ABN·AMRO

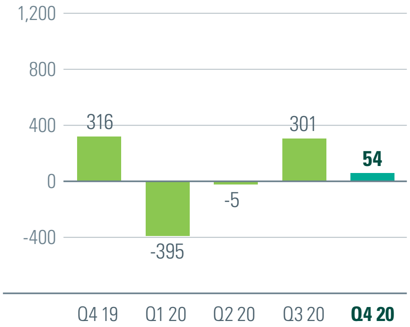
Quarterly Report

Fourth quarter 2020

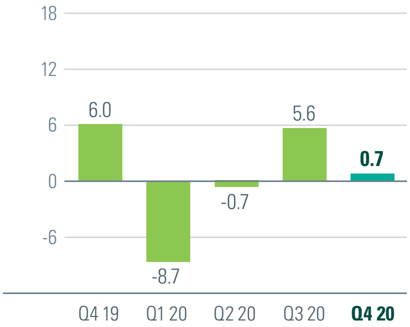
ABN AMRO Bank N.V.

Figures at a glance

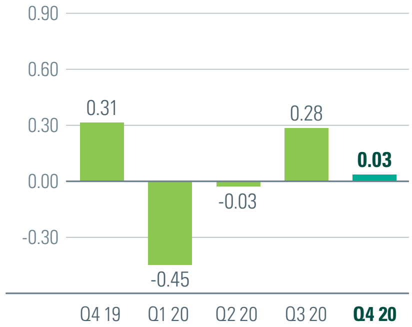
Net profit/(loss)
(in millions)



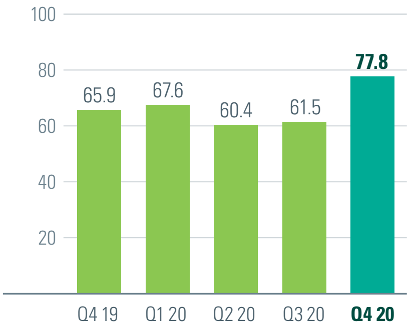
Return on equity[1,2,3]
(in %) Target is 8% by 2024



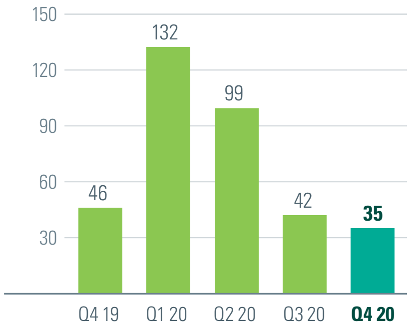
Earnings per share[4]
(in EUR)



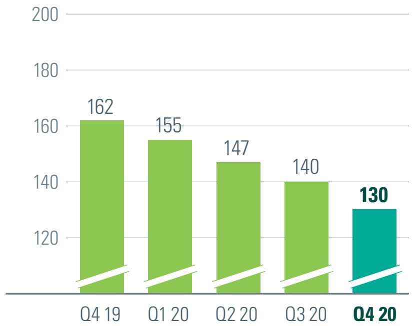
Cost/income ratio[3]
(in %)



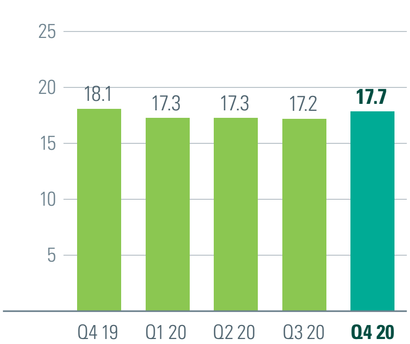
Cost of risk[1,5]
(in bps)



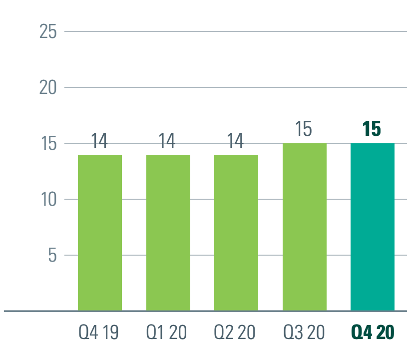
Net interest margin
(in bps)



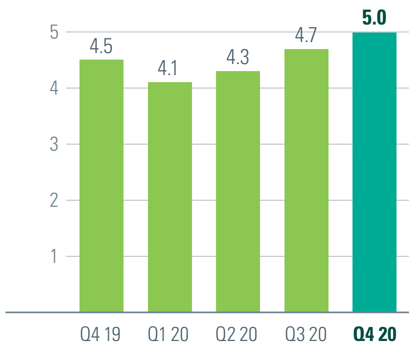
CET1 ratio (Basel III)[3,6]
(end-of-period, in %)



CET1 ratio (Basel IV)[6,7]
(end-of-period, in %) Target is 13%



Leverage ratio (CDR)[6]
(end-of-period, in %)



1 Calculation based on annualised figures.
2 Annualised profit/(loss) for the period, excluding coupons attributable to AT1 capital securities and results attributable to non-controlling interests, divided by the average equity attributable to the owners of the company excluding AT1 capital securities.
3 As a result of the Strategy review presented on 30 November 2020, the strategic target ranges were reconsidered. For more information, please refer to the Message from the CEO.
4 Annualised profit/(loss) for the period, excluding coupons attributable to AT1 capital securities and results attributable to non-controlling interests, divided by the average outstanding and paid-up ordinary shares.
5 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.
6 In Q4, the full-year profit/(loss) attributable to owners of the parent company, excluding AT1 capital securities, is added to CET1 capital after deduction of the proposed 62% full-year dividend payout. In the other quarters, only interim losses attributable to owners of the parent company, excluding AT1 capital securities, are included in CET1 capital.
7 Basel IV results are based on fully-loaded figures, rounded to the nearest whole percent and subject to the implementation of Basel IV standards into EU legislation. Please refer to the Capital management section.

Message from the CEO

Introduction

The Covid-19 pandemic continues to affect all aspects of society, changing how we work, learn and interact. The Dutch economy and housing market remain resilient as government programmes aimed at reducing the impact on the economy continue. We expect that the roll-out of the vaccination programme will facilitate a significant lifting of restrictions in Q2, rapidly leading to a strong economic rebound in the second half of the year. I am proud of the commitment we have demonstrated to our clients in a year dominated by Covid-19, working closely with the government and other banks. We supported around 90,000 clients with automatic deferral of interest and principal payments. I am also proud of the commitment our staff have shown to each other and our stakeholders. We have been able to make a difference for many of our clients, true to our purpose 'Banking for better, for generations to come'. I would like to thank our clients for their ongoing trust. We will continue to provide support where possible.

Navigating the bank through Covid-19 has been a priority in my first year as the CEO of ABN AMRO and we will continue to focus on the wellbeing of our clients and staff. In November, we presented the outcome of the strategy review after already taking decisive action at Q2 to wind down our Corporate & Institutional Banking (CIB) activities outside Northwest Europe. We made clear choices, creating a distinct profile and focus, and have set out a new capital framework. At the same time, we made progress in our licence to operate and in enhancing the bank's culture, my other priorities. Against the backdrop of Covid-19, we closed the year with a modest loss. The bank continues to operate from a position of strength, with a distinct profile, clear strategic focus and a very strong capital position, providing a solid base for future growth in segments where we have focus and scale. We are cautiously optimistic about the prospects for the bank as we execute on our strategy.

Financial results

Net profit in Q4 was EUR 54 million, reflecting solid operational performance, seasonally higher regulatory levies and lower impairments under challenging circumstances. Net interest income was impacted by continued pressure on deposit margins, a one-off charge resulting from a change in accounting estimates, and lower corporate loan volumes as we reduced the CIB non-core portfolio by around 45% in the second half of the year. We reached our cost target of EUR 5.1 billion for 2020, excluding the restructuring provisions for the CIB non-core wind-down, delivering on a EUR 1.1 billion cost-savings programme. Impairments decreased further to EUR 220 million in Q4. Full-year impairments, at EUR 2.3 billion, were below previous guidance, largely because CIB had fewer individual files while the CIB non-core portfolio performed better and was reduced faster than expected. We still expect the impact of Covid-19 to persist into 2021, albeit with lower impairment levels than in 2020.

The financial results for 2020 were marked by Covid-19, but were also impacted by large exceptional client files. The resulting return on equity (ROE) for 2020 was an unsatisfactory -0.8% and the cost/income ratio was 66%. Excluding CIB non-core, net profit for 2020 was EUR 1,140 million, corresponding to an ROE of 5.4%. In order to re-establish our confirmed risk appetite, we have tightened risk standards, especially in CIB (including Clearing). Our capital position remained very strong, with a fully-loaded Basel III CET1 ratio of 17.7% and a Basel IV CET1 ratio above 15%.

CIB review

We are making good progress in winding down the CIB non-core business, supported by some small disposals at low discounts. We have seen a strong decline in the portfolio, mainly in Trade & Commodity Finance. When possible, we will accelerate the natural wind-down through loan disposals while safeguarding value. As the wind-down progresses, CIB will align further with the moderate risk profile of the bank, reducing the cost of risk going forward. Meanwhile CIB core is leveraging on our strong foothold in the Netherlands as business momentum is picking up and investing in expertise in selected niches in Northwest Europe.

Capital
Our capital position remains very strong even after absorbing risk-weighted asset (RWA) add-ons amounting to EUR 21 billion in anticipation of the targeted review of internal models (TRIM) and model reviews. The TRIM process is being finalised. I am pleased with our very strong capital position, which provides resilience. Based on the revised ECB recommendation and the loss recorded in 2020, regrettably no dividend will be proposed over 2020. We reconfirm our intention to resume payment of dividends, sustainably, conditions permitting and taking into account ECB recommendations. With a Basel IV CET1 ratio above 15%, we are well placed to pay FY2019 dividend, conditions permitting.

Strategy review
A clear vision is essential in navigating the bank through current circumstances. In November, we presented the outcome of the strategy review including our targets for the longer term and our vision for the bank. We will be a personal bank in the digital age, serving clients where we have scale in the Netherlands and Northwest Europe. Our strong brand and attractive market positions provide us with a strong foundation. Our strategic pillars - customer experience, sustainability and future-proof bank - remain our guiding principles in acting on our purpose 'Banking for better, for generations to come'. We will focus on attractive segments where we can grow profitably, building on our strong market positions across all segments. The wind-down of the CIB non-core portfolio as announced in August was a first step to bring focus and scale in CIB.

Our trusted relationships with clients, together with our capabilities across all client segments, enable us to support them at all important financial steps in their lives. We deliver a convenient daily banking experience increasingly digitally. At moments that matter, we support our clients with sector and sustainability expertise. Our clients increasingly need expertise to support them in the sustainability shift and we are their first-choice partner in climate change, the circular economy and social impact. We are building a future-proof bank by rigorously simplifying and centralising our operating model, enabling us to focus on clients and work more efficiently.

Customer experience
As a personal bank in the digital age we provide convenience everywhere and expertise where it matters. We continue to engrain the customer experience and focus on segments where we can grow profitably. In the Netherlands we will grow in the segments wealthy clients, affluent clients and mid- to large corporates, where we leverage our expertise. We will further develop our leading positions in mortgages and SMEs with new propositions, aiming to increase our market share in both segments to above 20%. Later in 2021, we will launch Moneyou as a price competitive mortgage label and introduce new digital payment packages for SMEs. In Northwest Europe we will leverage our expertise in the energy, digital and mobility transition, aiming for a top 3 market position in selected niches. We remain open to bolt-on acquisition opportunities, especially in private banking.

Sustainability
Sustainability is at the heart of everything we do. We aim to increase the volume of sustainable client loans and investments from around one-fifth to one-third in 2024. ABN AMRO has EUR 26 billion of sustainably invested client assets, including EUR 1 billion in impact investments. Impact investing is now also available to private investors through the Global Impact Equity Fund, which we launched with our partner AEGON AM, giving clients the opportunity to invest in companies that have a positive impact on society and the environment. I am proud that ABN AMRO has once again achieved a high score in S&P Global's SAM Corporate Sustainability Assessment, putting us in the top 10% of most sustainable banks worldwide. The Partnership for Carbon Accounting Financials (PCAF), of which ABN AMRO is a co-founder, has released a tool to measure and report greenhouse gas emissions linked to loans and investments, an important instrument in the mitigation of climate change. The PCAF Standard is already used by 96 financial institutions worldwide.

Future-proof bank
We are building on our digital capabilities and accelerating our propositions. Around 90% of high volume processes will be digitalised end-to-end by 2024 and we will further streamline our product portfolio by around 60% by 2024. As clients make the shift to digital, we will continue to reduce the number of branch offices. In 2020, more than 80% of our retail clients were already using our mobile

app and clients logged in more than 1 billion times. A growing number of clients are using the app for the first time, especially senior clients. Our financial coaches will continue to be available to clients who need support to ensure they maintain access to banking services.

