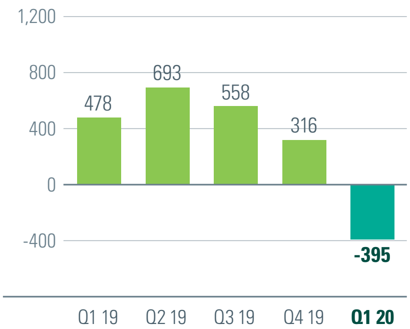
Quarterly Report

First quarter 2020

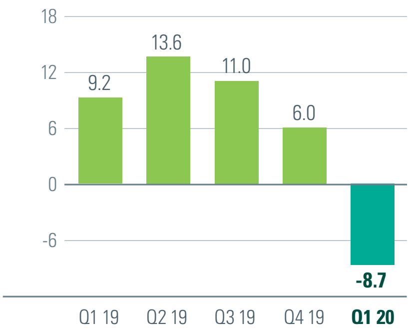
ABN AMRO Bank N.V.

Figures at a glance

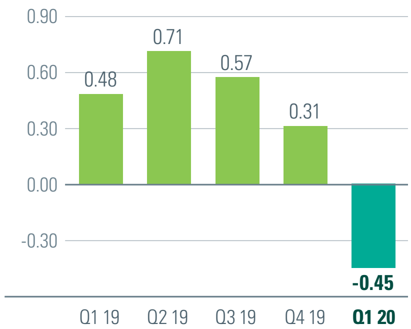
Net profit/(loss)
(in millions)



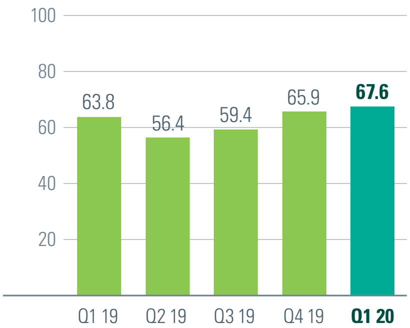
Return on equity[1,2]
Target range is 10-13 (in %)



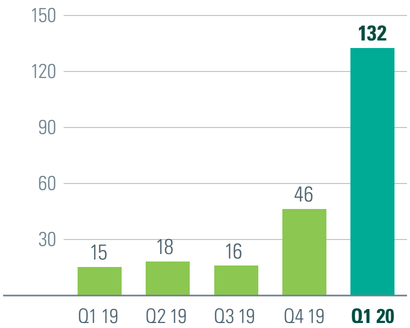
Earnings per share[3]
(in EUR)



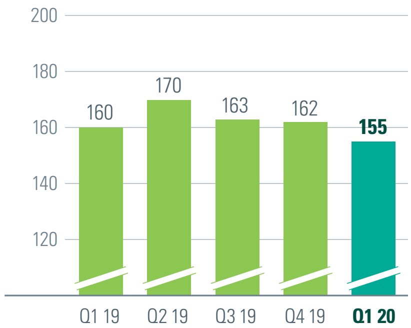
Cost/income ratio
Target range is 56-58 (in %)



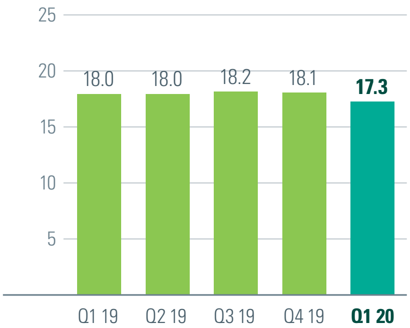
Cost of risk[1,4]
(in bps)



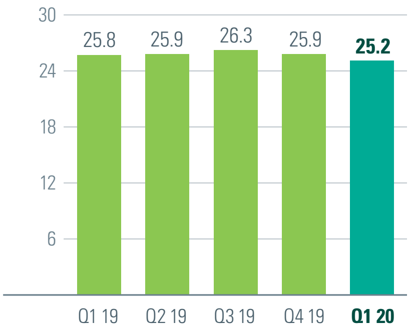
Net interest margin
(in bps)



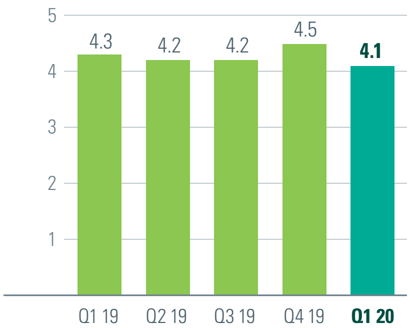
CET1 ratio[5]
(end-of-period, in %)
Target range is 17.5-18.5 (in %)



Total capital ratio
(end-of-period, in %)



Leverage ratio (CDR)[5]
(end-of-period, in %)



[1] Calculation based on annualised figures.
[2] Annualised profit/(loss) 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] Annualised profit/(loss) 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.
[4] Annualised impairment charges on loans and advances customers for the period 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.
[5] In Q1, Q2 and Q3 2019, interim profits attributable to owners of the parent company, excluding AT1 capital securities, were not added to CET1 capital. In Q4 the full-year 2019 profit attributable to owners of the parent company, excluding AT1 capital securities, after deduction of the proposed 62% full-year dividend payout has been added to capital.

Message from the CEO

Covid-19 is first and foremost a crisis of personal health, of families and communities. A high degree of uncertainty remains regarding the impact on the global economy, but it is clear the impact will be severe. In line with our purpose 'Banking for better, for generations to come', we are supporting our clients wherever possible.

I am proud of the bank's response. From the start, our priority has been the wellbeing and safety of our clients and colleagues. 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 are in close dialogue with our clients on how we can support them. Since mid-March we have been implementing several support measures, including automatic deferral of interest and principal payments for six months on loans of up to EUR 50 million (unless the client opts out). We have also offered support measures to self-employed professionals, flexible workers and other clients with business and personal loans, including mortgages. These measures are alongside the support measures taken by the Dutch government such as job retention, furlough measures and tax breaks, aimed at minimising the impact on the Dutch economy.

I value the trust of the Supervisory Board in appointing me as CEO of ABN AMRO. Banks play a central role for many stakeholders and in the overall economy. ABN AMRO has always shown to be a reliable partner for clients, focused on an effortless customer experience, while fostering a learning environment that empowers my colleagues at the bank. I strongly believe that society should be able to trust banks to take their role as gatekeepers very seriously. Furthermore, we want to deliver attractive and sustainable returns to shareholders.

ABN AMRO is a well-recognised player in Dutch society, with a strong brand and attractive market positions. It is a bank in a traditionally strong economy, with a solid capital and liquidity position – important assets in navigating current circumstances. In the past few years, the bank has accelerated its digital performance while executing cost-saving programmes. We have acted to mitigate the headwind of negative interest rates. The investigation into anti-money laundering (AML) activities is ongoing and we continue to cooperate fully. We will continue to deliver on our AML remediation programmes. At present, more than 2,800 FTEs are fully committed to AML activities.

At the FY 2019 results, we announced a review of Corporate & Institutional Banking's (CIB) activities. Although in the past few years some progress has been made in improving returns, this has not resulted in the required profitability. Also, the risk profile of parts of CIB is not fully aligned with that of the bank. The ongoing CIB review is a short-term priority for me and we will share the outcome with you in August.

My priorities in the coming period, in addition to the CIB review, are to navigate the bank through the Covid-19 crisis and to focus on AML activities. In addition, we will review the strategy to ensure we deliver on our three strategic pillars going forward – sustainability, customer experience and building a future-proof bank – while building on our digital capabilities and accelerating our propositions. We will update you on our strategy review after the summer, also addressing operational efficiency, financial targets and capital.

The operational performance in the first quarter was strong, but impairments were very high (EUR 1.1 billion). This was due to two exceptional client files (EUR 460 million in total) and significant upfront collective provisioning for sectors immediately impacted by Covid-19 and oil prices (EUR 511 million). The two exceptional client files, regarding ABN AMRO Clearing and a potential fraud case in Singapore, are disappointing. Most of ABN AMRO's loan book is in low-risk Dutch mortgages, which also perform well during financial crises. The corporate loan book is diversified and exposures to high-risk sectors such as offshore, diamonds and trade & commodity finance have been reduced in recent years, although more derisking is clearly necessary. Based on our latest assumptions, we expect the cost of risk for FY 2020 to be around 90bps, or around EUR 2.5 billion, which is well above the through-the-cycle average but well below the Q1 2020 run rate of 132bps.

As a result of the high impairments, we reported a net loss of EUR 395 million for the first quarter. Operational performance was strong as net interest income held up in the current environment and fees benefited from increased trading flows. Other income was impacted by fair value adjustments. Costs were lower, benefiting from continued cost management. We are on track to achieve a cost level of around EUR 5.1 billion for 2020.

The resulting ROE was a disappointing -8.7% and the cost/income ratio was 67.6%. Our capital position remains strong, with a Basel III CET1 ratio of 17.3% and a Basel IV CET1 ratio of around 14%, comfortably above the regulatory minimum requirements. We have followed ECB guidance and postponed the final dividend for 2019, and we will make the actual payment conditional on a reassessment of the situation, taking into account the possible consequences of Covid-19.

It is a challenging, yet exciting time to start as the CEO of ABN AMRO. I passionately believe in our purpose 'Banking for better, for generations to come'. I am very proud of the dedication and diligence my colleagues have demonstrated in supporting our clients in these difficult times and have full confidence in the bank's resilience. The bank has strong fundamentals and the priorities we need to address are clear. Building on our strategy and strong market positions, I am determined to deliver results in the years to come.

Robert Swaak
CEO of ABN AMRO Bank N.V.

Financial review

This financial review includes a discussion and analysis of the results, and sets out the financial position of ABN AMRO.

Results

Financial highlights

- Q1 2020 results were marked by Covid-19, resulting in a net loss of EUR 395 million due to high impairment charges.
- Net interest income amounted to EUR 1,527 million (Q1 2019: EUR 1,573 million), mainly reflecting deposit margin pressure as the low interest rate environment continued.
- Operating expenses were lower at EUR 1,300 million (Q1 2019: EUR 1,327 million), benefiting from continued cost management.
- Impairment charges totalled EUR 1,111 million in Q1 2020, mainly reflecting upfront collective provisioning for Covid-19 and two exceptional client files.
- Capital position remained strong in Q1 2020, with a CET1 ratio of 17.3%, an important asset in navigating Covid-19.
- Sound liquidity position, with a sizeable buffer to meet liquidity needs.

