



# Banking for better, for generations to come

**ABN AMRO Group N.V.**

**Integrated  
Annual Review 2018**





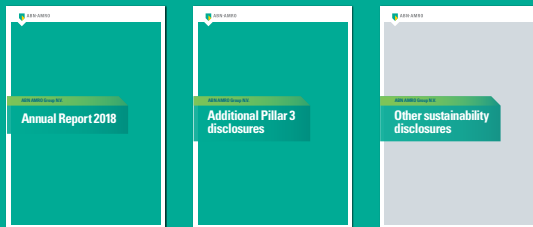


Welcome to ABN AMRO's  
2018 Integrated Annual Review.  
The theme of this report is our purpose:  
**Banking for better,  
for generations to come.**  
This means better for stakeholders  
and better for society as a whole.



# About this report

**This 2018 Integrated Annual Review explains how, over time, ABN AMRO creates values for its stakeholders and society –** not only as a bank and provider of financial services, but also as an employer and investor. This Review describes our business, strategy and performance; it also explains our system of governance, and how we take decisions in the long-term interests of both ABN AMRO and its stakeholders.



*ABN AMRO takes a 'core and more' approach to reporting. This Review is our 'core' report. We publish a series of other 'more' reports. These include our Annual Report, which contains the bank's financial statements, as well as our Executive and Supervisory Board reports. We also issue regular Pillar 3 disclosures and updates on ABN AMRO's sustainability performance, human rights, value-creating topics and stakeholder engagement. For more information about our approach to reporting, see [page 47](#) or go to [abnamro.com/annualreport](http://abnamro.com/annualreport).*

*We have used the International Integrated Reporting Framework as the basis for this Review. This framework is issued by the International Integrated Reporting Council (IIRC). EY, our assurance provider, has also verified that this Review is in accordance with the IIRC's framework (see [page 53](#)).*

## Statement from our Executive Board

As ABN AMRO's Executive Board, we take responsibility for the content and accuracy of this report. Our Integrated Annual Review gives a fair and balanced picture of ABN AMRO's performance, strategy and management, as well as the bank's ability to create value for stakeholders and society over the

short, medium and long term. This Review also addresses ABN AMRO's most important risks and opportunities from both a financial and non-financial viewpoint. It is intended for all stakeholders, but is of particular interest to providers of financial capital.

**Kees van Dijkhuizen**  
Chief Executive Officer

**Clifford Abrahams**  
Chief Financial Officer

**Tanja Cuppen**  
Chief Risk Officer

**Christian Bornfeld**  
Chief Innovation & Technology Officer

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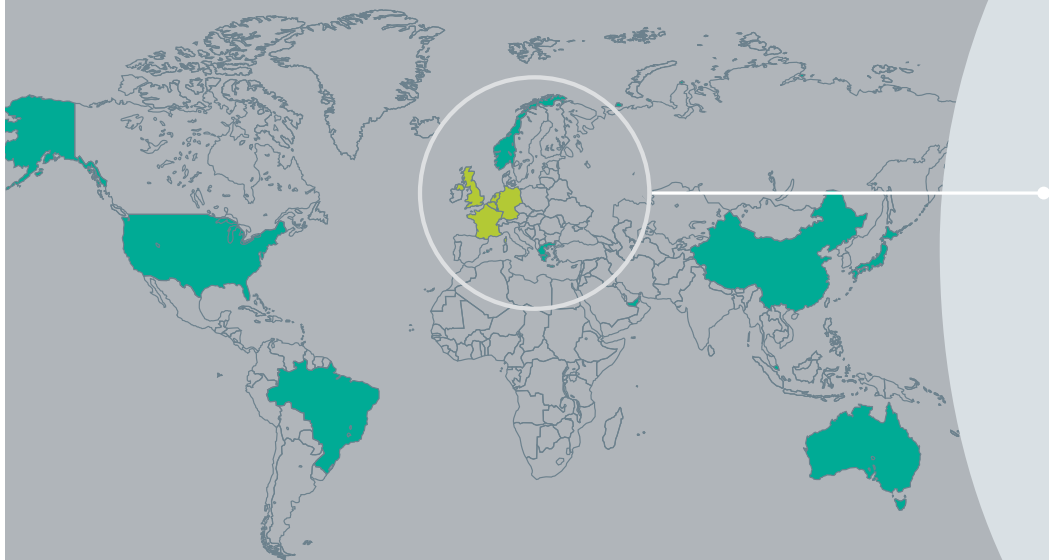
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# Our bank

ABN AMRO is one of the Netherlands' leading banks. We have a clear purpose: Banking for better, for generations to come. This means supporting clients in their transition to sustainability, reinventing the customer experience and building a bank that is fit and ready for the future. In the Netherlands, more than one in five people bank with ABN AMRO. To our clients, we provide loans, mortgages and other banking services and we lend to business. In doing so, we help drive economic growth.

## Geography Rest of the world

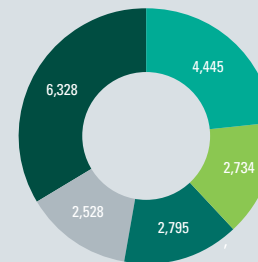


- Australia:** Sydney
- Brazil:** São Paulo
- Asia:** Shanghai, Hong Kong, Tokyo and Singapore
- United Arab Emirates:** Dubai (to be closed)
- USA:** Dallas, New York, Chicago

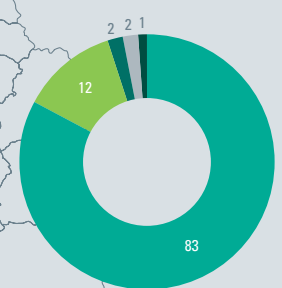
## Europe

Number of employees  
(in FTEs)  
**18,830**

### By business segment (in FTEs)



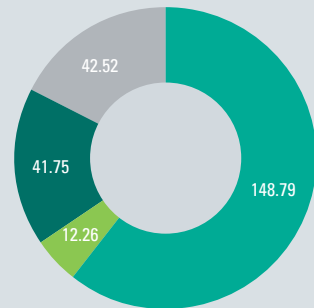
### By geography (in %)



- Retail Banking
- Commercial Banking
- Private Banking
- Corporate & Institutional Banking
- Group Functions
- Subsidiary
- Branch offices
- Main European operations
- Netherlands
- Rest of Europe
- USA
- Asia
- Rest of the world

**Loans and advances to customers (2018)**

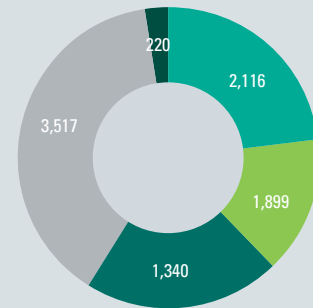
(in EUR billions)



- Residential mortgages
- Consumer loans
- Commercial banking loans
- Corporate & Institutional banking loans

**Operating income by business (2018)**

(in EUR millions)



- Retail Banking
- Commercial Banking
- Private Banking
- Corporate & Institutional Banking
- Group Functions

**Net profit**

(in EUR millions)



(vs. EUR 2,791 million in 2017)

**Retail sales made digitally**

(vs. 37% in 2017)

**Return on equity**

(vs. 14.5% in 2017)

**Employee engagement**

(vs. 79% in 2017)

**We have four businesses: Retail Banking, Commercial Banking, Private Banking and Corporate & Institutional Banking. The Netherlands accounts for approximately 80% of ABN AMRO's revenues. We are focused on Northwest Europe and are active in specific markets globally. To support our business, we have a number of centralised group functions, based at our head office in Amsterdam.**

**Retail Banking**

In the Netherlands, we have approximately five million retail clients. We're the country's second largest provider of home loans and a significant provider of savings products. We provide full-service banking: loans, mortgages, bank accounts, savings accounts, investments and credit cards. We have a network of 135 bank branches across the Netherlands.

**Commercial Banking**

Our Commercial Banking operations serve around 365,000 small and medium-sized businesses (each with an annual turnover of up to EUR 250 million). Most clients are based in the Netherlands, but we also serve companies in France, Germany, Belgium and the UK.

**Private Banking**

ABN AMRO is one of the eurozone's leading private banks, serving around 100,000 clients with over EUR 180 billion in client assets. We provide wealth management, investments, finance and estate planning. ABN AMRO MeesPierson is a market leader in the Netherlands. Our other local brands include Neufelize OBC in France, Bethmann Bank in Germany, ABN AMRO Private Banking in Belgium and ABN AMRO Channel Islands in Guernsey.

**Corporate & Institutional Banking**

Our Corporate & Institutional Banking business has around 3,000 clients in the Netherlands and internationally. It works with large companies and multinationals in sectors like food, manufacturing, retail and utilities. We're also a global leader in clearing.

# What we did in 2018

## January

- ▶ ABN AMRO launches Franx, a digital platform for forex trades and international payments.
- ▶ The bank suffers a series of DDoS<sup>1</sup> attacks, disrupting online services.



## February

- ▶ Olga Zoutendijk steps down as Chairman of ABN AMRO's Supervisory Board.
- ▶ ABN AMRO signs a new collective labour agreement with Dutch trade unions.
- ▶ ABN AMRO agrees to sell its Private Banking operations in Luxembourg.



## March

- ▶ Christian Bornfeld is appointed ABN AMRO's new Chief Innovation & Technology Officer.
- ▶ Through its Digital Impact Fund, ABN AMRO buys a stake in German FinTech SolarisBank.



## April

- ▶ ABN AMRO issues its third green bond, worth EUR 750 million.

## May

- ▶ ABN AMRO launches its EUR 200 million Energy Transition Fund.
- ▶ The bank joins a new initiative to halve business travel by 2030.



## June

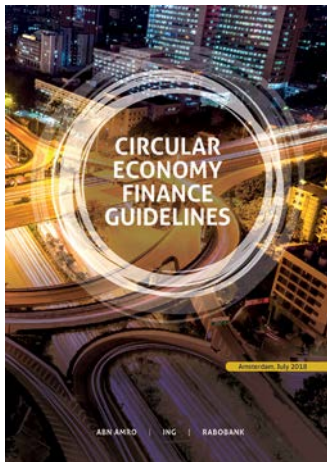
- ▶ ABN AMRO enters into a partnership with Opportunity Network, an online platform for entrepreneurs.

<sup>1</sup> Distributed Denial of Service.



## July

- ▶ Shareholders vote to appoint Tom de Swaan as the bank's new Supervisory Board Chairman.
- ▶ ABN AMRO announces the acquisition of Societe Generale's Private Banking business in Belgium.
- ▶ ABN AMRO agrees to speed up compensation to clients for interest rate derivatives.
- ▶ ABN AMRO, ING and Rabobank issue new guidelines to encourage investments in circular economy projects.



## August

- ▶ ABN AMRO makes it easier for clients over 56 to take out new mortgages or withdraw equity from their homes.

## September

- ▶ komgo is launched – a new digital commodity trade network based on blockchain technology. ABN AMRO is one of 15 backers.

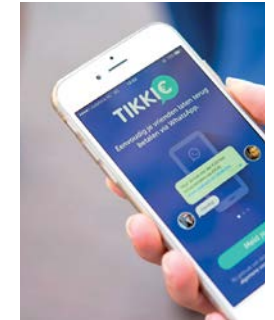


## October

- ▶ ABN AMRO's Groenbank reopens its doors as demand increases for green financing.

## November

- ▶ ABN AMRO unveils its strategy refresh, based on the purpose 'Banking for better, for generations to come'.
- ▶ The European Banking Authority (EBA) confirms ABN AMRO's strong capital position after its latest stress tests.
- ▶ ABN AMRO organises its first Investor Day in London.
- ▶ Two new members are nominated to ABN AMRO's Supervisory Board: Anna Storåkers and Michiel Lap.



## December

- ▶ Along with two other investors, ABN AMRO's Energy Transition Fund buys a 100% stake in wind power company De Wieken.
- ▶ ABN AMRO reaches agreement to sell part of its stake in the investment funds belonging to ABN AMRO Participaties.

# Interview with our CEO

It's been an eventful year for ABN AMRO. CEO Kees van Dijkhuizen talks about the bank's refreshed strategy, the importance of sustainability and being able to do your banking anywhere, any time.

## **It's been three years since the IPO. How is ABN AMRO doing?**

We're doing very well. We made a lot of promises at the IPO. We've kept those promises, even outperformed them. We're proud of that. The bank is more profitable. We've brought down our cost/income ratio. We have a strong capital position. And this year, we have a refreshed strategy *and* a new purpose – Banking for better, for generations to come.

## **In the past, sustainability wasn't really a priority for banks. What's changed?**

We spent a lot of time with clients. You don't need to explain to them how important sustainability is! We have companies that want to change their business models – retail clients who want to make their homes more sustainable. Sustainability is a business opportunity for us. We won't be the only bank doing this – but we do want to be a front runner. And, importantly, there's strong support

for this from employees. Ninety-three percent say they want to build a sustainable bank. The fact is, we can't do this if we don't have committed staff.

## **This idea of 'Banking for better' isn't just about sustainability, is it?**

No, it's not. It's also about being there for our clients. Look at the work our financial coaches are doing, for example. We have 38 of these coaches; they work directly with retail clients who are in debt or financial difficulty – to help them with digital banking and to get their finances in order. That's also 'Banking for better'.

## **How are you approaching open banking?**

With open banking, I don't want other companies coming to our clients and saying, 'look, we can do this better than your bank'. We should be developing our own products, like Tikkie. And also engaging with new partners to see how we can work together. We should think more in terms of 'customer journeys'. What does it take to open a new business, for example? Or buy a home? What steps are there? At the moment, maybe we're involved in two or three of those steps. Why can't we be involved in more?



## **Banking these days is increasingly done digitally. What are the developments here?**

We are investing in our digital proposition. Take mortgages – two-thirds is now done online or by video calls. You can see your advisor in the evening or at weekends. For clients, it's easy – and much quicker. We're also giving clients the opportunity to use 'wearables' – so they can pay, for example, with a watch or a ring. With all apps, it really is like having 'a bank in your pocket'. And our big advantage is we can help clients protect their data at the same time. This is about trust – these days, privacy and trust are the bank's crown jewels.

### **With digitalisation, what's the effect on employees?**

The workplace is changing. Within ABN AMRO, we're working in a much more agile way. And we're helping employees progress and develop – and learn new skills. Unfortunately, because of digitalisation, we need fewer people in our branches and offices. For those affected, we try to find positions elsewhere in the bank – it's not always possible. We hope that if people do leave, wherever they go, they become ambassadors for ABN AMRO.

**“We spent a lot of time with clients. You don't need to explain to them how important sustainability is.”**

### **With low interest rates and volatile markets, where do you see growth coming from?**

We've had low interest rates for some time. Once rates normalise, we'll see moderate growth return – certainly in our mortgage business and in Commercial Banking, both in and outside of the Netherlands.

### **And at Corporate & Institutional Banking?**

In CIB, we are refocusing our business – to make sure it's profitable and can grow again. To do that, we'll concentrate on specific sectors – where we can be a leading player. Clearing is a good example – globally, we're consistently in the top three for clearing. Overall with CIB, as with all our businesses, we're aiming for a return on equity of at least 10%.

### **Mortgages account for nearly 60% of your loan book. You're not worried this is too much?**

No. In some areas of the Netherlands, it's true, the housing market is overheated. Overall there's still a shortage of houses. It's difficult to build new houses quickly in the Netherlands. We see very few mortgage defaults, and almost no negative equity. Also, more clients now have these low interest rates locked in for twenty years or more. I have to say, these are the best assets on our books. I'm very happy with them.