Enhancing the bank's culture and compliance

As a value-driven organisation, our decisions and behaviour need to be in line with our purpose and strategy. Taking ownership, setting clear targets and being accountable are key to execution as well as to our licence to operate – as are risk management and compliance, including the fight against money laundering. We are fully committed to our moderate risk profile and our role as a gatekeeper of the financial system. Our culture and licence to operate remain clear priorities. We are making progress in our AML remediation programmes. In the past year, the number of FTEs committed to these activities grew from around 2,000 FTEs to around 3,800 FTEs. The investigation into our AML activities is ongoing and we continue to fully cooperate.

In conclusion

In our strategy review we made clear choices, resulting in a distinct profile and focus. The continued commitment of our staff is clearly evidenced by the recent high employee engagement score of 84%, demonstrating continued engagement in driving digitalisation and strengthening client relationships. Our staff is the essence of the bank and I am proud of their dedication. A great deal of dedication has also been shown by Clifford Abrahams, our CFO, who will leave the bank at the end of February. We will sincerely miss his commitment and relentless drive in taking the bank forward.

Robert Swaak
CEO of ABN AMRO Bank N.V.

Strategy review - guidance and targets

As part of our strategy review, we announced financial targets and guidance set out here.

Safeguarding income in low-rate environment

The low interest rate environment and wind-down of the CIB non-core portfolio will continue to impact net interest income. We aim to safeguard income by growing market share in focus segments by 2 to 5 percentage points by 2024. We expect fees to recover when lockdowns lift and to grow strongly after that as we increasingly charge for our convenience and expertise.

Continued cost focus

We have a good track record of cost control. We are targeting costs no higher than EUR 4.7 billion in 2024, reflecting EUR 700 million of further cost savings. We expect a further reduction of staff of around 15% by 2024, mostly from 2022 onwards. We will reduce the impact on staff through natural attrition and reskilling in roles where we expect shortages. We expect around EUR 300 million of strategic investments and a restructuring provision of around EUR 150 million through 2023.

Cost of risk

We reconfirm our through-the-cycle cost of risk of 25 to 30 basis points. The non-core CIB activities were an important cause of disappointing cost of risk in recent years. The wind-down of the CIB non-core portfolio is well on track and will improve the bank's risk profile. Discipline in executing the sharpened risk framework will contribute to lower volatility in impairments.

Return on equity

We target an ROE of around 8% by 2024 when the cost of risk is expected to have normalised, cost-savings programmes will be completed and growth initiatives will be delivering. Our ROE ambition remains 10% and this will require some normalisation of the currently low interest rates over time.

Objectives	Metric	2024 targets
Deliver attractive returns	Return on equity	8% (10% ambition with normalised rates)
Safeguard income	Market share growth	2-5 percentage points in focus segments
Reduce costs	Absolute cost base	EUR ≤ 4.7 billion
Return to moderate risk profile	Cost of Risk	25-30bps through-the-cycle
Maintain strong capital position	Basel IV CET1 ratio	13%
Resume attractive shareholder distributions	Dividend payout ratio	At least 50% of net sustainable profit

Capital framework

We have set out our capital framework despite current uncertainties. We are committed to resuming payment of dividends, sustainably, conditions permitting and taking into account ECB recommendations. We will resume dividend pay-out at a ratio of 50% of net profit, after deduction of AT1 coupon payments and minority interests. We have adopted Basel IV as the primary capital metric with a Basel IV CET1 target ratio of 13%. When our Basel IV CET1 ratio is above the threshold of 15% we will consider share buybacks subject to conditions and regulatory approval, not before FY2021. The threshold will be recalibrated as uncertainties reduce.

ABN AMRO results excluding CIB non-core

The wind-down of the CIB non-core portfolio as announced in August 2020 was a first step towards focus and scale, reducing risk and aligning CIB with the bank's moderate risk profile. The table below shows a financial overview of ABN AMRO excluding CIB non-core. Excluding CIB non-core, net profit for 2020 was EUR 1,140 million, corresponding to a return on equity of 5.4%. An analysis of ABN AMRO bank's performance is given in the next section.

(in millions)	Q4 2020	Q4 2020 non-core (pro forma)[4]	Q4 2020 excl. non-core (pro forma)[4]	2020	2020 non-core (pro forma)[4]	2020 excl. non-core (pro forma)[4]
Net interest income	1,353	70	1,284	5,863	361	5,502
Net fee and commission income	387	7	380	1,558	80	1,478
Other operating income	60	-22	83	494	-64	559
Operating income	**1,800**	**55**	**1,746**	**7,916**	**376**	**7,539**
Personnel expenses	563	21	542	2,280	227	2,053
Other expenses	838	57	780	2,976	221	2,756
Operating expenses	**1,401**	**78**	**1,323**	**5,256**	**448**	**4,808**
Operating result	**400**	**-23**	**423**	**2,660**	**-71**	**2,731**
Impairment charges on financial instruments	220	81	139	2,303	1,107	1,196
Profit/(loss) before taxation	**180**	**-104**	**284**	**356**	**-1,178**	**1,535**
Income tax expense	126	5	121	401	7	394
Profit/(loss) for the period	**54**	**-109**	**163**	**-45**	**-1,185**	**1,140**
Cost/income ratio	77.8%	142.4%	75.8%	66.4%	119.0%	63.8%
Cost of risk (in bps)[1]	35	261	24	78	552	46
Other indicators						
Return on average equity[2]	0.7%	-23.9%	3.0%	-0.8%	-62.4%	5.4%
Loans and advances customers (end of period, in billions)	252.2	9.7	242.5			
- of which Client loans (end of period, in billions)[3]	*235.5*	*11.0*	*224.5*			
Risk-weighted assets (end of period, in billions)	110.5	11.4	99.1			

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 Return on equity based on net profit/(loss) excluding minority interest. Equity based on Basel III risk-weighted assets multiplied with 13.75%.
3 Gross carrying amount excluding fair value adjustment from hedge accounting.
4 Pro forma figures subject to final allocation between CIB core and non-core and further review.

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 was EUR 54 million in Q4 2020, reflecting solid operational performance, seasonally higher regulatory levies and lower impairments under challenging circumstances.
- Good progress continued to be made in the CIB non-core wind-down, with loans down EUR 7.8 billion or 45% since 30 June 2020.
- Net interest income was EUR 1,353 million (Q4 2019: EUR 1,586 million), mainly reflecting continued pressure on deposit margins and the CIB non-core wind-down.
- Net fee and commission income increased compared with the previous quarter, totalling EUR 387 million (Q3 2020: EUR 359 million) across all business segments.
- We reached our cost target of EUR 5.1 billion for 2020, excluding restructuring provisions for the CIB non-core wind-down, delivering on a EUR 1.1 billion cost-savings programme (versus full-year 2015).
- Impairment charges were lower compared with previous quarters, totalling EUR 220 million (Q4 2019: EUR 314 million). We still expect the impact of Covid-19 to persist into 2021.
- Very strong capital position, with the CET1 ratio at 17.7% under Basel III and above 15% under Basel IV. The TRIM process (only impacting Basel III figures) is finalising, resulting in a total impact around EUR 21 billion of RWA add-ons in anticipation of TRIM and model reviews.
- Based on the revised ECB recommendation and the loss recorded in 2020, regrettably no dividend will be proposed over 2020. We are well placed to pay the full-year 2019 dividend, and again confirm our intention to resuming payment of dividends, sustainably, conditions permitting and taking into account ECB recommendations.

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

Operating results

(in millions)	Q4 2020	Q4 2019	Change	Q3 2020	Change	2020	2019	Change
Net interest income	1,353	1,586	-15%	1,469	-8%	5,863	6,468	-9%
Net fee and commission income	387	396	-2%	359	8%	1,558	1,632	-5%
Other operating income	60	119	-49%	379	-84%	494	504	-2%
Operating income	**1,800**	**2,101**	**-14%**	**2,207**	**-18%**	**7,916**	**8,605**	**-8%**
Personnel expenses	563	583	-3%	658	-14%	2,280	2,247	1%
Other expenses	838	802	4%	699	20%	2,976	3,021	-1%
Operating expenses	**1,401**	**1,384**	**1%**	**1,357**	**3%**	**5,256**	**5,268**	
Operating result	**400**	**717**	**-44%**	**850**	**-53%**	**2,660**	**3,337**	**-20%**
Impairment charges on financial instruments	220	314	-30%	270	-18%	2,303	657	
Profit/(loss) before taxation	**180**	**403**	**-55%**	**580**	**-69%**	**356**	**2,680**	**-87%**
Income tax expense	126	87	45%	279	-55%	401	634	-37%
Profit/(loss) for the period	**54**	**316**	**-83%**	**301**	**-82%**	**-45**	**2,046**	
Attributable to:								
Owners of the parent company	54	316	-83%	301	-82%	-45	2,046	
Other indicators								
Net interest margin (NIM) (in bps)	130	162		140		143	164	
Cost/income ratio	77.8%	65.9%		61.5%		66.4%	61.2%	
Cost of risk (in bps)[1]	35	46		42		78	24	
Return on average equity[2]	0.7%	6.0%		5.6%		-0.8%	10.0%	
Dividend per share[3]		0.68					1.28	
Earnings per share (in EUR)[4]	0.03	0.31		0.28		–	2.06	
Client assets (end of period, in billions)	289.3	296.5		283.4				
Risk-weighted assets (end of period, in billions)	110.5	109.8		114.1				
Employee FTEs (end of period)	19,234	17,977		18,952				
Non-employee FTEs (end of period)	5,621	4,749		5,391				

[1] Annualised impairment charges on loans and advances customers for the period divided by the average loans and advances customers (excluding at fair value through P&L) on the basis of gross carrying amount and excluding the fair value adjustments from hedge accounting.
[2] Annualised profit/(loss) for the period, excluding coupons attributable to AT1 capital securities and results attributable to non-controlling interests, divided by the average equity attributable to the owners of the company excluding AT1 capital securities.
[3] Interim/final dividend per share over the relevant period as declared/proposed by the company, subject to approval at the annual general meeting (AGM). ABN AMRO has followed the ECB's recommendations on dividend payments and did not yet submit the proposal for final dividend 2019 to the AGM. For more information, please refer to the Capital management section.
[4] Annualised profit/(loss) for the period, excluding coupons attributable to AT1 capital securities and results attributable to non-controlling interests, divided by the average outstanding and paid-up ordinary shares.

Large incidentals

Adjusted accounting estimates for amortisation of penalty interest on mortgages

In Q4 2020, ABN AMRO adjusted its accounting estimate for amortisation of penalty interest on mortgages to reflect client behaviour over the past years. Penalty interest on mortgages can be paid either upfront or spread over the new interest term (interest averaging). For interest averaging, a receivable based on the estimated future penalty cash flows is accrued, taking anticipated client behaviour into account. If clients sell their house and prepay their mortgage, ABN AMRO is no longer entitled to any remaining penalty cash flows. The volume of clients selling their house (prepaying) has increased significantly, resulting in a reduction of penalty interest receivable. This one-off charge of EUR 80 million was recorded in net interest income at ALM in Group Functions.

Positive revaluation DSB claim

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

Release for discretionary variable remuneration

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

Provision for outstanding holiday entitlements

Q4 2020 included a provision of EUR 17 million in personnel expenses at Group Functions for outstanding holiday entitlements as employees took fewer holidays due to Covid-19.

Provision for AML programme

Other expenses in Q4 2020 included a EUR 26 million addition to the provision for AML remediation programmes, largely recorded at Group Functions (for Commercial Banking). Q3 2020 included an EUR 18 million addition, of which EUR 13 million was recorded at Group Functions (for Commercial Banking) and EUR 5 million at Retail Banking. In Q4 2019, an addition of EUR 33 million for AML remediation programmes was recorded at Commercial Banking (EUR 25 million) and at Retail Banking (EUR 8 million). Cumulative provisions for AML remediation programmes now amount to EUR 303 million.

CIB non-core wind-down
Other expenses in Q4 2020 included a EUR 16 million one-off for the wind-down of the CIB non-core portfolio, relating to the right of use for the international offices, which has now been fully written down. Q3 2020 included a EUR 144 million provision, of which EUR 103 million was recorded in personnel expenses and EUR 41 million in other expenses. Q3 2020 also included a EUR 120 million write-off for deferred tax assets, which was recorded in income tax expense.

Restructuring provisions
Q4 2020 included EUR 11 million net in restructuring provisions recorded in personal expenses, of which EUR 9 million was recorded at Private Banking. Q4 2019 included EUR 3 million in restructuring provisions.

Q4 2019 and Q3 2020
Collective labour agreement (CLA)
Q4 2019 included a one-off payment of EUR 30 million to the pension fund, recorded in personnel expenses, as agreed under the collective labour agreement for 2020-2021.

Sale and leaseback office Paris
In Q3 2020, ABN AMRO concluded the sale and lease-back transaction of the Neuflize OBC office building in Paris. The book gain before tax amounted to EUR 263 million (EUR 181 million net of tax) and was recognised in other operating income at Private Banking.

