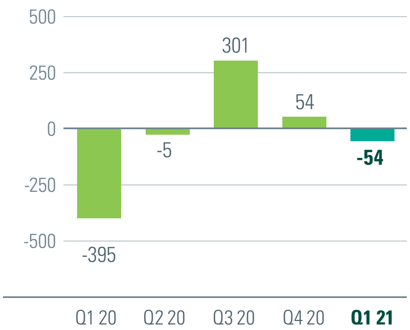
Quarterly Report

First quarter 2021

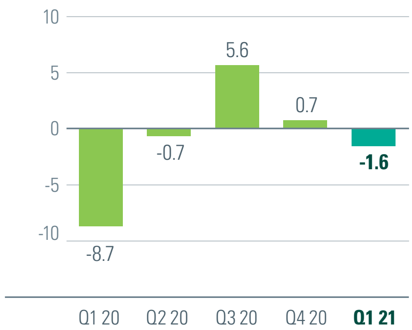
ABN AMRO Bank N.V.

Figures at a glance

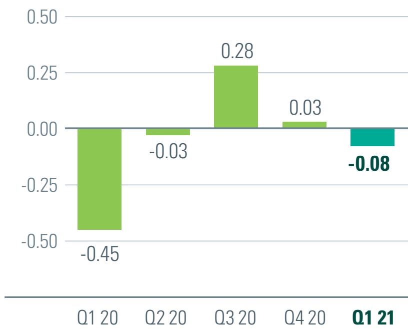
Net profit/(loss)
(in millions)



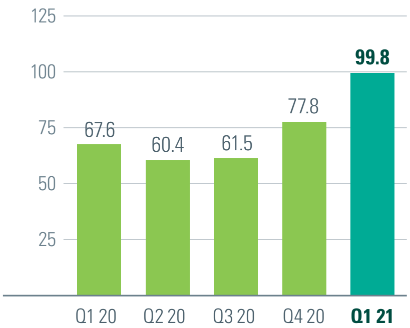
Return on equity[1,2]
(in %) Target is 8%



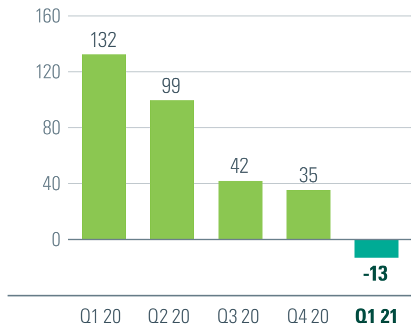
Earnings per share[3]
(in EUR)



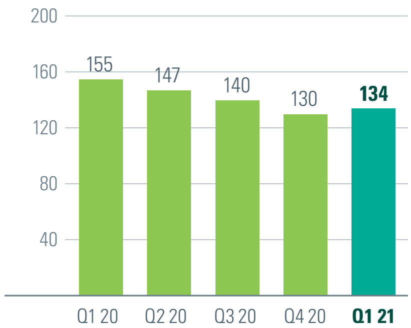
Cost/income ratio
(in %)



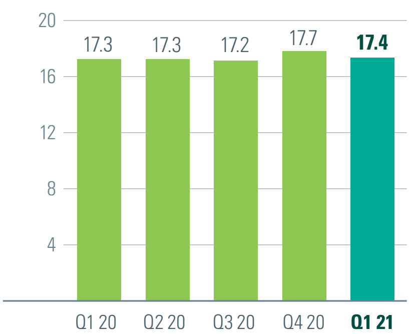
Cost of risk[1,4]
(in bps) Target is 25-30bps through-the-cycle



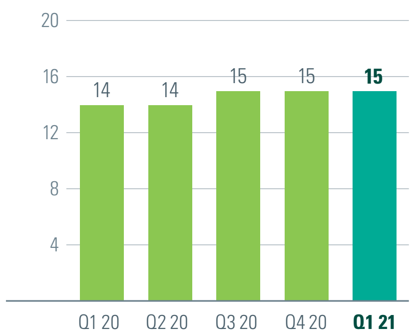
Net interest margin
(in bps)



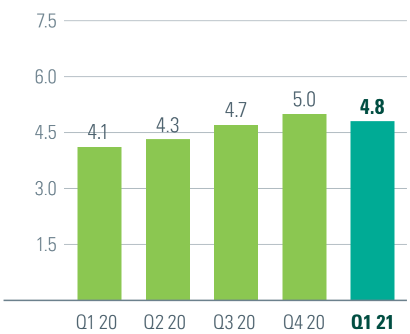
CET1 ratio (Basel III)[5]
(end-of-period, in %)



CET1 ratio (Basel IV)[5,6]
(end-of-period, in %) Target is 13%



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 each quarter, the year-to-date profit/(loss) attributable to owners of the parent company, excluding accrued coupon attributable to AT1 capital securities, is added to CET1 capital after deduction of the dividend reserve.
[6] Basel IV results are based on fully-loaded figures, rounded to the nearest whole percent, based on ABN AMRO's interpretation of the Basel IV framework and subject to the implementation of Basel IV standards into EU legislation. Please refer to the Capital management section.

Message from the CEO

Last month, we accepted a settlement offer of EUR 480 million from the Dutch Public Prosecution Service as the outcome of the AML investigation into ABN AMRO Bank N.V. in the Netherlands. Our AML remediation programme is on track and expected to be completed in 2022. We are fully committed to our moderate risk profile and our role as a gatekeeper. Our culture and licence to operate remain clear priorities.

We continue to navigate the bank through Covid-19 and support our clients wherever possible.The Dutch economy is still weathering the Covid crisis relatively well, supported by government programmes aimed at reducing the economic impact. The housing market remains buoyant, stimulated by sustained low interest rates. We expect a strong economic rebound later this year as lockdown restrictions ease, provided the vaccination programme progresses steadily.

Excluding the EUR 480 million AML settlement, we reported a EUR 426 million net profit. Operational performance was in line with previous quarters. Net interest income was impacted by continued pressure on deposit margins and lower corporate loan volumes as the CIB non-core portfolio was wound down further. By the end of Q1 we had reduced the CIB non-core portfolio by around 60% since Q2 2020. We continue to take management action and from July 2021 will further lower the threshold for charging negative interest rates on client deposits to EUR 150,000. We achieved the first cost reductions as part of our goal of achieving EUR 700 million in cost savings by 2024. Our AML remediation programme is on track; we reconfirm our overall cost guidance. Impairments showed a net release of EUR 77 million for the first quarter as credit quality remained stable while government support continued. Based on the current economic outlook, we expect that 2021 cost of risk for the bank (excluding CIB non-core) will be at or below the through-the-cycle guidance of 25-30 basis points, a clear reflection of the improved risk profile after completion of the CIB non-core wind-down. CIB non-core impairments remain uncertain but are expected to be significantly below last year, given the good progress on the wind-down and the improved outlook for oil and commodity prices.

Our capital position remained very strong, with a Basel III CET1 ratio of 17.4% (Basel IV above 15%) after absorption of the AML settlement and finalisation of the targeted review of internal models. The Basel IV threshold for share buybacks, currently at 15%, will be recalibrated at Q4 2021. We stand ready to pay FY 2019 dividend, ECB conditions permitting.

We continued to focus on executing our strategy. Our market share of new production in mortgages increased to 17% in Q1 2021, reflecting strong operational capabilities valued by clients. Our innovation portfolio supports our ambition to be a personal bank in the digital age by developing new business models in sustainability, digital assets and by co-creation with other platforms. We have a promising portfolio of ventures in different phases across these three themes. We are also accelerating innovation by working with partners such as Techstars and through ABN AMRO Ventures.

Sustainability is core to our purpose. Our recent climate publication describes how we work with our clients to align our activities with the Paris Climate Agreement. Our goal is to bring our portfolios in line with at least a well-below 2-degree scenario and to support the transition to a net zero economy by 2050. We are making good progress towards our sustainability target.

We are taking further steps in building a future-proof bank. We will be the first large Dutch bank to offer Google Pay, enabling our clients to pay quickly and easily with their Android smartphone. We are making good progress in winding down the CIB non-core business, supported by the recently announced disposal of part of our Trade & Commodity Finance portfolio.

The settlement of the AML investigation means we can now turn to the future and focus on our strategic priorities and financial targets. I am very pleased that Lars Kramer will be joining the bank as Chief Financial Officer (pending approval by the ECB) and am confident that he will make a valuable contribution to ABN AMRO. Our staff's continued commitment to our clients and their resilience in the current challenging circumstances is what drives our achievements and gives me confidence in our journey to become a personal bank in the digital age.

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

- The investigation into the bank's AML activities in the Netherlands was concluded by the acceptance of the settlement offer of EUR 480 million. ABN AMRO continues to make progress on its remediation programme, which aims to address the identified shortcomings.
- Modest loss of EUR 54 million reported for Q1 2021, as the impact of the AML settlement was partly offset by impairment releases.
- Good progress continued to be made in the CIB non-core wind-down, with loans down EUR 10.6 billion or 61% since 30 June 2020.
- Net interest income was EUR 1,363 million (Q1 2020: EUR 1,527 million). This year-on-year decline was mainly attributable to continued pressure on deposit margins and the CIB non-core wind-down, and was partly offset by the lower threshold for charging negative interest rates.
- Net fee and commission income increased on the previous quarter, totalling EUR 406 million (Q4 2020: EUR 387 million), mainly due to strong trade volumes and market volatility, and higher asset management fee income.
- Operating expenses were EUR 1,843 million (Q1 2020: EUR 1,300 million). Excluding the AML settlement, operating expenses amounted to EUR 1,363 million.
- Impairment charges showed a net release of EUR 77 million for the quarter (Q1 2020: EUR 1,111 million addition) largely as a result of the improved macroeconomic outlook and the CIB non-core wind-down, partly offset by an addition to the existing management overlay at Commercial Banking.
- Very strong capital position, with the CET1 ratio at 17.4% under Basel III and above 15% under Basel IV.