Operating results

(in millions)	Q1 2020	Q1 2019	Change	Q4 2019	Change
Net interest income	1,527	1,573	-3%	1,586	-4%
Net fee and commission income	438	414	6%	396	11%
Other operating income	-41	94		119	
Operating income	**1,924**	**2,081**	**-8%**	**2,101**	**-8%**
Personnel expenses	531	567	-6%	583	-9%
Other expenses	770	760	1%	802	-4%
Operating expenses	**1,300**	**1,327**	**-2%**	**1,384**	**-6%**
Operating result	**624**	**754**	**-17%**	**717**	**-13%**
Impairment charges on financial instruments	1,111	102		314	
Profit/(loss) before taxation	**-487**	**652**		**403**	
Income tax expense	-92	174		87	
Profit/(loss) for the period	**-395**	**478**		**316**	
Attributable to:					
Owners of the parent company	-395	478		316	
Non-controlling interests					
Other indicators					
Net interest margin (NIM) (in bps)	155	160		162	
Cost/income ratio	67.6%	63.8%		65.9%	
Cost of risk (in bps)[1]	132	15		46	
Return on average Equity[2]	-8.7%	9.2%		6.0%	
Earnings per share (in EUR)[3]	-0.45	0.48		0.31	
Client Assets (end of period, in billions)	265.7	302.2		296.5	
Risk-weighted assets (end of period, in billions)	111.7	108.0		109.8	
Employee FTEs (end of period)	18,362	18,962		17,977	
Non-employee FTEs (end of period)	4,984	4,362		4,749	

[1] Annualised impairment charges on loans and advances customers for the period 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/(loss) 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] Annualised profit/(loss) 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.

Large incidentals

Q4 2019 and Q1 2019

Collective labour agreement (CLA)

Q4 2019 included a one-off payment of EUR 30 million to the pension fund, as agreed under the new collective labour agreement.

Restructuring provisions

Q4 2019 included EUR 12 million in restructuring provisions for organisational simplifications at Private Banking Belgium. This amount was partially offset by EUR 9 million in releases from restructuring provisions at several business segments.

Provision for the customer due diligence (CDD) programme

Q4 2019 included additional provisions of EUR 33 million for CDD remediation programmes at Commercial Banking (EUR 25 million) and ICS in Retail Banking (EUR 8 million). Cumulative provisions for CDD remediation programmes in Q4 2019 amounted to EUR 259 million (EUR 85 million in Q4 2018, EUR 114 million in Q2 2019, EUR 27 million in Q3 2019 and EUR 33 million in Q4 2019).

Provision for SME derivatives-related issues

The process of settling SME derivatives-related issues has come to an end. The provision for client compensation (recorded in other operating income) was raised by EUR 34 million in Q1 2019. In addition, Q1 2019 included a EUR 10 million addition to the provision for project costs in other expenses.

First-quarter 2020 results

Net interest income came down by EUR 46 million, totalling EUR 1,527 million in Q1 2020 (Q1 2019: EUR 1,573 million), due to continued deposit margin pressure and lower volumes. Net interest income in Q1 2020 included a EUR 15 million ECB deposit effect. On the asset side, interest income on residential mortgages declined as average volumes decreased, mainly due to high mortgage redemptions. Market share in new production was 15% in Q1 2020 (Q1 2019: 14%). Interest income on consumer loans decreased due to lower margins and slightly lower average loan volumes. Corporate loan volumes increased near the end of Q1 2020 due to modest drawdowns on existing committed facilities as a result of Covid-19 (mainly in CIB, where drawdowns totalled EUR 3.1 billion in Q1 2020). As the increase only occurred at the end of the quarter, the impact on average loan volumes was minimal. Interest income on corporate loans was lower in Q1 2020, as both average volumes and margins on corporate loan decreased compared with Q1 2019.
On the liability side, interest income on deposits declined due to prolonged low interest rates. Average savings volumes in Q1 2020 were lower than in Q1 2019, whereas margins decreased as a result of the continued low interest rate environment. The interest rate paid on main retail savings was 1bps (Q1 2019: 3bps). Negative rates were charged on commercial deposits (above EUR 10 million) and on deposits of professional clients. From April 2020, we will charge 0.5% interest on deposits in excess of EUR 2.5 million. Compared with Q4 2019, net interest income came down by EUR 59 million, as prepayment penalties following from early redemptions were higher in Q4 2019, and Q1 2020 was marked by a decline in treasury results, lower asset margins (predominantly in corporate loans) and persistently low interest rates.

The net interest margin (NIM) decreased by 5bps to 155bps in Q1 2020.

Net fee and commission income increased by EUR 24 million to EUR 438 million in Q1 2020. Excluding divestments (mainly the sale of Stater in Q2 2019), net fee and commission income increased by EUR 46 million.
Net fee and commission income at Clearing (part of Corporate & Institutional Banking (CIB)) was higher as market volatility increased significantly in Q1 2020. Compared with Q4 2019, net fee and commission income grew by EUR 42 million, mainly at Clearing.

Other operating income amounted to EUR 41 million negative in Q1 2020 (Q1 2019: EUR 94 million). Q1 2019 included a EUR 34 million increase in the provision for client compensation related to SME derivatives-related issues. Volatile items in Q1 2020 included lower CVA/DVA/FVA[1] results due to the widening of counterparty credit spreads (EUR 88 million negative, versus EUR 7 million negative in Q1 2019), lower equity participation results due to fair market value adjustments (EUR 32 million negative, versus EUR 10 million in Q1 2019) and less favourable hedge accounting-related results, including the effects of the partial sale of the Public Sector Loan portfolio in Q1 2019 (EUR 63 million, versus EUR 40 million in Q1 2020). Compared with Q4 2019,

[1] Credit Valuation Adjustment/Debit Valuation Adjustment/Funding Valuation Adjustment (CVA/DVA/FVA).

other operating income in Q1 2020 decreased mainly due to less favourable CVA/DVA/FVA results and negative equity participation results following from fair market value adjustments.

Personnel expenses declined by EUR 36 million to EUR 531 million in Q1 2020. The decrease can be largely explained by divestments (mainly Stater) and a EUR 20 million decrease in pension costs resulting from the new collective labour agreement. Q4 2019 included a one-off payment to the pension fund of EUR 30 million, as agreed under the new collective labour agreement.

Employee FTEs came down by 600, totalling 18,362 in Q1 2020. The decrease can be largely explained by the sale of Stater (934 FTEs), offset by additional resources for anti-money laundering (AML) activities. Compared with Q4 2019, FTEs increased by 385, primarily as a result of AML activities.

Other expenses increased by EUR 10 million to EUR 770 million in Q1 2020. The increase was mainly attributable to the extra costs related to AML activities. Compared with Q4 2019, other expenses came down by EUR 32 million, as Q4 2019 included a provision of EUR 33 million related to AML remediation programmes at Commercial Banking and ICS in Retail Banking.

Non-employee FTEs (temporary staff and contractors) increased by 622 to 4,984 in Q1 2020. The sale of Stater led to a decrease of 383 non-employee FTEs, which was offset by an increase in temporary staffing for AML activities, including AML remediation programmes, for which we recorded provisions. Compared with Q4 2019, non-employee FTEs increased by 235, mainly due to the abovementioned AML activities.

Impairment charges were EUR 1,111 million in Q1 2020, versus EUR 102 million in Q1 2019. The increase of impairment charges in Q1 2020 was mainly attributable to upfront collective provisioning for sectors immediately impacted by Covid-19 and oil prices and two exceptional client files (in Clearing and the trade & commodity finance portfolio in Singapore). The changes in economic outlook as a result of Covid-19 led to a number of provisioning measures. The EUR 511 million of upfront collective provisioning includes changes in the macroeconomic outlook, stage transfers due to a significant increase in credit risk and management adjustments to coverage ratios in stage 2 and stage 3 for clients that are sensitive to oil price developments. For more information on Q1 2020 impairment charges, see the Risk developments chapter.

Income tax expenses in Q1 2020 were impacted by the ability to apply tax loss carryback for the loss in the US at ABN AMRO Clearing offset by limited tax deductions on high loan impairment levels in Asia.

Client loans have increased by EUR 2.5 billion since Q4 2019, totalling EUR 253.3 billion. The increase reflects a rise in corporate loans, which was largely attributable to the impact of modest drawdowns on existing committed facilities as a result of Covid-19 (mainly in CIB, where drawdowns totalled EUR 3.1 billion in Q1 2020).
In addition, loans to professional counterparties served by CIB were higher due to seasonally lower client activity in Q4 2019.

RWA amounted to EUR 111.7 billion in Q1 2020, a EUR 1.9 billion increase on Q4 2019. This increase was mainly attributable to an increase in credit risk and to a lesser extent in market risk.

Introduction | Financial review | Risk developments | Capital management | Other

Balance sheet

Condensed consolidated statement of financial position

(in millions)	31 March 2020	31 December 2019
Cash and balances at central banks	26,652	27,061
Financial assets held for trading	1,988	1,137
Derivatives	8,268	5,730
Financial investments	47,214	45,277
Securities financing	26,076	14,905
Loans and advances banks	6,337	5,011
Loans and advances customers	278,448	268,102
Other	10,920	7,831
Total assets	**405,903**	**375,054**
Financial liabilities held for trading	1,222	675
Derivatives	10,396	6,505
Securities financing	18,106	8,234
Due to banks	21,724	12,785
Due to customers	238,168	234,991
Issued debt	77,552	75,275
Subordinated liabilities	10,347	10,041
Other	7,651	5,076
Total liabilities	**385,166**	**353,582**
Equity attributable to the owners of the parent company	20,737	21,471
Equity attributable to non-controlling interests	0	0
Total equity	**20,737**	**21,471**
Total liabilities and equity	**405,903**	**375,054**
Committed credit facilities	49,881	54,673
Guarantees and other commitments	15,164	17,479

Main developments in total assets compared with 31 December 2019

Total assets increased by EUR 30.8 billion, totalling EUR 405.9 billion at 31 March 2020. This increase was mainly driven by an increase in securities financing activities and higher loans and advances to customers (mainly at CIB).