Release relating to tax deductibility of AT1 coupon payments
In Q3 2020, following a Dutch court ruling regarding the tax deductibility of AT1 coupon payments, a release of EUR 55 million was recorded in tax to reflect the tax relief on AT1 coupon payments in 2019 and 2020.

Fourth-quarter 2020 results

Net interest income amounted to EUR 1,353 million in Q4 2020 (Q4 2019: EUR 1,586 million). The decrease was largely caused by continued pressure on deposit margins in a low interest rate environment and lower average corporate loan volumes due to the ongoing wind-down of the CIB non-core portfolio. Furthermore, Q4 2020 included a EUR 80 million one-off charge for adjusted accounting estimates regarding amortisation of penalty interest on mortgages. This adjustment was partly offset by a positive revaluation of EUR 23 million for a DSB claim. Net interest margin amounted to 130bps in Q4 2020 (Q4 2019: 162bps), predominantly due to higher total assets (mainly TLTRO III participation). Compared with Q3, net interest income came down by EUR 115 million, largely due to incidentals (EUR 57 million), lower deposit margins and volumes (EUR 28 million) and the CIB non-core wind-down (EUR 16 million). From Q1 2021, ABN AMRO will lower its threshold for charging negative interest rates from EUR 2.5 million to EUR 0.5 million per client.

Net fee and commission income was EUR 387 million in Q4 2020 (Q4 2019: EUR 396 million), largely reflecting the negative impact of Covid-19 on credit card usage at ICS (Retail Banking) and the wind-down of the CIB non-core portfolio (reduced client activity), partly offset by higher income at Clearing (CIB) resulting from significantly increased market volatility. Compared with Q3, net fee and commission income improved by EUR 28 million across all segments, including higher income from securities as a result of clients switching from cash to securities.

Other operating income amounted to EUR 60 million in Q4 2020 (Q4 2019: EUR 119 million). Q4 2020 included lower net trading income and a modest haircut on loan disposals as part of the wind-down of the CIB non-core portfolio, while Q4 2019 included a book gain for the Moneyou Belgium sale. Volatile items in Q4 2020 were EUR 21 million higher (Q4 2019: EUR 1 million negative) and included more favourable hedge accounting-related results (EUR 7 million in Q4 2020 versus EUR 22 million negative in Q4 2019), higher CVA/DVA/FVA[1] results, largely due to improved credit spreads (EUR 35 million in Q4 2020 versus EUR 15 million in Q4 2019) and lower equity participation results (EUR 22 million negative in Q4 2020 versus EUR 6 million in Q4 2019). Compared with Q3 2020, other operating income decreased by EUR 319 million, largely due to the sale of the Neuflize OBC office building in Paris in Q3 (book gain of EUR 263 million).

Personnel expenses were EUR 563 million in Q4 2020 (Q4 2019: EUR 583 million). Excluding incidentals, personnel expenses increased slightly, by EUR 7 million, as a rise in FTEs and wage inflation was partly offset by lower pension costs (as agreed in the new CLA).

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

Compared with Q3, personnel expenses excluding incidentals increased by EUR 4 million, largely due to a higher number of FTEs.

Employee FTEs went up by 1,258 from Q4 2019, totalling 19,234 in Q4 2020. The increase is largely explained by additional resources for the upscaling of AML activities. Compared with Q3, the number of FTEs increased by 282, also primarily due to the upscaling of AML activities.

Other expenses amounted to EUR 838 million in Q4 2020 (Q4 2019: EUR 802 million). Excluding provisions, other expenses increased by EUR 27 million, largely due to higher regulatory levies and investments in IT, partly offset by cost-saving programmes. Compared with Q3, excluding provisions, other expenses increased mainly due to seasonally higher regulatory levies in the fourth quarter and partly due to upscaled AML activities (reflecting a rise in non-employee FTEs).

Impairment charges were lower, totalling EUR 220 million in Q4 2020 (Q4 2019: EUR 314 million), of which approximately EUR 169 million related to the economic impact of Covid-19 and related oil price developments. The main additions to the impairment charges were recorded for individual files within corporate loans and two management overlays within Commercial Banking, and were partly offset by the impact of an updated macroeconomic outlook, releases for written-off files and decreasing volumes in the CIB non-core portfolio. The cost of risk was 35bps (Q4 2019: 46bps).

Income tax expense was EUR 126 million in Q4 2020 (Q4 2019: EUR 87 million). This quarter included the annual Dutch bank tax (recorded in other expenses), which is not tax deductible. Furthermore, no full tax benefit was recognised on losses incurred in specific tax jurisdictions in relation to the CIB non-core wind-down, since deferred tax assets could not be recognised on these losses.

Profit attributable to owners of the parent company, excluding coupons attributable to AT1 capital securities, amounted to EUR 32 million in Q4 2020, largely supported by moderating impairments due to continued effective government support, despite a one-off charge for an adjustment in accounting estimates.

RWA decreased to EUR 110.5 billion (30 September 2020: EUR 114.1 billion), largely reflecting lower credit risk related to the CIB non-core wind-down, which was partly offset by an EUR 1.1 billion increase in TRIM add-ons (the TRIM process is finalising).

Full-year results

ABN AMRO recorded a modest loss of EUR 45 million in 2020, while 2019 recorded a profit of EUR 2,046 million. The decrease was largely due to significant impairments (EUR 2,303 million versus EUR 657 million in 2019), mainly reflecting the economic impact of Covid-19 and related oil price developments, and three exceptional client files.

Return on Equity for 2020 was 0.8% negative, compared with 10.0% in 2019, mainly as a result of record high impairments, and to a lesser extent, lower net interest income.

Net interest income was EUR 5,863 million, compared with EUR 6,468 million in 2019. Excluding incidentals and divestments, net interest income declined mainly as a result of continued pressure on deposit margins in a low interest rate environment and lower average corporate loan volumes due to the ongoing wind-down of the CIB non-core portfolio.

Net fee and commission income amounted to EUR 1,558 million, a decrease of EUR 74 million compared with 2019. Excluding divestments (mainly Stater), the decrease in net fee and commission income was largely attributable to lower credit card usage at ICS (Retail Banking) due to Covid-19, and the wind-down of the CIB non-core portfolio, which was partly offset by higher income at Clearing (CIB) as market volatility was higher in 2020.

Other operating income remained broadly stable, totalling EUR 494 million in 2020 (2019: EUR 504 million). 2020 included a EUR 263 million book gain for the sale of our Paris office and a EUR 94 million decline in income from volatile items, while 2019 included a EUR 130 million book gain for the sale of Stater.

Personnel expenses, excluding incidentals and divestments (mainly Stater), remained broadly flat, totalling EUR 2,280 million in 2020. This included lower pension costs (as agreed in the new CLA) and higher costs due to the upscaling of AML activities and wage inflation.

Other expenses, excluding incidentals, increased by EUR 10 million to EUR 2,976 million in 2020, largely due to higher regulatory levies. Costs for the upscaling of AML activities were largely offset by cost-saving programmes.

Impairment charges were significant in 2020, totalling EUR 2,303 million (2019: EUR 657 million), mainly reflecting the economic impact of Covid-19 and related oil price developments, and three exceptional client files. The full-year impairment charges were lower than previous guidance, largely because the CIB non-core portfolio performed better, and was reduced faster than expected. We still expect the impact of Covid-19 to persist into 2021. The cost of risk amounted to 78bps in 2020 (2019: 24bps).

Income tax expense amounted to EUR 401 million in 2020 (2019: EUR 634 million). The decrease is attributable to the result for 2020 being lower than the result for 2019. However, the effective tax rate increased significantly due to an unfavourable geographical mix of pre-tax income and pre-tax losses, as well as the fact that no full tax benefit was recognised on the provision for the CIB non-core wind-down, since deferred tax assets could not be recognised on losses incurred in specific tax jurisdictions. Furthermore, 2020 included a EUR 120 million write-off of deferred tax assets relating to the wind-down of the CIB non-core portfolio.

Balance sheet

Condensed consolidated statement of financial position

(in millions)	31 December 2020	30 September 2020	31 December 2019
Cash and balances at central banks	60,190	59,073	27,558
Financial assets held for trading	1,315	2,765	1,137
Derivatives	6,381	6,837	5,730
Financial investments	47,455	47,733	45,277
Securities financing	16,725	27,775	14,905
Loans and advances banks	3,394	5,211	5,011
Loans and advances customers	252,159	261,221	267,604
Other	8,005	9,335	7,831
Total assets	**395,623**	**419,949**	**375,054**
Financial liabilities held for trading	563	1,110	675
Derivatives	7,391	8,524	6,505
Securities financing	11,363	19,063	8,234
Due to banks	36,719	37,417	12,785
Due to customers	238,570	248,456	234,991
Issued debt	66,949	70,912	75,275
Subordinated liabilities	8,069	8,282	10,041
Other	5,010	5,352	5,076
Total liabilities	**374,634**	**399,117**	**353,582**
Equity attributable to the owners of the parent company	20,989	20,831	21,471
Total equity	**20,989**	**20,831**	**21,471**
Total liabilities and equity	**395,623**	**419,949**	**375,054**
Committed credit facilities	55,207	55,443	54,673
Guarantees and other commitments	8,981	9,881	17,479

Main developments in total assets compared with 30 September 2020

Total assets declined by EUR 24.3 billion, totalling EUR 395.6 billion at 31 December 2020. The decline was mainly driven by lower securities financing assets (seasonally) and lower loans and advances to customers (CIB non-core wind-down and seasonal pattern).

Securities financing assets came down by EUR 11.1 billion to EUR 16.7 billion at 31 December 2020, reflecting a seasonal pattern.

Loans and advances customers decreased by EUR 9.1 billion, totalling EUR 252.2 billion. The decline was largely attributable to a decline in client loans, and to a lesser extent, lower loans to professional counterparties.

Client loans declined by EUR 6.5 billion to EUR 235.5 billion at 31 December 2020. The decrease mainly reflected a decline in corporate loans at CIB, which was largely attributable to the ongoing wind-down of the CIB non-core portfolio. Furthermore, there was a slight decrease in corporate loans at Commercial Banking, mainly due to lower demand as an effect of Covid-19, and in residential mortgages, mainly due to seasonally higher mortgage redemptions.

Loans to professional counterparties and other loans decreased by EUR 2.5 billion, totalling EUR 16.3 billion, mainly due to seasonal effects (as clients brought down their position before the year-end).

Loans and advances customers

(in millions)	31 December 2020	30 September 2020	31 December 2019
Residential mortgages	145,672	146,521	148,225
Consumer loans	11,232	11,450	12,294
Corporate loans to clients[1]	78,587	84,000	89,756
- of which Commercial Banking	*39,838*	*40,711*	*41,500*
- of which Corporate & Institutional Banking	*31,560*	*36,141*	*41,136*
Total client loans[2]	**235,491**	**241,971**	**250,276**
Loans to professional counterparties and other loans[3]	16,297	18,841	16,412
Total loans and advances customers[2]	**251,788**	**260,813**	**266,687**
Fair value adjustments from hedge accounting	3,838	3,911	3,342
Less: loan impairment allowances	3,467	3,503	2,426
Total loans and advances customers	**252,159**	**261,221**	**267,604**

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

Main developments in total liabilities and equity compared with 30 September 2020

Total liabilities came down by EUR 24.5 billion, totalling EUR 374.6 billion at 31 December 2020, mainly driven by a decline in amounts due to customers, securities financing liabilities and issued debt securities.

Securities financing liabilities came down by EUR 7.7 billion to EUR 11.4 billion at 31 December 2020, reflecting a seasonal pattern.

Due to customers decreased by EUR 9.9 billion, totalling EUR 238.6 billion at 31 December 2020. This decline was largely caused by seasonally lower professional deposits (as clients brought down their position before the year-end) and, to a lesser extent, lower client deposits (partly due to outflow resulting from lowering the threshold for negative interest rates).

Issued debt securities declined by EUR 4.0 billion to EUR 66.9 billion at 31 December 2020, mainly due to matured long-term and short-term funding, and lower amounts of newly issued debt (due to TLTRO III participation). At 31 December 2020, issued debt included EUR 30.3 billion for covered bonds, EUR 28.8 billion for unsecured funding and EUR 2.5 billion for senior non-preferred funding. EUR 19.3 billion in outstanding wholesale funding matures within 12 months.

Total equity increased by EUR 0.2 billion to EUR 21.0 billion at 31 December 2020. This increase was mainly attributable to the inclusion of profit for the period and an increase in accumulated other comprehensive income.

Equity attributable to owners of the parent company, excluding AT1 securities, increased by EUR 0.2 billion to EUR 19.0 billion at 31 December 2020, resulting in a book value of EUR 20.22 per share based on 940,000,001 outstanding shares.

