

**ABN AMRO Bank N.V.**

# **Pillar 3 2019**

# Contents

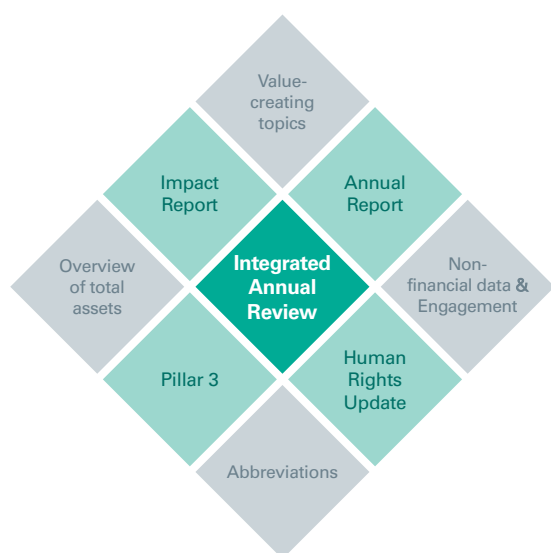
<b>Bank Structure and scope of application</b>		<b>3</b>
Differences between accounting and regulatory scopes of consolidation	(EU LI1)	3
Main sources of differences between regulatory exposure amounts and carrying values in financial statements	(EU LI2)	5
Outline of the differences in the scope of consolidation – entity by entity	(EU LI3)	6
Explanations of differences between accounting and regulatory exposure amounts	(EU LIA)	8
<b>Risk management and governance</b>		<b>9</b>
Risk approach	(EU-OVA)	10
Credit risk management	(EU-CRA)	19
Counterparty credit risk	(EU-CCRA)	23
Market risk management	(EU-MRA)	25
<b>Own funds</b>		<b>30</b>
Capital instruments' main features		31
Own Funds		38
<b>Leverage ratio</b>		<b>41</b>
Leverage ratio		41
<b>Capital Requirements</b>		<b>44</b>
Overview of RWAs	(EU-OV1)	44
IRB (specialised lending and equities)	(EU-CR10)	45
Non-deducted participations in insurance undertakings	(EU-INS1)	46
<b>Credit risk and credit risk mitigation – general information</b>		<b>47</b>
Additional disclosure related to the credit quality of assets		48
Total and average net amount of exposures	(EU CRB-B)	52
Geographical breakdown of exposures	(EU CRB-C)	54
Concentration of exposures by industry or counterparty type	(EU CRB-D)	56
Maturity of exposures	(EU CRB-E)	60
Credit quality of exposures by exposure class and instrument	(EU CR1-A)	62
Credit quality of exposures by industry or counterparty type	(EU-CR1-B)	63
Credit quality of exposures by geography	(EU CR1-C)	64
Credit quality of forborne exposures	(Template 1)	65
Credit quality of performing and non-performing exposures by past due days	(Template 3)	66
Performing and non-performing exposures and related provisions	(Template 4)	68
Collateral obtained by taking possession and execution processes	(Template 9)	70
Changes in stock of general and specific credit risk adjustments	(EU CR2-A)	71
Changes in stock of defaulted loans and debt securities	(EU CR2-B)	72
Qualitative disclosure requirements related to credit risk mitigation techniques	(EU CRC)	73
Credit risk mitigation techniques – Overview	(EU CR3)	74

<b>Credit risk and credit risk mitigation Standardised Approach</b>	<b>75</b>
Qualitative disclosure requirements on institutions' use of external credit ratings	(EU CRD) 76
Standardised Approach – Credit risk exposure and CRM effects	(EU CR4) 77
Standardised Approach – Exposures post CCF and CRM	(EU CR5) 79
<b>Credit risk and credit risk mitigation - IRB approach</b>	<b>82</b>
Qualitative disclosures related to IRB models	(EU CRE) 83
IRB approach – Credit risk exposures by exposure class and PD range	(EU CR6) 86
IRB approach – Effect on the RWA of credit derivatives used as CRM techniques	(EU CR7) 90
RWA flow statements of credit risk exposures under the IRB approach	(EU CR8) 90
IRB approach – Backtesting of PD per exposure class	(EU CR9) 91
<b>Counterparty credit risk</b>	<b>94</b>
Analysis of CCR exposure by approach	(EU CCR1) 94
CVA capital charge	(EU CCR2) 96
Exposures to CCPs	(EU CCR8) 97
Standardised Approach – CCR exposures by regulatory portfolio and risk	(EU CCR3) 98
IRB approach – CCR exposures by portfolio and PD scale	(EU CCR4) 100
RWA flow statements of CCR exposures under the IMM	(EU CCR7) 103
Impact of netting and collateral held on exposure values	(EU CCR5-A) 104
Composition of collateral for exposures to CCR	(EU CCR5-B) 105
Credit derivatives exposures	(EU-CCR6) 106
<b>Market Risk</b>	<b>107</b>
Market risk under the Standardised Approach	(EU MR1) 107
Qualitative disclosures for banks using the Internal Models Approach (IMA)	(EU-MRB-B) 108
Market risk under the IMA	(EU MR2-A) 108
RWA flow statements of market risk exposures under the IMA	(EU MR2-B) 109
IMA values for trading portfolios	(EU MR3) 110
Comparison of VaR estimates with gains/losses	(EU MR4) 111
<b>Remuneration</b>	<b>112</b>
<b>Encumbered Assets</b>	<b>116</b>
<b>Countercyclical capital buffer</b>	<b>119</b>
<b>LCR disclosures</b>	<b>123</b>
LCR – Qualitative Templates	123
LCR	126
<b>Securitisation exposures</b>	<b>127</b>

# About this report

## Welcome to ABN AMRO's 2019 Pillar 3 Report

- ▶ ABN AMRO takes a 'core and more' approach to reporting. The Integrated Annual Review (IAR) is the 'core' report that explains how, over time, our bank creates value for its stakeholders. The IAR describes ABN AMRO's business, strategy and performance - and its support for the long-term transition to a more sustainable economy.
- ▶ The IAR takes information from a number of other reports that are published at the same time. As from this year, ABN AMRO will publish a separate Pillar 3 report, which includes the quantitative and qualitative disclosures required by the Capital Requirements Regulation (Part Eight) and the EBA Guidelines on disclosure requirements. This document presents the Pillar 3 information of ABN AMRO Bank N.V.
- ▶ Other 'more' reports, such as the Annual Report, Impact Report or Human Rights Update, provide further details on our financial and non-financial performance, disclosures on human rights and sustainability, and background information.



## Presentation of information

- ▶ This report is presented in euros (EUR), which is ABN AMRO's presentation currency, rounded to the nearest million (unless otherwise stated). Certain figures in this report may not tally exactly due to rounding. Furthermore, certain percentages in this document have been calculated using rounded figures.
- ▶ The figures in the Pillar 3 report are based on phased-in figures.
- ▶ The figures presented in this document have neither been audited nor reviewed by our external auditor.

## Changes in presentation and restatements

- ▶ On 29 June 2019, ABN AMRO Bank N.V. merged with its parent company ABN AMRO Group N.V. As a result of the merger, ABN AMRO Group N.V. ceased to exist. The activities of ABN AMRO Group N.V. have been integrated into and continued in ABN AMRO Bank N.V. As a result, the figures presented in this Pillar 3 Report represent figures for ABN AMRO Bank N.V.
- ▶ ABN AMRO has reclassified EUR 1.3 billion from loans and advances banks to cash and balances at central banks in the comparative figures for 2018.
- ▶ ABN AMRO has reclassified EUR 2.0 billion from time deposits to demand deposits in the comparative figures for 2018.
- ▶ As at 1 January 2019, ABN AMRO adopted IFRS 16 Leases. ABN AMRO has applied IFRS 16 retrospectively, with the cumulative effect of initial application recognised in retained earnings as at 1 January 2019. Comparative figures have not been restated, as permitted by the transitional provisions of the standard.

# Bank structure and scope of application

## EU LI1 - Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories<sup>1</sup>

31 December 2019

(in millions)	Carrying values		Carrying values of items					
	As reported in published financial statements	Under scope of regulatory consolidation	Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital	
<b>Assets</b>								
1	Cash and balances at central banks	27,061	27,061	27,061				
2	Financial assets held for trading	1,137	1,137				1,137	
3	Derivatives	5,730	5,730		5,730		4,592	
4	Financial investments	45,277	45,246	42,748				2,498
5	Securities financing	14,905	14,905		14,905			
6	Loans and advances banks	5,011	5,271	4,279			992	
7	Residential mortgages	150,880	150,880	150,880				
8	Customer loans	11,997	11,997	11,997				
9	Corporate loans	98,933	98,933	98,646		287		
10	Other loans and advances customers	6,292	6,292	6,292				
11	Equity accounted investments	639	730	730				
12	Property and equipment	1,706	1,706	1,706				
13	Goodwill and other intangible assets	178	177					
14	Assets held for sale	14	14	9				
15	Tax assets	764	761	761				
16	Other assets	4,530	4,524	4,524				
<b>17</b>	<b>Total assets</b>	<b>375,054</b>	<b>375,364</b>	<b>349,632</b>	<b>20,635</b>	<b>287</b>	<b>6,721</b>	<b>2,498</b>
<b>Liabilities</b>								
18	Financial liabilities held for trading	675	675				675	
19	Derivatives	6,505	6,505		6,505		5,347	
20	Securities financing	8,234	8,234		8,234			
21	Due to banks	12,785	12,785					12,785
22	Current account	91,900	91,917					91,917
23	Demand deposits	120,892	120,892					120,892
24	Time deposits	21,232	21,542					21,542
25	Other due to customers	967	967					967
26	Issued debt	75,275	75,275					75,275
27	Subordinated liabilities	10,041	10,041					10,041
28	Provisions	983	979					979
29	Liabilities held for sale							
30	Tax liabilities	63	61					61
31	Other liabilities	4,030	4,020					4,020
<b>32</b>	<b>Total liabilities</b>	<b>353,582</b>	<b>353,892</b>		<b>14,739</b>		<b>6,022</b>	<b>338,478</b>

1. The credit risk framework total is not the equivalent of the credit risk amounts reported in the Annual Financial Statements, due to scope differences.

31 December 2018

(in millions)	Carrying values		Carrying values of items					
	As reported in published financial statements	Under scope of regulatory consolidation	Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital	
<b>Assets</b>								
1	Cash and balances at central banks <sup>2)</sup>	35,716	35,716	35,716				
2	Financial assets held for trading	495	495			495		
3	Derivatives	6,191	6,191		6,191	4,839		
4	Financial investments	42,184	42,150	40,241			1,910	
5	Securities financing	12,375	12,375		12,375			
6	Loans and advances banks <sup>2)</sup>	6,780	7,078	7,078	1,777	270		
7	Residential mortgages	150,784	150,784	148,943			1,841	
8	Customer loans	11,945	11,945	12,100		63	13	
9	Corporate loans	101,191	101,191	99,693		74		
10	Other loans and advances customers	6,966	6,966	6,966				
11	Equity accounted investments	522	606	606				
12	Property and equipment	1,506	1,505	1,505				
13	Goodwill and other intangible assets	164	163					
14	Assets held for sale	56	56					
15	Tax assets	516	512	512				
16	Other assets	3,904	3,902	3,902				
<b>17</b>	<b>Total assets</b>	<b>381,295</b>	<b>381,634</b>	<b>357,261</b>	<b>20,343</b>	<b>407</b>	<b>5,334</b>	<b>3,764</b>
<b>Liabilities</b>								
18	Financial liabilities held for trading	253	253			253		
19	Derivatives	7,159	7,159		7,159	5,003		
20	Securities financing	7,407	7,407		7,407			
21	Due to banks	13,437	13,437				13,437	
22	Current account	84,192	84,246				84,246	
23	Demand deposits <sup>3)</sup>	126,063	124,021				124,021	
24	Time deposits <sup>3)</sup>	25,058	27,404				27,404	
25	Other due to customers	810	810				810	
26	Issued debt	80,784	80,784				80,784	
27	Subordinated liabilities	9,805	9,805				9,805	
28	Provisions	1,204	1,192				1,192	
29	Liabilities held for sale	41	41				41	
30	Tax liabilities	36	34				34	
31	Other liabilities	3,686	3,681				3,681	
<b>32</b>	<b>Total liabilities</b>	<b>359,935</b>	<b>360,274</b>		<b>14,566</b>	<b>5,256</b>	<b>345,455</b>	

1. The credit risk framework total is not the equivalent of the credit risk amounts reported in the Annual Financial Statements, due to scope differences.
2. ABN AMRO has reclassified EUR 1.3 billion from loans and advances banks to cash and balances at central banks in the comparative figures of 2018 in the financial statements. For additional information, please refer to about this report.
3. ABN AMRO has reclassified EUR 2.0 billion from time deposits to demand deposits in the comparative figures of 2018 in the financial statements. For additional information, please refer to about this report.

## EU LI2 - Main sources of differences between regulatory exposure amounts and carrying values in financial statements

31 December 2019

(in millions)		Total	Items subject to			
			Credit risk framework	Counterparty credit risk framework	Securitisation framework	Market risk framework
1	Asset carrying value amount under scope of regulatory consolidation (as per template LI1)	391,531	349,632	28,869	287	12,743
2	Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)	14,256		8,234		6,022
3	<b>Total net amount under regulatory scope of consolidation</b>	<b>377,275</b>	<b>349,632</b>	<b>20,635</b>	<b>287</b>	<b>6,721</b>
4	Off-balance sheet amounts	180,048	118,169	61,872	7	
5	<i>Differences due to consideration of provisions (IRB only)</i>	2,441	2,441			
6	<i>Differences due to different netting rules, other than those already included all above</i>	(81,130)		(76,918)		(4,212)
7	<i>Impact due to internal modelling of exposure values</i>	(9,835)	(9,835)			
8	<i>Impact of Credit Conversion Factors</i>	(90,281)	(90,281)			
9	<i>Other differences</i>	12,471	3,807	3,656		5,008
10	<b>Exposure amounts considered for regulatory purposes</b>	<b>390,989</b>	<b>373,933</b>	<b>9,245</b>	<b>294</b>	<b>7,517</b>

31 December 2018

(in millions)		Total	Items subject to			
			Credit risk framework	Counterparty credit risk framework	Securitisation framework	Market risk framework
1	Asset carrying value amount under scope of regulatory consolidation (as per template LI1)	386,545	365,787	20,343	415	
2	Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)	8,526	8,526			
3	<b>Total net amount under regulatory scope of consolidation</b>	<b>378,011</b>	<b>357,261</b>	<b>20,343</b>	<b>407</b>	
4	Off-balance sheet amounts	180,676	129,654	51,014	8	
5	<i>Differences due to consideration of provisions (IRB only)</i>	2,149	2,149			
6	<i>Differences due to different netting rules, other than those already included above</i>	-63,120	-1,992	-61,128		
7	<i>Impact due to internal modelling of exposure values</i>	-5,897	-5,897			
8	<i>Impact of Credit Conversion Factors</i>	-88,691	-88,691			
9	<i>Other differences</i>	846	-955	1,801		
10	<b>Exposure amounts considered for regulatory purposes</b>	<b>403,973</b>	<b>391,528</b>	<b>12,030</b>	<b>415</b>	



## EU LI3 - Outline of the differences in the scopes of consolidation – entity by entity

	Method of accounting consolidation	Method of regulatory consolidation				Description of the entity
		Full consolidation	Proportional consolidation	Neither consolidated nor deducted	Deducted	
ABN AMRO Bank N.V.	Full Consolidated	X				Credit institutions
ABN AMRO Hypotheken Groep B.V.	Full Consolidated	X				Credit institutions
ABN AMRO Asset Based Finance	Full Consolidated	X				Leasing company
ABN AMRO Pensioeninstelling N.V.	Full Consolidated			X		Other financial auxiliary
Sumsare N.V.	Full Consolidated			X		Other financial intermediary
Franx B.V.	Full Consolidated	X				Other financial auxiliary
New10 B.V.	Full Consolidated	X				Other financial intermediary
ABN AMRO Groenbank B.V.	Full Consolidated	X				Credit institutions
ABN AMRO Arbo Services B.V.	Full Consolidated			X		Other non-financial company
AA Covered Bond Comp B.V. 2 BV	Full Consolidated	X				Other financial intermediary
AA Covered Bond Comp B.V.	Full Consolidated	X				Other financial intermediary
Amsterdamsche Hold Comp B.V.	Full Consolidated	X				Other non-financial company
Rotterdamsche Hold Comp B.V.	Full Consolidated	X				Other non-financial company
De Twentsche Holding Comp B.V.	Full Consolidated	X				Other non-financial company
ABN AMRO Mahler Assets B.V.	Full Consolidated	X				Other financial intermediary
P.H.P. Investeringsmij II B.V.	Full Consolidated	X				Other financial intermediary
ABN AMRO Clearing Bank N.V.	Full Consolidated	X				Credit institutions
ABN AMRO Acq Finance Hold B.V.	Full Consolidated	X				Other financial intermediary
ABN AMRO Investment Hold B.V.	Full Consolidated	X				Other financial intermediary
Principal Fin Inv Holding BV	Full Consolidated	X				Other financial intermediary
ABN AMRO MP Priv & Tr Hold BV	Full Consolidated	X				Other financial intermediary
B.V. FINANC.MIJ N.O.B.	Full Consolidated	X				Other financial intermediary
AA Markets (UK) Limited	Full Consolidated	X				Other financial intermediary
AA Retained FS (IOM) Ltd	Full Consolidated	X				Other financial intermediary
AA Retained Serv (Cayman) Ltd	Full Consolidated	X				Other financial auxiliary
FFSB LIMITED	Full Consolidated	X				Other financial auxiliary
ABN AMRO FundServ(Asia)Limited	Full Consolidated	X				Other financial auxiliary
ABN AMRO ( Hong Kong) Limited	Full Consolidated	X				Other financial auxiliary
AA Securities (Asia) Limited	Full Consolidated	X				Other financial intermediary
NESBIC GROEP B.V.	Full Consolidated	X				Other financial intermediary
INTERNATIONAL CARD SERVICES BV	Full Consolidated	X				Credit institutions
ALFAM HOLDING N.V.	Full Consolidated	X				Other financial intermediary
AA Projectontwikkeling B.V.	Full Consolidated	X				Other financial intermediary
MoneYou B.V.	Full Consolidated	X				Other financial intermediary
ABN AMRO Participaties Man B.V	Full Consolidated	X				Other financial intermediary
AA Effecten Compagnie BV	Full Consolidated	X				Other financial auxiliary
AA JBF B.V.	Full Consolidated	X				Other financial auxiliary
AA Part Fund I B.V.	Full Consolidated	X				Other financial intermediary
AA Int Services B.V.	Full Consolidated	X				Other financial auxiliary
AA Partici NPE Fund I B.V.	Full Consolidated	X				Other financial intermediary
AA Sec Holdings (Denmark) ApS	Full Consolidated	X				Other financial intermediary
ABN AMRO Securities (Spain) SL	Full Consolidated	X				Other financial auxiliary
AA Retained CS (IOM) Ltd	Full Consolidated	X				Custody company
ABN AMRO Captive N.V.	Full Consolidated			X		Insurance company
Banco ABN AMRO S.A.	Full Consolidated	X				Other financial intermediary
Prosperity GmbH	Full Consolidated	X				Other financial auxiliary
Neufize OBC - Bank	Full Consolidated	X				Credit institutions
Neufize OBC - AM	Full Consolidated	X				Credit institutions

## 7 > Pillar 3 > Bank structure and scope of application

Aurasio GmbH	Full Consolidated	X	Other financial intermediary
Bethmann Bank AG	Full Consolidated	X	Credit institutions
AA Holding (Deutschland) GmbH	Full Consolidated	X	Other financial intermediary
AA Social Impact Investments B.V.	Full Consolidated	X	Non-Money market fund
AA SME Participation B.V	Full Consolidated	X	Other financial intermediary
AA Icestar USA LLC	Full Consolidated	X	Other financial intermediary
ABN AMRO Investments USA LLC	Full Consolidated	X	Other financial intermediary
AA Digital Impact Mgt B.V.	Full Consolidated	X	Asset management company
AA NOMINEES SERVICES HONG KONG	Full Consolidated	X	Custody company
ABN AMRO Holdings USA LLC	Full Consolidated	X	Other financial intermediary
ABN AMRO Securities (USA) LLC	Full Consolidated	X	Other financial intermediary
ABN AMRO Capital USA LLC	Full Consolidated	X	Other financial intermediary
ABN AMRO Funding USA LLC	Full Consolidated	X	Other financial intermediary

## **Explanations of differences between accounting and regulatory exposure amounts**

### **Risk exposure measurement and scope differences**

Risk measures vary according to the purpose for which exposure is calculated: EU IFRS or the determination of regulatory or economic capital (CRD IV/CRR).

#### **EU IFRS reporting scope**

EU IFRS is mainly used to measure the bank's financial results and position by class of product. In addition, the financial position according to EU IFRS provides a liquidity view instead of a credit view. The consolidation scope of ABN AMRO is determined in accordance with IFRS 10 Consolidated Financial Statements and IFRS 11 Joint arrangements.

More information can be found in the Annual Financial Statements.

#### **Regulatory reporting scope**

The objective of regulatory reporting is to take a risk-sensitive view on the bank's portfolio and to ensure the bank maintains sufficient capital buffers for unexpected losses and sufficient liquidity buffers. The scope of consolidation for the purpose of calculating regulatory and economic capital (based on the CRD IV and CRR) is generally the same as the consolidation scope under EU IFRS and includes subsidiaries that are directly or indirectly controlled by ABN AMRO and active in the banking and financial sectors. Subsidiaries that are consolidated under EU IFRS but active in sectors other than banking and finance are excluded from the regulatory scope of consolidation.

# Risk management and governance

# Risk approach

ABN AMRO is committed to being a well-capitalised bank with sufficient liquidity that focuses on delivering sustainable value to its stakeholders. We are committed to maintaining a sound balance between risk and reward and to a bank-wide moderate risk profile as part of our long-term strategy. We thoroughly evaluate the long-term risk and return implications of our operations on an ongoing basis.

## Risk profile

ABN AMRO's risk profile is managed by way of an integrated risk management framework, which identifies all types of risk and cross-risk, as well as overarching risks, in order to provide a single, integrated view on the risk profile of the bank and its business lines. By taking an integrated view of our risk profile, we strive to carefully balance actions to manage the risk profile within the moderate risk profile. The Enterprise Risk Management policy provides a formal approach to risk management at an enterprise level that is aligned with the bank's strategic objectives, including its risk profile.

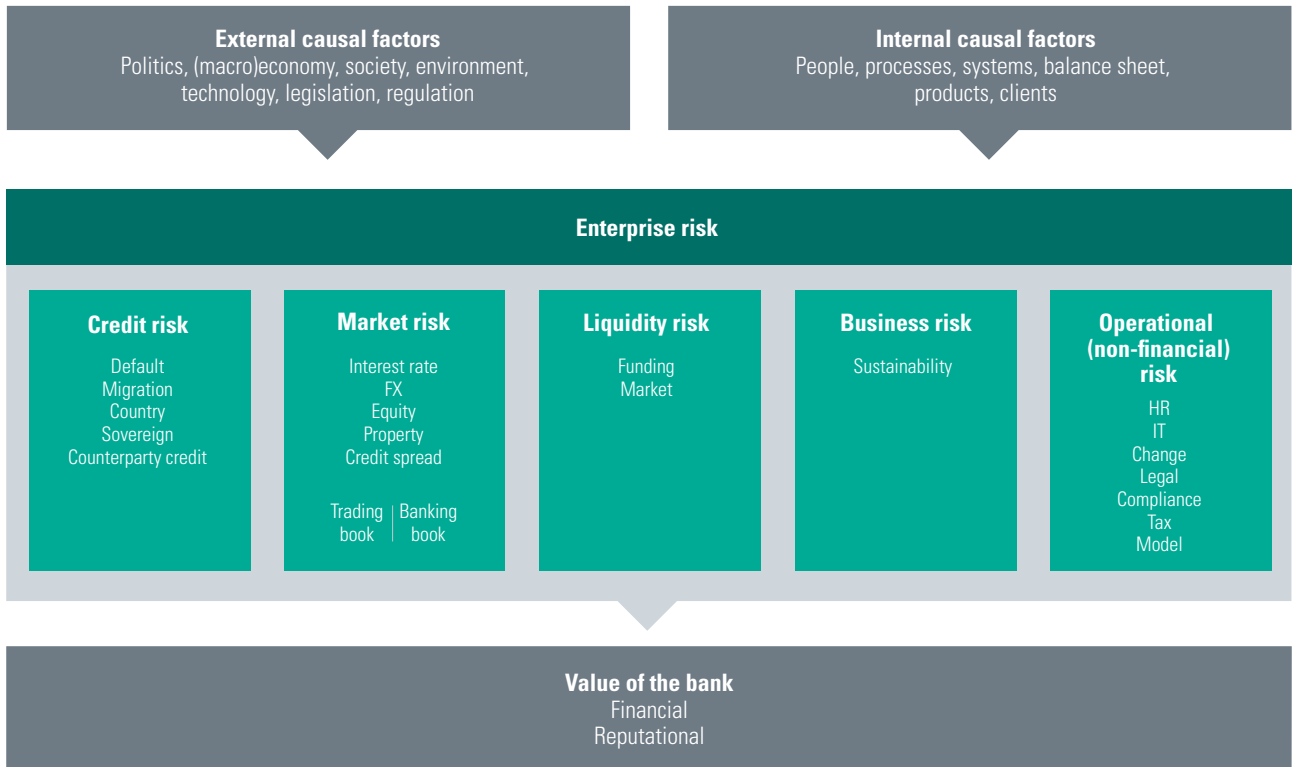
The following sections describe the risk taxonomy, risk appetite, risk culture, risk governance and risk measurement, all of which are key elements of a moderate risk profile.

## Risk taxonomy

Our risk taxonomy classifies risks into risk types to which the bank is, or could be, exposed. It is reviewed and updated on an annual basis or sooner if new actual or potential risk type emerges and requires an update. The taxonomy ensures that all identified material risks are defined and taken into account in the risk governance framework. It creates a common risk vocabulary, provides a checklist of types of risks for use in risk assessments, and helps ensure that all material risks are managed and that roles and responsibilities are identified.

The main risk types we recognise are credit, market, liquidity, business and operational (non-financial) risk. These main risk types comprise various sub-risk types. Risk appetite statements are set for both the main and sub-risk types. The five main risk types fully cover all possible events for the bank that directly impact on the value of the bank. The value of the bank is not only its direct financial value, but also 'goodwill' or, in other words, the value of the bank's reputation.

ABN AMRO's risk taxonomy is summarised in the following figure:



## Risk appetite

The risk appetite determines the level of risk that the bank is willing to take in order to pursue its strategy.

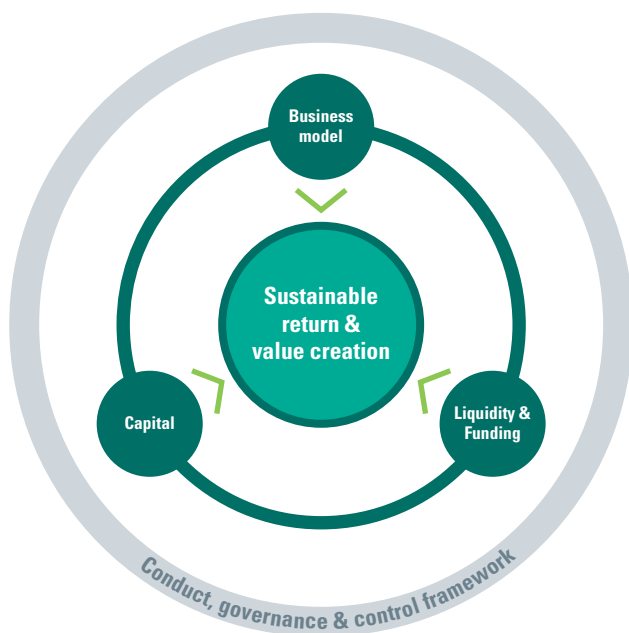
The bank-wide appetite for a moderate risk profile is an integral part of our corporate strategy. Specific business-line risk appetites further determine the bank-wide appetite. In addition, risk appetites exist at a country and material entity level. These risk appetites allow us to manage risk at every appropriate level within the bank, as shown in the figure below.



The risk appetite follows the structure presented above. The strategic Risk Appetite Statement (strategic RAS) expresses ABN AMRO's strategy of pursuing a moderate risk profile and cascades into the risk indicator framework at various levels of the organisation: bank-wide (BRAS), business line (BLRAS), local (LRAS) and entity level (ERAS). The strategic RAS is approved by the Executive Board and Supervisory Board.

Senior management monitors the bank's activities, based on the risk appetite. The status of adherence to the risk appetite and outlook are discussed monthly in the Executive Board and quarterly by the Supervisory Board, based on the Enterprise Risk Management report.

The elements of the strategic RAS ensure a coherent balance between return and value creation, our business model, capital and liquidity & funding, taking into account the conduct, governance and control framework shown in the figure below. For each element, key qualitative and/or quantitative statements are set.



The statements in the strategic RAS are cascaded into and supported by an underlying risk indicator framework at bank, business line, entity and country levels. This risk indicator framework consists of statements set for each main and sub-risk type presented in the risk taxonomy. Each statement consists of one or more quantitative and/or qualitative indicators, referred to as key risk indicators (KRI). For every KRI, a limit is set, against which the actual risk profile is monitored. If a KRI limit is breached, action is required to bring our risk profile back within the limit. Early warning checkpoints are in place to allow for timely action to prevent breaches.

Examples of KRIs in our risk appetite include:

- ▶ Regulatory and internal capital ratios;
- ▶ Risk-adjusted return measures;
- ▶ Concentration limits for single counterparties, industry sectors and countries;
- ▶ Economic capital and risk-weighted asset limits for various risk types;
- ▶ Liquidity ratios (LtD, LCR, NSFR);
- ▶ Market risk parameters (NII-at-Risk);
- ▶ Operational/non-financial risk parameters (effectiveness of internal control environment);
- ▶ Reputational parameters (NPS, employee engagement score).

The following aspects are considered when the SRA statement and the statements for each risk type in the risk indicator framework are set: the corporate strategy, market standards (such as peer analyses), the economic environment, regulations, the views of our stakeholders and the actual risk profile, as well as internal insights and risk management tools. In addition to our incorporating of these views, balancing these aspects provides us with the means to substantiate risk statements for each risk type.

Our risk measurement systems support regulatory reporting and external disclosures, as well as internal management reporting across the different risk types (credit risk, market risk, liquidity risk, business risk, operational risk – including non-financial risks). The basis for internal reporting is the defined Risk Appetite Statements which are set at a bank and business line level. The relevant legal entities of the bank have their own Risk Appetite Statements which are incorporated into one of the business lines risk appetites. Different dedicated departments within Risk and Finance are responsible for measurement, analysis and reporting of the risk appetites that feed into several risk reports. These risk



reports are discussed and approved by senior management and/or a management body in the applicable committees. ABN AMRO Bank's reporting capabilities are reviewed by Operational Risk Management & Control (2<sup>nd</sup> line of defence) and by Group Audit following a risk-based audit approach.

## **Risk culture**

The bank has a continuous focus on risk awareness as an integral part of its bank-wide risk culture. Pursuing a moderate risk profile is embedded in the risk culture by means of communication and training and is monitored through performance management.

Employees are expected to be aware of the drivers of our risk profile and to feel accountable for the risks they take. A permanent education tool and training app are used to continually reinforce bank-wide awareness of non-financial risks, while more specific training is available for each business line and for specific roles or functions. Employees are also expected to adhere to the ABN AMRO culture principles and to act in accordance with the code of conduct. These are fundamental to everything we do and describe how we act as a bank, how we make decisions and how we deal with various dilemmas and, as such, are included in the permanent education tool. The code of conduct is published on our website.

We place a strong emphasis on sound risk control in our remuneration policies, which are in line with our risk profile.

## **Risk governance**

The Risk Governance Charter defines ABN AMRO's risk governance and decision framework (delegated authorities and mandates) for both financial and non-financial risk. The Risk Governance Charter is in place to support efficient and effective risk control management throughout, and at all levels of, the bank. The Risk Governance Charter supports the bank in being compliant with the BCBS guidance on Corporate Governance Principles for Banks and the EBA guidelines on Internal Governance.

The Risk Management organisation operates under the direct responsibility of the Chief Risk Officer, who is a member of the Executive Board. The Executive Board has overall responsibility for the risks to which ABN AMRO is exposed.

## **Three lines of defence**

The three lines of defence principle provides a clear division of activities and responsibilities in risk management at different levels in the bank and at different stages in the lifecycle of risk exposures. This principle is summarised in the following figure:



## Executive risk committees

In the risk decision-making framework, the Executive Board is supported by three executive risk committees: the Group Risk Committee, the Group Central Credit Committee and the Group Regulatory Committee, each of which is chaired by a member of the Executive Board. The two other executive committees are the Group Asset & Liability Committee and the Group Disclosure Committee.

The Executive Board is ultimately responsible for a balanced assessment of the bank's commercial interests and the risks to be taken within the boundaries of the risk appetite. In addition to the risk committees, the Executive Board itself makes decisions that are of material significance for the risk profile, capital allocation and liquidity of ABN AMRO. The terms and conditions of the committees are specified in the Risk Governance Charter.

### Group Risk Committee

The Group Risk Committee (GRC) is mandated by the Executive Board to monitor, assess and manage the bank's risk profile in relation to the risk appetite. The GRC is responsible, for example, for establishing a product approval process to ensure we only accept risks that we understand and that serve the interests of clients, and for ensuring the adequate functioning of this process. The GRC has delegated specific approval powers to underlying risk committees, but remains responsible on behalf of the Executive Board. The meeting frequency is monthly, and otherwise when required.

### Group Central Credit Committee

The Group Central Credit Committee (CCC) is mandated by the Executive Board to decide on the acceptance of counterparty risk in respect of individual persons, legal entities and public administrative bodies relating to credit proposals. In certain cases, for example above a specific threshold, the CCC's decisions require final approval by the Executive Board. The CCC meets three times a week, on Mondays, Wednesdays and Fridays, and otherwise when required.

All credit proposals and reviews above a specific amount, depending on UCR and originating business line, require CCC approval. If the economic capital involved exceeds EUR 10 million final decision has to be taken by the Executive Committee, after positive advice by the CCC.

### Group Regulatory Committee

The Group Regulatory Committee is mandated by the Executive Board to decide on matters relating to changing national and international legislation and regulations affecting the group. The meeting frequency is every two months, or otherwise when required.

In 2019 there were no material changes to the composition and mandates of the executive risk committees.