Cash and balances at central banks remained nearly flat at EUR 26.7 billion.

Securities financing assets increased by EUR 11.2 billion to EUR 26.1 billion, largely driven by seasonal effects. The impact is also partly reflected in the securities financing liabilities position.

Loans and advances customers increased by EUR 10.3 billion to EUR 278.4 billion. This increase is attributable to both professional and client loans.

Client loans rose by EUR 2.5 billion to EUR 253.3 billion at 31 March 2020. This increase mainly reflected a rise in corporate loans, which was largely attributable to modest drawdowns on existing committed facilities as a result of Covid-19 (mainly in CIB, where drawdowns totalled EUR 3.1 billion in Q1 2020).

Loans to professional counterparties and other loans increased by EUR 8.0 billion, largely due to seasonal effects and a rise in margin calls at Clearing.

Loans and advances customers

(in millions)	31 March 2020	31 December 2019
Residential mortgages	147,588	148,225
Consumer loans	11,903	12,294
Corporate loans to clients[1]	93,823	90,254
- of which: Commercial Banking	*42,303*	*41,997*
- of which: Corporate & Institutional Banking	*44,396*	*41,136*
Total client loans[2]	**253,314**	**250,773**
Loans to professional counterparties and other loans[3]	24,441	16,412
Total Loans and advances customers[2]	**277,755**	**267,185**
Fair value adjustments from hedge accounting	3,659	3,342
Less: loan impairment allowance	2,966	2,426
Total Loans and advances customers	**278,448**	**268,102**

[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 total liabilities and equity compared with 31 December 2019

Total liabilities rose by EUR 31.6 billion, totalling EUR 385.2 billion at 31 March 2020. This increase was mainly attributable to an increase in amounts due to customers (and banks) and securities financing (both reflecting seasonally low levels in Q4 2019).

Securities financing liabilities increased by EUR 9.9 billion to EUR 18.1 billion, driven largely by seasonal effects.

Issued debt securities increased by EUR 2.3 billion to EUR 77.6 billion, reflecting a EUR 1.1 billion decline in short-term funding and a EUR 3.4 billion increase in long-term funding resulting from new issuances in January.

Due to customers increased by EUR 3.2 billion, totalling EUR 238.2 billion. This increase was mainly attributable to deposits from professional counterparties (mainly at Clearing), and from CIB clients (EUR 2.1 billion) who deposited the lines drawn partly offset by a decrease in client funding (mainly at Private Banking).

Total equity decreased by EUR 0.7 billion to EUR 20.7 billion at 31 March 2020, mainly due to the inclusion of Q1 results for the period and a decline in accumulated other comprehensive income (OCI). Equity attributable to owners of the parent company, excluding AT1 securities, amounted to EUR 18,754 million, resulting in a EUR 19.95 book value per share based on 940,000,001 outstanding shares.

Main developments off-balance sheet compared with 31 December 2019

	31 March 2020				31 December 2019			
(in millions)	Commercial Banking	Corporate & Institutional Banking	Other segments	Total	Commercial Banking	Corporate & Institutional Banking	Other segments	Total
Committed credit facilities	11,150	27,364	11,367	49,881	11,714	30,423	12,536	54,673
Guarantees and other commitments	1,695	11,247	2,222	15,164	1,692	13,572	2,214	17,479
Revocable credit facilities	90	35,051	9,532	44,673	147	37,236	9,327	46,710
Total	**12,935**	**73,662**	**23,121**	**109,718**	**13,554**	**81,231**	**24,077**	**118,861**

Committed credit facilities saw additional drawdowns and as a result the committed undrawn amount decreased by EUR 4.8 billion to EUR 49.9 billion in Q1 2020.

This decrease was mainly attributable to CIB (a EUR 3.1 billion decrease from Q4 2019), with drawings visible in a variety of sectors, mostly at Corporate Clients and Financial Institutions.

Results by segment

Retail Banking

Highlights

- Net interest income in Q1 2020 was lower than in Q1 2019, mainly due to a decline in mortgage volumes (following high redemptions) and deposit margin compression.
- Market share in new mortgage production was at 15% (Q1 2019: 14.0%), given our focus on price discipline in a competitive market.
- Personnel expenses were lower, mainly due to a decrease in pension costs resulting from the new collective labour agreement.
- Impairments increased by EUR 65 million to EUR 67 million in Q1 2020, mainly due to upfront collective provisioning for clients immediately impacted by Covid-19.
- In response to Covid-19, we have been offering support measures to self-employed professionals and flexible workers to defer interest and principal payments on their mortgages and/or personal loans for three months.
- Moreover, convenient banking is accelerating to keep up with Covid-19 challenges. We stepped up our support to our clients via call centres and video banking, and most of our branches are still open.

Operating results

(in millions)	Q1 2020	Q1 2019	Change	Q4 2019	Change
Net interest income	678	752	-10%	676	
Net fee and commission income	86	85		93	-8%
Other operating income	4	15	-72%	23	-82%
Operating income	**768**	**852**	**-10%**	**792**	**-3%**
Personnel expenses	97	101	-5%	110	-12%
Other expenses	406	396	2%	437	-7%
Operating expenses	**502**	**498**	**1%**	**546**	**-8%**
Operating result	**265**	**355**	**-25%**	**246**	**8%**
Impairment charges on financial instruments	67	2		58	17%
Profit/(loss) before taxation	**198**	**353**	**-44%**	**188**	**5%**
Income tax expense	48	90	-46%	55	-12%
Profit/(loss) for the period	**150**	**263**	**-43%**	**134**	**12%**
Cost/income ratio	65.4%	58.4%		68.9%	
Cost of risk (in bps)[1]	14			15	
Other indicators					
Loans and advances customers (end of period, in billions)	151.4	153.7		152.4	
-of which Client loans (end of period, in billions)[2]	*151.8*	*154.1*		*152.8*	
Due to customers (end of period, in billions)	89.6	94.1		90.4	
Risk-weighted assets (end of period, in billions)	27.6	27.8		28.4	
Employee FTEs (end of period)	4,405	4,434		4,340	
Total Client Assets (end of period, in billions)	98.5	105.0		101.3	
- of which Cash	*89.6*	*94.1*		*90.4*	
- of which Securities	*8.9*	*10.9*		*11.0*	

1 Annualised impairment charges on loans and advances customers for the period 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.

Commercial Banking

Highlights

- Net interest income decreased by EUR 16 million compared with Q1 2019, as loan margins declined modestly and margins on deposits were under pressure due to the low interest rate environment.
- More focus on fee income, which rose by EUR 4 million compared with Q1 2019, as a result of improvements in the client journey.
- Personnel expenses came down, mainly due to a decline in FTEs at CB.
- Other expenses grew by EUR 30 million compared with Q1 2019 as a result of higher investments in the KYC Centre and Client Services.
- Impairments increased significantly by EUR 164 million, totalling EUR 225 million in Q1 2020, driven mainly by significant upfront collective provisioning for sectors immediately impacted by Covid-19. The impairment charges for individual files were mainly recorded in the transportation and food sectors.
- We are offering an automatic six-month deferral of interest and principal payments to clients with loans up to EUR 50 million. For around half of the client loans in Commercial Banking, principal and interest payments will be deferred starting in April. About 10% of the clients have opted-out.
- To manage the large volumes of credit reviews, dedicated teams were set up to streamline decision-making and other processes. Timely credit reviews are crucial to our clients at present, as is our duty of care, which remains a central pillar of our business model.

Operating results

(in millions)	Q1 2020	Q1 2019	Change	Q4 2019	Change
Net interest income	373	389	-4%	370	1%
Net fee and commission income	67	63	6%	64	4%
Other operating income	9	5	72%	8	15%
Operating income	**449**	**457**	**-2%**	**442**	**2%**
Personnel expenses	59	70	-16%	74	-19%
Other expenses	207	177	17%	211	-2%
Operating expenses	**266**	**247**	**8%**	**284**	**-6%**
Operating result	**183**	**210**	**-13%**	**157**	**16%**
Impairment charges on financial instruments	225	61		58	
Profit/(loss) before taxation	**-43**	**149**		**99**	
Income tax expense	-11	38		27	
Reported profit/(loss) for the period	**-31**	**110**		**72**	
Cost/income ratio	59.3%	54.1%		64.4%	
Cost of risk (in bps)[1]	202	55		55	
Other indicators					
Loans and advances customers (end of period, in billions)	42.0	42.9		41.8	
-of which Client loans (end of period, in billions)[2]	*42.9*	*43.5*		*42.6*	
Due to customers (end of period, in billions)	46.8	45.4		46.3	
Risk-weighted assets (end of period, in billions)	30.0	28.0		29.2	
Employee FTEs (end of period)	2,136	2,528		2,470	

[1] Annualised impairment charges on loans and advances customers for the period 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.

Private Banking

Highlights

- Net interest income decreased by EUR 21 million compared with Q1 2019 (including the impact of divestments and acquisitions), as the low interest rate environment continued to put deposit margins under pressure. Q1 2019 figures included only one month's contribution by the acquisition in Belgium and full quarter results of Private Bank Channel Islands, which was divested in Q3 2019.
- Net fee and commission income increased by EUR 4 million (including the impact of divestments and acquisitions) compared with Q1 2019, mainly as a result of improved performance in Germany.
- Personnel expenses decreased, partly due to lower FTE levels resulting from divestments.
- Impairments grew to EUR 14 million in Q1 2020, driven mainly by some upfront collective provisioning for Covid-19.
- Client assets declined by EUR 27.9 billion compared with Q4 2019, mainly due to low market performance. The decrease was also, to a lesser extent, driven by a modest cash outflow resulting from negative interest rates announced at the beginning of Q1 2020.

