Pillar 3 Report

ABN AMRO Bank N.V.

First quarter 2023

Table of contents

Notes to the reader

This Pillar 3 Report provides the consolidated disclosures of ABN AMRO Bank N.V. required by Capital Requirements Regulation (EU) No 575/2013 on prudential requirements for credit institutions (Part Eight) and the final draft Implementing Technical Standards (ITS) on public disclosures by institutions of the information referred to in Titles II and III of Part Eight of Regulation (EU) No 575/2013. The Pillar 3 report for the first quarter of 2023 includes an update on the quarterly required disclosures, which provide comprehensive information about risk, funding and capital management. The templates included in this Pillar 3 Report have been prepared in accordance with the abovementioned regulations.

Presentation of information

This report is presented in euros (EUR), which is ABN AMRO's functional and presentation currency, rounded to the nearest million (unless otherwise stated). 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 figures presented in this document are not required to be, nor have they been, audited or reviewed by our external auditor. Based on the Final draft ITS, this report uses the terms 'risk-weighted assets (RWA)' and 'risk-weighted exposure amount (RWEA)' interchangeably. Similarly, this report may use the terms 'banking book' and 'non-trading book' interchangeably.

Waiver policy (omitting templates and tables)

In accordance with Article 432 of the CRR, ABN AMRO may omit one or more of the required disclosures where the information provided by those disclosures is not regarded as material or is not applicable to its operations. Information in disclosures shall be regarded as material where its omission or misstatement could change or influence the assessment or decision of a user of that information relying on it for the purpose of making economic decisions.

ABN AMRO shall, in accordance with Article 432 of the CRR, explain the reasons for omitting any information required in the templates and tables included in the final draft ITS.

The following template has been identified as not applicable to ABN AMRO and is therefore not included in this report:

- EU CCR7 – RWEA flow statements of CCR exposures under the IMM: ABN AMRO does not use the Internal Model Method (IMM) for measuring the EAD for counterparty credit risk exposures. Instead, we apply the Standardised Approach for Counterparty Credit Risk (SA-CCR) to calculate the EAD for derivatives and the Financial Collateral Comprehensive Method (FCCM) method for securities financing transactions (CRR 220/222). Therefore, this template is not applicable.

Key metrics and overview of RWEA

Highlights

- The CET1 ratio under Basel III decreased to 15.0% (31 December 2022: 15.2%), mainly due to an increase in RWEA partly offset by an increase in CET1 capital.
- Total RWEA increased to EUR 131.7 billion (31 December 2022: EUR 128.6 billion), mainly due to higher credit risk RWEA resulting from business developments, model updates and methodology changes mostly due to an adjustment in the application of the SME support factor as part of our ongoing review of models. Moreover, the increase was also partially driven by other CCR, due to business movements within Clearing. The increases were partly offset by a decrease in operational risk RWEA resulting from a quarterly update of external loss data.
- Total capital decreased to EUR 25.6 billion (31 December 2022: EUR 26.9 billion), mainly due to the exercising of the call option on a USD 1.5 billion Tier 2 note.
- The leverage ratio decreased to 5.0% (31 December 2022: 5.2%), mainly due to a sharp increase in on-balance sheet exposures related to a seasonal pattern that is observed every year.
- The LCR decreased to 143%, which is in line with year-end 2022 (31 December 2022:144%).
- NSFR increased to 136% (31 December 2022: 133%), mainly due to an increase in available stable funding while required stable funding decreased.