Operating results

(in millions)	Q1 2021	Q1 2020	Change	Q4 2020	Change
Net interest income	1,363	1,527	-11%	1,353	1%
Net fee and commission income	406	438	-7%	387	5%
Other operating income	79	-41		60	30%
Operating income	**1,847**	**1,924**	**-4%**	**1,800**	**3%**
Personnel expenses	579	531	9%	563	3%
Other expenses	1,264	770	64%	838	51%
Operating expenses	**1,843**	**1,300**	**42%**	**1,401**	**32%**
Operating result	**4**	**624**	**-99%**	**400**	**-99%**
Impairment charges on financial instruments	-77	1,111		220	
Profit/(loss) before taxation	**81**	**-487**		**180**	**-55%**
Income tax expense	135	-92		126	7%
Profit/(loss) for the period	**-54**	**-395**	**86%**	**54**	
Attributable to:					
Owners of the parent company	-54	-395	86%	54	
Other indicators					
Net interest margin (NIM) (in bps)	134	155		130	
Cost/income ratio	99.8%	67.6%		77.8%	
Cost of risk (in bps)[1]	-13	132		35	
Return on average equity[2]	-1.6%	-8.7%		0.7%	
Earnings per share (in EUR)[3]	-0.08	-0.45		0.03	
Client assets (end of period, in billions)	300.4	265.7		289.3	
Risk-weighted assets (end of period, in billions)	112.0	111.7		110.5	
Number of employees (end of period, in FTEs)	19,417	18,362		19,234	
Number of non-employees (end of period, in FTEs)	5,648	4,984		5,621	

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.

Bank core[1]

(in millions)	Q1 2021	Q1 2020 (pro forma)	Change	Q4 2020 (pro forma)	Change
Net interest income	1,308	1,421	-8%	1,284	2%
Net fee and commission income	395	404	-2%	380	4%
Other operating income	114	-7		83	38%
Operating income	**1,818**	**1,817**		**1,746**	**4%**
Personnel expenses	538	492	9%	542	-1%
Other expenses	1,216	725	68%	780	56%
Operating expenses	**1,754**	**1,217**	**44%**	**1,323**	**33%**
Operating result	**63**	**600**	**-89%**	**423**	**-85%**
Impairment charges on financial instruments	-37	630		139	
Profit/(loss) before taxation	**100**	**-29**		**284**	**-65%**
Income tax expense	129	-21		121	7%
Profit/(loss) for the period	**-29**	**-9**		**163**	
Other indicators					
Cost/income ratio	96.5%	67.0%		75.8%	
Cost of risk (in bps)[2]	-7	96		24	
Return on average equity[3]	-1.1%	-0.7%		3.0%	
Loans and advances customers (end of period, in billions)	243.8	258.1		242.5	
-of which Client loans (end of period, in billions)[4]	*224.8*	*233.0*		*224.5*	
Risk-weighted assets (end of period, in billions)	101.8	96.5		99.1	
Number of employees (end of period, in FTEs)	18,740	17,569		18,491	
Number of non-employees (end of period, in FTEs)	5,615	4,983		5,621	

1 Bank core results consist of results for the whole bank excluding CIB non-core results (which can be found on page 16). The allocation between CIB core and non-core was finalised per 1 January 2021. Comparative figures for 2020 remain pro forma.
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 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.
4 Gross carrying amount excluding fair value adjustment from hedge accounting.

Large incidentals

Q1 2021
AML settlement
ABN AMRO has accepted a settlement offer from the Dutch Public Prosecution Service in connection with its investigation into the bank's anti-money laundering (AML) activities in the Netherlands. As part of the settlement, ABN AMRO has agreed to pay a fine of EUR 300 million and a disgorgement of EUR 180 million. The total amount of EUR 480 million has been recorded in other expenses at Group Functions and is not tax deductible.

Q4 2020
Adjusted accounting estimates for amortisation of penalty interest on mortgages
In Q4 2020, ABN AMRO adjusted its accounting estimates for amortisation of penalty interest on mortgages to reflect client behaviour over the past years. This one-off charge of EUR 80 million was recorded in net interest income at ALM in Group Functions.

Positive revaluation of DSB claim
Q4 2020 included a positive revaluation of EUR 23 million for a DSB claim, recorded in net interest income at Group Functions.

Release for discretionary variable remuneration
Personnel expenses in Q4 2020 included a EUR 22 million release for discretionary variable remuneration at CIB.

Provision for outstanding holiday entitlements
Q4 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.

Restructuring provisions
Q4 2020 included EUR 11 million net in restructuring provisions recorded in personnel expenses, of which EUR 9 million at Private Banking.

Provision for AML programme
Other expenses in Q4 2020 included a EUR 26 million addition to the provision for AML remediation programmes, largely recorded at Group Functions (for Commercial Banking).

CIB non-core wind-down
Other expenses in Q4 2020 included a EUR 16 million one-off for the wind-down of the CIB non-core portfolio, relating to the right of use for the international offices.

First-quarter 2021 results

Net interest income was EUR 1,363 million in Q1 2021 (Q1 2020: EUR 1,527 million). The decrease was largely caused by lower average corporate loan volumes due to the ongoing wind-down of the CIB non-core portfolio and by continued pressure on deposit margins in a low interest rate environment, and was partly offset by lowering the threshold for charging negative interest rates.

The net interest margin amounted to 134bps in Q1 2021 (Q1 2020: 155bps), predominantly impacted by lower net interest income and, to a lesser extent, higher total assets.

Compared with Q4 2020, net interest income improved by EUR 10 million. However, excluding incidentals, net interest income declined by EUR 47 million. This was largely attributable to lower deposit margins and volumes, good progress made in the CIB non-core wind-down, seasonally higher prepayment penalties in Q4 (for tax purposes) and slightly lower asset volumes and margins. The pressure on net interest income was partly offset by lowering the threshold for charging negative interest rates. ABN AMRO has been charging clients with deposits in excess of EUR 500,000 an interest rate of 50bps since January 2021 and will start charging clients with deposits in excess of EUR 150,000 the same rate from July 2021.

Net fee and commission income amounted to EUR 406 million in Q1 2021 (Q1 2020: EUR 438 million), largely reflecting the CIB non-core wind-down (reduced client activity) and, to a lesser extent, reflecting the negative impact of Covid-19 on payment services and credit card usage (at ICS).

Compared with Q4 2020, net fee and commission income rose by EUR 19 million, mainly due to higher income at Clearing (CIB) resulting from increased market volatility, strong trade volumes at Global Markets (CIB) and higher asset management fee income due to positive stock market developments and, to a lesser extent, clients switching from cash to securities.

Other operating income was EUR 79 million in Q1 2021 (Q1 2020: EUR 41 million negative), largely due to more favourable volatile items. Volatile items in Q1 2021 were EUR 86 million higher (Q1 2020: EUR 80 million negative) and included significantly higher CVA/DVA/FVA[1] results, (EUR 28 million in Q1 2021 versus EUR 88 million negative in Q1 2020) and slightly more favourable equity participation results (EUR 17 million negative in Q1 2021 versus EUR 32 million negative in Q1 2020), which were partly offset by negative hedge accounting-related results (EUR 5 million negative in Q1 2021 versus EUR 40 million in Q1 2020).

Compared to Q4 2020, other operating income improved by EUR 19 million, largely because Q1 2021 included a limited gain on a secondary loan disposal, while Q4 2020 included a modest haircut on loan disposals as part of the wind-down of the CIB non-core portfolio.

Personnel expenses were EUR 579 million in Q1 2021 (Q1 2020: EUR 531 million), mainly driven by a rise in FTEs (largely due to the upscaling of AML activities) and, to a lesser extent, wage inflation.

Compared to Q4 2020, personnel expenses increased by EUR 16 million, mainly as a result of a rise in the number of FTEs.

Employee FTEs went up by 1,055 from Q1 2020, totalling 19,417 in Q1 2021. The increase related largely to additional resources for the upscaling of AML activities. Compared with Q4 2020, the number of FTEs increased by 182, also primarily due to the upscaling of AML activities and partly offset by progress in the CIB non-core wind-down.

Other expenses amounted to EUR 1,264 million in Q1 2021 (Q1 2020: EUR 770 million). Excluding the AML settlement (EUR 480 million), other expenses increased by EUR 14 million, largely as a result of higher regulatory levies, which were partly offset by cost-saving programmes.

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

Compared with Q4 2020, the decline in other expenses, excluding the AML settlement, was mainly attributable to Q4 2020 incidentals.

Impairment charges showed a net release of EUR 77 million (Q1 2020: EUR 1,111 million addition). This was due to releases in Q1 2021, including a EUR 40 million release in CIB non-core that was mainly attributable to the successful write-back related to a large individual file and to the decrease in exposure related to the CIB non-core wind-down. The remaining release was largely attributable to releases from corporate loans and residential mortgages and the improved macroeconomic outlook, and was partly offset by an increase of the management overlay (which was formed in Q4 2020) for the Commercial Banking portfolio.

As a consequence, the cost of risk for the bank as a whole was 13bps negative (Q1 2020: 132bps).

Income tax expense came to EUR 135 million in Q1 2021 (Q1 2020: EUR 92 million tax benefit). The AML settlement (recorded in other expenses) is not tax deductible.

Profit attributable to owners of the parent company, excluding coupons attributable to AT1 capital securities, amounted to EUR 76 million negative in Q1 2021, largely due to the AML settlement, which was partly offset by a release in impairment charges.

RWA increased to EUR 112.0 billion (31 December 2020: EUR 110.5 billion), largely reflecting a rise in credit risk RWA and market risk RWA that was partly offset by a decline in operational risk RWA (as a result of a general update of the scenarios). The rise in credit risk RWA was mainly caused by a model update, add-ons for mortgages and the impact of Covid-19, and was partly offset by a decrease in business volumes related to the CIB non-core wind-down.

