for the appointment of the external auditor;
- NLFI's right of prior approval of any issuance of (or granting of rights to acquire) shares in ABN AMRO for as long as NLFI holds at least 33 1/3% of the shares in ABN AMRO;
- NLFI's right of prior approval of (a) for as long as NLFI holds more than 50% of the shares in ABN AMRO: any investments or divestments by ABN AMRO or any of its subsidiaries with a value of more than 5% of the equity of ABN AMRO and (b) for as long as NLFI holds 50% or less but 33 1/3% or more of the shares in ABN AMRO: any investment or divestments by ABN AMRO or any

of its subsidiaries with a value of more than 10% of the equity of ABN AMRO;
- NLFI's obligation to effect sell-downs of ABN AMRO shares through STAK AAB;
- Certain orderly market arrangements; and
- Certain information rights for NLFI as long as it holds at least 33 1/3% of the shares in ABN AMRO.

STAK AAB

STAK AAB is a trust office independent of ABN AMRO and the holder of a majority of the shares in ABN AMRO's issued share capital. STAK AAB acquired such shares for the purpose of administration (*ten titel van beheer*) in exchange for depositary receipts. The manner in which this structure can serve as a defence measure and STAK AAB's role in this is set out in this section under Anti-takeover measures.

In addition to serving as a defence measure, STAK AAB aims to promote the exchange of information between ABN AMRO on the one hand and holders of depositary receipts and shareholders on the other hand. It also promotes the acquisition of voting instructions from depositary receipt holders, for example by organising a meeting of depositary receipt holders prior to ABN AMRO's General Meetings. STAK AAB reports on its activities at least once a year in its annual report. In addition, further sell-downs of NLFI's shareholding in ABN AMRO will take place through STAK AAB (and in the form of depositary receipts) only.

By virtue of its Trust Conditions, STAK AAB must ensure that, no later than two weeks before a General Meeting of ABN AMRO is held, a meeting of depositary receipt holders is held at which the agenda items of that General Meeting are discussed. Accordingly, STAK AAB held meetings of depositary receipt holders before the Annual and Extraordinary General Meetings of ABN AMRO on 6 April 2020 and 1 December 2020 respectively.

The STAK AAB website (stakaab.org) provides more information on the activities of STAK AAB, as well as its annual report, articles of association (including STAK AAB's objectives), the Trust Conditions and any information relating to meetings of depositary receipt holders.

ABN AMRO and STAK AAB held one periodic meeting in 2020. The items discussed included the published financial results, the long-term strategy of ABN AMRO and the intended governance in the event of hostile bids and shareholder activism.

Anti-takeover measures

ABN AMRO has implemented a structure whereby STAK AAB is the holder of shares in ABN AMRO's issued share capital and has issued depositary receipts representing such shares with the cooperation of ABN AMRO. The purpose of having a structure under which depositary receipts are created and STAK AAB is the legal owner of the underlying shares is to create a defence measure.

STAK AAB will do everything in its power to deter any action that could affect the independence, continuity or identity of ABN AMRO. In a non-hostile situation, STAK AAB will act primarily in the interests of depositary receipt holders. In a hostile situation, STAK AAB will act primarily in the interests of ABN AMRO and its business enterprises. Under all circumstances, STAK AAB will also take into account the legitimate interests of all other stakeholders: clients, debt investors, shareholders, depositary receipt holders, employees, and the society in which ABN AMRO operates.

In a non-hostile situation, STAK AAB will grant a power of attorney to the depositary receipt holders to exercise the voting rights attached to the underlying shares. STAK AAB will not exercise voting rights on the shares, unless holders of depositary receipts have requested it to do so. This may be different under hostile circumstances as described in Section 2:118a of the Dutch Civil Code. In this case, STAK AAB may refuse or revoke powers of attorney for up to two years (whereby NLFI must pre-approve this decision by STAK AAB as long as NLFI holds at least 33 1/3% of the shares in ABN AMRO) and STAK AAB itself will exercise the voting rights. In doing so, it should, pursuant to the Trust Conditions and the articles of association of STAK AAB, focus primarily on ABN AMRO's interests, taking into account the legitimate interests of the stakeholders mentioned above.

Employee Council

ABN AMRO's employees are represented by works councils (*ondernemingsraden*) at all levels of its group in which specifically appointed delegates are centralised in the overarching Employee Council (*Raad van Medewerkers*). Under Dutch law, the managing board of any company running an enterprise in which a works council has been established must seek the non-binding advice of the works council before taking certain decisions with respect to the enterprise, such as those related to a major restructuring, a change of control, or the appointment or dismissal of a member of the managing board. Certain other decisions directly involving employment matters that apply either to all employees or certain groups of employees may only be taken with the works council's consent.

The Employee Council deals primarily with topics that affect all parts of the group's organisation and meets regularly with members of the Executive Board and Supervisory Board on various other occasions throughout the year, including an annual joint meeting of the Executive Committee, the Supervisory Board and the Employee Council. The Employee Council and ABN AMRO have entered into an agreement under which the Employee Council has been granted certain additional rights (the Works Council Covenant). Under the Works Council Covenant, the Employee Council has the right of inquiry (*enquêterecht*) within the meaning of Section 2:346 of the Dutch Civil Code in the event of a hostile situation. The Works Council Covenant defines the following situations as hostile: (i) a public offer has been announced or is made in respect of shares in the capital of ABN AMRO (or in respect of depositary receipts representing such shares) or there is a justified expectation that this will take place, without agreement first having been reached between the bidder and ABN AMRO, (ii) the exercise of the voting rights by a depositary receipt holder or shareholder would effectively be in conflict with the interests of ABN AMRO and its business, or (iii) any other situation in which the independence, continuity or identity of ABN AMRO and the enterprises associated with ABN AMRO could be harmed. Other situations can be qualified as hostile in an agreement between the Employee Council and ABN AMRO. Furthermore, if NLFI requests the consent, cooperation and/or a position statement of ABN AMRO in the event of a subsequent placement or a private sale of shares or depositary receipts, the Employee Council will be requested by ABN AMRO to provide advice within the meaning of Articles 25 and 26 of the Works Councils Act (*Wet op de Ondernemingsraden*).

Codes and regulations

ABN AMRO is required to comply with a wide variety of governance codes and regulations, including the Dutch Corporate Governance Code, the Banking Code and CRD V. This section explains how ABN AMRO complies with these codes and regulations. More comprehensive overviews of ABN AMRO's compliance with such codes and regulations are published under the Corporate Governance section on abnamro.com.

Dutch Corporate Governance Code

We believe that when corporate governance meets high international standards, it significantly boosts the confidence of a company's stakeholders. As depositary receipts for shares in ABN AMRO are listed on Euronext Amsterdam, ABN AMRO adheres to the Dutch Corporate Governance Code.

ABN AMRO complies with all principles and best practices of the Dutch Corporate Governance Code, except for the deviations and nuances described below.

Under the Corporate Governance section on its website, ABN AMRO also publishes a detailed comply or explain list with regard to the Dutch Corporate Governance Code that applied in 2020.

Best practice provision 1.3.6 (Absence of an internal audit department) does not apply since there is a separate department for the internal audit function within ABN AMRO.

ABN AMRO applies best practice provision 2.1.9 (Independence of the chairman of the supervisory board), which states that the chairman of the supervisory board should not be a former member of the management board of the company. Although Mr Tom de Swaan was a member of the managing board of the former ABN AMRO, the current ABN AMRO is the result of various legal and operational separations and combinations, a merger and a legal demerger that took place after the acquisition of the former ABN AMRO Holding N.V. (the former ABN AMRO Group) by a consortium of banks in October 2007. The consortium consisted of the Royal Bank of Scotland Group, Fortis and Banco Santander S.A (the Consortium). In October 2008, when the Fortis group experienced financial difficulties, the Dutch State acquired certain operations of the Fortis group, as well as Fortis' interest in the vehicle that had acquired the former ABN AMRO group. ABN AMRO Group N.V. (ABN AMRO Group) was newly incorporated on 18 December 2009 to hold the operations, assets and liabilities of parts of the former ABN AMRO group and the part of the Fortis group acquired by the Dutch State. On 6 February 2010, the new and current ABN AMRO demerged from the former ABN AMRO Bank N.V. into a newly incorporated entity. The former ABN AMRO Bank N.V. was subsequently renamed Royal Bank of Scotland N.V. On 1 July 2010, the new ABN AMRO Bank and Fortis Bank (Nederland) N.V. merged pursuant to a legal merger, following which the current ABN AMRO was the surviving entity and Fortis Bank (Nederland) N.V. was the disappearing entity. ABN AMRO Group was merged into ABN AMRO on 29 June 2019. The former ABN AMRO Group and ABN AMRO are different entities than the former ABN AMRO Holding N.V. or former ABN AMRO Bank N.V.

ABN AMRO applies best practice provision 4.1.3 (Agenda), which states, among other things, that (a) each substantial change in the corporate governance structure of ABN AMRO and in the compliance with the Code and (b) material changes in the Articles of Association should be presented to the General Meeting as a separate discussion item or voting item, as applicable. The only exception to this best practice provision is that the Executive Board and the Supervisory Board may decide to place certain topics on the agenda under one agenda item if these topics are justifiably related. ABN AMRO considers this to be a further substantiation of this best practice provision, which may be necessary when proposals to amend the Articles of Association or the corporate governance structure of ABN AMRO are interrelated in such a way that separate votes on each of these proposals could result in an imbalanced voting result and, in turn, an imbalance in the corporate governance structure.

Best practice provision 4.3.3 (Cancelling the binding nature of a nomination or dismissal) is not applicable to ABN AMRO since it applies the rules applicable to a large company regime (*structuurregime*).

Best practice provision 4.3.4 (Voting right on financing preference shares) is not applicable to ABN AMRO as ABN AMRO has not issued financing preference shares.

ABN AMRO does not apply principle 4.4 (Issuing depositary receipts for shares). In contradiction to this principle and provision, the issuing of depositary receipts by STAK AAB is primarily used as a defence measure and not to prevent shareholder absenteeism from enabling a minority of shareholders to control the decision-making process at a General Meeting. Regulatory considerations have been decisive in choosing a structure with depositary receipts as a protective measure. Declarations of No Objection are required in connection with the direct or indirect acquisition of a qualified holding in regulated entities in which ABN AMRO holds an interest.

Therefore, this structure provides ABN AMRO with the greatest possible certainty of adequate protection against a hostile takeover. Although the issuing of depositary receipts has been set up primarily as a defence measure and not to prevent absenteeism, STAK AAB aims to promote the exchange of information between ABN AMRO on the one hand and holders of depositary receipts and shareholders on the other by, for example, organising a meeting of depositary receipt holders before every General Meeting. More information on the purpose and functioning of the depositary receipts and STAK AAB, including information on situations in which STAK AAB may decide to limit, refuse or revoke powers of attorney (and to not observe any voting instructions received), can be found on the STAK AAB website (stakaab.org).

Compliance with best practice provisions 4.4.1 - 4.4.5 and 4.4.7 - 4.4.8 are a responsibility of the board of STAK AAB. With respect to best practice provisions 4.4.5 and 4.4.8, the following applies. In a non-hostile situation, STAK AAB will act primarily in the interests of depositary receipt holders. In a hostile situation, STAK AAB will act primarily in the interests of ABN AMRO and its business enterprises. Under all circumstances STAK AAB will also take into account the legitimate interests of all other stakeholders: clients, savers and deposit holders, shareholders, depositary receipt holders, employees, and the society in which ABN AMRO operates. Furthermore, STAK AAB has in principle the obligation to grant a power of attorney to depositary receipt holders to exercise the voting rights attached to the underlying shares and will not exercise voting rights on the shares in ABN AMRO (unless depositary receipt holders have requested STAK AAB to do so). The foregoing could be different in the hostile situations described in article 2:118a of the Dutch Civil Code. STAK AAB may then decide to (a) limit, exclude or revoke powers of attorney and (b) not observe voting instructions received for a period of up to two years. Furthermore, under the depositary receipt terms, when exercising the voting rights in a hostile situation, STAK AAB should focus primarily on the interests of ABN AMRO and its business enterprises as set out above.

Principle 5.1 and best practice provisions 5.1.1 - 5.1.5 are not applicable since ABN AMRO has a two-tier board.

Dutch Banking Code

The Dutch Banking Code sets out principles that banks with a corporate seat in the Netherlands (i.e. with a Dutch banking licence) should observe in terms of corporate governance, risk management, audit and remuneration. The Dutch Banking Code applies to ABN AMRO as the main entity within a group that holds a Dutch banking licence. ABN AMRO is therefore committed to complying with the Dutch Banking Code and devotes a great deal of effort to ensuring that the spirit of the code is reflected in the behaviour of its employees and the culture of the bank. As such, we are pleased to confirm that ABN AMRO complies with the principles of the Dutch Banking Code. A principle-by-principle overview of the manner in which ABN AMRO complied with the Dutch Banking Code during 2020 is published on abnamro.com.

Throughout 2020, we continued to improve the manner in which we apply the principles of the Dutch Banking Code, taking into account the focus areas indicated by the Dutch Banking Code Monitoring Committee. In particular, the bank devoted a great deal of attention to leadership, integrity and its societal role, including increased efforts regarding sustainability and providing services to clients in their best interests, as also reflected in our strategy.

During 2020, further improvements were made to the process of succession planning, permanent education and self-assessments performed at Board level. All members of the Supervisory Board and Executive Board of ABN AMRO have taken the Banker's Oath, as required by Dutch law. The oath is a confirmation of ABN AMRO's existing policies, which are fully in line with the bank's cultural principles and core values. Along with the introduction of a Social Charter and the Banking Code, the Dutch banking industry has taken the initiative to have all employees take the Banker's Oath. Employees take the oath to affirm their commitment to upholding high standards of ethical behaviour. They are personally responsible for complying with these rules of conduct and may be held accountable for non-compliance.

Subsidiaries of ABN AMRO and the Dutch Banking Code

On 31 December 2020, ABN AMRO had four Dutch subsidiaries with a banking licence: ABN AMRO Clearing Bank N.V., ABN AMRO Groenbank B.V., ABN AMRO Hypotheken Groep B.V. and International Card Services B.V. ABN AMRO applies the principles of the Dutch Banking Code to all of these Dutch subsidiaries on a consolidated basis by developing group-wide policies and standards that promote compliance with internal and external rules and best-practice provisions. However, in view of the differences between the activities, organisation and risk management of the subsidiaries, the application of group-wide policy and standards may vary from one subsidiary to another. An explanation of the manner in which these subsidiaries comply with the Dutch Banking Code is published on abnamro.com.

CRD V

Article 96 of CRD V requires financial institutions to explain on their website how they comply with the requirements of articles 88 - 95 of CRD V. These articles set out governance, disclosure, remuneration and nomination requirements for financial institutions. The obligation to publish such an overview was implemented in Dutch law by article 134b of the Decree on prudential measures FMSA (*Besluit prudentiële regels Wft*).

ABN AMRO has published an overview of how the bank complies with article 134b of the Prudential Measures Decree and article 96 of CRD V on abnamro.com.

Legal structure

Global structure
The full list of subsidiaries and participating interests as at 31 December 2020 referred to in Article 414, Book 2, of the Dutch Civil Code has been filed with the Trade Register.

Retail Banking
The Retail Banking business of ABN AMRO is supported by the following subsidiaries (this list is not exhaustive): ABN AMRO Hypotheken Groep B.V. offers all ABN AMRO's labelled residential mortgage products, including the Florius brands. ALFAM Holding N.V. provides consumer loans under various labels, including Alpha Credit Nederland, Credivance, Defam, GreenLoans, Moneyou and ABN AMRO. International Card Services B.V. (ICS) issues, promotes, manages and processes more than 25 different credit cards in partnership with companies, including credit card transactions, and offers other financial services such as revolving credit facilities. Nationale-Nederlanden ABN AMRO Verzekeringen Holding B.V. (ABN AMRO Verzekeringen) is an associate of ABN AMRO Bank N.V. (49%). Nationale-Nederlanden N.V. holds a 51% interest. ABN AMRO Verzekeringen offers life and non-life insurance products under the ABN AMRO brand. ABN AMRO Pensioen-instelling N.V. (ABN AMRO Pensions) is a premium pension institution ('PPI') that offers pension schemes, without insurance, based on longevity or death.

Commercial Banking
The Commercial Banking business of ABN AMRO is supported by the following subsidiaries (this list is not exhaustive): ABN AMRO Asset Based Finance N.V. provides asset-based solutions (working capital solutions, equipment leases, equipment loans and vendor lease services) to its customers in the Netherlands, France, Germany and the United Kingdom. New10 provides SMEs in the Netherlands with standard loans through a fully digital product offering. ABN AMRO Groenbank B.V. provides financing for sustainable and green investments based on the Green Scheme, a facility through which the Dutch government encourages sustainable investments.

Private Banking
The Private Banking business of ABN AMRO is supported in France and Germany by the following subsidiaries (this list is not exhaustive): Banque Neuflize OBC S.A. offers a private banking model based on an integrated approach to private and commercial wealth, articulated around dedicated advisory and product offers. Bethmann Bank AG is a private bank that enjoys a strong local heritage and brand recognition in the German market. Bethmann covers all major regions of Germany and offers all private banking and private wealth management-related services. Neuflize Vie S.A. is a joint venture between Banque Neuflize OBC (60%) and AXA (40%). It was created to offer life insurance products to high net worth and ultra-high net worth individuals and has developed customised solutions.

Corporate & Institutional Banking
The Corporate & Institutional Banking business of ABN AMRO is supported by the following subsidiaries (this list is not exhaustive): ABN AMRO Clearing Bank N.V. is a global leader in derivatives and equity clearing. It is one of the few players currently able to offer global market access and clearing services on more than 85 of the world's leading exchanges and operates from several locations across the globe. Banco ABN AMRO SA, the Brazilian subsidiary of ABN AMRO, has its own local bank licence.

Group Functions
The Group Functions business of ABN AMRO is supported by the following subsidiaries (this list is not exhaustive): ABN AMRO Funding USA LLC is active in the US market, issuing ABN AMRO's US dollar Commercial Paper funding for clients operating in the US and for clients with US dollar loans. ABN AMRO Captive N.V. is a captive reinsurance company. Transactie Monitoring Nederland B.V. is a participating interest of ABN AMRO Bank N.V. (30%). Other major Dutch banks hold the remaining shares.

Remuneration report

ABN AMRO aims to be a bank at the heart of society that is relevant and responsible, now and in the future. Our purpose is clearly defined as 'Banking for better, for generations to come'. We want to create value for society not only as a provider of financial services to our clients but also as an employer. ABN AMRO's remuneration principles apply to all of our employees and underscore our goal of nurturing a culture of engaged, well-trained and high performing people and processes. Since this remuneration report is also published separately, reference is made to other parts of the annual report for further context, such as strategy and financial performance.

Remuneration policy

Remuneration in relation to corporate strategy and interests

ABN AMRO has embedded its long-term corporate strategy applicable during most of 2020, as well as its sustainability policies, in its remuneration policy and principles. This strategy is based on our purpose ('Banking for better, for generations to come') and the three strategic pillars reflected in our remuneration philosophy:

- Customer experience
- Sustainability
- Future-proof bank

ABN AMRO is currently embedding its updated strategy, as communicated on 30 November 2020, in its remuneration policy.

Remuneration in a regulated environment

As a financial institution, ABN AMRO is subject to many guidelines and restrictions with respect to remuneration. Since 2015, limitations with respect to remuneration and particularly variable remuneration have applied to all employees in the Dutch financial sector, with even more restrictions applying to financial institutions supported by the Dutch State by way of shareholdings. As long as the Dutch state holds an interest, ABN AMRO will apply a prohibition on bonuses and individual salary increases (together referred to as 'the Bonus Prohibition') for a specific group of senior employees.

Responsible remuneration policy

ABN AMRO pursues a responsible remuneration policy that remains within the regulatory boundaries, while taking into account the interests of stakeholders and best practices. Our business strategy puts our positive and proactive purpose at the centre of everything we do. This means we are rethinking, innovating and pulling together to move forward with our purpose. To achieve that, we need well trained, engaged and entrepreneurial employees and flawless processes and technologies. We need to keep our current employees engaged and enable them to develop new skills by investing in employee development. We also need to be able to attract new talent to deliver and continue to create value for our stakeholders and society at large. We strive to embed new remuneration regulations effectively and efficiently in our reward policies and principles, while safeguarding our licence to operate, achieving our ambitions, and balancing our risks and opportunities.

Our remuneration principles are set out in ABN AMRO's Global Reward Policy, which is designed to support the bank's business and risk strategy, objectives, values and long-term interests. The Global Reward Policy principles apply at all levels and in all countries of ABN AMRO's international network (including branch offices). Our remuneration policy should enable us to attract and retain the right talent and ensure that we meet our responsibilities to clients and other stakeholders, both now and in the future. In addition, ABN AMRO's enhanced People Strategy includes building a stronger link between the performance and reward strategy and framework.

The Supervisory Board approves the general remuneration principles laid down in the Global Reward Policy and assesses the general principles and exceptions that relate to the applicable governance and/or international guidelines and regulations within the financial sector. The policy is reviewed regularly, considering the company's strategy and culture (and any changes in these), as well as factors such as risk awareness, targets and corporate values.

We are well aware that the only way to successfully implement our strategy is to create conditions in which all our employees can use their talents to contribute to our goals and to develop or acquire the right skills. We strive to achieve a future-proof workforce, with an excellent employee experience and leadership that inspires, alongside efficient organisational structures, processes and IT systems that help our employees work more effectively. With its diversity and inclusion policy, ABN AMRO aims to be an organisation where people feel safe and welcome. Rewarding equal work equally is of fundamental importance and has ABN AMRO's full attention.

Performance management and KPI setting

Our annual performance management cycle for Identified Staff aims to create links between performance (realistic, sustainable results) and reward in such a way that reward is aligned with both the employee's and the bank's performance. We use a set of balanced financial and non-financial KPIs, as well as qualitative and quantitative

KPIs. For 2020, our group non-financial KPIs consisted of sustainability (based on the Dow Jones Sustainability Index ranking and ABN AMRO's score on sustainability according to clients and as measured by Brand Track, which conducts continual online market research into our brand position), employee engagement (via the annual Employee Engagement Survey) and house in order (conveying the desired compliance and risk culture). The financial KPI used in 2020 at a group level for non-commercial business lines was the CET1 ratio. Fee and commission income, cost ceiling (non-commercial business lines only), cost/income ratio and RAROE are used at the business line level.

There is ample room for setting individual KPIs, such as individual leadership, which includes risk awareness, culture transformation and strategy execution. The table of KPIs for Identified Staff provides more insight into the methodology used.

In line with the general trend toward less hierarchy and more teamwork, ABN AMRO wants to subject employees to fewer controls, empower them more, and offer them tools that will keep them well equipped for their job and help them deal with the ever-changing environment. We strive to make our staff's work more meaningful, while at the same time ensuring their duties are aligned with all the bank's current and future priorities. Our performance management aims to further emphasise our employees' ambitions, expertise and development and seek alignment with our goals (which includes reskilling and upskilling), such as creating long-term value for all our stakeholders. We aim to use Performance Management as a driving force for a culture of performance and accountability, characterised by clear expectations, single-point accountability, honest and courageous dialogue and recognition for outstanding performance.

Implementation of the Shareholder Rights Directive in 2020

On 1 December 2019, new legislation following the Shareholder Rights Directive II ('the Shareholder Rights Directive') entered into force, giving shareholders a stronger position with regard to the remuneration of Supervisory Board and Executive Board members, and creating more transparency. ABN AMRO has implemented the Shareholder Rights Directive's requirements into the remuneration policies as much as possible, with due observance of the applicable remuneration restrictions, such as the Bonus Prohibition.

In preparation for the Executive Board remuneration policy and Supervisory Board remuneration policy, ABN AMRO Bank assessed the remuneration against a peer group of financial and non-financial companies in the Netherlands and Europe. The peer group consisted of companies comparable to ABN AMRO Bank in terms of market, size or profile. The results of the benchmark clearly indicate that, in respect of the annual fixed fee, ABN AMRO was positioned below or at the 25th percentile against the chosen peer groups. In addition, we invited stakeholders to consultation meetings to enable the Chairman of our Remuneration Committee to hear feedback and explore ways of implementing our remuneration policy and to address areas of concern. The remuneration policies were prepared with due observance of those valuable views received and mindful, among other things, of the highly regulated environment within which ABN AMRO operates.

With regard to the Executive Board remuneration policy, we continued our remuneration policy as most recently adopted in 2015 and updated to comply with new legislation. Variable remuneration remained part of the remuneration package. Additional information on variable remuneration is included in the Executive Board remuneration policy since this is required by the new Shareholder Rights Directive, although variable and share-based remuneration cannot be awarded by ABN AMRO while the Bonus Prohibition applies. With regard to the Supervisory Board remuneration policy, the changes are discussed below under Supervisory Board remuneration in 2020. There were no deviations from the decision-making process for implementing the remuneration policies of the Executive Board and Supervisory Board, and no deviations in the execution of these remuneration policies.

The Annual General Meeting in 2020 was an important opportunity for all shareholders and depositary receipt holders to express their views. The remuneration policies for the Executive Board and Supervisory Board were adopted, with 99.56% and 99.51%, respectively, of the votes cast. These new remuneration policies apply as of 1 January 2020 for a period of four years. The Remuneration Committee may ask the general meeting to adopt an amendment at an earlier date if this is considered appropriate.

At the Annual General Meeting in 2020, the remuneration report for the financial year 2019 was put to an advisory vote, with 99.08% of the (non-binding) votes cast being in favour of a positive advice. ABN AMRO was pleased to note the positive advisory vote and feedback, and has built on it in shaping this year's remuneration report.

Changes expected in 2021

ABN AMRO's collective labour agreements apply until 1 January 2022. Therefore, negotiations on the collective labour agreements as from 1 January 2022 will start in the course of 2021. The current term of the CAO Banken ended on 1 January 2021.

The following changes in laws and regulations regarding remuneration came into force at the end of 2020 or are expected in 2021:

1) the Act on Implementation of Capital Requirements 2020, implementing the Capital Requirements Directive V (CRD V) into Dutch law, partially entered into force on 29 December 2020;
2) the Act on Further Remuneration Restrictions for Financial Undertakings is expected to come partly into force on 1 July 2021 and partly on 1 July 2022;
3) various related and updated regulations, such as the Regulatory Technical Standards on Identified Staff (to be adopted by the European Commission);
4) the final version of the updated EBA Guidelines on Sound Remuneration Policies, which will provide EBA guidance on the CRD V amendments, is expected in 2021.
5) the implementation of the Sustainable Finance Disclosure Regulation (SFDR), which also focuses on the need for the remuneration policy applicable to staff involved in ABN AMRO's investment products and services to be consistent with the integration of sustainability risks.

The above list of legislation and regulations is a non-exhaustive summary. Reference is also made to the Regulatory environment section in this Annual Report. If needed, ABN AMRO will adjust its remuneration policies to ensure compliance with applicable laws and regulations. Shareholders' approval will be requested, when required. To that extent, ABN AMRO's Variable Compensation Plan was amended to reflect the changed requirements regarding the minimum deferral period, the non-cash instruments and the possibility to apply an exemption where relevant. In addition, the retention period of the non-cash instrument has been amended.

Remuneration principles for the Supervisory Board, Executive Board and other Identified Staff

Supervisory Board remuneration in 2020

The remuneration of members of the Supervisory Board is determined by the General Meeting of Shareholders, based on a proposal submitted by the Supervisory Board. ABN AMRO does not grant any variable remuneration or equity to Supervisory Board members. Up to 1 January 2020, the level of remuneration had not changed since 2010. With effect from 1 January 2020, and for the first time, indexation of 2.5%, in line with the CAO Banken, was applied to the annual fees paid to the Supervisory Board members, as well as an increase of 1.5% per annum[1], as approved by the General Meeting of Shareholders on 22 April 2020. The annual fees for 2020 were as follows:

- Membership of the Supervisory Board: EUR 52,000 (EUR 67,600 for the Chairman);
- Membership of a Committee: EUR 13,000 (EUR 15,600 for the Chairman).

The remuneration for Supervisory Board committee membership is limited to two such memberships.

Supervisory Board members are appointed by the General Meeting upon nomination by the Supervisory Board. The initial appointment period is four years unless a shorter period is set at the time of appointment. Supervisory Board members can be reappointed. Details of the remuneration of the individual members of the Supervisory Board are provided in Note 35 and Note 37 to the Consolidated Annual Financial Statements.

[1] In conformity with the remuneration policy, for the four years 2020, 2021, 2022 and 2023, these fees for the Supervisory Board membership will also be increased with a fixed percentage of 1.5% representing the general salary increases in accordance with the Dutch general banks collective labour agreement for the years 2015-2019 during which these fees have not been increased.

Remuneration for the individual Supervisory Board members

(In thousands)	2020[8]	2019[8]
T. de Swaan	96	90
S. ten Have[1]		19
A.C. Dorland	81	75
L.J. Griffith[2]	78	3
M.P. Lap[3]	78	50
F.J. Leeflang[4]		23
J.M. Roobeek[5]		70
J.B.J. Stegmann	81	78
A.M. Storåkers[6]	78	43
M.L. Tannemaat[7]	4	
J.S.T. Tiemstra	81	78
Total	**577**	**529**

[1] S. ten Have stepped down as member of the Supervisory Board with effect from 24 April 2019.
[2] L.J. Griffith was appointed as member of the Supervisory Board with effect from 17 December 2019.
[3] M.P. Lap was appointed as member of the Supervisory Board with effect from 24 April 2019.
[4] F.J. Leeflang stepped down as a member from the Supervisory Board with effect from 24 April 2019.
[5] J.M. Roobeek stepped down as member of the Supervisory Board with effect from 17 December 2019.
[6] A.M. Storåkers was appointed as member of the Supervisory Board with effect from 24 April 2019.
[7] M.L. Tannemaat was appointed as member of the Supervisory Board with effect from 15 December 2020.
[8] Remuneration amounts excluding VAT.

Loans from ABN AMRO to Supervisory Board members

(In thousands)	2020 Outstanding 31 December	2020 Redemptions	2020 Interest rate	2019 Outstanding 31 December	2019 Redemptions	2019 Interest rate
T. de Swaan	1,597		1.0%	1,407		2.8%
L.J. Griffith[1]	428	94	1.8%	522		1.8%
J.B.J. Stegmann		500	0.1%	500	400	0.1%
J.M. Roobeek[2]				1,600		3.0%

1 L.J. Griffith was appointed as member of the Supervisory Board with effect from 17 December 2019.
2 J.M. Roobeek stepped down as member of the Supervisory Board with effect from 17 December 2019.

Executive Board remuneration in 2020

The Supervisory Board is responsible for proposing the remuneration policy and principles for the Executive Board and also executes the policy for the Executive Board. The policy and principles are subject to shareholder approval. The fixed remuneration for the four members of ABN AMRO's Executive Board, all statutory directors, has been set at a level slightly below that of the former CEO and Managing Board members. The Executive Board members' views were taken into account in the design of the remuneration policy.

Details of the remuneration of the individual members of the Executive Board and the Executive Committee are provided in Note 35 and Note 37 to the Consolidated Annual Financial Statements.

Remuneration for the individual Executive Board members

(In thousands)	Base salary	Compensation for lease car expenses	Benefits from mortgage interest rate	Variable remuneration[6]	Total pension-related contributions[7] Post-employment pension (a)	Total pension-related contributions[7] Short-term allowances (b)	Severance payments	Total[8]
2020								
R.A.J. Swaak[1]	527				21	153		701
C. van Dijkhuizen[2]	633				25	184	190	1,032
C.J. Abrahams[3]	645				30	182		857
C.M. Bornfeld[4]	645				30	182		857
T.J.A.M. Cuppen[5]	645				30	182		857
Total	**3,095**				**136**	**883**	**190**	**4,304**
2019								
C. van Dijkhuizen[2]	741				38	222		1,001
C.J. Abrahams[3]	629				38	183		850
C.M. Bornfeld[4]	629				38	183		850
T.J.A.M. Cuppen[5]	629				38	183		850
Total	**2,628**				**152**	**771**		**3,551**

1 R.A.J. Swaak was appointed as CEO with effect from 22 April 2020.
2 The Executive Board membership for C. van Dijkhuizen ended on 22 April 2020. The services agreement of C. van Dijkhuizen ended on 31 October 2020.
3 C.J. Abrahams receives a compensation for housing costs (2020: EUR 92 thousand; 2019: EUR 94 thousand) and flight tickets (2020: EUR 7 thousand; 2019: EUR 13 thousand) to his home country which is not included in the base salary.
4 C.M. Bornfeld receives a compensation for housing costs (2020: EUR 129 thousand; 2019: EUR 132 thousand) and flight tickets to his home country (2020: EUR 4 thousand; 2019 EUR 13 thousand) which is not included in the base salary.
5 In addition to remuneration, T.J.A.M. Cuppen received a benefit for the personal use of the company car (2020: EUR 3 thousand; 2019: EUR 3 thousand).
6 As a consequence of the Bonus Prohibition Act, the Executive Board members are not entitled to receive variable compensation. This prohibition has applied since the performance year 2011.
7 The Executive Board members participate in ABN AMRO Bank's pension plans for employees in the Netherlands. This participation is not mandatory for C.J. Abrahams considering his current non-Dutch tax resident status. Total pension-related contributions refer to (a) the employer contribution to the pension fund (for the CDC pension scheme for pensionable income up to EUR 110,111 (2019: EUR 107,593) and (b) the arrangement in accordance with the ABN AMRO Collective Labour Agreement ('ABN AMRO CAO').
8 In addition to remuneration, Executive Board members are eligible for benefits such as the use of a company car. Only T.J.A.M. Cuppen uses this car for private purposes. Members of the Executive Board may receive compensation for Dutch language classes, private schools for their children and home security.

Loans from ABN AMRO to Executive Board members

(In thousands)	2020 Outstanding 31 December	2020 Redemptions	2020 Interest rate	2019 Outstanding 31 December	2019 Redemptions	2019 Interest rate
There are no loans to members of the Executive Board						

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Annual fixed remuneration for 2020

The annual base salary for the Executive Board members follows the developments in the collective labour agreement for the banking industry (CAO Banken). The CAO Banken provides for two collective salary increases of 2.5% each with effect from 1 January 2019 and 1 January 2020, respectively.

The three members of the Executive Board (excluding the Chairman) each earn the same salary, which for 2020 amounted to EUR 645,163 gross per annum. The difference between the salary of the Chairman of the Executive Board, Robert Swaak, and other members is 15% on an annual basis. His annual salary for 2020 amounted to EUR 759,978 gross.

Variable remuneration

The remuneration package for members of the Executive Board provides for a variable compensation component. However, the Bonus Prohibition does not allow payment of such compensation to board members of financial institutions falling under the scope of the Financial Supervision Act during the period the Dutch State provides support through a shareholding in the institution. The members of the Executive Board are therefore not entitled to receive variable remuneration during the period of state ownership. As this continued to be the case in the 2020 performance year, Executive Board members did not receive any variable remuneration.

Benefits

The Chairman and members of the Executive Board participate in ABN AMRO's pension schemes applicable to all employees in the Netherlands, whereby it should be noted that Clifford Abrahams is not a Dutch tax resident.

For pensionable salary up to the applicable threshold, which for 2020 amounted to EUR 110,111, a collective defined contribution (CDC) pension scheme applies. The standard retirement age is aligned to the dates on which the Executive Board members will be eligible for Dutch State old-age pension (AOW), while the average pension accrual is 1.875% and the employee pension contribution is 5.5%. For pensionable salary in excess of EUR 110,111, employees receive an allowance that can be used to build up a net pension in a group defined contribution (DC) plan. The allowance amounted to 34% in 2020 and 35% in 2019. In addition to pension benefits, Executive Board members are eligible for benefits such as a company car and a chauffeur.

Severance

The remuneration policy for Executive Board members provides for a severance payment up to a maximum of one year's gross salary in the event their contract is terminated at ABN AMRO's initiative. The current Executive Board members all have the same contractual right to a severance payment equal to three months' gross fixed salary. Based on the remuneration policy for Executive Board members, Kees van Dijkhuizen was awarded a severance payment equivalent to three months' gross fixed salary upon his departure in 2020.

Scenario analyses

Scenario analyses are the analyses conducted by the Supervisory Board when formulating the remuneration policy and before determining the remuneration of individual Executive Board members. They show the possible outcomes of the variable remuneration components and the way in which these affect the remuneration of the Executive Board members. The Supervisory Board establishes whether the scenario analyses result in appropriate levels of remuneration, and whether measures are required to limit the remuneration.

As a matter of principle, the total target remuneration of the Executive Board members is below the median in the relevant benchmarking population. With the choice for continuation of the previous remuneration policy with only some refinements to safeguard alignment with the new Shareholders Rights Directive and considering no variable remuneration is awarded and the remuneration restrictions that apply to ABN AMRO, the Supervisory Board is of the opinion that scenario analyses resulted in the appropriate levels of remuneration and that further scenario analyses are less relevant.

Contractual relationships and appointment periods

All current Executive Board members have been appointed for a maximum of four years, with the appointment ending at the close of the first Annual General Meeting held after the agreed term has passed since their appointment date, unless a shorter period is set at the time of appointment or reappointment, taking into account the rotation scheme. Kees van Dijkhuizen was appointed CEO and Chairman of the Executive Board and Executive Committee on 1 January 2017 and his term ended at the close of the Annual General Meeting held on 22 April 2020. In the same Annual General Meeting Robert Swaak was appointed CEO and Chairman for a period of four years.

Clifford Abrahams was appointed CFO and a member of the Executive Board and Executive Committee on 1 September 2017 and was appointed Vice-Chairman with effect from 1 March 2018. Clifford Abrahams resigned as CFO with effect from 28 February 2021. Tanja Cuppen was appointed CRO and a member of the Executive Board and Executive Committee on 1 October 2017. Christian Bornfeld was appointed CI&TO and a member of the Executive Board and Executive Committee on 1 March 2018 and Vice-Chairman with effect from 1 March 2021. The terms of Tanja Cuppen and Christian Bornfeld end at the close of the Annual

General Meeting in April 2021 and they will be proposed for reappointment by the Supervisory Board.

All Executive Board members have a services agreement (overeenkomst van opdracht) with ABN AMRO which constitutes the contractual relationship between ABN AMRO and the Executive Board member. The agreement is effective from the date of the Executive Board member's first appointment and is entered into for an unlimited period of time. The Executive Board member may terminate the agreement subject to a notice period of three months, whereas ABN AMRO must observe a notice period of six months. In principle, and to the extent possible, ABN AMRO will explore and discuss with the Executive Board member the intentions with regard to renewal of the member's appointment six months before the appointment period expires. The services agreement can be terminated by ABN AMRO immediately and without observing a notice period in the event of an urgent cause as stipulated in Sections 678 and 669, Book 7, of the Dutch Civil Code. If the Executive Board member passes away or reaches the old-age pension (AOW) retirement age, the services agreement automatically terminates by operation of law.

Executive Board 2020 performance

The performance targets for 2020 were set by the Supervisory Board. The Supervisory Board has assessed the performance of each Executive Board member, based on the performance targets, and has concluded that all members of the Executive Board had a good overall performance in 2020. The performance outcome is based on a set of financial and non-financial performance indicators, as well as on individual leadership, as set out in the table below and as also described above. Owing to the applicable Bonus Prohibition, members of the Executive Board are not eligible for variable remuneration linked to their performance during 2020.

				2020
(in thousands)	Variable plan	Level	Type[1,2]	Weight
Name (position)				
R.A.J. Swaak (CEO)	VCP ABN AMRO	Organisation	Financial	30%
			Non-financial	35%
		Business line	Financial	n/a
			Non-financial	n/a
		Individual	Non-financial	35%
Total				**100%**
C. van Dijkhuizen (CEO)	VCP ABN AMRO	Organisation	Financial	30%
			Non-financial	35%
		Business line	Financial	n/a
			Non-financial	n/a
		Individual	Non-financial	35%
Total				**100%**
C.J. Abrahams (CFO)	VCP ABN AMRO	Organisation	Financial	30%
			Non-financial	25%
		Business line	Financial	n/a
			Non-financial	10%
		Individual	Non-financial	35%
Total				**100%**
C.M. Bornfeld (CI & TO)	VCP ABN AMRO	Organisation	Financial	10%
			Non-financial	20%
		Business line	Financial	10%
			Non-financial	25%
		Individual	Non-financial	35%
Total				**100%**
T.J.A.M. Cuppen (CRO)	VCP ABN AMRO	Organisation	Financial	10%
			Non-financial	20%
		Business line	Financial	10%
			Non-financial	25%
		Individual	Non-financial	35%
Total				**100%**

1 Financial KPIs include Return on equity, Cost ceiling, Cost/income ratio, RAROE, Strategy value creation and CET1 ratio.
2 Non-financial KPIs include sustainability, Net Promoter Score, Employee Engagement, Permanent eduation and House in order.

Development of annual remuneration of Executive Board members

The table below shows the development of the annual remuneration of Executive Board members. The table shows how changes in annual remuneration relate to last year, to the bank's performance and to developments in average employee remuneration. The column 'Absolute change' shows the difference in the indicator over two periods in time, while the column 'Relative' shows the increase or decrease as a percentage.

Development of annual remuneration

		2015 - 2016		2016 - 2017		2017 - 2018		2018 - 2019		2019 - 2020		Reporting year
(in thousands)	Function	Absolute	Relative	Absolute	Relative	Absolute	Relative	Absolute	Relative	Absolute	Relative	2020
ExBo												
R.A.J. Swaak[1]	CEO									701	n/a	701
C. van Dijkhuizen[2]	CEO			976	n/a	-6	-1%	31	3%	31	3%	1,032
C. van Dijkhuizen	CFO	26	3%	-825	n/a							
G. Zalm[3]	CEO	34	3%	-991	n/a	-93	n/a					
C.J. Abrahams[4]	CFO			277	n/a	547	n/a	26	3%	7	1%	857
C.M. Bornfeld[5]	CI&TO					687	n/a	163	n/a	7	1%	857
T.J.A.M. Cuppen[6]	CRO			207	n/a	617	n/a	26	3%	7	1%	857
W. Reehoorn[7]	CRO	27	3%	663	n/a	-1,530	n/a					
J. van Hall[8]	COO	27	3%	26	3%	-107	n/a	-786	n/a			
C.E. Princen[9]	PR&I	664	n/a	-1,504	n/a							
C.F.H.H. Vogelzang[10]	R&PB	27	3%	-224	n/a	-643	n/a					
J.G. Wijn[11]	CB	27	3%	-569	n/a	-298	n/a					
Company performance												
(underlying) Profit		152	8%	715	34%	-441	-16%	-304	-13%	-2,091	-102%	-45
(underlying) Cost/income ratio		4.1%	7%	-5.8%	-9%	-1.3%	-2%	2.4%	4%	5.2%	8%	66.4%
(underlying) Return on equity		-0.2%	-2%	2.7%	23%	-3.1%	-21%	-1.4%	-12%	-108.0%	-108%	-0.8%
Average employee remuneration		**2**	**2%**	**3**	**3%**	**3**	**3%**	**3**	**3%**	**-5**	**-5%**	**99**

1 R.A.J. Swaak was appointed as CEO with effect from 22 April 2020.
2 C. van Dijkhuizen succeeded G. Zalm as CEO as of 1 January 2017.
3 The Managing Board membership for G. Zalm ended on 1 January 2017. G. Zalm's employment agreement ended on 1 February 2017.
4 C.J. Abrahams joined the Executive Board on 1 September 2017.
5 C.M. Bornfeld joined the Executive Board on 1 March 2018.
6 T.J.A.M. Cuppen joined the Executive Board on 1 October 2017.
7 The Executive Board membership for W. Reehoorn ended on 1 November 2017. As W. Reehoorn's employment agreement ended on 1 July 2018, his remuneration relates to the period up to 1 July 2018. The severance payment was awarded in 2017.
8 The Executive Board membership for J. van Hall ended on 1 March 2018. As J. van Hall's employment agreement ended on 1 September 2018, his remuneration relates to the period up to 1 September 2018. The severance payment was awarded in 2018.
9 The Managing Board membership for C.E. Princen ended on 1 January 2017. The employment agreement of C.E. Princen ended on 1 July 2017. Remuneration in 2016 includes the period up to 1 July 2017. The severance payment was awarded in 2016.
10 C.F.H.H. Vogelzang stepped down as Managing Board member on 6 February 2017. The employment agreement of C.F.H.H. Vogelzang ended on 1 September 2017.
11 J.G. Wijn stepped down as Managing Board member on 18 January 2017. The employment agreement of J.G. Wijn ended on 1 May 2017.

