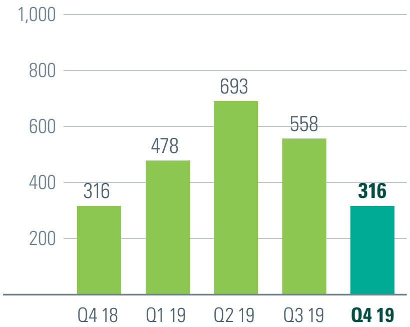
Quarterly Report

Fourth quarter 2019

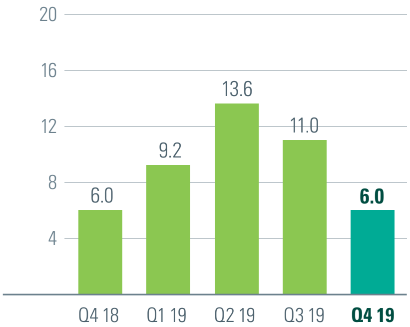
ABN AMRO Bank N.V.

Figures at a glance

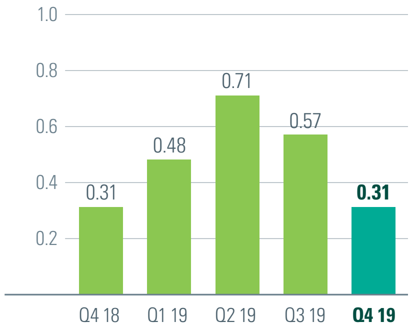
Net profit
(in millions)



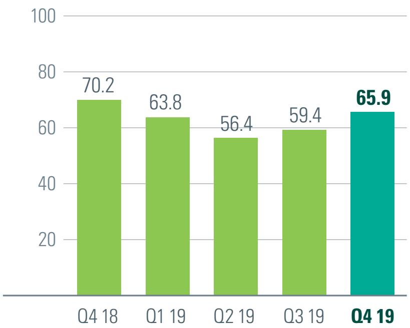
Return on equity[1,2]
Target range is 10-13 (in %)



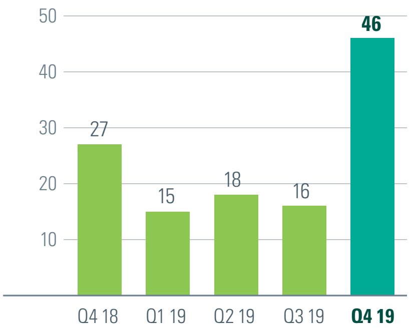
Earnings per share[3]
(in EUR)



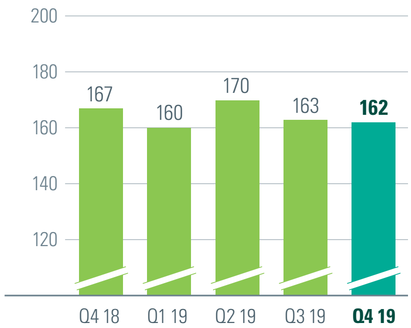
Cost/income ratio
Target range is 56-58 (in %)



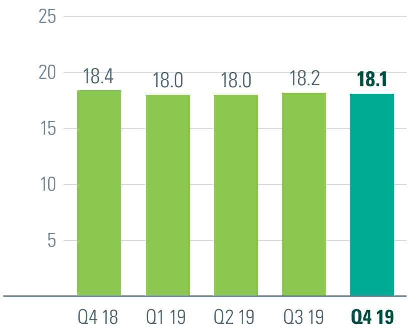
Cost of risk[1]
(in bps)



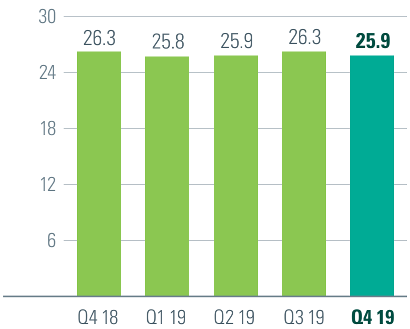
Net interest margin
(in bps)



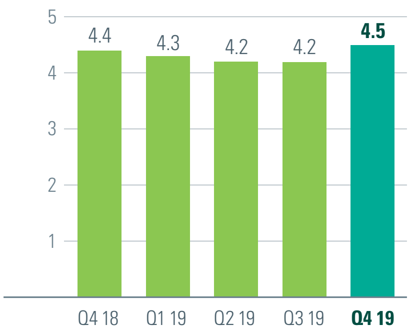
CET1[4]
(end-of-period, in %)
Target range is 17.5-18.5 (in %)



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



Leverage ratio (CDR)[4]
(end-of-period, in %)



[1] Calculation based on annualised figures.
[2] Annualised profit for the period, excluding coupons attributable to AT1 capital securities and results attributable to non-controlling interests, divided by the average equity attributable to the owners of the company excluding AT1 capital securities.
[3] Profit for the period, excluding coupons attributable to AT1 capital securities and results attributable to non-controlling interests, divided by the average outstanding and paid-up ordinary shares.
[4] In Q1, Q2 and Q3 2019, interim profits attributable to owners of the parent company, excluding AT1 capital securities, were not added to CET1 capital. In Q4 the full-year 2019 profit attributable to owners of the parent company, excluding AT1 capital securities, after deduction of the proposed 62% full-year dividend pay-out has been added to capital.

Message from the CEO

In the past year, we continued to focus on diligent execution of the three pillars of our strategy: support our clients' transition to sustainability, reinvent the customer experience and build a future-proof bank. The bank is in good shape: we have accelerated our digital performance, sharpened the focus of several of our businesses, delivered on cost savings and built a strong capital position. For the year 2019 we delivered a net profit of EUR 2 billion, despite high impairments in the fourth quarter, resulting in a solid return on equity (ROE) of 10%. We propose maintaining our dividend pay-out ratio of 62% for 2019.

We support our clients in their transition to sustainable products and business models. In 2019 we introduced a mortgage facility allowing homeowners to invest up to EUR 25,000 in energy efficiency measures for their homes. At Private Banking, the volume of client assets invested sustainably more than doubled to EUR 19 billion, one year ahead of our target. Furthermore, 15% of our Natural Resources portfolio in Corporate & Institutional Banking is now in renewable energy. Our efforts to be a sustainable bank are reflected by our inclusion in the Dow Jones Sustainability Index. With 79 points, we rank in the top 10% of most sustainable banks worldwide.

By reinventing the customer experience, we aim to give clients effortless end-to-end experiences. We have strengthened our lead in video banking at Retail Banking and have extended this service to all businesses. Our new platform for 30-year mortgages has enabled us to benefit from strong demand for long-term mortgages in the Dutch market. In October, we launched a pilot for housing corporations designed to simplify and automate application processes and the allocation of homes. And we are increasingly teaming up with partners to broaden our product range, especially at Commercial Banking. A pilot with MMOX was recently launched to support SME clients with a suite of cybersecurity services. Earlier this year, we also announced partnerships in areas such as corporate finance and accounting software. The size of ABN AMRO Ventures doubled to EUR 100 million, enabling us to continue investing in cutting-edge solutions that are shaping the future of financial services.

We are focusing on building a future-proof bank. Clients of our intermediary brand Florius can now increase their mortgages without having to submit documents, provided they give us permission to use source data – simplifying and digitalising the mortgage application process. And in preparation of PSD II, clients with current accounts at other banks are now able to access these accounts in ABN AMRO's mobile banking app. At Innovation & Technology, the roll-out of DevOps is ongoing, creating small teams combining IT operations and development. We continue to rationalise our product range; for example, in Retail Banking we are significantly reducing the number of different loan products. We also continue to decommission IT applications and delivered on the agreed reduction in 2019, reducing costs. Further process optimisation and product rationalisation will contribute to greater efficiency. We will also continue to invest in our employees and their development, as well as in promoting the agile way of working.

At present, more than 2,000 FTEs are fully committed to detecting financial crime (DFC), and progress has been made on the remediation programmes at Retail Banking, including ICS, and Commercial Banking. Our activities to strengthen the DFC foundation and remediate gaps have been reviewed by an independent expert and the plan has been shared with the regulator. We expect to complete the remediation programmes in 2022. Through ABN AMRO Ventures, we are now an equity partner of Fenergo, the case management system we employ in DFC, and we continue to incorporate artificial intelligence and robotics to improve effectiveness and efficiency. There is no update on the investigation by the Dutch public prosecutor.

Our fourth-quarter net profit of EUR 316 million was impacted by low interest rates and high loan impairments in specific sectors at Corporate & Institutional Banking (CIB), including offshore. Impairments in the Netherlands for Retail and Commercial Banking were relatively low as the Dutch economy continues to perform well. The benefits from continued cost management were partially offset by higher remediation provisions and DFC costs.

Mid-2018, we announced a refocus of CIB's activities to improve profitability to an ROE above 10% by 2021. In the past 18 months, we have reduced RWAs by EUR 5 billion. Highly cyclical sectors such as the offshore sector have been de-risked. Furthermore, progress has been made in reducing CIB's cost base and in developing a more capital-efficient operating model. Unfortunately, the downturn in the offshore sector is more severe than anticipated, resulting in high impairments in Q4. We will continue to de-risk cyclical sectors (including offshore) and will conduct a further review of CIB's activities.

While the banking sector is facing major challenges, including the continuing low interest rate environment, full-year profit was solid at EUR 2.0 billion. Asset margins have remained resilient, but pressure on deposit margins is increasing, hence our continued focus on actions to mitigate the impact. Recently, we announced that we will charge 0.5% interest on deposits above EUR 2.5 million and lower interest rates for virtually all other deposit categories to 0%. We announced last November that we would not charge negative rates on deposits below EUR 100,000, safeguarding around 95% of our clients from negative rates.