Main developments off-balance sheet

(in millions)	Commercial Banking	Corporate & Institutional Banking	Other segments	Total
31 December 2020				
Committed credit facilities	12,711	30,102	12,394	55,207
Guarantees and other commitments	1,671	5,585	1,725	8,981
Revocable credit facilities	81	26,524	9,395	36,000
Total	**14,462**	**62,212**	**23,514**	**100,188**
30 September 2020				
Committed credit facilities	13,026	30,743	11,674	55,443
Guarantees and other commitments	1,640	6,277	1,964	9,881
Revocable credit facilities	66	33,562	9,431	43,059
Total	**14,732**	**70,582**	**23,069**	**108,382**
31 December 2019				
Committed credit facilities	11,714	30,423	12,536	54,673
Guarantees and other commitments	1,692	13,572	2,214	17,479
Revocable credit facilities	147	37,236	9,327	46,710
Total	**13,554**	**81,231**	**24,077**	**118,861**

Committed credit facilities (undrawn) remained broadly stable, totalling EUR 55.2 billion at 31 December 2020, and included a decline in credit lines issued at CIB (non-core wind-down) and at Commercial Banking (as an effect of Covid-19), which was partly offset by an increase in the number of outstanding mortgage offers.

Guarantees and other commitments decreased by EUR 0.9 billion to EUR 9.0 billion at 31 December 2020, largely due to progress made on the wind-down of the CIB non-core portfolio.

Revocable credit facilities declined by EUR 7.1 billion, totalling EUR 36.0 billion at 31 December 2020, mainly as a result of the CIB non-core wind-down.

Results by segment

Retail Banking

Highlights

- Net interest income was lower than in Q4 2019 as pressure on deposit margins continued and, to a lesser extent, demand for consumer loans declined due to the current economic situation. Interest income on residential mortgages also declined, reflecting slightly lower average volumes (mainly due to higher mortgage redemptions) and slightly lower margins (in a competitive market). The interest rate paid on main retail savings was 0bps (Q4 2019: 1bps, Q3 2020: 0bps).
- Market share of new production in residential mortgages was 17% in Q4 2020 (Q4 2019: 18%. Q3 2020: 15%), reflecting our focus on price discipline in a competitive market.
- Net fee and commission income declined compared with Q4 2019, largely due to lower credit card usage (at ICS) as a result of Covid-19.
- Operating expenses, which are seasonally higher in the fourth quarter due to regulatory charges, declined compared with Q4 2019 largely due to lower pension costs and the execution of cost-saving programmes.
- In 2020, more than 80% of our retail clients were already using our mobile app and clients logged in more than 1 billion times. A growing number of clients are using the app for the first time, especially senior clients.

Operating results

(in millions)	Q4 2020	Q4 2019	Change	Q3 2020	Change	2020	2019	Change
Net interest income	648	676	-4%	656	-1%	2,638	2,903	-9%
Net fee and commission income	76	93	-19%	68	12%	303	365	-17%
Other operating income	24	23	6%	28	-14%	68	57	20%
Operating income	**748**	**792**	**-6%**	**752**		**3,009**	**3,324**	**-9%**
Personnel expenses	104	110	-5%	103	1%	408	411	-1%
Other expenses	434	437	-1%	387	12%	1,606	1,667	-4%
Operating expenses	**538**	**546**	**-2%**	**490**	**10%**	**2,015**	**2,078**	**-3%**
Operating result	**211**	**246**	**-14%**	**262**	**-20%**	**994**	**1,246**	**-20%**
Impairment charges on financial instruments	-19	58		13		77	81	-4%
Profit/(loss) before taxation	**230**	**188**	**22%**	**249**	**-7%**	**917**	**1,165**	**-21%**
Income tax expense	63	55	14%	58	8%	229	299	-23%
Profit/(loss) for the period	**167**	**134**	**25%**	**190**	**-12%**	**687**	**866**	**-21%**
Cost/income ratio	71.9%	68.9%		65.1%		67.0%	62.5%	
Cost of risk (in bps)[1]	-4	15		4		4	5	
Other indicators								
Loans and advances customers (end of period, in billions)	148.5	152.4		149.8				
- of which Client loans (end of period, in billions)[2]	*148.8*	*152.8*		*150.1*				
Due to customers (end of period, in billions)	89.0	90.4		91.4				
Risk-weighted assets (end of period, in billions)	26.7	28.4		27.3				
Employee FTEs (end of period)	4,525	4,340		4,481				
Total client assets (end of period, in billions)	99.7	101.3		102.6				
- of which Cash	*89.0*	*90.4*		*93.0*				
- of which Securities	*10.6*	*11.0*		*9.6*				

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

Full-year highlights

- Net interest income decreased largely due to continued pressure on deposit margins. Furthermore, interest income from residential mortgages declined, reflecting slightly lower average volumes (mainly due to higher mortgage redemptions) and slightly lower margins (in a competitive market).
- Mortgage share of new production in residential mortgages declined in 2020 to 15% (2019: 18%), reflecting our focus on price discipline in a competitive market.
- Net fee and commission income declined largely due to lower credit card usage (at ICS) as a result of Covid-19.
- Operating expenses decreased, largely due to lower provisioning for the AML programme in 2020.
- ABN AMRO decided to wind down the Moneyou savings activities to further mitigate the impact of the low interest rate environment.

Commercial Banking

Highlights

- Net interest income compared with Q4 2019 declined mainly as a result of continued pressure on deposit margins. Average corporate loan volumes were lower (largely reflecting lower demand), which was partly offset by higher deposit volumes, both as a result of Covid-19.
- Net fee and commission income improved largely due to increased fixed (instead of 'pay per use') pricing for commercial clients.
- Operating expenses remained stable compared with Q4 2019 as the upscaling of AML activities was offset by a provision taken last year for the AML remediation programme (EUR 25 million).
- Impairment charges were higher than in Q3 2020, largely because Q4 2020 included a EUR 92 million management overlay in stage 1 and 2 for risks not captured in the risk parameters (relating to credit losses expected to occur when government support measures taper off).
- ABN AMRO Commercial Finance was awarded Asset Based Lender of the year ('Private Equity awards').

Operating results

(in millions)	Q4 2020	Q4 2019	Change	Q3 2020	Change	2020	2019	Change
Net interest income	358	370	-3%	369	-3%	1,471	1,523	-3%
Net fee and commission income	69	64	7%	61	12%	256	256	
Other operating income	6	8	-23%	9	-32%	26	27	-4%
Operating income	**432**	**442**	**-2%**	**439**	**-2%**	**1,753**	**1,807**	**-3%**
Personnel expenses	60	74	-18%	61	-2%	243	281	-14%
Other expenses	225	211	7%	181	24%	796	737	8%
Operating expenses	**285**	**284**		**243**	**18%**	**1,039**	**1,018**	**2%**
Operating result	**147**	**157**	**-6%**	**197**	**-25%**	**714**	**789**	**-9%**
Impairment charges on financial instruments	134	58	130%	102	32%	542	182	
Profit/(loss) before taxation	**13**	**99**	**-87%**	**95**	**-86%**	**173**	**606**	**-71%**
Income tax expense	10	27	-65%	24	-61%	49	154	-68%
Profit/(loss) for the period	**4**	**72**	**-95%**	**71**	**-95%**	**124**	**453**	**-73%**
Cost/income ratio	66.0%	64.4%		55.2%		59.3%	56.3%	
Cost of risk (in bps)[1]	132	55		118		128	42	
Other indicators								
Loans and advances customers (end of period, in billions)	39.2	41.8		40.1				
-of which Client loans (end of period, in billions)[2]	*40.4*	*42.6*		*41.3*				
Due to customers (end of period, in billions)	52.5	46.3		51.5				
Risk-weighted assets (end of period, in billions)	29.2	29.2		30.6				
Employee FTEs (end of period)	2,197	2,470		2,172				

[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.

Introduction
Financial review
Risk developments
Capital management
Other

Full-year highlights

- Net interest income declined mainly as a result of continued pressure on deposit margins. Lower average corporate loan volumes (largely reflecting lower demand) were partly offset by higher deposit volumes, both impacted by Covid-19.
- Net fee and commission income remained stable despite the impact of Covid-19, which particularly affected payment services ('pay per use'), factoring (volumes) and trade. This decline was fully offset by increased fixed pricing.
- Operating expenses increased mainly as a result of the upscaling of AML activities.
- Impairment charges amounted to EUR 542 million in 2020, and largely included individual stage 3 impairments (with main contributions in the sectors food, shipping, and industrial goods & services), andto a lesser extent management overlays in stage 1 and 2 to cover expected credit losses that were not captured by the models.
- In 2020, several support measures were provided to clients to prevent liquidity shortages resulting from the Covid-19 pandemic, such as an automatic (opt-out) six-month deferral of interest and principal payments for clients with loans up to EUR 50 million.
- A Covid-19 support platform was introduced for SME clients, offering a broad scope of relevant information and easy solutions for doing business in these challenging times, including tools for making digital payments and drafting liquidity plans.

Private Banking

Highlights

- Net interest income continued to be marked by ongoing pressure on deposit margins. From Q1 2021, ABN AMRO will lower its threshold for charging negative interest rates from EUR 2.5 million to EUR 0.5 million per client to further mitigate the impact of the low interest rate environment.
- Net fee and commission income has improved since Q3 2020, largely as a result of higher asset management fees due to positive stock market developments (resulting in a higher fee base for Q4 2020) and, to a lesser extent, higher income from charging a standardised all-in fee for the 'Advice' service concept in the Netherlands.
- Operating expenses remained broadly stable compared with both Q4 2019 and Q3 2020, despite a EUR 9 million restructuring provision.
- Client assets have grown since Q3 2020, mainly as a result of the increased value of securities due to positive stock market developments. Net new assets amounted to EUR 1.0 billion negative this quarter, largely due to the outflow of cash in the Netherlands resulting from lowering the threshold for negative interest rates.
- ABN AMRO and Aegon Asset Management successfully launched an Impact Equity Fund offering for clients in Q4. This fund enables clients to invest in companies, organisations and funds with a social and environmental impact alongside financial return.

Operating results

(in millions)	Q4 2020	Q4 2019	Change	Q3 2020	Change	2020	2019	Change
Net interest income	154	158	-3%	163	-6%	637	667	-5%
Net fee and commission income	130	132	-1%	123	6%	502	509	-1%
Other operating income	-4	13		269		286	50	
Operating income	**280**	**302**	**-7%**	**556**	**-50%**	**1,425**	**1,226**	**16%**
Personnel expenses	100	111	-9%	92	9%	371	394	-6%
Other expenses	133	125	6%	139	-4%	574	536	7%
Operating expenses	**234**	**236**	**-1%**	**231**	**1%**	**945**	**930**	**2%**
Operating result	**47**	**66**	**-29%**	**324**	**-86%**	**480**	**296**	**62%**
Impairment charges on financial instruments	-4					26	21	25%
Profit/(loss) before taxation	**50**	**66**	**-24%**	**324**	**-84%**	**454**	**275**	**65%**
Income tax expense	20	20	-2%	97	-80%	151	79	91%
Profit/(loss) for the period	**31**	**46**	**-34%**	**227**	**-87%**	**303**	**196**	**55%**
Cost/income ratio	83.4%	78.1%		41.6%		66.3%	75.9%	
Cost of risk (in bps)[1]	-10	-2		3		19	14	
Other indicators								
Loans and advances customers (end of period, in billions)	14.6	14.1		14.3				
- of which Client loans (end of period, in billions)[2]	*14.7*	*14.2*		*14.4*				
Due to customers (end of period, in billions)	61.5	69.2		64.4				
Risk-weighted assets (end of period, in billions)	10.3	10.1		10.5				
Employee FTEs (end of period)	2,848	2,751		2,825				
Total client assets (end of period, in billions)	189.6	195.2		180.8				
- of which Cash	*61.7*	*69.2*		*64.5*				
- of which Securities	*127.9*	*126.0*		*116.3*				
Net new assets (for the period, in billions)	-1.0	-5.7		1.2		-8.6	-2.4	

[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 strongly impacted by the ongoing pressure on deposit margins.
- Net fee and commission income was heavily impacted by stock market developments, with a steep decline in Q2 followed by steep recovery in Q4.
- Other operating income in 2020 included a EUR 263 million book gain on the sale of the Neuflize OBC office building in Paris, as the Neuflize OBC headquarters will be relocated to a more sustainable building with facilities that are in line with current remote working practices.
- Operating expenses were slightly higher as the upscaling of AML activities and a goodwill impairment were partly offset by divestments (Channel Islands).
- The volume of client assets invested sustainably increased by EUR 6 billion to EUR 26 billion in 2020 (including EUR 1 billion in impact investments).
- ABN AMRO was awarded the best overall European Private Bank ('Wealth Briefing Awards'), recognising the strength of its franchise in Northwest Europe.