Identified Staff remuneration

Remuneration restrictions apply not only to the Executive Board, but also to staff whose professional activities could have a material impact on the bank's risk profile ('Identified Staff'). Within ABN AMRO, the group of Identified Staff consists of:

- Members of the Executive and Supervisory Boards;
- Members of the Executive Committee, not being a member of the Executive Board;
- Members who fulfil a position at above-CLA level;
- Staff responsible for independent control functions;
- Other risk takers. The definition of the group of other risk takers follows from their impact on the economic capital of ABN AMRO (EC threshold), membership of certain risk committees, having credit authority above a certain threshold and fulfilling specific roles;
- Other employees whose total remuneration puts them in the same remuneration bracket as senior managers and risk takers.

Composition of remuneration packages

In general, the remuneration packages for Identified Staff have been structured in accordance with regulations and restrictions applying to the financial sector. Different ranges apply to the various salary scales in each country, but we always position our remuneration levels around the median of the relevant labour market while keeping labour costs under control. A typical remuneration package

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for ABN AMRO employees consists of an annual base salary, annual variable remuneration if the relevant market practice so requires, and fringe benefits. We also have in place specific rules for staff whose professional activities could have a material impact on the bank's risk profile; these individuals are referred to as Identified Staff. A typical remuneration package for Identified Staff consists of the following components:

- Annual base salary;
- Annual variable remuneration (with deferred payout in alignment with ABN AMRO's variable compensation plan);
- Benefits and other entitlements.

ABN AMRO strives to position the overall level of direct compensation for Executive Committee members and positions at above-CLA level just below the market median levels. In alignment with the Act on the Remuneration Policy for Financial Undertakings (Wbfo), which came into force in 2015, the variable compensation for this group of employees is capped at 20% of base salary for those employed in the Netherlands. In addition, and also with effect from 2015, all other remuneration restrictions, including the Bonus Prohibition, were extended to a specific group of senior employees as defined in the Wbfo. These senior employees, comprising, for example, Executive Committee members who are not also statutory directors, are therefore not allowed to be granted any variable remuneration until the Dutch State no longer holds an interest in ABN AMRO.

ABN AMRO's collective labour agreement (CLA) governs the remuneration packages for Identified Staff based in the Netherlands unless they have been appointed to a position not governed by the CLA. For Identified Staff based outside the Netherlands, ABN AMRO takes into account relevant business dynamics (e.g. market conditions, local labour and tax legislation) when deciding on the composition of their reward packages. For the latter two categories of employees, the overall direct compensation is aimed to be positioned around the median levels in the relevant market. The maximum variable compensation percentage for employees working outside the Netherlands in another European Economic Area ('EEA') state is 100%; for employees working outside the EEA more than 100% is allowed, with a maximum of 200% and subject to shareholder approval. These percentages are in line with the international market environment in which we operate. ABN AMRO has not requested shareholder approval to increase the maximum variable compensation percentage to 200%, and hence applies 100% globally.

Performance for Identified Staff is measured over a one-year performance period at three levels: group, business unit and individual level, and by means of risk-adjusted and partly risk-adjusted financial and non-financial performance indicators.

Performance indicators for Identified Staff

	Weighting Executive Board[5]	Weighting Executive Committee	Weighting above CLA identified staff	Weighting CLA identified staff
Organisation level KPIs	30-65%	20-30%	10-20%	10%
Businessline level KPIs	0-30%	35-60%	45-60%	15%
Individual KPI[1]	35%	20-35%	30-35%	75%
Total	**100%**	**100%**	**100%**	**100%**
- of which financial[2,4]	*20-30%*	*20-40%*	*15-30%*	*0-50%*
- of which non-financial[3,4]	*70-80%*	*60-80%*	*70-85%*	*50-100%*

1 Individual KPI: For employees above CLA the individual KPI refers to leadership.
2 Financial KPIs include a selection of Return on equity, CET1 ratio, Cost/income ratio, Strategy value creation, Cost ceiling, Fee and commision income and RAROE.
3 Non-financial KPIs include a selection of Sustainability, Employee engagement, Permanent education, NPS and House in order.
4 Mix and weighting of KPIs tailored to specific function of the identified staff member.
5 The CEO only has KPIs on individual and organisation level.

Variable remuneration for Identified Staff

All variable remuneration awards for Identified Staff are subject to and structured in accordance with ABN AMRO's Variable Compensation Plan. Before any variable remuneration is granted, ABN AMRO applies an ex-ante risk assessment consisting of collective quantitative risk adjustment mechanisms (such as the solvency check) and a qualitative individual check (the gatekeeper). The gatekeeper procedure is part of the performance management framework and provides for an assessment of each individual Identified Staff member by the control functions (Risk, Compliance and Audit) on the basis of several behavioural elements. This assessment results in advice to the Executive Board, which ultimately decides on whether variable compensation can indeed be granted to the Identified Staff member concerned. The Executive Board's decision must be formally approved by the Supervisory Board, based on the advice of the Remuneration Committee. The variable remuneration is awarded over time and split between an up-front portion (60%) and a deferred portion (40%), with all portions divided equally between a cash and a non-cash instrument.

Up-front variable remuneration is awarded in the first quarter of the year following the relevant performance year, while deferred variable remuneration vests in equal instalments in the years following the first payment. This remuneration vests only after an explicit ex-post risk assessment: the 'malus assessment'.

For the award of variable remuneration for performance year 2020, two versions of the Variable Compensation Plan are applicable.

Awards until 29 December 2020
Awards of variable remuneration to identified Staff before 29 December 2020 have taken place in accordance with the Variable Compensation plan as approved by the Supervisory Board on 14 May 2019. Deferred variable remuneration in this plan vests in equal instalments in three years after the first payment.

The instrument underlying the non-cash award consists of an award in the form of a depositary receipt (DR) award, which is a conditional right to receive DRs. One DR represents one share in ABN AMRO. The number of DRs to be awarded is calculated on the basis of the fair market value, which is equivalent to the average of the closing prices of the DRs as reported on the composite tape for securities at Euronext for the period of five trading days preceding the award date, which would normally be the first Thursday of March. The value therefore fluctuates in line with the market price of the DRs. A two-year retention period applies to the non-cash instruments. Any unconditional instrument will therefore need to be retained for a further two years.

Awards as of 29 December 2020
Awards of variable remuneration to Identified Staff as of 29 December 2020 will take place, to the extent legally possible, in accordance with the Variable Compensation Plan as approved by the Supervisory Board in 2020. Deferred variable remuneration in this plan vests in equal instalments in four years after the first payment. The instrument underlying non-cash award consists of performance certificates. The value of the performance certificates depends on the share price of ABN AMRO and hence fluctuates in line with the market price of DRs. A one-year retention period applies to the non-cash instruments. Any unconditional instrument will therefore need to be retained for one more year.

Variable remuneration awards with respect to the performance years up to and including 2015 will continue to use performance certificates, the value of which fluctuates in line with the net asset value of ABN AMRO. The last deferred payout of the value of performance certificates will take place in March 2021.

Malus assessment 2020
The malus assessment is conducted by the Executive Board and Supervisory Board upon analysis and advice of the control functions (Risk, Compliance and Audit) and HR and Finance. Any outcome is subject to approval by the Executive Board and Supervisory Board. The assessment includes determining whether any new information is available that prevents the vesting of deferred variable remuneration.

This could include:
- Evidence of misconduct or serious error by the staff member (e.g. breach of a code of conduct or other internal rules, especially concerning risks);
- The institution or the business unit subsequently suffers a significant downturn in its financial performance (specific indicators must be used);
- The institution or the business unit in which the Identified Staff member works suffers a significant failure of risk management;
- Significant changes in the institution's economic or regulatory capital base.

The Supervisory Board decided that, based on the reassessment performed by the control functions, there was no reason to apply a collective malus with respect to the vesting of:
- The first tranche of deferred variable compensation for the 2019 performance period;
- The second tranche of deferred variable compensation for the 2018 performance period;
- The third tranche of deferred variable compensation for the 2017 performance period.

For performance period 2020, the Supervisory Board decided in two individual cases to apply a malus with respect to the vesting of any remaining deferred variable compensation for the 2017, 2018 and 2019[1] performance periods. Due to the Bonus Prohibition applicable to both staff members, the malus will have no financial impact. The other deferred variable compensation awards with respect to the above three performance periods will be granted to the relevant Identified Staff members in line with the terms and conditions of the Variable Compensation Plan.

The Supervisory Board has the discretionary power to reduce any variable compensation to a suitable amount if, in its opinion, payment of the compensation would be unacceptable under the principle of reasonableness and fairness. The Supervisory Board is also authorised to reclaim any variable remuneration for any performance

[1] In 2019 and 2020, the Supervisory Board decided to continue a malus with regard to the performance periods 2015 and 2016 for two individuals.

period if the award, calculation or payment was based on incorrect data or if, in hindsight, the performance conditions were not achieved. The recipient will then be required to repay the relevant amount to the bank.

Lastly, personal hedging or insurance linked to remuneration and liability in order to circumvent the risk control effects that have been embedded in the bank's Variable Compensation Plan is not permitted.

Details of remuneration

Remuneration comprises fixed and variable compensation, employer pension contributions, sign-on, retention and severance pay for 2020.

Remuneration details of Identified Staff[1]

	2020		2019	
	Number of FTEs (Identified Staff)[2]	Aggregated remuneration (in thousands)	Number of FTEs (Identified Staff)[2]	Aggregated remuneration (in thousands)
Retail Banking	28	8,673	29	7,790
Commercial Banking	39	9,339	38	9,809
Private Banking	34	12,570	37	12,426
Corporate & Institutional Banking	91	33,852	93	36,838
Group Functions[1]	158	43,846	158	40,890
Total	**350**	**108,280**	**355**	**107,753**

1 Executive and Supervisory Board members are reported under Group Functions.
2 The number of FTEs includes all employees that were Identified Staff during the year (including leavers).

	Number of FTEs (identified staff)		Aggregated remuneration (in thousands)
	ExBo, ExCo, ExCo1 and ExCo2	Other	
Fixed remuneration over 2020	133	217	105,572
Variable remuneration over 2020[1]	4	26	2,708
- of which in cash			*812*
- of which in non-cash instruments			*812*
- of which unconditional (up-front payment)			*1,625*
- of which conditional (deferred payment)			*1,083*
Retention payments over 2020	2	14	1,449
Sign-on payments over 2020	2	1	410
Severance payments over 2020[2]	11	5	6,553

1 Certain variable compensation elements are, due to their specific nature, paid out in cash and are not or only partially subject to deferral.
2 Highest severance pay amounted EUR 1,204 thousand.

As at the end of 2020 the following non-cash awards exist, reflecting the performance years 2016-2019 and every depositary receipt representing its fair value in alignment with the ABN AMRO Variable Compensation Plan.

(In thousands of DRs)		2020		2019
Outstanding at 1 January		**751**		
Granted on appoval date				701
Granted during the year		361		295
Forfeited during the year	18		12	
Paid out during the year cash	211		224	
Paid out during the year DRs	24		9	
Less: total paid out/forfeited		-253		-245
Outstanding at 31 December		**859**		**751**

Remuneration details of all employees

Remuneration comprises fixed and variable compensation, employer pension contributions, sign-on, retention and severance pay for 2020.

(in FTE)	Remuneration in millions[2]							
	1-1.5	1.5-2	2-2.5	2.5-3	3-3.5	3.5-4	4-4.5	>4.5
Retail Banking								
Commercial Banking								
Private Banking	2							
Corporate & Institutional Banking	2							
Group Functions[1]	1							

[1] Executive and Supervisory Board members are reported under Group Functions.
[2] Remuneration reflects the amounts paid in the financial year as per EBA requirement, as opposed to the remuneration disclosure in the tables Remuneration of Executive Board and Supervisory Board which represents the remuneration allocated to the financial year in accordance with EU IFRS.

Although any award of variable remuneration would not have had a material impact on ABN AMRO's capital, there have been various reasons to reduce the performance-related variable remuneration considerably, taking into account ABN AMRO's financial results, the economic and health crisis due to Covid-19 and the role ABN AMRO plays in society. The reduction is also in line with regulatory guidance to this extent. For the 2020 performance period, ABN AMRO has decided not to award any performance-related variable remuneration to its employees in the Netherlands or to employees abroad within the CIB business line. In addition, the performance-related variable remuneration for employees abroad in the Private Banking and Commercial Banking business lines has been reduced significantly. Consequently, the performance-related variable remuneration of all staff, including Identified Staff, decreased from EUR 65 million in 2019 to EUR 16 million in 2020. In 2019, an amount of EUR 9 million was erroneously reported as relating to all staff instead of only to Identified Staff. For non-identified Staff, this was EUR 56 million in 2019. The total amount of retention payments increased from EUR 1 million in 2019 to EUR 14 million in 2020, mainly due to the retention payments paid in relation to the wind-down of all non-European CIB activities (except Clearing).

(in FTE)[1]	Remuneration in millions[2]							
	1-1.5	1.5-2	2-2.5	2.5-3	3-3.5	3.5-4	4-4.5	>4.5
Executive Board/Executive Committee	1							
Executive Committee -1 and -2 above CLA								
Other Identified Staff	3							

[1] Identified staff only.
[2] Remuneration reflects the amounts paid in the financial year as per EBA requirement, as opposed to the remuneration disclosure in the tables Remuneration of Executive Board and Supervisory Board which represents the remuneration allocated to the financial year in accordance with EU IFRS.

The ratio of the mean annual employee compensation and the total annual remuneration of the CEO was 10.2 in 2020. The ratio is equivalent to the CEO's remuneration, including pension costs, divided by the mean employee remuneration including pension costs during 2020. This ratio is considered to be a fair reflection of ABN AMRO's current position. The ratios published in 2016, 2017, 2018 and 2019 were 11.4, 10, 9.6 and 9.6 respectively.

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Responsibility statement

Pursuant to section 5:25c sub 2 part c of the Dutch Financial Supervision Act, the members of the Executive Board state that to the best of their knowledge:

- the Annual Financial Statements give a true and fair view of the assets, liabilities, financial position and profit or loss of ABN AMRO Bank N.V. and the companies included in its consolidation;
- the Executive Board report gives a true and fair view of the state of affairs on the balance sheet date and the course of business during the 2020 financial year of ABN AMRO Bank N.V. and the affiliated companies included in its Annual Financial Statements;
- the Executive Board report describes the material risks with which ABN AMRO Bank N.V. is faced.

Amsterdam, 9 March 2021

Executive Board

Robert Swaak, Chief Executive Officer and Chairman
Christian Bornfeld, Chief Innovation & Technology Officer and Vice-Chairman
Tanja Cuppen, Chief Risk Officer
Annemieke Roest, Chief Financial Officer ad interim

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Certain IFRS disclosures in the Risk, funding & capital chapter are labelled as ‘Audited’ in the respective headings.
These disclosures are an integral part of these Consolidated Annual Financial Statements and are covered by the Audit opinion.

Consolidated income statement

(in millions)	Note	2020	2019
Income			
Interest income calculated using the effective interest method		7,525	9,701
Other interest and similar income		290	355
Interest expense calculated using the effective interest method		1,834	3,407
Other interest and similar expense		118	181
Net interest income	4	**5,863**	**6,468**
Fee and commission income		2,253	2,121
Fee and commission expense		695	489
Net fee and commission income	5	**1,558**	**1,632**
Net trading income	6	163	84
Share of result in equity-accounted investments		29	37
Other operating income	7	302	383
Operating income		**7,916**	**8,605**
Expenses			
Personnel expenses	8	2,280	2,247
General and administrative expenses	9	2,677	2,781
Depreciation, amortisation and impairment losses of tangible and intangible assets	23	299	240
Operating expenses		**5,256**	**5,268**
Impairment charges on financial instruments		2,303	657
Total expenses		**7,559**	**5,925**
Profit/(loss) before taxation		**356**	**2,680**
Income tax expense	10	401	634
Profit/(loss) for the period		**-45**	**2,046**
Attributable to:			
Owners of the parent company		-45	2,046
Earnings per share (in EUR)			
Basic earnings per ordinary share[1]	11	–	2.06

[1] Earnings per share consist of profit for the period excluding results attributable to non-controlling interests and payments to holders of AT1 instruments divided by the average outstanding and paid-up ordinary shares.

Consolidated statement of comprehensive income

(in millions)	Note	2020	2019
Profit/(loss) for the period		**-45**	**2,046**
Other comprehensive income:			
Items that will not be reclassified to the income statement			
Remeasurement gains/(losses) on defined benefit plans	30	-4	-17
(Un)realised gains/(losses) on liability own credit risk	28	20	5
Items that will not be reclassified to the income statement before taxation		**17**	**-12**
Income tax relating to items that will not be reclassified to the income statement		3	-1
Items that will not be reclassified to the income statement after taxation		**14**	**-10**
Items that may be reclassified to the income statement			
(Un)realised gains/(losses) currency translation		-109	76
(Un)realised gains/(losses) fair value through OCI		-12	-155
(Un)realised gains/(losses) cash flow hedge		-371	-650
Share of other comprehensive income of associates reclassified to the income statement		4	17
Items that may be reclassified to the income statement before taxation		**-489**	**-711**
Income tax relating to items that may be reclassified to the income statement		-161	-209
Items that may be reclassified to the income statement after taxation		**-328**	**-502**
Total comprehensive income/(expense) for the period after taxation		**-359**	**1,533**
Attributable to:			
Owners of the parent company		-359	1,533

Consolidated statement of financial position

(in millions)	Note	31 December 2020	31 December 2019
Assets			
Cash and balances at central banks	12	60,190	27,558
Financial assets held for trading	13	1,315	1,137
Derivatives	14	6,381	5,730
Financial investments	16	47,455	45,277
Securities financing	17	16,725	14,905
Loans and advances banks	19	3,394	5,011
Residential mortgages	20	148,741	150,880
Consumer loans	20	10,937	11,997
Corporate loans at amortised cost	20	84,344	97,174
Corporate loans at fair value through P&L	20	400	1,261
Other loans and advances customers	20	7,736	6,292
Equity-accounted investments	22	593	639
Property and equipment	23	1,255	1,706
Goodwill and other intangible assets	23	128	178
Assets held for sale	24	254	14
Tax assets	10	851	764
Other assets	25	4,925	4,530
Total assets		**395,623**	**375,054**
Liabilities			
Financial liabilities held for trading	13	563	675
Derivatives	14	7,391	6,505
Securities financing	17	11,363	8,234
Due to banks	26	36,719	12,785
Current accounts	27	111,033	91,900
Demand deposits	27	107,534	120,892
Time deposits	27	19,037	21,232
Other due to customers	27	966	967
Issued debt	28	66,949	75,275
Subordinated liabilities	28	8,069	10,041
Provisions	29	926	983
Tax liabilities	10	30	63
Other liabilities	31	4,053	4,030
Total liabilities		**374,634**	**353,582**
Equity			
Share capital		940	940
Share premium		12,970	12,970
Other reserves (incl. retained earnings/profit for the period)		6,826	6,993
Accumulated other comprehensive income		-1,733	-1,419
AT1 capital securities		1,987	1,987
Total equity	32	**20,989**	**21,471**
Total liabilities and equity		**395,623**	**375,054**
Committed credit facilities	34	55,207	54,673
Guarantees and other commitments	34	8,981	17,479

Consolidated statement of changes in equity

(in millions)	Share capital	Share premium	Other reserves including retained earnings	Accumulated other comprehensive income	Net profit/(loss) attributable to owners of the parent company	AT1 capital securities	Total	Non-controlling interests	Total equity
Balance at 1 January 2019	**800**	**4,041**	**13,125**	**-906**	**2,312**	**1,986**	**21,357**	**2**	**21,360**
Total comprehensive income				-513	2,046		1,533		1,533
Transfer			2,312		-2,312				
Dividend			-1,316				-1,316		-1,316
Increase of capital						1	1		1
Paid interest on AT1 capital securities			-105				-105		-105
Capital restucturing	140	8,929	-9,069						
Other changes in equity			1				1	-2	-2
Balance at 31 December 2019	**940**	**12,970**	**4,947**	**-1,419**	**2,046**	**1,987**	**21,471**		**21,471**
Total comprehensive income				-314	-45		-359		-359
Transfer			2,046		-2,046				
Dividend									
Increase of capital						994	994		994
Decrease of capital						-1,000	-1,000		-1,000
Paid interest on AT1 capital securities			-117				-117		-117
Other changes in equity			-6			6	1		1
Balance at 31 December 2020	**940**	**12,970**	**6,870**	**-1,733**	**-45**	**1,987**	**20,989**		**20,989**

On 15 June 2020, ABN AMRO Bank N.V. issued new AT1 Capital Securities (ISIN XS2131567138) worth EUR 1.0 billion. The amount raised was EUR 992 million after deduction of all issuance related expenses. The new AT1 Capital Securities are undated, deeply subordinated and have a coupon of 4.375%. On 22 September 2020, ABN AMRO Bank N.V. called AT1 Capital Securities (ISIN XS1278718686) worth EUR 1.0 billion. At the time of repayment, the discount of EUR 6 million was released.

Due to the spread of Covid-19 during the first quarter of 2020, the ECB issued a recommendation to banks, stating they should conserve capital and refrain from making any dividend payments and share buy-backs until at least 30 September 2021. On 27 July 2020 the ECB extended its recommendation until 1 January 2021. ABN AMRO Bank N.V. is complying with the recommendation of the ECB. For more information, please refer to Capital in the Risk, funding & capital review section.

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Accumulated other comprehensive income is specified in the following table:

(in millions)	Remeasurements on post-retirement benefit plans	Currency translation reserve	Fair value reserve	Cash flow hedge reserve	Accumulated share of OCI of associates and joint ventures	Liability own credit risk reserve	Total
Balance at 1 January 2019	**-6**	**6**	**286**	**-1,162**	**15**	**-45**	**-906**
Net gains/(losses) arising during the period	-17	33	-142	-507	17	5	-610
Less: Net realised gains/(losses) included in income statement		-43	14	143			113
Net gains/(losses) in equity	-17	76	-155	-650	17	5	-723
Related income tax	-3	2	-46	-164		2	-210
Balance at 31 December 2019	**-20**	**81**	**177**	**-1,648**	**32**	**-41**	**-1,419**
Net gains/(losses) arising during the period	-4	-109	-3	-281	4	20	-372
Less: Net realised gains/(losses) included in income statement			9	91			100
Net gains/(losses) in equity	**-4**	**-109**	**-12**	**-371**	**4**	**20**	**-472**
Related income tax	-1	1	3	-165		3	-158
Balance at 31 December 2020	**-24**	**-29**	**162**	**-1,854**	**36**	**-24**	**-1,733**

Consolidated statement of cash flows

(in millions)	Note	2020	2019
Profit/(loss) for the period		**-45**	**2,046**
Adjustments on non-cash items included in profit			
(Un)realised gains/(losses)		516	1,630
Share of profits in associates and joint ventures		-41	-38
Depreciation and amortisation of tangible and intangible assets[1]	23	299	240
Impairment charges on financial instruments[1]		2,303	657
Income tax expense	10	401	634
Tax movements other than taxes paid & income taxes		-35	-52
Other non-cash adjustments[1]		505	566
Operating activities			
Changes in:			
- Assets held for trading		-171	-640
- Derivatives – assets		-827	24
- Securities financing – assets		-3,018	-2,367
- Loans and advances banks		1,944	49
- Residential mortgages		1,755	-281
- Consumer loans		919	58
- Corporate loans		11,057	2,407
- Other loans and advances customers		-1,618	723
- Other assets		-430	-650
- Liabilities held for trading		-113	418
- Derivatives – liabilities		796	-623
- Securities financing – liabilities		3,892	745
- Due to banks		23,957	-630
- Due to customers		3,923	819
Net changes in all other operational assets and liabilities		-304	-1,101
Dividend received from associates and private equity investments		18	75
Income tax paid		-373	-645
Cash flow from operating activities		**45,311**	**4,065**

continued>

(in millions)	Note	2020	2019
Investing activities			
Purchases of financial investments		-14,594	-9,283
Proceeds from sales and redemptions of financial investments		11,946	7,042
Acquisition of subsidiaries (net of cash acquired), associates and joint ventures	22	-24	435
Divestments of subsidiaries (net of cash sold), associates and joint ventures	22	10	-1,179
Purchases of property and equipment		-217	-338
Proceeds from sales of property and equipment		412	104
Purchases of intangible assets		-8	-45
Other changes		-1	
Cash flow from investing activities		**-2,475**	**-3,264**
Financing activities			
Proceeds from the issuance of debt	28	28,203	27,437
Repayment of issued debt	28	-36,165	-35,555
Proceeds from subordinated liabilities issued	28	35	
Repayment of subordinated liabilities issued	28	-1,669	-8
Proceeds from other borrowing		-6	1
Dividends paid to the owners of the parent company	32		-1,316
Interest paid AT1 capital securities		-117	-105
Payment of lease liabilities		-114	-81
Cash flow from financing activities		**-9,835**	**-9,626**
Net increase/(decrease) of cash and cash equivalents		**33,001**	**-8,825**
Cash and cash equivalents as at 1 January		28,943	37,788
Effect of exchange rate differences on cash and cash equivalents		-57	-21
Cash and cash equivalents as at 31 December		**61,887**	**28,943**
Supplementary disclosure of operating cash flow information			
Interest paid		1,834	3,963
Interest received		7,815	10,342
Dividend received excluding associates		12	14

[1] The Consolidated statement of cash flows has been refined, in order to create more alignment between the Consolidated statement of cash flows and the Consolidated income statement.

(in millions)	31 December 2020	31 December 2019
Cash and balances at central banks	60,190	27,558
Loans and advances banks (less than 3 months)[1]	1,697	1,385
Total cash and cash equivalents[1]	**61,887**	**28,943**

[1] Loans and advances banks with an original maturity of 3 months or more is included in loans and advances banks.

The cash position increased by EUR 32.9 billion in 2020. Non-cash activities were primarily impacted by additions to provisions and allowances. Further non-cash changes related to fair value reserves, cashflow hedges, foreign currency translation and interest accruals. Cashflows through operating activities grew mainly due to the participation in the TLTRO III programme, which was partly offset by the settlement of the TLTRO II progamme participation. Variance in investing activities was attributable to purchases and proceeds from sales and redemptions of financial investments. Proceeds of debt issuance resulted in a cashflow of EUR 28.2 billion, which was more than offset by debt repayments (EUR 36.2 billion). The issuance of an AT1 instrument resulted in a cash inflow of EUR 1.0 billion and was offset by the repayment of an AT1 instrument that resulted in a cash outflow of EUR 1.0 billion.

Notes to the Consolidated Annual Financial Statements

1 Accounting policies

The notes to the Consolidated Annual Financial Statements, including the audited information in the Risk, funding & capital chapter, are an integral part of these Annual Financial Statements. This section describes ABN AMRO Bank's significant accounting policies and critical accounting estimates or judgements relating to the Annual Financial Statements. If an accounting policy or a critical accounting estimate relates to a specific note, it is included within the relevant note.

Corporate information

ABN AMRO Bank N.V. (referred to as ABN AMRO Bank, ABN AMRO, the Bank or the parent company) and its consolidated entities provide financial services in the Netherlands and abroad (together referred to as the group). ABN AMRO Bank is a public limited liability company, incorporated under Dutch law on 9 April 2009, and registered at Gustav Mahlerlaan 10, 1082 PP Amsterdam, the Netherlands (Chamber of Commerce number 34334259).

As at 31 December 2020, all shares in the capital of ABN AMRO Bank N.V. are held by two foundations: NLFI and STAK AAB. NLFI holds 56.3% in ABN AMRO Bank N.V., of which 49.9% is held directly via ordinary shares and 6.4% is held indirectly via depositary receipts for shares in ABN AMRO Bank N.V. STAK AAB holds 50.1% of the shares in the issued capital of ABN AMRO Bank N.V. Both foundations have issued depositary receipts for shares in ABN AMRO Bank N.V. Only STAK AAB's depositary receipts are issued with the cooperation of ABN AMRO Bank N.V. and traded on Euronext Amsterdam.

ABN AMRO provides a broad range of financial services to retail, private and corporate banking clients. These activities are conducted primarily in the Netherlands and selectively abroad.

The Consolidated Annual Financial Statements of ABN AMRO Bank for the annual period ended 31 December 2020 incorporate financial information of ABN AMRO Bank N.V., its controlled entities, interests in associates and joint ventures. The Annual Financial Statements were prepared by the Executive Board and authorised for issue by the Supervisory Board and Executive Board on 9 March 2021.

Statement of compliance

The Consolidated Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as endorsed by the European Union (EU). They also comply with the financial reporting requirements included in Title 9 of Book 2 of the Dutch Civil Code, where applicable.

Basis of preparation

The Consolidated Annual Financial Statements are prepared on a historical cost basis, except for derivative financial instruments, financial assets and liabilities held for trading or designated as measured at fair value through profit or loss, financial instruments not held in a 'hold to collect' business model, debt instruments that do not meet the solely payments of principal and interest (SPPI) test, and equity investments in associates or joint ventures for which the venture capital exemption is applied, all of which are measured at fair value through profit or loss. The carrying values of recognised assets and liabilities that are hedged items in fair value hedges, and otherwise carried at amortised cost, are adjusted to record changes in fair value attributable to the risks that are being hedged. Associates and joint ventures are accounted for using the equity method.

Management has considered the consequences of Covid-19 and other events and conditions, and it has determined that they do not create a material uncertainty that casts significant doubt upon the bank's ability to continue as a going concern. The impact of Covid-19 on future performance and, therefore, on the measurement of assets, mainly loans and advances, is significant and therefore requires disclosure in the financial statements, but management has determined that these events and conditions do not create a material uncertainty that casts significant doubt upon the entity's ability to continue as a going concern. Therefore, the Annual Financial Statements continue to be prepared on the going concern basis.

The Annual Financial Statements are presented in euros, which is the presentation currency of ABN AMRO, rounded to the nearest million (unless otherwise stated).

Changes in accounting policies

New following standards have been endorsed by the EU and became effective for the reporting period beginning 1 January 2020.

- Interest Rate Benchmark Reform
- Amendments to IFRS 16 Leases – Covid-19 Related Rent Concessions
- Amendments to IFRS 3 – Business Combinations
- Amendments to IAS 1 and IAS 8 – Definition of Material
- Amendments to References to the Conceptual Framework in IFRS Standards

Interest Rate Benchmark Reform

In response to the IBOR reform, the IASB has issued two sets of amendments to IFRS Standards. The amendments provide practical relief for companies from certain requirements when changes are made to contractual cash flows or hedging relationships because of IBOR reforms, and provide additional disclosure requirements.

With effect from 1 January 2020, ABN AMRO applies the first set of amendments made to IFRS 9, IAS 39 and IFRS 7 that address the pre-replacement phase or phase 1 issues introduced by the IBOR reform. The phase 1 amendments allow a company to apply temporary reliefs to all hedging relationships that are directly affected by the IBOR reform. Applying the relief prevents the disruption of hedging relationships as a result of uncertainty caused by the IBOR reform. The adoption of the amendments has not resulted in any impact on profit & loss or on the statement of financial position.

In August 2020, the IASB issued the second set of amendments to address the issues caused by the replacement phase of the IBOR reform. Amendments have been made to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. The phase 2 amendments took effect on 1 January 2021, with early adoption permitted. ABN AMRO elected not to early adopt the phase 2 amendments in 2020. While ABN AMRO operates in global financial markets, the majority of its financial instruments are linked to the euro area key interest rate benchmarks EONIA and EURIBOR. EONIA will be replaced by €STR and will be discontinued on 3 January 2022. Since October 2019, EONIA has been calculated as €STR plus a fixed spread of 8.5 basis points. EURIBOR has been calculated using a hybrid methodology since 2019 and will not be reformed in the short-term. The IBOR reform in the euro area has not affected the basis of contractual cash flows or hedging relationships in 2020. Other key financial benchmarks are also being reformed, most notably the London InterBank Offered Rates (LIBOR) in the five LIBOR currencies: USD, GBP, EUR, JPY and CHF. LIBOR is expected to be phased out by the end of 2021, with the exception of USD LIBOR which is expected to be phased out by mid 2023. Following the transition roadmap set out by the ABN AMRO bank-wide IBOR reform project, changes to contractual cash flows are scheduled to be made in the course of 2021. Early adoption of the phase 2 amendments is therefore not necessary.

IFRS 16 – Covid-19 Related Rent Concessions

The IASB issued the Covid-19-Related Rent Concessions amendment to IFRS 16 Leases. The amendment provides relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. In October 2020, the EU endorsed the amendment to IFRS 16. The amendment applies to annual reporting periods beginning on or after 1 June 2020, earlier application is permitted. As a lessee, ABN AMRO has not obtained any lease concessions attributable to Covid-19. The amendments therefore do not have an impact on ABN AMRO's consolidated financial statements.

IFRS 3 – Business Combinations

In October 2018, the IASB issued amendments to IFRS 3 Business Combinations. These amendments, which resolve difficulties in determining whether an entity has acquired a business or a group of assets, are effective for business combinations with an acquisition date on or after 1 January 2020. In October 2020, the EU endorsed the amendment to IFRS 3 to improve the definition of a business. From 1 January 2020, ABN AMRO applies the amended definition of a business for newly acquired business combinations. These amendments do not have an impact on ABN AMRO's consolidated financial statements.

IAS 1 and IAS 8 – Definition of Material
In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. The amendments, which became effective on 1 January 2020, revise the definition of material and align the definition across other IFRS publications such as IFRS Standards and IFRIC Interpretations. These amendments do not have an impact on ABN AMRO's consolidated financial statements.

References to the Conceptual Framework in IFRS
In March 2018, the IASB issued the revised Conceptual Framework for Financial Reporting. The Conceptual Framework provides guidance for developing consistent accounting policies and assistance in understanding the standards. The changes in the Conceptual Framework may affect the application of IFRS in situations where no standard applies to a particular transaction or event. The revised Conceptual Framework came into effect on 1 January 2020. These amendments do not have an impact on ABN AMRO's consolidated financial statements.

New standards, amendments and interpretations not yet endorsed
The following new or revised standards and amendments have been issued by the IASB, but have not yet been endorsed by the EU. Only the amendments to IFRS that are relevant for ABN AMRO are discussed below.

IFRS 17 – Insurance Contracts
IFRS 17 sets out requirements for the accounting, measurement and recognition of insurance contracts. IFRS 17 is expected to be effective for reporting periods beginning on or after 1 January 2023.
ABN AMRO offers only limited insurance products. ABN AMRO has two equity accounted investments that have insurance products: Neuflize Vie and Captive NV. IFRS 17 may have a significant impact on these equity accounted investments, but ABN AMRO does not anticipate that the impact will be material to ABN AMRO's consolidated financial statements.

Amendments to IAS 1 – Presentation of Financial Statements
The amendment to IAS 1 determining whether a liability should be classified as current or non-current has not yet been endorsed. The amendment is effective for annual reporting periods beginning on or after 1 January 2023 and is to be applied retrospectively. ABN AMRO does not expect that the amendments will have an impact on ABN AMRO's consolidated financial statements.

Critical accounting estimates and judgements
The preparation of financial statements requires management to exercise its judgement in the process of applying ABN AMRO's accounting policies and to make estimates and assumptions concerning the future. Actual results may differ from those estimates and assumptions. Accounting policies for the most significant areas requiring management to make judgements and estimates that affect reported amounts and disclosures are made in the following sections:

Impairment losses on financial assets measured at AC	Risk, funding & capital management section
Income tax expense, tax assets and tax liabilities	Note **10**
Impairment of instruments measured at FVOCI	Note **16**
Fair value of financial instruments	Note **18**
Impairment of ROU assets and goodwill	Note **23**
Provisions	Note **29**

Assessment of risks, rewards and control
Whenever ABN AMRO is required to assess risks, rewards and control, when considering the recognition and derecognition of assets or liabilities and the consolidation or deconsolidation of subsidiaries, it may sometimes be required to use judgement. Although management uses its best knowledge of current events and actions in making such assessments, the actual risks, rewards and control may ultimately differ.

Significant accounting policies
Basis of consolidation
The Consolidated Annual Financial Statements of ABN AMRO Bank N.V. include the financial statements of the parent company and its controlled entities, thus incorporating the assets, liabilities, revenues and expenses of ABN AMRO Bank N.V. and its subsidiaries. Non-controlling interests (held by third parties) in both equity and results of group companies are presented separately in the Consolidated Annual Financial Statements.

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Subsidiaries are included using the same reporting period and consistent accounting policies. Intercompany balances and transactions, and any related unrealised gains and losses, are eliminated in preparing the Consolidated Financial Statements.

Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of ABN AMRO's interest in the entities. Unrealised losses are also eliminated unless the transaction provides evidence of impairment in the asset transferred.

Foreign currency

ABN AMRO applies IAS 21 The Effects of Changes in Foreign Exchange Rates. Transactions in foreign currencies are translated into euros at the rate prevailing on the transaction date. Foreign currency balances of monetary items are translated into euros at the period-end exchange rates. Exchange gains and losses on such balances are recognised in the income statement.

The Consolidated Annual Financial Statements are stated in euros, which is the presentation and functional currency of ABN AMRO. The bank's foreign operations may have different functional currencies. The functional currency is the currency that best reflects the economic substance of the underlying event and circumstances relevant to that entity. Prior to consolidation (or equity accounting), the assets and liabilities of non-euro operations are translated into euros at the closing rate, and items in the income statement and other comprehensive income are translated at the rate prevailing on the transaction dates. Exchange differences arising on the translation of foreign operations are included in the currency translation reserve within equity. These are transferred to the income statement when the bank loses control, joint control or significant influence over the foreign operation.

Financial assets and liabilities

Classification and measurement of financial assets

ABN AMRO classifies financial assets based on the business model in which they are held in accordance with IFRS 9. The business model is determined at a portfolio level. Portfolios are based on how ABN AMRO manages financial assets in order to achieve a particular business objective. The business model assessment is based on the level of sales, risk management, performance evaluation and management compensation. Derecognition is used as a condition to determine whether a transaction results in a sale.

Three business models are distinguished:

- 'Hold to collect' business model, in which cash flows are primarily generated by collecting contractual cash flows until maturity of the financial instrument. Sales can occur, as long as they are incidental, infrequent and insignificant. The assessment of the frequency and significance of sales is determined for each underlying portfolio. Sales that result from increases in the credit risk of the counterparty or take place close to maturity do not contradict the 'hold to collect' business model;
- 'Hold to collect and sell' business model, in which the selling of financial assets is integral to achieving the business objective. In this business model, sales take place more frequently and have a greater value than in a business model with an objective to hold to collect;
- Other business models not meeting the criteria of the business models mentioned above, for example business models in which financial assets are managed with the objective of generating cash flows from sales (trading book), are measured at FVTPL.

After the business model has been determined, the contractual cash flows of financial assets are assessed. Debt instruments can be classified at amortised cost or FVOCI only when the contractual cash flows are solely payments of principal and interest (SPPI). Contractual cash flows that are SPPI are consistent with a basic lending arrangement in which consideration for the time value of money and credit risk are typically the most significant interest elements. Debt instruments that do not meet the SPPI requirements are mandatorily measured at FVTPL. Financial assets are assessed in their entirety, including any embedded derivatives that are not separated from the host contract.

Based on the business model determined and the SPPI assessment, the following measurement categories are identified under IFRS 9:

- Amortised cost – Financial instruments measured at amortised cost are debt instruments within a 'hold to collect' business model with fixed or determinable payments which meet the SPPI criteria. These instruments are initially measured at fair value (including transaction costs) and subsequently measured at amortised cost using the effective interest rate method. Financial instruments measured at amortised cost are presented net of credit loss allowances in the statement of financial position;
- FVTPL – Financial instruments measured at FVTPL include instruments held for trading, derivatives, equity instruments for which the FVOCI option has not been elected and instruments whose cash flows do not meet the SPPI requirements. Changes in the fair value of these instruments are directly recognised in the income statement;
- FVOCI – Financial instruments measured at FVOCI are debt instruments which are held in a 'hold to collect and sell' business model and which meet the SPPI criteria. They are initially measured at fair value, with subsequent unrealised changes recognised in other comprehensive income. Equity instruments for which the fair value option is elected are also measured at FVOCI.

Reclassifications of financial assets are expected to be very infrequent and occur only when ABN AMRO changes its business model for a certain portfolio of financial assets.

Please refer to the Risk, funding & capital management section for our accounting policies on the measurement of expected credit losses on financial instruments measured at amortised cost and FVOCI.

Classification of assets and liabilities held for trading

A financial asset or financial liability is classified as held for trading if it is:

- Acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- Part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking; or
- A trading derivative (except for a derivative that is a designated and effective hedging instrument).

Classification and measurement of financial liabilities

Financial liabilities are initially recognised at their fair value. Under IFRS 9, financial liabilities are classified as subsequently measured at amortised cost, except for the following instruments:

- Financial liabilities held for trading are measured at fair value through profit or loss;
- Financial liabilities that ABN AMRO has irrevocably designated at initial recognition as held at fair value through profit or loss when the instruments are held to reduce an accounting mismatch are managed on the basis of their fair value or include terms that have derivative characteristics in their nature.

Under IFRS 9, the changes in fair value attributable to changes in the credit risk of financial liabilities designated at FVTPL are presented in other comprehensive income. The cumulative amount of changes in fair value attributable to credit risk of such liabilities is presented as liability own credit risk reserve in equity.

Financial liabilities are never reclassified after initial recognition.

Recognition and derecognition

Traded instruments are recognised on the trade date, which is defined as the date on which ABN AMRO commits to purchase or sell the underlying instrument. If the settlement terms are non-standard, the commitment is accounted for as a derivative between the trade and settlement dates. Loans and advances are recognised when they are acquired or funded by ABN AMRO and derecognised when settled. Issued debt is recognised when issued, and deposits are recognised when the cash is deposited with ABN AMRO. Other financial assets and liabilities, including derivatives, are recognised when ABN AMRO becomes a party to the contractual provisions of the asset or liability.

Financial assets are derecognised when ABN AMRO loses control and the ability to obtain benefits from the contractual rights that comprise that asset. This occurs when the rights are realised or expire, or when substantially all risks and rewards are transferred. Financial assets are also derecognised if the bank has neither transferred nor retained substantially all risks and rewards of ownership, but control has passed to the transferee. Financial assets continue to be recognised in the balance sheet, and a liability recognised for the proceeds of any related funding transaction, unless a fully proportional share of all or specifically identified cash flows are transferred to the lender without material delay and the lender's claim is limited to those cash flows, and substantially all the risks, rewards and control associated with the financial instruments have been transferred, in which case that proportion of the asset is derecognised.

When the terms and conditions of a financial asset have been renegotiated or otherwise modified to the extent that, substantially, it becomes a new financial asset, ABN AMRO derecognises the financial asset, with the difference recognised in the income statement, to the extent that an impairment loss has not already been recorded. The newly recognised financial asset is classified as stage 1 for ECL measurement purposes. ABN AMRO assesses, in both qualitative and quantitative terms, whether such modifications are substantial. Generally, a 10% change in the net present value of the cash flows between the initial and new contract results in a derecognition. With regard to substantial modifications, e.g. due to forbearance measures, the derecognition gains or losses are recognised in net gains/(losses) on derecognition of financial assets measured at amortised cost and disclosed separately, if material.

If the modification of the financial asset does not result in derecognition, the gross carrying amount of the financial asset is recalculated, based on the net present value of the new contractual cash flows, and discounted at the financial asset's original effective interest rate. The effect is recognised and disclosed as a modification loss in the income statement. Credit related modification gains or losses (i.e. due to forbearance measures) are recognised in the income statement and presented under impairment charges on financial instruments. Non-credit related modification gains or losses are recognised in the income statement and presented under interest income calculated using the effective interest method.

Financial liabilities are derecognised when the liability has been settled, has expired or has been extinguished. An exchange of an existing financial liability for a new liability with the same lender on substantially different terms, qualitatively and quantitatively (a 10% difference in the present value of the cash flows), is accounted for as an extinguishment of the original financial liability and recognition of a new financial liability. The difference between the former amortised cost and the consideration paid is recognised in the income statement. Any subsequent resale is treated as a new issuance.

Client clearing

As a general clearing member, ABN AMRO provides clearing and settlement services to its clients for, among other things, exchange-traded derivatives.

In its capacity as a clearing member, ABN AMRO guarantees the fulfilment of obligations towards central counterparty clearing houses (CCPs) of clients' transactions. ABN AMRO is not liable to clients for the non-performance of the CCP. In the event of a client defaulting, ABN AMRO has the legal obligation to settle all the client's positions with the relevant CCPs, possibly at a loss. Possible losses arising from this guarantee might relate not only to a client's current positions, but also to future trades of the client. ABN AMRO receives and collects (cash) margins from clients, and remits these margins to the relevant CCP in whole or in part. Given the stringent margin requirements set by the CCPs, possible future outflows of resources for new clearing transactions are considered close to zero.