Over the last few years, we have maintained strong cost discipline, keeping costs relatively flat despite higher regulatory costs and investments in digitalisation and process optimisation. We will continue to focus on costs in the next few years and reap the benefits from the IT transformation, including the implementation of DevOps and further adoption of off-premise cloud services. Other levers include product rationalisation and optimisation of our offshore delivery model. These cost savings will mitigate increasing costs for DFC. We expect costs to be around EUR 5.1 billion in 2020 and below EUR 5.0 billion thereafter.

The resulting ROE for 2019 was 10.0%, still within our target range of 10-13%. The cost/income ratio was 61%. As indicated last quarter, it will take us longer to reach our cost/income target of 56-58% as it is difficult to fully offset the impact of low interest rates on deposit margins. Our capital position remains strong, with a fully-loaded Basel III CET1 ratio of 18.1% at year-end 2019 and a Basel IV CET1 ratio over 14%. The 2019 year-end capital position includes a EUR 10 billion add-on (on RWA) in anticipation of TRIM (Targeted Review of Internal Models) and model reviews.

While we have a strong capital position and expect ongoing capital generation, we currently face a number of uncertainties. These include further significant TRIM impacts, and we remain subject to an investigation by the Dutch public prosecutor. In addition, the Dutch central bank (DNB) wants Dutch banks to increase RWAs for mortgages, increasing RWAs by around EUR 7.5 billion in 2020. Given these uncertainties, we deem it prudent not to increase the dividend pay-out ratio at this point. Hence, we propose maintaining the dividend pay-out stable compared with last year, at 62%, and paying a final dividend of EUR 0.68 per share, bringing the FY 2019 dividend proposal to EUR 1.28 per share. We will provide an update on capital in the second half of the year.

I am proud to have been part of the team that has prepared our bank for the future, for 'Banking for better, for generations to come'. I would like to thank our employees for their hard work and dedication to both our clients and the bank over the last three years. I also want to thank our clients for their continued business. And lastly, I would like to express my gratitude to my fellow board members for their dedication, enthusiasm and energy in preparing ABN AMRO for the future. I am convinced that, together with my intended successor Robert Swaak, they will be able to navigate ABN AMRO into the next phase.

Kees van Dijkhuizen
CEO of ABN AMRO Bank N.V.

Financial review

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

Results

Financial highlights

- Net profit at EUR 316 million in Q4 2019, stable versus Q4 2018, despite high impairments, slightly lower operating income and the impact of several incidentals.
- Net interest income at EUR 1,586 million (Q4 2018: EUR 1,642 million), reflecting deposit margin pressure due to continued low interest rate environment.
- Continued delivery on cost-saving programmes was partly offset by growing cost of detecting financial crime (DFC activities).
- Strong capital position with CET1 ratio of 18.1%, including add-ons anticipating TRIM and model reviews.

Operating results

(in millions)	Q4 2019	Q4 2018	Change	Q3 2019	Change	2019	2018	Change
Net interest income	1,586	1,642	-3%	1,628	-3%	6,468	6,593	-2%
Net fee and commission income	396	426	-7%	409	-3%	1,632	1,699	-4%
Other operating income	119	90	33%	63	88%	504	800	-37%
Operating income	**2,101**	**2,157**	**-3%**	**2,101**		**8,605**	**9,093**	**-5%**
Personnel expenses	583	638	-9%	543	7%	2,247	2,441	-8%
Other expenses	802	876	-8%	704	14%	3,021	2,910	4%
Operating expenses	**1,384**	**1,514**	**-9%**	**1,247**	**11%**	**5,268**	**5,351**	**-2%**
Operating result	**717**	**643**	**11%**	**854**	**-16%**	**3,337**	**3,742**	**-11%**
Impairment charges on financial instruments	314	208	51%	112		657	655	
Profit/(loss) before taxation	**403**	**435**	**-7%**	**742**	**-46%**	**2,680**	**3,086**	**-13%**
Income tax expense[1]	87	119	-27%	184	-53%	634	736	-14%
Profit/(loss) for the period[1]	**316**	**316**		**558**	**-43%**	**2,046**	**2,350**	**-13%**
Attributable to:								
Owners of the parent company[1]	316	310	2%	558	-43%	2,046	2,312	-12%
Non-controlling interests		6	-100%				39	
Other indicators								
Net interest margin (NIM) (in bps)	162	167		163		164	165	
Cost/income ratio	65.9%	70.2%		59.4%		61.2%	58.8%	
Cost of risk (in bps)[2]	46	27		16		24	24	
Return on average Equity[3]	6.0%	6.0%		11.0%		10.0%	11.4%	
Dividend per share[4, 5]	0.68	0.80				1.28	1.45	
Earnings per share (in EUR)[5, 6]	0.31	0.31		0.57		2.06	2.35	
Client Assets (end of period, in billions)	296.5	285.2		300.8				
Risk-weighted assets (end of period, in billions)	109.8	105.4		105.6				
Employee FTEs (end of period)	17,977	18,830		17,813				
Non-employee FTEs (end of period)	4,749	4,608		4,370				

1 Comparative figures for 2018 have been restated. For additional information, please refer to About this report.
2 Annualised impairment charges on loans and advances customers for the period divided by the average loans and advances customers (excluding at fair value through P&L) on the basis of gross carrying amount and excluding the fair value adjustments from hedge accounting.
3 Profit for the period excluding coupons attributable to AT1 capital securities and results attributable to non-controlling interests divided by the average equity attributable to the owners of the company excluding AT1 capital securities.
4 Interim/final dividend per share over the relevant period as declared/proposed by the company, subject to approval at the annual general meeting.
5 2018 figures represent former ABN AMRO Group.
6 Profit for the period excluding coupons attributable to AT1 capital securities and results attributable to non-controlling interests divided by the average outstanding and paid-up ordinary shares.

Introduction Financial review Risk developments Capital management Other

Large incidentals

Q4 2019

Collective labour agreement (CLA)

Q4 2019 included a one-off payment of EUR 30 million to the pension fund, as agreed under the new collective labour agreement for 2020-2021.

Restructuring provisions

Q4 2019 included EUR 12 million in restructuring provisions related to integration at Private Banking Belgium. This amount was partly offset by EUR 9 million in releases from restructuring provisions at several business segments. Q4 2018 included EUR 69 million in restructuring provisions.

Provision for customer due diligence (CDD) programme

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

Q4 2018 and Q3 2019

Positive revaluation equensWorldline:

Q4 2018 included a positive revaluation of EUR 23 million in other income for our stake in equensWorldline. The total revaluation of equensWordline for 2018 was EUR 69 million.

Provision for SME derivatives-related issues

Q3 2019 included a EUR 13 million addition to the provision for project costs relating to SME derivatives-related issues at Corporate & Institutional Banking.

Fourth-quarter 2019 results

Net interest income came down by EUR 56 million, totalling EUR 1,586 million in Q4 2019 (Q4 2018: EUR 1,642 million), due to continued pressure on deposit margins and modestly lower volumes. This quarter, net interest income included two months of ECB deposit tiering benefit (around EUR 60 million per annum). On the asset side, interest income on residential mortgages declined, reflecting modestly lower volumes. Interest income on consumer loans remained flat due to stable volumes and margins. Interest income on corporate loans was slightly lower as corporate loans declined while margins improved slightly. On the liability side, interest income on deposits declined due to the prolonged low interest rate environment. Average savings volumes decreased in Q4 2019 (due to the sale of the MoneYou Belgium portfolio), while margins decreased as a result of the continued low interest rate environment. The interest rate on main retail savings was 1bps (Q4 2018: 3bps). Negative rates were charged for commercial deposits (above EUR 10 million) and professional clients. As of April 2020, we will charge 0.5% interest on deposits above EUR 2.5 million and will lower interest rates for virtually all other deposit categories to 0%. Compared with Q3 2019, net interest income decreased EUR 42 million, mainly due to the EUR 20 million sequential quarterly NII impact resulting from persistently low interest rates and higher liquidity management costs.

The net interest margin (NIM) decreased by 5bps to 162bps in Q4 2019.

Net fee and commission income came down by EUR 30 million to EUR 396 million in Q4 2019. Excluding divestments (mainly Stater) and acquisitions (Private Banking Belgium), net fee and commission income decreased by EUR 12 million. Net fee and commission income at Clearing was lower as market volatility declined in Q4 2019. Compared with Q3 2019, net fee and commission income decreased slightly, mainly in Clearing.

Other operating income amounted to EUR 119 million in Q4 2019 (Q4 2018: EUR 90 million). Volatile items in Q4 2019 included higher CVA/DVA/FVA[1] results (EUR 15 million, versus EUR 11 million negative in Q4 2018), lower equity participation results (EUR 6 million, versus EUR 37 million in Q4 2018) and more favourable hedge accounting-related results, including the effects of the partial sale of the public sector loan portfolio (EUR 22 million negative, versus EUR 32 million negative in Q4 2018). Moreover, Q4 2018 included a EUR 23 million revaluation gain on our stake in equensWordline. Compared with Q3 2019, other operating income in Q4 2019 increased as it included more favourable volatile items and a book profit for the MoneYou Belgium sale.

Personnel expenses declined by 9% to EUR 583 million in Q4 2019. Q4 2019 included a one-off payment of EUR 30 million to the pension fund as agreed under the new collective labour agreement, while Q4 2018 included EUR 69 million for restructuring provisions.

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

Divestments (mainly Stater) and the execution of cost-saving programmes were partly offset by higher expenses for DFC activities and wage inflation.

Employee FTEs came down by 853, totalling 17,987 in Q4 2019. The decrease is mainly explained by the sale of Stater (934 FTE), offset by additional resources for DFC activities. Compared with Q3 2019, FTE increased by 164, primarily as a result of DFC activities.

Other expenses decreased by EUR 74 million to EUR 802 million in Q4 2019. Q4 2019 included EUR 33 million for provisions related to CDD remediation programmes at Commercial Banking and at ICS in Retail Banking (Q4 2018: EUR 85 million). Adjusted for these incidentals, the decrease in other expenses was mainly driven by the execution of cost-saving programmes.