Balance sheet

Condensed consolidated statement of financial position

(in millions)	31 March 2021	31 December 2020
Cash and balances at central banks	63,735	60,190
Financial assets held for trading	2,195	1,315
Derivatives	5,537	6,381
Financial investments	43,975	47,455
Securities financing	28,339	16,725
Loans and advances banks	4,571	3,394
Loans and advances customers	250,700	252,159
Other	10,911	8,005
Total assets	**409,963**	**395,623**
Financial liabilities held for trading	1,120	563
Derivatives	5,919	7,391
Securities financing	19,280	11,363
Due to banks	37,924	36,719
Due to customers	245,586	238,570
Issued debt	64,628	66,949
Subordinated liabilities	8,172	8,069
Other	6,169	5,010
Total liabilities	**388,797**	**374,634**
Equity attributable to the owners of the parent company	21,163	20,989
Equity attributable to non-controlling interests	3	-0
Total equity	**21,166**	**20,989**
Total liabilities and equity	**409,963**	**395,623**
Committed credit facilities	54,378	55,207
Guarantees and other commitments	8,148	8,981

Main developments in total assets compared with 31 December 2020

Total assets increased by EUR 14.3 billion, totalling EUR 410.0 billion at 31 March 2021, largely driven by seasonally higher securities financing assets.

Securities financing assets went up by EUR 11.6 billion to EUR 28.3 billion at 31 March 2021, reflecting a seasonal pattern.

Loans and advances customers decreased by EUR 1.5 billion, totalling EUR 250.7 billion. The decline was largely attributable to a decline in client loans (mainly in CIB non-core), which was partly offset by higher loans to professional counterparties.

Client loans declined by EUR 2.6 billion to EUR 232.9 billion at 31 March 2021, largely driven by a decline in corporate loans as a result of good progress made in the CIB non-core wind-down, including the announced reclassification of the Trade & Commodity Finance (TCF) loans to held-for-sale.

Furthermore, there was a slight decrease in consumer loans, mainly due to lower demand as an effect of Covid-19. Residential mortgages increased slightly, reflecting strong operational capabilities in a competitive market, while redemptions remained high (in an increased market). Commercial Banking and CIB core portfolios have been stable since Q4 2020.

Loans to professional counterparties and other loans increased by EUR 1.8 billion, totalling EUR 18.1 billion, mainly due to seasonal effects (as clients brought down their positions before year-end 2020), largely at Clearing.

Loans and advances customers

(in millions)	31 March 2021	31 December 2020
Residential mortgages	145,920	145,672
Consumer loans	10,927	11,232
Corporate loans to clients[1]	76,056	78,587
- of which Commercial Banking	*39,834*	*39,838*
- of which Corporate & Institutional Banking	*28,973*	*31,560*
- of which Corporate & Institutional Banking - core	*20,897*	*20,610*
- of which Corporate & Institutional Banking - non-core	*8,077*	*10,950*
Total client loans[2]	**232,903**	**235,491**
Loans to professional counterparties and other loans[3]	18,068	16,297
Total loans and advances customers[2]	**250,971**	**251,788**
Fair value adjustments from hedge accounting	3,014	3,838
Less: loan impairment allowances	3,284	3,467
- of which Corporate & Institutional Banking - non-core	*1,136*	*1,100*
Total loans and advances customers	**250,700**	**252,159**

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 2020

Total liabilities increased by EUR 14.2 billion, totalling EUR 388.8 billion at 31 March 2021, mainly driven by an increase in securities financing liabilities and amounts due to customers.

Securities financing liabilities went up by EUR 7.9 billion to EUR 19.3 billion at 31 March 2021, reflecting a seasonal pattern.

Due to customers increased by EUR 7.0 billion, totalling EUR 245.6 billion at 31 March 2021. This increase was largely caused by seasonally higher professional deposits (as clients brought down their positions before year-end 2020) and was partly offset by lower client deposits (partly due to outflow resulting from the lower threshold for negative interest rates).

Issued debt securities declined by EUR 2.3 billion to EUR 64.6 billion at 31 March 2021, mainly due to EUR 4.3 billion matured long-term funding, which was partly offset by an EUR 2.1 billion increase in short term funding. At 31 March 2021, issued debt included EUR 33.1 billion in covered bonds, EUR 20.2 billion in unsecured funding and EUR 11.3 billion in commercial paper and certificates of deposit. EUR 9.7 billion in outstanding long term funding and EUR 11.3 billion in outstanding short term funding matures within 12 months.

Total equity increased by EUR 0.2 billion to EUR 21.2 billion at 31 March 2021. This increase was mainly attributable to an increase in accumulated other comprehensive income and was partly offset by the absorption of the loss this quarter.

Equity attributable to owners of the parent company, excluding AT1 securities, increased by EUR 0.2 billion to EUR 19.2 billion at 31 March 2021, resulting in a book value of EUR 20.40 per share based on 940,000,001 outstanding shares.

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Main developments off-balance sheet

(in millions)	Commercial Banking	Corporate & Institutional Banking	Other segments	Total
31 March 2021				
Committed credit facilities	12,909	29,397	12,073	54,378
Guarantees and other commitments	1,671	4,840	1,637	8,148
Revocable credit facilities	61	21,930	9,461	31,452
Total	**14,641**	**56,167**	**23,171**	**93,978**
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**

Committed credit facilities (undrawn) fell by EUR 0.8 billion, totalling EUR 54.4 billion at 31 March 2021, and partly included a decline in credit lines issued at CIB non-core due to the wind-down.

Guarantees and other commitments declined by EUR 0.8 billion to EUR 8.1 billion at 31 March 2021, largely due to progress made in the wind-down of the CIB non-core portfolio.

Revocable credit facilities decreased by EUR 4.5 billion, totalling EUR 31.5 billion at 31 March 2021. The decrease was mainly driven by the CIB non-core wind-down and, to a lesser extent, higher utilisation of credit lines at Clearing as a result of increased trading positions (and therefore lower unused credit lines).

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Results by segment

Retail Banking

Highlights

- Net interest income was lower than in Q1 2020 as pressure on deposit margins continued and, to a lesser extent, demand for consumer loans declined due to the current economic situation. Interest income on residential mortgages also went down, reflecting slightly lower average volumes (mainly due to a rise in mortgage redemptions) and slightly lower margins (in a competitive market). The interest rate paid on main retail savings was 0bps (Q1 2020: 1bps, Q4 2020: 0bps).
- Market share of new production[1] in residential mortgages was 17% in Q1 2021 (Q1 2020: 14%, Q4 2020: 15%), reflecting strong operational capabilities in a competitive market.
- Net fee and commission income decreased compared to Q1 2020, largely due to the decline in payment transactions and credit card usage (at ICS) as a result of Covid-19.
- Operating expenses increased compared to Q1 2020, partly due to higher regulatory levies, the cost of AML activities and a limited restructuring provision this quarter (EUR 5 million).
- Our online Energy Savings Check and our advisers can give clients a personal sustainability roadmap providing them with insight into costs, savings and subsidies for energy reduction measures. We also work with partners to help organise any necessary improvements.

[1] Dutch Land Registry (Kadaster) has updated its registration methodology for determining the market share. Previously published data has been updated.

Operating results

(in millions)	Q1 2021	Q1 2020	Change	Q4 2020	Change
Net interest income	608	678	-10%	648	-6%
Net fee and commission income	73	86	-15%	76	-4%
Other operating income	23	4		24	-5%
Operating income	**704**	**768**	**-8%**	**748**	**-6%**
Personnel expenses	105	97	9%	104	2%
Other expenses	437	406	8%	434	1%
Operating expenses	**543**	**502**	**8%**	**538**	**1%**
Operating result	**161**	**265**	**-39%**	**211**	**-24%**
Impairment charges on financial instruments	-35	67		-19	-83%
Profit/(loss) before taxation	**197**	**198**	**-1%**	**230**	**-15%**
Income tax expense	44	48	-9%	63	-29%
Profit/(loss) for the period	**152**	**150**	**2%**	**167**	**-9%**
Cost/income ratio	77.1%	65.4%		71.9%	
Cost of risk (in bps)[1]	-8	14		-4	
Other indicators					
Loans and advances customers (end of period, in billions)	148.3	151.4		148.5	
-of which Client loans (end of period, in billions)[2]	*148.6*	*151.8*		*148.8*	
Due to customers (end of period, in billions)	90.0	89.6		89.0	
Risk-weighted assets (end of period, in billions)	28.8	27.6		26.7	
Number of employees (end of period, in FTEs)	4,518	4,405		4,525	
Total client assets (end of period, in billions)	101.4	98.5		99.7	
- of which Cash	*90.0*	*89.6*		*89.0*	
- of which Securities	*11.4*	*8.9*		*10.6*	

[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 improved compared to Q4 2020, largely because the threshold for charging negative interest rates was lowered (offsetting the impact of deposit margin pressure this quarter) while corporate loans remained broadly stable.
- Net fee and commission income was impacted by reduced economic activity as a result of Covid-19, which particularly affected payment services.
- Operating expenses declined compared to Q4 2020, despite higher regulatory levies.
- Impairment charges were EUR 16 million and were largely the result of an addition to the existing management overlay, which was partly offset by releases from individual files in the food sector, a slight decline in exposure and the improved macroeconomic outlook.