## Risk measurement

We develop and use internal models to quantify the risk for most risk types in the risk taxonomy. The models for credit, operational, market, liquidity and business risk are the most widely used and allow for measuring the level of risk. They support day-to-day decision-making, as well as periodic monitoring and reporting on developments in the bank's portfolios and activities. In most cases, models quantify the probability and severity of an event, i.e. the likelihood that an event will occur and the loss the bank may suffer as a consequence of that event. This information serves as the basis for ABN AMRO's internal measures of risk (economic capital) and as key input for calculating the minimum regulatory capital requirements according to the Basel framework (regulatory capital).

New models require formal internal and external approval before being implemented and used. Internal approval for the use (or continued use) of a model is obtained from the Methodology Acceptance Group (MAG), a sub-committee of the Group Risk Committee. When required, external approval is obtained from the regulator.

The modelling departments develop models in close cooperation with the relevant business and risk experts. In principle, we review models annually. This means that we back-test the models against historical data and, where relevant, benchmark calibration of the models with external studies.

The independent Model Risk Management Department validates all internal models. Validation guidelines ensure objectivity, consistency, transparency and continuity. Models, data and implementation are checked according to these principles and reviewed against internal and regulatory requirements.

## Capital

### Regulatory capital (CRD IV/CRR)

Under the Basel framework as implemented in European legislation (CRD IV and CRR), banks are required to hold capital to cover financial risks. Banks determine the level of risks for three major risk types (credit, operational and market risk) in terms of aggregated risk-weighted assets (RWA). The capital requirements are stated as a percentage of RWA. Under Pillar 1, banks are required to hold a regulatory fixed percentage of RWA in capital. Under Pillar 2, supervisors impose an additional – bank-specific – percentage of RWA in addition to the Pillar 1 requirement. The capital buffer requirements are a mixture of percentages prescribed by law and percentages set by various regulators.

### Economic capital

In addition to regulatory required capital, for Pillar 2 we calculate economic capital (EC). Economic capital covers all risk types in our risk taxonomy for which capital is deemed to be the mitigating instrument to cover unexpected losses, and is used as the key metric for internal risk measurement and management. It is the amount of capital we reserve in order to achieve a sufficient level of protection against large unexpected losses that could result from extreme market conditions or events.

Internal models are used to calculate EC at a 99.95% confidence level and a one-year time horizon. This implies that the estimated capital figure for the coming year is sufficient to cover a level of loss that will be exceeded in only 0.05% of all possible cases.

EC is aggregated for all risk types to determine the total EC at a bank level and to support capital allocation, ex-post performance measurement and risk-appetite setting, such as industry concentration risk limits. EC is also used at a transactional level in loan-pricing tools. These tools act as a decision-making mechanism for assessing the profitability of a new or existing transaction in terms of the risk-adjusted return on risk-adjusted capital (RARORAC).

### EC Quality Assessment

The EC models described above form the core of the Internal Capital Adequacy Assessment Process (ICAAP). In order to monitor and secure the quality of the EC framework and its outcome in terms of capital adequacy, an EC Quality Assessment (ECQA) is performed annually as part of the ICAAP. For each main risk type, the calculated EC figure is evaluated from the following perspectives:

- ▶ Risk coverage;
- ▶ Responsiveness to internal and external developments;
- ▶ Data quality;
- ▶ Compliance with EC policy;
- ▶ Validity of choices and assumptions.

If considered necessary, an additional capital buffer ('EC add-on') is taken to cover any identified shortfalls in the EC.

### Stress testing and scenario analysis

ABN AMRO uses stress testing and scenario analysis as an important risk management instrument, looking at profitability, capital and liquidity from a bank-wide perspective in various scenarios on a regular basis. In addition, sub-portfolio and risk type-specific stress testing and scenario analysis are performed.

### Stress testing purposes

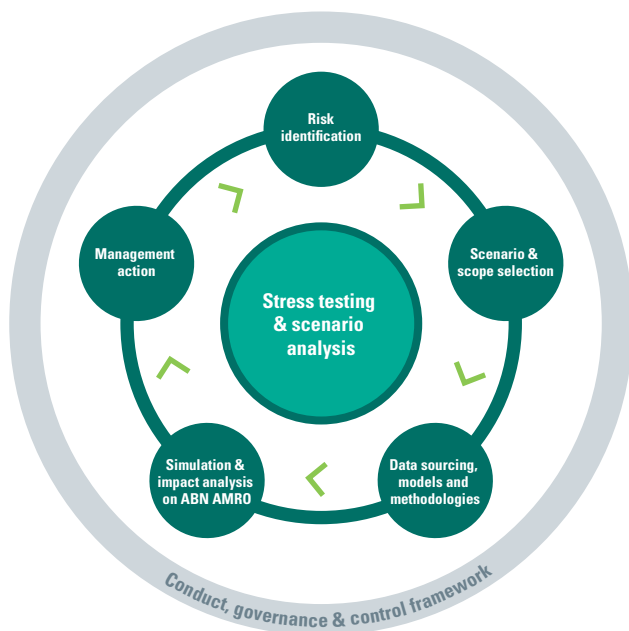
ABN AMRO applies stress testing and scenario analysis for several purposes, including:

- ▶ Business planning: various macro-economic scenarios for budget purposes;
- ▶ Capital planning: stress testing is used to gain insight into the resilience of our capital under adverse changes in the economic environment and ABN AMRO-specific circumstances;
- ▶ Risk-appetite setting and monitoring: the outcome of stress testing is used for setting and monitoring risk appetite limits and targets, including limits under stress;
- ▶ Contingency planning: stress testing is used to assess and strengthen the triggers and measures in the liquidity and capital contingency and recovery plans. Reverse stress testing is performed to gain advanced insight into plausible events that could put the continuity of ABN AMRO under pressure;
- ▶ Risk type-specific and business lines stress testing, such as market risk trading and banking book and mortgage stress testing;
- ▶ Supervisory stress testing, based on prescribed scenarios and assumptions. This includes the EBA's stress testing programme designed to assess banks' resilience to adverse economic or financial developments.

The figure below shows the stress testing and scenario analysis cycle.

## Stress testing & scenario analysis cycle

### Stress test & scenario analysis cycle



The stress testing and scenario analysis cycle starts with the identification of material risks for ABN AMRO and individual business lines. Both systemic risks (e.g. macroeconomic risks) and ABN AMRO-specific risks (e.g. cyber attacks or adverse outcomes in legal proceedings) are considered. In addition, sensitivity analyses are used to gain insight into key vulnerabilities. Scenarios are defined, based on the risks identified. Alongside the most likely scenarios, which are used, for example, for budgeting and IFRS9 purposes, we also define severe, but plausible scenarios for stress testing purposes. Scenarios can have a short-term horizon, such as an instant market shock, or a longer-term horizon, such as a multi-year recession.

Scenario projections are based on quantitative models, as well as on expert opinion procedures. In general, results are presented excluding and including potential mitigating actions, taking into account contingency plans. Two types of management actions can be distinguished in the stress testing and scenario analysis: i) direct actions based on the scenario exercise, and ii) actions that would be taken if the scenario were to materialise.

Given the importance of stress testing in terms of sound risk management, the Executive Committee is involved throughout the process and its governance. The Executive Committee, together with the Scenario & Stress Test Committee (SSC, a sub-committee of the Group Risk Committee), discusses and decides on the scenario selection, the results and the implications.

# Credit risk management

Credit risk is the risk that the value and/or the earnings of the bank decline due to uncertainty in a counterparty's ability or willingness to repay a loan or meet the terms of a contractual obligation.

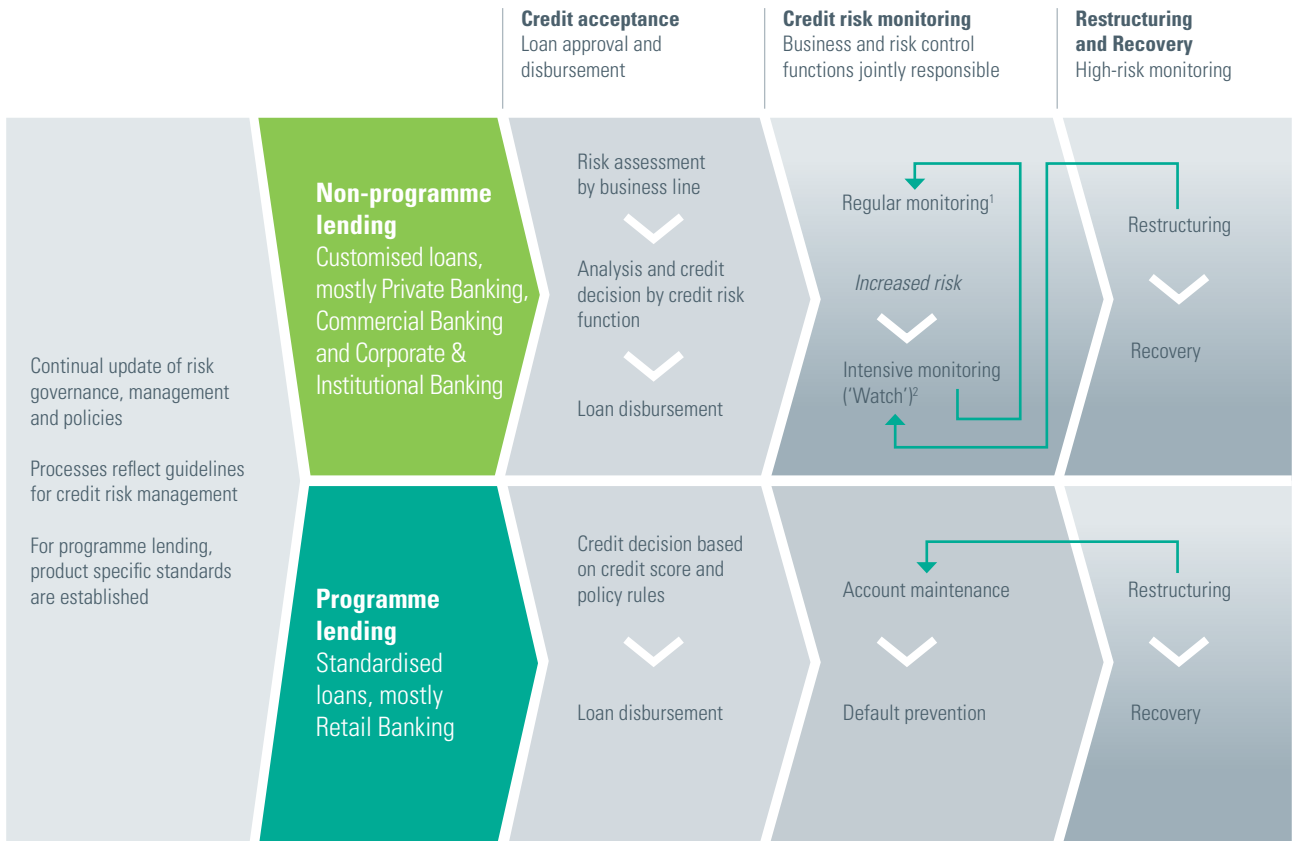
Credit risk management is the responsibility of the first and second lines of defence. The primary responsibility for intake, managing and monitoring credit risk lies with the business as the first line of defence. The second line of defence has a permanent and ongoing responsibility to define the boundaries and monitor whether the type and level of credit risk exposures are within the limits of the business lines' risk appetite. Credit risk management within the bank is governed by the bank-wide central credit risk policy and further detailed in underlying specific credit risk policies and standards.

## Credit risk management approach

ABN AMRO employs two separate approaches to managing credit risk. These reflect the bank's way of doing business. For customised lending to counterparties (Non-Programme Lending), risks are assessed on an individual basis. Standardised products and processes are managed on a pooled basis (Programme Lending) to which uniform risk criteria are assigned. Effectively, any lending not specifically defined as programme lending is defined as non-programme lending.

The process of credit risk management is illustrated in the following figure:

### Credit risk process differs by type of loan



<sup>1</sup> Daily monitoring, annual or semi-annual credit review.  
<sup>2</sup> 'Watch': status assigned to counterparties with an increased risk.

➡ For more insight on our credit portfolio please refer to the Credit risk chapter in the Risk, funding & capital review section.

### Planning

Within programme lending, the credit cycle starts with a product planning phase, during which period the product is designed and/or reviewed, with the goal of optimising its key drivers of risk and return within the context of ABN AMRO's strategy, risk appetite, the client's best interests and sustainability.

### Credit acceptance

Within non-programme lending, the credit acceptance phase of a credit proposal starts with an assessment of the proposal by the relevant business line. The qualitative and quantitative details of the credit risk associated with the loan must be assessed prior to approval. Information must be provided on matters such as the purpose, details and structure of the proposed credit facility, the borrower and other counterparties, the industry and geography, management and owners, and financial and non-financial analyses. Compliance with internal policies should be checked. After the assessment, an analysis is performed by Risk Management. The credit decision is based on independent assessments of both the commercial and the credit risk functions.

For a credit approval decision within programme lending, client-specific aspects and internal and external data are taken into consideration to calculate a credit score (scorecard). The credit decision is based on the outcome of the scorecard and policy rules.

## Credit risk monitoring

Consistent and regular monitoring of the counterparty, exposures, risk mitigants and ongoing compliance with internal policies helps to safeguard the bank's position in relation to all risks associated with the counterparty, credit type or portfolio. Monitoring starts when the credit facility has been provided and continues throughout the lifecycle of the credit facility and the relationship with the counterparty until such time as the exposure is repaid and/or the limit is cancelled.

Should a situation arise in which an individual counterparty shows signs of credit risk deterioration, but is not in default, a 'watch' status will be assigned. A 'watch' status indicates that a counterparty is subject to increased monitoring and appropriate follow-up measures in order to prevent further deterioration or a default. Indicators for this status are changes in risk profile, liquidity problems, management issues, the market outlook, a potential breach of a credit agreement, solvency issues and uncertain continuity.

## Restructuring & Recovery

Credit facilities that are subject to a default event are mandatorily transferred to the Financial Restructuring & Recovery department (FR&R). Credit facilities identified as having a significantly high risk can be transferred to FR&R if specialised restructuring knowledge is required. If a 'going concern' approach is applicable and return to a performing status is considered likely, the credit facility is transferred to the Restructuring team, which will devise a plan aimed either at rehabilitation or at enhancing the likelihood of full repayment. In all other cases, the credit facility is transferred to the Recovery team.

Programme lending contracts are transferred to the Restructuring team if a default status is assigned because payments have been past due for more than 90 days or because another default trigger applies. If restructuring is ultimately ineffective, the client is transferred to other internal departments or external parties (such as Intrum) for debt collection.

Once a client is considered able to meet its future payment obligations and the involvement of FR&R is no longer required, the client is transferred back to the business.

## Credit concentration risk

Credit concentration risk is the risk of loss arising from large exposures, relative to the bank's total risk exposure, to a single counterparty or to counterparties that are positively and highly correlated. Positively correlated counterparties are counterparties whose credit quality moves in the same direction under similar circumstances. As limiting excessive concentrations is fundamental to our credit risk strategy, we aim to keep the credit risk portfolio sufficiently granular and diversified.

To avoid excessive credit risk concentrations, Risk Management sets maximum levels for subgroups in the following categories:

- ▶ Single counterparty and groups of related counterparties (counterparty concentration);
- ▶ Countries (geographic concentration);
- ▶ Industry sectors (industry concentration).

## Counterparty concentration

Counterparty concentration credit risk is the risk of loss arising from relatively large exposures to counterparties belonging to the same risk group. The One Obligor Exposure (OOE) is the exposure to a risk group and includes all drawn and undrawn facilities granted, plus all indirect exposure to the risk group, including guarantees and any other recourse claims. A risk group is an interrelated group of counterparties with a high degree of dependency on each other due to a control relationship. This control relationship may be due to direct or indirect majority interests being held by the same shareholder or group of shareholders. Counterparty credit concentration risk is measured by the OOE and the Economic Capital (EC) per counterparty. The bank limits its counterparty credit risk by setting OOE and EC limits. Additionally, all credit applications with an OOE and/or EC above a certain threshold are reviewed by the Executive Board.



### **Geographic concentration**

ABN AMRO has branches and subsidiaries located outside the Netherlands, as well as clients who operate internationally. Consequently the bank is exposed to country risk, which is the risk of credit losses arising from country-specific events or circumstances. Management of country risk focuses on cross-border risk, which includes the risk that funds, goods or services cannot be transferred out of a country as a result of actions by local authorities in that country or other events. These risks are managed by setting country credit limits, based on individual country analyses by economic, compliance and country risk experts. Country limits are reviewed at least once a year. Each country also has an internal credit rating, which is reviewed and approved twice a year and is an important factor in managing country concentration risks.

### **Industry concentration**

Industry concentration risk is the risk of loss arising from a relatively large credit exposure to counterparties active in a single industry. Industry concentration risk arises when deterioration in a specific industry has an effect on all credit exposures relating to that industry. ABN AMRO manages its industry concentrations by setting economic capital (EC) credit risk limits as a percentage of total EC credit risk for each industry. In addition to the EC limits, EC concentration checkpoints are set to facilitate timely and sufficient management interventions so as to avoid limits being breached.

# Counterparty credit risk

## Specific counterparty credit risk

ABN AMRO primarily incurs counterparty credit risk (CCR) in two business activities, firstly within ABN AMRO Bank through the derivative positions taken with other financial institutions (including positions taken to manage our interest rate hedging and liquidity position) and secondly in the business of ABN AMRO Clearing Bank. These two main sources of CCR are managed separately and are subject to various different features of risk management. The underlying exposures break down further into two product groups: OTC derivatives and securities financing transactions.

## OTC derivative instruments

OTC derivatives are financial instruments that are used to cover current and/or future financial risks or to achieve additional return on an investment. They consist of transactions entered into between two parties and where the value is based on an underlying base value (such as interest rates, foreign exchange rates, commodities or equities).

## Securities financing transactions

The balance sheet item Securities financing refers to securities lending, a market activity whereby securities are temporarily transferred from a lender to a borrower, subject to the commitment to redeliver the securities, usually in the short term. The borrower collateralises the transaction with cash or other securities of equal or greater value than the borrowed securities in order to protect the lender against counterparty credit risk. As an intermediary between clients and the market, we act both as lender and borrower.

## Master netting agreements and collateral management

Master netting agreements and collateral support annexes are an important aspect of the risk management of positions that give rise to CCR for both ABN AMRO Bank and ABN AMRO Clearing Bank. Where master netting agreements are relevant, measurement of the net position takes place at least at the level set for netting and, where relevant and possible, at sub-levels (such as the level for collateral). Collateral received under collateral support annexes to master netting agreements provides additional risk mitigation.

ABN AMRO has centralised its collateral management with respect to derivative contracts. This includes management of initial margins and variation margins both for bilateral derivative trades and for cleared trades with a central clearing party. The main risk factors that drive the collateral requirements are interest rate risks and foreign exchange risks. Any possible additional collateral payments to counterparties due to a rating downgrade of ABN AMRO are monitored. Two main types of clauses may result in a liquidity outflow linked to the external credit rating of ABN AMRO:

- ▶ Ratings tables linked to threshold and minimum transfer amounts in credit support annexes to the ISDA master agreements (or other similar collateral addenda) may result in additional collateral postings in a downgrade scenario; and
- ▶ The triggering of an additional downgrade in a termination event clause in the schedule to the ISDA master agreement may result in the termination of the underlying derivative contracts and payment of an early termination amount.

Currently a one-notch downgrade does not have any material impact on the collateral outflow. The collateral impact associated with any downgrade of three notches or fewer is taken into account in the liquidity coverage ratio calculation.

## Regulatory and economic exposure calculation for specific counterparty credit risk

Credit Valuation Adjustments (CVA) are taken into account for non-collateralised OTC derivative transactions to reflect the cost associated with the risk that the counterparty with whom ABN AMRO has entered into a transaction will fail to honour its contractual obligations.

Measurement of regulatory capital requirements for OTC derivative transactions within ABN AMRO takes place by using the mark-to-market (MtM) method specified in the CRR (put simply, the exposure value is calculated as the sum of the current replacement cost (MtM) and the potential future credit exposure, based on prescribed percentages of the notional values).

For economic capital purposes, counterparty credit risk exposure calculations for OTC derivative instruments are based on Monte Carlo simulation models. These simulation models generate random scenarios for price factors (such as foreign exchange and interest rates) that determine the value of a certain trade or portfolio. The trade or portfolio is repriced under price factor scenarios, resulting in scenarios for the value of the trade or portfolio. Based on these scenario values, the 95% worst case MtM movement in favour of the bank is computed over the lifetime of the trade or portfolio.

During most of the year, ABN AMRO Clearing Bank used an internal approved by the supervisory authorities for measurement of the exposure value. For its client portfolio, Clearing recently switched to the standard supervisory methods. This exposure value is used both for regulatory and internal risk calculation purposes.

For the purpose of determining capital requirements for securities financing transactions (SFT) ABN AMRO Bank uses the Financial Collateral Comprehensive Method (FCCM) specified in the CRR. ABN AMRO Bank does use the options provided for in the CRR to apply internal models to estimate market risk effects related to SFT or master netting agreements. For economic counterparty exposure calculations, ABN AMRO Bank applies the FCCM calculation with additional conservatism.

During most of the year, ABN AMRO Clearing Bank used an integrated internal model that also covers SFT positions for exposure value calculations. This approach was recently changed to standard supervisory methods.

In 2019, both ABN AMRO Bank and ABN AMRO Clearing Bank primarily used the Internal Ratings Based (IRB) Approach to determine the risk weights of positions giving rise to CCR. The approach used by ABN AMRO Clearing Bank for risk weights was recently changed to the Standardised Approach (SA).

### **Wrong-way risk**

This risk refers to transactions where the counterparty credit exposure arising from OTC or securities lending transactions is positively correlated to the counterparty's probability of default. In other words, the credit exposure increases when the credit quality of the counterparty deteriorates. In general, we do not engage in such wrong-way risk transactions. We are also prudent in considering transactions in which this correlation is less obvious, such as transactions where a general wrong-way risk component forms part of the deal, or where a counterparty and the underlying issuer are in a similar industry, or in the same country or geographical region.

### **Limit setting**

Limit setting for positions subject to counterparty credit risk is specifically addressed in ABN AMRO's risk management policy. With respect to CCR, this policy provides, in principle, for specific risk limits to be set for each derivative portfolio and for each counterparty, subject to further specifications. Limits for CCR are set within the general risk management framework for counterparty limits.

These limits take into account a range of factors, including the mark-to-market of transactions and the potential future exposure of transactions. The monitoring of these limits for CRR (pre-settlement stage) takes place on a daily basis.

# Market risk management

Within ABN AMRO, market risk is present in both the banking book and trading book.

## Market risk in the banking book

Market risk in the banking book is the risk that the economic value of equity or the income of the bank will decline because of unfavourable market movements. The following market risks are present in the banking book:

- ▶ Interest rate risk: the risk of losses in the economic value of equity or the bank's net interest income (NII) due to unfavourable yield curve developments, including changes in the volatility of the yield curve;
- ▶ Credit spread risk: the risk of losses due to adverse movements in the credit spread of assets. The main source is from bonds held for liquidity purposes;
- ▶ Funding spread risk: the risk of losses due to adverse movements in the term structure of rates at which ABN AMRO can fund itself – expressed as a spread to a benchmark such as Euribor;
- ▶ Equity risk: the risk of losses due to adverse movements in equity prices, dividends and volatilities. Equity positions can be taken in strategic partnerships and joint ventures, positions in private equity and positions where debt held by the bank has been converted into equity as part of a restructuring process;
- ▶ Property risk: the risk arising from adverse movements in property prices; and
- ▶ Foreign exchange risk: the risk arising from adverse movements in FX spot and forward rates and/or FX volatility. It arises for operational reasons where it is inefficient to hedge exposures as they arise.

Market risk in the banking book consists predominantly of interest rate risk, followed by credit spread risk, funding spread risk and FX risk.

## Interest rate risk in the banking book

In order to model and measure interest rate risk, assumptions are made about client behaviour, most importantly with respect to the maturity of savings and the prepayment of mortgages. These assumptions influence the anticipated interest cash flow pattern. Interest rate risk is continuously managed in line with the risk appetite as the profile of assets and liabilities on the balance sheet can change if client behaviour changes.

The main sources of interest rate risk are:

- ▶ The maturity mismatch between assets and liabilities. ABN AMRO provides mortgages and commercial loans with fixed interest terms. These assets are funded by non-maturing deposits and wholesale funding with a shorter average interest maturity than the assets;
- ▶ Client behaviour, which determines the maturity profile of some of our products. As we use models to predict this behaviour, we are exposed to model risk, i.e. to losses from decisions based on incorrect output of models and resulting from errors in the development, implementation or use of such models.

### Key assumptions for modelling client behaviour

From an interest rate risk perspective, the following aspects of client behaviour are the most important:

- ▶ Client behaviour with respect to early redemption of residential mortgages. This has a significant impact on the average interest maturity of the mortgage portfolio. Clients have the option to fully or partially prepay mortgages before maturity. Prepayments can be triggered by, for example, relocation, redemption or curtailment. An important driver of prepayments is the interest rate incentive, i.e. the difference between a client's current mortgage rate and the prevailing mortgage rates. Future mortgage rates are simulated using a Monte Carlo approach. In addition to the interest rate incentive, account is also taken of other drivers such as loan age, seasonality and house price developments;

- ▶ Client acceptance of the volume offered and the deviation between the offered rate and the actual coupon on an offered residential mortgage;
- ▶ Client behaviour with respect to non-maturing deposits that are callable on demand. Future client rates for savings and current accounts are modelled using a replicating portfolio model. Modelled client rates depend on current or lagged yield curves and funding costs. A maximum maturity of 10 years is assumed. The resulting duration depends on product type and client behaviour. The average duration for retail portfolios is around 3 years, well below the regulatory 5-year cap.

The metrics used for banking book risks are dependent upon the assumptions made in the behavioural models. Models must therefore be based on extensive research, including historical data on observed client behaviour. Models must be independently validated and approved by the mandated risk committees. Models are periodically assessed to determine whether they behave appropriately and are statistically sound; if required, they are adjusted.

### **Risk measurement for interest rate risk**

For management purposes, the interest rate risk position is reported to the Asset & Liability Committee (ALCO) on a monthly basis. ALCO reporting includes both earnings and value metrics, including Net Interest Income (NII) at Risk, Present Value of 1 basis point (PV01), Economic Value of Equity (EVE) at Risk and economic capital for market risk in the banking book. These are complemented with stress testing and scenario analysis, which are used to ensure a comprehensive approach to risk management and to identify potential weaknesses. Stress testing and scenario analysis go beyond determining the impact of alternative developments of interest rates. Assumptions with respect to modelling and client behaviour are also tested. A combination of market and product floors is applied. These floors are periodically reviewed. Most of the above-mentioned metrics are also included in the ERM report submitted monthly to the Executive Board.

NII-at-Risk is the difference in NII between a base scenario and an alternative scenario. In addition to the regulatory prescribed scenarios, the internal metric is defined as the worst outcome of the following scenarios: a gradual increase or decrease in interest rates by 200bps, measured over a one-year period, and an instantaneous increase or decrease of 100bps. NII-at-Risk includes all expected cash flows, including commercial margins and other spread components, from all interest rate-sensitive assets, liabilities and off-balance sheet items in the banking book. The NII-at-Risk calculation contains assumptions about the future balance sheet, including the reinvestment of maturing positions.

The PV01 measures value changes resulting from a 1bp parallel shift of the yield curve. We also measure the value sensitivity to changes in individual term points on the yield curve.

EVE-at-Risk is the loss in economic value of equity as a result of various yield curve shocks. As well as the regulatory prescribed shocks, the EVE-at-risk is based on the following internal shocks: bow up, bow down, steepening, flattening and tilt short-end up and down. The impact is calculated for cash flows from all interest-bearing assets, liabilities and off-balance sheet items in the banking book. An assumption of a run-off balance sheet is made, where banking book positions amortise and are not replaced by new business. The projected cash flows include commercial margins and other spread components and are discounted at the risk-free rate.

Economic capital for market risk in the banking book is calculated using a parametric Monte Carlo simulation model that determines the economic capital needed to absorb losses due to adverse movements in interest rates, client behaviour for mortgages and non-maturing deposits, volatility, credit spreads and foreign exchange rates.

### **Credit spread risk in the banking book**

Credit spread risk for the liquidity portfolio is measured as the impact on economic value of a 1bp change in spreads to a swap rate. The sensitivity is measured for individual term points, as well as for a parallel shift of the curve.

### Funding spread risk

Funding spread movements can be due to changes in, for example, the perceived credit quality of ABN AMRO, changes in the competitive environment or changes in liquidity premiums. They may be entity-specific or systemic in nature.

If funding spreads widen, it costs more to fund assets on the balance sheet. Unless this increased spread is passed on to clients by increasing client rates, projected net interest income will decrease. The funding spread risk is measured using an NII-at-risk approach where the funding spread increases.

### Foreign exchange risk

Foreign exchange risk is managed within the bank by ALM and Treasury. The risk is measured by the open currency position, which is the aggregated net position per currency, except for the EUR currency. Both for assets and for liabilities USD is the largest non-EUR exposure.

### Market risk management for the banking book

ABN AMRO has in place a detailed risk management framework to identify, measure and control market risk in the banking book. This framework provides assurance that the banking book activities remain consistent with the bank's strategy to pursue a moderate risk profile. The goal of interest rate risk management is to protect current and future NII from adverse yield curve movements. The day-to-day management is delegated from the Asset & Liability Committee to Asset and Liability Management, while Treasury is responsible for the execution. This forms the first line of defence. Market and ALM/T Risk perform the second line of defence.

The risk appetite is articulated in terms of net interest income for one- and two-year periods, the economic value of equity and the economic capital for market risk in the banking book, and expresses the maximum loss the bank is willing to accept. The risk appetite is cascaded into a limit framework.

ABN AMRO uses a combination of portfolio (macro) hedges and specific asset or liability (micro) hedges to swap fixed interest rates for floating interest rate positions. Micro hedges are used to swap fixed funding transactions and fixed investments in the liquidity buffer for floating interest rate positions. In addition, macro hedging is applied in order to align with the bank's strategy to contribute to a stable NII while protecting the economic value of equity.

### Market risk in the trading book

Positions held with trading intent and hedges for positions held with trading intent must be included in the bank's trading book. The Central Trading Risk policy describes the positions included in the trading book and the criteria for transferring risk and positions between the trading and banking books (in line with article 104, CRR). This policy applies to ABN AMRO Bank N.V. as well as its subsidiaries, branches, representative offices and legal entities under its control. As part of its business strategy, ABN AMRO facilitates client orders, acts as a market maker in key markets and provides liquidity to clients, including institutional investors and private clients. Market risk in the trading book is the risk of losses in market value due to adverse market movements. The following market risks are inherent in the trading book:

- ▶ Interest rate risk, arising from adverse changes in interest rate risk curves and/or interest rate volatilities;
- ▶ Credit spread risk, arising from adverse changes in the term structure of credit spreads and/or from changing credit quality of debt securities or CDS reference entities, with an impact on default probabilities;
- ▶ Equity risk, arising from adverse changes in equity prices, dividends and volatilities;
- ▶ Commodity risk, arising from adverse changes in commodity prices;
- ▶ Foreign exchange risk, arising from adverse changes in FX spot and forward rates and/or FX volatility.

### Market risk management for the trading book

ABN AMRO has in place a detailed risk management framework to identify, measure and control market risk in the trading book. This framework provides assurance that the bank's trading activities are consistent with its client-focused business strategy and the objective to maintain a moderate risk profile. In accordance with the strategy, the Business

Risk Committee Trading annually approves trading mandates, which define the nature and amount of the permitted transactions and risks, and the associated constraints. The Business Risk Committee Trading is a subsidiary committee of the Group Risk Committee.

## Capital for market risk in the trading book

### Regulatory capital

On 5 March 2018 the ECB granted permission for ABN AMRO to continue using the Internal Model Approach (IMA) for calculating the own funds requirements for market risk. The next section explains the main components of this approach. The bank uses the IMA to calculate market risk capital for its trading book. The following activities are excluded from the IMA capital and are calculated by means of the Standardised Approach (SA):

- ▶ Trading activities in Brazil;
- ▶ Residential mortgage-backed securities trading.

### Economic capital

Calculation of economic capital for market risk in the trading book is based on a daily Value-at-Risk (VaR) market risk measure and historical scenarios simulating stress events such as 'Black Monday' and the financial markets crisis.

## Market risk measurement for the trading book

ABN AMRO measures and manages market risk in the trading book on a daily basis. The key metrics used are economic capital, regulatory capital, Value-at-Risk (VaR), Stressed VaR (SVaR) and Incremental Risk Charge (IRC), together with a wide array of stress and scenario tests, sensitivity measures, concentration limits and notional limits. These metrics are measured and monitored. Appropriate limits are set at bank level in the risk appetite statement and at bank and business-line levels in the limit framework, in line with the general risk principles in the Central Trading Risk policy.

Metrics and models are managed, reviewed, assessed and, if required, adjusted in a similar way as in the banking book. Other important tools to ensure the adequacy of the models, alongside the formal validation and review of models, are the daily explanation of risk reporting figures, periodic portfolio reviews and regular back-testing.

### Value at Risk

ABN AMRO uses the historical simulation VaR methodology as one of its primary risk measures. The VaR for market risk quantifies, with a one-sided confidence level of 99%, the maximum one-day loss that could occur due to changes in risk factors if positions remain unchanged for a period of one day. The VaR also incorporates market data movements for specific movements in the underlying issuer of securities. The impact of historical market movements on today's portfolio is estimated on the basis of equally weighted market movements observed in the previous 300 days, using a full revaluation method for the majority of risk factors. For each risk factor it is decided whether relative or absolute changes from history are representative for forecasting the next day. The bank uses the VaR with a one-day horizon for internal risk measurement, control and back-testing, and the VaR with a ten-day horizon to determine regulatory capital. The latter is derived by scaling the one-day VaR by the square root of ten.

The daily VaR is back-tested against the actual mark-to-market changes calculated for each subsequent trading day, as well as against hypothetical mark-to-market changes assuming no trading activities over the same horizon. The number of outliers is used to assess the reliability of the VaR model. The model's back-testing performance is satisfactory. Apart from regulatory back-testing, statistical back-testing also takes place on a regular basis. The number of outliers, the clustering of outliers and also the forecasted profit and loss distribution are analysed by means of additional tests. The number of outliers is analysed by the binomial method and the Kupiec test, while the clustering of outliers is tested by the Christoffersen test and the forecasted profit and loss distribution by the Kolmogorov-Smirnov test.

