



**ABN AMRO Group N.V.**

# **Integrated Annual Review 2017**



Welcome to the ABN AMRO Integrated Annual Review 2017. The Integrated Annual Review describes the themes that are central to achieving our long- and medium-term strategy and the group's ability to create value over time. To achieve this, we have used the International Integrated Reporting Framework to describe our activities and achievements during 2017.

Our goal is to continuously enhance our reporting as we move forward, and we welcome your feedback concerning this report. Please address your questions, comments and suggestions to [branding.&.communications@nl.abnamro.com](mailto:branding.&.communications@nl.abnamro.com).

# OUR REPORTS



## Integrated Annual Review 2017

**Purpose:** This is ABN AMRO's Integrated Annual Review, which describes the group's ability to create value over time. As our primary report, it examines the themes that are central to achieving our long- and medium-term strategy. Information has been taken from the reports listed here, where applicable.

**Readership:** Intended readers of this report are investors, clients, employees and society at large. It will be of special interest to providers of financial capital (investors).

**Frameworks used**  
International Integrated Reporting Framework (IIRC)

**Assurance**  
EY has performed a limited assurance engagement on this report



## Annual Report Group and Bank

**Purpose:** The board reports and the Annual Financial Statements provide information about our financial and non-financial performance in compliance with regulatory requirements.

**Readership:** Intended readers of this report are primarily regulators and providers of financial capital (investors).

### Frameworks used

- ▶ International Financial Reporting Standards (IFRS)
- ▶ Dutch Civil Code Title 9, Book 2
- ▶ Capital requirements regulations (Basel III, CRD IV, CRR, EBA)
- ▶ Financial supervision act
- ▶ Corporate Governance Code
- ▶ Dutch Banking Code

**Assurance**  
EY has audited the Annual Financial Statements, including certain disclosures in the Risk, Funding & Capital Report, and has expressed an unqualified audit opinion



## Pillar III Report

**Purpose:** This report provides detailed quantitative information in the area of risk and capital management. A description of our main approach to risk management and qualitative Pillar 3 requirements is included in the ABN AMRO Group N.V. Annual Report.

**Readership:** Intended readers of this report are primarily regulators and providers of financial capital (investors).

**Frameworks used**  
Capital requirements regulation (CRR, EBA)

**Assurance**  
The figures presented in this document have not been audited or reviewed by our external auditor



## Sustainability disclosures

**Purpose:** The Sustainable Banking website complements our Integrated Annual Review. It provides detailed sustainability disclosures, background information, key figures and highlights under Reporting including our Human Rights Report.

**Readership:** Intended readers of this report are employees, clients, investors and society at large.

See: [abnamro.com/en/sustainable-banking/reporting-and-publications/reporting/index.html](http://abnamro.com/en/sustainable-banking/reporting-and-publications/reporting/index.html).

**Frameworks used**  
Not applicable

**Assurance**  
The figures presented on this website have not been audited or reviewed by our external auditor

# ABOUT THIS REPORT

This Integrated Annual Review provides a concise overview of ABN AMRO's approach to creating true value for its stakeholders: clients, employees, investors and society at large. It includes the highlights of 2017, our strategic targets, priorities, and business line developments, and a look at our governance and financial performance.

This report contains the following information. The introduction gives an overview of ABN AMRO and its main developments in 2017. The driving forces section describes the key trends in our environment.

The strategy and value creation section shows our plans and ambitions for the future, and how we delivered on our strategy. The progress report shows our progress over 2017, including business line performance.

## DRIVING FORCES

- ▶ Stability of our financial system
- ▶ Connectivity
- ▶ Convenience
- ▶ Disintermediation
- ▶ Responsible business

## LONG-TERM STRATEGIC FOUNDATION



Client-driven



Invest in the future



Moderate risk profile



Sustainable growth

## MEDIUM-TERM STRATEGIC PRIORITIES



Bring expertise



Enhance the client experience



Innovate & grow



Deliver fast

## PROGRESS

Progress on topics that are important to our stakeholders, both financial and non-financial.

## IN THIS REPORT

- ▶ Our reporting approach for a selected set of target readers
- ▶ Our further implementation of integrated reporting principles
- ▶ Our material topics for 2017 as identified by our stakeholders
- ▶ Our limited assurance engagement with EY on the entire Integrated Annual Review

## OUR REPORTING SCOPE

The main scope of our corporate reporting on financial results is ABN AMRO Group N.V. and its consolidated entities. This reporting scope may differ for non-financial results, and is indicated where applicable.

The interests and wishes of our stakeholders have an impact on ABN AMRO's activities, and the Our Stakeholders section of this report describes our approach to responding to their views. We use materiality analyses to investigate and develop the opportunities, outcomes and risks that our stakeholders consider important – and that enable ABN AMRO to create value for them.

A description of our material topics is provided under Material topics and connectivity. Definitions of the metrics we use can be found in the Non-financial indicators section. See Reporting approach for more information.

## STATEMENT FROM THE EXECUTIVE BOARD OF ABN AMRO GROUP N.V.

This report aims to give our stakeholders a balanced, transparent picture of our short-term and long-term performance. We have embraced integrated reporting principles and focus on how we create value in response to what matters most to our stakeholders. Please see the Reporting approach in this report for more information.

# INDEX

This report includes the highlights of 2017, our strategic targets, priorities, and business line developments, and an overview of our governance and financial performance.

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# PROFILE

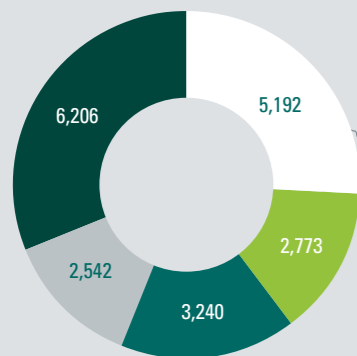
ABN AMRO is a modern full-service bank with a transparent and client-driven business model with traditional and digital banking products, a moderate risk profile, a clean and strong balance sheet, a solid capital position and strong funding profile. We serve retail, private and corporate banking clients, with a primary focus on the Netherlands and with selective operations internationally.

## Geography Europe

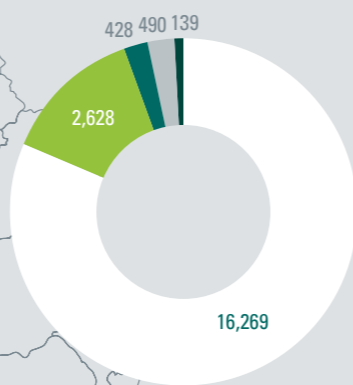
Number of employees (in FTEs)

# 19,954

### By business segment



### By geography



The Netherlands  
Amsterdam

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

- The Netherlands
  - Rest of Europe
  - USA
  - Asia
  - Rest of the world
- Branch offices

## Rest of the world

**Australia:** Sydney  
**Brazil:** São Paulo  
**China:** Shanghai, Hong Kong

**Japan:** Tokyo  
**Russia:** Moscow  
**Singapore**

**United Arab Emirates:** Dubai  
**United States:** Dallas, New York, Chicago

## ABN AMRO

Retail Banking	Commercial Banking	Private Banking	Corporate & Institutional Banking	Group Functions
<ul style="list-style-type: none"> <li>▶ Leading position in the Netherlands</li> <li>▶ Principal bank for 20%<sup>1</sup> of the Dutch population</li> <li>▶ Top 3 position<sup>2</sup> in savings (including Private Banking)</li> <li>▶ #2<sup>3</sup> in new mortgage production</li> <li>▶ ± 5,000,000 retail clients</li> <li>▶ ± 300,000 small businesses</li> <li>▶ Seamless omnichannel distribution with a nationwide network of 202 branches, 24/7 Contact Center and top-class digital offering</li> </ul>	<ul style="list-style-type: none"> <li>▶ Established business partner of the Dutch corporate sector</li> <li>▶ Approximately 65,000 clients with an annual turnover between EUR 1 million and EUR 250 million across 15 defined sectors</li> <li>▶ Broad range of products and services based<sup>4</sup> on in-depth client and sector knowledge</li> <li>▶ Utilising the opportunities presented by innovation, digitalisation and standardisation</li> </ul>	<ul style="list-style-type: none"> <li>▶ Market leader in the Netherlands</li> <li>▶ Ranked top 5 in France and Germany</li> <li>▶ Present in the eurozone with more than 50 branches</li> <li>▶ Fully integrated financial advice and a broad array of digital services focused on wealth structuring, wealth protection and wealth transfer</li> </ul>	<ul style="list-style-type: none"> <li>▶ Present in the key financial and logistical hubs providing sector and product expertise</li> <li>▶ ± 3,000 domestic and international clients in selected sectors</li> <li>▶ Five product units: Structured Finance, Trade &amp; Commodity Finance, Global Markets, Clearing and Private Equity</li> <li>▶ Adding value by combining the expertise and creativity of our people with the power and speed of technology</li> </ul>	<ul style="list-style-type: none"> <li>▶ Innovation &amp; Technology</li> <li>▶ Finance including Investor Relations, ALM, Treasury and Tax</li> <li>▶ Risk Management</li> <li>▶ Transformation &amp; HR</li> <li>▶ Group Audit, Corporate Office and Strategy &amp; Sustainability</li> </ul>

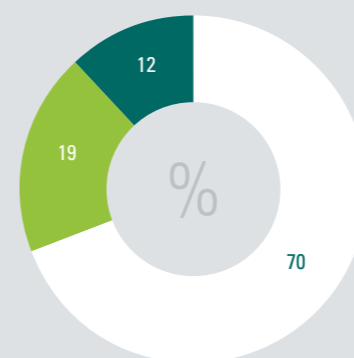
<sup>1</sup> GfK online tracker, 2017. <sup>2</sup> Calculated based on DNB Domestic MFI statistics and internal analyses, H1 2017 figures. <sup>3</sup> Calculated based on information provided by the Dutch Land Registry (Kadaster), 2017. <sup>4</sup> ABN AMRO Commercial Finance clients and ABN AMRO Lease clients are often also serviced by other units at Commercial Banking. The number of unique clients is approximately 57,000.



Operating income (in EUR millions)  
**9,290**

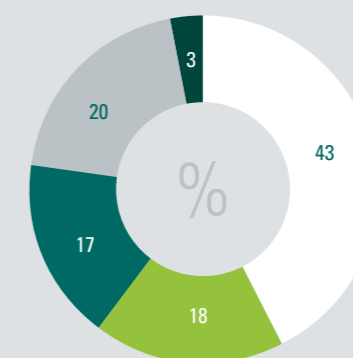
**Credit ratings ABN AMRO Bank**  
S&P: A Positive outlook  
Moody's: A1 Stable outlook  
Fitch: A+ Stable outlook

## Operating income By type of income



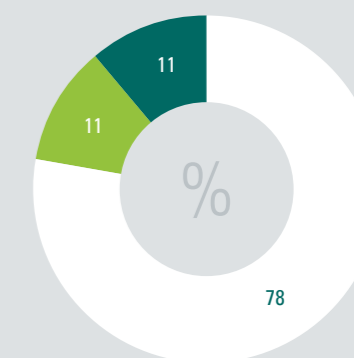
- Net interest income
- Net fee and commission income
- Other operating income

## Operating income By business segment



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

## Operating income By geography



- The Netherlands
- Rest of Europe
- USA, Asia and rest of the world

# WHAT WE DID IN 2017

- ▶ The Supervisory Board appoints CEO Kees van Dijkhuizen. A streamlined management structure with increased executive level attention to business activities is introduced

- ▶ ABN AMRO participates in the National Blockchain Coalition
- ▶ The annual report 'Giving voice to value' is published, leading to the award for most innovative report in the Transparency Benchmark Study

- ▶ ABN AMRO's circular pavilion is named Circl. It underpins the bank's commitment to the circular economy
- ▶ The Supervisory Board announces the intended appointment of Clifford Abrahams as CFO and Tanja Cuppen as CRO

JAN



MAR



MAY



FEB



APR



JUNE



- ▶ Transavia becomes the first company to give its customers access to the innovative Tikkie app, followed by the University of Groningen, the Dutch Heart Foundation and Ajax in later months

- ▶ ABN AMRO closes the sale of private banking activities in Asia and the Middle East
- ▶ EIB and ABN AMRO provide EUR 150 million to finance green shipping

- ▶ Smart loyalty app wins ABN AMRO's 'Beyond Banking' Hackathon
- ▶ A Vlerick Business School study names ABN AMRO a frontrunner in digital transformation
- ▶ The results of an internal investigation into revised mortgage advice are announced
- ▶ The Dutch State reduces its stake in the ABN AMRO Group to 63%

- ▶ ABN AMRO makes further commitment to sustainability: we aim to improve the average energy efficiency of our own and our clients' properties to label A by 2030
- ▶ Sustainable investment will be the norm for private banking from 2018 onwards

- ▶ ABN AMRO increases its stake in Swedish FinTech TINK
- ▶ Tikkie reaches 1.5 million users

- ▶ ABN AMRO prepares for the future with the launch of its Developer Portal with a series of commercial APIs, as well as its challenger proposition Prosperity in Private Banking

AUG



OCT



DEC



JULY



SEPT



NOV



- ▶ According to the Dutch Association of Investors for Sustainable Development, ABN AMRO has set the example by providing more transparency on risks and actions regarding human rights
- ▶ ABN AMRO provides 100% financing for corporate clients to improve the sustainability of their properties

- ▶ ABN AMRO launches New10, a fully digital small business loan application
- ▶ The Dutch State reduces its stake in ABN AMRO Group to 56%

- ▶ ABN AMRO's first Health Impact Bond and sixth Social Impact Bond: a broad alliance of parties join hands to support employees who have or have had cancer in returning to work faster and more successfully
- ▶ Introduction of instant payments between European banks

## INTERVIEW WITH THE CEO

**“Standing out  
with expertise,  
innovation and  
sustainability”**

**Kees van Dijkhuizen**  
CEO of ABN AMRO Group N.V.



# INTERVIEW WITH THE CEO

The year 2017 was a good one. Solid financial results, rising client satisfaction scores, appealing innovations, and appreciation for our sustainability initiatives in the Netherlands and beyond all reflect the bank's success. But there is still room for improvement, according to CEO Kees van Dijkhuizen.

## How do you look back on 2017?

"For ABN AMRO, 2017 was a good year. Financial performance was strong, our clients appreciate us more than they did before, costs were lower, and we're contributing to a more sustainable economy. We're well on track towards achieving our strategic goals for 2020. And our capital position is at a solid starting point, especially now that we have more clarity on Basel IV. We have set a dividend pay-out target of 50% of sustainable profit from 2018 onwards. At the same time, 2017 was a year of change. On balance, our headcount decreased by as much as 8% in 2017. That's a big deal. 2017 also saw changes in our management structure. We have a new slimmed down top management structure with more focus on the business, and new managers have been appointed at many levels as part of the introduction of agile working and our switch from a regional orientation to a sector-based approach."

**"FINANCIAL PERFORMANCE WAS STRONG, OUR CLIENTS APPRECIATE US MORE THAN THEY DID BEFORE, COSTS WERE LOWER, AND WE'RE CONTRIBUTING TO A MORE SUSTAINABLE ECONOMY."**

## What particular highlights are you proud of?

"I'm proud of us for achieving such strong performance despite the rapid changes. Profit totalled EUR 2.8 billion. And we are making progress on sustainability. We have recently entered the top 5% of the FTSE4Good Index and the top 5% of the Dow Jones Sustainability Index. Early in 2018 at the World Economic Forum at Davos, we won the Circular Economy Investor Award. We're really carving out a reputation as a large bank committed to

sustainability. Last but not least, our smart innovations in 2017 are worth mentioning."

## What could have gone better in 2017?

"Employee engagement has decreased by 3%, which is not good for us nor for our clients. We will be doing everything in our power to improve engagement again. Employees feel the bank's strategy and profile are not clear enough. We're also talking to the Employee Council to get a crystal clear picture of what needs to be done."

## What sets ABN AMRO apart from other banks?

"When we ask for feedback and opinions, a commonly heard answer is that we are experts at what we do. We want to further develop that expertise. After all, no matter the degree of digitalisation, the expertise of our employees is at the forefront. We are a solid Dutch bank with a focus on growth in Northwest Europe. And we are active in a number of niche markets, such as the funding of energy, commodities, and transportation as well as clearing. And, another major area in which we stand out is our commitment to innovation and sustainability."

## Sustainability seems to be particularly important to you personally, why is that?

"Ever since the 2015 Paris climate agreement, everybody should be well aware that we need to take action regarding climate change. For me personally, that moment came a long time ago, back in the early seventies. I was in secondary school when I read the book *The Limits to Growth* by the Club of Rome. Then in 1989 I contributed to the creation of the first National Environmental Policy Plan at the Dutch Ministry of Economic Affairs. Don't get me wrong, I wouldn't say sustainability has been at the core of my career, but it's definitely a topic that has been close to my heart for a long time."

## What has the response been internally when it comes to sustainability?

"Looking at the sustainability initiatives that the bank's employees themselves are launching, it's clear that sustainability is on everybody's mind. We aspire to upgrade the buildings and homes in our real estate portfolio from a D to an average energy label A by 2030. That ambition started in Commercial Real Estate, and we expanded this to our mortgage portfolio. Our client loan portfolio is where we can make a difference,

as as a substantial portion of our loan book is related to real estate. Our agile way of working now facilitates the quick implementation of ideas like that. Our bank's enterprising, creative, and solution-oriented quality is something to be proud of. I live in an old house myself, about a hundred years old, and I've made it greener by having the floors insulated, getting double-glazing, installing new boilers, electric power from wind energy, and so forth."



## Can you expand on the bank's innovations?

"For instance Tikkie, also a bottom-up initiative by the way, is a huge success, used by two million people. And our own FinTech start-ups – New10 – where clients can arrange a business loan within fifteen minutes – and Prosperity – our online wealth manager. And then there's Franx – for SME clients who do international business. We launched Franx early in 2018, but most of the work in setting it up was done in 2017, of course. What's new is that, in creating innovative concepts, we work more and more closely with FinTech start-ups. In many areas, FinTechs can innovate faster and better than we can, but we are the party with the infrastructure, the financial expertise and the clients. We complement and reinforce each other. Collaborations like this, also via platforms, are the future. To facilitate this, we've established the Digital Impact Fund, in which we invest in FinTechs that have a good strategic fit with us. With Tink, for instance, and with Cloud Lending Solutions. In 2018 we'll be starting more of these collaborations. This is a faster way of bringing solutions to clients than trying to invent everything in-house."

## In June 2017, ABN AMRO ranked first in a Vlerick Business School digitalisation survey, Transformers 200. ABN AMRO is the Netherlands' front runner when it comes to digital transformation. What exactly is the bank doing right?

"The survey gives us high performance scores in all six areas covered: from technology to culture and talent development. For example, we have made good progress in migrating our applications to the cloud, which is going to pay off in the form of lower costs and more efficient innovation. And we're ahead of the pack in implementing agile working methods. The way the businesses cooperate with IT at ABN AMRO is light years away from what it was a few years ago. They team up to make choices and prioritise issues. It works incredibly well, and promises to work better and better in 2018. It gives an amazing boost to product innovation, too."

### What does ABN AMRO want to achieve in the years ahead?

"IT giants like Google, Amazon and Apple are likely to play a bigger role in the financial ecosystem. It's still unclear where things are heading, and what the impact will be. Are they going to try to take over our role? In this context, too, our added value in terms of financial and sector expertise is what can really give us an edge in addition to the data of the vast client base we serve. I hope we will end up complementing each other as is now the case with FinTechs. Banking is a highly regulated line of business, and because of that it's doubtful whether large IT companies are really keen to jump in themselves. If over the next five to ten years we manage to overcome this challenge, and even to grow profitably and become stronger, we've done well. The bank is in good shape right now, so we have every confidence we'll succeed."

### What kind of year is 2018 going to be?

"Our prospects for 2018 look encouraging. The economy is in full swing, that is good and that is to our clients' benefit. They have started investing after a long period of 'wait and see'. The bank is flourishing and client satisfaction is climbing. It also depends on the action the European Central Bank will take on interest rates. The current low interest rates are a problem for every bank. In 2017 we paid 0.4% interest over tens of billions of euros that we deposited with the ECB."

### Confidence has remained low since the financial crisis and is just starting to edge back up. What is ABN AMRO doing to bolster confidence?

"We're consistently putting clients' interests centre stage, in a variety of ways. To give you a recent example, clients are tired of earning so little interest on their savings due to the ECB's monetary policy. We understand their frustration and proactively offer advice, for instance by suggesting they use their savings to pay off their mortgages."

Another way we try to bolster confidence is by demonstrating our social responsibility with all kinds of sustainable initiatives, and by investing in six social impact bonds, for instance. These bonds have been designed to address social problems, like reintegrating cancer survivors into the workforce. Building confidence is hard work."

### What was the most difficult dilemma ABN AMRO faced in 2017?

"Digitalisation and changing client behaviour are moving far faster than we reckoned, and this has a big impact on staff in our branches. More and more, the tables are turning: these days we're increasingly bringing the branch office to the client's home. This inevitably means staff reductions, and we fully understand the uncertainty this creates. At ABN AMRO, we invest in the employability of our people. Still, letting staff go, is something we find difficult."

### The Employee Council wants the bank to invest more in retraining and updating employees whose jobs are on the line. Is ABN AMRO doing enough in this respect?

"Wherever we can, we try to retrain employees for new roles. We're encouraging employees to use training opportunities to stay as employable as possible, inside and outside the bank. The training budgets are already there. If we foresee that a certain role will disappear within a few years, we will nudge employees proactively to learn new skills, even if these skills are not immediately relevant to their current jobs. This is something we're going to put in place in 2018."

# REPORT OF THE SUPERVISORY BOARD

The composition of the Supervisory Board remained constant during 2017 under the Chairmanship of Ms Zoutendijk. The Supervisory Board's composition is based on the Board's guiding principle that diversity of thought, expertise, background, competences and interpersonal styles, thus including but not limited to gender diversity, is a prerequisite for effective supervision and, by extension, for long-term value creation. Gender diversity within the Supervisory Board of ABN AMRO is currently 43%, well above the 30% guideline.

### Focus areas and activities of the Supervisory Board

As of January 1, 2017 the new Dutch Corporate Governance Code came into effect. Compliance with the code is based on the 'comply or explain' principle. The new code places greater emphasis on long-term value creation and risk management. It requires early and close involvement of the Supervisory Board in strategy formulation for the long-term value creation and the culture of the company. The new code assigns responsibility to both the Management Board and the Supervisory Board for creating a culture that promotes the desired behaviour to achieve value creation and that encourages employees to act with integrity. The code also states that contact between the top of the company and the employees is essential to obtain a proper understanding of how the culture is experienced within the organisation.

During the first few months of 2017, the Supervisory Board focused much attention on the development and implementation of a new management structure, as initiated and proposed by the CEO. The new management structure was designed in close consultation between the CEO and the Supervisory Board with the aim of providing stronger focus on the bank's clients and business activities at the top executive level, thereby creating a stronger impetus for innovative solutions for clients, business growth initiatives, and a more achievement focused culture of accountability. The new management structure, operational

from 1 March 2017, formally entered into effect in November 2017 upon receipt of the relevant regulatory approvals. Until 3 November 2017, all required decisions were adopted by the Executive Board. The changes in the new management structure, as initiated and proposed by the CEO and supported by the Supervisory Board, resulted inter alia in a significant improvement in gender diversity at senior management level (from 23% to 40% in the combined top 3 newly appointed senior management levels, i.e. the Executive Board, Executive Committee and the direct reports of the Executive Committee) and a significant reduction of the senior management group by 40% from 106 to 63 FTE. This was the first time in almost a decade that FTE reduction targets did not just impact lower level employees, but also affected the senior management ranks. This was necessary and overdue for several reasons: 1) appropriate rightsizing of the number of FTE in senior management compared to the annually shrinking size of the bank's overall FTE, 2) reducing bureaucracy and speeding up decision-making by increasing managerial spans of control, thereby removing unnecessary management layers, and 3) achieving measurable progress towards cultural equity in meeting the bank's cost cutting targets. Early in 2018, ABN AMRO's Supervisory Board and Executive Board commissioned an evaluation of the bank's management structure. The evaluation was decided at the time of the introduction of the new management structure in early 2017.