Operating results

(in millions)	Q1 2021	Q1 2020	Change	Q4 2020	Change
Net interest income	362	373	-3%	358	1%
Net fee and commission income	61	67	-8%	69	-11%
Other operating income	7	9	-16%	6	25%
Operating income	**431**	**449**	**-4%**	**432**	
Personnel expenses	62	59	5%	60	3%
Other expenses	216	207	5%	225	-4%
Operating expenses	**279**	**266**	**5%**	**285**	**-2%**
Operating result	**152**	**183**	**-16%**	**147**	**4%**
Impairment charges on financial instruments	16	225	-93%	134	-88%
Profit/(loss) before taxation	**136**	**-43**		**13**	
Income tax expense	33	-11		10	
Profit/(loss) for the period	**103**	**-31**		**4**	
Cost/income ratio	64.6%	59.3%		66.0%	
Cost of risk (in bps)[1]	3	202		132	
Other indicators					
Loans and advances customers (end of period, in billions)	39.2	42.0		39.2	
-of which Client loans (end of period, in billions)[2]	*40.3*	*42.9*		*40.4*	
Due to customers (end of period, in billions)	51.7	46.8		52.5	
Risk-weighted assets (end of period, in billions)	29.1	30.0		29.2	
Number of employees (end of period, in FTEs)	2,224	2,136		2,197	

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 improved in Q1 2021, despite continued pressure on deposit margins, mainly because the threshold for charging negative interest rates was lowered to EUR 500,000 per client with effect from 1 January 2021.
- Net fee and commission income increased compared to both Q1 2020 and Q4 2020, largely as a result of growth in asset management fee income due to positive financial market developments (resulting in a higher fee base for Q1 2021) and, to a lesser extent, clients switching from cash to securities.
- Operating expenses were higher in Q1 2021 than in Q4 2020, mainly due to regulatory levies.
- Client assets have grown since Q1 2020, mainly due to the value of securities growing as a result of positive financial market developments. Net new assets amounted to EUR 0.3 billion this quarter, of which EUR 0.5 billion in custody assets. Core net new assets declined by EUR 0.2 billion due to a EUR 1.0 billion outflow in cash (largely in the Netherlands, where we lowered the threshold for negative interest rates), which was largely offset by inflow in securities (mainly resulting from clients switching from cash to securities).
- Sustainably invested clients assets increased to EUR 31 billion, from EUR 26 billion at 31 December 2020.

Operating results

(in millions)	Q1 2021	Q1 2020	Change	Q4 2020	Change
Net interest income	162	153	6%	154	5%
Net fee and commission income	141	129	9%	130	8%
Other operating income	8	6	28%	-4	
Operating income	**311**	**289**	**8%**	**280**	**11%**
Personnel expenses	94	90	5%	100	-6%
Other expenses	147	144	2%	133	10%
Operating expenses	**241**	**233**	**3%**	**234**	**3%**
Operating result	**69**	**55**	**26%**	**47**	**49%**
Impairment charges on financial instruments	-6	14		-4	-72%
Profit/(loss) before taxation	**76**	**42**	**83%**	**50**	**51%**
Income tax expense	23	14	66%	20	17%
Profit/(loss) for the period	**53**	**28**	**91%**	**31**	**73%**
Cost/income ratio	77.6%	80.8%		83.4%	
Cost of risk (in bps)[1]	-17	37		-10	
Other indicators					
Loans and advances customers (end of period, in billions)	14.8	14.1		14.6	
-of which Client loans (end of period, in billions)[2]	*15.0*	*14.2*		*14.7*	
Due to customers (end of period, in billions)	60.3	62.8		61.5	
Risk-weighted assets (end of period, in billions)	9.9	10.2		10.3	
Number of employees (end of period, in FTEs)	2,889	2,872		2,848	
Total client assets (end of period, in billions)	199.0	167.3		189.6	
- of which Cash	*60.4*	*62.8*		*61.7*	
- of which Securities	*138.6*	*104.5*		*127.9*	
Net new assets (for the period, in billions)	0.3	-6.2		-1.0	

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.

Corporate & Institutional Banking

Highlights

- Good progress continued to be made in the CIB non-core wind-down, with loans down EUR 10.6 billion or 61% since 30 June 2020.
- Net interest income compared to Q1 2020 continued to be impacted by the CIB non-core wind-down.
- Net fee and commission income improved compared to Q4 2020, mainly due to higher income at Clearing resulting from increased market volatility and strong trade volumes at Global Markets.
- Operating expenses were higher than in Q4 2020 and Q1 2020, largely because Q1 2021 included higher regulatory levies (while Q4 included a release for discretionary variable remuneration).
- Impairment charges largely included a release in CIB non-core that was mainly attributable to the successful write-back related to a large individual file in TCF and the decrease in exposure resulting from the wind-down.

Operating results

(in millions)	Q1 2021	Q1 2020	Change	Q4 2020	Change
Net interest income	244	302	-19%	257	-5%
Net fee and commission income	136	166	-18%	116	17%
Other operating income	39	-102		18	112%
Operating income	**419**	**366**	**14%**	**392**	**7%**
Personnel expenses	112	104	8%	80	40%
Other expenses	203	194	4%	199	2%
Operating expenses	**315**	**298**	**5%**	**279**	**13%**
Operating result	**104**	**68**	**54%**	**113**	**-7%**
Impairment charges on financial instruments	-51	804		111	
Profit/(loss) before taxation	**155**	**-736**		**2**	
Income tax expense	40	-161		60	-34%
Profit/(loss) for the period	**116**	**-575**		**-58**	
Cost/income ratio	75.1%	81.5%		71.2%	
Cost of risk (in bps)[1]	-39	412		86	
Other indicators					
Loans and advances customers (end of period, in billions)	44.5	65.6		45.3	
-of which Client loans (end of period, in billions)[2]	*29.0*	*44.4*		*31.6*	
Due to customers (end of period, in billions)	30.1	32.9		28.7	
Risk-weighted assets (end of period, in billions)	39.9	39.5		39.5	
Number of employees (end of period, in FTEs)	2,373	2,457		2,480	

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.

Highlights

- Net interest income has remained broadly flat since Q4 2020, despite the current economic environment, as average corporate loan volumes remained broadly stable.
- Net fee and commission income improved compared to Q4 2020, mainly due to income growth at Clearing resulting from increased market volatility and strong trade volumes at Global Markets.
- Other operating income increased compared to Q4 2020 largely due to positive revaluation on equity participations.
- Operating expenses were higher than in Q4 2020, as Q1 2021 included higher regulatory levies while Q4 2020 included a release for discretionary variable remuneration.
- Impairment charges were lower due to a EUR 11 million release that was mainly attributable to clients transferred from stage 2 to stage 1.

CIB core[1]

(in millions)	Q1 2021	Q1 2020 (pro forma)	Change	Q4 2020 (pro forma)	Change
Net interest income	189	195	-3%	187	1%
Net fee and commission income	125	132	-5%	109	15%
Other operating income	75	-67		41	85%
Operating income	**389**	**260**	**50%**	**337**	**15%**
Personnel expenses	71	66	8%	60	19%
Other expenses	155	149	4%	142	9%
Operating expenses	**226**	**215**	**5%**	**201**	**12%**
Operating result	**163**	**44**		**136**	**20%**
Impairment charges on financial instruments	-11	323		30	
Profit/(loss) before taxation	**174**	**-279**		**106**	**65%**
Income tax expense	34	-90		55	-38%
Profit/(loss) for the period	**140**	**-189**		**51**	
Cost/income ratio	58.0%	83.0%		59.7%	
Cost of risk (in bps)[2]	-6	319		30	
Other indicators					
Loans and advances customers (end of period, in billions)	38	46.2		35.6	
-of which Client loans (end of period, in billions)[3]	*20.9*	*24.1*		*20.6*	
Risk-weighted assets (end of period, in billions)	29.7	24.3		28.1	
Number of employees (end of period, in FTEs)	1,696	1,663		1,737	

[1] The allocation between CIB core and non-core was finalised per 1 January 2021. Comparative figures for 2020 remain pro forma.
[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] Gross carrying amount excluding fair value adjustment from hedge accounting.

Highlights

- Good progress continued to be made in the CIB non-core wind-down, with loans down EUR 10.6 billion or 61% since 30 June 2020, including the announced sale of a TCF portfolio (which has therefore been classified as held-for-sale).
- Net interest income came down EUR 15 million from Q4 2020 as average corporate loan volumes declined due to the wind-down.
- Operating expenses were higher than in Q4 2020, largely as a result of higher regulatory levies and planned retention payments.
- Impairment charges included a EUR 40 million release in Q1 2021, mainly due to the successful write-back related to a large individual file in TCF and the decrease in exposure resulting from the wind-down.

CIB non-core[1]

(in millions)	Q1 2021	Q1 2020 (pro forma)	Change	Q4 2020 (pro forma)	Change
Net interest income	55	106	-49%	70	-22%
Net fee and commission income	11	35	-68%	7	53%
Other operating income	-36	-34	-4%	-22	-61%
Operating income	**30**	**107**	**-72%**	**55**	**-45%**
Personnel expenses	41	38	8%	21	99%
Other expenses	48	45	6%	57	-16%
Operating expenses	**89**	**83**	**7%**	**78**	**14%**
Operating result	**-59**	**24**		**-23**	
Impairment charges on financial instruments	-40	481		81	
Profit/(loss) before taxation	**-19**	**-458**	**96%**	**-104**	**82%**
Income tax expense	6	-71		5	6%
Profit/(loss) for the period	**-24**	**-386**	**94%**	**-109**	**78%**
Cost/income ratio	297.8%	77.9%		142.4%	
Cost of risk (in bps)[2]	-179	615		261	
Other indicators					
Loans and advances customers (end of period, in billions)	6.9	19.4		9.7	
-of which Client loans (end of period, in billions)[3]	*8.1*	*20.3*		*11.0*	
Risk-weighted assets (end of period, in billions)	10.2	15.2		11.4	
Number of employees (end of period, in FTEs)	676	794		744	

1 The allocation between CIB core and non-core was finalised per 1 January 2021. Comparative figures for 2020 remain pro forma.
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 Gross carrying amount excluding fair value adjustment from hedge accounting.