Operating results

(in millions)	Q1 2020	Q1 2019	Change	Q4 2019	Change
Net interest income	153	174	-12%	158	-3%
Net fee and commission income	129	125	3%	132	-2%
Other operating income	6	7	-18%	13	-52%
Operating income	**289**	**307**	**-6%**	**302**	**-4%**
Personnel expenses	90	97	-8%	111	-19%
Other expenses	144	147	-2%	125	15%
Operating expenses	**233**	**244**	**-4%**	**236**	**-1%**
Operating result	**55**	**63**	**-12%**	**66**	**-16%**
Impairment charges on financial instruments	14	2			
Profit/(loss) before taxation	**42**	**61**	**-31%**	**66**	**-37%**
Income tax expense	14	20	-31%	20	-31%
Profit/(loss) for the period	**28**	**40**	**-31%**	**46**	**-40%**
Cost/income ratio	80.8%	79.6%		78.1%	
Cost of risk (in bps)[1]	37	7		-2	
Other indicators					
Loans and advances customers (end of period, in billions)	14.1	12.4		14.1	
-of which Client loans (end of period, in billions)[2]	*14.2*	*12.5*		*14.2*	
Due to customers (end of period, in billions)	62.8	66.3		69.2	
Risk-weighted assets (end of period, in billions)	10.2	10.1		10.1	
Employee FTEs (end of period)	2,872	2,983		2,751	
Total Client Assets (end of period, in billions)	167.3	197.3		195.2	
- of which Cash	*62.8*	*69.9*		*69.2*	
- of which Securities	*104.5*	*127.4*		*126.0*	
Net new assets (for the period, in billions)	-6.2	1.0		-5.7	

[1] Annualised impairment charges on loans and advances customers for the period 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.

Corporate & Institutional Banking

Highlights

- Net interest income remained broadly flat at EUR 302 million in Q1 2020.
- Net fee and commission income grew by EUR 48 million compared with Q4 2019, mainly at Clearing, as market volatility rose sharply in Q1 2020.
- Other operating income decreased sharply, mainly as a result of downward adjustments on fair market value of equity participations and lower CVA/DVA/FVA results in Q1 2020.
- Operating expenses increased in Q1 2020, partly due to an increase in regulatory levies.
- Loan impairments grew steeply to EUR 804 million in Q1 2020, mainly reflecting significant upfront collective provisioning for Covid-19 and two exceptional client files (Clearing and the trade & commodity finance portfolio). In addition, regular impairments were mainly recorded in the energy-offshore and logistics sectors and our trade & commodity finance business.
- CIB corporate loans grew towards the end of Q1 2020, due to modest drawdowns (totalling EUR 3.1 billion) on existing committed facilities as a result of Covid-19.
- RWA at EUR 39.5 billion, EUR 1.6 billion higher than in Q4 2019, mainly due to credit risk and market risk.

Operating results

(in millions)	Q1 2020	Q1 2019	Change	Q4 2019	Change
Net interest income	302	304	-1%	301	
Net fee and commission income	166	129	29%	118	41%
Other operating income	-102	-3		67	
Operating income	**366**	**430**	**-15%**	**486**	**-25%**
Personnel expenses	104	108	-4%	102	2%
Other expenses	194	181	7%	185	5%
Operating expenses	**298**	**289**	**3%**	**287**	**4%**
Operating result	**68**	**141**	**-52%**	**199**	**-66%**
Impairment charges on financial instruments	804	38		199	
Profit/(loss) before taxation	**-736**	**102**			
Income tax expense	-161	27		4	
Profit/(loss) for the period	**-575**	**76**		**-4**	
Cost/income ratio	81.5%	67.3%		59.1%	
Cost of risk (in bps)[1]	412	27		133	
Other indicators					
Loans and advances customers (end of period, in billions)	65.6	62.6		55.1	
-of which Client loans (end of period, in billions)[2]	*44.4*	*45.4*		*41.2*	
Due to customers (end of period, in billions)	32.9	31.4		26.5	
Risk-weighted assets (end of period, in billions)	39.5	36.9		37.9	
Employee FTEs (end of period)	2,457	2,504		2,517	

1. Annualised impairment charges on loans and advances customers for the period 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.

Group Functions

Highlights

- Net interest income increased by EUR 67 million to EUR 21 million in Q1 2020. Net interest income in Q1 2019 had been remarkably low due to elevated liquidity management costs (amid Brexit fears), while Q1 2020 also included ECB deposit tiering (EUR 15 million). Compared with Q4 2019, net interest income decreased by EUR 60 million, partly because Q4 2019 included higher penalty fees for amortisation of mortgages.
- Net fee and commission income in Q1 2020 decreased following the Stater divestment.
- Expenses directly incurred by Group Functions decreased due to the sale of Stater, partly offset by staff transfers from commercials segments to Group Functions (including the KYC Centre and Client Services).

Operating results

(in millions)	Q1 2020	Q1 2019	Change	Q4 2019	Change
Net interest income	21	-46		81	-74%
Net fee and commission income	-10	12		-10	5%
Other operating income	42	69	-40%	9	
Operating income	**53**	**35**	**51%**	**79**	**-33%**
Personnel expenses	181	190	-5%	187	-3%
Other expenses	-181	-141	-28%	-157	-15%
Operating expenses		**49**		**30**	
Operating result	**53**	**-14**		**49**	**8%**
Impairment charges on financial instruments	1	-1		-1	
Profit/(loss) before taxation	**52**	**-13**		**49**	**6%**
Income tax expense	18	-1		-19	
Profit/(loss) for the period	**34**	**-11**		**69**	**-50%**
Other indicators					
Securities financing - assets (end of period, in billions)	20.9	12.4		10.3	
Loans and advances customers (end of period, in billions)	5.5	5.2		4.7	
Securities financing - liabilities (end of period, in billions)	17.5	10.0		7.7	
Due to customers (end of period, in billions)	6.1	6.3		2.7	
Risk-weighted assets (end of period, in billions)	4.4	5.2		4.1	
Employee FTEs (end of period)	6,492	6,513		5,899	

Additional financial information

Selected financial information

Condensed Consolidated income statement

(in millions)	Q1 2020	Q1 2019	Q4 2019
Income			
Interest income calculated using the effective interest method[1]	2,146	2,501	2,431
Other interest and similar income[1]	66	80	80
Interest expense calculated using the effective interest method[1]	654	955	884
Other interest and similar expense[1]	31	53	41
Net interest income	**1,527**	**1,573**	**1,586**
Fee and commission income[1]	620	534	514
Fee and commission expense[1]	182	120	117
Net fee and commission income	**438**	**414**	**396**
Net trading income	-18	-14	79
Share of result in equity accounted investments	5	-1	23
Other operating income	-28	109	18
Operating income	**1,924**	**2,081**	**2,101**
Expenses			
Personnel expenses	531	567	583
General and administrative expenses	714	695	742
Depreciation and amortisation of tangible and intangible assets	56	65	60
Operating expenses	**1,300**	**1,327**	**1,384**
Impairment charges on financial instruments	1,111	102	314
Total expenses	**2,411**	**1,429**	**1,698**
Profit/(loss) before taxation	**-487**	**652**	**403**
Income tax expense	-92	174	87
Profit/(loss) for the period	**-395**	**478**	**316**
Attributable to:			
Owners of the parent company	-395	478	316
Non-controlling interests			

[1] Figures for Q1 2019 have been restated, please refer to About the report.

Condensed Consolidated statement of comprehensive income

(in millions)	Q1 2020	Q1 2019	Q4 2019
Profit/(loss) for the period	**-395**	**478**	**316**
Other comprehensive income:			
Items that will not be reclassified to the income statement			
Remeasurement gains / (losses) on defined benefit plans			-15
(Un)realised gains/(losses) on Liability own credit risk	25	-1	-2
Share of other comprehensive income of associates not reclassified to the income statement			
Items that will not be reclassified to the income statement before taxation	**25**	**-1**	**-17**
Income tax relating to items that will not be reclassified to the income statement	5		-3
Items that will not be reclassified to the income statement after taxation	**19**	**-1**	**-14**
Items that may be reclassified to the income statement			
(Un)realised gains/(losses) currency translation	-4	42	-37
(Un)realised gains/(losses) fair value through OCI	-143	16	-46
(Un)realised gains/(losses) cash flow hedge	-218	-305	274
Share of other comprehensive income of associates reclassified to the income statement	-14	7	4
Items that may be reclassified to the income statement before taxation	**-380**	**-240**	**196**
Income tax relating to items that may be reclassified to the income statement	-78	-77	22
Items that may be reclassified to the income statement after taxation	**-301**	**-163**	**174**
Total comprehensive income/(expense) for the period after taxation	**-677**	**314**	**475**
Attributable to:			
Owners of the parent company	-677	314	475
Non-controlling interests			

Condensed 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				- 164	478		314		314
Transfer			2,312		- 2,312				
Dividend									
Increase/(decrease) of capital						1	1		1
Paid interest on AT1 capital securities			- 53				- 53		- 53
Other changes in equity									
Balance at 31 March 2019	**800**	**4,041**	**15,384**	**- 1,070**	**478**	**1,987**	**21,620**	**2**	**21,623**
Balance at 1 January 2020	**940**	**12,970**	**4,947**	**-1,419**	**2,046**	**1,987**	**21,471**	**0**	**21,471**
Total comprehensive income				-282	-395		-677		-677
Transfer			2,046		-2,046				
Dividend									
Increase/(decrease) of capital						-4	-4		-4
Paid interest on AT1 capital securities			-52				-52		-52
Capital restucturing									
Other changes in equity			-1				-1		-1
Balance at 31 March 2020	**940**	**12,970**	**6,939**	**- 1,701**	**- 395**	**1,983**	**20,737**	**0**	**20,737**

Accumulated other comprehensive income breaks down as follows:

(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		42	29	- 270	7	- 1	- 193
Less: Net realised gains/(losses) included in income statement			13	35			49
Net gains/(losses) in equity		42	16	- 305	7	- 1	- 241
Related income tax			- 13	- 64			- 77
Balance at 31 March 2019	**- 6**	**49**	**315**	**- 1,404**	**22**	**- 46**	**- 1,070**
Balance at 1 January 2020	**-20**	**81**	**177**	**-1,648**	**32**	**-41**	**-1,419**
Net gains/(losses) arising during the period		-4	-133	-192	-14	25	-319
Less: Net realised gains/(losses) included in income statement			10	26			36
Net gains/(losses) in equity		**-4**	**-143**	**-218**	**-14**	**25**	**-355**
Related income tax			-31	-48		5	-73
Balance at 31 March 2020	**- 20**	**77**	**65**	**- 1,818**	**18**	**- 22**	**- 1,701**