Corporate & Institutional Banking

Highlights

- Good progress was made in the CIB non-core wind-down, with loans and advances customers down EUR 7.8 billion or 45% since 30 June 2020, mostly in the Trade & Commodity Finance portfolios.
- Net interest income decreased mainly due to declining average corporate loan volumes (mostly in CIB non-core) and, to a lesser extent, lower income due to tightened liquidity spreads.
- Net fee and commission income improved compared with Q3, recovering from seasonally lower advisory activities in Q3.
- Operating expenses in Q4 2020 included a EUR 22 million release for discretionary variable remuneration and a EUR 16 million addition to the provision for the CIB non-core wind-down recorded in other expenses. Q3 2020 included a EUR 144 million provision for the CIB non-core wind-down, which included EUR 103 million for personnel expenses.
- Impairment charges were EUR 111 million in Q4 2020, of which EUR 81 million related to the non-core portfolio, and largely included additions in stage 3 for existing non-performing exposures in the energy-services sector.

Operating results

(in millions)	Q4 2020	Q4 2019	Change	Q3 2020	Change	2020	2019	Change
Net interest income	257	301	-15%	272	-5%	1,123	1,229	-9%
Net fee and commission income	116	118	-1%	110	6%	529	505	5%
Other operating income	18	67	-72%	60	-70%	32	132	-76%
Operating income	**392**	**486**	**-19%**	**443**	**-11%**	**1,683**	**1,866**	**-10%**
Personnel expenses	80	102	-21%	199	-60%	484	428	13%
Other expenses	199	185	7%	184	8%	727	669	9%
Operating expenses	**279**	**287**	**-3%**	**383**	**-27%**	**1,211**	**1,097**	**10%**
Operating result	**113**	**199**	**-43%**	**60**	**89%**	**472**	**768**	**-39%**
Impairment charges on financial instruments	111	199	-44%	154	-28%	1,659	376	
Profit/(loss) before taxation	**2**			**-94**		**-1,187**	**392**	
Income tax expense	60	4		146	-59%	5	101	-95%
Profit/(loss) for the period	**-58**	**-4**		**-240**	**76%**	**-1,192**	**291**	
Cost/income ratio	71.2%	59.1%		86.5%		71.9%	58.8%	
Cost of risk (in bps)[1]	86	133		97		250	62	
Other indicators								
Loans and advances customers (end of period, in billions)	45.3	55.1		52.3				
- of which Client loans (end of period, in billions)[2]	*31.6*	*41.2*		*36.1*				
Due to customers (end of period, in billions)	28.7	26.5		28.5				
Risk-weighted assets (end of period, in billions)	39.5	37.9		41.4				
Employee FTEs (end of period)	2,480	2,517		2,507				

[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

- Clear choices were made in the strategy review, with geographical focus on the Netherlands and Northwest Europe.
- Net interest income declined largely as a result of lower average corporate loan volumes (mostly in CIB non-core) and, to a lesser extent, lower income due to tightened liquidity spreads.
- Net fee and commission income improved mainly as a result of higher market volatility (at Clearing), which was partly offset by the wind-down of the CIB non-core portfolio.
- Operating expenses in 2020 included EUR 160 million for one-offs for the CIB non-core wind-down, which included EUR 103 million for personnel expenses.
- Impairment charges amounted to EUR 1,659 million in 2020 and largely included three exceptional client files and individual stage 3 impairments, mainly in the energy-services sector.
- ABN AMRO and ODDO BHF entered into a strategic partnership to combine their equity brokerage services in Benelux, strengthening their leading positions while reducing costs.

CIB core[1]

(in millions)	Q4 2020 (pro forma)	Q3 2020 (pro forma)	Change	2020 (pro forma)	2019 (pro forma)	Change
Net interest income	187	186		762	767	-1%
Net fee and commission income	109	96		449	393	14%
Other operating income	41	73		96	111	-13%
Operating income	**337**	**356**		**1,307**	**1,271**	**3%**
Personnel expenses	60	66		257	278	-8%
Other expenses	142	105		506	522	-3%
Operating expenses	**201**	**171**		**763**	**799**	**-5%**
Operating result	**136**	**185**		**544**	**471**	**15%**
Impairment charges on financial instruments	30	-17		553	101	
Profit/(loss) before taxation	**106**	**202**		**-9**	**371**	
Income tax expense	55	51		-2	91	
Profit/(loss) for the period	**51**	**151**		**-7**	**280**	
Cost/income ratio	59.7%	48.0%		58.4%	62.9%	
Cost of risk (in bps)[2]	30	-17		131	26	
Other indicators						
Loans and advances customers (end of period, in billions)	35.6	38.5				
- of which Client loans (end of period, in billions)[3]	*20.6*	*21.3*				
Risk-weighted assets (end of period, in billions)	28.1	28.2				

[1] Pro forma figures subject to final allocation between core and non-core and further review.
[2] Annualised impairment charges on loans and advances customers for the period divided by the average loans and advances customers (excluding at fair value through P&L) on the basis of gross carrying amount and excluding the fair value adjustments from hedge accounting.
[3] Gross carrying amount excluding fair value adjustment from hedge accounting.

CIB non-core[1]

(in millions)	Q4 2020 (pro forma)	Q3 2020 (pro forma)	Change	2020 (pro forma)	2019 (pro forma)	Change
Net interest income	70	86	-19%	361	462	-22%
Net fee and commission income	7	14	-47%	80	112	-29%
Other operating income	-22	-13	-70%	-64	21	
Operating income	**55**	**86**	**-37%**	**376**	**595**	**-37%**
Personnel expenses	21	133	-84%	227	150	51%
Other expenses	57	79	-28%	221	148	49%
Operating expenses	**78**	**212**	**-63%**	**448**	**298**	**50%**
Operating result	**-23**	**-125**	**82%**	**-71**	**297**	
Impairment charges on financial instruments	81	171	-53%	1,107	275	
Profit/(loss) before taxation	**-104**	**-296**	**65%**	**-1,178**	**22**	
Income tax expense	5	95	-94%	7	10	-34%
Profit/(loss) for the period	**-109**	**-391**	**72%**	**-1,185**	**11**	
Cost/income ratio	142.4%	245.9%		119.0%	50.1%	
Cost of risk (in bps)[2]	261	386		552	136	
Other indicators						
Loans and advances customers (end of period, in billions)	9.7	13.8				
- of which Client loans (end of period, in billions)[3]	*11.0*	*14.8*				
Risk-weighted assets (end of period, in billions)	11.4	13.1				

[1] Pro forma figures subject to final allocation between core and non-core and further review.
[2] Annualised impairment charges on loans and advances customers for the period divided by the average loans and advances customers (excluding at fair value through P&L) on the basis of gross carrying amount and excluding the fair value adjustments from hedge accounting.
[3] Gross carrying amount excluding fair value adjustment from hedge accounting.

Group Functions

Highlights

- Net interest income decreased compared with Q3, largely due to a one-off charge of EUR 80 million for adjusted accounting estimates regarding the amortisation of penalty interest on mortgages.
- Operating expenses were higher than in the previous quarter, mainly because Q4 2020 included a EUR 17 million provision for outstanding holiday entitlements as a negative impact of Covid-19 and a EUR 28 million addition to the provision for the AML remediation programme.
- AML is an ongoing area of focus, with currently around 3,800 FTEs fully committed to these activities, centralised within Group Functions.

Operating results

(in millions)	Q4 2020	Q4 2019	Change	Q3 2020	Change	2020	2019	Change
Net interest income	-64	81		9		-6	147	
Net fee and commission income	-4	-10	59%	-4	-11%	-31	-2	
Other operating income	16	9	72%	13	23%	82	238	-66%
Operating income	**-52**	**79**		**17**		**45**	**383**	**-88%**
Personnel expenses	218	187	17%	204	7%	774	734	5%
Other expenses	-154	-157	2%	-193	20%	-727	-589	-24%
Operating expenses	**64**	**30**	**112%**	**10**		**47**	**145**	**-68%**
Operating result	**-117**	**49**		**7**		**-1**	**238**	
Impairment charges on financial instruments	-2	-1		1		-1	-3	77%
Profit/(loss) before taxation	**-115**	**49**		**6**		**-1**	**241**	
Income tax expense	-26	-19	-33%	-47	45%	-33	1	
Profit/(loss) for the period	**-89**	**69**		**53**		**33**	**240**	**-86%**
Other indicators								
Securities financing - assets (end of period, in billions)	11.4	10.3		22.2				
Loans and advances customers (end of period, in billions)	4.7	4.2		4.7				
Securities financing - liabilities (end of period, in billions)	11.0	7.7		18.5				
Due to customers (end of period, in billions)	6.8	2.7		12.7				
Risk-weighted assets (end of period, in billions)	4.7	4.1		4.4				
Employee FTEs (end of period)	7,184	5,899		6,966				

Full-year highlights

- Net interest income declined mainly as a result of adjusted accounting estimates for amortisation of penalty interest on mortgages, and to a lesser extent, due to a temporary shift in the allocation of funding costs to the business segments.
- Other operating income was lower as 2019 included EUR 130 million for the sale of Stater.
- Operating expenses, excluding divestments (Stater), were EUR 71 million lower than in 2019, as more costs were charged to the commercial segments and cost-saving programmes were continued. The decrease was partly offset by the upscaling of AML activities.
- ABN AMRO partnered with Techstars, a global platform for investment and innovation, enabling ABN AMRO to identify and support innovative start-ups that will transform financial services, in order to accelerate digitalisation and innovation in line with its strategy.

Additional financial information

Selected financial information

Condensed consolidated income statement

(in millions)	Q4 2020	Q4 2019	Q3 2020	2020	2019
Income					
Interest income calculated using the effective interest method	1,663	2,431	1,836	7,525	9,701
Other interest and similar income	93	80	66	290	355
Interest expense calculated using the effective interest method	374	884	403	1,834	3,407
Other interest and similar expense	29	41	30	118	181
Net interest income	**1,353**	**1,586**	**1,469**	**5,863**	**6,468**
Fee and commission income	494	514	541	2,253	2,121
Fee and commission expense	107	117	182	695	489
Net fee and commission income	**387**	**396**	**359**	**1,558**	**1,632**
Net trading income	39	79	82	163	84
Share of result of equity-accounted investments	12	23	9	29	37
Other operating income	9	18	288	302	383
Operating income	**1,800**	**2,101**	**2,207**	**7,916**	**8,605**
Expenses					
Personnel expenses	563	583	658	2,280	2,247
General and administrative expenses	763	742	616	2,677	2,781
Depreciation, amortisation and impairment losses of tangible and intangible assets	75	60	83	299	240
Operating expenses	**1,401**	**1,384**	**1,357**	**5,256**	**5,268**
Impairment charges on financial instruments	220	314	270	2,303	657
Total expenses	**1,620**	**1,698**	**1,627**	**7,559**	**5,925**
Profit/(loss) before taxation	**180**	**403**	**580**	**356**	**2,680**
Income tax expense	126	87	279	401	634
Profit/(loss) for the period	**54**	**316**	**301**	**-45**	**2,046**
Attributable to:					
Owners of the parent company	54	316	301	-45	2,046

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

Condensed consolidated statement of comprehensive income

(in millions)	Q4 2020	Q4 2019	Q3 2020
Profit/(loss) for the period	**54**	**316**	**301**
Other comprehensive income:			
Items that will not be reclassified to the income statement			
Remeasurement gains / (losses) on defined benefit plans	-3	-15	-1
(Un)realised gains/(losses) on liability own credit risk	3	-2	3
Items that will not be reclassified to the income statement before taxation	**-1**	**-17**	**2**
Income tax relating to items that will not be reclassified to the income statement		-3	
Items that will not be reclassified to the income statement after taxation		**-14**	**2**
Items that may be reclassified to the income statement			
(Un)realised gains/(losses) currency translation	-27	-37	-47
(Un)realised gains/(losses) fair value through OCI	68	-46	50
(Un)realised gains/(losses) cash flow hedge	-8	274	-18
Share of other comprehensive income of associates reclassified to the income statement	9	4	7
Items that may be reclassified to the income statement before taxation	**42**	**196**	**-9**
Income tax relating to items that may be reclassified to the income statement	-63	22	6
Items that may be reclassified to the income statement after taxation	**105**	**174**	**-15**
Total comprehensive income/(expense) for the period after taxation	**159**	**475**	**288**
Attributable to:			
Owners of the parent company	159	475	288

Condensed consolidated statement of changes in equity

(in millions)	Share capital	Share premium	Other reserves including retained earnings	Accumulated other compre-hensive income	Net profit/(loss) attributable to owners of the parent company	AT1 capital securities	Total equity
Balance at 1 October 2019	**940**	**12,970**	**4,947**	**-1,578**	**1,730**	**1,986**	**20,995**
Total comprehensive income				159	316		475
Transfer							
Dividend							
Increase/(decrease) of capital						1	1
Paid interest on AT1 capital securities							
Other changes in equity							
Balance at 31 December 2019	**940**	**12,970**	**4,947**	**-1,419**	**2,046**	**1,987**	**21,471**
Balance at 1 October 2020	**940**	**12,970**	**6,871**	**-1,838**	**-99**	**1,987**	**20,831**
Total comprehensive income				105	54		159
Transfer							
Dividend							
Increase/(decrease) of capital							
Paid interest on AT1 capital securities							
Other changes in equity			-1				-1
Balance at 31 December 2020	**940**	**12,970**	**6,870**	**-1,733**	**- 45**	**1,987**	**20,989**

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 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**
	zz						
Balance at 1 October 2020	**-21**	**-2**	**114**	**-1,930**	**27**	**-26**	**-1,838**
Net gains/(losses) arising during the period	-3	-27	68	11	9	3	60
Less: Net realised gains/(losses) included in income statement				19			19
Net gains/(losses) in equity	**-3**	**-27**	**68**	**-8**	**9**	**3**	**41**
Related income tax		1	20	-84			-64
Balance at 31 December 2020	**-24**	**-29**	**162**	**-1,854**	**36**	**-24**	**-1,733**

Introduction
Financial review
Risk developments
Capital management
Other

Risk developments

Highlights

- Lockdown measures in the Netherlands have been tightened since October, but the Dutch economy and housing market remain resilient, as the recovery of economic activity is materialising and the vaccine roll-out is gathering pace.
- In the wake of the termination of collective payment moratoria, credit quality indicators showed some early signs of deterioration, but impairments were below expectations as government support continued and good progress was made on the CIB non-core wind-down.
- The wind-down of the CIB non-core portfolio led to lower corporate loans and credit risk RWA.