Group Functions

Highlights

- Net interest income increased compared to Q4 2020, largely due to negative incidentals reported in Q4 2020 (EUR 57 million net).
- Other operating income in Q1 2021 included negative hedge accounting-related results of EUR 5 million negative (versus EUR 40 million in Q1 2020 and EUR 7 million in Q4 2020).
- Operating expenses in Q1 2021 included the AML settlement of EUR 480 million. Excluding the AML settlement, the decline in operating expenses compared with Q4 2020 was partly due to Q4 2020 incidentals.
- ABN AMRO continues to make progress on its remediation programme and currently has around 4,300 FTEs fully committed to AML activities, centralised within Group Functions.

Operating results

(in millions)	Q1 2021	Q1 2020	Change	Q4 2020	Change
Net interest income	-13	21		-64	80%
Net fee and commission income	-5	-10	45%	-4	-28%
Other operating income	1	42	-97%	16	-93%
Operating income	**-17**	**53**		**-52**	**68%**
Personnel expenses	205	181	13%	218	-6%
Other expenses	261	-181		-154	
Operating expenses	**466**	**-0**		**64**	
Operating result	**-483**	**53**		**-117**	
Impairment charges on financial instruments	-0	1		-2	76%
Profit/(loss) before taxation	**-483**	**52**		**-115**	
Income tax expense	-6	18		-26	77%
Profit/(loss) for the period	**-477**	**34**		**-89**	
Other indicators					
Securities financing - assets (end of period, in billions)	20.6	20.9		11.4	
Loans and advances customers (end of period, in billions)	3.8	4.5		4.7	
Securities financing - liabilities (end of period, in billions)	19.1	17.5		11.0	
Due to customers (end of period, in billions)	13.5	6.1		6.8	
Risk-weighted assets (end of period, in billions)	4.3	4.4		4.7	
Number of employees (end of period, in FTEs)	7,413	6,492		7,184	

Additional financial information

Selected financial information

Condensed consolidated income statement

(in millions)	Q1 2021	Q1 2020	Q4 2020
Income			
Interest income calculated using the effective interest method	1,695	2,146	1,663
Other interest and similar income	51	66	93
Interest expense calculated using the effective interest method	361	654	374
Other interest and similar expense	22	31	29
Net interest income	**1,363**	**1,527**	**1,353**
Fee and commission income	532	620	494
Fee and commission expense	126	182	107
Net fee and commission income	**406**	**438**	**387**
Net trading income	81	-18	39
Share of result of equity-accounted investments	-8	5	12
Other operating income	5	-28	9
Operating income	**1,847**	**1,924**	**1,800**
Expenses			
Personnel expenses	579	531	563
General and administrative expenses	1,217	714	763
Depreciation, amortisation and impairment losses of tangible and intangible assets	47	56	75
Operating expenses	**1,843**	**1,300**	**1,401**
Impairment charges on financial instruments	-77	1,111	220
Total expenses	**1,766**	**2,411**	**1,620**
Profit/(loss) before taxation	**81**	**-487**	**180**
Income tax expense	135	-92	126
Profit/(loss) for the period	**-54**	**-395**	**54**
Attributable to:			
Owners of the parent company	-54	-395	54

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Condensed consolidated statement of comprehensive income

(in millions)	Q1 2021	Q1 2020	Q4 2020
Profit/(loss) for the period	**-54**	**-395**	**54**
Other comprehensive income:			
Items that will not be reclassified to the income statement			
Remeasurement gains / (losses) on defined benefit plans			-3
(Un)realised gains/(losses) on liability own credit risk	4	25	3
Items that will not be reclassified to the income statement before taxation	**4**	**25**	**-1**
Income tax relating to items that will not be reclassified to the income statement	1	5	-0
Items that will not be reclassified to the income statement after taxation	**3**	**19**	**-0**
Items that may be reclassified to the income statement			
(Un)realised gains/(losses) currency translation	25	-4	-27
(Un)realised gains/(losses) fair value through OCI	36	-143	68
(Un)realised gains/(losses) cash flow hedge	287	-218	-8
Share of other comprehensive income of associates reclassified to the income statement	3	-14	9
Items that may be reclassified to the income statement before taxation	**351**	**-380**	**42**
Income tax relating to items that may be reclassified to the income statement	81	-78	-63
Items that may be reclassified to the income statement after taxation	**270**	**-301**	**105**
Total comprehensive income/(expense) for the period after taxation	**219**	**-677**	**159**
Attributable to:			
Owners of the parent company	219	-677	159

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	Equity attributable to the owners of the parent company	Non-controlling interests	Total equity
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				
Decrease of capital						-4	-4		-4
Paid interest on AT1 capital securities			-52				-52		-52
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**
Balance at 1 January 2021	**940**	**12,970**	**6,870**	**-1,733**	**-45**	**1,987**	**20,989**	**-0**	**20,989**
Total comprehensive income				273	-54		219		219
Transfer			-45		45				
Paid interest on AT1 capital securities			-46				-46		-46
Other changes in equity								3	3
Balance at 31 March 2021	**940**	**12,970**	**6,780**	**-1,460**	**-54**	**1,987**	**21,163**	**3**	**21,166**

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 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**
Balance at 1 January 2021	**-24**	**-29**	**162**	**-1,854**	**36**	**-24**	**-1,733**
Net gains/(losses) arising during the period		25	36	304	3	4	372
Less: Net realised gains/(losses) included in income statement			-0	17			17
Net gains/(losses) in equity		**25**	**36**	**287**	**3**	**4**	**355**
Related income tax		-0	9	72		1	82
Balance at 31 March 2021	**-24**	**-4**	**188**	**-1,638**	**39**	**-21**	**-1,460**

Risk developments

Highlights

- In the first quarter, we continued to invest in our processes designed to prevent, detect and respond to financial crime (Client Life Cycle processes).
- The settlement with the Dutch Public Prosecution Service (DPPS) concluded the investigation into the bank's AML shortcomings in the period 2014-2020.
- Low default rates, the improved economic outlook and the further wind-down of the CIB non-core portfolio resulted in a net release of credit allowances. This release is net after an increase of the management overlay to account for expected credit risk deterioration when the Dutch government ends its support measures.
- Corporate loans decreased largely due to a decrease of the CIB non-core portfolio, which resulted partly from the reclassification of the Trade & Commodity Finance (TCF) loans to held-for-sale.
- RWA increased, partly owing to an RWA add-on recorded as a post model adjustment to address the unintended impact of payment holidays and government support programmes on credit risk model outcomes.

Key figures

(in millions)	31 March 2021	31 December 2020
Total loans and advances, gross excluding fair value adjustments[1]	**255,282**	**254,781**
- of which Banks	*4,575*	*3,399*
- of which Residential mortgages	*145,920*	*145,672*
- of which Consumer loans	*10,927*	*11,232*
- of which Corporate loans[1]	*84,801*	*86,745*
- of which Other loans and advances customers[1]	*9,059*	*7,733*
Total Exposure at Default (EAD)	**407,892**	**407,354**
Credit quality indicators[1]		
Forbearance ratio	4.9%	5.1%
Past due ratio	0.9%	1.0%
- of which Residential mortgages	*0.6%*	*0.6%*
- of which Consumer loans	*2.5%*	*2.9%*
- of which Corporate loans	*1.3%*	*1.6%*
Stage 3 impaired ratio	3.3%	3.4%
Stage 3 coverage ratio	31.4%	32.7%
Regulatory capital		
Total RWA	112,035	110,481
- of which Credit risk[2]	*94,369*	*92,462*
- of which Operational risk	*15,616*	*16,685*
- of which Market risk	*2,051*	*1,334*
Total RWA/total EAD	27.5%	27.1%
Mortgage indicators		
Exposure at Default	163,249	163,756
- of which mortgages with Nationale Hypotheek Garantie (NHG)	*33,100*	*33,367*
Risk-weighted assets	18,146	16,459
RWA/EAD	11.1%	10.1%
Average Loan-to-Market-Value	61%	61%
Average Loan-to-Market-Value - excluding NHG loans	59%	59%

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 2021: EUR 0.1 billion (31 December 2020: EUR 0.2 billion).

Impact of Covid-19 on credit risk profile

Covid-19 continued to affect the global economy in Q1 2021. In the Netherlands, vaccines became available earlier than previously expected, but mutation of the virus into a more contagious variant led to an extension of the lockdown. Due to effective fiscal measures and continuing support for vulnerable sectors, unemployment and the number of bankruptcies reported in the Netherlands remained at very low levels. There was little visible impact of Covid-19 on the quality of our credit portfolio, as most credit quality indicators improved modestly.

As we continue to expect that bankruptcies and arrears will rise (particularly in the domestic book) when government support eventually ends and models do not fully capture current developments, we increased the management overlay in the credit allowances for Commercial Banking and recorded an additional amount of RWA. Moreover, our Financial Restructuring & Recovery (FR&R) department has expanded its operational capacity to prepare for the inflow expected to occur later this year.

Loans and advances

Total loans and advances increased marginally to EUR 255.3 billion (31 December 2020: EUR 254.8 billion), mainly driven by increases in other loans and advances to customers and loans and advances to banks, partly offset by a decrease in corporate loans. The increase in other loans and advances to customers related to seasonal effects in Clearing, while loans and advances to banks went up due to increased volumes in Global Markets. Corporate loans declined due to the continuation of the CIB non-core wind-down. This included the exposure related to the sale of part of the TCF portfolio, which shifted from loans and advances to held-for-sale.

Exposure at Default

In line with total loans and advances, EAD was slightly higher at EUR 407.9 billion (31 December 2021: EUR 407.4 billion).

Credit quality indicators

Credit quality indicators improved modestly in the first quarter. The forbearance ratio improved slightly to 4.9% at 31 March 2021 (31 December 2020: 5.1%). This improvement was mainly related to the CIB non-core wind-down and was reflected in lower forborne corporate loans for clients in the USA and Asia, and in the sectors oil & gas and industrial goods & services.