Risk developments

Key figures

(in millions)	31 March 2020	31 December 2019
Total loans and advances, gross excluding fair value adjustments[1]	282,803	270,935
- of which Banks	*6,342*	*5,016*
- of which Residential mortgages	*147,588*	*148,225*
- of which Consumer loans	*11,903*	*12,294*
- of which Corporate loans[1]	*106,330*	*99,107*
- of which Other loans and advances customers[1]	*10,641*	*6,292*
Total Exposure at Default (EAD)	402,131	393,247
Credit quality indicators[1]		
Past due ratio	1.2%	1.2%
- of which Residential mortgages	*0.7%*	*0.9%*
- of which Consumer loans	*3.0%*	*3.6%*
- of which Corporate loans	*1.9%*	*1.4%*
Stage 3 Impaired ratio	2.8%	2.5%
Stage 3 Coverage ratio	30.4%	29.6%
Regulatory capital		
Total RWA	111,704	109,825
- of which Credit risk[2]	*91,412*	*89,071*
- of which Operational risk	*18,148*	*19,391*
- of which Market risk	*2,144*	*1,362*
Total RWA/total EAD	27.8%	27.9%
Mortgage indicators		
Exposure at Default	164,723	164,575
- of which mortgages with Nationale Hypotheek Garantie (NHG)	*34,757*	*35,304*
Risk-weighted assets	16,809	16,665
RWA/EAD	10.2%	10.1%
Average Loan-to-Market-Value	63%	64%
Average Loan-to-Market-Value - excluding NHG loans	61%	62%

1 Excluding loans and advances measured at fair value through P&L.
2 RWA for credit value adjustment (CVA) is included in credit risk. CVA per 31 March 2020 is EUR 0.3 billion (31 December 2019 is EUR 0.4 billion).

	Q1 2020	Q1 2019	Q4 2019
Impairment charges on loans and other advances (in EUR million)[1]	1,111	102	314
- of which Residential mortgages	*4*	*1*	*11*
- of which Consumer loans	*32*	*3*	*39*
- of which Corporate loans	*861*	*100*	*261*
Cost of risk (in bps)[2,3]	132	15	46
- of which Residential mortgages	*1*		*3*
- of which Consumer loans	*104*	*10*	*127*
- of which Corporate loans	*335*	*38*	*102*

1 Including off-balance sheet exposures.
2 Annualised impairment charges on loans and advances customers for the period 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 Calculation of CoR excludes (impairment charges on) off-balance exposures.

Highlights

First quarter impacted by Covid-19

The Covid-19 impact and the subsequent lockdown in the Netherlands and other countries in which we are active affected our processes and clients. In response to these developments, we took a number of measures aimed at continuation of our services to our clients. These measures included remote working, a strong increase in video banking, virtual onboarding of new employees and granting clients an automatic deferral of interest and principal payments on loans.

The macroeconomic repercussions of Covid-19 also impacted the risk profile of our SME loan portfolio, especially in the sectors travel & leisure, non-food retail, transport & logistics and food. The oil & gas sector (midstream, upstream) continued to suffer from falling oil and gas prices. To address this we transferred clients to stage 2 and recorded significant upfront collective provisioning for sectors immediately impacted by Covid-19 and oil prices. More details on these measures and the effect they had on our results for Q1 2020 can be found in the sections on impairments and the coverage and stage ratios.

Credit quality indicators

Given that the end of March marked the beginning of Covid-19, its immediate effect was not yet visible in our past due ratio. Total past due exposure for loans and advances to customers increased moderately to EUR 3.3 billion in Q1 2020 (Q4 2019: EUR 3.2 billion). The increase in mid-term arrears (>30-90 days) was partly offset by a decrease in short-term arrears (<30 days).

The stage ratio for stage 3 increased to 2.8% (31 December 2019: 2.5%), mainly due to a new inflow of corporate loans at CIB. The coverage ratio for stage 3 increased somewhat to 30.4% (31 December 2019: 29.6%). This was mainly caused by an increase in allowances for existing stage-3 exposures in the logistics and the energy-offshore sectors at CIB. More details on credit quality indicators are provided at the end of this chapter.

Impairment charges and cost of risk

Impairment charges amounted to EUR 1,111 million in Q1 2020 (cost of risk of 132bps), which was considerably higher than in Q1 2019 (EUR 102 million, cost of risk of 15bps) and Q4 2019 (EUR 314 million, cost of risk of 46bps). Out of the total impairments an amount of EUR 215 million was related to off-balance sheet exposure. Off-balance sheet exposure and related impairments are not included in the calculation of cost of risk. Impairments were very high due to two exceptional client files and significant upfront collective provisioning for sectors immediately impacted by Covid-19 and oil prices. Of the total impairments, an amount of EUR 511 million related to the economic impact of Covid-19 and oil price developments. The two exceptional client files relate to a EUR 235 million impairment charge in Clearing, mainly due to a single loss on a large client, and EUR 225 million related to a significant impairment event relating to potential fraud in our TCF portfolio in Singapore. Corrected for these items, an amount of EUR 140 million remains related to regular impairments. Based on our latest assumptions we expect the cost of risk for FY 2020 to be around 90bps, or around EUR 2.5 billion, which is well above the through-the-cycle average but well below the Q1 run rate of 132 bps.

The impairment charges for CIB amounted to EUR 804 million in Q1 2020 (Q1 2019: EUR 38 million) and included EUR 226 million related to Covid-19 and oil price developments. Impairments were related to new inflow in stage 3 and existing stage-3 exposure and were mainly recorded in the energy-offshore and logistics sectors and our trade & commodity finance business. Additions for CB were EUR 225 million this quarter (EUR 61 million in Q1 2019), including EUR 191 million for measures taken in response to Covid-19.
The impairment charges for individual files were mainly recorded in the transportation and food sectors.

The impairment charges for Retail Banking amounted to EUR 67 million in Q1 2020, including EUR 4 million for residential mortgages (EUR 1 million in Q1 2019). The Covid-19 related charges for residential mortgages amounted to EUR 33 million and were offset by a correction on impairments for interest-only mortgages recorded in Q4 2019. Other impairments for Retail Banking included EUR 54 million related to Covid-19, mainly for the transfer to stage 2 of client groups impacted by Covid-19 such as dentists, physiotherapists and pilots. Additions for Private Banking in Q1 2020 totalled

EUR 14 million, including EUR 7 million for measures taken in response to Covid-19. More details on the drivers behind the Q1 impairment charges can be found at the end of this chapter.

Loans and advances

In Q1 2020, total loans and advances increased to EUR 282.8 billion (31 December 2019: EUR 270.9 billion), mainly in corporate loans and other loans and advances. The increase predominantly related to seasonal effects in Clearing and to corporate clients using their undrawn committed credit lines.

Exposure at Default

EAD increased to EUR 402.1 billion (Q4 2019: EUR 393.2 billion). This increase was caused by a rise in CIB and Group Functions, which was partly offset by a decline in Retail Banking, in line with underlying volumes. As the calculation of EAD already included undrawn credit lines, the increase was smaller than the increase in loans and advances.

Regulatory capital

Total RWA increased to EUR 111.7 billion (31 December 2019: EUR 109.8 billion) and related to an increase in credit risk and to a lesser extent in market risk. The increase in credit risk was predominantly driven by additional drawdowns and deteriorated risk parameters in CIB, alongside business movements and a model update in CB. Market risk RWA increased by EUR 0.8 billion due to an increase in the capital multiplier and the 1-day VaR at a 99% confidence level. RWA for operational risk decreased by EUR 1.2 billion, driven by an update of the scenario analysis data, an update of the advanced measurement approach (AMA) model and the recalculation of capital under the basic indicator approach for non-AMA compliant entities.

Market Risk in the trading book

Internal aggregated diversified and undiversified VaR for all trading positions

	31 March 2020		31 December 2019	
(in millions)	Diversified	Undiversified	Diversified	Undiversified
VaR at last trading day of period	3.4	4.6	0.9	1.4
Highest VaR	3.4	4.6	2.4	4.9
Lowest VaR	0.7	0.9	0.6	0.9
Average VaR	1.2	1.7	1.1	1.9

The average VaR increased from EUR 1.1 million to EUR 1.2 million, comparing the four quarters ending on 31 December 2019 with those ending on 31 March 2020. The highest VaR increased from EUR 2.4 million to EUR 3.4 million.

The market stress observed in March 2020 resulted in several days with a large negative hypothetical profit and loss (Hypo) and/or clean actual profit and loss (CAPnL). For six days, we observed outliers where Hypo or CAPnL were more negative than the 1-day Value at Risk (VaR) at a 99% confidence level. This resulted in the capital multiplier moving from 3 to 3.5.

Market stress also resulted in an increase in the 1-day VaR at a 99% confidence level from EUR 0.9 million to EUR 3.4 million, comparing 31 December 2019 with 31 March 2020. Both effects were important contributors to the market risk RWA increase.

Residential mortgages

Housing market developments

The impact of Covid-19 is not yet visible in the Q1 2020 figures. Demand/supply dynamics in the Dutch housing market tightened further, as the housing shortage continued to be substantial. The number of properties for sale continued to decline, giving buyers less choice. The housing shortage combined with low interest rates and marginally improving consumer confidence led to a further rise of residential property prices. The housing price index published by Statistics Netherlands (CBS) for Q1 2020 was 2.2% higher than in Q4 2019, and 6.7% higher than in Q1 2019. The low interest rates also led to a large refinancing market.

Residential mortgage insights

New mortgage production shrank to EUR 3.3 billion, down 18.5% from Q4 2019, but 24.0% higher than in Q1 2019. ABN AMRO's market share in new mortgage production declined to 15% in Q1 2020 (Q4 2019: 18%) as we maintained strict pricing discipline in a competitive market. The proportion of amortising mortgages continued to increase, reaching 34% by the end of Q1 2020 (Q4 2019: 33%, Q1 2019: 30%).

Rising house prices, (contractual) redemptions and restrictions on the maximum loan-to-market-value (LtMV) of new mortgages led to further improvement of the mortgage portfolio. The average indexed LtMV decreased from 64% to 63% (from 62% to 61% excluding NHG mortgages). The gross carrying amount of mortgages with an LtMV in excess of 100% decreased, totalling EUR 1.9 billion (Q4 2019: EUR 2.2 billion) and accounting for 1.3% of total mortgages (Q4 2019: 1.5%, Q1 2019: 1.9%). Approximately 2% of the extra repayments were in this category (Q4 2019: 3%, Q1 2019: 2%).