### Stressed VaR

The purpose of the SVaR is to replicate a VaR calculation that would be generated on the bank's current portfolio with inputs calibrated to historical data for a continuous 12-month period of significant financial stress relevant to the bank's

portfolio. To calculate the SVaR, ABN AMRO uses the same model as used for the VaR (historical simulation). The current historical data period includes the credit crisis of 2008 and is reviewed at least annually. In this annual review, the VaR is approximated for the current portfolios over a long historical period.

### **Incremental Risk Charge**

By calculating the IRC, ABN AMRO calculates an estimate of the default and migration risks for credit products in the trading book over a one-year capital horizon, with a 99.9% confidence level. Potential profits and losses over the one-year time horizon are created by simulating scenarios showing how the issuer's credit ratings may change (including possible defaults), taking correlations between different issuers into account, and repricing the positions. The underlying model for the rating migrations and defaults is a t-copula model. The simulated scenarios correspond to an instantaneous shock over the one-year period; in this way, ABN AMRO uses a one-year liquidity horizon for all its positions under the scope of the IRC model. The average liquidity horizon is therefore currently also one year. Rating transitions and defaults are dependent upon individual issuer rating transition probabilities and correlations between issuer migrations. For the individual transition matrices, data from external vendors are used.

### **Stress testing and scenario analysis**

Stress testing and scenario analysis are designed to focus specifically on the impact of tail events that are outside the VaR confidence interval. We perform daily stress tests for large movements in risk factors. Scenario analyses are also conducted frequently to evaluate the impacts of extreme market events that cover multiple risk factors, and the results of these tests are monitored. These scenarios can be based on historical or hypothetical events, or on a combination of the two.

### **Valuation adjustments**

For the trading book, we take into account adjustments for counterparty risk on our clients (Credit Valuation Adjustment), ABN AMRO funding costs (Funding Valuation Adjustment) and ABN AMRO credit risk (Debt Valuation Adjustment).

Trading book positions are subject to prudent valuation standards in accordance with regulatory requirements (article 105, CRR). The prudent value is derived from IFRS accounting fair value and includes additional potential value adjustments.



# Own funds

## Capital management strategy

The primary objective of the capital management strategy is to ensure that capital adequacy requirements are met at all times and that sufficient capital is available to support the bank's strategy. Capital is a necessary resource for doing business and defines the bank's commercial possibilities. The balance between available and required capital is managed centrally to optimise the use of available capital. The basis of the capital management strategy is the bank's risk appetite and its business plans. Other important factors taken into account when managing the capital position are expectations and requirements of external stakeholders (such as regulators, investors, shareholders, equity analysts, rating agencies and clients), the bank's position in the market, market developments, contingent capital needs and the feasibility of capital management actions. Although ABN AMRO manages its capital centrally, the group companies are sufficiently capitalised to comply with all local regulatory solvency requirements and to meet any local business needs. ABN AMRO's banking activities are carried out by legal entities that are part of the group's corporate tax unit. Apart from prevailing statutory and regulatory legislation, there are no specific material impediments for prompt transfer of the bank's regulatory capital.

## Capital instruments' main features

### Common Equity Tier 1

1	Issuer	ABN AMRO Bank N.V.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	NL0011540547
3	Governing law(s) of the instrument	Dutch Law
<b>Regulatory treatment</b>		
4	Transitional CRR rules	Common equity tier 1
5	Post-transitional CRR rules	Common equity tier 1
6	Eligible at solo/ (sub-)consolidated/ solo & (sub-) consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares A
8	Amount recognised in regulatory capital (in millions, as of most recent reporting date)	EUR 940
9	Nominal amount of instrument (as of most recent reporting date)	EUR 1
9a	Issue price	EUR 17.75; 20.40; 22.75; 23.50
9b	Redemption price	N/A
10	Accounting classification	Equity
11	Original date of issuance	07 July 1905
12	Perpetual or dated	Perpetual
13	Original maturity date	N/A
14	Issuer call subject to prior supervisory approval	N/A
15	Optional call date, contingent call dates, and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
<b>Coupons / dividends</b>		
17	Fixed or floating dividend/coupon	N/A
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	N/A
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
21	Existence of step up or other incentive to redeem	N/A
22	Non-cumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	No
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation	Junior to Additional Tier 1
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A

1. N/A' inserted if the question is not applicable

## Additional Tier 1

1	Issuer	ABN AMRO Bank N.V.	ABN AMRO Bank N.V.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS1278718686	XS1693822634
3	Governing law(s) of the instrument	Dutch law	Dutch law
<b>Regulatory treatment</b>			
4	Transitional CRR rules	Additional Tier 1	Additional Tier 1
5	Post-transitional CRR rules	Additional Tier 1	Additional Tier 1
6	Eligible at solo/ (sub-)consolidated/ solo & (sub-) consolidated	Solo & consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	AT1 EU 575/2013 art 489.5	AT1 EU 575/2013 art 489.5
8	Amount recognised in regulatory capital (in millions, as of most recent reporting date)	EUR 994	EUR 994
9	Nominal amount of instrument (in millions, as of most recent reporting date)	EUR 1,000	EUR 1,000
9a	Issue price	100%	100%
9b	Redemption price	100%	100%
10	Accounting classification	Equity	Equity
11	Original date of issuance	22 September 2015	10 April 2017
12	Perpetual or dated	Perpetual	Perpetual
13	Original maturity date	No maturity	No maturity
14	Issuer call subject to prior supervisory approval	Yes	Yes
15	Optional call date, contingent call dates, and redemption amount	22 Sept 2020 (100% nominal amount), regulatory & tax call (prevailing principal amount)	22 Sept 2027 (100% nominal amount), regulatory & tax call (prevailing principal amount)
16	Subsequent call dates, if applicable	Callable annually after first call date	Callable on each interest payment date after first call date
<b>Coupons / dividends</b>			
17	Fixed or floating dividend/coupon	Fixed	Fixed
18	Coupon rate and any related index	5.75% per year	4.75% per year
19	Existence of a dividend stopper	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary	Fully discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary	Fully discretionary
21	Existence of step up or other incentive to redeem	No	No
22	Non-cumulative or cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A	N/A
25	If convertible, fully or partially	N/A	N/A
26	If convertible, conversion rate	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A
30	Write-down features	Yes	Yes
31	If write-down, write-down trigger(s)	7%/5, 125% CET1	7%/5, 125% CET1
32	If write-down, full or partial	Partial	Partial
33	If write-down, permanent or temporary	Temporary	Temporary
34	If temporary write-down, description of write-up mechanism	Subject to profit MDA and Max Write up Amount	Subject to profit MDA and Max Write up Amount
35	Position in subordination hierarchy in liquidation	Junior to Tier 2	Junior to Tier 2
36	Non-compliant transitioned features	No	No
37	If yes, specify non-compliant features	N/A	N/A

1. N/A<sup>1</sup> inserted if the question is not applicable

## Tier 2

1	Issuer	ABN AMRO Bank N.V.	ABN AMRO Bank N.V.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS0619548216	XS0619547838
3	Governing law(s) of the instrument	Dutch law	Dutch law
<b>Regulatory treatment</b>			
4	Transitional CRR rules	Tier 2	Tier 2
5	Post-transitional CRR rules	Ineligible	Ineligible
6	Eligible at solo/ (sub-)consolidated/ solo & (sub-) consolidated	Solo & consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Tier 2 (grandfathered) EU 575/2013 art 63	Tier 2 (grandfathered) EU 575/2013 art 63
8	Amount recognised in regulatory capital (in millions, as of most recent reporting date)	EUR 325	EUR 246
9	Nominal amount of instrument (in millions, as of most recent reporting date)	EUR 1,228	USD 595 (EUR 530)
9a	Issue price	99.603%	99.131%
9b	Redemption price	100%	100%
10	Accounting classification	Liability - amortised cost	Liability - amortised cost
11	Original date of issuance	27 April 2011	27 April 2011
12	Perpetual or dated	Dated	Dated
13	Original maturity date	27 April 2021	27 April 2022
14	Issuer call subject to prior supervisory approval	No	No
15	Optional call date, contingent call dates, and redemption amount	Tax call (100% nominal amount)	Tax call (100% nominal amount)
16	Subsequent call dates, if applicable	N/A	N/A
<b>Coupons / dividends</b>			
17	Fixed or floating dividend/coupon	Fixed	Fixed
18	Coupon rate and any related index	6.375% per year	6.250% per year
19	Existence of a dividend stopper	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No
22	Non-cumulative or cumulative	N/A	N/A
23	Convertible or non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A	N/A
25	If convertible, fully or partially	N/A	N/A
26	If convertible, conversion rate	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A
30	Write-down features	No	No
31	If write-down, write-down trigger(s)	N/A	N/A
32	If write-down, full or partial	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A
35	Position in subordination hierarchy in liquidation	Junior to senior unsecured	Junior to senior unsecured
36	Non-compliant transitioned features	No	No
37	If yes, specify non-compliant features	N/A	N/A

## Tier 2 (continued)

1	Issuer	ABN AMRO Bank N.V.	ABN AMRO Bank N.V.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	00080QAD79 (Cusip 144A) USN0028HAP03 (ISIN Reg S)	XS1253955469
3	Governing law(s) of the instrument	Dutch law	Dutch law
<b>Regulatory treatment</b>			
4	Transitional CRR rules	Tier 2	Tier 2
5	Post-transitional CRR rules	Ineligible	Tier 2
6	Eligible at solo/ (sub-)consolidated/ solo & (sub-) consolidated	Solo & consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Tier 2 (grandfathered) EU 575/2013 art 63	Tier 2 EU 575/2013 art 63
8	Amount recognised in regulatory capital (in millions, as of most recent reporting date)	EUR 71	EUR 1,493
9	Nominal amount of instrument (in millions, as of most recent reporting date)	USD 113 (EUR 106)	EUR 1,500
9a	Issue price	100%	99.885%
9b	Redemption price	100%	100%
10	Accounting classification	Liability - amortised cost	Liability - amortised cost
11	Original date of issuance	30 June 2011	30 June 2015
12	Perpetual or dated	Dated	Dated
13	Original maturity date	15 May 2023	30 June 2025
14	Issuer call subject to prior supervisory approval	No	Yes
15	Optional call date, contingent call dates, and redemption amount	Tax call (100% nominal amount)	30 June 2020 (100% nominal amount), tax & regulatory call (100% nominal amount)
16	Subsequent call dates, if applicable	N/A	N/A
<b>Coupons / dividends</b>			
17	Fixed or floating dividend/coupon	Fixed	Fixed
18	Coupon rate and any related index	7.75% per year	2.875% per year
19	Existence of a dividend stopper	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No
22	Non-cumulative or cumulative	N/A	N/A
23	Convertible or non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A	N/A
25	If convertible, fully or partially	N/A	N/A
26	If convertible, conversion rate	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A
30	Write-down features	No	No
31	If write-down, write-down trigger(s)	N/A	N/A
32	If write-down, full or partial	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A
35	Position in subordination hierarchy in liquidation	Junior to senior unsecured	Junior to senior unsecured
36	Non-compliant transitioned features	No	No
37	If yes, specify non-compliant features	N/A	N/A

1. N/A<sup>1</sup> inserted if the question is not applicable

## Tier 2 (continued)

1	Issuer	ABN AMRO Bank N.V.	ABN AMRO Bank N.V.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	US00080QAF28 / XS1264600310	XS1341466487
3	Governing law(s) of the instrument	Dutch law	Dutch law
<b>Regulatory treatment</b>			
4	Transitional CRR rules	Tier 2	Tier 2
5	Post-transitional CRR rules	Tier 2	Tier 2
6	Eligible at solo/ (sub-)consolidated/ solo & (sub-) consolidated	Solo & consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Tier 2 EU 575/2013 art 63	Tier 2 EU 575/2013 art 63
8	Amount recognised in regulatory capital (in millions, as of most recent reporting date)	EUR 1,331	EUR 297
9	Nominal amount of instrument (in millions, as of most recent reporting date)	USD 1,500 (EUR 1.337)	SGD 450 (EUR 298)
9a	Issue price	99.732%	100%
9b	Redemption price	100%	100%
10	Accounting classification	Liability - amortised cost	Liability - amortised cost
11	Original date of issuance	28 July 2015	01 April 2016
12	Perpetual or dated	Dated	Dated
13	Original maturity date	28 July 2025	01 April 2026
14	Issuer call subject to prior supervisory approval	No	Yes
15	Optional call date, contingent call dates, and redemption amount	Tax & regulatory call (100% nominal amount)	01 April 2021 (100% nominal amount), tax & regulatory call (100% nominal amount)
16	Subsequent call dates, if applicable	N/A	N/A
<b>Coupons / dividends</b>			
17	Fixed or floating dividend/coupon	Fixed	Fixed
18	Coupon rate and any related index	4.75% per year	4.75% per year
19	Existence of a dividend stopper	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No
22	Non-cumulative or cumulative	N/A	N/A
23	Convertible or non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A	N/A
25	If convertible, fully or partially	N/A	N/A
26	If convertible, conversion rate	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A
30	Write-down features	No	No
31	If write-down, write-down trigger(s)	N/A	N/A
32	If write-down, full or partial	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A
35	Position in subordination hierarchy in liquidation	Junior to senior unsecured	Junior to senior unsecured
36	Non-compliant transitioned features	No	No
37	If yes, specify non-compliant features	N/A	N/A

1. N/A<sup>1</sup> inserted if the question is not applicable

## Tier 2 (continued)

1	Issuer	ABN AMRO Bank N.V.	ABN AMRO Bank N.V.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	US00084DAL47 / XS1392917784	XS1346254573
3	Governing law(s) of the instrument	Dutch law	Dutch law
<b>Regulatory treatment</b>			
4	Transitional CRR rules	Tier 2	Tier 2
5	Post-transitional CRR rules	Tier 2	Tier 2
6	Eligible at solo/ (sub-)consolidated/ solo & (sub-) consolidated	Solo & consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Tier 2 EU 575/2013 art 63	Tier 2 EU 575/2013 art 63
8	Amount recognised in regulatory capital (in millions, as of most recent reporting date)	EUR 887	EUR 997
9	Nominal amount of instrument (in millions, as of most recent reporting date)	USD 1,000 (EUR 917)	EUR 1,000
9a	Issue price	99.827%	99.383%
9b	Redemption price	100%	100%
10	Accounting classification	Liability - amortised cost	Liability - amortised cost
11	Original date of issuance	18 April 2016	18 January 2016
12	Perpetual or dated	Dated	Dated
13	Original maturity date	18 April 2026	18 January 2028
14	Issuer call subject to prior supervisory approval	no	Yes
15	Optional call date, contingent call dates, and redemption amount	Tax & regulatory call (100% nominal amount)	18 January 2023 (100% nominal amount), tax & regulatory call (100% nominal amount)
16	Subsequent call dates, if applicable	N/A	N/A
<b>Coupons / dividends</b>			
17	Fixed or floating dividend/coupon	Fixed	Fixed
18	Coupon rate and any related index	4.80% per year	2,875% per year
19	Existence of a dividend stopper	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No
22	Non-cumulative or cumulative	N/A	N/A
23	Convertible or non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A	N/A
25	If convertible, fully or partially	N/A	N/A
26	If convertible, conversion rate	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A
30	Write-down features	No	No
31	If write-down, write-down trigger(s)	N/A	N/A
32	If write-down, full or partial	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A
35	Position in subordination hierachy in liquidation	Junior to senior unsecured	Junior to senior unsecured
36	Non-compliant transitioned features	No	No
37	If yes, specify non-compliant features	N/A	N/A

1. N/A<sup>1</sup> inserted if the question is not applicable

## Tier 2 (continued)

1	Issuer	ABN AMRO Bank N.V.	ABN AMRO Bank N.V.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS1586330604	XS1385037558
3	Governing law(s) of the instrument	Dutch law	Dutch law
<b>Regulatory treatment</b>			
4	Transitional CRR rules	Tier 2	Tier 2
5	Post-transitional CRR rules	Tier 2	Tier 2
6	Eligible at solo/ (sub-)consolidated/ solo & (sub-) consolidated	Solo & consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Tier 2 EU 575/2013 art 63	Tier 2 EU 575/2013 art 63
8	Amount recognised in regulatory capital (in millions, as of most recent reporting date)	EUR 1,339	EUR 267
9	Nominal amount of instrument (in millions, as of most recent reporting date)	USD 1,500 (EUR 1,337)	USD 300 (EUR 275)
9a	Issue price	99.984%	100%
9b	Redemption price	100%	100%
10	Accounting classification	Liability - amortised cost	Liability - amortised cost
11	Original date of issuance	27 March 2017	08 April 2016
12	Perpetual or dated	Dated	Dated
13	Original maturity date	27 March 2028	08 April 2031
14	Issuer call subject to prior supervisory approval	Yes	No
15	Optional call date, contingent call dates, and redemption amount	27 March 2023 (100% nominal amount), tax & regulatory call (100% nominal amount)	Tax & regulatory call (100% nominal amount)
16	Subsequent call dates, if applicable	N/A	N/A
<b>Coupons / dividends</b>			
17	Fixed or floating dividend/coupon	Fixed	Fixed
18	Coupon rate and any related index	4.40% per year	5.60% per year
19	Existence of a dividend stopper	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No
22	Non-cumulative or cumulative	N/A	N/A
23	Convertible or non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A	N/A
25	If convertible, fully or partially	N/A	N/A
26	If convertible, conversion rate	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A
30	Write-down features	No	No
31	If write-down, write-down trigger(s)	N/A	N/A
32	If write-down, full or partial	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A
35	Position in subordination hierarchy in liquidation	Junior to senior unsecured	Junior to senior unsecured
36	Non-compliant transitioned features	No	No
37	If yes, specify non-compliant features	N/A	N/A

1. N/A<sup>1</sup> inserted if the question is not applicable



## Own funds

(in millions)	31 December 2019	30 September 2019	31 December 2018
<b>Common Equity Tier 1 (CET1) capital: instruments and reserves</b>			
1 <b>Capital instruments and the related share premium accounts</b>	<b>13,910</b>	<b>13,910</b>	<b>13,910</b>
- of which: shares	13,910	13,910	13,910
2 Retained earnings	4,947	4,947	4,060
3 Accumulated other comprehensive income (and other reserves)	-1,419	-1,578	-906
3a Funds for general banking risk			
4 Amount of qualifying items referred to in Art. 484 (3) and the related share premium accounts subject to phase-out from CET1			
5 Minority interests (amount allowed in consolidated CET1)			
5a Independently reviewed interim profits net of any foreseeable charge or dividend	1,377	640	1,534
6 <b>Common Equity Tier 1 (CET 1) capital before regulatory adjustments</b>	<b>18,815</b>	<b>17,919</b>	<b>18,597</b>
<b>Common Equity Tier 1 (CET1) capital: regulatory adjustments</b>			
7 Additional value adjustments (-)	-48	-57	-89
8 Intangible assets (net of related tax liability) (-)	-171	-174	-162
9 Empty set in the EU			
10 Deferred tax assets that rely on future profitability excluding those arising from temporary differences (-)	-29	-23	-13
11 Fair value reserves related to gains or losses on cash flow hedges	1,648	1,892	1,162
12 Negative amounts resulting from the calculation of expected loss amounts	-93	-166	-136
13 Any increase in equity that results from securitised assets (-)			
14 Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	39	37	40
15 Defined-benefit pension fund assets (-)			
16 Direct and indirect holding by an institution of own CET1 instruments (-)			
17 Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (-)			
18 Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (-)			
19 Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (-)			
20 Empty set in the EU			
20a Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative			
20b - of which: qualifying holdings outside the financial sector (-)			
20c - of which: securitisation positions (-)			
20d - of which: free deliveries (-)			
21 Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related eligible tax liabilities) (-)			
22 Amount exceeding the 15% threshold (-)			
- of which: direct and indirect holding by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities			
23 Empty set in the EU			
24 - of which: deferred tax assets arising from temporary differences			
25a Losses for the current financial year (-)			
25b Foreseeable tax charges relating to CET1 items (-)			
26 Additional deductions of CET1 Capital due to Article 3 CRR	-248	-249	-55
27 Qualifying AT1 deductions that exceed the AT1 capital of the institution (-)			
28 <b>Total regulatory adjustments to Common Equity Tier 1 (CET1)</b>	<b>1,097</b>	<b>1,261</b>	<b>749</b>

(in millions)	31 December 2019	30 September 2019	31 December 2018
29 <b>Common Equity Tier 1 (CET1) capital</b>	<b>19,913</b>	<b>19,180</b>	<b>19,346</b>
<b>Additional Tier 1 (AT1) capital: instruments</b>			
30 Capital instruments and the related share premium accounts <sup>1)</sup>	1,987	1,987	1,987
31 - of which: classified as equity <sup>1)</sup>	1,987	1,987	1,987
32 - of which: classified as liabilities			
33 Amount of qualifying items referred to in Art. 484 (4) and the related share premium accounts subject to phase-out from AT1			
34 Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties <sup>1)</sup>	1,987	1,987	1,987
35 - of which: instruments issued by subsidiaries subject to phase-out			
36 <b>Additional Tier 1 (AT1) capital before regulatory adjustments<sup>1)</sup></b>	<b>1,987</b>	<b>1,987</b>	<b>1,987</b>
<b>Additional Tier 1 (AT1) capital: regulatory adjustments</b>			
37 Direct and indirect holding by an institution of own AT1 instruments (-) <sup>1)</sup>	-5	-5	-5
38 Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (-)			
39 Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (-)			
40 Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (-)			
41 Empty set in the EU			
42 Qualifying T2 deductions that exceed the T2 capital of the institution (-)			
43 <b>Total regulatory adjustments to Additional Tier 1 (AT1) capital<sup>1)</sup></b>	<b>-5</b>	<b>-5</b>	<b>-5</b>
44 <b>Additional Tier 1 (AT1) capital<sup>1)</sup></b>	<b>1,982</b>	<b>1,982</b>	<b>1,982</b>
45 <b>Tier 1 capital (T1 = CET1 + AT1)<sup>1)</sup></b>	<b>21,895</b>	<b>21,162</b>	<b>21,328</b>
<b>Tier 2 (T2) capital: instruments and provisions</b>			
46 Capital instruments and the related share premium accounts <sup>1)</sup>	7,253	7,469	7,521
47 Amount of qualifying items referred to in Art. 484 (5) and the related share premium accounts subject to phase-out from T2			
48 Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties			
49 - of which: instruments issued by subsidiaries subject to phase-out			
50 Credit risk adjustments			
51 <b>Tier 2 (T2) capital before regulatory adjustments<sup>1)</sup></b>	<b>7,253</b>	<b>7,469</b>	<b>7,521</b>
<b>Tier 2 (T2) capital: regulatory adjustments</b>			
52 Direct and indirect holding by an institution of own T2 instruments and subordinated loans (-) <sup>1)</sup>	-75	-75	-75
53 Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (-)			
54 Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (-)			
55 Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions)(-)			
56 Empty set in the EU			
57 <b>Total regulatory adjustments to Tier 2 (T2) capital<sup>1)</sup></b>	<b>-75</b>	<b>-75</b>	<b>-75</b>
58 <b>Tier 2 (T2) capital<sup>1)</sup></b>	<b>7,178</b>	<b>7,394</b>	<b>7,446</b>
59 <b>Total capital (TC = T1 + T2)<sup>1)</sup></b>	<b>29,073</b>	<b>28,556</b>	<b>28,774</b>
60 Total risk weighted assets	109,825	105,633	105,391

(in millions)

31 December 2019 30 September 2019 31 December 2018

	31 December 2019	30 September 2019	31 December 2018
<b>Capital ratios and buffers</b>			
61 Common Equity Tier 1 (as a % of total risk exposure amount)	18.1%	18.2%	18.4%
62 Tier 1 (as a % of total risk exposure amount) <sup>1)</sup>	19.9%	20.0%	20.2%
63 Total capital (as a % of total risk exposure amount) <sup>1)</sup>	26.5%	27.0%	27.3%
64 Institution specific buffer requirement (CET1 requirement in accordance with Article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus systemically important institution buffer expressed as a percentage of risk exposure amount) <sup>2)</sup>	10.1%	10.1%	8.7%
65 - of which: capital conservation buffer requirement	2.5%	2.5%	1.9%
66 - of which: countercyclical buffer requirement	0.1%	0.1%	0.1%
67 - of which: systemic buffer requirement	3.0%	3.0%	2.3%
67a - of which: G-SII or O-SII buffer			
68 Common Equity Tier 1 available to meet buffers (as a % of risk exposure amount) <sup>3)</sup>	11.9%	11.9%	13.3%
69 [non relevant EU regulation]			
70 [non relevant EU regulation]			
71 [non relevant EU regulation]			
<b>Amounts below the thresholds for deduction</b>			
72 Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	156	154	337
73 Direct and indirect holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	536	518	528
74 Empty set in the EU			
75 Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	642	661	449
<b>Applicable caps on the inclusion of provisions in Tier 2</b>			
76 Credit risk adjustments included in T2 in respect of exposures subject to Standardised Approach (prior to the application of the cap)			
77 Cap on inclusion of credit risk adjustments in T2 under Standardised Approach	109	74	63
78 Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)			
79 Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	388	412	425
<b>Capital instruments subject to phase-out arrangements (1 Jan 2014 - 1 Jan 2022)</b>			
80 Current cap on CET1 instruments subject to phase-out arrangements			
81 Amount excluded from CET1 due to cap			
82 Current cap on AT1 instruments subject to phase-out arrangements			
83 Amount excluded from AT1 due to cap			
84 Current cap on T2 instruments subject to phase-out arrangements			
85 Amount excluded from T2 due to cap			

1. On 29 June 2019, ABN AMRO Bank N.V. merged with its parent company ABN AMRO Group N.V. As a result of the merger, ABN AMRO Group N.V. ceased to exist. The activities of ABN AMRO Group N.V. have been integrated into and continued in ABN AMRO Bank N.V. As a result, the figures presented in this Pillar 3 Report represent figures for ABN AMRO Bank N.V. (including comparative figures 2018).

2. Following the definition of the EBA disclosure template, Pillar 2 CET1 requirement of 1.75% is excluded

3. CET1 amount required to meet the Pillar 2 CET1 requirement of 1.75% is not considered available to meet the Combined Buffer Requirements

Common Equity Tier 1 (CET1) capital increased significantly in Q4 2019 as year-to-date profits attributable to the owners of the parent company (excluding AT1 capital securities) were added to CET1 capital, based on a 62% payout ratio. Total RWA increased to EUR 109.8 billion at 31 December 2019 (30 September 2019: EUR 105.6 billion). At 31 December 2019, the CET1, Tier 1 and total capital ratios were 18.1%, 19.9% and 26.5% respectively (30 September 2019: 18.2%, 20.0% and 27.0% respectively). All capital ratios were in line with the bank's risk appetite and strategic ambitions and were well above regulatory minimum requirements. Detailed explanations for the RWA developments can be found below the table: "Overview of RWAs".

## Leverage ratio

### Leverage ratio

#### Summary reconciliation of accounting assets and leverage ratio exposures

(in millions)	31 December 2019	30 September 2019	31 December 2018
1 <b>Total assets as per published financial statements</b>	<b>375,054</b>	<b>400,152</b>	<b>381,295</b>
2 Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	310	309	340
3 Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio exposure measure according to Article 429(11) of Regulation (EU) NO. 575/2013			
4 Adjustments for derivative financial instruments	67,738	68,689	56,786
5 Adjustments for securities financing transactions	4,376	1,901	1,580
6 Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	36,416	36,398	40,092
7 Other adjustments	415	-1,263	1,337
8 <b>Leverage ratio exposure amount</b>	<b>484,309</b>	<b>506,187</b>	<b>481,428</b>

## Leverage ratio common disclosure

(in millions)	31 December 2019	30 September 2019	31 December 2018
1 On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	361,883	376,624	372,512
2 Asset amounts deducted in determining Tier 1 capital	-517	-595	-405
<b>Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)</b>	<b>361,366</b>	<b>376,029</b>	<b>372,107</b>
<b>Derivative exposures</b>			
4 Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	4,041	16,053	4,379
5 Add-on amount for PFE associated with all derivatives transactions (mark-to-market method)	115,816	106,605	101,528
EU5a Exposure determined under Original Exposure Method			
6 Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework			
7 (Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-3,375	-5,053	-3,256
8 (Exempted CCP leg of client-cleared trade exposures)	-50,356	-50,392	-47,808
(in millions)	31 December 2019	30 September 2019	31 December 2018
9 Adjusted effective notional amount of written credit derivatives			
10 Adjusted effective notional offsets and add-on deductions for written credit derivatives			
<b>11 Total derivatives exposures (sum of lines 4 to 10)</b>	<b>66,125</b>	<b>67,213</b>	<b>54,842</b>
<b>SFT exposures</b>			
12 Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	18,115	27,112	18,045
13 Netted amounts of cash payables and cash receivables of gross SFT assets	-2,089	-2,467	-5,238
14 Counterparty credit risk exposure for SFT assets	4,376	1,901	1,580
EU14a Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429b(4) and 222 of Regulation (EU) No 575/2013			
15 Agent transaction exposures			
EU15a Exempted CCP leg of client-cleared SFT exposure			
<b>Total securities financing transaction exposures (sum of lines 12 to 15a)</b>	<b>20,401</b>	<b>26,546</b>	<b>14,386</b>
<b>Other off-balance sheet exposures</b>			
17 Off-balance sheet exposures at gross notional amount	120,851	118,738	129,633
18 Adjustments for conversion to credit equivalent amounts	-84,434	-82,340	-89,541
<b>19 Other off-balance sheet exposures (sum of lines 17 and 18)</b>	<b>36,416</b>	<b>36,398</b>	<b>40,092</b>
<b>Exempted exposures in accordance with Article 429(7) and (14) of Regulation (EU) No 575/2013 (on- and off-balance sheet)</b>			
EU19a Intragroup exposures (solo basis) exempted in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on- and off-balance sheet)			
EU19b Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on- and off-balance sheet)			
<b>Capital and total exposure measure</b>			
20 Tier 1 capital <sup>1)</sup>	21,895	21,162	20,296
<b>21 Leverage ratio total exposure measure (sum of lines 3, 11, 16, 19, EU19a and EU19b)</b>	<b>484,309</b>	<b>506,187</b>	<b>481,428</b>

(in millions)	31 December 2019	30 September 2019	31 December 2018
<b>Leverage ratio</b>			
22 Leverage ratio <sup>1)</sup>	4.5%	4.2%	4.2%
<b>Choice on transitional arrangements and amount of derecognised fiduciary items</b>			
23 Choice on transitional arrangements for the definition of the capital measure	Transitional	Transitional	Transitional
24 Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) No 575/2013			

1. On 29 June 2019, ABN AMRO Bank N.V. merged with its parent company ABN AMRO Group N.V. As a result of the merger, ABN AMRO Group N.V. ceased to exist. The activities of ABN AMRO Group N.V. have been integrated into and continued in ABN AMRO Bank N.V. As a result, the figures presented in this Pillar 3 Report represent figures for ABN AMRO Bank N.V. (including comparative figures 2018).

### Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

(in millions)	31 December 2019	30 September 2019	31 December 2018
<b>Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures);</b>			
EU1	<b>354,540</b>	<b>367,387</b>	<b>364,378</b>
EU2 <i>Of which: trading book exposures</i>	1,137	1,963	495
EU3 <i>Of which banking book exposures</i>	353,402	365,424	363,882
EU4 <i>- of which: covered bonds</i>	3,757	3,853	3,309
EU5 <i>- of which: exposures treated as sovereigns</i>	67,933	70,581	73,373
EU6 <i>- of which: exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns</i>			
EU7 <i>- of which: institutions</i>	10,360	11,182	12,082
EU8 <i>- of which: secured by mortgages of immovable properties</i>	168,598	169,602	167,974
EU9 <i>- of which: retail exposures</i>	8,414	8,787	8,747
EU10 <i>- of which: corporate</i>	80,865	87,744	87,036
EU11 <i>- of which: exposures in default</i>	6,521	6,267	5,823
EU12 <i>- of which: other exposures (e.g. equity, securitisations, and other non-credit obligation assets)</i>	6,955	7,408	5,538

The CRR introduced a non-risk-based leverage ratio, which is expected to become a binding measure effective as of 28 June 2021. Based on the currently applicable rules (i.e. CEM methodology), the leverage ratio increased to 4.5% (30 September 2019: 4.2%) as year-to-date profits attributable to the owners of the parent company (excluding AT1 capital securities) were added to Tier 1 capital, based on a 62% pay-out ratio. The CRR2 is also expected to change the rules for calculating the exposure measure by 28 June 2021, including the use of the SA-CCR calculation methodology for clearing guarantees. ABN AMRO estimates that the cumulative CRR2 adjustments, including the use of SA-CCR, will lower the exposure measure by approximately EUR 65.0 billion, improving the fully-loaded leverage ratio by another 0.7 percentage points. At 31 December 2019, the fully-loaded leverage ratio increased to 5.2% based on SA-CCR (30 September 2019: 4.8%), mainly due to an increase in Tier 1 capital and a decline in exposure measure. Going forward, ABN AMRO will monitor and report the leverage ratio based on currently applicable rules, as well as CRR2, and we expect the leverage ratio to remain above the anticipated regulatory requirements.