In June/July 2017, the Supervisory Board and the Executive Committee spent two days together off-site to discuss the bank's strategy in light of the opportunities and threats posed by external developments in the domestic and global arena. This is a good example of collaboration of the Supervisory Board with the Executive Committee, focusing together on long-term subjects that matter and setting the strategic framework for executive actions. The joint discussions focused on the effects of digitalisation, globalisation, democratisation and the circular economy. Specific focus was placed on refining the bank's 'purpose' so that it would more closely align to the bank's expertise.

The bank's potential for a greater contribution to society was explored in terms of linking more directly to the Sustainable Development Goals of the United Nations, in particular 'Sustainable Cities and Communities' and 'Climate Action.' During 2017, management successfully expanded the scope of the bank's ambitions for sustainability of commercial real estate, sustainably invested assets in Private Banking and the issuance of Green bonds for clients in Corporate & Institutional Banking.

Other key topics discussed by the Supervisory Board with management during the year were top line growth plans for all business lines, improving the bank's cost-to-income ratio, simplifying internal processes and controls, optimizing the bank's return on equity, updating the capital plan based on Basel IV, improving overall data quality especially given the increasing frequency of detailed data requests by the regulators, IT innovation as well as cybersecurity, and the development of talent at all levels of the bank including the need to build a leadership development function and implement effective management succession planning. The Supervisory Board had its annual meeting with the bank's graduate trainees, to obtain their feedback on the bank's training programme and how they view career prospects and development at ABN AMRO.

The Supervisory Board's key areas of focus also included the bank's compliance with

laws, codes and regulations, specifically the preparation for the implementation of MiFID II, PSD2, and IFRS 9. Furthermore the Supervisory Board was regularly updated on ABN AMRO's key financial and non-financial risks and the design of the internal risk management and control systems. During these updates the Executive Board's assessment of the adequacy and effectiveness of the risk management and control systems was monitored and discussed. The bank's risk appetite and ICAAP/ILAAP were also discussed and approved. The Supervisory Board thoroughly discussed material legal, credit, tax and compliance files.

The Supervisory Board actively engaged its key stakeholders in 2017, visiting various parts of the organisation in the Netherlands and internationally to obtain client and staff feedback regarding the bank's duty of care, integrity, client focus, culture and competitive differentiation. The Chairman and other members of the Supervisory Board also met with the Employee Council on several formal and informal occasions during the year. This included a half-day joint meeting of the Supervisory Board, the Executive Committee and the Employee Council ('drie raden overleg'), which is convened annually. The Supervisory Board appreciates the constructive relationship it has with the Employee Council, and highly values the input, engagement, suggestions and considerations provided by the Employee Council in the interest of the bank. Active engagement was also maintained throughout the year with the Dutch Central Bank, the European Central Bank, AFM, STAK AAG and NLFi. The Supervisory Board's aim throughout was to ensure that the bank is well positioned to create long-term value for its shareholders and for society, while focusing firmly on clients' interests and balancing the interests of all stakeholders.

On 5 February 2018, Ms Zoutendijk announced her decision not to run for a second term effective 1 July 2018. For further details, please refer to the Report of the Supervisory Board in the Annual Report.

# OPERATING ENVIRONMENT

This section gives an overview of developments that influence our current and future activities. It also includes how we engage with our stakeholders.

## 16 Driving forces

18 Stability of our financial system

20 Connectivity

22 Convenience

24 Disintermediation

26 Responsible business

28 Our stakeholders



# DRIVING FORCES

This section describes our operating environment. The financial sector faces changing client expectations and technological, competitive and regulatory developments. These driving forces are input for our strategy and activities going forward.



## How does ABN AMRO operate in this environment?

The driving forces that are included in this section are a description of our current operating environment. ABN AMRO's strategic choices in relation to these trends are described in the strategy and value creation section. How ABN AMRO responded to developments in the past year is described in the progress report.

SEE ALSO THE STRATEGY SECTION  
HOW WE RESPOND TO THESE DRIVING FORCES

SEE ALSO THE PROGRESS REPORT  
HOW WE RESPONDED IN THE PAST YEAR



### Stability of our financial system

A stable financial system is important for the sustainability of ABN AMRO's business model. An extensive range of legislation and regulation is imposed by regulators and supervisors on banks to safeguard the stability and strength of the financial system.

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ON PAGE 18



### Connectivity

Everyone is increasingly connected through networks, changing what we might expect and creating new possibilities. Real and virtual worlds will continue to combine, augmented by further connection.

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ON PAGE 20



### Convenience

Customer experience is driven by the growth in mobile and smartphone ownership. Banks must be competent to adapt quickly to ever-changing consumers and excel in data analytics, user-friendliness and consumer engagement.

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ON PAGE 22



### Disintermediation

Disintermediation, a reduction in the use of intermediaries between producers and consumers, has acquired a new meaning with the virtual marketplace and banks' role as a central intermediary is expected to continue to erode.

READ MORE  
ON PAGE 24



### Responsible business

We live in a connected world in which society is increasingly committed to the values of solidarity and sustainable economic development. This includes protection and the responsible use of our environment and resources, as well as behaving responsibly in areas such as human rights, corruption, tax, remuneration and human resources.

READ MORE  
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# STABILITY OF OUR FINANCIAL SYSTEM

The importance of a stable financial system for society

Image: Kyle Bean/Sara Morris

## Regulation

A stable financial system is important for the sustainability of ABN AMRO's business model. An extensive range of legislation and regulation is imposed by regulators and supervisors to banks to safeguard the stability and strength of the financial system. Our policies are designed to comply with all existing and new regulations affecting the bank.

Compliance with new regulations puts considerable pressure on banks and comes at a significant (financial) cost such as the cost of IT implementation and management time. ABN AMRO is subject to levies imposed to support the stability of the financial system: the Dutch Deposit Guarantee Scheme, the European Single Resolution Fund and Dutch bank tax which impact cost levels.

Regulators aim to strike a balance between protecting the stability of the financial market while also embracing and encouraging innovations in the financial services industry. Innovative financial products are diverse, and are often collaborations between multiple service providers, for example between banks and FinTechs. These new offerings are often not covered by existing financial regulation. Regulators are also increasingly focused on customer protection and product suitability after the financial crisis.

## Dutch macro-economy and regulation

A variety of macro-economic factors, such as the broader Dutch and global economy, are important drivers of the financial results of ABN AMRO. The low interest rate environment has an impact on the profitability of the banking sector. Margins derived from maturity transformation are declining because of the very flat yield curve. At the same time, deposit-based refinancing is becoming more difficult, mainly because it is difficult to pass on negative interest rates to private customers.

As many banks in the developed world, ABN AMRO will continue to have to deal with a longer term relatively low growth environment in Europe even though the Dutch economy continued to show relatively robust growth in 2017 on the back of the housing market recovery and increased world trade.

The new Dutch coalition government has announced plans that include a wide range of reforms, and plans which impact the financial industry or the economy.

Selected key regulatory developments relevant for ABN AMRO:

- ▶ **Basel IV** – On 7 December, the Basel Committee announced an agreement on the finalisation of the Basel III reforms, often referred to as Basel IV. ABN AMRO currently applies the advanced IRB approach for almost all loan portfolios. Firstly, Basel IV limits the use of internal credit risk models for some exposure classes. Secondly, a floor (72.5% of standardised calculation outcome) is set on the outcome of capital requirements calculated by internal models. These Basel III reforms are subject to implementation into European law and regulation before they become binding. The Basel Committee has set the implementation date at 1 January 2022. Following this date, the output floor will be phased-in gradually over a period of 5 years.
- ▶ **IFRS 9** – A new reporting standard for the classification and measurement of assets and the determination of impairments came into force in January 2018. The change from an incurred loss impairment methodology to an expected loss impairment methodology may increase volatility in impairments moving forward.
- ▶ **TRIM** – A targeted review of internal models by the ECB. On-site missions took place in 2017. These will be continued in 2018, with a possible extension into 2019. The ECB may provide guidance on updating models if it finds unacceptable model differentiations. This may have an impact on risk-weighted assets.
- ▶ **MIFID II** – MIFID II became effective on 3 January 2018. This European legislation is designed to offer greater protection to consumers and investors, and to make the European financial markets more transparent and efficient.
- ▶ **Basel III** – The Basel Committee announced the finalisation of the Basel III reforms in July 2017. The reforms are subject to implementation into European law and regulation before they become binding. The Basel Committee has set the implementation date at 1 January 2022. Following this date, the output floor will be phased-in gradually over a period of 5 years.
- ▶ **MIFID II** implementation affects the bank in many areas, including changed processes, client interactions, IT systems, and improvements to or extensions of internal process documentation.
- ▶ **CRR2/CRD5/BRRD** – This broad set of legislative proposals covers many areas, including the formal introduction of the net stable funding ratio and a minimum leverage ratio, changes to the Pillar 2 regime, and capital and liquidity waivers. These proposals also include a new standardised approach for counterparty credit risk weighting purposes. The proposed reforms also implement TLAC-requirements in EU legislation and make other changes to the EU's existing resolution regime (bail-in/MREL).
- ▶ **Senior non-preferred debt** – In December 2017, the EU legislator reached agreement for a fast-tracked directive on the ranking on unsecured debt in insolvency (bank creditor hierarchy). This requires EU member states to create a new class of (bail-in-able) Senior non-preferred debt in local insolvency laws within 12 months (or by 1 January 2019, whichever is earliest). The Dutch legislative procedure is expected to last the full 12 months.
- ▶ **GDPR** – The EU General Data Protection Regulation (GDPR) aims to protect personal data and facilitate the free flow of personal data in the digital single market, giving EU citizens more control over their data. Businesses, institutions and governments will be required to describe exactly what data they keep, where they do so and for what purpose. Organisations will not be permitted to keep data forever, and clients will have new rights, such as the right to be forgotten and the right to data portability. GDPR will come into force on 25 May, 2018.

## Risks & Opportunities

### Risks

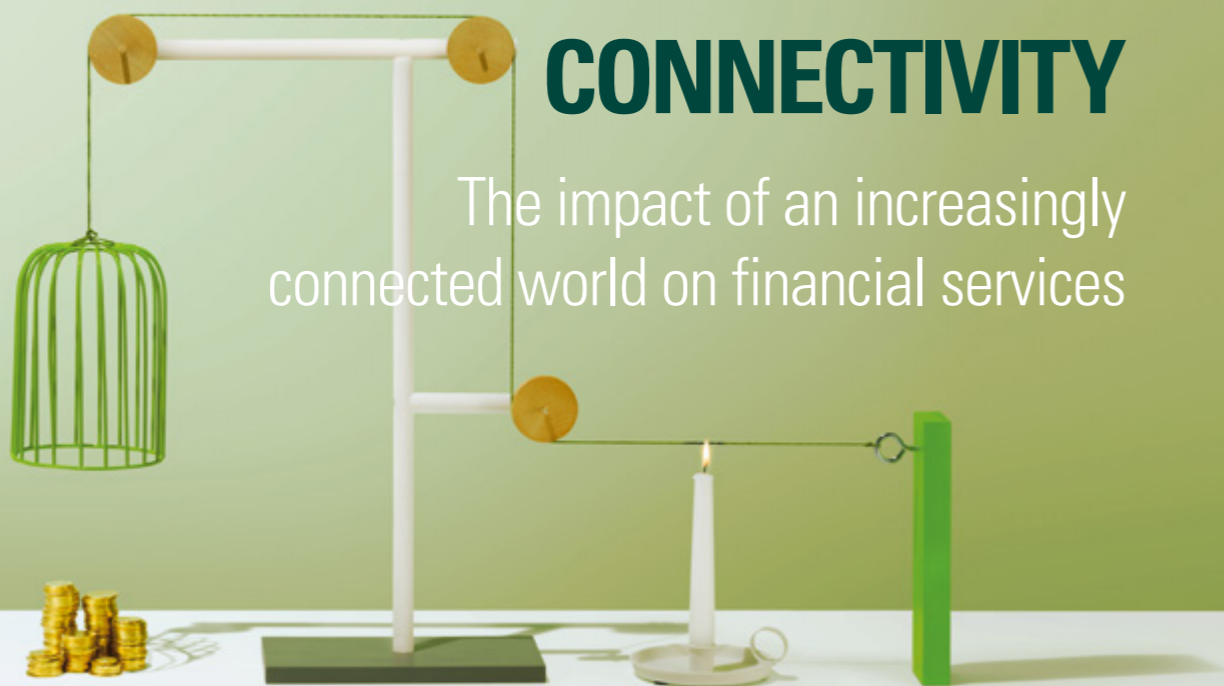
- ▶ Large amount of regulation may impose change risk
- ▶ Unclear regulation interactions and potential discrepancies between different global legislations

### Opportunities

- ▶ Increase confidence in the banking sector through timely compliance and transparent communication
- ▶ Use regulatory expertise (privacy, risk, security, etc.) for the benefit of clients

# CONNECTIVITY

The impact of an increasingly connected world on financial services



## Networks and platforms

Everyone is increasingly connected through networks, changing who we are and what we might expect. Power shifts when we are connected. The internet gives the opportunity to reach potentially billions, distributing power. At the same time distributed actions of users make a few platforms powerful forces. New powerful entities emerged as platforms such as Facebook, Google, Twitter and Apple and YouTube passed certain threshold levels of connectivity. With smartphones and other (mobile) devices we toggle constantly between and connect with real and virtual worlds. Real and virtual worlds will continue to combine, augmented by further connection.

The shift to a networked economy has changed society and can erode and undermine established companies and business models. Businesses such as Airbnb and Uber have liberated once unused assets, spare bedrooms and empty car seats, changing whole industries. These disruptive forces drive existing players to rethink consumer engagement, transparency and convenience.

## Technology & IT Infrastructure

Technology is becoming faster, cheaper and more universal, with increasing processing power being placed in the hands of consumers. Empowered consumers are demanding innovative solutions for which banks need to build technical capabilities accompanied by a tech savvy culture. This creates opportunities for institutions that are technically able and culturally willing to collaborate and

adapt to the digital transformation. Banks need to redefine their core operations to support this change, and build in the agility to allow them to cope. Although digital transformation offers banks possibilities for growth and value creation, it also comes with challenges and risks. The multiplier effect of combining new trends, technologies and concepts can possibly lead to real disruption of the financial sector.

For example, financial services are being re-invented on platforms such as mobile apps and in online services performed by robo-advisors. Application programme interfaces (APIs), the digital gateways to a company's data and services, are becoming digital building blocks between an organisation and platforms. Artificial Intelligence, smart contracts, modularity and cloud solutions determine future opportunities.

Financial institutions are dependent on large tech firms to acquire critical infrastructure and differentiating technologies. The rise of digital interfaces and data in financial institutions means that banks increasingly focus on developing large tech capabilities, such as cloud-based infrastructure and Artificial Intelligence. Banks also look at how large techs successfully unlock data and revenue from customer platforms. Large techs have focused for years on making their customers' digital experience simple and pain-free, and financial institutions are now moving to match this standard.



tools and strategies for collecting new data. Data security will be crucial in establishing and maintaining trust with clients.

## Innovation and partnering

Traditional financial institutions previously dominated the financial services industry. Following the global financial crisis, technology further reshaped the industry landscape. Finance has become a digital industry, which leaves start-ups and large tech companies in a good position to exploit the financial needs of customers through innovative and diversified products and services.

The accelerating pace of the innovation cycle in financial services requires business model agility and the ability to rapidly deploy partnerships. Increased availability and distribution of knowledge outside large companies leads to open innovation: combining internal and external ideas to advance the development of new technologies. Banks need to develop a broad set of initiatives to ensure a successful funnel as they search for new technologies and ideas outside of the firm.

A shift towards more digitalisation and the link between technology and finance is supported by FinTechs. Concepts and ideas are flowing from the financial services industry into IT companies and start-ups. Increasingly FinTechs and the traditional financial institutions partner up.

## Data

Financial institutions have strong potential for digitalisation because client and transaction data is the raw material that every bank gathers, sorts, processes and links together. Most business models, products and processes can now be digitalised, replacing tried and trusted conventions such as branch offices, ready-made product ranges, and manuals. This means data is becoming increasingly important as new technology allows for better usage, creating new applications for clients.

A combination of data strategies to collect the depth and breadth of data is needed to follow the lead of tech firms. Banks will have to consider migrating existing data in legacy systems to environments where it can be more effectively maintained, as well as implementing

## Risks & Opportunities

### Risks

- ▶ The shift to a networked economy may erode and undermine established companies and business models
- ▶ Concentration of powerful platforms such as Google and Facebook

### Opportunities

- ▶ New technologies and new distribution methods
- ▶ Innovator banks to develop new business models
- ▶ Partner with FinTechs

# CONVENIENCE

Doing business everywhere, anywhere, anytime



### Convenience

Customer experience is driven by growth in mobile and smartphone ownership. We live in a world of online shopping, same-day delivery and immediately-available streaming entertainment. Consumers demand fast and easy delivery of services anywhere, any place and at any time. Financial services are part of customer journeys; a means to an end, a way to achieve a primary goal. Today's banking needs to rise above client expectations, be convenient and stress-free. Banks must be competent to adapt quickly to ever-changing consumers and excel in data analytics, user-friendliness and consumer engagement.

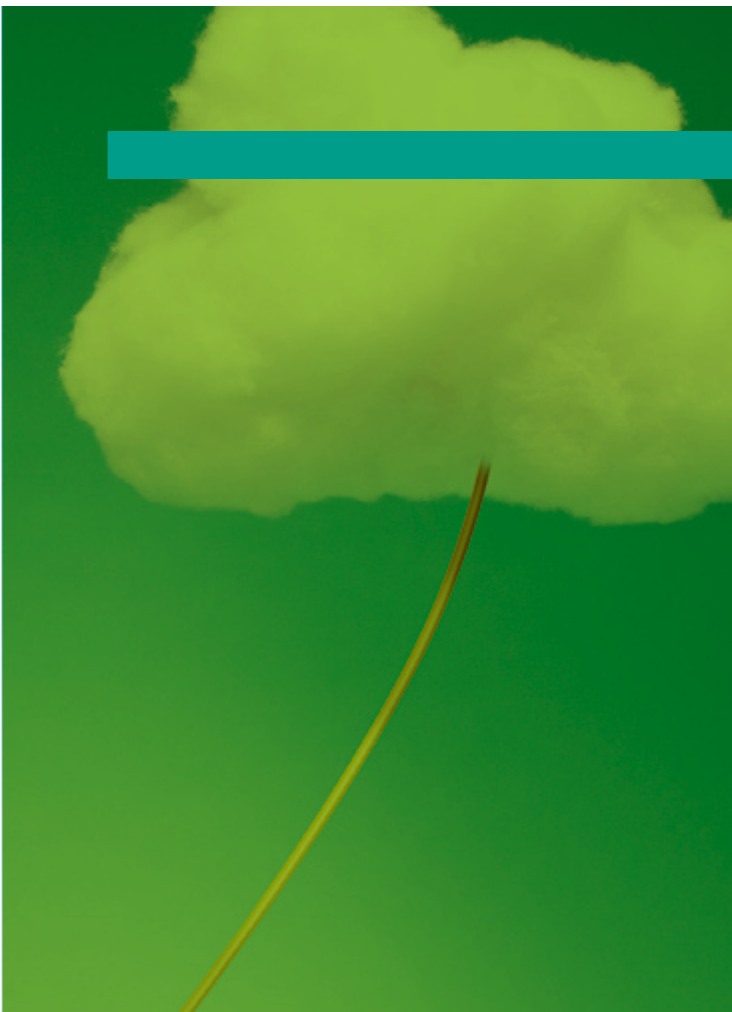
Retail and private banking clients expect personalised, frictionless, simple and 'easy to use' digital experiences across products, services and devices. They expect banks to help reduce the stress associated with money matters. Corporate banking clients expect tailored expertise along with deep data-driven insights and flawless execution. Convenience is not a long-term driver of growth, but essential to stay in the game. To deliver, banks need to redefine inherited value chains, replacing product focus with a strong customer orientation.

### Digitalisation

Clients expect financial services that surprise, are easy to use, add value, are transparent and are secure. To deliver, banks need to digitalise financial products and services. Digitalisation is the continuous process of redesigning processes, leveraging digital competencies such as mobile, social, cloud, and big data. Process automation and straight-through processing create an efficient way to deliver a digital value proposition that meets clients' needs and expectations. The starting point is no longer how to improve existing capabilities, products and services, but how to increase value for clients. A successful digital strategy needs to facilitate cross-departmental and external collaboration.

### Ecosystems

Digitalisation is causing a reordering of traditional industry boundaries. Traditional industry boundaries are shifting and business sectors are becoming increasingly interdependent. Organisations will need to look beyond their current supply chains and work together in ecosystems. A world of ecosystems will be a highly client-centric model, where users can enjoy an end-to-end experience for a wide range of products and services through a single access gateway, without leaving the ecosystem. Ecosystems will do away with traditional industry borders, requiring companies to develop partnerships and innovate their value chains. There are many different roles to take on within an ecosystem and many new ways of value creation.



### Digital identity and trust

The transition to a digital economy requires different identity systems as existing methods for managing security and privacy are no longer adequate. As customers use smartphones, tablets, computers, security systems and GPS devices throughout the network, the risks associated with security and privacy increase. Data breaches, identity theft and large-scale fraud are becoming more common.

In financial services, digital trust is already central to the customer relationship. According to the World Economic Forum, financial institutions are well positioned to drive the creation of digital identity systems. Banks already serve as intermediaries in many transactions, are rigorously regulated and generally trusted by consumers as safe places for information and assets. Investing in the development of digital identity solutions can create revenue opportunities and new business models. Blockchain technologies can play a major role in identity applications, as both an information storage and transfer mechanism, while digital identities are key enablers of blockchain-based applications in a variety of industries.

## Risks & Opportunities

### Risks

- ▶ Banks will need to adapt their often complex organisational structures to increase time-to-market and responsiveness
- ▶ Ecosystems will do away with traditional industry borders, requiring companies to develop partnerships and innovate their value chains
- ▶ Banks will need to address data breaches, identity theft and large-scale fraud

### Opportunities

- ▶ ABN AMRO can match its extensive expertise with the latest digital developments to make their daily financial activities easier
- ▶ ABN AMRO can participate in the creation of digital identity systems

# DISINTERMEDIATION

The effect of a new competitive environment on banks' position in the value chain

## Disintermediation

Disintermediation, a reduction in the use of intermediaries between producers and consumers, has acquired a new meaning with the virtual marketplace and banks' role as a central intermediary is expected to continue to erode. New competitors, nibbling at the banking value chain since before the global financial crisis, are penetrating financial services and redefining value chains. These organisations can now deal with customers directly via the internet to meet their borrowing, investment and advisory needs. This has intensified during the crisis as trust in traditional banks has eroded. It is unlikely that new competitors will completely disintermediate traditional banks, but banks need to adjust to this new competitive environment and transform their business models.