EU OV1 - Overview of risk-weighted exposure amounts

		31 March 2023		31 December 2022	
(in millions)		RWEA	Total own funds requirements	RWEA	Total own funds requirements
1	**Credit risk (excluding CCR)**	**107,076**	**8,566**	**104,939**	**8,395**
2	*- of which the Standardised Approach*	*6,565*	*525*	*7,134*	*571*
3	*- of which the foundation IRB (F-IRB) approach*	*11,515*	*921*	*10,144*	*812*
4	*- of which slotting approach*				
EU 4a	*- of which equities under the simple risk-weighted approach*	*1,940*	*155*	*1,923*	*154*
5	*- of which the advanced IRB (A-IRB) approach*	*62,085*	*4,967*	*62,701*	*5,016*
6	**Counterparty Credit Risk (CCR)**	**7,006**	**560**	**5,428**	**434**
7	*- of which the Standardised Approach*	*3,277*	*262*	*2,794*	*224*
8	*- of which internal model method (IMM)*				
EU 8a	*- of which exposures to a CCP*	*488*	*39*	*413*	*33*
EU 8b	*- of which credit valuation adjustment (CVA)*	*283*	*23*	*274*	*22*
9	*- of which other CCR*	*2,957*	*237*	*1,947*	*156*
15	**Settlement risk**				
16	**Securitisation exposures in the non-trading book (after the cap)**	**238**	**19**	**253**	**20**
17	*- of which SEC-IRBA approach*				
18	*- of which SEC-ERBA (including IAA)*	*20*	*2*	*19*	*1*
19	*- of which SEC-SA approach*	*218*	*17*	*235*	*19*
EU 19a	*- of which 1250%/deduction*				
20	**Position, foreign exchange and commodities risks (Market risk)**	**1,896**	**152**	**2,005**	**160**
21	*- of which Standardised Approach*	*2*		*2*	
22	*- of which IMA*	*1,895*	*152*	*2,003*	*160*
EU 22a	**Large exposures**				
23	**Operational risk**	**15,531**	**1,242**	**15,967**	**1,277**
EU 23a	*- of which basic indicator approach*	*469*	*38*	*533*	*43*
EU 23b	*- of which Standardised Approach*				
EU 23c	*- of which advanced measurement approach*	*15,062*	*1,205*	*15,434*	*1,235*
24	**Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)**	**1,391**	**111**	**1,495**	**120**
29	**Total**	**131,748**	**10,540**	**128,593**	**10,287**

Total RWEA increased by EUR 3.2 billion compared to year-end 2022, reflecting higher credit risk RWEA, which was impacted mainly by business developments, an adjustment in the application of the SME support factor and model updates as part of our ongoing review of models. Moreover, the increase in other counterparty credit risk (CCR) relates mainly to Clearing activities. Operational risk RWEA decreased slightly, primarily due to a quarterly update of external loss data. The risk exposure amount for Market Risk decreased due to a downward adjustment of the estimated volatility. A new voluntary add-on of EUR 0.2 billion was taken for one of the models, which means that there was a net increase in Market Risk. Following the EBA's instructions for Pillar III, such add-ons have to be included in row 1 of this template.