ABN AMRO does not reflect the exchange-traded derivatives cleared on behalf of clients in its financial statements. Under normal circumstances, the guarantee has no fair value and is not recognised in the financial statements. The loss recognition in the event of non-performance of a client will be in line with our contingent liabilities policy.

Offsetting
The bank offsets financial assets and liabilities and the net amount reported in the statement of financial position if it is legally entitled to set off the recognised amounts and intends to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Statement of cash flows
For the purposes of the statement of cash flows, cash and cash equivalents comprise cash on hand, freely available balances with central banks and other banks, and net balances on current accounts with other banks with a maturity of less than three months from the date of acquisition. The statement of cash flows, based on the indirect method of calculating operating cash flows, gives details of the source of cash and cash equivalents which became available during the year and the application of these cash and cash equivalents over the course of the year. The cash flows are analysed into cash flows from operations, including banking activities, investment activities and financing activities. Movements in loans and advances and interbank deposits are included in the cash flow from operating activities. Investment activities are comprised of acquisitions, sales and redemptions in respect of financial investments, as well as investments in, and sales of, subsidiaries and associates, property and equipment. The issuing of shares and the borrowing and repayment of long-term funds are treated as financing activities. Cash flows arising from foreign currency transactions are translated into euros using the exchange rates at the date of the cash flows.

Government grants
Government grants are recognised in the income statement on a systematic basis over the periods that the related expenses, for which it is intended to compensate, are recognised. In the case of an income-related grant, the grant is deducted from the related expense

Levies and other regulatory charges
ABN AMRO recognises a liability arising from levies and similar charges when it becomes legally enforceable (i.e. when the obligating event arises).

2 Segment reporting

Accounting policy for segment reporting
The segment reporting is in accordance with IFRS 8 Operating Segments. The segments are reported in a manner consistent with internal reporting provided to the Executive Board, which is responsible for allocating resources and assessing performance and has been identified as the chief operating decision-maker. All transactions between segments are eliminated as intersegment revenues and expenses in Group Functions. Geographical data are presented according to the management view.

Segment assets, liabilities, income and results are measured based on our accounting policies and include items directly attributable to a segment, as well as those that can be allocated on a reasonable basis. Transactions between segments are conducted on an arm's length basis.

Interest income is reported as net interest income because management primarily relies on net interest income as a performance measure, not gross income and expense.

There was no revenue from transactions with a single external client or counterparty exceeding 10% of the bank's total revenue in 2020 or 2019.

Retail Banking
Retail Banking provides a full range of transparent banking products and high-quality services to individuals with investable assets up to EUR 500,000. We offer our products and services under the ABN AMRO brand, and specific products and services under other labels. Our clients have access to a seamless omni-channel distribution network providing a top-class digital and remote offering, and supported by a balanced network of 112 branches and our Contact Centre.

Commercial Banking
Commercial Banking is an established business partner of the Dutch SME and corporate sector, offering asset-based finance in the Netherlands, Germany, France and the UK. We serve over 350,000 clients with annual turnover of up to EUR 250 million in a variety of sectors. Commercial Banking offers a broad range of products and services, based on in-depth client and sector knowledge combined with innovative value propositions and offerings, and a digital approach to convenience banking products.

Private Banking
Private Banking is a leading eurozone private bank in terms of client assets, with dedicated professionals who have in-depth knowledge of their clients. Our international expertise, local knowledge and over 350 years of experience in private banking form the basis of our long-standing client relationships. We bring personal service, digital convenience and a proactive mentality to a full range of banking and wealth management products and services for high net worth clients in the Netherlands with more than EUR 500,000 in investable assets, or more than EUR 1 million outside the Netherlands, and for ultra-high net worth clients with more than EUR 25 million in investable assets. Private Banking is present in the Netherlands, France, Germany and Belgium.

Corporate & Institutional Banking
Corporate & Institutional Banking (CIB) has a client base totalling more than 2,000 clients. We have a strong market position in the Netherlands, serving clients with revenues in excess of EUR 250 million. CIB has been leveraging on the strong domestic franchise in selected Northwest European countries, where it serves clients in a variety of sectors. Globally the focus has been on three selected sectors (Natural Resources, Transportation and Logistics, and Trade & Commodity Finance (TCF)), with a CIB presence in 14 countries or jurisdictions. CIB is sector-led and offers a wide range of services and products in global markets and lending. We have specialised activities in Clearing.

Group Functions
Group Functions consists of the following main departments: Innovation & Technology, Finance, Risk Management, HR & Transformation, Group Audit, Strategy & Sustainability, Legal, Corporate Office and Brand, Marketing & Communications. The majority of Group Functions' costs are allocated to the business lines.

Segment income statement for the year 2020

(in millions)	Retail Banking	Commercial Banking	Private Banking	Corporate & Institutional Banking	Group Functions	Total
						2020
Income						
Net interest income	2,638	1,471	637	1,123	-6	5,863
Net fee and commission income	303	256	502	529	-31	1,558
Net trading income		-1		165		163
Share of result in equity-accounted investments	31	3	5	-13	4	29
Other operating income	37	25	282	-120	78	302
Operating income	**3,009**	**1,753**	**1,425**	**1,683**	**45**	**7,916**
Expenses						
Personnel expenses	408	243	371	484	774	2,280
General and administrative expenses	656	138	187	284	1,412	2,677
Depreciation and amortisation of tangible and intangible assets	7	10	57	71	154	299
Intersegment revenues/expenses	943	648	330	372	-2,293	
Operating expenses	**2,015**	**1,039**	**945**	**1,211**	**47**	**5,256**
Impairment charges on financial instruments	77	542	26	1,659	-1	2,303
Total expenses	**2,092**	**1,580**	**971**	**2,870**	**46**	**7,559**
Profit/(loss) before taxation	**917**	**173**	**454**	**-1,187**	**-1**	**356**
Income tax expense	229	49	151	5	-33	401
Profit/(loss) for the period	**687**	**124**	**303**	**-1,192**	**33**	**-45**
Attributable to:						
Owners of the parent company	687	124	303	-1,192	33	-45

Segment income statement for the year 2019

(in millions)	Retail Banking	Commercial Banking	Private Banking	Corporate & Institutional Banking	Group Functions	Total
						2019
Income						
Net interest income	2,903	1,523	667	1,229	147	6,468
Net fee and commission income	365	256	509	505	-2	1,632
Net trading income		-1		76	10	84
Share of result in equity-accounted investments	14	3	17	1	2	37
Other operating income	43	25	34	55	226	383
Operating income	**3,324**	**1,807**	**1,226**	**1,866**	**383**	**8,605**
Expenses						
Personnel expenses	411	281	394	428	734	2,247
General and administrative expenses	729	196	206	281	1,368	2,781
Depreciation and amortisation of tangible and intangible assets	9	10	42	26	154	240
Intersegment revenues/expenses	930	531	289	362	-2,111	
Operating expenses	**2,078**	**1,018**	**930**	**1,097**	**145**	**5,268**
Impairment charges on financial instruments	81	182	21	376	-3	657
Total expenses	**2,159**	**1,200**	**951**	**1,473**	**142**	**5,925**
Profit/(loss) before taxation	**1,165**	**606**	**275**	**392**	**241**	**2,680**
Income tax expense	299	154	79	101	1	634
Profit/(loss) for the period	**866**	**453**	**196**	**291**	**240**	**2,046**
Attributable to:						
Owners of the parent company	866	453	196	291	240	2,046

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Retail Banking

Net interest income amounted to EUR 2,638 million in 2020 (2019: EUR 2,903 million), largely due to continued pressure on deposit margins. Furthermore, interest income on consumer loans declined as a result of lower appetite in the current economic situation. Income on residential mortgages declined, reflecting slightly lower margins (in a competitive market) and average volumes (mainly due to high mortgage redemptions).

Net fee and commission income decreased by EUR 62 million to EUR 303 million in 2020, largely as a result of lower credit card usage (at ICS) due to Covid-19.

The share of result in equity accounted investments increased by EUR 17 million, reflecting higher results from stakes in associates.

Personnel expenses were EUR 408 million in 2020 and remained broadly flat compared with 2019 as lower pension costs (new CLA) were offset by the upscaling of AML activities and, to a lesser extent, as a result of minor restructuring provisions.

General and administrative expenses declined by EUR 73 million, totalling EUR 656 million in 2020. The decrease was mainly attributable to lower provisioning for the AML remediation programme, partly offset by service costs for Stater.

Impairment charges declined by EUR 4 million to EUR 77 million in 2020, reflecting a limited impact of Covid-19.

Commercial Banking

Net interest income amounted to EUR 1,471 million in 2020 (2019: EUR 1,523 million). The decline was mainly driven by ongoing pressure on deposit margins and, to a lesser extent, lower average corporate loan volumes (largely reflecting lower demand) and slightly lower margins.

Net fee and commission income remained flat at EUR 256 million in 2020, despite the impact of Covid-19, which particularly affected payment services (‘pay per use’), factoring (volumes) and trade. This decline was fully offset by increased fixed pricing.

Personnel expenses came down by EUR 38 million, totalling EUR 243 million in 2020, mainly due to the transfer of FTEs to Group Functions in order to centralise AML activities, as well as lower pension costs (new CLA).

General and administrative expenses declined by EUR 58 million to EUR 138 million, largely due to provisioning in 2019 for the AML remediation programme (EUR 52 million).

Impairment charges increased to EUR 542 million in 2020 (2019: EUR 182 million), and largely included individual stage 3 impairments (mainly attributable to the sectors food, shipping, and industrial goods & services) and, to a lesser extent, management overlays in stage 1 and 2 to cover expected credit losses that were not captured by the models.

Intersegment expenses increased by EUR 117 million due to the centralisation of AML activities in Group Functions.

Private Banking

Net interest income amounted to EUR 637 million in 2020 (2019: EUR 667 million). Excluding the divestment of the Channel Islands in 2019, net interest income largely declined as a result of ongoing pressure on deposit margins and lower deposit volumes (as an effect of charging negative interest rates to an increased client base).

Net fee and commission income came down slightly by EUR 7 million to EUR 502 million in 2020, impacted by stock market developments, with a steep decline in Q2 followed by steep recovery in Q4.

Other operating income amounted to EUR 282 million in 2020 (2019: EUR 34 million), largely because 2020 included a EUR 263 million book gain on the sale of the Neuflize OBC office building in Paris.

Personnel expenses decreased by EUR 23 million, totalling EUR 371 million in 2020, reflecting lower pension costs (new CLA) and the divestment of the Channel Islands in 2019.

General and administrative expenses declined by EUR 19 million, totalling EUR 187 million in 2020, partly due to lower expenses for external staffing.

Impairment charges amounted to EUR 26 million in 2020 (2019: EUR 21 million), reflecting a limited impact of Covid-19.

Corporate & Institutional Banking

Net interest income amounted to EUR 1,123 million in 2020 (2019: EUR 1,229 million). The decline was mainly driven by lower average corporate loan volumes (mostly CIB non-core wind-down) and, to a lesser extent, ongoing pressure on deposit margins.

Net fee and commission income improved by EUR 24 million, totalling EUR 529 million in 2020, mainly as a result of higher market volatility (at Clearing), which was partly offset by the wind-down of the CIB non-core portfolio.

Net trading income increased by EUR 90 million, totalling EUR 165 million in 2020, largely reflecting a positive delta of EUR 49 million for the provision for SME derivatives related issues (release in 2020, addition in 2019) and, to a lesser extent, more favourable CVA/DVA/FVA results in 2020.

Other operating income amounted to EUR 120 million negative in 2020 (2019: EUR 55 million). The decrease was largely attributable to negative fair market value adjustments on financial investments held at fair value through profit or loss in 2020 (as an effect of Covid-19), while 2019 included positive fair market value adjustments.

Personnel expenses increased by EUR 56 million to EUR 484 million in 2020, largely due to a provision for the CIB non-core wind-down (EUR 103 million), which was partly offset by the release for discretionary variable remuneration in 2020 (EUR 22 million), and to a lesser extent, lower pension costs (new CLA).

General and administrative expenses remained broadly stable at EUR 284 million in 2020 (2019: EUR 281 million).

Impairment charges were significant in 2020, totalling EUR 1,659 million (2019: EUR 376 million) and largely included three exceptional client files and individual stage 3 impairments, mainly in the energy-services sector.

Group Functions

Net interest income amounted to EUR 6 million negative in 2020 (2019: EUR 147 million). The decline was largely due to a EUR 80 million one-off charge as a result of adjusted accounting estimates for amortisation of penalty interest on mortgages and, to a lesser extent, fewer other positive one-offs in 2020 (mainly DSB claim).

Net fee and commission income declined by EUR 29 million to EUR 31 million negative in 2020, largely due to lower income as an effect of the sale of Stater in Q2 2019.

Other operating income amounted to EUR 78 million in 2020 (2019: EUR 226 million). The decrease was largely attributable to the EUR 130 million book gain for the sale of Stater in 2019.

Personnel expenses increased by EUR 40 million to EUR 774 million in 2020, mainly due to the upscaling of AML activities (largely transferred from Commercial Banking) and, to a lesser extent, wage inflation, partly offset by lower pension costs (new CLA) and the sale of Stater.

General and administrative expenses increased by EUR 44 million to EUR 1,412 million in 2020, reflecting the upscaling of AML activities and additions to the provision for AML remediation programmes, while cost-savings programmes continued.

Selected assets and liabilities per segment

(in millions)	Retail Banking	Commercial Banking	Private Banking	Corporate & Institutional Banking	Group Functions	Total
						31 December 2020
Assets						
Financial assets held for trading				1,315		1,315
Derivatives			30	5,084	1,267	6,381
Securities financing				5,349	11,376	16,725
Residential mortgages	141,082	1	4,473		3,186	148,741
Consumer loans	5,690	556	4,684	8		10,937
Corporate loans	1,675	38,495	5,406	37,817	1,351	84,744
Other loans and advances customers	20	161	5	7,437	114	7,736
Other	2,010	2,264	2,601	5,515	106,653	119,044
Total assets	**150,477**	**41,477**	**17,199**	**62,525**	**123,946**	**395,623**
Liabilities						
Financial liabilities held for trading				563		563
Derivatives			14	6,159	1,219	7,391
Securities financing				368	10,995	11,363
Current accounts	21,732	39,799	24,275	24,424	804	111,033
Demand deposits	60,830	12,495	33,841	368		107,534
Time deposits	6,302	242	3,396	3,150	5,947	19,037
Other due to customers	175	1		738	51	966
Other	61,438	-11,060	-44,328	26,756	83,940	116,747
Total liabilities	**150,477**	**41,477**	**17,199**	**62,525**	**102,956**	**374,634**

(in millions)	Retail Banking	Commercial Banking	Private Banking	Corporate & Institutional Banking	Group Functions	Total
						31 December 2019
Assets						
Financial assets held for trading				1,137		1,137
Derivatives			24	4,549	1,157	5,730
Securities financing				4,631	10,274	14,905
Residential mortgages	144,225	3	3,856		2,795	150,880
Consumer loans	6,510	579	4,867	40		11,997
Corporate loans	1,688	41,022	5,343	49,109	1,274	98,436
Other loans and advances customers	13	181	4	5,991	102	6,292
Other	1,803	2,183	3,397	6,699	71,595	85,677
Total assets	**154,240**	**43,968**	**17,492**	**72,157**	**87,196**	**375,054**
Liabilities						
Financial liabilities held for trading				675		675
Derivatives			3	5,369	1,133	6,505
Securities financing				561	7,673	8,234
Current accounts	17,539	30,520	22,348	20,802	691	91,900
Demand deposits	65,286	12,809	42,241	555		120,892
Time deposits	7,384	2,940	4,564	4,353	1,991	21,232
Other due to customers	150			771	47	967
Other	63,882	-2,301	-51,664	39,071	54,190	103,177
Total liabilities	**154,240**	**43,968**	**17,492**	**72,157**	**65,725**	**353,582**

Geographical segments

(in millions)	The Netherlands	Rest of Europe	USA	Asia	Rest of the world	Total 2020
Income						
Net interest income	5,165	357	215	108	19	5,863
Net fee and commission income	1,043	306	108	92	10	1,558
Net trading income	113		17		33	163
Share of result in equity-accounted investments	24	5				29
Other operating income	60	281	-8	2	-32	302
Operating income	**6,405**	**948**	**331**	**201**	**30**	**7,916**
Expenses						
Personnel expenses	1,744	292	131	89	24	2,280
General and administrative expenses	2,406	188	43	28	11	2,677
Depreciation and amortisation of tangible and intangible assets	171	65	32	26	6	299
Intersegment revenues/expenses	-48	21	18	20	-11	
Operating expenses	**4,273**	**566**	**225**	**163**	**30**	**5,256**
Impairment charges on financial instruments	1,080	268	451	500	3	2,303
Total expenses	**5,353**	**835**	**675**	**663**	**34**	**7,559**
Profit/(loss) before taxation	**1,052**	**113**	**-344**	**-462**	**-3**	**356**
Income tax expense	271	106	-7	24	7	401
Profit/(loss) for the period	**781**	**7**	**-337**	**-485**	**-11**	**-45**
Attributable to:						
Owners of the parent company	781	7	-337	-485	-11	-45

(in millions)	The Netherlands	Rest of Europe	USA	Asia	Rest of the world	Total 2019
Income						
Net interest income	5,608	472	196	140	52	6,468
Net fee and commission income	1,107	323	100	92	11	1,632
Net trading income	72		14		-2	84
Share of result in equity-accounted investments	20	17				37
Other operating income	316	42	14	10	1	383
Operating income	**7,123**	**853**	**324**	**243**	**61**	**8,605**
Expenses						
Personnel expenses	1,745	320	99	60	23	2,247
General and administrative expenses	2,484	221	33	29	14	2,781
Depreciation and amortisation of tangible and intangible assets	175	45	10	8	2	240
Intersegment revenues/expenses	-47	17	16	21	-7	
Operating expenses	**4,358**	**602**	**159**	**117**	**33**	**5,268**
Impairment charges on financial instruments	351	98	136	34	37	657
Total expenses	**4,709**	**700**	**294**	**152**	**70**	**5,925**
Profit/(loss) before taxation	**2,414**	**154**	**29**	**92**	**-9**	**2,680**
Income tax expense	542	45	40	11	-5	634
Profit/(loss) for the period	**1,872**	**108**	**-11**	**80**	**-4**	**2,046**
Attributable to:						
Owners of the parent company	1,872	108	-11	80	-4	2,046

3 Overview of financial assets and liabilities by measurement base

31 December 2020

(in millions)	Amortised cost	Fair value through profit or loss – Trading	Fair value through profit or loss – Other	Fair value through other comprehen-sive income	Total
Financial assets					
Cash and balances at central banks	60,190				60,190
Financial assets held for trading		1,315			1,315
Derivatives		5,436	945		6,381
Financial investments			855	46,600	47,455
Securities financing	16,725				16,725
Loans and advances banks	3,394				3,394
Loans and advances customers	251,753		406		252,159
Other financial assets	3,796				3,796
Total financial assets	**335,856**	**6,751**	**2,206**	**46,600**	**391,414**
Financial liabilities					
Financial liabilities held for trading		563			563
Derivatives		6,585	807		7,391
Securities financing	11,363				11,363
Due to banks	36,719				36,719
Due to customers	238,570				238,570
Issued debt	66,000		949		66,949
Subordinated liabilities	8,069				8,069
Other financial liabilities	2,161				2,161
Total financial liabilities	**362,881**	**7,148**	**1,756**		**371,785**

31 December 2019

(in millions)	Amortised cost	Fair value through profit or loss – Trading	Fair value through profit or loss – Other	Fair value through other comprehen-sive income	Total
Financial assets					
Cash and balances at central banks	27,558				27,558
Financial assets held for trading		1,137			1,137
Derivatives		4,910	820		5,730
Financial investments			840	44,437	45,277
Securities financing	14,905				14,905
Loans and advances banks	5,011				5,011
Loans and advances customers	266,337		1,267		267,604
Other financial assets	1,364				1,364
Total financial assets	**315,175**	**6,047**	**2,927**	**44,437**	**368,586**
Financial liabilities					
Financial liabilities held for trading		675			675
Derivatives		5,840	665		6,505
Securities financing	8,234				8,234
Due to banks	12,785				12,785
Due to customers	234,991				234,991
Issued debt	74,252		1,024		75,275
Subordinated liabilities	10,041				10,041
Other financial liabilities	824				824
Total financial liabilities	**341,126**	**6,515**	**1,689**		**349,330**

4 Net interest income

Accounting policy for net interest income

Interest income and expense on financial instruments is recognised in the income statement on an accrual basis using the effective interest rate method, except for those financial instruments measured at fair value through profit or loss. The effective interest rate method allocates interest, amortisation of any discount or premium or other differences, including transaction costs and qualifying fees and commissions, over the expected lives of the assets and liabilities. The effective interest rate is the rate that exactly discounts estimated future cash flows to the net carrying amount of the asset. As a result, this method requires ABN AMRO to estimate future cash flows, in some cases based on its experience of client behaviour, considering all contractual terms of the financial instrument, as well as the expected lives of the assets and liabilities. Interest on loans and advances measured at fair value through profit or loss is also included in net interest income and recognised using the contractual interest rate. Interest income and expense on trading balances is included in net trading income. Interest paid on assets with a negative interest yield is classified as interest expense. Interest received from liabilities with a negative interest yield is classified as interest income.

(in millions)		2020		2019
Interest income calculated using the effective interest method	7,525		9,701	
Other interest and similar income	290		355	
Interest income		**7,815**		**10,056**
Interest expense calculated using the effective interest method	1,834		3,407	
Other interest and similar expense	118		181	
Interest expense		**1,952**		**3,588**
Net interest income		**5,863**		**6,468**

Net interest income

Net interest income decreased by EUR 605 million at 31 December 2020. The main drivers of the decrease were continued pressure on deposit margins in a low interest rate environment and lower corporate loan volumes related to the wind-down of the CIB non-core portfolio.

Interest income

(in millions)		2020		2019
Interest income from:				
Financial investments at fair value through other comprehensive income	598		679	
Securities financing	198		458	
Loans and advances banks	82		177	
Loans and advances customers	7,061		8,442	
Non-trading derivatives – hedge accounting – Cash flow hedges	427		934	
Non-trading derivatives – hedge accounting – Fair value hedges	-1,183		-1,118	
Other	343		130	
Interest income calculated using the effective interest method		**7,525**		**9,701**
Financial assets at fair value through profit or loss	16		27	
Non-trading derivatives – no hedge accounting	50		78	
Other	224		251	
Other interest and similar income		**290**		**355**
Total interest income		**7,815**		**10,056**

Interest income decreased by EUR 2,241 million, mainly due to interest income from loans and advances customers, reflecting a decrease in corporate loans related to the wind-down of the CIB non-core portfolio. In 2020, ABN AMRO revised its methodology to improve the estimation of the penalty interest amortisation on mortgages and, as such, to better reflect the client's prepayment behaviour. The revised methodology is accounted for as a change in accounting estimates and recognised prospectively. This resulted in a decrease of EUR 80 million in interest income from loans and advances customers.

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Interest expense

(in millions)		2020		2019
Interest expenses from:				
Securities financing	101		266	
Due to banks	91		181	
Due to customers	380		720	
Issued debt	1,171		1,476	
Subordinated liabilities	416		458	
Non-trading derivatives – hedge accounting – Cash flow hedges	422		886	
Non-trading derivatives – hedge accounting – Fair value hedges	-1,012		-888	
Other	265		307	
Interest expense calculated using the effective interest method		**1,834**		**3,407**
Financial liabilities at fair value through profit or loss	36		37	
Non-trading derivatives – no hedge accounting	57		111	
Other	24		34	
Other interest and similar expense		**118**		**181**
Total interest expense		**1,952**		**3,588**

Interest expense decreased by EUR 1,636 million, mainly due to the interest expense from issued debt and subordinated liabilities as a result of matured long-term and short-term funding. The low interest rate environment resulted in a decline in interest expense on client deposits.

5 Net fee and commission income

Accounting policy for net fee and commission income

ABN AMRO applies IFRS 15 when recognising revenue from contracts with clients, all of which is included in net fee and commission income. After identifying contracts and their performance obligations, revenue is recognised as an amount that reflects the consideration to which the bank expects to be entitled in exchange for transferring promised services to clients. The transaction price is allocated to each performance obligation. Revenue is measured at the fair value of the consideration received, taking into account discounts and rebates. The amount of revenue recognised is discounted to the present value of consideration due, if payment extends beyond normal credit terms.

Revenue is recognised when a promised service is transferred to the client. Fees and commissions are recognised either:
- At a point in time: the fee is a reward for a service provided at a moment in time; or
- Over time (amortised): the fee relates to services on an ongoing basis.

ABN AMRO engages in transactions where more than one party is involved in providing services to a client. In the case of these transactions, ABN AMRO assesses whether it is a principal or an agent in the transaction by evaluating the nature of its promise to the client.

The bank is a principal if it controls the promised goods or services before they are transferred to a client. The bank is acting as an agent, of another party, if it provides a service of arranging for another party to transfer goods or services to a client and, as a result, does not control the specified goods or services. Control of goods and services refers to the ability to direct the use of, and obtain substantially all the remaining benefits from, the goods and services.

If the bank is assessed to be a principal in the transaction, it recognises revenue in the gross amount of the consideration to which it expects to be entitled in exchange for the specified goods or services transferred. If, however, the bank acts as an agent, it recognises revenue in the amount of the fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party. The fee or commission may be the net amount of consideration that the bank retains after paying the other party the consideration received in exchange for the goods or services to be provided by that party.

(in millions)	2020	2019
Fee and commission income	2,253	2,121
Fee and commission expense	695	489
Net fee and commission income	**1,558**	**1,632**

Net fee and commission income decreased by EUR 74 million at 31 December 2020, mainly due to less credit card usage as a result of Covid-19. This was partly offset by an increase in net fee and commission income from the Clearing business as a result of the increased market volatility.

Fee and commission income

						2020
(in millions)	Retail Banking	Commercial Banking	Private Banking	Corporate & Institutional Banking	Group Functions	Total
Fee and commission income from:						
Securities and custodian services	24	1	67	736	2	830
Payment services	286	204	25	80		595
Portfolio management and trust fees	40	1	436			477
Guarantees and commitment fees	29	28	5	80		143
Insurance and investment fees	43	1	33			77
Other service fees	19	61	17	33		131
Total fee and commission income	**442**	**295**	**583**	**930**	**2**	**2,253**
Timing fee and commission income						
Recognised at a point in time	187	222	321	874	2	1,606
Recognised over time	254	74	262	56		647
Total fee and commission income	**442**	**295**	**583**	**930**	**2**	**2,253**

Fee and commission income increased by EUR 132 million, mainly due to higher income from the Clearing business as a result of higher market volatility in 2020. This was partly offset by a decline in credit card usage as a result of Covid-19.

						2019
(in millions)	Retail Banking	Commercial Banking	Private Banking	Corporate & Institutional Banking	Group Functions	Total
Fee and commission income from:						
Securities and custodian services	15	1	63	450	1	531
Payment services	328	202	27	81	37	675
Portfolio management and trust fees	43	1	463			508
Guarantees and commitment fees	24	28	6	104		162
Insurance and investment fees	46	1	32			80
Other service fees	17	67	16	38	30	167
Total fee and commission income	**473**	**299**	**607**	**674**	**68**	**2,121**
Timing fee and commision income						
Recognised at a point in time	250	265	340	621	68	1,543
Recognised over time	224	34	267	53		579
Total fee and commission income	**473**	**299**	**607**	**674**	**68**	**2,121**

Fee and commission expense

(in millions)	2020	2019
Fee and commission expenses from:		
Securities and custodian services	392	180
Payment services	143	168
Portfolio management and trust fees	58	68
Guarantees and commitment fees	30	12
Insurance and investment fees	34	39
Other service fees	39	24
Total fee and commission expense	**695**	**489**

Fee and commission expense increased by EUR 206 million, mainly due to higher expenses within the Clearing business related to increased securities market activity. This was slightly offset by lower payment service expenses due to a decline in volumes as a result of Covid-19.

6 Net trading income

Accounting policy for net trading income

In accordance with IFRS 9, trading positions are held at fair value, and net trading income includes gains and losses arising from changes in the fair value of such financial assets and liabilities. The lattercomprise gains and losses from trading financial assets and liabilities, interest income and expenses related to trading financial assets and liabilities, and dividends received from trading instruments. Dividend income and dividends from trading instruments are recognised at the dividend announcement date. Net trading income also includes changes in fair value arising from changes in counterparty credit spreads (CVA) and changes in own credit spreads (DVA) where these impact on the value of our trading assets and liabilities. The funding valuation adjustment (FVA) incorporates the incremental cost of funding into the valuation of uncollateralised and partly collateralised derivatives.

(in millions)	2020	2019
Interest instruments trading	68	-43
Equity and commodity trading	18	20
Foreign exchange transaction results	77	107
Total net trading income	**163**	**84**

Net trading income increased by EUR 79 million in 2020. The overall trading result this year was higher than last year due to increased volumes and more volatile market conditions, especially in the first half of the year. In addition, an amount of EUR 18 million was released from the provision SME derivatives-related issues.

The XVA was mainly impacted by the increase in the CVA and an opposing decrease in the FVA. The CVA increased due to changes in the exposure and the counterparty credit spreads. The FVA decreased due to lower funding spreads.

7 Other operating income

Accounting policy for other operating income

Other operating income includes all other banking activities such as operating lease activities as lessor and results on the disposal of assets. It also includes the change in fair value of derivatives used for risk management purposes that do not meet the requirements for hedge accounting, ineffectiveness of hedging programmes, fair value changes relating to assets and liabilities measured at fair value through profit or loss, and changes in the value of derivatives related to such instruments. Dividend income from non-trading equity investments is recognised when entitlement is established. Income from operating lease activities is measured net of depreciation of the related assets.

(in millions)	2020	2019
Leasing activities	22	22
Disposal of operating activities and equity-accounted investments	12	103
Result from financial transactions	-26	193
Other	293	64
Total other operating income	**302**	**383**

Other operating income decreased by EUR 81 million, mainly due to a decrease in the result from financial transactions.

The result from financial transactions decreased by EUR 220 million to EUR 26 million negative in 2020 which was driven by a negative result of EUR 32 million (2019: gain of EUR 127 million) in fair value gains and losses relating to private equities, equity associates and joint ventures. The movement is further explained by derecognition losses of EUR 12 million (2019: gain of EUR 64 million). The result from financial transactions in risk-mitigating derivatives increased by EUR 43 million to EUR 6 million negative in 2020, while the result from foreign exchange differences decreased by EUR 27 million to EUR 23 million.

The decrease in disposal of operating activities is mainly due to the sale of a majority stake in Stater N.V. in 2019. Other income – Other increased as a result of a property sale in Paris, France.

8 Personnel expenses

Accounting policy for personnel expenses

Salaries and wages, social security charges and other salary-related costs are recognised over the period in which the employees provide the services to which the payments relate. The accounting policies for pensions and other post-employment benefits are included in Note 30 Pension and other employee benefits.

(in millions)	2020	2019
Salaries and wages	1,540	1,529
Social security charges	216	238
Pension expenses relating to defined benefit plans	1	-1
Defined contribution plan expenses	306	372
Other	217	109
Total personnel expenses	**2,280**	**2,247**

Total personnel expenses increased by EUR 32 million to EUR 2,280 million in 2020 (2019: EUR 2,247 million).

The increase in salaries and wages of EUR 11 million was mainly driven by an increase in FTE levels following the AML remediation programmes and a 2.75% increase in salaries under the Collective Labour Agreement. This increase was partly offset by the sale of the majority stake in Stater N.V. in 2019, combined with a decrease in the discretionary bonuses at CIB.

Social security charges decreased by EUR 23 million, mainly due to a change in Dutch unemployment benefit. In 2020, the previous schemes (Sectorfonds and WW) were replaced by a general unemployment fund.

Pension expenses relating to defined benefit plans increased by EUR 1 million due to a one-time reversal of expenses in 2019 at ABN AMRO Bank N.V. Oslo Branch to convert the pension scheme from a defined benefit to a defined contribution scheme. This was partly offset by a correction on pension expenses at Banque Neuflize OBC.

The decrease of EUR 66 million in defined contribution plan expenses was due to a new pension plan, as provided for in the Collective Labour Agreement, and a one-off payment of EUR 30 million to the pension fund in 2019.

Other personnel expenses increased by EUR 108 million due to higher restructuring provisions in 2020 as a result of the wind-down of the CIB non-core portfolio. This was partly offset by the addition of a restructuring provision of EUR 12 million related to the integration of Private Banking Belgium in 2019.

9 General and administrative expenses

Accounting policy for general and administrative expenses

Costs are recognised in the period in which services have been provided and to which the payment relates.

(in millions)	2020	2019
Agency staff, contractors and consultancy costs	776	713
Staff-related costs	42	74
Information technology costs	973	998
Housing	108	118
Post, telephone and transport	34	39
Marketing and public relations costs	80	96
Regulatory charges	397	381
Other	267	360
Total general and administrative expenses	**2,677**	**2,781**

Total general and administrative expenses decreased by EUR 104 million to EUR 2,677 million in 2020 (2019: EUR 2,781 million).

Agency staff, contractors and consultancy costs increased by EUR 63 million, of which EUR 50 million related to contractors costs and EUR 11 million to consultancy costs. This was mainly the result of more external FTEs for the AML remediation programmes and, to a lesser extent, to the wind-down of the CIB non-core portfolio.

The decrease of EUR 32 million in staff-related costs was due to the restrictions relating to Covid-19, which resulted in external training costs decreasing by EUR 13 million and travel expenses by EUR 19 million.

Other decreased by EUR 93 million, mainly due to high provisions for the AML remediation programmes in 2019. This decrease was partly offset by an increase in costs charged by Stater for services to ABN AMRO Hypotheken Groep B.V. as a result of the sale of Stater N.V. in 2019.

(in millions)	2020	2019
Bank tax	95	100
Deposit Guarantee Scheme	128	124
Single Resolution Fund	145	127
Other regulatory levies	29	30
Total regulatory charges	**397**	**381**

Regulatory charges increased by EUR 17 million, mainly due to the increase in the target amount to fill the Resolution Fund.

Auditor's fees to EY are included under agency staff, contractors and consultancy costs. The fees stated for the audit of the financial statements are based on the total fees for the audit of the financial statements regardless of whether the procedures were performed before the year-end. These are specified in the following table.

(in millions)	2020	2019
Financial statements audit fees	14	12
Audit-related fees	2	4
Total auditor's fee	**16**	**16**

Financial statement audit fees relating to the audit of activities in the Netherlands amounted to EUR 12 million in 2020 (2019: EUR 10 million). Audit-related fees for activities in the Netherlands amounted to EUR 2 million in 2020 (2019: EUR 2 million).

Audit-related fees comprise services for regulatory reporting purposes, comfort letters and consent letters, assurance engagements on segregation of assets, assurance on service organisation reports and procedures agreed for supervisory purposes.

10 Income tax expense, tax assets and tax liabilities

Accounting policy for income tax expense, tax assets and tax liabilities

Income tax expense consists of current and deferred tax. Income tax is recognised in the income statement and in the statement of other comprehensive income in the period in which profits arise. Withholding taxes are included in income tax when these taxes become payable by a subsidiary, associate or joint arrangement on distributions to ABN AMRO. Income tax recoverable on tax-allowable losses is recognised as a current tax asset only to the extent that it is regarded as recoverable by offsetting against taxable profits arising in the current or prior period. Current tax is measured using tax rates enacted at the balance sheet date.

Deferred tax is recognised for qualifying temporary differences. Temporary differences represent the difference between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are offset only when there is both a legal right to offset and an intention to settle on a net basis.

(in millions)	2020	2019
Recognised in income statement:		
Current tax expenses for the current period	417	674
Adjustments recognised in the period for current tax of prior periods	-68	-12
Total current tax expense	**349**	**662**
Deferred tax arising from the current period	-100	-24
Impact of changes in tax rates on deferred taxes	-12	-2
Deferred tax arising from the write-down or reversal of a write-down of a deferred tax asset	139	10
Deferred tax prior period	27	-6
Previously unrecognised tax losses, tax credits and temporary differences reducing deferred tax expense		-9
Tax expense (income) relating to changes in accounting policies and errors included in profit and loss	-1	3
Total deferred tax expense	**52**	**-28**
Total income tax expense	**401**	**634**

The EUR 139 million write-down includes the write-down of deferred tax assets related to the wind-down of the CIB non-core portfolio.

Reconciliation of the total tax charge

The effective rate based on the consolidated income statement differs from the theoretical rate that would arise using the statutory tax rate of the Netherlands. This difference is explained in the following table.

(in millions)	2020	Effective tax rate	2019	Effective tax rate
Profit/(loss) before taxation	**356**		**2,680**	
Applicable tax rate	25.0%		25.0%	
Expected income tax expense	**89**		**670**	
International tax rate difference	70	19.6%		
Adjustment previous years	-41	-11.4%	-18	-0.7%
Change in tax rates	-12	-3.4%	-2	-0.1%
Banking tax	22	6.3%	23	0.9%
Non-taxable income	-2	-0.5%	-8	-0.3%
Non-deductible expenses	29	8.2%	14	0.5%
Tax exempt (participation exemption)	7	1.9%	-59	-2.2%
Losses not benefited	95	26.7%		
Change recognition of deferred tax assets	138	38.7%	4	0.1%
Other tax effects	6	1.6%	10	0.4%
Actual income tax expense	**401**	**112.6%**	**634**	**23.7%**

The effective tax rate in 2020 (112.6%) is significantly higher than in 2019 (23.7%). This increase is mainly the result of an unfavourable geographical mix of pre-tax income and pre-tax losses. Furthermore, no full tax benefit was recognised on the provision for the CIB non-core wind-down, since no deferred tax asset could be recognised on the losses in specific tax jurisdictions. The residual deferred tax assets were written off in Q3 2020 to the level that ABN AMRO expects to recover in future years. The new Dutch rules on liquidation losses prevent ABN AMRO from applying stranded losses generated outside the EU against Dutch income.

Adjustment previous years includes the 2019 portion of the tax benefit for AT1 coupon payments paid in 2019 and 2020, as well as a beneficial rate impact on the carry-back of US tax losses to periods prior to 1 January 2018. The 2020 portion of the deduction for AT1 coupon payments is included in non-deductible expenses and is offset by the impact of the new Dutch thincap rules for banks and several smaller permanent differences. Tax-exempt results were significantly lower in 2020, mainly due to the gains on the sale of Stater N.V. and the sale of the participation in equensWorldline S.E. in 2019.

Tax assets and liabilities

The most significant temporary differences arise from the revaluation of certain financial assets and liabilities, including derivative contracts, allowances for loan impairment and investments. The following table summarises the tax position.

	31 December 2020		31 December 2019	
(in millions)	Assets	Liabilities	Assets	Liabilities
Current tax	176	27	174	42
Deferred tax	674	4	591	22
Total tax assets and liabilities	**851**	**30**	**764**	**63**

The significant components and annual movements in deferred tax assets and deferred tax liabilities are shown in the following tables.

(in millions)	As at 31 December 2019	Income statement	OCI	Equity	Other	As at 31 December 2020	Of which: deferred tax asset	Of which: deferred tax liability
Assets and liabilities held for trading, derivatives and financial investments	400	-2	161		2	560	620	-60
Property and equipment (excluding leases) and intangible assets	5	9		1		15	21	-7
Loans	38	-30			-2	6	7	-1
Equity-accounted investments	2					3	3	
Leases	5					5	58	-53
Pensions and other (post-)employment benefits	17		1	1		20	20	
Provisions	20	-1	-2			17	18	-1
Tax losses carried forward	31	-1		1	-5	25	25	
Other	50	-27	-2	-2	1	19	35	-15
Deferred tax assets (+) and liabilities (-)	**569**	**-52**	**158**	**2**	**-6**	**671**	**808**	**-137**
Offsetting deferred tax assets and liabilities							-134	134
Net deferred tax assets (+) and liabilities (-)							**674**	**-4**

(in millions)	As at 31 December 2018	Income statement	OCI	Equity	Other	As at 31 December 2019	Of which: deferred tax asset	Of which: deferred tax liability
Assets and liabilities held for trading, derivatives and financial investments	185	6	208		1	400	455	-55
Property and equipment (excluding leases) and intangible assets	14	-1			-7	5	15	-10
Loans	37	2	-1			38	39	-1
Equity-accounted investments	3	-1				2	2	
Leases		5				5	45	-39
Pensions and other (post-)employment benefits	11	-2	2		6	17	17	
Provisions	28	-3	1		-6	20	22	-2
Tax losses carried forward	14	21			-4	31	31	
Other	45	2			3	50	63	-13
Deferred tax assets (+) and liabilities (-)	**338**	**28**	**210**		**-8**	**569**	**689**	**-120**
Offsetting deferred tax assets and liabilities							-101	101
Net deferred tax assets (+) and liabilities (-)							**588**	**-19**

Deferred tax assets

The increase in deferred tax assets through other comprehensive income includes the EUR 66 million impact of the reversal of the decision to decrease the corporate income tax rate in the Netherlands from 2021 onwards.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will allow the deferred tax asset to be recovered. Recognition is based on estimates of sufficient taxable income by jurisdiction in which ABN AMRO operates and the period over which deferred tax assets are recoverable. In the event that actual results differ from these estimates in future periods, changes to the recognition of deferred tax assets could be required and these could impact on our financial position and net profit. No deferred income taxes have been recognised on undistributed earnings of ABN AMRO's subsidiaries, branches and interests in joint ventures.

Tax losses

The total accumulated losses available for carry-forward at 31 December 2020 amounted to EUR 2,058 million (31 December 2019: EUR 1,416 million), of which EUR 101 million (31 December 2019: EUR 141 million) is recognised for future tax benefits. The recorded deferred tax asset for tax losses carried forward amounted to EUR 25 million (31 December 2019: EUR 31 million).

Unrecognised tax assets

Deferred tax assets of EUR 126 million (31 December 2019: EUR 51 million) have not been recognised in respect of gross deductible temporary differences of EUR 513 million (31 December 2019: EUR 171 million) and EUR 349 million (31 December 2019: EUR 206 million) has not been recognised in respect of gross tax losses of EUR 1,957 million (31 December 2019: EUR 1,275 million). This is because future taxable profits are not considered probable.

Tax credits and unrecognised tax credits

ABN AMRO did not have any carry-forward tax credits at 31 December 2020.

The following table shows when the operating losses as at 31 December 2020 expire.

(in millions)	2020	2021	2022	2023	2024	2025	After 5 years	No expiration	Total
2020									
Loss carry-forward recognised					1	1	2	97	101
Loss carry-forward not recognised		4	6	2	3	36	1	1,906	1,957
Total tax losses carry-forward (gross)		**4**	**6**	**2**	**4**	**37**	**2**	**2,003**	**2,058**
2019									
Loss carry-forward recognised			7	2	4		3	125	141
Loss carry-forward not recognised	6	7		5			3	1,252	1,275
Total tax losses carry-forward (gross)	**6**	**7**	**7**	**8**	**4**		**6**	**1,377**	**1,416**

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Of the total amount of recognised net deferred tax assets, EUR 31 million (31 December 2019: EUR 36 million) was related to entities that suffered a loss either in the current or preceding year. The recognition of these deferred tax assets is based on a projection of future taxable income.

Tax related to equity

Tax related to each component of other comprehensive income and tax related to equity can be found in the Consolidated statement of comprehensive income and the Consolidated statement of changes in equity.

Income tax consequences of dividend

Dividends are, in principle, subject to a 15% withholding tax in the Netherlands.

Country-by-country reporting

The following table provides an overview of total assets, total operating income, average number of FTE, operating profit/(loss) before taxation and income tax expense, as well as the principal subsidiary and main activity, for each country. The full list of participating interests as referred to in Article 414, Book 2 of the Dutch Civil Code has been filed with the Trade Register.