New competitors target traditional banking roles in business lines ranging from foreign exchange to raising capital for ventures. In retail, there is the growth in crowdfunding or peer-to-peer services. Disintermediation is also happening at the level of large corporations as companies are increasingly looking for alternatives to bank loans such as bonds, leasing and factoring. Technologies such as Blockchain make it possible to take out 'the trusted partner' from processes such as clearing and commodity trading.

## PSD II

The revised Payment Services Directive (PSD II) requires banks to allow third parties to access account information and initiate payments, in case the customer wants to use the third parties' services. This can be done by means of APIs, and the change is often referred to as 'Open Banking' as these APIs enable applications to communicate with each other across organisations.

## Open Banking

Together with technology, regulation and consumer demand, the introduction of PSD II is expected to be a major catalyst for 'Open Banking'. Open Banking can be defined as a collaborative model in which banking data is shared through APIs between two or more unaffiliated parties to deliver enhanced capabilities to the marketplace. It is a new end-user experience in digital financial services in which customers will be much more in the driver seat.



Open Banking has the potential to transform traditional banking as it puts pressure on the place of banks in the value chain. Banks may become the equivalent of iOS and Android, offering payment and information services but competing, in an open market, with third-party developers. As a result, customer loyalty will be won or lost through the quality, speed, capability and value delivered by the services.

Open Banking creates risks as well as business opportunities. New entries, such as large tech companies, e-commerce players and challenger banks, can now also use data for their products and services. New players' digital and mostly platform-based business models will create a transparent overview of market offerings, giving

comparative views and opportunities for interaction and facilitate digital integration. This may also result in less data becoming available for banks.

On the opportunity side, customer value will be determined by collaboration with third-party developers and other partners. Open Banking enables combining internal and external resources including third party developers to build applications and services. It creates interesting and broad cross-sell opportunities as banks can capitalise on the safety and trust of banks combined with the speed, innovative strength and new perspectives of FinTech companies. Banks have an opportunity to lead in this space, but will need to change their mindset.

## Risks & Opportunities

### Risks

- ▶ Banks may become back-office platforms instead of maintaining a client-facing position
- ▶ Losing data may result in reduced client insight
- ▶ Privacy concerns

### Opportunities

- ▶ Technology and APIs are driving new business opportunities and business models
- ▶ Partnerships and co-creation with FinTechs to improve client service or build new products

# RESPONSIBLE BUSINESS

From a traditional to a more sustainable business model

### A changing society

We live in a connected world in which society is increasingly committed to the values of solidarity and sustainable economic development. This includes protection and the responsible use of our environment and resources, as well as behaving responsibly in areas such as human rights, corruption, tax, remuneration and human resources. In response, regulators and governments have introduced a wide range of binding and non-binding agreements and global strategies that increase organisations' and governments' responsibility in this area.

Recent examples include the Sustainable Development Goals (SDGs), multilateral agreements on reducing global warming such as COP21 (the Paris Agreement), and transparency guidelines such as the Taskforce on Climate-related Financial Disclosures. At the same time, the views of investors on the sustainability front have matured significantly, reflected in an increased need for non-financial information and comparable standards across companies.

### A sustainable business model

Companies are moving from a traditional model to a more sustainable business model in tune with these values. This means a transition to a model that produces healthy and robust results, ensuring continuity over the years. It also includes paying careful attention to the positive

## Risks & Opportunities

### Risks

- ▶ The bank may be exposed to environmental, social and ethical risks. These could occur through the direct activities of our clients and the companies we invest in on behalf of our clients
- ▶ Adaption to a changing climate may impose both physical climate risks in the value chain as well as risks from the transition to a low-carbon economy
- ▶ Impact on collateral may lead to credit risk for ABN AMRO

### Opportunities

- ▶ ABN AMRO's sustainability policies for financing and investment services and by favouring engagement over exclusion, both help in leveraging our position for a positive impact
- ▶ ABN AMRO enters into a new kind of client relationship to help clients transition to a circular, low-carbon or sustainable economy

and negative impact their activities have on different stakeholders as they focus on the strategic issues that determine performance in the medium and longer term. Since banks play an intermediary role in the economy, they can contribute extensively to this sustainable development.

The transition to a sustainable business model leads to both risks and opportunities. Banks are in a unique position to play a role in this transition. For example, to limit global warming to two degrees, substantial investments are needed. Through their lending and investment policies, banks can both stimulate more sustainable activities or discourage activities that are harmful to the environment or other stakeholders.

### Helping the bank and clients

Moving towards a sustainable business model also makes good business sense. Banks are exposed to environmental, social and ethical risks in the value chains of their corporate clients, and also through the companies they invest in on behalf of their clients. As society becomes increasingly critical of the role of banks in this area, the potential to impact reputational risk is very real. Increased societal awareness around themes such as responsible tax, corruption, fraud, bribery and privacy should not be misjudged. Banks are expected to do the right thing themselves, as well as help their clients adhere to regulations and norms in these areas.

### A new type of client relationship

Banks could also be exposed to credit risk if their clients' assets are negatively impacted, such as a mortgage on a home with an unsustainable energy label. The real estate sector provides a good illustration of this point. In the Netherlands, homes and offices produce 40% of the country's total carbon emissions. This will require a major transition if the country is to meet the Paris Climate Change Conference agreement to limit global warming to under 2 degrees Celsius by 2030. Because banks often finance real estate and use it as collateral for their loans, they are in a position to help facilitate this transition while improving the value and quality of their collateral in the long term. This benefits both the client and the bank. In terms of opportunities, ABN AMRO leverages expertise in the area of issuing green or social impact bonds, helps clients make real estate more sustainable, and provides new financing models to support the transition to a circular economy. A circular economy is one where energy and raw materials are utilised with greater awareness and more efficiency. By sharing the knowledge we acquire during pilots and innovations, we enter into a new kind of sustainable relationship with clients.

## Stakeholder concern: Society at large



## Handling confidential client data in a society that demands transparency

Occasionally ABN AMRO receives signals that a client may be in breach of the bank's sustainability policies (for example in relation to human rights, the environment or working conditions). The bank is sometimes called upon, for example by non-governmental organisations (NGOs), to be open about the relationships we have with our clients. On the other hand, our clients must be able to count on the confidentiality of their relationship with us. How does ABN AMRO deal with this?

ABN AMRO will not make public any client details, nor conversations and arrangements with clients. Clients must be able to trust that their data are safe with the bank. In the event of a possible infringement of bank policy, ABN AMRO will engage with the client and conduct a broader investigation. If the indications prove to be well-founded, but we believe there is a sufficient chance of an improvement, we will make agreements with the client on this. This engagement procedure often lasts between three and five years. During that period, ABN AMRO and the client will remain in dialogue and we will monitor progress closely. If the agreed goals have not been achieved after that period, we may potentially end the relationship with the client.

In such cases, ABN AMRO tries to explain to NGOs why it is not making confidential data public. At the same time, we try to persuade clients in an engagement procedure of the benefits of greater openness. We think this approach gives us the best chance of genuinely improving a situation whilst still respecting the confidentiality of the client relationship.

# OUR STAKEHOLDERS

At ABN AMRO we are committed to creating lasting value for our stakeholders as we make a sustainable contribution to society.



Clients



Employees



Society at large



Investors

## OUR UNDERSTANDING OF THEIR EXPECTATIONS

A bank that excels beyond its core business and delivers valuable expertise, any time, any place.

An employer that empowers and offers opportunities to make the most of people's potential.

An engaged financial institution that invests in the future sustainably and responsibly.

A trustworthy bank that produces healthy, sustainable returns.

## WHAT WE PROMISE

To act in our clients' best interests, we listen carefully, deliver valuable expertise and offer seamless experiences.

Together we are ABN AMRO. We empower our employees to make use of their full potential and develop themselves.

We are engaged in society and are committed to investing in the future.

We pursue sustainable growth and offer attractive returns based on a moderate risk profile.

Therefore, we regularly engage in dialogue with our clients, employees, society and investors to see what matters most to them now, and how their needs will change going forward. We then develop and optimise our activities around the topics that matter most to them.

### Materiality analysis

In June 2016, we conducted a materiality analysis as part of our strategic review process, asking our stakeholders which topics they found most important for ABN AMRO. We then plotted these topics against what ABN AMRO management thought was important, resulting in a materiality matrix of 20 material topics. This approach allowed us to identify topics that have a direct or indirect impact on our organisation's ability to create, preserve or erode economic, environmental and social value – not only for ourselves, but also for our stakeholders.

### Disclosure

The 20 material topics identified were further formalised and implemented in our management approach in 2017. This report discloses information and progress on 14 material topics. To achieve balance and conciseness here, some topics are more elaborately described in other reports better tailored to stakeholder needs. Some topics are also reported on more extensively than others, due to relevant developments in the past year.

Please see the Appendix for a detailed overview of how and where we disclose information on our material topics.

### Material topics included in this report:

- ▶ Customer issue ownership, clear and appropriate advice
- ▶ Ethics and integrity
- ▶ Preventing corruption, fraud and cybercrime
- ▶ Sustainability of our business model
- ▶ Stability of our digital services
- ▶ Agile organisation
- ▶ Co-creation and innovation
- ▶ Privacy, use of client data
- ▶ Responsible tax policy
- ▶ Employee engagement
- ▶ Moderate risk profile
- ▶ Responsible remuneration policy
- ▶ ESG criteria in our lending and financing activities

### Looking forward

In 2018, we aim to review the materiality analysis, deepen our understanding of the topics through stakeholder dialogues and further embed them in our strategy and organisation.

# STRATEGY AND VALUE CREATION

This section gives an overview of our strategy and how we create value for our stakeholders.

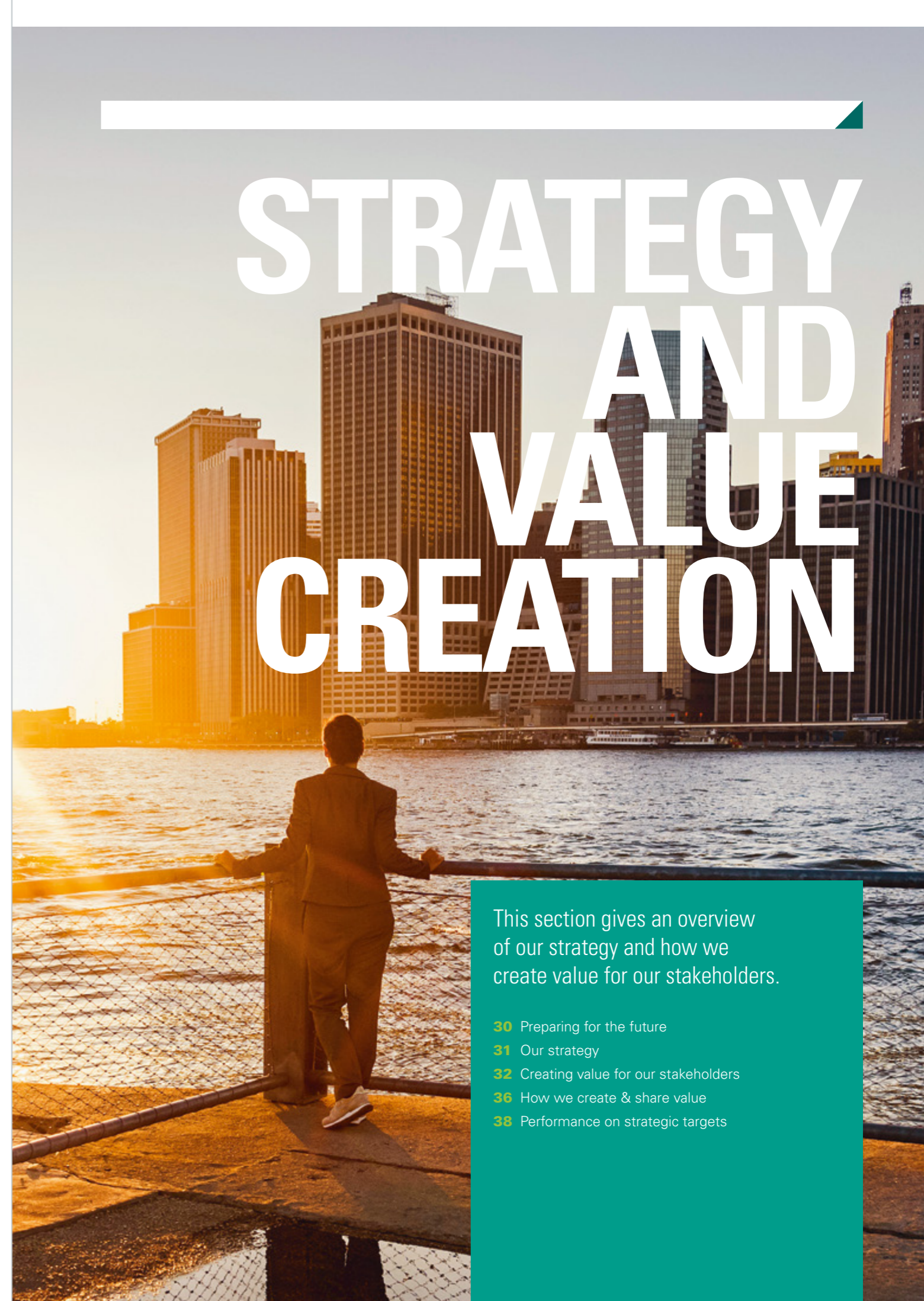
**30** Preparing for the future

**31** Our strategy

**32** Creating value for our stakeholders

**36** How we create & share value

**38** Performance on strategic targets





# PREPARING FOR THE FUTURE

ABN AMRO operates in a dynamic environment. By means of our client-centric strategy we aim to create value for our stakeholders.



**ABN AMRO CONTINUOUSLY ASSESSES AND MONITORS THE KEY EXTERNAL DRIVING FORCES. WE USE THIS ASSESSMENT TO IMPROVE OUR STRATEGY AND BUSINESS.**

## From environment to strategy

The financial sector faces changing client expectations and technological, competitive and regulatory developments. These forces are input for our strategy and activities going forward. Some of the most impactful drivers for ABN AMRO are related to technology and sustainability. It is the bank's responsibility to respond to changing client needs, act on a wide variety of new technologies and make a positive impact

on society for now and generations to come. ABN AMRO regularly conducts dialogues to help understand stakeholder needs, attract new types of employees, and intensify the bank's approach to creating (new) strategic partnerships. This helps us better understand (new) business model drivers and create sustainable value for stakeholders. Some of the most impactful driving forces are related to technology and sustainability.

## A competitive financial landscape

Competition has also moved beyond traditional banks. For example, large tech companies, FinTechs, payment providers and aggregators have now entered the financial sector with tailored banking solutions. This introduces both challenges and opportunities. To face (new) competition, banks need to become more innovative, faster and focused on customer needs. This will enable them to leverage new opportunities as they successfully balance long-term value creation goals with short-term performance pressures. Banks that do this are likely to be amply rewarded.

# OUR STRATEGY

As a financial institution deeply rooted in society, ABN AMRO has the responsibility to make a positive impact on society as it contributes to a sustainable financial system. The bank can make a meaningful contribution through its products and services, operations and business relationships.

The core of our strategy is to be a relationship-driven bank while ranking among the best on the digital front; a bank with a strong position in Northwest Europe and serving selected sectors worldwide. We are client-driven, deliver high-quality advice and use technology to provide clients with the best possible service. We engage in dialogue with our clients to help us better understand their needs and are committed to forging long-term relationships with them. We invest in the future by developing new products, services and further redesigning the IT landscape to ensure that we remain an innovative bank with which clients can do business easily. ABN AMRO aims to grow its business in a sustainable manner in the coming years, based on proven expertise and the current network. By adhering to a moderate risk profile we aim to maintain diversification and focus in our activities while pursuing a prudent risk policy. As part of the moderate risk profile we also want to maintain a solid capital and liquidity position and a clean and strong balance sheet. Over the past years, we built a capital buffer to accommodate for the significant impact of the Basel III reforms, often referred to as Basel IV.

ABN AMRO is committed to making banking more sustainable as a better bank contributing to a better world and to making sustainability an integral part of its business activities. ABN AMRO believes it is important to look at its business operations from a human rights perspective in line with the UN Guiding Principles on Business and Human Rights. We see that sustainability is becoming increasingly important to our clients. We provide both financial and operational support to social entrepreneurs.

Additionally, ABN AMRO has started a partnership with the World Economic Forum – an international organisation for public-private cooperation – which inspires us to further develop sustainability within ABN AMRO.

**“WE ARE EXPERTS AT WHAT WE DO. WE WANT TO FURTHER DEVELOP THAT EXPERTISE. AFTER ALL, NO MATTER THE DEGREE OF DIGITALISATION, THE EXPERTISE OF OUR EMPLOYEES IS AT THE FOREFRONT.”**

**Kees van Dijkhuizen**

CEO of ABN AMRO Group N.V.

ABN AMRO's four medium-term priorities support the bank in pursuing its strategy and in achieving its ambitions towards 2020. They focus on bringing expertise, digital convenience, innovation, and fast delivery through simplification and an agile organisation.

In the past year, we added several sustainability ambitions, which we can only achieve in cooperation with our clients. Firstly, we want to contribute to a reduction in carbon emissions in the Netherlands by making the residential and commercial real estate that we finance in the country more sustainable. We intend to do so by improving the average energy efficiency level from D today to A in 2030. The circular economy is also a key focus area. The goal is to finance 100 circular loans by 2020. Lastly, ABN AMRO wants to make sustainable investing the new norm.

## Strategy framework

Our strategy framework (on the next page) shows our long-term strategic foundation, medium-term strategic priorities and our sustainability focus areas for 2017.



# CREATING VALUE FOR OUR STAKEHOLDERS

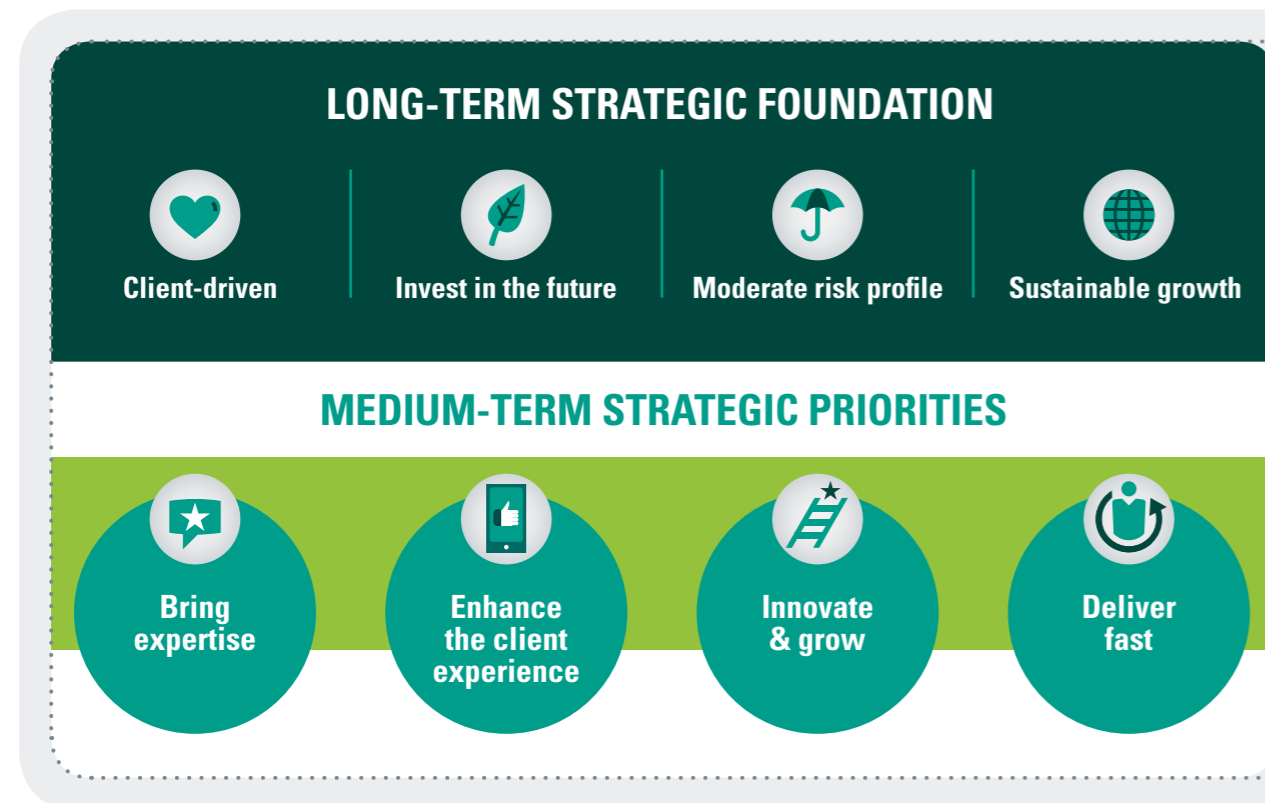
ABN AMRO balances the interests of all stakeholders as the bank creates value in relation to its long-term strategy, key risks and performance.

## Sustainable business model

To ensure that ABN AMRO delivers lasting stakeholder value, the bank is paying careful attention to the positive and negative impact of its activities on different stakeholder groups. We examine the relevance of stakeholder topics on a quarterly basis. Material topics are also integrated in the Strategic Risk Assessments, to assess and monitor the internal performance as well the impact of key external driving forces. To ensure that the organisation is future-fit and that it can deliver healthy and robust financial and non-financial results, both now and in the future. A key element of the model is a diverse workforce in an inclusive environment, to create a workforce that reflects the communities in which the bank operates.

ABN AMRO believes that a sustainable business model is by definition work in progress, so it is constantly exploring ways to improve while keeping a firm eye on its strategic priorities.

Our Executive Committee is cascading to the organisation the importance of creating long-term value. This year, ABN AMRO started a working group – including the CEO and representatives of the Executive Committee – to explore possible opportunities per business line and for the bank as a whole in terms of new ways of creating long-term value. The results of these discussions have led to various initiatives in our business lines in line with our sustainability ambition. Long-term value creation is a regular topic of discussion in our Executive Committee and the Supervisory Board, and an important driver of our strategy updating process.



FOR MORE DETAILS ABOUT HOW WE CREATED VALUE IN THE PAST YEAR, PLEASE REFER TO THE PROGRESS REPORT.

## Progress on strategy

In 2017, ABN AMRO focused on further executing its corporate strategy. We moved forward with the digital innovation of products and services to enhance customer journeys and client experiences. We also continued to simplify and optimise its organisation, IT systems and cost management activities to benefit businesses and stakeholders. The focus was to further embed sustainability across the organisation.

ABN AMRO took the first steps to align its activities and ambitions with the Sustainable Development Goals (SDGs) – a set of 17 high-level, interconnected and indivisible goals towards a better world in 2030. In 2017, we started our stakeholder journey to make a first scan of those SDGs best aligned with our 20 material topics.

After a consultation, also with the Supervisory Board and external stakeholders, we selected the most relevant SDGs for ABN AMRO. Please see the 'Sustainable Development Goals report 2017' for more detailed information. Together with True Price – a social enterprise that helps companies quantify and improve their impact on society – ABN AMRO analysed the impact of its mortgage services and investments in the cocoa chain and the bank as a whole. The bank also opened its circular pavilion Circl in Amsterdam to inspire clients and others to explore new possibilities. And clients have approximately EUR 10 billion invested in sustainable assets. In the Netherlands, 48% already invest in sustainable funds.