Non-employee FTEs (temporary staff and contractors) increased by 141 to 4,749 in Q4 2019. The sale of Stater led to a decrease of 383 non-employee FTEs, which was offset by an increase in temporary staffing for DFC activities, including CDD remediation programmes, for which we recorded provisions throughout 2019. Compared with Q3 2019, non-employee FTEs increased by 379, mainly due to the abovementioned DFC activities.

Impairment charges were EUR 314 million in Q4 2019, versus EUR 208 million in Q4 2018. The increase in Q4 2019 was attributable to model and methodology changes at Retail Banking and high additional charges recorded at CIB for the energy-offshore and logistics sectors.

Income tax expenses decreased by EUR 32 million to EUR 87 million in Q4 2018. The effective tax rate in Q4 2019 was 22% due to a favourable tax settlement with the Dutch tax authorities.

Profit attributable to owners of the parent company, excluding coupons attributable to AT1 capital securities, amounted to EUR 289 million in Q4 2019 versus EUR 290 million in Q4 2018 and EUR 532 million in Q3 2019.

Client loans have decreased by EUR 1.5 billion since Q4 2018, totalling EUR 250.8 billion, mainly due to a decrease in loans at CIB and – to a lesser extent – a decline in residential mortgages.

RWA amounted to EUR 109.8 billion in Q4 2019, a EUR 4.4 billion increase on Q4 2018. This increase mainly reflects non-volume related increases attributable to add-ons anticipating TRIM (Targeted Review of Internal Models) and model reviews.

Full-year results

ABN AMRO's full-year profit for 2019 amounted to EUR 2,046 million. The decrease of EUR 304 million compared with full-year 2018 was mainly attributable to a decline in income from volatile items in 2019 (equity participations and hedge accounting-related results) and rising provisions for CDD programmes totalling EUR 174 million in 2019 (2018: EUR 85 million).

Return on equity for 2019 was 10.0% compared with 11.4% in 2018. This 1.4% decrease was mainly attributable to the decline in operating income resulting from lower net interest income and other operating income.

Operating income amounted to EUR 8,605 million, a decrease of EUR 488 million compared with 2018.

Net interest income decreased by EUR 125 million to EUR 6,468 million (2018: EUR 6,593 million) as deposit margin pressure caused by the low interest rate environment was partially compensated by positive incidentals during 2019. On the asset side, interest income on residential mortgages declined, reflecting slightly lower volumes. New production in 2019 was higher than in the previous year - our market share in new production grew to 18% in 2019 (2018: 17%). Interest income on consumer loans decreased, mainly due to lower margins throughout 2019, while interest income on corporate loans increased due to improved margins.

Net fee and commission income decreased by EUR 67 million to EUR 1,632 million (2018: EUR 1,699 million), largely due to divestments (mainly Stater).

Other operating income decreased to EUR 504 million in 2019 (2018: EUR 800 million). Excluding divestments and incidentals recorded in both years, other operating income decreased due to significantly lower equity participations (EUR 52 million versus EUR 274 million in 2018) and lower hedge accounting-related income (EUR 4 million negative versus EUR 111 million in 2018).

Personnel expenses declined by EUR 194 million to EUR 2,247 million in 2019 (2018: EUR 2,441 million). Adjusted for lower restructuring provisions in 2019 (EUR 3 million versus EUR 129 million in 2018), the one-off payment of EUR 30 million to the pension fund in 2019 and a one-off payment of EUR 16 million in 2018, the decline was mainly attributable to continued progress in cost-saving programmes and divestments, partially offset by the growing cost of DFC activities.

Other expenses increased by EUR 111 million to EUR 3,021 million in 2019 (2018: EUR 2,910 million). This increase is mainly explained by the provisions booked for CDD remediation programmes (EUR 174 million versus EUR 85 million) and additional DFC-related costs.

Impairment charges on financial instruments amounted to EUR 657 million, flat compared to 2018 (EUR 655 million). Impairment charges in CIB throughout 2019 were mainly recorded in the energy-offshore and logistics sectors.

Balance sheet

Condensed consolidated statement of financial position

(in millions)	31 December 2019	30 September 2019	31 December 2018
Cash and balances at central banks[1]	27,061	28,730	35,716
Financial assets held for trading	1,137	1,963	495
Derivatives	5,730	7,761	6,191
Financial investments	45,277	46,457	42,184
Securities financing	14,905	24,055	12,375
Loans and advances banks[1]	5,011	6,418	6,780
Loans and advances customers	268,102	275,892	270,886
Other	7,831	8,875	6,668
Total assets	**375,054**	**400,152**	**381,295**
Financial liabilities held for trading	675	1,199	253
Derivatives	6,505	10,126	7,159
Securities financing	8,234	12,982	7,407
Due to banks	12,785	14,649	13,437
Due to customers	234,991	248,231	236,123
Issued debt	75,275	75,356	80,784
Subordinated liabilities	10,041	10,198	9,805
Other	5,076	6,417	4,968
Total liabilities	**353,582**	**379,157**	**359,935**
Equity attributable to the owners of the parent company	21,471	20,995	21,357
Equity attributable to non-controlling interests			2
Total equity	**21,471**	**20,995**	**21,360**
Total liabilities and equity	**375,054**	**400,152**	**381,295**
Committed credit facilities	54,673	55,569	61,166
Guarantees and other commitments	17,479	15,924	15,241

[1] ABN AMRO has reclassified EUR 1.3 billion from loans and advances banks to cash and balances at central banks in the comparative figures for 2018. For additional information, please refer to About this report.

Main developments in total assets compared with 30 September 2019

Total assets decreased by EUR 25.1 billion, totalling EUR 375.1 billion at 31 December 2019. This decrease was largely driven by a seasonal drop in securities financing, Clearing and Global Markets and lower loans and advances to customers.

Securities financing assets decreased by EUR 9.2 billion to EUR 14.9 billion, largely driven by seasonal effects. The impact is also reflected in the securities financing liabilities position.

Loans and advances customers decreased by EUR 7.8 billion to EUR 268.1 billion, reflecting declines in both client and professional loans.

Client loans decreased by EUR 3.5 billion to EUR 250.8 billion at 31 December 2019. This decrease was mainly driven by lower corporate loans at CIB and to a less extent lower residential mortgages. CIB loans declined by EUR 2.1 billion, mostly in Global Transportation & Logistics and Natural Resources, including a EUR 0.7 billion negative currency impact. Residential mortgage loans declined by EUR 0.7 billion as a result of seasonally high voluntary mortgage redemptions in Q4 2019.

Loans to professional counterparties and other loans decreased by EUR 3.0 billion to EUR 16.4 billion, mainly due to seasonal effects.

Loans and advances customers

(in millions)	31 December 2019	30 September 2019	31 December 2018
Residential mortgages	148,225	148,935	148,791
Consumer loans	12,294	12,335	12,263
Corporate loans to clients[1]	90,254	92,984	91,265
- of which: Commercial Banking	*41,997*	*42,744*	*41,753*
- of which: Corporate & Institutional Banking	*41,136*	*43,212*	*42,521*
Total client loans[2]	**250,773**	**254,254**	**252,319**
Loans to professional counterparties and other loans[3]	16,412	19,365	17,642
Total Loans and advances customers[2]	**267,185**	**273,618**	**269,961**
Fair value adjustments from hedge accounting	3,342	4,452	3,185
Less: loan impairment allowance	2,426	2,179	2,260
Total Loans and advances customers	**268,102**	**275,892**	**270,886**

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

Main developments in total liabilities and equity compared with 30 September 2019

Total liabilities came down by EUR 25.6 billion, totalling EUR 353.6 billion at 31 December 2019. The decrease was largely driven by lower amounts recorded for due to customers and securities financing.

Securities financing liabilities decreased by EUR 4.7 billion, largely reflecting a seasonal pattern.

Issued debt securities remained flat at EUR 75.3 billion. Issued debt included EUR 30.7 billion for covered bonds and EUR 41.5 billion for unsecured funding. Moreover, EUR 27.1 billion of outstanding wholesale funding matures within 12 months.

Due to customers decreased by EUR 13.2 billion, totalling EUR 235.0 billion. This decrease was mainly recorded for Retail Banking (for the sale of MoneYou Belgium portfolio), Private Banking (movement from cash to securities) and professional deposits.

Total equity increased by EUR 0.5 billion to EUR 21.5 billion at 31 December 2019. This increase was mainly attributable to the inclusion of profit for the period and an increase in accumulated other comprehensive income (OCI).

Equity attributable to owners of the parent company, excluding AT1 securities, amounted to EUR 19,484 million, resulting in a EUR 20.73 book value per share based on 940,000,001 outstanding shares.

Results by segment

Retail Banking

Highlights

- Net interest income in Q4 2019 was mainly affected by continued margin pressure on deposits and lower mortgage volumes.
- Other operating income increased by EUR 20 million compared with Q4 2018, partly due to the sale of the MoneYou Belgium portfolio.
- Q4 2019 included a EUR 8 million provision recorded at ICS (in Retail Banking) for CDD remediation programmes.
- Impairments increased to EUR 58 million in Q4 2019, driven by model and methodology changes of approximately EUR 45 million (please see the Risk chapter for more information).