							31 December 2020
	Principal subsidiary	Main activity	Total assets	Total operating income (in millions)	Average number of FTEs	Operating profit/(loss) before taxation (in millions)	Income tax expense (in millions)
Netherlands	ABN AMRO Bank N.V.	Retail Banking	355,587	6,405	15,430	1,052	271
France	Banque Neuflize OBC S.A.	Private Banking	4,982	523	806	305	102
Germany	Bethmann Bank AG	Private Banking	3,529	226	677	40	10
Belgium	ABN AMRO Bank N.V. Branch Belgium	Private Banking	1,348	90	379	-49	
United Kingdom	ABN AMRO Asset based Finance N.V., UK branche	Commercial Banking	2,076	61	316	-8	
Norway	ABN AMRO Bank N.V. Oslo Branch	Corporate & Institutional Banking	2,018	46	20	-175	-7
Denmark	ABN AMRO Securities Holdings (Denmark) ApS	Corporate & Institutional Banking	-119				
United States	ABN AMRO Clearing Chicago LLC	Corporate & Institutional Banking	18,968	331	440	-344	-7
Brazil	Banco ABN AMRO S.A.	Corporate & Institutional Banking	374	13	76	-3	7
Singapore	ABN AMRO Bank N.V. Branch Singapore	Corporate & Institutional Banking	5,025	108	268	-327	3
Hong Kong	ABN AMRO Bank N.V. Branch Hong Kong	Private Banking	1,159	72	111	-101	15
Japan	ABN AMRO Clearing Tokyo Co. Ltd.	Corporate & Institutional Banking	229	18	18	9	3
United Arab Emirates	ABN AMRO Bank N.V. Branch UAE/DIFC	Private Banking			3		
Australia	ABN AMRO Clearing Sydney Pty Ltd.	Corporate & Institutional Banking	523	17	65		1
Other			-75	5	32	-42	3
Total			**395,623**	**7,916**	**18,642**	**356**	**401**

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							31 December 2019
	Principal subsidiary	Main activity	Total assets	Total operating income (in millions)	Average number of FTEs	Operating profit/(loss) before taxation (in millions)	Income tax expense (in millions)
Netherlands	ABN AMRO Bank N.V.	Retail Banking	328,975	7,198	14,999	2,448	551
- of which international activities			*2,869*	*75*	*17*	*34*	*8*
France	Banque Neuflize OBC S.A.	Private Banking	5,369	295	818	70	21
Germany	Bethmann Bank AG	Private Banking	3,414	242	687	52	14
Belgium	ABN AMRO Bank N.V. Branch Belgium	Private Banking	1,789	116	356	-15	-1
United Kingdom	ABN AMRO Commercial Finance Plc	Commercial Banking	2,350	76	323	29	6
Norway	ABN AMRO Bank N.V. Oslo Branch	Corporate & Institutional Banking	2,643	58	26	-27	-6
Denmark	ABN AMRO Securities Holdings (Denmark) ApS	Corporate & Institutional Banking	-119				
Guernsey	ABN AMRO (Guernsey) Ltd.	Private Banking		22	71	-1	1
United States	ABN AMRO Clearing Chicago LLC	Corporate & Institutional Banking	19,560	324	422	29	40
Brazil	Banco ABN AMRO S.A.	Corporate & Institutional Banking	631	16	82	4	-1
Singapore	ABN AMRO Bank N.V. Branch Singapore	Corporate & Institutional Banking	7,847	135	264	72	9
Hong Kong	ABN AMRO Bank N.V. Branch Hong Kong	Private Banking	2,201	91	112	20	1
Japan	ABN AMRO Clearing Tokyo Co. Ltd.	Corporate & Institutional Banking	-36	13	17	3	1
Australia	ABN AMRO Clearing Sydney Pty Ltd.	Corporate & Institutional Banking	359	14	60	-1	-1
Other			70	6	23	-3	
Total			**375,054**	**8,605**	**18,259**	**2,680**	**634**

ABN AMRO received government grants for its participation in the TLTRO III programme in 2020 and the TLTRO II programme in 2020 and 2019. For more information, please refer to Note 26 Due to banks.

11 Earnings per share

The following table shows the composition of basic earnings per share at 31 December.

			2020			2019
(in millions)	Profit/(loss) for the period[1]	Number of shares	Earnings per share (in EUR)	Profit/(loss) for the period[1]	Number of shares	Earnings per share (in EUR)
Basic earnings	-158	940	–	1,941	940	2.06

[1] Earnings consist of profit excluding results attributable to non-controlling interests and payments to holders of AT1 instruments.

ABN AMRO Bank N.V. does not have any dilutive potential ordinary shares. Therefore only the basic earnings per ordinary share are disclosed. Basic earnings per ordinary share are calculated by dividing the profit attributable to the owners of the parent company by the weighted average number of ordinary shares outstanding.

Based on the ECB recommendation and the year-to-date loss, no dividend will be proposed for 2020.

12 Cash and balances at central banks

Accounting policy for cash and balances at central banks

Cash and balances at central banks are held at amortised cost. This item includes cash on hand and available demand deposits with central banks in countries in which the bank has a presence. Mandatory reserve deposits are disclosed in Note 19 Loans and advances banks.

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(in millions)	31 December 2020	31 December 2019
Assets		
Cash on hand and other cash equivalents	96	183
Balances with central banks readily convertible in cash other than mandatory reserve deposits	60,094	27,375
Total cash and balances at central banks	**60,190**	**27,558**

Cash and balances at central banks increased by EUR 32.6 billion. This was mainly due to the participation in the new TLTRO III programme (EUR 32.0 billion) and was partly offset by the redemption of the old TLTRO programme (EUR 8.0 billion) and higher volumes on accounts due to a general decrease in spending as a result of Covid-19 (EUR 8.5 billion).

During 2020, ABN AMRO changed its presentation of instant payment facilities from corporate loans at amortised cost to cash and balances at central banks. The comparative figures have been adjusted accordingly (EUR 0.5 billion).

13 Financial assets and liabilities held for trading

Accounting policy for financial assets and liabilities held for trading

In accordance with IFRS 9, all assets and liabilities held for trading are measured at fair value through profit or loss, with gains and losses in the changes of the fair value taken to net trading income in the income statement.

Financial assets held for trading

(in millions)	31 December 2020	31 December 2019
Trading securities		
Government bonds	639	486
Corporate debt securities	674	643
Equity securities	1	6
Total trading securities	**1,314**	**1,136**
Trading book loans	2	2
Total financial assets held for trading	**1,315**	**1,137**

The increase of EUR 0.2 billion in financial assets held for trading was mainly related to changes in Dutch, German, Belgian and French government bond positions. These portfolios are mainly a result of the primary dealership in these countries and for the purpose of client facilitation.

Financial liabilities held for trading

(in millions)	31 December 2020	31 December 2019
Bonds	469	528
Equity securities		
Total short security positions	**469**	**528**
Other liabilities held for trading	94	147
Total financial liabilities held for trading	**563**	**675**

The decrease of EUR 0.1 billion in financial liabilities held for trading was the result of lower short positions in bonds, primarily Dutch, German, Belgian and French sovereign debt. The decrease in other liablities held for trading was mainly attributable to the regular maturity of trades.

14 Derivatives

Accounting policy for derivatives

Derivatives comprise derivatives held for trading and derivatives held for risk management purposes. Derivatives held for trading are closely related to facilitating the needs of our clients. A significant part of the derivatives in the trading portfolio is related to serving clients in their risk management to hedge, for example, currency or interest rate exposures. ABN AMRO also offers products that are traded on the financial markets to institutional and individual clients and governments.

Derivatives held for risk management purposes include derivatives qualifying for hedge accounting and those used for economic hedges. A hedging instrument, for hedge accounting purposes, is a designated derivative whose fair value or cash flows are expected to offset changes in the fair value or cash flows of a designated hedged item.

Derivative assets and liabilities subject to master netting arrangements are presented net only when they satisfy the eligibility requirements for netting under IAS 32. ABN AMRO did not have any netted derivative positions in the statement of financial position in either 2020 or 2019.

As derivative transactions and the related cash collateral held at a CCP are settled on a daily basis, the carrying amount of these positions in the statement of financial position is nil.

From a risk perspective, the gross amount of trading assets must be associated with the gross amount of trading liabilities, which are presented separately in the statement of financial position.

								31 December 2020
	Derivatives held for trading			Economic hedges			Hedge accounting	Total derivatives
(in millions)	Interest rate	Currency	Other	Interest rate	Currency	Other	Interest rate	
Exchange traded								
Fair value assets	1	1	9			2		12
Fair value liabilities	1	1	16					18
Notionals	9,466	239	10			97		9,812
Over-the-counter								
Central counterparties								
Fair value assets								
Fair value liabilities								
Notionals	1,059,416			1,031			104,203	1,164,650
Other bilateral								
Fair value assets	3,573	1,164	293	83	285	25	945	6,369
Fair value liabilities	5,062	781	298	164	257	5	807	7,373
Notionals	147,007	60,000	3,588	782	20,005	369	34,636	266,387
Total								
Fair value assets	3,573	1,164	303	83	285	27	945	6,381
Fair value liabilities	5,063	782	314	164	257	5	807	7,391
Notionals	1,215,889	60,239	3,598	1,813	20,005	467	138,839	1,440,850

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								31 December 2019
	Derivatives held for trading			Economic hedges			Hedge accounting	Total derivatives
(in millions)	Interest rate	Currency	Other	Interest rate	Currency	Other	Interest rate	
Exchange traded								
Fair value assets	1	1	14			2		18
Fair value liabilities	2	1	4			17		23
Notionals	459	195	60			1,095		1,809
Over-the-counter								
Central counterparties								
Fair value assets								
Fair value liabilities								
Notionals	1,049,209			1,708			111,554	1,162,471
Other bilateral								
Fair value assets	3,476	541	465	99	292	18	820	5,712
Fair value liabilities	4,276	564	501	156	319	1	665	6,482
Notionals	130,614	77,469	5,164	746	20,094	367	16,911	251,364
Total								
Fair value assets	3,477	542	480	99	292	20	820	5,730
Fair value liabilities	4,278	565	505	156	319	18	665	6,505
Notionals	1,180,282	77,664	5,224	2,454	20,094	1,462	128,465	1,415,644

The increase of EUR 35.6 billion in the notional amount of interest rate derivatives held for trading was mainly due to an increase in volume and number of trades.

The notional amount of currency derivatives held for trading decreased by EUR 17.4 billion, mainly due to lower client activity.

The increase in the notional amount of interest rate derivatives used for hedge accounting was EUR 10.4 billion. The portfolio of interest rate swaps increased as a result of interest rate risk management activities.

The hedging strategies are explained in greater detail in Note 15 Hedge accounting.

15 Hedge accounting

Accounting policy for hedge accounting

ABN AMRO enters into various derivative and non-derivative instrument transactions with external parties to hedge risks on assets, liabilities and net investments. The accounting treatment of the hedged item and the hedging instrument depends on whether the hedge relationship qualifies for hedge accounting.

Qualifying hedges may be designated as fair value hedges, cash flow hedges or hedges of net investments. A non-derivative financial asset or liability may be designated as a hedging instrument for hedge accounting purposes only if it hedges the risk of changes in foreign currency exchange rates. The hedged item can be an asset, liability, or net investment in a foreign operation that (a) exposes the entity to the risk of changes in fair value or future cash flows, and (b) is designated as being hedged.

The hedged risks are typically changes in interest rates or foreign currency rates. ABN AMRO's market risk management strategy, which includes interest rate risk and foreign currency risk in the banking book, is described in more detail in the Risk, funding & capital management section.

Both at the inception of the hedge and on an ongoing basis, ABN AMRO assesses whether the derivatives designated in each hedging relationship are expected to be and have been highly effective in offsetting changes in the fair value or cash flows of the hedged item. These prospective and retrospective effectiveness tests are performed by using a regression analysis. ABN AMRO applies the following criteria to assess whether the hedging relationship is effective:
- A regression co-efficient (R squared), which measures the correlation between the variables in the regression; and
- A slope of the regression line is within a range of 0.80-1.25.

Hedge ineffectiveness and gains and losses on components of a derivative that are excluded from the assessment of hedge effectiveness are recorded directly in the result from financial transactions as part of other operating income. ABN AMRO discontinues hedge accounting when the hedge relationship has ceased to be effective or is no longer expected to be effective, or when the derivative or hedged item is sold or otherwise terminated.

Application of IAS 39 as endorsed by the European Union

As permitted by IFRS 9 paragraph 7.2.21, ABN AMRO has elected to continue applying the requirements of IAS 39 as endorsed by the European Union instead of applying the hedge accounting requirements of IFRS 9. The EU-endorsed version of IAS 39 provides relief from certain hedge accounting requirements when compared to the full hedge accounting text of IAS 39. One of these reliefs is that negative credit spreads can be excluded from hedge relationships. ABN AMRO applies this to several micro fair value hedge relationships. Another relief is that the impact of changes in the estimates of the repricing dates is considered ineffective only if it leads to over-hedging. This relief is applied in the macro fair value hedge.

Fair value hedges

ABN AMRO applies fair value hedge accounting on individual hedged items (micro fair value hedging), as well as on a portfolio of hedged items (macro fair value hedging). Where a derivative financial instrument hedges the exposure to changes in the fair value of the hedged item, the hedged item is adjusted in relation to the risk being hedged. Gains or losses on remeasurement of both the hedging instrument and the hedged item are recognised in the income statement as result from financial transactions, which is part of the line item Other operating income.

Hedge effectiveness for fair value hedges is measured as the amount by which the changes in the fair value of the hedging instrument are different from the changes in the fair value of the hedged item. When a fair value hedge of interest rate risk is terminated, any value adjustment to the carrying amount of the hedged item is amortised to profit or loss over the original designated hedging period, or taken directly to income if the hedged item is derecognised.

Micro fair value hedge accounting

Hedging instruments designated in individual fair value hedge relationships principally consist of interest rate swaps, interest rate options and cross-currency interest rate swaps that are used to protect against changes in the fair value of fixed-rate assets and fixed-rate liabilities due to changes in market interest rates.

The main sources of hedge ineffectiveness in micro fair value hedges are:

- The effect of the counterparty and the bank's own credit risk on the fair value of the interest rate swap that is not reflected in the fair value of the hedged item, which is only attributable to the change in the interest rate;
- The difference in discounting between the hedged item and the hedging instrument; and
- Potential differences in maturities of the interest rate swap and the loans or notes.

Macro fair value hedge accounting

ABN AMRO manages the interest rate risk arising from fixed-rate mortgages by entering into interest rate swaps. The exposure from this portfolio frequently changes due to new loans originated, contractual repayments and prepayments made by clients in each period. More than one group (or portfolio) of mortgages can be identified as the hedged item within the fixed-rate mortgage portfolio. To ensure an effective matching of hedged items and hedging instruments, ABN AMRO applies a dynamic strategy in which hedged items are de-designated and re-designated on a monthly basis. The hedge accounting relationship is reviewed and re-designated on a monthly basis.

Hedged mortgages are fixed-rate mortgages with the following features:

- denominated in local currency (euros);
- fixed term to maturity or repricing;
- pre-payable amortising or fixed principal amounts;
- fixed interest payment dates;
- no interest rate options;
- accounted for on an amortised cost basis.

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At each designation, the mortgage cash flows are allocated to monthly time buckets, based on the expected maturity dates. ABN AMRO models the maturity dates of mortgages, taking into account the modelled prepayments applied to the contractual cash flows and the maturity dates of the mortgage portfolio. If the interest rate swap notional exceeds the expected mortgage notional in any given month, taking into account the uncertainty of the expected mortgage notional by applying a haircut, mortgages that mature in adjacent buckets are designated to the interest rate swaps.

Changes in the fair value of the mortgages that are attributable to the hedged interest rate risk are recognised as fair value adjustments from hedge accounting in the income statement and adjust the carrying amount of the mortgages. The recognised fair value changes in the mortgages partially offset the changes in fair value of the interest rate swaps and therefore reduce the profit or loss volatility that would otherwise arise from changes in the fair value of the interest rate swaps alone.

At the start of the hedge relationships and at each monthly de-designation, the difference between the fair value attributable to the hedged interest rate risk and the carrying amount of the hedged mortgages is amortised over the remaining life of the hedged item.

In addition to the sources of ineffectiveness described for micro fair value hedges, the sources of ineffectiveness specifically for macro hedges are:
- The difference between the expected and actual volume of prepayments for the mortgage portfolio to the extent the difference would lead to over-hedging; and
- The difference in payment frequency between the fixed leg of the hedging instrument and the payment frequency of the hedged item (mortgages).

Cash flow hedges
ABN AMRO applies cash flow hedge accounting to a portfolio of future cash flows on banking book assets and liabilities – the hedged items – and a portfolio of interest rate swaps – the hedging instruments. The hedge relationship is reviewed on a monthly basis and the hedging instruments and hedged items are de-designated or re-designated, if necessary, to maintain an effective hedge accounting relationship.

When a derivative financial instrument hedges the exposure to variability in the cash flows from a hedged item, the effective part of any gain or loss on remeasurement of the hedging instrument is recognised directly in other comprehensive income. Hedge effectiveness for the macro cash flow hedge is measured as the amount by which the changes in the fair value of the interest rate swaps are in excess of changes in the fair value of the expected cash flows in the hedge relationship. Any ineffective part of the cash flow hedge is recognised in other operating income immediately. When a cash flow hedging instrument or hedge relationship is terminated but the hedged transaction is still expected to occur, the accumulated gains or losses continue to be recognised in other comprehensive income and are transferred to the income statement when the hedged transaction affects profit or loss.

The gains or losses are included in the same line item as the hedged transaction. In the exceptional case that the hedged transaction is no longer expected to occur, the accumulated gains or losses recognised in other comprehensive income are recognised in the income statement immediately.

The main sources of hedge ineffectiveness for cash flow hedges are:
- The effect of the counterparty and the bank's own credit risk on the fair value of the interest rate swap that is not reflected in the fair value of the hedged item, which is only attributable to the change in the interest rate; and
- Potential differences in maturities of the interest rate swap and the loans or notes.

The hedged items in the macro cash flow hedge are future cash flows, which are derived from the projected balance sheet. This projected balance sheet takes the contractual terms and conditions of financial assets and liabilities and combines these with estimated prepayments, volume growth rates and interest scenarios.

Within the projected balance sheet, assets and liabilities are grouped on the basis of the specific interest rate index on which they reprice (e.g. one month, three months, six months, twelve months). For each repricing index, all assets and liabilities are allocated on a gross basis to monthly buckets in which they reprice up until their maturity.

The notional amounts of the interest rate swaps, which can be either pay or receive floating interest, are also grouped per interest rate index and allocated to monthly repricing buckets until their maturity. The hedge relationship is established by designating the interest rate swap cash flows per bucket to the corresponding bucket of projected cash flows of the hedged items. The hedged risk identified is the benchmark rate that applies to the buckets. If there are no projected cash flows available in the corresponding bucket for the applicable benchmark rate, the interest rate swap cash flows are designated to projected cash flows in a bucket with a different benchmark. The availability of projected cash flows in the buckets is not constant over time and is therefore evaluated on a monthly basis. Changes in cash flow projections may lead to a revision of the designation. Back-testing is performed on the interest rate risk models. Historical data are used to review the assumptions applied.

Hedges of net investments in foreign operations

ABN AMRO may enter into foreign currency derivatives and currency borrowings to hedge various net investments in foreign operations. For such hedges, currency translation differences arising on translation of the currency of these instruments to euros are recognised directly in the currency translation reserve in other comprehensive income, insofar as they are effective. The accumulated gains or losses recognised in other comprehensive income are transferred to the income statement on the disposal of the foreign operation.

In previous years, ABN AMRO hedged its currency exposure to certain investments in foreign operations by hedging its net investment in these foreign operations with forward contracts. ABN AMRO currently still holds some currency translation reserve for these respective positions, but no longer applies net investment hedge accounting.

Hedges not qualifying for hedge accounting

The fair value changes of derivative transactions used to hedge against economic risk exposures that do not qualify for hedge accounting, or for which it is not cost-beneficial to apply hedge accounting, are recognised directly in profit or loss.

Effect on financial position and performance – hedging instruments

(in millions)	Notional amount	Carrying amount Assets	Carrying amount Liabilities	Line item in the statement of financial position	Changes in fair value used for calculation hedge ineffectiveness for the year
31 December 2020					
Cash flow hedges – macro					
Interest rate	6,826			Derivatives	-268
Fair value hedges – macro					
Interest rate	38,061			Derivatives	-523
Fair value hedges – micro					
Interest rate	93,952	945	807	Derivatives	456
Economic hedges					
Total economic hedges	22,285	395	426	Derivatives	n/a
31 December 2019					
Cash flow hedges – macro					
Interest rate	9,143			Derivatives	-532
Fair value hedges – macro					
Interest rate	22,111			Derivatives	-862
Fair value hedges – micro					
Interest rate	97,210	820	665	Derivatives	787
Economic hedges					
Total economic hedges	24,009	412	493	Derivatives	n/a

Included in the notional amounts of the micro fair value hedging instruments as at 31 December 2020 are EUR 6.4 billion of interest rate swaps for which the benchmark rates are under reform and to which the phase 1 amendments of IAS 39 are applied.

Effect on financial position and performance – hedged item

(in millions)	Carrying amount of the hedged item		Accumulated amount of fair value hedge adjustments on the hedged item		Line item in the statement of financial position	Change in value used for calculating hedge ineffectiveness for the year	Cash flow hedge reserve/Foreign currency translation reserve	
	Assets	Liabilities	Assets	Liabilities			Continuing hedges	Discontinued hedges
	active and discontinued	active and discontinued	active and discontinued	active and discontinued				
31 December 2020								
Cash flow hedges – macro								
Interest rate						262	-1,206	-1,266
Fair value hedges – macro								
Interest rate – Financial assets at AC	38,061		3,186		Residential mortgages	536		
Fair value hedges – micro								
Interest rate – Financial assets at FVOCI	40,028		2,997		Financial investments	443		
Interest rate – Financial assets at AC	1,318		652		Corporate & Other loans	104		
Interest rate – Financial liabilities at AC		60,631		4,798	Issued debt & Subordinated liabilities	-1,015		
Net investment hedges								
Currency								-42
31 December 2019								
Cash flow hedges – macro								
Interest rate						519	-917	-1,184
Fair value hedges – macro								
Interest rate – Financial assets at AC	24,906		2,795		Residential mortgages	854		
Fair value hedges – micro								
Interest rate – Financial assets at FVOCI	39,144		2,568		Financial investments	632		
Interest rate – Financial assets at AC	1,193		548		Corporate & Other loans	306		
Interest rate – Financial liabilities at AC		64,171		3,790	Issued debt & Subordinated liabilities	-1,751		
Net investment hedges								
Currency								-42

The accumulated amount of fair value hedge adjustments remaining in the statement of financial position for hedged items that have ceased to be adjusted for hedging gains and losses amounted to EUR 0.5 billion at 31 December 2020 (2019: EUR 0.6 billion).

Effect on financial position and performance – hedge ineffectiveness and hedging gains or losses

(in millions)	Changes in fair value used for calculation hedge ineffectiveness for the year – hedged item	Change in value used for calculating hedge ineffectiveness for the year – hedging instrument	Hedge ineffectivenes recognised in profit or loss	Line item in profit or loss (that includes hedge ineffectiveness)	Change in the value of the hedging instrument recognised in OCI[1]	Amount reclassified from the cash flow hedge reserve to profit or loss – hedges item affected profit or loss[2]	Amount reclassified from the foreign currency translation reserve to profit or loss	Line item affected in profit or loss because of the reclassification
31 December 2020								
Cash flow hedges – macro								
Interest rate	262	-268	-6	Other operating income	-280	-91		Net interest income
Fair value hedges – macro								
Interest rate	536	-523	13	Other operating income				
Fair value hedges – micro								
Interest rate	-468	456	-11	Other operating income				
Net investment hedges								
Currency								Other operating income
31 December 2019								
Cash flow hedges – macro								
Interest rate	519	-532	-13	Other operating income	-507	-143		Net interest income
Fair value hedges – macro								
Interest rate	854	-862	-8	Other operating income				
Fair value hedges – micro								
Interest rate	-813	787	-26	Other operating income				
Net investment hedges								
Currency							-23	Other operating income

1 The amount reconciles to 'Net gains/(losses) arising during the period' in the specification of 'Accumulated other comprehensive income' in the consolidated statement of equity.
2 The amount reconciles to 'Less: Net realised gains/(losses) included in income statement' in the specification of 'Accumulated other comprehensive income' in the consolidated

The macro cash flow hedge ineffectiveness includes a one-off gain of EUR 5 million related to the cash compensation received from clearing houses for the discount curve switch from EONIA to €STR in mid-2020. No other unusual sources of hedge ineffectiveness occurred in 2020.

Amount, timing and uncertainty of future cash flows – hedging instruments

(in millions, nominal amounts)	Within 3 months	More than 3 months but within 1 year	More than 1 year but within 5 years	More than 5 years but within 10 years	More than 10 years	Total
31 December 2020						
Fair value hedges – micro						
Payers – Interest rate	1,290	2,883	16,265	8,460	2,938	31,836
Receivers – Interest rate	2,349	5,898	26,272	9,665	17,931	62,115
31 December 2019						
Fair value hedges – micro						
Payers – Interest rate	639	3,060	18,547	11,479	3,218	36,943
Receivers – Interest rate	365	8,516	25,204	8,982	17,200	60,267

The weighted average fixed rate of the interest rate swaps included in micro hedge relationships varied between 1.3% and 2.4% as at 31 December 2020 (1.4% and 2.2% as at 31 December 2019), depending on the origination date, currency, product type and original maturity.

IBOR benchmark reform

ABN AMRO has analysed its significant hedging relationships directly affected by the benchmark reform. Most of ABN AMRO's financial instruments are linked to euro area benchmarks and, as a result, so are its hedging relationships. Neither EONIA, which is published alongside its replacement €STR, nor EURIBOR cause uncertainties to arise with respect to hedged risk and/or the timing and amount of cash flows in hedging relationships. In the case of EONIA, this is both because its replacement is already known and because ABN AMRO has not designated EONIA in any of its hedging relationships. In the case of EURIBOR, this is because it has already been revised in order to be BMR-compliant and no reform is anticipated in the short term. As a consequence, ABN AMRO's hedging relationships affected by the IBOR reform comprise only a small percentage of its total hedging relationships.

A total of EUR 138.8 billion of notional derivatives were part of hedging relationships at 31 December 2020, of which EUR 123.0 billion was linked to EURIBOR and EUR 15.8 billion to other benchmarks. Of the derivative contracts linked to a non-EURIBOR benchmark, a notional amount of EUR 9.4 billion will mature before the cessation of the reference benchmark. These contracts are therefore not affected by the IBOR reform. A remaining total of EUR 6.4 billion notional is exposed to benchmarks under reform. A notional amount of EUR 4.2 billion is exposed to USD, EUR 1.4 billion to GBP, EUR 0.7 billion to CHF and EUR 0.1 billion to other benchmarks.

16 Financial investments

Accounting policy for financial investments

Financial investments include financial instruments measured at fair value through other comprehensive income (FVOCI) and financial instruments measured at fair value through profit or loss (FVTPL).

Accounting policy for financial instruments measured at fair value through other comprehensive income

Unrealised gains and losses on FVOCI assets are recognised directly in other comprehensive income, net of applicable taxes. Interest earned, premiums, discounts and qualifying transaction costs of interest-earning FVOCI assets are amortised to income on an effective interest rate basis. When FVOCI debt instruments are sold, the cumulative gain or loss recognised in other comprehensive income is transferred to other operating income in the income statement. The impairment loss resulting from the ECL on FVOCI debt instruments is recognised in the impairment charges on financial instruments in the income statement. The related loss allowance is recognised in other comprehensive income and does not reduce the carrying amount of the FVOCI debt instruments. ABN AMRO's impairment assessment and measurement approach for FVOCI debt instruments is set out in the Risk, funding & capital management section. Fair value changes in equity instruments that are irrevocably designated as FVOCI upon initial recognition are recognised in other comprehensive income and not subsequently reclassified to the income statement.

Accounting policy for financial instruments measured at fair value through profit and loss

Financial investments can be designated at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch). ABN AMRO also has financial instruments that are mandatorily measured at fair value because they do not meet the SPPI test.

(in millions)	31 December 2020	31 December 2019
Financial investments		
Debt securities held at fair value through other comprehensive income	46,600	44,437
Held at fair value through profit or loss	855	840
Total financial investments	**47,455**	**45,277**

The increase of EUR 2.2 billion in financial investments was mainly due to an increase in German government bonds held and is reflected in the line item Debt securities.

Financial investments measured at fair value through other comprehensive income

The fair value of financial investments measured at FVOCI (including gross unrealised gains and losses) is specified in the following table.

(in millions)	31 December 2020	31 December 2019
Interest-earning securities		
Dutch government	4,510	4,888
US Treasury and US government	6,383	7,097
Other OECD government	22,729	20,461
Non-OECD government	1,366	1,314
International bonds issued by the European Union	1,725	1,530
European Stability Mechanism	2,637	2,653
Mortgage- and other asset-backed securities	3,529	3,654
Financial institutions	3,166	2,828
Non-financial institutions	555	13
Total investments held at fair value through other comprehensive income	**46,600**	**44,437**

Most of these instruments are part of the liquidity buffer and are held for liquidity contingency purposes. More information on the composition of the liquidity buffer is provided in Liquidity Risk in the Risk, funding & capital review section.

Government bonds by country of origin

	31 December 2020			31 December 2019		
(in millions)	Accumulated unrealised gains/(losses) and fair value hedges gains/(losses)	Impairments	Fair value	Accumulated unrealised gains/(losses) and fair value hedges gains/(losses)	Impairments	Fair value
Dutch national government	652		4,510	611		4,888
French national government	144		3,000	158		2,786
German national government	632		7,304	541		6,009
Belgian national government	202	-1	2,749	211	-1	2,755
Finnish national government	107		1,768	134		2,097
Austrian national government	253		1,870	254		1,911
USA national government	228		6,383	76		7,097
Japanese national government	-1		2,512	-1		2,142
European Union bonds (excl. European Stability Mechanism)	122		1,725	114		1,530
Italian national government						
Spanish national government			181			
Polish national government	180		473	168		461
Swedish national government			4			29
United Kingdom national government	130		297	110		287
Danish national government	5		215	4		184
Hong Kong			292			399
Luxembourg national government	76		1,227	49		1,010
Brazilian national government	1		40	3		96
Singapore national government			1,034			819
Australian national government			23			11
Canadian national government	50		1,106	35		778
Total government bonds	**2,780**	**-1**	**36,713**	**2,466**	**-1**	**35,289**

More information on the country risk positions is provided in Credit Risk in the Risk, funding & capital review section.

Critical accounting estimates and judgements

Interest-bearing debt securities classified as FVOCI investments are assessed at each reporting date to establish whether there are any expected credit losses. ABN AMRO has developed models to determine such credit losses. These are explained in more detail in the Risk, funding & capital management section. Impairment charges on FVOCI instruments are recorded in (un) realised gains/(losses) fair value through OCI in the statement of comprehensive income.

Financial investments measured at fair value through profit or loss

(in millions)	31 December 2020	31 December 2019
Corporate debt securities		7
Investments designated held at fair value through profit or loss		**7**
Private equities and venture capital	521	440
Equity securities	334	393
Investments mandatorily held at fair value through profit or loss	**855**	**833**
Total investments held at fair value through profit or loss	**855**	**840**

17 Securities financing

Accounting policy for securities financing

Securities financing is measured at amortised cost. Securities financing consists of securities borrowing and lending and sale and repurchase transactions. Securities borrowing and securities lending transactions are generally entered into on a collateralised basis, with securities usually advanced or received as collateral. The transfer of the securities themselves is not reflected in the statement of financial position unless the risks and rewards of ownership are also transferred. If cash is advanced or received, securities borrowing and lending activities are recorded at the amount of cash advanced (included in loans and advances) or received (due to banks or customers). The market value of the securities borrowed or lent is monitored on a daily basis, and the collateral levels are adjusted in accordance with the underlying transactions. Fees and interest received or paid are recognised on an effective interest rate basis and recorded as interest income or interest expense.

Sale and repurchase transactions involve purchases (or sales) of investments with agreements to resell (or repurchase) substantially identical investments at a certain date in the future at a fixed price. Investments purchased subject to commitments to resell them at future dates are not recognised. The amounts paid are recognised in loans and advances to either banks or customers and are shown as collateralised by the underlying security.

Investments sold under repurchase agreements continue to be recognised in the statement of financial position. Proceeds from the sale of the investments are reported as liabilities to either banks or customers. The difference between the sale and repurchase price is recognised over the period of the transaction and recorded as interest income or interest expense, using the effective interest rate method. If borrowed securities are sold to third parties, the proceeds from the sale and a liability for the obligation to return the collateral are recorded at fair value.

	31 December 2020			31 December 2019		
(in millions)	Banks	Customers	Total	Banks	Customers	Total
Assets						
Reverse repurchase agreements	3,209	7,801	11,010	2,713	7,736	10,449
Securities borrowing transactions	3,266	2,448	5,715	1,628	2,828	4,456
Total	**6,475**	**10,249**	**16,725**	**4,341**	**10,564**	**14,905**
Liabilities						
Repurchase agreements	222	9,264	9,486	91	6,277	6,368
Securities lending transactions	398	1,479	1,877	581	1,285	1,866
Total	**620**	**10,743**	**11,363**	**672**	**7,562**	**8,234**

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The total reverse repurchase agreements and total repurchase agreements increased at the year-end by EUR 0.6 billion and EUR 3.1 billion respectively due to agreements with several large clients. Items of securities financing transactions that ABN AMRO can repledge or resell are included in Note 33 Transferred, pledged, encumbered and restricted assets.

18 Fair value of financial instruments carried at fair value

Accounting policy for fair value of financial instruments

The fair value is defined as the price that would be received when selling an asset or paid when transferring a liability in an orderly transaction between market participants at the measurement date.

For financial instruments that are actively traded and for which quoted market prices or market parameters are readily available, the fair value is determined in a highly objective manner. However, when observable market prices and parameters do not exist, management judgement is necessary to estimate fair value.
For financial instruments where no active liquid market exists, or quoted prices are unobtainable, recent market transactions are used or the fair value is estimated using a variety of valuation techniques – including reference to similar instruments for which market prices do exist, or to valuation techniques such as discounted cash flow models or option pricing models (e.g. Black Scholes).

When portfolios of financial assets and liabilities are measured on the basis of the net exposure to the credit risk of a particular counterparty, any existing arrangements that mitigate the credit risk exposure (e.g. master netting agreements with the counterparty) are taken into account.
Unobservable inputs are estimated using a combination of management judgement, historical data, market practice and benchmarking to other relevant observable market data. The difference between the transaction price and the internal valuation at inception, calculated using a model, is reserved and amortised to profit or loss at appropriate points over the life of the instrument, typically taking account of the ability to obtain reliable external data, the passage of time and the use of offsetting transactions. Where inputs to the valuation of a new transaction cannot be reliably determined, the transaction is initially recognised at its transaction price. Subsequent changes in fair value as calculated by the valuation model are reported as profit or loss or in equity.

In order to determine a reliable fair value, where appropriate, management applies valuation adjustments to the pricing information derived from the above sources. These adjustments reflect management's assessment of factors that market participants would consider in setting a price, to the extent that these factors have not already been included in the information from the above sources. The main valuation adjustments required to arrive at a fair value are as follows:
- Credit and debit valuation adjustments. In addition to credit valuation for loans measured at fair value through profit or loss, credit valuation adjustments and debit valuation adjustments are incorporated into derivative valuations to reflect the impact on fair value of counterparty credit risk and how counterparties consider ABN AMRO's creditworthiness respectively;
- Funding valuation adjustment. The funding valuation adjustment incorporates the incremental cost of funding into the valuation of uncollateralised and partially collateralised derivatives;
- Own credit adjustment. An own credit risk adjustment is applied to financial liabilities where it is believed that counterparties will consider ABN AMRO's creditworthiness when pricing such instruments;
- Model valuation adjustments for any known limitations. Management assesses the appropriateness of any model used on an ongoing basis. To the extent that the price provided by internal models does not represent the fair value of the instrument, for instance in highly stressed market conditions, management makes adjustments to the model valuation to calibrate to other available pricing sources.

We believe our estimates of the fair value are adequate. However, the use of different models or assumptions could result in changes to our reported results.

Valuation control framework

ABN AMRO has designated controls and processes in place for determining the fair value of financial instruments. A process has been designed to ensure there are formalised review protocols for independent review and validation of fair values separate from those businesses entering into the transactions. This includes specific controls to ensure consistent pricing policies and procedures, incorporating disciplined price verification for both market and counterparty risk trades.

The business entering into the transaction is responsible for the initial determination and recording of the fair value of the transaction. There are daily controls of the profit or loss recorded by trading and treasury front-office staff.

A key element of the control environment, segregated from the recording of the transaction's valuation, is the independent price-verification process. Valuations are first calculated by the business. Such valuations may be current bid or offer prices in an active market, or may be derived using a model and variable model inputs. These valuations are reviewed and, if necessary, amended by the independent price-verification process. This process involves a team, independent of those trading the financial instruments, performing a review of valuations in the light of available pricing evidence. Independent price verification is frequently performed by matching the business valuations with independent data sources. For liquid instruments, the process is performed daily. The minimum frequency of review is monthly, both for trading positions and non-trading positions. The independent price-verification control includes formalised reporting and escalation to management of any valuation differences in breach of defined thresholds. When models are used to value products, those models are subject to a model review process. This process requires different levels of model documentation, testing and review, depending on the complexity of the model and the size of our exposure to the model.

Valuation techniques

A number of methodologies are used to determine the fair value of financial instruments for which observable prices in active markets for identical instruments are not available. Values between and beyond available data points are obtained by interpolation and/or extrapolation. When valuation techniques are used, the fair value can be significantly impacted by the choice of valuation model and underlying assumptions made concerning factors such as the amount and timing of cash flows, discount rates and credit risk.

Interest rate derivatives

This category includes interest rate swaps, cross-currency swaps, options and forward rate agreements. These products are valued by estimating future cash flows and discounting those cash flows, using appropriate interest rate curves. The exception is interest option contracts, which are valued using market standard option pricing models. The inputs for the discounting cash flow models are principally observable benchmark interest rates in active markets such as the interbank rates and quoted interest rates in the swap, bond and futures markets. The inputs for credit spreads – where available – are derived from prices of credit default swaps or other credit-based instruments, such as debt securities. In other cases, credit spreads are obtained from pricing services. The additional inputs for the option pricing models are price volatilities and correlations, which are obtained from broker quotations or pricing services or derived from option prices. Because of the observability of the inputs used in the valuation models, the majority of the interest rate derivative contracts are classified as level 2. If adjustments to interest rate curves, credit spreads, correlations or volatilities are based on significant unobservable inputs, the contracts are classified as level 3. Exchange traded options and futures are valued using quoted market prices and are hence classified as level 1.

Foreign exchange contracts

Foreign exchange contracts include foreign exchange forward contracts, foreign exchange options and foreign exchange swaps. The majority of the foreign exchange contracts at ABN AMRO are traded as over-the-counter derivatives. These instruments are valued using foreign currency exchange rates. There are observable markets both for spot and forward contracts and for futures in the world's major currencies. The over-the-counter foreign exchange contracts are therefore classified as level 2.

Government debt securities

Government debt securities consist of government bonds and bills with fixed or floating rate interest payments issued by sovereign governments. These instruments are generally traded in active markets and prices can be derived directly from those markets. Therefore the instruments are classified as level 1. Highly liquid bonds are valued using exchange traded prices. Less liquid bonds are valued using observable market prices, which are sourced from broker quotes, inter-dealer prices or other reliable pricing services. For a minority of the government debt securities, active market prices are not available. In these cases ABN AMRO uses discounted cash flow valuation techniques that incorporate observable market data for similar government instruments. The main inputs are interest rate curves, liquidity spreads and credit spreads. The instruments for which this method applies are classified as level 2. If adjustments to any of the main inputs are made based on significant unobservable inputs, the instrument is classified as level 3.

Corporate debt securities

Corporate debt securities primarily consist of corporate bonds and other debt securities issued by corporate entities. Most of these instruments are standard fixed or floating rate securities. Corporate debt securities are generally valued using observable market prices, which are sourced from broker quotes, inter-dealer prices or other reliable pricing services. These instruments are classified as level 1. If observable market prices are not available, ABN AMRO uses discounted cash flow valuation techniques, based on inputs derived from comparable instruments and credit default swap data of the issuer, to estimate credit spreads. These instruments are classified as level 2.

Equity instruments

Equity instruments that are actively traded on public stock exchanges are valued using the readily available quoted prices and are therefore classified as level 1. Investments in private equity funds are initially recognised at their transaction price and remeasured to the extent reliable information is available on a case-by-case basis and are classified as level 3.

Loans and advances at fair value through profit or loss

Loans and advances at fair value through profit or loss primarily consist of contracts with corporate clients where the contractual cash flows do not meet the SPPI requirements. The return on these contracts with embedded derivatives is based on the price of underlying commodity contracts or loans with a floating interest rate. Discounted cash flow models are used to value these contracts. The main inputs are interest rate curves, quoted commodity prices, liquidity spreads and credit spreads. The instruments are classified as level 2. If adjustments to interest rate curves, liquidity spreads and credit spreads are based on significant unobservable inputs, the instruments are classified as level 3.

Issued debt

Issued debt securities are valued using discounted cash flow models, based on current interest rate curves that incorporate observable inputs. These instruments are classified as level 2. When there are no, or only limited, publicly quoted prices available for these instruments and unobservable inputs have a significant effect on the fair value calculation, these instruments are classified as level 3.

ABN AMRO refines and modifies its valuation techniques as markets and products develop and as the pricing for individual products becomes more or less readily available. While ABN AMRO believes its valuation techniques are appropriate and consistent with other market participants, the use of different methodologies or assumptions could result in different estimates of the fair value at the reporting date.

Fair value hierarchy

ABN AMRO analyses financial instruments held at fair value in the three categories described below.

Level 1 financial instruments are those that are valued using unadjusted quoted prices in active markets for identical financial instruments.

Level 2 financial instruments are those valued using techniques based primarily on observable market data. Instruments in this category are valued using quoted prices for similar instruments or identical instruments in markets that are not considered to be active, or using valuation techniques where all the inputs that have a significant effect on the valuation are directly or indirectly based on observable market data.

Level 3 financial instruments are those valued using a valuation technique where at least one input with a significant effect on the instrument's valuation is not based on observable market data. The effect of fair value adjustments on the instrument's valuation is included in the assessment.

ABN AMRO recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change occurred.

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The following table presents the valuation methods used in determining the fair values of financial instruments carried at fair value.

	31 December 2020				31 December 2019			
(in millions)	Quoted market prices in active markets	Valuation techniques – observable inputs	Valuation techniques – significant unobservable inputs	Total fair value	Quoted market prices in active markets	Valuation techniques – observable inputs	Valuation techniques – significant unobservable inputs	Total fair value
Assets								
Government debt securities	639			639	486			486
Corporate debt securities	537	137		674	529	114		643
Equity securities	1			1	6			6
Other financial assets held for trading		2		2		2		2
Financial assets held for trading	**1,177**	**139**		**1,315**	**1,021**	**116**		**1,137**
Interest rate derivatives	1	4,471	130	4,602	1	4,281	115	4,397
Foreign exchange contracts	1	1,439	10	1,450	1	823	10	834
Other derivatives	11	318		329	17	483		500
Derivatives	**12**	**6,228**	**140**	**6,381**	**18**	**5,587**	**125**	**5,730**
Equity instruments	221	65	569	855	231	88	514	833
Other					7			7
Financial investments at fair value through profit or loss	**221**	**65**	**569**	**855**	**239**	**88**	**514**	**840**
Government debt securities	38,876		473	39,350	37,431	50	461	37,942
Corporate debt securities	3,123	555	43	3,722	2,784	1	56	2,841
Other debt securities	3,529			3,529	3,654			3,654
Financial assets held at fair value through other comprehensive income	**45,528**	**555**	**517**	**46,600**	**43,869**	**51**	**517**	**44,437**
Loans and advances at fair value through profit or loss		406		406		1,254	13	1,267
Total financial assets	**46,938**	**7,393**	**1,226**	**55,558**	**45,147**	**7,096**	**1,168**	**53,411**
Liabilities								
Short positions in government debt securities	151			151	185			185
Corporate debt securities	236	82		318	284	59		343
Other financial liabilities held for trading		94		94		147		147
Financial liabilities held for trading	**387**	**176**		**563**	**469**	**206**		**675**
Interest rate derivatives	1	6,032		6,033	2	5,097		5,099
Foreign exchange contracts	1	1,038		1,039	1	883		884
Other derivatives	16	303		319	21	502		522
Derivatives	**18**	**7,373**		**7,391**	**23**	**6,482**		**6,505**
Issued debt		949		949		1,024		1,024
Total financial liabilities	**405**	**8,498**		**8,904**	**492**	**7,712**		**8,204**

Transfers between levels 1 and 2

There were no material transfers between levels 1 and 2.

Transfers from levels 1 and 2 to 3

There were no material transfers from levels 1 and 2 to 3.