With a score of 91 points on the Dow Jones Sustainability Index, we moved up to the top 5% of global banks. We are now also in the top 5% of the FTSE4Good Index.

## Bring expertise

ABN AMRO continuously strengthens its banking and sector knowledge to improve the financial well-being of clients, opening up the bank's network and providing them with a holistic view of their financial situation. The Grip app gives customers a convenient breakdown of expenditure and savings. We want to develop our expertise further. The bank developed new client solutions, delivered relevant and personalised propositions through multi-skill advisors across its Retail branches (including a divorce desk and senior citizen coaches), and completed implementation of a more sector-oriented banking approach for business clients.

## Enhance the client experience

ABN AMRO shapes future client experiences by connecting with clients and offering easily accessible, user-friendly and simple products. We are accelerating our efforts and digitising our products and services. And we introduced digital innovations for almost all our core products in the past year. For example, the bank optimised the online mortgage customer journey, which makes it easier, more convenient and ensures the ability to act quickly in the fast-moving housing market. We want to enable clients to perform their transactions and place their trade orders anytime, anywhere and in any way they want.

## SUSTAINABILITY FOCUS AREAS



In 2017, our Tikkie app became increasingly popular among consumers. Tikkie is based on the WhatsApp payment platform and can be used by clients with a current account at any Dutch bank. And, we started to roll out the Tikkie app to the business market as part of our earnings model.

### Innovate & grow

ABN AMRO has honed its plans to innovate its core business and explore new business models to anticipate client expectations and to accelerate the speed of change. We also innovate outside of the bank to truly disrupt and stay ahead of client needs, which will help us innovate faster. Our Open Banking strategy allows partners to develop offerings via a developer portal with different commercial APIs. ABN AMRO was the first Dutch bank to open up its developer portal. The blockchain experiment portfolio has grown, as has the number of partnerships and consortia, such as the National Blockchain coalition with R3, Digital Asset Holding, and TU Delft. The bank also started new companies outside ABN AMRO. A fully digital SME lending proposition enables us to let clients know within 15 minutes whether they can receive a business loan of up to EUR 1 million. ABN AMRO further accelerated innovation with the Moneyou digital platform, with the aim of transforming it into a fully digital retail bank. The bank launched Prosperity – a digital wealth management tool for private banking clients in Germany that combines digital asset management with personal, expert coaching.

ABN AMRO also increased its stake in the Swedish FinTech TINK. And globally, Corporate & Institutional Banking provided increased access to its worldwide, integrated network of sector experts, and it is exploring opportunities in the APAC region and the Nordics to fuel further growth.

### Deliver fast

ABN AMRO wants to service clients better by fostering a self-directed, innovative culture. We are committed to creating an overall simplification of products and services while reducing complexity and enhancing agility through increased focus on the organisation. Approximately 5,000 employees have been working in multidisciplinary teams in all business lines since mid-2017. Agile working accelerates our time-to-market, involving clients in our product development to improve products based on feedback from our clients and giving our employees more autonomy and responsibility, which leads to a more satisfying working environment. ABN AMRO continued its efficiency programmes to rationalise its support and control activities and the ongoing digitalisation programmes. The bank is also harmonising its platforms and processes, while modularising and decoupling its IT systems with a continuous and strong focus on security.

The 2017 results for these four strategic priorities are integrated throughout the progress report.

### The impact of key strategic risks

ABN AMRO has defined 20 material topics which are important for our strategic proposition. These topics were therefore integrated in the yearly Strategic Risk Assessments (conducted within businesses, supporting functions and at country level). In these assessments the main risks that affect the business objectives at entity level were identified, discussed and assessed; if needed, actions were defined to mitigate the risks. The results of these Strategic Risk Assessments were aggregated to the level of the whole bank and discussed at Executive Board level, which indicated that the following key risks need more intense management attention:

- ▶ Interpretation/implementation of new/changed regulations and evidencing of compliance with regulations. This regulatory compliance risk is being mitigated by raising staff awareness through a training programme. Furthermore, a large number of staff and a large budget have been made available for regulatory change initiatives (such as MiFID II, GDPR, PSD2, IFRS9) and for strengthening our risk governance.
- ▶ Macro-economic conditions, geopolitical uncertainty (such as the impact of Brexit and tensions in the Middle East) and upcoming regulations (e.g. reform Basel III) could affect our margins and revenues. ABN AMRO will continue to assess among other things the potential impact of the Basel III reforms over the coming period.
- ▶ Managing the accumulation of changes (regulatory requirements, 'fixing the basics' as well as changes to remain competitive in the market). In order to enhance oversight and priority setting, a monitoring tools has been developed and used to create more in-depth insight into the change interdependencies and related risks.
- ▶ ABN AMRO makes use of public cloud infrastructures. Due to the continued increase in external cyber threats, the bank may encounter large fraud attacks and major IT disruptions. Vendor management and/or control are being improved. Defense mechanisms against cyber threats are continuously being upgraded. Tools and controls related to data leak prevention are being strengthened internally and for relevant third parties.

ABN AMRO will continue to pay close attention to these risks in both the short and long term.

### Culture of change

ABN AMRO's strategy is the anchor of its culture. The future revolves around clients and the bank's ability to increase the relevance and effectiveness of services for them. This is what drives our everyday work, and it is reflected in the bank's day-to-day culture. In the past year, ABN AMRO has continued to create stronger client-focus dedication, improving execution speed and agility across the organisation. A strategy focused on innovation and a much broader digital offering for our clients requires more digital talent. We started promoting the bank as a digital employer two years ago and the benefits are coming through. We hired approximately 750 digital natives in 2016 and 2017 and we appear consistently in the top 10 of favorite employers. The bank will further adapt to these changes by taking advantage of uniquely human capabilities. This will also help to retain and attract talent.

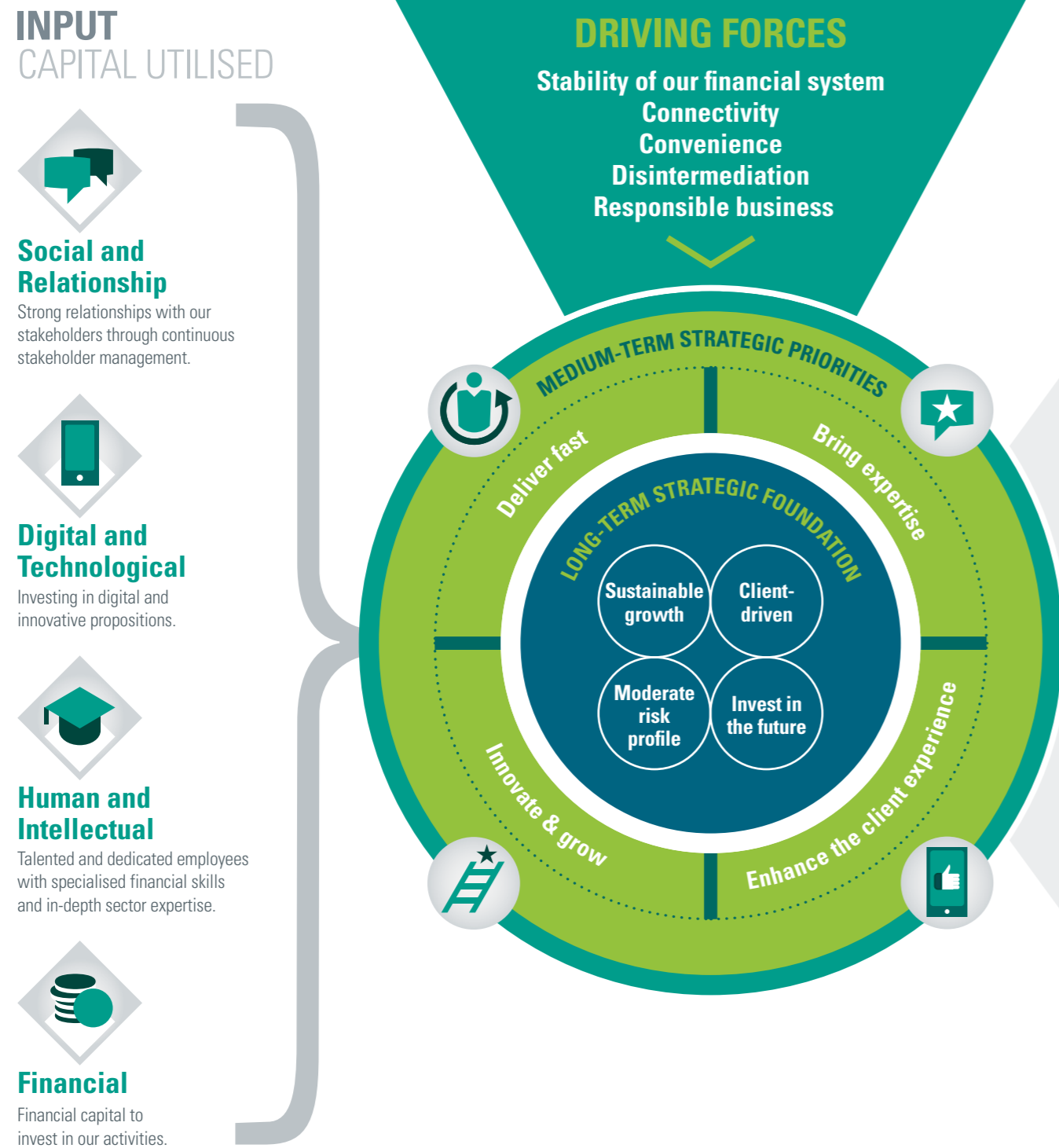
ABN AMRO introduced a new management structure in early 2017 and reduced the number of hierarchical layers to enable more effective and better collaboration between functions in the organisation. The bank aims to create a culture of open-mindedness, speed and trust. ABN AMRO also launched Challenger 40: a group of 40 colleagues representing all business functions. This Challenger group has taken it upon themselves to challenge the executive leadership on strategic themes.

### The value creation model

The value creation model (on the next page) starts with 'input' – the four types of capital that serve as the key resources used to generate value. The 'output' results in the value created for stakeholders and how the bank shares it with its stakeholder group. Building on previous years, ABN AMRO has made progress, which has provided encouragement to take further steps in the coming years.

# HOW WE CREATE & SHARE VALUE

We use a value creation model to analyse the way in which the bank uses the resources and expertise at its disposal. This helps to create long-term value for stakeholders.



## OUTPUT VALUE CREATED BY CAPITAL

## OUTCOMES FOR OUR STAKEHOLDERS

<p><b>Social and Relationship</b></p>	<p>NPS Retail Banking -9</p> <p>NPS Commercial Banking -6</p> <p>NPS Private Banking +12</p> <p>NPS Corporate &amp; Institutional Banking +32</p> <p>Trust Monitor score (on a scale of 1 to 5) 3.2</p>
	<p><b>Digital and Technological</b></p> <p>99.68% Availability of our digital services</p> <p>6.2 million Number of internet banking contracts</p>
	<p><b>Natural</b></p> <p>EUR 10.1 billion Sustainable client assets</p> <p>EUR 84 million 14 circular transactions</p>
	<p><b>Human and Intellectual</b></p> <p>79% Employee engagement score</p> <p>2% Training expenses as a percentage of total personnel expenses</p> <p>EUR 2,590 million Personnel expenses</p>
	<p><b>Financial</b></p> <p>14.5% Underlying return on equity</p> <p>17.7% Fully-loaded CET1 ratio</p>

We strive to address our stakeholders' – clients, employees, society at large and investors – needs and concerns by responding to the topics that matters most to them. These concern our material topics. They are key to creating value for our stakeholders. The impact per topic and the outcome created is explained in the Integrated Annual Review. A brief overview of the outcomes for our stakeholders:

**Social and Relationship**  
Through fast and innovative propositions, together with our expertise, we help clients in their financial activities.





**Digital and Technological**  
Stable and safe (digital) services that safeguard the privacy of our clients.

**Natural**  
Provide our clients with sustainable products and services to create a positive impact on the environment.

**Human and Intellectual**  
A simplified and agile organisation with engaged employees, and a responsible remuneration policy. Developing the expertise of our staff to help clients and society at large to the best of our ability.

**Financial**  
Our role as a stimulating factor to the economy. Sustainable revenues and focus on costs leading to a healthy return, and solid capital buffers.

# PERFORMANCE ON STRATEGIC TARGETS

Stakeholder	Metrics	2017	2016	Target for 2020
	<b>Net Promoter Score</b>			Best NPS of Dutch peers
	Retail Banking	<b>-9</b>	-15	
	Commercial Banking	<b>-6</b>	-23	
	Private Banking	<b>12</b>	-1	
	Corporate & Institutional Banking	<b>32</b>	40	
	<b>Employee engagement</b>	<b>79%</b>	82%	At least 80%
	<b>Gender diversity at the top</b>	<b>25%</b>	25%	30% women in top
	<b>Gender diversity at the subtop</b>	<b>28%</b>	26%	35% women in subtop
	<b>Dow Jones Sustainability Index ranking</b>	<b>91</b>	87	Within 10% best banks
	<b>Trust Monitor NvB</b>	<b>3.2</b>	3.1	Leading among large Dutch banks
	<b>Underlying return on equity</b>	<b>14.5%</b>	11.8%	10-13%
	<b>Underlying cost/income ratio</b>	<b>60.1%</b>	65.9%	56-58%
	<b>CET1 (fully-loaded)</b>	<b>17.7%</b>	17.0%	17.5-18.5%
	<b>Dividend pay-out ratio</b>	<b>50%</b>	45%	50% of sustainable profit

For definitions and measurement methods please refer to the Non-financial indicators.

# PROGRESS REPORT

This section gives an overview of our bank-wide and business line priorities and activities in 2017.

- 40** Financials
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- 54** Workforce and organisation
- 57** **Progress per business line**
- 58** Retail Banking
- 60** Commercial Banking
- 62** Private Banking
- 64** Corporate & Institutional Banking

# FINANCIALS

We made good progress on the financial targets in 2017. The financial analysis below shows the key financial figures over the past year. The financial results in 2016

exclude the provision for SME derivatives-related issues that was taken as a special item, consistent with the approach in the annual report.

## Operating income

**EUR 9,290 million (+3%)**

- ▶ Net interest income **EUR 6,456 million (+3%)**
- ▶ Net fee & commission income **EUR 1,747 million (-3%)**
- ▶ Other operating income<sup>1</sup> **EUR 1,086 million (+117%)**
  - ▶ Gain on divestments **EUR 377 million**

## Operating expenses

**EUR 5,582 million (-1%)**

- ▶ Personnel expenses **EUR 2,590 million (-7%)**
- ▶ Other expenses **EUR 2,991 million (+4%)**
  - ▶ Regulatory levies<sup>2</sup> **EUR 300 million**
  - ▶ IT costs **EUR 1,021 million**

## Impairment charges

**EUR -63 million (EUR -177 million)**

- ▶ Additions **EUR 737 million (-38%)**
- ▶ Releases **EUR -799 million (-26%)**
- ▶ Cost of risk **-2bps (-6bps)**

## Underlying net profit

**EUR 2,791 million (+34%)**

- ▶ Dividends (proposed) **EUR 1,363 million (+73%)**
  - ▶ Dividend pay-out ratio **50%**
- ▶ Retained earnings **EUR 1,358 million (+40%)**
- ▶ Return on equity **14.5% (+270bps)**

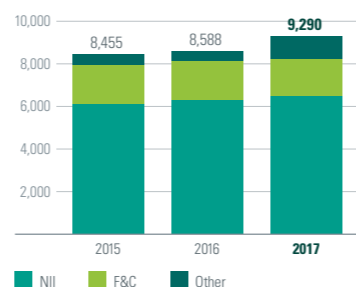
Net interest income grew as a result of positive volume developments in the mortgage loan book, improved margins on deposits, growth of the corporate loan book and several positive incidentals. Fee & commission income decreased as Retail Banking reduced client rates, the sale of the Private Banking activities in Asia in the course of 2017 and lower Clearing fees due to lower market volatility. Other operating income increased strongly, partially due to gains on divestments.

Operating expenses declined as results of the various cost control programmes are coming through and due to the divestment of PB Asia, partly offset by some negative incidentals. Personnel expenses declined due to lower FTE levels and lower restructuring costs. The underlying trend in other expenses shows a decline, reflecting the various cost control programmes and the decrease in external FTEs, offset by several incidentals. We remain on track to meet our cost-income target for 2020 of 56-58%.

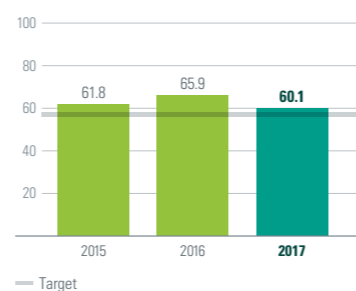
The strong economic development resulted in net releases in the mortgage portfolio, consumer and corporate loans. The cost of risk remained far below the through-the-cycle average of 25-30bps. Impairments were also positively impacted by IBNI releases, as well as favourable provisioning model updates and refinements. Within C&IB, market circumstances in the ECT sectors were still difficult (although improving compared with last year).

ABN AMRO's underlying profit over 2017 increased by a combination of higher operating income, a lower cost base and impairment releases. The results were partially supported by several incidentals. The return on equity was above the target range of 10-13%, even when correcting for the aforementioned incidentals such as the gain on divestments. The increase in reported profit combined with the targeted rise in the dividend pay-out led to a sharp increase in the dividend proposed.

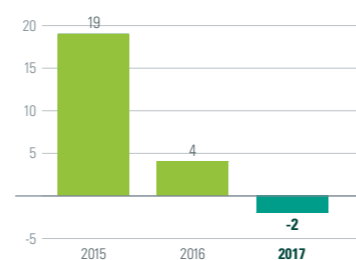
## Operating income (in millions)



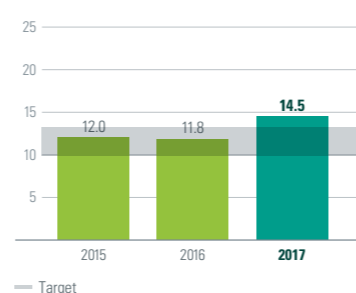
## Underlying cost/income ratio (in %)



## Cost of risk (in bps)



## Return on equity (in %)



## Balance sheet

### Loan volumes

Total client loans increased by 1% over 2017 as all major loan portfolios increased. The residential mortgage book grew on the back of the strong housing market and we had a 21%<sup>1</sup> market share in new mortgage production. The largest corporate loan portfolios grew: Commercial Banking on the back of the strong Dutch economy and Corporate & Institutional Banking due to business growth and improving market conditions, despite a negative effect of the depreciation of the US Dollar.

### Deposit volumes

Even though savings rates were low given low market interest rates, deposit volumes increased by 3.5% over 2017. The rise was seen in Private Banking, Commercial Banking and Corporate & Institutional Banking.

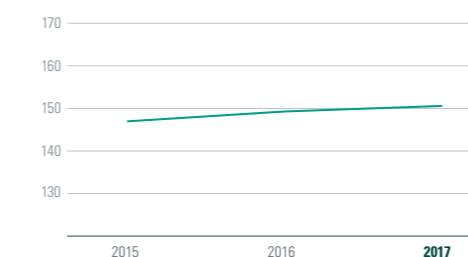
### Margins

Margins on deposits improved modestly owing to the climate of low interest rates and the reduction in the rate paid on main retail deposits. Margins on the mortgage book were stable as lower margins on new production were offset by higher margins on refinancing existing loans. Margins on corporate loans within Commercial Banking were lower than last year, while margins within Corporate and Institutional Banking showed a positive development.

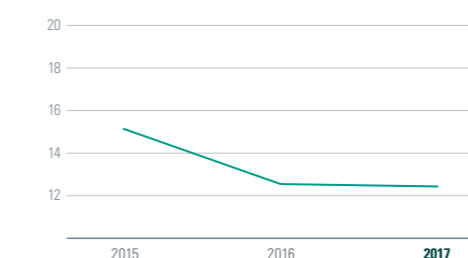
<sup>1</sup> Calculated based on information provided by the Dutch Land Registry (Kadaster), 2017.

FOR A FULL ANALYSIS OF THE FINANCIAL PERFORMANCE, PLEASE REFER TO THE ANNUAL REPORT.

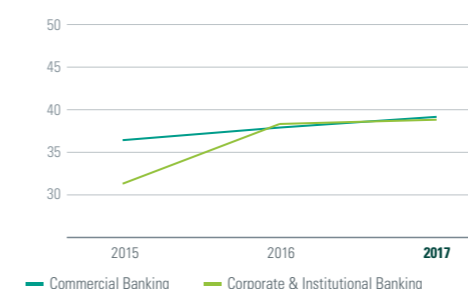
## Residential mortgages (in EUR billion)



## Consumer loans (in EUR billion)



## Corporate loans to clients (in EUR billion)



## Stakeholder concern: Clients

### Operating in a low interest rate environment

Interest rates have been at extremely low levels for more than five years; since 2015, banks have even had to pay to hold money with the European Central Bank (ECB) or when lending to each other. Yet consumers continue to save more and more. Should the bank start charging its savers by applying negative interest rates? Or should we be willing to accept less or even to take a loss on money that the bank cannot lend directly, and wait until the ECB raises interest rates again?

The chief cause of all this is widely known: in its attempt to stimulate the economy and kick-start inflation, the ECB is holding interest rates at exceptionally low levels. Banks even receive additional funds if they borrow from the ECB, but conversely have to pay if they deposit money with the ECB. The ECB hopes that this policy will encourage banks to lend more.

But the paradox is that consumers are actually saving more and more, even though they receive virtually no interest on their savings. When interest rates are low, savers have to put more aside in order to achieve their goals. Based on trends in the money market and capital market, banks should really be charging interest for money that clients are able to withdraw on demand. And the interest rates on money lent – mortgage rates, for example – are continuing to fall and are also at historically low levels. At ABN AMRO, retail clients do not have to pay for their savings.

<sup>1</sup> Other operating income also includes net trading income and the share of result in equity accounted investments.  
<sup>2</sup> Regulatory levies consist of bank tax and contributions to the Deposit Guarantee Scheme and single resolution funds.

This section shows the most important highlights of our business line performance, both financially and on some non-financial indicators. The financial results in 2016 exclude the provision for SME derivatives-related issues that was taken in the second quarter as a special item, consistent with the approach in our Annual Report. For more information, please refer to the Annual Report.

## Retail Banking

### Financials

- ▶ Underlying Cost/income ratio **53.6%** (2016: 55.9%)
- ▶ Underlying Cost of risk **-6bps** (2016: 5bps)
- ▶ Underlying net profit **EUR 1,456 million** (2016: EUR 1,247 million)

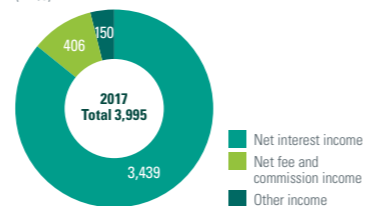
### Non-financials

- ▶ Net Promoter Score **-9** (2016: -15)
- ▶ Employee Engagement **81%** (2016: 85%)
- ▶ Trust Monitor **3.2** (2016: 3.1)

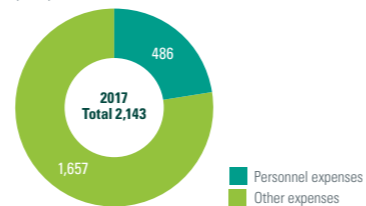
The net profit of Retail Banking increased to EUR 1,456 million, an increase of 17%. The increase was driven by net impairment releases of EUR 100 million and was supported by positive income and cost developments. Net interest income grew by 3% as mortgage volume increased and margins on deposits went up.