# Capital requirements

## EU OV1 – Overview of RWAs

(in millions)	31 December 2019		30 September 2019		31 December 2018	
	RWAs	Minimum capital requirements	RWAs	Minimum capital requirements	RWAs	Minimum capital requirements
<b>1 Credit risk (excluding CCR)</b>	<b>84,086</b>	<b>6,727</b>	<b>81,590</b>	<b>6,527</b>	<b>80,769</b>	<b>6,462</b>
2 - of which: the Standardised Approach	8,054	644	5,886	471	4,993	399
3 - of which: the foundation IRB (FIRB) approach						
4 - of which: the advanced IRB (AIRB) approach	73,704	5,896	72,835	5,827	73,151	5,852
5 - of which: equity IRB under the simple risk-weighted approach or the IMA	2,328	186	2,869	230	2,624	210
<b>6 Counterparty Credit Risk (CCR)</b>	<b>3,372</b>	<b>270</b>	<b>2,673</b>	<b>214</b>	<b>2,369</b>	<b>190</b>
7 - of which: mark to market	1,875	150	1,685	135	1,512	121
8 - of which: original exposure						
9 - of which: the Standardised Approach	642	51	59	5	44	4
10 - of which: internal model method (IMM)						
11 - of which: risk exposure amount for contributions to the default fund of a CCP	484	39	409	33	316	25
12 - of which: CVA	370	30	521	42	497	40
<b>13 Settlement risk</b>						
<b>14 Securitisation exposures in the banking book (after the cap)</b>	<b>32</b>	<b>3</b>	<b>52</b>	<b>4</b>	<b>31</b>	<b>2</b>
15 - of which: IRB approach	32	3	52	4	31	2
16 - of which: IRB supervisory formula approach (SFA)						
17 - of which: internal assessment approach (IAA)						
18 - of which: Standardised Approach						
<b>19 Market risk</b>	<b>1,362</b>	<b>109</b>	<b>1,222</b>	<b>98</b>	<b>1,612</b>	<b>129</b>
20 - of which: the Standardised Approach	6		3		1	
21 - of which: IMA	1,357	109	1,219	98	1,611	129
<b>22 Large exposures</b>						
<b>23 Operational risk</b>	<b>19,391</b>	<b>1,551</b>	<b>18,614</b>	<b>1,489</b>	<b>19,077</b>	<b>1,526</b>
24 - of which: basic indicator approach	910	73	825	66		
25 - of which: Standardised Approach					708	57
26 - of which: advanced measurement approach	18,481	1,478	17,789	1,423	18,369	1,470
<b>27 Amounts below the thresholds for deduction (subject to 250% risk weight)</b>	<b>1,582</b>	<b>127</b>	<b>1,482</b>	<b>119</b>	<b>1,533</b>	<b>123</b>
<b>28 Floor adjustment</b>						
<b>29 Total RWA</b>	<b>109,825</b>	<b>8,786</b>	<b>105,633</b>	<b>8,451</b>	<b>105,391</b>	<b>8,431</b>

Total risk weighted assets (RWA) increased to EUR 109.8 billion at 31 December 2019 (30 September: EUR 105.6 billion), mainly due to a rise in credit risk and operational risk. RWA for credit risk increased by EUR 5.3 billion owing to add-ons anticipating TRIM and model reviews based on preliminary ECB feedback and in anticipation of developments in 2020. RWA for operational risk increased by EUR 0.8 billion, mainly due to updated scenarios in the capital model, including the KYC/AML scenario.

## EU CR10 – IRB (specialised lending)

ABN AMRO does not apply the approach prescribed by CRR 153.5 (specialised lending slotting criteria approach).

## EU CR10 – IRB (equities)

							31 December 2019
(in millions)		On-balance sheet amount	Off-balance sheet amount	Risk weight	Exposure amount	RWA	Capital require- ments
1	Private equity exposures	657	113	190%	770	1,463	117
2	Exchange-traded equity exposures	28		290%	28	81	6
3	Other equity exposures	212		370%	212	785	63
4	<b>Total</b>	<b>897</b>	<b>113</b>		<b>1,010</b>	<b>2,328</b>	<b>186</b>
							30 June 2019
1	Private equity exposures	382	139	190%	521	991	79
2	Exchange-traded equity exposures	32		290%	32	94	8
3	Other equity exposures	625		370%	625	2,311	185
4	<b>Total</b>	<b>1,039</b>	<b>139</b>		<b>1,178</b>	<b>3,396</b>	<b>272</b>
							31 December 2018
1	Private equity exposures	451	29	190%	480	911	73
2	Exchange-traded equity exposures			290%			
3	Other equity exposures	463		370%	463	1,713	137
4	<b>Total</b>	<b>914</b>	<b>29</b>		<b>943</b>	<b>2,624</b>	<b>210</b>

The total RWA for equity decreased, primarily due to the divestment of equensWorldline.

### Overview of equities in banking book

(in millions)	Exposure value	Risk-weighted exposure amount	Capital requirement	Cumulative unrealised gains/losses	Gains/losses realised in the period
Investment portfolio	995	1,925	154	193	68
Strategic investment	598	1,749	140	32	17
<b>Total</b>	<b>1,593</b>	<b>3,674</b>	<b>294</b>	<b>225</b>	<b>86</b>

The total exposure value consists of EUR 957 million of private equity in sufficiently diversified portfolios (190% risk weight), EUR 395 million in significant financial institutions (250% risk weight), EUR 28 million in exchange-traded equity portfolios (290% risk weight) and EUR 212 million in other equity. The market value of exchange-traded equities in the banking book does not materially differ from the fair value.

### Definition of strategic equity investments

Strategic equity investments are defined as:

- investments by ABN AMRO Bank N.V. and its consolidated subsidiaries (referred to as 'ABN AMRO' or 'the bank') in the equity of another company;
- not being fully consolidated in the bank's balance sheet
- being invested in as part of ABN AMRO's strategy, as opposed to:
  - ▶ being client-related;
  - ▶ being held for trading;
  - ▶ having a private equity nature;
  - ▶ being a client of the Financial Restructuring and Recovery Department (FR&R);



4. being significant equity investments (non-binding condition). The threshold above which the equity investment is deemed significant in the context of economic capital measurement is determined by:

- ▶ if the equity investment is less than 10% of the total equity of the investee and has a book value that is greater than or equal to EUR 5 million;
- ▶ if the equity investment exceeds 10% of the total equity of the investee. This threshold has been set in line with the Basel II regulatory treatment of minority investments, i.e. participations, in financial and credit institutions;

### **EU INS1 – Non-deducted participations in insurance undertakings**

Template 8 of EBA PIII Guideline is not applicable as we do not apply the option provided for in CRR Article 49.1 of not deducting investments in insurance subsidiaries from regulatory capital. Instead, we record investments in insurance subsidiaries under significant investments in accordance with CRR Article 48.

# Credit risk and credit risk mitigation - general information

# Additional disclosures related to the credit quality of assets

## Forborne, past due and credit loss allowances

Loans at risk are primarily exposures for which there are signs indicating that the counterparty may become credit-impaired in the future. Loans at risk are classified into different risk categories for individual counterparties and into days-in-arrears buckets for groups of aggregated counterparties in order to optimise monitoring and review of these loans.

### Forbearance

Forbearance is the process of making concessions to clients who are or will soon be experiencing financial difficulty, with the intention of bringing them back within their payment capacity. A forborne asset is any contract that has been entered into with a counterparty who is in or about to face financial difficulty, and that has been refinanced or modified on terms and conditions that we would not have accepted if the counterparty had been financially healthy.

Forbearance measures can be applied to contracts on which the counterparty has already defaulted, as well as to contracts that are still performing.

A forborne contract will cease to qualify as forborne only when all the following conditions are met:

- ▶ The contract is considered performing;
- ▶ A minimum probation period of two years has passed from the date the forborne contract was considered performing;
- ▶ Regular payments of more than an insignificant amount of principal or interest have been made during at least half of the probation period;
- ▶ The counterparty does not have any contract, within the credit agreement, that is more than 30 days past due at the end of the probation period.

If the forborne contract is or has become non-performing at the time of the forbearance measure, a mandatory cure period of at least one year applies to the contract before it is returned to performing status. The cure period starts when the contract becomes non-performing or, if the contract was already non-performing, when the last forbearance measure was taken. More information about non-performing contracts can be found at the end of this section.

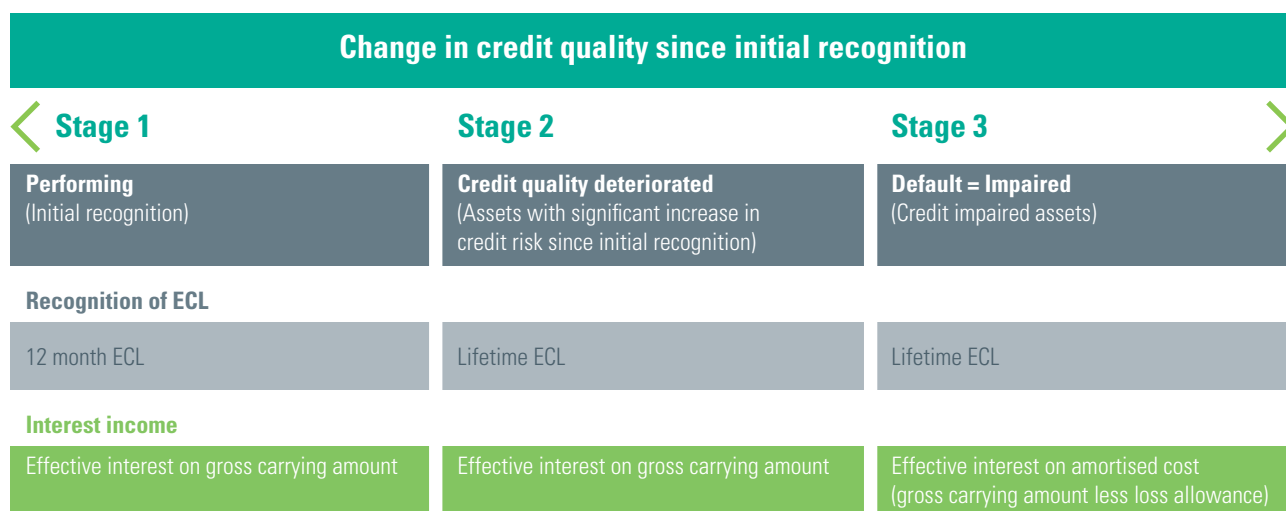
### Past due credit exposures

A financial asset is past due if a counterparty fails to make a payment on the contractual due date or if the counterparty has exceeded an agreed limit. ABN AMRO starts counting days past due from the first day that a counterparty is past due on any financial obligation.

### Determining general and specific credit risk adjustments

For specific and general credit risk adjustments we use the individual and modelled allowances for credit losses as calculated under IFRS. The remainder of this section provides more detail on the accounting policy for measuring allowances for credit losses.

ABN AMRO recognises loss allowances based on the expected credit loss model (ECL) of IFRS 9, which is designed to be forward-looking. The IFRS 9 impairment requirements are applicable to financial assets measured at amortised cost or fair value through other comprehensive income (FVOCI), loan commitments and financial guarantee contracts. These financial instruments are divided into three groups, depending on the stage of credit quality deterioration:



### Stage triggers

We use quantitative and qualitative stage triggers to determine whether a financial instrument should be classified as stage 1 or stage 2.

#### Quantitative stage trigger

The key quantitative metric determining when a financial instrument is transferred from stage 1 to stage 2 is the deterioration in the lifetime probability of default (LPD) from the date of origination to the reporting date, based on internal data. The LPD represents the likelihood that a counterparty will default during the lifetime of the financial instrument and depends on credit risk drivers such as:

- ▶ product characteristics (e.g. repayment and interest terms, term of the product);
- ▶ the financial condition of the borrower;
- ▶ the number of days past due;
- ▶ future developments in the economy.

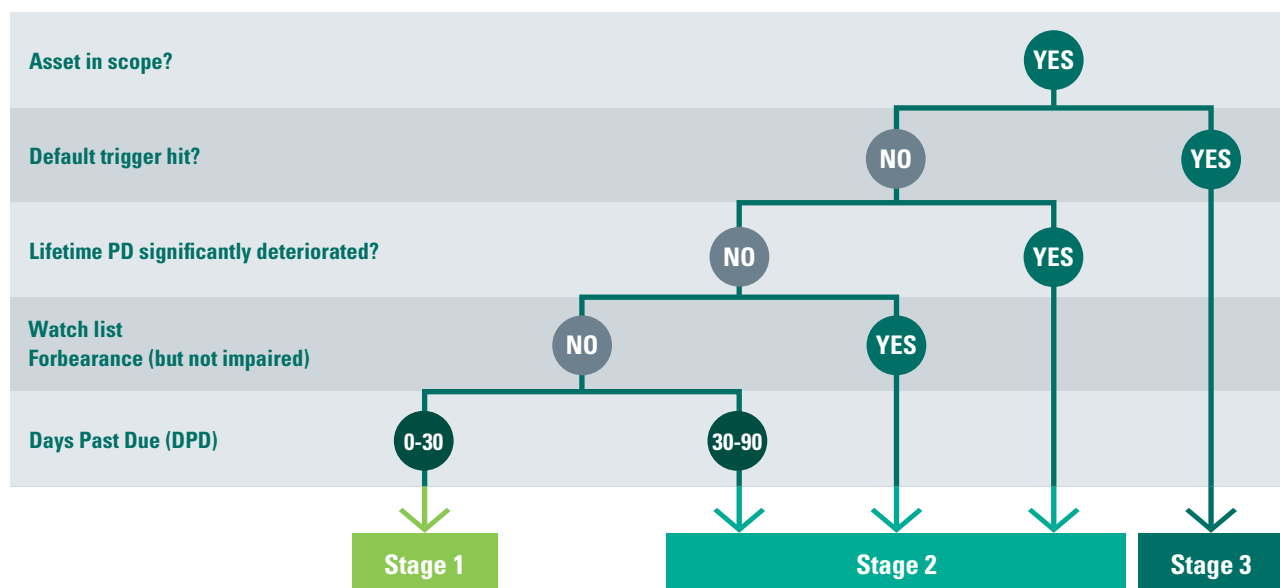
If the LPD deterioration of a counterparty is above a determined modelled threshold per portfolio, the counterparty is transferred from stage 1 to stage 2. Due to limitations in the availability of historical data, ABN AMRO currently uses a 12-month PD proxy for LPD as we consider the 12-month PD to be appropriately representative of LPD.

#### Qualitative stage triggers

The bank transfers a financial instrument from stage 1 to stage 2 if the instrument meets any one of the following qualitative triggers:

- ▶ Forborne status of a borrower;
- ▶ Watch status of a borrower. ABN AMRO assigns the watch status to counterparties with an increased credit risk. This process allows for intensive monitoring, early detection of deterioration in the credit portfolio and appropriate follow-up measures;
- ▶ The client has become non-performing (but not in default);
- ▶ A delinquency-based regulatory backstop is in place, such that the credit risk of financial assets that are more than 30 days past due will be assumed to have significantly increased.

A transfer to stage 3 will always be the result of the default of a financial instrument. A default is considered to have occurred when one of the default triggers (e.g. unlikelihood of payment, distressed debt restructuring, bankruptcy or fraud) has occurred. Our definitions of default and impairment are aligned. The change in definition of default with effect from 1 January 2020 will also affect the definition of stage 3.



Favourable changes in credit risk are recognised consistently with unfavourable changes in credit risk, except when applying a probation period for financial instruments that are forborne or more than 30 days past due. Forborne financial instruments are transferred back from stage 2 to stage 1 only after a two-year probation period and if exposure is not classified as non-performing. Stage 3 forborne instruments transfer back to stage 2 consistently with other defaulted instruments. For financial instruments that are 30 days past due, a three-month probation period is applied for transfers from stage 2 to stage 1.

### Calculation method

The amount of expected credit loss allowances is based on the probability-weighted present value of all expected cash shortfalls over the remaining life of the financial instrument for both on- and off-balance sheet exposures. ABN AMRO distinguishes between two types of calculation methods for credit loss allowances:

- ▶ Individual Lifetime ECL (LECL) for credit-impaired (stage 3) financial instruments with exposures above EUR 3 million;
- ▶ Collective 12-month ECL (stage 1) and LECL (stage 2 and 3) for financial instruments that have similar credit risk characteristics (e.g. residential mortgages, consumer loans, SME loans) are clustered in portfolios and collectively assessed for impairment losses. A collective impairment calculation approach based on individual parameters is also applied to stage 3 exposures below EUR 3 million. ABN AMRO has introduced models to quantify the Probability of Loss (PL), Loss Given Loss (LGL) and Exposure at Loss (EAL) for the purpose of calculating the collective 12-month ECL and LECL for these financial instruments.

### Lifetime expected credit loss

ABN AMRO defines the lifetime of credit as the maximum contractual period over which the bank is exposed to credit risk and not a longer period, even if that longer period is consistent with business practice. For some contracts, such as overdraft facilities or credit card, no end date is specified or amounts can be contractually withdrawn by the lender at short notice. In these cases, ABN AMRO uses behavioural maturity models that rely on historical client behaviour to determine future expected exposures.

### Forward-looking information

For expected credit loss calculations, ABN AMRO uses three different scenarios of future economic developments: a baseline (or most likely) scenario, a negative scenario and a positive scenario. The three scenarios are incorporated into the expected credit loss calculation and risk stage determination in a probability-weighted manner (at 31 December 2019: baseline 60%, up 15%, down 25%). ABN AMRO has also aligned its forward-looking scenarios with those used in the budgeting process.

The baseline scenario is based on Group Economics' regular macroeconomic and interest-rate forecasts for the current and next year and is reviewed at each reporting date. The Group Economics analysts consider a range of external sources in order to develop the forecasts for the different macroeconomic variables (MEVs) required, including GDP, the unemployment rate, the housing price index, oil prices and 3-month Euribor. They check their views and assumptions against external views and assumptions. The preliminary forecasts for the different countries undergo a challenge process to ensure they are reasonable and consistent. To reduce the risk of biased forecasts, the final MEVs are again checked against external forecasts and then submitted to the Scenario and Stress-testing Committee for approval.

Both alternative scenarios reflect the lower and upper levels for the different macroeconomic variables, whereby the whole range is meant to cover roughly 85% of the possible economic future. For most MEVs, Group Economics uses its standard deviations. These are calculated on the basis of realised figures in the past few decades. The extent to which MEVs actually deviate over time from their historical means reflects the past materialisation of negative and positive risks in the economy. A probability of about 85% roughly corresponds to a standard deviation of plus and minus one and a half.

For the purpose of scenario analysis, the forecasts are extended to a five-year period. It is assumed that MEVs gradually move to their potential or equilibrium values after the second year. For each specific portfolio, a selection of variables is made for calculating the expected credit loss, based on statistical relevance and expert judgment.

### Non-performing versus default and impaired

For reporting purposes, and to calculate the correct impairment allowances, ABN AMRO distinguishes between performing and non-performing exposures. The criteria for non-performing exposures are broader than those applying to default.

- ▶ An exposure is qualified as non-performing if it is:
  - ▶ in default; or
  - ▶ a performing forbore exposure in a probation period that was classified as non-performing at the time of the latest forbearance measure or as a consequence of entering the forbearance status and on which an additional forbearance measure is imposed; or
  - ▶ a performing forbore exposure in a probation period that was classified as non-performing at the time of the latest forbearance measure or as a consequence of entering the forbearance status and becomes more than 30 days past due.
- ▶ An exposure is categorised as non-performing for the entire amount, taking no account of any available collateral, and including the following revocable and irrevocable off-balance sheet items:
  - ▶ loan commitments;
  - ▶ financial guarantees at risk of being called, including the underlying guaranteed exposure that meets the criteria of non-performing;
  - ▶ any other financial commitments.

The non-performing classification typically ends when the counterparty is no longer in default. For non-performing exposures that are not in default, a cure period of at least 12 months applies from the date the exposure became non-performing. After this 12-month period, an assessment is made to establish whether the improvement of the credit quality is factual and permanent (including a requirement for no past due amounts). This is comparable to the out-of-default assessment.

### Cured financial assets

When a credit impaired financial asset cures, the interest that was previously unrecognised is reported as an impairment release in the impairment charge rather than as a credit to the interest income calculated using the effective interest method.

## Write-off

A loan is written off against the related loan loss allowance if the likelihood of repayment falls below a certain point or the financial asset reaches a certain stage of delinquency.

- ▶ For non-programme lending, a write-off must be taken if all possible means of recovery have been exhausted and it has become clear that there is a low probability of recovering the debt, either in part or full.
- ▶ Most of the programme lending facilities are automatically written-off after 1,080 days in default.

Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to impairment charges on loans and advances in the income statement.

## EU CRB-B – Total and average net amount of exposures

(in millions)	31 December 2019	Average amount over 2019	31 December 2018
	Net exposure	Net exposure	Net exposure
1 Central governments or central banks	61,340	64,406	68,421
2 Institutions	11,229	11,435	11,865
3 Corporates	156,575	187,300	205,645
4 - of which: Specialised lending	41,940	44,437	46,857
5 - of which: SMEs	31,131	31,791	32,604
6 Retail	180,681	182,126	182,897
7 Secured by real estate property	162,545	163,143	163,097
8 - of which: SMEs	4,131	4,061	4,002
9 - of which: Non-SMEs	158,414	159,082	159,095
10 Qualifying revolving	10,345	10,646	11,099
11 Other retail	7,791	8,337	8,701
12 - of which: SMEs	4,402	4,515	4,691
13 - of which: Non-SMEs	3,389	3,821	4,010
14 Equity	1,010	1,039	943
<b>15 Total IRB approach</b>	<b>410,836</b>	<b>446,305</b>	<b>469,771</b>
16 Central governments or central banks	250	285	116
17 Regional governments or local authorities			
18 Public sector entities			
19 Multilateral Development Banks	942	879	688
20 International organisations	5,029	5,060	4,710
21 Institutions	15,317	5,453	1,842
22 Corporates	16,741	7,846	4,459
23 - of which: SMEs	3,149	2,848	2,657
24 Retail	4,851	4,854	4,808
25 - of which: SMEs	110	116	121
26 Secured by mortgages on immovable property	928	919	770
27 - of which: SMEs	113	94	92
28 Exposure in default	143	96	58
29 Items associated with particularly high risk			
30 Covered bonds			
31 Claims on institutions and corporates with a short-term credit assesment			
32 Collective investment undertakings (CIU)	178	178	174
33 Equity exposures			
34 Other exposures	1,492	1,579	1,351
<b>35 Total Standardised Approach</b>	<b>45,873</b>	<b>27,150</b>	<b>18,976</b>
<b>36 Total</b>	<b>456,708</b>	<b>473,455</b>	<b>488,747</b>

The decrease in IRB net exposure relates primarily to the approach in our clearing activities changing to Standardised Approach and the resultant increase in standardised net exposure. In addition, lower positions with central banks and the CIB refocus resulted in lower IRB net exposures for the exposure classes of central governments and central banks, and corporates.



## EU CRB-C – Geographical breakdown of exposures

The geographical distribution of exposures is broken down into significant areas. A geographical area is considered significant, and shown separately, if the total exposure to this area accounts for more than 5% of the bank's consolidated exposure. This aligns with the DNB country report and the breakdown in the Annual Financial Statements.

		31 December 2019					
(in millions)		Netherlands	Rest of Europe	USA	Asia	Rest of world	Total
1	Central governments or central banks	31,377	18,563	6,859	3,328	1,213	61,340
2	Institutions	3,606	5,399	747	1,232	245	11,229
3	Corporates	76,654	42,723	12,680	14,007	10,512	156,575
4	Retail	179,897	597	50	80	56	180,681
5	Equity	812	152	46			1,010
6	<b>Total IRB approach</b>	<b>292,346</b>	<b>67,434</b>	<b>20,383</b>	<b>18,647</b>	<b>12,026</b>	<b>410,836</b>
7	Central governments or central banks		248		2		250
8	Regional governments or local authorities						
9	Public sector entities						
10	Multilateral development banks		297	22		622	942
11	International organisations		4,980	49			5,029
12	Institutions	3,346	3,374	6,690	625	1,282	15,317
13	Corporates	3,705	6,441	3,875	1,083	1,637	16,741
14	Retail	4,595	227	1	10	18	4,851
15	Secured by mortgages on immovable property	869	21			37	928
16	Exposures in default	32	111				143
17	Items associated with particularly high risk						
18	Covered bonds						
19	Claims on institutions and corporates with a short-term credit assessment						
20	Collective investments undertakings			178			178
21	Equity exposures						
22	Other exposures	1,492					1,492
23	<b>Total Standardised Approach</b>	<b>14,041</b>	<b>15,700</b>	<b>10,816</b>	<b>1,719</b>	<b>3,597</b>	<b>45,873</b>
24	<b>Total</b>	<b>306,387</b>	<b>83,133</b>	<b>31,199</b>	<b>20,366</b>	<b>15,622</b>	<b>456,708</b>

31 December 2018

(in millions)	Netherlands	Rest of Europe	USA	Asia	Rest of world	Total
1 Central governments or central banks	38,180	20,431	6,948	1,468	1,394	68,421
2 Institutions	3,431	5,378	1,257	1,626	173	11,865
3 Corporates	98,450	46,734	27,340	19,908	13,213	205,645
4 Retail	182,042	642	56	90	67	182,897
5 Equity	869	49	24			943
<b>6 Total IRB approach</b>	<b>322,972</b>	<b>73,234</b>	<b>35,625</b>	<b>23,092</b>	<b>14,847</b>	<b>469,771</b>
7 Central governments or central banks		116				116
8 Regional governments or local authorities						
9 Public sector entities						
10 Multilateral development banks		182	22		483	688
11 International organisations		4,710				4,710
12 Institutions	2	1,472	24	343		1,842
13 Corporates	1,654	2,442		299	64	4,459
14 Retail	4,562	219	1	12	16	4,808
15 Secured by mortgages on immovable property	744	24			1	770
16 Exposures in default	20	38				58
17 Items associated with particularly high risk						
18 Covered bonds						
19 Claims on institutions and corporates with a short-term credit assessment						
20 Collective investments undertakings			174			174
21 Equity exposures						
22 Other exposures	1,351					1,351
<b>23 Total Standardised Approach</b>	<b>8,333</b>	<b>9,203</b>	<b>221</b>	<b>654</b>	<b>564</b>	<b>18,976</b>
<b>24 Total</b>	<b>331,305</b>	<b>82,437</b>	<b>35,846</b>	<b>23,746</b>	<b>15,411</b>	<b>488,747</b>

The decrease in exposure was due to a decline in the Netherlands, the United States and Asia and related mainly to movements in the corporates exposure class. Both Commercial Banking and Corporate & Institutional Banking contributed to the decline in the Netherlands, while Corporate & Institutional Banking was also responsible for the declines in the United States and Asia.

## EU CRB-D – Concentration of exposures by industry or counterparty type

31 December 2019

(in millions)		Agriculture, forestry & fishing	Mining & quarrying	Manufacturing	Electricity, gas, steam & air conditioning supply	Water supply	Construction	Wholesale & retail trade	Transport & storage	Accommodation & food service activities	Information & communication	Financial & insurance activities
1	Central governments or central banks				474						16	30,255
2	Institutions											11,227
3	Corporates	6,680	11,311	16,222	3,487	757	6,454	41,879	15,040	1,263	3,894	19,470
4	Retail	1,583	3	684	4	26	701	1,865	423	426	186	304
5	Equity											
6	<b>Total IRB approach</b>	<b>8,264</b>	<b>11,313</b>	<b>16,907</b>	<b>3,965</b>	<b>783</b>	<b>7,155</b>	<b>43,744</b>	<b>15,464</b>	<b>1,689</b>	<b>4,096</b>	<b>61,255</b>
7	Central governments or central banks											2
8	Regional governments or local authorities											
9	Public sector entities											
10	Multilateral development banks											61
11	International organisations											49
12	Institutions											15,140
13	Corporates	9	199	1,314	61	77	48	904	142	12	219	10,703
14	Retail			1			2	10	1	2	1	50
15	Secured by mortgages on immovable property	2		2				5	37			1
16	Exposures in default			87			1	5	11			2
17	Items associated with particularly high risk											
18	Covered bonds											
19	Claims on institutions and corporates with a short-term credit assessment											
20	Collective investments undertakings											
21	Equity exposures											
22	Other exposures											
23	<b>Total Standardised Approach</b>	<b>11</b>	<b>199</b>	<b>1,405</b>	<b>61</b>	<b>77</b>	<b>51</b>	<b>923</b>	<b>190</b>	<b>14</b>	<b>220</b>	<b>26,009</b>
24	<b>Total</b>	<b>8,275</b>	<b>11,512</b>	<b>18,312</b>	<b>4,026</b>	<b>860</b>	<b>7,205</b>	<b>44,667</b>	<b>15,654</b>	<b>1,703</b>	<b>4,316</b>	<b>87,264</b>

31 December 2019

(in millions)		Real estate activities	Professional, scientific & technical activities	Administrative & support service activities	Public administration & defence, compulsory social security	Education	Human health services & social work activities	Arts, entertainment & recreation	Other services	Activities of households as employers <sup>1)</sup>	Activities of extra-territorial organisations & bodies	Total
1	Central governments or central banks	32			30,471	18	75					61,340
2	Institutions								2			11,229
3	Corporates	7,825	2,448	6,300	119	166	3,419	802	639	8,400		156,575
4	Retail	334	632	343	5	62	1,006	188	8,029	163,877		180,681
5	Equity								1,010			1,010
6	<b>Total IRB approach</b>	<b>8,190</b>	<b>3,080</b>	<b>6,643</b>	<b>30,595</b>	<b>246</b>	<b>4,501</b>	<b>989</b>	<b>9,680</b>	<b>172,277</b>	<b>1</b>	<b>410,836</b>
7	Central governments or central banks				10				238			250
8	Regional governments or local authorities											
9	Public sector entities											
10	Multilateral development banks										881	942
11	International organisations				3,475						1,505	5,029
12	Institutions								177			15,317
13	Corporates	164	75	418		5	35	15	522	1,822		16,742
14	Retail	2	9	2			11	2	2,452	2,305		4,850
15	Secured by mortgages on immovable property	67	2	6						806		928
16	Exposures in default	2	1	7						26		143
17	Items associated with particularly high risk											
18	Covered bonds											
19	Claims on institutions and corporates with a short-term credit assessment											
20	Collective investments undertakings								178			178
21	Equity exposures											
22	Other exposures								1,492			1,492
23	<b>Total Standardised Approach</b>	<b>235</b>	<b>86</b>	<b>433</b>	<b>3,485</b>	<b>5</b>	<b>46</b>	<b>17</b>	<b>5,059</b>	<b>4,959</b>	<b>2,386</b>	<b>45,872</b>
24	<b>Total</b>	<b>8,426</b>	<b>3,166</b>	<b>7,076</b>	<b>34,080</b>	<b>252</b>	<b>4,547</b>	<b>1,006</b>	<b>14,739</b>	<b>177,236</b>	<b>2,387</b>	<b>456,708</b>

1. Comprises undifferentiated goods and services producing activities of households for own use

31 December 2018

(in millions)		Agriculture, forestry & fishing	Mining & quarrying	Manufacturing	Electricity, gas, steam & air conditioning supply	Water supply	Construction	Wholesale & retail trade	Transport & storage	Accommodation & food service activities	Information & communication	Financial & insurance activities
1	Central governments or central banks				165			96			16	38,466
2	Institutions											11,658
3	Corporates	6,882	13,527	18,952	3,404	874	6,771	47,434	16,268	1,212	3,744	52,616
4	Retail	1,499	2	713	2	27	648	1,984	396	415	195	301
5	Equity											
6	<b>Total IRB approach</b>	<b>8,381</b>	<b>13,529</b>	<b>19,666</b>	<b>3,570</b>	<b>901</b>	<b>7,419</b>	<b>49,514</b>	<b>16,663</b>	<b>1,627</b>	<b>3,955</b>	<b>103,040</b>
7	Central governments or central banks											
8	Regional governments or local authorities											
9	Public sector entities											
10	Multilateral development banks											18
11	International organisations											
12	Institutions											1,648
13	Corporates	4		732	6	15	31	1,059	75	2	185	98
14	Retail			3			1	10	1	2	1	56
15	Secured by mortgages on immovable property			4			2	9				2
16	Exposures in default			4			1	17	13			
17	Items associated with particularly high risk											
18	Covered bonds											
19	Claims on institutions and corporates with a short-term credit assessment											
20	Collective investments undertakings											174
21	Equity exposures											
22	Other exposures											
23	<b>Total Standardised Approach</b>	<b>5</b>		<b>743</b>	<b>6</b>	<b>15</b>	<b>35</b>	<b>1,095</b>	<b>88</b>	<b>4</b>	<b>186</b>	<b>1,996</b>
24	<b>Total</b>	<b>8,386</b>	<b>13,529</b>	<b>20,409</b>	<b>3,576</b>	<b>916</b>	<b>7,454</b>	<b>50,609</b>	<b>16,751</b>	<b>1,631</b>	<b>4,141</b>	<b>105,036</b>

31 December 2018

(in millions)		Real estate activities	Professional, scientific & technical activities	Administrative & support service activities	Public administration & defence, compulsory social security	Education	Human health services & social work activities	Arts, entertainment & recreation	Other services	Activities of households as employers <sup>1)</sup>	Activities of extraterritorial organisations & bodies	Total
1	Central governments or central banks			113	29,028	18	232		287			68,421
2	Institutions								207			11,865
3	Corporates	8,985	2,277	6,606	48	185	3,642	889	2,027	9,302		205,645
4	Retail	308	702	349	2	59	986	392	8,098	165,819		182,897
5	Equity								943			943
<b>Total IRB approach</b>		<b>9,294</b>	<b>2,980</b>	<b>7,068</b>	<b>29,078</b>	<b>262</b>	<b>4,860</b>	<b>1,280</b>	<b>11,562</b>	<b>175,121</b>	<b>1</b>	<b>469,771</b>
7	Central governments or central banks								116			116
8	Regional governments or local authorities											
9	Public sector entities											
10	Multilateral development banks										670	688
11	International organisations				3,160						1,550	4,710
12	Institutions								194			1,842
13	Corporates	220	81	443		6	44	14	651	792		4,459
14	Retail	3	10	3		1	11	2	2,461	2,243		4,808
15	Secured by mortgages on immovable property	77	1	2				2		671		770
16	Exposures in default		1	6						16		58
17	Items associated with particularly high risk											
18	Covered bonds											
19	Claims on institutions and corporates with a short-term credit assessment											
20	Collective investments undertakings											174
21	Equity exposures											
22	Other exposures								1,351			1,351
<b>Total Standardised Approach</b>		<b>301</b>	<b>93</b>	<b>454</b>	<b>3,160</b>	<b>7</b>	<b>54</b>	<b>18</b>	<b>3,424</b>	<b>3,720</b>	<b>2,220</b>	<b>18,976</b>
24	<b>Total</b>	<b>9,595</b>	<b>3,073</b>	<b>7,522</b>	<b>32,238</b>	<b>269</b>	<b>4,914</b>	<b>1,298</b>	<b>14,854</b>	<b>178,843</b>	<b>2,221</b>	<b>488,747</b>

1. Comprises undifferentiated goods and services producing activities of households for own use

The decrease in exposure is mainly visible in financial institutions, due to lower clearing exposures. The lower volumes in mining & quarrying, manufacturing, and wholesale and retail trade were mainly within CIB.