Operating results

(in millions)	Q4 2019	Q4 2018	Change	Q3 2019	Change	2019	2018	Change
Net interest income	676	754	-10%	729	-7%	2,903	3,122	-7%
Net fee and commission income	93	97	-4%	96	-3%	365	365	
Other operating income	23	3		6		57	31	85%
Operating income	**792**	**854**	**-7%**	**831**	**-5%**	**3,324**	**3,517**	**-5%**
Personnel expenses	110	108	2%	99	10%	411	442	-7%
Other expenses	437	448	-3%	369	18%	1,667	1,586	5%
Operating expenses	**546**	**556**	**-2%**	**468**	**17%**	**2,078**	**2,028**	**2%**
Operating result	**246**	**298**	**-17%**	**363**	**-32%**	**1,246**	**1,489**	**-16%**
Impairment charges on financial instruments	58	7		5		81	-12	
Profit/(loss) before taxation	**188**	**291**	**-35%**	**358**	**-47%**	**1,165**	**1,501**	**-22%**
Income tax expense	55	82	-33%	89	-38%	299	375	-20%
Profit/(loss) for the period	**134**	**209**	**-36%**	**269**	**-50%**	**866**	**1,126**	**-23%**
Cost/income ratio	68.9%	65.1%		56.3%		62.5%	57.7%	
Cost of risk (in bps)[1]	15	2		1		5	-1	
Other indicators								
Loans and advances customers (end of period, in billions)	152.4	154.5		154.6				
- of which Client loans (end of period, in billions)[2]	*152.8*	*154.8*		*154.9*				
Due to customers (end of period, in billions)	90.4	93.5		94.8				
Risk-weighted assets (end of period, in billions)	28.4	27.6		27.9				
Employee FTEs (end of period)	4,340	4,445		4,340				
Total Client Assets (end of period, in billions)	101.3	103.5		105.5				
- of which Cash	*90.4*	*93.5*		*94.8*				
- of which Securities	*11.0*	*10.1*		*10.7*				

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

Full-year highlights

- Profit for the period decreased by 23%, mainly due to lower operating income and higher impairments.
- Net interest income decreased by 7%, primarily due to the impact of a model update for non-maturing deposits and the reallocation of net interest income from Group Functions of approximately EUR 135 million negative in

2019 compared to 2018. Interest income on mortgages decreased modestly due to the competitive environment, while consumer loan volumes declined year-on-year. Deposit income continued to be impacted by ongoing margin pressure. New production in 2019 was higher than in the previous year - our market share in new production grew to 18% in 2019 (2018: 17%).

- Impairment charges in 2019 amounted to EUR 81 million partly due to model and methodology changes.
- An additional provision of EUR 122 million was recorded in other expenses for customer due diligence (CDD) remediation programmes regarding retail clients.
- In 2019 we introduced a mortgage facility for investments in energy efficiency in homes.

Commercial Banking

Highlights

- Net interest income decreased by EUR 22 million compared with Q4 2018, as margins on deposits were under pressure due to the low interest rate environment.
- Personnel expenses decreased due to continued cost discipline and FTE transfers to Group Functions.
- Q4 2019 included a provision of EUR 25 million recorded at Commercial Banking for CDD remediation programmes.
- Number of employee FTE decreased in Q4 2019, mainly due to a transfer of FTEs to Group Functions (to further optimise and centralise support functions).
- Impairments in Q4 decreased by EUR 18 million, totalling EUR 58 million in Q4 2019, and were spread across various sectors.

Operating results

(in millions)	Q4 2019	Q4 2018	Change	Q3 2019	Change	2019	2018	Change
Net interest income	370	392	-6%	378	-2%	1,523	1,602	-5%
Net fee and commission income	64	69	-7%	66	-3%	256	258	-1%
Other operating income	8	8		8	-6%	27	39	-30%
Operating income	**442**	**468**	**-6%**	**453**	**-2%**	**1,807**	**1,899**	**-5%**
Personnel expenses	74	104	-29%	68	9%	281	335	-16%
Other expenses	211	232	-9%	187	13%	737	711	4%
Operating expenses	**284**	**336**	**-15%**	**255**	**12%**	**1,018**	**1,046**	**-3%**
Operating result	**157**	**132**	**19%**	**198**	**-21%**	**789**	**853**	**-8%**
Impairment charges on financial instruments	58	76	-23%	50	16%	182	253	-28%
Profit/(loss) before taxation	**99**	**56**	**76%**	**147**	**-33%**	**606**	**600**	**1%**
Income tax expense	27	19	45%	36	-25%	154	153	1%
Reported profit/(loss) for the period	**72**	**37**	**92%**	**111**	**-36%**	**453**	**448**	**1%**
Cost/income ratio	64.4%	71.8%		56.3%		56.3%	55.1%	
Cost of risk (in bps)[1]	55	62		47		42	60	
Other indicators								
Loans and advances customers (end of period, in billions)	41.8	41.6		42.6				
- of which Client loans (end of period, in billions)[2]	*42.6*	*42.3*		*43.3*				
Due to customers (end of period, in billions)	46.3	45.0		45.9				
Risk-weighted assets (end of period, in billions)	29.2	27.3		27.2				
Employee FTEs (end of period)	2,470	2,734		2,420				

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

Full-year highlights

- Net interest income was impacted primarily by a model update for non-maturing deposits and the reallocation of net interest income from Group Functions of approximately EUR 50 million negative in 2019 compared to 2018 and by continued deposit margin pressure. Client lending continued to grow slightly in 2019.
- FTE transfers to Group Functions to further optimise and centralise support functions resulted in lower personnel expenses and slightly higher other expenses (due to higher cost allocations).
- Throughout 2019, provisions totalling EUR 52 million were recorded for customer due diligence (CDD) remediation programmes (2018: EUR 55 million).
- Impairments decreased by EUR 71 million, to EUR 182 million in 2019 spread across various sectors (2018: EUR 253 million). In 2018, high impairments were recorded mainly for industrial goods and services, healthcare and the shipping industry.
- Ongoing redesign of the SME lending proposition, based on New10 technology.

Private Banking

Highlights

- Net interest income decreased by EUR 16 million compared with Q4 2018, as the low interest rate environment continued to put deposit margins under pressure.
- Adjusted for divestments and acquisitions (Private Banking activities in Belgium), net fee and commission income increased, mostly as a result of higher asset management fees.
- Personnel expenses higher due to a restructuring provision for the full integration Private Banking Belgium.
- Net new assets were EUR 5.7 million negative, mainly due to the outflow of custody assets.

Operating results

(in millions)	Q4 2019	Q4 2018	Change	Q3 2019	Change	2019	2018	Change
Net interest income	158	174	-9%	162	-2%	667	719	-7%
Net fee and commission income	132	121	8%	126	4%	509	509	
Other operating income	13	10	25%	7	87%	50	111	-55%
Operating income	**302**	**305**	**-1%**	**295**	**2%**	**1,226**	**1,340**	**-9%**
Personnel expenses	111	92	20%	92	20%	394	390	1%
Other expenses	125	138	-9%	131	-4%	536	538	
Operating expenses	**236**	**230**	**3%**	**223**	**6%**	**930**	**929**	
Operating result	**66**	**75**	**-12%**	**72**	**-9%**	**296**	**412**	**-28%**
Impairment charges on financial instruments		-10	96%	9		21	3	
Profit/(loss) before taxation	**66**	**85**	**-22%**	**63**	**6%**	**275**	**408**	**-33%**
Income tax expense	20	18	14%	19	7%	79	95	-17%
Profit/(loss) for the period	**46**	**67**	**-31%**	**44**	**5%**	**196**	**313**	**-37%**
Cost/income ratio	78.1%	75.3%		75.5%		75.9%	69.3%	
Cost of risk (in bps)[1]	-2	-32		23		14	3	
Other indicators								
Loans and advances customers (end of period, in billions)	14.1	12.5		12.6				
- of which Client loans (end of period, in billions)[2]	*14.2*	*12.6*		*12.8*				
Due to customers (end of period, in billions)	69.2	66.2		70.5				
Risk-weighted assets (end of period, in billions)	10.1	9.8		9.6				
Employee FTEs (end of period)	2,751	2,795		2,763				
Total Client Assets (end of period, in billions)	195.2	181.7		195.3				
- of which Cash	*69.2*	*66.3*		*70.7*				
- of which Securities	*126.0*	*115.4*		*124.6*				
Net new assets (for the period, in billions)	-5.7	-3.2		0.9		-2.4	1.8	

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

Full-year highlights

- Net interest income was impacted primarily by a model update for non-maturing deposits and the reallocation of net interest income from Group Functions of approximately EUR 40 million negative in 2019 compared to 2018 and by the continued deposit margin pressure. Furthermore, a slight increase in client lending was offset by lower margins.
- Impairment charges increased by EUR 18 million, to EUR 21 million in 2019 (2018: EUR 3 million). This is mainly explained by impairment releases in 2018.
- Client assets increased due to positive market performance in 2019.
- Net new assets totalled EUR 2.4 billion negative due to a significant outflow of custody assets in Q4.
- The volume of client assets invested sustainably more than doubled to EUR 19 billion in 2019, one year ahead of our target.

Corporate & Institutional Banking

Highlights

- Net interest income decreased by EUR 8 million, mainly due to a decline in corporate loans.
- Other operating income reflects lower equity participations in Q4 2019, partially offset by higher CVA/DVA/FVA results.
- Operating expenses decreased by EUR 15 million as a result of cost-saving programmes.
- Loan impairments grew significantly, rising EUR 64 million compared with Q4 2018, mainly in the energy-offshore and logistics sectors.
- RWA increased by EUR 2.9 billion, mainly due to add-ons anticipating TRIM and model reviews.