The residential mortgage portfolio grew by EUR 1.4 billion. The increase is driven by a combined market share in new production of all ABN AMRO brands in the Dutch mortgage market of approximately 21% and higher overall market volumes. Operating expenses decreased by 3% due to the impact from existing cost saving programmes and FTE reductions.

#### By type of income (in %)



#### By type of expense (in %)



## Commercial Banking

### Financials

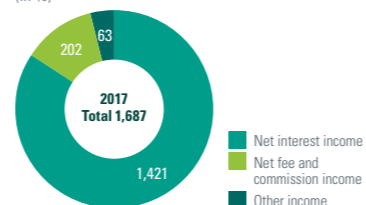
- ▶ Underlying Cost/income ratio **52.7%** (2016: 53.5%)
- ▶ Underlying Cost of risk **-45bps** (2016: -46bps)
- ▶ Underlying net profit **EUR 733 million** (2016: EUR 694 million)

### Non-financials

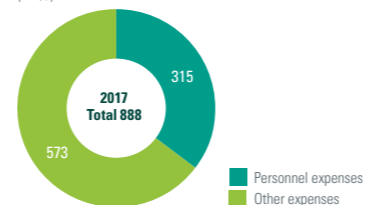
- ▶ Net Promoter Score **-6** (2016: -23)
- ▶ Employee Engagement **77%** (2016: 81%)
- ▶ Percentage of loans in book by ESE indicator **50%**

Commercial Banking's underlying profit increased by 6%, driven by favourable income results. Net interest income increased due to some positive incidentals as well as higher asset and liability volumes, partly offset by lower margins. Margins on liabilities declined driven by the low interest rate climate. Personnel expenses increased driven by a restructuring provision within asset-based finance, wage inflation, higher pension costs and an FTE transfer from Group Functions to facilitate the shift to a more agile way of working. Other expenses decreased as additional costs due to investments in IT, digital investments and duty of care are more than offset by lower allocated costs from Group Functions as a result from the ongoing cost saving programmes. Impairments remained stable at EUR 180 million releases due to the strong economic environment and supported by favourable model updates.

#### By type of income (in %)

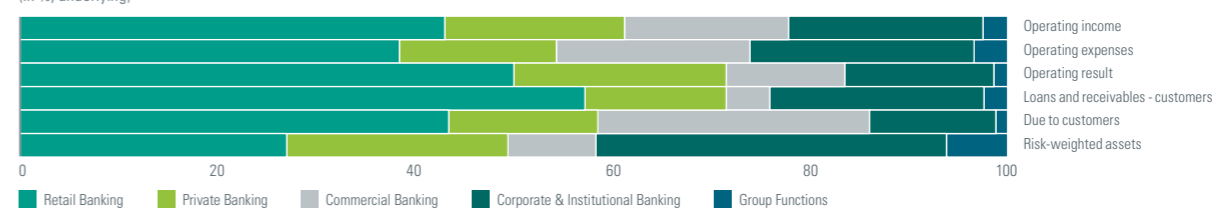


#### By type of expense (in %)



The following figure shows the contribution of the segments to several financial indicators of the Group:

### Contribution by segment (in %, underlying)



## Private Banking

### Financials

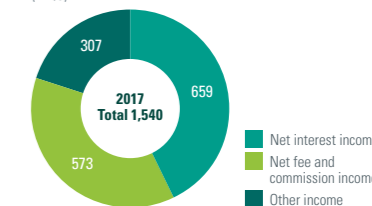
- ▶ Underlying Cost/income ratio **71.1%** (2016: 79.5%)
- ▶ Underlying Cost of risk **-5bps** (2016: 13bps)
- ▶ Underlying net profit **EUR 386 million** (2016: EUR 199 million)

### Non-financial performance

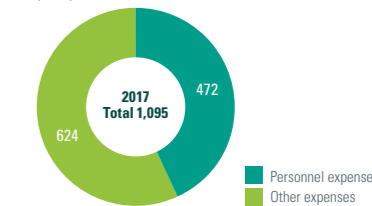
- ▶ Net promoter score 2017 **+12** (2016: -1)
- ▶ Employee engagement 2017 **72%** (2016: 78%)
- ▶ Sustainable client assets **EUR 10.1 billion** (2016: EUR 8.2 billion)

Underlying profit increased to EUR 386 million. Excluding the sale of Private Banking Asia profit increased by EUR 11 million, driven by income growth and net impairment releases. Excluding PB Asia net interest income increased by 8% and was largely driven by higher deposit volumes and margins. The increase in net fee and commission income excluding PB Asia was shown across both the domestic and international business and was mostly driven by higher asset management fees. Excluding PB Asia personnel expenses and other expenses increased due to a goodwill impairment, higher regulatory levies and investments. Impairment charges decreased to a EUR 6 million release driven by lower additions in the Netherlands and Luxembourg.

#### By type of income (in %)



#### By type of expense (in %)



## Corporate & Institutional Banking

### Financials

- ▶ Underlying Cost/income ratio **69.3%** (2016: 71.0%)
- ▶ Underlying Cost of risk **38bps** (2016: 41bps)
- ▶ Underlying net profit **EUR 221 million** (2016: EUR 182 million)

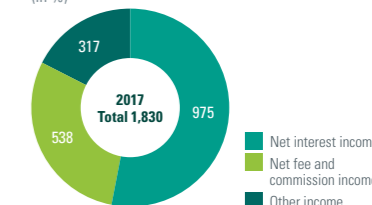
### Non-financial performance

- ▶ Net promoter score 2017 **+32** (2016: +40)
- ▶ Employee engagement 2017 **78%** (2016: 80%)
- ▶ Percentage of loans in book by ESE indicator **80%**

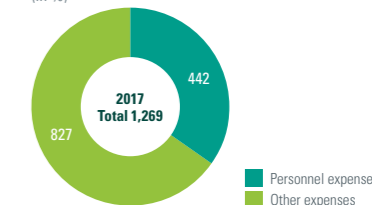
Underlying net profit increased by EUR 39 million driven by net interest income growth and favourable other operating income results. Net interest income grew due to some positive incidentals as well as positive volume and margin developments. Net fee and commission income decreased as Clearing fees were lower due to less volatility in the market.

Personnel expenses increased due to a higher number of FTEs (+155 compared with 2016) to support the growth initiatives, wage inflation and higher pension costs. Other expenses increased due to higher project costs for SME derivatives-related issues and higher regulatory levies.

#### By type of income (in %)



#### By type of expense (in %)



# CAPITAL AND REGULATION

In line with our moderate risk profile, we maintain a solid capital buffer to ensure long-term continuity for all our stakeholders. This also contributes to a stable financial system. In the past year, an agreement on Basel IV was reached after years of preparations. We have made further progress towards our current capital targets in 2017 and we have updated these targets going forward.

### Basel IV

The fully-loaded CET1 ratio showed a consistent increase over the past years, coming to 17.7% in 2017 from 15.5% in 2015. Since the initial Basel IV draft proposals, ABN AMRO has been consistent on the need to prepare for a significant Basel IV outcome.

The impact of Basel IV on RWAs can now be assessed following the Basel agreement in December 2017. Based on a static balance sheet and without taking mitigating actions into account, RWAs are estimated to increase by approximately 35%. Uncertainties remain, for example with regard to the room Basel IV gives local regulators for setting certain parameters and the fact that it is not always completely clear how to interpret the rules.

Basel IV will take some time before it materialises and the potential impact may alter pending the implementation within the EU. Also, part of the impact can be mitigated by adapting our business. However, to manage capital prudently through the transition, a Basel IV implementation buffer of 4-5% of CET1 has been set. This buffer is on top of the current target of 13.5% which is determined by the current capital requirements including a management buffer.

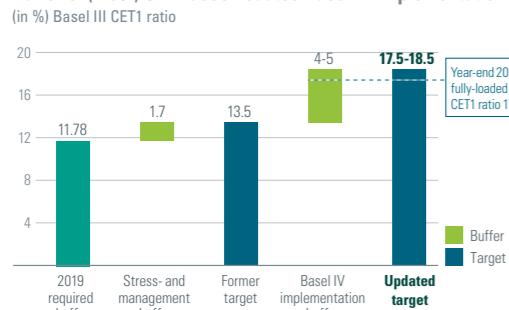
This leads to a new CET1 target range of 17.5-18.5% for 2018. The target range will be reviewed at year-end 2018 to incorporate Basel IV developments, a possible impact for TRIM as well as other regulatory developments.

Basel IV also potentially impacts the leverage ratio as it proposes a change in the calculation of derivative exposures and credit conversion factors for off-balance sheet items. This is estimated to decrease the exposure measure by approximately EUR 55-60 billion and could therefore improve the leverage ratio by 0.5-0.6%.

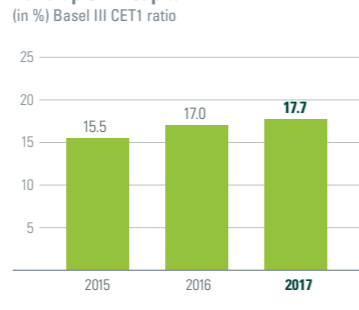
### IFRS 9

In addition to the agreement on Basel IV, other developments – such as IFRS 9 – also impact our capital position. As part of IFRS 9, the way in which the bank classifies and measures financial instruments and the way it determines impairment allowances has changed from 1 January 2018 onwards. The underlying risk profile of the loan portfolio will not be affected. The impact of the adoption of IFRS 9 will be taken through equity. The adoption of IFRS 9 is expected to decrease the CET1 ratio by approximately 0.15% and the total capital ratio by approximately 0.17% (both fully-loaded).

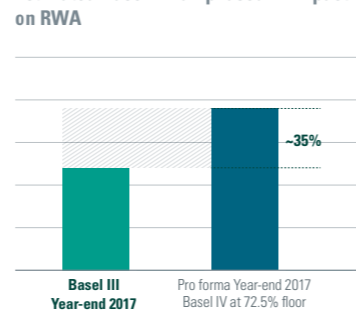
Buffer of (4-5%) CET1 accommodates Basel IV implementation



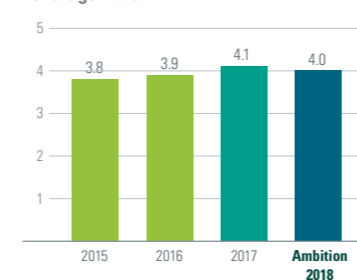
Build up CET1 capital



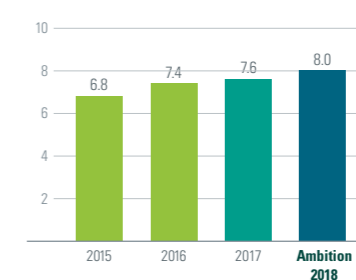
Estimated Basel IV full phased-in impact on RWA



Leverage ratio



MREL



### Leverage ratio and MREL

ABN AMRO also needs to comply with non-risk based capital ratios, of which the leverage ratio and MREL are currently the most constraining. ABN AMRO aims for a leverage ratio of at least 4.0% at year-end 2018.

The leverage ratio increased compared with year-end 2016, mainly reflecting profit accumulation and the issuance of an Additional Tier 1 (AT1) instrument. This increase is partly offset by an increase in the exposure measure and by the revised EBA Q&A ruling on minority interest. The revised minority interest rule

implies that a portion of outstanding AT1 and Tier 2 instruments issued by ABN AMRO Bank N.V. (the resolution entity) can no longer fully contribute to the consolidated capital ratios of ABN AMRO Group N.V. MREL measures the total loss-absorbing capacity of the bank by comparing the amount of MREL eligible liabilities (solely based on own funds and other subordinated liabilities) to total assets. ABN AMRO aims to steer its MREL towards 8.0% by year-end 2018. The MREL increased to 7.6% at year-end 2017, primarily reflecting profit accumulation, the AT1 issuance and a decrease in total assets.

## Stakeholder concern: Investors



### Allocation of capital (growth versus dividend)

Sustainable profit generated can be deployed in three ways. We can distribute to shareholders, grow the capital on our balance sheet, or acquire another business. There are several reasons to increase capital. Firstly, growing our business increases RWAs and additional capital is required to maintain capital ratios. We focus on profitable business growth and estimate that our balance sheet will grow in the low single digits. Secondly, regulatory requirements change over time. We now need to hold significantly more capital for the same business than in the past. And finally, the credit cycle requires additional capital at certain points in the cycle. We do not save up capital for acquisitions, these should be funded from earnings.

Capital management is tantamount to balancing these requirements. We use multi-year forecasts to get a good sense of future capital requirements so that we can react in a timely manner. For example, several years ago we started to build capital for a possibly significant impact of Basel IV. As it turned out, the final proposal in December 2017 showed us to be in a good position, even though capital requirements will indeed increase significantly. Although capital planning deals with many uncertainties, we nevertheless want to give shareholders a good sense of what they can expect in terms of shareholder distributions. Therefore, we have set a dividend pay-out target of 50% of sustainable profit from 2018 onwards. We believe this is a sustainable level that we can uphold. On top of this, additional dividends and/or share buy-backs (subject to regulatory approval) will be considered when our capital position is within or above the target range (17.5-18.5% for 2018). The combined distribution will be at least 50% of sustainable profit.

### Capital use as percentage of sustainable profit from 2018 (in %)



- Dividend pay-out 50% of sustainable profit
- Other capital uses
  - ▶ Additions to CET1
  - ▶ Special dividends or share buy-backs
  - ▶ Inorganic growth
- Organic RWA developments
  - ▶ Profitable business growth (moderate)
  - ▶ Credit quality developments
  - ▶ Modelling and regulatory developments



# TECHNOLOGY AND INNOVATION

ABN AMRO focuses on the digital transformation in every aspect. A successful and complete digital transformation requires companies to make steady and equal progress in the areas of strategy, processes, talent, technology, culture and governance, according to the Vlerick Business School. Vlerick named ABN AMRO the number one company in the Netherlands in digital transformation in 2017.

## IT Infrastructure

Empowered consumers are demanding innovative solutions. Banks need to redefine their core operations to support this change. ABN AMRO embarked on its IT Transformation programme in 2013. Our IT infrastructure landscape is being transformed into a clear architecture to facilitate continuous change, ensuring speed, flexibility and lower cost. By reducing complexity, we improve our agility and time-to-market. Our goal is to ensure that our clients always have access to our online services. Any outage of systems immediately affects the bank's operations and clients. In 2017, we achieved an internet and mobile banking availability rate of 99.68%.

In the first months of 2018, ABN AMRO and other banks suffered from DDoS attacks. In a DDoS attack the perpetrators send large volumes of data traffic to a website, which overloads the server. For users, the site under attack temporarily becomes difficult to access. The security of client data was never under threat. After a short period of time, banking services became fully available again.

We are combining a robust and secure IT backbone with a fast and agile application landscape. For systems which require robustness, process high volumes and require a slower pace of continuous development, mainframes are well-suited and cost-efficient. Client-journey oriented systems, e.g. the mobile app, need to be flexible, scalable and allow fast changes to keep up with changing client demands and changing technology. These systems are being transferred from our dedicated on premise cloud. At the end of 2017, more than 400 applications had been migrated. A total of 749 applications are scheduled to be migrated to the cloud by the end of 2019.

We are also standardising the way applications connect with our core IT systems. By designing software functionality as re-usable standard components, front-end applications can connect with the core IT systems quickly and flexibly.

Through a clean sweep of phased-out IT systems, the number of applications and interfaces has already been reduced drastically. By the end of 2017, more than 1,400 applications of a planned total of approximately 1,630 by 2018 had been decommissioned since the programme began, with another 400 applications scheduled to be decommissioned by the end of 2019.

By 2020 the IT transformation aims to deliver an IT landscape which is both robust and secure as well as agile and scalable where it needs to be. To ensure that this will last over time, the IT Transformation programme does not end with a fixed end state: we chose to continuously rationalise and modernise our IT landscape instead of a big bang replacement.

## Digitalisation

Digitalisation enables clients to take charge of their financial lives. Starting from client needs and expectations, products and services become more personal, frictionless and relevant. At ABN AMRO this continuous redesign of customer journeys and processes is led by the business and enabled by ABN AMRO's Innovation and Technology department and is primarily focused on most frequently used processes. The strong rationalisation of processes as services move from branches and call centres to mobile and online also results in a strong reduction of operational FTEs.

As various services are moved from branches and call centres to mobile and online, already more than half of our retail products and services are distributed through digital channels. The mobile app is now a digital shop where the number of products is increasing. We continue to integrate online and offline channels, designing online tools that facilitate offline meetings to focus better on bringing clients expertise. We expect that over time direct contact with the majority of clients will be limited to high-value 'moments', such as mortgage meetings. In addition to bringing us closer to our clients, the growth of digital channels is also having a positive effect on our NPS.

## Agile

To deliver faster client service and to respond better to changing markets and technology, ABN AMRO has introduced 'the agile way of working'. It is a new way of working together, a change of culture and a change of mind-set. With the 'agile way of working' we have established a link between IT and the businesses. We actively involve our clients when we develop innovative products and services.

The agile approach is based on small teams made up of business and IT colleagues. The result is less hierarchy, fewer review bodies, shorter lines, and multidisciplinary teams with members from IT and the business working closely together. Each team has its own goal and has all the necessary skills and expertise to achieve that goal. Team members interact with clients and users regularly to test products and to get feedback. Between 5,000 and 6,000 colleagues will be working agile by the end of 2018.

## Innovation

Innovation is a strategy driver of ABN AMRO. As our current business models may expire or prove no longer financially viable in the long run, we need to invest in the continuity of our business. Innovation is the investment in the exploration of new business and revenue models, the validation of these models, partnerships, knowledge of new technologies, developing the capabilities of our employees and stimulating a more explorative mind-set.

We accommodate innovation within the core of our organisation at different levels. Product and business lines innovate to move forward with the digital innovation of products and services to enhance customer journeys and client experiences. These are innovations that provide incremental changes to existing services and defend and extend the current business. Innovation Labs within business lines and functions innovate to build momentum towards emerging new business, experimenting with products and services that our customers may not immediately associate with our current products and services. These innovations are a natural extension and expansion of the work we already do. New insights are gathered that guide us to potential new or modified business models.



Game-changing innovations that extend beyond the current business model are structured within Group Innovation. The primary goal is to ensure long-term value creation by actively seeking new opportunities from emerging paradigm shifts. These shifts will lead to societal, technological and industry standards that facilitate or even require new business models which are substantiated starting points for future growth. Examples of technologies and paradigm shift that are explored are for example tokenisation, crypto economy, digital identity and quantum computing. Broad focus on technologies such as Artificial Intelligence, Blockchain, Smart contracts etc. are to ensure a broadly developed knowledge base for this type of innovation.

### Co-creation

Essential in accelerating our innovation efforts are open innovation and partnering. In addition to innovation within the organisation we innovate with external parties by means of innovator entities to truly innovate and disrupt ahead of customer expectations. This includes working together and investing in FinTechs. Partners include the Dutch Blockchain coalition, R3, IBM, Accenture, two Dutch universities and Digital Asset Holding.

Partnerships with innovative start-ups with a focus on digitalisation of financial products and services are also established through the Digital Impact Fund. By using the startups' knowledge, technology and innovative power we can jointly provide our clients with better digital financial products and services.

In 2017, the Digital Impact Fund increased its stake in Tink, a Swedish FinTech with whom we developed the Grip personal finance management app. Also we invested in Cloud Lending Solutions Inc, a leading global cloud-based financial services technology company that has built software specifically designed to simplify and digitise the entire lending process.

Early in 2018 the fund invested in a US cybersecurity firm, BehavioSec, a pioneer in continuous authentication through behavioural biometrics. Besides access to the latest cybersecurity technology, this strategic investment gives direct access to the ecosystems of leading venture capital providers and digital security. Cybersecurity is a core theme for ABN AMRO as clients need assurance that the personal data and assets that they have entrusted to the bank always receive excellent protection.

Throughout the bank, one of the innovation focus areas is blockchain applications. We are reassessing all parts of the business and investigating how we can improve them using blockchain. We focus both on partnerships within the financial sectors as well as on cross-sector initiatives as blockchain influences value chains and digital ecosystems. An example is the investment in an energy supply trading chain to build a shared 'smart' blockchain platform. The platform will help to accelerate and improve administrative procedures for energy trading processes. Early in 2018, ABN AMRO Clearing

announced a blockchain alternative for escrow accounts for non-bank organisations entrusted with client funds in partnership with Nxchange. This blockchain method drastically reduces administrative costs for the organisation by eliminating escrow account management costs.

### Innovator banks

In 2017, we set up new innovator banks, in addition to our digital online retail bank Moneyou. These agile organisations offer newly developed online propositions for self-directed clients. The innovator banks have a large degree of autonomy, running their own IT and operations from separate locations. These entities help us accelerate innovation while allowing us to test new banking concepts in a low-risk manner, combining the bank's knowledge and experience with the digital skills and ideas available outside the bank. Examples are working with public clouds, management of digital shops and the use of digital signatures.

In September, New10 was launched, an online lending startup that focuses on SMEs. In early 2018, the offering for corporate clients was expanded with the launch of Franx, offering SME business clients a digital platform for foreign exchange transactions and international payments. New10 and Franx are a fully digital approach, responding to the needs of a growing group of businesses that want to do everything online.

In December, Prosperity was launched, a fully online wealth manager that offers digital asset management. Moneyou, our digital online bank for retail clients in the Netherlands, Germany, Belgium and Austria is being transformed into a fully digital retail bank, starting in Germany.

### Open Banking and PSD II

PSD II will present the bank with promising opportunities in terms of customer experience, innovation and earning models. Ahead of PSD II we are forging partnerships to ensure that our digital offering is relevant for current and future clients. We are ready to offer our clients multi-banking, which will allow them to add accounts from other financial services providers to ABN AMRO Internet Banking and our mobile banking app. Tikkie and Grip are digital services we currently offer that will enable us to secure a footprint in the world of open banking. In addition to our mobile banking app, Tikkie

and Grip give ABN AMRO two new, rapidly growing consumer platforms through which we can interact with our clients and prospects.

At the ABN AMRO Beyond Banking Days in June we opened up our API platform for the first time to developers, testing our open banking platform in preparation of PSD II and Open Banking opportunities. The Developer Portal was launched in November, providing everything that developers need to be effective and productive in building on our Open APIs. By working together more closely with external developers, the bank will speed up innovation and further improve services for our clients. To start, the site provides a number of APIs: Tikkie, corporate accounts, corporate payments and batch payments. More and new functionalities will be added to accelerate adoption, simplify learning and increase the business value of our APIs.

### Data

People are more connected than ever before, and this interconnection leads to more and more data sources, resulting in an amount of data that is larger than ever before and constantly growing. This means that data integrity, the accuracy and consistency of data stored in a database, data warehouse, or the like, is a key focus point. ABN AMRO is transforming the data warehousing architecture in a way that it meets current and future business requirements and supports the data-driven culture within ABN AMRO in an agile way. The data warehouse architecture that ABN AMRO has developed helps to deliver value, while at the same time having control over data integration and distribution.

Data of clients, contracts and transactions are a key asset for the bank as data is used to create new products and in all kinds of analyses about risk, finance and marketing. To improve our organisation, we use data analytics to enable and identify more efficient ways of doing business and advanced algorithms enabling decisions based on actual insights. Examples of faster and better decision making include process mining for detecting operational bottlenecks and personalised marketing (e.g. predicting upcoming mortgage events).