Other transfers

For a number of derivatives held for trading, the significance of the unobservable valuation inputs changed during 2020, resulting in a net transfer of EUR 24 million from level 3 to level 2.

Movements in level 3 financial instruments measured at fair value

The following table shows a reconciliation of the opening and closing amounts of level 3 financial assets recorded at fair value.

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(in millions)	Derivatives	Financial investments at fair value through profit or loss	Financial assets held at fair value through other comprehensive income	Loans and advances at fair value through profit or loss	Issued debt
				Assets	Liabilities
Balance at 1 January 2019	**97**	**557**	**458**		**156**
Purchases		112	12		
Sales		-240			
Redemptions		-103			
Gains/(losses) recorded in profit and loss[1]		39	1		
Unrealised gains/(losses)[2]	9	53	47		
Transfer between levels	19	102			-156
Other movements		-5		13	
Balance at 31 December 2019	**125**	**514**	**517**	**13**	
Purchases		96			
Sales		-37	-12	-13	
Redemptions		-2			
Gains/(losses) recorded in profit and loss[1]		2	1		
Unrealised gains/(losses)[2]	40	-19	11		
Transfer between levels	-24				
Other movements		15			
Balance at 31 December 2020	**140**	**569**	**517**		

1 Included in other operating income.
2 Unrealised gains/(losses) on derivatives held for trading are included in net trading income, on instruments measured at FVTPL in other operating income and on instruments measured at FVOCI in other comprehensive income.

Level 3 sensitivity information

Interest-earning securities – government bonds

ABN AMRO has a position in a Polish bond, denominated in euros (in Note 16 Financial investments, and part of Other OECD governments), for which the market is relatively illiquid. This bond is valued using a discounted cash flow model. The main inputs are the interest rate curve, liquidity spread and credit spread. The valuation spread is determined using an internal model. The sensitivity analysis is performed using a range of reasonable valuation spreads.

Interest-earning securities – other

Preference shares are shares for which the dividend is fixed for a period of ten years, after which the dividend is redetermined, and the shares can also be redeemed. The position is valued using a discounted cash flow model, for which the relevant inputs are the interest curve, liquidity spread and credit spread. The liquidity spread and credit spread are unobservable inputs and are derived from similar securities. The sensitivity of the preference shares is determined by using a range of reasonable spreads and by considering the call option held by the issuer.

Equity shares – Preferred shares

Equities measured at fair value through profit and loss and classified as level 3 mainly comprise private equity investments. Private equity shares are measured at fair value, with two calculation techniques being applied:

- Using comparable pricing in accordance with the International Private Equity and Venture Capital Valuation Guidelines (IPEV). This valuation technique is based on earnings multiples of comparable listed and unlisted companies. The fair value calculation of an investment is strongly linked with movements on public equity markets;
- Net Asset Value (NAV) for fund investments and asset-backed investments. This is determined by using audited and unaudited company financial statements and any other information available, publicly or otherwise. As a consequence, the net asset value calculation of an investment is strongly linked to movements in the quarterly performance of the company and can be used as an indicator of fair value.

New investments are initially valued at fair value. Subsequently, the fair value technique, either EVCA technique or NAV calculation, is applied for direct investments.

The sensitivity for using comparable pricing is determined by stressing the earnings multiples in a positive and negative market scenario, whereas sensitivity testing for the NAV calculation based upon the quarterly performance cannot be applied.

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Derivatives

ABN AMRO applies a credit valuation adjustment (CVA) that reflects counterparty credit risk in the fair value measurement of uncollateralised and partially collateralised OTC derivatives. For counterparties that do not have an observable credit spread, ABN AMRO applies a proxied credit spread extracted from counterparties of comparable credit quality that do have an observable credit spread. ABN AMRO performs a probability of default assessment for each counterparty and allocates an appropriate internal credit risk measure known as a Uniform Counterparty Rating (UCR). This UCR, which is significant to the entire fair value measurement of the derivative contracts included in the following table of level 3 sensitivity information, is internally generated and is therefore an unobservable input.

	Valuation technique	Unobservable data	Carrying value	Possible alternative assumptions		Unobservable data range		Unobservable data base
(in millions)				Applying minimum	Applying maximum	Applying minimum	Applying maximum	
31 December 2020								
Equity shares	Private equity valuation	EBITDA multiples	73	-7	7	5.0	6.0	5.5
Equity shares	Private equity valuation	Net asset value	496	-45	40			
Interest-earning securities – government bonds	Discounted cash flow	Liquidity and credit spread	473	-19	11	31	100	56
Interest-earning securities – other	Discounted cash flow	Liquidity and credit spread	43	-3	1	114	430	159
Derivatives held for trading	Discounted cash flow	Probability of default	140	-8	9	1.7%	100.0%	15.2%
31 December 2019								
Equity shares	Private equity valuation	EBITDA multiples	45	-5	5	5.0	6.0	5.5
Equity shares	Private equity valuation	Net asset value	469	-47	29			
Interest-earning securities – government bonds	Discounted cash flow	Liquidity and credit spread	461	-12	14	7	66	39
Interest-earning securities – other	Discounted cash flow	Liquidity and credit spread	56	-4		135	397	164
Derivatives held for trading	Discounted cash flow	Probability of default	125	-7	10	0.2%	100.0%	54.0%

19 Loans and advances banks

Accounting policy for loans and advances banks and customers

Loans and advances banks, and loans and advances customers, are held in a 'hold to collect' business model. Loans and advances for which the contractual cash flows are solely payments of principal and interest (SPPI) are measured at amortised cost, i.e. fair value at initial recognition, adjusted for repayment and amortisation of coupon, fees and expenses to represent the effective interest rate of the asset. Loans and advances that do not pass the SPPI test are measured at fair value through profit or loss. Please refer to Note 1 Accounting policies in the Consolidated Annual Financial Statements and to Credit risk management in the Risk, funding & capital chapter (Accounting policy for measuring allowances for credit losses).

(in millions)	31 December 2020	31 December 2019
Interest-bearing deposits	1,739	1,508
Loans and advances	1,339	1,784
Mandatory reserve deposits with central banks	220	293
Other loans and advances banks	101	1,431
Subtotal	**3,399**	**5,016**
Less: loan impairment allowances	6	5
Loans and advances banks	**3,394**	**5,011**

Loans and advances banks decreased by EUR 1.6 billion to EUR 3.4 billion at 31 December 2020, mainly due to a decrease in other loans and advances.

Loans and advances decreased by EUR 0.4 billion to EUR 1.3 billion at 31 December 2020, due to the volatility of the business, partly offset by cash collateral received.

Other loans and advances decreased by EUR 1.3 billion as a result of the wind-down of the CIB non-core portfolio.

Mandatory reserve deposits are held with local central banks in accordance with statutory requirements. These deposits are not available to finance ABN AMRO's day-to-day operations.

20 Loans and advances customers

Accounting policy for loans and advances customers

The accounting policy for loans and advances customers is included in Note 19 Loans and advances banks. Please refer to Note 1 Accounting policies in the Consolidated Annual Financial Statements and to Credit risk management in the Risk, funding & capital chapter (Accounting policy for measuring allowances for credit losses).

(in millions)	31 December 2020	31 December 2019
Residential mortgages (excluding fair value adjustment)	145,672	148,225
Fair value adjustment from hedge accounting on residential mortgages	3,186	2,795
Residential mortgages, gross	**148,857**	**151,020**
Less: loan impairment allowances – residential mortgage loans	116	140
Residential mortgages	**148,741**	**150,880**
Consumer loans, gross	11,232	12,294
Less: loan impairment allowances – consumer loans	294	298
Consumer loans	**10,937**	**11,997**
Corporate loans	78,463	89,382
Fair value adjustment from hedge accounting on corporate loans	652	547
Financial lease receivables	5,734	5,721
Factoring	2,548	3,507
Corporate loans, gross[1]	**87,397**	**99,157**
Less: loan impairment allowances – corporate loans	3,053	1,982
Corporate loans at amortised cost	**84,344**	**97,174**
Corporate loans at fair value through P&L	**400**	**1,261**
Government and official institutions	1,060	1,354
Other loans	6,673	4,938
Fair value adjustment from hedge accounting on other loans	1	1
Other loans and advances customers, gross[1]	**7,734**	**6,292**
Less: loan impairment allowances – other	3	6
Other loans at amortised cost	**7,730**	**6,287**
Other loans at fair value through P&L	6	5
Other loans and advances customers	**7,736**	**6,292**
Loans and advances customers	**252,159**	**267,604**

[1] Excluding loans at fair value through P&L.

Loans and advances customers decreased by EUR 15.4 billion to EUR 252.2 billion at 31 December 2020, primarily due to a decline in corporate loans, particularly due to the wind-down of the CIB non-core business. In addition, residential mortgages decreased as a result of more repayments.

During 2020, ABN AMRO changed its presentation of instant payment facilities from corporate loans at amortised cost to cash and balances at central banks. The comparative figures have been adjusted accordingly (EUR 0.5 billion).

For further information on loan impairment allowances, please refer to Credit risk in the Risk, funding & capital review section.

21 Fair value of financial instruments not carried at fair value

Accounting policy for fair value of financial instruments not carried at fair value

The categorisation and valuation of financial instruments not carried at fair value is determined in accordance with the accounting policies set out in Note 18 Fair value of financial instruments carried at fair value.

Valuation methodologies

The methods and assumptions described below have been applied to estimate the fair value of financial instruments not carried at fair value. These fair values were calculated for disclosure purposes only. Note that the fair value can be significantly impacted by the choice of valuation model and underlying assumptions concerning factors such as the amount and timing of cash flows, discount rates, credit risk and liquidity risk.

Short-term financial instruments

The carrying amounts (net of impairment allowances) of financial instruments maturing within a period of less than three months or that have no contractual maturity are assumed to be a reasonable approximation of their fair value. For certain instruments, behavioural maturities are applied.

Short-term financial instruments are classified as level 2 as unobservable inputs (such as inputs to determine credit risk, prepayment risk and liquidity risk) do not have a significant influence in determining the fair value.

Cash and balances at central banks

Cash and balances at central banks are classified as level 1 as these instruments have a short-term nature, prices from an active market are available and no fair value adjustments are made to the carrying amounts.

Securities financing

Securities financing includes repurchase and reverse repurchase agreements and securities borrowing and lending transactions. Due to the short-term characteristics of these instruments and the value and liquidity of available collateral, the carrying amounts (net of impairment allowances) are considered to approximate the fair value. Securities financing amounts are classified as level 2.

Loans and advances banks and customers

The fair value of loans and advances banks and customers is estimated by a discounted cash flow model based on contractual cash flows, using actual yields and discounting by risk-free interest rates. Adjustments to reflect changes in liquidity spreads are applied and prepayment options are included in the estimated fair value. The calculations are adjusted for credit risk by incorporating the expected credit losses over the estimated lifetime of the loan, based on parameters including probability of default, loss given default and exposure at default. The loans and advances are classified as level 3 on the basis that unobservable inputs significantly influence the approximated fair values. The loans and advances for which unobservable inputs do not significantly influence the approximated fair values are classified as level 2. Behavioural maturities instead of contractual maturities are used to determine the level classification of a small part of the portfolio.

Cash collateral paid to counterparties in relation to Credit Support Annexes (CSA) is included in loans and advances banks and loans and advances customers. Due to the short-term characteristics of these instruments, fair value is considered to approximate the carrying amounts. The related amounts are classified as level 2.

Due to banks and customers

The fair value of instruments such as deposits and borrowings included in due to banks and customers is estimated by a discounted cash flow model based on risk-free interest rates. Adjustments to reflect changes in liquidity spreads are applied. Amounts due to banks and customers are classified as level 3 on the basis that unobservable inputs significantly influence the approximated fair values. The financial instruments for which unobservable inputs do not significantly influence the approximated fair values are classified as level 2. For the majority of the portfolio, behavioural maturities are used to determine the level classification.

Cash collateral liabilities in relation to Credit Support Annexes (CSA) are included in due to banks and customers. Due to the short-term characteristics of these instruments, fair value is considered to approximate the carrying amounts. The related amounts are classified as level 2.

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Issued debt and subordinated liabilities

The fair value of issued debt securities and subordinated liabilities is based on quoted prices. If these are not available, the fair value is based on a market approach in which independent quotes from market participants are used for the debt issuance spreads above the average interbank offered rates (over a range of tenors) that the market would demand when purchasing new senior or subordinated debt from ABN AMRO. Where necessary, these quotes are interpolated, using a curve shape derived from CDS prices.

						31 December 2020
	Carrying value				Total fair value	Difference
(in millions)		Quoted market prices in active markets	Valuation techniques -observable inputs	Valuation techniques -significant unobservable inputs		
Assets						
Cash and balances at central banks	60,190	60,190			60,190	
Securities financing	16,725		16,725		16,725	
Loans and advances banks	3,394		3,015	380	3,395	1
Loans and advances customers	251,753		44,633	219,993	264,627	12,874
Total	**332,061**	**60,190**	**64,373**	**220,373**	**344,936**	**12,876**
Liabilities						
Securities financing	11,363		11,363		11,363	
Due to banks	36,719		7,141	29,837	36,978	259
Due to customers	238,570		75,868	162,525	238,393	-177
Issued debt	66,000	53,491	18,125		71,616	5,616
Subordinated liabilities	8,069	7,036	1,731		8,767	699
Total	**360,720**	**60,527**	**114,228**	**192,362**	**367,117**	**6,397**

						31 December 2019
	Carrying value				Total fair value	Difference
(in millions)		Quoted market prices in active markets	Valuation techniques -observable inputs	Valuation techniques -significant unobservable inputs		
Assets						
Cash and balances at central banks	27,558	27,558			27,558	
Securities financing	14,905		14,905		14,905	
Loans and advances banks	5,011		4,526	493	5,018	7
Loans and advances customers	266,337		23,924	246,772	270,696	4,359
Total	**313,811**	**27,558**	**43,355**	**247,264**	**318,177**	**4,366**
Liabilities						
Securities financing	8,234		8,234		8,234	
Due to banks	12,785		4,841	7,975	12,816	31
Due to customers	234,991		65,869	167,390	233,258	-1,733
Issued debt	74,252	48,629	30,055		78,684	4,432
Subordinated liabilities	10,041	8,705	2,081		10,786	745
Total	**340,302**	**57,334**	**111,079**	**175,365**	**343,778**	**3,476**

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22 Bank structure

Accounting policy for business combinations

ABN AMRO accounts for business combinations using the acquisition method when control is transferred to the bank. All items of consideration, including contingent consideration, transferred by ABN AMRO are measured and recognised at fair value at the acquisition date. Transaction costs incurred by ABN AMRO in connection with the business combination, other than those associated with the issuance of debt and equity securities, do not form part of the cost of the business combination transaction but are expensed as incurred. The excess of the purchase consideration over ABN AMRO's share of the fair value of the identifiable net assets acquired (including certain contingent liabilities) is recorded as goodwill.

ABN AMRO measures the identifiable assets acquired and the liabilities assumed at the fair value at the acquisition date. In a step acquisition, where a business combination occurs in stages and control of the business is obtained in stages, the identifiable assets and liabilities of the acquiree are recognised at fair value when control is obtained. A gain or loss is recognised in profit or loss as the difference between the fair value of the previously held equity interest in the acquiree and its carrying amount. Changes in interests in subsidiaries that do not result in a change of control are treated as transactions between equity holders and are reported in equity.

Accounting policy for subsidiaries

ABN AMRO's subsidiaries are those entities which it directly or indirectly controls. Control over an entity is evidenced by ABN AMRO's ability to exercise its power in order to affect the variable returns that it is exposed to through its involvement in the entity. The existence and effect of potential voting rights that are currently exercisable are taken into account when assessing whether control exists.

The assessment of control is based on consideration of all facts and circumstances. The bank reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control (power, exposure to variability in returns, and a link between the two).

ABN AMRO sponsors entities, including certain special purpose entities, which may or may not be directly owned, for the purpose of asset securitisation transactions and other specific and well-defined objectives. Particularly in the case of securitisations, these entities may acquire assets from ABN AMRO companies. Some of these entities hold assets that are not available to meet the claims of creditors of ABN AMRO or its subsidiaries. These entities are consolidated in ABN AMRO's financial statements when the substance of the relationship between ABN AMRO and the entity indicates that control is held by ABN AMRO.

ABN AMRO is mainly involved in securitisations of own originated assets, such as various consumer and commercial financial assets. This process generally necessitates a sale of these assets to a special purpose entity (SPE), which in turn issues securities to investors. ABN AMRO's interests in securitised assets may be retained in the form of senior or subordinated tranches, issued guarantees, interest-only strips or other residual interests, together referred to as retained interests. In many cases, these retained interests convey control, such that the SPE is consolidated and the securitised assets continue to be recognised in the consolidated statement of financial position.

The financial statements of subsidiaries and special purpose entities are included in the Consolidated Annual Financial Statements from the date on which control commences until the date on which control ceases.

Accounting policy for associates and joint ventures

Associates are those entities in which ABN AMRO has significant influence on, but no control or joint control over, the operating and financial policies. Significant influence is generally presumed when ABN AMRO holds between 20% and 50% of the voting rights. Potential voting rights that are currently exercisable are considered in assessing whether ABN AMRO has significant influence. Among other factors, representation on the board of directors, participation in the policy-making process and material transactions between the entity and the investee are considered to determine significant influence.

A joint venture is an investment in which two or more parties have contractually agreed to share control over the investment. Joint control exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The activities conducted through joint ventures include cash transfers, insurance, finance and leasing.

Investments in associates and joint ventures, including strategic investments, are accounted for using the equity method. Under this method, the investment is initially recorded at cost and subsequently increased (or decreased) for post-acquisition net income (or loss), other movements impacting on the equity of the investee and any adjustments required for impairment. ABN AMRO's share of the profit or loss of the investee is recognised in Share of result in equity accounted investements. If ABN AMRO's share of losses exceeds the carrying amount of the investment, the carrying amount is reduced to zero, including any other unsecured receivables, and recognition of further losses is discontinued except if ABN AMRO has incurred obligations or made payments on behalf of the investee.

Equity investments held without significant influence and which are not held for trading are measured at fair value through profit or loss as ABN AMRO does not apply the option to measure such investments at fair value through other comprehensive income.

Assets and liabilities of acquisitions and divestments

The following table provides details of the assets and liabilities resulting from the acquisition or disposal of subsidiaries and equity accounted investments at the date of acquisition or disposal.

	31 December 2020		31 December 2019	
(in millions)	Acquisitions	Divestments	Acquisitions	Divestments
Assets and liabilities of acquisitions and divestments				
Cash and balances at central banks			521	
Derivatives				-3
Financial investments			76	
Loans and advances banks			123	-2,668
Loans and advances customers			519	-583
Equity-accounted investments	24	-10	97	-11
Property and equipment			8	-41
Goodwill and other intangible assets			19	-15
Other assets			-90	-55
Derivatives				3
Due to banks			-5	1
Due to customers			-1,144	3,085
Provisions			-1	
Tax liabilities			-5	
Other liabilities			-23	91
Net assets acquired/Net assets divested	**24**	**-10**	**97**	**-196**
Result on divestments, gross		12		103
Less: non cash items		-12		46
Net disposal result				**149**
Cash used for acquisitions/received from divestments				
Total purchase consideration/Proceeds from sale	-24	10	-97	345
Cash and cash equivalents acquired/divested			531	-1,523
Cash used for acquisitions/received from divestments	**-24**	**10**	**435**	**-1,179**

Acquisitions in 2020

No significant acquisitions were performed in 2020.

Divestments in 2020

No significant divestments were performed in 2020.

Acquisitions in 2019

On 28 February 2019, ABN AMRO completed the acquisition of Societe Generale Private Banking N.V., the private banking subsidiary of Societe Generale in Belgium. By acquiring 100% of the shares, ABN AMRO strengthened its market position in Belgium and its position as a leading private bank in the eurozone.

The purchase includes a total of EUR 1.3 billion in assets and EUR 1.2 billion in liabilities, which is considered to be the fair value at acquisition date as these assets and liabilities are all short term. In addition, ABN AMRO paid a purchase premium of EUR 47 million, which included EUR 19 million for the obtained client relationships. ABN AMRO recognised an amount of EUR 28 million as goodwill based on synergies expected from integrating the private banking activities of Societe Generale in Belgium with those of ABN AMRO. This goodwill was included in the annual impairment test. No impairment was recognised. The purchased private banking activities did not contribute significantly to ABN AMRO's income statement for 2019. In September 2019, the acquired business merged with the ABN AMRO Belgium branch.

Acquisitions include several small investments in equity associates and joint ventures.

Divestments in 2019

On 28 March 2019, ABN AMRO announced that it had reached agreement to sell 75% of its shares in Stater N.V. to Infosys. This transaction was completed on 23 May 2019. ABN AMRO retained a strategic interest of 25% in Stater N.V. The book gain amounted to EUR 130 million, the portion of gain attributable to measuring the investment retained in Stater N.V. at its fair value at the date when control was lost amounted to EUR 34 million.

On 15 July 2019, ABN AMRO announced the closing and finalisation of the sale of ABN AMRO (Channel Islands) Limited to Bank of N.T. Butterfield & Son Limited. With a loss of EUR 33 million, this sale had a impact on the income statement.

On 23 December 2019, ABN AMRO announced the closing of the sale of the Duin & Kruidberg country estate, which was finalised the same day. The sale did not significantly impact the income statement.

Composition of ABN AMRO Bank

The following table provides an overview of the most significant investments in associates and joint ventures at equity method.

			31 December 2020		31 December 2019	
(in millions)	Principal place of business	Business line	Carrying amount	Equity interest (in %)	Carrying amount	Equity interest (in %)
Joint ventures						
Neuflize Vie S.A.	France	Private Banking	230	60%	222	60%
Richmond Preferente Aandelen C. B.V.	The Netherlands	Corporate & Institutional Banking	25	50%	25	50%
Associates:						
Nationale-Nederlanden ABN AMRO Verzekeringen Holding B.V.	The Netherlands	Retail Banking	127	49%	98	49%
Stater N.V.	The Netherlands	Retail Banking	52	25%	50	25%
European Merchant Services B.V.	The Netherlands	Commercial Banking	27	49%	27	49%
Geldmaat B.V.	The Netherlands	Group Functions	27	33%	25	33%
Other equity associates and joint ventures			106		193	
Total equity associates and joint ventures			**593**		**639**	

Neuflize Vie is a joint venture where the power to govern the financial and operating policies of the economic activity is subject to joint control.

Other investments in equity associates and joint ventures at equity method comprise a large number of equity associates and joint ventures with individual carrying amounts of less than EUR 15 million.

(in millions)	31 December 2020 Associates	Joint ventures	Total	31 December 2019 Associates	Joint ventures	Total
Assets						
Financial assets held for trading	1,018		1,018	1,006		1,006
Financial investments	691	7,075	7,766	723	7,277	7,999
Loans and advances banks and customers	2,260	154	2,415	2,375	190	2,564
Property and equipment	150	205	356	109	197	306
Other assets	563	44	607	295	61	356
Total assets	**4,682**	**7,479**	**12,161**	**4,508**	**7,724**	**12,232**
Liabilities						
Due to banks and customers	1,347	26	1,373	1,225	154	1,379
Provisions	2,216	3,446	5,662	2,145	3,611	5,756
Other liabilities	202	3,743	3,945	198	3,651	3,849
Total liabilities	**3,764**	**7,216**	**10,980**	**3,568**	**7,416**	**10,984**
			2020			2019
Total operating income	450	49	500	449	58	507
Operating expenses	389	28	417	384	30	414
Operating profit/(loss)	**61**	**22**	**83**	**65**	**27**	**93**
Income tax expense	6	6	12	10	9	19
Profit/(loss) for the period	**56**	**15**	**71**	**55**	**19**	**74**

Assets related to equity associates are mainly held by Nationale-Nederlanden ABN AMRO Verzekeringen Holding B.V. (EUR 2.3 billion at 31 December 2020, compared with EUR 2.3 billion at 31 December 2019) and Nederlandse Financieringsmaatschappij voor Ontwikkelingslanden N.V. (EUR 1.8 billion at 31 December 2020, compared with EUR 1.7 billion at 31 December 2019).

Neuflize Vie holds the majority of assets under joint ventures (EUR 7.5 billion at 31 December 2020, compared with EUR 7.6 billion at 31 December 2019).

The equity of associates and joint ventures amounted to EUR 1.2 billion. The carrying amount recognised in the balance sheet was EUR 593 million. The difference relates mainly to a restriction on the equity of Nederlandse Financieringsmaatschappij voor Ontwikkelingslanden N.V. and to a lesser extent to timing discrepancies between valuation date and reporting date and impairments taken on associates and joint ventures.

Impairments on equity-accounted investments

The following table shows the changes in impairments on equity-accounted investments.

(in millions)	2020	2019
Balance as at 1 January	5	5
Increase in impairments	12	1
Reversal of impairment allowances		
Other		-1
Balance as at 31 December	**17**	**5**

Structured entities

Structured entities are entities that have been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

A structured entity has some or all of the following features or attributes:

- Restricted activities;
- Narrow and well-defined objective;
- Insufficient equity to permit the structured entity to finance its activities without subordinated financial support;
- Financing, in the form of multiple contractually linked instruments, to investors that creates concentrations of credit or other risks;
- Relevant activities are directed by contractual arrangements.

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Other

Consolidated structured entities

There were no notes sold to external parties at 31 December 2020 (31 December 2019: no notes sold). Retained notes are used for repo transactions and TLTRO, for example.

The securitisation transactions were primarily used for funding and liquidity purposes. There was no RWA (REA) relief at 31 December 2020 (31 December 2019: no relief).

In 2020, ABN AMRO had only traditional securitisation transactions outstanding. In such transactions, a foundation (stichting) incorporates a bankruptcy-remote, structured entity, to which the legal title of a portfolio of receivables is sold. As ABN AMRO continues to recognise the assets after the legal title has been sold, no derecognition takes place. The structured entity issues notes to fund the purchase. ABN AMRO performs key ancillary roles in all its securitisation transactions, including as swap counterparty.

Risks associated with the roles in the securitisation process

Credit risk

Credit risk relates to the risk of credit losses on securitised assets. ABN AMRO retains part of the credit risk by retaining notes and other securitisation positions such as liquidity facilities, swaps and first loss tranches. Regulatory capital is held for all retained securitisation positions in accordance with the applicable regulation.

Liquidity risk

Liquidity risk relates to the risk that ABN AMRO may incur additional cash outflows. Any potential future cash outflows relating to these positions, including collateral requirements, are taken into account within stress tests and are integrated into the liquidity ratios, where required. This includes the potential impact of the liquidity facilities or swap agreements which form part of certain securitisation transactions, most of which relate to transactions where ABN AMRO is the originator of the underlying assets.

Approaches to calculating risk exposure amount

ABN AMRO does not achieve significant risk transfers for any of the mortgage securitisations.

Monitoring process

ABN AMRO periodically monitors changes in credit risk relating to securitisation exposures. The significance of the amount of credit risk transferred to third parties by securitisation of own originated assets is assessed on a monthly basis in accordance with the regulatory significant risk transfer test. For investments in third-party securitisations, the risk is monitored by reviewing the investor reports of these transactions. Additionally, third-party securitisation positions are included in the firm-wide comprehensive stress tests in which the downgrade and default risks under stressed market conditions are assessed

Overview of securitisation positions and securitised assets

The total amount of assets securitised in securitisations decreased to EUR 14.3 billion at 31 December 2020 (31 December 2019: EUR 17.2 billion). No securitisation transactions for the purpose of capital relief were originated in 2020.

Details of total notes outstanding per structured entity

The following table provides details of the outstanding notes issued by consolidated structured entities which were established by ABN AMRO for securitisation purposes, exceeding 0.1% of the bank's total assets.

	31 December 2020		31 December 2019	
(in millions)	Total notes issued	% of total assets	Total notes issued	% of total assets
Category				
Dolphin Master Issuer B.V.	13,533	3.4%	17,533	4.7%
Total	**13,533**		**17,533**	

Support to consolidated structured entities
ABN AMRO did not provide support, financial or otherwise, to a consolidated structured entity, including when ABN AMRO was not contractually obliged to do so, and nor does ABN AMRO intend to do so in the future.

Unconsolidated structured entities
Unconsolidated structured entities are entities over which ABN AMRO has no control or significant influence. ABN AMRO is involved with structured entities through securitisation of financial assets and investments in structured entities. Structured entities generally finance the purchase of assets by issuing debt and equity securities that are collateralised by the assets held by the structured entities. The debt and equity securities issued by the structured entities may include tranches with varying levels of subordination. The interest in unconsolidated structured entities increased by EUR 0.4 billion to EUR 4.3 billion at year-end 2020 (2019: EUR 3.9 billion). The interests consist mainly of debt securities in corporate loans of EUR 414 million (2019: EUR 257 million) and mortgage- and other asset-backed securities recognised under financial investments of EUR 3.5 billion (2019: EUR 3.7 billion). The maximum exposure to losses from these interests is equal to the total carrying amount.

Sponsoring of unconsolidated structured entities
An entity is considered a sponsor of an unconsolidated structured entity if it had a key role in establishing that entity so that the transaction that is the purpose of the entity could occur. No sponsoring occurred during 2020.

23 Property and equipment, leases, goodwill and other intangible assets

Accounting policy for property and equipment
Property and equipment is stated at cost less accumulated depreciation and any impairment amount. At each balance sheet date, an assessment is performed to determine whether there is any indication of impairment. Subsequent costs are capitalised if these result in an enhancement to the asset. Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of items of property and equipment, and of major components that are accounted for separately. ABN AMRO generally uses the following useful lives in calculating depreciation:
- Land: not depreciated;
- Buildings: 30 years;
- Leasehold improvements: 5 years;
- Equipment: 5 years;
- Installations (durable): 10 years;
- Computer installations: 2 to 5 years.

At each reporting date, ABN AMRO reviews the carrying amounts of its non-financial assets (i.e. ROU assets, equipment, goodwill and other intangible assets) to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets or cash-generating units. Goodwill arising from a business combination is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or cash-generating unit exceeds its recoverable amount. In general, ABN AMRO's corporate assets do not generate separate cash inflows and are used by more than one cash-generating unit. Corporate assets are allocated to cash-generating units on a reasonable and consistent basis and tested for impairment as part of the testing of the cash-generating unit to which the corporate assets are allocated.

Impairment losses are recognised in profit or loss under depreciation and amortisation expenses. They are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit, and then to reduce the carrying amounts of the other assets in the cash-generating unit on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Impairment losses are recognised in the income statement as a component of depreciation and amortisation expense. Impairment losses are reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had previously been recognised.
Depreciation rates and residual values are reviewed at least periodically to take into account any change in circumstances. Capitalised leasehold improvements are depreciated in a manner that takes into account the term and renewal conditions of the related lease.

Assets for which the bank acts as a lessor in an operational lease contract are included in property and equipment. The asset is depreciated on a straight-line basis, over its useful life, to its estimated residual value.

Accounting policy for leases

Lessor accounting

Where ABN AMRO acts as lessor, a distinction is made between operating and finance leases. Leases where the bank transfers substantially all risks and rewards incidental to ownership of the asset to the lessee are classified as finance leases. Leases that do not transfer these risks and rewards are classified as operating leases. Finance leases are recognised as a receivable in loans and advances at an amount equal to the net investment in the lease, less credit loss allowances. Assets subject to operating leases are recognised at cost in property and equipment. Operating income from finance leases is recognised in a pattern reflecting a constant periodic rate of return on the net investment in the lease.

Lessee accounting

All leases, except for low-value leases and leases with a duration of less than one year, are recognised on the balance sheet as a right of use (ROU) asset and lease liability. As a lessee, ABN AMRO enters into various lease contracts, mainly for office buildings and cars that the bank leases for its own use. When accounting for the contracts as a lessee, ABN AMRO separates non-lease components from lease components. Payments such as variable lease payments and non-lease components are not included in the lease liability. The ROU asset is initially measured at cost, which reflects the initial lease liability, adjusted for upfront lease payments, received incentives and initial direct costs. The initial lease liability is equal to the sum of the fixed lease payments, discounted by the incremental borrowing rate.

The ROU asset is depreciated over the period of the lease, using the straight-line method.

Adjustments to the ROU asset and corresponding lease liability result from remeasurement and/or modification. Remeasurement occurs when there is a change in the lease term or discount rate, or when ABN AMRO changes its assessment regarding purchase, extension or termination options. A lease modification is a change in the scope of the lease, or the consideration of a part of a lease that was not in the original terms and conditions of the lease. A lease modification results in either a separate additional lease or a change in the accounting for the existing lease. In the case of a lease modification not resulting in an additional lease, the lease liability is remeasured by adjusting the carrying amount of the ROU asset and, to reflect the partial or full termination of the lease, recognising any gain or loss in the statement of profit and loss.

Expenses related to short-term leases with a term of less than 12 months and leases of low-value are recognised in the income statement. ROU assets are included in the line item Property and equipment, while the lease liabilities are included in Other liabilities. Depreciation of the ROU assets is included in the line item for depreciation and amortisation of tangible and intangible assets in the income statement, and interest expense on lease liabilities is included in the line item Other interest and similar expense.

Accounting policy for intangible assets

Goodwill

Goodwill is capitalised and stated at cost, being the excess of the consideration paid over the fair value of ABN AMRO's share of the acquired entity's net identifiable assets at the acquisition date, less any accumulated impairment losses. For the purpose of calculating goodwill, the fair values of acquired assets, liabilities and contingent liabilities are determined by reference to market values or by discounting expected future cash flows to present value. Goodwill is not amortised, but is reviewed annually for impairment, or more frequently if there are indications that impairment may have occurred. In the test, the carrying amount of goodwill is compared with the higher of the fair value less costs to sell and the value in use, being the present value of the cash flows discounted at a pre-tax discount rate that reflects the risk of the cash-generating unit to which the goodwill relates. Impairment losses are recognised in the income statement as depreciation and amortisation expense and are irreversible.

Software and other intangible assets

The accounting policy for software and other intangible assets is determined by IAS 38 Intangible assets. Software is amortised over a period of three years, unless it is classified as core application software, which is depreciated over its estimated useful life, set at a maximum of seven years. Only the development phase is capitalised for own-developed software.

Other intangible assets include separately identifiable items arising from acquisitions of subsidiaries, such as customer relationships, and certain purchased trademarks and similar items. In general, the estimated useful life does not exceed ten years. Amortisation rates and residual values are reviewed at least annually to take into account any change in circumstances.

(in millions)	31 December 2020	31 December 2019
Land and buildings held for own use	242	573
Leasehold improvements	48	54
Plant & equipment under operating lease	602	695
Equipment	116	153
Right of use assets	246	231
Total property and equipment	**1,255**	**1,706**

Total property and equipment decreased by EUR 0.5 billion to EUR 1.3 billion at 31 December 2020 (2019: EUR 1.7 billion). The decrease was mainly due to a decline in land and buildings held for own use, which related to the new classification of an office building as held for sale (EUR 254 million).

(in millions)	31 December 2020	31 December 2019
Goodwill	78	110
Purchased software	14	27
Internally developed software	10	4
Other	25	38
Total goodwill and other intangible assets	**128**	**178**

(in millions)	Land and buildings held for own use	Leasehold improve-ments	Plant & equipment under oper. lease	Equip-ment	Right of use assets	Total property and equipment	Goodwill	Other intangible assets	Total goodwill and other intangible assets
									2020
Acquisition costs as at 1 January	1,505	248	1,035	885	324	3,997	148	877	1,025
Additions	27	17	140	32	141	356		10	10
Reversal of cost due to disposals	-201	-20	-180	-48	-21	-474		-4	-4
Foreign exchange differences		-3	-16	-5	-9	-33	-1	-2	-3
Other	-488			-1	2	-485			
Acquisition costs as at 31 December	**842**	**242**	**978**	**863**	**436**	**3,360**	**146**	**880**	**1,027**
Accumulated depreciation/ amortisation as at 1 January	-926	-194	-334	-732	-70	-2,256		-798	-798
Depreciation/amortisation	-41	-16		-64	-75	-196		-24	-24
Depreciation of assets subject to operating lease			-146			-146			
Reversal of depreciation/amortisation due to disposals	132	18	106	48	10	315		4	4
Foreign exchange differences		2	5	4	2	14		2	2
Other	243			1	-2	242			
Accumulated depreciation/ amortisation as at 31 December	**-591**	**-189**	**-369**	**-743**	**-134**	**-2,026**		**-816**	**-816**
Impairments as at 1 January	-6		-6		-23	-34	-38	-11	-49
Increase of impairments charged to the income statement		-6		-4	-37	-46	-30	-8	-38
Impairments on assets subject to operating lease			-2			-2			
Reversal of impairments credited to the income statement								4	4
Reversal of impairments due to disposals	4				1	5			
Foreign exchange differences					3	4			
Other	-6					-6			
Impairments as at 31 December	**-8**	**-5**	**-7**	**-3**	**-55**	**-79**	**-68**	**-15**	**-82**
Total as at 31 December	**242**	**48**	**602**	**116**	**246**	**1,255**	**78**	**49**	**128**

The fair value of land and buildings held for own use at 31 December 2020 is estimated at EUR 845 million (2019: EUR 969 million). Of this fair value, 100% is based on external valuations performed in 2020, 2019, 2018 or 2017. In contrast to 1% in 2019, 0% of valuations in 2020 were based on Dutch local government property tax valuations. Some properties have a lower fair value than the recorded carrying value. No impairment is recorded because these properties are considered corporate assets. The value in use for the cash-generating units within ABN AMRO Bank is sufficient to cover the total value of all these assets.

In the case of buildings held for own use, Other concerns the acquisitions costs of EUR 488 million negative and accumulated depreciation of EUR 243 million, both of which are the result of an office building being classified as held for sale.

(in millions)	Land and buildings held for own use	Leasehold improve-ments	Plant & equipment under oper. lease	Equip-ment	Right of use assets	Total property and equipment	Goodwill	Other intangible assets	Total goodwill and other intangible assets
									2019
Acquisition costs as at 1 January	1,526	247	984	856		3,613	182	845	1,027
Impact of adopting IFRS 16					272	272			
Acquisitions/divestments of subsidiaries	1	-1		-6	-34	-40	-66	17	-49
Additions	15	27	222	72	89	426	28	17	45
Reversal of cost due to disposals	-38	-23	-186	-39	-8	-295		-3	-3
Foreign exchange differences		1	16	2	-1	18	5	1	5
Other		-3			6	3			
Acquisition costs as at 31 December	**1,505**	**248**	**1,035**	**885**	**324**	**3,997**	**148**	**877**	**1,025**
Accumulated depreciation/ amortisation as at 1 January	-904	-200	-284	-709		-2,096		-773	-773
Acquisitions/divestments of subsidiaries		1		6	2	8		1	1
Depreciation/amortisation	-44	-16		-68	-73	-202		-28	-28
Depreciation of assets subject to operating lease			-153			-153			
Reversal of depreciation/amortisation due to disposals	22	22	107	39	1	191		3	3
Foreign exchange differences			-4	-2		-7		-1	-1
Other				2	1	3		1	1
Accumulated depreciation/ amortisation as at 31 December	**-926**	**-194**	**-334**	**-732**	**-70**	**-2,256**		**-798**	**-798**
Impairments as at 1 January	-7	-1	-1	-1		-11	-79	-11	-89
Impact of adopting IFRS 16					-23	-23			
Acquisitions/divestments of subsidiaries							52		52
Increase of impairments charged to the income statement					-1	-1	-9	-1	-9
Impairments on assets subject to operating lease			-4			-4			
Reversal of impairments due to disposals	1	1		1		3		1	1
Foreign exchange differences							-3		-3
Other					1	1			
Impairments as at 31 December	**-6**		**-6**		**-23**	**-34**	**-38**	**-11**	**-49**
Total as at 31 December	**573**	**54**	**695**	**153**	**231**	**1,706**	**110**	**68**	**178**

Leases

ABN AMRO enters into leases both as lessor as well as lessee. In its capacity as lessee, ABN AMRO leases various assets, mainly office properties, cars and equipment that serve to support the bank's operations. The leases have various terms and termination and renewal options. The majority of termination and renewal options are exercisable only by the bank and not by the respective lessor. There are no variable lease payments present in lease contracts where ABN AMRO acts as lessee. No covenants are present in the lease agreements and ABN AMRO is not allowed to use leased assets as security for financing purposes. The total cash outflow relating to leases in 2020 amounted to EUR 105 million (2019: EUR 81 million).

The following table shows the maturity of lease liabilities for leases in which the bank acts as lessee, as well as the future undiscounted minimum lease receipts under operating and financial leases where ABN AMRO acts as lessor. It also reconciles the total future minimum lease receipts under financial leases and the net investment in the leases.

(in millions)	Within 3 months	More than 3 months but within 1 year	More than 1 year but within 5 years	More than 5 years	Total	Unearned finance income	Net investment in the lease
							31 December 2020
Lease liabilities	17	49	179	111	355	n/a	n/a
Future minimum lease receipts under financial leases	1,220	1,237	3,042	535	6,034	-300	5,734
Future minimum lease receipts under operating leases	54	138	421	46	660	n/a	n/a
							31 December 2019
Lease liabilities	13	51	171	67	302	n/a	n/a
Future minimum lease receipts under financial leases	861	1,233	3,333	414	5,841	-121	5,721
Future minimum lease receipts under operating leases	42	117	344	30	533	n/a	n/a

In its capacity as lessor, ABN AMRO leases out various assets. Operating leases in which the bank acts as lessor are included in Property and equipment – equipment. Financial leases in which the bank acts as lessor are included in corporate loans under loans and advances customers. Income from leases in which ABN AMRO acts as lessor is presented in the table below.

(in millions)	2020	2019
Income from financial leases	164	162
Income from operating leases	171	179
Total income from leases	**334**	**341**

Income related to variable lease payments on financial leases amounted to EUR 3 million. There is no income relating to variable lease payments on operating leases.

ABN AMRO also acts as an intermediate lessor in subleases where it subleases ROU assets to a third party. During 2020 the total income from subleasing ROU assets amounted to EUR 3 million.

The impairment loss of EUR 44 million in 2020 mainly represents the full write-down of the right-of-use assets of the international offices, other intangible assets and equipment of the CIB non-core business in APAC, US and Brazil as a result of the wind-down strategy announced in August 2020. The impairment loss is recognised in the statement of profit or loss under depreciation and amortisation expense. The recoverable amount of nil as at 31 December 2020 is based on the value in use and determined at the level of the cash-generating unit. The cash-generating unit consists of the CIB non-core entities in APAC, US and Brazil, which are part of the CIB operating segment.

Valuation of goodwill

					31 December 2020		31 December 2019
(in millions)	Segment	Method used for recoverable amount	Discount rate	Long-term growth rate	Impairment charges	Goodwill	Goodwill
Entity							
Bethmann Bank A.G.	Private Banking	Value in use	10.0%	0.0%		63	63
ABN AMRO Bank N.V. (Belgium) Branch	Private Banking	Fair value	10.0%	1.0%	28		28
ABN AMRO Asset Based Finance N.V., (UK) Branch	Commercial Banking	Value in use	10.0%	0.0%		9	10
Banque Neuflize OBC S.A.	Private Banking	Value in use	10.0%	0.0%		6	6
Banco ABN AMRO S.A.	Corporate & Instutional Banking	Value in use	10.0%		2		3
Total goodwill and impairment charges					**30**	**78**	**110**

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The financial and economic repercussions of Covid-19 raised concerns that the goodwill recorded for certain entities could be impaired. Market reference data for determining the fair value less costs of disposal were updated by the inclusion of a discount to reflect the impact of Covid-19. Forecasts for calculating the value in use were also updated to incorporate the effects of Covid-19.

The outcome of the impairment test of ABN AMRO Bank N.V. (Belgium) Branch entails a full impairment of goodwill, totalling EUR 28 million as at Q2 2020. The recoverable amount of EUR 148 million is based on fair value less costs of disposal. The valuation method of fair value less costs of disposal is a level-3 fair value determination based on parameters from recent Private Banking merger and acquisition transactions by ABN AMRO, which are cross-referenced with external Private Banking mergers and acquisitions known in the relevant markets. The key element used to determine the fair value less costs of disposal is the total client assets of the cash-generating unit, multiplied by a sales premium multiplier from recent merger and acquisition transactions.