### **How do you look back on 2018?**

It's definitely been a year of ups and downs. We had some legacy issues, such as interest rate derivatives and cum/ex transactions. And there were changes in our Supervisory Board. I hope, in 2019, we'll be in calmer waters. Above all, in 2019, we should see our efforts start to bear fruit – and show we are now more client-oriented, more sustainable, with a highly engaged workforce. I thank our staff for their commitment and our clients for their trust in ABN AMRO.

### **Looking at the last employee survey, not all results were positive. How are you addressing that?**

Overall, engagement was up. That's good news. Client focus, too. We know what the issues are. It's about not setting priorities, not taking decisions quickly enough. But we will tackle this. Don't forget the survey took place before we announced the refreshed strategy. With this and the purpose, we've given the bank a clear, new direction.



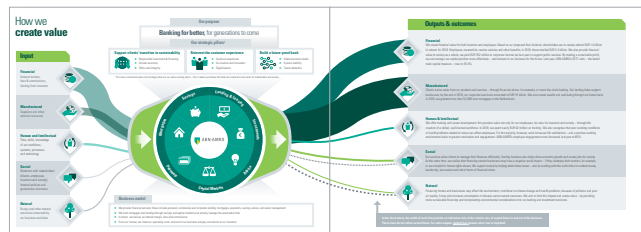
**“I thank our staff for their commitment and our clients for their trust in ABN AMRO.”**



# Creating value for our **stakeholders**

We're committed to creating long-term value for our stakeholders. This value may be financial, social or environmental. For our clients, peace of mind may be the most important value we offer. We recognise however that, through our business activities, we may also decrease value – when we close bank branches, for example, or invest in projects that impact the environment.

Our model (on [pages 14 and 15](#)) shows the flow of this value – from the resources or 'capitals' we consume in our business to the financial, social, environmental or economic value we create or deplete as a result of our activities. This model is based on the framework developed by the International Integrated Reporting Committee (IIRC). For more information, see our separate Value Creation Report, available online.



See our value creation model on [pages 14-15](#)



## Stakeholder engagement

We regularly engage with our stakeholders<sup>1</sup> – through polls, surveys, meetings, conferences and seminars. We hold frequent client roundtables to discuss products and services. And we organise special stakeholder dialogues; these address key social and environmental issues – areas where we may not always agree with each other. Over the past three years, we've discussed climate change, data privacy, tax, labour rights and biodiversity. We use stakeholder feedback to improve our products, customer service, processes and management. We also engage directly with companies we lend to or invest in; this helps us maintain social, environmental and ethical standards.

## Our business model

- ▶ As a bank, a large part of our revenue comes from net interest income – that's the difference between the interest we pay on deposits and wholesale funding and the interest we charge on loans and mortgages.
- ▶ We also offer other products and services – these include investments, payment services and financial transactions. We offer insurance to retail clients. To our corporate clients we provide strategic advice and access to capital markets.
- ▶ We sell most products directly to clients – online or through our branches. However, we also use intermediaries – for example, when selling mortgages. For services, we receive fees or commissions; we want to increase our income from these, in part to avoid too much reliance on interest rates. Together, fees, commissions and net interest income account for around 90% of our revenues.
- ▶ From our income, we pay operating costs; we pay our suppliers, for example – and we pay salaries and benefits to our employees. We meet other financial commitments: we pay taxes, reinvest in our business, and – from our profits – pay returns to shareholders.
- ▶ Digitalisation is fundamentally changing our business – from the way we interact with clients and manage our back-office operations, to the competition we face and the products and services we sell.

<sup>1</sup> ABN AMRO defines its stakeholders as: "any group or individual the bank affects through its activities or products and services or who, in turn, may affect the bank's ability to achieve its goals as a business". Using this definition, we recognise four main stakeholder groups: our clients, employees, investors and society. For more information, see [page 13](#).

## Stakeholder expectations & impact

Through regular dialogue, we have a clear understanding of our stakeholders' expectations and of the value we can create as a bank, and as an employer, investor and responsible corporate citizen.

	<b>Stakeholders</b> Who are our stakeholders?	<b>Expectations</b> What do stakeholders expect of us?	<b>Impact</b> Where might we create or deplete value?
<b>Clients</b>	<ul style="list-style-type: none"> <li>▶ Retail and SME clients</li> <li>▶ Commercial, Corporate and Institutional Banking clients</li> <li>▶ Private Banking clients</li> <li>▶ Public sector clients</li> <li>▶ Brokers, intermediaries and other distributors</li> </ul>	<ul style="list-style-type: none"> <li>▶ Round-the-clock banking services</li> <li>▶ Access to loans, financing and quality advice</li> <li>▶ A bank that puts clients' interests first</li> <li>▶ Positive, seamless customer experience</li> </ul>	<p>Clients derive value from our products and services – from secure banking, 24/7 digital access to their finances, and the knowledge that we will protect their personal data. Value may be depleted, however, through poor service or customer experience, or through products that fail to deliver as expected.</p>
<b>Employees</b>	<ul style="list-style-type: none"> <li>▶ All full-time and part-time employees</li> <li>▶ Sub-contractors</li> </ul>	<ul style="list-style-type: none"> <li>▶ Fair salaries and benefits</li> <li>▶ Reward for good performance</li> <li>▶ Training, development and career opportunities</li> <li>▶ Open, collaborative working environment</li> </ul>	<p>Employees benefit from salaries, training and career development – also from a working environment that encourages engagement and attracts new talent. Value may be decreased, however – by a poor corporate culture for example, or increased job insecurity.</p>
<b>Investors</b>	<ul style="list-style-type: none"> <li>▶ Shareholders, bondholders</li> </ul>	<ul style="list-style-type: none"> <li>▶ Stable and controlled risk appetite</li> <li>▶ Well-managed balance sheet</li> <li>▶ Regular, sustainable returns on investments</li> </ul>	<p>Investors receive regular dividends and interest payments; we can add value by delivering positive financial results and ensuring the bank has a strong balance sheet, management with vision and leadership, and a business model that can adapt quickly to changing market conditions. Investors may lose value, however, through poor productivity, bad management, a reduction in dividends or poor share price performance.</p>
<b>Society</b>	<ul style="list-style-type: none"> <li>▶ Suppliers and external consultants</li> <li>▶ Business partners</li> <li>▶ Local communities</li> <li>▶ Governments and regulators</li> <li>▶ Other non-governmental organisations</li> </ul>	<ul style="list-style-type: none"> <li>▶ Investment in sustainable, long-term economic growth and development</li> <li>▶ Source of employment and financial expertise</li> <li>▶ Contribution to public services through a responsible approach to tax</li> <li>▶ Support for local communities through donations and employee volunteering</li> <li>▶ Responsible and ethical business practices</li> </ul>	<p>We contribute to society by investing responsibly, ensuring we behave with integrity, complying with regulations and acting to deter corruption and other financial crime. We also pay taxes, support local communities and make payments to business partners. Through our financing, we can also drive sustainable economic growth. However, we may deplete value by financing companies and activities that cause social or environmental damage.</p>

# How we create value

## Input

### Financial

Interest income, fees & commissions, funding from investors



### Manufactured

Suppliers and other external resources



### Human and Intellectual

Time, skills, knowledge of our workforce, systems, processes and technology



### Social

Relations with stakeholders (clients, employees, investors and society), internal policies and governance structures



### Natural

Energy and other natural resources consumed by our business activities



## Our purpose

**Banking for better, for generations to come**

## Our strategic pillars<sup>1</sup>

### Support clients' transition to sustainability



- ▶ Responsible investment & financing
- ▶ Circular economy
- ▶ Ethics and integrity

### Reinvent the customer experience



- ▶ Customer experience
- ▶ Co-creation and innovation
- ▶ Digitalisation

### Build a future-proof bank



- ▶ Viable business model
- ▶ System stability
- ▶ Talent attraction

<sup>1</sup> The issues mentioned under each strategic pillar are our value-creating topics – this is where we believe the bank can create the most value for stakeholders and society.



## Business model

- ▶ We provide financial services; these include personal, commercial and corporate lending, mortgages, payments, savings, advice, and asset management
- ▶ We fund mortgages and lending through savings and capital markets and actively manage the associated risks
- ▶ In return, we receive an interest margin, fees and commissions
- ▶ From our income, we meet our operating costs, reinvest in our business and pay out returns to our investors



## Outputs & outcomes



### Financial

We create financial value for both investors and employees. Based on our proposed final dividend, shareholders are to receive almost EUR 1.4 billion in returns for 2018. Employees, meanwhile, receive salaries and other benefits; in 2018, these totalled EUR 2.4 billion. We also provide financial value to society as a whole; we paid EUR 762 million in corporate income tax last year to support public services. By making a sustainable profit, we can manage our capital position more effectively – and reinvest in our business for the future. Last year, ABN AMRO's CET1 ratio – the bank's main capital measure – rose to 18.4%.



### Manufactured

Clients derive value from our products and services – through financial advice, for example, or round-the-clock banking. Our lending helps support businesses; by the end of 2018, our corporate loan book amounted to EUR 91 billion. We also create wealth and well-being through our home loans; in 2018, we granted more than 52,000 new mortgages in the Netherlands.



### Human & Intellectual

We offer training and career development; this provides value not only for our employees, but also for investors and society – through the creation of a skilled, well-trained workforce. In 2018, we spent nearly EUR 42 million on training. We also recognise that poor working conditions or health problems related to stress can affect employees. For the majority, however, work increases life satisfaction – and a positive working environment leads to greater motivation and engagement. ABN AMRO's employee engagement score increased last year to 80%.



### Social

Our services allow clients to manage their finances efficiently; funding business also helps drive economic growth and create jobs for society. At the same time, we realise that financing certain businesses may have a negative social impact – if they underpay their workers, for example, or are complicit in human rights abuses. We support society by helping tackle these issues – also by working with the authorities to combat money laundering, tax evasion and other forms of financial crime.



### Natural

Financing homes and businesses may affect the environment, contribute to climate change and health problems, because of pollution and poor air quality. It may also increase consumption of already scarce natural resources. We aim to limit this impact and create value – by providing more sustainable financing and incorporating environmental considerations into our lending and investment decisions.

In the chart above, the width of each line provides an indication only of the relative size of capital flows in and out of the business. These lines do not reflect actual flows. For value outputs, dotted lines denote value 'lost or depleted'.

# The world around us

This section gives an overview of developments that influence our current and future activities.

## In this section:

### 16 The world around us

- 17 Economic growth
- 17 Low interest rates
- 17 New technologies
- 17 Society's expectations
- 17 Rules & regulations
- 19 Value-creating topics

### 20 Opportunities & risks

# The world **around us**

Our business is affected by different social and economic factors. These may include new regulations, the increased use of digital technologies, or volatile market conditions. Trust in banks is not yet restored, especially in the Netherlands. These factors affect not only our business and performance but also our ability to deliver long-term value to our stakeholders and society.

## **Economic growth**

Over the past year, we've seen continued growth in the Dutch economy – around 2.5% in 2018, compared with just below 2% for the eurozone as a whole. Along with this economic growth, we've also seen a strong, but competitive, housing market – the result of continued demand and a shortage in houses for sale.

Economic growth is positive for our business, particularly for lending. Going into 2019, however, there are signs that global economic growth may be slowing. Confidence has weakened; trade and industrial output have declined. Stock markets also fell sharply in the final quarter of 2018. In Europe, there are concerns over budget problems in Italy and the UK's planned withdrawal from the European Union.

## **Low interest rates**

Interest rates have remained at historic lows. The European Central Bank's deposit rate has been stuck at -0.4% since March 2016. This has a considerable effect on our business. The ECB rate acts as the basis for other rates – this means, in effect, lower rates on mortgages and loans. For us, as a bank, it means lower margins and reduced profitability.



## **New technologies**

With digital technology, clients expect quick, 'frictionless' service. So we're redesigning our products, processes and distribution. There's also more emphasis on data security and protecting clients' privacy.

At the same time, digital technology has reduced the need for bank branches. In five years, we've closed more than 220 branches in the Netherlands. Technology means more efficiency, opportunities for new products and services, but it has also increased competition, particularly from tech companies and online-only banks.

In many cases, new technologies also allow direct transactions between producers and consumers – without the cost or inconvenience of going through a bank. Over time, this could erode banks' traditional role as a financial intermediary.

## **Society's expectations**

Society's expectations are shifting. The 2015 Paris Agreement calls on business to play its part in fighting climate change. Making a profit is no longer enough; society also expects companies to help tackle social and environmental issues. Financial companies have a role in mobilising resources to support the UN's sustainable development goals and to help combat financial crime.

## **Rules & regulations**

In recent years, we've seen a step-up in financial services regulation. Regulators have looked to strengthen protection for consumers and investors, and to ensure the long-term stability of the financial system. In recent years, we've seen new proposals on capital requirements – among others, through Basel IV. There has also been new regulation in data protection, as well as stricter rules on both the use of internal risk models and on financial reporting.



## Basel IV – changes to capital rules

Since the financial crisis, we've seen significant changes in capital rules for banks. Basel III, agreed in 2010, ties the amount of capital banks must set aside to the amount of risk on their books. Like other banks, ABN AMRO uses internal models to calculate this. These models assign very low risk to our Dutch mortgages. This is because, historically, we've had very few mortgage defaults. New proposals from regulators mean, in future, we would have to use regulatory models for our calculation. These models put a higher risk weighting on mortgages and part of our corporate loan book.

We estimate that, overall, these changes – known informally as Basel IV – would increase our risk-weighted assets by approximately 35%<sup>1</sup>; the result would be an increase in our capital requirements. We're confident we can manage this. Implementation isn't due to begin till 2022. To prepare, we are re-evaluating our products. Restructuring our Corporate & Institutional Banking business, meanwhile, will also help reduce our capital needs. For 2019, we've included a 4-5% 'Basel IV' buffer in our main CET1<sup>2</sup> capital target; including this buffer, our target is now 17.5-18.5%.

We're also stepping up customer due diligence – to help in the fight against money laundering and financial crime (see [page 34](#)). In sustainability, we have the TCFD<sup>3</sup> framework on climate disclosures – and the EU's recent action plan on sustainable finance, aimed at creating a greener and more sustainable EU economy.

New regulations may bring extra costs – in many cases, we need to update our internal systems and processes. But, if implemented correctly, new rules should increase transparency and strengthen consumer confidence.

For ABN AMRO, there are also opportunities – to adopt new technologies, to work with external partners and to make the most of new regulations by offering clients add-on services that weren't possible before – in areas like online accounting, cash flow forecasting and risk management.



- ▶ Basel IV will increase overall capital requirements for European banks, including ABN AMRO. Ultimately, the aim of Basel IV is to strengthen confidence in the banking sector (see separate text on this page).
- ▶ IFRS9 was introduced at the beginning of 2018; the new requirement effectively resets reporting rules for assets and impairments. Over time, this may mean increased volatility in the impairments we report as part of our financial results, as well as earlier recognition of provisions against losses.
- ▶ The ECB is carrying out a review of bank's internal models, known as TRIM<sup>4</sup>. This review will take in banks across the eurozone. There is also a new definition of 'default' planned for 2021. In response, we'll be upgrading our models to match increased expectations from regulators.
- ▶ The EU's Markets in Financial Instruments Directive, or MiFID II, steps up protection for consumers and investors. The directive should make European financial markets more transparent and efficient. To comply, ABN AMRO has upgraded its processes and IT systems.

<sup>1</sup> Following mitigation measures.

<sup>2</sup> Common Equity Tier 1 (ratio shows the bank's tier 1 capital as a percentage of risk-weighted assets).

<sup>3</sup> Task Force on Climate-Related Financial Disclosures. For more information, please see our 2018 Annual Report.

<sup>4</sup> Targeted Review of Internal Models.