## EU CRB-E – Maturity of exposures

31 December 2019

Net exposure value

(in millions)	On demand	≤ 1 year	> 1 year ≤ 5 years	> 5 years	No stated maturity	Total
1 Central governments or central banks	25,133	9,388	15,874	10,945		61,340
2 Institutions	97	3,819	5,038	2,276		11,229
3 Corporates	18,313	31,266	67,546	39,450		156,575
4 Retail	5,256	1,170	15,137	159,118		180,681
5 Equity					1,010	1,010
<b>6 Total IRB approach</b>	<b>48,799</b>	<b>45,642</b>	<b>103,595</b>	<b>211,789</b>	<b>1,010</b>	<b>410,836</b>
7 Central governments or central banks		2		248		250
8 Regional governments or local authorities						
9 Public sector entities						
10 Multilateral development banks		4	258	679		942
11 International organisations		55	2,247	2,727		5,029
12 Institutions		15,196		122		15,317
13 Corporates	1,416	13,102	1,627	596		16,741
14 Retail	1,697	836	1,921	396		4,851
15 Secured by mortgages on immovable property	2	6	62	858		928
16 Exposures in default	1	117	5	22		143
17 Items associated with particularly high risk						
18 Covered bonds						
19 Claims on institutions and corporates with a short-term credit assessment						
20 Collective investments undertakings		178				178
21 Equity exposures						
22 Other exposures			1,492			1,492
<b>23 Total Standardised Approach</b>	<b>3,115</b>	<b>29,497</b>	<b>7,613</b>	<b>5,648</b>		<b>45,873</b>
<b>24 Total</b>	<b>51,914</b>	<b>75,139</b>	<b>111,208</b>	<b>217,438</b>	<b>1,010</b>	<b>456,708</b>

31 December 2018

Net exposure value

(in millions)	On demand	≤ 1 year	> 1 year ≤ 5 years	> 5 years	No stated maturity	Total
1 Central governments or central banks	32,183	8,072	14,489	13,677		68,421
2 Institutions	45	4,020	5,117	2,683		11,865
3 Corporates	20,794	63,196	71,825	49,830		205,645
4 Retail	6,425	1,213	15,357	159,902		182,897
5 Equity					943	943
<b>6 Total IRB approach</b>	<b>59,447</b>	<b>76,501</b>	<b>106,788</b>	<b>226,092</b>	<b>943</b>	<b>469,771</b>
7 Central governments or central banks				116		116
8 Regional governments or local authorities						
9 Public sector entities						
10 Multilateral development banks			52	636		688
11 International organisations		435	1,802	2,472		4,710
12 Institutions		1,796		45		1,842
13 Corporates	1,083	1,759	852	765		4,459
14 Retail	1,686	10	2,728	385		4,808
15 Secured by mortgages on immovable property	2	3	23	742		770
16 Exposures in default	3	38	5	12		58
17 Items associated with particularly high risk						
18 Covered bonds						
19 Claims on institutions and corporates with a short-term credit assessment						
20 Collective investments undertakings		174				174
21 Equity exposures						
22 Other exposures			1,351			1,351
<b>23 Total Standardised Approach</b>	<b>2,774</b>	<b>4,215</b>	<b>6,813</b>	<b>5,173</b>		<b>18,976</b>
<b>24 Total</b>	<b>62,221</b>	<b>80,716</b>	<b>113,601</b>	<b>231,265</b>	<b>943</b>	<b>488,747</b>

The decrease in exposure is primarily visible in short-term exposures. This decrease relates mainly to the shift in approach for the clearing activities from IRB to the Standardised Approach (SA).



## EU CR1-A – Credit quality of exposures by exposure class and instrument

		Gross carrying values of								
(in millions)		Defaulted exposures (a)	Non-defaulted exposures (b)	Specific credit risk adjustment (c)	General credit risk adjustment (d) <sup>1)</sup>	Accumulated write-offs (e)	Credit risk adjustment charges for the period (f)	31 December 2019 Net values a+b-c-d	30 June 2019 Net values	31 December 2018 Net values
1	Central governments or central banks		61,346	6			3	61,340	64,416	68,421
2	Institutions		11,232	3			-6	11,229	10,837	11,865
3	Corporates	6,715	151,623	1,763		235	-156	156,575	195,047	205,645
4	- of which: Specialised lending	1,060	41,223	343		55	57	41,940	44,265	46,858
5	- of which: SMEs	1,640	29,977	486		59	-8	31,131	31,831	32,604
6	Retail	1,560	179,504	383		56	137	180,681	182,567	182,897
	Secured by real estate property	1,164	161,536	155		22	78	162,545	163,339	163,098
8	- of which: SMEs	112	4,054	35		6	13	4,131	4,027	4,002
9	- of which: Non-SMEs	1,053	157,481	120		16	65	158,414	159,311	159,095
10	Qualifying revolving	146	10,312	112		15	13	10,345	10,700	11,098
11	Other retail	250	7,656	115		18	45	7,791	8,530	8,701
12	- of which: SMEs	212	4,272	82		15	28	4,402	4,497	4,691
13	- of which: Non-SMEs	38	3,385	33		3	17	3,389	4,031	4,011
14	Equity		1,010					1,010	1,178	943
15	<b>Total IRB approach</b>	<b>8,275</b>	<b>404,715</b>	<b>2,154</b>		<b>291</b>	<b>-23</b>	<b>410,836</b>	<b>454,045</b>	<b>469,771</b>
16	Central governments or central banks		250					250	643	116
17	Regional governments or local authorities									
18	Public sector entities									
19	Multilateral Development Banks		942					942	924	688
20	International organisations		5,029					5,029	5,148	4,710
21	Institutions		15,317					15,317	2,295	1,842
22	Corporates		16,866	125		51	83	16,741	4,961	4,459
23	- of which: SMEs		3,151	2		1	-6	3,149	2,687	2,657
24	Retail		4,891	40		10	30	4,851	4,870	4,808
25	- of which: SMEs		109					109	122	122
26	Secured by mortgages on immovable property		928				-1	928	860	770
27	- of which: SMEs		113					113	93	92
28	Exposure in default	255		112		62	43	143	87	58
29	Items associated with particularly high risk									
30	Covered bonds									
31	Claims on institutions and corporates with a short-term credit assessment									
32	Collective investment undertakings (CIU)		178					178	176	174
33	Equity exposures									
34	Other exposures		1,492					1,492	1,810	1,351
35	<b>Total Standardised Approach</b>	<b>255</b>	<b>45,894</b>	<b>277</b>		<b>124</b>	<b>155</b>	<b>45,873</b>	<b>21,774</b>	<b>18,976</b>
36	<b>Total</b>	<b>8,530</b>	<b>450,609</b>	<b>2,431</b>		<b>415</b>	<b>132</b>	<b>456,708</b>	<b>475,819</b>	<b>488,747</b>

1. Following the opinion of EBA all IFRS 9 provisions should be considered as Specific Credit Adjustments.

The decrease in IRB net exposure values is primarily related to the change in the approach for the clearing activities to Standardised Approach, hence the increase in standardised net exposure values. In addition, lower positions with central banks and the refocus of CIB resulted in lower IRB net exposure for the exposure classes of central governments or central banks, and corporates.

## EU CR1-B – Credit quality of exposures by industry or counterparty type

		Gross carrying values of								
(in millions)		Defaulted exposures (a)	Non-defaulted exposures (b)	Specific credit risk adjustment (c)	General credit risk adjustment (d) <sup>1)</sup>	Accumulated write-offs (e)	Credit risk adjustment charges for the period (f)	31 December 2019 Net values a+b-c-d	30 June 2019 Net values	31 December 2018 Net values
1	Agriculture, forestry & fishing	425	7,954	105		10	41	8,275	8,295	8,387
2	Mining & quarrying	1,187	10,575	249		50	27	11,512	11,945	13,529
3	Manufacturing	1,479	17,093	258		50	41	18,313	18,936	20,409
4	Electricity, gas, steam & air conditioning supply	4	4,025	2			-25	4,026	3,578	3,577
5	Water supply	82	794	16		26	13	860	864	916
6	Construction	298	7,054	147		8	-17	7,205	6,773	7,454
7	Wholesale & retail trade	1,024	44,017	374		36	19	44,667	47,015	50,609
8	Transport & storage	1,326	17,585	359		59	133	18,552	17,334	16,752
9	Accommodation & food service activities	37	1,681	15		3		1,703	1,684	1,631
10	Information & communication	52	4,292	28		2	-22	4,316	4,110	4,141
11	Financial & insurance activities	174	83,504	189		99	90	83,488	97,953	105,034
12	Real estate activities	116	8,305	46		4	-4	8,376	8,842	9,595
13	Professional, scientific & technical activities	88	2,690	34		4	2	2,744	3,284	3,072
14	Administrative & support service activities	236	5,079	35		5	7	5,280	6,894	7,521
15	Public administration & defence, compulsory social security		34,082	1				34,080	34,107	32,238
16	Education	5	250	3				252	306	269
17	Human health services & social work activities	456	4,152	60		2	-17	4,548	4,749	4,914
18	Arts, entertainment & recreation	66	961	21		2	-4	1,006	1,065	1,299
19	Other services	72	17,922	112		3	-254	17,882	16,833	16,335
20	Activities of households as employers; undifferentiated goods - & services - producing activities of households for own use	1,406	176,208	377		52	103	177,237	178,864	178,843
21	Activities of extraterritorial organisations & bodies		2,387					2,387	2,387	2,221
22	<b>Total</b>	<b>8,530</b>	<b>450,609</b>	<b>2,431</b>		<b>415</b>	<b>132</b>	<b>456,708</b>	<b>475,819</b>	<b>488,747</b>

1. Following the opinion of EBA all IFRS 9 provisions should be considered as Specific Credit Adjustments.

Stage 3 exposure increased in 2019, mainly due to clients transferred from stage 2 to stage 3. The main contributions to these transfers came from corporate loans within the industrial goods and services and the food and beverage sectors in Corporate & Institutional Banking and the healthcare sector in Commercial Banking. The increase in stage 3 exposure to private individuals was attributable to the increase in residential mortgages, where recalibration of UTP triggers resulted in an increase of EUR 370 million in exposure stage 3. This increase was partly offset by a decline for private individuals, reflecting the housing market and the Dutch economy.

## EU CR1-C – Credit quality of exposures by geography

		Gross carrying values of								
(in millions)		Defaulted exposures (a)	Non-defaulted exposures (b)	Specific credit risk adjustment (c)	General credit risk adjustment (d) <sup>1)</sup>	Accumulated write-offs (e)	Credit risk adjustment charges for the period (f)	31 December 2019 Net values a+b-c-d	30 June 2019 Net values	31 December 2018 Net values
1	Europe	7,477	384,050	2,006		330	102	389,521	404,554	413,744
2	Netherlands	6,149	301,845	1,607		297	7	306,387	321,963	331,306
3	Rest of Europe	1,327	82,205	399		33	95	83,133	82,591	82,438
4	USA	317	30,991	110		39	-9	31,199	35,273	35,848
5	Asia	182	20,277	94		31	7	20,366	21,838	23,743
6	Rest of world	554	15,290	222		14	32	15,622	14,155	15,412
7	<b>Total</b>	<b>8,530</b>	<b>450,609</b>	<b>2,431</b>		<b>415</b>	<b>132</b>	<b>456,708</b>	<b>475,819</b>	<b>488,747</b>

1. Following the opinion of EBA all IFRS 9 provisions should be considered as Specific Credit Adjustments.

The decrease in exposure was due to a decline in the Netherlands, the United States and Asia, and related mainly to movements in the corporates exposure class. Both Commercial Banking and Corporate & Institutional Banking contributed to the decline in the Netherlands, while Corporate & Institutional Banking was also responsible for the declines in the United States and Asia.

### Template 1: Credit quality of forborne exposures

The previously reported templates EU CR1-D – Ageing of past-due exposures and EU CR1-E – Non-performing and forborne exposures have been replaced by the templates from the EBA guidelines on non-performing and forborne exposures. These guidelines include a proportionality principle based on a threshold of the relative amount of non-performing exposures on the balance sheet. Because ABN AMRO is below this threshold, only the following four templates are presented: 1. Credit quality of forborne exposures; 3. Credit quality of performing and non-performing exposures by past due days; 4. Performing and non-performing exposures and related provisions, and 9. Collateral obtained by taking possession and execution processes.

										31 December 2019							
										Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures					
Gross carrying amount/nominal amount of exposures with forbearance measures																	
										On performing forborne exposures		On non-performing forborne exposures		Of which received on non-performing exposures with forbearance measures			
										Performing forborne		Non-performing forborne		Of which defaulted		Of which impaired	
(in millions)																	
1	<b>Loans and advances</b>	2,538	3,827	3,619	3,619	58	1,024	4,117	2,442								
2	<i>Central banks</i>																
3	<i>General governments</i>	6						6									
4	<i>Credit institutions</i>																
5	<i>Other financial corporations</i>	37	33	33	33		29	37	1								
6	<i>Non-financial corporations</i>	1,889	3,127	3,040	3,040	18	906	3,115	1,904								
7	<i>Households</i>	607	667	546	546	39	89	959	537								
8	<b>Debt Securities</b>																
9	<b>Loan commitments given</b>	508	393	391	391			182	51								
10	<b>Total</b>	<b>3,046</b>	<b>4,219</b>	<b>4,010</b>	<b>4,010</b>	<b>58</b>	<b>1,024</b>	<b>4,298</b>	<b>2,492</b>								

In 2019, forborne loans and advances increased to EUR 6.4 billion from EUR 5.8 billion in 2018. The increase in forborne contracts in non-financial corporations was mainly due to the inflow in Commercial Banking and CIB portfolios. The increase was attributable to the food and beverage sector in the Netherlands and to the oil and gas sector in the United States, Asia and the Rest of the World. The increase in non-performing forborne exposures in households was mainly driven by the inflow of residential mortgages, related to changes in the definition of unlikely-to-pay (UTP) contracts and payment agreements.

**Template 3: Credit quality of performing and non-performing exposures by past due days**

31 December 2019

(in millions)	Performing exposures	Gross carrying amount/nominal amount	
		not past due + past due ≤30 days	Past due >30 days ≤90 days
<b>1 Loans and advances</b>	<b>310,985</b>	<b>310,371</b>	<b>614</b>
2 <i>Central banks</i>	28,032	28,032	
3 <i>General governments</i>	1,375	1,375	
4 <i>Credit institutions</i>	9,280	9,280	
5 <i>Other financial corporations</i>	32,123	32,122	1
6 <i>Non-financial corporations</i>	77,347	77,009	338
7 <i>- of which SMEs</i>	17,697	17,637	60
8 <i>Households</i>	162,828	162,553	274
<b>9 Debt securities</b>	<b>44,415</b>	<b>44,415</b>	
10 <i>Central banks</i>			
11 <i>General governments</i>	37,913	37,913	
12 <i>Credit institutions</i>	5,734	5,734	
13 <i>Other financial corporations</i>	747	747	
14 <i>Non-financial corporations</i>	20	20	
<b>15 Off-balance-sheet exposures</b>	<b>116,920</b>		
16 <i>Central banks</i>	57		
17 <i>General governments</i>	1,771		
18 <i>Credit institutions</i>	3,190		
19 <i>Other financial corporations</i>	30,752		
20 <i>Non-financial corporations</i>	61,172		
21 <i>Households</i>	19,978		
<b>22 Total</b>	<b>472,320</b>	<b>354,786</b>	<b>614</b>

31 December 2019

Gross carrying amount/nominal amount

(in millions)		Non-performing exposures							Of which defaulted	
		UTP, past due ≤90 days	Past due >90 days ≤180 days	Past due >180 days ≤1 year	Past due >1 year ≤2 year	Past due >2 years ≤5 years	Past due >5 years ≤7 years	Past due >7 years		
1	<b>Loans and advances</b>	<b>6,987</b>	<b>5,434</b>	<b>356</b>	<b>174</b>	<b>421</b>	<b>345</b>	<b>179</b>	<b>78</b>	<b>6,780</b>
2	Central banks									
3	General governments									
4	Credit institutions									
5	Other financial corporations	119	13	28			32	33	13	119
6	Non-financial corporations	5,211	4,291	190	68	273	229	116	43	5,124
7	- of which SMEs	1,674	1,191	70	27	108	163	74	41	1,634
8	Households	1,658	1,130	138	106	147	84	30	23	1,537
9	<b>Debt securities</b>									
10	Central banks									
11	General governments									
12	Credit institutions									
13	Other financial corporations									
14	Non-financial corporations									
15	<b>Off-balance-sheet exposures</b>	<b>2,056</b>								<b>1,329</b>
16	Central banks	31								
17	General governments									
18	Credit institutions									
19	Other financial corporations	113								1
20	Non-financial corporations	1,769								1,264
21	Households	144								63
22	<b>Total</b>	<b>9,044</b>	<b>5,434</b>	<b>356</b>	<b>174</b>	<b>421</b>	<b>345</b>	<b>179</b>	<b>78</b>	<b>8,109</b>

Performing exposures remained stable in 2019. The decline in performing exposures in loans and advances was fully offset by debt securities and off-balance sheet exposures. In line with the good performance of the Dutch economy in 2019, past due > 30 days ≤ 90 days declined. Non-performing exposures increased in 2019, mainly due to an inflow of clients from non-financial corporations and primarily related to the energy-offshore, logistics and healthcare sectors.

## Template 4: Performing and non-performing exposures and related provisions

31 December 2019

		Gross carrying amount/nominal amount					
		Performing exposures			Non-performing exposures		
			Of which stage 1 <sup>1)</sup>	Of which stage 2 <sup>1)</sup>		Of which stage 2 <sup>1)</sup>	Of which stage 3 <sup>1)</sup>
(in millions)							
1	<b>Loans and advances</b>	<b>310,985</b>	<b>265,931</b>	<b>16,909</b>	<b>6,987</b>	<b>208</b>	<b>6,780</b>
2	Central banks	28,032	1,154				
3	General governments	1,375	1,300	70			
4	Credit institutions	9,280	9,279	1			
5	Other financial corporations	32,123	30,435	492	119		119
6	Non-financial corporations	77,347	69,046	8,236	5,211	87	5,124
7	- of which SMEs	17,697	15,418	2,279	1,674	40	1,634
8	Households	162,828	154,717	8,111	1,658	121	1,537
9	<b>Debt securities</b>	<b>44,415</b>	<b>44,408</b>				
10	Central banks						
11	General governments	37,913	37,913				
12	Credit institutions	5,734	5,734				
13	Other financial corporations	747	747				
14	Non-financial corporations	20	13				
15	<b>Off-balance-sheet exposures</b>	<b>116,920</b>	<b>61,172</b>	<b>2,855</b>	<b>2,056</b>	<b>65</b>	<b>1,329</b>
16	Central banks	57	4	53	31		
17	General governments	1,771	1,670	1			
18	Credit institutions	3,190	2,815	9			
19	Other financial corporations	30,752	6,369	139	113		1
20	Non-financial corporations	61,172	38,397	2,561	1,769	15	1,264
21	Households	19,978	11,918	91	144	50	63
22	<b>Total</b>	<b>472,320</b>	<b>371,511</b>	<b>19,764</b>	<b>9,044</b>	<b>273</b>	<b>8,109</b>

1. Not all Loans and advances and Off-balance-sheet exposures have an IFRS 9 stage.

31 December 2019

	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received	
	Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
	(in millions)	Of which stage 1	Of which stage 2	Of which stage 2	Of which stage 3				
<b>1 Loans and advances</b>	<b>-436</b>	<b>-180</b>	<b>-256</b>	<b>-1,998</b>	<b>-2</b>	<b>-1,996</b>	<b>-33</b>	<b>229,952</b>	<b>4,108</b>
2 <i>Central banks</i>								797	
3 <i>General governments</i>	-1		-1					143	
4 <i>Credit institutions</i>	-5	-5						4,638	
5 <i>Other financial corporations</i>	-6	-4	-2	-94		-94		19,959	22
6 <i>Non-financial corporations</i>	-227	-121	-105	-1,612	-1	-1,611	-33	51,867	2,851
7 <i>- of which SMEs</i>	-83	-42	-41	-429		-429		11,223	936
8 <i>Households</i>	-197	-48	-149	-292	-1	-291		152,549	1,235
<b>9 Debt securities</b>	<b>-1</b>	<b>-1</b>							
10 <i>Central banks</i>									
11 <i>General governments</i>	-1	-1							
12 <i>Credit institutions</i>									
13 <i>Other financial corporations</i>									
14 <i>Non-financial corporations</i>									
<b>15 Off-balance-sheet exposures</b>	<b>-19</b>	<b>-8</b>	<b>-4</b>	<b>-60</b>		<b>-5</b>		<b>16,881</b>	<b>402</b>
16 <i>Central banks</i>								26	
17 <i>General governments</i>								77	
18 <i>Credit institutions</i>								106	
19 <i>Other financial corporations</i>								811	
20 <i>Non-financial corporations</i>	-13	-5	-3	-60		-5		14,490	398
21 <i>Households</i>	-5	-2						1,372	5
<b>22 Total</b>	<b>-456</b>	<b>-188</b>	<b>-260</b>	<b>-2,059</b>	<b>-2</b>	<b>-2,001</b>	<b>-33</b>	<b>246,833</b>	<b>4,510</b>

Total loans and advances decreased due to a lower position with central banks and lower corporate exposures. The increase in non-performing exposures was largely attributable to clients in the energy-offshore and logistics sectors and the trade and commodity finance business segment within Corporate & Institutional Banking and the healthcare sector in Commercial Banking.



**Template 9: Collateral obtained by taking possession and execution processes**

31 December 2019

Collateral obtained by taking possession

(in millions)	Value at initial recognition	Accumulated negative changes
1 Property, plant and equipment (PP&E)		
2 Other than PP&E	11	
3 <i>Residential immovable property</i>		
4 <i>Commercial Immovable property</i>		
5 <i>Movable property (auto, shipping, etc.)</i>		
6 <i>Equity and debt instruments</i>	11	
7 <i>Other</i>		
<b>8 Total</b>	<b>11</b>	

## EU CR2-A – Changes in the stock of general and specific credit risk adjustments

(in millions)	Accumulated specific credit risk adjustments	Accumulated general credit risk adjustments <sup>1)</sup>
1 <b>Opening balance 1 January 2019 (IFRS 9)</b>	<b>2,281</b>	
2 Net amounts set aside for estimated loan losses during the period	341	
3 Decreases due to amounts taken against accumulated credit risk adjustments	-608	
4 Transfers between credit risk adjustments	378	
5 Impact of exchange rate differences	11	
6 Business combinations, including acquisitions and disposals of subsidiaries	-26	
7 Other adjustments	70	
8 <b>Closing balance 31 December 2019</b>	<b>2,447</b>	
9 Recoveries on credit risk adjustments recorded directly to the statement of profit and loss	-76	
10 Specific credit risk adjustments recorded directly to the statement of profit and loss	733	

1. Following the opinion of EBA all IFRS 9 provisions should be considered as Specific Credit Adjustments.

Accumulated credit risk adjustments were mainly impacted by additional credit losses for specific CIB and Commercial Banking files. In the case of Commercial Banking, the main additions related to healthcare, while the main contributors in the case of CIB were energy-offshore, logistics, and trade and commodity finance. Additions in the case of residential mortgages related mainly to the impact of the more prudent approach to interest-only mortgages, where provisioning was enhanced in response to the ECB's supervisory expectations. The main reason for credit risk adjustments for consumer loans this year was the improved reporting policies for clients with forbearance measures in the consumer lending portfolio.

**EU CR2-B – Changes in the stock of defaulted and impaired loans and debt securities**

(in millions)		Gross carrying value defaulted exposures
1	<b>Opening balance 1 January 2019</b>	<b>5,887</b>
2	Loans and debt securities that have defaulted or impaired since the last reporting period	2,983
3	Loans and debt securities that returned to non-defaulted status	-427
4	Amounts written off	-606
5	Other changes	-1,057
6	<b>Closing balance 31 December 2019</b>	<b>6,780</b>

The stock of defaulted and impaired loans increased in 2019. This increase was mainly the result of the inflow of corporate loans clients who were transferred from stage 1 and stage 2 during 2019. The inflow was largely attributable to CIB clients from the energy-offshore and logistics sectors and to Commercial Banking clients from the healthcare sector.

# Qualitative disclosure requirements related to credit risk mitigation techniques

## Credit risk mitigation

Credit risk mitigation techniques are used by the bank to reduce the credit risk associated with its credit exposures. Such techniques relate mainly to collateral management and guarantees, offsetting financial assets and liabilities, and enforcing master netting agreements or similar instruments.

Credit risk mitigation techniques themselves entail risks and, as such, have to meet certain requirements so that they can be used effectively and in line with the bank's risk appetite. For this reason, ABN AMRO has established mandatory, bank-wide policies governing the use and management of credit risk mitigation techniques. These are in line with regulatory requirements, as well as with the needs of the bank and its clients. These bank-wide policies provide the overarching rules to be met by business-specific procedures and processes related to credit risk mitigation.

## Collateral management and guarantees

Collateral represents assets with material value that have been received by (or pledged to) the bank to secure obligations under a credit facility or other exposure. To be effective, such security must give the bank the right to appropriate and liquidate collateral on time and without impediment so that losses on the exposure at default are minimised.

In order to assess the extent to which credit risk is mitigated, assets provided as collateral must be valued properly. Depending on the type of collateral, a specific valuation method is applied, resulting in a nominal value of collateral. It may be necessary to apply a haircut to the nominal value to arrive at the Gross Collateral Value (GCV). For example, a haircut is applied when there is a currency mismatch between the credit facility and collateral, or when the market value might suffer from volatility. Subsequently, the Net Collateral Value (NCV) can be calculated by applying a recovery rate. The recovery rate represents the extent to which the collateral value can be recovered. Recovery rates are expressed as a percentage of the collateral value and are based on statistics and/or an objective expert opinion. Where applicable, advance rates are applied to determine the level of credit the bank is prepared to grant under a credit facility. Advance rates are applied, depending on business line-specific policies.

In addition to minimising exposure risk, eligible collateral can also reduce the regulatory and economic capital the bank is required to hold as a buffer for unexpected losses. The Capital Requirements Regulation prescribes the criteria that collateral must meet to become eligible for capital reduction. These criteria, which provide for legal effectiveness and for the enforceability, valuation and monitoring of collateral, are aimed at the effective and timely realisation of collateral.

Where the direct credit risk to an obligor exceeds the risk appetite or risk limits, guarantees (among other forms of credit risk mitigation) may be obtained to reduce the direct credit risk to the obligor. A substantial proportion of ABN AMRO Bank's assets benefit from guarantees provided by third parties that lower the credit risk of these positions. The largest provider of such guarantees is the Dutch State, which provides a counter-guarantee via the Stichting Waarborgfonds Eigen Woningen (WEW). Mortgage loans subject to the Nationale Hypotheek Garantie, as provided by the WEW, are thus considered to be guaranteed by the Dutch State. The other main third-party providers of guarantees are other sovereigns, export credit agencies and financial institutions. It is common, especially in the Dutch market, for loans to corporate clients to be subject to guarantees provided by other parties within their group (often, but not necessarily, a holding company as the parent of the subsidiary that is ABN AMRO Bank's direct obligor). The most common forms of

such group guarantees are '403 declarations', joint and several liability statements and direct guarantees. The effects of such group guarantees are specifically assessed under ABN AMRO Bank's credit assessment process and take account of the various risk parameters, where relevant.

### Offsetting financial assets and liabilities

Financial assets and liabilities are offset and the net amount is reported on the EU IFRS balance sheet if there is a legally enforceable right to set off the recognised amounts and there is an intention either to settle on a net basis or to realise the asset and settle the liability simultaneously. The bank applies netting to debtor and creditor balances, such as current accounts, where offsetting is justified by formal agreement with the client, provided they meet the applicable criteria.

### Enforceable master netting agreements or similar instruments

Enforceable master netting arrangements take into account all agreements containing conditions that allow offsetting in the event of default. In addition, agreements are enforceable if the bank has a legally enforceable right to offset and no ability and/or intention to realise the asset and settle the liability simultaneously. These arrangements include derivative clearing agreements, global master repurchase agreements and global master securities lending agreements.

### EU CR3 – CRM techniques – Overview

		31 December 2019				
(in millions)		Exposures unsecured - carrying amount	Exposures secured – carrying amount	Exposure secured by collateral	Exposure secured by financial guarantees	Exposure secured by credit derivatives
1	Total loans	66,392	249,146	245,334	3,812	
2	Total debt securities	44,413				
3	<b>Total exposure</b>	<b>110,805</b>	<b>249,146</b>	<b>245,334</b>	<b>3,812</b>	
4	<i>-of which defaulted</i>	238	4,107	3,943	164	
		30 June 2019				
1	Total loans	69,667	264,650	259,806	4,844	
2	Total debt securities	43,906				
3	<b>Total exposure</b>	<b>113,573</b>	<b>264,650</b>	<b>259,806</b>	<b>4,844</b>	
4	<i>-of which defaulted</i>	789	4,001	3,874	127	
		31 December 2018				
1	Total loans	72,878	253,182	247,488	5,694	
2	Total debt securities	41,154				
3	<b>Total exposure</b>	<b>114,032</b>	<b>253,182</b>	<b>247,488</b>	<b>5,694</b>	
4	<i>-of which defaulted</i>	917	3,265	3,107	158	

Both secured and unsecured exposures decreased compared with previous periods, generally owing to lower volumes in client lending. Compared with 30 June 2019, exposures secured by collateral decreased, mainly due to a decline in securities financing transactions for business cyclicity reasons.

Note: Only exposures covered by eligible collateral are reported as 'secured'.

# Credit risk and credit risk mitigation - Standardised Approach

# Qualitative disclosure requirements on institutions' use of external credit ratings

The probability of default (PD) indicates the likelihood that a counterparty or exposure will default within a one-year time horizon. Models make use of risk drivers such as financial information, behavioural information, arrears information and assessments of industry, geographic and market conditions. Model output is calibrated to long-run average probability of default estimates, based on internal default data and supplemented, for low-default portfolios, by external data. For the non-programme lending portfolio, the PD maps to and is expressed as an internal uniform counterparty rating (UCR). The UCR rating scale consists of 14 performing ratings, each representing a fixed PD range. The indicative mapping of the internal UCR rating scale to external rating agency ratings is shown in the table below. For programme lending portfolios within Retail Banking and Commercial Banking, exposures with the same characteristics are pooled and a PD is assigned to each pool.

## Internal rating scale mapped to external ratings

	UCR (internal rating)	Low PD%	High PD%	Standard & Poor's equivalent	Moody's equivalent	Fitch equivalent
Investment grade	UCR 1	0.00	0.03	AAA to A+	Aaa to Aa3	AAA to AA-
	UCR 2+	0.03	0.05	A+	A1	AA-
	UCR 2	0.05	0.07	A	A1	A+
	UCR 2-	0.07	0.13	A-	A3	A-
	UCR 3+	0.13	0.20	BBB+	Baa1	BBB+
	UCR 3	0.20	0.30	BBB	Baa2	BBB
	UCR 3-	0.30	0.46	BBB-	Baa3	BBB-
Sub-investment grade	UCR 4+	0.46	0.78	BB+	Ba1	BB+
	UCR 4	0.78	1.29	BB	Ba2	BB
	UCR 4-	1.29	2.22	BB-	B1	BB-
	UCR 5+	2.22	4.24	B+	B2	B
	UCR 5	4.24	8.49	B-	Caa1	B-
	UCR 5-	8.49	16.97	CCC/C	Caa2	CCC/C
	UCR 6+	16.97	100.00	CCC/C	Caa-C	CCC/C
Default	UCR 6-8			D	D	D

## EU CR4 – Standardised Approach – Credit risk exposure and CRM effects

31 December 2019

(in millions)	Exposures before CCF and CRM <sup>1)</sup>		Exposures post CCF and CRM <sup>1)</sup>		RWAs and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWAs	RWA density
<b>Exposure classes</b>						
1	Central governments or central banks	250	275		2	1%
2	Regional governments or local authorities					0%
3	Public sector entities					0%
4	Multilateral development banks	942	942			0%
5	International organisations	5,029	5,029			0%
6	Institutions	1,602	1,372	1,602	14	84
7	Corporates	3,206	13,515	3,181	836	3,495
8	Retail	992	3,859	990	481	1,099
9	Secured by mortgages on immovable property	501	426	501	213	259
10	Exposures in default	80	63	82	13	130
11	Higher-risk categories					
12	Covered bonds					
13	Institutions and corporates with a short-term credit assessment					
14	Collective investment undertakings	178		178		9
15	Equity					
16	Other items	1,492		1,492		1,084
17	<b>Total</b>	<b>14,273</b>	<b>19,235</b>	<b>14,273</b>	<b>1,557</b>	<b>6,161</b>

1. CCF= Credit conversion factor; CRM = Credit risk mitigation

30 June 2019

(in millions)	Exposures before CCF and CRM <sup>1)</sup>		Exposures post CCF and CRM <sup>1)</sup>		RWAs and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWAs	RWA density
<b>Exposure classes</b>						
1	Central governments or central banks	643	668			0%
2	Regional governments or local authorities					0%
3	Public sector entities					0%
4	Multilateral development banks	924	924			0%
5	International organisations	5,148	5,148			0%
6	Institutions	2,226	69	2,226	17	140
7	Corporates	2,916	2,035	2,874	465	3,244
8	Retail	1,025	3,845	1,025	475	1,119
9	Secured by mortgages on immovable property	512	348	512	184	252
10	Exposures in default	68	19	68	4	99
11	Higher-risk categories					
12	Covered bonds					
13	Institutions and corporates with a short-term credit assessment					
14	Collective investment undertakings	176		176		9
15	Equity					
16	Other items	1,810		1,810		921
17	<b>Total</b>	<b>15,448</b>	<b>6,316</b>	<b>15,431</b>	<b>1,145</b>	<b>5,784</b>

1. CCF= Credit conversion factor; CRM = Credit risk mitigation



31 December 2018

(in millions)	Exposures before CCF and CRM <sup>1)</sup>		Exposures post CCF and CRM <sup>1)</sup>		RWAs and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWAs	RWA density
<b>Exposure classes</b>						
1	Central governments or central banks	116		143		0%
2	Regional governments or local authorities					0%
3	Public sector entities					0%
4	Multilateral development banks	688		688		0%
5	International organisations	4,710		4,710		0%
6	Institutions	2,136	74	1,812	10	76
7	Corporates	2,389	1,720	2,361	451	2,718
8	Retail	933	3,875	933	476	1,055
9	Secured by mortgages on immovable property	512	257	512	129	229
10	Exposures in default	41	7	41	3	58
11	Higher-risk categories					130%
12	Covered bonds					0%
13	Institutions and corporates with a short-term credit assessment					0%
14	Collective investment undertakings	174		174	9	5%
15	Equity					0%
16	Other items	1,351		1,351	810	60%
17	<b>Total</b>	<b>13,050</b>	<b>5,933</b>	<b>12,725</b>	<b>1,069</b>	<b>4,955</b>

1. CCF= Credit conversion factor; CRM = Credit risk mitigation

The increase in corporate exposures relates primarily to the change from IRB to the Standardised Approach in our clearing activities. The decrease in central governments and central banks relates to lower positions with central banks within our private banking segment. The lower positions in institutions relates primarily to lower cash collateral positions.