Operating results

(in millions)	Q4 2019	Q4 2018	Change	Q3 2019	Change	2019	2018	Change
Net interest income	301	309	-2%	311	-3%	1,229	1,166	5%
Net fee and commission income	118	125	-6%	127	-7%	505	527	-4%
Other operating income	67	81	-18%	23		132	423	-69%
Operating income	**486**	**515**	**-6%**	**461**	**5%**	**1,866**	**2,116**	**-12%**
Personnel expenses	102	109	-6%	111	-8%	428	480	-11%
Other expenses	185	194	-4%	160	16%	669	708	-6%
Operating expenses	**287**	**302**	**-5%**	**271**	**6%**	**1,097**	**1,189**	**-8%**
Operating result	**199**	**212**	**-6%**	**190**	**4%**	**768**	**927**	**-17%**
Impairment charges on financial instruments	199	135	47%	49		376	427	-12%
Profit/(loss) before taxation	**0**	**77**		**142**		**392**	**501**	**-22%**
Income tax expense	4	12	-63%	31	-86%	101	75	35%
Profit/(loss) for the period	**-4**	**65**		**110**		**291**	**426**	**-32%**
Cost/income ratio	59.1%	58.7%		58.7%		58.8%	56.2%	
Cost of risk (in bps)[1]	133	80		33		62	70	
Other indicators								
Loans and advances customers (end of period, in billions)	55.1	56.8		60.0				
- of which Client loans (end of period, in billions)[2]	*41.2*	*42.6*		*43.3*				
Due to customers (end of period, in billions)	26.5	28.0		32.0				
Risk-weighted assets (end of period, in billions)	37.9	35.0		36.5				
Employee FTEs (end of period)	2,517	2,528		2,493				

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

Full-year highlights

- Net interest income increased by 5%, mainly due to margin growth on client lending and a model update for non-maturing deposits and the reallocation of net interest income from Group Functions of approximately EUR 55 million positive in 2019 compared to 2018.
- Other operating income declined steeply due to favourable equity participations and CVA/DVA/FVA results in 2018 in comparison with 2019.
- Operating expenses decreased mainly as a result of lower provisions recorded for SME derivatives-related issues.
- Impairments came down EUR 51 million from 2018 levels. The energy-offshore and logistics sectors were impacted most (2018: energy-offshore, diamonds and logistics sectors).
- Making progress in the shift to renewable energy, with 15% of CIB's energy commitments now renewable.

Group Functions

Highlights

- Net interest income in Q4 2019 increased by EUR 67 million, driven by higher mortgage penalty fees and higher liquidity results (due to low liquidity spreads).
- Net fee and commission income in Q4 2019 decreased following the Stater divestment.
- Expenses directly incurred by Group Functions decreased due to lower restructuring provisions and lower expenses due to the sale of Stater, partially offset by FTE transfers from the business segments.

Operating results

(in millions)	Q4 2019	Q4 2018	Change	Q3 2019	Change	2019	2018	Change
Net interest income	81	14		49	65%	147	-16	
Net fee and commission income	-10	13		-6	-62%	-2	40	
Other operating income	9	-12		19	-53%	238	196	21%
Operating income	**79**	**15**		**62**	**29%**	**383**	**220**	**74%**
Personnel expenses	187	226	-17%	173	8%	734	794	-8%
Other expenses	-157	-136	-15%	-142	-10%	-589	-635	7%
Operating expenses	**30**	**89**	**-66%**	**31**	**-3%**	**145**	**160**	**-9%**
Operating result	**49**	**-74**		**30**	**62%**	**238**	**60**	
Impairment charges on financial instruments	-1			-1	59%	-3	-16	82%
Profit/(loss) before taxation	**49**	**-74**		**32**	**56%**	**241**	**76**	
Income tax expense[1]	-19	-11	-75%	8		1	38	-97%
Profit/(loss) for the period[1]	**69**	**-63**		**23**		**240**	**39**	
Other indicators								
Securities financing - assets (end of period, in billions)	10.3	7.1		17.5				
Loans and advances customers (end of period, in billions)	4.7	5.5		6.1				
Securities financing - liabilities (end of period, in billions)	7.7	6.9		12.3				
Due to customers (end of period, in billions)	2.7	3.5		5.0				
Risk-weighted assets (end of period, in billions)	4.1	5.6		4.4				
Employee FTEs (end of period)	5,899	6,328		5,797				

[1] Comparative figures for 2018 have been restated. For additional information, please refer to About this report.

Full-year highlights

- Operating income increased by EUR 163 million, totalling EUR 383 million in 2019 (2018: EUR 220 million). The increase was mainly attributable to the full-year impact of a model update for non-maturing deposits and the reallocation of net interest income to the business segments of approximately EUR 170 million positive in 2019 compared to 2018, alongside the book profit recorded for the sale of Stater.
- Expenses directly incurred by Group Functions decreased due to lower restructuring provisions and lower expenses due to the sale of Stater, partially offset by FTE transfers from the business segments.
- The roll-out of DevOps is ongoing, enabling faster delivery time to market and improved efficiency.

Additional financial information

Selected financial information

Condensed Consolidated income statement

(in millions)	Q4 2019	Q4 2018	Q3 2019	2019	2018
Income					
Interest income calculated using the effective interest method[1]	2,431	2,521	2,381	9,701	10,007
Other interest and similar income[1]	80	75	71	355	317
Interest expense calculated using the effective interest method[1]	884	901	787	3,407	3,590
Other interest and similar expense[1]	41	53	37	181	140
Net interest income	**1,586**	**1,642**	**1,628**	**6,468**	**6,593**
Fee and commission income[1]	514	539	526	2,121	2,174
Fee and commission expense[1]	117	113	117	489	475
Net fee and commission income	**396**	**426**	**409**	**1,632**	**1,699**
Net trading income	79	5	-2	84	173
Share of result in equity accounted investments	23	16		37	43
Other income	18	69	65	383	584
Operating income	**2,101**	**2,157**	**2,101**	**8,605**	**9,093**
Expenses					
Personnel expenses	583	638	543	2,247	2,441
General and administrative expenses	742	829	648	2,781	2,737
Depreciation and amortisation of tangible and intangible assets	60	47	57	240	173
Operating expenses	**1,384**	**1,514**	**1,247**	**5,268**	**5,351**
Impairment charges on financial instruments	314	208	112	657	655
Total expenses	**1,698**	**1,722**	**1,359**	**5,925**	**6,006**
Profit/(loss) before taxation	**403**	**435**	**742**	**2,680**	**3,086**
Income tax expense[1]	87	119	184	634	736
Profit/(loss) for the period[1]	**316**	**316**	**558**	**2,046**	**2,350**
Attributable to:					
Owners of the parent company[1]	316	310	558	2,046	2,312
Non-controlling interests		6			39

[1] Comparative figures for 2018 have been restated. For additional information, please refer to About this report.

Condensed Consolidated statement of comprehensive income

(in millions)	Q4 2019	Q4 2018	Q3 2019
Profit/(loss) for the period	**316**	**316**	**558**
Other comprehensive income:			
Items that will not be reclassified to the income statement			
Remeasurement gains / (losses) on defined benefit plans	-15	20	-2
(Un)realised gains/(losses) on Liability own credit risk	-2	12	3
Share of other comprehensive income of associates not reclassified to the income statement			
Items that will not be reclassified to the income statement before taxation	**-17**	**32**	**2**
Income tax relating to items that will not be reclassified to the income statement	-3	9	
Items that will not be reclassified to the income statement after taxation	**-14**	**22**	**1**
Items that may be reclassified to the income statement			
(Un)realised gains/(losses) currency translation	-37	19	85
(Un)realised gains/(losses) fair value through OCI	-46	-113	-98
(Un)realised gains/(losses) cash flow hedge	274	-114	-343
Share of other comprehensive income of associates reclassified to the income statement	4	-5	-5
Other comprehensive income for the period before taxation	**196**	**-213**	**-361**
Income tax relating to items that may be reclassified to the income statement	22	15	-98
Other comprehensive income for the period after taxation	**174**	**-228**	**-263**
Total comprehensive income/(expense) for the period after taxation	**475**	**110**	**296**
Attributable to:			
Owners of the parent company[1]	475	104	296
Non-controlling interests		6	

[1] Comparative figures for 2018 have been restated. For additional information, please refer to About this report.

Condensed Consolidated statement of changes in equity

(in millions)	Share capital	Share premium	Other reserves including retained earnings	Accumulated other comprehensive income	Net profit/(loss) attributable to owners of the parent company	AT1 capital securities	Total	Non-controlling interests	Total equity
Balance at 1 October 2018	**800**	**4,041**	**13,128**	**-700**	**2,002**	**1,984**	**21,255**	**43**	**21,298**
Total comprehensive income				-206	310		104	6	110
Transfer									
Dividend									
Increase/(decrease) of capital						2	2		2
Paid interest on AT1 capital securities									
Other changes in equity			-4				-4	-47	-51
Balance at 31 December 2018	**800**	**4,041**	**13,125**	**-906**	**2,312**	**1,986**	**21,357**	**2**	**21,360**
Balance at 1 October 2019	**940**	**12,970**	**4,947**	**-1,578**	**1,730**	**1,986**	**20,995**	**0**	**20,995**
Total comprehensive income				159	316		475		475
Transfer									
Dividend									
Increase/(decrease) of capital						1	1		1
Paid interest on AT1 capital securities									
Capital restucturing									
Other changes in equity									
Balance at 31 December 2019	**940**	**12,970**	**4,947**	**-1,419**	**2,046**	**1,987**	**21,471**	**0**	**21,471**

Accumulated other comprehensive income breaks down as follows:

(in millions)	Remeasurements on post-retirement benefit plans	Currency translation reserve	Fair value reserve	Cash flow hedge reserve	Accumulated share of OCI of associates and joint ventures	Liability own credit risk reserve	Total
Balance at 1 October 2018	**-21**	**-12**	**367**	**-1,002**	**20**	**-52**	**-700**
Net gains/(losses) arising during the period	20	19	-112	-82	-5	12	-149
Less: Net realised gains/(losses) included in income statement				32			32
Net gains/(losses) in equity	**20**	**19**	**-113**	**-114**	**-5**	**12**	**-182**
Related income tax	5	1	-32	46		5	25
Balance at 31 December 2018	**-6**	**6**	**286**	**-1,162**	**15**	**-45**	**-906**
Balance at 1 October 2019	**-8**	**117**	**216**	**-1,892**	**28**	**-39**	**-1,578**
Net gains/(losses) arising during the period	-15	-80	-46	307	4	-2	168
Less: Net realised gains/(losses) included in income statement		-43		33			-10
Net gains/(losses) in equity	**-15**	**-37**	**-46**	**274**	**4**	**-2**	**179**
Related income tax	-2	-1	-7	30			19
Balance at 31 December 2019	**-20**	**81**	**177**	**-1,648**	**32**	**-41**	**-1,419**