EU KM1 - Key metrics template

(in millions)		31 March 2023	31 December 2022	30 September 2022	30 June 2022	31 March 2022
	Available own funds (amounts)					
1	Common Equity Tier 1 (CET1) capital	19,727	19,507	19,923	19,628	19,500
2	Tier 1 capital	21,709	21,489	21,906	21,610	21,482
3	Total capital	25,587	26,938	27,841	26,862	26,589
	Risk-weighted exposure amounts (RWEA)					
4	Total RWEA	131,748	128,593	130,959	126,676	124,342
	Capital ratios (as % of RWEA)					
5	Common Equity Tier 1 ratio (%)	15.0%	15.2%	15.2%	15.5%	15.7%
6	Tier 1 ratio (%)	16.5%	16.7%	16.7%	17.1%	17.3%
7	Total capital ratio (%)	19.4%	20.9%	21.3%	21.2%	21.4%
	Additional own funds requirements to address risks other than the risk of excessive leverage (as % of RWEA)					
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	2.0%	2.0%	2.0%	2.0%	2.0%
EU 7b	- of which to be made up of CET1 capital (percentage points)	1.1%	1.1%	1.1%	1.1%	1.1%
EU 7c	- of which to be made up of Tier 1 capital (percentage points)	1.5%	1.5%	1.5%	1.5%	1.5%
EU 7d	Total SREP own funds requirements (%)	10.0%	10.0%	10.0%	10.0%	10.0%
	Combined buffer requirement (as % of RWEA)					
8	Capital conservation buffer (%)	2.5%	2.5%	2.5%	2.5%	2.5%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)					
9	Institution specific countercyclical capital buffer (%)	0.13%	0.10%	0.04%	0.03%	0.02%
EU 9a	Systemic risk buffer (%)					
10	Global Systemically Important Institution buffer (%)					
EU 10a	Other Systemically Important Intitution buffer	1.5%	1.5%	1.5%	1.5%	1.5%
11	Combined buffer requirement (%)	4.13%	4.10%	4.04%	4.03%	4.02%
EU 11a	Overall capital requirements (%)	14.13%	14.10%	14.04%	14.03%	14.02%
12	CET1 available after meeting the total SREP own funds requirements (%)	8.98%	9.21%	9.23%	9.56%	9.78%
	Leverage ratio					
13	Total exposure measure	437,797	413,525	450,510	449,999	377,423
14	Leverage ratio (%)	5.0%	5.2%	4.9%	4.8%	5.7%
	Additional own funds requirements to address risks of excessive leverage (as % of total exposure amount)					
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)					
EU 14b	- of which to be made up of CET1 capital (percentage points)					
EU 14c	Total SREP leverage ratio requirements (%)	3.0%	3.0%	3.0%	3.0%	3.3%
	Leverage ratio buffer and overall leverage ratio requirement (as % of total exposure measure)					
EU 14d	Leverage ratio buffer requirement (%)					
EU 14e	Overall leverage ratio requirements (%)	3.0%	3.0%	3.0%	3.0%	3.3%
	Liquidity Coverage Ratio					
15	Total high-quality liquid assets (HQLA) (Weighted value-average)	101,867	103,019	104,751	106,385	107,168
EU 16a	Cash outflows - Total weighted value	102,075	103,038	101,854	98,492	95,530
EU 16b	Cash inflows - Total weighted value	30,734	31,664	31,889	30,852	29,614
16	Total net cash outflows (adjusted value)	71,341	71,374	69,965	67,641	65,917
17	Liquidity coverage ratio (%)	143%	144%	150%	158%	163%
	Net Stable Funding Ratio					
18	Total available stable funding	254,557	252,330	267,407	268,263	286,337
19	Total required stable funding	186,860	189,530	195,586	193,326	210,025
20	NSFR ratio (%)	136%	133%	137%	139%	136%

On 31 March 2023, the CET1 ratio under Basel III was 15.0% (31 December 2022: 15.2%). In comparison with Q4 2022, the CET1 ratio decreased mainly due to an increase in RWEA, partly offset by an increase in CET1 capital. The EUR 3.2 billion increase in RWEA mostly reflects a rise in credit risk RWEA that is partly offset by a decrease in operational risk RWEA. Credit risk was impacted by business developments, particularly at Clearing, an adjustment in the application of the SME support factor and model updates as part of our ongoing review of models. CET1 capital increased mainly due to the addition of the Q1 2023 net profit. All capital ratios were in line with the bank's risk appetite and comfortably above regulatory requirements.