## Value-creating topics

We carry out a regular review of our operating environment; this allows us to identify the most important topics for the bank – social, economic, financial or environmental. From these we selected our ‘value-creating topics’: where we believe we have the most to contribute – and where, potentially, we can create the most value for our stakeholders and society. These nine selected topics form the basis of our strategy. In addition, we’ve identified other ‘fundamental value creators’ – these are basic, ‘hygiene’ factors that protect our long-term licence to operate.

## Note on methodology

Our review is based on both external and internal input – from stakeholders and our own senior management:

- ▶ To arrive at our value-creating topics, we first compiled a ‘long list’ of around 300 issues; this was shortened to 35 of the most important topics (based on an analysis of media, trend reports, peer disclosures, reporting requirements etc. We also carried out an extensive big data search).
- ▶ We asked stakeholders and senior management to rank these topics in order of importance.

All four main stakeholder groups were consulted, and weighted equally. Senior management included members of ABN AMRO’s Executive Committee and their direct reports, as well as the bank’s Challenger 40 group of managers and experts.

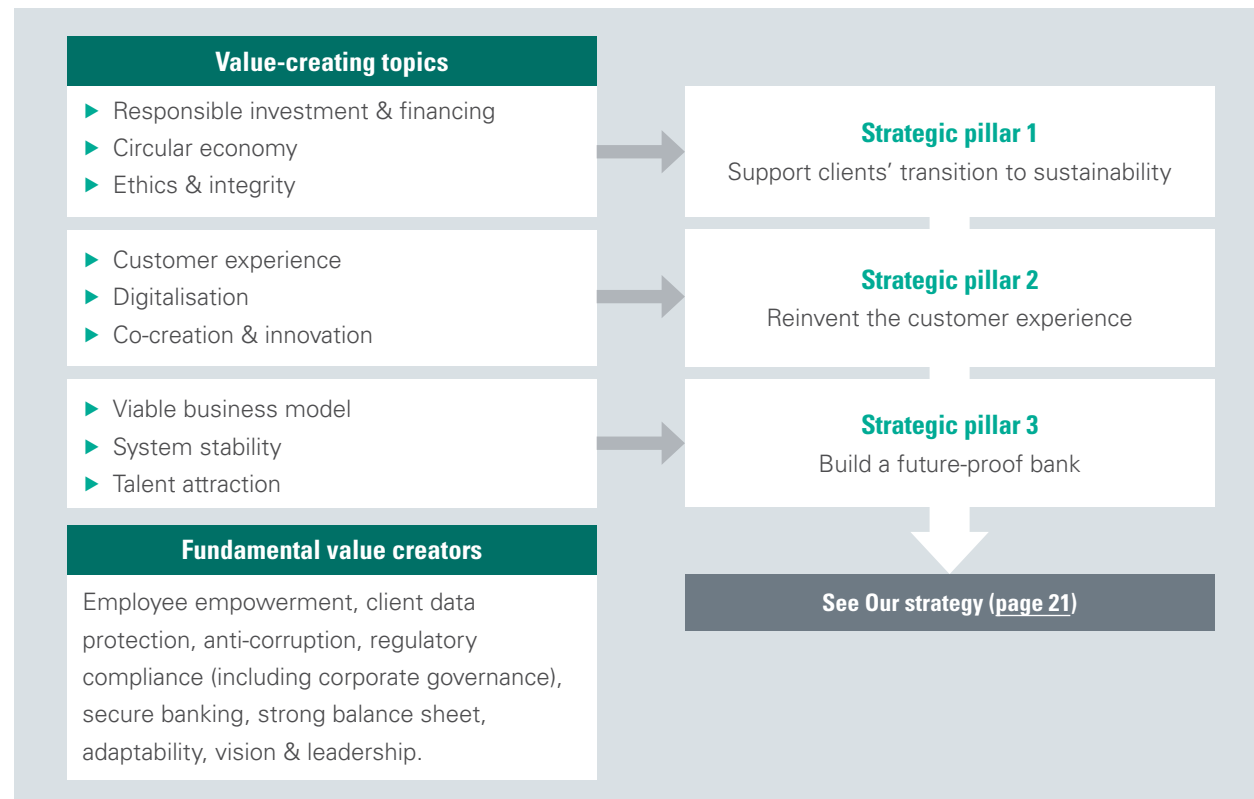
- ▶ Results were then presented to the Executive Committee for discussion and approval. The Executive Committee made adjustments to management input to reflect the bank’s recently refreshed strategy.

As part of the assessment, each topic was examined from the perspective of the bank and its ability to create value over both the short and long term. Ranking was based on two factors:

- ▶ The extent of a topic’s potential impact on value creation (magnitude), and
- ▶ How likely a topic was to bring about this impact (likelihood).

The 2018 assessment covered all ABN AMRO’s businesses and consolidated entities worldwide. The assessment was overseen by a Materiality Project Team, which held regular meetings and calls to monitor progress. This team worked closely with a separate Expert Advisory Group (EAG), comprising subject-matter experts from across the bank (including Investor Relations, Customer Experience, Strategy, Communications and Operational Risk; the EAG also included two representatives of ABN AMRO’s Employee Council).

For more information on our 2018 assessment, see our separate Value-Creating Topics Report, available online.



# Opportunities & risks

The table below shows our main value-creating topics. Against each, we've mapped out risks and opportunities – both for our business and our stakeholders over the short, medium and long term.

Value-creating topics	For ABN AMRO	For our stakeholders	Our approach
<ul style="list-style-type: none"> <li>▶ Responsible investment &amp; financing</li> <li>▶ Circular economy</li> <li>▶ Ethics &amp; integrity</li> </ul>	<p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>▶ Key business opportunity in helping clients switch to sustainability 🔄</li> <li>▶ Reduced social and environmental risk 🔄</li> <li>▶ New investment opportunities and better performance from current investments 🔄</li> </ul> <p><b>Risks</b></p> <ul style="list-style-type: none"> <li>▶ Potentially lower investment returns if certain sectors are excluded or de-emphasised 🔄</li> <li>▶ Increased costs from additional due diligence etc. when applying minimum ESG standards 🔄</li> <li>▶ Loss of trust if we fail to meet ethical standards or fulfil our role as gatekeeper of the financial system 🔄</li> </ul>	<p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>▶ Increased financing for clean technologies 🔄</li> <li>▶ New, more sustainable business models, supply chains and products &amp; services 🔄</li> <li>▶ Reduced environmental and social risk 🔄</li> <li>▶ Support for greater energy efficiency in homes 🔄</li> </ul> <p><b>Risks</b></p> <ul style="list-style-type: none"> <li>▶ Less financing for certain sectors and businesses (particularly those with higher social or environmental risks) 🔄</li> <li>▶ Higher costs for some businesses (to bring themselves into line with ABN AMRO's minimum standards) 🔄</li> </ul>	<p>We'll work with clients to help them shift to more sustainable business models, step up 'green' financing, and improve energy efficiency in our real estate portfolio. We'll also take a responsible and ethical approach to banking.</p>
<ul style="list-style-type: none"> <li>▶ Customer experience</li> <li>▶ Digitalisation</li> <li>▶ Co-creation &amp; innovation</li> </ul>	<p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>▶ Improved customer loyalty and trust in our services 🔄</li> <li>▶ Greater efficiency and reduced operating costs 🔄</li> <li>▶ Develop new products, services and distribution – and work with outside partners 🔄</li> <li>▶ Create more open, agile and collaborative working within the bank 🔄</li> </ul> <p><b>Risks</b></p> <ul style="list-style-type: none"> <li>▶ Increased competition as technology lowers the entry barrier 🔄</li> <li>▶ 'Disintermediation' as new technologies weaken the traditional role of banks as intermediaries 🔄</li> </ul>	<p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>▶ Quicker customer service – convenient, 24/7 access to banking and payment services 🔄</li> <li>▶ Increased demand for digital skills – in areas like IT and data analytics 🔄</li> </ul> <p><b>Risks</b></p> <ul style="list-style-type: none"> <li>▶ Job losses in areas vulnerable to automation like sales and trading 🔄</li> <li>▶ Branch closures with more clients preferring to bank online 🔄</li> <li>▶ Increase in fraud, identity theft and other cyber crime 🔄</li> <li>▶ Loss of direct contact with clients 🔄</li> </ul>	<p>We'll look to improve customer experience by investing in new, digital technologies, working with external partners and investing in new business models.</p>
<ul style="list-style-type: none"> <li>▶ Viable business model</li> <li>▶ System stability</li> <li>▶ Talent attraction</li> </ul>	<p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>▶ Improved trust and regulation, bringing future growth 🔄</li> <li>▶ Increased customer loyalty, based on reliable services 🔄</li> <li>▶ Talented employees, able to drive improvements and implement strategy effectively 🔄</li> </ul> <p><b>Risks</b></p> <ul style="list-style-type: none"> <li>▶ If we fail, potential loss of trust, business and market share 🔄</li> <li>▶ More difficult to retain clients and attract the right talent 🔄</li> <li>▶ Weaker 'social licence to operate' 🔄</li> <li>▶ Need for more investment in modernising IT and strengthening information security 🔄</li> </ul>	<p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>▶ More secure, long-term investment for shareholders and other investors 🔄</li> <li>▶ Opportunity for corporate clients to grow their businesses alongside ours 🔄</li> <li>▶ Creation of highly skilled workforce 🔄</li> </ul> <p><b>Risks</b></p> <ul style="list-style-type: none"> <li>▶ Lost business for clients (in case of significant systems failures) 🔄</li> <li>▶ Increased competition in labour market for digital skills 🔄</li> </ul>	<p>We will adapt our working environment, bring in new skills, streamline our systems and processes, and protect our clients from the effects of cyber crime.</p>

**ESG:** Environmental, social and governance

**Key:** 🔄 – short-term, 🔄 – medium-term, 🔄 – long-term

These are indicative only. Where there is an effect over the short, medium and long term, we have included the most significant effect only.



# Our strategy

This section gives an overview of our strategy and purpose.

## In this section:

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- 22 Support our clients' transition to sustainability
- 22 Reinvent the customer experience
- 23 Build a future-proof bank

### 24 Key indicators & targets

#### 25 Front runners

- 25 Dutch mortgages
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- 26 Climate pioneer

# Our strategy

In November 2018, we launched our refreshed strategy. This strategy is built around our purpose: Banking for better, for generations to come. Our strategy is based on three strategic pillars. These ensure we address the most important issues for us as a bank: from where and how we invest to digitalisation, customer service, attracting new talent and accelerating the shift to sustainability.



## Support our clients' transition to sustainability Strategic pillar 1

We want to help our clients make the switch to sustainability. Among Dutch companies, more than 50% already say they want to make their businesses more sustainable. We see this as a business opportunity – but we know that, in helping our clients, we'll also support the wider fight against climate change.

We're increasing sustainable financing for our Commercial Banking clients – by 2020, we expect this to be at least EUR 3 billion. As part of this, we're putting more into the circular economy – into companies and businesses that reuse materials and keep waste to a minimum. We're also upping our investments in renewable energy. Our private banking business has made sustainability the default option for new clients. We want to increase clients' sustainable investments with us to a total of EUR 16 billion by 2020.

For retail clients, ABN AMRO is offering green loans to make homes more energy efficient. Nearly 40% of the Netherlands' energy use comes from homes and offices. By 2030, we want all residential and commercial properties on our books to be rated average A for energy efficiency, up from D currently. We're encouraging our retail, corporate and private banking clients to be 'sustainability rated' – so we can identify potential risks and opportunities.

We will also lead by example – taking a responsible approach to investment and lending, reducing our carbon footprint and behaving with ethics and integrity.



## Reinvent the customer experience Strategic pillar 2

We want to give clients fast, flawless service – service that is right first time, every time. Our goal is to take the hassle out of banking. That means tackling our clients' 'pain points' – when they're opening accounts, for example, or applying for loans.

To improve customer experience, we will invest in digitalisation – to speed up service and lower our operating costs. We will continue to invest in apps like Tikkie and Grip, which we developed with the Swedish FinTech Tink. We'll also extend the use of other new technologies, like AI and advanced analytics.

At the same time, there will be more focus on 'customer journeys' – so we increase contact with our clients and better understand their needs. We will also 'co-create', working with outside partners where it makes sense – to extend our products and services, and build new eco-systems. Our retail bank will look at growth markets – in insurance and investments, for example, or among the self-employed and 'almost retired'.

We will continue to invest in innovation – through our Group Innovation team and Digital Impact Fund. In doing so, we're building up our knowledge and expertise, constantly learning from our in-house tech 'challengers' like New10 and Franx.

Over the next few years, we want to increase our Net Promoter Score – the measure we use for customer experience. Serving our clients better should lead to an increase in NPS for all our business lines by 2020.



## Build a future-proof bank Strategic pillar 3

We want to build a future-proof bank; this means continuing to engage our employees, developing new skills and improving internal processes. It also means attracting new talent and investing in employee development. ABN AMRO will also press ahead with investment in technology and alternative business models – to remain viable and continue to create value for stakeholders and society.

As part of this approach, we're adapting our working environment. We are bringing on skills in areas like digital technology, analytics and sustainability – skills that are crucial to our strategy. This is part of a new, more agile way of working. Ultimately, we want to build a purpose-led organisation – one that encourages high performance, engages employees and allows us to attract the best talent.

Where possible, we're streamlining our products and services. We've reduced the number of mortgage products we offer, for example. And, in Private Banking, we're harmonising our services and IT platforms across Europe. Our goal is to improve efficiency, and provide fast, convenient digital services and 'hassle-free banking'.

We're also taking a digital-first approach, continuing to modernise our IT systems. In IT, we want to hit the 'sweet spot' – investing enough in IT, but never too much. We estimate that is around 12-13% of our income<sup>1</sup>. More resources will go into system security – to protect our clients and ensure constant access to services. We'll invest in the latest technology and continue to work closely with regulators and the police to help stamp out financial crime.

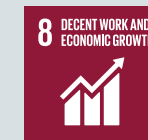
We're refocusing Corporate & Institutional Banking (CIB). Many CIB activities deliver sufficient returns – but, as a whole, CIB wasn't meeting the group target for return on equity. To improve profitability, we're reducing capital allocated to CIB, particularly to businesses like trade & commodity finance – and sectors like offshore shipping, where earnings are volatile. These measures will mean lower revenues, but we will also bring down costs by EUR 80 million – mainly through staff reductions and other savings. By 2021, we're targeting a double-digit return on equity from CIB – in line with our group financial targets.

<sup>1</sup> For 2018, our spending on IT was approximately 16% of income.

## Our contribution to the United Nations Sustainable Development Goals

The United Nations launched its Sustainable Development Goals in 2015. There are 17 goals in all, covering everything from poverty and hunger to human rights and climate change. We have identified three 'strategic' goals – where we believe, through our strategy, we have the most to contribute, both as an investor and provider of financial services.

### Goal



### ABN AMRO's contribution

- ▶ Human rights and labour standards built into the bank's lending, investment and procurement policies
- ▶ Loans and support to small and medium-sized businesses to help them expand, drive economic growth and create new jobs
- ▶ Social impact bonds, raising funds to help young people on state benefits into work



- ▶ Loans to upgrade infrastructure, improve energy efficiency and retrofit industries with cleaner technologies
- ▶ Stepping up financing for circular economy activities



- ▶ Mission 2030: upgrading clients' residential and commercial properties to average A label for energy efficiency
- ▶ Green financing through our green bonds, Energy Transition Fund and Green Bank in the Netherlands
- ▶ Working with clients to increase their sustainable investments



# Key indicators & targets

In addition to our 2017/2018 results, we've put in place a series of new targets for 2019/2020 to support our strategy refresh.