Introduction
Financial review
Risk developments
Capital management
Other

Risk developments

Key figures

(in millions)	31 December 2019	30 September 2019	31 December 2018
Total loans and advances, gross excluding fair value adjustments[1,2]	270,935	279,299	275,962
- of which Banks[2]	*5,016*	*6,422*	*6,789*
- of which Residential mortgages	*148,225*	*148,935*	*148,791*
- of which Consumer loans	*12,294*	*12,335*	*12,263*
- of which Corporate loans[1,2]	*99,107*	*104,764*	*101,163*
- of which Other loans and advances - customers[1,2]	*6,292*	*6,844*	*6,957*
Total Exposure at Default (EAD)	393,247	398,652	403,565
Credit quality indicators[1]			
Past due ratio	1.2%	1.2%	1.3%
- of which Residential mortgages	*0.9%*	*1.0%*	*1.3%*
- of which Consumer loans	*3.6%*	*3.6%*	*3.2%*
- of which Corporate loans	*1.4%*	*1.1%*	*1.2%*
Stage 3 Impaired ratio	2.5%	2.4%	2.2%
Stage 3 Coverage ratio	29.6%	27.8%	31.6%
Regulatory capital			
Total RWA	109,825	105,633	105,391
- of which Credit risk[3]	*89,071*	*85,797*	*84,701*
- of which Operational risk	*19,391*	*18,614*	*19,077*
- of which Market risk	*1,362*	*1,222*	*1,612*
Total RWA/total EAD	27.9%	26.5%	26.1%
Mortgage indicators			
Exposure at Default	164,575	163,492	162,787
- of which mortgages with Nationale Hypotheek Garantie (NHG)	*35,304*	*35,671*	*36,257*
Risk-weighted assets	16,665	17,024	16,853
RWA/EAD	10.1%	10.4%	10.4%
Average Loan-to-Market-Value[4]	64%	62%	64%
Average Loan-to-Market-Value - excluding NHG loans[4]	62%	60%	62%

1 Excluding loans and advances measured at fair value through P&L.
2 The comparative figures for 2018 with regard to loans and advances banks, corporate loans and other loans and advances have been restated. For additional information, please refer to About this report.
3 RWA for credit value adjustment (CVA) is included in credit risk. CVA per 31 December 2019 is EUR 0.4 billion (30 September 2019: EUR 0.5 billion; 31 December 2018: EUR 0.5 billion).
4 In Q4 2019 the valuation method for collateral was adjusted. Increases in the price index are now subject to a haircut, whereas no haircut is applied to decreases.

	Q4 2019	Q4 2018	Q3 2019	2019	2018
Impairment charges on loans and other advances (in EUR million)[1]	314	208	112	657	655
- of which Residential mortgages	*11*	*1*	*4*	*31*	*-11*
- of which Consumer loans	*39*	*4*	*1*	*50*	*-4*
- of which Corporate loans	*261*	*180*	*106*	*568*	*660*
Cost of risk (in bps)[2]	46	27	16	24	24
- of which Residential mortgages	*3*		*1*	*2*	*-1*
- of which Consumer loans	*127*	*14*	*3*	*41*	*-4*
- of which Corporate loans	*102*	*68*	*40*	*54*	*63*

1 Including off-balance sheet exposures.
2 Annualised impairment charges on loans and advances customers for the period divided by the average loans and advances customers on the basis of gross carrying amount and excluding fair value adjustment from hedge accounting.

Highlights

Fourth-quarter developments

Portfolio review

Total loans and advances decreased to EUR 270.9 billion (30 September 2019: EUR 279.3 billion). The decrease in corporate loans was partly due a seasonal drop in financial markets, but also to lower volumes in client lending. Residential mortgage loans decreased modestly, as new mortgage production declined to EUR 4.0 billion (Q3 2019: EUR 4.9 billion), while redemptions (including contractual repayments) increased to EUR 4.8 billion (Q3 2019: EUR 4.2 billion).

Exposure at Default

EAD decreased to EUR 393.2 billion (Q3 2019: EUR 398.7 billion). This decline was mainly related to lower business volumes.

Credit quality indicators

Credit quality indicators remained relatively stable in Q4 2019. Total past due exposure on loans and advances to customers was stable at EUR 3.2 billion (30 September 2019: EUR 3.2 billion) and the past due ratio remained unchanged at 1.2%. Mid- and long-term arrears declined. In corporate loans there was an increase in short terms arrears (< 30 days), mainly caused by several relatively large clients from the financial services and real estate sector. This was partly offset by a decline in the past due amount for residential mortgages.

The increase in coverage ratio and stage ratio for stage 2 related mainly to residential mortgages, due to a more prudent approach to interest-only mortgages. Clients with increased refinancing risk were transferred from stage 1 to stage 2 and an additional impairment was taken.

The stage 3 ratio for loans and advances to customers increased modestly to 2.5% (30 September 2019: 2.4%). The coverage ratio for stage 3 impaired exposures within corporate loans increased, causing the overall stage 3 coverage ratio to increase to 29.6% (30 September 2019: 27.8%). The increase in coverage ratio and stage ratio for stage 3 mainly concerned clients in the energy-offshore sector, logistics sector and the trade and commodity finance business segment within CIB.

Cost of Risk

Impairment charges amounted to EUR 314 million in Q4 2019 (Q4 2018: EUR 208 million) and resulted in a cost of risk of 46bps (Q4 2018: 27bps). The Q4 impairment charges were largely attributable to corporate loans, including EUR 199 million recorded for CIB (Q4 2018: EUR 135 million). Most impairments were recorded in the sectors energy-offshore (EUR 111 million) and logistics (EUR 50 million), partially on existing impaired files. Market conditions in the offshore sector remain challenging, as it continues to be affected by underinvestment, overcapacity and unprofitable contracts. In 2020, we will continue to de-risk highly cyclical sectors, such as energy-offshore.

Impairment charges for Commercial Banking were EUR 58 million in Q4 2019, compared with EUR 76 million in Q4 2018, and were spread across various sectors.

The impairment charges for Retail Banking amounted to EUR 58 million in Q4 2019, of which EUR 39 million was recorded for consumer lending (Q4 2018 EUR 4 million). This increase was attributable to improved reporting policies for clients with forbearance measures in the consumer lending portfolio. Without this adjustment, the impairment charges for consumer lending would have been in line with Q4 2018. Within residential mortgages, provisioning on interest-only mortgages was enhanced, following supervisory expectations from the ECB. Based on affordability tests, remaining time to repayment and loan-to-market value (LtMV) at maturity, additional impairment charges were recorded. This was partly offset by model updates. In total, changes to models and methodology for the calculation of modelled loan impairments within Retail Banking amounted to approximately EUR 45 million.

The cost of risk for 2019 was 24bps, which was equivalent to 2018 and slightly below the through-the-cycle cost of risk of 25-30bps. For 2020, we expect the cost of risk to remain within the through-the-cycle level of 25-30bps.

Regulatory capital

Total risk weighted assets (RWA) increased to 109.8 billion (30 September: 105.6 billion), mainly due to a rise in credit risk and operational risk. In credit risk there was an increase of EUR 5.3 billion related to add-ons anticipating TRIM and model reviews based on preliminary ECB feedback and in anticipation of developments in 2020. More details on the add-ons anticipating TRIM can be found in the Capital section. RWA for operational risk increased by EUR 0.8 billion, mainly due to updated scenarios in the capital model, including the KYC/AML scenario.

Residential mortgages

Housing market developments

Demand/supply dynamics in the Dutch housing market further tightened, as the housing shortage continued to be substantial. The number of properties for sale continued to decline, giving buyers less choice. The housing shortage combined with low interest rates and marginally improving consumer confidence led to a further rise of residential property prices, albeit at a slower pace than in previous periods. The housing price index published by Statistics Netherlands (CBS) for Q4 2019 was 1.4% higher than in Q3 2019, and 6.2% higher than in Q4 2018.

Residential mortgage insights

New mortgage production shrank to EUR 4.0 billion, a 17% decline from Q3 2019, but 28% more than in Q4 2018. ABN AMRO's market share in new mortgage production declined to 18% in Q4 2019 (Q3 2019: 22%), due to a competitive market. The proportion of amortising mortgages continued to increase, reaching 33% by the end of Q4 2019 (Q3 2019: 32%, Q4 2018: 29%). Rising housing prices and restrictions on the maximum loan-to-market value (LtMV) of new mortgages have led to further improvement of the underlying average indexed LtMV. However, due to a more accurate collateral valuation method, the average indexed LtMV increased from 62% to 64% and from 60% to 62% (excluding NHG mortgages). Increases in the price index are now subject to a haircut, while decreases are not, which provides a better estimate of the actual house price.

As a result of this adjustment, the gross carrying amount of mortgages with an LtMV in excess of 100% also increased slightly, totalling EUR 2.2 billion (Q3 2019: EUR 2.1 billion) and accounting for 1.5% of total mortgages (Q3 2019: 1.4%, Q4 2018: 2.4%). Approximately 3% of the extra repayments were in this category (Q3 2019: 3%, Q4 2018: 5%).

The average LtMV is expected to continue its gradual decline over the next few years as a result of rising housing prices, contractual and extra redemptions, and the gradual reduction of mortgage interest tax relief.

Recent developments

Detecting Financial Crime (DFC)

We are making progress on the customer due diligence (CDD) programmes at Retail Banking, including ICS, and Commercial Banking. In 2019, we initiated further measures and extended our CDD remediation programme, for which we made an additional provisions of EUR 174 million in 2019. These provisions are based on (among other things) the total number of files, the time needed to review each file and the percentage of files that will be reviewed using external resources. At present, more than 2,000 FTEs are fully committed to DFC. The CDD reviews at Corporate & Institutional Banking (CIB) and Private Banking have largely been completed. The centralisation of our detecting financial crime (DFC) activities enables further specialisation and knowledge sharing across the bank. Our activities to strengthen the DFC foundation and remediate gaps have been benchmarked against best practises through a comprehensive review by an independent expert, and the plan was shared with the regulator. We expect to complete the remediation programmes in 2022. We are exploring possibilities to collaborate with other banks to combat money laundering and are pleased with the Dutch cabinet's plans to clamp down on money laundering, improving cooperation between the government and banks, as well as among banks.