## EU CR5 – Standardised Approach - Exposures post CCF and CRM

31 December 2019

(in millions)	Risk weight								Subtotal								
	0%	2%	4%	10%	20%	35%	50%	70%	75%								
<b>Exposure classes</b>																	
1	Central governments or central banks										273	273					
2	Regional governments or local authorities																
3	Public sector entities																
4	Multilateral development banks										942	942					
5	International organisations										5,029	5,029					
6	Institutions										1,383	202	31	1,616			
7	Corporates												913	913			
8	Retail													1,471	1,471		
9	Secured by mortgages on immovable property												617	98	715		
10	Exposures in default																
11	Exposures associated with particularly high risk																
12	Covered bonds																
13	Institutions and corporates with a short-term credit assessment																
14	Collective investment undertakings																
15	Equity																
16	Other items										409				409		
17	<b>Total</b>										<b>6,653</b>	<b>1,383</b>	<b>202</b>	<b>617</b>	<b>1,042</b>	<b>1,471</b>	<b>11,368</b>

31 December 2019

(in millions)	Subtotal	Risk weight							Deducted	Of which unrat						
		100%	150%	250%	370%	1250%	Others	Total		unrated						
<b>Exposure classes</b>																
1	Central governments or central banks										273	2		275	265	
2	Regional governments or local authorities															
3	Public sector entities															
4	Multilateral development banks										942			942	30	
5	International organisations										5,029			5,029		
6	Institutions										1,616			1,616	1,616	
7	Corporates										913	3,104		4,017	4,017	
8	Retail										1,471			1,471	1,471	
9	Secured by mortgages on immovable property										715			715	715	
10	Exposures in default											23	72	95	95	
11	Exposures associated with particularly high risk															
12	Covered bonds															
13	Institutions and corporates with a short-term credit assessment															
14	Collective investment undertakings												178	178		
15	Equity															
16	Other items										409	1,084		1,492	1,492	
17	<b>Total</b>										<b>11,368</b>	<b>4,213</b>	<b>72</b>	<b>178</b>	<b>15,830</b>	<b>9,701</b>

30 June 2019

(in millions)	Risk weight								Subtotal	
	0%	2%	4%	10%	20%	35%	50%	70%	75%	
<b>Exposure classes</b>										
1	Central governments or central banks	668								668
2	Regional governments or local authorities									
3	Public sector entities									
4	Multilateral development banks	924								924
5	International organisations	5,148								5,148
6	Institutions		1,849		368		27			2,244
7	Corporates						11			11
8	Retail							1,500		1,500
9	Secured by mortgages on immovable property					580	78			658
10	Exposures in default									
11	Exposures associated with particularly high risk									
12	Covered bonds									
13	Institutions and corporates with a short-term credit assessment									
14	Collective investment undertakings									
15	Equity									
16	Other items	889								889
17	<b>Total</b>	<b>7,629</b>	<b>1,849</b>		<b>368</b>	<b>580</b>	<b>116</b>	<b>1,500</b>		<b>12,042</b>

30 June 2019

(in millions)	Subtotal	Risk weight						Deducted	Total	Of which unrated
		100%	150%	250%	370%	1250%	Others			
<b>Exposure classes</b>										
1	Central governments or central banks	668							668	668
2	Regional governments or local authorities									
3	Public sector entities									
4	Multilateral development banks	924							924	79
5	International organisations	5,148							5,148	
6	Institutions	2,244							2,244	1,849
7	Corporates	11	3,327						3,338	3,327
8	Retail	1,500							1,500	1,500
9	Secured by mortgages on immovable property	658					38		696	696
10	Exposures in default		19	53					72	72
11	Exposures associated with particularly high risk									
12	Covered bonds									
13	Institutions and corporates with a short-term credit assessment									
14	Collective investment undertakings						176		176	
15	Equity									
16	Other items	889	921						1,810	1,810
17	<b>Total</b>	<b>12,042</b>	<b>4,267</b>	<b>53</b>			<b>214</b>		<b>16,576</b>	<b>10,001</b>

31 December 2018

(in millions)	Risk weight								Subtotal	
	0%	2%	4%	10%	20%	35%	50%	70%		75%
<b>Exposure classes</b>										
1	Central governments or central banks	143								143
2	Regional governments or local authorities									
3	Public sector entities									
4	Multilateral development banks	688								688
5	International organisations	4,710								4,710
6	Institutions		1,633		170		18			1,821
7	Corporates						8			8
8	Retail							1,409		1,409
9	Secured by mortgages on immovable property					566	75			641
10	Exposures in default									
11	Exposures associated with particularly high risk									
12	Covered bonds									
13	Institutions and corporates with a short-term credit assessment									
14	Collective investment undertakings									
15	Equity									
16	Other items	541								541
17	<b>Total</b>	<b>6,082</b>	<b>1,633</b>		<b>170</b>	<b>566</b>	<b>101</b>	<b>1,409</b>		<b>9,961</b>

31 December 2018

(in millions)	Subtotal	Risk weight						Deducted	Total	Of which unrated
		100%	150%	250%	370%	1250%	Others			
<b>Exposure classes</b>										
1	Central governments or central banks	143							143	143
2	Regional governments or local authorities									
3	Public sector entities									
4	Multilateral development banks	688							688	73
5	International organisations	4,710							4,710	
6	Institutions	1,821							1,822	1,633
7	Corporates	8	2,804						2,812	2,812
8	Retail	1,409							1,409	1,409
9	Secured by mortgages on immovable property	641							641	641
10	Exposures in default		18	26					44	44
11	Exposures associated with particularly high risk									
12	Covered bonds									
13	Institutions and corporates with a short-term credit assessment									
14	Collective investment undertakings						174		174	
15	Equity									
16	Other items	541	810						1,351	1,351
17	<b>Total</b>	<b>9,961</b>	<b>3,632</b>	<b>26</b>			<b>174</b>		<b>13,794</b>	<b>8,106</b>

The increase in standardised exposure compared with previous periods relates mainly to the change in approach in our clearing activities from IRB to Standardised Approach.

# Credit risk and credit risk mitigation - IRB approach

# Qualitative disclosures related to IRB models

## Credit risk measurement

The bank has approval from its supervisor to use the Advanced Internal Ratings-Based (A-IRB) approach for the large majority of its credit portfolios. The approval for use of the A-IRB approach is not restricted to certain exposures classes, while the approval excludes certain specific portfolios from the scope. The simple risk-weighted approach is applied to most equity exposures. The standardised approach is used for some of the bank's less material portfolios and entities. Prescribed treatments are applied to exposures to qualifying central counterparties. The use of the Standardised Approach (SA) and the Foundation IRB (F-IRB) approach is expected to increase substantially in the coming period as a result of implementation of more restrictive requirements and supervisory standards for the use of internal models being implemented. At the same time, the forward view on the formal implementation of Basel IV, including the constrained use of the IRB approach to credit risk, also implies that the use of SA and F-IRB will increase while the use of A-IRB will decrease.

Under the standardised approach, regulatory capital is calculated on the basis of a risk weighting of exposure (net of credit impairments and eligible collateral), based on the exposure characteristics (for retail exposure) or external agency credit ratings of the counterparty (for non-retail exposures). For this purpose, the bank makes use of the external ratings of Standard & Poor's, Moody's and Fitch. In the case of counterparties for which no credit ratings are available, exposures are classified as unrated for the purpose of determining regulatory capital requirements.

Under the A-IRB approach, the calculation of regulatory capital requirements is based on the regulatory asset class of an exposure and internal estimates of the probability of default (PD), loss given default (LGD), exposure at default (EAD) and maturity. The models used for the measurement and management of credit risk vary from purely statistical to expert-based and employ both quantitative and qualitative risk drivers. All models, including the models used to estimate PD, LGD, EAD and maturity under the A-IRB approach, are subject to the bank's model risk management framework. This framework requires regulatory models to undergo initial validation by the independent model validation function before their first use, and annually thereafter. Initial validation is also required when a model undergoes a material change.

## Default definition

All the models use a consistent definition of default, which has been specified to be in line with regulations. A default is deemed to have occurred when:

- ▶ the counterparty is past due by more than 90 days; or
- ▶ the bank considers the borrower to be unlikely to meet its contractual obligations (unlikely-to-pay or UTP).

To determine unlikeliness to pay, the bank has specified both mandatory default triggers (always resulting in the assignment of a default status and whereby no additional expert judgement is allowed) and judgemental triggers (requiring an assessment by credit risk managers to determine whether the UTP indications should result in a default classification).

The method for identifying credit impaired loans under IFRS has been aligned with the method used for regulatory reporting purposes. As at 30 June 2019, the default definition for UTP in the case of the residential mortgage portfolio was changed. As a result, ABN AMRO also updated the IFRS 9 stage 3 credit impaired status for this portfolio. The change in this accounting estimate is prospectively recognised from 30 June 2019.

The ending of the default classification for non-forborne exposures is considered if none of the default triggers continues to apply and a probationary period ('cure period') of at least three months has elapsed since the default trigger ceased to apply. For forborne exposures, an additional twelve-month cure period applies from the date on which the last forbearance measure or default trigger applied. After the cure period, an assessment is made to establish whether the improvement in the credit quality is factual and permanent (including the requirement for no remaining past due amounts).

## Probability of Default

The probability of default (PD) indicates the likelihood that a counterparty or exposure will default within a one-year time horizon. Models make use of risk drivers such as financial information, behavioural information, arrears information and assessments of industry, geographic and market conditions. Model output is calibrated to long-run average probability of default estimates, based on internal default data and supplemented, for low-default portfolios, by external data. For the non-programme lending portfolio, the PD maps to and is expressed as an internal uniform counterparty rating (UCR). The UCR rating scale consists of 14 performing ratings, each representing a fixed PD range. For programme lending portfolios within Retail Banking and Commercial Banking, exposures with the same characteristics are pooled and a PD is assigned to each pool.

## Loss Given Default

Loss Given Default (LGD) models estimate the amount of money the bank would lose if the counterparty were to default. LGD is expressed as a percentage of the outstanding amount at default. On facilities that are not in default, LGD estimates are influenced by the risk mitigating techniques used by the bank (such as the use of collateral), the collateral cover, the facility's seniority and structure, and the bank's view of the creditor-friendliness of the relevant country's legal framework. The model output for these facilities is calibrated to downturn conditions, based on internal recovery data supplemented by external data. For facilities that are already in default, an in-default LGD is estimated that also takes account of all relevant post-default information, such as time-in-default and the progress of the recovery process compared to expectations. In-default LGD is calibrated to reflect possible adverse changes in economic conditions during the expected length of the recovery process.

## Exposure at Default

Exposure at Default (EAD) models estimate the expected exposure at the time a counterparty defaults. If all or part of a facility is undrawn (i.e. the outstanding amount is less than the approved limit) at the time of the EAD calculation, a portion of the undrawn amount is added to the exposure to reflect the tendency of counterparties to utilise larger portions of their approved facilities when nearing default. For facilities that are amortising, the EAD calculation reflects the possibility that payments will be missed and capitalised in the period leading up to default. EAD estimates are influenced by the type of facility, the draw-down controls that the bank has in place and the type of counterparty. Internal data is supplemented by benchmark information and external data to calibrate EAD models. EAD is calculated on a monthly basis for all facilities, using actual limits and outstanding exposure data.

## Use of internal estimates

The regulatory models' estimates are embedded in the bank's credit approval, risk appetite and internal reporting processes. The estimates are also used to calculate economic capital and serve as input for pricing and the calculation of RARORAC (Risk Adjusted Return on Risk Adjusted Capital), the bank's key metric for risk-adjusted performance.

## Capital for credit risk

### Regulatory capital

For the purpose of determining capital requirements for credit risk, all top-level exposure classes are calculated in accordance with the Advanced Internal Rating Based (A-IRB) approach. Within these exposure classes, a number of smaller portfolios are temporarily or permanently calculated according to the Standardised Approach (SA). ABN AMRO has been granted approval by the relevant competent authority for the use of A-IRB, including approval for a number of exemptions.

### **Economic capital**

The EC model for credit risk uses a Monte Carlo simulation to determine a full portfolio loss distribution, taking into account specific portfolio characteristics and diversification effects. Loan facilities are valued on an economic value (mark-to-market) basis to ensure that loss estimates can be based not only on defaulting borrowers, but also on possible credit migrations and changes associated with the market values of loans.



31 December 2019

## EU CR6 – IRB approach – Credit risk exposures by exposure class and PD range

(in millions)	PD scale	Original on-balance sheet gross exposures	Off-balance sheet exposures pre-CCF	Average CCF	EAD post CRM and post CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWA	RWA density	EL	Value adjustments and Provisions
<b>Exposure class</b>													
<b>Central government or central banks</b>	0.00 to <0.15	62,810	959	33.2%	63,128	0.0%	875	13.0%	2.21	444	0.7%	1	1
	0.15 to <0.25	32		6.3%	32	0.2%	3	29.7%	4.35	13	39.7%		
	0.25 to <0.50	85		0.0%	85	0.4%	4	33.9%	4.99	59	69.2%		
	0.50 to <0.75	8	8	42.8%	11	0.7%	3	14.5%	3.92	4	32.8%		
	0.75 to <2.50	111	1	13.8%	112	1.0%	8	41.5%	0.88	78	70.1%		
	2.50 to <10.00			45.0%		3.0%	1	60.0%	1.00		155.4%		
	10.00 to <100.00	47		40.5%	47	12.0%	6	40.0%	0.87	83	176.6%	2	3
	100.00 (Default)												
	<b>Subtotal</b>	<b>63,093</b>	<b>968</b>		<b>63,415</b>		<b>900</b>			<b>681</b>	<b>0.0%</b>	<b>4</b>	<b>4</b>
<b>Corporates</b>	0.00 to <0.15	10,256	15,873	32.7%	15,425	0.1%	2,112	22.1%	1.99	1,727	11.2%	2	1
	0.15 to <0.25	4,242	5,089	29.6%	5,735	0.2%	457	22.6%	2.46	1,216	21.2%	2	3
	0.25 to <0.50	14,153	14,677	27.4%	18,169	0.3%	2,017	21.8%	2.50	5,437	29.9%	14	5
	0.50 to <0.75	13,118	13,652	23.1%	16,251	0.7%	3,450	19.1%	2.43	5,265	32.4%	21	13
	0.75 to <2.50	29,215	11,637	26.5%	32,428	1.4%	9,363	16.1%	2.54	11,483	35.4%	72	57
	2.50 to <10.00	11,565	3,075	27.6%	12,453	4.2%	4,606	15.8%	2.62	5,742	46.1%	83	75
	10.00 to <100.00	1,441	807	18.0%	1,616	20.4%	18,761	16.1%	2.31	1,252	77.5%	54	22
	100.00 (Default)	4,919	1,325	12.0%	5,059	100.0%	1,464	28.2%	2.10	5,024	99.3%	1,511	1,528
	<b>Subtotal</b>	<b>88,911</b>	<b>66,135</b>		<b>107,136</b>		<b>42,230</b>			<b>37,146</b>		<b>1,760</b>	<b>1,704</b>
<b>Institutions</b>	0.00 to <0.15	5,581	729	17.3%	5,707	0.1%	429	20.0%	2.42	394	6.9%	1	1
	0.15 to <0.25	611	2,322	87.6%	2,646	0.2%	52	10.7%	4.02	354	13.4%		
	0.25 to <0.50	413	29	23.7%	420	0.3%	57	7.2%	1.84	41	9.8%		1
	0.50 to <0.75	45	6	29.0%	46	0.6%	18	38.5%	0.49	29	62.5%		
	0.75 to <2.50	198	120	9.6%	210	1.3%	26	31.7%	0.88	128	61.2%	1	
	2.50 to <10.00		17	0.0%		3.2%	2	37.8%	1.00		122.0%		
	10.00 to <100.00	36	11	6.3%	37	24.0%	100	26.6%	0.97	60	163.0%	2	1
	100.00 (Default)												
	<b>Subtotal</b>	<b>6,885</b>	<b>3,234</b>		<b>9,067</b>		<b>684</b>			<b>1,007</b>		<b>4</b>	<b>2</b>
<b>Retail</b>	0.00 to <0.15	79,230	8,163	32.1%	81,308	0.1%	3,202,359	11.9%	4.84	1,811	2.2%	7	
	0.15 to <0.25	46,305	622	25.2%	46,325	0.2%	465,968	15.4%	4.93	2,764	6.0%	13	
	0.25 to <0.50	13,663	522	22.8%	13,828	0.4%	313,656	19.2%	4.82	1,604	11.6%	10	
	0.50 to <0.75	11,002	715	35.0%	11,203	0.6%	122,817	19.2%	4.61	1,725	15.4%	13	
	0.75 to <2.50	7,837	511	28.8%	8,029	1.3%	482,364	28.5%	4.13	2,432	30.3%	29	
	2.50 to <10.00	6,068	386	40.6%	6,190	4.7%	195,667	21.3%	4.04	3,064	49.5%	62	
	10.00 to <100.00	1,966	71	47.2%	1,987	16.5%	53,450	27.6%	3.81	1,830	92.1%	88	4
	100.00 (Default)	1,500	71	6.7%	1,496	100.0%	28,582	21.0%	4.15	1,313	87.8%	254	203
	<b>Subtotal</b>	<b>167,571</b>	<b>11,061</b>		<b>170,365</b>		<b>4,864,863</b>			<b>16,543</b>		<b>477</b>	<b>207</b>
<b>Total</b>		<b>326,459</b>	<b>81,398</b>		<b>349,983</b>		<b>4,908,677</b>			<b>55,378</b>		<b>2,245</b>	<b>1,917</b>

30 June 2019

(in millions)	PD scale	Original on-balance sheet gross exposures	Off-balance sheet exposures pre-CCF	Average CCF	EAD post CRM and post CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWA	RWA density	EL	Value adjustments and Provisions
<b>Exposure class</b>													
<b>Central government or central banks</b>													
	0.00 to <0.15				66,571	0.0%		11.7%	2	348	0.5%		
	0.15 to <0.25							0.2%	1		18.3%		
	0.25 to <0.50				6	0.4%		29.9%	5	4	59.7%		
	0.50 to <0.75				12	0.7%		15.7%	4	4	34.3%		
	0.75 to <2.50				110	1.0%		41.8%	1	84	76.4%		
	2.50 to <10.00				1	6.4%		48.0%		1	151.7%		
	10.00 to <100.00				12	12.0%		39.4%		21	169.5%	1	
	100.00 (Default)					100.0%		0.0%			0.0%		
	<b>Subtotal</b>				<b>66,712</b>	<b>0.0%</b>		<b>0.0%</b>		<b>462</b>	<b>0.0%</b>	<b>2</b>	<b>1</b>
<b>Corporates</b>													
	0.00 to <0.15				16,634	0.1%		26.0%	2	1,960	11.8%	3	2
	0.15 to <0.25				6,829	0.2%		23.6%	2	1,542	22.6%	3	4
	0.25 to <0.50				19,609	0.4%		23.2%	3	6,344	32.4%	16	17
	0.50 to <0.75				17,906	0.7%		18.7%	2	5,755	32.1%	22	44
	0.75 to <2.50				33,825	1.4%		16.3%	3	12,334	36.5%	77	62
	2.50 to <10.00				13,239	4.3%		16.6%	3	6,494	49.0%	97	76
	10.00 to <100.00				1,920	20.1%		20.0%	2	1,849	96.3%	75	19
	100.00 (Default)				4,565	100.0%		28.0%	2	4,363	95.6%	1,326	1,331
	<b>Subtotal</b>				<b>114,527</b>	<b>0.0%</b>		<b>0.0%</b>		<b>40,640</b>	<b>0.0%</b>	<b>1,620</b>	<b>1,554</b>
<b>Institutions</b>													
	0.00 to <0.15				5,356	0.1%		21.9%	3	466	8.7%	1	2
	0.15 to <0.25				2,649	0.2%		10.8%	4	375	14.2%	1	1
	0.25 to <0.50				407	0.3%		13.8%	1	71	17.5%		
	0.50 to <0.75				157	0.6%		30.5%	1	68	43.3%		
	0.75 to <2.50				254	1.4%		25.6%	1	132	52.0%	1	1
	2.50 to <10.00					0.0%		0.0%			0.0%		
	10.00 to <100.00				23	24.0%		27.1%		38	161.7%	2	1
	100.00 (Default)					100.0%		0.0%			0.0%		
	<b>Subtotal</b>				<b>8,847</b>	<b>0.0%</b>		<b>0.0%</b>		<b>1,150</b>	<b>0.0%</b>	<b>4</b>	<b>5</b>
<b>Retail</b>													
	0.00 to <0.15				81,893	0.1%		12.3%		1,870	2.3%	8	
	0.15 to <0.25				47,367	0.2%		16.1%		2,938	6.2%	14	1
	0.25 to <0.50				13,594	0.4%		19.7%		1,595	11.7%	10	1
	0.50 to <0.75				10,124	0.6%		20.1%		1,582	15.6%	12	5
	0.75 to <2.50				8,314	1.3%		29.4%		2,599	31.3%	31	4
	2.50 to <10.00				6,628	4.7%		22.3%		3,445	52.0%	70	5
	10.00 to <100.00				2,175	15.9%		28.0%		2,000	92.0%	95	16
	100.00 (Default)				1,600	100.0%		21.7%		1,426	89.1%	281	246
	<b>Subtotal</b>				<b>171,696</b>					<b>17,455</b>		<b>519</b>	<b>279</b>
<b>Total</b>					<b>361,782</b>					<b>59,707</b>		<b>2,145</b>	<b>1,839</b>

31 December 2018

(in millions)	PD scale	Original on-balance sheet gross exposures	Off-balance sheet exposures pre-CCF	Average CCF	EAD post CRM and post CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWA	RWA density	EL	Value adjustments and Provisions
<b>Exposure class</b>													
<b>Central government or central banks</b>													
	0.00 to <0.15				70,853	0.06%	249	11.19%	2	296	0.42%		
	0.15 to <0.25					0.18%	1	29.99%	1		0.00%		
	0.25 to <0.50				7	0.36%	2	30.65%	5	4	57.14%		
	0.50 to <0.75				9	0.66%	5	14.47%	5	3	33.33%		
	0.75 to <2.50				114	1.41%	2	45.00%	1	95	83.33%	1	1
	2.50 to <10.00				30	4.26%	3	26.79%	1	21	70.00%		
	10.00 to <100.00				21	19.48%	6	44.54%	1	42	200.00%	1	2
	100.00 (Default)					100.00%		0.00%			0.00%		
	<b>Subtotal</b>				<b>71,034</b>		<b>268</b>			<b>461</b>		<b>2</b>	<b>3</b>
<b>Corporates</b>													
	0.00 to <0.15				16,164	0.06%	4,688	28.37%	2	2,776	17.17%	3	2
	0.15 to <0.25				7,806	0.18%	1,008	21.50%	2	1,514	19.40%	3	5
	0.25 to <0.50				20,601	0.36%	4,246	23.18%	2	6,586	31.97%	17	19
	0.50 to <0.75				16,966	0.66%	6,881	18.77%	2	5,514	32.50%	21	32
	0.75 to <2.50				34,524	1.41%	19,843	15.83%	3	12,267	35.53%	77	56
	2.50 to <10.00				14,577	4.26%	11,299	15.64%	3	6,591	45.22%	97	77
	10.00 to <100.00				2,393	19.48%	29,067	17.35%	2	1,986	82.99%	81	21
	100.00 (Default)				4,558	100.00%	3,904	28.93%	2	4,560	100.04%	1,522	1,708
	<b>Subtotal</b>				<b>117,589</b>		<b>80,936</b>			<b>41,794</b>		<b>1,822</b>	<b>1,919</b>
<b>Institutions</b>													
	0.00 to <0.15				6,536	0.05%	431	25.02%	2	605	9.26%	1	5
	0.15 to <0.25				2,660	0.17%	77	12.79%	4	309	11.62%	1	1
	0.25 to <0.50				453	0.33%	60	16.82%	1	93	20.53%		
	0.50 to <0.75				198	0.64%	28	32.41%	1	95	47.98%		
	0.75 to <2.50				235	1.36%	27	23.33%	1	118	50.21%	1	1
	2.50 to <10.00					6.43%	1	37.80%	1		0.00%		
	10.00 to <100.00				92	24.64%	82	11.05%	1	62	67.39%	2	2
	100.00 (Default)					100.00%		0.00%			0.00%		
	<b>Subtotal</b>				<b>10,174</b>		<b>706</b>			<b>1,282</b>		<b>5</b>	<b>9</b>
<b>Retail</b>													
	0.00 to <0.15				80,684	0.07%	1,676,077	12.51%		1,876	2.33%	8	
	0.15 to <0.25				47,894	0.18%	311,868	16.40%		3,039	6.35%	14	
	0.25 to <0.50				14,188	0.36%	133,397	19.93%		1,676	11.81%	10	
	0.50 to <0.75				10,260	0.59%	80,824	20.23%		1,614	15.73%	12	
	0.75 to <2.50				8,788	1.26%	409,606	29.76%		2,775	31.58%	33	
	2.50 to <10.00				7,198	4.78%	200,327	22.56%		3,844	53.40%	78	
	10.00 to <100.00				2,627	17.26%	48,498	27.78%		2,541	96.73%	121	4
	100.00 (Default)				1,241	100.00%	27,558	28.62%		1,446	116.52%	287	242
	<b>Subtotal</b>				<b>172,880</b>		<b>2,888,155</b>			<b>18,811</b>		<b>563</b>	<b>246</b>
<b>Total</b>					<b>371,677</b>		<b>2,970,065</b>			<b>62,348</b>		<b>2,392</b>	<b>2,177</b>

The decrease in EAD post CRM related primarily to corporate exposures and is explained by the CIB refocus and the change in approach in our clearing activities. This decrease was visible within all PD buckets.

**Weighted average PD and LGD IRB Advanced and IRB Foundation**

(in millions)	Region	Weighted average PD	Weighted average LGD
1	IRB advanced		
	Netherlands	2.50%	15.54%
2	Rest of Europe	2.37%	20.65%
3	USA	1.62%	12.52%
4	Asia	2.09%	37.64%
5	Rest of world	5.61%	18.65%
6	<b>Subtotal</b>	<b>2.52%</b>	<b>16.90%</b>
7	IRB foundation		
	Netherlands		
8	Rest of Europe		
9	USA		
10	Asia		
11	Rest of world		
12	<b>Subtotal</b>		
13	<b>Total</b>	<b>2.52%</b>	<b>16.90%</b>

The weighted average PD excluding defaulted positions is 0.71%.

### EU CR7 – IRB approach – Effect on the RWA of credit derivatives used as CRM techniques

ABN AMRO does not typically secure its credit exposure by buying protection via credit derivatives. At present, no credit risk mitigation is done using credit derivatives.

### EU CR8 – RWA flow statements of credit risk exposures under the IRB approach

(in millions)	31 December 2019		30 September 2019		31 December 2018	
	RWA amounts	Capital requirements	RWA amounts	Capital requirements	RWA amounts	Capital requirements
<b>1 RWAs as at end previous reporting period</b>	<b>78,923</b>	<b>6,314</b>	<b>79,726</b>	<b>6,378</b>	<b>76,885</b>	<b>6,151</b>
2 Asset size	-2,453	-196	-883	-71	-2,777	-222
3 Asset quality	803	64	217	17	-1,176	-133
4 Model updates	2,752	220	453	36	5,300	424
5 Methodology and policy	-546	-44			73	6
6 Acquisitions and disposals			-1,033	-83	35	3
7 Foreign exchange movements						
8 Other	42	3	443	35	512	79
<b>9 RWAs as at end reporting period</b>	<b>79,521</b>	<b>6,362</b>	<b>78,923</b>	<b>6,314</b>	<b>78,852</b>	<b>6,308</b>

The increase in IRB credit risk is primarily due to model updates, partly offset by a decrease in assets. The increase in model updates relates to EUR 5.3 billion of add-ons anticipating TRIM and model reviews based on preliminary ECB feedback and in anticipation of developments in 2020, offset by the change in approach in our clearing activities from IRB to Standardised Approach.

## EU CR9 – IRB approach – Backtesting of PD per exposure class

Exposure class	PD Range	External rating equivalent	Weighted average PD	Arithmetic average PD by obligors	Number of obligors		Defaulted obligors in the year	Of which new obligors	Average historical annual default rate
					End of 2018	End of 2019			
<b>Central governments and central banks</b>		AAA to							
	0.00-0.04	A+	0.00%	0.12%	173	199			0.00%
	0.04-0.05	A+	0.04%	0.05%	13	13			0.04%
	0.05-0.07	A	0.05%	0.05%	7	6			0.05%
	0.07-0.13	A-	0.10%	0.09%	9	7			0.10%
	0.13-0.20	BBB+	.	.	1				0.16%
	0.30-0.47	BBB-	0.32%	0.34%	3	4			0.36%
	0.47-0.78	BB+	0.66%	0.64%	4	3			0.66%
	0.78-1.29	BB	1.00%	1.00%	4	4			1.00%
	1.29-2.22	BB-	1.65%	1.65%	2	1			1.65%
	2.22-4.24	B+	3.00%	7.50%	3	2			3.43%
	4.24-8.49	B-	6.01%	10.00%	3	3			6.00%
	8.49-16.97	CCC/C	12.00%	12.00%	6	6			12.00%
	16.97-100	CCC/C	.	.	1				24.00%
<b>Institutions</b>		AAA to							
	0.00-0.04	A+	0.11%	1.28%	129	115			0.03%
	0.04-0.05	A+	0.04%	0.04%	74	71			0.04%
	0.05-0.07	A	0.09%	0.75%	143	137			0.05%
	0.07-0.13	A-	0.11%	0.11%	99	97			0.11%
	0.13-0.20	BBB+	0.21%	1.02%	57	56			0.17%
	0.20-0.30	BBB	0.27%	0.25%	26	30			0.27%
	0.30-0.47	BBB-	0.34%	1.25%	32	26			0.39%
	0.47-0.78	BB+	0.87%	0.60%	31	25			0.64%
	0.78-1.29	BB	1.08%	1.47%	19	15			1.07%
	1.29-2.22	BB-	1.77%	1.88%	9	12			1.77%
	4.24-8.49	B-	.	.	2				6.43%
	8.49-16.97	CCC/C	.	.	1				12.12%
	16.97-100	CCC/C	7.09%	23.04%	126	98			24.65%
<b>Corporates - SME</b>		AAA to							
	0.00-0.04	A+	2.28%	8.34%	1	6			0.03%
	0.04-0.05	A+	0.12%	1.25%	16	20			0.04%
	0.05-0.07	A	0.82%	1.31%	62	41			0.05%
	0.07-0.13	A-	0.24%	0.34%	719	680			0.11%
	0.13-0.20	BBB+	0.39%	0.52%	206	200			0.17%
	0.20-0.30	BBB	0.81%	1.65%	229	227	1		0.27%
	0.30-0.47	BBB-	1.37%	0.85%	938	912	3		0.39%
	0.47-0.78	BB+	1.38%	1.64%	2571	2531	16	1	0.64%
	0.78-1.29	BB	1.92%	2.25%	3357	3239	21	7	1.07%
	1.29-2.22	BB-	2.76%	3.32%	3289	3171	40	1	1.78%
	2.22-4.24	B+	7.02%	6.35%	2357	2273	78	5	3.22%
	4.24-8.49	B-	15.92%	12.73%	1218	1275	105	4	6.43%
	8.49-16.97	CCC/C	27.48%	24.82%	543	464	88		12.76%
	16.97-100	CCC/C	27.27%	23.10%	1764	1448	54	7	26.14%

Corporates - Specialised Lending	0.00-0.04	AAA to A+	1.14%	1.14%	1	1			0.00%
	0.04-0.05	A+	0.17%	0.17%	1	1			0.04%
	0.05-0.07	A	0.05%	0.05%			2		.
	0.07-0.13	A-	0.11%	0.11%	1	2			0.11%
	0.13-0.20	BBB+	0.16%	0.17%	12	7			0.18%
	0.20-0.30	BBB	0.32%	0.29%	33	26	1		0.28%
	0.30-0.47	BBB-	0.49%	0.47%	150	125			0.41%
	0.47-0.78	BB+	1.76%	1.87%	279	254	3		0.68%
	0.78-1.29	BB	2.04%	2.41%	341	298	3		1.12%
	1.29-2.22	BB-	4.06%	3.43%	178	178	3		1.82%
	2.22-4.24	B+	3.91%	3.44%	172	129	5		3.86%
	4.24-8.49	B-	6.91%	7.49%	251	249	9		4.83%
	8.49-16.97	CCC/C	4.04%	3.84%	17	11			13.54%
	16.97-100	CCC/C	25.67%	17.58%	21	21	2	1	38.90%
Corporates - Other	0.00-0.04	AAA to A+	0.03%	1.32%	1256	172			0.03%
	0.04-0.05	A+	0.05%	0.06%	142	122			0.04%
	0.05-0.07	A	0.12%	0.44%	414	330			0.05%
	0.07-0.13	A-	0.13%	0.24%	634	488			0.11%
	0.13-0.20	BBB+	0.39%	0.96%	333	283	1		0.18%
	0.20-0.30	BBB	0.27%	0.53%	409	336			0.28%
	0.30-0.47	BBB-	2.98%	1.57%	540	452	5	1	0.41%
	0.47-0.78	BB+	4.17%	2.74%	951	852	11	1	0.66%
	0.78-1.29	BB	3.01%	2.66%	1269	1116	9	1	1.10%
	1.29-2.22	BB-	6.90%	5.82%	896	913	29	1	1.83%
	2.22-4.24	B+	9.96%	8.38%	432	456	23		3.32%
	4.24-8.49	B-	16.34%	11.84%	180	164	11		6.76%
	8.49-16.97	CCC/C	40.13%	40.05%	107	73	24		12.38%
	16.97-100	CCC/C	34.82%	23.80%	22019	17047	36	14	46.53%
Retail - Secured by immovable property SME	0.00-0.04	AAA to A+	0.01%	0.00%	2	2			0.01%
	0.04-0.05	A	0.09%	0.09%	72	67			0.07%
	0.07-0.13	A-	0.49%	0.34%	1488	1312	1		0.10%
	0.13-0.20	BBB+	0.21%	0.22%	38	42			0.17%
	0.20-0.30	BBB	0.21%	0.23%	13	18			0.25%
	0.30-0.47	BBB-	0.68%	0.56%	63	75			0.40%
	0.47-0.78	BB+	1.11%	0.94%	7433	7020	15	1	0.54%
	0.78-1.29	BB	0.74%	0.71%	16	16			1.03%
	1.29-2.22	BB-	3.50%	4.50%	5	5			1.75%
	2.22-4.24	B+	4.26%	3.70%	3358	3261	51	1	2.51%
	4.24-8.49	B-	5.94%	5.31%	618	838	17	1	5.57%
	8.49-16.97	CCC/C	12.99%	10.83%	334	321	20		11.38%
	16.97-100	CCC/C	18.92%	17.93%	154	137	20		19.19%
	Retail - Secured by immovable property non-SME	0.00-0.04	AAA to A+	0.11%	0.12%	51643	48125	71	
0.04-0.05		A+	0.11%	0.11%	55978	53032	71		0.04%
0.05-0.07		A	0.25%	0.19%	2622	2439	5		0.04%
0.07-0.13		A	0.16%	0.16%	163080	159480	151	2	0.06%
0.07-0.13		A-	0.24%	0.25%	204578	201498	339	1	0.09%
0.13-0.20		BBB+	0.40%	0.42%	185112	185678	440	11	0.16%
0.20-0.30		BBB	0.56%	0.64%	59207	57327	276	2	0.25%
0.30-0.47		BBB-	0.91%	0.96%	47473	47539	290	13	0.39%