Group targets	Metric	Target 2020	2018	2017
Non-financial	Gender diversity in top	30% women in top	28%	25%
	Gender diversity in subtop	35% women in subtop	27%	28%
	Dow Jones Sustainability Index (DJSI) ranking <sup>1</sup>	Top 5% of banking sector	Top 5% of banking sector	Top 5% of banking sector
	Banking Confidence Monitor	Leading among large Dutch banks	3.3	3.2
Financial	Return on average equity	10-13%	11.4%	14.5%
	Cost/income ratio	56-58%	58.8%	60.1%
	CET1 (fully-loaded)	17.5-18.5%	18.4%	17.7%
	Dividend payout ratio	At least 50% of net sustainable profit	62%	50%

Strategic pillars	Metric	Target 2020	Target 2019	2018 <sup>2</sup>
Support our clients' transition to sustainability	We are committed to our clients' transition to become more sustainable	<ul style="list-style-type: none"> <li>Renewable energy commitment as a % of energy portfolio</li> <li>Sustainability financing</li> <li>Sustainability investments (client assets)</li> </ul>	20% EUR 3.0 billion EUR 16 billion	14% EUR 1.5 billion EUR 14.5 billion
	We provide our clients with insight into their sustainability performance	<ul style="list-style-type: none"> <li>Clients rated on our sustainability rating tool</li> </ul>	100% <sup>3</sup>	100% <sup>3</sup>
	We help our clients invest in making their homes and real estate more sustainable	<ul style="list-style-type: none"> <li>Average energy label (residential properties)</li> <li>Average energy label (commercial properties)</li> </ul>	63% rated A-C 31% average A	61% rated A-C 23% average A
Reinvent the customer experience	Net Promoter Score (relational)	<ul style="list-style-type: none"> <li>Retail Banking / Private Banking / Commercial Banking / Corporate &amp; Institutional Banking</li> </ul>	≥ -3    ≥ +3    ≥ +3    ≥ +36    ≥ -6    ≥ +1    ≥ 0    ≥ +32 <sup>4</sup>	-9    -1    -2    +45
Build a future-proof bank	Employee engagement	80%	80%	80%

<sup>1</sup> Please note that, under the DJSI, scores are not directly comparable because of regular recalibration and changes to methodology (2018: 86; 2017: 91).

<sup>2</sup> Blank indicates new targets introduced as part of the 2018 strategy refresh. The targets have been set according to the following baselines (in same sequence as table): 12%; EUR 750 million; EUR 13.9 billion; within Corporate & Institutional Banking: 100%, excluding financial institution clients; 59.4% rated A-C; 13% average A.

<sup>3</sup> Within Commercial Banking, this includes all CBC clients; within Corporate & Institutional Banking, this includes all clients with the exception of financial institution clients.

<sup>4</sup> For Corporate & Institutional Banking, we expect a decrease in 2019 in our Net Promoter Score (relational) following recent organisational changes.

# Front runners

## Dutch mortgages

ABN AMRO is using data and new technology to make life simpler for mortgage clients. And, from 2019, the bank will be offering new loans to increase energy efficiency.



"We're making smarter use of data," says Claire Dumas, ABN AMRO's Director of Mortgages. "For example, in some regions, we're testing a new scheme. With this scheme, we'll be able to tell some clients exactly how much they can borrow and at what interest rate even before they find a house. That means, when the client does put in a bid, it's no longer 'subject to financing'"

### Instant mortgages

"We're also developing 'instant mortgages' – where we use data to make our mortgage offer straight away instead of within 24 hours – the current timeframe."

Mortgages are an important part of ABN AMRO's business; the bank is one of the Netherlands' leading mortgage providers. In recent years, the bank has significantly reduced the number of mortgage products it offers – part of broader efforts to simplify the bank's processes and make life easier for clients. ABN AMRO is also using its influence as a mortgage lender to support the country's shift to sustainability. By 2030, ABN AMRO wants properties on its books rated an average A for energy efficiency, in line with the Dutch government's climate aims.

### Energy efficiency

In 2019, ABN AMRO will start offering clients a 'sustainable mortgage'. With this mortgage, clients can borrow up to EUR 25,000 to fund home improvements – like solar panels or loft insulation. "Clients can do the 'energy savings check' on our website. That tells them how much they'll need to spend and how much they'll save on their energy bills," says Ms Dumas. "And if you want individual advice, one of our 'energy saver' partners will come to your house and give you a price quote. It's quick and easy."

**Claire Dumas**  
Director of Mortgages

## REKO

With financing from ABN AMRO, REKO B.V. is turning hazardous waste tarmac into heat and energy.

Recycling Combinatie REKO B.V. processes more than 600,000 tonnes of waste tarmac a year; the Dutch company, however, receives more waste than it can currently handle. With a loan from ABN AMRO, REKO is now building a second thermal decontamination machine so it can increase output.



### Circular economy

REKO – based at the port of Rotterdam – developed its decontamination process back in 2000. Asphalt consists of sand, gravel and a binding agent. Previously,

this binding agent was tar, which may pose a threat to health. REKO's process strips out the hazardous material from asphalt, and ensures valuable raw materials can be extracted and used again – a great example of the circular economy.

### Catching on

“The Netherlands imports a lot of sand and gravel to meet demand for asphalt and concrete,” says REKO Director David Heijkoop. “Our solution means less sand and gravel need to be produced – and less waste tarmac is dumped.” Now REKO's solution is catching on elsewhere – in Germany, Belgium and Switzerland.

With its new decontamination machine, REKO will be able to triple production of raw materials and generate five times more electricity. At the push of a button, REKO can choose whether energy released during the process is converted into heat or electricity.

## Climate pioneer

Entrepreneur Dick Rakhorst built his dream home – one that generates energy rather than consuming it.

“We consume far too much. It's just not possible to get more out of the Earth than it contains,” says Dick Rakhorst. “So, we have to use less plastic, recycle more, reuse more – and consume less energy.”

### Old coffee sacks

When building his new home, Mr Rakhorst put this philosophy into practice. He used wood, old coffee sacks as insulation, and installed a clay stove, a heat pump and solar panels. “This house breathes,” he says. “It hardly consumes any energy – in fact, the solar panels provide energy for four other households and my own electric car.”

Building the house wasn't without its challenges. Mr Rakhorst's planning application was initially rejected. Then, the authorities refused permission to remove underground gas pipes. Some of Mr Rakhorst's neighbours weren't happy with his plans – but, in the end, it worked out.



### Good intentions

Mr Rakhorst banks with several different banks – but he appreciates ABN AMRO's approach: “ABN AMRO is doing well with sustainability. The Circl pavilion in Amsterdam sets a good example. As an entrepreneur, I've always tried to do the right things. And do business with people who have good intentions. You need to make people enthusiastic about leaving behind a better world – that's what works best.”



# Our performance & outlook

In this section, we'll cover our financial and non-financial performance.

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# Performance: clients

Our payments app Tikkie now has over

 **5 million**  
registered users

Consumer credit

**45%** 

of our consumer loans are now arranged online,  
up from just 18% in 2016

Internet and mobile banking

Availability of our internet and mobile banking  
services last year stood at

 **99.5%**

## Digital access and availability

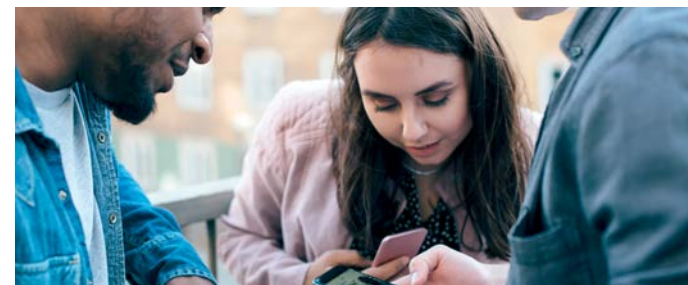
Our clients want quick, reliable, round-the-clock access to their bank. To help provide this, we're investing in technologies. For our retail clients, we've extended internet and mobile banking. We're providing means for contactless payments – and have introduced chatbots on our websites. Online, we've added tools that make it easier for clients to manage their personal finances.

We've also been introducing new apps and platforms. Tikkie now has around five million registered users, and during 2018 was adding users at an average of 250,000 a month. We're expanding the use of tools like video banking – as part of a shift to a digital model. It's now possible for clients to apply for, and obtain, a mortgage entirely online and via video. Digital now accounts for more than 70% of our retail sales. In 2016, that figure was just 41%. Generally, digital delivers much higher levels of customer loyalty than traditional banking.

## Partnerships and eco-systems

We're looking outside the bank to build strategic partnerships. We're mapping more 'customer journeys' – this allows us to increase contact with our clients, extend the services we can offer and go beyond the old 'we sell what we make' model. In some areas, we're also working with other financial companies: with ING and Rabobank on cash handling, for example, and with Nationale Nederlanden on insurance.

We've also invested more in new fintechs. Three years ago, we set up a Digital Impact Fund with EUR 50 million available for investment. Through the Fund, we've bought a stake in



Germany's solarisBank. We're also working with Ockto, which specialises in data storage – and with the lending platform CrossLend. Meanwhile, our New10 online lender has continued to grow. With New10, small businesses can confirm loans in just 15 minutes.

With these investments, ABN AMRO can learn more about technology. We can transfer these lessons to our main banking operations. Ultimately, this is about speeding up customer service, shortening process times – moving them, in many cases, from weeks to just hours or minutes.

## System security

With banking becoming increasingly digital, there's risk of cyber crime. Last year, our systems came under attack. These attacks disrupted access to our services, but didn't threaten the security of payments or personal data. To protect our systems, we've invested in the latest technology. We have an information security strategy, reviewed annually. We also work closely with the Dutch government's Financial Intelligence Unit, as well as regulators, legal authorities and the police. We're also part of the Electronic Crime Task Force and the Security Intelligence &

Operations Centre. Last year, we maintained an average 99.5% access to our internet and mobile banking – still high, but down compared with 2017 and below average for the Dutch banking sector, largely because of outside cyber attacks at the start of the year.

### Accelerating the sustainability shift

Over the past year, we've helped more clients make the switch to sustainability. We've provided more green financing. Last year, we launched our latest green bond; we also set up a new EUR 200 million Energy Transition Fund – and re-opened our Green Bank in the Netherlands.

We've now provided EUR 750 million in sustainable financing to our Commercial Banking clients, putting us on course to reach our 2020 target. We've made more than EUR 250 million in circular economy deals. And we're stepping up our investments in renewable energy – renewables now make up 12% of our Corporate & Institutional bank's energy portfolio, equivalent to EUR 611 million.

It's not just businesses – we're also helping our retail clients become more sustainable. We're offering more loans for home improvements – like solar panels and loft insulation – that will lower clients' heating bills and help protect the environment. We now provide advice on energy use with every mortgage sale, and offer a discount on mortgage rates for new, energy-efficient homes.

### Products and services

We're enhancing our core products and services; we have one of the most advanced banking apps in the Netherlands. We also see growth in insurance. So, we're expanding distribution of life

insurance and integrating home insurance into our mortgage offer. Similarly with consumer credit and investment. Over the next year, we're confident we can add 30,000 new investment clients.

We've also made it easier for near-retirement clients to apply for a new mortgage or release equity from their existing homes. This is money that can be used to make home improvements – or top up income in retirement.

At the same time, we're reducing complexity. In Commercial Banking, we're planning to halve our number of products over the next few years. We've also cut the number of IT applications we use, and we're moving to a single 'product menu' across ABN AMRO's private banks. This should make life easier for our clients – and bring down our own running costs.

### Customer loyalty & trust

We regularly measure customer loyalty, and use the results to improve our products and services. All our businesses use the Net Promoter Score (NPS). Last year, there were increases in NPS<sup>1</sup> for both our Commercial and Corporate & Institutional bank. Retail was unchanged from 2017, and Private Banking was lower. We've set clear 2020 targets for improvements in NPS across our businesses.

We also monitor trust in ABN AMRO. Trust among the bank's clients rose slightly last year, according to the Dutch Banking Association's latest Trust Monitor<sup>2</sup>. There's work to do on transparency and client focus, however – scores are still below the sector average. We also saw a decline last year in our online services score – the result mainly of cyber attacks on our systems early in 2018.

### Re-assessing interest rate derivatives


Dutch banks – including ABN AMRO – have agreed to compensate small business clients who were sold interest rate derivatives in recent years, possibly without sufficient advice. Payments follow an agreement between the banks, the Netherlands Authority for the Financial Markets and the government. ABN AMRO is reassessing approximately 7,500 client files. Currently, we're finalising offers to the last few hundred clients entitled to compensation under the agreement. Our aim is to deliver offer letters to all eligible clients by the end of the first quarter 2019. At present, we don't expect any adjustment to the provision we took in recent years to cover compensation to clients.

<sup>1</sup> NPS measures the likelihood of clients recommending ABN AMRO to friends, colleagues or family. It is based on a 1-10 scale. Those scoring 9 or 10 are classified as 'promoters'; 7 or 8 are neutral; below 7 are 'detractors'. NPS is calculated by subtracting the number of detractors from total promoters. Final NPS is out of 100 (maximum is +100, minimum -100).

<sup>2</sup> Source: Dutch Banking Association, Vertrouwensmonitor 2018. For more information, see [nvb.nl](http://nvb.nl).

# Performance: employees

Last year, we paid out salaries and benefits worth

 **2.4**  
billion euros

In 2018, our spending on training and development reached

 **42**  
million euros

Between 2015 and 2020, our workforce will decrease by

 **14%**

## The impact of digitalisation

The banking industry is going through profound restructuring. ABN AMRO is no exception. With the shift to digital, we're creating new jobs in areas like IT and data. However, jobs are also being lost. Over recent years, our bank has been through a significant reorganisation. By 2020, our workforce will have shrunk by 14%<sup>1</sup>.

Like other banks, we need to reduce our operating costs – but we recognise that restructuring puts pressure on our workforce. Where possible, we offer jobs within the bank to those affected. We also provide training in new skills to help employees adjust to the demands of the labour market – so they have the skills they need whether, ultimately, they remain with ABN AMRO or find employment elsewhere.

## Training & skills

Our people are very important to us as ABN AMRO can only properly serve its clients if it has a highly talented and committed workforce. To implement our strategy successfully, we need new skills. We're currently updating our 'future skills' list. We want to make sure we avoid skills gaps – especially in strategic areas like IT, data science and advanced analytics. Our preference is to develop skills within the bank rather than recruit from outside. We offer extensive training programmes through our Talent2Grow catalogue. As far as possible, we want

employees to take charge of their own development<sup>2</sup> – we give each employee a personal development budget to spend as they wish. Last year, this budget was increased from EUR 750 to EUR 1,000 a year. Our Career Switch Scheme grants employees paid time-off to learn new skills. In addition, we have clear talent and succession programmes built into the bank's HR processes and systems. In 2018, we spent nearly EUR 42 million on training and development – that's the equivalent of more than EUR 2,200 for each employee.

## Changing culture

We're working to change our corporate culture. We need to be more open, more innovative – ready to work with outside partners. We also need to address employees' concerns over leadership at ABN AMRO. These concerns were evident in last year's employee engagement survey (see opposite). We've mapped out our 'desired corporate values'; these include innovation, adaptability, taking a long-term perspective, collaboration and client focus. We're building these into our broader approach to HR and training. We're taking other steps, too. We're moving to a more 'agile' way of working, putting emphasis on self-organisation, and integrating IT and business teams where it makes sense. We're also simplifying our jobs model, so employees can switch more easily between disciplines. We're streamlining our IT and admin, and re-thinking our organisational structure to cut down on bureaucracy and speed up decision-making.

<sup>1</sup> Compared with 2015.