Past due (but not impaired) loans

	31 March 2020						31 December 2019
		Days past due					
(in millions)	Gross carrying amount	≤ 30 days	> 30 days & ≤ 90 days	> 90 days[2]	Total past due but not stage 3	Past due ratio	Past due ratio
Loans and advances banks	**6,342**						**0.0%**
Loans and advances customers							
Residential mortgages	147,588	904	55	12	971	0.7%	0.9%
Consumer loans	11,903	191	89	80	360	3.0%	3.6%
Corporate loans[1]	106,330	1,238	656	114	2,009	1.9%	1.4%
Other loans and advances customers[1]	10,641					0.0%	0.0%
Total loans and advances customers[1]	**276,462**	**2,334**	**800**	**206**	**3,340**	**1.2%**	**1.2%**
Loans at fair value through P&L	1,294						
Total loans and advances	**284,097**	**2,334**	**800**	**206**	**3,340**	**1.2%**	**1.2%**

[1] Excluding loans at fair value through P&L.
[2] Materiality thresholds are applied for counterparties transferring to stage 3. Below these thresholds, amounts are reported on > 90 days past due.

Overall past due exposure increased slightly as corporate loans in arrears grew, partly offset by decreases in residential mortgages and consumer loans. The decrease in past due ratio for residential mortgages was mainly driven by short-term arrears, as economic circumstances were still benign in the first quarter. The increase in corporate loans past due exposure was mainly driven by short- and mid-term arrears and mainly attributable to relatively large CB and CIB clients. Almost all of these large clients were past due as a result of administrative causes. Due to the growth in the corporate loans portfolio, the rise in past due exposure did not lead to an increase in the past due ratio for total loans and advances to customers, which remained unchanged at 1.2% in Q1 2020.

Coverage and stage ratio

	31 March 2020				31 December 2019	
(in millions)	Gross carrying amount[4]	Allowances for credit losses	Coverage ratio	Stage ratio	Coverage ratio	Stage ratio
Stage 1						
Loans and advances banks	**6,340**	**5**	**0.1%**	**100.0%**	**0.1%**	**100.0%**
Residential mortgages	135,855	10	0.0%	92.1%	0.0%	94.6%
Consumer loans	9,931	30	0.3%	83.4%	0.3%	89.5%
Corporate loans	77,200	134	0.2%	72.6%	0.2%	85.4%
Other loans and advances customers	10,568	1	0.0%	99.3%	0.0%	98.8%
Total loans and advances customers	**233,554**	**175**	**0.1%**	**84.5%**	**0.1%**	**91.0%**
Stage 2						
Loans and advances banks	**2**		**0.2%**	**0.0%**	**0.4%**	**0.0%**
Residential mortgages	10,507	57	0.5%	7.1%	1.0%	4.7%
Consumer loans	1,593	90	5.7%	13.4%	7.5%	7.5%
Corporate loans	22,978	280	1.2%	21.6%	1.3%	9.2%
Other loans and advances customers	70	1	1.6%	0.7%	1.6%	1.1%
Total loans and advances customers	**35,149**	**429**	**1.2%**	**12.7%**	**1.5%**	**6.4%**
Stage 3						
Loans and advances banks				**0.0%**		**0.0%**
Residential mortgages	1,225	77	6.3%	0.8%	6.2%	0.7%
Consumer loans	379	197	51.9%	3.2%	53.8%	3.0%
Corporate loans	6,151	2,085	33.9%	5.8%	32.4%	5.4%
Other loans and advances customers	3	3	100.0%	0.0%	100.0%	0.1%
Total loans and advances customers[1]	**7,759**	**2,362**	**30.4%**	**2.8%**	**29.6%**	**2.5%**
Loans at fair value through P&L	**1,294**					
Fair value adjustments from hedge accounting	**3,659**					
Total loans and advances banks	6,342	5	0.1%		0.1%	
Total loans and advances customers	281,415	2,966	1.1%		0.9%	
Other balance sheet items[2]	121,122	4	0.0%		0.0%	
Total on-balance sheet	**408,879**	**2,976**	**0.7%**		**0.6%**	
Irrevocable loan commitments and financial guarantee contracts	58,411	215	0.4%		0.0%	
Other off-balance sheet items	6,633					
Total on- and off-balance sheet	**473,924**	**3,191**	**0.7%**		**0.5%**	

1 Excluding fair value adjustments from hedge accounting on loans and advances customers and loans at fair value through P&L.
2 The allowances for credit losses excludes allowances for financial investments held at FVOCI (31 March 2020: EUR 1.4 million; 31 December 2019: EUR 1.3 million).
3 Gross carrying amount excludes fair value adjustments from hedge accounting.

The stage ratios were significantly impacted by the measures taken in response to the economic impact of Covid-19 and falling oil prices. All credit portfolios were reviewed to identify any significant increase in credit risk in the context of IFRS 9. For CIB this was done on a case-by-case basis. Due to the large number of clients, the identification process within Commercial Banking was carried out by (sub)sector and within Retail Banking by profession. Clients that chose to opt out of the automatic deferral of interest and principal payments on their loans were not transferred to stage 2. As a result, a total exposure of EUR 17.2 billion was transferred from stage 1 to stage 2, mainly for corporate loans in the oil & gas sector within CIB and the leisure, non-food retail and transportation sectors within Commercial Banking. Consequently, the stage 2 ratio rose sharply to 12.7% (31 December 2019: 6.4%). Over the next few months all clients will be re-evaluated individually, which may lead to further adjustments in the stages.

The coverage ratio in stage 2 decreased from 1.5% at 31 December 2019 to 1.2% at 31 March 2020, as a result of new inflow in stage 2 with a relatively lower coverage ratio. If measures related to the expected financial impact of Covid-19 are excluded, a deterioration of the underlying risk parameters (risk ratings, collateral) is not yet observed.

Loans, impairment charges and allowances

							First quarter 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		-2	-3	-7		-12	
Transfer to stage 2		9	12	79		100	4
Transfer to stage 3		14	16	63		93	
Remeasurements[1]	-2	-31	9	664	-1	639	192
Changes in risk parameters	1	23	7	73		104	3
Originated or purchased	2	1	6	10		19	2
Matured or sold loans		-4	-5	-13		-23	-2
Impairment charges (releases) on loans and advances		**9**	**42**	**870**	**-1**	**919**	**199**
Write-offs		-4	-21	-333		-359	
Unwind discount / unearned interest accrued				8		8	
Foreign exchange and other movements			-1	-27		-28	
Balance at 31 March 2020	**5**	**145**	**317**	**2,499**	**5**	**2,971**	**215**
Impairment charges (releases) on loans and advances		9	42	870	-1	919	199
Recoveries and other charges (releases)		-5	-10	-9		-23	16
Total impairment charges for the period[2]		**4**	**32**	**861**	**-1**	**896**	**215**

[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 2020: EUR 0 million (31 December 2019: EUR 0 million).

ABN AMRO reported high impairment charges in Q1 2020, due to two exceptional client files and significant upfront collective provisioning for sectors immediately impacted by Covid-19 and oil prices.

Impairments related to Covid-19 and oil price developments
A total amount of EUR 511 million related to the impact of Covid-19 and the sharp decline in oil prices. These include changes in the macroeconomic outlook, stage transfers due to a significant increase in credit risk and management adjustments to coverage ratios in stage 2 and stage 3 for clients that are sensitive to oil price developments. Furthermore, the deferral of interest and principal payments on client loans led to loss of compounded interest.

- In line with the IFRS 9 standard, ABN AMRO calculates expected credit losses (ECL) as an unbiased probability weighted amount that includes past events, current conditions and a forecast of future economic conditions. As Covid-19 is expected to have negative consequences for the economic development in markets in which we are active, we applied a management adjustment of EUR 107 million to the ECL. Expectations regarding economic development are formulated by Group Economics in their updated

Covid-19 forecasts, which are published on our website. After backtesting, the adjustment was found to be consistent with the current baseline scenario.

- The identification of a significant increase in credit risk led to EUR 17.2 billion in exposure being transferred from stage 1 to stage 2, mainly for corporate loans in the oil & gas sector within CIB and the leisure, non-food retail and transportation sectors within Commercial Banking. The impact on impairment charges in Q1 2020 was EUR 125 million. In the course of the next few months, we intend to re-evaluate all clients individually, which may lead to further adjustments in the stages and hence in impairment levels.
- Developments in oil prices affected the risk profile of the oil & gas portfolio in the US, which is not yet properly reflected in ECL model outcomes. The provision coverage in stage 2 was therefore raised by EUR 32 million. The adjustment is based on the situation at 31 March, after which oil prices declined further. This may lead to further adjustments in Q2 2020.
- Individual provisions for existing stage 3 exposures were reviewed. The scenarios were adjusted for defaulted clients for whom a restructuring scenario had become less likely. Together with other impairments directly linked to Covid-19 and oil prices, this had an impact of EUR 212 million.
- The deferral of interest and principal payments on client loans led to a loss of compounded interest amounting to EUR 35 million in total.

Please note that for the upcoming quarter, we will monitor our portfolio on an ongoing basis. At the time of reporting, there is still much uncertainty regarding the effects of measures taken by the bank and the government, such as payment holidays. In the event that risk parameters deteriorate, this will have an impact on impairment charges.

Impairments in the Clearing portfolio

ABN AMRO Clearing is a general clearing member, providing execution, clearing, custody and financing services in various global markets. Clients of ABN AMRO Clearing are mostly principal trading groups, but also corporate hedgers and prime brokerage clients. ABN AMRO Clearing runs indirect market risk through its clearing and financing activities. Collateral should mitigate the risks related to client trading. In addition, margin (collateral) requirements increase when volatility rises. Until this quarter, Clearing showed a good track record in managing risk through volatile periods, recording minor impairments.