Also we use data to transform our service offering. Advanced Analytics and Artificial Intelligence support the identification of client needs and business model innovation. We are leveraging knowledge and data capabilities to convert cost centres into profit centres, for example in the credit approval process to predicting future profitability. In Artificial Intelligence we are working on ways to make simple straightforward chatbots smarter, more flexible in their answers and adaptable to client needs. At the same time, we are integrating machine learning techniques into operational processes so that also more complex, but repetitive, tasks can be automated.

We invest in fundamental knowledge to inspire and drive innovation to explore future opportunities to share knowledge and insights on algorithms and methodologies. We engage in continuous research and experiments to explore the potential of new technologies.

### Security

When phones, tablets, computers, security systems and GPS devices are part of the network, security and privacy are at risk. The use of technology has meant an increased threat of cyber attacks potentially giving malicious outsiders access to sensitive consumer data. We understand that the use of client data is a sensitive matter, and we are committed to our legal and ethical obligation to treat client data confidentially. Our goal is to continue to support a culture that promotes the trusted and transparent use of client data and to maintain the balance between the interests of our clients and those of the bank.

To protect the privacy of our clients and ensure the stability of our digital services in 2017 we focused on preparations related to GDPR. This included the further implementation of privacy protection and strengthening our privacy governance. Our Privacy Office oversees the monitoring of our activities in this field.

# RESPONSIBLE BUSINESS

ABN AMRO's products and services have an impact on society and the bank recognises the responsibilities this brings. We focus on creating a positive impact, together with our clients, and at the same time mitigate the negative impact of our products and services. The bank strives to do business responsibly and aims to inspire and enable all employees to act ethically through clear norms and values.

## Ethical conduct by employees

ABN AMRO strives to do business with integrity. The goal is to create a context in which employees not only live the bank's values in their work, but in which they are aware of potential concerns and can feel free to speak up. ABN AMRO's integrity approach helps employees apply the bank's norms on a day-to-day basis. In addition to the bank's Code of Conduct, this approach includes clear policies, guidelines, related learning solutions and awareness, as well as procedures and controls to help us prevent, detect and respond to misconduct. Despite all efforts, incidents can and will occur. It is therefore key that ABN AMRO pro-actively identifies integrity risks where they occur, diligently conducts root cause analyses and embeds lessons learned after incidents.



The bank aims to send a consistent message regarding desired values and conduct, both in its formal (architectural) and informal (cultural) structure. We measure, monitor and inspire the working of these two structures. In 2017, overseen by the Compliance Department, a variety of awareness campaigns were organised, for instance about the Banker's Oath, and bank-wide training in ethics, conduct risks and dilemmas. ABN AMRO's Ethics Committee is also an important vehicle; the Committee provides advice about how to address certain organisation dilemmas. The Committee, with support from an ethics expert, discusses a variety of dilemmas.

## Positive impact on society

Our impact on sustainability is centered around four focus areas: circular economy, climate change, human rights and inclusion. As a result of our bank-wide efforts, ABN AMRO improved its score in RobecoSAM's annual sustainability index (91 points out of 100), resulting in a position in the top 5% of the banking sector in the Dow Jones Sustainability Index.

## Stimulate a circular economy

For companies adopting a circular business model, ABN AMRO provides support and new financing models. By 2020, it is our goal to finance circular business assets of one billion euros through at least 100 circular financing deals in all sectors. The total emission reduction is to be at least one million tonnes of CO<sub>2</sub>. To achieve ABN AMRO's overall circular economy goals, the bank closed 14 circular transactions this year, culminating in a grand total of EUR 84 million. As part of its circular economy ambitions, ABN AMRO opened Circl, a pavilion that is entirely constructed on the basis of circular principles. The bank shares

its experiences regarding this project with clients. We also introduced Green 20: 20 relationship managers, who are available one day a week to dedicate their time to the Sustainable Finance Desk and who will be trained as circular experts. Furthermore, ABN AMRO set up a collaboration with Ecochain to use life cycle assessment methodology to show business clients how they can make their operations more sustainable.

## Sustainable real estate - Mission 2030 results

In a bank-wide initiative, we announced the ambition to join forces with our commercial and retail clients to improve the energy efficiency of our entire real estate portfolio to an average of label A by 2030. This represents a reduction of two megatonnes of carbon emissions in the Netherlands. Our efforts focus on helping our Dutch clients by informing, facilitating and activating them to make their real estate more sustainable and to realise this substantial CO<sub>2</sub> reduction.

ABN AMRO launched the Energy Savings Check, which gives homeowners an instant overview of specific measures they can take to save energy in their homes. With a broad risk policy, home owners also have the opportunity to finance these measures. Until December 2017, more than 8,700 clients have performed the Energy Savings Check. In addition, ABN AMRO is constantly experimenting in teams to develop new propositions and explore ways in which we can activate clients in this area. In 2017, the average energy label in the mortgage portfolio was D (year-end).

With regard to corporate real estate, several hundred corporate clients used the Sustainable Investment Tool in 2017, resulting in 5,552 buildings that have received sustainable investment advice. ABN AMRO has also broadened its real estate risk policy, which makes it easier for clients to finance their sustainability measures. Within commercial real estate, the bank developed a series of initiatives in recent years to boost the



## Stakeholder concern: Society at large

### Sustainable impact sometimes conflicts with commercial interests

Sustainability is a fundamental principle for ABN AMRO. At the same time, we are a commercial business. Sometimes, these two goals are at odds with each other.

ABN AMRO explicitly wants to have a sustainable impact on society. It is for this reason that we pursue a strict and extensive sustainability policy. Our Environmental, Social and Governance (ESG) criteria are described in several documents, such as our Climate Change Statement, our Sector Policies and our Human Rights Statement.

We believe that sustainability and a healthy business performance can go hand in hand. The two can often reinforce each other, but sometimes there is friction. An example was the construction of the Dakota Access Pipeline in the United States, which drew fierce protests from members of the Standing Rock Sioux tribe, who live on the land through which the pipeline was to run.

ABN AMRO was not involved in funding the pipeline, but it did have a financing relationship with Energy Transfer Equity (ETE), the parent company of one of the pipeline construction companies. The bank had been engaged in dialogue with ETE on this issue since 2016, because in its sustainability policy it endorses the FPIC (Free Prior and Informed Consent) principle. This means that ABN AMRO considers it important that indigenous peoples have a say in decisions that have an impact on their living environment. As the construction activities had resumed in February 2017 without the consent of the Sioux, ABN AMRO decided to end its relationship with ETE. This decision was not in ABN AMRO's immediate commercial interest, but in this case sticking to our sustainability policy weighed more heavily in the balance.

sustainability of commercial real estate clients. On average the buildings in ABN AMRO's commercial real estate portfolio in 2017 hold a D label (year-end). ABN AMRO requested all clients with office properties with energy label D to G to come up with a plan to improve the properties to at least label C. ABN AMRO will discuss these plans on a regular basis to ensure that label C is reached before the end of 2022 (a requirement by Dutch law by 2023). Clients without a sustainability plan by the end of 2018 will not be re-financed. Regarding the offices ABN AMRO owns and rents, 66% of our portfolio in square metres has an energy label rating of A. See the 2017 Sustainability Facts and Figures for further details.

#### Promote inclusion and social entrepreneurship

In ABN AMRO's efforts to promote inclusion, the bank is teaming up with a number of partners and clients to provide sustainable finance to smallholders. Impact banking is a combination of offering access to loans while creating a positive impact on people and the environment. ABN AMRO aims to build an impact banking loan portfolio of up to EUR 50 million in the coming years. In the field of social entrepreneurship, ABN AMRO launched its sixth Social Impact Bond in 2017, together with funding for ABN AMRO's Social Impact Fund, which will invest in this bond. The bond focuses on supporting employees who have or have had cancer to help them to return to work more successfully. Furthermore, ABN AMRO also continued its partnership with Social Enterprise NL, a national platform supporting social entrepreneurs. The bank also signed an agreement with Buy Social to stimulate social procurement at ABN AMRO.

#### Reduce non-financial risks

ABN AMRO recognises that the bank may be exposed to risks through the direct activities of its clients and the companies in which the bank invests on behalf of its clients. Below, a brief overview of how the bank manages these risks is included. ABN AMRO's Annual Report 2017 contains a full description of the non-financial risk approach.

#### Advise clients on responsible tax

Responsible business conduct also means a responsible tax approach. Aside from this ethical commitment, ABN AMRO is also aware of the reputational damage that can occur. We communicate on our tax approach transparently and have published our tax principles on the ABN AMRO website. Tax avoidance – which is different from tax evasion – and aggressive tax planning are not strictly illegal, but these activities are increasingly unacceptable in today's societal context. We do not use structures that are designed for these activities and we aim to comply with the letter and spirit of the law. In 2017, ABN AMRO held tax awareness sessions across the bank to further cascade our approach. The Ethics Committee also addressed two tax dilemmas. ABN AMRO ranked fourth in the Tax Transparency Benchmark in 2017 (a study of 76 Dutch listed companies).

#### Creating awareness to prevent corruption, fraud and cybercrime

Protecting our clients and the bank against corruption, fraud and cybercrime is essential: clients expect to be able to make secure payments and society expect us to conduct business securely and with integrity. These three issues can cause significant financial losses and reputational damage to our clients and the bank. We have a dedicated organisation in place to ensure information security and bolster the resilience of the bank, our clients and society. In 2017, we organised several events to increase awareness amongst our employees and clients with respect to fraud and cybercrime risks. Also, we reduced the risk of fraud by integrating our knowledge into new products, such as implementing measures in Tikkie for extra user protection and developing a fraud detection tool for our challenger New10. In addition, we extended our defence against attacks on our ATMs, by founding the Security Intelligence & Operations Centre to improve detection of crime and shortening police response times.

Collaboration with public and private parties is very important for us. ABN AMRO is chair of the Institute for Financial Crime, an independent platform with the emphasis on cooperation between public and private parties on financial crime topics. We are a founding member of the Electronic Crime Task Force (ECTF), which aims to prevent and combat electronic financial crime by exchanging intelligence between the Dutch national police and banks. During 2017 we participated in various ECTF investigations which resulted in the arrest of 20 persons. In addition, we cooperated with law enforcement agencies and other banks in a taskforce to proactively identify and stop terrorist financing. Also, by performing transaction analyses, human rights due diligence on clients and by raising awareness, ABN AMRO seeks to contribute to the abolition of human trafficking.

#### Reduce integrity risk

Despite all efforts, incidents can occur. Therefore ABN AMRO has controls in place to prevent and mitigate integrity risks. After incidents, root cause analyses were conducted and a bank-wide vulnerability assessment for risk of repetition was performed. The findings helped ABN AMRO in taking mitigating actions and embedding lessons learned after incidents. As part of the Banker's Oath, ABN AMRO has reported cases with the Foundation for Banking Ethics Enforcement to help ensure the integrity of business conduct in the Dutch banking sector.

#### Reduce sustainability risk

ABN AMRO has a sustainability risk policy framework in place to manage sustainability risks to which the bank may be exposed. The bank uses its influence, such as through its role as a lender, to identify abuses in terms of human rights, health, safety and the environment, and is in constant dialogue with clients to stimulate improvements. Within our commercial lending portfolio, 65% of transactions have been screened on social, environmental and ethical risks in 2017. ABN AMRO prefers engagement with clients rather than excluding them. However, if tangible improvements are not seen after the formal engagement period, the decision can be made to end the relationship.

In 2017, ABN AMRO updated its bank-wide Exclusion List, which includes activities and practices the bank does not want to be involved in. Additional exclusions related to thermal coal and tobacco manufacturing were also formulated. See the Annual Report 2017 for further details.

#### Impact on human rights

It is important for a bank to look at its business operations from a human rights perspective, as explained in our 2017 Human Rights Update. By contributing to the Dutch Banking Sector Agreement on international responsible business conduct regarding human rights, ABN AMRO works on sector commitments to achieve a positive impact for people who (potentially) face adverse human rights' impacts related to the bank's products and services. The bank undertakes several initiatives to create awareness on human rights amongst our colleagues by offering several kinds of training sessions, but also for instance by organising the yearly International Human Rights Conference for our clients and other stakeholders. In the Business Line Reports, more practical examples are provided on how we strengthen our commitment to respecting human rights.

#### Increase transparency on climate change

As ABN AMRO transitions to a low-carbon economy, the bank will look at the energy mix of its lending portfolio (renewable and non-renewable energy) and will align this with a scenario to limit global warming to two degrees Celsius from 2020 onwards. ABN AMRO participates in the Platform Carbon Accounting for Financials (PCAF), an initiative that has developed a methodology for measuring the carbon footprint of investments and loans, and which published its report in December 2017. ABN AMRO also supports the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD), which helps the bank disclose information about the risks and opportunities related to climate change. ABN AMRO intends to provide additional transparency regarding its energy mix and implement the two guidelines in future reporting.

# WORKFORCE AND ORGANISATION

ABN AMRO has undergone significant organisational change, resulting in fewer management layers as well as a more flexible and client-driven structure. This structure should support the realisation of our strategic priorities.

## Organisational change

The new structure includes an Executive Board with statutory responsibility and an Executive Committee in which the number of represented business lines has been doubled. The new management structure thus creates a stronger client focus and explicit dedication to the business activities at senior executive level.

With the restructuring of ABN AMRO's (top) management structure as well as with our bank-wide initiative to transform our culture, developing our leadership capability has been a pivotal focus area. Reducing the number of managerial layers in our organisation supports our need for a less hierarchical and a stronger coaching leadership style. Important individual leadership selection criteria have been client focus, change management skills, a hands-on mentality, the ability to work together and exemplary behaviour.

In addition, increasing the diversity in the compositions of teams has been an overarching guiding principle. Both in terms of diversity in background, in gender and in ethnic culture. We can only be successful if we have a diverse workforce that reflects the communities and clients we serve. Therefore, we are committed to a diverse and inclusive workforce supported by promotion of equal treatment and opportunities, the prevention of harassment, a policy of non-discrimination, and compliance with national and local labour and employment laws.

It was a conscious choice to increase the number of women. We currently meet the gender target of 30% for the Supervisory Board. For the Executive Committee, the diversity target was not yet met, but did improve to 22% in 2017 compared with 14% in 2016. We will continue to devote attention to ensure we meet our targets. We also took steps in terms of cultural diversity, which improved from 2% to 7% at Executive Committee -1 level.

The cost-saving programmes that were announced in 2016 have had an impact on staff. Also, new cost-saving measures have been announced in the past year. The bank strives to minimise forced redundancies as much as possible, by helping employees find a job either within the bank or elsewhere. ABN AMRO invests in the development of

employees whose jobs have been made redundant and is aware that the organisational changes can be accompanied by a certain amount of uncertainty. However, these changes are vital for the long-term continuity of the bank.

## Employee engagement

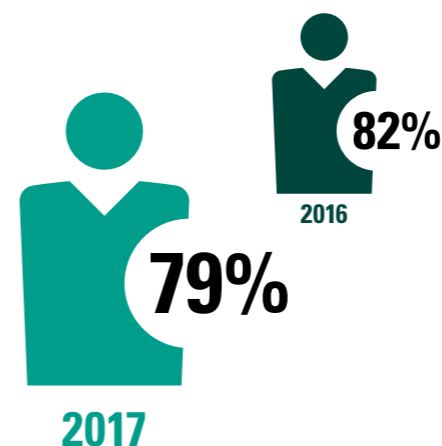
ABN AMRO can only live up to its pledge to clients if it has a highly talented and committed workforce. We believe in an open corporate culture in which employees have a say and are encouraged to help create a future-proof and successful bank. Our employees have an important part to play in this: their engagement affects our joint success.

We measure our staff's engagement through an annual Employee Engagement Survey. In October 2017 we conducted our fifth global Employee Engagement Survey (EES). This year's survey showed an employee engagement rating of 79%. For the first time in five years, our engagement index decreased, from 82% in 2016 to 79% in 2017. This is 1% lower than the global financial services norm. The medium-term trend for our engagement is still positive. If we compare ourselves with other financial services providers, we score higher on employment benefits, inclusive environment, job challenge, and talent & development. Compared with last year we score lower on vision and direction, senior management, and sustainability. We will be paying close attention to these topics in order to continue to improve our organisation.

## Remuneration

At ABN AMRO we want to attract, engage and recognise the right talent. By offering all employees a relevant and competitive reward package we are able to do so. We ensure the contributions of our employees are recognised, so they can give their best for our clients. Besides focusing on fair pay, we strive to create a distinctive employee experience based on the employment benefits we offer. To act in accordance with societal values and regulation, our remuneration principles centre around our strategic priorities to create value, are transparent and are embedded in our global reward policy. Our Annual Report 2017 contains a full description of our approach and activities related to responsible remuneration.

## Employee Engagement (in %)



	2017	2016
Retail Banking	81%	85%
Commercial Banking	77%	81%
Private Banking	72%	78%
Corporate & Institutional Banking	78%	80%

## Stakeholder concern: Employees



### Reorganising and at the same time recruiting specialists

ABN AMRO is going through a digital transition. To help us achieve this, the bank is looking for new employees with specific skills and knowledge, such as app-builders and scrum masters. At the same time, other staff are losing their jobs due to reorganisations. How do we handle this?

The behaviour of our clients is changing rapidly. They increasingly want to be able to manage their banking affairs from their PCs or smartphones. As a result, we are also changing. We are becoming increasingly digital, while bricks-and-mortar bank branches are closing.

This means that there is less work in some traditional banking occupations, for example for administrative workers, employees who serve clients in the branch network, and also employees in a number of staff support departments such as HR. Some people at the bank will lose their jobs as a result of these changes.

This presents ABN AMRO with an emotional dilemma. Because while some are losing their jobs, the bank is looking for new staff to help it achieve the necessary digital transition – such as IT specialists and Agile facilitators, but also 'quantitative' specialists such as econometrists and analysts. How do we explain this to those who are losing their jobs?

Where possible, ABN AMRO tries to retrain staff who lose their jobs. As part of this, the bank is investing heavily in training and updating initiatives such as the IT Academy, which has already successfully retrained many employees for roles such as Solution Designers. For those who do lose their jobs, ABN AMRO organises personal coaching to help them find interesting jobs outside the bank.

On the other hand, we started promoting the bank as a digital employer two years ago and the benefits are coming through. We hired approximately 750 digital natives in 2016 and 2017 and we appear consistently in the top 10 of favourite employers. With the arrival of Clifford Abrahams (CFO), Tanja Cuppen (CRO) and the intended appointment of Christian Bornfeld (Chief Innovation & Technology Officer), the Executive Board now also has a high level of international banking experience.



**MARGOT VAN KEMPEN**  
CHAIR OF THE EMPLOYEE COUNCIL

## “CHALLENGER 40: A FRESH BOOST”

**In 2017, a new management structure was introduced at ABN AMRO.**

**What is the Employee Council's take: a good thing?**

“Absolutely, our new structure matches the new challenges we’re facing. For years, ABN AMRO was all about rebuilding and quite naturally focused on managing risk and increasing profitability. It’s time to shift our focus to business, culture and innovation. And our new Executive Committee reflects that: four instead of two members representing the business and an ExCo member explicitly in charge of transformation (culture) and one heading up innovation.”

**2017 also saw the Management Group discontinued.**

**How do you feel about that?**

“Our bank’s been shrinking for years and we’ve had to say goodbye to over 8,000 colleagues since 2013. At the same time, however, the number of senior managers kept growing slightly. That didn’t make sense, of course, and we made a point of bringing that up – we’re happy with the decision to abolish it altogether. Of course, the establishment of Challenger 40 (C40) has given the bank a fresh boost, pulling together as it does talent from across the bank.”

**You’ve said it: ABN AMRO’s workforce is shrinking.**

**The Employee Council was critical of the wave of reorganisations in 2017. Why?**

“We understand the importance of the bank being lean. But we should also realise that people are affected by a state of permanent reorganisation: it makes them uncertain. We regularly met to discuss the issue with the Executive Committee during the year. We would like to see the bank take a much longer view of the future for its people, more like: ‘This is your job today, but we reckon there will be less of a demand going forward.’ Help people get their training and education sorted in time, getting them ready for a new job once theirs disappears. Granted, the bank offers a wide range of training and education opportunities, but what people need is good advice: professional coaching and assistance underpinned by real-life trends in the labour market. After all, ABN AMRO is seeking to be a major contributor to the circular economy and we should really see our own people as assets we can preferably ‘re-use’ in a more circular fashion.”

**In 2017, ABN AMRO announced it’s seeking to abolish performance management.**

**Why is the Employee Council in favour?**

“Increasingly, our teams are self-directed, where we aren’t assessed by our managers but by the people we actually work with. And it’s important to be able to be honest if we want to tap into our full potential. It’s not easy to be honest to a colleague if you know it will affect them financially. The Employee Council hopes that HR will devise a new assessment system that is much more motivating and doesn’t affect salaries.”

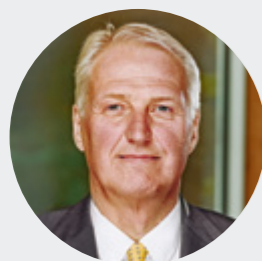
# PROGRESS PER BUSINESS LINE

This section describes the progress we made per business line.

- 58 Retail Banking
- 60 Commercial Banking
- 62 Private Banking
- 64 Corporate & Institutional Banking

# RETAIL BANKING

As a top three player in the Netherlands, Retail Banking serves approximately 5 million clients. We are the principal bank for 20%<sup>1</sup> of the population, providing a full range of transparent banking products and high quality services with the ambition to deliver the best client experience.



**FRANS VAN DER HORST**  
CEO OF RETAIL BANKING

"Our ambition is to be a client-driven Dutch retail bank with a digital footprint in Northwest Europe. We intend to further accelerate digitalisation and innovation, in part through our digital platform Moneyou, which we aim to transform into a fully digital retail bank. We aspire to interact with clients by means of state-of-the-art technologies."

## Clients

Starting from client needs and expectations, we aim to deliver innovative products and solutions, enhance the client experience and provide relevant and personal expertise. In order to do so, we need to be at the forefront of digitalisation and technological developments. Our Net Promotor Score improved from -15 in 2016 to -9 in 2017. We believe we can make a difference in providing clear, relevant and high-quality advice as we offer our clients insight and an overview of their financial situation – especially when it matters the most. We engage pro-actively with our customers to deliver relevant and personalised propositions through multi-skill advisors across our branches. We continued to conduct closed-loop feedback meetings with our clients. Clients provide feedback to our client-facing staff, who follow up on the feedback by contacting clients and learning from their input. Another example is our Optimization Mortgage Chain programme, improving our position in digital services in the Dutch mortgage market and offering our clients convenience and self-efficacy. In addition, we realised significant rationalisation in our product offering.

On the other hand, we understand that certain client segments have difficulty using digital services and are continuously assessing how we can assist them. For instance, our senior coaches help our elderly clients conduct their banking affairs in an increasingly digital world. These coaches help clients by phone, email, webcam or during home visits.

Other examples of last year's initiatives include a divorce desk, and expanded virtual and video meeting offerings. In 2017, 50% of our clients used webcam for financial advice about their mortgage. We are pleased the Authority for the Financial Markets (AFM) gave us a 4.5 (scale 1 to 5) for our complaints management.

ABN AMRO takes adherence to internal rules and procedures seriously. In 2017, the results of the investigation into why employees copied signatures in revised mortgage advice reports was announced and additional measures to prevent this from happening in the future were taken. In addition, the AFM announced a fine for shortcomings in lending practices from June 2012 to March 2015 by International Card

<sup>1</sup> GfK online tracker 2017.

Services (ICS), a wholly owned subsidiary of ABN AMRO. ICS paid the fine imposed by the AFM and is in the process of compensating the clients concerned.