(in millions)	2020	2019
Depreciation on tangible assets		
Land and buildings held for own use	41	44
Leasehold improvements	16	16
Equipment	64	68
Right of use assets	75	73
Amortisation on intangible assets		
Purchased software	15	20
Internally developed software	3	1
Other intangible assets	7	7
Impairment losses on tangible assets		
Land and buildings held for own use (incl. held for sale)		
Leasehold improvements	6	
Equipment	4	
Right of use assets	36	1
Impairment losses on intangible assets		
Goodwill	30	9
Purchased software	-4	1
Internally developed software	2	
Other intangible assets	6	
Total depreciation, amortisation and impairment losses	**299**	**240**

24 Non-current assets and disposal groups held for sale

Accounting policy for non-current assets and disposal groups held for sale

Non-current assets and/or businesses are classified as held for sale if their carrying amount is to be recovered principally by selling them within 12 months, rather than through ongoing use. Assets held for sale (other than financial instruments) are not depreciated and are measured at the lower of their carrying amount and fair value, less costs to sell. Assets and liabilities of a business held for sale are presented separately in the consolidated statement of financial position.

(in millions)	31 December 2020	31 December 2019
Assets		
Property and equipment	254	5
Other assets		9
Assets of businesses held for sale	**254**	**14**
Liabilities		
Other liabilities		
Liabilities of businesses held for sale		

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The 2020 held for sale position of EUR 254 million consists mainly of an office building currently presented in the Group Functions segment. The sale is highly likely to occur in 2021. The sale transaction will be part of a sale and leaseback transaction with the buyer-lessor of the office building. The property is measured at the carrying amount, which is significantly lower than the current fair value (less cost to sell).

25 Other assets

The following table shows the components of other assets at 31 December 2020.

(in millions)	31 December 2020	31 December 2019
Accrued other income	575	498
Prepaid expenses	31	32
Unsettled securities transactions	1,521	1,364
Trade and other receivables	2,292	1,837
Other	505	800
Total other assets	**4,925**	**4,530**

The increase of EUR 0.4 billion in other assets is mainly due to an increase of EUR 0.5 billion in trade and other receivables.

Unsettled securities transactions are related to reversed repurchase and securities borrowing transactions that are delivered but not settled. The increase of EUR 0.2 billion is a result of the clearing business that is fully based on the nature of the business to supply in the needs of clients' financing strategies and related transactions to be settled.

Trade and other receivables include receivables purchased by ABN AMRO (the factor) from its clients under non-recourse factoring contracts. The increase of EUR 0.5 billion relates mainly to higher funds transferred to notary offices due to mortgage production.

Other assets in 2020 and 2019 includes a net receivable of EUR 0.2 billion related to the bankruptcy of DSB Bank.

26 Due to banks

Accounting policy for due to banks and due to customers

Amounts due to banks and customers are held at amortised cost. That is, at fair value upon initial recognition, adjusted for repayment and amortisation of coupon, fees and expenses to represent the effective interest rate of the instrument.

(in millions)	31 December 2020	31 December 2019
Current accounts	1,903	2,201
Demand deposits	3	10
Time deposits	34,100	9,986
Cash collateral on securities lent	703	587
Other	10	
Total due to banks	**36,719**	**12,785**

The increase of EUR 23.9 billion in due to banks is mainly due to the new TLTRO agreement, which resulted in an increase of EUR 32.0 billion. This increase was partly offset by the settlement of the old TLTRO agreement, which resulted in a decrease of EUR 8.0 billion.

The funding obtained under the targeted longer-term refinancing operations III (TLTRO III) is included in Time deposits. With the TLTROs the ECB offers banks long-term funding at attractive conditions, with the aim to further incentivise bank lending to the real economy. The maturity of the TLTRO III funding is three years, with a quarterly early repayment option as of September 2021. Interest will be settled in arrears. The interest rate to be applied is linked to the issuance of new loans to non-financial corporations and households. The funding is accounted for at amortised cost, with an effective interest rate equal to the Main Refinancing Operations rate. For the period of 24 June 2020 to 23 June 2022, a discount of 50bps is granted, irrespective of lending performance. The guaranteed discount of 50bps is accounted for as a government grant and recognised in interest income. Any additional discount achieved based on ABN AMRO's lending performance will also be accounted for as a government grant. Given the current economic circumstances and uncertainties related to Covid-19, ABN AMRO did not recognise any additional discount in 2020.

27 Due to customers

Accounting policy for due to customers

The accounting policy for amounts due to customers is included in Note 26 Due to banks..

(in millions)	31 December 2020	31 December 2019
Current accounts	111,033	91,900
Demand deposits	107,534	120,892
Time deposits	19,037	21,232
Other	966	967
Total due to customers	**238,570**	**234,991**

Total due to customers increased by EUR 3.6 billion, mainly due to an increase in current accounts, partly offset by decreases in demand and time deposits.

Current accounts increased by EUR 19.1 billion, mainly as a result of clients retaining their cash positions due to the impact of Covid-19.

Demand deposits decreased by EUR 13.4 billion, mainly as a result of the charging of negative interest rates and the wind-down of Moneyou.

Time deposits decreased by EUR 2.2 billion, mainly due to the charging of negative interest rates and the wind-down of Moneyou, partly offset by an increase in non-financial corporates.

28 Issued debt and subordinated liabilities

Accounting policy for issued debt and subordinated liabilities

Issued debt securities and subordinated liabilities are recorded at amortised cost using the effective interest rate method. Hybrid or structured financial liabilities are irrevocably designated upon initial recognition to be measured at fair value through profit or loss. The latter is applied when the instruments are held to reduce an accounting mismatch, are managed on the basis of their fair value or include terms that qualify as an embedded derivative that cannot be separated.

ABN AMRO applies IAS 32 Financial Instruments: Presentation to determine whether funding is a financial liability or equity. Issued financial instruments or their components are classified as financial liabilities where the substance of the contractual arrangement results in ABN AMRO having a present obligation to deliver either cash or another financial asset or to satisfy the obligation other than by the exchange of a fixed number of equity shares.

Issued liabilities qualify as subordinated debt if claims by the holders are subordinated to all other current and future liabilities of ABN AMRO and its subsidiaries.

The valuation of liabilities measured at fair value includes the effect of changes in the bank's own credit spreads. The change in fair value applies to those financial liabilities designated at fair value where own value credit risk would be considered by market participants. The cumulative amount of changes in fair value attributable to credit risk of issued debt is presented as liability own credit risk reserve in equity. Exchange-traded own debt measured at fair value through profit or loss is valued at market prices.

Fair value changes are calculated based on a yield curve generated from observed external pricing for funding and quoted CDS spreads.

The following table shows the types of debt certificates issued by ABN AMRO and the amounts outstanding. Changes in these debt instruments involve a continual process of redemption and issuance of long-term and short-term funding.

Issued debt

(in millions)	31 December 2020	31 December 2019
Bonds and notes issued	56,716	59,585
Certificates of deposit and commercial paper	9,283	14,666
Total at amortised cost	**66,000**	**74,252**
Designated at fair value through profit or loss	949	1,024
Total issued debt	**66,949**	**75,275**
- of which matures within one year	*19,279*	*23,148*

	2020	2019
(in millions)	Carrying amount	Carrying amount
Balance as at 1 January	**75,275**	**80,784**
Cash flows		
Issuance	28,203	27,437
Redemption	-36,165	-35,555
Non-cash changes		
Foreign exchange differences	-1,262	1,000
Fair value changes own credit risk	-20	-5
Other	918	1,615
Balance as at 31 December	**66,949**	**75,275**

Total issued debt decreased by EUR 8.3 billion, mainly due to matured long-term funding. The lower funding need was driven by a decline in the corporate loan book and an increase in corporate deposits.

The amounts of debt issued and redeemed during the period are shown in the Consolidated statement of cash flows. Non-cash changes – other consists mainly of unrealised gains and losses. Further details of the funding programmes are provided in Funding in the Risk, funding & capital review section.

Financial liabilities designated at fair value through profit or loss

(in millions)	31 December 2020	31 December 2019
Cumulative change in fair value of the structured notes attributable to changes in credit risk	32	52
Change during the year in fair value of the structured notes attributable to changes in credit risk	-20	-5
Difference between amount contractually required to pay at maturity and the carrying amount	-19	154

The change in fair value of the structured notes attributable to changes in credit risk is determined using the credit spread implicit in the fair value of similar bonds traded in active markets and issued by ABN AMRO.

Subordinated liabilities

The following table shows the outstanding subordinated liabilities.

(in millions)	31 December 2020	31 December 2019
Subordinated liabilities	8,069	10,041

(in millions)	2020 Carrying amount	2019 Carrying amount
Balance as at 1 January	**10,041**	**9,805**
Cash flows		
Issuance	35	
Redemption	-1,669	-8
Non-cash changes		
Foreign exchange differences	-445	102
Other	108	141
Balance as at 31 December	**8,069**	**10,041**

Subordinated liabilities decreased by EUR 2.0 billion, mainly due to the maturing of a subordinated loan. No perpetual loans were recorded at the reporting date. The issued and outstanding loans qualifying as subordinated liabilities are subordinated to all other current and future liabilities.

29 Provisions

Accounting policy for provisions

A provision is recognised in the balance sheet when ABN AMRO has a legal or constructive obligation as a result of a past event, and it is more likely than not that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. If the effect of time value is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market rates and, where appropriate, the risks specific to the liability.

A provision for restructuring is recognised when an obligation exists. An obligation exists when ABN AMRO has approved a detailed plan and has raised a valid expectation in those affected by the plan by starting to implement the plan or by announcing its main features. Future operating costs are not provided for. Provisions for insurance risks are determined by actuarial methods, which include the use of statistics, interest rate data and settlement cost expectations.

Provisions are established for certain guarantee contracts for which ABN AMRO is liable to pay upon default of payment. Expected credit loss allowances of loan commitments and financial guarantees are recognised as provisions under IFRS 9.

The following table shows the breakdown of provisions at 31 December.

(in millions)	31 December 2020	31 December 2019
Insurance fund liabilities	11	4
Provision for pension commitments	106	74
Restructuring provision	226	172
Other staff provision	136	119
Legal provisions	98	234
Credit commitments provisions	92	79
Other provisions	258	301
Total provisions	**926**	**983**

Insurance fund liabilities

Insurance fund liabilities include the insurance companies' actuarial reserves, premium and claims reserves. The expected cash outflow for 2021 is EUR 1 million, and approximately EUR 12 million for the 2022-2025 period.

Provision for pension commitments

Provision for pension commitments includes early retirement benefits payable to non-active employees. Further details are provided in Note 30 Pension and other employee benefits.

Restructuring

Restructuring provisions cover the costs of the restructuring plans for which implementation has been formally announced. The increase in the restructuring provisions was mainly due to the wind-down of the CIB non-core portfolio.

Other staff provisions

The increase in Other staff provisions mainly relates to an increase in the provision for untaken holidays.

Legal provisions

The decrease of EUR 136 million in legal provisions is mainly attributable to outflows from the provision related to interest rate derivatives sold to SME clients, combined with a release of EUR 18 million. The provision related to Euribor-based mortgages declined due to outflows and a release.

Interest rate derivatives for SME clients

In 2015, ABN AMRO started a review, at the request of the Netherlands Authority for the Financial Markets (AFM) and the Dutch Ministry of Finance, to determine whether the bank had acted in accordance with its duty of care obligations in respect of the sale of interest rate derivatives to SME clients. In the second quarter of 2015, ABN AMRO first recognised a provision for compensating clients who had been disadvantaged in this respect and suffered loss or damage.

ABN AMRO has set up its own client reassessment process and the related checks and balances with respect to the Uniform Recovery Framework devised by a committee of independent experts ('the Committee') appointed by the Dutch Minister of Finance. In the first quarter of 2020, ABN AMRO finalised the process of sending all clients a letter containing the outcome of the reassessment. At various points in the process, the reassessments were checked by an independent external file reviewer (in ABN AMRO's case, by the audit firm PwC), supervised by the AFM. Except for a limited number of proceedings relating to the Uniform Recovery Framework before a dispute committee and the local courts, ABN AMRO has completed the execution of the Uniform Recovery Framework. The total provision for SME derivatives-related issues amounted to EUR 10 million at 31 December 2020. This comprised the total amount of client compensation (EUR 0.6 billion) and project costs (EUR 0.3 billion), after payments already made for both elements (EUR 0.8 billion).

Euribor-based mortgages

ABN AMRO has sold mortgage loans with floating, often Euribor-based, interest rates to consumers ('EuriborWoninghypotheek mortgages'). These rates are increased with a margin charge. Based on the applicable terms and conditions, ABN AMRO has the right to unilaterally adjust the margin charge. After ABN AMRO increased the margin charge in 2012, two class actions and multiple individual cases, were brought against ABN AMRO. The central question in these cases is whether ABN AMRO's contractual right to unilaterally adjust the margin charge is an unfair term that can be voided.

ABN AMRO lost the class action cases in two instances and decided to appeal to the Dutch Supreme Court. On 22 November 2019 the Supreme Court quashed the ruling of the Amsterdam Court of Appeal in the Euribor collective cases. The case has been referred to another Court of Appeal (The Hague) in order to be dealt with further. This Court will need to re-examine whether the terms are unfair or not.

On 13 February 2020, ABN AMRO and the foundation Stichting Euribar reached an agreement on a settlement for clients with Euribor-Woninghypotheek mortgages. The key points of the settlement are 1) compensation for the past (62.5% of the increases in the margin charge in 2009 and 2012, calculated until 1 April 2019 at the latest and increased by statutory interest) and 2) agreement on the bandwith of the future margin charge (until 1 January 2025, the Euribor margin charge will remain fixed at the current Euribor margin charge of 1.0% (the rate from 2012), and beyond 1 January 2025 the margin charge may be raised to a maximum of 1.2%). By mid-February 2021, approximately 91% of the respective clients who were eligible for the settlement had received a personal offer from ABN AMRO. So far, 77% of this group have accepted the proposed settlement. The remaining 9% of the eligible clients are expected to receive a settlement offer in Q1 2021.

Stichting Stop de Banken, was not willing to participate in the settlement agreement and proceeded with the class action. ABN AMRO filed its defence documents with the Court of Appeal in The Hague on 9 March 2021. Thereafter, parties can request an oral hearing or a judgement.

ABN AMRO has recognised a provision for the Euribor-based mortgage cases.

Credit commitment provisions

Credit commitment provisions increased mainly due to the current economic situation as a result of Covid-19.

Other provisions

Other provisions decreased mainly due to the usage of the AML remediation programmes provision.

AML remediation programmes

Banks are considered gatekeepers of the financial system, which is a responsibility that ABN AMRO takes very seriously. ABN AMRO invests significant resources in fulfilling its role as gatekeeper in general and specifically in combating financial crime, and works closely with regulators, governments, other banks and other authorities. ABN AMRO has further increased its ongoing efforts to strengthen its AML remediation programmes in order to be compliant with anti-money laundering and anti-terrorist financing legislation. We have implemented multiple remediation programmes, including for remediating the Retail client portfolio. We are also investing further resources in strengthening the necessary processes, as well as in further improving systems required to assist efforts to combat financial crime. The total provision regarding the AML programme amounted to EUR 176 million at 31 December 2020. On a general note, all remedial action necessary to ensure full, bank-wide compliance with legislation at all times will be taken. In view of the current criminal investigation to which the bank is subject, sanctions (such as an instruction or fines) may be imposed by the authorities. Reference is made in this respect to Note 34 Commitments and contingent liabilities.

Changes in provisions during the year were as follows:

(in millions)	Insurance fund liabilities	Provision for pension commitments	Restructuring provision	Other staff provision	Legal provisions	Credit commitments	Other	Total
At 1 January 2019	11	66	294	117	475	63	178	1,204
Acquisition and divestment of subsidiaries					1			1
Increase of provisions			20		30	25	187	262
Reversal of unused provisions			-24		-24	-14	-11	-74
Utilised during the year			-104		-252		-49	-404
Accretion of interest					-1			-1
Transfer between stages						4		4
Other	-7	8	-15	2	5	2	-5	-11
At 31 December 2019	**4**	**74**	**172**	**119**	**234**	**79**	**301**	**983**
Acquisition and divestment of subsidiaries								
Increase of provisions			145		8	85	99	336
Reversal of unused provisions			-15		-80	-97	-24	-217
Utilised during the year			-55		-64		-92	-212
Accretion of interest					2	-1	-1	-1
Transfer between stages						186		186
Modifications due to credit risk								
Foreign exchange differences			-7			-2	-1	-9
Other	7	32	-13	17	-1	-158	-23	-139
At 31 December 2020	**11**	**106**	**226**	**136**	**98**	**92**	**258**	**926**

30 Pension and other employee benefits

Accounting policy for pension and other employee benefits

ABN AMRO sponsors a number of pension schemes in the Netherlands and abroad. These schemes are mainly defined contribution plans. The majority of the beneficiaries of the plans are located in the Netherlands.

Defined contribution plans

For defined contribution plans, ABN AMRO pays annual contributions determined by a fixed method and has no legal or constructive obligation to pay any further contributions. Contributions are recognised directly in the income statement in the year to which they relate. Actuarial and investment risk are for the account of the participants in the plan.

Defined benefit plans

For defined benefit plans, the net obligation of each plan is the difference between the present value of the defined benefit obligations and the fair value of the plan's assets.

The actuarial assumptions used for calculating the present value of the defined benefit obligations include discount rates based on high-quality corporate bonds, the inflation rate, future salary increases, employee contributions, mortality assumptions and rates of employee turnover. The assumptions are based on available market data and management expectations at the end of the reporting period.

Plan assets are measured at fair value at balance sheet date and are netted against the defined benefit obligations. Pension costs recognised in the income statement for defined benefit plans consist of:

- service costs;
- net interest costs determined by multiplying the net defined benefit liability (asset) by the discount rate, both as at the start of the annual reporting period, taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments; and
- curtailments or plan amendments.

Differences between pension costs and pension contributions payable are accounted for as provisions or prepayments.

Remeasurement

Remeasurements of the net defined benefit liability (asset) are actuarial gains and losses resulting from changes in actuarial assumptions and experience adjustments (i.e. unexpectedly high or low rates of employee turnover). They are recognised in other comprehensive income and are not recycled to profit or loss in later periods. The actual return on the pension plan's assets is determined after deduction of the costs of managing the assets and any tax payable by the pension plan itself.

Other employee benefits

Some group companies provide post-retirement benefits to their retirees, such as long-term service benefits and discounts on banking products. Entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period.

The expected costs of these benefits are accrued over the period of employment, using the same accounting methodology as used for defined benefit pension plans. These obligations are calculated annually.

Plans in all countries comply with applicable local regulations concerning investments and minimum funding levels.

Pension and other employee benefits

Amounts recognised in the income statement for pensions and other employee benefits

			2020			2019
(in millions)	Defined post employment benefit	Other employee benefits	Total	Defined post employment benefit	Other employee benefits	Total
Current service cost	6	21	27	4	5	9
Interest cost	2		2	3	1	5
Interest income	-1		-1	-2		-2
Other	-1	2	1		1	1
Total defined benefit expenses in actuarial report	**6**	**23**	**29**	**5**	**8**	**13**
Other expenses	-5		-5	-6	-3	-9
Total defined benefit expenses	**1**	**23**	**24**	**-1**	**5**	**4**
Defined contribution plans	306		306	372		372
Total pension expenses and other post retirement employee benefits	**307**	**23**	**330**	**371**	**5**	**376**

Total pension and other employee benefits expenses decreased by EUR 46 million. The decrease of EUR 66 million in defined contribution plan expenses was due to a new pension plan, as stated in the Collective Labour Agreement, and a one-off payment of EUR 30 million to the ABN AMRO pension fund in 2019. Pension expenses for defined contribution plans consist mainly of the cash contributions to the Dutch Collective Defined Contribution plan.

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During 2020 an accounting refinement was processed prospectively, whereby, based on its nature, an amount of EUR 25 million was transferred from other employee benefits to defined post-employment benefits.

Dutch defined contribution plan

The Dutch defined contribution plan is a Collective Defined Contribution plan, based on an average salary plan. The normal retirement age is set at 68 years. The contribution payable by pension fund participants is 5.5 % (2019: 5.5%)

Plan participants contributions to the defined benefit plan in 2020 amounted to EUR 42 million (2019: EUR 40 million) and are included in the pension expenses..

Reconciliation to the statement of financial position and other comprehensive income

			2020			2019
(in millions)	Defined post employment benefit	Other employee benefits	Total	Defined post employment benefit	Other employee benefits	Total
Present value of defined benefit obligations – funded with plan assets	267	3	270	242		242
Fair value of plan assets	194		194	176		176
	73	**3**	**76**	**66**		**66**
Present value of defined benefit obligations – unfunded	33	132	166	8	156	163
Net liabilities/(assets) balance sheet at 31 December	**106**	**136**	**242**	**74**	**156**	**229**
- of which assets						
- of which liabilities	*106*	*136*	*242*	*74*	*156*	*229*
Experience adjustments	3	-2	1	-13	2	-11
Remeasurements arising from changes in demographic assumptions DBO	-1		-1			
Remeasurements arising from changes in financial assumptions DBO	-7		-7	-18	-4	-22
Remeasurements arising from changes in financial assumptions plan assets	3		3	16		16
Remeasurements in other comprehensive income	**-2**	**-2**	**-4**	**-15**	**-2**	**-17**

Change in defined benefit obligation (DBO)

			2020			2019
(in millions)	Defined post employment benefit	Other employee benefits	Total	Defined post employment benefit	Other employee benefits	Total
Defined benefit obligation as at 1 January	250	156	405	237	155	393
Current service cost	6	21	27	4	5	9
Interest cost	2		2	3	1	5
Benefits paid				-8	-4	-11
Benefits paid in from employer	-11	-8	-19		-3	-4
Remeasurements arising from changes in demographic assumptions	1		1			
Experience adjustments	-3	2	-1	13	-2	11
Remeasurements arising from changes in financial assumptions	7		7	18	4	22
Other	48	-35	14	-18	-1	-20
Defined benefit obligation as at 31 December	**300**	**136**	**435**	**250**	**156**	**405**

The net defined benefit liabilities/(assets) balance as at December 2020 consisted of pensioners with a profit share, the indexation of benefits insured with an insurance company and several small defined benefit plans outside the Netherlands.

Change in fair value of plan assets

	2020			2019		
(in millions)	Defined post employment benefit	Other employee benefits	Total	Defined post employment benefit	Other employee benefits	Total
Fair value of plan assets as at 1 January	176		176	172		172
Interest income	1		1	2		2
Return on plan assets excluding interest	3		3	16		16
Employer's contributions				8		8
Benefits paid				-11		-11
Other	14		14	-11		-11
Fair value of plan assets as at 31 December	**194**		**194**	**176**		**176**

Principal actuarial assumptions

	2020	2019
Discount rate	0.5%	0.8%
Indexation rate	1.6%	1.7%
Future salary increases	1.9%	2.1%

The above assumptions are weighted by defined benefit obligations. The discount rate consists of a risk-free rate and a credit spread on AA-rated corporate bonds.

31 Other liabilities

The following table shows the components of accrued expenses and other liabilities.

(in millions)	31 December 2020	31 December 2019
Accrued other expenses	928	980
Lease liabilities	320	263
Unsettled securities transactions	844	824
Sundry liabilities and other payables	1,962	1,963
Total other liabilities	**4,053**	**4,030**

Other liabilities shows no material change compared to last year.

32 Equity attributable to owners of the parent company

Share capital and other components of equity

Ordinary shares

As at 31 December 2020, all shares in the capital of ABN AMRO Bank were held by two foundations: NLFI and STAK AAB. For more information about STAK AAB and the depositary receipts, please refer to the Leadership & governance chapter of this report.

Compound financial instruments

Components of compound financial instruments (liability and equity parts) are classified in their respective areas of the statement of financial position.

Currency translation reserve

The currency translation reserve represents the cumulative gains and losses on the translation of the net investment in foreign operations, net of the effect of hedging.

Fair value reserve

Under IFRS 9, the fair value reserve includes the gains and losses, net of tax, resulting from a change in the fair value of debt instruments measured at FVOCI. When the instruments are sold or otherwise disposed of, the related cumulative gain or loss recognised in equity is recycled to the income statement.

Cash flow hedging reserve

The cash flow hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments, net of taxes, that are recycled to the income statement if the hedged transactions have an impact on profit or loss.

Net investment hedging reserve

The net investment hedging reserve comprises the currency translation differences arising when the currencies of these instruments are translated to euros, to the extent they are effective.

Liability own credit risk reserve

Under IFRS 9, the changes in fair value attributable to changes in the own credit risk of financial liabilities designated at FVTPL are presented in other comprehensive income. The cumulative amount of changes in fair value attributable to credit risk of such liabilities is presented as liability own credit risk reserve in equity.

Other reserves

Other reserves mainly comprise retained earnings and profit for the period.

Dividends

Dividends on ordinary shares classified as equity are recognised as a distribution of equity in the period in which they are approved by shareholders.

Capital securities

Undated, deeply subordinated, resettable, callable capital securities are classified as additional tier 1 (AT1) capital, under total equity. ABN AMRO Bank has the European Central Bank's permission to carry out limited repurchases from investors and to sell back in the market.

(in millions)	31 December 2020	31 December 2019
Share capital	940	940
Share premium	12,970	12,970
Other reserves (incl. retained earnings/profit for the period)	6,826	6,993
Other components of equity	-1,733	-1,419
AT1 capital securities	1,987	1,987
Equity attributable to owners of the parent company	**20,989**	**21,471**
Equity attributable to non-controlling interests		
Total equity	**20,989**	**21,471**

At 31 December 2020, the authorised share capital of ABN AMRO Bank N.V. amounted to 2,400,000,000 shares, consisting of 2,200,000,000 ordinary A-shares with a nominal value of EUR 1.00 and 200,000,000 ordinary B-shares with a nominal value of EUR 1.00. Every share is entitled to one vote during the General Meeting. There were no changes in the authorised share capital in 2020. The total number of issued shares at 31 December 2020 was 940,000,001. As recommended by the ECB, no dividends were paid to the owners of the parent company in 2020. For more information, please refer to Capital in the Risk, funding & capital review section.

The following tables show the equity of ABN AMRO Bank N.V. and the outstanding and issued share capital.

	31 December 2020		31 December 2019	
	Class A ordinary shares	Class B ordinary shares	Class A ordinary shares	Class B ordinary shares
Number of shares				
Authorised share capital	2,200,000,000	200,000,000	2,200,000,000	200,000,000
Unissued share capital	1,259,999,999	200,000,000	1,259,999,999	200,000,000
Issued share capital	940,000,001		940,000,001	
Amount of shares (in EUR)				
Authorised share capital	2,200,000,000	200,000,000	2,200,000,000	200,000,000
Unissued share capital	1,259,999,999	200,000,000	1,259,999,999	200,000,000
Issued share capital	940,000,001		940,000,001	
Par value	1.00	1.00	1.00	1.00

33 Transferred, pledged, encumbered and restricted assets

Accounting policy for transferred, pledged, encumbered and restricted assets

Transferred financial assets are arrangements/transactions for which ABN AMRO has:

- Transferred the contractual rights to receive the cash flows of the financial asset to a third party, or;
- Retained the contractual rights to receive the cash flows of that financial asset, but has assumed a contractual obligation to pay the cash flows to a third party; or
- Transferred a financial asset when the counterparty has the right to repledge or to resell the asset.

Depending on the circumstances, these transfers may result in financial assets that either are or are not derecognised in their entirety. Please refer to Note 1 Accounting policies.

Pledged assets are assets pledged as collateral for liabilities or contingent liabilities and the terms and conditions relating to the pledge. Encumbered assets are those that are pledged or other assets that we believe to be restricted in order to secure, credit-enhance or collateralise a transaction.

In principle, pledged assets are encumbered assets. The following differences apply to ABN AMRO:

- Encumbered assets include mandatory reserve requirements with central banks;
- Encumbered assets exclude assets pledged for unused credit facilities with central banks at the statement of financial position date, i.e. mainly retained mortgage-backed securities.

Significant restrictions on assets may arise from statutory, contractual or regulatory requirements such as:

- Those that restrict the ability of the parent or its subsidiaries to transfer cash or other financial assets to or from other entities within the group;
- Guarantees or other requirements that may restrict dividends and other capital distributions being paid, or loans and advances being made or repaid to other entities within the group;
- Protective rights of other non-controlling interests that may restrict the ability of the bank to access and transfer assets freely to or from other entities within the group and to settle liabilities of the bank.

Transferred financial assets

This disclosure provides insight into the relationship between transferred financial assets and associated financial liabilities in order to show the risks the bank is exposed to when assets are transferred. If transferred financial assets continue to be recognised in the balance sheet, ABN AMRO Bank is still exposed to changes in the fair value of the assets.

Transferred financial assets not derecognised in their entirety

The following table shows transferred financial assets that are not derecognised in their entirety.

(in millions)	31 December 2020 Financial investments (at fair value through OCI)	Financial assets held for trading (at fair value through profit and loss)	Total	31 December 2019 Financial investments (at fair value through OCI)	Financial assets held for trading (at fair value through profit and loss)	Total
Securitisations						
Carrying amount transferred assets						
Carrying amount associated liabilities						
Fair value of transferred assets						
Fair value of associated liabilities						
Net position						
Securities financing[1]						
Carrying amount Transferred assets	2,821		2,821	1,612		1,612
Carrying amount Associated liabilities	2,821		2,821	1,612		1,612
Fair value of assets	2,821		2,821	1,612		1,612
Fair value of associated liabilities	2,821		2,821	1,612		1,612
Net position						
Other						
Carrying amount transferred assets					194	194
Carrying amount associated liabilities					192	192
Fair value of transferred assets					194	194
Fair value of associated liabilities					192	192
Net position					**2**	**2**
Totals						
Carrying amount transferred assets	2,821		2,821	1,612	194	1,806
Carrying amount associated liabilities	2,821		2,821	1,612	192	1,804
Fair value of transferred assets	2,821		2,821	1,612	194	1,806
Fair value of associated liabilities	2,821		2,821	1,612	192	1,804
Net position					**2**	**2**

[1] During 2020, ABN AMRO improved its reporting procedures for transferred assets. Comparative figures have been adjusted accordingly (EUR 1.6 billion).

Securitisations

The bank uses securitisations as a source of funding, whereby a Special Purpose Entity (SPE) issues debt securities. In a securitisation transaction utilising traditional mechanics, the bank transfers the title of the assets to SPEs. When the cash flows are transferred to investors in the notes issued by consolidated securitisation vehicles, the assets (mainly residential mortgage loans) are considered to be transferred. The bank did not have any transferred and associated securitisations at 31 December 2020.

Securities financing

Securities financing transactions are entered into on a collateralised basis for mitigating the bank's credit risk exposure. In repurchase agreements and securities lending transactions, ABN AMRO gets the securities returned at maturity. The counterparty in the transactions holds the securities as collateral, but has no recourse to other assets of ABN AMRO. ABN AMRO transfers the securities and if the counterparty has the right to resell or repledge them, the bank considers these assets to be transferred assets.

Continuing involvement in transferred financial assets derecognised in their entirety

The bank does not have any material transferred assets that are derecognised in their entirety, but where ABN AMRO has continuing involvement.

Pledged and encumbered assets

Pledged and encumbered assets are no longer readily available to the bank to secure funding, satisfy collateral needs or be sold to reduce the funding requirement. The following activities conducted by ABN AMRO give rise to pledged assets:

- Cash and securities provided as collateral to secure trading and other liabilities, mainly derivatives;
- Mortgages and SME loans pledged to secure funding transactions such as covered bonds and securitisations;
- Securities lent as part of repurchase and securities lending transactions.

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Other

The following table provides an overview of assets pledged as security and encumbered assets.

(in millions)	31 December 2020	31 December 2019
Assets pledged		
Cash and balances at central banks	212	3
Financial assets held for trading	418	421
Financial investments FVOCI	3,009	1,047
Loans and advances banks:		
- Interest bearing deposits	1,040	1,153
Loans and advances customers:		
- Residential mortgages	102,970	82,077
- Commercial loans	9,868	7,572
Total assets pledged as security	**117,518**	**92,274**
Differences between pledged and encumbered assets		
Loans and advances banks[1]	220	293
Loans and advances customers[2]	-17,568	-27,814
Total differences between pledged and encumbered assets	**-17,348**	**-27,521**
Total encumbered assets	**100,170**	**64,754**
Total assets	**395,623**	375,054
Total encumbered assets as percentage of total assets	25.3%	17.3%

[1] Includes mandatory reserve deposits.
[2] Excludes mainly mortgage-backed securities.

Total encumbered assets increased by EUR 35.4 billion at 31 December 2020, mainly due to the increased usage of TLTRO funding, which resulted in more collateral pledged at DNB.

Off-balance sheet collateral held as security for assets

Mainly as part of professional securities transactions, ABN AMRO obtains securities on terms that permit it to repledge or resell the securities to others. These transactions are conducted under terms that are usual and customary in standard professional securities transactions.

ABN AMRO controls the credit risk associated with these activities by monitoring counterparty credit exposure and collateral value on a daily basis and, when necessary, requiring additional collateral to be deposited with or returned to the bank.

(in millions)	31 December 2020	31 December 2019
Fair value of securities received which can be sold or repledged	57,436	59,478
- of which: fair value of securities repledged/sold to others	*41,454*	*46,712*

ABN AMRO has the obligation to return securities accepted as collateral to its counterparties.

Significant restrictions on the ability to access or use the bank's assets

Restricted financial assets consist of assets pledged as collateral against an existing or contingent liability and encumbered assets. Other restrictions impacting on the bank's ability to use assets include:

- Assets as a result of collateralising repurchase and borrowing agreements (31 December 2020: EUR 16.7 billion; 31 December 2019: EUR 14.9 billion);
- Assets held in certain jurisdictions to comply with local liquidity requirements and that are subject to restrictions in terms of their transferability within the group (31 December 2020: EUR 0.9 billion; 31 December 2019: EUR 2.8 billion);
- ABN AMRO Bank N.V. is in general not subject to any significant restrictions that would prevent the transfer of dividends and capital within the group, except for regulated subsidiaries that are required to maintain capital in order to comply with local regulations (31 December 2020: EUR 1.1 billion; 31 December 2019: EUR 1.0 billion).

34 Commitments and contingent liabilities

Accounting policy for off-balance sheet items

Commitments

Loan commitments that allow for draw-down of a loan within the timeframe generally established by regulation or convention in the marketplace are not recognised as derivative financial instruments. Acceptances comprise undertakings by ABN AMRO to pay bills of exchange drawn on clients. ABN AMRO expects most acceptances to be settled simultaneously with the reimbursement from clients. Acceptances are not recognised in the balance sheet and are disclosed as commitments.

Financial guarantee contracts

A financial guarantee contract requires the issuer to make specified payments to reimburse the holder for a loss it incurs if a specified debtor fails to make payment when due under the original or modified terms of a debt instrument. Initial recognition of financial guarantee contracts is at their fair value. Subsequent measurement is at the higher of the amount of the expected credit loss and the amount initially recognised, less – when appropriate – the cumulative amount of income recognised in the income statement.

Contingent liabilities

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events, and present obligations where the transfer of economic resources is uncertain or cannot be reliably measured. Contingent liabilities are not recognised in the balance sheet, but disclosed if the likelihood of an outflow of economic resources is more likely than not.

Committed credit facilities

Commitments to provide credit take the form of approved but undrawn loans, revolving and underwriting facilities. New loan offers have a commitment period that does not extend beyond the normal underwriting and settlement period.

Guarantees and other commitments

ABN AMRO provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These transactions have fixed limits and generally extend for periods of up to 5 years. Expirations are not concentrated in any particular period. ABN AMRO also provides guarantees by acting as a settlement agent in securities borrowing and lending transactions.

Many of the contingent liabilities and commitments are expected to expire without being paid out in whole or in part. This means that the amounts stated do not represent expected future cash flows. Additionally, guarantees and letters of credit are supported by varying levels of collateral.

Furthermore, statements of liability within the meaning of Article 403, Book 2 of the Dutch Civil Code have been issued for a of ABN AMRO's affiliated companies (see also the overview of Major subsidiaries and participating interests in the Other chapter).

The committed credit facilities, guarantees and other commitments at 31 December 2020 and 2019 are summarised in the following table. The amounts stated in the table for commitments assume that amounts are fully paid out. The amounts shown in the table for guarantees and letters of credit represent the maximum amount ABN AMRO is exposed to if the contract parties completely fail to perform as contracted.

(in millions)	Less than one year	Between one and three years	Between three and five years	After five years	Total
					Payments due by period
31 December 2020					
Committed credit facilities	**35,221**	**7,792**	**8,835**	**3,360**	**55,207**
Guarantees and other commitments					
Guarantees granted	1,674	124	11	82	1,890
Irrevocable letters of credit	3,422	867	968	278	5,535
Recourse risks arising from discounted bills	1,295	80	145	37	1,556
Total guarantees and other commitments	**6,390**	**1,071**	**1,123**	**397**	**8,981**
Total	**41,611**	**8,863**	**9,958**	**3,757**	**64,188**
31 December 2019					
Committed credit facilities	**33,541**	**7,159**	**11,452**	**2,521**	**54,673**
Guarantees and other commitments					
Guarantees granted	2,051	228	46	82	2,407
Irrevocable letters of credit	4,268	1,330	852	283	6,733
Recourse risks arising from discounted bills	7,828	201	19	291	8,339
Total guarantees and other commitments	**14,147**	**1,759**	**917**	**656**	**17,479**
Total	**47,688**	**8,919**	**12,369**	**3,177**	**72,152**

Total committed credit facilities, guarantees and other commitments decreased by EUR 8.0 billion, mainly related to a decrease of EUR 6.8 billion in recourse risks arising from discounted bills as a result of the CIB non-core wind-down. This was partly offset by a rise in credit lines granted to commercial clients and higher outstanding credit offers for residential mortgages. In the latter case, this related to the fact that, despite Covid-19, the housing market in the Netherlands remained very active throughout 2020.

Investigation Dutch public prosecutor

In September 2019, the Dutch public prosecutor informed ABN AMRO that it was the subject of a criminal investigation relating to requirements under the Dutch Act on the prevention of money laundering and financing of terrorism (in Dutch: Wwft) subsequent to inter alia regulatory findings of DNB in deficiencies in compliance with the Wwft. The scope of the investigation includes suspicions of non-compliance with the Wwft, such as having client files in good order, timely reporting of unusual transactions and discontinuing relationships with clients in due time and related suspicions of culpable money laundering (schuldwitwassen). The investigation is ongoing and ABN AMRO continues to fully cooperate. The timing of the completion and outcome of the investigation remain uncertain. The potential financial impact of the outcome of the investigation, which can be significant, cannot be estimated reliably at present. As such, no provision is recorded.

Variable interest rate complaints for consumer loans

The alternative dispute resolution body Kifid has given rulings on contractual terms that give credit providers the unconditional right to change the variable interest rate of loans provided to consumers (revolving credit and mortgage loans). In short, Kifid ruled that if the contractual term does not specify the grounds for changing the interest rate, the customer may expect the only relevant circumstances that can play a role in changing the interest rate to be market developments. As a result, the difference between the contractual rate and the average market rate is set at the moment the contract is entered into. From then on, the contractual rate should follow movements of the average market rate. In order to establish whether the credit provider followed market developments, Kifid compares the course of the contractual interest rate with certain average interest rates published by Statistics Netherlands and the Dutch Central Bank. In the event of deviations, it could lead to a possible repayment of the difference by the credit provider.

ABN AMRO has received similar complaints from customers. In a 15 July 2020 ruling, the Kifid Disputes Committee ruled that ABN AMRO had to recalculate the variable interest charged to a specific customer on a revolving credit. This ruling was upheld in a 3 March 2021 ruling by the Kifid Appeals Committee. ABN AMRO does not agree with the current rulings of Kifid on this matter and therefore considers taking several complaints cases to the civil courts. ABN AMRO has made a provision because it considers it more likely than not that there will be outflow on the basis of individual similar Kifid rulings until new civil case law becomes available. For civil case law, ABN AMRO considers it not more likely than not that there will be outflow, reason why no provision has been accounted for.

ABN AMRO cannot give a reliable estimate of the (potentially substantial) total financial risk of the contingent liabilities not provided for, because it is unclear what the exact scope of the verdict is and whether the verdict will have a certain knock-on effect on other products.

Equity trading

German authorities are conducting investigations into the involvement of individuals from various banks and other parties in equity trading extending over dividend record dates in Germany, including several forms of tainted dividend arbitrage (i.e. dividend stripping, including cum/ex and cum/cum) for the purpose of obtaining German tax credits or refunds in relation to withholding tax levied on dividend payments including, in particular, transaction structures that have resulted in more than one market participant claiming such credit or refund with respect to the same dividend payment. ABN AMRO's legal predecessor, Fortis Bank (Nederland) N.V., ABN AMRO and several (former) subsidiaries were directly or indirectly involved in these transactions in the past in various roles. Certain criminal investigation proceedings relate to the activities of these entities and individuals involved at the time. This also resulted in search warrants being issued against ABN AMRO. ABN AMRO cooperates with these investigations. ABN AMRO has no knowledge of the results of any such investigation.

Furthermore, ABN AMRO frequently receives information requests from German authorities in relation to other (criminal) investigations. ABN AMRO cooperates and provides the requested information to the extent possible. Although a number of subsidiaries associated with these transactions have been sold by means of a management buy-out, legal risks remain for ABN AMRO, in particular relating to criminal and civil law. All material tax issues with respect to ABN AMRO's reclaims for cum/ex transactions have been settled with the German tax authorities. With respect to cum/cum securities lending transactions with German counterparties as borrowers, ABN AMRO is exposed to civil law compensation claims from these counterparties for crediting entitlements that have been denied by the relevant German tax authorities. Based on the analyses performed, ABN AMRO considers it rather unlikely that such claims will be successful. However, it cannot be ruled out.

It cannot be excluded that ABN AMRO or subsidiaries will be faced with financial consequences as a result of their involvement in dividend stripping transactions, including penalties and other measures under criminal law and civil law claims. It is currently unclear, however, how the German prosecution authorities' investigations will impact ABN AMRO and its subsidiaries and to what extent penalties or forfeiture orders will be imposed. It is also uncertain whether tax authorities or third parties will successfully claim amounts from ABN AMRO in (secondary) liability or other civil cases. Therefore, the financial impact cannot be reliably estimated at this time and no provision has been made.

Duty of care matters

A number of proceedings have been initiated against ABN AMRO for alleged breach of its duty of care in transparency-related standards. Where applicable, provisions for these matters have been made.

There can be no assurance that additional proceedings will not be brought or that amounts demanded in claims brought to date will not rise. Current proceedings are pending and their outcome, as well as the outcome of any threatened proceedings, is uncertain, as is the timing of reaching any finality on these legal claims and proceedings. Although the consequences could be substantial for ABN AMRO and potentially affect its reputation, results of operations, financial condition and prospects, it is not possible to reliably estimate or quantify ABN AMRO's exposure at this time. These uncertainties are likely to continue for some time.

Cross-liability

On 6 February 2010, the former ABN AMRO Bank N.V. demerged into two entities: NatWest Markets N.V. (formerly known as RBS N.V.) and ABN AMRO Bank N.V. On the division of an entity by demerger, Dutch law establishes a cross-liability between surviving entities for the benefit of the creditors at the time of the demerger. ABN AMRO's cross-liability amounts to EUR 1.4 billion (31 December 2019: EUR 1.8 billion), for which NatWestMarkets N.V. has posted collateral of EUR 0.7 billion (31 December 2019: EUR 0.9 billion).