However, as a result of unprecedented volumes and volatility in the financial markets following Covid-19, ABN AMRO Clearing recorded a large loss for one of its US clients. This client had a specific strategy, trading volatility as a pure asset class using US options and futures on the VIX and S&P index. Following extreme stress and dislocations in US markets, it incurred significant losses over a short timeframe and failed to meet the minimum risk and margin requirements. To prevent further losses, ABN AMRO Clearing decided to close-out the positions of this client. Mainly due to this loss, total impairment charges for ABN AMRO Clearing amounted to EUR 235 million this quarter. Although this loss was caused by an extraordinary combination of events, analyses aimed at identifying potential measures and controls to prevent future losses similar in size and circumstances are ongoing.

Impairment event in the TCF portfolio

We had to record a significant impairment in Singapore due to a potential case of fraud this quarter. The client in question is active in terminals, shipping and trading, and ran into problems when oil prices fell and sales proceeds were delayed due to the economic slowdown. The company is suspected of keeping loss-making transactions outside its books. As the initial analysis on the possible recovery of the exposure did not give comfort and a significant loss is expected, it is recognised as a significant increased credit risk and included in this quarter's results. A large part of the total impairment of EUR 225 million pertained to off-balance items, such as guarantees and documentary credits.

Regulatory and other developments

Governments, regulators and supervisors are implementing a broad range of far-reaching measures in response to Covid-19. Many of these measures are unprecedented changes to regulatory requirements and to the enforcement of prudential regulation.

At this stage, we assess that the measures are making use of the flexibility existing within the current regulatory framework rather than amending the formal regulatory framework. In other words, the current focus is on changing how the regulations are applied rather than changing the regulations. However, certain amendments to the regulatory framework are being postponed, and the formal regulatory framework could be changed at a later stage.

The measures are providing ABN AMRO some degree of flexibility in using its capital and liquidity position. Covid-19 will further delay the implementation of the Basel IV standards, which will have an impact on capital planning as well as implementation projects. The indications on the flexibility that may be applied to risk metrics (e.g. the default definition) are likely to have a significant effect on those risk metrics. Furthermore, uncertainties regarding the timing and impact of TRIM measures and regulatory restrictions on payment of dividends may impact capital availability.

In Q1 we took important steps towards implementation of the new definition of default (DoD). Implementation is expected in Q2 2020, subject to ECB approval. The estimated impact on RWA in Q2 2020 is around EUR 2 billion.

Investigations by the German authorities into the involvement of some of ABN AMRO's legal predecessors and (former) subsidiaries in so-called "cum/ex" transactions were ongoing in Q1 2020. ABN AMRO continues to cooperate and provide the requested information to the fullest extent possible.

Capital management

Regulatory capital structure

(fully-loaded, in millions)		31 March 2020		31 December 2019
Total equity (EU IFRS)		**20,737**		**21,471**
Dividend reserve		-639		-668
AT1 capital securities		-1,983		-1,987
Other regulatory adjustments		1,201		1,097
Common Equity Tier 1		**19,315**		**19,913**
AT1 capital securities		1,983		1,987
Other regulatory adjustments		-1		-5
Tier 1 capital		**21,298**		**21,895**
Subordinated liabilities (EU IFRS)	10,347		10,041	
Regulatory adjustments	-3,541		-3,505	
Tier 2 capital		**6,806**		**6,536**
Total regulatory capital		**28,105**		**28,431**
Total risk-weighted assets		**111,704**		**109,825**
Exposure measure (under CDR)				
On-balance sheet exposures		405,903		375,054
On-balance sheet netting		8,360		8,275
Off-balance sheet exposures		113,202		104,154
Other regulatory measures		-7,563		-3,174
Exposure measure		**519,902**		**484,309**
Impact CRR2 (incl. SA-CCR)		-78,585		-64,752
Exposure measure (incl. CRR2)		**441,318**		**419,557**
Capital ratios				
Common Equity Tier 1 ratio		17.3%		18.1%
Tier 1 ratio		19.1%		19.9%
Total capital ratio		25.2%		25.9%
Leverage ratio (CDR)		4.1%		4.5%
Leverage ratio (incl. CRR2)		4.8%		5.2%

MREL

(fully-loaded, in millions)	31 March 2020	31 December 2019
Regulatory capital	28,105	28,431
Other MREL eligible liabilities[1]	4,066	2,885
Total MREL eligible liabilities	**32,170**	**31,316**
Total risk-weighted assets	111,704	109,825
MREL[2]	28.8%	28.5%

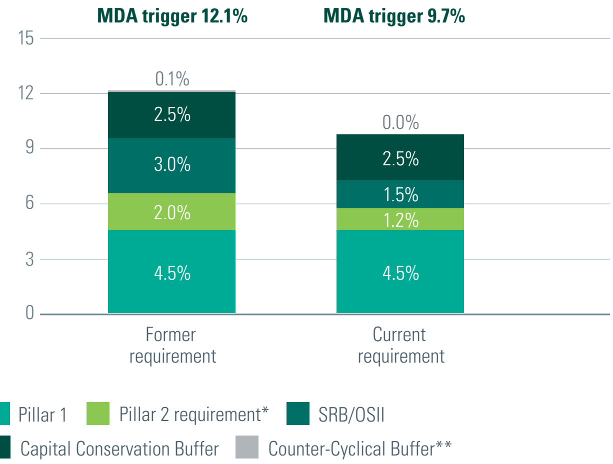
1 Other MREL eligible liabilities consists of subordinated liabilities and senior non-preferred notes that are not included in regulatory capital.
2 MREL is calculated as total regulatory capital plus other MREL eligible subordinated liabilities divided by total risk-weighted assets.

Developments impacting capital ratios

Common Equity Tier 1 (CET1) capital decreased in Q1 2020 due to a loss that was mainly caused by high impairments and to a lesser extent by movements in the fair value reserve. As Covid-19 affected credit spreads on financial instruments and market interest rates, the fair value reserve and the cash flow hedge reserve decreased in Q1 2020. Total RWA increased to EUR 111.7 billion at 31 March 2020 (31 December 2019: EUR 109.8 billion). At 31 March 2020, the CET1, Tier 1 and total capital ratios were 17.3%, 19.1% and 25.2% respectively (31 December 2019: 18.1%, 19.9% and 25.9% respectively). All capital ratios were in line with the bank's risk appetite and were well above regulatory minimum requirements.

At the start of Q1 2020, the Maximum Distributable Amount (MDA) trigger level under Basel III for 2020 equaled 12.1%, reflecting the SREP requirement of 12.0% and the counter-cyclical buffer of 0.1%. This included a Pillar 2 requirement for 2020 that was 25bps higher than in 2019, reflecting improvements required in credit risk models and processes, and our anti-money laundering activities. In response to Covid-19, the ECB and DNB announced a number of capital relief measures 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 lowered the systemic risk buffer for ABN AMRO from 3% to 1.5% and OSII from 2% to 1.5%. As a result, the MDA trigger level has been temporarily reduced to 9.7% (including an Additional Tier 1 capital shortfall of 0.1%). DNB is expected to compensate the systemic buffer reduction in due course by gradually increasing the counter-cyclical capital buffer to 2% of Dutch risk-weighted exposures. In addition, the ECB allows banks to temporarily operate below the required levels of the capital conservation buffer (2.5% industry-wide) and Pillar 2 guidance.

Capital requirements before and after relief measures



* Including AT1 shortfall.
** CCyB decreased due to reduction of local CCyBs in countries where ABN AMRO is present.

The CET1 capital target range under Basel III is 17.5-18.5%, consisting of a Basel IV implementation buffer on top of the (former) SREP capital requirement, the Pillar 2 guidance and a management buffer. At present there are many uncertainties, including economic outlook, TRIM timing and impact, and the potentially temporary nature of regulatory easing. The target range therefore remains unchanged and will be reviewed after the summer. While ABN AMRO has fallen modestly below its target range of 17.5-18.5%, the bank remains committed to maintaining a significant buffer above its regulatory requirements at all times.

The reported CET1 ratio of 17.3% is comfortably above the MDA trigger level. Compared with Q4 2019, the CET1 ratio decreased, mainly reflecting elevated impairments and a EUR 1.9 billion increase in RWA. The increase in RWA was attributable to an increase in credit risk and to a lesser extent in market risk. The increase in credit risk was predominantly driven by additional drawdowns and deteriorated risk parameters in CIB and business movements and a model update in CB. Market risk RWA increased by EUR 0.8 billion due to an increase in the capital multiplier and the 1-day VaR at a 99% confidence level. RWA for operational risk decreased by EUR 1.2 billion, driven by an update of the scenario analysis data, an update of the advanced method approach (AMA) model and the recalculation of capital under the basic indicator approach for non-AMA compliant entities.

We have recorded approximately EUR 10 billion for add-ons to RWA in anticipation of TRIM and model reviews since Q4 2018. No further add-ons were recorded in Q1 2020. ABN AMRO received some preliminary TRIM feedback. The TRIM review of our corporate lending and specialised lending portfolios is in progress and since Q4 2018 we have already included some add-ons in our RWA to reflect preliminary TRIM feedback. In response to Covid-19, the final TRIM letter has been postponed by six months to no earlier than Q3 2020. Although TRIM has been delayed for at least six months, we expect a substantial further impact from TRIM in the second half of 2020, which will further increase our Basel III RWA and will likely impact Basel IV constrained-IRB RWA. We continue to expect an RWA impact of around 2 billion from the guidelines for harmonising the definition of default in the second half of 2020. The risk weight floor for mortgages announced by DNB, which will further increase RWA for mortgages, has been postponed until further notice. TRIM and model reviews, including the risk weight floor announced by DNB, are not expected to materially impact Basel IV fully-loaded RWA, as the output floor is a constraint for us. When TRIM and model reviews further reduce the gap between Basel III and Basel IV RWA, we will lower our Basel III target range of 17.5-18.5% accordingly.

We also 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 supervisor. In Q2 2019, we recorded a supervisory capital deduction of around EUR 0.2 billion. During the phase-in from 2020 to 2024, we estimate that the combined annual impact of NPE regulations will be of a similar order of magnitude. 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.

The BIS has announced that Basel IV will be delayed until January 2023, while timelines for EU implementation remain uncertain. The estimated fully-loaded Basel IV CET1 ratio was around 14% as at 31 March 2020. Basel IV calculations are subject to uncertainties stemming from EU implementation of Basel IV, data limitations, management actions and other portfolio developments. The first effects of measures implemented to mitigate Basel IV inflation are visible in the RWA, and we continue to work on further mitigations which are expected to mitigate around a further 20% of the Basel IV RWA inflation. We are well positioned to meet our Basel IV CET1 target of at least 13.5% early in the phase-in period. This target remains unchanged and will be reviewed after the summer to take into account a number of developments, such as the (temporary) easing of regulatory requirements.