ABN AMRO has sold mortgage loans with floating, often Euribor-based interest rates (close to 1% of the total mortgage portfolio) to consumers. As ABN AMRO's external funding costs (i.e. the spread above Euribor) have risen, ABN AMRO has adjusted the surcharges upwards for the whole portfolio of these Euribor mortgages on two occasions. These increases have been contested by clients. In December the Amsterdam Court of Appeal ruled against ABN AMRO in the collective procedure. Therefore, the bank may not have increased surcharges for Euribor mortgages. ABN AMRO decided to appeal at the Supreme Court and has recorded a provision.

## Innovation and digitalisation

Our daily banking services and products are easily accessible, user-friendly and simple. Our Tikkie app had reached 2 million users in the Netherlands by the end of 2017. We are leveraging next generation tools, such as speech analytics and chatrooms with chatbots and cognitive agents, for fast, 24/7 availability.

We are exploring new partnerships with start-ups and FinTechs. Our Grip app, which was developed with Swedish FinTech Tink, offers a range of financial planning features allowing clients to get a grip on their spending. Grip offers a range of features including an overview of income and expenditure, budgeting support and surplus income. Over 400,000 clients already use our Grip app. We are currently testing the usage of wearables to make contactless payments. Other initiatives include the possibility to open a mortgage within 24 hours via our online label Florius and the Moneyou Go App.

## Our organisation and our people

To keep pace with today's rapidly changing environment and the rapid digitalisation of society, we are transforming towards a digital service model with a simplified IT landscape. In 2017, we continued to rationalise our branch network due to changing client behaviour, and going forward will continue to invest in our remote offering. However, personal financial advice and personal coaching remain an important part of our omnichannel approach. Within Retail Banking, our staff in Personal Banking are working with self-organising teams resulting in fewer management layers as well as a more flexible and client-driven organisation and self-empowered employees.

## Sustainability

As mentioned in this report, our aim is to improve the average energy efficiency of our own and our clients' properties to label A by 2030. We launched multiple initiatives that contribute towards a more sustainable housing market. For instance, we introduced the Energy Saving Check, we offer a sustainability discount (0.2%) on mortgages for newly built and energy-efficient homes and increased financing for energy saving improvements (financing up to 106%).

# COMMERCIAL BANKING

Commercial Banking serves companies and institutions with turnover between EUR 1 million and EUR 250 million. We serve clients with our client-centric, relationship-driven business model and extensive sector expertise. Our clients are active in all sectors of the Dutch economy. By 1 January 2018, approximately 300,000 small business clients transferred from Retail to Commercial Banking.



**DAPHNE DE KLUIS**  
CEO OF COMMERCIAL BANKING:

*"We aim to provide services and products that improve our clients' businesses. As we move into the future, our ambition is to continue to innovate and create exciting new partnerships across a variety of sectors for the products and services our clients demand."*

## Clients

Considering that our high level of sector knowledge is appreciated by our commercial clients, we intensified our sector approach in 2017. And, our 'Visie op Sectoren' platform helps our clients make decisions based on continuous insight into the most important trends and developments in their sector or branch. Our extensive network enables us to bring parties together to develop new projects and initiatives. In 2017, Commercial Banking organised and participated in several sector events. For instance, we were present at the Provada, Building Holland, and are long time sponsors of the Dutch Design Week and the ABN AMRO World Tennis Tournament.

To adapt to rapidly changing client needs, we continuously strive to improve our speed of service. In cooperation with several departments within ABN AMRO, namely our risk department, the Innovation Center and Real Estate Clients we are now able to offer our clients the ability to obtain a real estate loan up to EUR 10 million within 48 hours.

In addition, ABN AMRO was amongst the first 17 banks to offer its clients instant payments between participating European banks. The Net Promoter Score for Commercial Banking over 2017 was -6, compared with -23 in 2016.

## Our organisation and our people

We simplified and reduced the number of layers in our organisation in 2017 for reasons of improving client focus, flexibility and efficiency. As part of our Reliable and Responsible Banking Programme, we focus on making sure 'the basics' are covered and that we know our clients well. Our internal organisation is now fully arranged along sector lines. This means that our Relationship Managers focus on a specific sector, Risk Management works on a sector basis, and sector teams and product departments work together to share knowledge and create commercial opportunities. For instance, we create extra capacity in sectors with strong growth expectations and a high demand for financing.

## Innovation and digitalisation

Our goal is to offer basic services such as credit loans, payment traffic and customer acceptance online, 24/7. We have also taken things a step further by starting new companies outside of ABN AMRO: our New10 subsidiary lets clients know within 15 minutes whether they can receive an SME business loan of up to EUR 1 million. As a wholly-owned subsidiary of ABN AMRO with the structure of an independent company, New10 combines the bank's expertise, data and experience with the responsiveness of a start-up, creating the best of two worlds. We rolled out the highly popular Tikkie app to the business market. The user-friendliness of this payment app allows organisations to contact clients who would otherwise be difficult to reach. For example, the University of Groningen is using Tikkie to enable students to pay their tuition fees, replacing the debt collection process. Transavia, the Dutch Heart Foundation and YellowBrick use Tikkie as well.

Sometimes innovation means bridging the gap between the old and the new. Commercial Banking has launched the world's first live streaming cheese store – Kaan's Streamstore – in which customers can order cheese live online through a video interaction with a store employee. ABN AMRO's participation in Econic in Eindhoven, where start-ups and employees meet, leads to promising applications that will become part of the Innovation Labs within ABN AMRO. One example is Flash, which is used by the Agricultural sector team. Flash is an online fully automated portal in which our customers upload data themselves and get a quick and accurate credit decision.

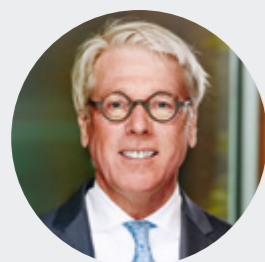
## Sustainability

In order to accelerate the transition to a circular economy, Commercial Banking provides its clients with advice about sustainable business models. We study the financing needs, opportunities and risk of circular business models. We provide financing for circular business activities. If we cannot do so with our existing products and services, we search for solutions, together with our clients. In July, we announced that corporate clients who want to improve the sustainability of their properties can now get a loan to cover 100% of their investment. We took the initiative to enable this as part of our ambition to raise the energy efficiency label of commercial real estate to an average label A in 2030. Our new Sustainable Investment Tool provides insight into sustainable improvements for premises. And ABN AMRO Lease is to offer its clients 100% asset based financing for products that reduce the use of energy, such as solar energy systems, and LED-lighting. In September, the results of the 2017 GRESB assessment were announced. ABN AMRO has now taken the top spot in the annual assessment. GRESB – short for 'global real estate sustainability benchmark' – is a worldwide benchmark that measures the sustainability performances of financials in terms of commercial real estate investments and financing.



# PRIVATE BANKING

ABN AMRO Private Banking offers financial services to high net worth individuals. Our international presence combined with local involvement and over 300 years of experience forms the basis of our longstanding client relationships. It allows us to continuously adapt to changing client needs and market trends, and to thoroughly understand the past, present and future (financial) situation of our clients. We operate under strong local brands such as ABN AMRO MeesPierson in the Netherlands, Neuflyze OBC in France and Bethmann Bank in Germany.



**PIETER VAN MIERLO**  
CEO OF PRIVATE BANKING

"Our ambition is to be a leading Private Bank in Northwest Europe with a focus on expert advice in a sustainable manner."

## Clients

Our approach is all about offering convenience and tailoring service, providing opportunities through innovation supported by specialists for proactive wealth management and meanwhile having a positive impact on society. In 2017, we launched a number of new services, including 'guided advice' for self-directed clients in the Netherlands incorporating a full online self-investment product, co-investment programme with Alpinvest in Germany and with Ardian in France. ABN AMRO MeesPierson organised its yearly Generation Next Academy, a programme to prepare the future generation of private banking clients for their inheritance. Under supervision of a mentor, the participants are educated about relevant topics, such as investing, privacy, running a business and the influence of wealth on relationships. Our Net Promotor Score improved from -9 in 2016 to -4 for the Netherlands and from 6 to 25 internationally in 2017 due to more and better customer contact as well as overall good market performance.

## Innovation and digitalisation

As digitalisation has a big impact, also in private banking, we are investing in our processes and product offering. Our Digital Client Proposition advanced in 2017, addressing domestic demand with a mobile daily-banking Payment app in France and Mein Portal – a digital platform in Germany combining multi-channel services with personal interaction. Investment in our banking systems and processes facilitates an integrated, end-to-end client experience, with manual payment in Germany and account opening in France now paperless and frictionless. In the Netherlands, video conferencing and a private-banking call centre offer extra opportunities for advice and virtually 24/7 access. And in December, we launched Prosperity – a new digital wealth management tool for private banking clients in Germany. With Prosperity, we are the first bank in Western Europe to combine digital asset management with truly personal, expert coaching. According to a study by the Bundesbank in 2015, Germany held 2.3 million people with assets exceeding EUR 250,000.

## Our organisation and our people

The private banking industry is changing fast due to changing client behaviour, new earning models and increasing regulatory requirements. In 2017, we combined head office units in the Netherlands and started harmonising client segments, products, services and IT across Europe. Implementation of a new organisational structure, harmonisation and digitalisation of key processes have an impact on the number and the profile of our employees. Reorganisation processes are ongoing. In recent years, our main focus has been to move from a dispersed footprint to a sustainable position in onshore private banking in core countries in Northwest Europe. The divestment of our private banking business in Asia and the Middle East is a logical step in this regard. In the Netherlands, where we are a market leader, we lowered the wealth band threshold to EUR 500,000 to increase our market share in this segment with the ambition to grow.

## Sustainability

Demonstrating a growing interest from our clients, sustainable client assets have increased and sustainable investing is becoming more mainstream. This is also shown in the increase of sustainable client assets from EUR 8.2 billion in 2016 to EUR 10.1 billion in 2017. As from 2018, sustainable investment will become the norm for new clients in the Netherlands. The objective is that by 2020 it will become the norm in all private banking countries. ABN AMRO will also be contacting existing clients to discuss a switchover to sustainable investment. For 2018 we plan to give clients insight into the impact of their investments, via impact reports, to raise clients' awareness of their sustainable impact. Another initiative was our cooperation with the Dutch Heart Foundation in the fight for a smokefree future.

# CORPORATE & INSTITUTIONAL BANKING

Corporate & Institutional Banking serves its clients based on sector and product expertise. In the Netherlands, we serve clients with a turnover above EUR 250 million. In Northwest Europe we focus on clients with a turnover of EUR >100 million in eight selected sectors. Globally we want to further grow in the sectors in which we have proven sector expertise and an existing strong position, and in neighbouring countries of the Netherlands.



**RUTGER VAN NOUHUIJS**  
CEO OF CORPORATE & INSTITUTIONAL BANKING

"We aim to add value for our clients by combining the expertise and creativity of our people with the power and speed of technology. Digitalisation will enable us to focus our attention on this while enhancing our relevance and retaining the human element that remains an essential part of our proposition."

## Clients

We aim to provide clients with the best possible solutions in today's rapidly-changing environment. We use the drivers of our Net Promoter Score and continuously engage with our clients to better understand their wishes and challenges, so that we can support them where needed. In 2017, our Net Promoter Score came to +32.

Providing our clients with relevant, appropriate and professional advice in a uniform and documented way is the essence of our service. To this end, we offer transparent, understandable and consistent communication about the products and services we provide. Our Reliable and Responsible Banking programme helps us keep our client files complete and in order.

In 2015 ABN AMRO started a review, at the request of both the Netherlands Authority for the Financial Markets (AFM) and the Dutch Ministry of Finance, to determine whether the bank had acted in accordance with its duty of care obligations with respect to the sale of interest rate derivatives to SME clients. ABN AMRO has set up its own client reassessment process and the related checks and balances. In the first quarter of 2017, ABN AMRO started reassessing around 6,800 clients with some 9,000 interest rate derivatives. Due to the complexity of the reassessment, it was not feasible to propose a solution to our clients before the end of 2017. ABN AMRO aims to propose a solution under the Uniform Recovery Framework for the vast majority of these clients before the end of 2018. However, it cannot be excluded that the review of some of the more complex files will be finalised in 2019. For more information on this topic, please refer to note 29 Provisions in our Annual Report.

In September, the AFM fined ABN AMRO Clearing Bank N.V. and ABN AMRO Bank N.V. for not completely complying with transaction-related reporting requirements.

## Innovation and digitalisation

At Corporate & Institutional Banking, we aim to add value for our clients by combining the expertise and creativity of our people with the power and speed of technology.

Developed in 2017, we launched Franx in January 2018. An initiative of ABN AMRO, Franx is a user-friendly, innovative online platform through which organisations can make international payments and trade in foreign currency. As a wholly-owned subsidiary of ABN AMRO with the structure of an independent company, Franx combines ABN AMRO's expertise, data and experience with the responsiveness of a start-up, creating the best of both worlds.

In 2017, we developed an open platform together with our partners providing smart contracts for trading, logistics and one shared view of data and contracts to improve trading of North Sea oil products.

## Our organisation and our people

Profitable international growth is one of our key ambitions. We see opportunities to grow our international market share along sectoral lines and are building on our presence in key financial and logistical hubs and on our sector and product expertise. Using our existing infrastructure in both the Netherlands and internationally, we have a scalable platform on which to grow our activities efficiently.

We serve our clients through Client Service Teams, which offer specific product or sector knowledge. We are currently active in 13 countries in the Americas, Europe, the Middle East and Africa, and Asia Pacific. Our five product units cover loan products (Structured Finance and Trade & Commodity Finance), flow products (Global Markets) and specialised products (Clearing and Private Equity).

Corporate & Institutional Banking's business activities are organised by sector, geography and product. Our key strengths are our existing market positions and strong brand name, relationship-driven business model combined with a dedicated sector approach and in-depth expertise, and our clear focus on risk management.

Corporate & Institutional Banking works in close partnership with Commercial Banking on product development, marketing and communication.

## Sustainability

With regard to sustainability, we strive for an inclusive approach as we engage with clients on sector-specific sustainability risks and opportunities. This way, we can support clients in sustainability-related investments and innovations. By financing sustainable wind energy projects in Western Europe, Corporate & Institutional Banking continues to play a part in the transition to carbon-neutral energy. This activity fits well with ABN AMRO's sustainability mission. As a partner of the Sustainable Shipping Initiative, we are one of the leading banks to develop responsible ship recycling standards. An example of how we contribute to the energy transition is by structuring financing for windmill projects in and outside the Netherlands. In our Debt Capital Markets proposition we diversify our product offering with green bonds to provide our clients with further funding diversification.

Another example is our partnership with IDH and Neumann Kaffee Gruppe to provide access to fertilizer and cash, and improve the profitability and livelihood of Ugandan coffee farmers based on a sustainable business case. Last but not least, we are proud to have played a role in Singapore's first offshore green bond as investor demand for financing environmentally sustainable projects grow in Asia-Pacific. The transaction also represents ABN AMRO's first DCM deal in the APAC region.

# GOVERNANCE, LEADERSHIP AND FIGURES

This section presents an overview of ABN AMRO's leadership, non-financial figures and key financials.

- 67 Governance
- 68 Leadership
- 70 Statement of financial position
- 71 Income statement
- 72 Non-financial indicators

## GOVERNANCE

ABN AMRO is organised in a way that guarantees effective management and supervision. Integrity, transparency and accountability are key elements of our corporate governance and business operations.

ABN AMRO has a two-tier governance model, consisting of a Supervisory Board and an Executive Board. Additionally, there is an Executive Committee at the level of ABN AMRO Bank. The Executive Boards and the Supervisory Boards of ABN AMRO Group and ABN AMRO Bank are identical, as well as their respective committees. On 5 February 2018, Ms Olga Zoutendijk announced not to opt for a second term effective 1 July 2018, and hand over her responsibilities as Chairman of the Supervisory Board of ABN AMRO as per 5 February 2018. The current Vice-Chairman, Steven ten Have, will temporarily assume the duties of Chairman.

The Executive Board is the bank's statutory managing board and responsible for the general course of business of ABN AMRO. This includes the definition (subject to Supervisory Board approval to the extent applicable) and execution of the bank's strategy, policies, risk appetite, budget and targets. The Executive Board is accountable to the Supervisory Board and to the General Meeting for the performance of its duties. Furthermore, the Executive Committee develops a view on long-term value creation and takes into account the relevant stakeholder interests, in consultation with the Supervisory Board.

The respective members of the Executive Committee are responsible for the daily management of their business lines. Furthermore, the Executive Committee is specifically mandated to ensure the translation of ABN AMRO's strategy, policies, risk appetite, budget and targets in the business lines. In addition, the Executive Board consults the Executive Committee on the bank's strategy and risk profile.

The Supervisory Board is a separate and independent corporate body. The Supervisory Board supervises the Executive Board and the general course of events at ABN AMRO and advises, challenges and supports the Executive Board and the Executive Committee in the exercise of their powers and duties.

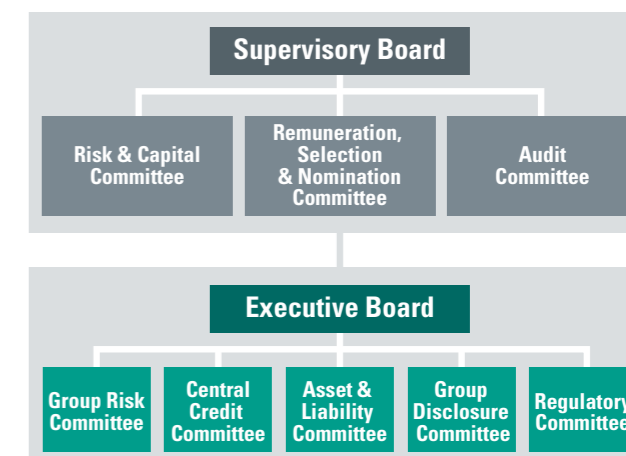
At 31 December 2017, all shares in the capital of ABN AMRO Group were held by two foundations: NLFI (Stichting administratiekantoor beheer financiële instellingen) and STAK AAG (Stichting Administratiekantoor Continuïteit ABN AMRO Group).

On that date, NLFI held 56.3% in ABN AMRO Group, of which 49.9% is directly held via ordinary shares and 6.4% is indirectly held via depositary receipts for shares in ABN AMRO Group. STAK AAG holds 50.1% of the shares in the issued capital of ABN AMRO Group. Only STAK AAG's depositary receipts have been issued with the cooperation of ABN AMRO Group and are traded on Euronext Amsterdam.

The Dutch State holds an interest in ABN AMRO Group through NLFI. NLFI was set up as a means to avoid potential conflicting responsibilities that the Dutch Minister of Finance might otherwise face and to avoid undesired political influence being exerted. NLFI acts as a stand-alone shareholder, independent of the Dutch State, including the Dutch Ministry of Finance. However, important decisions taken by NLFI require prior approval by the Dutch Minister of Finance.

ABN AMRO has implemented a structure whereby STAK AAG is the holder of shares in ABN AMRO Group's issued share capital and has issued depositary receipts representing such shares with the cooperation of ABN AMRO Group. The purpose of having a structure in which depositary receipts are created and STAK AAG is the legal owner of the underlying shares is to create a defence measure against hostile situations. STAK AAG is independent of ABN AMRO and the holder of shares in ABN AMRO Group's issued share capital.

More information about the shareholder structure is provided in the Annual Report of ABN AMRO Group N.V.



# LEADERSHIP

ABN AMRO's Executive Committee



**Executive Committee (from left to right)**

Rutger van Nouhuijs, Johan van Hall, Daphne de Kluis, Frans van der Horst, Kees van Dijkhuizen, Tanja Cuppen, Pieter van Mierlo, Gert-Jan Meppelink, Clifford Abrahams

ABN AMRO's Supervisory Board



**Supervisory Board (from left to right)**

Arjen Dorland, Annemieke Roobeek, Steven ten Have, Olga Zoutendijk, Tjalling Tiemstra, Frederieke Leeftang, Jurgen Stegmann

# STATEMENT OF FINANCIAL POSITION

## Consolidated statement of financial position

(in millions)	31 December 2017	31 December 2016
<b>Assets</b>		
Cash and balances at central banks	29,783	21,861
Financial assets held for trading	1,600	1,607
Derivatives	9,825	14,384
Financial investments	40,964	45,497
Securities financing	16,645	17,589
Loans and receivables - banks	10,665	13,485
Residential mortgages	152,691	152,069
Consumer loans	12,122	12,106
Corporate loans	101,118	96,058
Other loans and receivables - customers	8,975	7,445
Equity accounted investments	714	765
Property and equipment	1,458	1,418
Goodwill and other intangible assets	184	251
Assets held for sale	3,165	3,481
Tax assets	431	415
Other assets	2,830	6,050
<b>Total assets</b>	<b>393,171</b>	<b>394,482</b>
<b>Liabilities</b>		
Financial liabilities held for trading	1,082	791
Derivatives	8,367	14,526
Securities financing	12,875	11,625
Due to banks	16,462	13,419
Demand deposits	127,675	119,848
Saving deposits	95,751	92,740
Time deposits	13,274	16,169
Issued debt	76,612	81,278
Subordinated liabilities	9,720	11,171
Provisions	1,529	1,672
Liabilities held for sale	4,843	5,667
Tax liabilities	110	134
Other liabilities	3,543	6,503
<b>Total liabilities</b>	<b>371,841</b>	<b>375,544</b>
<b>Equity</b>		
Share capital	940	940
Share premium	12,970	12,970
Other reserves (incl. retained earnings/profit for the period)	5,724	4,027
Accumulated other comprehensive income	-331	-9
<b>Equity attributable to owners of the parent company</b>	<b>19,303</b>	<b>17,928</b>
AT1 capital securities	2,007	1,004
Equity attributable to other non-controlling interests	20	5
<b>Total equity</b>	<b>21,330</b>	<b>18,937</b>
<b>Total liabilities and equity</b>	<b>393,171</b>	<b>394,482</b>
Committed credit facilities	32,772	25,288
Guarantees and other commitments	16,165	15,873

# INCOME STATEMENT

## Consolidated income statement

(in millions)	2017	2016
<b>Income</b>		
Interest income	12,502	12,651
Interest expense	6,045	6,383
<b>Net interest income</b>	<b>6,456</b>	<b>6,267</b>
Fee and commission income	3,138	3,149
Fee and commission expense	1,391	1,340
<b>Net fee and commission income</b>	<b>1,747</b>	<b>1,810</b>
Net trading income	287	-211
Share of result in equity accounted investments	54	55
Other operating income	745	306
<b>Operating income</b>	<b>9,290</b>	<b>8,227</b>
<b>Expenses</b>		
Personnel expenses	2,590	2,777
General and administrative expenses	2,746	2,682
Depreciation and amortisation of tangible and intangible assets	245	198
<b>Operating expenses</b>	<b>5,582</b>	<b>5,657</b>
Impairment charges on loans and other receivables	-63	114
<b>Total expenses</b>	<b>5,519</b>	<b>5,771</b>
<b>Operating profit/(loss) before taxation</b>	<b>3,771</b>	<b>2,456</b>
Income tax expense	979	650
<b>Profit/(loss) for the period</b>	<b>2,791</b>	<b>1,806</b>
<i>Attributable to:</i>		
Owners of the parent company	2,721	1,762
Holders of AT1 capital securities	53	43
Other non-controlling interests	18	1
<b>Earnings per share (in euros)</b>		
Basic earnings per ordinary share <sup>1</sup>	2.89	1.87

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

The consolidated income statement and consolidated statement of financial position are directly derived from the Annual Financial Statements in the Annual Report 2017 of ABN AMRO Group N.V. For a proper understanding of the financial position and performance for the year ending 31 December 2017 and the criteria used to prepare and present this information, please read the full Annual Report 2017 of ABN AMRO Group N.V. The statements are included here to provide the reader with information about the financial profile of ABN AMRO in the context of achieving its long- and medium-term strategy.