The Dutch public prosecutor informed ABN AMRO in September that ABN AMRO Bank N.V. is subject of an investigation relating to requirements under the Dutch Act on the prevention of money laundering and financing of terrorism (in Dutch: Wwft). The timing of the completion of the investigation and the outcome are uncertain. There is no update on the investigation by the Dutch public prosecutor. ABN AMRO is cooperating fully. We have not made a provision for a potential fine, as the amount of this fine, if any, cannot be reliably estimated at this time.

Definition of Default

In Q4 2019, we took important steps towards implementation of the new definition of default. This implementation, which requires prior approval by the regulators, is expected to take place in 2020 and will have an impact on total default exposure, RWAs, impairments and all related credit quality indicators.

A two-step approach will be applied for most portfolios, meaning the new definition of default will be implemented as a first step, after which the credit risk models will be updated. For some portfolios a one-step approach will be applied, meaning the new definition will be implemented later, simultaneously with new models for capital and provisions which will be calibrated with the new definition of default.

Cum/ex transactions

German authorities are conducting investigations into the involvement of individuals of various banks and other parties in equity trading extending over dividend record dates in Germany, so-called "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 these transactions in the past. Certain criminal investigation proceedings relate to the activities of these entities and individuals involved at the time. This also resulted in search warrants against ABN AMRO. Furthermore, ABN AMRO frequently receives information requests from German authorities in relation to other (criminal) investigations. ABN AMRO cooperates and provides the requested information to the fullest extent possible. Although a number of subsidiaries associated with these transactions have been sold by means of a management buy-out and these transactions are no longer performed, legal risks remain for ABN AMRO. It can not be excluded that ABN AMRO or subsidiairies will be faced with financial consequences as a result of their involvement in these transactions, including penalties and other measures under criminal law and civil law claims. All material tax issues with respect to ABN AMRO's reclaims for these transactions have been settled with the German tax authorities.

Coverage and impaired ratio by stage

(in millions)	31 December 2019				30 September 2019		31 December 2018	
	Gross carrying amount[4]	Allowances for credit losses	Coverage ratio	Stage ratio	Coverage ratio	Stage ratio	Coverage ratio	Stage ratio
Stage 1								
Loans and advances banks[1]	**5,016**	**5**	**0.1%**	**100.0%**	**0.1%**	**100.0%**	**0.1%**	**99.1%**
Residential mortgages	140,244	7	0.0%	94.6%	0.0%	97.2%	0.0%	97.7%
Consumer loans	10,999	30	0.3%	89.5%	0.3%	89.8%	0.3%	87.8%
Corporate loans[1]	84,652	137	0.2%	85.4%	0.1%	87.0%	0.2%	86.3%
Other loans and advances customers[1]	6,218		0.0%	98.8%	0.0%	98.7%	0.0%	98.4%
Total Loans and advances customers	**242,113**	**174**	**0.1%**	**91.0%**	**0.1%**	**93.0%**	**0.1%**	**93.0%**
Stage 2								
Loans and advances banks[1]	**1**		**0.4%**	**0.0%**	**1.0%**	**0.0%**	**1.8%**	**0.9%**
Residential mortgages	6,943	68	1.0%	4.7%	0.4%	2.0%	0.5%	1.8%
Consumer loans	928	70	7.5%	7.5%	4.9%	7.2%	5.4%	8.3%
Corporate loans[1]	9,125	119	1.3%	9.2%	1.3%	8.0%	1.3%	9.2%
Other loans and advances customers[1]	70	1	1.6%	1.1%	2.7%	1.2%	3.5%	1.5%
Total Loans and advances customers	**17,065**	**258**	**1.5%**	**6.4%**	**1.4%**	**4.6%**	**1.5%**	**4.9%**
Stage 3								
Loans and advances banks[1]				**0.0%**		**0.0%**		**0.0%**
Residential mortgages	1,038	65	6.2%	0.7%	6.8%	0.8%	10.0%	0.5%
Consumer loans	368	198	53.8%	3.0%	54.5%	3.0%	47.7%	3.9%
Corporate loans[1]	5,331	1,727	32.4%	5.4%	30.3%	4.9%	33.5%	4.6%
Other loans and advances customers[1]	4	4	100.0%	0.1%	100.0%	0.1%	68.9%	0.1%
Total Loans and advances customers[2]	**6,740**	**1,993**	**29.6%**	**2.5%**	**27.8%**	**2.4%**	**31.6%**	**2.2%**
Loans at fair value through P&L	**1,267**							
Fair value adjustments from hedge accounting	**3,342**							
Total Loans and advances banks[1]	5,016	5	0.1%		0.1%		0.1%	
Total Loans and advances customers	270,527	2,426	0.9%		0.8%		0.8%	
Other balance sheet items[3]	101,945	4	0.0%		0.0%		0.0%	
Total on-balance sheet	**377,489**	**2,436**	**0.6%**		**0.5%**		**0.6%**	
Irrevocable loan commitments and financial guarantee contracts	65,419	16	0.0%		0.0%		0.0%	
Other off-balance sheet items	6,733							
Total on- and off-balance sheet	**449,641**	**2,452**	**0.5%**		**0.5%**		**0.5%**	

1 The comparative figures for 2018 with regard to loans and advances banks, corporate loans and other loans and advances have been restated. For additional information, please refer to About this report.
2 Excluding fair value adjustments from hedge accounting on loans and advances customers and loans at fair value through P&L.
3 The allowances for credit losses excludes allowances for financial investments held at FVOCI (31 December 2019: EUR 1.3 million; 30 September 2019: EUR 1.2 million; 31 December 2018: EUR 1.6 million).
4 Gross carrying amount excludes fair value adjustments from hedge accounting.

Capital management

Regulatory capital structure

(in millions)	31 December 2019	30 September 2019	31 December 2018
Total equity (EU IFRS)	**21,471**	**20,995**	**21,360**
Dividend reserve	-668	-1,090	-752
AT1 capital securities	-1,987	-1,986	-1,986
Other regulatory adjustments	1,097	1,261	724
Common Equity Tier 1	**19,913**	**19,180**	**19,346**
AT1 capital securities	1,987	1,986	1,986
Other regulatory adjustments	-5	-4	-5
Tier 1 capital	**21,895**	**21,162**	**21,327**
Subordinated liabilities (EU IFRS)	10,041	10,198	9,805
Regulatory adjustments	-3,505	-3,550	-3,363
Tier 2 capital[1]	**6,536**	**6,648**	**6,441**
Total regulatory capital	**28,431**	**27,810**	**27,768**
Total risk-weighted assets	**109,825**	**105,633**	**105,391**
Exposure measure (under CDR)			
On-balance sheet exposures	375,054	400,152	381,295
On-balance sheet netting	8,275	8,570	9,875
Off-balance sheet exposures	104,154	105,088	96,878
Other regulatory measures	-3,174	-7,623	-6,619
Exposure measure	**484,309**	**506,187**	**481,428**
Impact CRR 2 (incl. SA-CCR)	-64,752	-66,255	-53,496
Exposure measure (incl. CRR 2)	**419,557**	**439,932**	**427,933**
Capital ratios			
Common Equity Tier 1 ratio	18.1%	18.2%	18.4%
Tier 1 ratio	19.9%	20.0%	20.2%
Total capital ratio	25.9%	26.3%	26.3%
Leverage ratio (CDR)	4.5%	4.2%	4.4%
Leverage ratio (incl. CRR2)	5.2%	4.8%	5.0%

1. ABN AMRO changed the presentation of the Tier 2 capital to ensure reconciliation with the condensed consolidated statement of financial position. As a result of the change, the regulatory adjustments have been presented separately, resulting in a presentation change in 2019 and in the comparative figures.

MREL

(in millions)	31 December 2019	30 September 2019	31 December 2018
Regulatory capital	28,431	27,810	27,768
Other MREL eligible liabilities[1]	2,885	2,900	2,976
Total MREL eligible liabilities	**31,316**	**30,710**	**30,744**
Total risk-weighted assets	109,825	105,633	105,391
MREL[2]	28.5%	29.1%	29.2%

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

Developments impacting capital ratios

Common Equity Tier 1 (CET1) capital increased significantly in Q4 2019 as year-to-date profits attributable to owners of the parent company (excluding AT1 capital securities) were added to CET1 capital based on a 62% pay-out ratio. Total RWA increased to EUR 109.8 billion at 31 December 2019 (30 September 2019: EUR 105.6 billion). At 31 December 2019, the CET1, Tier 1 and total capital ratios were 18.1%, 19.9% and 25.9% respectively (30 September 2019: 18.2%, 20.0% and 26.3% respectively). All capital ratios were in line with the bank's risk appetite and strategic ambitions and were well above regulatory minimum requirements.

The CET1 capital target range under Basel III remains 17.5-18.5%, consisting of a Basel IV implementation buffer on top of the current SREP capital requirement, the Pillar 2 guidance and a management buffer. While the Basel IV buffer has reduced, SREP has increased to 12.0% and Basel IV assumptions have been updated. Our capital position remained strong with a CET1 ratio of 18.1%, which was well within the target range. Compared with Q3 2019, the CET1 ratio decreased slightly, mainly reflecting a EUR 4.2 billion increase in RWA partly offset by the addition of year-to-date profits attributable to owners of the parent company (excluding AT1 capital securities) to CET1 capital. The increase in RWA was primarily attributable to credit risk and operational risk. In credit risk there was an increase of EUR 5.3 billion related to add-ons anticipating TRIM and model reviews, which were partly offset by business developments and changes in the risk weighting methodology of equity. RWA for operational risk increased by EUR 0.8 billion, mainly as a result of an update of the KYC/AML scenario in the capital model.