	0.47-0.78	BB+	1.24%	1.36%	29962	28149	245		0.62%
	0.78-1.29	BB	2.01%	2.21%	13287	12907	204	4	1.02%
	1.29-2.22	BB-	2.85%	3.27%	8904	8256	223	1	1.71%
	2.22-4.24	B+	5.25%	5.46%	7654	7045	386	6	3.22%
	4.24-8.49	B-	8.94%	9.70%	9405	8647	903		6.54%
	8.49-16.97	CCC/C	18.45%	19.11%	7468	6178	1,369	1	12.85%
	16.97-100	CCC/C	42.96%	41.03%	1988	1448	853	1	32.65%
<b>Retail - Qualifying revolving</b>		AAA to							
	0.00-0.04	A+	0.33%	0.07%		1709			.
	0.04-0.05	A+	0.04%	0.00%	908928	982233	345		0.04%
	0.05-0.07	A	1.04%	0.79%	181	255	5		0.06%
	0.07-0.13	A-	0.26%	0.09%	951630	961485	609	1	0.09%
	0.13-0.20	BBB+	0.39%	0.08%	234582	211372	386	5	0.15%
	0.20-0.30	BBB	0.36%	0.04%	109791	108337	432	8	0.26%
	0.30-0.47	BBB-	0.63%	0.31%	109870	112701	352	9	0.40%
	0.47-0.78	BB+	1.01%	0.30%	56486	58280	305	15	0.63%
	0.78-1.29	BB	1.66%	1.06%	185141	164118	970	11	0.93%
	1.29-2.22	BB-	3.05%	1.48%	81839	65231	1,204	22	1.75%
	2.22-4.24	B+	4.49%	1.65%	41273	32094	1,316	10	2.64%
	4.24-8.49	B-	8.05%	5.46%	63687	57308	2,352	33	5.87%
	8.49-16.97	CCC/C	12.40%	7.08%	18618	16056	2,069	5	11.99%
	16.97-100	CCC/C	26.00%	14.14%	29538	27357	5,637	249	24.07%
<b>Retail - Other SME</b>		AAA to							
	0.00-0.04	A+	0.09%	0.11%	789	748			0.01%
	0.04-0.05	A+	0.28%	0.89%	3599	2692	1	1	0.04%
	0.07-0.13	A-	0.70%	0.80%	10684	8729	10	2	0.10%
	0.13-0.20	BBB+	0.78%	0.90%	9521	8943	11	3	0.14%
	0.20-0.30	BBB	0.23%	0.23%	2	2			0.23%
	0.30-0.47	BBB-	0.48%	0.38%	126	111			0.35%
	0.47-0.78	BB+	2.07%	1.50%	13875	13708	36	6	0.54%
	0.78-1.29	BB	2.49%	2.54%	24423	30741	251	70	1.14%
	1.29-2.22	BB-	3.54%	2.86%	15193	19005	163	35	1.67%
	2.22-4.24	B+	5.46%	4.09%	28968	32088	218	54	2.65%
	4.24-8.49	B-	8.72%	7.25%	24406	14582	578	101	6.06%
	8.49-16.97	CCC/C	14.95%	12.01%	5778	5636	391	34	11.42%
	16.97-100	CCC/C	33.43%	29.09%	1615	1369	369	8	22.14%
<b>Retail - Other non-SME</b>		AAA to							
	0.00-0.04	A+	0.09%	0.12%	659978	580180	100	14	0.01%
	0.04-0.05	A+	0.07%	0.32%	489	450	1		0.04%
	0.05-0.07	A	0.08%	0.09%	77	60			0.07%
	0.07-0.13	A-	0.52%	0.32%	133655	124783	57	6	0.08%
	0.13-0.20	BBB+	0.53%	0.53%	36855	40037	33	2	0.17%
	0.20-0.30	BBB	0.64%	0.64%	36387	40348	41	14	0.24%
	0.30-0.47	BBB-	0.79%	0.99%	20963	22980	41	8	0.39%
	0.47-0.78	BB+	1.49%	1.56%	33040	34307	119	18	0.63%
	0.78-1.29	BB	1.74%	1.23%	192983	151717	249	58	0.93%
	1.29-2.22	BB-	3.79%	3.29%	6691	7809	53	6	1.52%
	2.22-4.24	B+	4.96%	3.39%	79638	38627	463	27	3.46%
	4.24-8.49	B-	6.50%	7.06%	8806	8078	220	5	5.29%
	8.49-16.97	CCC/C	13.59%	14.17%	463	378	29	1	15.42%
	16.97-100	CCC/C	20.16%	20.67%	3640	3188	534		21.83%



# Counterparty credit risk

## EU CCR1 – Analysis of CCR exposure by approach

31 December 2019

(in millions)	Notional	Replacement cost/Current market value	Potential future credit exposure	EEPE	Multiplier	EAD post CRM	RWAs
1	Mark to market	2,332	4,441			6,269	1,822
2	Original exposure						
3	Standardised Approach					1,248	695
4	Internal Model Method (for derivatives and SFTs)						
5	- of which securities financing transactions						
6	- of which derivatives & long settlement transactions						
7	- of which from contractual cross products netting						
8	Financial collateral simple method (for SFTs)					9,245	2,360
9	Finance collateral comprehensive method (for SFTs)						
10	VaR for SFTs						
11	<b>Total</b>						<b>4,878</b>

30 June 2019

1	Mark to market	1,719	5,309			7,028	1,721
2	Original exposure						
3	Standardised Approach						
4	Internal Model Method (for derivatives and SFTs)						
5	- of which securities financing transactions						
6	- of which derivatives & long settlement transactions						
7	- of which from contractual cross products netting						
8	Financial collateral simple method (for SFTs)						
9	Finance collateral comprehensive method (for SFTs)					6,730	635
10	VaR for SFTs						
11	<b>Total</b>						<b>2,357</b>

			31 December 2018		
1	Mark to market	1,566	4,650	6,216	1,557
2	Original exposure				
3	Standardised Approach				
4	Internal Model Method (for derivatives and SFTs)				
5	- of which securities financing transactions				
6	- of which derivatives & long settlement transactions				
7	- of which from contractual cross products netting				
8	Financial collateral simple method (for SFTs)				
9	Finance collateral comprehensive method (for SFTs)			5,813	527
10	VaR for SFTs				
11	<b>Total</b>				<b>2,084</b>

The new exposure reported under the standardised method is the result of the change in approach from IRB to Standardised Approach for our clearing activities.

**EU CCR2 – CVA capital charge**

(in millions)	31 December 2019		30 June 2019		31 December 2018	
	Exposure value	RWAs	Exposure value	RWAs	Exposure value	RWAs
1	Total portfolios subject to the Advanced Method					
2	(i) VaR component (including the 3x multiplier)					
3	(ii) Stressed VaR component (including the 3x multiplier)					
4	All portfolios subject to the Standardised Method					
	1,114	370	1,654	490	1,384	497
EU4	Based on Original Exposure Method					
5	<b>Total subject to the CVA capital charge</b>					
	<b>1,114</b>	<b>370</b>	<b>1,654</b>	<b>490</b>	<b>1,384</b>	<b>497</b>

CVA risk decreased due to lower derivative positions with institutions.

## EU CCR8 – Exposures to CCPs

(in millions)	31 December 2019		30 June 2019		31 December 2018	
	EAD post CRM	RWAs	EAD post CRM	RWAs	EAD post CRM	RWAs
<b>1 Exposures to QCCPs (total)</b>		<b>626</b>		<b>465</b>		<b>417</b>
2 Exposures for trades at QCCPs (excluding initial margin and default fund contributions)	4,753	95	4,674	93	4,129	83
3 <i>of which: (i) OTC derivatives</i>	2,530	51	2,288	46	2,183	44
4 <i>of which: (ii) Exchange-traded derivatives</i>						
5 <i>of which: (iii) SFTs</i>	2,223	46	2,385	48	1,946	39
6 <i>of which: (iv) Netting sets where cross-product netting has been approved</i>						
7 Segregated initial margin	2,585		2,202		3,244	
8 Non-segregated initial margin	1,383	28	1,849	37	1,633	33
9 Prefunded default fund contributions	970	503	1,059	334	1,082	301
10 Alternative calculation of own funds requirements for exposures						
<b>11 Exposures to non-QCCPs (total)</b>						
12 Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions)						
13 <i>of which: (i) OTC derivatives</i>						
14 <i>of which: (ii) Exchange-traded derivatives</i>						
15 <i>of which: (iii) SFTs</i>						
16 <i>of which: (iv) Netting sets where cross-product netting has been approved</i>						
17 Segregated initial margin						
18 Non-segregated initial margin						
19 Prefunded default fund contributions						
20 Unfunded default fund contributions						

Total RWA to CCPs increased, primarily due to higher RWA related to default fund contributions.

## EU CCR3 – Standardised Approach – CCR exposures by regulatory portfolio and risk

31 December 2019

(in millions)												Risk weight	Total	Of which unrated
	0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others			
<b>Exposure classes</b>														
1	Central governments or central banks													
2	Regional governments or local authorities													
3	Public sector entities													
4	30												30	30
5	International organisations													
6		4,753			2,246	64				697		7,760	6,656	
7					542				1,112	27	1,681	1,681		
8	Retail													
9	Institutions and corporates with a short-term credit assessment													
10	Other items													
11	<b>Total</b>	<b>30</b>	<b>4,753</b>			<b>2,788</b>	<b>64</b>				<b>1,809</b>	<b>27</b>	<b>9,471</b>	<b>8,367</b>

30 June 2019

(in millions)												Risk weight	Total	Of which unrated		
	0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others					
<b>Exposure classes</b>																
1	Central governments or central banks															
2	Regional governments or local authorities															
3	Public sector entities															
4	81												81	79		
5	International organisations															
6		4,674												4,674	4,060	
7										1		1	1			
8	Retail															
9	Institutions and corporates with a short-term credit assessment															
10	Other items															
11	<b>Total</b>	<b>81</b>	<b>4,674</b>											<b>1</b>	<b>4,756</b>	<b>4,140</b>

31 December 2018

(in millions)	Risk weight											Total	Of which unrated		
	0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others				
<b>Exposure classes</b>															
1	Central governments or central banks														
2	Regional governments or local authorities														
3	Public sector entities														
4	Multilateral development banks											36	36		
5	International organisations														
6	Institutions											4,129	3,471		
7	Corporates														
8	Retail														
9	Institutions and corporates with a short-term credit assessment														
10	Other items														
11	<b>Total</b>											<b>36</b>	<b>4,129</b>	<b>4,165</b>	<b>3,507</b>

## EU CCR4 – IRB approach – CCR exposures by portfolio and PD scale

31 December 2019

	PD scale	EAD post CRM (in millions)	Average PD (in %)	Numbers of obligors (in units)	Average LGD (in %)	Average maturity (in years)	RWAs (in millions)	RWA density (in %)
<b>Exposure class</b>								
Central government or central banks	0.00 to <0.15	261	0.01%	17	8.30%	2.54	2	0.63%
	0.15 to <0.25		0.17%	1	29.70%	2.25		26.68%
	0.50 to <0.75		0.66%	1	14.40%	5.00		37.06%
	<b>Subtotal</b>	<b>262</b>		<b>19</b>			<b>2</b>	
Corporates	0.00 to <0.15	1,973	0.06%	330	29.51%	2.18	337	17.07%
	0.15 to <0.25	229	0.18%	63	44.66%	0.99	74	32.32%
	0.25 to <0.50	608	0.35%	194	35.41%	2.63	281	46.17%
	0.50 to <0.75	249	0.67%	310	24.10%	2.67	109	43.74%
	0.75 to <2.50	590	1.47%	770	25.73%	2.48	371	62.77%
	2.50 to <10.00	188	4.64%	293	22.39%	2.39	135	71.71%
	10.00 to <100.00	40	23.67%	474	29.16%	3.79	66	164.43%
	100.00 (Default)	58	100.00%	83	49.66%	2.93	359	620.70%
	<b>Subtotal</b>	<b>3,936</b>		<b>2,517</b>			<b>1,731</b>	
Institutions	0.00 to <0.15	2,503	0.06%	109	37.43%	0.73	300	12.00%
	0.15 to <0.25	167	0.18%	19	39.83%	1.65	69	41.33%
	0.25 to <0.50	246	0.28%	17	38.15%	0.74	99	40.32%
	0.50 to <0.75	1	0.64%	2	41.74%	0.47	1	65.79%
	0.75 to <2.50	155	1.07%	4	37.80%	0.20	97	62.69%
	10.00 to <100.00	20	24.00%	5	35.89%	1.59	44	224.36%
	<b>Subtotal</b>	<b>3,092</b>		<b>156</b>			<b>611</b>	
<b>Total</b>		<b>7,291</b>		<b>2,692</b>			<b>2,343</b>	

30 June 2019

	PD scale	EAD post CRM (in millions)	Average PD (in %)	Numbers of obligors (in units)	Average LGD (in %)	Average maturity (in years)	RWAs (in millions)	RWA density (in %)
<b>Exposure class</b>								
Central governments or central banks	0.00 to <0.15	449	0.05%		10.6%	2	7	1.6%
	0.15 to <0.25							
	0.25 to <0.50							
	0.50 to <0.75		0.7%		14.4%	5		37.1%
	0.75 to <2.50							
	2.50 to <10.00							
	10.00 to <100.00							
	100.00 (Default)							
	<b>Subtotal</b>	<b>450</b>					<b>7</b>	
Corporates	0.00 to <0.15	2,116	0.1%		30.6%	2	355	16.8%
	0.15 to <0.25	213	0.2%		43.8%	1	61	28.6%
	0.25 to <0.50	578	0.3%		34.4%	3	283	48.9%
	0.50 to <0.75	283	0.7%		24.4%	3	131	46.4%
	0.75 to <2.50	535	1.5%		25.2%	3	358	66.8%
	2.50 to <10.00	201	4.1%		25.2%	3	164	81.5%
	10.00 to <100.00	32	23.9%		23.7%	3	35	112.2%
	100.00 (Default)	32	100.0%		32.8%	3	139	434.4%
	<b>Subtotal</b>	<b>3,990</b>					<b>1,526</b>	
Institutions	0.00 to <0.15	3,548	0.1%		36.4%	1	347	9.8%
	0.15 to <0.25	505	0.2%		42.5%	1	167	33.2%
	0.25 to <0.50	466	0.3%		38.2%		161	34.6%
	0.50 to <0.75	1	0.6%		42.3%		1	47.7%
	0.75 to <2.50	26	1.3%		42.0%		21	79.1%
	10.00 to <100.00	17	24.0%		31.8%	1	33	198.5%
		100.00 (Default)						
	<b>Subtotal</b>	<b>4,563</b>					<b>729</b>	
<b>Total</b>		<b>9,003</b>					<b>2,262</b>	



31 December 2018

	PD scale	EAD post CRM (in millions)	Average PD (in %)	Numbers of obligors (in units)	Average LGD (in %)	Average maturity (in years)	RWAs (in millions)	RWA density (in %)
<b>Exposure class</b>								
Central governments or central banks	0.00 to <0.15	503	0.02%		12.81%	3	17	3.41%
	0.15 to <0.25							
	0.25 to <0.50							
	0.50 to <0.75		0.66%		14.40%	5		37.06%
	0.75 to <2.50							
	2.50 to <10.00							
	10.00 to <100.00							
	100.00 (Default)							
	<b>Subtotal</b>	<b>504</b>					<b>17</b>	
Corporates	0.00 to <0.15	1,686	0.05%		28.65%	2	287	17.04%
	0.15 to <0.25	235	0.18%		42.75%	1	74	31.62%
	0.25 to <0.50	497	0.33%		35.61%	3	237	47.73%
	0.50 to <0.75	192	0.67%		23.40%	2	83	43.18%
	0.75 to <2.50	498	1.59%		23.87%	3	311	62.47%
	2.50 to <10.00	165	4.56%		27.95%	3	146	88.33%
	10.00 to <100.00	28	22.34%		34.75%	3	48	173.16%
	100.00 (Default)	22	100.00%		36.45%	4	101	452.74%
	<b>Subtotal</b>	<b>3,323</b>					<b>1,288</b>	
Institutions	0.00 to <0.15	3,271	0.06%		36.95%	1	390	11.93%
	0.15 to <0.25	434	0.17%		36.64%	2	156	35.93%
	0.25 to <0.50	307	0.35%		38.61%		127	41.39%
	0.50 to <0.75	15	0.66%		48.45%		11	72.25%
	0.75 to <2.50		1.77%		37.80%			70.35%
	10.00 to <100.00	11	24.75%		17.24%	3	12	111.85%
		100.00 (Default)		0.00%		0.00%		
	<b>Subtotal</b>	<b>4,037</b>					<b>695</b>	
<b>Total</b>		<b>7,864</b>					<b>2,001</b>	

The decrease in EAD post CRM was mainly due to lower exposures for securities financing transactions, resulting from seasonal effects.

### **EU CCR7 – RWA flow statements of CCR exposures under the IMM**

Template 32 of EBA PIII Guideline is not applicable to ABN AMRO as we do not use the IMM methodology for measuring the EAD for counterparty credit risk exposures. Instead, we use the CEM method (CRR 274) to calculate the EAD for derivatives and the FCCM method for securities financing transactions (CRR 220/222).

## EU CCR5-A – Impact of netting and collateral held on exposure values

31 December 2019

(in millions)	Gross positive fair value or net carrying amount	Netting benefits	Netted current credit exposure	Collateral held	Net credit exposure
1 Derivatives	52,034	48,359	3,676	1,341	2,334
2 SFTs	37,577		37,577	33,383	3,026
3 Cross-product netting					
4 <b>Total</b>	<b>89,611</b>	<b>48,359</b>	<b>41,253</b>	<b>34,724</b>	<b>5,360</b>

	30 June 2019				
	Gross positive fair value or net carrying amount	Netting benefits	Netted current credit exposure	Collateral held	Net credit exposure
1 Derivatives	52,743	49,311	3,432	1,379	2,054
2 SFTs	51,863		51,863	45,133	6,730
3 Cross-product netting					
4 <b>Total</b>	<b>104,606</b>	<b>49,311</b>	<b>55,295</b>	<b>46,512</b>	<b>8,784</b>

	31 December 2018				
	Gross positive fair value or net carrying amount	Netting benefits	Netted current credit exposure	Collateral held	Net credit exposure
1 Derivatives	34,195	31,089	3,106	1,208	1,897
2 SFTs	42,438		42,438	38,980	3,458
3 Cross-product netting					
4 <b>Total</b>	<b>76,633</b>	<b>31,089</b>	<b>45,544</b>	<b>40,188</b>	<b>5,356</b>

The decline in securities financing transactions compared with 30 June 2019 is mainly attributable to the cyclical nature of the business. The increase in derivatives exposure compared with year-end 2018 is mainly explained by an increase in exposure to QCCPs.

## EU CCR5-B – Composition of collateral for exposures to CCR

31 December 2019

		Collateral used in derivative transactions				Collateral used in SFTs	
		Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of posted collateral
(in millions)		Segregated	Unsegregated	Segregated	Unsegregated		
1	Cash		1,473		3,483	11,143	17,520
2	Securities		98	287	385	27,496	18,888
3	<b>Total</b>		<b>1,571</b>	<b>287</b>	<b>3,868</b>	<b>38,639</b>	<b>36,409</b>
<b>30 June 2019</b>							
1	Cash		1,669		4,186	17,508	26,153
2	Securities		42	616	428	36,801	26,855
3	<b>Total</b>		<b>1,710</b>	<b>616</b>	<b>4,614</b>	<b>54,309</b>	<b>53,008</b>
<b>31 December 2018</b>							
1	Cash		1,118		3,314	13,817	18,784
2	Securities		186	402	173	31,559	23,654
3	<b>Total</b>		<b>1,304</b>	<b>402</b>	<b>3,487</b>	<b>45,376</b>	<b>42,438</b>

### **EU CCR6 – Credit derivatives exposures**

Template 35 of EBA Pillar III guideline relates to exposure to credit derivatives. ABN AMRO Bank is currently winding down its trading in credit derivatives.

# Market risk

## EU MR1 – Market risk under the Standardised Approach

(in millions)	31 December 2019		30 June 2019		31 December 2018	
	RWA	Capital requirements	RWA	Capital requirements	RWA	Capital requirements
<b>Outright products</b>						
1	Interest rate risk (general and specific)	6	3		1	
2	Equity risk (general and specific)					
3	Foreign exchange risk					
4	Commodity risk					
<b>Options</b>						
5	Simplified approach					
6	Delta-plus method					
7	Scenario approach					
8	Securitisation (specific risk)					
9	<b>Total</b>	<b>6</b>	<b>3</b>		<b>1</b>	

# Qualitative disclosures for banks using the Internal Models Approach (IMA)

For the qualitative disclosures for banks using the Internal Models Approach (IMA) we refer to the Market Risk section of the Pillar 3 report.

## EU MR2-A – Market risk under the IMA

(in millions)	31 December 2019		30 June 2019		31 December 2018	
	RWA	Capital requirements	RWA	Capital requirements	RWA	Capital requirements
<b>1 VaR</b>	<b>134</b>	<b>11</b>	<b>133</b>	<b>11</b>	<b>193</b>	<b>15</b>
a Previous day's VaR		3		4		3
b Average of the daily VaR on each of the past 60 business days x multiplication factor		11		11		15
<b>2 SVaR</b>	<b>673</b>	<b>54</b>	<b>840</b>	<b>67</b>	<b>742</b>	<b>59</b>
a Latest SVaR		16		16		16
b Average of the SVaR during the past 60 business days x multiplication factor		54		67		59
<b>3 IRC</b>	<b>549</b>	<b>44</b>	<b>355</b>	<b>28</b>	<b>677</b>	<b>54</b>
a Most recent IRC value		35		22		22
b Average of the IRC number over the past 12 weeks		44		28		54
<b>4 Comprehensive risk measure</b>						
a Most recent risk number for the correlation trading portfolio						
b Average of the risk number for the correlation trading portfolio over the past 12 weeks						
c 8% of own funds requirement in the SA on the most recent risk number for the correlation trading portfolio						
<b>5 Other</b>						
<b>6 Total</b>	<b>1,357</b>	<b>109</b>	<b>1,327</b>	<b>106</b>	<b>1,612</b>	<b>129</b>

The RWA remained relatively flat due to offsetting movements between the IRC and SVaR.

## EU MR2-B – RWA flow statements of market risk exposures under the IMA

(in millions)						31 December 2019		30 September 2019		31 December 2018				
	VaR	SVaR	IRC	Compre- hensive risk measure	Other	Total RWAs	Total capital require- ments	Total RWAs	Total capital require- ments	Total RWAs	Total capital require- ments			
<b>1</b>	<b>RWAs at previous quarter end</b>					<b>1,219</b>	<b>98</b>	<b>1,327</b>	<b>106</b>	<b>1,640</b>	<b>131</b>			
1a	Regulatory adjustment													
<b>1b</b>	<b>RWAs at the previous quarter-end (end of the day)</b>					<b>1,219</b>	<b>98</b>	<b>1,327</b>	<b>106</b>	<b>1,640</b>	<b>131</b>			
2	Movement in risk levels													
3	Model update/changes													
4	Methodology and policy													
5	Acquisitions and disposals													
6	Foreign exchange movements													
7	Other					-4	92	49	138	11	-108	-8	-29	-2
<b>8a</b>	<b>RWAs at the end of the reporting period (end of the day)</b>					<b>1,357</b>	<b>109</b>	<b>1,219</b>	<b>98</b>	<b>1,611</b>	<b>129</b>			
8b	Regulatory adjustment													
<b>8</b>	<b>RWAs at the end of the reporting period</b>					<b>1,357</b>	<b>109</b>	<b>1,219</b>	<b>98</b>	<b>1,611</b>	<b>129</b>			

The increase in RWA was primarily due to a slight increase in overall positions.

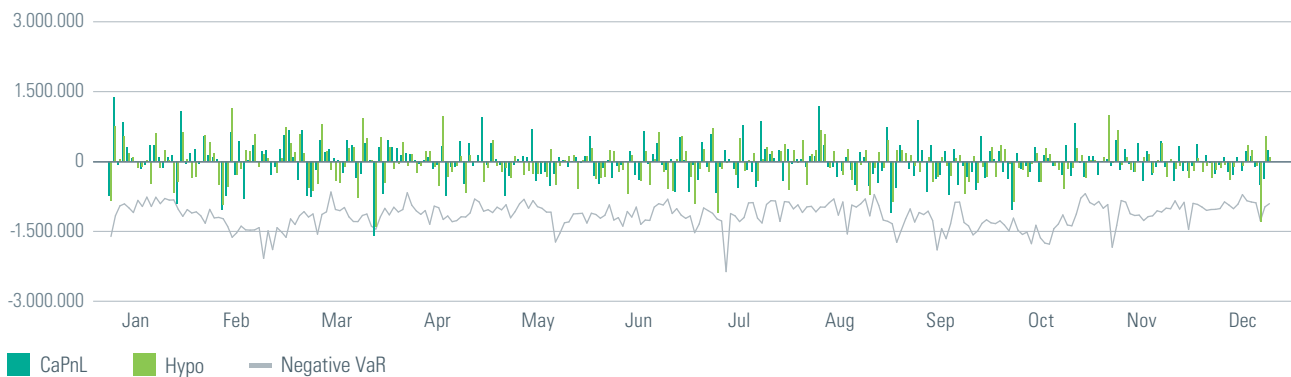


**EU MR3 – IMA values for trading portfolios**

(in millions)		31 December 2019	30 June 2019	31 December 2018
		VaR (10 day 99%)	VaR (10 day 99%)	VaR (10 day 99%)
1	Maximum value	7	7	10
2	Average value	4	4	6
3	Minimum value	2	2	2
4	Period end	3	4	3
		SVaR (10 day 99%)	SVaR (10 day 99%)	SVaR (10 day 99%)
5	Maximum value	26	33	40
6	Average value	17	21	21
7	Minimum value	10	15	12
8	Period end	15	15	18
		IRC (99.9%)	IRC (99.9%)	IRC (99.9%)
9	Maximum value	46	32	72
10	Average value	33	17	55
11	Minimum value	19	10	15
12	Period end	32	24	19
		Comprehensive risk capital charge (99.9%)	Comprehensive risk capital charge (99.9%)	Comprehensive risk capital charge (99.9%)
13	Maximum value			
14	Average value			
15	Minimum value			
16	Period end			

## EU MR4 – Comparison of VaR estimates with gains/losses

### Comparison of VaR estimates with gains/losses 2019



### Analysis of outliers

- ▶ 26 March: The main drivers of the genuine clean actual overshooting were an increase in interest rate volatility and a decrease in the interest rate after a speech by Mario Draghi at a Frankfurt conference. The previously mentioned macroeconomic effects resulted in a total loss of EUR 846,000 for the 6-month Euribor exposure in the IRD Vanilla desk and a total loss of EUR 236,000 for the cap/floor vega position in the 1-month Euribor book in the IRD Exotics desk.
- ▶ 27 December: The hypothetical overshooting was caused by funding rates from ABN AMRO's money markets desk being used in the Tomorrow Next (T/N) and Spot Next (S/N) tenors of the USD Overnight Indexed Swap (OIS) curve. From 27 to 30 December 2019, the USD OIS curve showed a +225 bp move in the T/N and S/N tenors. This move was caused by the USD scarcity around the year-end, which resulted in higher USD funding rates from ABN AMRO's money market desk. The curve set-up in the O/N, T/N and S/N tenors is based on the funding rates provided by ABN AMRO's money market desk.

# Remuneration

## REMUNERATION

### Remuneration of Executive Board and former Managing Board

31 December 2019

	Base salary	Compensation for lease car expenses	Benefits from mortgage interest rate	Variable remuneration <sup>6)</sup>	Total pension related contributions <sup>7)</sup>	Severance payments	Total <sup>8)</sup>
					Post employee pension (7a)	Short-term allowances (7b)	
(In thousands)							
1	C. van Dijkhuizen <sup>1)</sup>	741			38	222	1,001
2	C.J. Abrahams <sup>2)</sup>	629			38	183	850
3	C.M. Bornfeld <sup>3)</sup>	629			38	183	850
4	T.J.A.M. Cuppen <sup>4)</sup>	629			38	183	850
5	<b>Total</b>	<b>2,628</b>			<b>152</b>	<b>771</b>	<b>3,551</b>

31 December 2018

1	C. van Dijkhuizen	723			37	210	970
2	C.J. Abrahams <sup>2)</sup>	614			37	173	824
3	C.M. Bornfeld <sup>3)</sup>	512			31	144	687
4	T.J.A.M. Cuppen <sup>4)</sup>	614			37	173	824
5	J. van Hall <sup>5)</sup>	456		1	25	147	786
6	<b>Total</b>	<b>2,919</b>		<b>1</b>	<b>167</b>	<b>847</b>	<b>4,091</b>

- The Executive Board membership for C. van Dijkhuizen will end on 22 April 2020. The labour agreement of C. van Dijkhuizen will end on 31 October 2020. C. van Dijkhuizen will be awarded a severance payment of three months' gross fixed salary (EUR 189,995) on his departure as per 31 October 2020.
- C. Abrahams receives a compensation for housing costs (2019: EUR 94 thousand; 2018: EUR 94 thousand) and flight tickets (2019: EUR 13 thousand; 2018: EUR 28 thousand) to his home country which is not included in the base salary.
- C.M. Bornfeld joined the Executive Board with effect from 1 March 2018 and receives a compensation for housing costs (2019: EUR 132 thousand; 2018: EUR 121 thousand) and flight tickets (2019: EUR 38 thousand of which EUR 25 thousand for previous year; 2018: nil) to his home country which is not included in the base salary.
- In addition to remuneration T.J.A.M. Cuppen received a benefit of EUR 3 thousand for the personal use of the company car in 2019 and 2018.
- The Executive Board membership for J. van Hall ended on 1 March 2018. As J. van Hall's employment agreement ended on 1 September 2018, his remuneration relates to the period up to 1 September 2018. The severance payment was awarded in 2018.
- As a consequence of the Bonus Prohibition Act, the Executive Board members are not entitled to receive variable compensation. This prohibition has applied since the performance year 2011.
- The Executive Board members participate in ABN AMRO Bank's pension plans for employees in the Netherlands. This participation is not mandatory for Mr C. Abrahams considering his current non Dutch tax resident status. Total pension related contributions refer to (7a) the employer contribution to the pension fund (for the CDC pension scheme for pensionable income up to EUR 107,593 (2018: EUR 105,075) and (7b) the arrangement in accordance with the ABN AMRO Collective Labour Agreement ('ABN AMRO CAO').
- In addition to remuneration, Executive Board members are eligible for benefits such as the use of a company car. Only T.J.A.M. Cuppen uses this car for private purposes. Members of the Executive Board may receive compensation for Dutch language classes, private schools for their children and home security.

## Remuneration of other members of the management body

31 December 2019

	Base salary	Compensation for lease car expenses	Benefits from mortgage interest rate	Pre ExCo deferred remuneration <sup>5)</sup>	Variable remuneration	Total pension related contributions <sup>6)</sup>	Severance payments	Total <sup>7), 8)</sup>
						Post employee pension (6a)	Short-term allowances (6b)	
(In thousands)								
1	F.M.R. van der Horst <sup>1)</sup>	609	12	21	24	38	175	879
2	D.C. de Kluis <sup>2)</sup>	572	10	16	21	38	163	820
3	G.J. Meppelink <sup>3)</sup>	319	20	5	31	22	90	487
4	P.H. van Mierlo <sup>4)</sup>	572	4	5	9	38	163	791
5	R.F. van Nouhuijs	609	34	12	33	38	175	901
6	<b>Total</b>	<b>2,681</b>	<b>79</b>	<b>59</b>	<b>118</b>	<b>174</b>	<b>766</b>	<b>3,877</b>

31 December 2018

1	F.M.R. van der Horst <sup>1)</sup>	597	12	22	70	37	167	905
2	D.C. de Kluis <sup>2)</sup>	561	10	17	51	37	155	831
3	G.J. Meppelink	536	34	11	41	37	146	805
4	P.H. van Mierlo <sup>4)</sup>	561	6	6	62	37	155	827
5	R.F. van Nouhuijs	597	34	12	76	37	167	922
6	<b>Total</b>	<b>2,851</b>	<b>95</b>	<b>68</b>	<b>300</b>	<b>186</b>	<b>791</b>	<b>4,290</b>

- In addition to remuneration F.M.R. van der Horst received a benefit of EUR 13 thousand for the personal use of the company car in 2019 and 2018.
- In addition to remuneration D.C. de Kluis received a benefit of EUR 15 thousand for the personal use of the company car in 2019 and 2018.
- G.J. Meppelink stepped down from ExCo 1 August 2019 and worked on several assignments for ExCo till 31 December 2019. The labour agreement of G.J. Meppelink will end on 30 June 2020. G.J. Meppelink will be awarded a severance payment of EUR 243,958 on his departure.
- In addition to remuneration P.H. van Mierlo received a benefit of EUR 6 thousand for the personal use of the company car in 2019 and 2018.
- Deferred remuneration related to variable remuneration of identified staff for the period before 1 March 2017, see also remuneration chapter.
- The Executive Committee members participate in ABN AMRO Bank's pension plans as applicable to the employees in the Netherlands. Total pension related contributions as applicable as of 2019 refer to (3a) the employer contribution to the pension fund (for the CDC pension scheme for pensionable income up to EUR 107,593 (2018: EUR 105,075) and (3b) the arrangement in accordance with the ABN AMRO Collective Labour Agreement ('ABN AMRO CAO').
- Consistent with regular employees Other ExCo members are eligible for an employee mortgage discount.
- In addition to remuneration, other ExCo members are eligible for benefits such as the use of a company car.