Other contingent liabilities

ABN AMRO is involved in a number of legal proceedings in the ordinary course of business in various jurisdictions. In presenting the Consolidated Annual Financial Statements, management estimates the outcome of legal, regulatory and arbitration matters, and takes provisions to the income statement when losses with respect to such matters are more likely than not. Provisions are not recognised for matters for which an expected cash outflow cannot be reasonably estimated or that are not more likely than not to lead to a cash outflow. Some of these matters may be regarded as a contingency. In particular, the following matters are regarded as contingent liabilities:

- ABN AMRO, certain of its subsidiaries and some of their client funds had exposure to funds that suffered losses (in some cases, significant losses) as a result of the Madoff fraud. The provision of custodial services resulted in several legal claims, including by the Bernard L. Madoff Investment Securities trustee in bankruptcy (Irving Picard) and the liquidators of certain funds, who are pursuing legal action in an attempt to recover payments made as a result of the fraud and/or to compensate their alleged losses. ABN AMRO and certain ABN AMRO subsidiaries are defendants in these proceedings. Even though these proceedings have been ongoing for several years, they are still in a preliminary stage. Hence, it is not possible to estimate the total amount of ABN AMRO's potential liability, if any.
- The Imtech Group was declared bankrupt in August 2015. ABN AMRO was one of the banks that extended financing to this group and participated in the second rights offering of October 2014. By letter of 20 January 2018, Stichting Imtechclaim and Imtech Shareholders Action Group B.V. held ING, Rabobank, Commerzbank and ABN AMRO liable for alleged misstatements in the prospectuses and for alleged actio pauliana (fraudulent preference). By letter of 28 March 2018, the VEB held parties, including ABN AMRO, liable for damage allegedly suffered by the Imtech investors. On 10 August 2018, ABN AMRO received formal notification from Imtech's trustees that they were seeking to nullify a large number of transactions and claim various damages. The letter aimed to interrupt limitation periods in view of the possible claims against Imtech's lenders, bondholders and underwriting banks. It appears likely that litigation will be started by the trustees in view of this letter and subsequent communications, although the exact timing of this litigation, the amount of the claim and the parties to be summoned are unclear. Two execution-only clients of ABN AMRO have commenced proceedings against ABN AMRO and are claiming an amount in excess of EUR 600,000. Their claim is based on alleged prospectus liability, together with an alleged breach of the duty of care. The District Court of Amsterdam dismissed the claims of the two-execution only clients in March 2020. An appeal was lodged in 2020 and the matter is pending before the Court of Appeal in Amsterdam.
- On 18 October 2018, Eurostar Diamond Traders N.V. (EDT) filed a civil law complaint against ABN AMRO in the Antwerp Court, claiming a provisional amount of EUR 673 million. The amount claimed included an unsubstantiated claim for damages of EUR 600 million on the ground that ABN AMRO and Standard Chartered Bank (SCB) allegedly deliberately caused EDT's demise. Damages of USD 73 million were also claimed for the alleged sale of unsuitable derivatives. EDT and Eurostar Diamond Traders International N.V., EDT's parent company, were both declared bankrupt in a final decision in 2020. In August 2020, the EDT-appointed trustees indicated that they did not want to continue pursuing this claim. On 11 December 2020, ABN AMRO, SCB and the EDT trustees reached an amicable settlement. This settlement will become final when approved by the supervisory judge and the Bankruptcy Court of Antwerp. The approval from the supervisory judge was obtained. The approval from the Bankruptcy Court of Antwerp is now scheduled for 18 March 2021.
- First Data Holding (FDH) and some of its group companies have indicated that they believe that one of FDH's subsidiaries, European Merchant Services B.V (EMS), has a claim against International Card Services B.V. (ICS). In spring 2016, FDH claimed for the first time that EMS was entitled to 51% of the proceeds of the sale of Visa Europe in 2015. The alleged claim amounted to approximately EUR 37 million plus interest. In August 2016, ICS refuted this claim. In September 2020, FDH repeated its alleged claim. In October 2020, EMS and FDH (now Fiserv) interrupted the limitation periods relating to EMS's alleged claim. In December 2020, ICS responded by rejecting this alleged claim again. As yet, however, EMS itself has not filed any claim against ICS. As a result, it has to be awaited whether and when EMS files such claim.
- In February 2018, ABN AMRO sold its Luxembourg subsidiary to BGL BNP Paribas (BGL). BGL is now being sued by a Luxembourg fund, LFP I SICAV SIF (LFP), which alleges that the Luxembourg subsidiary, in its capacity as custodian of a sub-fund of LFP (Columna), should have prevented an investment of USD 10 million from being made. LFP is claiming restitution of this amount from BGL in procedures before the District Court of Luxembourg. BGL notified ABN AMRO of this claim in January 2020 and, in June 2020, summoned it to appear in these proceedings in an intervention procedure. In July 2020, LFP and its Hong Kong subsidiary issued an additional claim against BGL. This claim amounts to USD 37.5 million and also seems to be in respect of investments relating to Columna. Since August 2020, this additional claim has also been part of the intervention procedure between BGL and ABN AMRO. In August 2020, BGL reserved its (alleged) rights to file possible further claims against ABN AMRO, also in relation to LFP. As a result, it has to be awaited whether BGL will institute any further additional claims in this matter.
- At the end of 2019, ABN AMRO and the Dutch labour unions reached agreement on the renewal of ABN AMRO's collective labour agreement (CLA). ABN AMRO requested Stichting Pensioenfonds van de ABN AMRO Bank N.V (AAPF) to accept the related renewed implementation agreement. According to AAPF, this agreement is not acceptable as it no longer includes an annual payment obligation of EUR 25 million by ABN AMRO to AAPF. In December 2019, the parties agreed that (i) AAPF would refrain from claiming ABN AMRO's alleged obligation for 2020 and 2021 as a pragmatic gesture to ABN AMRO so as to avoid obstructing the renewal of the CLA, and (ii) AAPF would start arbitration proceedings against ABN AMRO in an attempt to obtain an declaratory award with respect to ABN AMRO's alleged annual payment obligation from 2022 onwards. In these proceedings, AAPF is claiming payment of an annual amount of EUR 25 million from ABN AMRO from 2022 onwards for the duration of the implementation agreement, which is for an indefinite period. A hearing is planned for June 2021.

- Other contingent liabilities include EUR 103 million related to an irrevocable payment commitment (IPC) to the Single Resolution Board (SRB) in Brussels. In April 2016, the SRB provided credit institutions with the option to fulfil part of their obligation to pay the annual ex-ante contributions to the Single Resolution Fund (SRF) through IPCs. To secure full and punctual payment, if called by the SRB, credit institutions needed to constitute cash collateral and fully transfer legal ownership to the SRB.

35 Remuneration of Executive Board and Supervisory Board

Remuneration of Executive Board

ABN AMRO's remuneration policy has been formally approved by shareholders and adopted by the Supervisory Board.

The following statement summarises the income components for the individual Executive Board members.

								2020
	Base salary	Compensation for lease car expenses	Benefits from mortgage interest rate	Variable remuneration[6]	Total pension-related contributions[7]		Severance payments	Total[8]
(In thousands)					Post-employment pension (a)	Short-term allowances (b)		
R.A.J. Swaak[1]	527				21	153		701
C. van Dijkhuizen[2]	633				25	184	190	1,032
C.J. Abrahams[3]	645				30	182		857
C.M. Bornfeld[4]	645				30	182		857
T.J.A.M. Cuppen[5]	645				30	182		857
Total	**3,095**				**136**	**883**	**190**	**4,304**
								2019
C. van Dijkhuizen[2]	741				38	222		1,001
C.J. Abrahams[3]	629				38	183		850
C.M. Bornfeld[4]	629				38	183		850
T.J.A.M. Cuppen[5]	629				38	183		850
Total	**2,628**				**152**	**771**		**3,551**

1 R.A.J. Swaak was appointed as CEO with effect from 22 April 2020.
2 The Executive Board membership for C. van Dijkhuizen ended on 22 April 2020. The services agreement of C. van Dijkhuizen ended on 31 October 2020.
3 C.J. Abrahams receives a compensation for housing costs (2020: EUR 92 thousand; 2019: EUR 94 thousand) and flight tickets (2020: EUR 7 thousand; 2019: EUR 13 thousand) to his home country which is not included in the base salary.
4 C.M. Bornfeld receives a compensation for housing costs (2020: EUR 129 thousand; 2019: EUR 132 thousand) and flight tickets to his home country (2020: EUR 4 thousand; 2019 EUR 13 thousand) which is not included in the base salary.
5 In addition to remuneration, T.J.A.M. Cuppen received a benefit for the personal use of the company car (2020: EUR 3 thousand; 2019: EUR 3 thousand).
6 As a consequence of the Bonus Prohibition Act, the Executive Board members are not entitled to receive variable compensation. This prohibition has applied since the performance year 2011.
7 The Executive Board members participate in ABN AMRO Bank's pension plans for employees in the Netherlands. This participation is not mandatory for C.J. Abrahams considering his current non-Dutch tax resident status. Total pension-related contributions refer to (a) the employer contribution to the pension fund (for the CDC pension scheme for pensionable income up to EUR 110,111 (2019: EUR 107,593) and (b) the arrangement in accordance with the ABN AMRO Collective Labour Agreement ('ABN AMRO CAO').
8 In addition to remuneration, Executive Board members are eligible for benefits such as the use of a company car. Only T.J.A.M. Cuppen uses this car for private purposes. Members of the Executive Board may receive compensation for Dutch language classes, private schools for their children and home security.

Loans from ABN AMRO to Executive Board members

The following table summarises the outstanding loans to members of the Executive Board.

			2020			2019
(In thousands)	Outstanding 31 December	Redemptions	Interest rate	Outstanding 31 December	Redemptions	Interest rate
There are no loans to members of the Executive Board						

Remuneration of the Supervisory Board

The following statement summarises the income components for the individual Supervisory Board members.

(In thousands)	2020[8]	2019[8]
T. de Swaan	96	90
S. ten Have[1]		19
A.C. Dorland	81	75
L.J. Griffith[2]	78	3
M.P. Lap[3]	78	50
F.J. Leeflang[4]		23
J.M. Roobeek[5]		70
J.B.J. Stegmann	81	78
A.M. Storåkers[6]	78	43
M.L. Tannemaat[7]	4	
J.S.T. Tiemstra	81	78
Total	**577**	**529**

1 S. ten Have stepped down as member of the Supervisory Board with effect from 24 April 2019.
2 L.J. Griffith was appointed as member of the Supervisory Board with effect from 17 December 2019.
3 M.P. Lap was appointed as member of the Supervisory Board with effect from 24 April 2019.
4 F.J. Leeflang stepped down as a member from the Supervisory Board with effect from 24 April 2019.
5 J.M. Roobeek stepped down as member of the Supervisory Board with effect from 17 December 2019.
6 A.M. Storåkers was appointed as member of the Supervisory Board with effect from 24 April 2019.
7 M.L. Tannemaat was appointed as member of the Supervisory Board with effect from 15 December 2020.
8 Remuneration amounts excluding VAT.

Loans from ABN AMRO to Supervisory Board members

The following table summarises the outstanding loans to members of the Supervisory Board.

	2020			2019		
(In thousands)	Outstanding 31 December	Redemptions	Interest rate	Outstanding 31 December	Redemptions	Interest rate
T. de Swaan	1,597		1.0%	1,407		2.8%
L.J. Griffith[1]	428	94	1.8%	522		1.8%
J.B.J. Stegmann		500	0.1%	500	400	0.1%
J.M. Roobeek[2]				1,600		3.0%

1 L.J. Griffith was appointed as member of the Supervisory Board with effect from 17 December 2019.
2 J.M. Roobeek stepped down as member of the Supervisory Board with effect from 17 December 2019.

36 Share-based payment

Accounting policy for share-based payment

Identified staff as defined by CRD V are entitled to receive variable compensation. Variable compensation consists of both a cash bonus and a non-cash bonus. The non-cash bonus qualifies as a cash-settled share-based payment plan as defined by IFRS 2.

The compensation is granted for a certain performance year. Up to and including the performance year 2019, it was granted for 50% in cash and for 50% in the form of non-cash (depositary receipt) compensation. The non-cash compensation vests for 30% two years after the performance year. The remaining 20% vests in three equal tranches in the third, fourth and fifth year following the performance year. The vesting conditions include a retention period until the non-cash award is settled and performance conditions that apply until two years before settlement. Bad leaver conditions also apply. At the end of the vesting period, participants receive the cash value of the five-day average of an ABN AMRO listed depositary receipt.

As from performance year 2020, the depositary receipts will be replaced by a performance certificate as non-cash compensation. The non-cash compensation vests for 30% in the first year. The remaining 20% vests in equal instalments in each ofthe four years after the first payment. The value of the performance certificates depends on the five-day average of an ABN AMRO listed depositary receipt at the end of the vesting period. A one-year retention period applies to the non-cash compensation.

A liability is recognised for the fair value of cash-settled transactions. The fair value is measured initially and at each reporting date up to and including the settlement date, with changes in fair value recognised in employee benefits expense.

The fair value is determined using an internally developed model based on the share price and market expectations of future dividends. Non-cash compensation granted for 2019 and the years before give the option to request depositary receipts (DRs) rather than cash. This choice can be made during the quarter in which settlement takes place and is subject to Supervisory Board approval. This equity component in the plan is valued at nil until the request is approved. Participants receive the same amount of fair value, regardless of whether they choose cash or DRs. If participants choose DRs, the value of the depositary receipts is transferred in its entirety from the liability to an equity account. The actual delivery to the participant is expected to take place in the same quarter as the choice is made.

The cash bonus in this revised variable compensation plan is recorded based on IAS 19. ABN AMRO will not issue additional shares, but will buy shares in the market when needed. As the purchase of shares is expected to take place in the quarter during which the DRs are delivered, there is no impact on (diluted) earnings per share.

The carrying amount of the liability relating to the non-cash award at 31 December 2020 was EUR 4 million (2019: EUR 11 million).

No expense was recognised in 2020 for the variable compensation plan. The variable compensation plan led to a net gain of EUR 2.6 million, which is the result of the cancellation of depositary receipts of several Identified Staff and a decrease in the share price. For 2020 no depositary receipts were granted to Dutch and non-core Identified Staff. The expense recognised for the variable compensation plan during 2019 was EUR 14 million. The 2019 IFRS 2 expense includes the costs for 2016, 2017 and 2018 because the non-cash variable compensation for these years became a share-based payment plan, as defined by IFRS, when the Supervisory Board approved the variable compensation plan in the first quarter of 2019. The IAS 19 Employee benefit liability recorded to that date was released to the income statement.

The table below shows the total number of depositary receipts that have been awarded, forfeited and paid out.

(In thousands of DRs)		2020		2019
Outstanding at 1 January		**751**		
Granted on appoval date				701
Granted during the year		361		295
Forfeited during the year	18		12	
Paid out during the year cash	211		224	
Paid out during the year DRs	24		9	
Less: total paid out/forfeited		-253		-245
Outstanding at 31 December		**859**		**751**

The table below shows the total number of depositary receipts granted, segmented by the respective vesting period after which the award will be paid out.

(In thousands of DRs)	Up to one year	Between one and two years	Between two and three years	Between three and four years	Between four and five years	Total
31 December 2020						
Number of granted DRs by vesting period	257	343	125	86	48	859
31 December 2019						
Number of granted DRs by vesting period	233	268	131	80	39	751

37 Related parties

Parties related to ABN AMRO Bank include NLFI with control, the Dutch State with significant influence, associates, pension funds, joint ventures, the Executive Board, the Executive Committee, the Supervisory Board, close family members of any person referred to above, entities controlled or significantly influenced by any person referred to above and any other related entities. ABN AMRO has applied the partial exemption for government-related entities as described in IAS 24 paragraphs 25-27.

As part of its business operations, ABN AMRO frequently enters into transactions with related parties. Transactions conducted with the Dutch State are limited to normal banking transactions, taxation and other administrative relationships, with the exception of items specifically disclosed in this note. Normal banking transactions relate to loans and deposits and are entered into under the same commercial and market terms that apply to non-related parties.

Loans and advances to the Executive Board, Executive Committee members and close family members, where applicable, consist mainly of residential mortgages granted under standard personnel conditions. For further information, please refer to Note 35 Remuneration of Executive Board and Supervisory Board of the Consolidated Annual Financial Statements 2020.

Balances with joint ventures, associates and other

(in millions)	Joint ventures	Associates	Other	Total
31 December 2020				
Assets	14	204		218
Liabilities	79	426		504
Guarantees given		15		15
Guarantees received				
Irrevocable facilities		17		17
2020				
Income received	32	4		36
Expenses paid	4	110	284	399
31 December 2019				
Assets	8	403		412
Liabilities	80	469		548
Guarantees given		15		15
Guarantees received				
Irrevocable facilities		56		56
2019				
Income received	33	24		57
Expenses paid	7	8	302	317

The decrease of EUR 199 million in assets with associates was mainly due to lower loans and receivables to customers as a consequence of divestments of other financial and non-financial corporations. Furthermore there was a decrease in loans and receivables banks.

The decrease of EUR 43 million in liabilities with associates was mainly due to lower customer balances held with other financial corporations.

The decrease of EUR 39 million in irrevocable facilities with associates was due to utilised facilities on credit lines related to the introduction of new ATM machines by Geldmaat in 2019.

Income received in associates decreased by EUR 20 million, mainly due to lower fee and commission income from financial institutions.

The increase of EUR 102 million in expenses paid by associates was mainly due to the non-financial corporation Stater N.V. ABN AMRO sold 75% of its share in Stater N.V. in 2019; the remaining interest of 25% is qualified as a related party. The latter is included in the 2020 figures for EUR 104 million in expenses paid.

Expenses in the column Other reflect pension contributions paid to the ABN AMRO pension fund. The decrease in defined contributions paid related mainly to the new CLA agreement.

Balances with the Dutch State

(in millions)	31 December 2020	31 December 2019
Assets		
Financial assets held for trading	414	177
Derivatives	171	438
Financial investments	4,510	4,888
Loans and advances customers	714	1,007
Other assets		
Liabilities		
Financial liabilities held for trading	79	80
Derivatives	807	1,343
Due to customers	731	826
Other liabilities	1	1
	2020	2019
Income statement		
Interest income	80	100
Interest expense	40	39
Net trading income	-209	-289
Net fee and commission income	2	

On 1 April 2010, ABN AMRO signed an indemnity agreement with the Dutch State (currently represented by NLFI) for a shortfall in capital above a certain amount related to specific assets and liabilities of RFS Holdings B.V. In 2019, NatWest Markets N.V. (formerly known as RBS N.V.) acquired all the shares in RFS Holdings. However, NLFI has given certain warranties related to the shares it previously owned in RFS Holdings and this indemnity agreement continues to exist. As RFS Holdings is sufficiently capitalised, ABN AMRO has assessed the risk of any shortfall as remote.

Transactions conducted with the Dutch State are limited to normal banking transactions, taxation and other administrative relationships. Normal banking transactions relate to loans and deposits, financial assets held for trading and financial investments, and are entered into under the same commercial and market terms that apply to non-related parties.

Transactions and balances related to taxation, such as levies in the Netherlands, are excluded from the above table. Transactions and balances related to taxation are included in Note 10 Income tax expense, tax assets and tax liabilities. Most of the tax items in this note consist of transactions and balances with the Dutch tax authorities.

The regulatory charges relating to the Dutch State are included in Note 9 General and administrative expenses.

The increase of EUR 0.2 billion in financial assets held for trading mainly related to higher amounts of Dutch government bonds as a result of the primary dealership in the Netherlands and client facilitation. Most of these contracts are hedged with short positions in government bonds.

The decrease of EUR 0.3 billion in derivatives related to assets was mainly due to lower lending positions with the Dutch State. Derivatives transactions with the Dutch State are related to the normal course of business.

The decrease of EUR 0.3 billion in loans and advances customers was due to higher cash collateral pledged as a result of a decrease in financial liabilities held for trading.

The decrease of EUR 0.5 billion in derivatives related to liabilities was mainly due to lower lending positions with the Dutch State. Derivatives transactions with the Dutch State are related to the normal course of business.

The decrease of EUR 0.1 billion in due to customers is attributable to the redemption on 3 October 2008 of part of the loan (including accrued interest) acquired from the Dutch State and relating to Ageas.

Interest income decreased by EUR 20 million, mainly due to the sale of Dutch government bonds.

Net trading income decreased by EUR 79 million, mainly due to the sale of Dutch government bonds.

Key management personnel compensation

	Base salary	Compensation for lease car expenses	Benefits from mortgage interest rate	Pre ExCo deferred remuneration[6]	Variable remuneration[7]	Total pension-related contributions[8]		Severance payments	Total[9,10]
(In thousands)						Post-employment pension (a)	Short-term allowances (b)		
2020									
Members ExBo	3,095					136	883	190	4,304
F.M.R. van der Horst[1]	623	34	20			30	174		881
D.C. de Kluis[2]	585	28	16			30	162		821
G.J. Meppelink[3]								244	244
P.H. van Mierlo[4]	585	4	4			30	162		785
R.F. van Nouhuijs	623	34	1			30	174		862
G.R. Penning[5]	259	14				13	73		359
Total	**5,770**	**114**	**41**			**269**	**1,628**	**434**	**8,256**
2019									
Members ExBo	2,628					152	771		3,551
F.M.R. van der Horst[1]	609	12	21	24		38	175		879
D.C. de Kluis[2]	572	10	16	21		38	163		820
G.J. Meppelink[3]	319	20	5	31		22	90		487
P.H. van Mierlo[4]	572	4	5	9		38	163		791
R.F. van Nouhuijs	609	34	12	33		38	175		901
Total	**5,309**	**79**	**59**	**118**		**326**	**1,537**		**7,428**

1 In addition to remuneration, F.M.R. van der Horst received a benefit for the personal use of the company car (2020: Euro 0 thousand; 2019: EUR 13 thousand).
2 In addition to remuneration, D.C. de Kluis received a benefit for the personal use of the company car (2020: EUR 4 thousand; 2019: EUR 10 thousand).
3 G.J. Meppelink stepped down from ExCo on 1 August 2019 and worked on several assignments until 31 December 2019. The severance payment related to his ExCo contract amounted to EUR 243,958 gross.
4 In addition to remuneration, P.H. van Mierlo received a benefit for the personal use of the company (2020: EUR 6 thousand; 2019: EUR 6 thousand).
5 G.R. Penning was appointed as CHRO with effect from 1 August 2020.
6 Deferred remuneration related to variable remuneration of identified staff for the period before 1 March 2017, see also Remuneration report in the Leadership & governance chapter.
7 Due to ABN AMRO restrictions, no variable remuneration will be paid. Therefore the fixed remuneration is 100% of total remuneration.
8 The Executive Committee members participate in ABN AMRO Bank's pension plans as applicable to the employees in the Netherlands. Total pension related contributions as applicable as of 2020 refer to (a) the employer contribution to the pension fund (for the CDC pension scheme for pensionable income up to EUR 110,111 (2019: EUR 107,593) and (b) the arrangement in accordance with the ABN AMRO Collective Labour Agreement ('ABN AMRO CAO').
9 Consistent with regular employees Other ExCo members are eligible for an employee mortgage discount.
10 In addition to remuneration, other ExCo members are eligible for benefits such as the use of a company car.

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Key management loans and advances

(In thousands)	2020 Outstanding 31 December	2020 Redemptions	2020 Average interest rate	2019 Outstanding 31 December	2019 Redemptions	2019 Average interest rate
Executive Board						
Other ExCo members	3,331	925	2.2%	4,988	588	2.8%

38 Post balance sheet events

There have been no significant events between the year-end and the date of approval of these accounts which would require a change to or disclosure in the accounts.

Authorisation of the Consolidated Annual Financial Statements

9 March 2021

Supervisory Board

T. (Tom) de Swaan, Chairman
A.C. (Arjen) Dorland, Vice-Chairman
L.J. (Laetitia) Griffith
M.P. (Michiel) Lap
J.B.J. (Jurgen) Stegmann
A.M. (Anna) Storåkers
M.L. (Mariken) Tannemaat
J.S.T. (Tjalling) Tiemstra

Executive Board

Robert Swaak, Chief Executive Officer and Chairman
Christian Bornfeld, Chief Innovation & Technology Officer and Vice-Chairman
Tanja Cuppen, Chief Risk Officer
Annemieke Roest, Chief Financial Officer ad interim

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Company Annual Financial Statements of ABN AMRO Bank N.V.

Company income statement

(in millions)	Note	2020	2019
Income			
Interest income		12,769	15,223
Interest expense		9,415	11,272
Net interest income	2	**3,354**	**3,951**
Fee and commission income		1,278	1,165
Fee and commission expense		378	223
Net fee and commission income		**899**	**942**
Results from financial transactions	3	324	223
Income from securities and participating interests	4	824	1,251
Other operating income	5	25	119
Operating income		**5,426**	**6,485**
Expenses			
Personnel expenses	6	1,720	1,686
General and administrative expenses		1,803	1,941
Depreciation, amortisation and impairment losses of tangible and intangible assets		227	188
Operating expenses		**3,750**	**3,814**
Impairment charges on financial instruments		1,761	412
Total expenses		**5,511**	**4,226**
Profit/(loss) before taxation		**-84**	**2,259**
Income tax expense		-40	214
Profit/(loss) for the year		**-45**	**2,046**

Company statement of financial position

(in millions)	Note	31 December 2020	31 December 2019
Assets			
Cash and balances at central banks	7	57,936	26,088
Short-term government paper	8	39,366	37,505
Loans and advances banks	9	166,418	169,777
Loans and advances customers	10	109,182	128,157
Debt securities	11	7,523	6,723
Equity securities	12	35	57
Participating interests in group companies	13	7,819	8,180
Equity-accounted investments	14	261	224
Intangible assets	15	19	59
Property and equipment	15	833	862
Other assets	16	8,341	7,201
Total assets		**397,733**	**384,832**
Liabilities			
Due to banks	17	65,976	48,745
Due to customers	18	229,297	224,161
Issued debt	19	63,253	70,757
Subordinated liabilities	20	8,069	10,041
Provisions	21	662	736
Other liabilities	22	9,485	8,921
Total liabilities		**376,743**	**363,361**
Equity			
Share capital		940	940
Share premium		12,970	12,970
Revaluation reserves		-1,178	-952
Currency translation reserves		-75	-15
Other legal reserves		185	147
Other reserves[1]		6,205	4,348
AT1 Capital securities		1,987	1,987
Profit/(loss) for the period		-45	2,046
Total equity	23	**20,989**	**21,471**
Total liabilities and equity		**397,733**	**384,832**
Committed credit facilities	25	64,948	65,495
Guarantees and other commitments	25	29,815	37,664

[1] Consists of actuarial gains/(losses) on post-employment benefit plans and retained earnings.

Company statement of changes in equity

(in millions)	Share capital	Share premium	Revaluation reserves	Currency translation reserves[1]	Other legal reserves	Other reserves[2]	Capital securities	Profit/(loss) for the period	Total
Balance at 1 January 2019	**800**	**4,041**	**-426**	**54**	**155**	**12,436**	**1,986**	**2,312**	**21,357**
Total comprehensive income			-526	-69	-8	90		2,046	1,533
Transfer						2,312		-2,312	
Dividend						-1,316			-1,316
Interest AT1 capital securities						-105			-105
Increase of capital							1		1
Capital restructuring	140	8,929				-9,069			
Other changes in equity						1			1
Balance at 31 December 2019	**940**	**12,970**	**-952**	**-15**	**147**	**4,348**	**1,987**	**2,046**	**21,471**
Total comprehensive income			-225	-60	37	-65		-45	-359
Transfer						2,046		-2,046	
Interest AT1 capital securities						-117			-117
Increase of capital							994		994
Decrease of capital							-1,000		-1,000
Other changes in equity						-6	6		
Balance at 31 December 2020	**940**	**12,970**	**-1,178**	**-75**	**185**	**6,205**	**1,987**	**-45**	**20,989**

[1] As of 2020, the currency translation reserves have been split from the revaluation reserves. This has no further impact on equity.
[2] Consists of actuarial gains/(losses) on post-employment benefit plans and retained earnings.

Revaluation reserves include reserves such as the fair value reserve, cash flow hedge and unrealised gains on FVTPL items for which no frequent market price is available and which are non-distributable reserves. No dividends were paid out during 2020. Other legal reserves include reserves such as reserves from equity associates, internally developed software and the statutory reserves. The issuance of an AT1 instrument of EUR 1.0 billion was offset by the repayment of an AT1 instrument of EUR 1.0 billion.

Notes to the Company Annual Financial Statements of ABN AMRO Bank N.V.

1 Accounting policies

The Company Annual Financial Statements of ABN AMRO Bank N.V. have been prepared in accordance with the requirements in Title 9 of Book 2 of the Dutch Civil Code. ABN AMRO Bank N.V. applies the option as included in Section 2:362 paragraph 8. ABN AMRO Bank N.V. prepares its Consolidated Annual Financial Statements in accordance with International Financial Reporting Standards as adopted by the European Union (EU IFRS). Reference is made to the accounting policies section in the Consolidated Annual Financial Statements and the respective notes.

Corporate information

ABN AMRO Bank N.V. is registered at Gustav Mahlerlaan 10, 1082 PP Amsterdam, the Netherlands (Chamber of Commerce number 34334259).

Basis of preparation

The impairment requirements of IFRS 9 are applicable to financial instruments measured at amortised cost and FVOCI. These requirements also apply to intercompany transactions, which are eliminated upon consolidation. In ABN AMRO Bank's Company Annual Financial Statements, the elimination of expected credit losses on intercompany transactions with subsidiaries is recognised in the carrying amount of the loans and advances and participating interests in group companies.

Participating interests in group companies are measured at net asset value, determined on the basis of EU IFRS. The share in the results of participating interests in group companies is reported in accordance with the principles of valuation and profit determination that apply to the Consolidated Annual Financial Statements.

The financial statements are presented in euros, which is the functional and presentation currency of the company, rounded to the nearest million (unless otherwise stated).

2 Net interest income

Net interest income for 2020 amounted to EUR 3,354 million, a decrease of EUR 597 million compared to EUR 3,951 million in 2019.

Net interest income is comprised of interest income from loans, investments and other lending, interest expense on borrowings by ABN AMRO and client accounts, as well as the results from interest rate and foreign exchange contracts entered into for hedging purposes. Interest income from loans and advances customers amounted to EUR 2,228 million (2019: EUR 3,162 million).

3 Results from financial transactions

(in millions)	2020	2019
Securities trading and derivatives transactions	208	119
Foreign exchange transaction results	104	26
Other	12	78
Total results from financial transactions	**324**	**223**

Results from financial transactions increased by EUR 101 million in 2020 to EUR 324 million. This was due to results from interest rate derivatives and an increase in foreign exchange transaction results, partly offset by the derecognition gain from the public sector loans sold in the previous year, which is reflected in Other.

4 Income from securities and participating interests

(in millions)	2020	2019
Shares and equity-accounted investments	35	57
Participating interests	789	1,193
Total income from securities and participating interests	**824**	**1,251**

Income from securities and participating interests decreased by EUR 427 million, mainly due to an increase in loan impairments within various subsidiaries of ABN AMRO Bank N.V.

5 Other operating income

(in millions)	2020	2019
Disposal of operating activities and equity-accounted investments	9	106
Other	16	13
Total other operating income	**25**	**119**

The decrease of EUR 94 million in total other operating income mainly relates to lower proceeds from the disposal of operating activities. This was mainly due to the sale of a majority stake in Stater N.V. in 2019.

6 Personnel expenses

(in millions)	2020	2019
Salaries and wages	1,180	1,135
Social security charges	146	162
Pension expenses relating to defined benefit plans		-3
Defined contribution plan expenses	256	314
Other	139	78
Total personnel expenses	**1,720**	**1,686**

The increase of EUR 34 million in total personnel expenses in 2020 was mainly caused by other personnel expenses. These increased by EUR 61 million, largely due to higher restructuring provisions in 2020 as a result of the wind-down of the CIB non-core portfolio. In addition, salaries and wages increased by EUR 44 million, mainly driven by an increase in FTE levels following the AML remediation programmes and a 2.75% increase in salaries under the Collective Labour Agreement. This increase was partly offset by the decrease in discretionary bonuses due to the value decrease of ABN AMRO shares.

The decrease of EUR 58 million in defined contribution plan expenses further offset the increases and was attributable to a new pension plan, as stated in the Collective Labour Agreement, and a one-off payment of EUR 30 million to the pension fund in 2019. Additionally, social security charges decreased by EUR 15 million, mainly due to a change in Dutch unemployment benefit (the previous Sectorfonds and WW schemes were replaced by a general unemployment fund in 2020).

7 Cash and balances at central banks

Cash and balances at central banks increased by EUR 31.8 billion, mainly due to the participation in the new TLTRO III programme (EUR 32.0 billion), partly offset by the redemption of the old TLTRO programme (EUR 8.0 billion) and higher volumes on accounts due to a general spending decrease as a result of Covid-19 (EUR 8.5 billion).

During 2020, ABN AMRO changed its presentation of instant payment facilities from corporate loans at amortised cost to cash and balances at central banks. The comparative figures have been adjusted accordingly (EUR 0.5 billion).

8 Short-term government paper

(in millions)	31 December 2020	31 December 2019
Short-term government paper held at fair value through other comprehensive income	38,727	37,018
Short-term government paper held for trading	639	486
Short-term government paper	**39,366**	**37,505**

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Short-term government paper increased by EUR 1.9 billion. Most of these instruments are part of the liquidity buffer and are held for liquidity contingency purposes.

Changes in short-term government paper held at fair value through other comprehensive income

(in millions)	2020	2019
Balance at 1 January	**37,018**	**34,439**
Purchases	11,947	7,335
Proceeds from sales and redemptions	-9,770	-5,518
Gains/(losses) recorded in profit and loss	378	542
Unrealised gains/(losses)	-11	-161
Foreign exchange differences	-837	183
Other	1	200
Balance at 31 December	**38,727**	**37,018**

The foreign exchange differences were caused by the depreciation of the USD against the EUR during 2020.

9 Loans and advances banks

(in millions)	31 December 2020	31 December 2019
Group companies	162,789	165,079
Third parties	3,629	4,698
Loans and advances banks	**166,418**	**169,777**

(in millions)	31 December 2020	31 December 2019
Interest-bearing deposits	163,717	165,612
Loans and advances	1,325	1,794
Mandatory reserve deposits with central banks	95	159
Securities financing	1,180	781
Other	101	1,431
Loans and advances banks	**166,418**	**169,777**

Loans and advances banks mainly consists of transactions with group companies. Loans and advances banks decreased by EUR 3.4 billion to EUR 166.4 billion at 31 December 2020, mainly due to a decrease in interest-bearing deposits caused by less economic activity in 2020 and Other due to the wind-down of the CIB non-core portfolio .

None of the items within loans and advances banks were subordinated at 31 December 2020.

Mandatory reserve deposits are held with local central banks in accordance with statutory requirements. These deposits are not available to finance ABN AMRO's day-to-day operations.

(in millions)	31 December 2020	31 December 2019
The Netherlands	165,460	167,839
Rest of Europe	238	321
USA	486	280
Asia	229	1,335
Rest of the world	5	3
Loans and advances banks	**166,418**	**169,777**

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10 Loans and advances customers

(in millions)	31 December 2020	31 December 2019
Group companies	34,968	40,646
Third parties	74,213	87,511
Loans and advances customers	**109,182**	**128,157**

Loans and advances customers decreased by EUR 19.0 billion to EUR 109.2 billion at 31 December 2020, mainly due to third parties.

(in millions)	31 December 2020	31 December 2019
Residential mortgages	786	795
Consumer loans	6,117	7,332
Corporate loans	92,183	107,579
Securities financing	7,214	7,257
Other loans and advances customers	2,882	5,194
Loans and advances customers	**109,182**	**128,157**

Consumer loans decreased by 1.2 billion to EUR 6.1 billion at 31 December 2020, mainly due to lower advances.

Corporate loans decreased by EUR 15.4 billion to EUR 92.2 billion at 31 December 2020. This decrease was mainly due to matured retained notes issued by consolidated structured entities and the wind-down of CIB non-core business. During 2020, ABN AMRO changed its presentation of instant payment facilities from corporate loans at amortised cost to cash and balances at central banks. The comparative figures have been adjusted accordingly (EUR 0.5 billion).

Other loans and advances customers decreased by EUR 2.3 billion to EUR 2.9 billion at 31 December 2020, mainly due to the CIB non-core wind-down.

Loans and advances customers includes subordinated loans of EUR 30 million at 31 December 2020 (31 December 2019: EUR 32 million), recorded in corporate loans.

(in millions)	31 December 2020	31 December 2019
The Netherlands	95,540	107,503
Rest of Europe	3,078	5,617
USA	8,464	8,470
Asia	1,848	5,193
Rest of the world	251	1,374
Loans and advances customers	**109,182**	**128,157**

11 Debt securities

(in millions)	31 December 2020	31 December 2019
Group companies		
Third parties	7,523	6,723
Debt securities	**7,523**	**6,723**

(in millions)	31 December 2020	31 December 2019
Debt securities held at fair value through other comprehensive income	6,849	6,079
Debt securities held for trading	674	643
Debt securities	**7,523**	**6,723**

Debt securities increased by EUR 0.8 billion, mainly due to several purchases. Most of these instruments are part of the liquidity buffer and are held for liquidity contingency purposes.

At 31 December 2020, EUR 43 million of the debt securitites were subordinated (31 December 2019: EUR 44 million).

Changes in debt securities held at fair value through other comprehensive income

(in millions)	2020	2019
Balance at 1 January	**6,079**	**5,399**
Purchases	2,413	1,456
Proceeds from sales and redemptions	-1,691	-741
Gains/(losses) recorded in profit and loss	55	81
Unrealised gains/(losses)	2	13
Foreign exchange differences	-9	2
Other		-130
Balance at 31 December	**6,849**	**6,079**

12 Equity securities

(in millions)	31 December 2020	31 December 2019
Equity securities held for trading	1	
Equity securities held at fair value through profit or loss	35	56
Equity securities	**35**	**57**

Equity securities remained stable.

13 Participating interests in group companies

(in millions)	2020	2019
Balance at 1 January	**8,180**	**7,600**
Increase/(decrease) of capital	190	97
Proceeds from sales and redemptions	-60	-220
Result from participating interests	789	1,193
Dividends	-1,143	-1,522
Unrealised gains/(losses)	-2	6
Foreign exchange differences	-151	27
Other	15	1,000
Balance at 31 December	**7,819**	**8,180**

Participating interests in group companies was mainly impacted by the decrease in the result from these interests, which was largely offset by the dividend paid. Foreign exchange differences decreased by EUR 177 million due to high volatility in the EUR/USD and EUR/BRL exchange rates. The other movements related to the hedged risk of residential mortgages, which are accounted for as part of ABN AMRO Hypotheken Groep B.V.

14 Equity-accounted investments

			31 December 2020		31 December 2019	
(in millions)	Principle place of business	Business line	Carrying amount	Equity interest	Carrying amount	Equity interest
Nationale-Nederlanden ABN AMRO Verzekeringen Holding B.V.	The Netherlands	Retail Banking	127	49%	98	49%
Stater N.V.	The Netherlands	Retail Banking	52	25%	50	25%
European Merchant Services B.V.	The Netherlands	Commercial Banking	44	49%	44	49%
Geldmaat B.V.	The Netherlands	Group functions	27	33%	25	33%
Other			11		8	
Total equity associates and joint ventures			**261**		**224**	

(in millions)	2020	2019
Balance at 1 January	**224**	**169**
Purchases	2	59
Proceeds from sales and redemptions	-1	
Gains/(losses) recorded in profit and loss	38	19
Dividends	-5	-29
Unrealised gains/(losses)	2	6
Balance at 31 December	**261**	**224**

15 Property, equipment and intangible assets

The following table shows the book value of property, equipment and intangible assets.

	2020		2019	
(in millions)	Total property and equipment	Intangible assets	Total property and equipment	Intangible assets
Acquisition costs at 1 January	**2,564**	**728**	**2,365**	**671**
Impact of adopting IFRS 16			131	
Additions	173	3	185	39
Reversal of cost due to disposals	-97		-131	-1
Foreign exchange differences	-5		1	4
Other			13	15
Acquisition costs at 31 December	**2,634**	**731**	**2,564**	**728**
Accumulated depreciation/amortisation at 1 January	**-1,679**	**-662**	**-1,620**	**-645**
Depreciation/amortisation	-168	-13	-161	-16
Reversal of depreciation/amortisation due to disposals	74		103	
Foreign exchange differences	2			
Other			1	
Accumulated depreciation at 31 December	**-1,770**	**-674**	**-1,679**	**-662**
Impairments at 1 January	**-22**	**-8**	**-18**	**-8**
Impact of adopting IFRS 16			-8	
Increase of impairments charged to the income statement	-19	-34	-1	-9
Reversal of impairments due to disposals	7		3	1
Foreign exchange differences	1			-3
Other	2	4	1	12
Impairments at 31 December	**-32**	**-38**	**-22**	**-8**
Total at 31 December	**833**	**19**	**862**	**59**

A total amount of EUR 254 million included in property and equipment was classified as held for sale at 31 December 2020 (31 December 2019: EUR 5 million).

16 Other assets

(in millions)	31 December 2020	31 December 2019
Derivatives	6,364	5,724
Tax assets	1,065	661
Other	912	815
Other assets	**8,341**	**7,201**

Other assets increased by EUR 1.1 billion, mainly as a result of an increase of EUR 0.6 billion in derivatives.

Derivatives increased, mainly due to an increase of EUR 0.5 billion in trading over-the-counter derivatives and an increase of EUR 0.1 billion in trading commodity contracts over-the counter. Derivatives at 31 December 2020 include EUR 5.1 billion of derivatives held for trading (2019: EUR 4.5 billion).

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17 Due to banks

(in millions)	31 December 2020	31 December 2019
Group companies	29,712	36,622
Third parties	36,264	12,123
Due to banks	**65,976**	**48,745**

(in millions)	31 December 2020	31 December 2019
Current accounts	13,563	17,009
Demand deposits	3	7
Time deposits	50,021	29,736
Securities financing	1,687	1,405
Other	703	587
Due to banks	**65,976**	**48,745**

Due to banks increased by EUR 17.2 billion, mainly due to participation in TLTRO III for EUR 32.0 billion and partly offset by the repayment of old TLTRO II (EUR 8.0 billion) and settlement of transactions with group companies.

The funding obtained under the targeted longer-term refinancing operations III (TLTRO III) is included in Time deposits. With the TLTROs the ECB offers banks long-term funding at attractive conditions, with the aim to further incentivise bank lending to the real economy. The maturity of the TLTRO III funding is three years, with a quarterly early repayment option as of September 2021. Interest will be settled in arrears. The interest rate to be applied is linked to the issuance of new loans to non-financial corporations and households. The funding is accounted for at amortised cost, with an effective interest rate equal to the Main Refinancing Operations rate. For the period of 24 June 2020 to 23 June 2022, a discount of 50bps is granted, irrespective of lending performance. The guaranteed discount of 50bps is accounted for as a government grant and recognised in interest income. Any additional discount achieved based on ABN AMRO's lending performance will also be accounted for as a government grant. Given the current economic circumstances and uncertainties related to Covid-19, ABN AMRO did not recognise any additional discount in 2020.

18 Due to customers

(in millions)	31 December 2020	31 December 2019
Group companies	6,128	6,778
Third parties	223,169	217,384
Due to customers	**229,297**	**224,161**

(in millions)	31 December 2020	31 December 2019
Current accounts	100,855	81,522
Demand deposits	102,036	114,791
Time deposits	13,025	15,609
Total deposits	**215,916**	**211,922**
Securities financing	8,926	7,009
Other due to customers	4,455	5,231
Due to customers	**229,297**	**224,161**

Due to customers increased by EUR 5.1 billion, mainly as a result of an increase in current accounts and securities financing. This was partly offset by a decrease in demand and time deposits.

Current accounts increased by EUR 19.3 billion, mainly due to clients retaining their cash positions due to the impact of Covid-19.

Demand deposits decreased by EUR 12.8 billion as a result of the charging of negative interest rates and the wind-down of Moneyou.

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Time deposits decreased by EUR 2.6 billion, mainly due to the charging of negative interest rates and the wind-down of Moneyou, partly offset by an increase in non-financial corporates.

19 Issued debt

The following table shows the debt issued by ABN AMRO Bank.

(in millions)	31 December 2020	31 December 2019
Group companies		
Third parties	63,253	70,757
Issued debt	**63,253**	**70,757**

The following table shows the types of debt issued by ABN AMRO Bank.

(in millions)	31 December 2020	31 December 2019
Bonds and notes issued	56,686	59,474
Certificates of deposit and commercial paper	5,618	10,259
Saving certificates		
Total at amortised cost	**62,304**	**69,733**
Designated at fair value through profit or loss	949	1,024
Issued debt	**63,253**	**70,757**

Total issued debt decreased by EUR 7.5 billion, mainly due to matured long-term and lower short-term funding. The lower funding need was driven by a decline in the corporate loan book and an increase in corporate deposits.

20 Subordinated liabilities

The following table specifies the outstanding subordinated liabilities. The issued and outstanding loans qualifying as subordinated liabilities are subordinated to all other current and future liabilities.

(in millions)	31 December 2020	31 December 2019
Group companies		
Third parties	8,069	10,041
Subordinated liabilities	**8,069**	**10,041**

The following table shows the main types of subordinated liabilities issued by ABN AMRO Bank.

(in millions)	31 December 2020	31 December 2019
Subordinated liabilities	8,069	10,041
- of which EUR 1,228 million (6.375% per annum)	*1,280*	*1,345*
- of which USD 595 million (6.250% per annum)	*508*	*559*
- of which EUR 1,000 million (7.125% per annum)	*1,061*	*1,096*
- of which USD 1,500 million (4.75% per annum)	*1,354*	*1,408*
- of which EUR 1,000 million (2.875% per annum)	*1,045*	*1,047*
- of which USD 1,000 million (4.8% per annum)	*869*	*891*
- of which USD 1,500 million (4.4% per annum)	*1,284*	*1,371*
- of which SGD 450 million (4.7% per annum)	*281*	*302*
- of which USD 300 million (5.6% per annum)	*274*	*275*
- of which EUR 1,500 million (2.875% per annum)		*1,522*

Subordinated liabilities decreased by EUR 2.0 billion, mainly due to the maturity of a subordinated loan.