Past due exposure of loans and advances to customers decreased to EUR 2.2 billion (31 December 2020: EUR 2.6 billion), causing a slight improvement of the past due ratio to 0.9%, as a comparable decline was recorded in total loans and advances to customers. Past due exposures decreased in nearly all product groups. Arrears in corporate loans came down to 1.3% (31 December 2020: 1.6%). Asset Based Finance clients at Commercial Banking and clients in the industrial goods & services sector contributed to this decline.

The past due ratio for consumer loans improved to 2.5% (31 December 2020: 2.9%) while the past due ratio for residential mortgages remained unchanged at 0.6%.

The stage 3 impaired ratio of loans and advances to customers declined to 3.3% (31 December 2020: 3.4%), mainly due to decreases in stage 3 exposures in corporate loans and, to a lesser extent, in residential mortgages. The decrease in corporate loans was caused by CIB non-core wind-down movements (sales and repayments) while residential mortgages declined due to a combination of outflow and stage transitions. The coverage ratio of stage 3 decreased marginally to 31.4% (31 December 2020: 32.7%). This decline was predominantly the result of impairment releases for Commercial Banking clients in the food sector and a write-off for a highly pro visioned large CIB client active in the oil & gas sector.

Regulatory capital

RWA increased to EUR 112.0 billion in Q1 2021 (31 December 2020: EUR 110.5 billion), reflecting increases in credit risk and market risk RWA and partly offset by a decline in operational risk RWA. The increase in credit risk RWA was mainly caused by a model update as well as add-ons for mortgages and the impact of Covid-19. The add-on for Covid-19 relates to a post model adjustment to address the unintended impact of payment holidays and government support programmes on credit risk model outcomes. This was partly offset by a decrease in business volumes related to the CIB non-core wind-down. Market risk RWA grew mainly due to the increase in (s)VaR and IRC resulting from position changes. Operational risk RWA came down as a result of a general update of the scenarios.

In addition, the settlement agreed with the DPPS triggered a re-assessment of the operational risk scenario analysis for the RWA. Operational risk RWA calculations already included a scenario for AML shortcomings. The re-assessment is scheduled for Q2 2021 and could lead to a modest RWA decrease in Q2 2021.

Impairments and cost of risk

	Q1 2021	Q1 2020	Q4 2020
Impairment charges on loans and other advances (in EUR million)[1), 2)]	-77	1,111	220
- of which Residential mortgages	*-35*	*4*	*-10*
- of which Consumer loans	*10*	*32*	*-3*
- of which Corporate loans	*-57*	*861*	*240*
Cost of risk (in bps)[3), 4)]	-13	132	35
- of which Residential mortgages	*-10*	*1*	*-3*
- of which Consumer loans	*36*	*104*	*-10*
- of which Corporate loans	*-26*	*335*	*105*

1 Including impairments charges on off-balance sheet exposures.
2 Including other loans.
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.
4 Calculation of CoR excludes (impairment charges on) off-balance exposures.

In Q1 2021, a release of EUR 77 million was recorded (Q1 2020: EUR 1,111 million addition). The release related mainly to corporate loans and residential mortgages and was driven by an improved macroeconomic outlook and decreasing volumes in the CIB non-core portfolio. The release was partly offset by an increase of the management overlay that was formed in Q4 2020 for the Commercial Banking portfolio. As part of the overlay, additional impairments were recorded for vulnerable sectors in Q1 2021.

For CIB, a release of EUR 51 million was recorded (Q1 2020: EUR 804 million addition), mainly reflecting the successful write-back related to a large individual file in TCF and the decrease in exposure related to the wind-down of the CIB non-core portfolio. Part of the release was offset by additions in stage 3 impairments, mainly in the oil & gas sectors.

Impairment charges for Commercial Banking amounted to EUR 16 million (Q1 2020: EUR 225 million addition). The increase was caused by an addition to the already existing management overlay for the impact of Covid-19, which was recorded for clients in vulnerable sectors.

As a result of the government's prolonged Covid-19 support, we observed less credit quality deterioration in the portfolio than expected from Covid-19, in line with a relatively low number of bankruptcies currently seen in the Netherlands. This increase was partly offset by releases from individual files in the food sector, a slight decline in exposure and an improved macroeconomic outlook.

For residential mortgages, a release of EUR 35 million was recorded (Q1 2020: EUR 4 million addition), mainly as a result of a more positive economic outlook and partly due to a release on our interest-only mortgages portfolio, where affordability tests showed that part of the existing management overlay was no longer needed. Model updates planned for the second quarter, including implementation of the new definition of default, are likely to increase the expected credit loss (ECL) for mortgages.

Impairment charges for the rest of Retail Banking were limited to EUR 3 million (Q1 2020: EUR 66 million addition). Private Banking recorded a EUR 6 million release (Q1 2020: EUR 14 million addition).

In Q1 2021, the release of impairments resulted in a cost of risk (CoR) of 13bps negative. Based on the current economic outlook, we expect that 2021 cost of risk for the bank (excluding CIB non-core) will be at or below the through-the-cycle guidance of 25-30 basis points, a clear reflection of the improved risk profile after completion of the CIB non-core wind-down. CIB non-core impairments remain uncertain but are expected to be significantly below last year, given the good progress on the wind-down and the improved outlook for oil and commodity prices.

Macroeconomic scenarios

On 31 March 2021, we forecasted that GDP growth in the Netherlands would be 2.1% in 2021 (forecast at 31 December 2020: 3.0%). Compared to the baseline scenario on 31 December 2020, Covid-19 vaccines became available earlier than expected, but this positive development was countered by the mutation of the virus into a more contagious variant and a second nationwide lockdown. Compared to December, we were more optimistic about the labour market as unemployment remained low due to effective fiscal measures. Projections for house prices were revised upward, as the Dutch housing market proved resilient thanks to low interest rates, shortage of supply, and improved labour market prospects as a result of vaccine developments.

The weights of the scenarios were also updated. As the impact of Covid-19 on the macroeconomy became clearer and recent outcomes were more in line with baseline than with negative scenarios, the weights were reset to their pre-Covid-19 values.

The tables below show the scenarios used for calculating the expected credit loss (ECL).

ECL scenarios on 31 March 2021

(in millions)	Weight	Macroeconomic variable	2021	2022	2023	2024
		Real GDP Netherlands[1]	3.3%	3.9%	1.5%	1.6%
Positive	15%	Unemployment[2]	4.5%	5.0%	4.5%	4.1%
		House price index[3]	6.0%	4.0%	3.0%	3.0%
		Real GDP Netherlands	2.1%	4.1%	1.7%	1.6%
Baseline	60%	Unemployment	4.7%	5.5%	4.9%	4.5%
		House price index	5.0%	1.0%	2.0%	3.0%
		Real GDP Netherlands	-0.9%	4.8%	1.0%	1.4%
Negative	25%	Unemployment	4.8%	6.7%	6.3%	5.9%
		House price index	2.0%	-3.0%	1.0%	1.5%

1 Real GDP Netherlands, % change year-on-year.
2 Unemployment Netherlands, % of labour force.
3 House price index Netherlands - average % change year-on-year.

ECL scenarios on 31 December 2020

(in millions)	Weight	Macroeconomic variable	2021	2022	2023	2024
		Real GDP Netherlands[1]	4.4%	4.3%	2.0%	1.7%
Positive	10%	Unemployment[2]	6.2%	6.2%	5.6%	4.8%
		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%
		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%
		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.

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Residential mortgages

Housing market developments

The Dutch housing market remained tight due to the ongoing rise in house prices and scarcity of houses. The lack of new-build properties contributed to higher valuations on the housing market. Despite Covid-19, house prices rose rapidly and reached a record high. The demand for homes increased as the pandemic underlined the importance of housing and the government took measures including a lower transfer tax rate for young buyers under the so-called 'startersvrijstelling'. In combination with low interest rates, mortgage costs were pushed down, which resulted in better affordability. However, with house prices at record highs, cost levels continued to increase for home buyers.

According to the Dutch Land Registry (Kadaster) the number of transactions in Q1 2021 was 29.2% higher than in Q1 2020 and 0.3% lower than in Q4 2020. The housing price index published by Statistics Netherlands (CBS) for Q1 2021 was 3.6% higher than in Q4 2020 and 10.3% higher than in Q1 2020.

Residential mortgage portfolio insights

New mortgage production amounted to EUR 5.1 billion, a 56% increase on Q1 2020 and 14% higher than in Q4 2020. Redemptions totalled EUR 4.8 billion, 18% more than in Q1 2020 but 10% less than in Q4 2020. ABN AMRO's market share in new mortgage production came to 17% in Q1 2021 (Q1 2020: 14%[1]), reflecting strong operational capabilities and a good offerings pipeline in a competitive market.

Rising house prices and redemptions, including contractual redemptions, led to further improvement of the mortgage portfolio. The average indexed LtMV remained stable at 61% (excluding NHG mortgages: 59%) in Q1 2021 (Q4 2020: 61%). The gross carrying amount of mortgages with an LtMV in excess of 100% decreased to EUR 1.2 billion (Q4 2020: EUR 1.3 billion, Q1 2020: EUR 1.9 billion) and accounted for 0.8% of total mortgages (Q4 2020: 0.9%, Q1 2020: 1.3%). Approximately 2% of the extra repayments were in this category (Q4 2020: 3%, Q1 2020: 2%).

The proportion of amortising mortgages continued to increase, reaching 38% by the end of Q1 2021 (Q4 2020: 37%, Q1 2020: 34%).

[1] Dutch Land Registry (Kadaster) has updated its registration methodology for determining the market share. Previously published data has been updated.