<sup>2</sup> Based on an analysis by True Price, we estimate the value created from this spending – through new skills, opportunities and knowledge etc. – at approximately EUR 630 million.

## Pay & remuneration

Fair pay is an important part of employee engagement. We've agreed a 2% pay rise for employees in the Netherlands for both 2018 and 2019. However, we're also ending performance payments – part of our new Collective Labour Agreement, signed in February last year. Our approach to pay is set out in our Global Reward Policy; we tie remuneration directly to the bank's long-term strategic goals. On variable pay, this is prohibited under Dutch legislation for senior management<sup>1</sup> at companies in which the state owns shares. Last year, we paid out a total of EUR 2.4 billion in salaries and benefits – that's more than 45% of our total operating costs.



<sup>1</sup> Senior management includes members of ABN AMRO's Executive Committee and other selected senior managers.

<sup>2</sup> These figures are based on information provided voluntarily. Non-western includes all employees who originate from, or have at least one parent originating from, Turkey or countries in Africa, Latin America or Asia (excluding Japan and Indonesia; the latter because of its historic ties to the Netherlands).

## Diversity

To be successful, we believe we need a diverse workforce – one that reflects the communities and clients we serve. We're committed to a workforce that is diverse and inclusive – in background, gender and ethnicity. Last year, ABN AMRO won the Diamond Award for its efforts to promote more women into top jobs at the bank. At the end of 2018, women made up 27% of ABN AMRO senior management. Our aim is to increase that figure to at least 30% by 2020 – in line with the Dutch government's own targets. We also measure ethnic diversity. Senior managers with a non-Western background rose in 2018 to 3.7%, up from 3% the previous year<sup>2</sup>. Our aim is to reach 6% by 2020. Last year, to support our target, we joined a new project, managed by the Dutch organisation Talent to the Top, to promote diversity within senior management.

## Employee engagement

We measure employee engagement every year. Our last survey took place in October 2018. It showed an engagement rating of 80%, up from 79% the previous year and just below the financial sector norm of 81%, despite recent reorganisations. Encouragingly, there were high scores for 'client focus' and 'efficiency'. Our score for 'training & development' is also above the sector average.



There were, however, areas of concern. 'Senior management' and 'vision & leadership' both fell. Given recent concerns at Board level, 'senior management' is now running 18 points below the sector average. Addressing these issues will be a priority in 2019. Specific KPIs will be included in management performance appraisals to monitor progress.

### Results from 2018 survey

- ▶ **Client focus: 96%** of employees think about the effect on clients when taking decisions
- ▶ **Sustainability: 93%** of employees want to build a more sustainable bank
- ▶ **Follow-up: 47%** of employees have seen action taken in response to the 2017 survey results
- ▶ **Collaboration: 51%** of employees say they have enough information on what's going on in other parts of the company



## Sustainable change



**Rianne Kamphuis**

Chair of the Employee Council

### **There's been a lot of change at ABN AMRO in recent years. How has this affected employees?**

Yes, the bank has been through a lot of change. There's still restructuring to be done in parts of the business. Of course, it's not easy. Employees have to cope with new structures and extra demands. But we've got a good relationship with management. We worked closely together on the refreshed strategy. And we made sure the strategy reflected employees' needs. What's good is that this strategy now gives us a very clear sense of direction for the bank.

### **Change isn't only happening at ABN AMRO. It's right across the financial sector.**

That's true. All banks are confronted by the same issues. Take digitalisation. We all need to move with the times – with what's happening around us, with what clients expect of us. In the financial sector, change has become almost continuous.

### **This idea of continuous change – that's difficult for employees.**

For us, it's important that we build change into the organisation, so that we plan for the long term, and integrate change into these long-term plans. Make changes gradually, rather than going from one reorganisation to another. That's what we mean when we talk about sustainable change.

### **Can you elaborate?**

Training is important – training and development. We'd like to see more emphasis on employability, helping employees develop new, broader skills that go beyond what they need for their current job. That's what makes them more employable – either within the bank or if they go on to a new job outside. This is a big issue for the Employee Council. We encourage employees to take advantage of the initiatives we have at ABN AMRO – and, with the support of the bank, to take care of their own personal development.

**“Our strategy gives us a very clear sense of direction for the bank.”**

### **A big part of change is cultural – it's about changing behaviour.**

And ABN AMRO has made significant progress in this respect, certainly in terms of transparency. There's also more cooperation, more feedback. We're not there yet – and I don't think, from the outside, people always view the bank like this. What is important for our employees, within ABN AMRO, is an environment in which they can give their opinions openly – one based on working together.

### **Is there an opportunity here with new management?**

Yes – there's an opportunity to show the outside world that things are changing, and improving. We also have an opportunity to forge a close three-way relationship – between the Employee Council, the Executive Board and the Supervisory Board. We don't always have to agree, but we each have our roles to play. That's a good basis on which to move forward and to build the kind of bank we want – a bank that is genuinely sustainable, focused on its clients, and ready for whatever the future will bring.

# Performance: **society**

## Supporting a more sustainable economy

In helping our clients become more sustainable, we're also helping society as a whole combat climate change and shift to a more sustainable economic model.

Proceeds from our green bonds have helped fund increased use of renewable energy and greater energy efficiency in homes, offices and other buildings. Last year, we also launched new guidelines, along with ING and Rabobank, to encourage more investment in the circular economy.

In our retail bank, Mission 2030 will help reduce carbon emissions and support the Dutch government's climate objectives. By the end of 2018, 13% of our property was rated A for energy efficiency. That's up from just over 10% twelve months before – and puts us on track to meet our 2030 target.

We've also helped shift more business investment – our clients' sustainable investments now stand at nearly EUR 14 billion, up from just over EUR 10 billion at the end of 2017. In private banking, more of our clients are signing up for our sustainable investment option.

## Social impact

As a bank, we also want to make a positive social impact. We've now launched six social impact bonds, mobilising private funds to help solve social problems. Half of ABN AMRO's

current bonds help young people into work – often young people from disadvantaged backgrounds. We also have a health impact bond – to help those recovering from cancer return to work after treatment.

At the same time, we're investing more in social enterprises through our Social Impact Fund; these enterprises include TTC Mobile, specialising in communications technology for developing countries, and BigMove, which promotes healthy living. We want to expand our impact banking. Last year, for example, we teamed up with Root Capital. Here, our funding will help improve living standards for 4,000 small coffee farmers in Latin America – and make the supply chain more sustainable. We're also working with partners FMO and Privium to provide funds in poorer countries – to help create jobs, support local businesses and increase access to energy.

## Community investment

As a responsible business, we support local communities. Employees volunteer through the ABN AMRO Foundation. Last year, employees volunteered on more than 5,400 separate occasions. The Foundation helps charities and community groups – two important areas are education and tackling loneliness and isolation. The Foundation also works with partners, including Amsterdam Care and the Aid to Victims Fund<sup>1</sup>, which supports victims of crime, accidents and disasters.

As part of Mission 2030, some

 **800,000**

Dutch homes will be upgraded to be more energy efficient.

At the end of 2018, clients' sustainable investments with us stood at:

 **EUR 13.8 billion**

## Green bonds

We've now issued or supported 12 green bonds for our clients. For the green economy, that's an extra

 **EUR 8.5 billion**

<sup>1</sup> Fonds Slachtofferhulp (for more information, see [slachtofferhulp.nl](http://slachtofferhulp.nl)).

## Amsterdam's new green district



Last year, we were chosen to finance a new, sustainable district in Amsterdam, known as Bajes Kwartier. The district will be built on the site where the city's former main prison used to be – it will be made up of shops, offices, restaurants and schools. What makes Bajes Kwartier different is that it will be climate-neutral. All energy will be generated locally from renewable sources. There'll also be a thermal grid, supplying hot and cold water. ABN AMRO was chosen because of its long-term commitment to sustainability – specifically, to energy-efficient homes and offices. Bajes Kwartier will be built by a consortium, comprising AM, AT Capital and Cairn.

## Approach to tax

ABN AMRO takes a responsible approach to tax. Last year, we paid EUR 762 million in income tax. Just over 87% was paid in the Netherlands, an important contribution to public services. In addition, we paid EUR 336 million in bank levies. We publish our Tax Principles online; our tax policy rejects any involvement in tax evasion, tax avoidance or aggressive tax planning. In these cases, we respect both the spirit and the letter of the law.

Responsible tax is also built directly into our product approval processes. For more information see our 2018 Annual Report. We also have internal policies designed to ensure compliance with other tax rules and regulations affecting the bank. These policies are overseen by ABN AMRO's risk and compliance functions, as well as by our regulators. If clients don't comply with our policies, we can choose to end the relationship.

## Cum/ex transactions

ABN AMRO's legal predecessor, Fortis Bank (Nederland) N.V., ABN AMRO and several (former) subsidiaries were directly or indirectly involved in so-called cum/ex transactions in the past. This has been the subject of discussions between ABN AMRO and the German tax authorities for the past years. Currently, there are no disputes between the German tax authorities and ABN AMRO relating to these transactions. Since 2010, a number of subsidiaries associated with these transactions have been sold by means of a management buy-out and the desks of ABN AMRO that were (directly or indirectly) involved in these trading strategies have been closed. That does not mean, however, that there are no legal risks remaining with regard to these transactions in particular civil and/or criminal law risks. In the second half of 2018, public reports appeared on the involvement of subsidiaries of ABN AMRO or former Fortis in dividend stripping activities and particularly in so-called cum-ex activities in the past. This has raised questions in Dutch parliament.

In as far as these questions were directed to ABN AMRO itself these questions have been answered. The Dutch Minister of Finance has answered further questions on 3 December 2018. In case Dutch or foreign authorities request information on these activities, ABN AMRO co-operates in these investigations as required by law, or beyond as long as it does not potentially harm the position of other stakeholders.

## Anti-money laundering

Banks have a responsibility to help protect the financial services sector. We take this responsibility very seriously. ABN AMRO invests significant resources in combating financial crime. We work closely with regulators, governments, other banks and the police. ABN AMRO has decided, based on existing shortcomings and input from the Dutch Central Bank, to accelerate its Customer Due Diligence (CDD) programme in order to be compliant with anti-money laundering and terrorist financing legislation. We've already carried out a review of our Corporate & Institutional Banking business; a review of our Private Banking clients is now nearly complete. ABN AMRO has developed remediation programmes to speed up remediation actions in relation to International Card Services (ICS) and Commercial Banking and has shared these with the Dutch Central Bank and committed to their execution. For the incremental external costs involved, we've taken a provision in 2018 of EUR 85 million – for ICS and Commercial Banking. The amount is based on, among other items, the total number of files, the time needed to review each file and the percentage that will be reviewed using external resources.

Over the past year, a number of European banks have been the object of money laundering investigations. We recognise that, with financial crime, we have to be vigilant. We're constantly looking for ways to strengthen our systems and raise awareness of potential risks within the bank.

# Performance: investors

## Financial performance

We had a good year in 2018. Our return on equity – at 11.4% – was in line with our 10-13% target. During the year, we also saw a further improvement in our capital position – and announced an increase in our percentage dividend payout for shareholders. Net profit was down, mainly because of an increase in impairments. Our 2017 results included proceeds from the sale of both our private banking operations in Asia and a stake in US finance group Visa Inc. Overall, we're well on track to meet our 2020 targets, despite a weaker economic outlook.

(in EUR millions)	2018	2017	% change
Operating income	9,093	9,290	-2%
Operating expenses	5,351	5,582	-4%
<b>Operating result</b>	<b>3,742</b>	<b>3,708</b>	<b>+1%</b>
Impairment charges on financial instruments	655	-63	-
<b>Operating profit before taxation</b>	<b>3,086</b>	<b>3,771</b>	<b>-18%</b>
Income tax expense	762	979	-22%
<b>Profit for the period</b>	<b>2,325</b>	<b>2,791</b>	<b>-17%</b>

For our full Income Statement, see [page 50](#).

## Cost reduction

We continued to reduce costs during the year. Since 2015, we've now saved a total of nearly EUR 700 million. Our cost/income ratio – a key measure of the bank's efficiency – dropped to 58.8%. That puts us well on course to meet our 2020 target of 56-58%. Our focus now is to achieve the remaining savings. For 2022, we want to go further – and reduce our ratio to below 55%<sup>1</sup>.

<sup>1</sup> Target based on current economic outlook, including for GDP, interest rates and the housing market.

## Impairments

Last year, we saw a significant increase in impairments to EUR 655 million. This was due to specific cases in certain sectors, particularly offshore business and trade & commodity finance. We also had losses in domestic healthcare. To reduce risk in these areas, we've sold loans, scaled back our exposure and stepped up risk monitoring. Despite increased impairments, we remain below the 'through-the-cycle' cost of risk.

## Capital position

In 2018, we further improved our capital position. Our main measure – CET1 – rose to 18.4%. We're well positioned for Basel IV. For 2019, we've set a CET1 target range of 17.5-18.5%.

## Our businesses

- ▶ In **Retail Banking**, customer experience is our key priority. We will continue to put resources into digital and improve our core products. We'll also look to increase revenue from fees, helping counter the effect of persistent low interest rates.
- ▶ In **Private Banking**, we're focusing on strengthening our position in Northwest Europe. We've sold operations in Luxembourg – and bought Societe Generale's business in Belgium, doubling the size of our Belgian private banking operations.
- ▶ In **Commercial Banking**, we're working closely with clients to help them switch to more sustainable business models. We're rationalising our products and investing in digital to improve efficiency and deliver 'hassle-free' banking.

Since 2015, we've made cost savings totalling around

 **EUR 700 million**

Last year, our stock price fell by

 **24%**

versus a 28% drop for the European banking sector as a whole

Last year, our CET1 ratio – our main measure of capital strength – rose to

 **18.4%**



- ▶ We're restructuring **Corporate & Institutional Banking (CIB)**. To improve profitability, we're reducing capital allocated to CIB; we'll also cut costs. By 2021, our target is for CIB to have a return on equity of at least 10%.

### Payments to investors

Given our strong capital position (and in line with our dividend policy), we propose paying shareholders an additional amount in 2018 – on top of the targeted 50% of sustainable profit. We'll propose a final dividend of EUR 0.80 a share, bringing the full-year 2018 dividend to EUR 1.45 a share, unchanged from 2017. We expect continued capital generation and will be well placed to consider further additional payments to shareholders. However, we will continue to take a prudent approach to these additional payments, reflecting regulatory and other developments.

### Share price performance

In 2018, European bank shares lost significant ground. This was due to a number of factors – including low interest rates, political uncertainty and worries over slowing economic growth. Over the year, ABN AMRO shares fell by 24%; by comparison, the Stoxx Banks 600 index of European banks was down just over 28%.

# Outlook

Our business is facing challenges from economic and political developments, historically low interest rates, pressure on profits and increased social expectations. In 2019, we'll push ahead with our strategy – working with clients and helping accelerate the shift to more sustainable business models.

### Economic & social conditions

- ▶ We expect slower growth in the Netherlands, despite increased public spending. There are significant economic uncertainties – including lower stock markets, the fall-out from Brexit, fears of slower growth in China and continued tensions over trade. We see a modest recovery in oil prices, but interest rates will remain low.
- ▶ We see continued strong competition among Dutch mortgage providers. House sales in the Netherlands are expected to decline further over the next two years. House prices have been rising strongly; we forecast a more modest +6% in 2019, however, slowing to +4% the following year<sup>1</sup> (2020).
- ▶ Social expectations will continue to increase; businesses will be expected to play a role in supporting the international sustainable development agenda; banks in particular will face continued scrutiny for their social, environmental and governance performance.