# NON-FINANCIAL INDICATORS

KPIs	Definitions	2017	2016
<b>% availability of digital services</b>	Availability of internet banking and mobile banking during peak hours. Peak hours are from early in the morning to after midnight for all services.	99.68%	99.87%
<b>Net Promoter Score</b>	This metric shows the extent to which customers would recommend ABN AMRO to others. The customer is regarded as a 'promoter' (score of 9 or 10), as 'passively satisfied' (score of 7 or 8) or as a 'detractor' (score of 0 to 6). The NPS is calculated by subtracting the percentage of 'detractors' from the percentage of 'promoters'. The score is expressed as an absolute number between -100 and +100.		
Retail Banking	Source: Kantar TNS. Research on ABN AMRO consumer clients. NPS score is measured quarterly, total score is based on average of the quarters. Number of respondents: 8,636.	-9	-15
Commercial Banking	Source: Ipsos quantitative research among 906 clients through online and telephone interviews. The figures for 2017 and 2016 are not comparable, due to different methods and suppliers used to measure the NPS.	-6	-23
Private Banking (NL)	Source: Kantar TNS. NPS score is measured once a year. Number of respondents: 3,245.	-4	-9
Private Banking (International)	Source: Scorpio Partnership, Research on clients in France, Germany, Belgium and Channel Islands. Singapore, Hong Kong and United Arab Emirates are not included in the 2017 survey due to the Private Banking Asia divestment. The 2016 figure has been adjusted accordingly. Channel Islands is included in the score as from 2017. Number of respondents: 1,181.	25	6
Private Banking (consolidated)	Score is a weighted average of the PBI and PBNL scores, weighted by operating income of the respective segments. The set-up of the NPS surveys differs among the segments.	12	-1
Corporate & Institutional Banking	Source: Ipsos quantitative research among 241 clients through online and telephone interviews and MWM2 quantitative online research among 242 clients (483 in total). The figures for 2017 and 2016 are not comparable, due to different methods and suppliers used to measure the NPS.	32	40
<b>Dow Jones Sustainability Index ranking</b>	A family of benchmarks, performed by RobecoSAM, for investors who believe sustainable business practices may lead to long-term shareholder value. Source: RobecoSAM.	91	87
<b>Trust Monitor NvB</b>	Degree of confidence in own bank. Scale (1-5). Source: Trust monitor, Dutch Banking Association. Published October 2017.	3.2	3.1
<b>Percentage of loans in book by ESE indicator</b>	Percentage of the transaction volume of Commercial and Corporate loans checked and rated on Ethical, Social and Environmental (ESE) criteria as part of the central corporate and commercial lending due diligence process.	65%	n.a.
Commercial Banking	Percentages for 2016 are not available due to the new business line structure at Commercial Banking and Corporate & Institutional Banking.	50%	n.a.
Corporate & Institutional Banking		80%	n.a.
<b>Sustainable client assets (in billions)</b>	Sustainable client assets are assets that ABN AMRO invests for its clients in investment funds, products and securities that explicitly base their investment approach and decisions on sustainable criteria. These investments explicitly factor in the social and environmental effects of investments. Scope includes all countries where Private Banking is active.	10.1	8.2
<b>Employee engagement</b>	A business management concept that describes the level of enthusiasm and dedication a worker feels toward his/her job. Source: annual survey by Willis Towers Watson.		
Group	Total number of respondents: 20,134	79%	82%
Retail Banking	Total number of respondents: 5,827	81%	85%
Commercial Banking	Total number of respondents: 2,642	77%	81%
Private Banking	Total number of respondents: 2,803	72%	78%
Corporate & Institutional Banking	Total number of respondents: 2,288	78%	80%
<b>Gender diversity at the top</b>	Diversity at the top is measured as the percentage of female employees in Hay salary scale 14+.	25%	25%
<b>Gender diversity at the subtop</b>	Diversity at the subtop is measured as the percentage of female employees in Hay salary scale 12 and 13.	28%	26%
<b>Gender diversity total</b>	Gender diversity total is measured as the percentage of female employees in the Netherlands.	46%	47%

# APPENDIX

This section gives an overview of our reporting approach, how we performed our materiality analysis and how material topics link to our strategy.

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# REPORTING APPROACH

This is the Integrated Annual Review 2017 for ABN AMRO Group N.V. and its consolidated entities. In it, we disclose and explain our material financial and non-financial results, strategy, governance, external developments and the risks and opportunities ABN AMRO faces. Although a part of the information in this report builds further on information from other reports published by ABN AMRO, as stated in the 'Our reports' section, the Integrated Annual Review is not meant as a substitute for reading these other reports.

## Material topics

This report presents the most relevant material topics to all four stakeholder groups for 2017 using the International Integrated Reporting Framework (IIRC). Disclosures on the material topics have been prepared in accordance with the guiding principles of the Framework of the International Integrated Reporting Council. The 2016 materiality analyses were conducted in accordance with the Global Reporting Initiative. Based on the IIRC Framework, ABN AMRO believes there will be no significant difference relative to the outcome of the materiality assessment for 2016, as the purpose was to identify topics that have a direct or indirect impact on our organisation's ability to create, preserve or erode economic, environmental and social value – not only for ourselves, but also for our stakeholders and society at large. Please see the Our Material Topics section for a summary of the materiality determination process. ABN AMRO has chosen to disclose progress on the most relevant material topics for 2017, which are not necessarily all 20 material topics. ABN AMRO reports performance on some material topics based on quantitative metrics. Other material topics cannot be measured quantitatively and are covered by our policies and governance framework. The description of material topics and the definitions of metrics are provided in the Connectivity Table on page 78 and page 79.

Some of the metrics presented in the Integrated Annual Review have inherent limitations, e.g. estimated data versus measured data, limitations in reporting scope, etc. Where applicable this is mentioned in the text or in a footnote.

## Integrated Reporting Framework

ABN AMRO has used the Integrated Reporting Framework as the basis for its Integrated Annual Review. Management believes this report is presented in accordance with the Framework. We do not apply the IIRC principle of reporting explicitly on short-term goals and value creation as we report on the progress towards our medium-term priorities. The risks that affect the organisation's ability to create value for the short, medium and long-term are assessed in accordance with our general risk management approach, which is described in the Risk, funding & capital section in the annual report of ABN AMRO Group N.V. In the 'Driving Forces' section of this report ABN AMRO describes the environment it operates in. This section is based on ABN AMRO's own research of its external environment and its assessment thereof. In this research, we have made use of various external sources and reports to validate our assessment where possible.

## Financial information

The consolidated income statement and consolidated statement of financial position are directly derived from the Annual Financial Statements in the Annual Report 2017 of ABN AMRO Group N.V. For a proper understanding of the financial position and performance for the year ending 31 December 2017 and the criteria used to prepare and present this information, please read the full Annual Report 2017 of ABN AMRO Group N.V. The statements are included here to provide the reader with information about the financial profile of ABN AMRO in the context of achieving its long- and medium-term strategy. For more information and definitions of financial concepts, please refer to the Annual Report of ABN AMRO Group N.V.

The currency in this report is presented in euros (EUR), rounded to the nearest million. This is ABN AMRO's presentation currency, and sets out the results for the entire ABN AMRO organisation worldwide (unless otherwise stated). All financial year-end averages in this report are based on month-end figures. Management does not believe that 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. In addition, certain percentages in this document have been calculated using rounded figures.

## Forward-looking statements

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

## Assurance

Our independent auditor, EY, has performed a limited assurance engagement on this Integrated Annual Review. Please see the Assurance report in the independent auditor section.

Capital metrics and some risk exposures for 2017 and comparative figures for 2016 are reported under the Basel III (CRD IV/ CRR) framework. Financial information is derived from the Annual Financial Statements, which are based on EU IFRS. For more information about the basis of preparation, please refer to the Annual Report ABN AMRO Group N.V. Accounting Policies.

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Appendix / Our material topics

# OUR MATERIAL TOPICS

## Our materiality approach

In 2016, we performed a materiality analysis. This analysis resulted in 20 material topics, which we formalised and implemented in our management approach in 2017.

## Part of our bank-wide strategy

The purpose of the analysis was to identify topics with a direct or indirect impact on our organisation's ability to create, preserve or erode economic, environmental and social value – not only for ourselves, but also for our stakeholders and society at large. It revealed what our internal and external stakeholders consider to be the most material, relevant topics.

## Material topics based on a variety of issues

We drew up a shortlist from this extensive range of topics by analysing the extent to which last year's topics were covered by the most dominant reporting frameworks (such as GRI, SASB, GRESB, DJSI) and peer reports. We then clustered and defined these topics with a bankwide working group of representatives from different departments and fields of expertise.

## Carefully prioritised topics

First we sent a survey to our four main stakeholder groups through online media and a direct, targeted approach. We asked them to rank each material topic on a scale of 1 to 4 (1 = least relevant; 4 = most relevant). They were also invited to add material topics of their own, but no additional topics were proposed. We received a total of 183 responses. We weighted the input we received, giving each stakeholder group a 25% influence on the results. Second, we asked a bank-wide selection of our management to prioritise the material topics in preparation for an internal workshop. They ranked the topics on the same 1 to 4 scale, and together we discussed and validated the outcome of the survey during the workshop.

These discussions about the relevance, completeness and definitions of the topics resulted in the validated material topics listed in the matrix on page 75.

## Disclosure on 14 important topics

This Integrated Annual Review discloses information and progress on 14 material topics. To achieve balance and conciseness here, some topics are more elaborately detailed in other reports better tailored to stakeholder needs. Some topics are also reported on more elaborately than others, based on relevant developments in the past year.

The six material topics not covered in this Integrated Annual Review are covered by other disclosures. Our impact on Non-discrimination and human dignity (13) is addressed in our separate Human Rights Report published in December 2016, and in the Human Rights Update published in December 2017. The topics deemed to have less social or business impact according to this materiality matrix (15-20) are not discussed in this Integrated Annual Review, with the exception of number 16 as this is part of our core risk approach (see page 52). The connectivity table on page 76 provides a description of each material topic, how the topic relates to our strategy and to which stakeholder groups the topic matters most. The description of material topics and the definitions of metrics are provided in the Connectivity Table and in the Appendix.

## Embedding the materiality analyses

We have already taken steps to further embed these topics throughout our organisation. The next step is to heighten our focus on the assessment of – and our approach to – these topics. This can be done in various ways, such as assessing the risks associated with each topic and the governance in place to make sure we achieve our goals. In 2017, we made a first step to align our strategic risk assessment with the material topics.

## Deepened understanding to drive future strategy

In 2018 we will critically review these material topics and the materiality assessment, using multi-stakeholder dialogues (internal and external, and with participation

from our Executive Board) to deepen our understanding. Most of the metrics for progress have already been determined; in other cases we aim to determine metrics and use them for reporting in the future.

## Our material topics

● Topics disclosed in the Integrated Annual Review ● Topics disclosed through other sources

Please see the following pages for the description of each topic.

1 Customer issue ownership	8 Co-creation and innovation	15 Role model in terms of legislation and regulations
2 Ethics and integrity	9 Privacy, use of client data by the bank or third parties	16 A positive impact on ESG criteria through our financing and investment services
3 Preventing corruption, fraud and cybercrime	10 Responsible tax policy	17 Safe and healthy workplace
4 Stability of our digital services	11 Employee engagement and empowerment	18 Our environmental impact
5 Sustainability of our business model	12 Moderate risk profile	19 Adding value by promoting the welfare of society
6 Clear, appropriate advice	13 Non-discrimination and human dignity	20 Adding value by leading the public debate
7 Agile organisation	14 Responsible remuneration policy	

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# MATERIAL TOPICS AND CONNECTIVITY

The connectivity table below provides a description of each material topic, how the topic relates to our strategy, to the risks identified by the bank, and to which stakeholder group the topic matters most.

Topic	Description	Stakeholders	Medium-term priorities	Long-term foundation	Type of risk	Reference <sup>1</sup>
1 Customer issue ownership	We listen to, and take ownership of, clients' needs and problems. Clients should feel that their needs and issues are addressed by the bank.				<ul style="list-style-type: none"> <li>Reputational Risk</li> <li>Operational Risk/ Compliance Risk</li> <li>Business Risk</li> <li>Legal Risk</li> </ul>	Page 58, 60, 62, 64
2 Ethics and integrity	We base our actions on society's moral standards.				<ul style="list-style-type: none"> <li>Compliance &amp; Conduct Risk</li> <li>Legal Risk</li> </ul>	Page 50
3 Preventing corruption, fraud and cybercrime	We protect our clients' funds and data against security breaches. We actively prevent activities designed to illegally acquire commercial or personal gain from our digital or physical environment to the detriment of any party involved in or affected by the bank's activities.				<ul style="list-style-type: none"> <li>Compliance Risk</li> <li>Operational Risk</li> </ul>	Page 52-53
4 Sustainability of our business model	A sustainable business model is a model that produces healthy and robust results, ensuring continuity over the years.				<ul style="list-style-type: none"> <li>Business Risk</li> </ul>	Page 32
5 Stability of our digital services	We ensure the accessibility and stability of our digital services.				<ul style="list-style-type: none"> <li>Operational Risk</li> <li>Compliance &amp; Conduct Risk</li> </ul>	Page 46
6 Clear, appropriate advice	We give clients clear, comprehensive information and help them select the financial product or service that best fits their personal situation. Our sector expertise and product knowledge help us understand our clients' needs.				<ul style="list-style-type: none"> <li>Business Risk</li> <li>Compliance Risk</li> <li>Reputational Risk</li> </ul>	Page 58, 60, 62, 64
7 Agile organisation	We respond and adapt to changes and developments outside the bank in order to add value to society now and in the future.				<ul style="list-style-type: none"> <li>Change Risk</li> <li>Business Risk</li> <li>Sustainability Risk</li> </ul>	Page 46-49
8 Co-creation and innovation	Teaming up with partners inside and outside the bank (co-creation) and creating an environment in which innovation is stimulated and nurtured.				<ul style="list-style-type: none"> <li>Change Risk</li> <li>Business Risk</li> </ul>	Page 47-48
9 Privacy, use of client data by the bank or third parties	The use of client data by the bank in order to improve our services and offer customised products or providing data to third parties outside the bank for commercial purposes.				<ul style="list-style-type: none"> <li>Compliance &amp; Conduct Risk</li> <li>Legal Risk</li> </ul>	Page 49
10 Responsible tax policy	We pursue a transparent tax policy that prohibits tax evasion and prescribes fair tax payments and structures. We advise our clients in line with this policy.				<ul style="list-style-type: none"> <li>Tax Risk</li> </ul>	Page 52
11 Employee engagement and empowerment	We strive to create an open corporate culture in which employees are empowered and encouraged to be engaged and help build the organisation. We have a fair remuneration policy and offer training and development programmes designed to develop talent and create highly skilled employees and a committed workforce.				<ul style="list-style-type: none"> <li>Reputational Risk</li> <li>Sustainability Risk</li> </ul>	Page 54

<sup>1</sup> Page number refers to the Integrated Annual Review of ABN AMRO Group N.V. 2017

Topic	Description	Stakeholders	Medium-term priorities	Long-term foundation	Type of risk	Reference <sup>1</sup>
12 Moderate risk profile	A moderate risk profile means we pursue a prudent risk policy. This helps us deliver a stable financial performance.				<ul style="list-style-type: none"> <li>Enterprise Risk</li> </ul>	Page 31
13 Non-discrimination and human dignity	We strive to create an environment for all our stakeholders that is free from discrimination and that respects human dignity and equal opportunities.				<ul style="list-style-type: none"> <li>Sustainability Risk</li> </ul>	Human Rights Report 2016 + Human Rights Update 2017 Human Rights Report 2016 Sustainable Banking Newsletter 2017
14 Responsible remuneration policy	We pursue a responsible remuneration policy for Board members, senior management and other employees. We are transparent about this policy and about performance standards and measurements used in awarding variable remuneration.				<ul style="list-style-type: none"> <li>Remuneration Risk</li> </ul>	Page 54
15 Role model in terms of legislation and regulations	In addition to complying with national and international legislation and regulations, we proactively identify and anticipate developments in this area.				<ul style="list-style-type: none"> <li>Compliance risk</li> <li>Legal risk</li> </ul>	Annual Report ABN AMRO Group N.V. 2017, Governance section
16 A positive impact on ESG criteria through our financing and investment services	In offering our finance and investment services, we work to ensure that our clients and the entities they invest in put their impact on human rights, health and safety and the environment first in their conduct. We leverage our position to expose abuses to human rights, health and safety and the environment and are in constant dialogue with our clients with a view to improving the situation. If we do not see tangible improvements, we end our relationship.				<ul style="list-style-type: none"> <li>Sustainability Risk</li> </ul>	Page 50-53
17 Safe and healthy workplace	We offer our employees a safe and healthy working environment by providing the necessary facilities and by actively promoting their well-being and encouraging vitality. In doing so, we enable employees to carry out their work to the best of their ability.				<ul style="list-style-type: none"> <li>Operational Risk</li> </ul>	Online Working at ABN AMRO
18 Our environmental impact	The environmental footprint of our organisation, created by our business operations and procurement activities.				<ul style="list-style-type: none"> <li>Sustainability Risk</li> </ul>	Online + Sustainable Banking newsletter Sustainable operations make us a better bank Sustainable Banking Newsletter October 2017
19 Adding value by promoting the welfare of society	We promote the welfare of society by offering products and services that empower people and businesses. We give back to society by facilitating social entrepreneurship and by organising volunteer programmes in which our employees participate.				<ul style="list-style-type: none"> <li>Sustainability Risk</li> </ul>	Online Employees go for social impact Social Impact Fund finances a better world
20 Adding value by leading the public debate	We respond to society's needs by offering our financial expertise, including sharing sector-specific knowledge and promoting social entrepreneurship.				<ul style="list-style-type: none"> <li>Reputational Risk</li> </ul>	Stakeholder dialogues Sustainable improvements thanks to stakeholder engagement

**Stakeholders** Clients Employees Society at large Investors

**Medium-term priorities** Bring expertise Enhance the client experience Innovate & grow Deliver fast

**Long-term foundation** Client-driven Invest in the future Moderate risk profile Sustainable growth

## ASSURANCE REPORT OF THE INDEPENDENT AUDITOR



### Assurance report of the independent auditor

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

#### Our conclusion

We have reviewed the Integrated Annual Review for the year 2017 of ABN AMRO Group N.V. at Amsterdam (hereafter: the Integrated Annual Review). The Integrated Annual Review 2017 describes the themes that are central to achieving ABN AMRO Group N.V.'s long- and medium-term strategy and includes information that has been derived from other reports published by ABN AMRO Group N.V. as described on page 1 of the Integrated Annual Review.

A review engagement is aimed at obtaining limited assurance. An overview of our main procedures performed is included in the section Our responsibilities for the review of the Integrated Annual Review.

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

#### Basis for our conclusion

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

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

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

#### Limitations to the scope of our review engagement

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

The references to external sources or websites in the Integrated Annual Review are not part of the Integrated Annual Review as reviewed by us. We therefore do not provide assurance on this information.



**Responsibilities of management and the supervisory board for the Integrated Annual Review**  
Management is responsible for the preparation of the Integrated Annual Review in accordance with the International <IR> Framework of IIRC and the applied supplemental reporting criteria as disclosed in the appendix Reporting Approach of the Integrated Annual Review, including the identification of stakeholders and the definition of material matters. The choices made by management regarding the scope of the information and the reporting policy are summarized in the appendix Reporting Approach of the Integrated Annual Review.

Management is also responsible for such internal control as management determines is necessary to enable the preparation of the Integrated Annual Review that is free from material misstatement, whether due to fraud or errors.

The supervisory board is responsible for overseeing the reporting process on the Integrated Annual Review.

#### Our responsibilities for the review of the Integrated Annual Review

Our responsibility is to plan and perform the assurance engagement with a limited level of assurance in a manner that allows us to obtain sufficient and appropriate assurance evidence for our conclusion.

Procedures performed to obtain a limited level of assurance are aimed to determine the plausibility of information and vary in nature and timing from, and are less in extent, than for a reasonable assurance engagement. The level of assurance obtained in review engagements is therefore substantially less than the assurance obtained in audit engagements.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of the Integrated Annual Review. The materiality affects the nature, timing and extent of our review procedures and the evaluation of the effect of identified misstatements on our conclusion.

We apply the Nadere voorschriften kwaliteitssystemen (Regulations for Quality management systems) and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and other applicable legal and regulatory requirements.

We have exercised professional judgement and have maintained professional skepticism throughout the review engagement performed by a multi-disciplinary team, in accordance with the Dutch Standard 3810N, ethical requirements and independence requirements.

The procedures of our review engagement consisted amongst others of:

- ▶ Performing an external environment analysis and obtaining insight into relevant social themes and issues in the sector, the characteristics of the organization and the themes that are most relevant to achieving the organization's long- and medium term strategy.
- ▶ Obtaining an understanding of the value creation model of ABN AMRO Group N.V.
- ▶ Evaluating the appropriateness of the reporting criteria used, their consistent application and related disclosures in the Integrated Annual Review, including the evaluation of the results of the stakeholders' dialogue and the reasonableness of estimates made by management.
- ▶ Obtaining an understanding of the reporting processes for the Integrated Annual Review, including obtaining a general understanding of internal control relevant to our review engagement.



- ▶ Identifying areas of the Integrated Annual Review where material misstatements, whether due to fraud or error, are likely to arise, and performing further procedures aimed at determining the plausibility of the Integrated Annual Review responsive to this risk analysis. These procedures consisted amongst others of:
  - ▶ Interviewing management and relevant staff responsible for the strategy, policy and results.
  - ▶ Interviewing relevant staff responsible for:
    - ▶ Providing the information for,
    - ▶ Carrying out internal control procedures on, and
    - ▶ Consolidating the data in the Integrated Annual Review.
  - ▶ Reviewing relevant internal and external documentation, on a limited test basis, in order to determine the reliability of the Integrated Annual Review.
  - ▶ An analytical review of the data and trends submitted for consolidation at corporate level.
- ▶ Evaluating the presentation, structure and content of the Integrated Annual Review as a whole, including the disclosures, in relation to the reporting criteria used.

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

- ▶ Reconciling the consolidated statement of financial position and consolidated income statement on pages 68 and 69 of the Integrated Annual Review with the full set of audited consolidated financial statements of ABN AMRO Group N.V. for the year ended 31 December 2017 as included in the separately published Annual Report 2017 of ABN AMRO Group N.V. (hereafter: the financial statements).
- ▶ Reconciling the financial information included in other sections of the Integrated Annual Review with the financial statements, or with information underlying the financial statements in case the reconciliation cannot be made directly.

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the review engagement and significant findings that we identify during our review engagement.

Amsterdam, 13 March 2018

Ernst & Young Accountants LLP

signed by J. Niewold

# Acknowledgements

## **General coordination**

Finance and Communications & Sustainability departments

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Sumis

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Information on our websites does not form part of this Integrated Annual Review, unless expressly stated otherwise.

**SEE ALSO**

**[ABNAMRO.COM/ANNUALREPORT](https://abnamro.com/annualreport)**