Coverage and impaired ratio by stage

(in millions)	Gross carrying amount[3]	Allowances for credit losses	Coverage ratio	Stage ratio	Coverage ratio	Stage ratio
	31 March 2021				31 December 2020	
Stage 1						
Loans and advances banks	**4,575**	**4**	**0.1%**	**100.0%**	**0.2%**	**100.0%**
Residential mortgages	136,262	9	0.0%	93.4%	0.0%	93.0%
Consumer loans	9,534	36	0.4%	87.2%	0.4%	86.4%
Corporate loans	63,969	206	0.3%	75.4%	0.4%	74.4%
Other loans and advances customers	9,009	1	0.0%	99.4%	0.0%	99.3%
Total loans and advances customers	**218,774**	**251**	**0.1%**	**87.3%**	**0.1%**	**86.4%**
Stage 2						
Loans and advances banks				**0.0%**	**0.0%**	**0.0%**
Residential mortgages	8,594	26	0.3%	5.9%	0.5%	6.3%
Consumer loans	934	47	5.0%	8.5%	3.8%	9.5%
Corporate loans	14,065	352	2.5%	16.6%	2.1%	17.7%
Other loans and advances customers	37	1	2.9%	0.4%	0.3%	0.5%
Total loans and advances customers	**23,631**	**426**	**1.8%**	**9.4%**	**1.6%**	**10.2%**
Stage 3						
Loans and advances banks				**0.0%**		**0.0%**
Residential mortgages	1,064	49	4.6%	0.7%	5.2%	0.8%
Consumer loans	459	208	45.3%	4.2%	47.2%	4.1%
Corporate loans	6,767	2,348	34.7%	8.0%	36.3%	7.9%
Other loans and advances customers	13	2	18.6%	0.1%	14.6%	0.3%
Total loans and advances customers[1]	**8,303**	**2,608**	**31.4%**	**3.3%**	**32.7%**	**3.4%**
Loans at fair value through P&L	**263**					
Fair value adjustments from hedge accounting	**3,014**					
Total loans and advances banks	4,575	4	0.1%		0.2%	
Total loans and advances customers	253,984	3,284	1.3%		1.4%	
Other balance sheet items[2]	154,699	7	0.0%		0.0%	
Total on-balance sheet	**413,258**	**3,295**	**0.8%**		**0.9%**	
Irrevocable loan commitments and financial guarantee contracts	57,228	55	0.1%		0.1%	
Other off-balance sheet items	5,298					
Total on- and off-balance sheet	**475,784**	**3,349**	**0.7%**		**0.8%**	

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 2021: EUR 1.1 million; 31 December 2020: EUR 1.4 million).
3 Gross carrying amount excludes fair value adjustments from hedge accounting.

In Q1 2021, the stage 2 ratio fell to 9.4% (31 December 2020: 10.2%) owing to a decline in stage 2 exposures in mainly corporate loans and residential mortgages. The decline in corporate loans was primarily due to the ongoing wind-down of the CIB non-core portfolio as evidenced by the decline in exposures in the Netherlands, the USA and Asia. Stage 2 exposure in residential mortgages decreased due to a shift of clients to stage 1.

The stage 2 coverage ratio went up to 1.8% due to an increase in stage 2 allowances while stage 2 exposures decreased. Allowances increased due to an addition to the already existing management overlay for the impact of Covid-19, which was recorded for clients in vulnerable sectors in the Commercial Banking portfolio. This movement was partly offset by updated macroeconomic scenarios.

The stage 3 impaired ratio of loans and advances to customers stood at 3.3% (31 December 2020: 3.4%) and was mainly caused by decreases in stage 3 exposures in corporate loans and, to a lesser extent, in residential mortgages. The decrease in corporate loans was due to the CIB non-core wind-down in the USA and Asia, and partly offset by a stage 3 increase caused by an inflow of Asset Based Finance clients. Stage 3 exposure of residential mortgages declined due to a combination of repayments, write-offs and stage transitions.

The stage 3 coverage ratio decreased to 31.4% (31 December 2020: 32.7%). This decline was predominantly the result of impairment releases for Commercial Banking clients in the food sector and a write-off of a highly provisioned large CIB client active in the oil & gas sector.

Update on Covid-19 relief measures

This section provides information on the measures we offered our clients to provide them with liquidity. The two primary relief measures offered were deferral of interest and principal payments, and Covid-19-related credit facilities supported by public guarantee schemes. ABN AMRO continuously monitors sectors vulnerable to Covid-19 and offers tailored support to clients that have a viable business or financial case. While deterioration in credit risk quality is currently low, we expect bankruptcies and arrears to rise, particularly in the Commercial Banking book, when the Dutch government ends its support measures. We have taken operational measures to be prepared for an increase in arrears and bankruptcies.

Payment moratoria and other Covid-19-related forbearance measures

The table below captures all loans subject to payment moratoria (whether EBA-compliant or not) or to an individual Covid-19-related forbearance measure. Compared to previous reporting periods, the scope of the table was extended to all Covid-19-related individual forbearance measures, including measures not related to payment deferrals. Comparative figures for 31 December 2020 have been adjusted accordingly. For more information, please refer to the About this report section.

By 31 March 2021, approximately 85,000 clients had received a Covid-19-related deferral or forbearance measure. A total of EUR 22.2 billion of exposure had been subject to Covid-19 measures (31 December 2020: EUR 22.6 billion), including EUR 2.0 billion with measures that were still active. Credit quality remained broadly stable thanks to the large-scale continuation of government support schemes. While stage 3 exposure increased modestly to EUR 2.4 billion (31 December 2020: EUR 2.1 billion), the share of higher risk (stages 2 and 3) was stable at 47% of the total exposure.

		Gross carrying amount in millions				
	Number of clients	Active measure	Expired measure	Total	- of which stage 2	- of which stage 3
31 March 2021						
Retail Banking	40,849	4	3,306	3,310	1,972	241
Commercial Banking	43,630	717	15,542	16,259	4,674	1,944
Private Banking	497	16	782	798	151	59
Corporate & Institutional Banking	59	1,277	557	1,834	1,251	199
Total	**85,035**	**2,014**	**20,188**	**22,201**	**8,049**	**2,443**
31 December 2020						
Retail Banking	41,420	17	3,485	3,503	2,356	233
Commercial Banking	43,392	729	15,611	16,340	4,418	1,739
Private Banking	490	57	733	790	159	58
Corporate & Institutional Banking	60	1,607	409	2,016	1,509	96
Total	**85,362**	**2,410**	**20,239**	**22,649**	**8,443**	**2,125**

Loans and advances supported by public guarantee schemes

New loan applications under state guarantee schemes continued as reflected in the number of clients in scope (1,395 clients). The monetary value of loans and advances subject to public guarantee schemes also grew markedly, to EUR 0.4 billion, with a larger average state guarantee coverage of 86% (31 December 2020: 79%). As the Dutch authorities continued to issue new public guarantees in favour of companies impacted by Covid-19, loans and advances subject to the public guarantee schemes are likely to increase further in the coming periods.

		Gross carrying amount 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 March 2021							
Commercial Banking	1,098			41	101	143	125
Private Banking	288	146	40			185	167
Corporate & Institutional Banking	9	3	16	27	73	118	94
Total	**1,395**	**149**	**56**	**68**	**174**	**447**	**386**
31 December 2020							
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**

Other risk developments

Settlement with Dutch Public Prosecution Service

In April 2021, we accepted a settlement offer of EUR 480 million from the Dutch Public Prosecution Service (DPPS) in connection with the previously announced investigation into ABN AMRO's compliance with the Dutch Anti-Money Laundering and Counter Terrorism Financing Act (Wet ter voorkoming van witwassen en financiering van terrorisme, AML/CTF act) in the period 2014-2020. ABN AMRO had itself already identified shortcomings in the way it implemented its 'Client Life Cycle' processes. To address these shortcomings, as well as increasingly strict regulations and continuously evolving forms of financial crime, ABN AMRO started an extensive bank-wide remediation programme. This programme is progressing according to a timetable agreed with the supervisory authorities and is expected to be completed by the end of 2022. By 31 March 2021, approximately 4,300 FTEs were involved in ABN AMRO's 'Client Life Cycle' processes.

Variable interest rates for consumer loans

On 3 March 2021, the Kifid Appeals Committee confirmed a ruling of the Kifid Disputes Committee about the recalculation of the variable interest charged to a specific client on a revolving credit. As we consider it more likely than not that similar individual rulings will lead to outflow until new civil case law becomes available, we maintained and updated the provision that was made in 2020.

ABN AMRO does not agree with the Kifid's current rulings and we are considering taking several complaints cases to the civil courts. For civil case law, no provision has been accounted for, as ABN AMRO considers it more likely than not that this will not lead to outflow. ABN AMRO has engaged in exploratory talks with the Dutch consumers' association (Consumentenbond Claimservice) on this matter and will not instigate civil litigation in the next three months, as these talks proceed.

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.

Capital management

Regulatory capital structure

(fully-loaded, in millions)		31 March 2021		31 December 2020
Total equity (EU IFRS)		**21,166**		**20,989**
Dividend reserve		-639		-639
AT1 capital securities (EU IFRS)		-1,987		-1,987
Regulatory and other adjustments		979		1,185
Common Equity Tier 1		**19,519**		**19,548**
AT1 capital securities (EU IFRS)		1,987		1,987
Regulatory and other adjustments		-5		-5
Tier 1 capital		**21,501**		**21,530**
Subordinated liabilities (EU IFRS)	8,172		8,069	
Regulatory and other adjustments	-3,699		-3,405	
Tier 2 capital		**4,472**		**4,664**
Total regulatory capital		**25,973**		**26,195**
Total risk-weighted assets		**112,035**		**110,481**
Exposure measure (under CDR)				
On-balance sheet exposures		409,963		395,623
On-balance sheet netting		6,242		6,263
Off-balance sheet exposures		100,450		91,278
Other regulatory measures		-65,817		-62,686
Exposure measure		**450,838**		**430,478**
Impact CRR2 (incl. SA-CCR)		-66,527		-56,879
Central bank exposure		59,064		56,133
Exposure measure (incl. CRR2)[1]		**443,375**		**429,732**
Capital ratios				
Common Equity Tier 1 ratio		17.4%		17.7%
Common Equity Tier 1 ratio (Basel IV)[2]		15%		15%
Tier 1 ratio		19.2%		19.5%
Total capital ratio		23.2%		23.7%
Leverage ratio (CDR)		4.8%		5.0%
Leverage ratio (incl. CRR2)		4.8%		5.0%

1 The exposure measure including SA-CCR does not take into consideration the exemption of the central bank exposures, as the temporary measure to exempt central bank reserves will end on 27 June 2021 and CRR2 will apply from 28 June 2021 onwards.
2 Basel IV results are based on fully-loaded figures, rounded to the nearest whole percent, based on ABN AMRO's interpretation of the Basel IV framework and subject to the implementation of Basel IV standards into EU legislation.