### ABN AMRO's performance and strategy

- ▶ We do not expect our loan book to grow. After 2020, we see growth returning, though at a modest 1-3% a year.
- ▶ Net interest income will be slightly lower in 2019, given the pressure on deposit margins and an expected decline in CIB corporate loans.
- ▶ In the short term, we also expect fees to be stable; these should pick up modestly as the bank's own growth initiatives, new partnerships and services begin to have an effect.
- ▶ We'll maintain a 'moderate' risk profile – and continue our disciplined approach to both costs and pricing. In our businesses, we'll continue to focus on the Netherlands and Northwest Europe.
- ▶ We will look to maintain a strong capital position. Our leverage ratio has been a constraint, but we expect this to ease after 2018.
- ▶ We will press ahead with our strategy. We'll focus on our three strategic pillars, working closely with our clients on sustainability. We'll emphasise customer experience, look to develop new skills within the bank and work to create an open, collaborative corporate culture.
- ▶ We'll consider new acquisitions, but these will be 'bolt-on' rather than 'transformational'. If we do make acquisitions, we will apply strict criteria, such as a minimum threshold for returns.

<sup>1</sup> In 2018, house prices in the Netherlands rose by 9%.

# Governance & leadership

This section looks at our system of governance and decision-making.

## In this section:

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  - 42 Risk management
- 44 Executive Committee**
- 45 Supervisory Board**

## Interview with our Supervisory Board Chairman

Chairman Tom de Swaan looks back on 2018 and talks about the bank's refreshed strategy and recent changes to the Supervisory Board.

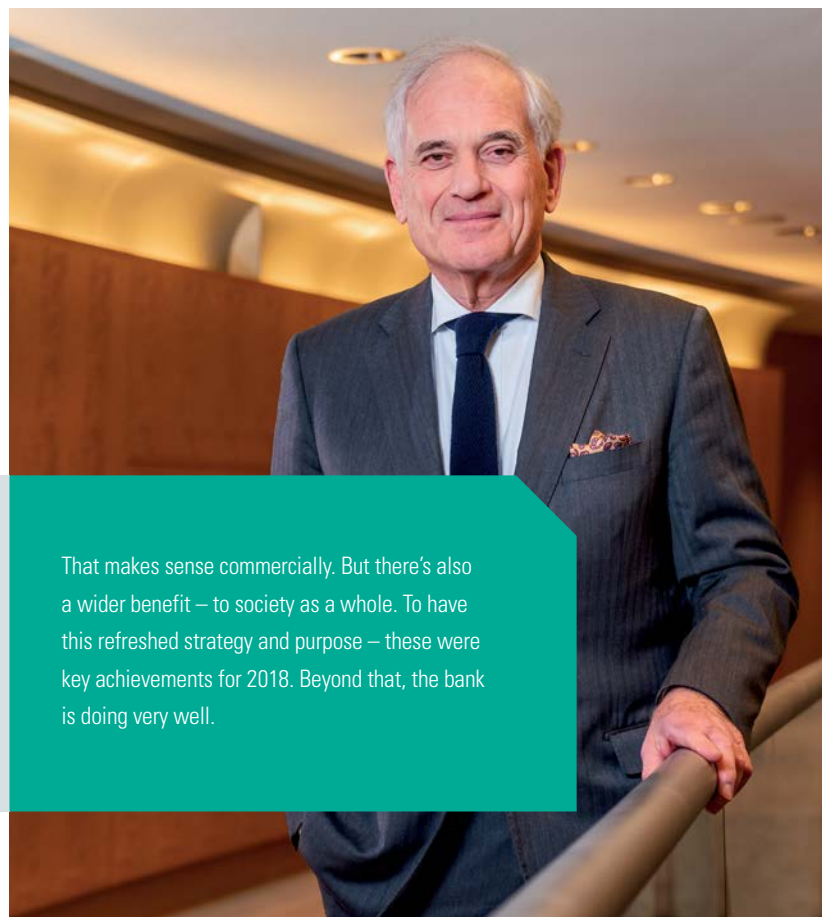
### **ABN AMRO has a refreshed strategy and a new purpose.**

#### **What's your view?**

It's very positive for the bank. For me, one of the most important aspects is the strong focus on clients. ABN AMRO is a service company. This strategy is about serving clients – helping them make that transition to sustainability. That makes sense commercially. But there's also a wider benefit – to society as a whole. To have this refreshed strategy and purpose – these were key achievements for 2018. Beyond that, the bank is doing very well. It's a completely different bank than when I left here as a board member in 2006.

**“This strategy is about serving clients – helping them make that transition to sustainability.”**

Tom de Swaan



That makes sense commercially. But there's also a wider benefit – to society as a whole. To have this refreshed strategy and purpose – these were key achievements for 2018. Beyond that, the bank is doing very well.

### How do you see the relationship between the Executive Committee and Supervisory Board?

We need a relationship that's built on trust and transparency. By 'we', I mean both the Supervisory Board and the Executive Committee. We're in this as a team. Our role, as the Supervisory Board, is oversight. We have to be a facilitator for the Executive Committee – a trusted advisor. And that's what we are. We sit down together and talk – about what's best for ABN AMRO, and how we can continue to move the bank forward.

### Changes were announced in the Supervisory Board. What was behind these changes?

The Board realised early on that we needed more banking experience. So, we will be nominating two new members at the Annual General Meeting; two others were prepared to resign, for which I am grateful. With the new members, we will have more direct banking experience, making the Board stronger.

### Last year, there were several anonymous letters critical of management, purporting to come from inside the bank.

Yes, I received several anonymous letters. The allegations in the letters weren't correct. And it was disappointing to see them in the press. This goes against everything we stand for at ABN AMRO. Employees are free to come forward and they are invited to share their views, openly and honestly – without repercussions.

### Since your appointment last July, have you spoken to a lot of employees?

Yes, I invited employees to come and speak to me, on a confidential, one-on-one basis. This is something I would have done regardless. So far, about 130 have contacted me, which shows people are prepared to overcome their reluctance, pick up the 'phone and say 'I want to talk to the Chairman'. I think they're surprised to discover it really is one-on-one – it's just me, not a panel or other people.

**“We have to be a facilitator for the Executive Committee – a trusted advisor. And that's what we are.”**

### What's your sense of the working environment within ABN AMRO?

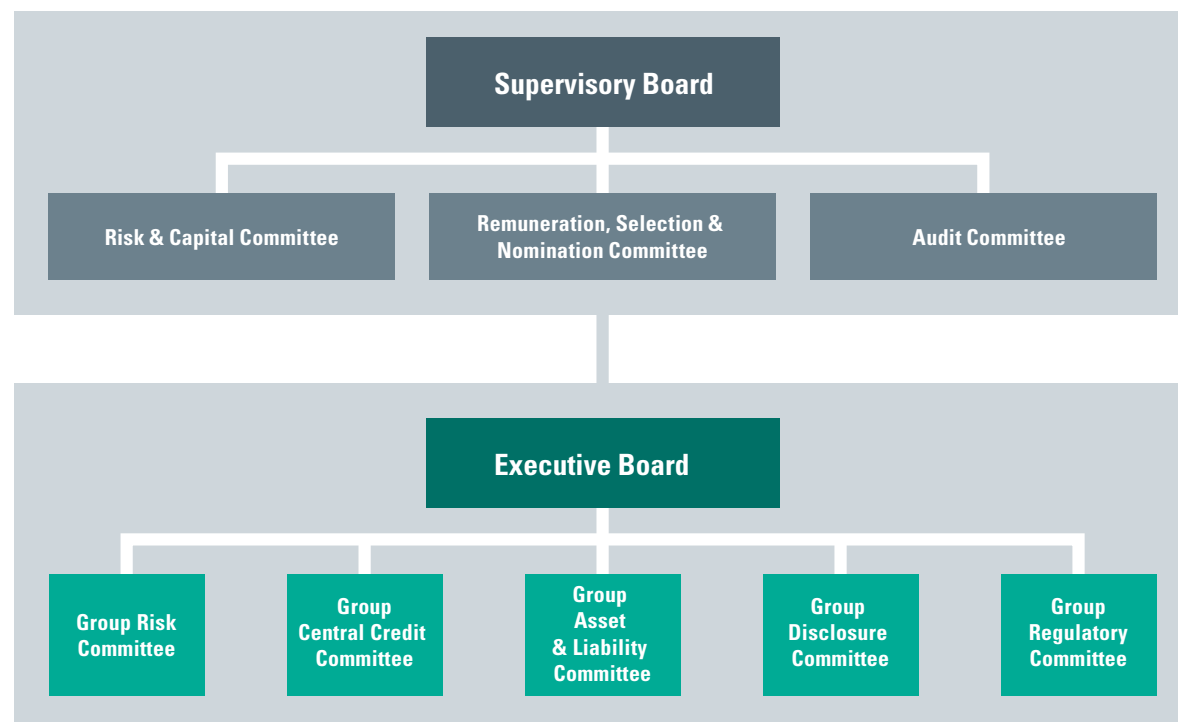
The bank has been through tough times. Over the past several years, it's been split up, nationalised – it went through a process of integration. And there was the financial crisis. In circumstances like that, it's unsettling – and it creates a very inward-looking environment. Now, the good news is, with the refreshed strategy – with the emphasis on clients – we are looking outwards again.





# Governance & leadership

Like most other Dutch companies, we have a two-tier management model. The Executive Board is our statutory managing board. It's responsible for the general course of business, including ABN AMRO's strategy and risk profile. The Executive Board has four members: our Chief Executive Officer, Chief Financial Officer, Chief Risk Officer and Chief Innovation & Technology Officer. ABN AMRO's Executive Committee consists of the members of the Executive Board and the CEOs of Retail, Private, Commercial and Corporate & Institutional Banking, plus our Chief HR, Transformation & Communications Officer. The Executive Committee ensures that ABN AMRO's strategy and purpose are applied effectively across our businesses.



Overseeing the Executive Board is ABN AMRO's Supervisory Board. The Supervisory Board is independent of management. Currently, it has seven members; they have various backgrounds – in business, academia and law. The goal is for a balanced Supervisory Board in terms of gender, age, expertise and personal style.

Diversity, we believe, makes for better and more inclusive decision-making. As part of this, we want at least 30% of our Board members to be women. Currently, our Executive and Supervisory Boards do not meet this target; ABN AMRO takes its gender targets into account when searching for suitable Board members.

Our shareholders meet at least once a year. They're responsible for appointments to the Supervisory Board, and adopting the bank's annual accounts. For more information on our corporate governance, see this year's Annual Report, available online.

## Performance evaluation

When our Executive Committee was set up in March 2017, it was decided that, after a year, the new management structure would be evaluated. Two external experts were commissioned to carry out the evaluation; this evaluation addressed a number of areas, including Executive Board and Executive Committee structures, the Supervisory Board's role, as well as the bank's leadership, purpose, strategic story and approach to culture change. At the same time, the ECB was working with the Dutch Central Bank to evaluate the same issues, particularly internal governance and risk management, as part of its 2018 on-site inspections. These evaluations identified several focus areas, covering both 'boardroom dynamics' (ways of working together, leadership style and open relationships) and 'technical aspects' (clearly allocating tasks and responsibilities). We are currently addressing these areas.

## Changes to ABN AMRO's Supervisory Board

Last year, there were significant changes to our Supervisory Board. In February, Olga Zoutendijk stepped down as Chairman. Steven ten Have took over temporarily before the appointment in July 2018 of current Chairman Tom de Swaan.

In November 2018, it was announced that Steven ten Have and Frederieke Leeftang had decided to resign from the Supervisory Board at the Annual General Meeting. Two new members have been nominated: Anna Storåkers, former head of personal

banking at Nordea, and Michiel Lap, who worked for many years in corporate and investment banking in London, including at both Morgan Stanley and Goldman Sachs.

## Ownership structure & system of regulation

The Dutch State currently owns 56.3% of ABN AMRO. This stake is held through NL Financial Investments (NLFi). NLFi acts independently of the Dutch government to avoid conflicts of interest. There is a 'Relationship Agreement' in place between NLFi and ABN AMRO. NLFi has no seat on ABN AMRO's Supervisory Board. It takes no part in executive decisions. Since ABN AMRO's IPO in 2015, the Dutch government has gradually reduced its shareholding in the bank. The government's intention is to fully re-privatise ABN AMRO.

NLFi's shareholding comprises 49.9% of ABN AMRO shares, plus 6.4% in depositary receipts (which are listed and traded on the Euronext Amsterdam exchange). These depositary receipts are issued by the ABN AMRO Trust Office (Stichting Administratiekantoor AAG) – an independent structure created as a defence against hostile situations.

As one of the eurozone's largest banks, we're regulated by the European Central Bank, supported by the Dutch Central Bank. This level of regulation for leading banks helps ensure the overall stability of Europe's financial system.



**56%** owned by government

Since our listing in 2015, the Dutch government has sold down its shareholding; it now owns just over 56% of ABN AMRO.

## Internal policies & standards

ABN AMRO has built environmental, social and ethical factors into its decision-making<sup>1</sup>. For us, this is part of being a responsible corporate citizen. We have a Sustainable Risk Policy, which covers not just our lending and investment, but also procurement and product development. To support this policy, we have detailed sector-by-sector guidelines. These guidelines set out minimum standards in areas like bribery and corruption,



working conditions, environmental performance and health & safety. We have an Ethics Committee, chaired by our CEO. This committee rules on conflicts and dilemmas – usually where existing policies and guidelines do not provide a clear course of action. As part of our efforts to move to a low-carbon economy, we're working with other Dutch investors within the PCAF<sup>2</sup> to agree a methodology to measure the carbon footprint of the assets we manage. We've also joined the SBTI<sup>3</sup>, aimed at making science-based climate targets standard business practice.

Eventually, this work with PCAF and SBTI will help us manage our assets and set targets in line with a +2°C scenario (+2°C is the objective of the 2015 Paris Climate Agreement).

For the most part, our standards are based on accepted international norms, including the UN Global Compact, the OECD's guidelines for multinational companies and the Equator Principles, which cover responsible project finance. We have separate policies on money laundering, tax, anti-corruption and respect for international human rights. We recently brought our human rights policy into line with the UN's 'Protect, Respect and Remedy' framework for business. We also require our employees to abide by ABN AMRO's Code of Conduct; this Code contains provisions on customer service, data privacy, insider dealing and managing complaints. Last year, we updated the Code to bring it into line with our new

purpose and with the latest corporate governance rules. The new version puts more emphasis on transparency and 'speaking up' – we also strengthened provisions on employee relations, responsible tax and sustainability.

We also expect clients to live up to our environmental, social and ethical standards; we apply the same standards to our suppliers and the companies we invest in. We've said clearly we won't engage in activities that do not meet these standards. There are some activities we rule out as a matter of policy. We won't fund tobacco companies, for example, new coal-fired power plants or oil extraction from tar sands. Nor will we finance trade in wildlife or the manufacture of controversial weapons like anti-personnel mines or cluster bombs<sup>4</sup>. With clients or companies that fall short of our standards, we prefer to engage, rather than exclude. We recognise that, very often, companies operate in difficult environments – so we work with management to reduce risk, where possible. Last year, we directly engaged with 24 companies around the world – in sectors such as agriculture, oil & gas, transportation and mining & metals. Issues addressed included deforestation, pollution, bribery and corruption, labour rights and community impact.

## Risk management

As a bank, risk is an inherent part of ABN AMRO's business. Our main risks are credit, market, liquidity, business and operational (non-financial) risk.

<sup>1</sup> For more information on our overall approach to compliance issues, please see our 2018 Annual Report, available online.

<sup>2</sup> PCAF (Platform Carbon Assets Financials) is currently backed by 14 Dutch financial companies, including ABN AMRO.

<sup>3</sup> SBTI (Science Based Targets Initiative) is supported by the CDP, UN Global Compact, the World Resources Institute and World Wide Fund for Nature.