Liquidity requirements

EU LIQ1 - Quantitative information on LCR

		Total unweighted value (average)				Total weighted value (average)			
		31 March 2023	31 December 2022	30 September 2022	30 June 2022	31 March 2023	31 December 2022	30 September 2022	30 June 2022
		Data points used in the calculation of averages				Data points used in the calculation of averages			
(in millions)		12	12	12	12	12	12	12	12
	High-quality liquid assets (HQLA)								
1	**Total high-quality liquid assets**					**101,867**	**103,019**	**104,751**	**106,385**
	Cash - outflows								
2	Retail deposits and deposits from small business customers, of which:	143,032	141,582	140,442	139,457	10,966	10,891	10,781	10,659
3	*Stable deposits*	*88,762*	*88,304*	*87,611*	*86,694*	*4,438*	*4,415*	*4,381*	*4,335*
4	*Less stable deposits*	*47,007*	*46,619*	*46,337*	*46,233*	*6,052*	*5,997*	*5,943*	*5,904*
5	Unsecured wholesale funding	128,532	131,955	131,328	126,197	60,651	61,655	61,127	59,670
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	*52,315*	*55,111*	*54,717*	*50,242*	*13,035*	*13,736*	*13,638*	*12,520*
7	*Non-operational deposits (all counterparties)*	*72,579*	*73,651*	*73,367*	*72,309*	*43,979*	*44,727*	*44,245*	*43,504*
8	*Unsecured debt*	*3,637*	*3,192*	*3,244*	*3,646*	*3,637*	*3,192*	*3,244*	*3,646*
9	*Secured wholesale funding*					*5,473*	*5,207*	*4,850*	*4,235*
10	Additional requirements	53,243	53,572	54,271	54,935	14,425	14,542	14,568	14,147
11	*Outflows related to derivative exposures and other collateral requirements*	*8,707*	*9,096*	*9,193*	*9,130*	*7,810*	*7,978*	*7,945*	*7,672*
12	*Outflows related to loss of funding on debt products*	*135*	*153*	*247*	*122*	*135*	*153*	*247*	*122*
13	*Credit and liquidity facilities*	*44,400*	*44,323*	*44,831*	*45,683*	*6,480*	*6,411*	*6,377*	*6,353*
14	Other contractual funding obligations	11,374	12,071	11,765	10,804	7,220	7,606	7,626	7,097
15	Other contingent funding obligations	45,152	44,023	42,869	41,321	3,341	3,137	2,903	2,685
16	**Total cash outflows**					**102,075**	**103,038**	**101,854**	**98,492**
	Cash - inflows								
17	Secured lending (e.g. reverse repos)	30,327	29,764	29,206	28,031	10,662	10,874	10,904	10,568
18	Inflows from fully performing exposures	15,811	16,333	16,591	16,455	15,037	15,578	15,801	15,664
19	Other cash inflows	18,711	20,332	20,345	17,504	5,035	5,211	5,184	4,619
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)								
EU-19b	(Excess inflows from a related specialised credit institution)								
20	**Total cash inflows**	**64,849**	**66,429**	**66,142**	**61,991**	**30,734**	**31,664**	**31,889**	**30,852**
EU-20a	*Fully exempt inflows*								
EU-20b	*Inflows subject to 90% cap*								
EU-20c	*Inflows subject to 75% cap*	*58,215*	*59,612*	*59,246*	*54,682*	*30,734*	*31,664*	*31,889*	*30,852*
	Total adjusted value								
EU-21	**Liquidity buffer**					**101,867**	**103,019**	**104,751**	**106,385**
22	**Total net cash outflows**					**71,341**	**71,374**	**69,965**	**67,641**
23	**Liquidity coverage ratio**					**143%**	**144%**	**150%**	**158%**

EU LIQB - Qualitative information on LCR, which complements template EU LIQ1

The consolidated LCR amounted to 143% at the end of March 2023, based on a 12-month rolling average. This is in line with year-end 2022 (31 December 2022: 144%).

The LCR templates focus on the consolidated LCR. The bank also monitors, reports and when necessary steers the LCR for subsidiaries (taking into account local regulations), other regulatory scopes (including, for example, the sub-liquidity group scope) and significant non-euro currencies (US dollar).

Concentration of funding sources

ABN AMRO's main source of funding consists of client deposits in Personal & Business Banking, Wealth Management and Corporate Banking. The remainder of the banks' funding is raised largely through various long-term wholesale funding instruments (including the participation in TLTRO-III). In the short-term, funding is raised via commercial paper and certificates of deposits.

Composition of liquidity buffer

The LCR eligible liquidity buffer (excluding retained securities) at 31 March 2023 was EUR 101.9 billion, based on a 12-month rolling average, and was composed mainly of cash at central banks and government bonds. This is in line with year-end 2022 (31 December 2022: EUR 103.0 billion).