Key figures

(in millions)	31 December 2020	30 September 2020	31 December 2019
Total loans and advances, gross excluding fair value adjustments[1]	**254,781**	**265,177**	**270,437**
- of which Banks	*3,399*	*5,216*	*5,016*
- of which Residential mortgages	*145,672*	*146,521*	*148,225*
- of which Consumer loans	*11,232*	*11,450*	*12,294*
- of which Corporate loans[1]	*86,745*	*93,276*	*98,610*
- of which Other loans and advances customers[1]	*7,733*	*8,715*	*6,292*
Total Exposure at Default (EAD)	**407,354**	**418,373**	**393,247**
Credit quality indicators[1]			
Forbearance ratio	5.1%	4.8%	2.4%
Past due ratio	1.0%	0.8%	1.2%
- of which Residential mortgages	*0.6%*	*0.6%*	*0.9%*
- of which Consumer loans	*2.9%*	*2.1%*	*3.6%*
- of which Corporate loans	*1.6%*	*1.0%*	*1.4%*
Stage 3 impaired ratio	3.4%	3.3%	2.5%
Stage 3 coverage ratio	32.7%	32.9%	29.6%
Regulatory capital			
Total RWA	110,481	114,123	109,825
- of which Credit risk[2]	*92,462*	*94,955*	*89,071*
- of which Operational risk	*16,685*	*17,352*	*19,391*
- of which Market risk	*1,334*	*1,816*	*1,362*
Total RWA/total EAD	27.1%	27.3%	27.9%
Mortgage indicators			
Exposure at Default	163,756	164,158	164,575
- of which mortgages with Nationale Hypotheek Garantie (NHG)	*33,367*	*33,911*	*35,304*
Risk-weighted assets	16,459	16,508	16,665
RWA/EAD	10.1%	10.1%	10.1%
Average Loan-to-Market-Value	61%	62%	64%
Average Loan-to-Market-Value - excluding NHG loans	59%	60%	62%

1 Excluding loans and advances measured at fair value through P&L.
2 RWA for credit value adjustment (CVA) is included in credit risk. CVA per 31 December 2020 is EUR 0.2 billion (30 September 2020 is EUR 0.2 billion, 31 December 2019 is EUR 0.4 billion).

Impact of Covid-19 on credit risk profile

In Q4, Covid-19 continued to affect the global economy. In the Netherlands, lockdown measures have been tightened since October, while the government continued support programmes aimed at reducing the impact on the economy. Together with relief measures taken by banks, the government support had a positive effect on clients' payment behaviour, reducing payment obligations. As a result, the number of bankruptcies reported in the Netherlands was at a very low level.

Most of the payment holiday schemes we had offered to clients ended by 1 October 2020. After the payment holidays ended, no cliff effect was observed and a significant part of the clients initiated repayment. For Retail Banking clients who had received a payment holiday, we observed a small increase in clients in arrears. These clients are serviced in our regular credit risk management processes and with close monitoring.

The impact of Covid-19 on the credit quality of the portfolio was limited, with some increase in short-term (<30 days) arrears and forborne exposure. Impairments were lower than in previous quarters, but the current stage ratios reflect that Commercial Banking's activities are exposed to downside risk as a result of Covid-19. We continue to expect the impact of Covid-19 to persist into 2021, albeit with lower impairment levels than in 2020.

Loans and advances

Total loans and advances decreased by EUR 10.4 billion to EUR 254.8 billion at 31 December 2020 (30 September 2020: EUR 265.2 billion). The decline was primarily driven by corporate loans and, to a lesser extent, by banks. The decrease in corporate loans was largely due to the on-going wind-down of non-core activities in CIB and mainly related to trade & commodity finance activities in the Netherlands, USA, Asia and Brazil. For banks, the decline related to a seasonal pattern of fewer loans being renewed in the fourth quarter.

Exposure at Default

EAD decreased to EUR 407.4 billion (30 September 2020: EUR 418.4 billion), in line with underlying volumes and mainly in relation to the wind-down of the CIB non-core portfolio.

Credit quality indicators

Credit quality deteriorated modestly in the fourth quarter. Forborne exposure increased modestly to EUR 12.9 billion (30 September 2020: EUR 12.5 billion), or 5.1% (30 September 2020: 4.8%), which is more than double the figure at the end of 2019 (2.4%). More clients received a forbearance measure, with inflow mainly observed in corporate loans in the Netherlands, as a result of covenant waivers and resets. The increase was partially counterbalanced by repayments.

Past due exposure increased to EUR 2.6 billion (30 September 2020: EUR 2.1 billion), mainly driven by anincrease in short-term (<30 days) arrears. As a result, the past due ratio for loans and advances to customers increased to 1.0% (30 September 2020: 0.8%). For residential mortgages, this was mainly attributable to the ending of payment holiday measures, though tailored measures are still offered to individual clients that encounter financial problems due to Covid-19. The increase of the past due ratio for consumer loans related primarily to short-term arrears in Private Banking International. For corporate loans, the increase was predominantly driven by short- and mid-term arrears in Commercial Banking and more specifically in Asset-Based Finance.

The stage 3 impaired ratio for loans and advances to customers increased modestly to 3.4% (30 September 2020: 3.3%). This was driven by a net inflow of clients from stage 2 within Commercial Banking and declining stage 1 and 2 exposures in the CIB non-core portfolio, in line with expectations from the wind-down. The coverage ratio in stage 3 decreased marginally to 32.7% (30 September 2020: 32.9%), This was mainly the result of the write-off of a large client within Private Banking, which was visible in declining coverage ratios for residential mortgages as well as consumer loans.

Regulatory capital

Total RWA decreased to EUR 110.4 billion (30 September 2020: EUR 114.1 billion), reflecting decreases in credit risk, operational risk and market risk. Lower credit risk RWA was attributable to business developments, predominantly relating to the wind-down of the CIB non-core portfolio and partly offset by an EUR 1.1 billion increase in TRIM add-ons. Operational risk RWA decreased due to the release of a regulatory add-on, while market risk RWA declined due to position changes and model updates.

Introduction
Financial review
Risk developments
Capital management
Other

Impairments and cost of risk

	Q4 2020	Q4 2019	Q3 2020	2020	2019
Impairment charges on loans and other advances (in EUR million)[1,2]	220	314	270	2,303	657
- of which Residential mortgages	*-10*	*11*	*-16*	*-18*	*31*
- of which Consumer loans	*-3*	*39*	*35*	*92*	*50*
- of which Corporate loans	*240*	*261*	*258*	*2,000*	*568*
Cost of risk (in bps)[3,4]	35	46	42	78	24
- of which Residential mortgages	*-3*	*3*	*-4*	*-1*	*2*
- of which Consumer loans	*-10*	*127*	*121*	*78*	*41*
- of which Corporate loans	*105*	*102*	*108*	*204*	*54*

1 Including impairments charges on off-balance sheet exposures.
2 Including other loans.
3 Annualised impairment charges on loans and advances customers for the period divided by the average loans and advances customers on the basis of gross carrying amount and excluding fair value adjustment from hedge accounting.
4 Calculation of CoR excludes (impairment charges on) off-balance exposures.

The impairment charges in Q4 2020, amounting to EUR 220 million (Q4 2019: EUR 314 million) and resulting in a cost of risk of 35bps (Q4 2019: 46bps), were fully attributable to corporate loans. Out of the total impairment charges, approximately EUR 169 million related to the economic impact of Covid-19 and related oil price developments. The additions to the impairment charges related mainly to individual files within corporate loans and two management overlays within Commercial Banking, and were partly offset by the impact of an updated macroeconomic outlook, releases for written-off files and decreasing volumes in the CIB non-core portfolio.

Impairment charges for CIB amounted to EUR 111 million (Q4 2019: EUR 199 million), of which EUR 81 million related to the non-core portfolio. Impairment charges for individual files were lower than expected, due to limited inflow into stage 3, and were mainly recorded for existing non-performing exposures in the energy-services sector. As expected, the wind-down of the CIB non-core portfolio led to a decrease in stage 1 and stage 2 exposures over the last quarter, resulting in a decrease in impairments in these stages. The CIB non-core wind-down related management overlay that was applied in Q3 was reduced by EUR 39 million to EUR 67 million.

Net charges for Commercial Banking amounted to EUR 134 million in Q4 2020 (Q4 2019: EUR 58 million) and included two management overlays. During the quarter, it was observed that ECL model outcomes did not represent deteriorations that had been expected for individual counterparties, as payment moratoria and government support measures had a positive effect on clients' payment behaviour. To address this, management overlays totalling EUR 92 million were added in stage 1 and stage 2, for risks not captured in the risk parameters. Furthermore, an additional impairment of EUR 45 million was recorded for a portfolio runoff in Commercial Banking. Individual impairment charges in stage 3 were mainly recorded in the shipping and food sectors and were partly offset by a more positive outlook on real estate prices.

Releases were recorded for Private Banking (EUR -4 million, Q4 2019: EUR 0 million) and Retail Banking (EUR -19 million, Q4 2019: EUR 58 million). For residential mortgages in both segments, a release of EUR 10 million (Q4 2019: EUR 11 million) was reported. For Retail Banking and residential mortgages, adjustments made in Q1 for clients receiving a payment holiday were released. The releases for residential mortgages were partly offset by an increase resulting from model refinements. For Retail Banking, there were some incidental recoveries.

Total impairment charges for 2020 amounted to EUR 2.3 billion (cost of risk: 78bps, 2019: EUR 657 million, cost of risk: 24bps). The 2020 actuals were below earlier projections, as defaults were fewer than expected and volumes were lower.

Macroeconomic scenarios

The tables below show the scenarios used for calculating the expected credit loss (ECL) at 31 December and 30 September 2020. The Netherlands coped relatively well with the first lockdown during the Covid-19 crisis in 2020, due to moderate restriction levels, its extensive digital infrastructure and the Dutch government's quick and large stimulus package. The rebound in the third quarter was stronger than expected and we were better able to specify the specific dates for a vaccine timeline and to estimate the corresponding restriction time line. In December, we therefore adjusted our economic scenarios and associated weights slightly upward, compared to Q3.

However, the second wave of Covid-19 had led to new nationwide lockdowns, which will have negative impact on growth in Q4. In 2021, a new British strain and vaccine supply disruptions in Q1 necessitate us to lengthen restrictions and lower our growth forecast for the first half of 2021. We presume that as soon as half of the population over 50 years old is vaccinated restrictions can be wound down, rapidly leading to a stronger rebound in the second half. We expect government measures to remain dynamic and dependent on the economic situation and therefore we assume that the impact is constant.

On the labour market, we have become more positive in all scenario's. The wage cost subsidy (NOW) of the Dutch government was continued in order to limit the number of lay-offs. This NOW measure has proven to be very effective in dampening the effects on the labour market. We expect this stimulus package to continue under the same conditions, at least until Q2 2021.

So far the economic downturn has not led to lower house prices. House prices are supported by the low interest rate environment and uninterrupted credit supply. We adjusted our house prince index upwards in December and again in January.

Our forecasts are based on very detailed analyses of the Covid-19 situation, however in these times the uncertainty around our projections is very high.