## Remuneration details of all employees

2019

	Remuneration in millions <sup>2)</sup>							
(in FTE)	1-1.5	1.5-2	2-2.5	2.5-3	3-3.5	3.5-4	4.5-5	>5
1	Retail Banking							
2	Commercial Banking							
3	Private Banking							
4	Corporate & Institutional Banking							
5	Group Functions <sup>1)</sup>	1						

- Executive and Supervisory Board members are reported under Group Functions.
- Remuneration reflects the amounts paid in the financial year as per EBA requirement, as opposed to the remuneration disclosure in the tables Remuneration of Executive Board and Supervisory Board which represents the remuneration allocated to the financial year in accordance with EU IFRS.

2019

(in FTE)	Remuneration in millions <sup>1)</sup>							
	1-1.5	1.5-2	2-2.5	2.5-3	3-3.5	3.5-4	4.5-5	>5
1 Executive Board / Executive Committee	1							
2 Executive Committee -1 and -2 above CLA								
3 Other Identified Staff								

1. Remuneration reflects the amounts paid in the financial year as per EBA requirement, as opposed to the remuneration disclosure in the tables Remuneration of Executive Board and Supervisory Board which represents the remuneration allocated to the financial year in accordance with EU IFRS.

## Performance indicators

2019

(in thousands)	Variable plan	Level	Type <sup>1), 2)</sup>	Weight	Actual award outcome
<b>Name (position)</b>					
C. van Dijkhuizen (CEO)	VCP ABN AMRO	Organisation	Financial	30%	
			Non financial	30%	
		Business line	Financial	n.a.	
			Non financial	n.a.	
		Individual	Non financial	40%	
<b>Total</b>				<b>100%</b>	
C.J. Abrahams (CFO)	VCP ABN AMRO	Organisation	Financial	30%	
			Non financial	20%	
		Business line	Financial	n.a.	
			Non financial	10%	
		Individual	Non financial	40%	
<b>Total</b>				<b>100%</b>	
T.J.A.M. Cuppen (CRO)	VCP ABN AMRO	Organisation	Financial	10%	
			Non financial	20%	
		Business line	Financial	10%	
			Non financial	20%	
		Individual	Non financial	40%	
<b>Total</b>				<b>100%</b>	
C.M. Bornfeld (CI & TO)	VCP ABN AMRO	Organisation	Financial	10%	
			Non financial	20%	
		Business line	Financial	10%	
			Non financial	20%	
		Individual	Non financial	40%	
<b>Total</b>				<b>100%</b>	

1. Financial KPIs include Return on Equity, cost ceiling/cost income ratio, RAROE and CET1 ratio.

2. Non financial KPIs include sustainability, Net Promoter Score, Employee Engagement and House in order.

	Weighting Executive Board <sup>5)</sup>	Weighting Executive Committee	Weighting above CLA identified staff	Weighting CLA identified staff
Organisation level KPIs	30-60%	20-30%	20%	10%
Businessline level KPIs	0-30%	30-50%	40-50%	15%
Individual KPI <sup>1)</sup>	40%	30-40%	30-40%	75%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
- of which financial <sup>2), 3)</sup>	20-30%	20-30%	15-30%	0-50%
- of which non-financial <sup>2), 4)</sup>	70-80%	70-80%	70-85%	50-100%

1. Individual KPI: For employees above CLA the individual KPI refers to leadership.

2. Financial KPIs include Return on Equity, cost ceiling/cost income ratio, RAROE and CET1 ratio.

3. Non financial KPIs include sustainability, Net Promoter Score, Employee Engagement and House in order.

4. Mix and weighting of KPIs tailored to specific function of the identified staff member.

5. The CEO only has KPIs on Individual and Organisation level.

As a financial institution, ABN AMRO is subject to many guidelines and restrictions regarding remuneration. Since 2015, limitations with respect to remuneration and, more specifically, to variable remuneration have applied to all employees in the Dutch financial sector, with even more restrictions applying to financial institutions that the Dutch State supports by way of shareholdings. As this is the case for ABN AMRO, the restrictions include a prohibition on bonuses for a specific group of senior employees. ABN AMRO aims to combine all applicable remuneration restrictions with our corporate strategy. As at 1 December 2019, new legislation entered into force following the EU's Second Shareholder Rights Directive. This gives shareholders a stronger position on the remuneration of members of the Supervisory Board and Executive Board, as well as creating greater transparency. ABN AMRO will include as many of the Directive's requirements in its Board remuneration policies as possible, taking into consideration the applicable remuneration restrictions.

### Remuneration philosophy

ABN AMRO's long-term corporate strategy, interests and sustainability policies are embedded in our remuneration policy and principles. At the end of 2018, ABN AMRO launched a renewed strategy, based on 'Banking for better, for generations to come'. The three main pillars in this strategy are reflected in our remuneration philosophy:

- ▶ Pillar 1 - Supporting our clients in their transition to sustainability;
- ▶ Pillar 2 - Reinventing the customer experience;
- ▶ Pillar 3 - Building a future-proof bank.

### Remuneration policy

ABN AMRO pursues a responsible remuneration policy that remains within the regulatory boundaries. This includes limitations on variable remuneration and a prohibition on bonuses for a specific group of senior employees, while also taking into account the interests of all our stakeholders and best practices. Our business strategy puts our positive, proactive purpose at the centre of everything we do. This means we are rethinking, innovating and pulling together to move forward with our purpose. Given that ABN AMRO is seeking to support our clients in their transition to sustainability, to reinvent the customer experience and to build a future-proof bank, it is vital that we offer clients a flawless experience. This means we need well-trained, committed and entrepreneurial employees and flawless processes and technologies. We need to ensure our current employees remain committed and enable them to acquire new skills by investing in their development. We also need to be able to attract new talent in order to deliver and continue creating value for our stakeholders and society at large. We strive to embed new remuneration regulations effectively and efficiently in our reward policies and principles, while also safeguarding our licence to operate, achieving our ambitions, and keeping our risks and opportunities in balance.

Our remuneration principles are set out in our Global Reward Policy, which is designed to support ABN AMRO's business strategy, objectives, values and long-term interests. Our remuneration policy should enable us to attract and retain the right talent and ensure that we meet our responsibilities towards clients and other stakeholders, both now and in the future.

Executive and Supervisory Board members are reported under Group Functions.

Remuneration reflects the amounts paid in the financial year in accordance with the EBA requirement.

# Encumbered Assets

## Encumbered assets

31 December 2019

(in millions)		Carrying amount of encumbered assets	- of which: notionally eligible EHQLA and HQLA	Fair value of encumbered assets	- of which: notionally eligible EHQLA and HQLA	Carrying amount of unencumbered assets	- of which: E-HQLA and HQLA	Fair value of unencumbered assets	- of which: EHQLA and HQLA
1	Assets of the reporting institution	68,510	1,985			324,527	71,535		
2	Equity instruments	12		12		906		906	
3	Debt securities	2,012	1,492	2,012	1,492	43,438	41,998	43,438	41,998
4	- of which: covered bonds	61	21	61	21	3,997	3,853	3,997	3,853
5	- of which: asset-backed securities					7		7	
6	- of which: issued by general governments	1,932	1,419	1,932	1,419	36,695	35,695	36,695	35,695
7	- of which: issued by financial corporations	73	73	73	73	6,788	6,293	6,788	6,293
8	- of which: issued by non-financial corporations	7		7		117		117	
9	Other assets	66,486	493			280,177	28,995		
10	- of which: loans on demands	182				30,220	28,689		
11	- of which: loans and advances other than loans on demand	66,408	371			233,934	53		
12	- of which: mortgage loans	56,471				123,211			

30 June 2019

1	Assets of the reporting institution	70,239				324,299			
2	Equity instruments	19		19		999		999	
3	Debt securities	1,771		1,771		41,782		41,782	
4	- of which: covered bonds	116		116		3,872		3,872	
5	- of which: asset-backed securities					7		7	
6	- of which: issued by general governments	1,653		1,653		35,624		35,624	
7	- of which: issued by financial corporations	111		111		6,537		6,537	
8	- of which: issued by non-financial corporations	6		6		101		101	
9	Other assets	68,450				280,177			
10	- of which: loans on demands	232				31,109			
11	- of which: loans and advances other than loans on demand	68,459				233,934			
12	- of which: mortgage loans	59,515				123,888			

31 December 2018

1	Assets of the reporting institution	69,580				322,025			
2	Equity instruments	18		18		1,082		1,082	
3	Debt securities	2,187		2,187		39,111		39,111	
4	- of which: covered bonds	98		98		3,620		3,620	
5	- of which: asset-backed securities					4		4	
6	- of which: issued by general governments	1,995		1,995		31,746		31,746	

7	- of which: issued by financial corporations	219	219	6,589	6,589
8	- of which: issued by non-financial corporations	1	1	165	165
9	Other assets	67,374		282,253	
10	- of which: loans on demands	226		30,759	
11	- of which: loans and advances other than loans on demand	67,685		236,683	
12	- of which: mortgage loans	58,502		128,752	

## Collateral received by the reporting institution

31 December 2019

(in millions)		Fair value of encumbered collateral received or own debt securities issued	- of which: notionally eligible EHQLA and HQLA	Fair value of collateral received or own debt securities issued available for encumbrance	- of which: EHQLA and HQLA
1	Collateral received by the reporting institution	37,698	27,090	22,364	17,296
2	Loans on demand				
3	Equity instruments	19,660	13,246	11,874	7,430
4	Debt securities	17,176	13,843	10,454	9,214
5	- of which: covered bonds	791	786	450	450
6	- of which: asset-backed securities (ABS)	3,859	3,525	667	662
7	- of which: issued by general governments	11,524	10,855	7,309	7,436
8	- of which: issued by financial corporations	4,641	4,059	2,354	1,607
9	- of which: issued by non-financial corporations	324	216	724	193
10	Loans and advances other than loans on demand				
11	Other collateral received	355		18	
12	- of which:				
13	Own debt securities issued other than own covered bonds or ABS				
14	Own covered bonds and ABS and not yet pledged				
15	<b>Total assets, collateral received and own debt securities issued</b>	<b>107,161</b>	<b>29,571</b>		

30 June 2019

1	Collateral received by the reporting institution	37,698		22,624	
2	Loans on demand				
3	Equity instruments	19,660		11,852	
4	Debt securities	17,176		11,473	
5	- of which: covered bonds	748		522	
6	- of which: asset-backed securities (ABS)	3,763		664	
7	- of which: issued by general governments	11,524		8,227	
8	- of which: issued by financial corporations	4,882		2,635	
9	- of which: issued by non-financial corporations	304		670	
10	Loans and advances other than loans on demand				
11	Other collateral received	654		14	
12	- of which:				
13	Own debt securities issued other than own covered bonds or ABS				
14	Own covered bonds and ABS and not yet pledged				
15	<b>Total assets, collateral received and own debt securities issued</b>	<b>108,667</b>			

31 December 2018

1	Collateral received by the reporting institution	43,446		28,147	
2	Loans on demand				
3	Equity instruments	18,367		8,974	
4	Debt securities	19,785		16,078	
5	- of which: covered bonds	1,099		496	



6	- of which: asset-backed securities (ABS)	3,800	1,516
7	- of which: issued by general governments	14,126	11,995
8	- of which: issued by financial corporations	4,883	3,079
9	- of which: issued by non-financial corporations	776	865
10	Loans and advances other than loans on demand		
11	Other collateral received	2,074	4,834
12	- of which:		
13	Own debt securities issued other than own covered bonds or ABS		
14	Own covered bonds and ABS and not yet pledged		
15	<b>Total assets, collateral received and own debt securities issued</b>	<b>113,244</b>	

## Source of encumbrance

	31 December 2019		30 June 2019		31 December 2018		
	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABS encumbered	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered	
(in millions)							
1	Carrying amount of selected financial liabilities	58,748	68,306	57,511	70,687	58,984	72,900
2	of which: Derivatives	4,215	4,333	3,378	3,503	3,378	3,660
3	of which: Repurchase agreements	10,904	15,239	10,904	16,237	12,734	20,484
4	of which: Collateralised deposits other than repurchase agreements	8,445	11,480	9,000	12,432	9,122	12,560
5	of which: Covered bonds issued	34,561	36,699	33,400	36,675	32,376	36,058
6	of which: Asset-backed securities issued	250	271	500	543	875	939

ABN AMRO Bank N.V. manages its balance sheet prudently and incorporates a mix of secured and unsecured funding sources into its funding plan so as to fund its asset base at attractive cost levels, while managing its liquidity refinancing and repricing risk. The diversity in available funding sources results in lower levels of encumbrance of the bank's assets. The bank manages the acceptable levels of asset encumbrance under a set risk appetite checkpoint of 22%. Encumbered assets on the bank's balance sheet consist primarily of mortgages, which are used as a cover pool for the covered bond programme and as assets pledged for participation under the TLTRO II programme. The cover pool of mortgages is not considered to be encumbered if the securities are retained within the bank and regarded as part of the unencumbered liquidity buffer. Assets are also encumbered as a result of cash and securities being posted as margins under derivatives and clearing transactions, as well as a result of collateral being pledged for collateral swap transactions with bilateral counterparties. Although repurchase agreements and securities lending type activities also lead to encumbrance of assets, these transactions are largely conducted using securities received in reverse repo or collateral swap transactions. These received securities are not recognised on the balance sheet and are considered part of the off-balance sheet collateral, available for encumbrance.

# Countercyclical capital buffer

## Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer

(in millions)	General credit exposures		Trading book exposure		Securitisation exposure		Own Funds Requirements			Counter cyclical capital buffer rate
	Exposure value for SA	Exposure value IRB	Sum of long and short position of trading book exposures for SA	Value of trading book exposure for internal models	Exposure value for SA	Exposure value for IRB	Of which: General credit exposures	Of which: Trading book exposures	Of which: Securitisation exposures	
								Total	Own funds requirement weights	
Andorra		4							0.00%	0.00%
United Arab Emirates	3	541					13	13	0.19%	0.00%
Anguilla									0.00%	0.00%
Albania									0.00%	0.00%
Armenia									0.00%	0.00%
Angola									0.00%	0.00%
Argentina		88					4	4	0.05%	0.00%
Austria	8	299					8	8	0.12%	0.00%
Australia	456	552					40	40	0.59%	0.00%
Aruba		3							0.00%	0.00%
Azerbaijan									0.00%	0.00%
Bosnia and Herzegovina									0.00%	0.00%
Barbados		206					5	5	0.07%	0.00%
Bangladesh									0.00%	0.00%
Belgium	410	2,447		2			118	119	1.75%	0.00%
Burkina Faso									0.00%	0.00%
Bulgaria		2							0.00%	0.50%
Bahrain		3							0.00%	0.00%
Burundi									0.00%	0.00%
Sint-Bartélemy									0.00%	0.00%
Bermuda		1,510					23	23	0.34%	0.00%
Brunei Darussalam		1							0.00%	0.00%
Bolivia									0.00%	0.00%
Bonaire - St. Eustatius - Saba		2							0.00%	0.00%
Brazil	6	933					49	49	0.72%	0.00%
Bahamas		76					1	1	0.02%	0.00%
Botswana									0.00%	0.00%
Belarus									0.00%	0.00%
Canada	13	351					9	9	0.14%	0.00%
Congo, the Democratic Republic of the									0.00%	0.00%
Switzerland	389	3,755					132	132	1.95%	0.00%
Cote d'Ivoire									0.00%	0.00%

Chile		178				5		5	0.07%	0.00%
Cameroon									0.00%	0.00%
China	99	113				15		15	0.22%	0.00%
Colombia									0.00%	0.00%
Costa Rica									0.00%	0.00%
Cuba									0.00%	0.00%
Cape Verde									0.00%	0.00%
Curaçao	1	27							0.01%	0.00%
Cyprus	1	250				7		7	0.11%	0.00%
Czech Republic		54				2		2	0.03%	1.50%
Germany	769	4,498		19		147	2	149	2.20%	0.00%
Djibouti									0.00%	0.00%
Denmark	17	49				3		3	0.04%	1.00%
Dominican Republic									0.00%	0.00%
Algeria		1							0.00%	0.00%
Ecuador									0.00%	0.00%
Estonia		1							0.00%	0.00%
Egypt		1							0.00%	0.00%
Spain	12	170				9		9	0.13%	0.00%
Ethiopia									0.00%	0.00%
Finland	2	459				5		5	0.07%	0.00%
France	715	6,325		1		288	1	290	4.27%	0.25%
Gabon		21				1		1	0.02%	0.00%
United Kingdom	407	6,105				250		250	3.69%	1.00%
Georgia									0.00%	0.00%
French Guiana									0.00%	0.00%
Guernsey	2	225				4		4	0.06%	0.00%
Ghana									0.00%	0.00%
Gibraltar		4							0.00%	0.00%
Gambia									0.00%	0.00%
Guinea									0.00%	0.00%
Guadeloupe									0.00%	0.00%
Greece		108				2		2	0.03%	0.00%
Guatemala									0.00%	0.00%
Guinea-Bissau									0.00%	0.00%
Guyana									0.00%	0.00%
Hong Kong	49	1,083				51		51	0.76%	2.00%
Honduras									0.00%	0.00%
Croatia									0.00%	0.00%
Haiti									0.00%	0.00%
Hungary		22				1		1	0.02%	0.00%
Indonesia		176				6		6	0.09%	0.00%
Ireland	4	316				8		8	0.11%	1.00%
Israel	2	104				3		3	0.04%	0.00%
Isle of Man		111				3		3	0.05%	0.00%
India		39							0.00%	0.00%
Iraq									0.00%	0.00%
Iran (Islamic Republic of)									0.00%	0.00%
Iceland									0.00%	1.75%
Italy	13	184				5		5	0.07%	0.00%
Jersey	1	827				10		10	0.15%	0.00%
Jamaica									0.00%	0.00%
Jordan		2							0.00%	0.00%
Japan		107				1		1	0.02%	0.00%
Kenya									0.00%	0.00%
Cambodia									0.00%	0.00%
St. Kitts and Nevis	27					3		3	0.05%	0.00%

Korea, Republic of		59							0.00%	0.00%	
Kuwait		3							0.00%	0.00%	
Cayman Islands	382	568				39		39	0.58%	0.00%	
Kazakhstan		1							0.00%	0.00%	
Lao People's Democratic Republic									0.00%	0.00%	
Lebanon		2							0.00%	0.00%	
Liechtenstein									0.00%	0.00%	
Sri Lanka									0.00%	0.00%	
Liberia		937				11		11	0.16%	0.00%	
Lithuania		21				1		1	0.01%	1.00%	
Luxembourg	15	2,056		2		28		28	0.41%	0.00%	
Latvia									0.00%	0.00%	
Libyan Arab Jamahiriya		1							0.00%	0.00%	
Morocco		6							0.00%	0.00%	
Monaco	1	66				2		2	0.02%	0.00%	
Moldova, Republic of									0.00%	0.00%	
Montenegro									0.00%	0.00%	
Sint-Maarten									0.00%	0.00%	
Marshall Islands		2,861				43		43	0.63%	0.00%	
Macedonia, the Former Yugoslav Republic of									0.00%	0.00%	
Mali									0.00%	0.00%	
Myanmar									0.00%	0.00%	
Mongolia									0.00%	0.00%	
Macau		58				2		2	0.03%	0.00%	
Martinique		2							0.00%	0.00%	
Malta		140				2		2	0.03%	0.00%	
Mauritius		129				3		3	0.05%	0.00%	
Malawi		1							0.00%	0.00%	
Mexico	1	109				4		4	0.06%	0.00%	
Malaysia		137				11		11	0.17%	0.00%	
Mozambique									0.00%	0.00%	
Namibia									0.00%	0.00%	
Nigeria		31				1		1	0.02%	0.00%	
Nicaragua									0.00%	0.00%	
Netherlands	5,299	238,618		19	251	4,823	3	2	4,828	71.24%	0.00%
Norway		3,036		5		89			89	1.31%	2.50%
Nepal										0.00%	0.00%
New Zealand		2		3			1		1	0.01%	0.00%
Oman		4								0.00%	0.00%
Panama		201				3			3	0.04%	0.00%
Peru		30				1			1	0.01%	0.00%
Papua New Guinea	13					1			1	0.02%	0.00%
Philippines		2								0.00%	0.00%
Pakistan										0.00%	0.00%
Poland		73				1			1	0.02%	0.00%
Puerto Rico										0.00%	0.00%
Palestinian territory, occupied										0.00%	0.00%
Portugal	2	34				1			1	0.01%	0.00%
Paraguay										0.00%	0.00%
Qatar		19								0.00%	0.00%
Reunion		1								0.00%	0.00%
Romania		22								0.01%	0.00%
Serbia										0.00%	0.00%
Russian Federation		4								0.00%	0.00%

Rwanda							0.00%	0.00%	
Saudia Arabia							0.00%	0.00%	
Seychelles							0.00%	0.00%	
Sudan							0.00%	0.00%	
Sweden	1	868			9	9	0.13%	2.50%	
Singapore	101	4,200			152	152	2.25%	0.00%	
Slovenia							0.00%	0.00%	
Slovakia		9					0.01%	1.50%	
Senegal							0.00%	0.00%	
Suriname		1					0.00%	0.00%	
South Soudan							0.00%	0.00%	
El Salvador							0.00%	0.00%	
St. Maarten							0.00%	0.00%	
Syrian Arab Republic							0.00%	0.00%	
Togo							0.00%	0.00%	
Thailand		6					0.00%	0.00%	
Tajikistan							0.00%	0.00%	
Tunisia		1					0.00%	0.00%	
Turkey	1	56			2	2	0.04%	0.00%	
Trinidad and Tobago							0.00%	0.00%	
Taiwan		2					0.00%	0.00%	
Tanzania, United Republic of							0.00%	0.00%	
Ukraine							0.00%	0.00%	
Uganda							0.00%	0.00%	
United States	227	8,845	4		287	288	4.25%	0.00%	
Uruguay	20	5			2	2	0.03%	0.00%	
Uzbekistan							0.00%	0.00%	
St. Vincent and the Grenadines		6					0.00%	0.00%	
Venezuela							0.00%	0.00%	
Virgin Islands, British	24	179			6	6	0.08%	0.00%	
Vietnam							0.00%	0.00%	
UNO organs							0.00%	0.00%	
Yemen							0.00%	0.00%	
South Africa	2	215			7	7	0.11%	0.00%	
Zambia							0.00%	0.00%	
Zimbabwe							0.00%	0.00%	
<b>Total</b>	<b>9,496</b>	<b>295,968</b>	<b>56</b>	<b>251</b>	<b>6,767</b>	<b>8</b>	<b>2</b>	<b>6,777</b>	<b>100.00%</b>

### Amount of institution-specific countercyclical capital buffer

(in millions)	
Total Risk Exposure Amount	109,825
Institution specific countercyclical capital buffer rate	10.1%
Institution specific countercyclical capital buffer requirement	111

# LCR disclosures

## LCR DISCLOSURES TEMPLATE - LCR QUALITATIVE TEMPLATES

### Strategies and processes in the management of the liquidity risk

ABN AMRO Bank N.V. has a liquidity risk management framework that supports a moderate risk profile and safeguards the bank's reputation from a liquidity perspective. This framework must ensure that the bank meets its payment obligations at a reasonable cost, even under severely adverse conditions. The bank maintains a set of liquidity risk indicators to manage the liquidity position within the requirements set internally and by the regulator. In addition, regular stress testing is performed.

### Structure and organisation of the liquidity risk management function (authority, statute, other arrangements)

ABN AMRO Bank N.V. uses a three lines of defence (LoD) system of risk governance to ensure a clear division of responsibilities and to avoid conflicts of interest.

- ▶ The first line of defence is the ALM and Treasury departments, where the daily business activities are executed;
- ▶ The second line of defence comprises the Risk and Finance departments, which monitor and report the risks associated with ALM and Treasury activities;
- ▶ The third line of defence is Group Audit, which provides assurance regarding the design and effectiveness of the governance structure, systems and processes of ALM, Treasury, Risk and Finance.

### Scope and nature of liquidity risk reporting and measurement systems

ABN AMRO Bank N.V. uses a comprehensive set of liquidity indicators to monitor and measure liquidity risk, both in business as usual (BaU) and stressed conditions. The main indicators of liquidity risk are captured in the risk appetite. A moderate risk profile is safeguarded by setting appropriate limits and checkpoints for identified risk appetite indicators.

In addition to the liquidity risk appetite statements (RAS), which are generally bank-specific and reported on a monthly basis, early warning indicators (EWIs) are set for the purpose of ensuring early signalling of potential liquidity stress. These are reported on a daily basis.

### Policies for hedging and mitigating the liquidity risk and strategies and processes for monitoring the continuing effectiveness of hedges and mitigants

Liquidity risks are mitigated by maintaining a sufficiently large liquidity buffer across appropriate currencies and ensuring access to liquidity at any point in time by sufficient diversification of funding sources. This is reflected in the choice of RAS and EWIs.

The RAS and EWIs are complemented by a stress testing framework that is used to identify potential vulnerabilities in the bank's liquidity position. The outcome of stress tests is incorporated into day-to-day liquidity management.

A contingency plan is in place that prepares the bank for potential liquidity stress events. The liquidity contingency stage depends on the number of EWI and/or risk appetite breaches in combination with expert judgement. The contingency plan provides guidelines for managing a range of stress environments and describes the lines of responsibility, escalation procedures and mitigating actions.

**A declaration approved by the management body on the adequacy of liquidity risk management arrangements of the institution and providing assurance that the liquidity risk management systems in place are adequate with regard to the institution's profile and strategy**

The Group Risk Committee (GRC) is the executive risk committee of ABN AMRO Bank N.V. and has a delegated authority from the Executive Board on ALM and Treasury risk-related activities. The GRC is responsible for approving the liquidity risk policy of the bank. The bank is required to have a liquidity risk policy in place that enables it to identify, measure, steer and monitor its liquidity risk. The policy describes the bank's liquidity risk management framework. This framework includes maintaining a diversified funding mix and a strong liquidity buffer, both from an internal and a regulatory perspective. The policy also requires the bank to actively manage its liquidity risk exposures and funding needs across business lines, countries, legal entities and currencies. This includes taking into account legal, regulatory and operational limitations on the transferability of liquidity. Therefore ABN AMRO is of the opinion that the risk management systems in place are sufficient to mitigate the risk.

**A concise liquidity risk statement approved by the management body succinctly describing the institution's overall liquidity risk profile associated with the business strategy. This statement shall include key ratios and figures (other than those already covered in Annex II of these guidelines) providing external stakeholders with a comprehensive view of the institution's management of liquidity risk, including how the liquidity risk profile of the institution interacts with the risk tolerance set by the management body**

The translation of the 'moderate risk profile' into the bank's risk appetite for liquidity risk is done by setting risk appetite statements (RAS) for key liquidity indicators. An overview of these ratios is provided in the liquidity section in the annual report. The risk appetite for liquidity risk can include both qualitative and quantitative indicators. Limits and checkpoints are put in place to ensure the liquidity risk indicators reflect the bank's objective to maintain a moderate risk profile. Conditions that influence the bank's future liquidity position are uncertain. Therefore, stress testing serves as a tool for setting the limits and checkpoints in the liquidity RAS. In conclusion, ABN AMRO has sufficient buffers in place to meet liquidity requirements from a regulatory and internal perspective. In addition, stress testing results indicate that buffers are also sufficient during times of stress.

**Concentration of funding and liquidity sources**

As mentioned above, liquidity risks are mitigated by maintaining a sufficiently large liquidity buffer and sufficient diversification of funding sources to safeguard access to liquidity at any time. In order to ensure that no undue concentrations occur, the execution of the bank's funding plan is reviewed by ALM, Treasury and Market & ALM/T Risk at monthly liquidity steering meetings.

More insight into the concentration of funding and liquidity sources is provided in the liquidity and funding sections in the annual report.

**Derivative exposures and potential collateral calls**

To manage liquidity risk, the bank has an adequate pool of collateral available, which is managed proactively. This enables the bank to secure payment traffic at the Central Bank, meet margin calls for financial markets transactions (e.g. derivatives, securities financing and clearing) and manage the liquidity buffer within the approved risk appetite. When developing and executing liquidity risk stress tests, the bank takes into account that liquidity risk factors relate to both assets and liabilities, as well as to off-balance sheet commitments. These include off-balance sheet items related, for example, to credit lines, margin calls for derivatives exposure, assets and liabilities with embedded options, liquidity support for unconsolidated special-purpose vehicles beyond contractual obligations and contingent liabilities.

**Currency mismatch in the LCR**

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

More insight into the currency mismatch in the LCR is provided in the liquidity section of the annual report.

**A description of the degree of centralisation of liquidity management and interaction between the group's units**

It is the bank's policy to manage and monitor the liquidity needs of all its group entities centrally through its ALM and Treasury departments at ABN AMRO Bank N.V. However, the bank is also exposed to ALM and Treasury risks at a local level, where material legal entities need to comply with regulatory or local balance sheet management requirements. In the case of material legal entities, the Asset & Liability Commission (ALCO) may delegate part of its mandate and execution to a Local ALCO, under the guiding principle of 'Global perspective where possible, with local implementation where necessary'.

**Other items in the LCR calculation that are not captured in the LCR disclosure template but that the institution considers relevant for its liquidity profile**

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



## LCR

(in millions)	Total unweighted value				Total weighted value				
	31 Mar 2019	30 Jun 2019	30 Sep 2019	31 Dec 2019	31 Mar 2019	30 Jun 2019	30 Sep 2019	31 Dec 2019	
	Data points used in the calculation of averages				Data points used in the calculation of averages				
	12	12	12	12	12	12	12	12	
<b>HIGH-QUALITY LIQUID ASSETS</b>									
1	<b>Total high-quality liquid assets (HQLA)</b>				<b>76,511</b>	<b>77,930</b>	<b>77,650</b>	<b>76,907</b>	
<b>Cash-outflows</b>									
2	Retail deposits and deposits from small business customers, of which:	130,802	131,719	132,574	132,879	10,928	11,029	11,064	10,997
3	Stable deposits	63,529	64,741	65,866	67,898	3,176	3,237	3,293	3,395
4	Less stable deposits	67,076	66,716	66,429	64,705	7,541	7,515	7,492	7,326
5	Unsecured wholesale funding	104,773	105,150	105,553	105,787	47,026	47,569	47,768	47,859
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	34,016	34,002	34,615	34,798	8,455	8,459	8,612	8,657
7	Non-operational deposits (all counterparties)	66,282	67,004	67,017	67,353	34,096	34,966	35,236	35,566
8	Unsecured debt	4,475	4,144	3,920	3,636	4,475	4,144	3,920	3,636
9	Secured wholesale funding					6,364	5,731	5,254	5,020
10	Additional requirements	40,957	47,034	52,737	55,853	10,496	10,722	10,952	10,964
11	Outflows related to derivative exposures and other collateral requirements	6,024	5,805	5,571	5,376	5,129	4,769	4,478	4,256
12	Outflows related to loss of funding on debt products	38	30	30	35	38	30	30	35
13	Credit and liquidity facilities	34,895	41,199	47,137	50,442	5,330	5,924	6,444	6,673
14	Other contractual funding obligations	6,724	6,273	6,153	5,810	4,836	4,485	4,515	4,333
15	Other contingent funding obligations	84,298	77,588	71,037	66,312	4,950	4,735	4,459	4,231
16	<b>TOTAL CASH OUTFLOWS</b>					<b>84,601</b>	<b>84,270</b>	<b>84,012</b>	<b>83,403</b>
<b>Cash-inflows</b>									
17	Secured lending (eg reverse repos)	31,220	30,013	30,173	30,114	6,596	7,033	7,254	7,419
18	Inflows from fully performing exposures	20,084	19,585	18,908	18,410	17,688	17,267	16,729	16,303
19	Other cash inflows	9,317	8,642	8,561	8,032	2,462	2,270	2,221	2,039
EU19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)								
EU19b	(Excess inflows from a related specialised credit institution)								
20	<b>TOTAL CASH INFLOWS</b>	<b>60,622</b>	<b>58,240</b>	<b>57,643</b>	<b>56,556</b>	<b>26,746</b>	<b>26,570</b>	<b>26,203</b>	<b>25,761</b>
EU20a	Fully exempt inflows								
EU20b	Inflows Subject to 90% Cap								
EU20c	Inflows Subject to 75% Cap	45,318	44,925	45,802	45,519	26,746	26,570	26,203	25,761
21	<b>Liquidity buffer</b>					<b>76,511</b>	<b>77,930</b>	<b>77,650</b>	<b>76,907</b>
22	<b>Total net cash outflows</b>					<b>57,296</b>	<b>57,299</b>	<b>57,396</b>	<b>57,216</b>
23	<b>Liquidity buffer</b>					<b>134%</b>	<b>136%</b>	<b>135%</b>	<b>134%</b>

# Securitisation exposures

## Securitisation exposures

We consider ABN AMRO's risk-weighted (external) securitisation position to be immaterial and therefore do not disclose the four securitisation templates recommended by BCBS. The risk-weighted exposure amounted to approximately EUR 32 million at year-end 2019 (EUR 31 million at year-end 2018). For more details, we refer to note 22 Bank Structure in the Consolidated Annual Financial Statements included in the Annual Report 2019

# Disclaimer & cautionary statements

ABN AMRO has included in this document, and from time to time may make certain statements in its public statements, that may constitute “forward-looking statements”. This includes, without limitation, such statements that include the words “expect”, “estimate”, “project”, “anticipate”, “should”, “intend”, “plan”, “probability”, “risk”, “Value-at-Risk (“VaR”); “target”, “goal”, “objective”, “will”, “endeavour”, “outlook”, “optimistic”, “prospects” and similar expressions or variations of such expressions. In particular, the document may include forward-looking statements relating but not limited to ABN AMRO’s potential exposures to various types of operational, credit and market risk. Such statements are subject to uncertainties. Forward-looking statements are not historical facts and represent only ABN AMRO’s current views and assumptions regarding future events, many of which are by nature inherently uncertain and beyond our control. Factors that could cause actual results to deviate materially from those anticipated by forward-looking statements include, but are not limited to, macroeconomic, demographic and political conditions and risks, actions taken and policies applied by governments and their agencies, financial regulators and private organisations (including credit rating agencies), market conditions and turbulence in financial and other markets, and the success of ABN AMRO in managing the risks involved in the foregoing. Any forward-looking statements made by ABN AMRO are current views as at the date they are made. Subject to statutory obligations, ABN AMRO does not intend to publicly update or revise forward-looking statements to reflect events or circumstances after the date the statements were made, and ABN AMRO assumes no obligation to do so.

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