Including the Q4 2019 increase, we have recorded approximately EUR 10 billion for add-ons to RWA in anticipation of TRIM and model reviews since Q4 2018. The review of our corporate lending and specialised lending portfolios is in progress and we have already included some add-ons in our RWA to reflect preliminary TRIM feedback. RWA for mortgages will increase further in 2020 as a result of the risk weight floor announced by DNB. We also expect some impact from the guidelines for harmonising the definition of default in 2020. We expect a substantial further impact from TRIM later in 2020, which will further impact our Basel III RWA and likely impact Basel IV constrained IRB RWA. TRIM and model reviews, including the risk weight floor announced by DNB, are not expected to materially impact Basel IV fully-loaded RWA, as the output floor is a constraint for us. When TRIM and model reviews further reduce the gap between Basel III and Basel IV RWA, we will lower our Basel III target range of 17.5-18.5% accordingly.

We also continue to expect regulatory capital headwinds from the industry-wide non-performing exposure (NPE) guidance and minimum coverage levels for the existing stock of NPEs expected by the supervisor. In Q2 2019, we recorded a supervisory capital deduction of around EUR 0.2 billion. During the phase-in from 2020 to 2024, we estimate the combined annual impact of NPE regulations will be of a similar order of magnitude. We are working on mitigating actions aimed at increasing NPE velocity by intensifying management attention for clients in FR&R and realising potential NPE divestments.

At the end of Q4 2019, the estimated fully-loaded Basel IV CET1 ratio was above 14%. Basel IV calculations are subject to uncertainties stemming from EU implementation of Basel IV, data limitations, management actions and other portfolio developments. The Basel IV impact is regularly updated to reflect new insights on EU implementation (including EBA advice), solving data limitations and execution of mitigations. The first effects of measures implemented to mitigate Basel IV inflation are visible in the RWA, and we continue to work on further mitigations which are expected to mitigate around a further 20% of the Basel IV RWA inflation. We are well positioned to meet the Basel IV CET1 target of at least 13.5% early in the phase-in period. The timelines for implementing Basel IV in the EU remain uncertain. It is expected that the European Commission will present a proposal for EU implementation in the summer of 2020.

The Maximum Distributable Amount (MDA) trigger level under Basel III for 2020 equals 12.09%, reflecting the SREP requirements of 12.0% and the counter-cyclical buffer of 0.09%. The Pillar 2 requirement for 2020 has increased by 25bps compared with 2019, reflecting improvements required in credit risk models and processes, and our Detecting Financial Crime activities. The reported CET1 ratio is comfortably above the MDA trigger level. The distributable items amounted to EUR 18.5 billion at 31 December 2019.

Dividend

From 2018 onwards, the dividend pay-out has been set at 50% of net sustainable profit, excluding exceptional items that significantly distort profitability. Additional distributions, which can either be special dividends or share buy-backs (subject to regulatory approval), will be considered when capital is within or above the target range and will be subject to other circumstances, including regulatory and commercial considerations. The combined distribution will be at least 50% of net sustainable profit.

While we have a strong capital position and expect ongoing capital generation, we currently face a number of uncertainties. These include further significant TRIM impacts, a material add-on of around EUR 7.5 billion for mortgages imposed by the Dutch central bank (DNB), and we remain subject to an investigation by the Dutch public prosecutor. Given these uncertainties, ABN AMRO proposes a final cash dividend of EUR 639 million or EUR 0.68 per share, reflecting an additional distribution of EUR 233 million on top of the 50% pay-out ratio. Together with the interim cash dividend of EUR 564 million, this will bring the total dividend for 2019 to EUR 1,203 million or EUR 1.28 per share. This is equivalent to a pay-out ratio of 62% of reported net earnings after deduction of AT1 coupon payments and minority interests, and reflects a 12% additional distribution. In 2018, the pay-out ratio was also 62% with a EUR 1.45 dividend per share, or EUR 1,363 million.

Leverage ratio

The Capital Requirements Regulation (CRR) introduced a non-risk-based leverage ratio, which is expected to become a binding measure effective as of 1 January 2021. Based on the currently applicable rules (i.e. CEM methodology), the leverage ratio increased to 4.5% (30 September 2019: 4.2%) as year-to-date profits attributable to owners of the parent company (excluding AT1 capital securities) were added to Tier 1 capital based on a 62% pay-out ratio.

The CRR is expected to change the rules for calculating the exposure measure by mid-2021, including the use of the SA-CCR calculation methodology for clearing guarantees. ABN AMRO estimates that the cumulative CRR 2 adjustments, including the use of SA-CCR, is expected to lower the exposure measure by approximately EUR 65.0 billion, improving the fully-loaded leverage ratio by another 0.7 percentage points. At 31 December 2019, the fully-loaded leverage ratio increased to 5.2% based on SA-CCR, (30 September 2019: 4.8%) mainly due to an increase in Tier 1 capital and a decline in exposure measure.

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

MREL

In 2019, European Parliament approved a new version of the Bank Recovery and Resolution Directive (BRRD2), which means that amended international standards on loss absorption and recapitalisation have been incorporated into EU law and will become applicable in the member states during 2020. Based on our current interpretation of the MREL framework, but subject to further changes and SRB guidance, our preliminary MREL ambition is approximately 27% of RWA by 2022, based on own funds, subordinated instruments and senior non-preferred notes. Based on these instruments, MREL was 28.5% at the end of Q4 2019. In January 2020, the bank issued its first tranche of EUR 1.25 billion of senior non-preferred notes.

About this report

Introduction

This report presents ABN AMRO's results for the fourth quarter of 2019. It provides a quarterly business and financial review, as well as risk and capital disclosures.

Presentation of information

Except for the changes described below, the financial information contained in this Quarterly Report has been prepared according to the same accounting policies as our most recent financial statements, which were prepared in accordance with EU IFRS. The figures in this document have not been audited or reviewed by our external auditor. This report is presented in euros (EUR), which is ABN AMRO's presentation currency, rounded to the nearest million (unless otherwise stated). All annual averages in this report are based on month-end figures. Management does not believe these month-end averages present trends that are materially different from those that would be presented by daily averages. Certain figures in this report may not tally exactly due to rounding. Furthermore, certain percentages in this document have been calculated using rounded figures.

On 29 June 2019, ABN AMRO Bank N.V. merged with its parent company ABN AMRO Group N.V. As a result of the merger, ABN AMRO Group N.V. ceased to exist. The activities of ABN AMRO Group N.V. have been integrated into and continued in ABN AMRO Bank N.V. Shareholders of ABN AMRO Group N.V. became shareholders of ABN AMRO Bank N.V., while shares in ABN AMRO Bank N.V. are represented by depositary receipts, through which ABN AMRO's listing on Euronext Amsterdam has been retained. Before completion of the merger, ABN AMRO Bank N.V. made a payment of EUR 9,069 million from its retained earnings to ABN AMRO Group N.V., and ABN AMRO Group N.V. contributed the same amount to ABN AMRO Bank N.V.'s share premium. Consequently, ABN AMRO Bank N.V.'s retained earnings decreased by EUR 9,069 million and its share premium increased by the same amount. As the number of shares outstanding at ABN AMRO Group N.V. was 140 million higher, ABN AMRO Bank N.V. issued 140 million additional shares of EUR 1 each. These shares were funded out of the share premium. As a result of these transactions, the equity components of ABN AMRO Bank N.V. match the pre-merger equity components of ABN AMRO Group N.V. Holders of debt instruments continue to hold instruments issued by ABN AMRO Bank N.V.

The IFRS 16 standard became effective for annual periods beginning on or after 1 January 2019. IFRS 16 replaces IAS 17 Leases and removes the distinction between 'operating' and 'finance' leases for lessees. The impact on result and equity is not significant.

In 2019, the dividend on the AT1 instruments is no longer tax deductible, contrary to prior years. Furthermore, IAS 12 was amended with regard to dividend on equity instruments. Any income tax impact must be recognised in profit or loss. Changes in accounting policies need to be applied retrospectively. Comparative figures for 2018 have been adjusted, resulting in no change of income tax expense in the fourth quarter of 2018 and a EUR 26 million decrease for year-end 2018. Total equity was not impacted.

In 2019, ABN AMRO concluded that some amounts relating to central banks should not be reported in loans and advances to banks. An amount of EUR 1.3 billion was reclassified from loans and advances to banks, to cash and balances at central banks in the comparative figures as at 31 December 2018.

Within loans and advances to customers, ABN AMRO changed the presentation in the risk disclosure of all financial lease and factoring receivables. An amount of EUR 8.6 billion in assets, including EUR 0.6 billion in stage 2 and EUR 0.3 billion in stage 3, was reclassified from other loans and advances to corporate loans. The comparative figures have been adjusted accordingly

As at 1 January 2019, ABN AMRO changed the presentation of interest income and expense on hedge accounting. Interest income and expense on hedging instruments is presented in the same line item as the interest income and expense on the hedged item. The change enhances comparability with market participants and better reflects the net effective interest results on hedged assets and liabilities in an effective hedge accounting relationship. The interest results are included in interest income (expense) and calculated using the effective interest method. The change in presentation did not have an impact on net interest income. In addition to the changed presentation of interest income from hedge accounting, ABN AMRO decided to present interest expense at the same level of detail as interest income.

Due to the change in presentation of interest income and expense, the comparative figures have been adjusted, resulting in a EUR 2,321 million decrease of both interest income and interest expense as at 31 December 2018.

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

Due to the change, fee and commission income for 2019 decreased by EUR 966 million (2018: EUR 995 million) and fee and commission expense decreased by EUR 966 million as well (2018: EUR 995 million).

To download this report or to obtain more information, please visit us at abnamro.com/ir or contact us at investorrelations@nl.abnamro.com. In addition to this report, ABN AMRO provides an analyst and investor call, an investor presentation and a fact sheet regarding the Q4 2019 results.

Enquiries

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Investor call

A conference call for analysts and investors will be hosted by the bank on Wednesday 12 February 2020 at 11:00 AM CET (10:00 AM London time). To participate in the conference call, we strongly advise analysts and investors to pre-register for the call using the information provided on the ABN AMRO Investor Relations website. More information can be found on our website, abnamro.com/ir.

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

Disclaimer & cautionary statements

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

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

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