ECL scenarios on 31 December 2020

(in millions)	Weight	Macroeconomic variable	2020	2021	2022	2023
Positive	10%	Real GDP Netherlands[1]	-4.3%	4.4%	4.3%	2.0%
		Unemployment[2]	4.0%	6.2%	6.2%	5.6%
		House price index[3]	8.0%	5.0%	3.0%	2.0%
Baseline	50%	Real GDP Netherlands	-4.4%	3.0%	3.6%	2.3%
		Unemployment	4.0%	6.4%	7.9%	6.9%
		House price index	7.2%	0.0%	0.0%	2.0%
Negative	40%	Real GDP Netherlands	-4.6%	0.7%	3.0%	1.0%
		Unemployment	4.0%	6.8%	8.4%	7.8%
		House price index	7.0%	-3.0%	-5.0%	0.0%

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

ECL scenarios on 30 September 2020

(in millions)	Weight	Macroeconomic variable	2020	2021	2022	2023
Positive	10%	Real GDP Netherlands[1]	-4.7%	4.9%	3.3%	1.6%
		Unemployment[2]	4.3%	6.2%	5.4%	3.9%
		House price index[3]	8.0%	3.0%	2.0%	1.0%
Baseline	40%	Real GDP Netherlands	-5.2%	2.4%	3.0%	1.8%
		Unemployment	4.4%	7.2%	6.9%	5.5%
		House price index	6.0%	-2.0%	-3.0%	0.0%
Negative	50%	Real GDP Netherlands	-6.8%	-1.1%	3.5%	1.0%
		Unemployment	4.7%	8.9%	9.9%	9.5%
		House price index	4.0%	-4.0%	-6.0%	-1.0%

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

Residential mortgages

Housing market developments

The Dutch housing market remained tight as a result of demand/supply dynamics. The housing shortage continued to be substantial, as the increase in supply lagged behind growing demand. Normally, constrained supply puts a brake on the number of transactions. However, with demand for residences remaining as strong as ever, the selling time is short and the transaction volume buoyant. According to the Dutch Land Registry (Kadaster), the number of transactions in 2020 was 8.5% higher than in 2019.

Despite Covid-19, residential property prices continued to rise as a result of an increase in consumer confidence combined with the housing shortage and low interest rates. The housing price index published by Statistics Netherlands (CBS) for Q4 2020 was 2.0% higher than in Q3 2020 and 8.8% higher than in Q4 2019. Low interest rates also led to a large refinancing market.

Residential mortgage insights

New mortgage production totalled EUR 4.5 billion, an 11.5% increase compared to Q4 2019 and 7.2% higher than in Q3 2020. ABN AMRO's market share in new mortgage production came to 16.5% in Q4 2020 (Q4 2019: 18%) as we maintained strict pricing discipline in a competitive market. The proportion of amortising mortgages in the portfolio continued to increase, reaching 37% by the end of Q4 2020 (Q3 2020: 36%, Q4 2019: 33%).

Rising house prices and redemptions, including contractual redemptions, led to further improvement of the mortgage portfolio. The average indexed LtMV decreased from 62% in Q3 2020 to 61% in Q4 2020 (59% excluding NHG mortgages). The gross carrying amount of mortgages with an LtMV in excess of 100% decreased to EUR 1.3 billion (30 September 2020: EUR 1.4 billion) and accounted for 0.9% of total mortgages (30 September 2020: 1.0%, 31 December 2019: 1.5%). Approximately 3% of the extra repayments were in this category (30 September 2020: 3%, 31 December 2019: 3%).

Coverage and impaired ratio by stage

			31 December 2020		30 September 2020		31 December 2019	
(in millions)	Gross carrying amount[3]	Allowances for credit losses	Coverage ratio	Stage ratio	Coverage ratio	Stage ratio	Coverage ratio	Stage ratio
Stage 1								
Loans and advances banks	**3,399**	**6**	**0.2%**	**100.0%**	**0.1%**	**99.9%**	**0.1%**	**100.0%**
Residential mortgages	135,407	14	0.0%	93.0%	0.0%	93.0%	0.0%	94.6%
Consumer loans	9,707	38	0.4%	86.4%	0.4%	85.6%	0.3%	89.5%
Corporate loans	64,517	243	0.4%	74.4%	0.4%	73.3%	0.2%	85.3%
Other loans and advances customers	7,675		0.0%	99.3%	0.0%	99.3%	0.0%	98.8%
Total loans and advances customers	**217,305**	**296**	**0.1%**	**86.4%**	**0.1%**	**85.8%**	**0.1%**	**91.0%**
Stage 2								
Loans and advances banks			**0.0%**	**0.0%**	**0.4%**	**0.1%**	**0.4%**	**0.0%**
Residential mortgages	9,141	44	0.5%	6.3%	0.5%	6.3%	1.0%	4.7%
Consumer loans	1,068	41	3.8%	9.5%	4.3%	10.2%	7.5%	7.5%
Corporate loans	15,356	316	2.1%	17.7%	1.7%	19.3%	1.3%	9.3%
Other loans and advances customers	37		0.3%	0.5%	0.3%	0.6%	1.6%	1.1%
Total loans and advances customers	**25,602**	**400**	**1.6%**	**10.2%**	**1.4%**	**10.9%**	**1.5%**	**6.4%**
Stage 3								
Loans and advances banks				**0.0%**		**0.0%**		**0.0%**
Residential mortgages	1,124	58	5.2%	0.8%	5.7%	0.8%	6.2%	0.7%
Consumer loans	456	215	47.2%	4.1%	48.4%	4.2%	53.8%	3.0%
Corporate loans	6,873	2,494	36.3%	7.9%	36.3%	7.3%	32.4%	5.4%
Other loans and advances customers	21	3	14.6%	0.3%	100.0%	0.0%	100.0%	0.1%
Total loans and advances customers[1]	**8,474**	**2,771**	**32.7%**	**3.4%**	**32.9%**	**3.3%**	**29.6%**	**2.5%**
Loans at fair value through P&L	**406**							
Fair value adjustments from hedge accounting	**3,838**							
Total loans and advances banks	3,399	6	0.2%		0.1%		0.1%	
Total loans and advances customers	255,626	3,467	1.4%		1.3%		0.9%	
Other balance sheet items[2]	140,083	13	0.0%		0.0%		0.0%	
Total on-balance sheet	**399,108**	**3,485**	**0.9%**		**0.8%**		**0.6%**	
Irrevocable loan commitments and financial guarantee contracts	58,653	48	0.1%		0.1%		0.0%	
Other off-balance sheet items	5,535							
Total on- and off-balance sheet	**463,296**	**3,533**	**0.8%**		**0.7%**		**0.5%**	

1 Excluding fair value adjustments from hedge accounting on loans and advances customers and loans at fair value through P&L.
2 The allowances for credit losses excludes allowances for financial investments held at FVOCI (31 December 2020: EUR 1.4 million; 30 September 2020: EUR 1.5 million; 31 December 2019: EUR 1.3 million).
3 Gross carrying amount excludes fair value adjustments from hedge accounting.

The stage 3 impaired ratio for loans and advances to customers increased modestly to 3.4% (30 September 2020: 3.3%). This was driven by inflow of Commercial Banking clients that were transferred from stage 2, mainly within the sectors real estate, travel and leisure, and food. In addition, the stage 3 ratio in CIB increased due to declining stage 1 and 2 exposures in the non-core portfolio, which was in line with expectations from the wind-down of the CIB non-core portfolio.

The coverage ratio in stage 3 decreased marginally to 32.7% (30 September 2020: 32.9%) due to a write-off of a highly provisioned Private Banking client. As a consequence, the coverage ratio in stage 3 for both residential mortgages and consumer loans decreased.

The stage 2 ratio decreased marginally to 10.2% in Q4 (30 September 2020: 10.9%) due to decreased exposures in Commercial Banking. This was the result of loan repayments and outflow to stage 1 and stage 3, as individual assessments of clients in high-risk sectors, who had been collectively placed in stage 2, continued. The decrease was mainly caused by the sectors industrial goods and services, food and real estate. Furthermore, the wind-down of the CIB non-core portfolio also contributed to the decline in stage 2 ratio.

The coverage ratio in stage 2 increased significantly to 1.6% (30 September 2020: 1.4%). The increase was the result of management overlays in the Commercial Banking portfolio for risks not captured by the models. This was partly offset by releases attributed to the macroeconomic outlook in Q4 and the lower management overlay for risk costs associated with the wind-down of the CIB non-core portfolio.

Update on Covid-19 relief measures

This section provides more details on the measures we offered our clients to provide them with liquidity. It also describes the way forward and the additional process changes we made. The two primary relief measures we offered clients were deferral of interest and principal payments, and Covid-19 related credit facilities supported by public guarantee schemes.

Deferral of interest and principal payments on loans and advances

The table below shows the number of clients and total amounts of loans and advances for which a deferral of payment was outstanding on 31 December 2020. Active loans of which the moratorium has ended are reported as expired.

		Gross carrying amount by residual maturity of the deferral						
(in millions)	Number of clients	≤ 3 months	> 3 months & ≤ 6 months	> 6 months & ≤ 9 months	> 9 months & ≤ 12 months	> 12 months	Expired	Total
31 December 2020								
Retail Banking	41,420	15					3,485	3,501
Commercial Banking	43,315	186					15,611	15,797
Private Banking	487	42	9				733	785
Corporate & Institutional Banking	34	295					409	704
Total	**85,256**	**538**	**9**				**20,239**	**20,787**
30 September 2020								
Retail Banking	37,816	1,719					1,863	3,582
Commercial Banking	45,359	17,164					67	17,231
Private Banking	606	377	189	68	12		193	840
Corporate & Institutional Banking	66	650	7					657
Total	**83,847**	**19,910**	**196**	**68**	**12**		**2,124**	**22,310**

Most moratoria ended on 1 October 2020, which explains the large decrease of payment deferrals in Q4. For these clients no cliff effect was observed and a significant part of the clients initiated repayment. For Retail Banking clients who had received a payment holiday, we observed a small increase in clients in arrears. These customers are being handled in our regular arrears processes and are being monitored closely. The increase in number of clients is mainly due to clients previously not in scope of Covid-19 reporting.

Payment deferrals remaining as at 31 December 2020 related primarily to grace periods provided via tailor-made (forbearance) solutions. Besides grace periods, ABN AMRO has different solutions to support clients (interest rate reductions, covenant waivers, etc). This is reflected in the forbearance ratio of Q4 2020, which increased to 5.1% (from 4.8% last quarter), and more than doubled for the full year when compared with the end of 2019 (2.4%). More information is disclosed in the section Credit quality indicators.

Measures to mitigate the Covid-19 impact

We decided not to extend further collective measures in the fourth quarter, but to serve clients affected by Covid-19 via tailored measures. Offered solutions carefully assess viability of client's business, and resilience of client's economic sector to the economic challenges posed by Covid-19.

In addition to a tailor made approach, we took measures to limit the negative effects of Covid-19 on both our clients and the bank. In the loan origination process for new clients we introduced extra assessments on the resilience of the economic sector in which the client operates. In addition, we apply stricter acceptance criteria for temporary contracts and entrepreneurs. For mortgage applications, additional Covid-19 related question are introduced to better reflect the client's situation under the current circumstances. Finally, all clients with increased risk of non-repayment were classified as stage 2 and clients with default triggers were transferred to stage 3. These additional checks, which assess the impact of Covid-19 on the client's finances are required to provide sustainable and future proof solutions for our clients.

These additional checks, which assess the impact of Covid-19 on the client's finances, are essential to provide sustainable and future-proof solutions for our clients.

Loans and advances supported by public guarantee schemes

Clients that faced short-term financial difficulty due to Covid-19 and fulfilled their credit obligations can apply for government-supported loans subject to terms and conditions set by the local or central government. The final date of application varies by type of government supported loan - most of these facilities are available until 1 January 2021, and the last one until 1 April 2021.

The demand for public guaranteed loans is relatively low, primarily as extensive other support measures are provided by the government and banks. Compared with the third quarter, the loans with a public guarantee provided to our clients increased by EUR 172 million, mainly due to a rise in CIB loans (EUR 105 million, 66% guaranteed), Commercial Banking loans (EUR 41 million, 74% guaranteed) and Private Banking loans (EUR 25 million, 90% guaranteed).