Interest expenses on subordinated liabilities amounted to EUR 0.4 billion in 2020 (2019: EUR 0.5 billion).

21 Provisions

The following table shows a breakdown of provisions.

(in millions)	31 December 2020	31 December 2019
Provision for pension commitments	69	42
Restructuring	158	140
Other staff provision	127	111
Legal provisions	47	101
Deferred tax liabilities		19
Other	261	323
Provisions	**662**	**736**

Restructuring

Restructuring provisions cover the costs of the restructuring plans for which implementation has been formally announced. The increase in the restructuring provisions was mainly related to the wind-down of the CIB non-core portfolio.

Legal provisions

Legal provisions are based on best estimates available at the year-end, taking into account the opinion of legal specialists. The timing of the outflow of cash related to these provisions is by nature uncertain, given the unpredictability of the outcome and the time required to conclude litigation. Any provision recognised does not constitute an admission of wrongdoing or legal liability. Legal provisions decreased by EUR 53 million at 31 December 2020, mainly as a result of compensation paid out and a release of the provision for SME derivatives-related issues.

Other provisions

Other provisions decreased mainly due to the usage of the AML remediation programmes provision.

AML remediation programmes

Banks are considered gatekeepers of the financial system, which is a responsibility that ABN AMRO takes very seriously. ABN AMRO invests significant resources in fulfilling its role as gatekeeper in general and specifically in combating financial crime, and works closely with regulators, governments, other banks and other authorities. ABN AMRO has further increased its ongoing efforts to strengthen its AML remediation programmes in order to be compliant with anti-money laundering and anti-terrorist financing legislation. We have implemented multiple remediation programmes, including for remediating the Retail client portfolio. We are also investing further resources in strengthening the necessary processes, as well as in further improving systems required to assist efforts to combat financial crime. On a general note, all remedial action necessary to ensure full, bank-wide compliance with legislation at all times will be taken. In view of the current criminal investigation to which the bank is subject, sanctions (such as an instruction or fines) may be imposed by the authorities. Reference is made in this respect to Note 34 Commitments and contingent liabilities in the Consolidated Annual Financial Statements.

22 Other liabilities

(in millions)	31 December 2020	31 December 2019
Financial liabilities held for trading	563	675
Derivatives	7,386	6,495
Current tax liabilities	5	10
Other	1,531	1,742
Other liabilities	**9,485**	**8,921**

Other liabilities at 31 December 2020 increased by EUR 0.5 billion, mainly due to higher derivatives. Derivatives increased by EUR 0.9 billion, mainly due to higher interest rate swaps as a result of an increase in the volume and number of trades.

23 Equity

Issued capital and reserves

At 31 December 2020, the authorised share capital of ABN AMRO Bank N.V. amounted to 2,400,000,000 shares, consisting of 2,200,000,000 ordinary A-shares with a nominal value of EUR 1.00 and 200,000,000 ordinary B-shares with a nominal value of EUR 1.00. Every share is entitled to one vote during the General Meeting. The total amount of issued shares at 31 December 2020 was 940,000,001 (2019: 940,000,001). For further information, please refer to Capital in the Risk, funding & capital review section.

Revaluation reserves

(in millions)	31 December 2020	31 December 2019
Fair value reserve	155	170
Cash flow hedge reserve	-1,854	-1,648
Accumulated share of OCI of associates and joint ventures	88	135
Unrealised gains on FVTPL items	433	391
Revaluation reserves	**-1,178**	**-952**

Legal reserves

(in millions)	31 December 2020	31 December 2019
Internally developed software	10	4
Accumulated share of result in equity-accounted investments (net of dividends)	85	68
Statutory reserves	90	75
Other legal reserves	**185**	**147**

Distribution of the dividends

No dividends were distributed during 2020.

Capital securities

Securities classified as Additional Tier 1 (AT1) capital are perpetual, junior, resettable securities which are callable and considered part of equity. The payment of interest on the AT1 Capital securities had an impact of EUR 117 million on equity.

24 Maturity of selected assets and liabilities

										31 December 2020
(in millions)	On demand	Up to one month	Between one and three months	Between three and six months	Between six and twelve months	Between one and two years	Between two and five years	More than five years	No maturity	Total
Assets										
Loans and advances banks	4,125	4,243	149,932	2,994	2,177	1,594	203	1,151		166,418
Loans and advances customers	9,659	13,063	6,580	3,657	10,945	17,790	29,240	18,247		109,182
Debt securities	481	17	217	223	140	771	2,805	2,870		7,523
Equity securities									35	35
Derivatives	7	242	251	296	315	643	1,198	3,414		6,364
Liabilities										
Due to banks	7,861	1,624	7,923	405	4,367	6,325	34,148	3,322		65,976
Due to customers	205,149	13,111	3,163	1,817	502	717	1,065	3,772		229,297
Issued debt	118	6,075	2,713	2,618	4,112	7,247	13,320	27,051		63,253
Subordinated liabilities				1,561		1,570	3,796	1,143		8,069
Derivatives	29	319	269	174	270	560	752	5,014		7,386

31 December 2019

(in millions)	On demand	Up to one month	Between one and three months	Between three and six months	Between six and twelve months	Between one and two years	Between two and five years	More than five years	No maturity	Total
Assets										
Loans and advances banks	5,566	5,032	152,939	2,655	1,716	572	367	930		169,777
Loans and advances customers	12,875	18,674	6,608	2,925	10,591	16,299	40,431	19,753		128,157
Debt securities		29	190	139	406	415	2,687	2,858		6,723
Equity securities									57	57
Derivatives	13	58	132	207	430	756	975	3,153		5,724
Liabilities										
Due to banks	11,891	653	7,335	691	8,543	8,287	8,200	3,145		48,745
Due to customers	197,565	9,022	7,884	1,637	1,850	919	1,509	3,776		224,161
Issued debt		3,657	5,127	7,694	2,336	10,315	15,921	25,707		70,757
Subordinated liabilities		3		1,522	103	1,647	4,186	2,580		10,041
Derivatives	24	201	126	125	390	573	944	4,112		6,495

25 Contingent liabilities

(in millions)	31 December 2020	31 December 2019
Committed credit facilities	**64,948**	**65,495**
Guarantees and other commitments		
Guarantees granted	23,749	25,245
Irrevocable letters of credit	4,612	5,567
Recourse risks arising from discounted bills	1,454	6,853
Total guarantees and other commitments	**29,815**	**37,664**
Total	**94,763**	**103,159**

(in millions)	31 December 2020	31 December 2019
Group companies	22,902	23,371
Third parties	42,046	42,124
Committed credit facilities	**64,948**	**65,495**

(in millions)	31 December 2020	31 December 2019
Group companies	26,763	28,759
Third parties	3,052	8,905
Guarantees and other commitments	**29,815**	**37,664**

Total committed credit facilities, guarantees and other commitments decreased by EUR 8.4 billion, mainly related to a decrease of EUR 5.4 billion in recourse risks arising from discounted bills as a result of the CIB non-core wind-down.

The decrease of EUR 0.5 billion in the committed credit facilities relates mainly to a decrease of EUR 0.5 billion in the volume of committed credit facilities to group companies, while the decrease of EUR 7.8 billion in guarantees and other commitments relates mainly to a decrease of EUR 5.9 billion in guarantees and other commitments to third parties in respect of the CIB non-core wind-down.

26 Assets pledged

(in millions)	31 December 2020	31 December 2019
Cash and balances at central banks	208	
Financial assets held for trading	418	415
Financial investments FVOCI	2,896	936
Loans and advances banks	891	993
Loans and advances customers	11,621	11,061
- of which Corporate loans	*10,912*	*10,072*
Assets pledged as security	**16,034**	**13,406**

The total of assets pledged increased by EUR 2.6 billion at 31 December 2020, mainly due to an increase in the Securities Borrowing & Lending (SBL) position.

More information regarding transferred, pledged, encumbered and restricted assets is provided in Note 33 Transferred, pledged, encumbered and restricted assets in the Consolidated Annual Financial Statements.

27 Segment information

The total number of FTEs at 31 December 2020 was 15,126 (2019: 14,430). This increase was mainly due to additional resources for the upscaling of AML activities.

The total number of FTEs in Retail Banking was 3,130 (2019: 3,087), in Commercial Banking 1,503 (2019: 1,855), in Private Banking 1,671 (2019: 1,696), in Corporate & Institutional Banking 1,686 (2019: 1,987) and in Group Functions 7,135 (2019: 5,846).

More financial information on the segments is provided in Note 2 Segment reporting in the Consolidated Annual Financial Statements.

The average number of FTEs per country is disclosed in the Consolidated Annual Financial Statements in Note 10 Income tax expense, tax assets and tax liabilities.

28 Remuneration

For more information, please refer to Note 35 in the Consolidated Annual Financial Statements.

29 Related parties

As part of its business operations, ABN AMRO frequently enters into transactions with related parties. Transactions conducted with the Dutch State are limited to normal banking transactions, taxation and other administrative relationships with the exception of items specifically disclosed in the Consolidated Annual Financial Statements. Normal banking transactions relate to loans and deposits and are entered into under the same commercial and market terms that apply to non-related parties. Total assets with related parties amounted to EUR 5.9 billion at 31 December 2020 compared with EUR 6.5 billion at 31 December 2019. Total liabilities amounted to EUR 2.1 billion at 31 December 2020 compared with EUR 2.7 billion at 31 December 2019. For more information, please refer to Note 35 and Note 37 in the Consolidated Annual Financial Statements.

30 Post balance sheet events

There have been no significant events between the year-end and the date of approval of these accounts which would require a change to or disclosure in the accounts.

Authorisation of the Company Annual Financial Statements

9 March 2021

Supervisory Board

T. (Tom) de Swaan, Chairman
A.C. (Arjen) Dorland, Vice-Chairman
L.J. (Laetitia) Griffith
M.P. (Michiel) Lap
J.B.J. (Jurgen) Stegmann
A.M. (Anna) Storåkers
M.L. (Mariken) Tannemaat
J.S.T. (Tjalling) Tiemstra

Executive Board

Robert Swaak, Chief Executive Officer and Chairman
Christian Bornfeld, Chief Innovation & Technology Officer and Vice-Chairman
Tanja Cuppen, Chief Risk Officer
Annemieke Roest, Chief Financial Officer ad interim

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Other

Other includes the Independent auditor's statement, a list of major subsidiaries and participating interests, Cautionary statements and Enquiries.

The definitions and abbreviations used in this report can be found on the ABN AMRO website via abnamro.com/annualreport.

Independent auditor's report

To: the shareholders and supervisory board of ABN AMRO Bank N.V.

Report on the audit of the financial statements 2020 included in the annual report

Our opinion

We have audited the financial statements 2020 of ABN AMRO Bank N.V. (hereinafter: ABN AMRO or the bank), based in Amsterdam. The financial statements comprise the consolidated and company annual financial statements.

In our opinion:

- the accompanying consolidated annual financial statements give a true and fair view of the financial position of ABN AMRO as at 31 December 2020 and of its result and its cash flows for 2020 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code
- the accompanying company annual financial statements give a true and fair view of the financial position of ABN AMRO as at 31 December 2020 and of its result for 2020 in accordance with Part 9 of Book 2 of the Dutch Civil Code

The consolidated annual financial statements comprise:

- the consolidated statement of financial position as at 31 December 2020
- the following statements for 2020: the consolidated income statement, the consolidated statements of comprehensive income, changes in equity and cash flows
- the notes comprising a summary of the significant accounting policies and other explanatory information.

The company annual financial statements comprise:

- the company statement of financial position as at 31 December 2020
- the company income statement for 2020
- the notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the Our responsibilities for the audit of the financial statements section of our report.

We are independent of ABN AMRO in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the "Wet toezicht accountantsorganisaties" (Wta, Audit firms supervision act), the "Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten" (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the "Verordening gedrags- en beroepsregels accountants" (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Our understanding of the business

ABN AMRO provides a broad range of financial services to retail, private and corporate banking clients. These activities are conducted primarily in the Netherlands and selectively abroad. The bank is at the head of a group of entities and we tailored our group audit approach accordingly. We paid specific attention in our audit to a number of areas driven by the operations of the group and our risk assessment.

We start by determining materiality and identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud, non-compliance with laws and regulations or error in order to design audit procedures responsive to those risks and to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Due to the Covid-19 measures, we were forced to perform our procedures to a greater extent remotely. In order to compensate for the limitations related to physical contact and direct observation, we performed alternative procedures to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

Materiality

Materiality	EUR 145 million (2019: EUR 140 million)
Benchmark applied	0.7% of total equity (2019: 5% of adjusted profit before taxation)
Explanation	Based on our professional judgment, a benchmark of 0.7% of total equity is an appropriate quantitative indicator of materiality as it best reflects the financial position of ABN AMRO. Last year's materiality was based on adjusted profit before taxation. Due to the financial performance of ABN AMRO in 2020, we considered adjusted profit before taxation no longer to be an appropriate benchmark. The benchmark of 0.7% of total equity provides a similar materiality (amount) as in previous years.

We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the Supervisory Board that misstatements in excess of EUR 7 million, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

ABN AMRO is at the head of a group of entities. The financial information of this group is included in the consolidated annual financial statements of ABN AMRO.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

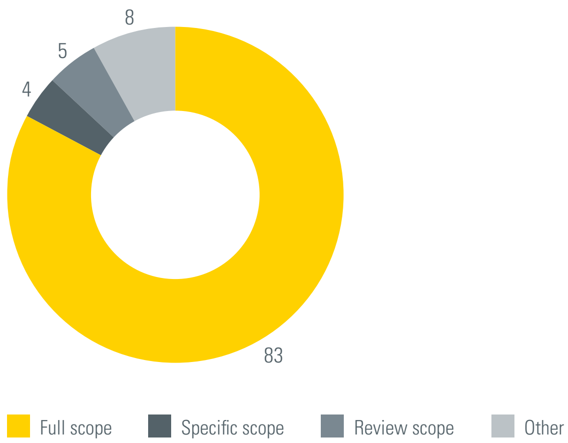
Our group audit mainly focused on significant group entities in the Netherlands, France, Germany and the United States based on size and risk. We have:

- Performed audit procedures ourselves at group entities in the Netherlands
- Used the work of other auditors within our EY network when auditing the group entities in France, Germany and the United States
- Performed review procedures or specific audit procedures at other group entities

Because of the (international) travel restrictions and social distancing due to the Covid-19 pandemic, we used communication technology and written information exchange, e.g. intensified communication with component audit teams, in order to obtain sufficient and appropriate audit evidence.

In total these procedures represent 92% of the group's total assets.

Total assets
(in %)



We sent instructions to component auditors, covering the significant areas and the information required to be reported to us. Based on our risk assessment, we held virtual site visits with the component teams in France, Germany and the United States. These site visits were virtual due to Covid-19 and encompassed some, or all, of the following activities: reviewing key local working papers and conclusions, meeting with local management teams and obtaining an understanding of key processes. We interacted regularly with the component teams during various stages of the audit, through the use of video or teleconferencing facilities. Where deemed appropriate, we attended certain component closing meetings with management, also using video or teleconferencing facilities. We reviewed key working papers of component auditors using the EY electronic audit file platform, screen sharing or by the provision of copies of work papers direct to the group audit team.

By performing the procedures mentioned above at group entities, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the consolidated annual financial statements.

Teaming and use of specialists

We ensured that the audit teams both at group and at component level included the appropriate skills and competences which are needed for the audit of a listed client in the banking industry. We included specialists in the areas of IT audit, forensics, and income tax and have made use of our own experts in the areas of valuation of derivatives and financial investments, credit risk modelling, macro-economic forecasting, regulatory reporting, goodwill, legal, and actuarial assumptions.

Our focus on fraud and non-compliance with laws and regulations

Our responsibility

Although we are not responsible for preventing fraud or non-compliance and cannot be expected to detect non-compliance with all laws and regulations, it is our responsibility to obtain reasonable assurance that the financial statements, taken as a whole, are free from material misstatement, whether caused by fraud or error.

Non-compliance with laws and regulations may result in fines, litigation or other consequences for the bank that may have a material effect on the financial statements.

Our audit response related to fraud risks

In order to identify and assess the risks of material misstatements of the financial statements due to fraud, we obtained an understanding of the bank and its environment, including the bank's internal control relevant to the audit, in order to design audit procedures that are appropriate in the circumstances. As in all of our audits, we addressed the risk of management override of internal control. We do not audit internal control per se for the purpose of expressing an opinion on the effectiveness of the bank's internal control.

We considered available information and made enquiries of relevant executives, directors (including internal audit, legal, compliance, and risk management) and the Supervisory Board. As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud and misappropriation of assets in close co-operation with our forensic specialists.

In our process of identifying fraud risks, we considered whether the Covid-19 pandemic gives rise to specific fraud risk factors resulting from a dilution in the effectiveness of controls as a result of the general disruption associated with remote working, illness and workforce reductions, management overrides and workarounds becoming the norm, manual invoicing and manual payments and increased pressure on management to meet financial targets.

We evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness of internal controls that mitigate fraud risks. In addition, we performed procedures to evaluate key accounting estimates for management bias in particular relating to important judgment areas and significant accounting estimates as disclosed in note 1 (Critical accounting estimates and judgments) to the financial statements. We have also used data analysis to identify and address high-risk journal entries.

Our audit procedures to address the assessed fraud risks did not result in a key audit matter. However, we describe the audit procedures responsive to the assessed fraud risk related to the risk of management override of controls in the description of our audit approach for the key audit matter on impairment allowances for loans and advances customers.

We incorporated elements of unpredictability in our audit. We considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud. If so, we reevaluate our assessment of fraud risk and its resulting impact on our audit procedures.

Our audit response related to risks of non-compliance with laws and regulations

We assessed factors related to the risks of non-compliance with laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general industry experience through discussions with the Executive Board, reading minutes, inspection of internal audit and compliance reports, inspection of lawyers' letters, inspection of communication with regulatory authorities, and performing substantive tests of details of classes of transactions, account balances or disclosures.

The potential effect of these laws and regulations on the financial statements varies considerably. The bank is subject to laws and regulations that directly affect the financial statements including corporate tax law, financial reporting regulations and requirements under Part 9 of Book 2 of the Dutch Civil Code. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Also, the bank is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

As required by auditing standards, we also inspected lawyers' letters and correspondence with regulatory authorities and remained alert to any indication of (suspected) non-compliance throughout the audit. Finally we obtained written representations from management that all known instances of non-compliance with laws and regulations have been disclosed to us. We make reference to the key audit matters on provisions and contingent liabilities for legal claims and compliance matters and on the investigation on compliance with the Dutch Act on the prevention of money laundering and financing of terrorism.

Going concern
We performed the following procedures in order to identify and assess the risks of going concern and to conclude on the appropriateness of management's use of the going concern basis of accounting. Management made a specific assessment of the bank's ability to continue as a going concern and to continue its operations for at least the next 12 months. We discussed and evaluated the assessment with management exercising professional judgment and maintaining professional skepticism, and specifically focusing on the process followed by management to make the assessment, management bias that could represent a risk, the impact of current events and conditions have on the bank's operations and forecasted cash flows, with a focus on whether the bank will have sufficient liquidity to continue to meet its obligations as they fall due.

We consider based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion.

Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the bank to cease to continue as a going concern.

General audit procedures
Our audit further included among others:
- Performing audit procedures responsive to the risks identified, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Executive Board
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Our key audit matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed.

Following the Covid-19 pandemic, a new key audit matter has been defined.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The impact of the Covid-19 pandemic	
Risk	The developments around the Corona (Covid-19) pandemic have a profound impact on people, society and on the economy. This also impacts operational and financial performance of organizations. The impact may continue to evolve, causing complexity and inherent uncertainty. ABN AMRO is confronted with this uncertainty, which has impact on the accounts as disclosed in note 1 (Critical accounting estimates and judgments) and the sections Update on Covid-19 and Credit risk in the Executive Board report. This includes expected credit losses on loans and advances, fair valuation of financial instruments, and impairment of goodwill and investments.
Our audit approach	We discussed and evaluated the impact of the Covid-19 pandemic on the financial statements of ABN AMRO and focused on the accounts listed above with assumptions and estimation uncertainty or fair value measurement that have a risk of resulting in a material misstatement. We audited and challenged management's assessment of the impact on the application of accounting policies, going concern, liquidity and the valuation of several accounts in the financial statements. We designed and performed specific audit procedures responsive to this assessment and were assisted by our internal valuation experts. In performing our audit procedures we maintained our professional skepticism and remained alert for any possible impact of the Covid-19 pandemic on the financial statements. We analyzed events subsequent to 31 December 2020 to determine whether any events require adjusting amounts recognized in the financial statements. Our audit approach and the impact of the Covid-19 pandemic related to expected credit losses are discussed in the next key audit matter. Finally, we evaluated the overall view of the financial statements, including the disclosures, related to the impact of the Covid-19 pandemic.
Key observations	We assessed that the main issues, elaborations and assumptions in respect of the impact of Covid-19 on critical accounting estimates and judgments of ABN AMRO have been properly addressed and disclosed in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code.

Impairment allowances for loans and advances customers	
Risk	At 31 December 2020, the loans and advances customers amounted to EUR 252.2 billion net of loan impairment allowances for loans and advances customers amounting to EUR 3.5 billion, as disclosed in note 20 (Loans and advances customers) and the sections Credit risk management and Credit risk in the Executive Board report. The impairment allowance represents the bank's best estimate of expected credit losses (ECL) on the loans and advances customers at balance sheet date. The ECL of stage 1 and stage 2 loans is calculated collectively, as is the ECL of stage 3 loan portfolios of a similar nature and below a certain threshold. The ECL on the remaining stage 3 loan exposures is calculated individually. The determination of the impairment allowance requires considerable management judgment. The most significant judgments in estimating the impairment allowance include the assessment of significant increase in credit risk and the identification of defaulted exposures. Furthermore, the ECL is calculated with complex models based on historical data, assumptions and forward-looking information, including multiple macro-economic scenarios; these models are updated and enhanced periodically. For individually assessed impairments, multiple scenarios for future cashflow projections and collateral valuation are considered. The Covid-19 pandemic increases the estimation uncertainty following unprecedented economic circumstances and resulted in management overlays of EUR 290 million as disclosed in the section Credit risk (Individual and collective loan impairment allowances) in the Executive Board report. As loans and advances customers and the associated loan impairment allowance are material to the bank's balance sheet and income statement and due to the high estimation uncertainty on the loan impairment allowance, we consider this a key audit matter.
Our audit approach	We evaluated the accounting policies for compliance with IFRS 9 and challenged the criteria for assessing significant increase in credit risk and default. We obtained an understanding of the processes and tested the design and operating effectiveness of internal controls related to loan origination, credit risk management and impairment allowance determination. This included testing data accuracy and completeness, data transfers, staging, impairment calculation and reporting. We analysed the impairment allowance in relation to developments in the loan portfolio and composition of the portfolio. We performed testing on data, staging, models and impairment calculations. To verify data quality, we tested the data used in the calculation by reconciling to source systems and underlying documentation on a sample basis. For collectively assessed loan impairment allowances, we involved EY modelling specialists to assess the appropriateness of the modelling methodology. We inspected and discussed internal model validation reports. We challenged the assumptions, like the use of macro-economic scenarios and variables such as unemployment rates and housing prices, in the development and validation of ECL model updates. For macro-economic variables, we challenged management's macro-economic forecast and scenarios, including the impact of Covid-19, with the support of internal economic specialists using external benchmarks.

Impairment allowances for loans and advances customers	
Our audit approach	We assessed the management overlays applied to various loan portfolios and assessed whether the impact of Covid-19 has appropriately been incorporated in management's assessment. We challenged the underlying assumptions and tested the data used. We assessed retrospective review procedures which compare modelled predictions with actual results. For certain portfolios, we developed our independent estimate to address the estimation uncertainty inherent in expected credit loss estimations. For individually assessed loan impairment allowances, we selected individual loans risk-based across all stages and performed detailed credit file reviews to assess whether the bank correctly applied its credit risk and staging policy. We challenged the recovery scenarios applied and the weighting of these scenarios. With the support of internal valuation specialists, we assessed the assumptions underlying the loan impairment calculation, such as estimated future cash flows and collateral valuations. Furthermore, we reperformed the impairment calculation based on those inputs. Finally, we evaluated whether the disclosures are accurate and in compliance with EU-IFRS requirements.
Key observations	Based on our procedures performed we consider the impairment allowances for loans and advances customers to be reasonable. The disclosures on loans and advances customers and loan impairment allowance are considered adequate and appropriate and meet the requirements under EU-IFRS. We highlighted the following items to the Audit Committee: ▶ Our testing and sensitivity analysis on the staging criteria did not identify material differences and overall we concluded that the stage allocation as per 31 December 2020 was reasonable; ▶ We assessed the management overlays and its underlying assumptions as per 31 December 2020 which we concluded to be reasonable; ▶ For individually assessed impairments we reported certain judgmental differences in respect of the timing of the impairment identified, however none of these were considered material.

Provisions and contingent liabilities for legal claims and compliance matters	
Risk	At 31 December 2020, an amount of EUR 98 million was recorded for legal provisions and EUR 258 million for other provisions which includes EUR 176 million relating to remediation programmes in order to become compliant with anti-money laundering (AML) legislation, as disclosed in note 29 (Provisions). Within note 34 (Commitments and contingent liabilities) compliance related matters are regarded as contingencies, such as the investigation of the Dutch prosecutor on the requirements under the Dutch Act on the prevention of money laundering and financing of terrorism (Wwft), the equity trading investigation in Germany and a number of duty of care proceedings. A provision is recognized when ABN AMRO has a legal or constructive obligation as a result of a past event, and it is probable that an economic outflow will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Management judgment is needed to determine whether an obligation exists and a provision should be recorded. In case the outflow of economic resources is uncertain or cannot be reliably estimated, a contingent liability is disclosed. Due to the high level of judgment and the significant amounts involved, we consider this a key audit matter.
Our audit approach	We obtained an understanding of the entity level controls and the legal and regulatory framework of the bank. On a periodic basis, we enquired with the Executive Board, Legal department and Compliance department to understand and assess existing and potentially new constructive and legal obligations, and compliance matters. Furthermore, we inspected legal and compliance management reports and internal audit reports. We read the minutes of the Executive Board and Supervisory Board and reported our observations to the Executive and Supervisory Board. We obtained legal letters from external counsel to understand regulatory compliance and legal matters ABN AMRO is involved in. Furthermore, we inspected and discussed progress reports of the remediation programs. We inspected the correspondence with the relevant regulatory authorities to assess developments in regulatory matters. EY legal and compliance specialists were involved in these procedures. For the significant provisions and contingent liabilities recognized or disclosed, among others, we: ▶ Assessed whether the provisions and contingent liabilities meet the EU-IFRS recognition criteria; ▶ Obtained an understanding of the provisioning methodology and the process and internal controls over the identification, estimation, monitoring and disclosure of provisions; ▶ Challenged the underlying assumptions and tested the data used; ▶ Performed test of details on the provisioning level and assessed the assumptions and judgments made by the bank, including the number of files to be remediated, the time needed to remediate each file and the use of external resources in the remediation; ▶ Assessed the reasonableness of the judgments applied by management by considering possible outcomes and sensitivity of the judgments on the provisions and contingent liabilities; ▶ Assessed historical data to verify the current estimation of provisions. Finally, we evaluated the completeness and accuracy of the disclosures related to provisions and contingent liabilities and whether these disclosures are in compliance with EU-IFRS requirements.

Provisions and contingent liabilities for legal claims and compliance matters	
Key observations	Based on our procedures performed we consider the provisions to be reasonable. The disclosures on provisions and contingent liabilities is considered adequate and appropriate and meets the requirements under EU-IFRS. We highlighted the following to the Audit Committee: ▶ The AML remediation programmes provision is sensitive to key assumptions of which the most significant is estimated remediation time spent per file; Management's estimate was within reasonable range, including only amounts that are supported by sufficient and appropriate evidence; ▶ We note that the required remediation programs receive continuous attention from Executive Board, Audit Committee and Supervisory Board. ▶ We are satisfied that the legal and other provisions are reasonable.

Investigation on compliance with the Dutch Act on the prevention of money laundering and financing of terrorism	
Risk	In previous years, non-compliance with the Dutch Act on the prevention of money laundering and financing of terrorism was identified by the Dutch Central Bank. Structural shortcomings in the underlying processes were noted during different inspections, followed by ABN AMRO accelerating the different remediation programmes in order to be compliant with anti-money laundering legislation. Subsequent to the regulatory findings of the Dutch Central Bank, ABN AMRO is since 2019 subject of an investigation by the Dutch public prosecutor relating to requirements under the Dutch Act on the prevention of money laundering and financing of terrorism. The scope of the investigation of the Dutch public prosecutor focusses on non-compliance with the applicable legislation related to client due diligence, timely reporting of unusual transactions, timely discontinuing client relationships and related suspicions of culpable money laundering. A provision for any potential fine or settlement can only be recorded if there is a legal or constructive obligation as a result of a past event, and it is probable that an economic outflow will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Management judgment is needed to determine whether an obligation exists and a provision should be recorded. In case the outflow of economic resources is uncertain or cannot be reliably estimated, a contingent liability is disclosed. Contingent liabilities are not recognized in the balance sheet but are disclosed unless the possibility of an outflow of economic resources is remote. A contingent liability related to the investigation has been disclosed in note 34 (Commitments and contingent liabilities). Management concluded that the timing of the completion of the investigation and the outcome are uncertain, so that no reliable estimate can be made of any potential outflow and consequently no provision is recorded as per 31 December 2020. Due to the significance of the investigation and its possible outcome, we consider this a key audit matter.
Our audit approach	We periodically met with the Executive Board members to understand the potential obligations and the progress of the investigation of the public prosecutor. We read the minutes of the Executive Board and Supervisory Board and attended the Risk & Capital Committee meetings throughout the audit. We held regular bilateral meetings with the chairs of the Supervisory Board, Audit Committee and Risk & Capital Committee. On a periodic basis, we enquired with the Executive Board, the Legal department and Compliance department of the bank to understand and discuss existing and potentially new constructive and legal obligations following the investigation of the public prosecutor. Furthermore, we inspected ABN AMRO's internal legal and compliance reports. We also inspected underlying documentation of internal investigations performed and other relevant documents like progress reports in relation to the remediation program. We obtained legal letters from and inquired with external legal counsel to understand any potential obligation. We involved our internal legal specialists to assist in evaluating management assertions. We also obtained specific management representations in relation to compliance with laws and regulations and the investigation. Finally, we evaluated the completeness and accuracy of the disclosures related to contingent liabilities and whether these disclosures are in compliance with EU-IFRS requirements.
Key observations	Based on our procedures performed, we concur that no provision is recorded as per 31 December 2020 due to the fact that the investigation is currently still ongoing and no reliable estimate can be made of the outcome. The disclosure on contingent liabilities related to the investigation is considered adequate and appropriate and meets the requirements under EU-IFRS. We highlighted the following items to the Audit Committee: ▶ We have validated management's assessment of the contingent liability which we determined to be reasonable; ▶ We are satisfied that no provision is recorded as the amount of the possible obligation cannot be measured with sufficient reliability;

Reliability and continuity of IT systems	
Risk	The bank and its financial reporting process are highly dependent on the reliability and the continuity of information technology (IT) due to the significant number of transactions that are processed daily and the reliance on IT applications to support initiation through reporting of those transactions. An adequate IT infrastructure ensures the reliability and continuity of the bank's business processes and accuracy of financial reporting. Reference is made to sections Operational (non-financial risk management and Operational (non-financial) risk in the Executive Board report. Although the bank implemented several remediation activities to reduce the risk over user access management in the financial reporting process, we identified and reported that controls over user access management for certain applications in the financial reporting process continue to require improvement. As the reliability and continuity of the IT systems may have an impact on automated data processing and given the pervasive nature of IT general controls on the internal control environment, we consider this a key audit matter.
Our audit approach	We obtained an understanding of the IT organization and developments in the IT infrastructure to analyse the impact on the bank's processes. We assessed the impact of changes during the year on the IT environment, either from Covid-19, ongoing internal restructuring initiatives or to meet external reporting requirements. We tested the design and operating effectiveness of IT general controls related to user access management and change management across applications, databases and operating systems. In some areas we performed additional procedures on management's remedial actions on user access management for the related systems. Where applicable, we assessed internal controls related to cloud computing or third party service providers. We tested application controls over automated data processing, data feeds and interfaces when relevant for financial reporting. We assessed the reliability and continuity of automated data processing only to the extent necessary within the scope of the audit of the financial statements.
Key observations	For the audit of the financial statements we found the reliability and continuity of the information technology adequate.

Report on other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- The Executive Board report, comprising the chapters Strategy & performance, Risk, funding & capital and Leadership & governance
- The report of the Supervisory Board
- The remuneration report
- Other information as required by Part 9 of Book 2 of the Dutch Civil Code

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements
- Contains the information as required by Part 9 of Book 2 and Sections 2:135b and 2:145 sub-section 2 of the Dutch Civil Code

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 and Section 2:135b sub-Section 7 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

The Executive Board is responsible for the preparation of the other information, including the Executive Board report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information required by Part 9 of Book 2 of the Dutch Civil Code. The Executive Board and the Supervisory Board are responsible for ensuring that the remuneration report is drawn up and published in accordance with Sections 2:135b and 2:145 sub -section 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement

We were engaged by the Supervisory Board as auditor of ABN AMRO on 11 September 2015, as of the audit for the year 2016 and have operated as statutory auditor ever since that date.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

Description of responsibilities for the financial statements

Responsibilities of the Executive Board and the Supervisory Board for the financial statements

The Executive Board is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Executive Board is responsible for such internal control as the Executive Board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the Executive Board is responsible for assessing the bank's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Executive Board should prepare the financial statements using the going concern basis of accounting unless the Executive Board either intends to liquidate the bank or to cease operations, or has no realistic alternative but to do so. The Executive Board should disclose events and circumstances that may cast significant doubt on the bank's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the bank's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. The Our audit approach section above includes an informative summary of our responsibilities and the work performed as the basis for our opinion.

Communication

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

In this respect we also submit an additional report to the Audit Committee of the Supervisory Board in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Board, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Amsterdam, 9 March 2021

Ernst & Young Accountants LLP
W.J. Smit

Other information

Major subsidiaries and participating interests as at 31 December 2020

Retail Banking		
ABN AMRO Assuradeuren B.V.	49%	Zwolle, The Netherlands
ABN AMRO Ventures B.V.		Amsterdam, The Netherlands
ABN AMRO Hypotheken Groep B.V.[1]		Amersfoort, The Netherlands
ABN AMRO Kredieten B.V.[1]		Bunnik, The Netherlands
ABN AMRO Levensverzekering N.V.	49%	Zwolle, The Netherlands
ABN AMRO Pensioeninstelling N.V.		Amsterdam, The Netherlands
ABN AMRO Schadeverzekering N.V.	49%	Zwolle, The Netherlands
ABN AMRO Verzekeringen B.V.	49%	Zwolle, The Netherlands
ALFAM Holding N.V.[1]		Bunnik, The Netherlands
Alpha Credit Nederland B.V.[1]		Bunnik, The Netherlands
Credivance N.V.[1]		Bunnik, The Netherlands
DEFAM B.V.[1]		Bunnik, The Netherlands
International Card Services B.V.[1]		Diemen, The Netherlands
Moneyou B.V.[1]		Amsterdam, The Netherlands
Moneyou Kredieten B.V.[1]		Amsterdam, The Netherlands
Nationale-Nederlanden ABN AMRO Verzekeringen Holding B.V.	49%	Zwolle, The Netherlands
Stater N.V.	25%	Amersfoort, The Netherlands

Commercial Banking		
ABN AMRO Asset Based Finance N.V.[1]		Utrecht, The Netherlands
ABN AMRO Groenbank B.V.[1]		Amsterdam, The Netherlands
ABN AMRO Strategic Partnership Fund B.V.		Amsterdam, The Netherlands
European Merchant Services B.V.	49%	Amsterdam, The Netherlands
New10 B.V.[1]		Amsterdam, The Netherlands

Private Banking		
ABN AMRO Investment Solutions S.A.	99.9%	Paris, France
ABN AMRO Social Impact Fund B.V.		Amsterdam, The Netherlands
Banque Neuflize OBC S.A.	99.9%	Paris, France
Bethmann Bank A.G.		Frankfurt am Main, Germany
Bethmann Liegenschafts K.G.	50%	Frankfurt am Main, Germany
Cofiloisirs S.A.	46%	Paris, France
IFCIC S.A.	15.2%	Paris, France
Neuflize Vie S.A.	60%	Paris, France

Corporate & Institutional Banking		
ABN AMRO Acquisition Finance Holding B.V.		Amsterdam, The Netherlands
ABN AMRO Capital USA LLC		New York, USA
ABN AMRO Clearing Bank N.V.[1]		Amsterdam, The Netherlands
ABN AMRO Clearing Chicago LLC		Chicago, USA
ABN AMRO Clearing Hong Kong Ltd		Hong Kong, China
ABN AMRO Clearing Investments B.V.		Amsterdam, The Netherlands
ABN AMRO Clearing London Ltd		London, United Kingdom
ABN AMRO Clearing Singapore Pte Ltd		Singapore, Singapore
ABN AMRO Clearing Sydney Nominees Pty Ltd		Sydney, Australia
ABN AMRO Clearing Sydney Pty Ltd		Sydney, Australia
ABN AMRO Clearing Tokyo Co Ltd		Tokyo, Japan
ABN AMRO Effecten Compagnie B.V.[1]		Amsterdam, The Netherlands
ABN AMRO Energy Transition Fund B.V.		Amsterdam, The Netherlands
ABN AMRO Holdings USA LLC		New York, USA

continued>

ABN AMRO Investment Holding B.V.[1]		Amsterdam, The Netherlands
ABN AMRO Jonge Bedrijven Fonds B.V.		Amsterdam, The Netherlands
ABN AMRO Participaties NPE Fund B.V.		Amsterdam, The Netherlands
ABN AMRO Securities (USA) LLC		New York, USA
Banco ABN AMRO S.A.		São Paulo, Brazil
Franx B.V.		Amsterdam, The Netherlands
Maas Capital Investments B.V.		Amsterdam, The Netherlands
Maas Capital Offshore B.V.		Amsterdam, The Netherlands
Maas Capital Shipping B.V.		Amsterdam, The Netherlands
Principal Finance Investments Holding B.V.		Amsterdam, The Netherlands
Group functions		
ABN AMRO Arbo Services B.V.[1]		Amsterdam, The Netherlands
ABN AMRO Captive N.V.		Amsterdam, The Netherlands
ABN AMRO Funding USA LLC		New York, USA
Currence Holding B.V.	35%	Amsterdam, The Netherlands
Geldmaat B.V.	33%	Weesp, The Netherlands
Nederlandse Financieringsmaatschappij voor Ontwikkelingslanden N.V.	20%	Den Haag, The Netherlands
Transactie Monitoring Nederland B.V.	30%	Amsterdam, The Netherlands
Branches/Representative Offices		
ABN AMRO Asset Based Finance N.V. (United Kingdom) Branch[1]		London, United Kingdom
ABN AMRO Asset Based Finance N.V. (Deutschland) Branch[1]		Frankfurt am Main, Germany
ABN AMRO Asset Based Finance N.V. (France) Branch[1]		Levallois-Perret, France
ABN AMRO Bank N.V. (Belgium) Branch		Berchem, Belgium
ABN AMRO Bank N.V., Frankfurt Branch		Frankfurt am Main, Germany
ABN AMRO Bank N.V. (Greece) Branch		Athens, Greece
ABN AMRO Bank N.V. Hong Kong Branch		Hong Kong, China
ABN AMRO Bank N.V. (Norway) Branch		Oslo, Norway
ABN AMRO Bank N.V., Shanghai Branch		Shanghai, China
ABN AMRO Bank N.V. (Singapore) Branch		Singapore, Singapore
ABN AMRO Bank N.V., Sydney Branch		Sydney, Australia
ABN AMRO Bank N.V. (United Kingdom) Branch		London, United Kingdom
ABN AMRO Bank N.V., Paris Branch		Paris, France
ABN AMRO Bank N.V. Representative Office (Dubai Multi Commodities Centre)		Dubai, United Arabic Emirates
ABN AMRO Bank N.V. Representative Office New York		New York, USA
ABN AMRO Clearing Bank N.V., London Branch[1]		London, United Kingdom
ABN AMRO Clearing Bank N.V., Singapore Branch[1]		Singapore, Singapore
International Card Services B.V. (Deutschland) Branch[1]		Düsseldorf, Germany

[1] A statement of liability within the meaning of Article 403, subsection 1, paragraph f, Book 2 of the Dutch Civil Code has been issued for these companies.

Provisions of the Articles of Association concerning profit appropriation

The provisions regarding the reservation and distribution of profits are set out in article 10 of the Articles of Association. In accordance with the reserve and dividend policy and subject to approval by the Supervisory Board, the Executive Board submits a proposal to the General Meeting of Shareholders specifying which part of the profit is to be reserved. The remainder of the profit is at the free disposal of the General Meeting of Shareholders, pursuant to a proposal to this end by the Executive Board and subject to approval by the Supervisory Board.

Fiscal unity

ABN AMRO Bank N.V. constitutes a fiscal unity with several Dutch subsidiaries for corporate income tax purposes. All members of the fiscal unity are jointly and severally liable for the corporate income tax liabilities of the fiscal unity.

Cautionary statements

The Bank has included in this Annual Report and may from time to time make certain statements in its public filings, press releases or other public statements that may constitute "forward-looking statements" within the meaning of the safe-harbour provisions of the United States Private Securities Litigation Reform Act of 1995. This includes, without limitation, such statements that include the words "expect", "estimate", "project", "anticipate", "should", "intend", plan", "aim", "desire", "strive", "probability", "risk", "Value at Risk" ("VaR"), "target", "goal", "objective", "will", "endeavour", "outlook", "optimistic", "prospects" and similar expressions or variations on such expressions. In particular, this document includes forward-looking statements relating, but not limited, to ABN AMRO's potential exposures to various types of operational, credit and market risk, such as counterparty risk, interest rate risk, foreign exchange rate risk and commodity and equity price risk. Such statements are subject to risks and uncertainties. These forward-looking statements are not historical facts and represent only ABN AMRO's beliefs regarding future events, many of which by their nature are inherently uncertain and beyond the bank's control.

Other factors that could cause actual results to differ materially from those anticipated by the forward-looking statements contained in this document include, but are not limited to:

- The extent and nature of future developments and continued volatility in the credit and financial markets and their impact on the financial industry in general and ABN AMRO in particular;
- The effect on ABN AMRO's capital of write-downs in respect of credit and other risk exposures;
- Risks relating to ABN AMRO's stock exchange listing;
- Risks related to ABN AMRO's corporate transactions (e.g. merger, separation and integration process);
- General economic, social and political conditions in the Netherlands and in other countries in which ABN AMRO has significant business activities, investments or other exposures, including the impact of recessionary economic conditions on ABN AMRO's performance, liquidity and financial position;
- Macroeconomic and geopolitical risks;
- Reductions in ABN AMRO's credit ratings;
- Actions taken by the European Commission, governments and their agencies to support individual banks and the banking system;
- Monetary and interest rate policies of the ECB and G20 central banks;
- Inflation or deflation;
- Unanticipated turbulence in interest rates, foreign currency exchange rates, commodity prices and equity prices;
- Liquidity risks and related market risk losses;
- Potential losses associated with an increase in the level of substandard loans or non-performance by counterparties to other types of financial instruments, including systemic risk;
- Changes in Dutch and foreign laws, regulations, policies and taxes, or the interpretation and monitoring thereof;
- Changes in competition and pricing environments;
- Inability to hedge certain risks economically;
- Adequacy of loss reserves and impairment allowances;
- Technological changes;
- Changes in consumer spending, investment and saving habits;
- Effective capital and liquidity management;
- ABN AMRO's success in managing the risks involved in the foregoing.

The forward-looking statements made in this Annual Report are only applicable as from the date of publication of this document. ABN AMRO does not intend to publicly update or revise these forward-looking statements to reflect events or circumstances after the date of this report, and ABN AMRO does not assume any responsibility to do so. The reader should, however, take into account any further disclosures of a forward-looking nature that ABN AMRO may make in ABN AMRO's interim reports.

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