<sup>4</sup> Our full Exclusion List may be found online at [abnamro.nl](http://abnamro.nl), along with copies of our Sustainability Risk Policy and Risk Framework.

Non-financial risks include failing to comply with laws and regulations, risk of human and system errors, as well as environmental, social and ethical risks.

To manage these risks, ABN AMRO has a detailed risk management framework. This framework operates at all levels of the bank and takes into account several basic principles: a) that we should only offer products and services that are in the interests of our clients, and that our clients understand; b) that we should avoid concentrating too much risk in one sector, client or country; c) that we should limit our risk of unexpected currency and interest rate fluctuations, and d) that we should maintain a financial buffer, so we can always meet our obligations, even in times of severe economic stress.

Within ABN AMRO, risk management starts with the businesses themselves. They 'own' the risk, set the correct risk appetite, and make sure proper, effective controls are in place. The businesses are our first line of defence to keep the bank within the boundaries of our risk appetite. The second line of defence are our risk management functions – responsible for rules and procedures and for ensuring that the first line of defence performs as intended. Audit – our independent third line of defence – evaluates the effectiveness of governance and control processes performed by the first and second lines of defence. Our Executive Board has ultimate responsibility for risk management, monitored by the bank's Supervisory Board.

### Management Control Statement

Every year, our Executive Board issues a Management Control Statement, published in our Annual Report.

This year, as part of the Statement, the Board identified a) external factors potentially affecting ABN AMRO's business models; b) key regulatory and compliance issues that require 'substantial efforts' by the bank, and; c) areas of improvement currently being addressed by senior management.

#### External factors:

- ▶ Adverse macro-economic or monetary conditions (low or negative interest rates, exchange rates)
- ▶ Geopolitical uncertainty (Brexit, international sanctions on Iran and Russia, trade tensions between China and the US)
- ▶ Laws and regulations (including Basel IV, PSD2 and the US' Clarifying Lawful Overseas Use of Data Act)

#### Compliance & regulatory issues

- ▶ Customer Due Diligence, anti-money laundering, counter-terrorism financing and model risk management.

#### Areas of improvement:

- ▶ Risk data and risk reporting
- ▶ Execution risk (particularly associated with recent reorganisations, IT modernisation etc.)
- ▶ External crime threats (including cyber fraud, ATM attacks, loans fraud, IT disruptions)
- ▶ Ability to attract and retain qualified professionals and new talent (with a focus on IT, data science and commercial activities)

For the full Management Control Statement, see page 63 of our 2018 Annual Report.



### Our approach to the palm oil sector

We use palm oil every day – it's a common ingredient in food and cosmetics. The palm oil sector, however, faces accusations of land grabbing, human rights violations and cutting down rainforests.

At ABN AMRO, we believe palm oil should be produced as sustainably as possible. In our lending policies, we explicitly exclude land grabbing and illegal deforestation. With our financing, we encourage clients to invest responsibly – but our influence is more limited: ultimately, where clients invest is their choice. We still have a long way to go to eliminate abuse from the palm oil sector.

So far, according to the latest estimates, only 20% of the world's palm oil plantations are certified sustainable. Through the Roundtable on Sustainable Palm Oil (RSPO), we're working with industry and NGOs to put palm oil production on a more sustainable footing.



# Executive Committee



## From left to right:

**Rutger van Nouhuijs**

(CEO Corporate & Institutional Banking)

**Gert-Jan Meppelink**

(Chief HR, Transformation & Communications Officer)

**Tanja Cuppen** (Chief Risk Officer)

**Kees van Dijkhuizen** (Chief Executive Officer)

**Clifford Abrahams** (Chief Financial Officer)

**Christian Bornfeld**

(Chief Innovation & Technology Officer)

**Daphne de Kluis** (CEO Commercial Banking)

**Frans van der Horst** (CEO Retail Banking)

**Pieter van Mierlo** (CEO Private Banking)

# Supervisory Board



**From left to right:**

**Tjalling Tiemstra**

**Frederieke Leeftang**

**Annemieke Roobeek**

**Tom de Swaan** (Chairman)

**Arjen Dorland**

**Jurgen Stegmann**

**Steven ten Have** (Vice-Chairman)



# Appendix

In this section, you'll find details of our approach to reporting, the report from our auditors and our compliance with the Integrated Reporting framework.

## In this section:

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# Our approach to reporting

This report provides a complete overview of the bank's financial and non-financial management, strategy and performance. It is intended for all stakeholders, though will be of particular interest to investors (providers of financial capital).

## Structure

This Annual Review is structured around five main sections:

- ▶ Our bank (main businesses, products & services, business and value creation models)
- ▶ The world around us (operating environment, key issues and trends)
- ▶ Our strategy (strategic pillars, value-creating topics, contribution to United Nations Sustainable Development Goals)
- ▶ Our performance & outlook (financial and non-financial performance by stakeholder group)
- ▶ Our governance & leadership (system of governance, bank's leadership, internal policies, ownership and risk management).

Central to this Review is the principle of value creation. Its purpose is to describe how, as a provider of financial services, employer and investor, we create value over the short, medium and long term for our stakeholders and society.

This Review includes information drawn from other ABN AMRO publications, notably the bank's Annual Report. The Review is not intended as a substitute for these other publications.

## Scope & boundaries

- ▶ Unless otherwise stated, this Review covers ABN AMRO Group N.V., including all businesses and consolidated entities worldwide. Annual data relates to the bank's financial year, which runs from January to December. Comparative figures are included, where appropriate.
- ▶ Only content that is material to the bank's strategy, performance, reputation or ability to create value has been included in this Review. Content is based on both internal and external sources. Where external sources are used, an explanation is provided in the text.

- ▶ This Review describes both ABN AMRO's value creation model, and value created (or depleted) for each of the bank's main stakeholder groups (clients, employees, investors and society). Risks to value creation described in this Review are assessed in accordance with ABN AMRO's overall risk management approach (for details, see the Risk, Funding & Capital section of the bank's 2018 Annual Report). Capital metrics and some risk exposures are reported under the Basel III (CRD IV/CRR) framework.

## Review & approval

Contents of this Review are based on extensive internal reporting from ABN AMRO business and operating units. Non-financial data is collected centrally; this includes data relating to community investment, customer satisfaction & loyalty, environmental performance etc.

Production of this Review is overseen by a dedicated project team. Its members are drawn from ABN AMRO's Strategy, Finance, Communications, Sustainability and Investor Relations teams. Content is reviewed by the bank's Group Disclosure Committee, and approved by the Executive Board before publication.

## Performance data

- ▶ For this Review, all financial data is taken directly from ABN AMRO's Annual Report. Figures are presented generally in euros (EUR), ABN AMRO's reporting currency.
- ▶ Any annual averages are based on month-end figures (management does not believe that using daily averages would make any material difference to these figures).
- ▶ Certain figures in this Review may not add due to rounding. For the most part, figures are rounded to the nearest million. Some percentages are calculated using rounded figures. Certain metrics used have inherent limitations (for example, estimated data vs. reported data. Where applicable, this is mentioned in the text).



For more details on ABN AMRO's financial position and performance, please refer to the bank's Annual Report, available online. The Annual Report also provides further explanations on methodologies and definitions of financial concepts used.

### External assurance

EY provided external assurance for this Review; its report may be found on [pages 53-54](#). ABN AMRO believes external assurance strengthens the credibility of its reporting, and helps improve the bank's own reporting systems and processes. EY provides 'limited assurance'<sup>1</sup> for all content, data and graphics in this Review. EY also provides 'reasonable assurance' for ABN AMRO's value-creating topics process (see Value-creating topics, [page 19](#)).

### Involvement of stakeholders

ABN AMRO regularly consults stakeholders (clients, employees, investors and society). Stakeholder views are incorporated into the company's decisions, strategy and reporting. Through our materiality process, we identify the most important issues for our stakeholders. These issues may be social, economic, financial or environmental in nature. For more information on our approach to stakeholder engagement, see [page 13](#).

### Value creation model

Our value creation model is based on the International Integrated Reporting framework<sup>2</sup>. This framework is built around 'capitals' – these capitals are stocks of value that may be either increased or decreased through a company's business activities or outputs. For our value creation model, we have modified these capitals in line with ABN AMRO's specific business, strategy and purpose:

- ▶ Financial (pool of funds available to a company and obtained through financing, such as debt, equity, or generated through operations and investments)
- ▶ Manufactured (suppliers and external resources required to support business activities)
- ▶ Human & intellectual (organisational knowledge, systems, processes, procedures, other intellectual property, employees' skills, competencies and experience, including their ability to understand and implement the company's strategy, and willingness and commitment to innovate)

- ▶ Social (relationships with communities, stakeholders and other networks necessary to carry on business operations and maintain the bank's long-term licence to operate)
- ▶ Natural (renewable and non-renewable environmental resources, including air, water, land, minerals, forests, eco-systems and biodiversity etc.).

### Value-creating topics

We carried out an assessment this year of our operating environment (see [page 19](#)). For this assessment, we made changes to our previous methodology. This was mainly to improve the process and ensure more accurate, reliable results. As part of these changes, we reclassified certain topics, brought in new topics and agreed detailed definitions. Comparing results with our previous assessment in 2016, three topics fell significantly in the ranking: prevention of corruption, fraud and cyber crime (reclassified as 'secure banking'); clear & appropriate advice; and privacy, use of client data (reclassified as 'client data protection'). Customer experience again featured as the most important topic (reclassified from 'customer issue ownership'). Among the new topics included in our value-creating topics were: responsible investment & financing, circular economy, digitalisation and talent attraction.

For more information, see our Value-Creating Topics Report, available online. This report provides all relevant definitions, as well as details of scope & boundaries, methodology used etc.

### Forward-looking statements

This Integrated Annual Review contains certain material that may be construed as 'forward-looking statements'. These statements are not historical facts, and represent ABN AMRO's beliefs regarding future events, many of which are inherently uncertain and beyond the bank's control. These statements apply only at the document's publication date. ABN AMRO does not intend to publicly update or revise these forward-looking statements to reflect events or circumstances after the date of this report, and does not assume any responsibility to do so. The reader should, however, take into account any further disclosures of a forward-looking nature that ABN AMRO may make in its interim reports.

<sup>1</sup> In 'limited assurance', the auditor's conclusion takes the form of a negative statement: 'nothing has come to our attention that causes us to believe that the report is not fairly stated'.

<sup>2</sup> In 'reasonable assurance', the conclusion is expressed positively: 'in our opinion, this report is, in all material respects, fairly stated'.

<sup>2</sup> For further information on the International Integrated Reporting framework, see [integratedreporting.org](http://integratedreporting.org) (ABN AMRO's value creation model may be found on [pages 14-15](#)).

## Compliance with Integrated Reporting framework

The International Integrated Reporting framework comprises guiding principles and content elements. Details of our compliance with this framework are set out below:

Guiding principles	Our approach	Reference
<b>Strategic focus &amp; orientation</b>	This Review focuses on value creation; strategy and performance sections relate directly to our ability to create value for stakeholders and society.	Our strategy ( <a href="#">pages 21-24</a> ), setting out our strategic pillars and linked to the bank's value-creating topics.
<b>Connectivity of information</b>	This Review is built around clear connections between the bank's operating environment, its value-creating topics, opportunities and risks associated with these topics, strategy and performance.	Opportunities & risks ( <a href="#">page 20</a> ), showing connection between our value-creating topics and strategic pillars.
<b>Stakeholder relationships</b>	In this Review, we define our main stakeholder groups; we also address the relationship between the bank and its stakeholders to better understand our business environment.	Creating value for our stakeholders ( <a href="#">pages 12-13</a> ), explaining value creation process, stakeholder expectations and methods of engagement.
<b>Materiality</b>	This Review focuses on areas that have the most impact on our business, performance, reputation and stakeholders etc. and where we believe we can create most value (our value-creating topics).	Value-creating topics ( <a href="#">page 19</a> ), describing process for defining most important economic, social, governance and environmental topics for the bank.
<b>Conciseness</b>	We applied a materiality principle to this Review to ensure focused content and provide sufficient information to understand our business and performance.	About this report ( <a href="#">page 4</a> ); Our approach to reporting ( <a href="#">pages 47-48</a> ), explaining application of materiality principle to content.
<b>Reliability &amp; completeness</b>	We ensure this through an internal review process and external assurance; this strengthens credibility in our reporting and ensures proper balance between positive and negative issues.	Our approach to reporting ( <a href="#">pages 47-48</a> ), setting out review & approval and external assurance process (for Assurance Report, see <a href="#">pages 53-54</a> ).
<b>Consistency &amp; comparability</b>	This is our second successive integrated report, using the IIRC framework; this ensures continuity of reporting and direct comparability with other companies using the same framework.	Our approach to reporting ( <a href="#">pages 47-48</a> ), defining scope, boundaries and methodologies. Comparative performance data for previous reporting period (2017) included where appropriate.

Content elements	Reference
<b>Organisational overview and external environment</b>	<ul style="list-style-type: none"> <li>▶ Our bank (<a href="#">pages 6-7</a>)</li> <li>▶ The world around us (<a href="#">pages 16-20</a>)</li> </ul>
<b>Governance</b>	▶ Our governance & leadership ( <a href="#">pages 37-45</a> )
<b>Business model</b>	▶ Our value creation model ( <a href="#">pages 14-15</a> )
<b>Risks &amp; opportunities</b>	▶ Opportunities & risks ( <a href="#">page 20</a> )
<b>Strategy &amp; resource allocation</b>	▶ Our strategy ( <a href="#">pages 21-26</a> )
<b>Performance</b>	▶ Our performance & outlook ( <a href="#">pages 27-36</a> )
<b>Outlook</b>	▶ Outlook ( <a href="#">page 36</a> )
<b>Basis of preparation</b>	▶ Our approach to Reporting ( <a href="#">page 47</a> )

According to the IIRC definition, the primary purpose of an integrated report is to explain to providers of financial capital how an organisation creates value over time for all stakeholders including employees, clients, suppliers, business partners, local communities, legislators, regulators and policymakers. The IR framework takes a principles-based approach; it defines information that should be included in an integrated report to enable stakeholders to assess a company's ability to create value. The framework does not set benchmarks for strategy or performance levels. All page numbers in the table refer to the present Review.

# Income statement

(in millions)	Note	2018	2017
<b>Income</b>			
Interest income from financial instruments measured at amortised costs and fair value through other comprehensive income		10,597	10,421
Interest income from financial instruments measured at fair value through profit or loss		2,048	2,081
Interest expense		6,052	6,045
<b>Net interest income</b>	4	<b>6,593</b>	<b>6,456</b>
Fee and commission income		3,169	3,138
Fee and commission expense		1,470	1,391
<b>Net fee and commission income</b>	5	<b>1,699</b>	<b>1,747</b>
Net trading income	6	173	287
Share of result in equity accounted investments		43	54
Other operating income	7	584	745
<b>Operating income</b>		<b>9,093</b>	<b>9,290</b>
<b>Expenses</b>			
Personnel expenses	8	2,441	2,590
General and administrative expenses	9	2,737	2,746
Depreciation and amortisation of tangible and intangible assets	23	173	245
<b>Operating expenses</b>		<b>5,351</b>	<b>5,582</b>
Impairment charges on financial instruments		655	-63
<b>Total expenses</b>		<b>6,006</b>	<b>5,519</b>
<b>Operating profit/(loss) before taxation</b>		<b>3,086</b>	<b>3,771</b>
Income tax expense	10	762	979
<b>Profit/(loss) for the period</b>		<b>2,325</b>	<b>2,791</b>
<i>Attributable to:</i>			
Owners of the parent company		2,207	2,721
Holders of AT1 capital securities		79	53
Other non-controlling interests		39	18
<b>Earnings per share (in euros)</b>			
Basic earnings per ordinary share <sup>1</sup>	11	2.35	2.89

<sup>1</sup> Earnings per share consist of profit for the period excluding coupons attributable to AT1 capital securities and results attributable to other non-controlling interests divided by the average outstanding and paid-up ordinary shares.