		Gross carrying amount by residual maturity of the guarantee					
(in millions)	Number of clients	≤ 6 months	> 6 months & ≤ 12 months	> 1 year & ≤ 2 years	> 2 years	Total	Maximum amount of the guarantee that can be considered
31 December 2020							
Retail Banking							
Commercial Banking	941			44	82	126	94
Private Banking	258	74	96			170	153
Corporate & Institutional Banking	11		19	14	73	105	69
Total	**1,210**	**74**	**115**	**58**	**155**	**402**	**316**
30 September 2020							
Retail Banking							
Commercial Banking	727			43	42	85	65
Private Banking	220		145			145	131
Corporate & Institutional Banking							
Total	**947**		**145**	**43**	**42**	**230**	**196**

Introduction
Financial review
Risk developments
Capital management
Other

Capital management

Regulatory capital structure

(fully-loaded, in millions)	31 December 2020	30 September 2020	31 December 2019
Total equity (EU IFRS)	**20,989**	**20,831**	**21,471**
Dividend reserve	-639	-639	-668
AT1 capital securities (EU IFRS)	-1,987	-1,987	-1,987
Regulatory and other adjustments	1,185	1,472	1,097
Common Equity Tier 1	**19,548**	**19,677**	**19,913**
AT1 capital securities (EU IFRS)	1,987	1,987	1,987
Regulatory and other adjustments	-5	-5	-5
Tier 1 capital	**21,530**	**21,659**	**21,895**
Subordinated liabilities (EU IFRS)	8,069	8,282	10,041
Regulatory and other adjustments	-3,405	-3,194	-3,505
Tier 2 capital	**4,664**	**5,089**	**6,536**
Total regulatory capital	**26,195**	**26,748**	**28,431**
Total risk-weighted assets	**110,481**	**114,123**	**109,825**
Exposure measure (under CDR)			
On-balance sheet exposures	395,623	419,949	375,054
On-balance sheet netting	6,263	6,954	8,275
Off-balance sheet exposures	91,278	93,024	104,154
Other regulatory measures	-62,686	-59,582	-3,174
Exposure measure	**430,478**	**460,344**	**484,309**
Impact CRR2 (incl. SA-CCR)	-56,879	-57,336	-64,752
Central bank exposure	56,133	53,287	
Exposure measure (incl. CRR2)[1]	**429,732**	**456,295**	**419,557**
Capital ratios			
Common Equity Tier 1 ratio	17.7%	17.2%	18.1%
Common Equity Tier 1 ratio (Basel IV)[2]	15%	15%	14%
Tier 1 ratio	19.5%	19.0%	19.9%
Total capital ratio	23.7%	23.4%	25.9%
Leverage ratio (CDR)	5.0%	4.7%	4.5%
Leverage ratio (incl. CRR2)	5.0%	4.7%	5.2%

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

MREL

(fully-loaded, in millions)	31 December 2020	30 September 2020	31 December 2019
Regulatory capital	26,195	26,748	28,431
Other MREL eligible liabilities[1]	4,127	4,051	2,885
Total MREL eligible liabilities	**30,322**	**30,798**	**31,316**
Total risk-weighted assets	110,481	114,123	109,825
MREL[2]	27.4%	27.0%	28.5%

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

Introduction
Financial review
Risk developments
Capital management
Other

Developments impacting capital ratios

At the Investor Update of November 2020, we set out our updated capital framework despite various uncertainties. Our updated capital framework reflects regulatory developments as well as the current environment and our strategy. We continue to report on and comply with Basel III as current solvency requirements are based on Basel III. However, according to the Basel Committee, Basel IV is to be implemented by January 2023. Since Basel IV requirements are more onerous and imminent, we have adopted Basel IV as our primary capital metric, with a Basel IV CET1 target ratio of 13%.

Common Equity Tier 1 (CET1) capital declined slightly in Q4 2020, mainly due to a capital deduction of EUR 0.2 billion related to the regulatory guidance on non-performing exposure (NPE). Total Basel III RWA decreased to EUR 110.5 billion at 31 December 2020 (30 September 2020: EUR 114.1 billion). At 31 December 2020, the CET1, Tier 1 and total capital ratios under Basel III were 17.7%, 19.5% and 23.7% respectively (30 September 2020: 17.2%, 19.0% and 23.4% respectively). The final dividend for 2019 remains reserved as dividend and has not been included in the CET1 capital (inclusion in CET1 capital would result in a pro forma CET1 ratio of 18.3%). All capital ratios were in line with the bank's risk appetite and were comfortably above regulatory requirements.

The maximum distributable amount (MDA) trigger level has been temporarily reduced to 9.6% (excluding AT1 shortfall) as a result of several capital relief measures announced by the European Central Bank (ECB) and the Dutch central bank (DNB) in March 2020 to support banks in serving the economy and addressing operational challenges. In the future, DNB is expected to gradually increase the counter-cyclical capital buffer from 0% to 2% of Dutch risk-weighted exposures as the economy improves. The reported CET1 ratio of 17.7% under Basel III is considerably above the MDA trigger level of 9.6%. The bank remains committed to maintaining a significant buffer in excess of its regulatory requirements at all times. Compared with Q3 2020, the CET1 ratio increased mainly due to the EUR 3.6 billion decrease in RWA reflecting decreases in credit risk, operational risk and market risk. Lower credit risk RWA was attributable to business developments, predominantly relating to the wind-down of the CIB non-core portfolio and partly offset by an EUR 1.1 billion increase in TRIM add-ons. Operational risk RWA decreased due to the release of a regulatory add-on, while market risk RWA declined due to position changes and model updates.

The targeted review of internal models (TRIM) has become much clearer, given that we have received the final TRIM letter for advanced IRB models applied to corporate exposures. The final two draft TRIM letters for commodities as well as banks and financial institutions have also been received. Since Q4 2018, we have recorded approximately EUR 21 billion of RWA add-ons in anticipation of TRIM and model reviews. This includes EUR 1.1 billion recorded for TRIM in the fourth quarter of 2020. The TRIM process is finalising. In the upcoming quarters, further increases in RWA may be required as the final outcomes of two draft TRIM letters are expected and models (including mortgage models) are reviewed. The risk weight floor for mortgages announced by DNB, which could further increase Basel III RWA for mortgages, has been postponed until further notice.

According to the Basel Committee, Basel IV needs to be implemented by January 2023, with a 5-year phase-in period of the output floor. An EU proposal for Basel IV is expected in Q2 2021. Given recent TRIM and model review developments, constrained IRB RWA and output-floored RWA are no longer expected to be materially different in a Basel IV fully-loaded situation at bank level. As a result, the benefit of the phase-in period will effectively be eliminated.

We have updated our CET1 target ratio to 13% under Basel IV. This consists of a management buffer on top of our SREP capital requirement and Pillar 2 guidance. Based on our interpretation of the Basel IV framework and on our expectation of how Basel IV standards will be implemented in EU legislation, the fully-loaded Basel IV CET1 ratio was estimated above 15% on 31 December 2020, comfortably above target. The assumptions applied in our calculations will be updated once we have more information on EU implementation. Basel IV calculations are also subject to uncertainties stemming from data limitations, management actions and other portfolio

Introduction
Financial review
Risk developments
Capital management
Other

developments (including the wind-down of CIB non-core). The first effects of measures implemented to mitigate Basel IV inflation are visible in the RWA, and we are continuing to work on further mitigations to reduce the Basel IV RWA inflation.

The wind-down of the non-core portfolio in CIB is progressing steadily, contributing to our current strong capital ratios under Basel III and Basel IV and strengthening our future outlook. The finalisation of TRIM for corporates and the draft TRIM letter for commodities and banks and financial institutions provided us with more clarity on the TRIM impact. However, we are currently also encountering a number of capital headwinds and uncertainties, including elevated impairments due to Covid-19, the low interest rate environment, the final TRIM outcome and model reviews, EU implementation of Basel IV, the AML investigation and the NPE calendar provisioning.

We 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 supervisory authorities. In Q2 2019, we recorded a supervisory capital deduction of around EUR 0.2 billion. An additional capital deduction of EUR 0.2 billion was recorded in Q4 2020 to meet supervisory expectations on NPE. During the phase-in from 2021 to 2024, we estimate that the combined annual impact of NPE regulations will be of a similar order of magnitude. The wind-down of the CIB non-core portfolio may result in a lower impact, while the effect of recalibrations based on Covid-19 and recent impairments is still uncertain. We are working on mitigating actions aimed at increasing NPE velocity by intensifying management attention for clients in FR&R and realising potential NPE divestments subject to market conditions.

Dividend

On 15 December 2020, the ECB revised its recommendation on dividend payments and reiterated that banks should exercise extreme prudence with regard to capital distributions. To this end, the ECB recommends that banks refrain from distributing any cash dividends or conducting share buybacks, or to limit such distributions, until 30 September 2021. Given the persisting uncertainty over the economic impact of the Covid-19 pandemic, the ECB expects dividends and share buybacks to remain below the lower of 15% of the cumulated profit for 2019-2020 and 20 basis points of the CET1 ratio. Moreover, for banks that have already distributed dividends or conducted share buybacks to remunerate shareholders with regard to the 2019 financial year, the profit definition only includes 2020 profit. Banks that intend to pay dividends or buy back shares need to be profitable and have robust capital trajectories. After 30 September 2021, and subject to the absence of materially adverse developments, the ECB intends to repeal the recommendation and return to assessing banks' capital and distribution plans based on the outcome of the normal supervisory cycle.

Based on this revised ECB recommendation and the year-to-date loss, no dividend will be proposed over 2020. Furthermore, the profit for 2019 (including the full-year 2019 dividend reserve) is out of scope for payment at Q4 2020 due to the interim dividend paid in 2019. The payment of AT1 coupons is not affected by the ECB's recommendation, as the CET1 ratio is well above the MDA trigger level and there are no constraints in availability of distributable items (EUR 17.8 billion).

ABN AMRO is committed to resuming payment of dividends, sustainably, conditions permitting. We will follow the ECB recommendation and refrain from distributing capital for the time being. The payout (or release) of accrued full-year 2019 dividend will be considered prudently after 30 September 2021 to reflect the status of the ECB dividend recommendation as well as conditions and prospects at that time. Until a decision has been made, the final dividend for 2019 will not be included in the CET1 capital.

Updated capital framework

We recognise the importance of distributions to shareholders and want these to be sustainable. ABN AMRO is strongly capitalised and well positioned to manage the transition through TRIM and Basel IV. However, we are currently also encountering multiple headwinds and uncertainties. In light of these considerations and uncertainties, ABN AMRO presented an updated capital framework at the Investor Update of 30 November 2020.

From 2021 onwards, the dividend payout has been set at 50% of reported net profit, after deduction of AT1 coupon payments and minority interests. Interim dividends will be considered at 40% of the reported H1 net profit, provided profit is expected to be sustainable throughout the year, at the discretion of the Board. In 2021, no interim dividend will be paid, in line with the ECB recommendation to refrain from distributing interim dividends until 30 September 2021.

We have updated our CET1 capital target ratio to 13% under Basel IV. When our Basel IV CET1 ratio is above the threshold of 15%, we will consider share buybacks, subject to conditions and regulatory approval. Our threshold of 15% reflects current uncertainties as well as a buffer for potential M&A. We intend to review the threshold when current uncertainties have reduced. Buybacks will not be considered before full-year 2021.

Leverage ratio

The Capital Requirements Regulation (CRR) includes a non-risk-based leverage ratio. Based on the current requirement (i.e. CEM methodology for derivative exposures), the leverage ratio increased to 5.0% (30 September 2020: 4.7%), reflecting a decrease in the exposure measure mainly due to seasonal effects. The leverage ratio includes the temporary exemption of the central bank reserves from the exposure measure, which had a positive impact of 0.6 percentage points as at 31 December 2020. This exemption ends on 27 June 2021.

The current leverage ratio requirements will be amended by CRR2, which introduces a binding leverage ratio requirement of at least 3% and amends the requirements for calculating the exposure measure. The amendment includes the application of SA-CCR to clearing guarantees on derivative exposures. ABN AMRO estimates that the cumulative effect of the CRR2 adjustments, including application of SA-CCR, will lower the exposure measure by approximately EUR 56.8 billion and equals 0.6 percentage points of the leverage ratio. As the temporary measure to exempt central bank reserves ends on 27 June 2021 and CRR2 applies from 28 June 2021 onwards, we currently estimate these two effects will largely offset with no material impact on the leverage ratio. The fully-loaded leverage ratio based on SA-CCR increased to 5.0% at 31 December 2020 (30 September 2020: 4.7%), reflecting a decrease in the exposure measure mainly due to seasonal effects. The CRR2 leverage ratio (including SA-CCR) would be 5.8% if central bank reserves were to continue being exempted from the 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

The preliminary intermediate MREL target received in Q4 2020 from the Single Resolution Board is set at 27.1% of Basel III RWA, of which 26.6% should be met by own funds, subordinated instruments and senior non-preferred (SNP) notes. This includes the currently applicable combined buffer requirement of 4%. This will apply with effect from 1 January 2022, one year earlier than expected as reflected by our previously communicated MREL ambition of 27% by 2022. Based on own funds, subordinated instruments and SNP notes, MREL was 27.4% as at 31 December 2020 (30 September 2020: 27.0%). Compared to Q3 2020, MREL increased mainly due to the decline in RWA. While we are compliant with the preliminary intermediate MREL target, we will review our targets after receiving the final MREL letter to ensure we continue to operate in line with our requirements. The final MREL letter is expected in the upcoming months. Issuances will reflect the new targets.

About this report

Introduction

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

Presentation of information

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

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 2020 results.

Introduction
Financial review
Risk developments
Capital management
Other

Enquiries

ABN AMRO Investor Relations

investorrelations@nl.abnamro.com

Investor call

A conference call for analysts and investors will be hosted by the bank on Wednesday 10 February 2021 at 10:00 AM CET (09:00 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.

ABN AMRO Press Office

pressrelations@nl.abnamro.com
+31 20 6288 900

ABN AMRO Bank N.V.

Gustav Mahlerlaan 10, 1082 PP Amsterdam
P.O. Box 283, 1000 EA Amsterdam
The Netherlands
abnamro.com

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

Disclaimer & cautionary statements

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

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

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