Dividend

When ABN AMRO published its Q4 2019 results, it proposed a final cash dividend of EUR 639 million or EUR 0.68 per share. Meanwhile, ABN AMRO has taken notice of the recommendation of the European Central Bank (ECB) to credit institutions under ECB supervision to conserve capital and refrain from making dividend payments and perform share buy-backs until at least 1 October 2020, in order to support the economy in an environment of heightened uncertainty caused by Covid-19. As announced in the press release of 30 March 2020, ABN AMRO has decided to keep its initial proposal for distribution of the dividend for the 2019 financial year, but to make the actual payment conditional on a reassessment of the situation once there are less uncertainties about the consequences of Covid-19 (and, in any case, not before 1 October 2020). Until a decision is made, the final dividend for 2019 will not be included in the CET1 capital. In addition, ABN AMRO will not pay an interim dividend in August 2020. During 2020, interim profits attributable to owners of the parent company will not be accrued to CET1 capital.

Besides these developments, our dividend policy remains unchanged for now and a reassessment will be part of the capital review in the second half of this year. From 2018 onwards, the dividend payout has been set at 50% of net sustainable profit, excluding exceptional items that significantly distort profitability. Additional distributions, which can either be special dividends or share buy-backs (subject to regulatory approval), will be considered if capital is within or above the target range and will be subject to other circumstances, including regulatory and commercial considerations. The combined distribution will be at least 50% of net sustainable profit.

Leverage ratio

The Capital Requirements Regulation (CRR) introduced a non-risk-based leverage ratio, which is expected to become a binding measure with effect from 1 January 2021. Based on the currently applicable rules (i.e. CEM methodology), the leverage ratio decreased to 4.1% (31 December 2019: 4.5%) mainly reflecting balance sheet growth and the decline in Tier 1 capital following from the loss recorded in Q1 2020.

The CRR is expected to amend the rules for calculating the exposure measure by mid-2021, including the use of the SA-CCR calculation methodology for clearing guarantees. ABN AMRO estimates that the cumulative CRR2 adjustments, including the use of SA-CCR, is expected to lower the exposure measure by approximately EUR 78.6 billion, improving the fully-loaded leverage ratio by another 0.7 percentage points. At 31 March 2020, the fully-loaded leverage ratio decreased to 4.8% based on SA-CCR, (31 December 2019: 5.2%) mainly reflecting balance sheet growth and the decline in Tier 1 capital following from the loss recorded in Q1 2020. In response to Covid-19, the European Commission presented a proposal aimed at making it more beneficial to exclude central bank reserves from the exposure measure. Based on Q1 figures, this could potentially improve the fully-loaded leverage ratio by another 0.3 percentage points.

Going forward, ABN AMRO will monitor and report the leverage ratio based on currently applicable rules as well as CRR2, and we expect the leverage ratio to remain above the anticipated regulatory requirements.

MREL

In 2019, the European Parliament approved a new version of the Bank Recovery and Resolution Directive (BRRD2), which means that amended international standards on loss absorption and recapitalisation have been incorporated into EU law and will become applicable in the member states during 2020. Based on our current interpretation of the MREL framework, but subject to further changes and SRB guidance, our preliminary MREL ambition is approximately 27% of RWA by 2022, based on own funds, subordinated instruments and senior non-preferred notes. Based on these instruments, MREL was 28.8% as at 31 March 2020 (31 December 2019: 28.5%). In January 2020, the bank issued its first tranche of EUR 1.25 billion in senior non-preferred notes. The increase in MREL compared to Q4 2019 was mainly attributable to this issuance of senior non-preferred notes and, to a lesser extent, to excess IRB provisions which were added to Tier 2 capital in accordance with CRR.

In response to Covid-19, the Single Resolution Board (SRB) intends to take a “forward-looking approach” to existing MREL binding targets before new decisions, as part of the 2020 resolution cycle (i.e. BRRD2 MREL targets), take effect. However, it is not yet clear how this will affect the MREL requirement for ABN AMRO.

Funding and liquidity update

ABN AMRO actively manages its liquidity position for all currencies, particularly in volatile markets. Main focus points are a strong liquidity buffer to absorb potential outflows in times of stress and a diversified and stable funding structure that takes into account the optimal balance between client and wholesale funding.

Main developments affecting the liquidity position during Q1 2020 included lower demand deposits within Retail Banking, Private Banking and Commercial Banking. This reflected overall decreasing client rates in the low-rate environment as well as Private Banking clients shifting from cash to investments. The impact was in line with expectations and a strong cash buffer at year-end allowed for absorption of these outflows. The downward impact on cash was offset by the participation in the USD central bank operations which was aimed at ensuring sufficient access to USD liquidity in anticipation of potential disruptions and dislocations in financial markets.

The impact of the volatile markets was reflected in additional drawdowns on committed credit lines within Corporate & Institutional Banking. These were mainly of a defensive character and were mostly transferred to current accounts at ABN AMRO, meaning there were no actual cash outflows. In addition, Clearing activities expanded. The increased liquidity needs at Clearing were mainly supported by short-term client deposits.

The liquidity buffer at the end of March 2020 totalled EUR 70.8 billion and was composed of mainly government bonds and cash at central banks. Compared to year-end 2019, the liquidity buffer decreased by EUR 9.7 billion, mainly due to a reduction in retained securities. Cash at central banks remained relatively stable as lower demand deposits within Retail Banking, Private Banking and Commercial Banking were offset by participation in central bank facilities. This, however, reduced the amount of retained securities, as these were placed as collateral at the ECB.

The regulatory liquidity coverage ratio (LCR) and the internal survival period confirm that ABN AMRO is able to survive periods of both moderate and severe stress. The consolidated LCR amounted to 133% at the end of March 2020, based on a 12-month rolling average, compared to 134% at year-end 2019. The modest decline is mainly explained by temporarily higher liquidity needs in the Clearing business given the volatile markets. The survival period (based on a moderate stress scenario) remained consistently above 12 months.

The net stable funding ratio (NSFR) and the loan-to-deposit (LtD) ratio are reflective of ABN AMRO's diversified and stable funding structure. The NSFR was well above 100%, both in March 2020 and at year-end 2019. The LtD ratio increased from 114% at year-end 2019 to 117% in March 2020, mainly driven by the increase in the client loan book, partially offset by higher client deposits. The drop in demand deposits was more than offset by an increase in current accounts and short-term deposits. Total long-term funding raised in Q1 2020 amounted to EUR 3.9 billion, while EUR 0.7 billion matured. Newly issued funding included EUR 2.0 billion in covered bonds, EUR 1.25 billion in senior non-preferred and EUR 0.6 billion in senior preferred funding.

In response to Covid-19, ABN AMRO announced it is supporting clients by granting deferral of interest and principal payments on loans to certain clients. Additional funding needs are expected to be accommodated for by a combination of wholesale funding and central bank funding (TLTRO).

About this report

Introduction

This report presents ABN AMRO's results for the first quarter of 2020. It provides a quarterly business and financial review, as well as risk and capital disclosures.

Presentation of information

Except for the changes described below, the financial information contained in this Quarterly Report has been prepared according to the same accounting policies as our most recent financial statements, which were prepared in accordance with EU IFRS. The figures in this document have not been audited or reviewed by our external auditor. This report is presented in euros (EUR), which is ABN AMRO's presentation currency, rounded to the nearest million (unless otherwise stated). All averages in this report are based on monthly averages. Management does not believe these 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. Furthermore, certain percentages in this document have been calculated using rounded figures.

ABN AMRO changed the presentation of interest income and expense on hedge accounting in 2019. Interest income and expense on hedging instruments is presented in the same line item as the interest income and expense on the hedged item. The change enhances comparability with market participants and better reflects the net effective interest results on hedged assets and liabilities in an effective hedge accounting relationship. The interest income (expense) is included in the line item Interest income (expense) and calculated using the effective interest method. The change in presentation did not have an impact on net interest income. In addition to changing the presentation of interest income from hedge accounting, we decided to present interest expense at the same level of detail as interest income.

Due to the change in presentation of interest income and expense, the comparative figures have been adjusted, resulting in a EUR 531 million decrease of both interest income and interest expense as at 31 March 2019.

In 2019, ABN AMRO changed the presentation of fee and commission income and expense related to pass-through fees resulting from clearing activities in the US. Pass-through fees are collected from clients and fully passed through to third parties. Historically, these pass-through fees were presented ‘gross’. After reconsideration, it was determined that ABN AMRO is acting as an agent and not as a principal regarding these pass-through fees, which means the fees should be presented ‘net’ in accordance with IFRS 15. By changing the presentation of the fees, all fees with the same nature and related to clearing activities are presented consistently. The change in presentation did not have an impact on net fee and commission income.

Due to the change in presentation of fee and commission income, the comparative figures have been adjusted, resulting in a EUR 218 million decrease of both commission income and commission expense as at 31 March 2019.

On 29 June 2019, ABN AMRO Bank N.V. merged with its parent company ABN AMRO Group N.V. As a result of the merger, ABN AMRO Group N.V. ceased to exist. The activities of ABN AMRO Group N.V. have been integrated into and continued in ABN AMRO Bank N.V. As a result, the figures presented in this Quarterly Report represent figures for ABN AMRO Bank N.V.

To download this report or to obtain more information, please visit us at abnamro.com/ir or contact us at investorrelations@nl.abnamro.com. In addition to this report, ABN AMRO provides an analyst and investor call, an investor presentation and a fact sheet regarding the Q1 2020 results.

Enquiries

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Investor call

A conference call for analysts and investors will be hosted by the bank on Wednesday 13 May 2020 at 11:00 AM CET (10:00 AM London time). To participate in the conference call, we strongly advise analysts and investors to preregister for the call using the information provided on the ABN AMRO Investor Relations website. More information can be found on our website, abnamro.com/ir.

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Information on our website does not form part of this Quarterly report, unless expressly stated otherwise.

Disclaimer & cautionary statements

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