Derivative exposures and potential collateral calls

To manage liquidity risk regarding derivative exposures and potential collateral calls, the bank has an adequate pool of collateral at its disposal, which is managed proactively. This enables the bank to secure payment traffic with the central bank, meet margin calls for financial markets transactions (e.g. derivatives, securities financing and clearing) and manage the liquidity buffer within the approved risk appetite.

Currency mismatch in the LCR

The bank's liquidity management focuses on significant currencies, which are currently the euro and the US dollar. The aggregate liabilities denominated in these two currencies amount to 5% or more of the bank's total liabilities. The liquidity buffer reflects the composition of the balance sheet as it comprises cash and securities primarily in euros and secondarily in US dollars.

Credit risk

EEU CR8 - RWEA flow statements of credit risk exposures under the IRB approach

		31 March 2023	31 December 2022
(in millions)		RWEA	RWEA
1	**RWEA as at the end of the previous reporting period**[1]	**74,768**	**75,503**
2	Asset size (+/-)	399	-956
3	Asset quality (+/-)	-436	803
4	Model updates (+/-)	-23	96
5	Methodology and policy (+/-)	947	
6	Acquisitions and disposals (+/-)		
7	Foreign exchange movements (+/-)	-116	-678
8	Other (+/-)		
9	**RWEA as at the end of the reporting period**	**75,539**	**74,768**

[1] Credit Risk RWEA as end of the reporting period, is equal to the sum of row numbers 3, 4a and 5 from table EU OV1 - Overview of risk-weighted exposure amounts.

As at 31 March 2023, credit risk RWEA under the IRB approach increased to EUR 75.5 billion (31 December 2022: EUR 74.8 billion). This increase in credit risk RWEA was impacted by business developments, particularly at Clearing, an adjustment in the application of the SME support factor and model updates as part of our ongoing review of models. This movement was partially offset by improved risk parameters (asset quality).

Market risk

EU MR2-B - RWEA flow statements of market risk exposures under the IMA

								31 March 2023		31 December 2022
	(in millions)	VaR	SVaR	IRC	Comprehensive risk measure	Other	Total RWEA	Total own funds requirements	Total RWEA	Total own funds requirements
1	**RWEA at the previous quarter-end**	**462**	**788**	**754**			**2,003**	**160**	**2,252**	**180**
1a	*Regulatory adjustment*	*-295*	*-526*	*-189*			*-1,011*	*-81*	*-841*	*-67*
1b	*RWEA at the previous quarter-end (end of the day)*	*167*	*261*	*565*			*993*	*79*	*1,412*	*113*
2	Movement in risk levels	-69	-48	152			34	3	-419	-34
3	Model updates/changes									
4	Methodology and policy									
5	Acquisitions and disposals									
6	Foreign exchange movements									
7	Other									
8a	*RWEA at the end of the disclosure period (end of the day)*	*97*	*213*	*717*			*1,027*	*82*	*993*	*79*
8b	*Regulatory adjustment*	*325*	*543*				*868*	*69*	*1,011*	*81*
8	**RWEA at the end of the disclosure period**	**422**	**756**	**717**			**1,895**	**152**	**2,003**	**160**

Market risk RWEA under the Internal Model Approach (IMA) decreased to EUR 1.9 billion at 31 March 2023 (31 December 2022 EUR 2.0 billion). The decrease was mainly attributable to Value-at-Risk (VaR), Stressed Value-at-Risk (SVaR) and Incremental Risk Charge (IRC).

VaR and SVaR decreased due to a change in the interest rate tenor basis exposure in EUR 3M/6M, whereas IRC decreased due to exposure reduction over a longer period, causing the 12-week average to drop below the last measure. Currently, the last measure is used for IRC.

Note that the capital multipliers for VaR and SVaR are 3.25 and 3.5 respectively. As a result, the 12-week average multiplied by capital multipliers always exceeds the latest observations, as reflected in the regulatory adjustments.

Disclaimer & cautionary statements

ABN AMRO has included in this document and from time to time may make certain statements in its public statements that constitute "forward-looking statements". This includes, without limitation, 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.

abnamro.com