# Statement of financial position

## Consolidated statement of financial position

(in millions)	Note	31 December 2018	31 December 2017	(in millions)	Note	31 December 2018	31 December 2017
<b>Assets</b>				<b>Liabilities</b>			
Cash and balances at central banks	12	34,371	29,783	Financial liabilities held for trading	13	253	1,082
Financial assets held for trading	13	495	1,600	Derivatives	14	7,159	8,367
Derivatives	14	6,191	9,825	Securities financing	17	7,407	11,412
Financial investments	16	42,184	40,964	Due to banks	26	13,437	16,462
Securities financing	17	12,375	15,686	Current accounts	27	84,192	83,627
Loans and advances banks	19	8,124	10,665	Demand deposits	27	124,020	125,995
Residential mortgages	20	150,784	152,691	Time deposits	27	27,101	26,536
Consumer loans	20	11,945	12,122	Other due to customers	27	810	541
Corporate loans at amortised cost	20	100,408	101,118	Issued debt	28	80,784	76,612
Corporate loans at fair value through P&L	20	783		Subordinated liabilities	28	9,805	9,720
Other loans and advances customers	20	6,966	8,975	Provisions	29	1,204	1,529
Equity accounted investments	22	522	714	Liabilities held for sale	24	41	4,843
Property and equipment	23	1,506	1,458	Tax liabilities	30	36	110
Goodwill and other intangible assets	23	164	184	Other liabilities	31	3,686	5,006
Assets held for sale	24	56	3,165	<b>Total liabilities</b>		<b>359,935</b>	<b>371,841</b>
Tax assets	10	516	431	<b>Equity</b>			
Other assets	25	3,904	3,790	Share capital		940	940
				Share premium		12,970	12,970
				Other reserves (incl. retained earnings/profit for the period)		6,346	5,724
				Accumulated other comprehensive income		-906	-331
				<b>Equity attributable to owners of the parent company</b>		<b>19,349</b>	<b>19,303</b>
				AT1 capital securities		2,008	2,007
				Equity attributable to other non-controlling interests		2	20
				<b>Total equity</b>	32	<b>21,360</b>	<b>21,330</b>
<b>Total assets</b>		<b>381,295</b>	<b>393,171</b>	<b>Total liabilities and equity</b>		<b>381,295</b>	<b>393,171</b>
				Committed credit facilities	34	61,166	55,295
				Guarantees and other commitments	34	15,241	16,165



# Non-financial indicators

KPIs	Definitions	2018	2017
<b>% availability of digital services</b>	Availability of internet banking and mobile banking during peak hours. Peak hours are from early in the morning to after midnight for all services.	99.5%	99.7%
<b>Net Promoter Score</b>	This metric shows the extent to which clients would recommend ABN AMRO to others. Scale 1-10; clients are regarded as 'promoters' (score of 9 or 10), as 'passively satisfied' (score of 7 or 8) or as 'detractors' (score of 1-6). NPS is calculated by subtracting the percentage of 'detractors' from the percentage of 'promoters'. The score is expressed as an absolute number between -100 and +100.		
Retail Banking	Quarterly survey carried out by Kantar TNS. Based on research online and by telephone. Sample size: 9,227 retail clients.	-9	-9
Commercial Banking	Quarterly survey carried out by Ipsos. Based on research online and by telephone. Sample size: 1,532 commercial banking clients. Includes results from ABF Lease (separate study).	-2	-6
Private Banking (consolidated)	Score is an average of Private Banking International (PBI) and Private Banking Netherlands (PBNL) scores, weighted by operating income. - for PBNL, yearly survey carried out by Kantar TNS. Based on telephone interviews. Sample size: 3,234. - for PBI, yearly survey carried out by Scorpio. Based on customer survey. Sample size: 732.	-1	12
Corporate & Institutional Banking	Quarterly survey carried out by Ipsos. Based on research online, by telephone and face-to-face conversations. Sample size: 377 CIB clients. Includes results from ABN AMRO Clearing (separate study).	45	32
<b>Dow Jones Sustainability Index (DJSI) ranking<sup>1</sup></b>	Published by Robeco, the DJSI tracks the performance of the world's leading companies in terms of economic, environmental and social criteria. For more information, see <a href="http://sustainability-indices.com">sustainability-indices.com</a> .	Top 5%	Top 5%

<sup>1</sup> Please note that, under the DJSI, scores are not directly comparable because of regular recalibration and changes to methodology. In 2018, ABN AMRO scored 86 points, compared with 91 points the previous year (in both 2018 and 2017, we were ranked in the 98th percentile).

KPIs	Definitions	2018	2017
<b>Banking Confidence Monitor</b>	Degree of confidence in own bank. Scale 1-5. Source: Trust monitor, Dutch Banking Association. Published November 2018.	3.3	3.2
<b>Sustainable client assets (in billions)</b>	Sustainable client assets are assets that ABN AMRO invests for its clients in investment funds, products and securities that explicitly base their investment approach and decisions on sustainability criteria. These investments factor in the social and environmental effects of investments. Scope includes all countries where Private Banking is active. Selection of sustainable assets is based on criteria developed by ABN AMRO and other external criteria; assets include both listed and non-listed securities.	13.8	10.1
<b>Employee engagement</b>	Employee engagement relates to the level of enthusiasm and dedication employees feels toward their job. Source: annual survey by Willis Towers Watson.		
Group	Total number of respondents: 18,510	80%	79%
Retail Banking	Total number of respondents: 4,531	80%	81%
Commercial Banking	Total number of respondents: 2,613	77%	77%
Private Banking	Total number of respondents: 2,758	75%	72%
Corporate & Institutional Banking	Total number of respondents: 2,290	78%	78%
<b>Gender diversity at the top</b>	Measured as the percentage of female employees at grades 14+ on Hay salary scale.	28%	25%
<b>Gender diversity at the sub-top</b>	Measured as the percentage of female employees at grades 12 and 13 on Hay salary scale.	27%	28%
<b>Gender diversity total</b>	All gender diversity figures in this table are measured as the percentage of female employees in the Netherlands.	44%	46%

# Assurance Report from independent auditor

## Assurance report of the independent auditor

To: the executive board and supervisory board of ABN AMRO Group N.V.

### Our conclusions

We have reviewed the Integrated Annual Review for the year 2018 of ABN AMRO Group N.V. based in Amsterdam (hereinafter: the Integrated Annual Review). The Integrated Annual Review describes the themes that are central to ABN AMRO Group N.V.'s strategy and value creation. The Integrated Annual Review includes information derived from other reports published by ABN AMRO Group N.V. as described on page 4 of the Integrated Annual Review. Furthermore we have audited the paragraph "Value-creating topics" on page 19 of the Integrated Annual Review.

A review is aimed at obtaining a limited level of assurance. An audit is aimed at obtaining a reasonable level of assurance. An overview of our main procedures performed is included in the annex to this assurance report.

Based on our procedures performed nothing has come to our attention that causes us to believe that the Integrated Annual Review is not prepared, in all material respects, in accordance with the International Integrated Reporting Framework (hereinafter: the International <IR> Framework) of the International Integrated Reporting Council (hereinafter: the IIRC) and the supplemental reporting criteria applied as disclosed in the chapter "Our approach to reporting" of the Integrated Annual Review.

In our opinion the paragraph "Value-creating topics" is prepared, in all material respects, in accordance with the reporting criteria as disclosed on page 19 and 48 of the Integrated Annual Review.

### Basis for our conclusions

We have performed our review of the Integrated Annual Review and our audit of the paragraph "Value-creating topics" in accordance with Dutch law, including Dutch Standard 3810N, "Assurance-opdrachten inzake maatschappelijke verslagen" (Assurance engagements relating to sustainability reports), which is a specified Dutch Standard that is based on the International Standard on Assurance Engagements (ISAE) 3000, "Assurance Engagements other than Audits or Reviews of Historical Financial Information". Our responsibilities under this standard are further described in the section "Our responsibilities" of our report.

We are independent of ABN AMRO Group N.V. in accordance with the "Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten" (VIO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. This includes that we do not perform any activities that could result in a conflict of interest with our independent assurance engagement. Furthermore, we have complied with the "Verordening gedrags- en beroepsregels accountants" (VGBA, Dutch Code of Ethics).

We believe that the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our conclusions.

### Reporting criteria

The Integrated Annual Review, including the paragraph "Value-creating topics", needs to be read and understood together with the reporting criteria. ABN AMRO Group N.V. is solely responsible for selecting and applying these reporting criteria, taking into account applicable law and regulations related to reporting.

The reporting criteria used for the preparation of the Integrated Annual Review are the International <IR> Framework of the IIRC and the supplemental reporting criteria applied as disclosed in the chapter "Our approach to reporting" of the Integrated Annual Review. The reporting criteria used for the chapter paragraph "Value-creating topics" are disclosed on page 19 and 48 of the Integrated Annual Review.

### Limitations to the scope of our review and our audit

The Integrated Annual Review includes prospective information such as ambitions, strategy, plans, expectations and estimates and risk assessments. Inherent to prospective information, the actual future results are uncertain. We do not provide any assurance on the assumptions and achievability of prospective information in the Integrated Annual Review.

The references to external sources or websites in the Integrated Annual Review are not part of the Integrated Annual Review as reviewed by us. The baseline figures as mentioned in footnote two on page 24 are also not part of the scope of our assurance engagement. We therefore do not provide assurance on this information.

### Responsibilities of the executive board and the supervisory board for the Integrated Annual Review

The executive board is responsible for the preparation of the Integrated Annual Review, including the paragraph "Value-creating topics", in accordance with the reporting criteria as included in the section Reporting criteria, including the identification of stakeholders and the definition of material matters. The choices made by the executive board regarding the scope of the Integrated Annual Review and the reporting policy are summarized in the chapter "Our approach to reporting" of the Integrated Annual Review.

The executive board is also responsible for such internal control as the executive board determines is necessary to enable the preparation of the Integrated Annual Review, including the paragraph "Value-creating topics", that is free from material misstatement, whether due to errors or fraud.

The supervisory board is responsible for overseeing the reporting process of ABN AMRO Group N.V.

### Our responsibilities

Our responsibility is to plan and perform the assurance engagement in a manner that allows us to obtain sufficient and appropriate assurance evidence for our conclusions.

Our procedures performed to obtain a limited level of assurance on the Integrated Annual Review are aimed to determine the plausibility of information and vary in nature and timing from, and are less in extent, than for a reasonable assurance engagement. The level of assurance obtained in a review is therefore substantially less than the assurance obtained in an audit. Our audit on the paragraph "Value-creating topics" has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud.

We apply the "Nadere voorschriften kwaliteitssystemen" (NVKS, Regulations for Quality management systems) and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and other relevant legal and regulatory requirements. A further description of our responsibilities is included in the annex to this assurance report.

Amsterdam, 12 March 2019

Ernst & Young Accountants LLP

signed by J. Niewold

### Annex to the assurance report of the independent auditor

We have exercised professional judgement and have maintained professional skepticism throughout our review and our audit, in accordance with the Dutch assurance standards, ethical requirements and independence requirements.

Our review and our audit included amongst others:

- ▶ Performing an analysis of the external environment and obtaining an understanding of relevant social themes and issues in the sector, the characteristics of the company and the themes that are most relevant to achieving the company's strategy and value creation
- ▶ Evaluating the appropriateness of the reporting criteria used, their consistent application and related disclosures in the Integrated Annual Review and the paragraph "Value-creating topics". This includes the evaluation of the results of the stakeholders' dialogue and the reasonableness of estimates made by the executive board
- ▶ Obtaining an understanding of the value creation model of ABN AMRO Group N.V.
- ▶ Evaluating the overall presentation, structure and content of the Integrated Annual Review and the paragraph "Value-creating topics"
- ▶ Considering whether the Integrated Annual Review as a whole, including the disclosures, reflects the purpose of the reporting criteria used

For the financial information included in the Integrated Annual Review, the procedures consisted of:

- ▶ Reconciling the consolidated statement of financial position and consolidated income statement on pages 50 and 51 of the Integrated Annual Review with the full set of audited consolidated financial statements of ABN AMRO Group N.V. for the year ended 31 December 2018 as included in the separately published Annual Report 2018 of ABN AMRO Group N.V. (hereinafter: the financial statements)
- ▶ Reconciling the financial information included in other sections of the Integrated Annual Review with the financial statements, or with information underlying the financial statements in case the reconciliation cannot be made directly

Our review of the Integrated Annual Review included amongst others:

- ▶ Obtaining an understanding of the reporting processes for the Integrated Annual Review, including obtaining a general understanding of internal control relevant to our review
- ▶ Obtaining an understanding of the procedures performed by the external subject matter experts of ABN AMRO Group N.V.
- ▶ Identifying areas of the Integrated Annual Review with a higher risk of misleading or unbalanced information or material misstatements, whether due to fraud or error. Designing and performing further assurance procedures aimed at determining the plausibility of the Integrated Annual Review responsive to this risk analysis. These further review procedures consisted amongst others of:

Our audit of the paragraph "Value-creating topics" included amongst others:

- ▶ Obtaining an understanding of the systems and processes for collecting and reporting the data in the paragraph "Value-creating topics", including obtaining an understanding of internal control relevant to our audit, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control
- ▶ Evaluating the procedures performed by the external subject matter expert of ABN AMRO Group N.V.
- ▶ Identifying and assessing the risks that the paragraph "Value-creating topics" is misleading or unbalanced, or contains material misstatements, whether due to fraud or errors. Designing and performing further audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our

- ▶ Interviewing management and relevant staff responsible for the sustainability strategy, policy and results
- ▶ Interviewing relevant staff responsible for providing the information for, carrying out internal control procedures on, and consolidating the data in the Integrated Annual Review
- ▶ Obtaining assurance information that the Integrated Annual Review reconciles with underlying records of the company
- ▶ Reviewing, on a limited test basis, relevant internal and external documentation
- ▶ Performing an analytical review of the data and trends in the information submitted for consolidation at corporate level

opinion. The risk that the paragraph "Value-creating topics" is misleading or unbalanced, or the risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from errors. Fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

These further audit procedures consisted amongst others of:

- ▶ Interviewing relevant staff responsible for providing the information and carrying out internal control procedures on the data in the paragraph "Value-creating topics"
- ▶ Obtaining assurance information that the paragraph "Value-creating topics" reconciles with underlying records of the company
- ▶ Evaluating relevant internal and external documentation, on a test basis, to determine the reliability of the paragraph "Value-creating topics"
- ▶ Performing an analytical review of the data and trends

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the review and the audit and significant findings that we identify during our review and our audit. We also communicate any significant findings in internal control that we identify during our audit.

# Enquiries & contact details

We welcome feedback on our Review.  
Please send any comments or suggestions to  
[branding.&communications@nl.abnamro.com](mailto:branding.&communications@nl.abnamro.com).

## **For further enquiries, our postal address is:**

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## **We're also present online at:**

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[abnamro.nl](https://abnamro.nl)

## **Our Annual Report may be found at:**

[abnamro.com/annualreport](https://abnamro.com/annualreport)  
[abnamro.com/ir](https://abnamro.com/ir)

Please note that information on our websites is not part  
of this Review, unless expressly stated otherwise.

# Acknowledgements

## **Coordination & project planning**

ABN AMRO (Finance, Investor Relations, Brand, Marketing & Communications,  
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## **Photography**

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