MREL

(fully-loaded, in millions)	31 March 2021	31 December 2020
Regulatory capital	25,973	26,195
Other MREL eligible liabilities[1]	4,221	4,127
Total MREL eligible liabilities	**30,194**	**30,322**
Total risk-weighted assets	112,035	110,481
MREL[2]	27.0%	27.4%

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 declined slightly in Q1 2021. The net result of EUR 426 million was more than offset by the settlement payment of EUR 480 million in connection with the investigation into ABN AMRO's compliance with its obligations under the Dutch Anti-Money Laundering (AML) and Counter Terrorism Financing Act. Total Basel III RWA increased to EUR 112.0 billion as at 31 March 2021 (31 December 2020: EUR 110.5 billion). At 31 March 2021, the CET1, Tier 1 and total capital ratios under Basel III were 17.4%, 19.2% and 23.2% respectively (31 December 2020: 17.7%, 19.5% and 23.7% respectively). 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 18.0%). All capital ratios were in line with the bank's risk appetite and were comfortably above regulatory requirements.

The maximum distributable amount (MDA) trigger level is currently at 9.6% (excluding AT1 shortfall). In the future, DNB is expected to gradually raise the counter-cyclical capital buffer requirement from 0% to 2% of Dutch risk-weighted exposures as the economy improves. The reported CET1 ratio of 17.4% 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. Compared with Q4 2020, the CET1 ratio decreased mainly due to the AML settlement and the EUR 1.6 billion increase in RWA, reflecting increases in credit risk RWA and market risk RWA which were partly offset by a decline in operational risk RWA. The increase in credit risk RWA was mainly caused by a model update as well as add-ons for mortgages and the impact of Covid-19. This was partly offset by a decrease in business volumes related to the CIB non-core wind-down. Market risk RWA grew mainly due to the increase in (s)VaR and IRC resulting from position changes. Operational risk RWA came down as a result of a general update of the scenarios.

The targeted review of internal models (TRIM) by the ECB has been finalised. Since Q4 2018, we have recorded approximately EUR 24 billion of RWA add-ons regarding TRIM and model reviews, including a self-imposed add-on of EUR 1.7 billion recorded for the new mortgage models in the first quarter of 2021. These models are currently being reviewed for approval by the ECB, which is expected to be completed in Q2 2021. In the upcoming quarters, additional model reviews might be performed. The risk weight floor for mortgages announced by DNB, which could further increase Basel III RWA for mortgages, has been postponed until further notice.

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 the summer of 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.

Given that 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%. 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 our expectation of how Basel IV standards will be implemented in EU legislation, the fully-loaded Basel IV CET1 ratio was estimated above 15% on 31 March 2021, comfortably above target. The assumptions applied in our calculations will be updated once we have more information on the EU implementation. Basel IV calculations are also subject to other uncertainties including data limitations, management actions and other portfolio developments (including the wind-down of CIB non-core). The first effects of measures implemented to mitigate Basel IV inflation are reflected in the RWA, and we are continuing to work on further mitigations to reduce the Basel IV RWA inflation.

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The wind-down of the non-core portfolio in CIB is contributing to our current strong capital ratios under Basel III and Basel IV and strengthening our future outlook. The finalisation of TRIM for corporates, commodities, and banks and financial institutions provided us with more clarity on the TRIM impact. The settlement agreement we concluded with the Dutch Public Prosecution Service has provided us with clarity on this topic. Several other capital headwinds and uncertainties remain, including the risk of elevated impairments due to Covid-19, the low interest rate environment, model reviews, EU implementation of Basel IV, and the NPE calendar provisioning.

In anticipation of the industry-wide non-performing exposure (NPE) guidance and minimum coverage levels for the existing stock of NPEs expected by the supervisory authorities, we recorded a supervisory capital deduction of around EUR 0.2 billion in Q2 2019. 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 our Financial Restructuring & Recovery department (FR&R) and realising potential NPE divestments subject to market conditions.

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 buybacks, or to limit such distributions, until 30 September 2021. As a result, no interim dividend will be paid in 2021. 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.

We recognise the importance of distributions to shareholders and want these to be sustainable. From 2021 onwards, the dividend payout has been set at 50% of reported net profit, after deduction of AT1 coupon payments and minority interests. In addition, when our Basel IV CET1 ratio is above the threshold of 15%, we will consider share buybacks, subject to conditions and regulatory approval. The 15% threshold reflected uncertainties as well as a buffer for potential M&As.

ABN AMRO is strongly capitalised and well positioned to manage the transition to Basel IV. Despite the AML settlement, we have identified several remaining headwinds and uncertainties. The Basel IV threshold for share buybacks, currently at 15%, will be recalibrated at Q4 2021.

ABN AMRO is committed to resuming payment of dividends, sustainably, conditions permitting. We will follow the ECB recommendation and refrain from distributing capital for the time being. Given that our Basel IV CET1 ratio is above 15%, we stand ready to pay FY 2019 dividend, taking into account the ECB recommendation.

Leverage ratio

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 decreased to 4.8% (31 December 2020: 5.0%), mainly reflecting the AML settlement and an increase in exposure measure. The leverage ratio includes the temporary exemption of the central bank reserves from the exposure measure, which had a positive impact of 0.6 percentage points as at 31 March 2021. This exemption 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 66.5 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 be largely offset with no material impact on the leverage ratio. The fully-loaded leverage ratio based on SA-CCR decreased to 4.8% at 31 March 2021 (31 December 2020: 5.0%), mainly reflecting the AML settlement and an increase in exposure measure. As from Q2 2021, ABN AMRO will monitor and report the leverage ratio based on CRR2.

MREL

ABN AMRO received the final MREL requirements from the Single Resolution Board in Q1 2021. The intermediate MREL target is set at 27.1% of Basel III RWA, of which 26.6% must be met by own funds, subordinated instruments and senior non-preferred (SNP) notes. This includes the currently applicable combined buffer requirement of 4% and will apply with effect from 1 January 2022. Based on own funds, subordinated instruments and SNP notes, MREL was 27.0% as at 31 March 2021 (31 December 2020: 27.4%). Compared to Q4 2020, MREL decreased mainly due to the AML settlement, the increase in RWA and the call announcement of a SGD 450 million Tier 2 instrument. While we are compliant with the intermediate MREL target, we will review our targets to ensure we continue to operate in line with our requirements. Issuances will reflect the new targets.

About this report

Introduction

This report presents ABN AMRO's results for the first quarter of 2021. 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 functional and presentation currency, rounded to the nearest million (unless otherwise stated). All annual 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. Furthermore, certain percentages in this document have been calculated using rounded figures.

The scope of the table "Deferral of interest and principal payments on loans and advances" as presented in the annual and quarterly reports in 2020 was changed, and now includes all Covid-19-related individual forbearance measures, including measures not related to payment deferral. Furthermore, the table was renamed to "Payment moratoria and other Covid-19-related forbearance measures". This change was made to provide better insight into the solutions ABN AMRO offers to its clients to cope with the impact of Covid-19. After most collective payment moratoria programmes ended on 1 October 2020, support measures have been offered on an individual basis and are not limited to deferral of payments only. Comparative figures for 31 December 2020 have been adjusted accordingly. This resulted in an increase of total gross carrying exposure with active measures of EUR 1,862 million. The total number of clients involved increased by 106.

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 2021 results.

Enquiries

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Investor call

A conference call for analysts and investors will be hosted by the bank on Wednesday 12 May 2021 at 11:00 am CET (10:00 London time). To participate in the conference call, we strongly advise analysts and investors to pre-register 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

ABN AMRO has included in this document, and from time to time may make certain statements in its public statements, that may constitute "forward-looking statements". This includes, without limitation, such statements that include the words "expect", "estimate", "project", "anticipate", "should", "intend", "plan", "probability", "risk", "Value-at-Risk ("VaR")", "target", "goal", "objective", "will", "endeavour", "outlook", "optimistic", "prospects" and similar expressions or variations of such expressions. In particular, the document may include forward-looking statements relating but not limited to ABN AMRO's potential exposures to various types of operational, credit and market risk. Such statements are subject to uncertainties.

Forward-looking statements are not historical facts and represent only ABN AMRO's current views and assumptions regarding future events, many of which are by nature inherently uncertain and beyond our control. Factors that could cause actual results to deviate materially from those anticipated by forward-looking statements include, but are not limited to, macroeconomic, demographic and political conditions and risks, actions taken and policies applied by governments and their agencies, financial regulators and private organisations (including credit rating agencies), market conditions and turbulence in financial and other markets, and the success of ABN AMRO in managing the risks involved in the foregoing.

Any forward-looking statements made by ABN AMRO are current views as at the date they are made. Subject to statutory obligations, ABN AMRO does not intend to publicly update or revise forward-looking statements to reflect events or circumstances after the date the statements were made, and ABN AMRO assumes no obligation to do so.